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Asymmetric intergovernmentalism in the responses to the European financial crisis and the role of Germany

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Abstract: The aftermath of the crisis has resulted in a wide variety of societal and political changes across the EU, both at national and at European level, and which has also revealed the structural failures of the European construction and has questioned the legitimacy of the European institutions and the functioning of the EU governance. The responses to the crisis have been focused in the reform of the EU economic governance architecture and in promoting fiscal discipline, macroeconomic surveillance and financial supervision, and have also showed the dominance of the intergovernmental method as a foundation of crisis management. This intergovernmentalism is characterized by an asymmetrical nature, which is defined by the existence of asymmetries between the member states in a context of interstate cooperation relations and decision making processes within the EU, particularly in their capacity to define, draw and set up decisions and take actions at European level. The differences between the "bigger" and "smaller" member states in terms of socioeconomic development and their political power in the EU, is a feature defines this form of asymmetric intergovernmentalism which is achieving a relevant importance on the development of new decisions in the framework of the EU's economic governance, where Germany has been a key actor. Its capability to influence and set up the features for economic policy coordination -following their interests- has been crucial for the way in which the crisis has been managed, leaving smaller member states in a position in which they have practically no voice or power to set up the economic policy actions.
Key words: Asymmetric intergovernmentalism; EU economic governance; European financial crisis; Germany; EU crisis management.

Introduction

The situation of economic and financial crisis in the EU has had an important impact in the European economic governance system, increasing the role of intergovernmentalism as a foundation of crisis management and leading to the implementation of new instruments and the creation of intergovernmental treaties- particularly that concern the Eurozone countries- in order to deal with the debt crisis and that aim to achieve fiscal discipline and avoid financial imbalances. The Eurozone crisis has showed that integration entails costs as well as benefits for the states that are translated on a differentiated way at national level (Majone 2012), and that decisions taken within the European institutions, especially inside the European Council and the Council of the EU (Economic and Financial Affairs), are led by particular member states (Puetter 2012; Beck 2012). The central argument of this paper is that the crisis has supported a stronger intergovernmentalism within the EU policy and decision making, characterised by an asymmetrical nature, as it enhances and shows the dominant position of some member states and their capacity of influence and shape the EU decisions to deal with the crisis.

Thus, the purpose of this paper is to present a conceptual framework to explain and understand the nature of intergovernmentalism on crisis management and to address what has been the role of Germany on this matter.

Since 2008, the EU and its member states have been trying to find solutions that will help to face the challenges that the crisis has generated for the functionality of the European governance system and to tackle the increasing differences and heterogeneity between the member states in terms of their socioeconomic development; however, the measures and the austerity policies introduced in the EU member states have had the opposite effect, as the abysm between the countries' socioeconomic conditions, rather than shrinking, has deepened. The crisis has supported a Union of debtors and creditors, where the first ones seem to have the duty to meet the obligations imposed by the second ones. This is different to the idea that the EU was meant to be a voluntary community of equal states which decide to share a part of their sovereignty for the common good (Soros 2013). Under a situation where rules are settled by the economic and politically stronger member states and where the insolvent usually have to adapt and follow their decisions, the relationship between the actors (debtors and creditors or solvent and insolvent countries), is not among equals. There are big asymmetries in the relation and role of the states of the EU on policy and decision making regarding crisis management and it is possible to observe that most of the reforms introduced in the framework of the EU economic governance architecture were generally aligned with the German preferences.

The EU responses to the crisis have been focused in reforming the economic governance architecture and in trying to ensure fiscal discipline, and were materialised in the creation of several instruments and measures such as the 'bail out' mechanisms (which entail the imposition of conditionality criteria based on austerity measures); the introduction of mechanisms to ensure financial stability and the design of instruments for financial supervision which are product of a bargaining process and negotiations between the national governments and the European institutions. The community method and the previous legal instruments seemed insufficient to deal with the impact of the crisis (and prevent it), and, thus, the intergovernmental method emerged as the dominant feature for reforming the EU economic governance system. There are some that argue that "under the financial threat of the euro's collapse, the heads of state and government of the EU member states eventually ended up in dramatically redefining the intergovernmental system of economic governance in Europe…"(Joao-Rodriguez and Xiarchogiannopoulou 2014). Therefore, it seems that in the responses to the crisis, the two Councils act as the central policymaking forums (Puetter 2012; 2014). But within these intergovernmental institutions, the role that certain member states had played and their capacity to influence decisions and policies, constitute a fundamental issue for understanding the way in which the EU has managed the crisis. This kind of intergovernmentalism is an "asymmetric intergovernmentalism".

