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Arne Heise

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Abstract

It will be argued that it is not of fundamental importance for growth and employment whether the EU clings to the Euro or allows for a dissolution of the Eurozone and a reemergence of national currencies but how multi-level macroeconomic coordination of different policy areas and nation-states will be achieved. Given that this insight is based on an alternative economic reasoning which is (still) not the common view of most political and economic actors relevant in the EU, it will be analysed under which conditions it would be recommendable to maintain the Euro or to reestablish national currencies."

Key words: European integration, neo-functionalism, neo-realism
JEL codes: F15, P16

1. Introduction[*]

The European Union (EU) has seen many crisis during its six decades of existence – it has been argued that these situations of crisis were, *ex post*, movers of further integration from what started as a sectoral customs union and proceeded towards a monetary union at the core of European integration (see Schmitter 2012: 39). And although these historical developments, which have been celebrated as great success after the first decade of monetary unification by, at least, the officials of the EU[1], have been the contested outcome of intergovernmental negotiations against the backcloth of national interests or, more precisely, of dominant national interest groups, those theoreticians appeared to be right who argued that the spill-over of functional necessities from one economic sector or political arena to another will, in the long run, direct the course of European ever deepening integration. Thus, the neo-functionalists appeared to have the upper hand over the neo-realists[2] or, at least, that both approaches

[*] This paper has been presented at the International Research Workshop 'Full Employment in Europe: With or Without the Euro? held between 15th and 16th of May 2014 at the University of Grenoble, France.

[1] Joaquim Almunia, then EU Commissioner for Economic and Monetary Affairs, stated: "A full decade after Europe's leaders took the decision to launch the euro, we have good reason to be proud of our single currency. The Economic and Monetary Union and the euro are a major success. For its member countries, EMU has anchored macroeconomic stability and increased cross border trade, financial integration and investment. For the EU as a whole, the euro is a keystone of further economic integration and a potent symbol of our growing political unity" (Almunia 2008). From a less biased perspective, the conclusions after 10 years were slightly more skeptical, yet not entirely pessimistic; see Matthes (2009).

[2] Tommaso Padoa-Schioppa, a high ranked official of the Italian Central Bank and, as a member of the Delor 'Committee for the Study of Economic and Monetary Union',one of the architects of EMU, argues very much in the spirit of the neo-functionalist interpretation: "(T)he road toward the single currency looks like a chain reaction in which each step resolved a preexisting contradiction and generated a new one that in turn required a further step foward" (Padoa-Schioppa 2004: 14).

may well be complementary rather than rivalry in explaining the fate of European integration[3].

The recent Euro Crisis puts all that into question again: firstly, a dissolution of the European Monetary Union (EMU) has never been discussed as widely, openly and earnestly before (see e.g. Tsoukalis 2012:48ff.). Secondly, even a reversion of direction from further integration to an escalating disintegration is not ruled out any more (e.g. Krastev 2012a; Eppler/Scheller 2014) and, thirdly, the potentials of functional spill-overs (i.e. systems rationality) appear ultimately to be restricted and dominated by the logic of *Zweckrationalität* (utilitarian rationality).

In the following, two questions will be addressed: Under what conditions will a neo-functionalist and, respectively, a neo-realist path shape the future of the EU in general and the Eurozone in particular assuming that neo-functionalists would take the Euro as catalyst for further integration[4] and neo-realists as the seed of dissolution, if not disintegration[5]. Additionally, we will inquire whether it is the existence or absence of a common currency in the EU which is at the root of economic resilience and well-being as the legitimizing basis for European integration in the first place.

2. One market, one money – a common currency for Europe?

Interestingly, the demands for a Eurozone split-up on the one hand and a Eurozone safeguarding on the other cannot be channelled into a right-left political or mainstream-heterodox economical divide. There are those lefitish social scientists such as Wolfgang Streeck (2012; 2013; 2014), Fritz W. Scharpf (2014), Alberto Bagnai (2012) and Costas Lapavitsas[6] and political movements such as Zyrica in Greece and influential parts of the Linke party in Germany[7] who favour a return to exchange rate adjustments between structurally different countries in the EU as the best option to cope with the failure of a 'frivolous experiment' (Streeck 2013). They argue that EMU has turned the EU into a

[3] Both theories emerged from political science of international relations and are arguably the most important theories of European integration, yet rarely consulted by economists. One interesting exception is Spolaore (2013).

