Paper to be presented at the American ECSA Sixth Biennial International Conference, June 2-5, 1999, Pittsburgh, Pennsylvania. Panel on "EMU: Economic and Political Implications," session five, Friday June 4, at 10:45 am-12: 30 pm.

Sverker Gustavsson:

Monetary Union without Fiscal Union: A Politically Sustainable Asymmetry?

Contents:

1. Confronting Tested Experience	3
2. What Might Happen?	11
3. Sustainability Presupposes Enlightened Understanding	28
References	31

Address for correspondence:

Uppsala University
Department of Government
P.O. Box 514
S-751 20 Uppsala
Tel. +46 18 471 34 21
Fax. +46 18 471 34 09
E-mail: Sverker.Gustavsson@statsvet.uu.se

Ten years ago, the member states of the European Union decided to embark upon a new policy. An agreement between Helmut Kohl and François Mitterrand in the spring of 1990 cleared the way for the Treaty of Maastricht. This agreement was based on the assumption that monetary policy could be centralized without any comparable centralization having to take place in the management of tax bases of the member states.

In this way, a feared democratization of the provisionally established suprastate could be averted. As long as it was just the market and the currency that were centralized, it would be enough that democracy obtained within each member state. The democratic deficit would only become a problem for the Union when power over taxes and expenditures had become centralized too. Thus, contrary to earlier fears, monetary union need not call forth fiscal union. The governments believed, then, that they could institute the one without risking the establishment of the other.

Yet both expert knowledge and tested experience speak sooner for the proposition that a common currency calls forth a fiscal union than that it continues to operate unaccompanied by the latter. Notwithstanding this, the statesmen in question chose to disregard the latter portion of the question, and to introduce an asymmetrical solution. Power over the currency could be centralized, they thought. Power over taxes and expenditures, on the other hand, was to remain in the hands of the separate governments of the member states.

Was it reasonable for these statesmen to ignore the lessons of expert knowledge and tested experience? Or could it instead be the case that, in this instance at least, the politicians have a more solid basis for their standpoint than do we political scientists? Were there actually good reasons for choosing the road taken?

Any attempt to test the tenability of different answers to this question will necessarily be politically charged. Social-scientific contentions on such matters are not judged purely academically; they are received as well outside the circle of scholars. Objections are raised not merely on academic grounds, but also according to whether or not our standpoints are viewed as politically "constructive," or whether or not they further a given "cause." It is easy to understand why this should be so. The problem under debate is a real one. None can judge with certainty how the experiment will proceed. It cannot be doubted, however, that it is being carried out on a full scale, or that its risks are great.

The experience of not being taken seriously invites cynicism and resignation. At the same time, the fundamental norms of political science forbid us to capitulate. Tenability is not determined politically or commercially, but rather through examination. The decisive point of "up to here but no further" has now shifted. The limit is no longer centralization of power over the market. Centralizing the power over the currency is the new criterion. The political leaders of Europe have gambled that the tendency towards fiscal union can be fought off even when the currency is a common one. What determines whether or not the chosen line of defense holds? What happens if the forces that work in the direction of a fiscal union break through?

In what follows, I begin with a brief review of the most important theses put forward in the debate on explanations. I then devote the greater part of my attentions to the idea of monetary union without fiscal union. What might happen? The paper concludes, finally, with some words about enlightened understanding as a necessary prerequisite for a successful outcome when taking so great risks in democracies.

1. Confronting Tested Experience

Where usage is concerned, the debate on monetary union without fiscal union is less unclear than one might think, at least in comparison with other contested questions. Many political concepts – peace, freedom, democracy, equality, justice and the like – are contested so fiercely that debates on such matters often never get past the point of an argument about words. No controversy is involved, however, in referring to a monetary union unaccompanied by a fiscal one. The point in debate is the substantive issue, not the linguistic usage.

