

**“Ideas and Interests in the Construction of EMU: Beyond
the Rationalist Bias of the New Ideational Orthodoxy”**

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Abstract

After a period of neglect, if not hostility, toward ideational explanations we are now faced with a burgeoning literature on the role of ideas. Indeed, as Jacobsen (1995: 283) notes, it now seems obligatory for every work in political economy to consider the ‘power of ideas’ hypothesis –even if only then to dismiss it. This paper joins the current wave of ideational scholarship in examining the role of ideas in the construction of EMU. However, although the analytical starting-point is one of sharing with current ideational approaches a dissatisfaction with rationalist theorising that ‘black-boxes’ the processes of interest formation, the rationale of this paper emerges from another dissatisfaction; a dissatisfaction with the way these approaches have conceptualised ideas. It is argued that the current wave of ideational scholarship has not only failed to take ideas seriously (Blyth, 1997), but that it has also created a new ideational orthodoxy that reproduces either the rationalist bias of separating ideas and interests, by treating them as competing variables whose relative explanatory weight is to be methodologically checked, or the institutionalist bias that assigns ontological primacy to institutions. In an attempt to move beyond these deficiencies in the examination of how the interaction between ideas and interests produced the ideational consensus around the sets of ideas that EMU amalgamates, it tries to clearly specify the EMU ideas and analyse the ideational entrepreneurs involved and ideational transfer mechanisms at work.

Keywords: Ideas, EMU, social learning.

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Introduction

Few issues ignite more acrimony in contemporary European politics than the question of Economic and Monetary Union (EMU). EMU has occupied a prominent place on the European agenda for many years, but the low political visibility of international financial issues and the fact that the construction appeared to be a highly technical matter couched in obscure jargon which was unintelligible to the layman led monetary union to be seen as a matter for technocratic-elite deliberation. However, after the signing of the Maastricht Treaty, domestic distributional considerations, the symbolic importance of national currencies and the fact that EMU was seen as the catalyst for further integration that would, in turn, further erode national sovereignty, led to a spill over of the EMU issue over the public discourse across the continent, igniting the most passionate and far-reaching public debate ever concerning the future of the European Union (EU).

Surprisingly though, contemporary debate about this epoch-making project is often cast in simplistic terms. For its advocates, the single currency is the missing piece in a jig-saw of dynamic integration of markets across frontiers, that will generate greater and less inflation-prone growth in Europe through monetary liberalisation, long-term exchange-rate stability and raised investment expectations. The anti-EMU position claims that the EU is far from an optimum currency area and that there are no adequate adjustment mechanisms, such as labour mobility and large budgetary transfers to act as effective substitutes for the exchange rate. Moreover, it is believed that monetary union was invented to promote the development of new supranational structures and that the abrogation of member states' sovereignty in the monetary sphere is but a short step away from the dissolution of nationhood itself.

The EMU issue is, of course, more complex. Its history has been 'a sequence of actions and events as well as the unfolding of concepts and ideas' (Ungerer, 1997: 1); its development has formed an integral part of attempts at political unification¹; and, '[i]ts re-emergence as an idea in the circles around Jacques Delors, its manifestation as a formal decision in the Maastricht treaty, and now its actual birth, provides political science with a near endless list

¹ The famous statement by De Gaulle's minister of finance, Jacques Rueff, 'If Europe is to be made, it will be made through money', sums up the thinking of those who saw monetary integration as an important step to, indeed a promoter of, political unification. (Quoted in Kaltenthaler, 1998, not.2, p. 119).

of fundamental questions empirical and theoretical, positive and normative' (Tranoy, 1999: 297).

The present paper has been written with the above thoughts in mind, but it does not aspire to redress the above-mentioned imbalance. Its aim is to put emphasis on the role of ideas in the development of monetary integration; a role that has been neglected because of the prevalence of either orthodox economics, the ontological foundations of which are positivist, or structuralist political science accounts that minimise ideas as influential factors in the process of policy-making and international co-operation by treating them as an exogenous variable (Hall, 1989: 361).

Considering, though, that EMU as laid out in the Treaty of EU, 'constitutionalises' a specific set of economic ideas that embodies the prevalence of a new economic orthodoxy and a preoccupation with the reduction of budget deficits and a fight against inflation, to neglect the role of ideas in its formation is to miss an important parameter of the political economy world.

Indeed, although the process of monetary integration has been analysed from various angles - the effects of globalisation and increased international capital mobility, spillovers of the 1992 program and high economic interdependence, geopolitical factors and the intergovernmental bargaining process, the role of domestic politics, and the importance of EU institutions, yet the question of the ideational set-up of EMU has not been adequately addressed (but see McNamara, 1998; Marcussen, 2000; Verdun, 1999). Why does the 'Maastricht EMU' institutionalise a specific, and not another, set of ideas about the economy and 'Europe'?

The broad hypothesis of this paper is that the ideational content of EMU is more than the product of policy learning and institutionalised interaction between three mutually constituted actors -national policy-makers, the European Commission and monetary experts- as the constructivist insight about idea diffusion would have it. It amalgamates both non-territorial ideas about what the economic world is like, how is to be observed, which goals are attainable through policy, and what instruments are to be used to attain them, and territorial ideas about 'Europe'/the EU as a valid economic and plausible regulatory space. But, at the same time, the ideational dimension of EMU is more than a mere amalgamation of the two. By creating the realm of the politically acceptable in macro-economic policy-making, the

territorial ideas limit the possibilities of action in Europe and, in effect, 'select' the non-territorial ideas that will find their way to policy-making. Hence, German ideas about EMU became dominant because they were 'fitting' discursively with an underlying ideational structure that defined the politically acceptable.

The argument is being developed in the following steps. In the first section, I briefly review theoretical claims made by mainstream theories of European integration on the nature and constitution of actors' interests. The main argument is that these approaches tend to be ontologically agnostic as they have ignored ideas or treated them as epiphenomenal compared to instrumental rationality. In the following section, I attempt to taxonomise current ideational approaches by identifying their main problems. The main argument is that a fruitful ideational approach has to eschew both the temptation of a dichotomising logic which treats ideas and interests as competing, instead of mutually constitutive, variables whose relatively explanatory power is to be methodologically checked, and of an institutional determinism that assigns ontological priority to institutions by considering them as ideational filters that will determine which ideas will find their way to the policy-making. The final section provides some preliminary thoughts on how these ideas can be applied to the case of European monetary cooperation, by paying attention to the ideational entrepreneurs and diffusion mechanisms at work in the construction of the ideational consensus that underpinned the Maastricht Treaty on EMU.

