

FORUM

# Accidental Neoliberalism: Democratic Accountability in the Making of the Euro, 1957–92

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Neoliberalism can be defined as the drive to shield capitalism from the scrutiny and accountability of democratic processes. This definition is particularly relevant to the creation of the euro, as it reflects some imbalances of the 1992 Maastricht Treaty creating the European Union (EU). The monetary union was designed to function with full independence, largely beyond the reach of democratic deliberations. This article investigates whether this outcome was intentional. It argues that the asymmetric structure of the Economic and Monetary Union (EMU) was purposefully crafted, as the European policymakers involved in the negotiations were acutely aware of the imperfections of the system being developed. However, these shortcomings were not specifically aligned with a particular neoliberal ideology. Instead, this article shows they resulted from a broader set of concerns, primarily driven by a reluctance to centralise decision-making power at the EU level due to fears of losing aspects of national sovereignty. Understanding the unintentional nature of this outcome is crucial, as confusing what is accidental with what is deliberate can lead to misunderstandings about the motivations behind EMU and misconceive the paths for its reform.

## Introduction

The Economic and Monetary Union (EMU) created in 1992 with the Treaty of Maastricht was (in)famously asymmetric.<sup>1</sup> Monetary union became fully supranational by creating an independent European Central Bank (ECB), while economic union remained predominantly intergovernmental and much less developed, with, among others, no significant fiscal capacity and controversial economic policy coordination rules. But asymmetry also concerned the relationship between ‘the economic/monetary’ and ‘the political’, or, in other words, the absence of a fully-fledged democratic accountability framework that would flank EMU.<sup>2</sup> The Treaty of Maastricht was supposed to provide such a framework under the vague umbrella term of ‘political union’. Understood in this article as a shorthand for a broader democratic accountability framework not limited to elections,<sup>3</sup> the term political union was, however, quite vague. Over the years, it came to mean very different things, including the European Economic Community’s (EEC) foreign policy cooperation. Whatever its meaning over time, the result was that the Treaty of Maastricht did not set up the European

<sup>1</sup> Amy Verdun, ‘An “Asymmetrical” Economic and Monetary Union in the EU: Perceptions of Monetary Authorities and Social Partners’, *Journal of European Integration* 20, no. 1 (1996): 59–81; Emmanuel Mourlon-Druol, ‘History of an Incomplete EMU’, in *The EU Law of Economic and Monetary Union*, ed. Fabian Amtenbrink and Christoph Herrmann (Oxford: Oxford University Press, 2020), 13–36. On EMU’s lopsided history, see Emmanuel Mourlon-Druol, *Federal Anathema: How European Policymakers Shelved Economic Union in the Making of the Euro* (Ithaca, NY: Cornell University Press, 2026).

<sup>2</sup> Amy Verdun, ‘The Institutional Design of EMU: A Democratic Deficit?’, *Journal of Public Policy* 18, no. 2 (1998): 107–32.

<sup>3</sup> Pierre Rosanvallon, *Counter-Democracy: Politics in an Age of Distrust*, John Robert Seeley Lectures (Cambridge: Cambridge University Press, 2008).

Union's (EU) EMU within a consistent democratic accountability framework. Instead, the Treaty of Maastricht provided a fully independent monetary policy, surveillance of national economic policies under a complex balance between the EEC Commission and the member states and a European Parliament weakly involved in these processes.<sup>4</sup>

This double asymmetry of EMU – economic/monetary and economic/political – is essential in the perspective of the vivid debate about the alleged neoliberal nature of European integration in general and EMU in particular.<sup>5</sup> There is no space here to recount the long, rich and complex literature on neoliberalism. Problems of definition have often been raised and these are compounded by the variety of meanings of the term across both sides of the Atlantic, as well as the dynamic nature of the neoliberal movement itself.<sup>6</sup> Some authors choose on purpose to use broad definitions, encompassing neoclassical economics, monetarism, deregulation and free market.<sup>7</sup> The large literature focusing on neoliberalism, however, approaches European integration specifically from the perspective of ordoliberalism. Also called the Freiburg School of neoliberal thought, ordoliberalism developed in Germany in the inter-war period and originally centred on the figures of economist Walter Eucken and jurists Franz Böhm and Hans Grossmann-Doerth as well as later the journal *Ordo*.<sup>8</sup> Several notions form its core, including the rule of law, competition and monetary stability. Much of the historiography of European cooperation and integration focused on competition policy, since it was both so central to ordoliberal thought and one of the earliest policies developed by the EEC.<sup>9</sup> The question of economic programming at the Community level came next, as it displayed diverging national economic philosophies, in particular between French-inspired *dirigisme* and German-inspired ordoliberalism.<sup>10</sup> Another site of reflection of these different economic philosophies was EMU. In addition to issues related to the role of fiscal policy and fiscal governance, the

<sup>4</sup>Guillaume Sacriste and Antoine Vauchez, 'The Euro-Ization of Europe: The Extra-Mural Rise of the Government of the Euro and the Redefinition of the "European Project"', in *How to Democratize Europe*, ed. Guillaume Sacriste et al. (Cambridge, MA: Harvard University Press, 2019), 9–45.

<sup>5</sup>It also has important consequences with respect to the development of a logic of governing 'by emergency'; see Jonathan White, *Politics of Last Resort: Governing by Emergency in the European Union*, *Politics of Last Resort* (Oxford: Oxford University Press, 2019).

<sup>6</sup>Rachel S. Turner, *Neo-Liberal Ideology: History, Concepts and Policies* (Edinburgh: Edinburgh University Press, 2008). On the variety across the Atlantic, see Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton, NJ: Princeton University Press, 2012); on the dynamism of the movement, see Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, MA: Harvard University Press, 2009).

<sup>7</sup>Jones, *Masters of the Universe*, 10–11; Johanna Bockman, *Markets in the Name of Socialism: The Left-Wing Origins of Neoliberalism* (Stanford: Stanford University Press, 2011), 5–9.

<sup>8</sup>Malte Dold and Tim Krieger, eds., *Ordoliberalism and European Economic Policy: Between Realpolitik and Economic Utopia* (London: Routledge, 2019); Quinn Slobodian, 'Ordoliberals on Federalism and Europe', in *The Oxford Handbook of Ordoliberalism*, ed. Thomas Biebricher, Peter Nedergaard and Werner Bonefeld (Oxford University Press, 2022), 473–85; Dorothea Todd, 'A Europe Built on Compromise. Reconsidering Ordoliberal Influence on Economic Policy Coordination in the European Economic Community, 1957–1974' (PhD dissertation, University of Glasgow, 2023); Anselm Küsters, *The Making and Unmaking of Ordoliberal Language: A Digital Conceptual History of European Competition Law* (Frankfurt am Main: Vittorio Klostermann, 2023); Pavlos Roufos, 'Ordoliberalism and the Making of the Economic Constitution: State, Law and Money in the New Market Economy' (PhD dissertation, Kassel University, 2022); Federico Bruno, 'Ordoliberalism as an Ideology: A Conceptual Analysis', *Journal of Political Ideologies* 29, no. 2 (3 May 2024): 212–35; Hugo Canihac, '(Néo-)libéralisme contre (néo-)libéralisme?'. Controverses économiques sur les débuts de la construction européenne en France et en Allemagne (1950–1960), *Trajectoires. Revue de la jeune recherche franco-allemande*, no. 10 (30 November 2016).

<sup>9</sup>Laurent Warloutzet, 'The EEC/EU as an Evolving Compromise between French Dirigism and German Ordoliberalism (1957–1995)', *JCMS: Journal of Common Market Studies* 57, no. 1 (2019): 77–93; Katja Seidel, 'DG IV and the Origins of a Supranational Competition Policy: Establishing an Economic Constitution for Europe', in *The History of the European Union: Origins of a Trans- and Supranational Policy 1950–1972*, ed. Wolfram Kaiser, Brigitte Leucht and Morten Rasmussen (Abingdon: Routledge, 2009), 129–47; more broadly, see also Giovanni Bernardini and Emmanuel Mourlon-Druol, eds., *Planning and Programming in Western Europe since 1945: Practices, Transfers and Conflicts* (Abingdon: Routledge, 2026).

