

Tobias Kunstein

Where Economists and Diplomats meet

A Neo-institutionalist Analysis of the External
Representation(s) of the Euro Area



Nomos

Table of Contents

Preface	5
Abstract	7
List of Abbreviations	15
List of Figures	17
List of Tables	19
A. Introduction, Structure and Approach	21
A.1 Introduction	21
A.2 Political and Scientific Relevance: External Representation Without a State?	26
A.3 Structure of the Thesis	30
A.4 Literature Review: Trends and Gaps in the State of the Art	32
A.4.1 Economic Governance as Starting Point	32
A.4.2 EU External Representation	32
A.4.3 The Euro Area as a Result of Differentiated Integration	34
A.4.4 External Representation(s) of the Euro Area	34
A.4.4.1 External Representation in Monetary Policy	35
A.4.4.2 External Representation in Exchange Rate Policy	37
A.4.4.3 External Representation in other Policy Domains	38
A.4.5 Contribution to the State of the Art	40
A.5 Research Questions	40
A.6 Definitions, Terminology and Context	42
A.6.1 Actor and Institution	42
A.6.2 Euro Area	43
A.6.3 Economic and Monetary Union	44
A.6.4 Economic Union and Economic Government	45
A.6.5 Levels and Units of Research: Necessary and Sufficient Condition for Euro Area External Representation	48
A.7 Methodological Overview	51

B.	Analytical Framework: What to look for	53
B.1	Preliminary Conceptual and Methodological Remarks	53
B.1.1	Induction	53
B.1.2	Metatheoretical Considerations: Rationalism and Social Constructivism	55
B.1.3	The 'Institutionalist Turn' and Actor-Centred Institutionalism revisited	56
B.1.4	Process Tracing: Providing Empirical Groundwork for Different Ontologies	60
B.2	Modes of Interaction: Euro Area, European Union and the International Level	62
B.2.1	International Macroeconomic Policy Coordination: Implications for External Representation	62
B.2.2	Interaction in the EMU Context: Framework Conditions for Internal Coherence	66
B.2.3	Interaction at the International Level: Framework Conditions for External Coherence	68
B.2.4	Four Modes of Interaction	69
B.3	Euro Area External Representation: Actors and Environment	70
B.3.1	Internal Setting: Euro Area and EU Bodies	72
B.3.1.1	European Central Bank	72
B.3.1.2	European Council and Euro Summit	73
B.3.1.3	ECOFIN Council and Eurogroup	74
B.3.1.4	Preparatory Groups in the Council Substructure (EFC, EWG, SCIMF) and the EURIMF Committee	77
B.3.1.5	European Commission	79
B.3.1.6	European Parliament	80
B.3.2	External Setting: Euro-outs, Third Countries and International Fora	81
B.3.2.1	Euro-outs and Third Countries	81
B.3.2.2	International Organisations and Fora	82
B.3.2.2.1	G7/8 summits, G7/8 Finance Ministers and Governors	83
B.3.2.2.2	G20 Leaders, G20 Finance Ministers	85
B.3.2.2.3	International Monetary Fund (IMF)	86
B.3.2.2.4	World Bank	87
B.3.2.2.5	Organisation for Economic Co-operation and Development (OECD)	88
B.3.2.2.6	Bank for International Settlements (BIS)	88
B.3.2.2.7	Financial Stability Board (FSB)	89