Hence, in order to show the role of Germany on crisis management as a feature of asymmetric intergovernmentalism, I will focus on two cases of study on the responses to the crisis related to fiscal discipline and surveillance: the first one is related to the Six Pack, and the second one, to the Fiscal Compact Treaty (FCT). The reasons of choosing these two cases remain particularly on the fact that the first one is included in the EU law, as it is formed by five regulations and one directive- which was agreed by a normal decision making procedure-, and the second one, is an intergovernmental treaty located outside of the EU institutional framework. On both cases, I will highlight the role of Germany and its influence in shaping and framing the creation of these instruments, which deeply promote the idea of fiscal discipline and stability of which Germany has been historically a strong defender. However, this does not mean that other member states did not have a relevant role in shaping other instruments as part of the responses to the crisis, since they certainly did- such as in the case of the creation of the permanent bailout fund, the European Stability Mechanism, another intergovernmental instrument, and the Euro Plus Pact.

1. Asymmetric intergovernmentalism: building a conceptual framework to explain the EU responses to the crisis

It is to make clear that asymmetric intergovernmentalism refers to the phenomenon of intergovernmentalism in the context of the EU integration, particularly in policy coordination in the responses to the crisis in the field of economic governance. For the purposes of differentiating asymmetric intergovernmentalism from the traditional conception of intergovernmentalism in rational choice approaches within EU theory and from recent analytical frameworks that explain the new areas of EU policymaking such as the "new intergovernmentalism" approach of deliberative intergovernmentalism (Bickerton *et. al*, 2014; Puetter 2014), it is important to make reference to the aspects in which these differ from each other as well as the properties they share. Asymmetric intergovernmentalism indeed maintains and keeps most of the core assumptions of Moravcsik's liberal intergovernmentalism and of the deliberative intergovernmentalism approach (Bickerton *et. al*, 2014*)*.

Liberal intergovernmentalism constitutes a theory of European integration, and asymmetric intergovernmentalism is a conceptual framework. Liberal intergovernmentalism, emphasises on the fact "States must overcome collectively suboptimal outcomes and achieve coordination or cooperation for mutual benefit, yet at the same time they must decide how the mutual gains of cooperation are distributed among the states" (Moravcsik & Schimmelfenig 2005). Rather than rejecting the analytical relevance of bargaining process of liberal intergovernmentalism theory, asymmetric intergovernmentalism puts more a ttention on the asymmetrical character of the negotiation, decision and policymaking processes, in the sense of the big differences that exist between the member states on the capacity to frame and influence decisions and policies, which vary according the weight and leadership that some member states have, such as the role played by the German government in the context of economic and financial crisis: "Germany is widely seen as the predominant power in the Eurozone, not only because of its economic importance, but also of the influence of its policy ideas" (Bulmer 2014).

The term asymmetric means absence of similarity, difference, a lack of symmetry, correspondence, or balance among systems or parts of a system. Thus, asymmetric intergovernmentalism denotes the existence of disparities between the member states on their capability to influence decisions and shape policies9 in the in a context of intergovernmental negotiations and cooperation in the EU and on their capacity to define, shape and set up policy agendas and take actions. It assumes that in the context of crisis, the capacity to define the path of the reforms made by the member states to the legal and institutional framework of the EU is not the same: there are some states which indeed, play a more significant and relevant role in the definition of policies, and that sometimes decisions are taken without the existence of shared or common preferences among the states. Even in those cases, the wealthier and powerful states have been able to shape the decisions and policies that others have to follow or adjust to.

Although Moravcsik's liberal intergovernmentalism considers the state as a rational actor and as the cornerstone of the EU integration project focusing on national preferences and cooperation and it does recognises the unequal distribution of benefits of specific agreements, which is consequence of the uneven and unbalanced interdependence that exists within the context of the EU integration, and that the states' preferences are neither fixed or uniform and change among the states and "within the same state across time and issues according to issue-specific societal interdependence and societal institutions" (Moravcsik & Schimmelfennig 2009:69) – assumption to which I totally agree-, it does not really emphasises on the asymmetrical character of the capacity of influencing, framing and shaping decisions between the member states.

Furthermore, the concept of asymmetric intergovernmentalism, neither rejects the main arguments of the analytical framework provided by the recent literature about the new intergovernmental turn in the EU, such as the deliberative intergovernmentalism approach proposed by Bickerton, *et al.* (2014) and Puetter (2014). Albeit this approach offers an interesting and appropriate framework for understanding institutional change and intergovernmental policy coordination in certain areas in the "post-Maastricht era" and recognises the relevance of the European Council as the political centre of this intergovernmentalism, first, it does not focus on the nature of how consensus is achieved, or if there is *no* consensus at all or common preferences; that is, on the nature and the elements that characterise intergovernmental relations and the policy outcome. And second, it only focuses on the policymaking processes inside the EU institutional framework. In the responses to the crisis, the member states have also created intergovernmental mechanisms located outside the institutional framework of the EU that concern the states that are part of the euro area.