<sup>10</sup>Laurent Warloutzet, 'Competition versus Planning: A Battle that Shaped European Integration', in *The Cambridge History of the European Union: Volume 2: European Integration Inside-Out*, ed. Mathieu Segers and Steven Van Hecke (Cambridge:

question of the independence of the ECB attracts much attention as central bank independence is often described as one of the central tenets of ordoliberalism.<sup>11</sup>

The crisis of the euro area in the 2010s reignited the debate about the ordoliberal nature of the EMU construct and its reform. While the debate of the 2010s did not address the origins of EMU but instead its evolution, it allowed the vividness of the debate to be highlighted again along with the difficulty of agreeing on the ordoliberal nature of EMU/the EU. A common reaction in the early days of the euro crisis was to describe the German government's policies as being guided by ordoliberalism.<sup>12</sup> Several scholars countered this view. For instance, Brigitte Young argued that 'neither the distinct set-up of EMU, nor the logic of the monetary union, are the outcome of specifically ordoliberal principles'.<sup>13</sup> Werner Bonefeld also rejected the view that ordoliberalism was 'the operative theory of (key) German policymakers at key points in the institutional design of the European monetary union and in the policy response to the Euro crisis'.<sup>14</sup> Cardwell and Snaith argued for a more moderate position but looked at the EU as a whole, not just EMU, and found ordoliberalism as 'at the very least one way of understanding the EU'.<sup>15</sup>

EMU's asymmetry between the political and the economic/monetary may, however, be better thought of with reference to neoliberalism rather than to the German strain of neoliberal thought alone. As Thomas Biebricher notes, 'ordoliberals had no firsthand experience of EMU', and while they did have views on monetary orders (especially the gold standard), they did not discuss 'the possibility of a transnational monetary union' such as the one created at Maastricht.<sup>16</sup> Further, Philip Mirowski argues that ordoliberalism became progressively sidelined from the 1980s within the neoliberal 'thought collective', just as the debate on EMU intensified.<sup>17</sup> One aspect that the literature on neoliberalism singled out in recent years specifically relates to the question of democratic accountability.<sup>18</sup> One of the definitions that has emerged in the past ten years focuses on an interpretation of neoliberalism as an attempt to shield capitalism from democratic accountability. Quinn Slobodian highlighted how neoliberals aimed at what he called the 'encasement' of capitalist developments at different scales globally, making sure that they can be freed from the risk that democratically elected

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Cambridge University Press, 2023), 234–60; Hugo Canihac, 'Programming the Common Market: The Making and Failure of a "Dirigiste" Europe, 1957–1967', *Contemporary European History* 30, no. 3 (August 2021): 383–97.

<sup>11</sup> Markus Brunnermeier, Harold James and Jean-Pierre Landau, *The Euro and the Battle of Ideas* (Princeton: Princeton University Press, 2016), Chapter 5; Harold James, *Making the European Monetary Union: The Role of the Committee of Central Bank Governors and the Origins of the European Central Bank* (Cambridge, MA: Belknap Press of Harvard University Press, 2012), Chapter 8; Jean Pisani-Ferry, 'Only One Bed for Two Dreams: A Critical Retrospective on the Debate over the Economic Governance of the Euro Area', *JCMS: Journal of Common Market Studies* 44, no. 4 (1 November 2006): 823–44; Guido Thiemeyer, 'Economic Models in France and Germany and the Debates on the Maastricht Treaty', *JEIH: Journal of European Integration History* 19, no. 1 (16 June 2013): 85–104.

<sup>12</sup> Mark Blyth, *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press, 2015).

<sup>13</sup> Brigitte Young, 'Ordoliberalism as an "Irritating German Idea"', in *Ordoliberalism: A German Oddity?*, ed. Thorsten Beck and Hans-Helmut Kotz (London and Paris: CEPR Press, 2017), 31–40; Brigitte Young, 'German Ordoliberalism as Agenda Setter for the Euro Crisis: Myth Trumps Reality', *Journal of Contemporary European Studies* 22, no. 3 (3 July 2014): 276–87.

<sup>14</sup> Werner Bonefeld, 'Ordoliberalism, European Monetary Union and State Power', *Critical Sociology* 45, no. 7–8 (1 November 2019): 995–1010.

<sup>15</sup> Paul James Cardwell and Holly Snaith, "'There's a Brand New Talk, but It's Not Very Clear": Can the Contemporary EU Really Be Characterized as Ordoliberal?', *JCMS: Journal of Common Market Studies* 56, no. 5 (2018): 1064. See also Lars P. Feld, Ekkehard A. Kohler and Daniel Nientiedt, 'Ordoliberalism, Pragmatism and the Eurozone Crisis: How the German Tradition Shaped Economic Policy in Europe Special Issue, Part I: German Ordoliberalism', *European Review of International Studies* 2, no. 3 (2015): 48–61.

<sup>16</sup> Thomas Biebricher, *The Political Theory of Neoliberalism*, *Currencies: New Thinking for Financial Times* (Stanford: Stanford University Press, 2018), 188.

<sup>17</sup> Philip Mirowski, 'Ordoliberalism within the Historical Trajectory of Neoliberalism', in *The Oxford Handbook of Ordoliberalism*, ed. Thomas Biebricher, Peter Nedergaard and Werner Bonefeld (Oxford: Oxford University Press, 2022).

<sup>18</sup> Thomas Biebricher, 'Neoliberalism and Democracy', *Constellations* 22, no. 2 (2015): 255–66; Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, MA: Harvard University Press, 2018); Quinn Slobodian, *Crack-Up Capitalism: Market Radicals and the Dream of a World without Democracy* (London: Allen Lane, 2023).

governments' debates would interfere in the operation of what is perceived as the free forces of the market. This idea was also explored in J. Magnus Ryner's analysis of the origins of the European monetary system (EMS).<sup>19</sup> This strand of neoliberalism could, however, be considered to express some form of 'market radicalism'. Kevin Vallier for instance argues that 'neoliberals are broadly democratic' and highlights both the strengths and limits of democracy.<sup>20</sup> Whether 'market radicalism' or simply 'neoliberalism', this specific aspect of this current of thought is particularly relevant in a discussion on the Treaty of Maastricht as it matches quite closely the asymmetry described in the opening paragraph: a well-developed European monetary union functioning in full independence and beyond the reach of democratic deliberations.

Observing the correlation between the Maastricht construct and this definition of neoliberalism, however, leaves open one question: was this outcome intended? Did European policymakers – understood here as the non-homogeneous group of civil servants from national governments or EEC institutions involved in the negotiations leading to EMU, regardless of whether they would label themselves neoliberals or not – consciously seek a result that would fit neoliberal aspirations about the distribution of the EU's economic, financial and political powers? This article argues that while Europe's EMU can be described as neoliberal in that it shielded economic and financial power from a democratically accountable framework, this outcome was nevertheless accidental. The asymmetric construction of EMU, whether economic/monetary or political, was undoubtedly intentional because the European policymakers in charge of the negotiations were largely conscious of the imperfections of the setup being developed. However, such imperfections were not intended to match a specific neoliberal ideology. Instead, these imperfections resulted from another set of concerns, chief of which was the reluctance to centralise decision-making power at the EEC level – especially, but not only, through a reinforcement of the powers of the European Parliament – out of a fear of losing parts of the nation-state's sovereignty. Bold proposals put forward since 1957 failed against the need to surrender sovereignty to any new EEC supranational institution or substantially reinforce its powers. Rather than neoliberalism in disguise, the EMU setup agreed at Maastricht reflected the basic reluctance of EEC member states to abandon sovereignty. Some policymakers, in particular from the French government, argued that keeping executive decision-making at the national level and privileging EU intergovernmental arrangements was more democratic rather than less so, as it was considered to allow an effective counterbalancing of the power of an independent ECB. This article will illustrate different visions and changing conceptions of what democratic accountability could consist of, including an increased role of heads of government in EEC deliberations, a greater scrutiny of EEC decisions and a more important role by the European Parliament.<sup>21</sup> What can retrospectively be portrayed as an asymmetry between political union and EMU was, therefore, intentional, but the coincidence between this outcome and what some neoliberals could have hoped for was unintended.<sup>22</sup>

In showing how European policymakers created an EMU that could match a neoliberal description while doing so unintentionally, this paper contributes to the literature discussing the EU's neoliberal

<sup>19</sup>J. Magnus Ryner, 'Is European Monetary Integration Structurally Neoliberal? The Origins of the EMS and the 1977–1978 Locomotive Conflict', *Comparative European Politics* 20, no. 6 (1 December 2022): 731–48, <https://doi.org/10.1057/s41295-022-00321-5>.

<sup>20</sup>Kevin Vallier, 'Neoliberalism', in *The Stanford Encyclopedia of Philosophy*, ed. Edward N. Zalta and Uri Nodelman, Winter 2022 (Metaphysics Research Lab, Stanford University, 2022); Biebricher, 'Neoliberalism and Democracy'; Slobodian, *Crack-Up Capitalism*.

<sup>21</sup>Antoine Vauchez, *Democratizing Europe*, Europe in Transition: The NYU European Studies Series (Houndmills: Palgrave Pivot, 2016).

<sup>22</sup>In that sense, this article echoes with EMU what Slobodian and Plehwe noted for the European Union as a whole: 'To say that the EU has been neoliberal in its outcome does not imply ipso facto that neoliberal actors were responsible for its genesis.' See Quinn Slobodian and Dieter Plehwe, 'Neoliberals against Europe', in *Mutant Neoliberalism: Market Rule and Political Rupture*, ed. William Callison and Zachary Manfredi (New York: Fordham University Press, 2019), 91.

nature by focusing specifically on the case of EMU.<sup>23</sup> An important line of argument, led in particular by Wolfgang Streeck, presents the EU as a neoliberal project from the beginning that has only known full maturation with the advent of EMU in 1992 with the Treaty of Maastricht.<sup>24</sup> Countering this argument, this article instead highlights historical contingency for the success of neoliberal ideas. It goes in the direction of Stedman Jones' insistence on 'luck, opportunism and a set of contingent circumstances play[ing] the most crucial roles' in the rise of neoliberal politics as well as more recently Julian Germann's argument about Germany's unwitting contribution to the construction of post-war neoliberal organisations.<sup>25</sup> In the same vein, specifically looking at interpretations of EMU reform, Federico Bruno identified a strand of analysis that he called "ordoliberalisation-by-accident": no actor deliberately pursued an ordoliberal agenda, but the dynamics of globalisation and of policy-making in the European Union caused the reforms to reflect an ordoliberal rationality.<sup>26</sup> Explaining the origins of central bank independence in Germany, Jörg Bibow insisted, too, on the 'historical accidents and the peculiar personalities involved'.<sup>27</sup> This article argues along these lines, analysing the case of discussions and negotiations about the setting up of an EMU in the EEC and finding that the governance option most actively promoted by the French government and endorsed by the other eleven EEC member states at Maastricht resulted in what could be described as a neoliberal setup arising from non-neoliberal intentions.