Integration Theory: the 'n=1' logic and the self-constructed theoretical ghetto of the EU studies.

As Wolf (1999: 1) notes, 'there is probably no other research area in political science that was more often decried as being dead, obsolescent or inadequate than the realm of research on theories of European integration. And yet, no other political scientific research area seems to have witnessed more revivals, reformulations and 'bringing-back-ins' than this political scientific research agenda'. However, despite this impressive obstinacy and the fact that for years it seemed to be necessary for every student of European integration to present his overview of the theoretical landscape in order to take sides in the (neo)functionalism versus intergovernmentalism debate, 'now it seems very fashionable in political scientific research on European politics to start the study with a short yet strong statement that neofunctionalism

and intergovernmentalism are too reductionist in their analysis, do not explain certain empirical facts and, thus, are to be cast aside in order to open the road for more comprehensive perspectives' (ibid.: 1).

This paper aims at neither of these goals. To *a priori* dismiss traditional integration theory is to neglect a number of insights offered by this work. Indeed, as Rosamond (2000: xii) warns us, 'the rush to embrace 'new' theoretical work means that we might lose sight of a number of questions posed by early integration theorists that remain unresolved'. On the other side, arguing that the EU is a *suis generis* phenomenon and that European integration theory is applicable only to the EU, 'runs the risk of silencing a potentially fruitful debate between EU scholars and other political scientists' (Radaelli, 2000: 25). In other words, the attempt of this paper to go beyond traditional notions of integration theory is not derived neither from a trend to be fashionable, nor from a statement of the definite obsolescence of these notions but, rather, from a plea for engaging in a dialogue with other sub-disciplines of political science and international studies and, therefore, an attempt to take the EU studies out of, what Wallace (1999: 161) has called, its self-constructed theoretical ghetto. The scepticism is not against (neo)functionalism and intergovernmentalism but, by positing the incommensurability of the EU, against the $n=1$ logic.²

Instead of repeating the debate between neofunctionalism and intergovernmentalism (for reviews see, for example, Caporaso and Keeler, 1995; Rosamond, 2000) it would suffice, for the purposes of this paper, to highlight the common foundations of the integration literature. Both approaches 'assume that European integration is fundamentally driven by the instrumental self-interest of actors whereby the utility functions are defined in economic terms' (Risse-Kappen, 1996: 56). In effect, 'the origins of such interests are exogenised, even though both approaches open up the black box of the state' (Ibid.: 56). In other words, traditional EU literature tends to be ontologically agnostic. Its interest-driven integration rationale has ignored ideas or treated them as epiphenomenal compared to instrumental rationality (but see, inter alia, McNamara, 1998; Marcussen, 2000; Parsons, 2000; Verdun, 1999).

² The point made raises immediately the relevant, but no less significant, question of which is the appropriate disciplinary homeland for EU studies with the debate having evolved around the issue of whether European integration can be better studied through the templates of International Relations (Rosamond, 2000) or those of Comparative Politics (Hix, 1994). The fact that this paper is drawing overwhelmingly on International Relations scholarship should be necessarily considered as taking sides in the debate.

The argument is worth pursued a bit further, especially considering Moravcsik's claim that his liberal intergovernmentalist approach constitutes a departure from structural theories of international relations that treat interests as exogenously given by taking into account domestic politics. Although, this paper does not subscribe to the common misperception in EU studies of Moravcsik as a 'neo-realist', I maintain that liberal intergovernmentalism does not resolve the issue of preference formation. As Rathbun (1999: 4, nt.3) notes, '[i]f interest groups define their interests by virtue of their competitiveness in the international economy and politicians faithfully execute their wishes, then domestic politics is nothing but a transmission belt for the implementation of externally-defined interests and has no real significance'. In other words, Moravcsik is just restating the problem at another level and, in that sense, it is not surprising that according to him (Moravcsik: 1999b, 378) 'in the process of European integration, structural economic incentives have created economic ideas, not the reverse'. Even his more elaborate notion that the importance of ideas will vary across issues (Ibid.: 376), like if interests can be either ideas-free or ideas-loaded according to the issue under examination is one, as will be discussed later, that this paper does not subscribe to.

Addressing systematically these concerns, however, is crucial for an adequate understanding of European integration and EMU more specifically. That is to say, EMU represents for the student of European political economy an ideal and challenging case for a forensic analysis of preference formation (Rosamond, 2000: 125) and offers a chance to refine our theoretical knowledge in several broad areas of political economy and European integration scholarship.

The Ideational Turn in International Studies: towards a taxonomy.

Ideas have not been neglected just in the EU literature but also in 'mainstream' international studies scholarship, which has been dominated by rationalist accounts of policy-making and international cooperation. The trend toward rationalist, interest-based explanations is summed up by Goldstein and Keohane, who write: 'The impressive elaboration of rationalist explanations of behaviour has called into question old assumptions about whether the substantive content of people's ideas really matters for policy' (Goldstein and Keohane, 1993:4).

However, the last decade has seen a challenge to this rationalist orthodoxy and a growing interest in the role of ideas. This means that the revival of scholarly interest in ideas and politics begun only recently³. To quote from Goldstein and Keohane (1993, 29) again:

Our theories are not sufficiently well developed to limit the number of explanatory variables, and our empirical work is not sufficiently extensive to provide a large number of similar cases against which to evaluate complex theories. All we can expect at this stage is arguments that evaluate the plausibility of the view that ideas matter for policy.

In other words, the burgeoning literature on the role of ideas lacks a solid, coherent theoretical underpinning. Indeed, as Berman (2001: 231) argues in a recent review article, ‘despite this rise in interest, so far studies of ideational variables add up to less than the sum of their parts’. In effect, there is still an open discussion about just what sort of an approach an ideational approach is, which are its central assumptions, what kind of problems remain unresolved by scholars advocating this approach, and, whether it constitutes a distinct approach with a fully-fledged developed research program. Although this paper locates itself within these broader questions and dilemmas, its purpose is a rather more modest and preliminary one. While avoiding claims of providing a full and systematic taxonomy of current ideational scholarship, it aims at providing a brief overview of the main approaches, so as to legitimise the dissatisfaction that forms its rationale. Thus, it would suffice to point out that although the recent ideational turn has done a great service in redirecting our attention to ideational factors, it has at the same time done a considerable disservice to the development of a genuine ideational research program by creating a new ideational orthodoxy that reproduces the rationalist bias of separating ideas and interests by treating them as competing variables whose relative explanatory weight is to be methodologically checked. This disservice that the new ideational orthodoxy has done is due to the causal conceptualisation of the relationship between the material and the ideational (Laffey and Weldes, 1997).