The approach applied here is comparative federalism. The European Union is not unique. It is instead a particular instance of a more general phenomenon – a union among unions. The opposite approach, by contrast, portrays this union as possessed of so special a character that it must be treated *in sui generis*. Behind the Latin expression lurks a political ambition: to promote the fullest European integration possible. Analysts of this stamp believe their objective to be furthered by an account of the Union, which refrains from comparing it with other unions. Yet in political terms also – with respect to the desired destination – this judgement is quite mistaken, in my view. The process of further integration (as opposed to coordination) is neither facilitated nor impeded by the methodological choice not to compare.

Champions of the non-comparative method consider the European Union to be without historical parallel. The implicit trick of persuasion entailed here involves the further claim that said union has no *analytical* parallel either. Yet the latter assertion in no way follows from the former, in the estimation of those of us who have no intention of foreswearing the comparative method just because we have chosen to study this union in particular. We uphold the comparative approach for methodological reasons. Characterizing, explaining and criticizing presupposes a wider frame of reference. If we neglect to compare across space and time, we will be unable to perceive which aspects of power are being centralized, or how unions and member states relate to each other. Similarities and differences only stand out clearly against the background of other unions existing elsewhere in the world or at various times in the past.

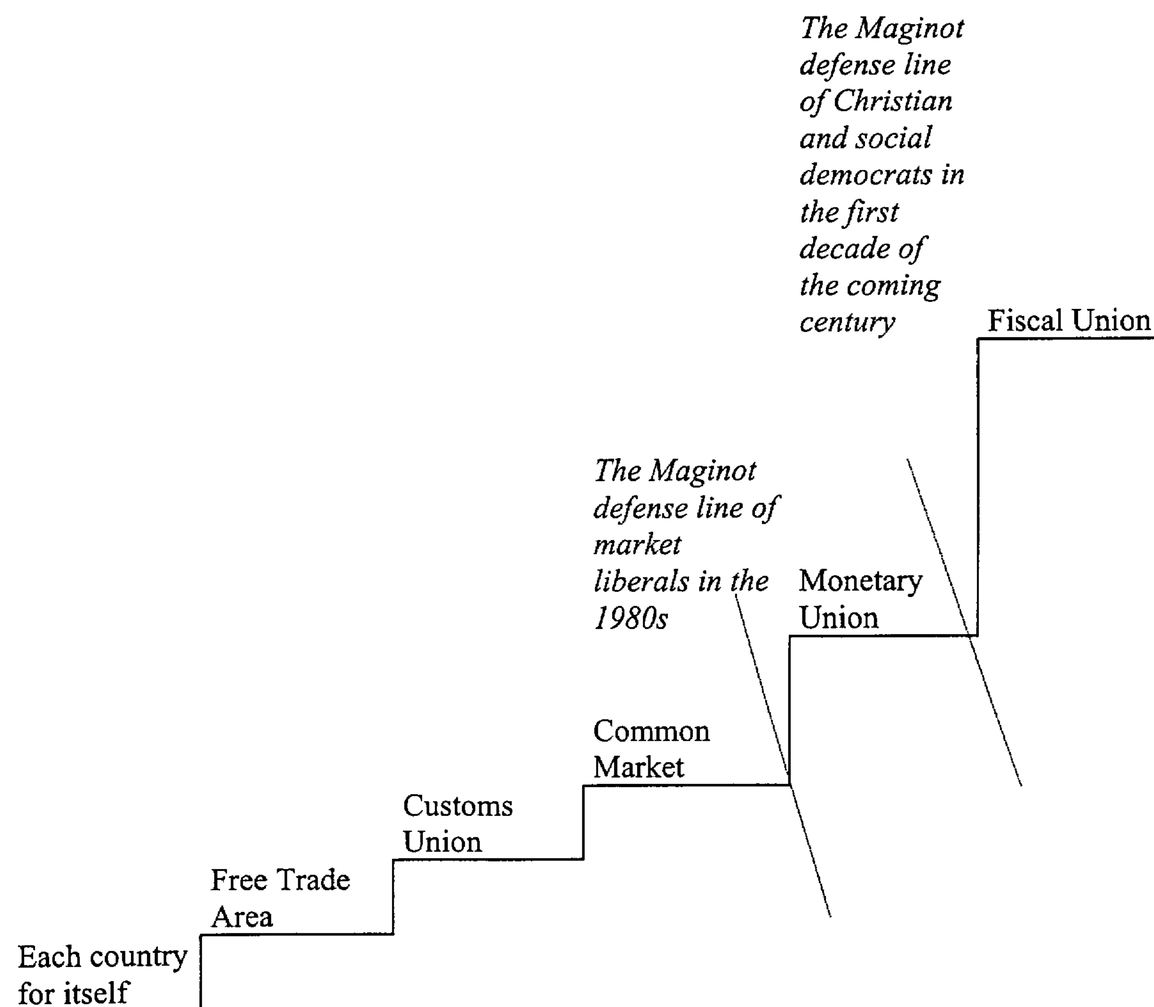
It makes little difference, for those us of who criticize the *sui generis* approach, whether the union being examined is imagined, desired or real. All such unions fall somewhere along a scale stretching between the extremes of a free-trade area and a fiscal union with a tariff union, a common market, and a monetary union coming in-between.