[4] For course, neo-functionalism does not predict a smooth, unidirectional path towards ever deepening integration. Particularly after a long stagnative period with respect to European integration during the 1960s, neo-functionalists developed the concept of ‚spill-back' referring "to a situation in which there is a withdrawal from a set of specific obligations. Rules are no longer regularly enforced or obeyed. The scope of Community action and its institutional capacities decrease" (Lindberg/Scheingold 1970: 137). However, ‚spill-back' may account for temporary stagnation and stand-still but not for a reverse of the direction of integration (see Haas 1967: 316).

[5] Dissolution merely implies the undoing of the existing European Monetary Union in any possible way: the exit of one or more member states, the split into two or more EMU's (e.g. North-Euro or South-Euro) or the complete return to national currencies. Disintegration means the full-scale split-up of EMU into its former national currencies and further measures reversing real economic integration. For an account of the likelihood of disintegration according to the theories of (European) integration see Webber (2011).

[6] Costa Lapavitsas signed a European Solidarity Manifesto (2013) which favours a 'controlled segmentation of the Eurozone'.

[7] Oskar Lafontaine, former chairperson of the Social Democratic Party and Finance Minister of Germany in the first Schröder administration (1998 – 1999) and, then, long-time chairperson of the newly founded Linke party, argues for a return to the European Monetary System (EMS) as alternative to EMU; Lafontaine (2013).

system of competing states triggering a race to the bottom in most social categories such as real wages (for, at least, the wage earners at medium income and below), social standards, working conditions, etc. and only a return to national currencies would alleviate the competitive pressure. Conservative-mainstream social scientists such as Hans Werner Sinn (2012), Jacques Sapir (2012) and Francois Heisbourg (2013) also argue for a split-up of the Eurozone as they are afraid that otherwise the principles of price and fiscal stability – national myths for the Germans and for many neo- and ordo-liberals elsewhere – will go down the drain. Conservative political parties such as the 'Alternative für Deutschland' (AfD) or the 'Front National' (FN) share this anxiety and play with the popular fear of inflation, public debts and xenophobia in relation to further European integration. However, other mainstream social scientists such as Jesus Huerta de Soto (2012), Marcel Fratzscher and Clemens Fuest[8] and, still, most centrists political parties in the EU defend the Eurozone as best possible way to achieve growth, employment and well-being in the EU. They put emphasis on the idea that the Euro is an institutional arrangement which helps to contain 'governmental failure'. On the other hand, heterodox social scientists such as Michel Aglietta[9] , Philip Arestis and Malcolm Sawyer (2013) and most centre-left parties also favour a defence of the Eurozone as the best foundation for a revival of macroeconomic intervention policies in times of globalisation.

What to make of this seemingly curious texture of pro- and contra-Euro positions which lie across common ideological and paradigmatical fault lines? Summarized in simplified terms, the Euro is opposed because it acts as catalyst for neoliberal type policies and objectives and, because it does not do so[10]. Moreover, the Euro is defended because it may provide room for interventionist manoeuvres and, because it may help preventing them[11] – these puzzling findings hint at the core of the argument to be unfolded in the next section: it's not the Euro as common currency but rather the governance system in which a common currency is embedded that really matters.

But let us first remind ourselves that today's landscape of pros and contras of Euro's continuation mirrors the pro-con landscape of Euro's establishment in the 1980s and 1990s: The EU Commission's report 'One market, one money' laid the groundwork for latter discussions (see European Commission 1990). The EU Commission (EC) expected more gains from a reduction of transaction and uncertainty costs, the harvesting of economies of scale due to a deepening of market integration and a better allocation of factors of production within the monetary union than potential losses particularly stemming from adjustment problems in case of asymmetric exogenous

[8] Marcel Fratzscher and Clemens Fuest are part of a group of German social scientists called 'Glienicker Gruppe' who published a pro-Euro manifesto: Glienecker Gruppe (2013).

[9] Michel Aglietta signed a Manifesto Promoting Solidarity and Integration within the Eurozone (2011) which favours a new architecture for the Eurozone.

