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Asymmetrical Intergovernmentalism and the Eurozone's Crisis¹

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Introduction

From the very early years of the Eurozone, many scholars had predicted that it would finally be led to crisis (Bayoumi and Eichengreen, 1993; Krugman, 1993; Dyson, 1994). Although these studies provided a clear-cut context of both the problems and the means for resolving them (Eichengreen, 2012), they never became part of a meaningful debate on change. The Eurozone embarked on an historic journey, with crisis as the main destination (Mourlon-Druol, 2014). Since 2009, a series of contributions linked the Eurozone's crisis with various issues: domestic policy and Germany's leadership (Bulmer, 2014); the role of France and Germany (Schild, 2013; Crespy and Schmidt, 2014); the European regime (Featherstone, 2011); the fragile architecture (De Grauwe, 2012); the inherent flaws of Maastricht (Dyson, 2012); and the ineffectiveness of the Stability and Growth Pact (SGP) (Heipertz and Verdun, 2010). On the theoretical level, many authors tried to interpret the crisis through the lens of intergovernmentalism (Fabbrini, 2013); neofunctionalism (Niemann and Ioannou, 2015); varieties of capitalism (Hall, 2014); liberal intergovernmentalism (Schimmelfennig, 2015); historical institutionalism (Verdun, 2015); deliberative intergovernmentalism (Puetter, 2012); new intergovernmentalism (Bickerton et al., 2015); regulatory state (Caporaso et al., 2015); sociological approaches (Saurugger, 2016); critical political economy (Ryner, 2015); normative political theory (Dyson, 2013); discursive institutionalist analysis (Schmidt, 2016); ideas (Matthijs, 2016); political legitimacy (Bellamy and Weale, 2015); and policy learning (Dunlop and Radaelli, 2016).

However, the main question on whether EU governance has become more supranational remains (Dehousse, 2016; Fabbrini and Puetter, 2016), while, at the same time, there is a growing belief that some Member States (MS) are able to dominate over the others (Fabbrini, 2015; Fabbrini, 2016b). Who governs whom in the EU? The main purpose of this paper is to suggest a different interpretation, presenting an alternative model for the systematic examination of this phenomenon, by stressing the importance of asymmetry, which affects all dimensions of the Single European Space (SES). We will discuss how the dynamics of asymmetric relationships among the state and non-state actors affect the integration process. In this peculiar SES, asymmetry takes on completely different characteristics from the

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asymmetry observed in the international context, changing the nature of both the integration and the intergovernmental model. The post-crisis period, as well as the debate on which path to follow, highlights the importance of asymmetry. As demonstrated by the Eurozone crisis, the existence of asymmetric relationships mean that some MS may dominate others within the SES and *de facto* lead weaker MS to irrational and illegitimate behaviour. The non-state actors in order to reinforce their position and to pursue their interests seems to be biased towards powerful MS. In this way, asymmetry seems to alter the very concept of European integration transforming every aspect of integration process. European integration becomes the means, and the EU becomes the arena, within which the powerful MS dominate the less powerful through the dynamics of asymmetric relationships.

Asymmetric Intergovernmentalism: How does it Work?

The establishment of a new theoretical approach should highlight both the role of the main actors and the mechanisms through which European integration is taking place². The complexity of this theoretical attempt emphasizes the need to incorporate various approaches to address the challenges. Through asymmetric intergovernmentalism, we are trying to create a new theoretical synthesis incorporating and reviewing many of the basic principles of intergovernmentalism and neofunctionalism. Today, twenty-five years after the creation of EMU, these changes are necessary to highlight the complexity of the European project. The case of EMU seems to be very enlightening. The integration process takes place in three stages: a. planning, b. creation, and c. transformation. All three stages involve several state and non-state actors who may have different motives.

What initially boosts integration process? Our answer to this question has probably not changed. The forces of globalization and the changes in the international context, mainly after the World War II and especially after the 1970s', impel the modern states, to remain competitive in the international arena, to transfer sovereignty to supranational actors and by this way to compensate the loss of their policy autonomy. In this way, the EMU promoted by the various actors as a response to the challenges of globalization because of the loss of national autonomy in the designing of economic policy (Padoa-Schioppa, 1987). This is the primary motive for the promotion of European integration.