B.4	Research Design: Plausible Causal Linkages	90
B.4.1	Explanans: Institutions as Determinants of Actor Behaviour	91
B.4.2	Intervening Variables: Demand of International Partners for Euro Area External Representation and Developments in the International System	92
B.4.3	Explanandum: Developments in Euro Area External Representation	93
C.	Empirics: Patterns of Emergence	97
C.1	Key Events for Euro Area External Representation	97
C.1.1	External Representation from the Delors Report to Completion of Monetary Union: Let Sleeping Dogs Lie	97
C.1.1.1	The Delors Report	97
C.1.1.2	Stage One of EMU and the Run-up to Maastricht	99
C.1.1.3	Treaty of Maastricht: The Starting Point	104
C.1.1.4	Stage Two of EMU: Training Process, but excluding External Representation	107
C.1.1.5	Last Service Station Before Entering Monetary Union: The Vienna Compromise	113
C.1.2	External Representation of the Newborn Euro Area	117
C.1.2.1	From Theory to Practice: Implementing the Vienna European Council Conclusions	117
C.1.2.2	Internal dynamics: empowering the Eurogroup	120
C.1.2.3	From High Expectations to Anticlimax in 2002	122
C.1.2.4	The Convention: Not much Progress	123
C.1.3	Fair Weather Sailing for the Euro Area, only Piecemeal Progress for External Representation	126
C.1.3.1	Nice Treaty	126
C.1.3.2	Five Years of EMU: A First Stock-taking	128
C.1.3.3	Rejection of the Constitutional Treaty	129
C.1.3.4	Discussion and Renegotiation	130
C.1.4	Into Heavy Seas: Reform of Internal Governance, Stagnation in External Governance	137
C.1.4.1	Woes of the Euro Area I: Financial and Economic Crisis	137
C.1.4.2	Woes of the Euro Area II: Sovereign Debt Crisis	141
C.1.4.3	The Lisbon Treaty	142
C.1.4.4	EU and Euro Area post-Lisbon: Drifting Further Apart in the Crisis?	145
C.1.4.5	Article 138 TFEU: Restart or Chimera?	150

C.1.5	Summing Up: Four Phases	153
C.2	Euro Area External Representation in the Annual BEPG Process	153
C.2.1	Lisbon Strategy: The First Five Years	155
C.2.2	Relaunch of the Lisbon Strategy in 2005	156
C.2.3	From the Lisbon Strategy to Europe 2020	158
C.2.4	Summing up: The Relevance of Euro Area External Representation in the BEPG Cycle	159
D.	Developing the Empirical Evidence: Analysis and Generalisation	161
D.1	Euro Area External Representation: Problem and Process	161
D.1.1	Problem-oriented Analysis: Three Main Mismatches	162
D.1.1.1	First Mismatch: National Level und Supranational Level	162
D.1.1.2	Second Mismatch: Monetary Pillar and Economic Pillar	167
D.1.1.2.1	Monetary Policy	169
D.1.1.2.2	Exchange Rate Policy	170
D.1.1.2.3	Economic Policies	171
D.1.1.3	Third Mismatch: Euro area and European Union	176
D.1.1.3.1	EU vs. Euro Area: Arrangements in the Architecture of EMU	176
D.1.1.3.2	EU vs. Euro Area: Consequences for External Representation	181
D.1.2	Interaction-oriented Analysis: The Euro Area as a Pluralistic Actor	184
D.1.2.1	Necessary Condition: Internal Coherence	185
D.1.2.1.1	ECB, Eurogroup, Commission, Parliament: Composite Actors and Patterns of Change	185
D.1.2.1.2	Inside the Euro Area: The “Mr Euro Area Contest” Revisited	194
D.1.2.2	Sufficient Condition: External Representation	199
D.1.2.2.1	Bilateral Relations of the Euro Area: Euro-outs and Third Countries	200
D.1.2.2.2	Representation at the G7 Finance in practice	202
D.1.2.2.3	Representation at the G20 in practice	204
D.1.2.2.4	Representation at the IMF in practice	206
D.1.2.2.5	Representation at the OECD, the BIS and the FSB in practice	212

D.1.2.3 Third Countries: The US Perspective	214
D.1.3 Revisiting the Research Questions (I)	217
D.1.4 Patterns and Irregularities: Towards Hypotheses	220
D.1.4.1 Treaty Change: Low Impact	220
D.1.4.2 Supranational Actors as Policy Entrepreneurs	221
D.1.4.3 The Internal Debate: Dominating the Debate vs. Dominating the Outcome	224
D.2 The Broader Picture: Bringing in Integration Theory	226
D.2.1 European Integration Theory and Euro Area External Representation	226
D.2.2 The Legitimacy of Euro Area External Representation	231
D.2.2.1 The Euro Area's Legitimacy in Perspective	232
D.2.2.2 Legitimate External Representation of the Euro Area: Ambition and Reality	235
D.2.3 Revisiting the Research Questions (II)	238
E. Summary and Outlook	241
F. References	245
G. Annexes	273