Realising that this setup was accidental rather than a deliberate policy choice matters because mistaking one for the other creates a misunderstanding on the motivations of EMU. A widespread belief that a deliberate move towards neoliberalism was historically driving the EMU process confuses neoliberalism with an opposition to the surrender of sovereignty. What was missing, and is still missing, was the politicisation of the EMU project that could have been facilitated by the development of a full-fledged democratic institutional framework. While the outcome is the same – shielding capitalism from democratic accountability – its roots differ. In misunderstanding the true origins of this outcome lies an explanation of the inability to adequately address an issue whose origins were accidental rather than preordained.

Why and how, then, did this accidental neoliberal outcome come about? To answer this question, this paper first examines how, since 1957, the main views about the EMU–political union connection tolerated the asymmetry between the two as a temporary situation. The imbalance between the economic and the political was not the desired result: it was a momentary step toward a balanced outcome, possibly federal over time. Then it analyses the view according to which the balance reached

<sup>23</sup>Clemens Kaupa, *The Pluralist Character of the European Economic Constitution* (Oxford: Hart Publishing, 2016); Werner Bonefeld, 'Neo-Liberal Europe and the Transformation of Democracy: On the State of Money and Law', in *Globalisation and European Integration: Critical Approaches to Regional Order and International Relations*, ed. Petros Nousios, Henk Overbeek and Andreas Tsolakis (Abingdon: Routledge, 2012), 51–69; Roberto Ventresca, 'Making Neoliberal Narratives of European Integration: The Case of the Institute of Economic Affairs (1970s–1980s)', *Annals of the Fondazione Luigi Einaudi* LIII (2019): 249–70; Roberto Ventresca, 'Neoliberal Thinkers and European Integration in the 1980s and the Early 1990s', *Contemporary European History* 31, no. 1 (19 July 2021): 1–17; Biebricher, *Political Theory of Neoliberalism*, 181–92; Slobodian, *Globalists*, 182–217.

<sup>24</sup>Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (Brooklyn, NY: Verso, 2014). See also B. Moss, ed., *Monetary Union in Crisis: The European Union as a Neo-Liberal Construction* (London: Palgrave Macmillan UK, 2005); John R. Gillingham, *European Integration, 1950–2002: Superstate or New Market Economy?* (New York: Cambridge University Press, 2003); Perry Anderson, *Ever Closer Union? Europe in the West* (Brooklyn, NY: Verso, 2021).

<sup>25</sup>Jones, *Masters of the Universe*, 20; Julian Germann, *Unwitting Architect: German Primacy and the Origins of Neoliberalism* (Redwood City, CA: Stanford University Press, 2021); Pierre Alayrac, 'Les origines non-néolibérales d'un « tournant néolibéral ». L'économicisation des politiques européennes du marché intérieur et ses usages à partir des années 1970', *Revue française de science politique* 72, no. 1–2 (2022): 33–53.

<sup>26</sup>Federico Bruno, 'Ordoliberal Ideas on Europe: Two Paradigms of European Economic Integration', *History of European Ideas* 49, no. 4 (19 May 2023): 738.

<sup>27</sup>Jörg Bibow, 'On the Origin and Rise of Central Bank Independence in West Germany\*', *The European Journal of the History of Economic Thought* 16, no. 1 (1 March 2009): 155–90.



at Maastricht was believed to be a genuine ‘encasement’ of monetary union in a democratic framework. Finally, it analyses the reasons – well outside neoliberal considerations – that contribute to explaining the failure of the materialisation of efforts to develop a political union concomitantly with EMU, including the weakness of the proponents, the vagueness of the objective and the opposition of member states.

### Tolerating a Temporary Asymmetry

Just as the negotiations of the Maastricht Treaty were divided into two Intergovernmental Conferences (IGCs), one on political union, another on EMU, discussions between political union and EMU have often been siloed since 1957.<sup>28</sup> Distinction between the two was mostly implicit until EEC heads of state and government identified EMU as an official EEC goal on the occasion of a summit in The Hague in December 1969.<sup>29</sup> The Hague summit gave birth to twin initiatives that reflect well the confusion around the themes of this article: on the one hand, the summit declared EMU an official goal of European integration, and on the other hand, it called for greater political unification.<sup>30</sup> But by political unification, European policymakers essentially meant foreign policy coordination, for which Belgian diplomat Etienne Davignon was tasked to chair an expert committee that would formulate proposals on the subject.<sup>31</sup>

Should this distinction be taken to mean that in 1969, the plan to separate EMU from its political implications was already in preparation? Not really, as the distinction was primarily functional, in that the two areas of cooperation involved very different policymaking communities, with, to simplify, economics and/or finance ministers and central bankers on the one side and foreign ministries (whether working on actual foreign affairs cooperation or on democratic foundations of European integration) on the other. In their discussions on EMU, this did not prevent European policymakers, in particular in the economic and financial realm, from evoking the connection between economic integration and political integration. However, this separation of topics was not considered to be ideal. Less than two years after The Hague, in February 1971, President of the Commission Franco Malfatti thus complained about this siloed reflection of economic integration and political integration.<sup>32</sup>

<sup>28</sup>James, *Making the European Monetary Union*; Mourlon-Druol, ‘History of an Incomplete EMU’; on the IGCs, see Kenneth Dyson and Kevin Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union* (Oxford: Oxford University Press, 1999).

<sup>29</sup>Elena Danescu, *Pierre Werner and Europe: The Family Archives Behind the Werner Report* (London: Palgrave Macmillan, 2018), 61–68; Hubert Zimmermann, ‘The Fall of Bretton Woods and the Emergence of the Werner Plan’, in *From the Werner Plan to the EMU: In Search of a Political Economy for Europe*, ed. Lars Magnusson and Bo Stråth (Brussels: PIE – Peter Lang, 2001), 49–72.

<sup>30</sup>Davide Zampoli, ‘I Primi Passi Della Cooperazione Politica Europea: Problematiche Ed Evoluzione Istituzionale’, in *Alle Origini Del Presente. L’Europa Occidentale Nella Crisi Degli Anni Settanta*, ed. Antonio Varsori, FrancoAngeli (Milan: FrancoAngeli, 2007); Karen Elizabeth Smith, *European Union Foreign Policy in a Changing World*, 3rd ed. (Cambridge: Polity, 2014); Daniel Möckli, *European Foreign Policy during the Cold War: Heath, Brandt, Pompidou and the Dream of Political Unity* (London: I. B. Tauris, 2009); Maria Gäinar, *Aux Origines de La Diplomatie Européenne: Les Neuf et La Coopération Politique Européenne de 1973 à 1989*, Euroclio. Études et Documents (Brussels: PIE – Peter Lang, 2012), 41–73.

<sup>31</sup>On the historical development of democratic accountability in the EEC see Mechthild Roos, *The Parliamentary Roots of European Social Policy: Turning Talk into Power* (London: Palgrave Macmillan, 2021); Koen van Zon, *Heralds of a Democratic Europe: Representation without Politicization in the European Community, 1948–68* (Newcastle upon Tyne: Agenda Publishing, 2024); Sara Lorenzini and Umberto Tulli, eds., *A More Democratic Community: The Place of Democracy in the History of European Integration* (New York: Berghahn Books), accessed 6 August 2024; Umberto Tulli, ‘Historical Perspectives on the Democratic Deficit(s)’, in *The Rule of Law in the EU: Challenges, Actors, Strategies*, ed. Luisa Antonioli and Carlo Ruzza (Cham: Springer, 2024), 21–34; Claudia Sternberg, ‘Ideologies of EU Democracy since 1950’, in *The Cambridge History of the European Union: Volume 2: European Integration Inside-Out*, ed. Mathieu Segers and Steven Van Hecke (Cambridge: Cambridge University Press, 2023), 652–72.

<sup>32</sup>Historical Archives of the European Union (HAEU), FMM 37, Communication en matière d’‘union politique’: implications sur le fonctionnement de la Communauté, participation de la Commission aux travaux prévus par le plan ‘Davignon’, 17 Feb. 1971.