The main theoretical assumptions of neofunctionalism are based on the works of Haas (1958) and Lindberg (1963). According to Haas (1958, p.16), integration is a process 'whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states. The result of a process of political integration is a new political community, superimposed over the pre-existing ones'. This kind of conception of the integration process brought to the surface a dynamic and simultaneously an automatic and depoliticized process of promoting integration through the spillover mechanism in functional and technocratic sectors. Spill-over is a situation where 'the initial task and grant of power to the central institutions creates a situation or a series of situations that can be dealt with only by further expanding the task and the grant of power' (Lindberg 1963, p.9).

² For an excellent step by step theorizing attempt which this study follows, see, Verdun (2000).

On the other hand, the assumptions of intergovernmentalism are based on the works of Stanley Hoffmann (1966, 1982). Intergovernmentalism assumes that the nation-states and national interests remain the key drivers of change. The most powerful states through interstate negotiations play a prominent role in the integration process. However, intergovernmentalism, unlike neofunctionalism concerns that the non-state actors (i.e. social actors) do not play a significant role in the integration process, and it does not recognize the existence of an internal dynamic process (spillover) by which European integration could be promoted (Verdun, 2000, p.188).

Asymmetric intergovernmentalism recognise two types of actors, a. states, and b. non-states. Even though, the MS play the most important role, we also need to recognize several non-state actors are involved in the integration process, which are interested to improve their position³. The non-state actors are operating at all levels of SES and may be formal or informal. Non-state actors are characterized as a. supranational, b. national authorities, c. intergovernmental bodies, d. bureaucratic, e. technocratic, and g. social. Each of these actors has a specific role to play.

- i. Supranational actors (European Commission, European Parliament, Court of Justice and ECB) are a product of the integration process. They exercise their institutional role only in the context of their mandate, i.e. only to the extent MS have agreed to delegate powers to them. No new plan concerning the transfer of sovereignty on the supranational level can move forward without the consent of the most powerful MS.
- ii. National authorities are related to the authorities responsible for policy making and implementation on the national level, for example the Ministries of Finance. National authorities tend to safeguard public policy choices through the European integration process.
- iii. Intergovernmental bodies include a series of novel, mostly intergovernmental, bodies, which are created to facilitate, promote, but also control the integration process. Such an example is the EUROGROUP.
- iv. Bureaucratic actors usually comprise all senior and junior executives of EU institutions. They constitute the, already established, European bureaucracy. Living at the very heart of European developments, most of these actors have been detached from their national base and, being bureaucrats, work towards perpetuating the bureaucratic apparatus. Owing to the dynamic asymmetric relationships that have been developed, these bureaucratic actors are tacitly persuaded to support the initiatives of the most powerful MS. In most cases their political supervisors come from powerful MS, thus bureaucratic actors typically tend to comply with their demands.
- v. Technocratic actors include all external consultants of European institutions that undertake to conduct certain reports on various integration-related issues. These include the staff of external institutes that participate each time in the debate. Usually the involvement of these actors in the process is unofficial, albeit their relationship with the most powerful MS is important. They promote integration on technocratic, usually economic, terms, refraining from any mention to issues pertaining to the transfer of sovereignty and European integration.
- vi. Social actors are related to the trade unions and employer organizations that promote the interests of workers and businesses within each MS. Because of

³ This idea might be also consistent with the Grieco's (1995) voice opportunity thesis.

this they may hold different views on the course of the integration process, albeit at the end of the day this process is affected only by the social actors that tend to have strong relations with the most powerful MS.

Actors⁴ seem to be of the same educational level, have similar experience, and seem also to be very well versed in the consequences of integration process. The persons who participate in the process, because of their common educational background, seem to come from the same ideological schools of thought. It is very important to understand that they are somehow biased both in favour to neoliberal ideas and to powerful MS, and promote the integration process to consolidate and advance their positions. All actors seem to possess institutional memory and do not promote any plans if they know in advance that these plans will not be adopted. In their clear majority and regarding most decisions, the non-state actors promote European integration in an asymmetric way (i.e. in most cases they are biased in favour of the consensus promoted by powerful MS). They act in this manner both because they are aware that any alternative option would be blocked by the most powerful MS, and they may have established relationships of power with them. We should also not overlook the fact that quite often the protection of the interests of non-state actors may be identified with serving the interests of powerful MS. All non-state actors play an important role in the integration process as they become the means through which economic policy spillover and legitimized.