A further question for comparative federalism is the degree to which the norm-giving and fiscal powers are suprastatal, interstatal, or completely unaltered. "Suprastatal" refers to a condition in which three criteria are fulfilled: majority rule, direct effect, and precedence in principle for decisions of the suprastate. "Interstatal" specifies the

converse condition. The members of an interstatal association each possess the right of veto. Before taking effect in any member state, decisions of the association must be affirmed by the sovereign authorities of the country in question. And each member state reserves the right to refuse to abide by majority decisions.

The concept of union may be elucidated with the help of the so-called integration staircase. This heuristic device, which the Ukrainian-American scholar of federalism, Bela Balassa, launched almost forty years ago, is still unsurpassed in its elementary perspicuity. The integration staircase represents degrees of political integration, beginning from a first level, in which there is no integration at all, all the way up to a sixth level, in which the countries in question have combined into a fiscal union. Between the lowest and highest levels there are four others: a free-trade area, a customs union, a common market, and a monetary union.

Figure 1. *The Integration Staircase*



Within a free-trade area (the second level), trade between the participating countries is exempted from duty. Tariff levels vis-à-vis outside countries are uncoordinated, however. When integration takes the form of a customs union (the third level), the outer tariff wall is the same for all non-member countries.

Where a common market has been instituted (the fourth level), not just tariffs but other trade barriers as well have been removed. It is barriers of a non-tariff sort which are the more interesting in practice here, due to the great increase in the technical sophistication of production over the course of the last half-century. Tariffs serve as effective trade barriers only in the case of such low value-added goods as iron ore, grains, textiles, wood pulp, and the like. But the greater part of production and trade today has a large value-added component.

The relevant perspective here, therefore, is sooner a common market than a customs union. For under contemporary conditions, it is no longer primarily through tariffs that producers seek to confer advantage on themselves and to undermine other manufacturers and bidders; increasingly, such objectives are pursued instead under the cover of regulatory provisions relating to the environment, working conditions, consumer standards, and the like.

On the fifth level, power over the currency is centralized as well. Under such conditions, inadequate efforts on the part of a country or region to adapt to economic changes can only be compensated for by two means: the inhabitants of said region can acquiesce in a lowering of their standard of living, or they can move out and seek work elsewhere. The countries taking part in a monetary union cannot each soften the impact of short-term economic shocks by allowing the value of their currency to fluctuate in relation to the value of other currencies.

On the sixth level, finally, power over the use of the different national tax bases has been centralized too. This entails not only a harmonization of tax levels but also a centralization of taxes and expenditures corresponding to that applying *within* a member state, i.e., funds are transferred between the different regions of the union in accordance with the decisions of suprastatal authorities. Resources created in one member state can be used in another. Such an arrangement is found in established federal states like the United States, Canada and Germany, wherein upwards of one-fourth of the gross national product is redistributed at the union level.