[10] These opposing evaluations may be a case of ‚cognitive dissonance' as well as a question of judgement: While any competitive pressure impeding national policy-making can be seen as limitation to the provision of democratically legitimized public goods, any restriction on pure systems competition can be judged as invitation for societal groups to pursue their vested interests.

[11] Here, of course, the different paradigmatical foundations are responsible for the contradictory evaluations.

shocks hitting the monetary union which, undeniably, was no 'optimal currency area'[12]. Underlying assumptions were those of mainstream 'natural rate economics' namely that the flexibility of exchange rates cannot help with 'real' structural problems but would only allow to choose different national 'nominal' price levels (or inflations rates)[13] and that public finances would need to remain in national responsibility (no-bail-out) and need to be restricted (balanced budget).

Although the general line of argument of the EC's report had been accepted by most economists, yet the cost component drew some discussion: critical mainstream economists held that EMU being no Optimum Currency Area (OCA) would evoke large adjustment costs in case of asymmetric exogenous shocks due to low factor mobility, inflexible labour markets and centralized collective bargaining systems in the Eurozone. They feared that national interest groups were strong enough to fend off those institutional reforms necessary to make EMU working – thus creating huge costs outweighing the benefits of EMU. Mainstream defenders of EMU would not deny such short-run costs but would argue that EMU is the necessary institutional vice to eventually get such supply-side reforms which the national political economy will prevent[14]. Heterodox critics pointed to the fact that EMU certainly was no 'Optimal Wage Area'[15] and, thereby, raising questions about the sustainability of internal imbalances. Heterodox defenders argued that a Keynesian architecture of interventionist macroeconomic fiscal and monetary policies cannot be provided by small open economies in a globalised world but need a common currency to create a bigger, more closed economy where coordinated fiscal, monetary and wage policies could in principle be envisaged.

3. Neo-realism versus neo-functionalism or: what kind of rationality will prevail?

As it stands, former critics of EMU are today's gravediggers: the mainstream critics take the recent World Financial Crisis as the asymmetric exogenous shock that splits the Eurozone into those countries that have done their homework in the past in terms of fiscal consolidation and supply-side reforms and those, that have not. Moreover, as in many cases in the past, national political economics prevent the necessary from being implemented and, instead, the acceptance of economic follies such as the undermining of the 'No-bail-out clause' by establishing the European Stability Mechanism (ESM) and allowing the European Central Bank (ECB) to indirectly finance governments via

[12] For a contemporary review of the report see Artis (1991) and for a backward looking review see Spahn (2013). The theory of an optimum currency area was pioneered by Robert Mundell (1961) and extended by Ronald McKinnon (1963), Peter Kenen (1969) and many others.

[13] And there would be no reason for the insistence on different national price levels, however a common culture of price stability would rule out irrational factors.

[14] In the literature on the history of European integration, the two opposing views are typically dubbed as 'monetarists' and 'economists' with most official German (mainstream) economists adhering to the 'economist' position and most official French (mainstream) economists adhering to the 'monetarist' position.

[15] The theory of ‚Optimum Wage Areas' describes the preconditions for a currency union to be able to cope with problems stemming from heterogenous collective bargaining systems within its confines (see Heise 2000).

open market operations. In order to prevent further such atrocities from happening, they openly advertise the return to national currencies and, in some cases, even further disintegrative steps to cure former supra-nationalist wrongdoing (such as much of product regulations by the EC). The heterodox critics take the entire history of EMU in general and, as under a magnifier, the World Financial and Euro Crisis and the ensuing austerity measures implemented under EU control as evidence of their claim that a monetary union intensifies the process of commodification and neo-liberalization and turns social economies into market societies. Therefore, they rely on and hope for the working of national social democracies[16] which will result in a Eurozone breakdown when EMU-related costs become prohibitive. However, they hasten to add that a Eurozone fragmentation does not and should not involve a further disintegration of the European Union as a successful project of regional economic and political integration.