Thus, intergovernmentalism looks for collective policy responses, which search for the achievement of particular interests and which represents a situation in which ones have the "voice and power", and others, have to follow. "The process of policy coordination is centred on the Member States by default" (Puetter 2012), but this is an asymmetrical process. Schimmelfening (2015) explains that intergovernmental bargaining in the responses to the crisis has produced a cooperative solution, which reflected the interests and preferences of the wealthy and powerful member states. This assumption denotes the existence of an asymmetrical nature of intergovernmental bargaining.

But, which are the sources of power that create asymmetries? Taking into consideration some of the literature on International Relations (IR) theory and Political Science, it is possible to distinguish the following:

1. Economic power, referred to the economic solvency, socioeconomic conditions and the material and capital resources that a state has.
2. Normative or institutional power (Hyde-Price 2000). This type of power is related to the capacity to shape agendas and decisions, and preserve preferences and interests (political influence in the EU; influence on European legislation in particular subjects). It also reflects a leading position in the Council, result of the bargaining power and the influence on the agenda setting. This kind of power has to do with "shaping the EU rules" (Bulmer, Jeffrey and Paterson 2000: 13), and "to decide how things shall be done, the power to shape frameworks within states relate to each other…" (Strange, quoted in Hyde-Price 2000: 112).
3. The power of ideas and dominant sets of beliefs (Bulmer and Paterson 2013). This type of power has been considered within IR literature on hegemony and is related to the leading and strong presence of certain political and economic ideas that appear dominant and frame not only the discourses, but the dynamics within the structures of the international regimes.

4. The capacity to create coalitions (Schild 2012), for example the Franco-German leadership and the alienation of positions with some countries (in this case particularly with the northern European states), constitutes an advantage over the preferences and interests of others.

There are however, other types of power that indeed create asymmetries and enhances the political power position of the member states which are also expressed by Bulmer and Paterson (2000; 2014), Hyde-Price (2000) and Schild (2012), such as the military or geostrategic power, among others, on which I will not focus on this paper since they are more related to security issues, foreign policy or the exercise of power in international relations. What is important here is to underline that these types of power are also features of a state's political power. As Hyde-Price (2000:113) notes: "deliberative political power is a function of both a state's economic, military and normative power resources, and it national leadership, character, and ideology".

Hence, I argue that asymmetric intergovernmentalism appears as the main foundation for crisis management, were the exercise of power on its different representations plays an important role on the definition of the states' capacity to influence decisions and policies.

2. The responses to the crisis: reforming the European economic governance architecture

The interdependence relations between the countries that are part of the Eurozone are asymmetrical due to the fact that the existence of the monetary union in a regional space such as the EU, has gathered on one side, solvent countries which economies are based on an export-led growth strategy, productivity and competitiveness – like Germany and the northern countries of the Eurozone –, and on the other, countries with wage inflation and demand-led-growth strategy: the southern countries such like Greece, Italy, Spain, Portugal (Scharpf 2011). Therefore, bigger states, particularly Germany, allowed southern countries to borrow from them at very little cost: "Accumulating export surpluses and suppressing domestic consumption, moreover, generated a surplus of capital. German banks and investors lent their extra cash to southern Europe at historically low interest rates, ignoring the longer-term risk" (Moravcsik 2012: 59). Thus, we have observed a situation with massive capital flows from northern countries to southern Europe, as well as a situation of bankruptcy and indebtedness in the south and of prosperity and wealth in the north, which are "two sides of the same coin", not only due to the corrupted and inefficient governments in the south of Europe and of excessive public spending, but also as a consequence of the actions held by the European lenders (see Moravcsik 2012; Stockheimer 2014).

When the crisis hit the Eurozone countries, one of the main interests that marked the development of the decisions for crisis management among the member states- particularly of the northern and creditor countries-, was to preserve the monetary union and ensure the stability of the Euro and try to avoid welfare losses, and thus, the actions were directed to this end. The development of the responses to the crisis of the EU has been characterised for different periods related to particular economic and financial situations which challenged the functioning of the Economic and Monetary Union (EMU). After 2008, one of the crucial points was marked by the Greek debt crisis and the fear of a contagion to other member states, which questioned the permanence of the membership of some countries in the Eurozone. Moreover, the recognition of the risks that the dichotomy between a centralised monetary policy and a decentralised fiscal policy and the lack of efficient financial supervision mechanisms at European level, pushed the EU and the member states to act towards healing the deficiencies of the EMU and try to fix it. "The crisis has exposed a structural problem of the Eurozone that has been analysed by many economists in the past. This is the imbalance between full centralization of monetary policy and the maintenance of almost economic policy instruments (budgetary policies, wage policies, etc.) at national level" (De Grauwe 2010).