The European Union has reached the fourth level in the course of the 1990s. Its members have formed a common market. With the so-called 1992-program, which enjoyed priority during the second half of the 1980s and the beginning of the 1990s, a breakthrough was achieved. Much still remains to be done, however, before all European enterprises can compete on equal terms from Palermo to Kiruna. Free competition is called into question all the time, and must be constantly conquered anew by the suprastatal authorities.

In the course of the 1990s, the work of removing trade barriers has been increasingly obscured by the preparations for a common currency. The decisive step was taken on January 1, 1999, thus rendering current the question posed here: will the member states need to redistribute resources across national borders in order to compensate for the effects of monetary union? The question is a provocative one. For if the participating countries decide they must endow the Union with the right of taxation, the question of democratic accountability will be brought to a head.

The extremely modest budget of the Union today, which is financed by dues paid by the member states, amounts to 1.27 % of the collective gross national product of the

fifteen participating countries. Experiences from other federal states indicate that a monetary union will necessitate a budget of five to ten times that size. The central management of the common market has, hitherto, mainly required the promulgation of rules; only to a very small extent has budgetary assistance been provided (in such areas as agriculture, research and regional assistance). Thus it has been possible, at a stretch, to view the policies undertaken as legitimate – notwithstanding the lack of any adequate arrangement whereby the policy-making authorities could be held responsible for their actions. Now the question of democratization arises already in connection with the transition from the fourth step to the fifth. For all experience shows that monetary union bears within it the seeds of fiscal union.

When the rate at which the currency is exchanged can no longer fluctuate, citizens are only able to adapt to asymmetrical economic shocks by moving, or by lowering their standard of living. As long as trade unions are permitted, furthermore, and as long the welfare state sustains people's customary standard of living, neither the one nor the other takes place. We must therefore confront – already at the transition to the fifth level – a much larger question, and a politically thorny one to boot. In order to be reckoned democratic, a suprastate must be able to levy taxes. And in order to be able to levy taxes, it must be democratic, in the sense that the citizens under its purview are prepared to accept majority decisions, which transfer tax monies across borders in a palpable manner. The member states confront, in other words, a catch-22.

The market-liberal analysis of this catch-22 predominated during the 1980s. This was not just the case in business and industry; said view was held in government circles as well. According to this analysis, it ought to be possible to erect a durable line of defense between the fourth and fifth steps in the staircase. Power over the common market had been centralized under a suprastate the leaders of which could not be held accountable for the policies pursued.

Once the fifth step well was taken, the market liberals averred, it would be necessary also to take the sixth, which would in turn necessitate making the suprastatal authorities responsible to the European Parliament. It was important, therefore, not to proceed any further than the fourth step (if the object, at any rate, was to keep the Union non-political in the sense understood by market liberals).

Any attempt to institute a monetary union without an accompanying fiscal union appeared, in the light of this analysis, not to be properly thought-through. The member states ought either to refrain from taking any further steps along the road to integration, or they ought to prepare themselves for the creation of a fiscal union too.

The big break with the idea that a common currency and a fiscal union are indissolubly linked came with the agreement reached by Germany and France in the spring of 1990. The two leading member states decided to centralize power over the currency *without*, at the same time, centralizing power over the different countries' tax bases. The governments of the two countries disregarded, in the process, what had until then been considered the lessons both of tested experience and of expert knowledge. Helmut Kohl and François Mitterrand presented this new standpoint in terms both sweeping and (in a "high" sense) political.

The two statesmen laid great stress, in their rhetoric at least, on the situation that had arisen upon the fall of the wall. The price Germany would have to pay for its reunification was the abolition of the Deutsche Mark. The object was to solve the problems of 1871, 1914 and 1939. The solution to the historic problem of Germany was believed to be a common currency – a common currency, be it noted, unaccompanied by any fiscal union. The task of preventing any continued movement along the integration staircase (from the fifth step to the sixth) was left to the governments of the member states to handle at a later point.

It may be of interest here to consider the picture emerging from the diaries kept by Horst Teltschik and Jacques Attali. The former worked closely with the German chancellor during the period in question, and Attali did likewise with the president of France. The diaries point out the centrality of "high" rhetoric and the relative absence of "low" standpoints in the internal debate as well. Thus there was no great difference, if these two accounts are to be believed, between public statements and private considerations.