European integration and especially monetary integration, seems to be characterised by a spillover process (Verdun, 2000). This way, the integration incorporates a dynamic procedure, within which the necessary changes should be realized without the involvement of political actors. But this statement represents an inherent logical error in the integration process, as the spillover mechanism which characterise integration process has itself become the means for promoting asymmetry. In other words, this partly depoliticized process enables senior actors within the SES to intervene in an asymmetric way. On one hand MS, tend to promote policies that consolidate their position on all policy levels (national, domestic, regional and global), while on the other hand, non-state actors, striving to consolidate their own positions, promote certain European-wide changes that are identified with the preferences of most powerful MS to facilitate consensus. This way, European integration is transformed into a dynamic game with at least one equilibrium point. The resulting equilibrium may not be optimal, even if individual choices are rational. This is simply because a decision cannot be rational regarding all actors on all levels. Thus, asymmetric EMU is promoted because all actors agree, implicitly or not, to its creation, since they believe that it is necessary for securing their interests and strengthening their position.

We can identify three different policy levels –national, intergovernmental, and supranational (Figure 1)– on which public consultation and decision making in the EU occurs. The decision-making process is covered by a SES, which begins with its very inception, the moment that the nation-states transfer sovereignty to a supranational level. Within the SES, it is possible for the most powerful MS to dominate the weaker

⁴ For a more details, see, Verdun (2000, p.206).

MS in many ways asymmetrically. Asymmetry occurs from the beginning of the integration process within the whole SES⁵.

In the national level, the key competences have not been transferred to the SES. Here, the behaviour of nation-states is explained by international relations and diplomacy theories. The balance of power affects the outcome of any bilateral or multilateral negotiation. The states are voluntarily involved in any negotiation.

Once the competences have been transferred, the nation-states become a MS. This is a crucial fact.⁶ From this point onwards, and until a supranational actor takes their place, MS are called to preserve their competitiveness and legitimacy within the peculiar SES. Integration denotes the transfer of sovereignty competences across these three policy levels. How do the rules of the game change? Who governs whom within this peculiar SES? The answer is that the most powerful MS can intervene in the integration process, within the SES, in an asymmetric way.

The EU always remains in a state of equilibrium. Because of the dynamics of asymmetric relationships that have been developed within the peculiar SES, this equilibrium is not optimal. Asymmetry means that the outcome of the integration process is affected by the uneven bargaining position, power, and authority of the most powerful MS, which exploit the degrees of freedom they are given within the SES. In other words, the most powerful MS exploit, through a series of official or unofficial channels, the SES to pursue their interests. The SES is peculiar in the sense that the integration process has led to the development of specific dynamic relationships among actors, unique rules of the game. The spillover mechanism is an example of such a dynamic relationship. In the absence of the SES they wouldn't be able to exercise asymmetric power. Hence, it has been created a deterritorialized gray zone where the less powerful MS lose the power to intervene and are dominated by the most powerful ones. The non-state actors participate in the integration process either to the extent they have been transferred the relevant powers (which means that the most powerful MS have *a priori* agreed on the role of these actors) or to the extent permitted each time by the interests of the most powerful MS.

We also assume that there can be a distinction between “low” and “high” politics. However, our theoretical framework is enriched by stressing that the distinction between low and high politics is not fixed. Alternation occurs through a dynamic process, which each time involves various actors on all levels. Depending on the prevailing circumstances, it may be possible, on all policy levels, for an issue to be considered as a low politics issue in certain occasions and as high politics issue in others. Recall, of course, that the debate on high and low politics emerged as a criticism on neofunctionalism, and, at the same time, as a means for explaining why integration occurs faster in certain areas than in others (Hoffmann, 1966). As pointed out by Verdun (2000, p.188-189), neofunctionalism considered economic policy issues to be low politics issues, a fact partly corroborated by the revival of the internal market⁷. The same seems to apply about key monetary policy issues, which were delegated to a supranational institution. What about, though, the issue of stability

⁵ In a theoretical level, the nature and the characteristics of asymmetry have not sufficiently analysed and that is why today we need to shift the debate to the dynamics of asymmetric relationships (Long, 2017). Following Steinmetz and Wivel (2010, p.7), we will focus on the power of exercising state authority which is limited within the SES because of the dynamics of asymmetric relationships.