In responding to the crisis, first it was decided to create bail out mechanisms: two temporary, the European Stability and Financial Facility and the European Stability and Financial Mechanism, which were substituted by a permanent mechanism: the European Stability Mechanism (ESM), and that were settled following a logic of austerity as the main condition for receiving financial aid. "This fund gives loans to the countries that are misleadingly referred to as 'rescue packages' and imposes conditionality that is similar in spirit (if not as far reaching) as IMF adjustment programmes" (Stockhammer 2014).[1] Second, the creation of instruments for the establishment of measures and common disposition for supervision and fiscal and economic surveillance: 1) the European semester, introduced in 2011 and which constitutes one of the reforms to the European economic governance architecture and that looks for the achievement of economic policy coordination between the member states by establishing rules for fiscal and economic surveillance, and it gives the Commission the task to monitor and emit recommendations to the member states (Country specific recommendations). 2) The Six Pack, which aim was to reinforce and strength the SGP by introducing measures for minimum requirements for national fiscal frameworks and a corrective mechanism in order to prevent fiscal imbalances. 3) The Two Pack, adopted in May 2013, under which the member states had to present fiscal plans and also establishes common dispositions for supervision, surveillance and policy monitoring of the member states which face financial difficulties. Both, the Two and Six Packs had strengthened the European Commission's powers of monitoring and control over member states' public finances. 4) The Treaty on Stability Convergence and Governance also known as the FCT; 5) the Euro Plus Pact, or pact for competitiveness.

Other wave of regulations that emerged as part of the efforts for strengthening of the EMU can be found in the introduction of financial regulation and supervision schemes, first with the reinforcement of the European system of financial supervision and the creation of new authorities (European Banking Authority; European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority); and second, with the design of a banking union. Its creation followed the idea of having more supervisory control over financial institutions and avoid further crisis and the unfair consequences for the taxpayers regarding the use of state money to bailout banks; thus, it was necessary to create some sort of mechanisms that would demand financial institutions to have enough liquidity and have the banking sector under supervision.

On another side, it is possible to recognise divergences regarding the member states preferences and roles on crisis management. Germany and the solvent member states, wanted to avoid the weakening of the monetary union and were in favour of the establishment of stricter national adjustment programmes, meanwhile other countries were keen of softer adjustment policies. Thus, the negotiation and advocacy processes for the creation of the instruments and mechanisms to reform the economic architecture, showed the differences between the wealthy countries which supported a stricter fiscal discipline and the strengthening of economic policy coordination in the Eurozone, and the group of less wealthy countries with fiscal problems, which wanted less fiscal and financial regulation: Greece, Italy Portugal and Spain- and also Belgium-, wanted soft adjustment policies, and on the contrary, Germany and the northern countries (Austria, Finland, and the Netherlands), advocated for a stronger fiscal discipline. This idea was materialised, first, on the imposition of austerity policies and criteria which obliged countries to make structural reforms in order to reduce their public debt and deficit; and second, in the creation new legislative instruments: the Six and Two packs and the FCT: "All of the key players (the Commission, the ECB, the IMF – not to mention Germany and the other Northern Member States – advocated fiscal balance and budgetary austerity with the assumption that this would result in monetary stability and a shift of available investment from public institutions to private firms which turn supposed to have triggered general expectation of employment production and prosperity" (Schmitter & Lefkofridi 2015). Therefore, the Eurozone is divided in the northern countries, or net payers, characterised by a high solvency situation and with no need of external assistance, such as Germany, Austria, Finland and the Netherlands, and the southern or insolvent countries, like Greece, Portugal, Italy and Spain (Schimmelfennig 2014).

Germany in particular, wanted to strength the SGP and to introduce stricter measures and sanctions for the countries that do not comply with the fiscal rules, as well as it favoured the involvement of the

IMF in the financial assistance. And differently to the German position, countries like Italy and Spain opposed to the introduction of strong sanctions to highly indebted and deficit countries. Thus, we find a situation of a sort of a conflict between the interests and positions of the wealthy countries in favour of fiscal discipline and financial commitments, and the ones which wanted a stronger European financial commitment and softer fiscal compromises. The first ones, shaped the terms of the responses to the crisis, and on a first moment, when the bail-out mechanisms were introduced, the indebted countries were bailed out under certain conditions that were materialised in austerity plans and fiscal cuts, which generated a very negative impact on the socioeconomic situation of some of these countries. The imposition of the criteria was clear: highly indebted and deficit countries had to commit to fiscal discipline. On the same way, the other instruments introduced were shaped according to the solvent countries' main interests and reflected their concerns. The legislative packages regarding the reinforcement of the SGP (the Two and Six Packs), reflected the idea of more fiscal discipline and the European semester for fiscal surveillance, were the Commission plays a monitoring role and must emit recommendations regarding national budget plans. A similar panorama can be observed in the creation of the banking union and its mechanisms, were there are also some powerful intergovernmental features: "… whereas the ECB is vested with the power to supervise system-relevant banks directly and may also look into smaller banks, the resolution mechanism retains more national and intergovernmental elements. Decisions on bank resolution will be taken by an independent board of national authorities; finance ministers can overturn resolution decisions…" (Schimmelfennig 2014: 13).