So, in this section I will argue, following Laffey and Weldes (1997), Ruggie (1998), Wendt (1999) and others, that there are two ways to conceptualise the relationship between the

³ I hasten to clarify that this does not mean that the interest in ideas and politics is by any means novel, but that the discipline of international studies has lagged behind other disciplines in the wider social science scholarship in understanding the role of ideational factors in international life (Higgott, 1998: 64; nt 1).

material and the ideational. You can either frame this relationship causally, treating ideas as a random product of uncertainty (in which case ideas are causally prior to interests only under circumstances of complexity and uncertainty), or as a variable that explains residual variance (in which case ideas are causally posterior to interests and are only employed to deal with the problem of multiple Pareto-improving equilibria), or by inserting in the causal chain institutions as a mediating variable (in which case ideas are reduced to an auxiliary variable and institutions are assigned ontological primacy), or you can frame it in constitutive terms in which case preferences and interests cease to be the sole explanatory factor and become part of what is to be explained.⁴

The Causal Approach.

The above further distinction of the causal conceptualisation of ideas will enable us to see more systematically the deficiencies of the rationalist-inspired reading of ideas (or of the neo-utilitarian ideational research program, as Ruggie calls it). Throughout the following three sub-sections, I will use as a starting-point the Goldstein-Keohane (1993) typology in an attempt to identify the various problems of each one of the possible causal conceptualisations of ideas.

Ideas Causally Prior to Interests: Ideas as ‘road maps’ and a random product of uncertainty.

The first way to causally conceptualise the relationship between the material and the ideational is by treating ideas as causally prior to interests. This is actually the first causal pathway identified in the Goldstein-Keohane (1993: 8) typology, where ideas can affect policy ‘by providing principled or causal road maps’. According to them (1993: 16, 10) ‘causal ideas’ guide behaviour ‘by stipulating causal patterns’ and ‘imply[ing] strategies for the attainment of goals’, while ‘principled ideas’ guide behaviour ‘by providing compelling ethical or moral motivations for action’. However, if ‘[a]nalysis of this pathway does not account for *which* ideas are available and persuasive’ and considers that ‘*once an idea is selected* this pathway limits choice’ (Ibid.: 12, emphasis added), then Yee (1997: 1024) is right to point out that there is no selection mechanism analysing why a particular set of ideas gets chosen over another. In effect, the question of why actors get persuaded by ideas is not

⁴ Cox (1981) argues that this is one of the purposes of critical theory.

raised, as Goldstein and Keohane omit the social context of ideas and tend to treat them as free-floating entities by ‘presuppose[ing] the ideational properties that give causal and principled ideas their causal effects’ (Ibid.: 1024).

A second approach that put ideas causally prior to interests is the epistemic communities one (Haas, 1992). Although the approach does not suffer from the above mentioned problem of lacking a selection mechanism, as it outlines the importance of policy learning within epistemic communities and between epistemic communities and policy-makers, the problem with the epistemic communities approach is threefold. The first is that it treats ideas as a random product of uncertainty; the second, which follows as a result of the first, is that ideas are conceptualised only as an intervening variable; and the third, is that their conception of policy learning between epistemic communities and policy-makers is unidirectional.

Let us look briefly at them in the reverse order. The problem with the unidirectional conceptualisation of the relationship between epistemic communities and policy-makers is not only that the mutually constitutive dynamics of this relationship and, the fact that even the causal arrow can run to the opposite direction, get neglected, but that the methodological disadvantage of privileging *a priori* a particular set of actors and ideas is introduced (Bernstein, 2000). The approach has been applied to the EMU case by Verdun (1999) in a paper that sheds fresh light on the role of the so-called Delors Committee and European central bankers in the construction of EMU. However, as a result of the above methodological problem, territorial ideas about Europe as a ‘cognitive region’ that were amalgamated in the ideational content of EMU get neglected.

The problem with using ideas only as an intervening variable has important theoretical implications. At the risk of oversimplification, ideas can be used as an *independent variable*, usually employed to deal with discomfort deficiencies of existing research programs like, for example, the problem of collective action (see the discussion in the following sub-section) and in which case the bias of keeping the material and the ideational is retained; as an *intervening variable* that lies between structures and human volition and, in which case, ideas constitute a cognitive filter that gives meaning to ‘structures’; or as a *dependent variable*, where ideas become part of the social reality and it is themselves and, especially the process of their production, that become the object of inquiry. No doubt, the conceptualisation of ideas as intervening variables has helped us to problematise the

processes of interests and preferences formation, but unless we systematically examine ideas as dependent variables, i.e. pay attention to their social context and material base, the promise of an ideational approach cannot be fulfilled.

Finally, but maybe most importantly, the use of ideas as a random product of uncertainty is methodologically and theoretically problematic. According to Haas (1992: 4, 3), actors are ‘uncertainty reducers’ and in the ‘causal logic of epistemic policy coordination...[t]he major dynamics are uncertainty, interpretation and institutionalisation.’ Although, Haas seems at times to subscribe to an interpretative approach, it is difficult to understand how you can sustain that with a causal logic. But the main problem arises once you bring in ideas as a random product of uncertainty. The approach⁵ has actually been applied to the EMU case by McNamara (1998), so it would be more sufficient for the purposes of this paper to see the problem through her work. Although she argues that ideas and interests should not be seen ‘as competing causal factors but [as] ...inherent[ly] [inter]connect[ed]’ (1998: 8), she will later argue that ‘ideas are critical in the monetary realm because of continuing uncertainty over the basic workings of the macroeconomy...This uncertainty translates into inaction on part of domestic interest groups in contrast to other areas of sectoral and firm activity, such as trade policy, lending more space to the role of interpretation by elite policymakers.’ (Ibid.: 57, 59). The point that I am trying to make here is that by subscribing to the latter position the initial assumption is being violated. If ideas and interests are inherently interconnected, and hence none of them is ontologically primitive, then there is a general relationship between them, which is constantly at work and not only during specific periods or in specific sectors of the economy. This is not to argue that there is a predetermined pattern of interaction between ideas and interests, but rather, that bringing in ideas as a random product of uncertainty lacks both methodological and theoretical justification. Methodologically, it overtly introduces omitted variable bias by arbitrary privileging ideas over interests when and if an interest-based explanation is insufficient. Theoretically, it contradicts its own assumption of the mutually constitutive dynamics of ideas and interests, encouraging *ad hoc* argumentation and a context-based ontology.