The mainstream defenders of the Eurozone (e.g. European Commission 2009) take the common currency as rampart against the real effects of the World Financial Crisis which only proved the need for some further fortifications in terms of emergency measures (such as the ESM) and the hardening of existing rules and regulations (such as the European Fiscal Compact strengthening the European Stability and Growth Pact)[17]. Safeguarding the Eurozone today is, according to this position, an investment in building a better working system of competing states tomorrow that guarantees fewer options for rent seeking at the national level. Finally, heterodox supporter of the Eurozone interpret the Euro Crisis basically as the emergence of unsustainable internal (regional) imbalances which have been treated with the wrong medicine of austerity programmes aggravating instead of alleviating the problems. However, this treatment is not a join-product of a monetary union *per se*, they argue, but the unavoidable result of an architecture of the European Monetary Union which is entirely based on the premises of 'After Keynesian Macroeconomics'[18]: Leaving stabilisation policy to price stability oriented central banks and the working of the automatic stabilizers in a framework of balanced public budgets[19] and leaving market clearing to deregulated product and factor markets. Or, to put it differently: a more Keynesian-type policy, coordinating a growth oriented fiscal, monetary and wage policy game (see Pusch/Heise 2010; Pusch 2009), is still feasible only at the supranational level but needs a completely different economic governance structure.

[16] Rieger/Leibfried (1998) argue that the process of globalization (and European integration is part of that process) has been made politically viable only by the extension of national welfare states compensating potential losers of globalization – this is, what they call the result of 'social democracies'.

[17] For a critical assessment of the European Fiscal Compact see Creel/Hubert/Saraceno (2012).

[18] This expression has been coined by Robert Lucas and Thomas Sargent (1979) to label the mainstream economic paradigm that emerged after the so called 'Keynesian Revolution'.

[19] Heise (2012) explains why the existing European Economic Governance System must be rated as a straightjacket impairing economic growth and undermining fiscal consolidation.

Table 1: Positions towards EMU

General line of argument	**End EMU**		**Progress EMU**	
Paradigmatic orientation	**Left-heterodox**	**Right-mainstream**	**Left-heterodox**	**Right-mainstream**
General position towards monetary union	Monetary union can be seen as uncertainty-reducing institution	Monetary union can be seen as transaction cost reducing institution	Monetary union can be seen as uncertainty-reducing institution	Monetary union can be seen as transaction cost reducing institution
Position towards European Monetary Union	EMU is neither an Optimal Currency Area (OCA) nor an Optimal Wage Area (OWA)	EMU is no OCA	EMU is neither OCA nor OWA	EMU is no OCA
Basic problem in EMU's operation	EMU turned out to be a neoliberal project to impose market deregulation and liberalisation and social retrenchment	EMU creates regional imbalances (no OCA) which undermines stability orientation in fiscal and monetary policies (OMT of ECB, ESM, etc.)	EMU's policy coordination institutions (ESGp, EMD, EPS) are contradictory and do not match the necessary congruency of needs and ability	EMU's policy coordination institutions (ESGP, BEPG, EPS) not strict enough to impose 'dynamic OCA'
Proposed solution	Disintegration of EMU in order to regain national policy options (wage policy, exchange rate policy) No further disintegration of EU	Disintegration of EMU in order to re-establish national responsibilities (monetary and fiscal policies) Possibly further disintegration of EU (national regulation, etc.)	Further integration towards political and fiscal union based on an alternative integration path: Establishment of a European Keynesian Welfare State (EKWS)	Further integration towards a stability culture union based on the same neoliberal integration path as before: Establishment of a system of European Competition States (ECS)
Integration theoretical paradigm	**Neo-realism based on *Zweckrationalität* derived from national interests**		**Neo-functionalism based on *Systemrationalität***	

Note: ESPG = European Stability and Growth Pact, EMD = European Macroeconomic Dialogue; EPS = Employment Policy Strategy; BEPG = Broad Economic Policy Guidelines

As we can see now, what separates the gravediggers from the defenders is not their paradigmatic orientation, but rather their belief in *Zweck- or Systemrationalität* (utilitarian or systems rationality) respectively as prime mover of European integration (see tab. 1). Those, who view national interest groups at centre-stage of policy-making in general and European integration-shaping in particular, i.e. those who prefer a neo-realist perspective, plead for dissolution – albeit for entirely different, almost opposing reasons. And those, who maintain that – under the surface of intergovernmental negotiations – the constraints of functionality matter most in the long run of history-shaping, i.e. those of neo-functionalist orientation, regard the safeguarding of the Euro as necessary device for further spill-overs that, as we have argued, can go entirely different directions depending on the underlying paradigm. This, however, gives us a decent control mechanism: Whilst in case of a Euroland breakdown, we would be never sure about the reasons – non-functionality or political economy –, in case of a Euroland survival, the reason must be systems functionality of the measures taken.