⁶ See, Bickerton (2012).

⁷ See, Tranholm-Mikkelsen (1991).

bonds or the establishment of a fiscal transfer mechanism? The example of economic policy is indeed telling, as many important economic policy issues seem to remain open. Therefore, on the economic policy, most high politics decisions (excluding those ceded to the supranational level) are taken through a bottom-up intergovernmental process.

Thus, the theory of liberal intergovernmentalism⁸, where integration is explained in a three-stage context: a) the states define their preferences; b) negotiate important agreements; and c) create or adjust existing institutions (Moravcsik and Schimmelfennig, 2009), presents only one aspect of the integration process, which may only move on through the agreements made in the European Council, in a rational way⁹. But, rationality cannot be taken for granted. In fact, rationalization, downgrades both the institutional complexity of the EU and the role of multiple decision-making rules on the European level (Garrett and Tsebelis, 1996). Through the intergovernmental nature of integration, the importance of asymmetric relationships is enhancing¹⁰. This is realised through a series of mechanisms:

First, the most powerful MS can affect the decisions through official and unofficial channels, long before a European Council is held. After all, France and Germany have institutionalized equality between them.¹¹ Therefore in the past few years the leaders of these states have quite often come to advance agreements on European Council, through official or unofficial meetings. Second, for the coordination of economic governance, various informal intergovernmental bodies, such as the EUROGROUP have been created, by which domination is exercised (Fabbrini, 2016b). Third, the coordination of economic policy issues is realized through deliberation and consensus, and in this way integration can be also occurred without supranationalization (Fabbrini and Puetter, 2016). But, this does not mean that as Bickerton *et al.* (2015, p.711) argue “deliberation and consensus have become the guiding norms of day to day decision making at all levels”. Rather, it is better to argue that integration can emerge without supranationalization for specific economic policy issues where there is still room for improvement without transferring sovereignty to supranational institutions. This is a sophisticated form of integration in which the actors are deliberated and agree to pursue their interests. This kind of integration takes place within SES through the dynamic spillover process which give the opportunity to change the limits between high and low politics. This characteristic highlight the role and importance of asymmetry in non-promoting genuine integration. Finally, powerful MS have shaped the framework of economic ideas within the EU function, and these ideas have been embedded into its institutional architecture.

Is it possible for decision-making to be a top-down process? It is, and despite seeming paradoxical, this fact supports our approach. In this case, the plans drawn by supranational institutions will move forward only if they converge with the preferences, ideas, and interests of the most powerful MS. Otherwise, these MS can block off any initiative. This is after all obvious regarding the role of the European

⁸ See, Moravcsik (1998).

⁹ Integration can be derived from the leaders' rational choices, which are related both to the economic interests of powerful domestic actors, and to the relative strength of each state in the international system (Moravcsik, 1998, p.18).

¹⁰ Owing to the increased role of intergovernmentalism, the European Council has, during the crisis, become the locus of change, with MS quite often opposing the transfer of more supranational powers to European institutions (Puetter, 2012).

¹¹ See, Karagiannis (2013).

Commission, as well as the European Parliament and the Court of Justice, in dealing with the crisis. Typical examples are the Commission's plans for the issuance of stability bonds or the common fiscal stance, which was recently rejected by Germany. Indeed, the main concern of the European Commission about dealing with the fiscal aspect of the crisis, was to ensure its strategic focus on fiscal discipline (Warren *et al.*, 2017, p.16), thus enhancing the culture of stability promoted by Germany. On the other hand, powerless MS are unable to block any decision, no matter if it is reached in advance, or taken on the European level. Thus, European integration is not characterised by deliberation and consultation at all levels.¹² The way the European crisis was dealt with, as the reforms promoted by the Franco-German axis and proposed by the institutions, keep on the beaten track.¹³ It is also possible that the decisions designed and implemented on the supranational level by the Brussels' to be biased in favour of powerful MS.