In these discussions, European policymakers regularly referred to the connection between EMU and political union but did not theorise it. Finding a solution to urgent economic and monetary challenges was the short-term goal, and fixing these challenges with, say, a monetary facility or a new exchange rate system did not necessarily imply raising big questions such as what the appropriate democratic framework of a full-fledged monetary union would look like. Such a monetary union was not yet in sight, and political union could be dealt with along the way. This thinking held for implicit rather than explicit the experience inherited from federal states, and for instance from the chartalist school of money.<sup>33</sup> From a theoretical point of view, currencies are closely associated with state capacity. A currency is a foundation for a common identity; and a currency works with the backing of a state.<sup>34</sup> Moving the reflection further, this leads to a consideration that if a monetary union was developed in the EEC/EU, then a series of other 'unions' – economic, banking, fiscal, social... – would need to be developed concomitantly, and ultimately, a political union as well.<sup>35</sup> Otherwise the development of the other economic-related 'unions' would be done at the expense of a democratically legitimate framework that would exist in a state that issues its own currency. This reasoning had far-reaching implications on the state of European integration, and European policymakers did not always spell it out in full. This was not only because the Treaty of Rome did not imply such a political union from the start but also because the Treaty of Rome itself had been devised against the background of the failures to build such a political union in the 1950s, and European policymakers were not willing to repeat these mistakes, as I will come back to below.

### Political Union as Consubstantial to EMU

When discussion about the link between EMU and political union was explicit, then both were considered consubstantial. The reasoning was that the more the EEC becomes economically integrated, the more it centralises power and decision-making. The introduction of a single currency, the argument went, called for the creation of centralised economic decision-making, a more significant centralised budget and so on. The creation of centralised institutions would lead step by step to a political union. In November 1960, Commissioner for Economic and Financial Affairs Robert Marjolin, in the European Parliament's commission on economic affairs, raised the issue of political integration as a side consequence of monetary integration. After having dealt at length with how to develop the latter, Marjolin added: 'All this [common currency, European federal reserve system, harmonisation of EEC member states' financial and budgetary policies] will hardly be possible without a more accentuated form of political integration, which is an essential condition for the full realisation of the objectives of the common market.'<sup>36</sup> Talking again at the EP economic commission in 1963 about European monetary integration, Marjolin explained: 'the single currency solution implies a much more advanced degree of political unification than is likely to be achieved in the near future within the EEC.'<sup>37</sup> The European Parliament itself, quite logically, expected an increased monetary integration to be matched by transfers of competences to the European Parliament as well as direct elections.<sup>38</sup>

<sup>33</sup> Georg Friedrich Knapp, leading theoretician of the chartalist school, considered that money was issued by the state; see Georg Friedrich Knapp, *The State Theory of Money* (London: Macmillan, 1924).

<sup>34</sup> Eric Helleiner, *The Making of National Money: Territorial Currencies in Historical Perspective* (Ithaca, NY: Cornell University Press, 2003).

<sup>35</sup> Paul De Grauwe, 'Design Failures in the Eurozone – Can They Be Fixed?', Economic Papers (European Commission, Directorate-General for Economic and Financial Affairs, 2013).

<sup>36</sup> HAEU, PE0 3637, Réunion Commission politique économique, 10 Nov. 1960. Translations are mine unless otherwise stated.

<sup>37</sup> Fondation Jean Monnet pour l'Europe (FJME), ARM 26/9/2, Robert Marjolin, La signification d'une programmation européenne, 30 Jan. 1963.

<sup>38</sup> See for instance HAEU, PE0 19,651, Réunion commission économique et financière, 7 July 1970. A couple of years later, the 1972 Vedel Report on the question of increasing powers of the EP confirmed this: 'The Community policies implemented within the framework of the EMU shall be subject to discussion and control by the European Parliament.'

One specific issue where the democratic accountability framework came out in the open, particularly in the 1960s, was in the discussions about planning (also called programming). The European Commission's Action Programme of October 1962, of which Marjolin wrote the relevant parts, was adamant about the inclusion of the planning effort in a wider democratic framework, including the social partners, through the European Economic and Social Committee (EESC) and the European Parliament, but not only these:

At some stage in the drafting process, the major economic forces in the Community – industrialists, workers and employees, farmers, independent producers in other sectors, etc. – will have to be consulted, either within the framework of the Economic and Social Committee or through other procedures.

One of the main advantages to be gained from such an undertaking would be a greater understanding by each of the major social groups of the motives of the others and of the public authorities, and a convergence of efforts towards the optimum result for the Community. The European Parliament should be consulted at a very early stage on the principle and modalities of 'programming'.<sup>39</sup>

Further developing his thoughts, Marjolin explicitly articulated the connection between planning and democratic accountability in the economic sphere in 1963:

This action will have to be undertaken with the support of all the major political and economic forces of the Community, in particular through in-depth discussions within the European Parliament, the Economic and Social Committee and any other forum which may appear appropriate. Programming, by involving all citizens through their representatives in the definition and monitoring of Community policy, should help to strengthen democracy in the economic field. As a means of information, but also as a means of participation in the construction of Europe for the citizens of our countries, it can be a school of civic-mindedness on the European level, the recognition by each of the interests of the other.<sup>40</sup>

Marjolin's successor, Raymond Barre, was no less convinced about the importance of the European Parliament in the process. In February 1972, Barre said to the European Parliament:

I have no experience of the European Parliament before 1967, but I can say that since 1968 and especially 1969 there has been no major development in the Community in the economic and monetary field on which the Parliament has not been consulted, has not formulated its opinion and has not exercised an influence. That is quite a progress. That is how we will move forward.<sup>41</sup>

This connection was reiterated in the late 1970s. In one of the last calls in the EEC for planning in an EMU framework, the so-called Gruson Report of 1978 read:

Here we want simply to point out that planning with purely technical goals (the only kind examined here) requires a political organisation to negotiate compromises or to find a middle way between antagonistic positions, whenever the planning procedure itself reveals such conflicts. If indicative planning is to intervene, there needs to exist democratic procedures by which compromises can be negotiated when significant conflicts of interest appear.<sup>42</sup>

These calls in the 1960s for a fully democratic framework of development for EEC programming were not just words in the air. Throughout the period, the European Commissioners in charge of

<sup>39</sup> FJME, ARM 19/2/13, Programme d'action de la Communauté pendant la deuxième étape, 24 Oct. 1962, page 67.

<sup>40</sup> FJME, ARM 26/9/2, Robert Marjolin, La signification d'une programmation européenne, 30 Jan. 1963.

<sup>41</sup> HAEU, PE0 19,921, Intervention de Barre à la commission économique et financière, 17 Feb. 1972.

<sup>42</sup> The National Archives of the UK (TNA), T384/424, Report of the European Planning Study Group, May 1978.



economic and finance regularly attended the European Parliament's commission on economic affairs meetings. Marjolin attended most meetings and often went to the EESC; Barre did the same after him.<sup>43</sup>

Leaving the question of European planning aside, the first major report in EMU discussions, the 1970 Werner Report, did tackle the question of democratic legitimacy. The Werner Report set out very clearly the relationship between the decision-making centres of EMU (both economic and monetary) and the political authority: 'A deeper study of the institutional problems thus raised is outside the framework of the mission of the Group, which has, however, thought it necessary to raise the essential aspects.'<sup>44</sup> The Werner Report further stated that: 'The EMU thus appears as a haven for the development of political union which in the long run it will be unable to do without.'<sup>45</sup> However, as with the economic centre for policy decision, the Werner Report did not enter into the concrete institutional challenges such ideas could bring. The authors of the Werner Report argued that it was outside the remit of their Group, but in eschewing the question, the report failed altogether to provide any concrete solution to this key challenge.

### A 'Neoliberal' Turn?

From this period when EMU and political union were broadly viewed as consubstantial followed, from the mid-1970s, a period when discussions about monetary arrangements seemed to take precedence over political union considerations. The member state-driven cooperation implied by the creation of the EMS in 1979, and the discipline imposed on national governments by financial markets, complements a picture of the rise of a neoliberal view according to which monetary developments would have been shielded from democratic considerations.

Institutional changes in the EEC had prepared the ground for an increasingly state-centred cooperation. The creation of the European Council in 1974 contributed to changing the EEC's institutional dynamics. Whether in the EEC or in the West with the group of the seven most industrialised countries (G7), the leaders who pushed for the institutionalisation of summit meetings frequently noted that such regular meetings of heads of government meant the reintroduction of *elected* government leaders in the Western/European economic and financial decision-making processes so far increasingly dominated by unelected experts and ministers.<sup>46</sup> Heads of government therefore considered summit meetings such as the European Council to be a democratic improvement to the existing institutional setup. This argument would forcefully resurface during the negotiations of the Treaty of Maastricht, as I will explain below.

Other institutional practices changed too. After a period when Commissioners regularly attended the European Parliament's economic committee meetings, MEPs then started complaining about the rare appearances of Commissioners in their deliberations. In 1975, the European Parliament's economic affairs committee thus noted: 'It was felt that the Commissioners were being somewhat lax about their attendance.'<sup>47</sup> In parallel, faced with an ineffective coordination of member states' economic policies, several European policymakers put forward proposals to improve this coordination. Such proposals often centred, in the late 1970s and early 1980s, around the idea that a smaller group

<sup>43</sup> See Mourlon-Druol, *Federal Anathema*, chapters 1 and 4.