4. Neo-functionalist preconditions for a survival of the Eurozone

It should be clear by now that the basic question to be answered is not whether the Euro should be defended or abandonded but rather whether national political economics or functional obligations rule the roost at the end of the day. One is readily inclined to believe that interests matter more than functions particularly when it comes to objects of 'high politics' rather than 'low politics' of more technocratic character[20]. Under such a belief, a dissolution of the Eurozone would be the more likely scenario and, irrespective of the paradigmatical basis, recommendable from a normative point of view. But from this perspective, it would have been difficult to explain the establishment of the European Monetary Union in the first place[21] and the consistent formation of national (economic) preferences has always been the 'Archilles' heel' of neo-realism (see e.g. Forster 1998). This does not mean that functional necessities easily overrule vested interests but a neo-functionalist orientation, at least, allows for the formulation of preconditions for a long-term survival of the Eurozone: The basic assumption of neo-functionalism is that developments are seen as irreversible! To prevent this from being circular reasoning, irreversibility must be attached to the conceived fulfilment of objectives that are linked with the functional devices in question – in our case, the prime objective of EMU was and still is, apart from purely political and cultural ideas, to contribute to further prosperity and, particularly, employment growth in the member states of the Eurozone[22].

[20] For the distinction between 'high politics' and 'low politics' see Keohane/Nye (1977).

[21] It has been argued that German unification was crucial for overcoming the ‚neo-realist' trap of national egoism (see Dyson/Featherstone 1999: 751) and, therefore, European monetary unification quite a 'historical accident'.

[22] Barry Eichengreen (2010) argues that "(t)he decision to join the euro area is effectively irreversible." Yet, he does not argue possitively in terms of fulfilment of objectives but negatively with economic and political costs and procedural impossibilities of a dissolution. Although, such considerations certainly play a role, I do not believe that the fate of the Eurozone can be based on uncertain costs alone but must be rooted in a loyality of the European mass public and in a satisfaction with the output of the Eurozone (see Vollard 2008: 7).

Now, this is exactly the inherent argument of the defenders of EMU: Irrespective of their paradigmatical basis, they see monetary union as a necessary, though not sufficient, device for dealing with economic problems that cannot accurately be handled at the national level. However, it is crucial in this respect that EMU is no sufficient device – what matters most is the governance structure into which the Eurozone is embedded. And, of course, that is where the defenders of EMU of different paradigmatical orientations part company: While the mainstream defenders cast a restrictive institutional structure to cope with expected (or, rather, assumed) moral hazard and rent-seeking behaviour of national political and collective actors, the heterodox defenders design a governance structure which allows for and increases the likelihood of coordination among fiscal, monetary and wage policies in order to create a macroeconomic market constellation or regime which combines fiscal sustainability and price stability with economic and employment growth and a progressive social security system (see e.g. Arestis/Sawyer 2006; Schulmeister 2014). Whether this can be achieved within the cooperative approach of the so called European Macroeconomic Dialogue (EMD) once set up by a Social Democratic majority of governments in the EU members states in the late 1990s or whether it needs some kind of supranational 'Gouvernement Economique' depends on the feasibility of a multi-level governance systems. Experiences with such types of 'governance without government' are not promising as historical lessons appear to predict that monetary unions without fiscal and political unions ultimately fail (see Theurl 1992). On the other hand, a further step towards fiscal and political union appears unlikely in a fragmentised political arena such as the European Union where, at least at the very moment, Europessimism is on the sharp rise again (see e.g. Usherwood/Startin 2013; Serricchio/Tsakatika/Quaglia 2013). Moreover, historical lessons tell us that fiscal and political union have only prevailed as a direct consequence of wars (Langewiesche 2013). But, maybe the project of European integration proves to be unique on any of these accounts.