On this level, European bureaucracy, as well as the technocrats, play a key role. Bureaucracy seem to be biased in favour of powerful MS either because they were hired to follow certain ideological paths, or because they have developed close relations with the most powerful MS. In fact, within the SES, a 'colourless' European bureaucracy has been established. Bureaucracy not only because is affected by its relationship with politics and constrained by ideas but also because trying to perpetuate its interests tends to attach itself to the most powerful MS. Colourless because the plans that are being drafted do not stray from the acceptable ideological paths, reducing available alternatives. The technocrats that are called each time by the European Commission to present their plans on certain issues, seem to have developed close links with the most powerful MS. They acknowledge that their proposals will not be realised if they stray from acceptable ideas. It is worth looking at the history of such proposals from the 1970s¹⁴. Today, of course, technocrats, mainly finance executives, are related with institutes that promote European integration in specific ways. Because of the dynamics of asymmetric relationships with the most powerful MS, these institutes, as well as their executives, develop certain proposals on how to address with the EMU's vulnerabilities which they fervently advocate, ignoring other political aspects of European integration.

Therefore, a gray zone, where most of the policy and decision-making of the EU occurs, has been created. In this zone, the most powerful MS can officially or unofficially, directly or indirectly, affect the integration process. This way sovereignty is deterritorialized and asymmetrically exercised, with grave consequences for the effectiveness and overall legitimacy of European integration. Asymmetric intergovernmentalism denotes an approach that powerful MS can asymmetrically

¹² Based on this logic, Puetter's integration paradox (2012) is not so paradox after all. European integration is being promoted in this way because the powerful Member States do not accept to transfer other powers to the supranational level. Thus, integration is promoted through projects which are mainly focusing on low policy issues, mainly through economic policy coordination. In this regard, integration without supranationalization that occurs through the European Council (Fabbrini and Puetter, 2016) reflects only one aspect of the integration process. It is rather a sophisticated form of integration that can be promoted because of the spillover mechanism and the dynamic character of low and high politics. It is the non-optimal equilibrium point that arises because of the dynamics of asymmetric relationships that have been developed. The powerful MS are willing to promote integration through deliberation and consensus because they can control every aspect of the integration process and can also exercise asymmetric power on a case-by-case basis.

¹³ See, Art (2015).

¹⁴ For example, the Marjolin (1975), Tindemans (1976) and MacDougall (1977) Reports.

affect the integration process regarding high- and low-politics issues, exploiting, both the SES and their advantageous position within it by means of various dynamics. Thus, the boundaries of the EMU are not only determined by the boundaries of sovereignty, which the governments of the MS chose to open, as part of a game based on specific ideas on each stage of the European integration process, but also by the processes underway in a deterritorialized gray zone, which offers to the most powerful MS the opportunity of domination. This has major repercussions on the legitimacy of European integration projects. Because of the dynamics of asymmetric relationships, the EU has become the area in which irrational and illegitimate decisions can be taken, as the non-state actors, within the SES, tend to tacitly cling to the preferences of the powerful MS and reach agreements based on specific concepts and ideas.

European Architecture and the International System

The 20th century saw sea changes both in economic ideas, and in governance institutions, which transformed the international and, consequently, European framework (Blyth, 2006). The weaknesses of the modern international system are directly related to these changes, given that the crisis is related to the degrees of freedom offered each time to the institutional mechanisms. In the 1950s and the 1960s, policy makers, drawing serious lessons from the Great Depression, focused on Keynesian demand-side policies (Temin, 1989), while, governments turned towards the adoption of “embedded liberalism”, a distinct form of liberalism (Ruggie, 1982). Embedded liberalism enabled governments to adopt social protection measures, and appease any conflicts that might occur.