In this respect, it is not accidental (and surely particularly interesting) that although ideational analyses that treat ideas as a random product of uncertainty about cause-effect relations or

⁵ That is the conceptualisation of ideas as a product of uncertainty, not the epistemic communities approach which has, of course, as outlined the same understanding of *when* ideas are important.

distributional effects share a dissatisfaction with rationalist theorising, they will find rationalist Moravcsik to agree with them, who when pressed about his neglect of ideational factors and explanations based on economic policy ideas in his latest book (Moravcsik, 1998) he will provide us with an ideational pendulum (so to speak) where the two extreme poles are CAP and EMU and according to which the importance of ideas will vary according to the issue under examination and the key determinants are the existence or not of uncertainty and strong distributional coalitions (Moravcsik, 1999a; 1999b). In a reply worth quoting at some length, he argues the following:

The analysis in the *The Choice for Europe* predicts in general that the weaker and more diffuse the domestic constituency behind a policy and the more uncertainty there is about cause-effect relations, the greater the role of economic (like geopolitical) ideas is likely to be. Thus... we shall observe a relatively modest autonomous impact of ideas in agricultural or perhaps industrial tariff policy, a greater role in regulatory policy, and the greatest role in monetary policy, where fundamental uncertainty about the consequences of policy is greater and costs or benefits more diffusely distributed (Moravcsik, 1999a: 171).

Having said all that is not to argue that this research objective has to be rejected at face value or that we can ignore periods that provoke ideational and paradigmatic revisionism. We can still be consistent with an assumption that wants ideas and interests to be ontologically intertwined and a research objective that aims not at identifying specific periods under which ideas do matter, but at understanding why is it that specific ideas matter under specific periods and not others. In effect, this becomes an additional item in the agenda of understanding the mechanisms that lend force to a specific set of ideas instead of another during a particular historical setting.

Additionally, one more reason for not rejecting at face value the examination of periods of crisis is methodological. It is not that during periods of stability ideas' relative weight is low, but during these periods ideas are largely taken for granted and are, thus, difficult to observe and document while at periods of contextual change that invoke ideational or paradigmatic revisionism it is easier to demonstrate their impact (Campbell, 2000).

Moreover, although there a convergence in emphasising the importance of crises, yet not much has been done to explain what precipitates such critical junctures (Braun and Busch,

1999: 196-9; Campbell, 2000: 12-15; Marcussen, 2000: 15-17). Let us be clear here; the question is not what causes a crisis, but what causes a crisis to be perceived as such? ‘Crises are not self-evident; they must be defined as such by policy-makers in order to trigger the search for new ideas to guide policy-making. What constitutes a crisis is an important *definitional* issue for ideational analysis...[and] the potential contribution of ideational analysis lies in its *presumed but not yet clearly articulated* ability to explain the factors that affect these perceptions in the first place...’ (Campbell, 2000: 13; emphasis in original).

Ideas Causally Posterior to Interests: Ideas as ‘focal points’ and a variable that ‘mops up’ residual variance.

The second way to causally conceptualise the relationship between the material and the ideational is by putting ideas causally posterior to interests. This is the second causal pathway identified in the Goldstein-Keohane (1993: 12, emphasis in original) typology, where ‘ideas affect strategic interactions, helping or hindering joint efforts to attain more efficient outcomes –outcomes that are at least as good as the status quo for all participants. Here *ideas contribute to outcomes in the absence of a unique equilibrium*’. The way that ideas help or hinder these joint efforts is by ‘serve[ing] as focal points that define cooperative solutions’.

The problem with this approach is twofold. First, once you put ideas causally posterior to interests, then inevitably the environment within which ideas operate is one of exogenously given interests and, hence, the rationalist bias of keeping the two separated is retained.

Second, as Blyth (forthcoming: 32 in manuscript, emphasis original) notes, ‘while ideas may serve as focal points, this is not the same as saying that *ideas are constitutive of focal points*’. This is to point out, that again there is a lack of a selection mechanism that explains how and why will a particular idea select from one of the multiple cooperative equilibria (Bernstein, 2000: 481; Blyth, forthcoming: 32; Yee, 1997: 1025-7). In effect, the selection process is left to the ‘intrinsic magnetism’ (Yee, 1997: 1025, referring to Schelling’s original formulation of focal points) that focal points allegedly possess and, thus, ‘the problem of multiple equilibria persists despite invoking ideas to resolve this self-game problem’ (Blyth, forthcoming: 32).

Ideas Encased within Institutions: Ideas reduced to an auxiliary variable.

The third way to causally conceptualise ideas is by inserting in the causal chain institutions as the mediating variable between ideas and policy outcomes. So, in the third causal pathway

identified in the Goldstein-Keohane (1993: 20) typology, ‘the impact of some set of ideas may be mediated by the operation of institutions in which the ideas are embedded’.

The problem with subscribing to this institutionalism is that ideas are actually reduced to an auxiliary variable. Although, Goldstein and Keohane (1993: 13) argue that it is ‘ideas embedded in institutions [that] specify policy in the absence of innovation’, it is actually institutions that do the explaining in this pathway and, in this respect, ‘it is more accurate and less cumbersome to say that these institutions affect policies, rather than to argue that ideas affect policies by being encased in these institutions’ (Yee, 1996: 89).