It is not the Euro itself, i.e. a common currency, which is important to cope with economic problems such as financial and real crisis and, more important in normal times, with unemployment and stagnation, but the economic governance system in which a common currency is embedded. Unsurprisingly, the architecture of such a governance system is embattled – with the better end for the mainstream economists of 'After Keynesian Macroeconomics' in the past 2 to 3 decades[23]. However, what follows may be what has been dubbed as the 'revenge of neo-functionalism' (see Cooper 2011) once we assume a heterodox position[24]: In that case, we are faced with an 'inconsistency triangle' in the Eurozone (see fig. 1): Maintaining the Euro (in the long run) and, as a functionalist precondition for this objective, reviving and maintaining

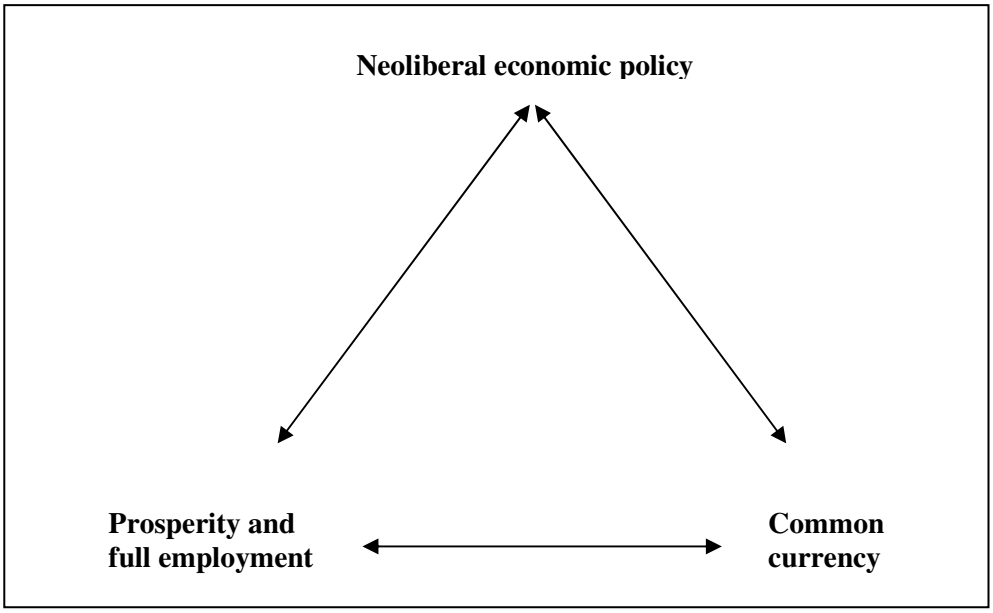
[23] According to McNamara (1998) the neoliberal consensus of the past decades made the process of integration, particularly monetary integration, possible. It seems obvious that a common perspective – or: the absence of cognitive dissonance – on economic policy issues increases the likelihood of an integration process that is based on extended cooperation and agreement. However, a potential 'Keynesian consensus' could have worked as well.

[24] This assumption can be substantiated on the grounds of mainstream economics having come under severe pressure in the course of the World Financial Crisis with respect to its explanatory power (see e.g. Caballero 2010; Galbraith 2013; Kirman 2010; Krugman 2009; Stiglitz 2009).

economic growth for prosperity and full employment cannot be achieved on the basis of a neoliberal policy regime.

Or put differently, if neoliberal economic policies will further be pursued and even, as under the reformed economic governance structure of the Eurozone as it exists in the moment, hardened, prosperity and full employment will be unattainable and, therefore, the Euro will not be sustainable. Or, to put it again differently: if the defence of the Euro is a political goal of overarching importance for policy actors (and the elite which dominates the public discourse and opinion, at least, under normal circumstances[25]) all over Europe[26], and economic well-being and full employment are crucial for the mass support of the Euro, neoliberal economic policies will no longer do the job.