Nor does any different version of events figure in Germany Unified and Europe Transformed, a book authored by Philip Zelikow and Condoleezza Rice. The two authors were part of the presidential entourage when, in 1990, President Bush negotiated the 2+4 treaty with the two states of divided Germany and the four victorious powers of the Second World War. For having been written so soon after the events detailed therein, their account is based on written primary materials in a strikingly high degree. Here too, the picture emerges of statesmen reluctant to pronounce on matters better suited to the deliberations of finance ministers and other "lower" politicians.

Attempts to strengthen the credibility of the settlement of 1990 were crowned with success at the Dublin summit in December 1996, and finally in Amsterdam in June 1997. The new "Maginot" line of defense against further political integration was set in concrete through the so-called stability pact. By this means, it was thought, it would be possible in earnest to introduce a common currency without, at the same time, instituting a corresponding mechanism for revenue sharing between the member states of the Union.

Thus it was assumed that, as a consequence of the stability pact, the European Union would not be obliged to evolve in a manner recalling developments in the United States, Canada and Germany, wherein upwards of half of public finances are federal. In the view of the stability pact's framers, it will possible to contain all suprastatal commitments within a budget ceiling of 1.27 % of the gross product of the Union. And the other countries must understand that Germany has had enough: such was the refrain repeated over and over by Theo Waigel, and after him by Oskar Lafontaine and Hans Eichel. Germany had not abandoned the Deutsche Mark in order to serve as the major source of finance for a Brussels-based fiscal union recalling the one based in Washington, in Ottawa, or in Bonn.

The motivations of Christian and social democrats for undertaking monetary union were indeed *political* in character. On this there is scarcely any disagreement. What is worth discussing here is not whether political motives were decisive, but rather what *kind* of political motives. Were they of a high or a low nature? Did the reorientation

reflect a desire to be able, in a "high" geopolitical sense, to assert the interests of Europe as a great power vis-à-vis Russia, the United States, Southeast Asia, and Latin America? Or did the governments of the member states decide – for "low" domestic-policy reasons – to establish an asymmetrical relationship between a centralized currency and decentralized state finances? Can what happened be explained by a wish on the part of the participating governments to become stronger – in relation, that is, to interest groups, the mass media, and their own electorates – and thus better able, as they saw it, to combat unemployment, to safeguard democracy, and to defend the welfare state?

When one speaks, in this setting, of "high" motivations, this should not be taken to mean that such motivations are of a more exalted moral character – only that they have a wider historical and geographical bearing than do the "lower" interests in welfare and popular rule within countries. The key expression here is "like for like" – *quid pro quo*. François Mitterrand acted on the basis – or so it would appear on the surface – of a calculation that "If you get East Germany, I get the bank," and Helmut Kohl did the reverse. Only in this way could everlasting peace be brought to the Old World.

The "like-for-like" formula is not, in the estimation of those scholars who stress the importance of "high" motivations, expressive merely of a passing atmosphere or of a decisive solution to a difficult problem. Beneath the rhetorical extravagances of the politicians lay a deeper insight and set of motivations rooted in the electorate, the public opinion, and the interest groups of each country. On both sides of the Franco-German frontier, politicians believed a settlement to be in the interests both of the continent and of their own country.

According, for example, to Michael Baun in his book An Imperfect Union, the talk about having finally reached success after so many centuries of failed peace policies was more than just grand rhetoric. The desire to stabilize, once and for all, the political geography of Europe was more than just a Sunday conviction. It was also, causally speaking, decisive for the choice to move the line of defense from the fourth to the fifth step in the integration staircase.

Champions of the opposing thesis argue, on the other hand, that the primacy accorded foreign-policy considerations was only apparent. What really made the difference, these scholars aver, was the "lower" ambition to be able to control tax bases, and thus to be capable of forming strong governments in the member states. A strong government and a retained national control over tax bases serve to safeguard democracy and the welfare state, which in turn form the basis for peaceful development in the world as a whole.