<sup>44</sup> 'Report by the Werner Group to the Council and the Commission on the Realization by Stages of Economic and Monetary Union in the Community, Final Version', *Bulletin of the European Communities* (Luxembourg: Official Publications Office of the European Communities, 1970), 13.

<sup>45</sup> 'Report by the Werner Group to the Council and the Commission on the Realization by Stages of Economic and Monetary Union in the Community, Final Version', Danescu, *Pierre Werner and Europe*, 207–8.

<sup>46</sup> Emmanuel Mourlon-Druol and Federico Romero, *International Summitry and Global Governance: The Rise of the G7 and the European Council, 1974–1991* (London: Routledge, 2014); Emmanuel Mourlon-Druol, 'Managing from the Top: Globalisation and the Rise of Regular Summitry, Mid-1970s–early 1980s', *Diplomacy & Statecraft* 23, no.4 (2012), 679–703.

<sup>47</sup> European Parliament Historical Archives (EPHA), PE0 ECON 1973, Minutes Committee on Economic and Monetary Affairs, 8 Jan. 1975.

of senior civil servants should meet up regularly, and outside of classic institutional channels such as the Committee of Permanent Representatives (COREPER), to improve the preparation of Council of Ministers meetings. While this was meant to be more effective in terms of coordination, it also raised the question of the accountability of such institutional developments. Finally, democratic accountability also came up in the discussions about the institutionalisation of the EEC's borrowing capacity. Created in 1978, the New Community Instrument (NCI) allowed the Commission to borrow on international capital markets to finance projects in the EEC. One important issue of discussion was the supervision of the attribution of the loans.<sup>48</sup> The European Parliament's economic affairs committee did not want to see the parliamentary assembly excluded from what it considered part of the EEC's budgetary process. MEP Erwin Lange, from the German Social Democratic Party (SPD), thus 'stressed that it was important that Community loans policy should not be left to a body which could not be supervised by Parliament'.<sup>49</sup> The European Parliament wanted to be able to oversee this spending, while member states were unwilling to grant more powers to it. The European Parliament eventually only obtained the organisation of a regular reporting system from the Commission. From different areas, therefore, the 'encasement' of economic and monetary cooperation seemed to be growing.<sup>50</sup>

From 1979, the EMS contributed to aggravating the disconnect between monetary integration and democratic legitimacy at the EEC level, as economic and monetary coordination became ever more member state-driven. No specific new mechanism for political accountability with regard to the EMS was set up. Intergovernmental institutions – including the Council of Ministers of Finance (ECOFIN), the European Council and the relevant committees, the Committee of Governors and the Monetary Committee – increasingly took the lead in the major decisions taken about monetary affairs, without the European Parliament having any substantial counterbalancing power. Such reasoning, imbued with the necessity to find short-term solutions to urgent financial problems, was also present in the reflections of Tommaso Padoa-Schioppa, director of the Commission's division for economic and monetary affairs, on how to improve the EEC's economic policy coordination procedures.<sup>51</sup> In his reflections sent to the Commissioner for economic and financial affairs, François-Xavier Ortoli, in 1981, Padoa-Schioppa reviewed problems and sketched possible solutions. Padoa-Schioppa, however, exclusively focused on how persuasion in economic policy coordination could work, failing to take into account the issue of democratic accountability. Only the policy dimension was taken on board, not the political-democratic one.

Witnessing the slow change from, to simplify, a period when the consubstantiality between EMU and political union was more fully spelled out (1957 to mid-1970s), and a period when reflections on both became increasingly siloed (mid-1970s to Maastricht), it could be inferred that neoliberalism did progressively influence policymakers. The disconnect between the making of EMU and the making of political union was growing. Such a simplification would, however, overlook that not only did calls for the reinforcement of political union in the context of EMU discussions continue but also some European policymakers simply viewed 'political union' in the perspective of EMU differently from the classic federalist interpretation that would advocate, among other things, for a greater role for the European Parliament. The next section analyses these two points in turn.

### **An 'Economic Government' to Counterbalance an Independent European Central Bank**

Advocacy for connecting political union and EMU among European policymakers continued just as the EMS was being set up. In 1977, when the cabinet of President of the Commission Roy Jenkins

<sup>48</sup> Council Decision 78/870/EEC of 16 Oct. 1978.

<sup>49</sup> EPHA, PE0 ECON 1973, Minutes Committee on Economic and Monetary Affairs, 26 June 1975.

<sup>50</sup> On the improvement of these coordination procedures and the development of Community borrowing, see Mourlon-Druol, *Federal Anathema*, respectively chapters 4 and 5.

<sup>51</sup> HAEU, TPS 265, Padoa-Schioppa to Ortoli, *Première réflexion sur la coordination des politiques économiques*, 18 Dec. 1981.

started reflecting on a possible relaunch of the EEC's ambition about monetary integration, Jenkins' adviser Michael Emerson provided a short brief on EMU to the president of the Commission. Emerson advocated for an initiative in the currency field *precisely* because he wanted to 'encase' EMU in a wider political framework, rather than shield it in an independent and isolated institution. Writing to Jenkins, Emerson did not refer explicitly to democratic accountability but presented the EEC's complex institutional framework as an advantage for an EMU initiative:

The Community is the only plausible setting in which to go for the large benefits of ambitious economic and monetary integration (or eventually union) because you need the political institutions that can deal simultaneously with all these interrelated questions of trade, financial and economic policy, and arrange tradeoffs between political and economic interests in ways that are impossible between compartmentalised and specialised institutions (such as the GATT, IMF, OECD, UN).<sup>52</sup>

Emerson thus rejected the idea of compartmentalising monetary union outside of other relevant EMU economic and political aspects. One year later, in 1978, the European Commission's Central Advisory Group<sup>53</sup> – a group of advisers Jenkins set up in 1978, and that would later be institutionalised as the Forward Study Unit by Jacques Delors in 1989 – wrote about monetary union that:

It is quite clear, by analogy with the monetary and banking systems operating in any sovereign state, federal or otherwise, that a three-tier system is required to direct and operate monetary union. These tiers are:

- a Community policy-making authority, under democratic control
- a Community central reserve system
- national central banks.<sup>54</sup>

Having chaired a group that reflected on the public finance implications of monetary union and drafted the so-called MacDougall Report in 1977, Scottish economist Donald MacDougall drew similar conclusions. In 1979, MacDougall said to the European Parliament that the bold proposals of his group regarding the EEC budget in a monetary union were 'a way of getting political union'.<sup>55</sup> Many other initiatives in the 1980s included a well-thought connection between EMU and political union, including in particular the 1984 European Parliament Draft Treaty establishing the European Union.<sup>56</sup> Towards the end of the decade, when EMU discussions entered a new stage with the creation of the Delors Committee tasked with the drafting of a new blueprint for EMU, President of the Bundesbank Karl-Otto Pöhl was on the same line. Pöhl wrote in his paper outlining 'problems connected with European economic union' submitted to the Delors Committee that:

Parallel to the surrenders of sovereignty by the member states in both general and specific economic policy issues, the legislature would have to be strengthened at the Community level in order to ensure that shifts of responsibility in favour of the supranational level do not result in a loss of democratic authority in the Community. In the final analysis, this might mean that

<sup>52</sup>HAEU, CEUE\_JENK-733, Emerson to Tickell and Jenkins, A short brief on economic and monetary union, 20 July 1977.

<sup>53</sup>Henriette Müller, *Political Leadership and the European Commission Presidency* (Oxford: Oxford University Press, 2019), 45; N. Piers Ludlow, *Roy Jenkins and the European Commission Presidency, 1976–1980: At the Heart of Europe, Security, Conflict and Cooperation in the Contemporary World* (London: Palgrave Macmillan, 2016), 178.

<sup>54</sup>HAEU, EN 1905, Central Advisory Group, Institutional Aspects of Monetary Union, 22 Mar. 1978.

<sup>55</sup>EPHA, PE0 ECON 1973, Intervention of Sir Donald MacDougall at the EP economic commission on 22 Mar. 1979.

<sup>56</sup>Wolfram Kaiser, *Shaping European Union: The European Parliament and Institutional Reform, 1979–1989* (Luxembourg: Publications Office of the European Union, EPRS European Parliamentary Research Service, 2018); Daniela Preda, 'Spinelli's Initiative and the European Parliament's Union Project', in *Reshaping Europe: Towards a Political, Economic and Monetary Union, 1984–1989*, ed. Michael Gehler and Wilfried Loth (Baden-Baden: Nomos Verlagsgesellschaft, 2020), 99–118.

the progressive implementation of a ‘hard’ economic union leads more or less inevitably to a development towards political union.<sup>57</sup>

Mentioning such initiatives, however, tends to hide the most important change that happened in the 1980s. Instead of witnessing a disconnect between EMU and political union, the 1980s witnessed the emergence of a new school of thought among some European policymakers and, more specifically but not only, within the French government. This new school of thought was largely the fruit of the increasingly state-driven cooperation that developed since the 1970s with the European Council and the EMS. It was based on the belief that further developing the intergovernmental dimension of EMU, far from weakening the EEC’s democratic accountability framework, was actually reinforcing it. This idea was largely running against the belief, until then, that what was needed to improve the EMU’s democratic accountability framework was a reinforcement of the EEC’s supranational institutions, such as the European Parliament, the EESC, the Court of Justice, the Commission or a would-be centre for economic policy or a European treasury. Some European policymakers now advocated that reinforcing the role of the European Council and ECOFIN would allow for a more efficient democratic counterbalancing of the future independent ECB than any increase in the European Parliament’s powers.