3. Germany's role on crisis management

Germany's role in the responses to the crisis is a feature of asymmetric intergovernmentalism. In order to illustrate this, and with the purpose to show the political and economic leadership of Germany on European policy and decision making in the framework of the responses to the crisis, it appears necessary to first identify a couple of elements that had allowed this country to play this role. I argue that this is a consequence of the exercise of power on its different manifestations as I have described on the first section of this paper.

In the case of the economic power, Germany upholds a good economic situation in Europe by maintaining a strong export growth and has improved its price competitiveness in comparison to other Eurozone countries. Besides, it is not only the biggest contributor to the EU budget and has the principal creditor status, but it is also the largest market of the EU and represents one of the countries with the largest GDP (Eurostat 2014). On the other hand, normative power is also a vital dimension of German leadership in Europe. This country's "ability to influence the rules, values and dreams of its European neighbours constitute a major power resource and provides one of the keys to understanding Germany's role in late modern Europe" (Hyde-Price 2000: 117). Germany exercises a considerable normative influence over European developments, and this situation has been more visible in times of crisis. The ideas and criteria used in the responses to the crisis are related to the historical tradition of Germany's economic model standards: budgetary discipline, competitiveness, monetary stability, government spending and exports, individual responsibility (Dulien 2013; Moravcsik 2012), which is in line with ordoliberal principles that have been incorporated to the EU's economic policy vision (Guérot & Dulien 2012), that show Germany's capacity to extend its sets of economic ideas and beliefs at EU level. Ordoliberalism has given an intellectual content to crisis management, putting the corporate economic interests over the general economic good and supporting the idea that a "market society does not emerge spontaneously, bust must be politically framed by constitution-like rules" (Ryner 2015: 382).[2]

In the responses to the crisis, the interests of Germany appeared quite clear. It looked for maximising its benefits in the current system, where insolvent countries had to adapt to a fiscal discipline by adjusting their fiscal plans and cutting public spending by creating a series of rules, where Germany lends assuming that they repay their loans and at the same time, protect the northern banking system. "In coping with the short term consequences of the debt crisis and in saving a system from which they benefit, German leaders have displayed bolder political leadership than at any other time in the history of monetary integration". (Moravcsik 2012: 64). In this matter, it is not possible to observe a mutual beneficial cooperation but a bigger asymmetrical situation, where the interests and preferences of the stronger states are portrayed in the policy processes and decisions. Hence, the responses to the crisis have also showed Germany's European policy which has been historically, a very important referent for agenda setting in the processes of policymaking in Europe (Bulmer & Paterson, 2010).

Case 1. The Six Pack

Germany's idea of fiscal discipline and stability was good reflected in German Chancellor's words in 2010: "Europe needs a new stability culture" (Merkel quoted in *The Spiegel* 2010). Those ideas were expressed in a common letter issued by the French president Nicolas Sarkozy and Angela Merkel to the president of the European Council and the president of the European Commission in May 2010:

> We must first reinforce the economic governance of the euro area […] For this work to succeed, all contributions, including by the Commission and member states, need to be assessed jointly by the Task Force. At their upcoming meeting, Heads of States or Government of the Eurozone should send a clear signal that they are prepared to consider for the Eurozone: reinforcing fiscal surveillance within

> the euro area, including by providing for more effective sanctions in the Excessive Deficit Procedure and by reinforcing consistency of national budgetary frameworks with the principles of the Stability and Growth Pact; broadening the surveillance to structural and competitiveness issues and imbalances and enhancing the effectiveness of EU economic policy recommendations; for the future, exploring options to create a robust framework for crisis resolution respecting the principle of member states' own budgetary responsibility (Die Bundesregierung 2010).

The Task Force Report of 2010, "Strengthening Economic governance in the EU", also included these ideas, which were materialised in the main instruments for reforming the European governance architecture and in the intergovernmental FCT (European Council 2010a).