A decisive attraction for the French and German governments was the idea of establishing a limiting suprastatal framework for the nationally defended tax bases. Only if the solution were made asymmetrical – a monetary union unaccompanied by a fiscal one – could it serve as a lever for instituting a policy that would prove better able over the long run to sustain peace, employment, social welfare, and democracy.

Precisely because a common currency tends to lead to fiscal union, it was considered to be – according to the scholars who stress "low" motives – all the more important

that the European Central Bank be placed outside the reach of all outside influence – whether exerted by the member states or by the Union organs. The centralized power over the currency is to be subject to no democratic influence, *at the same time that* power over taxes and expenditures is to remain out of reach for the Council of Ministers, the Commission, the Parliament, and the Court. By rendering monetary policy impervious to the influence of electorates, public opinion, interest groups, and Union organs alike, the stability pact would help to keep fiscal policy in the hands of the member states.

This arrangement was without historical precedent; yet it was animated by considerations of principle, and its object was political improvement. The significance of this "low" constitutional motive is examined by Andrew Moravcsik in The Choice for Europe, a book which is out to prove a point, but which marshals its evidence impressively. In both his thesis and his *modus operandi*, Moravcsik connects up with two works of Alan Milward: The Reconstruction of Western Europe and The European Rescue of the Nation-State. Both authors ask why the countries of Western Europe have undertaken a substantial element of political fusion rather than each developing its democracy and welfare state on its own. Both present the results of meticulous original research conducted in the member states. And both assert that evidence is lacking for the thesis that continued integration has at any point been guided by "high" motivations.

Milward and Moravcsik associate talk about "high" motivations with bad research. Social scientists engaged in research of that sort, they aver, work in a one-sidedly theoretical manner, and without consulting the materials found in the archives of the member states. For this reason, they fall easy prey to the ideology and self-image which European bureaucrats wish to convey of the purport of European integration. Such is the essential polemical message of these two authors. What has actually happened, Milward and Moravcsik argue, has always been amenable to explanation in terms of a rational desire to rebuild what fascism had destroyed, and thus to "save" the democratic and welfarist gains made within each country. By means of a partial (but in every phase consciously weighed) integration with its European partners, each of the participating governments would be able – or so each one thought, at least – to safeguard the strength of its own country, its own welfare state, and its own democratic system.

Milward has studied the period from the first years after the war up to the mid-1960s. With a comparable thoroughness, and with the same indefatigable concentration on primary materials from the member states, Moravcsik examines treaty negotiations from the drafting of the Treaty of Rome in 1957 to the signing of the Treaty of Maastricht in 1991. Moravcsik, for his part, find no indication of the importance of "high" motives either. Even General de Gaulle was guided at bottom, he claims, by concerns about living standards in the French countryside when, in 1963, he shut Great Britain out from membership (Moravcsik 1998: 219 ff.).

The adoption of the Treaty of Maastricht moved the Maginot line of defense against further political integration from the fourth to the fifth step in the staircase. Christian and social democrats undertook their defense, then, one level higher than that considered by their market-liberal opponents five years earlier to be a reasonably "safe" and balanced solution. Christian and social democrats consider themselves

better able, from this level, to undertake the defense on the basis of their political values. They believe that, in this manner, they can most effectively counteract unemployment, defend the welfare state, and sustain the national tax bases required. Not just peace and democracy but also Europe's standing in the world are best favored, according to these parties, by the asymmetrical arrangement they have chosen.

The path taken tends to be defended, then, on the basis of the "high" and "low" motivations mentioned. But what is it, more precisely, that explains – on the basis of contemporaneous motives – the method selected by the leading politicians? Why, in the spring of 1990, did they shift the line of defense from a balanced and stable fourth step to a fifth step that, according to all expertise and all experience, was naught but an untenable intermediate position in the staircase?