In that process, the role of the French government was pivotal. The French government, throughout the Maastricht Treaty negotiations (and after), supported the idea of a ‘*gouvernement économique*’. ‘Economic government’ was designed as a way not only to counterbalance the power of the independent ECB but also to reinstate and reinforce the agency and powers of democratically elected leaders in the EU’s economic and financial decision-making process broadly speaking, in particular through the intervention of heads of state or government. French policymakers involved in the Maastricht Treaty negotiations were remarkably consistent in supporting their line. The French position was partly devised in reaction to what the French government perceived as a ‘German federalist concept of a political Europe’.<sup>58</sup> Instead of any federalist-inspired framework, the French government wanted to preserve the prerogatives of EEC member states’ governments. Making recommendations French president François Mitterrand on the strategy to follow, his adviser Elisabeth Guigou regularly warned against the risk of ‘a monetary power out of the control [*incontrôlable*] of political authorities’.<sup>59</sup> Guigou explained: ‘It is important to ensure that there is symmetry between monetary union on the one hand and economic union on the other, to avoid having monetary power without control and without a more general political framework. This is possible. The Bundesbank Act provides that the Bundesbank, while being independent, shall act within the framework of the economic policy decided by the Government.’<sup>60</sup> But as a solution, Guigou merely suggested asking ECOFIN and the European Council to provide economic policy guidelines within which the ECB would carry out its policy, and to review voting procedures in the ECB. Guigou did not mention the wider role of the European Parliament for instance. In November 1989, Guigou was even more critical:

<sup>57</sup> Historical Archives of the European Central Bank (ECB), DelC 7.7, Karl-Otto Pöhl, Outline of problems connected with European economic union, 9 Sept. 1988; on Pöhl see also Harold James, ‘Karl-Otto Pöhl: The Pole Position’, in *Architects of the Euro: Intellectuals in the Making of European Monetary Union*, ed. Kenneth Dyson and Ivo Maes (Oxford: Oxford University Press, 2016), 170–92.

<sup>58</sup> Frédéric Bozo, ‘Flawed Designs? France and the Maastricht Treaty’, in *European Integration and the Global Financial Crisis: Looking Back on the Maastricht Years, 1980s–1990s*, ed. Michele Di Donato and Silvio Pons, Security, Conflict and Cooperation in the Contemporary World (Cham: Springer International Publishing, 2023), 191–213; see also Frédéric Bozo, ‘In Search of the Holy Grail: France and European Monetary Unification, 1984–1989’, in *Reshaping Europe: Towards a Political, Economic and Monetary Union, 1984–1989*, ed. Michael Gehler and Wilfried Loth (Baden-Baden: Nomos, 2020), 283–330.

<sup>59</sup> Archives nationales de France (AN), 5AG4/4156, Guigou to Mitterrand, Votre réunion avec J. DELORS, le Premier Ministre et les Ministres sur l’Union Economique et Monétaire et l’Europe Sociale, 10 May 1989.

<sup>60</sup> AN, 5AG4/JLB/53, Guigou to Mitterrand, Les questions européennes qui devraient faire l’objet d’un accord entre vous-même et le Chancelier KOHL avant le début de la Présidence française, 9 May 1989.

For many, EMU is only about the Central Bank and the common currency. How is this a step towards political union? There would rather be a danger of seeing a European Bundesbank governing our destinies. Indeed, because decisions will have to be taken quickly and because it is inconceivable that a Central Bank should decide on the destiny of the Community's citizens, a real government and a real Parliament will have to be set up in front of this Bank. This is the real challenge of the Intergovernmental Conference: to invent a radical reform of the functioning of the present Community institutions in order to guarantee both the effectiveness and the democratic legitimacy of EMU.<sup>61</sup>

An important problem came from the fact that in the IGCs, the French government only advocated, as part of the improvement of 'democratic legitimacy', a narrow interpretation of the phrase by pushing for the increase of the role of the member states' governments, not the European Parliament, or indeed any other mechanism that could contribute to enhancing democratic accountability. The French government wished to reinforce intergovernmental institutions, ECOFIN and the European Council, which would promise to stick by the unanimity rule. Alongside this 'economic government', the French delegation never really pushed for increased powers to the European Parliament as both national parliaments and national governments wanted to retain power. The French position, as Guigou summarised in early 1991, was to 'give the European Council and the Council of Ministers a central role, by conferring them the full power of decision'.<sup>62</sup> Mitterrand even annotated in the margin of Guigou's note that the European Council would need 'a steady hand at the helm [*tenant bien la barre*]'.<sup>63</sup> French finance minister Pierre Bérégovoy was similarly preoccupied by keeping economic power in the hands of the European Council. While insisting that EMU and political union should go hand in hand, and that greater move towards EMU should be subordinated to progress in political union, the latter meant for him only the assertion of the 'economic authority of the European Council'.<sup>64</sup> Discussing with his Italian counterpart Guido Carli, Bérégovoy explained:

We are absolutely committed to the institution, alongside the ECB, of a power endowed with genuine democratic legitimacy. The EP has a limited role and does not vote on taxes. The Commission is responsible for creating rules to implement the Treaty but its powers are derived solely from the Treaty, i.e. the Member States signatories. The Council, on the other hand, derives its powers from the national governments, which are accountable to parliaments that have been elected. There are therefore only two institutions with genuine democratic legitimacy, not three.

This leads us to believe that the European Council and the Council of the Communities (notably through the Ecofin Council and a strengthened Monetary Committee) should be at the centre of EMU, as long as there is no real federal European government, which is not even conceivable within a generation.<sup>65</sup>

Highlighting that the French government's position was not isolated, Carli approved Bérégovoy's remarks. Writing to Bérégovoy, French foreign minister Roland Dumas equally confirmed that a French objective was to give the European Council in EMU 'a leading rôle' (*un rôle moteur*).<sup>66</sup> The director of the French Treasury, Jean-Claude Trichet, stood on the same line: 'The democratic character of European integration must be guaranteed by the pre-eminent role of the European Council

<sup>61</sup> AN, 5AG4/JLB/53, Guigou to Mitterrand, La Communauté européenne: quel équilibre entre son projet d'union politique et ses relations avec ses voisins d'Europe, 16 Nov. 1989.

<sup>62</sup> AN, 5AG4/JLB/54, Guigou to Mitterrand, Projet de Traité sur l'Union économique et monétaire, 18 Jan. 1991.

<sup>63</sup> AN, 5AG4/JLB/54, Guigou to Mitterrand, Projet de Traité sur l'Union économique et monétaire, 18 Jan. 1991.

<sup>64</sup> AN, 5AG4/7528, Bouillot to Mitterrand, Conseil restreint du 24 octobre. UEM, 23 Oct. 1990.

<sup>65</sup> AN, 5AG4/7528, Consultations franco-italiennes, Viterbe, 17–18 octobre 1991, entretiens Bérégovoy-Carli, 24 Oct. 1991.

<sup>66</sup> Archives historiques de la Banque de France (BdF), 1,035,200,103/29, Dumas to Bérégovoy, 5 October 1990.



and the Council of Ministers. They should have the right of initiative, just like the Commission.<sup>67</sup> The European Parliament was completely sidelined in this thinking. According to the director of the budgetary division in the French Treasury, Daniel Bouton, there was no need for the European Parliament to be able to give a vote of no confidence to the ECB. Bouton argued that there were already two possibilities of 'no confidence': the Commission before the European Parliament, and the Council of Ministers' members taken individually before their national parliaments.<sup>68</sup>

European Council meetings were logically the best place to witness EEC heads of state and government develop this line of argument and defend the role of the European Council as the guardian of democratic accountability in an EMU framework. Discussing the democratic state of European integration, the European Council meeting in Rome in October 1990 witnessed the most vigorous attacks against the European Parliament and in support of the European Council as an institution. Spanish prime minister Felipe Gonzalez warned: 'Do not exaggerate the democratic deficit: I am just as democratically elected as the members of the European Parliament.'<sup>69</sup> Mitterrand concurred: 'We are being modest in referring to the democratic nature of the European Parliament: we represent the most democratic element of all the Community institutions. We are here because the people put us here.'<sup>70</sup> Mitterrand added: 'Democracy is here in this room. I do not need to be double checked by Baron Crespo! [the president of the European Parliament].'<sup>71</sup> Two months later, at another European Council meeting still in Rome, Mitterrand reiterated: 'We, the European Council, have a democratic legitimacy. We are all elected.'<sup>72</sup> The decision to centralise monetary policy in an independent institution and leave economic policymaking intergovernmental against the background of a weak European Parliament was thus considered as a satisfactory democratic accountability framework. Ironically, in that context, the strongest critic of the non-democratic nature of the ECB as a fully independent institution was British prime minister Margaret Thatcher, often labelled as neoliberal. In European Councils and elsewhere, Thatcher consistently opposed the creation of an ECB as she considered that the absence of parliamentary control on the ECB was not democratic . . . and in that sense opposed the neoliberal outcome that was being devised at the EU level.<sup>73</sup> Like her European Council counterparts, however, she equally opposed reinforcing the powers of the European Parliament that could have provided a rebalancing of powers.