Developments during the 1970s, revealed the flaws of Keynesianism and gradually, albeit decisively, contributed to the creation of the new modern international economic system, through the displacement of Keynesian policies and the adoption of monetarism or supply-side economics (Hall, 1989; De Long, 2000). As the memories of the financial imbalances of the 1930s faded away, deregulation intensified and became a means for enhancing international economic cooperation (Eichengreen, 2009, p.56). Economic liberalism combined with orthodox macroeconomic theory, led to the questioning of the role of fiscal policy (Kasper, 2002). The nation-states could not anymore use public spending as a means of growth and as a way out of crisis periods, since it could lead to the excessive growth of budget deficits and public debts, while, deregulations, along with the introduction of financial innovations, led to the emergence of financial crises (Crotty, 2009). Since 1980s, apart from the rise of economic globalization, neoliberalism, monetarism, and the Washington Consensus, became the key elements of policy implementation worldwide. Modern economic policy would be determined by the ‘new consensus’, the result of the political philosophy of economic liberalism, where the stability of the system relied mainly on monetary policy and the central bank, while fiscal policy was reduced to an auxiliary role (Αργείτης and Κορατζάνης, 2011).

The European edifice, a multidimensional, albeit artificial creation, could not being affected by international developments. After all, managing globalization was one of the most crucial issues for the EU (Jacoby and Meunier, 2012). On the national level, the MS adopted these ideas with several variations, and this had implications for the diversity of capitalist models (Hall and Soskice, 2001; Hancke, Rhodes and Thatcher, 2008). On the European level, neoliberal ideas were incorporated in the Treaties, becoming part of the overall institutional architecture of the EU (Dyson and

Featherstone, 1999; Hermann, 2007). This way, they took the form of applied economic policies, legitimized by European and national institutions. For example, the article 3a of the Treaty of Maastricht (ToM) explicitly states, ‘the activities of the Member States and the Community shall include (...) the adoption of an economic policy (...) and conducted in accordance with the principle of an open market economy with free competition’. (Council of the European Communities, 1992, p. 13). Thus, EMU would effectively be deployed as a neoliberal project.

All these imposed limits on the pursuit of economic policy and reduced sovereignty and effectiveness. Now MS ought to pursue their economic interests by implementing specific economic policies, and this was not only because this was the prevalent ideology, but also to the fact that the Court of Justice, imposed their implementation, contributing to the deregulation of the European economy (Scharpf, 2010). As stressed by Scharpf (2009, p.230) ‘European legislation will forever have a liberalizing bias’. Neoliberalism became part of the institutional architecture, but also legitimized through it. Ideas enter the integration process as external factors and act both as a means of reaching goals, and as a constraint. Constraint because due to the influence of ideas and interests the Eurozone’s architecture failed only to create functional economic structures necessary for its long-run sustainability but also to satisfy other economic and political goals of integration (Stiglitz, 2016). For the time being, these neoliberal ideas seem to be very resilient (Schmidt and Thatcher, 2013).

Asymmetry and Economic Governance in the Eurozone

It all started with the Single European Act, the European states’ organized response to the pressures of globalization and the competitiveness challenges faced by European enterprises in the 1980s (Hermann, 2007). The anticipated growth benefits from the creation of the single market would range from 2.5 to 6.5 per cent of GDP (Cecchini, Catinat and Jacquemin, 1988). Because of the monetary turmoil of 1980’s, the European Council, on 27-28 June 1988, asked Jacques Delors to prepare a study on the creation of the EMU. The study verified the convergence of ideas regarding economic policy and the commitment to monetary orthodoxy, while, at the same time, its success lied on the fact that it represented a project adapted to the conditions prevailing at that time, without including any transfer of sovereignty (Verdun, 2007).

The road to ToM begun. Apart from focusing on nominal convergence and fiscal discipline, the accession criteria also revealed the asymmetric role played by Germany in the designing of the Eurozone’s rules (Schmidt and Straubhaar, 1995). In contrast to German success, during 1980’s, France failed to implement a different economic policy mix successfully (Hall, 1986). As stressed from early on, “unless Germany obtains a disproportionate amount of control over the monetary policy of the union, this country will not have much interest in joining. This creates tensions, particularly in ‘hard times’. ... one cannot ask Germany to sell ‘credibility’ for free” (Alesina and Grilli, 1993, p.164). The candidate countries would have to prove to Germany that they shared the same concerns about inflation (De Grauwe, 2009, p.239).¹⁵ As a result, the convergence criteria were asymmetrically introduced by the most powerful MS, with the aim of safeguarding the long-term implementation of the rules of monetarist orthodoxy within the Eurozone.