Figure 1: Inconsistency triangle



Of course, it appears hard to believe in a breakdown of neoliberal policy-making after this ideological doctrine proved its resilience[27] after the World Financial Crisis when some commentators already expected its final decline (see e.g. Comaroff 2011; Crouch 2012; Harvey 2009; Mirowski 2013) – the latest announcements about France's re-orientation towards a German-style supply-side economic policy undermine the expectation that corrections may come from a group of countries led by France (see Evans-Pritchard 2014; Artus 2014). Yet, there are also signs of hope: Firstly, within the European Commission a discussion about a 'Genuine Monetary Union' (GMU)

[25] For the influence of elite (or meritocratic) interests on economic outcomes see Heise (2008); for a constructivist model of political economics describing the transmission channels of elite influence see Heise (2005).

[26] According to Webber (2011) and Krastev (2012b) it is particularly Germany as a ‚semi-hegemon' whose support is crucial.

[27] Colin Crouch (2011: 179) asks: „(W)hat remains of neoliberalism after the financial crisis, the answer must be ‚virtually everything'. The combination of economic and political forces behind this agenda is too powerful for it to be fundamentally dislodged from its predominance."

including institutional arrangements that can be interpreted as steps towards a fiscal and political union has been launched (see European Commission 2012)[28] marking a notable turnaround in the positioning of the EU Commission – which is, of course, an important policy-actor at EU level. Moreover, secondly, in the past we have seen several marked policy-shifts that were contrary to the dominant ideology of the time and the declared policy regime: Despite the fact that no one would associate Thatcherism with macroeconomic policy-management of Keynesian style, during the second half of the 1980s, we have seen exactly this kind of 'stealth' or under-cover regime change by the Thatcher-Lawson government in order to deal with the twin problems of growing unemployment and growing income inequality[29]. Moreover, the Reagan administration in the US combined the image of tough supply-siders with the reality of a fiscal policy which has been dubbed 'military Keynesianism'[30]. And even the behaviour of most Eurozone governments during the World Financial and ensuing Euro Crisis, when they put stabilization and bank rescue packages in place which run contrary to their economic ideologies and allowed for measures such as the Outright Monetary Transactions (OMT) programmes by the European Central Bank (ECB) and the issuance of collectively guaranteed bonds by the ESM[31], prove the point in question, although, admittedly these measures were designed as emergency measures only not yet indicating a thorough policy-shift[32].

5. Some concluding remarks

Although the recent World Financial and Euro Crisis are not yet entirely resolved, it is more likely now than two years ago that the Eurozone will survive its repercussions. However, the earnestness of the discussion about its fate has made clear that the Euro is not only a symbol of the willingness of the Europeans to unite and to defend the achievements of the past but may be interpreted as the anxiety of the Europeans that a politically inspired project of the war-stricken 20th century is running economically amok in a world of lasting differences.

Whether the Euro will or shall survive the next economic crisis not only depends on the tenaciousness of their defenders but also, and that may be good news for those who advocate a 'Genuine Monetary Union' including steps towards a veritable fiscal and political union, the acceptance of the elite to cope with a new type of supranational Keynesian intervention state. If this acceptance cannot be established or populist

[28] It must be admitted that Germany succeeded in watering much of these ideas down to what appeared acceptable with the conservative German elites at the time: decision-making remains fixed to intergovernmental instead of supranational bodies and a fiscal union is spelled out without collective obligations such as a supranational budget or, leastwise, Euro bonds. For an account of Germany's policy-making at EU level see Gammelin/Löw (2014).

[29] This has been documented by several authors; see Britton (1993), Maynard (1993), Wells (1993).

[30] See e.g. Paterson (1988); Navarro (1988: 230ff.).

[31] On a rhetorical level, the German government is the strongest opponent of Eurobonds, on a pragmatical level, Germany accepted the establishment of the ESM issuing a functional equivalent of Eurobonds.

[32] For an attempt to interpret the ECB's monetary policy measures during the Euro Crisis in neo-functionalist terms see Ehrhart (2013).

reasoning and activity prevails[33], the Euro experiment will eventually fail leaving not only all the questions of a guided dissolution open but also the questions of a national approach to crisis resolution and economic well-being beyond long-term stagnation and unemployment.

[33] It is rather easy to identify a number of members of the Eurozone where populist movements may become influential political powers in the near future. Moreover, political processes which will eventually cause a break-up of the European Monetary Union may well be triggered from Non-Eurozone members such as the UK where even the exit from the European Union is a realistic option, see Mansfield (2014); Springford/Tilford (2014).

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