Of course, Goldstein and Keohane’s institutionalism is not the only one on offer and the issue deserves much more discussion than space limitations allow.⁶ For the purposes of this paper I will confine myself to the key concept of fitness that runs to different degrees in the research agenda of the ideational institutionalisms. According to this concept, the ideas that will find their way to the policy-making arena are those that fit with existing ideational complexes as amalgamated in existing institutional arrangements. If that is the case though then the ideational institutionalisms end up with providing institutional preconditions of ideational receptivity rather than a genuine ideational analysis. This is not to deny that institutions are not just a given set of rules but a given set of understandings as well and that existing institutional arrangements have a path dependence effect as they set, to an extent, the parameters for new negotiations and arrangements (Fligstein and Mara-Drita, 1996: 4-5) but, rather, that contrary to this conceptualisation of institutions as filters that will determine which ideas will be influential, for this paper, institutions are fora that provide fertile ground for socialisation and mechanisms that enhance the diffusion of ideas.

The Constitutive Approach: Ideas and interests as mutually constituted.

No doubt, once you subscribe to the constitutive approach you lose the parsimony of the rationalist-inspired conceptualisation of ideas and of the causal mechanisms identified, but you gain in terms of a deeper understanding of the dialectics at work. Having said that, is not

⁶ For important statements of rational choice and historical institutionalism see North (1990) and Steinmo et al (1992) respectively. For thoughtful reviews see, inter alia, Blyth (1997 & forthcoming), Hall and Taylor (1996)

to argue that the constitutive approach can remain unapologetically a mere antagonist of the causal reading of ideas at the ontological level. Indeed, as Hay (1999: 8) notes, while it is important ‘not to imply (the potential for) an empirical solution to ontological dilemmas, it is equally important that we resist the temptation to assume that our social ontologies provide ready-made solutions to empirical questions.’ Hence, if the promise of the constitutive approach is to be fulfilled, it has to address and systematically examine issues like how to clearly define ideational variables, the need to examine the socio-political and economic context that lends power to a specific set of ideas instead of another during particular historical settings, and how to analyse the role of ideational entrepreneurs and transfer mechanisms at work. A preliminary attempt at addressing these issues is the purpose of the following sections. The purpose of this section is not to provide a review of the constitutive approaches, but rather to sketch out some fairly fundamental ontological assumptions that inform the analysis of the remaining of this paper, and which can be boiled down to three points.

Ideas and interests are mutually constituted and none of them is ontologically primitive. That is not to deny that interests are an integral component of politics or that ideas may be used as ‘hooks’, but rather to point out that, contrary to the double reductionism implied by the polarisation of ideas- versus interests-based approaches, ideas provide the framework through which interests are defined.

Indeed, as Finnemore (1996: 15) writes, ‘structures of shared knowledge and intersubjective understandings may shape and motivate actors. Socially constructed rules, principles, norms of behaviour and shared beliefs may provide states, individuals and other actors with understandings of what is important or valuable and what are effective and/or legitimate means of obtaining those valued goods’.

So, interests are ideationally-defined, but ideas enter the policy process in combination with interests, never alone. In this respect, it would make little sense to reproduce in the constitutive approach the interest-based mono-causal mania in ideational terms by ignoring the interests that ideas penetrate. The move would be ‘untenable and, in any case, is not required to establish the utility of an ideas-focused approach’ (Jacobsen, 1995: 286). It is,

and Risse (2000). For a collection and evaluation of the neo-institutionalist turn in European studies, see Schneider and Aspinwall (2001).

therefore, this connection, the dynamic interaction between ideas and interests, that poses the main theoretical challenge for the student of ideas and politics.

Neither human agency nor social structures should be given ontological priority, as the relationship between the two is dialectical. In other words, ‘action is taken by an actor within a structured context. The actor brings strategic knowledge to the structured context and both that strategic knowledge and the structured context help shape the agent’s action.’ (Marsh and Smith, 2000: 5).

‘Between international structures and human volition lies interpretation. Before choices involving cooperation can be made, circumstances must be assessed and interests identified’ (Adler and Haas, 1992: 367). This interpretation, in turn, depends on the body of knowledge and ideas that actors hold. So, ideas come as the intervening variable in the relationship between structure and agency; they constitute the framework through which external pressures are perceived and interests identified. This is why ‘the issues of structure and agency, the ideational and the material cannot be separated’ (Hay, 1999: 2).

In that sense, by stressing the importance of the constitutive approach to the role of ideas the paper does not try neither to subsume the power of interests into the power of ideas, nor to force an individualistic approach that ignores structure, but rather to examine how the dynamic interaction between these two factors formulated the ideational consensus around ‘sound’ money and finances that underpinned the Maastricht Treaty on EMU. So, the ontology adopted here is not at odds with the neo-Gramscian or constructivist ones that emphasise the mutually constitutive dynamics and dialectical character of the relationship between ideas and interests⁷, but the aim pursued here is to further the discussion by paying attention to the actors involved and mechanisms at work in this interaction.

⁷ Unfortunately, it seems (at least at times) that this is the only point at which the two main schools of the constitutive approach converge. This has actually created a rather dissatisfying state of affairs within the ‘constitutive camp’. For example, Wendt’s (1999: 31 and 3, nt. 10) move to dismiss neo-Gramscian thinking on the basis of being materialist, because of its affiliations with Marxist theorising, is untenable as it neglects the importance that this tradition assigns to intersubjective meanings, while, at the same time, the move to dismiss constructivist insights on the role of ideas on the basis of an alleged anti-empiricist bias on behalf of the

‘Bringing Ideas Back In’.

This section makes a preliminary attempt to analyse the EMU case along the lines of the constitutive approach. Moreover, as it is also based on the understanding that two of the reasons for which the role of ideas has been poorly conceptualised rest on the reluctance to clearly state what is meant by ideas and on their conception as free-floating entities it is organised around three questions⁸: Which are the EMU ideas? Who transfers them? And, how are they transferred?

Which are the EMU ideas ?

As outlined earlier the ideational content of EMU amalgamates both territorial and non-territorial ideas. This multi-dimensional conceptualisation has the methodological advantage of not privileging *a priori* particular actors or sets of ideas. For the purposes of this paper, the EMU ideas are defined as knowledge structures that serve to structure and inform the way European policy-makers think about⁹ i) cause-effects relationships in the macroeconomic organisational field, where the notion of an exploitable Phillips curve was abandoned and the fight against inflation was prioritised; ii) the international political economy, where long-held beliefs about the ‘soundness’ of stable exchange rates become an indispensable element of the ideational content of EMU; and iii) globalisation as the EU’s external economic environment, where the deployment of ideas about it has helped to construct a particular notion of ‘Europe’/the EU as a valid economic and plausible regulatory space (Rosamond, 1999).