The Six Pack constitutes one of the early responses to the crisis in the framework of the reforms to the economic governance of the Eurozone which deals with budgetary discipline and aims to reinforce the provisions under the SGP and presents a scheme for macroeconomic surveillance in order to detect and correct imbalances. It is composed of a legislative package of five regulations and one directive and applies to all the EU member states, although it has certain rules that are only applicable to the Eurozone countries, such as financial sanctions (European Commission, DG Economic and Financial Affairs), and it reinforces the preventive and the corrective arms of the SGP especially by including the possibility of emitting warnings and applying financial sanctions in case the states do not meet the medium term budgetary objectives (Catania 2011), or if they do not comply with the SGP criteria. The Six Pack introduced an excessive debt procedure and a qualified majority voting (QMV) formula in the Council for the application of sanctions in case of non-compliance (under the SGP veto was possible).

At the beginning of 2010, the Council called for a proposal from the Commission to ensure and promote fiscal discipline in the EU and created a Task Force on economic governance leaded by Hermann Van Rompuy and composed by the members of the Economic and Financial Affairs Council, the presidents of the ECB and the Eurogroup, and the Commissioner for Economic and Financial Affairs (European Council 2010b). The main aim of this Task Force was to promote the reinforcement of the economic coordination and fiscal discipline by strengthening the rules under the SGP and prevent macroeconomic imbalances. The Task Force issued recommendations which were retaken by the Commission on its proposals, where Germany made important contributions, particularly regarding the application of sanctions to member states in case of no compliance with the deficit and debt criteria and it also advocated for legally binding rules for balancing budgets. "In earlier meetings, we had already agreed on the main principles: A wider range of sanctions and measures, both financial and political; more focus on the debt criterion, which used to be disregarded; an adapted timing, with sanctions kicking in at an earlier stage" (European Council 2010a). Other countries supported Germany's contributions, such as Austria, the Netherlands and Finland. "The implementation of the report will mean stricter and more automatic punishments for countries that borrow too much, as the Germans – backed by the Austrians, Dutch, Finns and Swedes – have called for" (Grant 2013).

In September 2010 the Commission presented a series of proposals of legislative measures responding to the Council's call, and in this line, one of those was related to the application of financial sanctions to those member states which do not comply or fail repeatedly to meet the Council's recommendations under the Excessive Imbalance Procedure (EIP)[3] in order to correct macroeconomic imbalances. The Commission proposed that the sanction would be a fine of 0.1% of the GDP (European Commission 2010). Nevertheless, besides being quite supportive of the Commission's proposals, Germany advocated for severer and automatic sanctions. "…the German finance minister has thrown his weight behind a European Union proposals for tough new rules and fines against member countries that fail to get their fiscal houses in order[…] In a letter to all 27 EU finance ministers, Wolfgang Schäuble said he chiefly supports the stringent proposals made by Jose Manuel Durao Barroso […]a block of countries led by Germany – which includes the Netherlands, the UK and experts in the Commission – are pressing hard for the fines to come almost automatically if certain benchmarks are breached" (Financial Times 2010).

However, other member states firmly opposed to the application of automatic sanctions such as France, Italy, Belgium and Spain. The Commission decided to increase the percentage of the fines to 0.5%of the GDP, but did not agreed on the fact that the sanctions should be applied automatically. As Boyle and Hasselmann (2015: 134) point out, "Significant progress on the Commission proposals was made when Germany agreed to drop its insistence that the legislative proposals contain automatic sanctions in exchange for France supporting treaty revision to create the ESM".

The idea of fiscal discipline and economic coordination strongly supported by Germany included in the dispositions of the legislative instruments of the Six Pack. It played an important role on the agenda setting for the strengthening of the economic governance and some of its interests and preferences were reflected, as well as the support and opposition it got from other member states. Even though it did not achieve to introduce some of the dispositions exactly as it wanted, it was able to promote most of its preferences and obtain the support from the solvent countries.

Case 2. The Treaty of Stability, Coordination and Governance in the EMU (FCT)

The FCT follows Germany's preferences on the requirement that all Eurozone countries should have legally binding balance budget rules at domestic level that were not included in the Six Pack. Different to the Six Pack instruments which are part of the EU legislation, the FCT is an intergovernmental treaty which is located outside the EU institutional framework, and was ratified in 2012 by all the EU member states except the Czech Republic and the UK[4]- and Croatia, which joined the EU in 2013 and has not yet adopted it. Although it was approved by non-Eurozone member states, not all the provisions fully apply to all the signatories. Its main objective is to foster fiscal discipline (see Article 1 of the FCT), through the coordination of economic policies and by balancing national budgets and to establish a deficit and debt criteria – the same as in the SGP.[5] The treaty is also part of the efforts to strength the SGP and also reinforces the Six and Two Packs with the purpose of better regulate the 'behaviour' of national governments (Dehousse 2012) by obliging the Eurozone member states to adopt this rule in their national law. The budget has to be balanced or in surplus (Article 3a) and the countries have to reach their mid-term budget objectives keeping the structural deficit below 0.5% of the GDP (Article 3b). The treaty states that the countries whose debt rises above the 60% of the GDP shall reduce it at least one twentieth per year (Article 4), which constitutes 5% - this is what many call "the debt break". The treaty also gives monitoring and reporting competences to the European Commission, as it has to observe the insertion of the Fiscal Compact rules into the domestic law of the Eurozone countries. They are also obliged to support the Excessive Deficit Procedure recommendations' made by the Commission under the SGP. Moreover, another relevant issue contained in the treaty rules, is the introduction of the Euro summit meetings at least twice a year (Article 12).