The choice that was made reflected, Moravcsik argues, the primacy of "low" politics. The driving force was the interest of the Commission and of the larger member states in a new domestic-policy regime capable of giving priority, in a more effective manner than had its predecessor, to the stable value of money. The governments had come to appreciate their short-term vulnerability in the face of democratic organizations, general elections, and the free formation of opinion. By centralizing power over the currency without at the same time centralizing control over the tax bases, the governments sought – voluntarily – to limit their own power of decision (Moravcsik 1998: 430 ff.).

An uneven centralisation of monetary and fiscal policies, it was thought, would make the governments of the member states less vulnerable to passing moods in public opinion, among voters, and within various interest groups. As politicians, the Christian and social democrats did not wish to be subjected, as easily as they had been previously, to the temptation to conduct a regional policy of excessive ambitions, or to fight against unemployment in a manner too focused on favorable short-term results. In this way, governments would be better able, in a steady and long-term fashion, to work for peace, welfare and democracy.

The market liberals, for their part, are also democrats in the sense understood by Christian and social democrats. They are not as fervent in their conviction, however, that full employment and social welfare set the framework for democracy. The point is that the Christian and social democrats believe that a common currency will force the member states to coordinate the use of their tax bases – as the only alternative to a fiscal union shunned by all.

There is a great deal more to be said, of course, where these two explanatory themes are concerned. The puzzle in question will not be solved, surely, within any foreseeable future. More and more materials will emerge out of different European decision-making centers with the years, and new interpretations and reinterpretations will ensue. Questions of theory and of method will also be addressed anew. Whether or not the theses of "high" and "low" motives examined here are compatible with each other is not altogether clear. This is a question which is now, at the close of this decade, attracting great interest among scholars of Europe the world over.

2. What Might Happen?

More interesting still, however, is the question of sustainability. Will the chosen arrangement prove a durable solution over the long run? Today the politicians are making a virtue out of what has already been decided. In an article published shortly after the New Year in 1999, for example, the finance ministers of Germany and France wrote that the combination of a common currency and a left-wing majority in most of the member states opened up a perspective of "philosophical convergence" on the eve of the twenty-first century. Their article was published two weeks after the new currency had been introduced (Lafontaine & Stauss-Kahn 1999.)

The same idea was found in the program presented by the new German government two months before (Regierungserklärung 1998.) A new outer framework had been established, the new chancellor explained, for the costly regional and redistributive policies pursued within each member state. The formula for moving beyond the monetary union, he averred, was *coordination*. It was no longer a question of increasing the suprastatal features of European integration in order to safeguard democracy and social welfare under the harsher conditions of economic and political competition now prevailing on the global level. The stability pact would hold, the new chancellor assumed. The participating countries would each have to clear up their economic problems on their own. But they would not do so, of course, in ignorance of the policies being pursued by their partners. They would instead seek as far as possible to act in concert, and to pull in a common direction.

The European politicians of today do not consider it either possible or desirable – given the shift in the line of defense to the fifth step – to carry out further political integration in order to strengthen the efficacy of policies pursued at the national level. Everything that needs to be done – where erecting a functional equivalent to redistribution through a fiscal union is concerned – must be accomplished through coordinated rather than suprastatal policies. Only in this way can the participating countries enjoy the benefits flowing from their self-binding to a shared world currency – and to do so without risk of calling forth a democratization of the Union.

Coordination is not, for the Christian and social democrats of Europe the same thing as integration in the sense of suprastatal decision-making. What these politicians are seeking may perhaps rather be termed a fourth pillar – of politically *offensive* interstatism – the thrust of which is aimed at central tasks within regional and employment policy. This new interstatal pillar appears to be located between the suprastatal first pillar on the one hand, and the more defensively interstatal pillars for foreign policy and border crossings on the other. The purpose of offensive interstatism, in other words, is to evade the dangers of *both* Scylla and Charybdis. Today's governments in France, Britain and Germany want to prevent not only fiscal union but also – and above all – a centralization of power over taxes and expenditures, with its concomitant destruction of democracy within the individual countries.