So, first, EMU institutionalises the abandonment of the notion that there is a trade-off between inflation and unemployment and, hence, an exploitable Phillips curve¹⁰. The new belief was that inflation was a monetary phenomenon and that price stability was the

constructivists that leads to a conceptualisation of ideas as free-floating entities and, hence, to an omission of their social context, neglects the growing empirically informed constructivist work that addresses these issues.

⁸ The organisation of the discussion around these questions draws on Dolowitz and Marsh, 1996; Marcussen, 2000; and Radaelli, 2000.

⁹ The definition employed here draws from Marcussen (2000), who however limits the ideational content of EMU to causal economic ideas. Of course, Marcussen (2000: 11-13) does refer to deeper ‘value orientations’ that ‘prescribe and constrain the actions of elite policy-makers at a general level’, but only in passing.

¹⁰ As Radaelli (1999b: 83, nt.37) notes, it is indeed interesting to point out that ‘the Phillips curve stems from a long-term analysis of wages and prices, but is not well grounded in an economic theory or model. It is more a statistical correlation than an economic explanation and it is surprising to observe for how long it has been believed by policy makers’.

foundation for growth. In other words, 'sound' policy was now understood as rigid budgetary policies and low inflation.

Second, the fact that European governments have always participated to one international currency regime or another, or have hurried to invent new ones when exposed to the risk of unconstrained floating indicates that they have historically placed a great value on exchange rate stability (Levitt and Lord, 2000: 35; McNamara, 1998: 98). Besides the structural factors that have contributed to this continuing preference (Levitt and Lord, 2000: 35-37), there is also an ideational factor involved in this gravitational force that exchange rate stability has exercised on government policy. In Ungerer (1997: 11) words:

Such notions [of a self-equilibrating global international economy] were closely related to the long-held beliefs of many academic and practising monetary policy experts that fixed exchange rates were a quasi-natural and highly desirable, even indispensable, element of any well-functioning international monetary system...

Third, as Rosamond (1999) argues, although 'globalisation' is not uncontested within European policy circles, and despite the fact that its usage as a signifier of the changing economic environment entered rather recently the European discourse, nevertheless 'much Commission discourse from the late 1980s was heavily concerned with making a linkage between external economic conditions and the need to give meaning to the European level of action' (Ibid.: 661). Indeed, as will be argued later, Delors was able to build up support for EMU by using 'Europe' as a cognitive region and the EC as the appropriate arena for the management of the region's political economy.

But there is more in the ideational dimension of EMU than a mere amalgamation of different sets of ideas. For the purposes of the argument, I will consider the first two as forming the non-territorial ideas, while the third set as forming the territorial. These two different sets function at different levels, create structural properties of different qualities and develop at different historical settings. The territorial ideas about 'Europe' as the appropriate arena for the management of the region's political economy and for the construction of a public sphere create a first web of intersubjective meanings that defines the boundaries of the *politically acceptable*, while the non-territorial ideas about cause-effect relationships in the macro-economy create a second web of intersubjective meanings that defines the *technically*

*feasible*¹¹. The point that I am trying to make is not just that the ideational dimension of EMU is the outcome of the interaction, a mere amalgamation, between these two webs of intersubjective meanings. By creating the realm of the politically acceptable, the first web of intersubjective meanings limits the possibilities of action in Europe and, in effect, ‘selects’ the non-territorial ideas that will find their way to policy-making. So, the intellectual ascendancy of German ideas about EMU is not just a product of Germany’s material capabilities, neither just a product of social learning between the actors involved (for which see the following sub-sections). German ideas became dominant because they were ‘fitting’ discursively with an underlying ideational structure that defined the politically acceptable.

Who transfers the EMU ideas?

Of course, as outlined earlier, ideas do not find their way from the blackboard to the policy arena just because they are ‘good’ ideas and they are certainly not free-floating. Rather, they gain their prevalence because they are advocated by particular actors who have a favourable position in the policy-making setting and diffused by specific mechanisms. This inevitably leads us to the question of who are the ideational entrepreneurs involved. There can be little doubt that the ideational set-up of EMU was the product of at least three categories of actors or ideational entrepreneurs: first, supra-national institutions, with the Commission as pivot; second, national policy-makers, with the Franco-German axis in a prominent position; and third, monetary policy experts, with the Delors Committee playing the role of a *sui generis* epistemic community.

However, contrary to approaches that tend to analyse the role of these actors in isolation, I will argue that they are mutually constituted (but see Marcussen, 2000). The reason is fourfold. First, although when it comes to European central bankers and the role of the so-called ‘Delors committee’, there is evidence of an epistemic community at work (Verdun, 1999), the paper does not subscribe to the unidirectional conceptualisation of the relationship between central bankers and policy-makers, as it evaporates the notion of political and neglects the aforementioned mutually constitutive dynamics of this relationship. Second, although there is evidence of an epistemic community at work, nevertheless the ‘Delors committee’ cannot be treated entirely as such for two reasons. The first is because by the time

¹¹ I borrow the distinction of the EMU policy process between political acceptability and technical feasibility from Radaelli (1999b: 79-80). Purely schematic though this distinction is, I nevertheless consider it analytically

it was assigned to draft the EMU blueprint a consensus around monetarist ideas had to a large extent already been formed between policy makers (Marcussen: 2000; Radaelli: 1999b). The second is because ‘most of the bankers within the Delors Committee –although formally sitting in the committee in their personal capacity- were not that independent from their government’ (Radaelli: 1999b, 76). The second reason for which the three actors involved cannot be studied in isolation is because, as argued before, EMU is the ideational amalgam of three sets of ideas. These ideas were not all advocated by the three main actors involved, or at least at the same degree. And, third, although the key driving force behind EMU came from the heads of states the ideational content of EMU cannot be explained without reference to the role of the two other actors involved (Dyson, 1999: 100-1).

The European Commission and Delors.

As Radaelli (1999a: 768-9, emphasis in original). argues, we have to reject “the ‘anthropomorphic’ view of knowledge...[as] *knowledge has less to do with specific actors than with the structure in which actors act.*” Indeed, as an institutionalist approach would point out the key issue is whether the actors who hold specific ideas are in position to transmit them through institutional channels into influential policy-making arenas. So, an investigation of the role of the Commission should begin with an examination of the structural conditions within which it and, especially its President, found themselves.