### Weak Proponents, Vague Targets and Member States' Opposition

Many European policymakers therefore articulated clearly the connection between EMU and political union. Even Martin Feldstein, heavily critical of the euro creation, stated in his famous 1997 article in *Foreign Affairs* that 'the 1992 Maastricht Treaty that created EMU calls explicitly for the evolution to a future political union.'<sup>74</sup> What, then, can explain the failure to materialise a simultaneous progress of both? This section outlines three factors that contributed to this outcome: the weakness of the proponents, the vagueness of the target and the opposition of member states.

Supporters of political union, and more broadly the actors who contributed to democratically legitimise EMU discussions, were overall weak. The EESC, a consultative assembly, did not really weight in the debates. The European Parliament, and its economic affairs committee, weighted more,

<sup>67</sup> AN, 5AG4/TB/61, Trichet to Bérégovoy, UEM – Projet de modification du Traité CEE, 14 Dec. 1990.

<sup>68</sup> Centre des archives économiques et financières (CAEF), PH 92/05/08, Bouton to Bérégovoy, Union politique, 1 June 1990.

<sup>69</sup> HAEU, TPS 236, Record of European Council in Rome, 27 Oct. 1990.

<sup>70</sup> HAEU, TPS 236, Record of European Council in Rome, 27 Oct. 1990. Original emphasis.

<sup>71</sup> HAEU, TPS 236, Record of European Council in Rome, 27 Oct. 1990.

<sup>72</sup> AN, 5AG4/CDM/12 dossier 1, Verbatim (Notes Antici), Conseil européen de Rome, 13–15 décembre 1990, séance du 14.12 après-midi.

<sup>73</sup> AN, 5AG4/AH/15, Guigou to Mitterrand, Compte rendu du voyage du Premier Ministre à LONDRES, 26 Mar. 1990.

<sup>74</sup> Martin Feldstein, 'EMU and International Conflict', *Foreign Affairs* 76, no. 6 (1997): 60.

but equally suffered from several weaknesses.<sup>75</sup> The European Parliament's economic affairs committee did push forward some important reports: Van Campen (1958), Dichgans (1966) and Herman (1990), to name but a few. In 1963, as the creation of the Committee of Governors was being discussed, MEP Francis Vals alerted to the issue of parliamentary control of governors.<sup>76</sup> In 1990 and 1991, Belgian MEP Fernand Herman criticised EMU, as it was being devised, for being too inter-governmental.<sup>77</sup> However, these concerns were not taken forward; and MEPs were unable to make EMU progress conditional on progress in political union. Rather, the European Parliament reacted to the agenda set by the other EEC institutions and the member states. This led MEPs to occasionally reproduce the biases of other discussions. In a January 1978 meeting of the European Parliament economic committee organised to prepare a report on relaunching EMU, MEP Brandon Rhys Williams thus exclusively talked about monetary union, when it could have been an opportunity to raise other issues.<sup>78</sup> When MEP Donald Bruce recalled that the Community budget needed to play an important role in that union, MEPs Schelto Patijn and Harrij Notenboom reacted by saying that it would be better for the report to focus on monetary matters only. At no point in this meeting was the role of the European Parliament in an EMU discussed. Later, in a meeting in April, the European Parliament's economic committee referred to 'the role played by a European Political Authority in the progress towards EMU', but without saying what role and what authority.<sup>79</sup> In late 1990, the conference of national parliaments did not manage to give a great push to the topic either, despite provocative exchanges in a meeting with members of national parliaments. Henning Grove, president of the Danish Markedsudvalget (the Danish Parliament's committee for EU related issues), thus warned that: 'The two conferences on EMU and political union were seen as one coin with two phases and the democratic deficit could be eliminated if European Parliament's responsibility were to be increased and if the Community legislation were controlled by Member States' Parliament.'<sup>80</sup> Further internal weaknesses did not help the European Parliament's economic committee. The turnover of its members was high, meaning that continuity was difficult. Some key figures animated the life of the European Parliament's economic committee over the years, but these were overall very isolated. More broadly, principled calls for increasing the powers of the European Parliament abounded, but they were often devoid of practical substance. In the Hannover European Council of 1988, Italian prime minister Ciriaco De Mita said: 'We must also strengthen European institutions including the Parliament.'<sup>81</sup> But he did not spell out his ideas. At the European Council of Madrid in 1989, Greek president Christos Sartzetakis said: 'We should strengthen the role of the European Parliament.'<sup>82</sup> But he did not set out his views in greater detail either. Broadly speaking, 'federalists' advocating a greater role of the European Parliament (such as Altiero Spinelli) were progressively sidelined by 'functionalists' (such as Delors or Padoa-Schioppa) who considered that political union could progressively grow out of EMU.

<sup>75</sup> On the positions of European political parties, see for instance Luciano Bardi et al., eds., *The European Ambition: The Group of the European People's Party and European Integration* (Baden-Baden: Nomos, 2020); Wolfram Kaiser, 'Counter-Narratives in the European Parliament: Far Left and Far Right Groups and European "Union" in the 1980s', *Journal of Contemporary European Studies* 30, no. 1 (2 Jan. 2022): 26–38.

<sup>76</sup> HAEU, PE0 403/1, Vals, Note relative aux propositions de la Commission de la CEE sur la coopération monétaire et financière au sein de la CEE, 6 Nov. 1963.

<sup>77</sup> AN, 5AG4/CDM/21 dossier 2, de Margerie, Entretien du Président de la République avec M. Baron Crespo, Président du Parlement Européen, 4 Nov. 1991.

<sup>78</sup> EPHA, PE0 ECON 1973, Report of the meeting of the Committee on Economic and Monetary Affairs held on 24 and 25 Jan. 1978 in Brussels.

<sup>79</sup> EPHA, PE0 ECON 1973, Committee on economic and monetary affairs, minutes of the meeting held on 18 and 19 Apr. 1978.

<sup>80</sup> EPHA, PE3 ECON 1989, EMU: summary record of meeting with members of parliaments of the member states, 27 Sept. 1990.

<sup>81</sup> TNA, FCO 30/7295, European Council in Hannover: record of meeting, 8 July 1988.

<sup>82</sup> HAEU, TPS 234, Record of European Council in Madrid, morning, 27 June 1989.

A second reason was the unclear nature of the target. This goes back to the discussion about what should come first, EMU or political union.<sup>83</sup> The problem here was that the dichotomy between EMU and political union, while existing and referred to, was never a complete hindrance for the actual progress of monetary union. Monetary union was materially easy to define and set up; while the mechanisms of both economic union and, for the purposes of this article, political union were much more complex to set out. As mentioned above, part of the silence on political union was due to the fact that it could be dealt with in the very last stage of what was seen as a step-by-step process. Barre presciently explained this in July 1972 at a meeting of the European Parliament's economic committee: 'If the Community does not dare to take the political leap, no EMU will ever be achieved. Problems with major political implications will only arise in the final stage of achieving EMU'.<sup>84</sup>

Further compounding the issue of the timing was the lack of clarity on what was meant by EMU itself. At different points in time, EMU could mean very different things: a unit of account, a sophisticated exchange rate system, a parallel currency or a sequence of transitory phases leading to a monetary union.<sup>85</sup> The 1978 Ardwick report of the European Parliament encapsulated well the complexity of this 'moving target':

[The EP] realizes that full monetary union with a single currency or irrevocably fixed parities is sharply differentiated from the transitional phase now envisaged, in that full union would require technical and political control over money supply and other macro-economic policies to be exercised by stronger central Community institutions, under the control of the European Parliament, instead of by national governments.<sup>86</sup>

As a consequence, and with the exception of the IGCs of Maastricht, it was difficult to devise a plan for political union that was fit for the purposes of the unclear type of monetary union that it would complement.

During the IGCs of Maastricht, the 'moving target' problem set itself in a different context. The problem then was that the two IGCs were evolving at different paces. European policymakers struggled to adjust one negotiating stance in function of the other. Writing to Bérégovoy, Dumas summarised the difficulty of working with such a moving target. Given the non-contemporaneous achievements of the two different IGCs, Dumas highlighted that one would be settled before the other:

I would like, before answering each of your questions, to stress one fact: the reflection on political union is less advanced than that on EMU. As there can be no question of waiting to conclude the Treaty on EMU until the negotiations on political union have been completed, we will be obliged to define the outline of EMU in such a way as to ensure that it fits into a general framework whose final contours we do not yet know.<sup>87</sup>

In that sense, the different paces at which the two parallel negotiations evolved were not propitious to realise a fuller 'federal' system ensuring genuine democratic accountability.<sup>88</sup>

<sup>83</sup> This echoes the debate about what should come first between economic union and monetary union; see for instance Ivo Maes, 'On the Origins of the Franco-German EMU Controversies', *European Journal of Law and Economics* 17, no. 1 (1 Jan. 2004): 21–39.