¹⁵ The same seems to be true for the remaining criteria (De Grauwe, 2009).

Regarding economic policy, the asymmetrical elements meant that the overall economic government of the Eurozone non-feasible (Verdun, 1996). On the monetary level, the ToM, along the lines of the Deutsche Bundesbank Act, consolidated the German model (stability culture) in its function, while at the same time, price stability became ECB's primary goal¹⁶ (Issing, 2010). The German model prevailed because of: a) the monetarist revolution and b) Germany's strategic position in the process for creating the EMU (De Grauwe, 2009). The monetarist position stressed that structural policies were the only way for reducing the natural rate of unemployment that would allow the permanent reduction of unemployment. Thus, the ECB was becoming, the most independent central bank in the world, while, being legitimized as the main stabilization policy institution in the Eurozone (Bibow, 2007). Germany's asymmetric role in shaping the European counter-inflation consensus is also evident.¹⁷

On the fiscal level, fiscal policy was never transferred to a supranational organization (Verdun, 2007). Therefore, the key role regarding fiscal policy is played by intergovernmental bodies, such as the European Council and the ECOFIN. It was only on 17 June 1997 that the SGP was adopted in Amsterdam (revised on 27 June 2005), becoming the institutional fiscal mechanism in the Eurozone.¹⁸ The creation of the SGP also reflected Germany's asymmetric power (Heipertz and Verdun, 2004). The economic interests of German and French enterprises focused on the realization of major structural reforms that would improve their global competitiveness (Crouch, 2002). Germany's economic interests identified with the need to eliminate fiscal deficits in the EMU and the desire to reduce political intervention, while, the French government wished for the continuation of the economic integration process and the accumulation of as much political gains as possible within the country (Heipertz and Verdun, 2005). This is exactly how spill over mechanism works, in parallel with economic convergence, fiscal and budget policies would be coordinated to secure the successful exercise of monetary policy (Verdun, 2000, p.5).

Asymmetry and Crisis in the Eurozone

The crisis of 2007, represents an infection point for European Studies (Young, 2016). It seemed, though, that the flaws of the EMU's architecture would not be dealt with that easily. In the aftermath of the crisis there was a consensus, which stressed that each MS should individually deal with the crisis (Fabbrini, 2016a, p.17). Here it is necessary to study the element of asymmetry. How much grades of freedom did Europe's institutional architecture offered MS to deal with the crisis? Asymmetric intergovernmentalism sets limits to the process for European integration.

On the monetary level, the main problem with the ECB lied in its reluctance to act as a "lender of last resort" (De Grauwe and Ji, 2013). The absence of such a mandate was manifest in all revisions of the Treaties. Having such a capability, the ECB would be able to preserve financial stability throughout the Eurozone by issuing euro-bonds. But, why these euro-bonds were never issued? On the European level, the debate for the creation of euro-bonds, also known as 'stability bonds', had started as early as the late 1990s.¹⁹ However, the breakout of the crisis, as well as the Eurosystem's failure

¹⁶ As early as the 1980s, there had been a convergence between the two most powerful MS (France and Germany) regarding price stability and the independence of the ECB (McNamara, 1998; 2006).

¹⁷ See, Blyth (2013).

¹⁸ See, Heipertz and Verdun (2004, 2005).

¹⁹ See, Report of the Giovannini Group (2000).

to provide the necessary financial stability, rekindled this debate.²⁰ In this vein, because of the Eurozone's crisis, the European Commission (2011) issued a Green Paper on the feasibility of introducing stability bonds. As a matter of fact, a few days before, the German Council of Economic Experts proposed the formation of a European Redemption Fund, which would make it possible to reduce the debts of all MS below 60 per cent.²¹ Although the issuance of euro-bonds would solve once and for all the problem of indebtedness, it was never realised. Germany reacted strongly to the European Commission's proposal for bailing out MS through the establishment of a bailout fund that would purchase the bonds of over-indebted MS (Gocaj and Meunier, 2013). It is, indeed, telling that Germany's reaction was so strong that the euro-bond issue disappeared altogether from the speeches of Germany's Chancellor since 2014 (Crespy and Schmidt, 2014, p.1093).