Pollack has concluded that one important determinant of supranational autonomy is uncertainty. Hence, ‘the influence of a supranational entrepreneur is greatest when member governments have imperfect information and are uncertain of their own policy preferences and when supranational institutions possess more information and clear preferences; in these circumstances, entrepreneurial institutions may provide focal points around which the uncertain preferences of the member governments can converge.’ (Pollack, 1997: 130).

In this respect, the EMU case provided a lot of fertile ground for an entrepreneurial role on behalf of the Commission because of the high uncertainty surrounding the project. Indeed, as McNamara notes, ‘there is little agreement within the economics profession on a ‘benchmark’ model for analysing the distributional effects of alternative monetary regimes’ (McNamara, 1998: 58, referring to Giovanini).

useful. However, I do not employ it in order to limit the ideational dimension of EMU to the technically feasible, as he does. They are both ideationally informed, albeit from different sets of ideas.

Having said that, we have to note that the ability of the Commission and Delors to influence the course of events was crucially circumscribed because of various reasons. First, besides the legal limitations on the EC because it has no competence on monetary issues and despite the fact that Delors tried to establish an informal cross-national network on EMU to provide him with the necessary intellectual support, ‘the Commission did not possess the depth of financial and monetary expertise comparable to that to be found in the national central banks and finance ministries’ (Dyson and Featherstone, 1999: 692). Hence, although the first part of Pollack’s hypothesis seems to be at work the second does not, as one could hardly argue that the Commission possessed more information on the EMU issue than the member states.

Second, although Delors ‘had a much wider conception of an EMU based on strong economic-policy co-ordination that incorporated ideas of structural adjustment as well as of fiscal policy’ (ibid.: 697), his ability to cognitively influence the project was constrained by the fact that the EMS had been transformed into a *de facto* Deutsche-mark zone and by the intellectual ascendancy of the German ideas (Dyson, 1994).

Third, although Delors transformed the Commission’s horizontal organisational architecture into a strictly vertical one, leading to what Dyson and Featherstone (1999: 695-706) call an informal ‘presidentialisation’ of power in the EC, the multicultural character of the Commission could not but undermine its cohesiveness.

However, having rejected the ‘anthropomorphic view of knowledge’, we should caution not to descend to the other extreme, that of an institutional/structural fatalism which ignores the fact that ‘the ability of elites to transport an idea into influential arenas may turn on their ability to package and frame it successfully in the first place’ (Campbell, 1998: 381).

Delors, along with Kohl and Mitterand, was able to build up support for the EMU project by using ‘Europe’ as a ‘cognitive region’ (Rosamond, 1999). This is something more than exploiting a non-functional spillover from the 1992 program and the enthusiasm that it generated (Sandholtz, 1993) or employing the strategy of the ‘politics of monetary sovereignty’ by exhorting European governments to embrace EMU as a compensatory instrument for regaining monetary autonomy (Jabko, 1999). It is the deployment of ideas about ‘Europe’, globalisation, and the single market program as a ‘cultural frame’ through which interests are redefined and, hence, actors get convinced about the general contours of

new arrangements (Fligstein and Mara-Drita, 1996; Rosamond, 1999). So, by taking both structural conditions and the agential ability for ideational entrepreneurship into account, we can argue that despite the structural limitations that Delors faced, he contributed to the build up of support for EMU by using 'Europe' as the appropriate arena for the management of the region's political economy.

The Delors Committee and European Central Bankers.

The 1988 Hanover European Council entrusted a committee under the chairmanship of Delors and consisted of twelve central bank governors, one additional member of the Commission and three independent experts with the 'task of studying and proposing concrete stages leading towards this [economic and monetary] union' (Delors Report, 1989: 3). There is no doubt that the Delors committee played an important role in the construction of EMU and, especially, in determining its content. Suffice to point out, in this respect, that the Delors Report strongly resembled the eventual EMU articles in the Maastricht Treaty.

However, their role should not be restricted to the drafting of the EMU blueprint; rather their role as ideational entrepreneurs and constructors of economic reality was more important in the aftermath of the economic crises of the late 1970s and early 1980s (Marcussen, 2000). Taking again both structure and agency into account they were able to promote the monetary orthodoxy of a deflationary zeal for the following reasons. As Marcussen (2000: 57-61; see also Dyson et al, 1998) argues, there were three decisive factors that influenced the power of central bankers: *the liberalisation of financial markets*, which although undermined their power in relation to markets it increased it in relation to their governments which were forced to rely increasingly on them; *European monetary integration*, which limited their room for manoeuvre but enmeshed them more closely to the policy-making process; and *the development of a coherent transnational central bank culture*. On the level of their agential ability to act as ideational entrepreneurs, their power lied -to borrow from Haas's (1992) definition of an epistemic community- on their recognised expertise and competence in the macro-economic field and their authoritative claim to policy-relevant knowledge within that field.

So although in this respect somebody could argue that they had actually nominated themselves as members of the Delors Committee, by being the main ideational entrepreneurs involved in the construction of an ideational consensus around the monetary orthodoxy of an

anti-inflationary discipline, nevertheless the mandate that they were given from the European Council was to comment on the *operationalisation* and not the *desirability* of EMU. The reason for which the Council's mandate was restricted to the question of *how* EMU could be realised and not *whether* it was desirable is that Kohl and Mitterrand were well aware of the fact that central bankers were not sharing their European vision neither their belief that EMU should be pursued. This in effect brings us to the role of national policy-makers.

National Policy-Makers and the Franco-German Axis.

When examining the role of national policy-makers, and specifically of the Franco-German axis under the commonly accepted assumption that it is the motor of European integration, it would suffice for the purposes of this paper to outline that Mitterrand and Kohl chose central bankers as members of the Delors Committee, not only in an attempt to neutralise potential opposition from them that would jeopardise the whole project, but also 'because they already knew what they would get in turn from such a committee' (Marcussen, 2000: 121). This implies that an ideational consensus around 'sound' money and finances had already been established. It is exactly the purpose of the following section to examine how this consensus was reached.

How were the EMU ideas transferred?