<sup>84</sup> EPHA, PE0 ECON 1967, Minutes Committee on Economic and Monetary Affairs, 12 July 1972.

<sup>85</sup> Emmanuel Mourlon-Druol, 'European Monetary Integration', in *Handbook of the History of Money and Currency*, ed. Stefano Battilossi, Youssef Cassis and Kazuhiko Yago (Singapore: Springer, 2018), 1–24.

<sup>86</sup> HAEU, PE0 2772, Lord Ardwick, Report drawn up on behalf of the Committee on economic and monetary affairs on the revival of economic and monetary union, 13 Nov. 1978.

<sup>87</sup> Archives historiques de la Banque de France (BdF), 1,035,200,103/29, Dumas to Bérégovoy, 5 Oct. 1990.

<sup>88</sup> Guigou mentioned the same time issue in AN, 5AG4/AH/15, Guigou to Mitterrand, Conseil européen de Dublin, 21 June 1990.

The ‘original sin’ for many federalists remained (and remains) the inability to have created European political union and/or the European Defence Community in the 1950s. Whatever the validity of that claim and the impossibility of doing counterfactual history, the lesson European policymakers drew from this episode was that the making of EMU could not wait for the achievement of political union, despite the understanding that both were going together. This was the substance of the message of Dumas to Bérégovoy quoted above. In 1986, Padoa-Schioppa, then Deputy Governor of the Bank of Italy but still closely connected to EEC discussions, summarised well the challenges of waiting for political union before EMU in an exchange with his German counterpart Helmut Schlesinger:

Of course political union should precede monetary and economic union, but this has unfortunately not been the course taken by post-war history, since the failure of the project for common defence in the early 1950s. In the name of the priority of political union should the Treaty of Rome not have been signed or the EMS not created?<sup>89</sup>

Padoa-Schioppa did not answer his rhetorical question, since his aim in this letter was to convince Schlesinger that he was as interested in ‘monetary stability and sound economic management’ as him. But Padoa-Schioppa’s rhetorical question reflected the lesson some European policymakers learned from the failures of the 1950s, namely, that for the creation of a European ‘political union’ to be successful one day, it needs to find a starting point from a different policy field. EMU could be promising in that an EMU would need a political union to be fully functional. The pressure from urgent economic and financial events, rather than the devising of a preordained plan aimed at shielding monetary integration from political accountability, contributes to explaining the agreement to tolerate the shelving of political union while progress was being made in economic and monetary integration. Such urgent economic and financial events included most famously the breakdown of the Bretton Woods system, but also the difficult realignments and regular exchange rate crises of the 1960s, 1970s and 1980s up to the crisis of the Exchange Rate Mechanism (ERM) of the early 1990s.<sup>90</sup>

A third and final reason that contributes to explaining the disconnect between political union and EMU at Maastricht was the unwillingness of member states to *communautarise* – that is, to transfer sovereignty over a specific policy area to the level of the Community – the system. The member states, in particular the large ones, rather than any particular group of neoliberals, were blocking the *communautarisation* and democratisation of EMU, especially at Maastricht but also before. It is true, as mentioned above, that some policymakers, especially but not only in the French government, believed that increasing the powers of intergovernmental institutions such as the European Council and ECOFIN would contribute to democratising the EMU setup. These European policymakers held that it would provide an effective counterbalancing power to the future independent ECB. Whether this indeed could be enough to democratise the European Union as designed with the Treaty of Maastricht is another question.<sup>91</sup>

Taking at face value the argument about the legitimacy and satisfactory democratic accountability provided by the European Council and ECOFIN in the EU’s institutional setup, the problem was then a reluctance to *communautarise* the institutional setup or, to put it differently, to surrender sovereignty in some key areas. Jean-Claude Trichet put it plainly in preparing the European Council meeting in Luxembourg in June 1991: ‘We must refuse a total “communautarisation” of EMU.’<sup>92</sup> Adviser to the French president Guillaume Hannezo similarly excluded in 1990 the possibility of focusing on the

<sup>89</sup> HAEU, TPS 220, Padoa-Schioppa to Schlesinger, 11 Apr. 1986.

<sup>90</sup> For a full examination of these crises and how they influenced the course of European monetary cooperation and integration, see James, *Making the European Monetary Union*.

<sup>91</sup> Antoine Vauchez, *Democratizing Europe* (Basingstoke: Palgrave, 2015).

<sup>92</sup> Service des archives économiques et financières (SAEF), PH 79/00/05, Trichet to Bérégovoy, Préparation du Conseil européen de Luxembourg, 18 June 1991.

Commission or the European Parliament as ways to provide a strong executive vis-à-vis an independent ECB, and called instead for a concentration on the European Council and ECOFIN.<sup>93</sup> The French government led the opposition of EEC member states to surrender parts of their sovereignty that would have allowed the development of a genuinely *EU-wide* framework of democratic accountability. EEC member states' governments' ambitions for political union were, however, not very high even before Maastricht. Under the rubric 'democratic control', the Guigou Report – a report devised in 1989 by the EEC member states with a view to setting out the agenda of the forthcoming negotiations – only modestly outlined the following:

How is democratic control of the new decision-making structures to be ensured:

- In general terms, would the national governments and parliaments have a specific role to play?
- Would the present roles of the European Parliament and of the European Council have to be adjusted?
- Would 'hearings' and periodic reports of the ESCB (which could be made public) as proposed in the Delors Committee's report be sufficient to ensure the ESCB's full accountability?<sup>94</sup>

It is true that questions were open; but their formulation tended to put the bar very low for the future possible democratic setup of the Treaty. The so-called Ashford paper of the European Commission in May 1990, also setting out the priorities of the forthcoming negotiations, was not very ambitious either. The paper already acknowledged that EEC member states' political preferences were not for the communautarisation of EMU:

Monetary union with a centralised economic union (. . .)

This centralisation would accentuate the need for a strong European parliament in order to correct the democratic deficit created by the emergence of two centralized decision-making authorities in the economic and monetary fields. The approach would imply political union of a centralist model.

This conception does not reflect the political preferences of the Community. It is at odd with the principle of subsidiarity. Nor does it take sufficient account of the diversity of Member States and their different histories and structures.<sup>95</sup>

Even before the beginning of the two IGCs, it was therefore clear that political union would not match the level of development of monetary union, due to the opposition of the EEC member states. This last point about the opposition of member states is particularly important as it runs against a frequent confusion between the evolution of the EEC/EU as if it were an autonomous whole, and what its member states want it to become.

## Conclusions

The outcome of the EEC member states' opposition to fully developing political union at Maastricht was that the latter did not match the level of development of monetary union in the Treaty. This article argued that such a disconnect, while corresponding to a definition of neoliberalism, was however not intended to align with a specific plan from this 'thought collective'. What explains that outcome was rather a combination of contingent factors as well as a belief, from the late 1980s, that a strong intergovernmental architecture vis-à-vis the future independent ECB would provide a satisfactory democratic accountability framework. With weak supporters, definitional and timing issues as well

<sup>93</sup> AN, 5AG4/7528, Hannezo, Europe: union monétaire, union politique, 23 June 1990.

<sup>94</sup> TNA, T 450/619, Report on the principal questions raised by the implementation of economic and monetary union, 30 Oct. 1989.

<sup>95</sup> Historical Archives of the European Commission (HAEC), BAC 375/1999/4426, Ravasio to Dixon, Revised version of Ashford Castle paper, 11 May 1990.



as the strong opposition from member states, political union did not advance at the same pace as EMU. The unwillingness to surrender sovereignty to the supranational level, rather than a conscious and deliberate neoliberal process to shield the supranational monetary union from democratic accountability, can make sense of this result.

Understanding this distinction allows for a re-evaluation of reflections about how to make EMU more democratic.<sup>96</sup> EMU was not primarily created with a view to shield capitalism from democratic accountability, even if its eventual setup in large part conforms with that vision. The desire to create a single European currency per se is not the problem; rather, it is the institutional setup that has been chosen. This point is central at a time when the governance of the euro gains ever-increasing centrality in the life of the EU.<sup>97</sup> If EMU is not intrinsically neoliberal, the focus should not be on EMU itself or related issues like leaving the euro, blaming it for all ills or discontinuing EMU altogether. Instead, debates should focus on the EMU's institutional setup, which could be considerably improved to better address the challenges that have been misconstrued in the past.

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<sup>96</sup>Stéphanie Hennette et al., *How to Democratize Europe* (Cambridge, MA: Harvard University Press, 2019).

<sup>97</sup>Guillaume Sacriste and Antoine Vauchez, 'Leuro-isation de l'Europe: Trajectoire historique d'une politique «hors les murs» et nouvelle question démocratique', *Revue de l'OFCE* 164, no. 4 (2019): 5; and, more broadly, on the governance of central banks, see Éric Monnet, *Balance of Power: Central Banks and the Fate of Democracies*, trans. Steven Rendall (Chicago: University of Chicago Press, 2024).

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