On the other hand, although fiscal policy remained under the jurisdiction of national authorities, it was not completely independent from the monetary policy framework. Why, then, MS never did move further than the SGP, since the absence of a single fiscal authority was evident? One of the reasons is that the policy pursued in laying out monetary policy left no room for alternative fiscal policies (Goodhart, 2006). Only fiscal discipline would ensure the anti-inflation credibility of the ECB (Fitoussi and Saraceno, 2008). In other words, adherence to the culture of economic stability opened very specific paths for the implementation of both monetary and fiscal policy. Angela Merkel was very clear about this: 'Europe' said, 'needs a new culture of stability.' (*The Spiegel*, 2010). By this way, as the most powerful MS could asymmetrically intervene in the design and implementation of fiscal policy as fiscal policy was remaining captive to monetary orthodoxy. As Krotz and Schild (2015, p.205) argued "Whenever the European Council, the Ecofin Council, or the Euro Summits had to decide on rescue packages, bilateral credits, credit guarantees, or permanent lending facilities, the power of the purse made Germany and France (albeit to a lesser extent) key actors at the bargaining table".

Based on the above, if the two most powerful countries continue to advocate the policies of monetary orthodoxy, fiscal policy in the Eurozone will continue to be held captive. In this regard, the innovations introduced in economic governance, the two intergovernmental Treaties (Fiscal Compact and European Stability Mechanism), the strengthening of fiscal surveillance, and even the bailout packages for the indebted MS, did not incorporated a transfer of power to supranational institutions. Apart from any serious objections they might have had, the most powerful MS had apparently decided in advance, in informal meetings, that they should not deviate from the prescribed economic policy. During this period, France and Germany intensified their discussions on all economic policy issues, effectively enhancing Europe's 'embedded bilateralism' (Krotz and Schild, 2015, p.205).

Conclusion

Twenty-five years after ToM we need to review our theoretical approaches. This study incorporates, through the creation of a new synthesis, the key elements of neofunctionalism and intergovernmentalism. Our theoretical approach, asymmetric intergovernmentalism, gives emphasis on key elements of European integration, the

²⁰ See, SIFMA (2008)

²¹ See, Annual Report 2011/12 of the German Council of Economic Experts https://www.sachverstaendigenrat-wirtschaft.de/fruehere_jahresgutachten.html?&L=1

participating actors, their motives, and the mechanisms through which integration takes place. Our argument highlights that European integration is characterized by a series of well-established, formal or informal, asymmetric relationships which are being developed within a peculiar SES. The existence of such dynamics among the actors changes the integration process. Because of the SES, the powerful MS can intervene to integrate asymmetrically. This system, by which asymmetry is promoted, limits and hinders the institutional development of the EMU and places constraints on European integration. Asymmetry is exercised in the whole spectrum of decision and policy making in the EU. This study challenges other contemporary theoretical attempts like for example Bickerton's *et al.* (2015) in various ways. First, the EU remains in a non-optimal state of equilibrium. Second, the MS and their interests continue to play a central role in the integration process. Third, deliberation and consensus represent a sophisticated form of integration that cannot characterise the whole process. Sophisticated because the actors do not actually try to resolve the problems but to temporarily correct it in such a way to secure their position. Therefore, the powerful MS, with the support of non-state actors, create a series of imaginative new formal or informal ways of governance. The non-state actors influence the integration process only to the extent that the powerful MS have delegated the power to influence. Alternative initiatives are simply blocked. For example, the European Commission's proposals for the creation of stability bonds and the fiscal stance. Bureaucratic and technocratic actors are affected by powerful MS and because of the existence of asymmetry their proposed plans are limited. Ideas enter the integration process as external factors and act both as a means of reaching goals, and as a constraint. Any new plans do not stray from the acceptable ideological norm which, because of asymmetry, reduces the alternatives. Based on all the above, asymmetry is not a hypothesis but the essence of European integration. It is a choice. A gray zone has been created where sovereignty is deterritorialized and within which powerful MS can exercise their domination. This raises major issues regarding the legitimacy and long-term sustainability of the project, as rationality loses its meaning.

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Figure 1: Asymmetrical Intergovernmentalism: How it works