The FCT included many of Germany's demands regarding fiscal discipline in the Eurozone and it is also an illustrative feature of the shift from the community to the intergovernmental method. As I have highlighted before, its approach to solve the crisis comes out from its ordoliberal tradition: "ordoliberal ideas have been influential in determining the fiscal conditions set for debtor states internationally, not least because Germany is the largest contributor to the Eurozone bailout mechanisms" (Bulmer 2014), which underpin the idea that the basis of a successful economic policy is the existence of a strong legal constitutional framework (Nederegaard and Snaith 2015). Thus, the FCT represented the German position regarding the balanced budget rule- also called 'the golden rule' , which limits the public deficit and debt-, a correction mechanism in case of lack of compliance with the rules and the requirement to introduce these rules at national level. This idea of adopting stronger fiscal rules in the Eurozone was present in Germany even before the first Greek bail out which follows the interest to push the other

Eurozone members to adopt fiscal restrictions into their national law – similar to the ones established in Germany in 2009: "The German government is to press other Eurozone countries to adopt their own versions of Berlin's balanced budget law as part of a set of sweeping reforms to stabilise the euro (…)Wolfgang Schäuble, the German finance minister, is working on a set of sweeping reforms for the stricken Eurozone, which he will present on Friday [May 2010] at the first meeting of a working group set up to consider closer economic policy co-operation (…) Schäuble's proposals would be for other Eurozone countries to adopt similar fiscal constraints to Germany's *Schuldenbremse* – as the law is known." (Financial Times 2010). At the beginning, Germany wanted a treaty reform in order to implement stronger fiscal rules and discipline, however, since this idea had implied the revision of the treaties and was not backed by several member states (particularly the UK),[6] it decided to move forward by creating an intergovernmental treaty outside the EU legal order that obliges the signatory countries to keep their budget in balance and a structural deficit not above 5%. The treaty also stipulates that only countries that follow the fiscal compact will be eligible to receive ESM support (Gros 2012).

France backed Germany's proposals under President Sarkozy's government and was also supportive of intergovernmentalism: "The integration of Europe will go the intergovernmental way because Europe needs to make strategic political choices" (Sarkozy quoted in Miller 2012). They both highly agreed on the conditionality principle of making the ESM funds only available to the signatories of the FCT as well as on the introduction of the balanced budget rules at the national law. "On December 5th [2011] the German chancellor, Angela Merkel, and the French president, Nicolas Sarkozy, agreed that the 17 euro-zone countries should insert a German-style "debt brake" into their constitutions. That […] will help prevent a recurrence of the crisis that threatens the euro's survival" (The Economist 2011). However, when François Hollande was elected, he was willing to renegotiate the treaty[7] – but Germany did not allowed this-, and was in favour of the introduction of Eurobonds. On another hand, concerning the positions of other member states regarding the FCT, at the beginning not all of them were convinced with the main dispositions and were concerned about the implications of the agreement at domestic level, such as Ireland, which announced a referendum on the ratification of the treaty in 2012, and Finland, which was sceptical about the transfer of budgetary surveillance powers to the European Commission (Miller 2012: 10).

Finally, we can observe that both cases show that Germany has been a central player in the development of the reforms of the EMU fiscal governance and one of the most influential member states, and show that the EU institutional response to the crisis was generally aligned to its preferences and interests and support its ordoliberal tradition, following the idea that strong rules must be created, monitored and sanctioned in case of no compliance. Hence, both cases reveal the leading role of Germany on crisis management which is bringing a model of strong austerity and fiscal discipline – supported also by a particular group of countries- which appears as a feature of asymmetric intergovernmentalism, in both, inside and outside the EU institutional framework.