There were two ideational transfer mechanisms at work (McNamara, 1998; Marcussen, 2000): first, there was a process of emulation or ideational modelling and, second, a process of social learning¹². Germany's success with a pragmatic version of monetarist policy that emphasised a strong and stable currency and the fact that it was seen as the nation that had adjusted more successfully after the breakdown of the Bretton-Woods system provided policy-makers with a powerful example to emulate. However, this process involves mainly a pragmatic adaptation of policy where there is a change in means and not necessarily ends. In effect, for a change in both means and ends the process of policy emulation needs to be enhanced by a complementary process of policy learning.¹³ In this respect, taking into account the increasing importance of institutionalised interactions and the impact on

¹² Radaelli (1999b: 43-6), drawing on the literature on institutional isomorphism, refers to three mechanisms of policy diffusion in the EU policy process: coercion, mimetism and normative pressures. This is not the place to review the literature on lesson-drawing and policy diffusion; for an up to date discussion see Stone (2001).

¹³ For a distinction between adaptation and learning, see Haas (1991). Nye (1987) has also captured the difference by distinguishing between 'simple' and 'complex' learning.

preference formation of the EMS regime 'viewed as a polity' is necessary (Cameron, 1993, cited in Caporaso and Keeler, 1995: 45-6).

The commonly cited example is the impact of these institutionalised interactions and shared norms on French policy preferences. Since Mitterrand's decision in 1983 to stay in the EMS by choosing the deflationary path, the German discipline of the EMS became a de facto permanent feature of French economic policy, as 'the French were locked-in by the institutionalised dynamics of the EMS' (Marcussen, 2000: 80).

But, as Checkel (1999: 549) argues, '[i]n an abstract sense, it readily can be appreciated that social learning takes place at certain times, but how can one conceptualise and empirically explore whether and when it occurs?'. He then goes on to identify four hypotheses on when social learning occurs:

1. Social learning is more likely in groups where individuals share common professional backgrounds...
2. Social learning is more likely where the group feels itself in a crisis or is faced with clear and incontrovertible evidence of policy failure
3. Social learning is more likely where a group meets repeatedly and there is high density of interaction among participants.
4. Social learning is more likely when a group is insulated from direct political pressure and exposure (Checkel, 1999: 549).

European national policy-makers seem to satisfy the second and third hypotheses. Regarding the third hypothesis, we already outlined the increasing importance of institutionalised interactions in the EMS. Regarding the second hypothesis, there is indeed a convergence in the literature that failure is an important spur to ideational and policy innovation. As Checkel (1997, xi) puts it, '[n]early all recent work in the ideas literature argues that uncertainty, failure or crisis –be delegitimising existing policies, organisations and beliefs- creates greater room for determinants of change'. There is little doubt that the economic crises of the late 1970s and early 1980s discredited intellectually the post-war Keynesian consensus, leaving room for the processes of policy emulation and policy learning to take place.

The European central bankers are a case in each point. First, they are not just a random group of monetary experts that share a common professional background; they are much more than that. They also share a set of normative and principled beliefs which rest ‘on a professional dedication to the value of price stability, and to the belief that commitment to price stability could only be credible if central banks are independent in their use of monetary policy instruments’ (Dyson et al, 1998: 174). In others words, as outlined earlier, there are indeed elements of an epistemic community in evidence.

Second, the group felt to be in a state of crisis not because of perceived policy failure, but because of the dual assaults to their power from global market contingencies and regional political pressures (Dyson et al, 1998). As Dyson et al argue, the internationalisation of financial markets and liberalisation of capital movements, in combination with the exchange rate market turbulence of the 1980s and early 1990s, illustrated an alteration of the systemic relationships that govern monetary policy making and suggested evidence of a crisis of effectiveness of traditional monetary and exchange rate policy instruments (Ibid.: 174).

Third, there is no doubt that European central bankers meet repeatedly in fora such as the Monetary Committee, the Committee of Central Bank governors, the Bank of International Settlements (BIS), etc. Regarding the level of the density of interactions a quote from the general BIS manager, Alexander Lamfalussy, that Solomon cites is revealing:

The greatest part of our work is the exchange of information of one [central banker] to the other... two full days each month, twenty working days a year, with four full meals permits an exchange of an enormous amount of knowledge...[it is] *monetary cooperation by intellectual osmosis*... (Solomon, 1995 cited in Marcussen, 2000: 102, emphasis added).

Fourth, central bankers is certainly a group that enjoys insulation from direct political pressure and exposure.

Finally, regarding the European Commission and Delors, it would suffice to point out the fact that his decision to hold personally the monetary portfolio of the Commission gave him an ideal venue for policy learning by attending the Basle meetings and, crucially dinners of the Committee of EC Central Bank Governors (Dyson and Featherstone, 1999: 708). Although he was never accepted as a full member of the central bankers club, ‘[t]hese meetings and

dinners provided him with an important source of intelligence and policy-learning that were to prove indispensable in helping him later to master the task of chairing the Delors Committee' (Ibid.: 708).

Conclusions

Instead of the conventional summing up of the main arguments developed, the purpose in this concluding section is to briefly sketch out three lines for further research that grow out of the analysis.

'Ideational approaches' is a term that appears with such a growing frequency in and international and European political economy accounts that now seems obligatory for every work in political economy to consider the 'power of ideas' hypothesis –even if only then to dismiss it (Jacobsen: 1995, 283). However, so far proposed agendas for the development of a fully-fledged ideational research program address and deal with issues like how to clearly define ideational variables, the need to examine the socio-political and economic context that lends power to a specific set of ideas instead of another during particular historical settings, and how to analyse the role of ideational entrepreneurs and transfer mechanisms at work (see for example, Berman: 2001 and Campbell: 2000). Although these issues are important and their systematic examination critical if the promise of an ideational approach is to be fulfilled, yet the ideational turn in EU studies cannot afford to neglect traditional questions of integration theory, like the so-called $n=1$ problem, the debate about the appropriate disciplinary homeland for EU studies, the issue of internal versus external influences of European integration and the question of supranational autonomy and entrepreneurship. It is my contention that the examination of the potential contribution of the ideational turn to these issues offers a chance to refine our theoretical knowledge in several broad areas of European integration scholarship.

Finally, further research is needed along the above proposed lines, so that first, the interaction of the different levels of ideas identified in this paper is more forcefully explored and empirically demonstrated and, second, the conditions under which policy/social learning is taking place further elaborated.

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