Conclusions

The crisis has exposed the differences between member states in the field of their capacity to influence decisions in the framework of the EU's economic policy responses to the crisis. That means that the introduction of the instruments and mechanisms to deal with the crisis is related to the action of the member states at EU level and the way in which they achieve their preferences and impose or follow particular interests. Thus, crisis management has been based on the idea of preserving the euro, establishing fiscal discipline and in trying to achieve economic convergence. The differences that exist between the export driven growth economies and the debt driven growth economies or "net payers" and "debtors" had also increased the big abysm that exist between northern and southern Europe and had play a key role on the way in which member states' power and preferences affect and draw EU decisions and policies. The positions and preferences of the net payer countries towards adopting certain measures, instruments and policies, have remained above from those of the less solvent countries, and at a certain point, imposed. This is a characteristic of asymmetric intergovernmentalism, that is, the capability of certain member states to frame and shape decisions and EU policies according to its own interests and preferences and the "advantaged" position and role that they enjoy.

Hence, asymmetric intergovernmentalism provides a conceptual framework for assessing the responses to the crisis under which more powerful member states' governments act as leaders and are thus able to safeguard their particular interests even on the basis of a common European policy solution that has to be made, in many cases, by consensus decision. Both cases are a clear examples of asymmetric intergovernmentalism and of Germany's capacity to influence decision and policymaking, which reflect the export of domestic rules at European level by promoting the establishment of a stability culture based on fiscal discipline in Europe and grounded on Germany's ordoliberal tradition.

One of the cases shows the influence of Germany within normal decision making procedure (which involves the Commission, the Council and the Parliament), that was reflected on its capacity of agenda setting and policy shaping: the Council called the Commission to initiate legislation which also followed Germany's interests of fiscal discipline and was backed by the proposals settled by the Task Force. This does not mean however, that supranational institutions, such as the ECB and the Commission, did not played also a relevant role in the promotion of the enforcement of fiscal discipline and a surveillance regime, since they were indeed supportive of these ideas. But Germany has been capable to make others follow even though the interests and preferences of these followers are not fully satisfied; and moreover, when not all the member states are following, it has been able to get support from particular states and form coalitions, or to advance without the support of some of them (like in the case of the FCT). Nevertheless, this does not mean that other solvent member states have not played an important role on the negotiations over these instruments, such as France and others- as it has been highlighted in the cases examined-, which during the negotiation of both instruments played a significant role, as well as the UK which was not in favour of the FCT and decided to stay out of it. This certainly reflects the asymmetrical character of intergovernmentalism in the responses to the crisis.

Finally I would like to add that the feature of asymmetric intergovernmentalism can be also observed in other reforms and instruments created that are not analysed on this paper, such as the Euro Plus Pact, which responded to an initiative of Germany and France to achieve deeper economic coordination by fostering competitiveness in the Eurozone, reinforcing financial stability and achieve the sustainability of public finances, by making use of the Open Method of Coordination; or the European Stability Mechanism.

Notes

[1] In mid-2015, the question of a "Grexit", reappeared with strength, followed by a situation of deep uncertainty and political conflict between Greece and its creditors, which resulted again in the imposition of a conditionality criteria to the country in order to receive financial aid and in the emergence of a social and political conflict inside Greece and reflected the absence of the respect to democratic principles and values in Europe.

[2] The imposition of conditionality criteria on the instruments crated as responses to the crisis follow the ordoliberal tradition. The agreements on macroeconomic and structural reforms that the states have to submit to, transpose the export-oriented models of northern Europe to the rest of the Euro Area (see Reyner 2015: 382).

[3] This was a feature established in the 2010 Commission's proposals which states that in case that the Commission detects imbalances on a country it can emit recommendations to reduce it. "A Member State under EIP would have to present a corrective action plan that will be vetted by the Council, which will set deadline for corrective action. Repeated failure to take corrective action will expose the euro area Member State concerned to sanctions". *Cf.* European Commission (2010).

[4] In 2014, the Czech Republic new government decided to adopt the treaty, but as in the case of the other no-Eurozone member states, in case they do not meet the fiscal rules, the sanctions would not apply until they become part of the Eurozone (see Euronews 2012). At the beginning it did not wanted to approve the treaty for several reasons: besides the difficulty to ratify the treaty at home, the Czech government was against because the inability for no Eurozone countries to participate in Eurozone summits and because the treaty does not pay attention to debt. (Miller 2012)

[5] These are: budget deficit less than 3% of the GDP; structural deficit less than 1% of the GDP; debt levels below 60% of the GDP.

[6] It appears relevant to recall that the idea to move towards more fiscal discipline by making use of the instrument of enhance cooperation was also considered, but in this case, enhanced cooperation would not have lead to "an inevitable breach with the UK or with other member states which could decide to join the enterprise at a later date, whereas such a reunion would be more complicated in case of a 'pure' international agreement"(Martinico and Cantore 2012:6)

[7] Hollande criticised the balanced budget rule and the disposition of including it into the national law of the member states.

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