The need of the hour, then, is now thought to be the establishment and maintenance of a monetary union bereft of any fiscal counterpart. This arrangement must be made to appear sustainable, both to public opinion and to the financial markets. That governments try by various means to render their chosen policies credible is unexceptional enough. They must do this in order to strengthen their legitimacy. How

and why they do this is a different question, however, from the ones I set myself here, namely: Is the solution they have chosen *in fact* a credible one? What is there to indicate that it is? Or, for that matter, that it is not?

A knowledge of the motives involved quickens one's sense of the arguments offered. Yet it does not determine the sustainability of the line of defense selected. If politicians decide in full awareness to set expert knowledge and tested experience aside, it will not suffice for us simply to repeat that monetary unions always lead to fiscal ones. Nothing would in that case require investigation. And merely adducing political centralization as a general tendency must be judged conservative in a bad sense. It implies that nothing can ever function properly in the future, which has not done so already in the past. After such a declaration, there would be no more to say. One is required, with such a theory, to reject everything, which has not been tested in practice hitherto. The possibility of political progress is excluded by definition.

The European statesmen of today would appear to be acting in accordance with insights which are not, granted, founded on the lessons of experience, but which may perhaps be reckoned properly thought-out all the same. The fact that the events in question have not yet occurred makes it harder, needless to say, to analyze the matter in a satisfactory way. Those of a cautious disposition will elect, in such a situation, to await the outcome of events. Yet it would be unfortunate if politicians were to allow themselves *too much* latitude to engage in wishful thinking. A certain element of hoping would seem, to be sure, to inhere in the nature of the thing.

After all, as soon as anyone tries to accomplish something, which would not "otherwise" have happened, the skeptically inclined will be in a position to dismiss said person as a dreamer. But the critical thing on which to focus, for those attempting a methodical judgement of the matter, is *how* the person in question engages in wishful thinking. According to the precepts of intellectualism, one's actions ought to be rational. There should be reasons for one's chosen course of action, and these reasons must be amenable to criticism. It will not do to invoke "God," "Providence," "Fate," "Chance," "the European Idea," "the Process" or "the Future" as political forces upon which to rely. The facts in question must be amenable to investigation, and the arguments submitted must be subject to testing.

It is the vague and general appeals to "historical necessity," *la pensée unique* and the like which ought to be rejected. The requirement of integrity applies as well. The course of events a researcher discerns should be clearly distinguishable from his or her wishes or fears concerning what will happen. Predictions too must be based on intersubjectively applicable and verifiable reasons; only on such a basis can one prognosis be judged better than another. If political scientists are to do more than "just" register and explain events, they must attempt to make reasonable prognoses and to venture assessments capable of being criticized.

Prognoses regarding the sustainability of monetary union in the absence of fiscal union have hitherto been done mainly by economists. They take a twofold approach to the question. In part, they are concerned with the question of how great an improvement in resource utilization may be expected to follow from reduced uncertainty in connection with exchange rates and levels of interest. Has the

calculation behind the establishment of the common currency been properly carried out? Or have the efficiency gains been overestimated?

In addition, economists have wrestled with the question of whether or not the Union constitutes a so-called optimal currency area (or OCA). According to an idea launched by Robert Mundell in the early 1960s, one must weigh two contrary considerations against each other when seeking to ascertain whether or not a given geographical zone constitutes an OCA. On the one hand, efficiency increases with the size of the unit. On the other, the need for equalization tends to increase with size as well, since larger areas will likely feature a wider variation in the economic development achieved by different zones.

Throughout the 1990s, economists have debated whether or not the European Union fulfills these so-called Mundell criteria. The discussion is a difficult one, for the different factors being weighed against each other are difficult to express in quantitative terms. The interesting thing about this research, however, is not to be found in these methodological difficulties, but in the fact that the problem so plainly has a political import – a fact that the economists themselves are quick to recognize. With great meticulousness and care, they list the changes that need introducing if the efficiency gains attendant upon a given OCA-balance is to be realized. These changes must be reckoned bitter medicine: they include a lessening in wage-earners' job security, the introduction of less favorable provisions in unemployment insurance, a neglect of infrastructure in regions judged economically less attractive, and other similar measures.

Such changes can, indeed, be introduced if the overall conditions are completely controlled. But how does the matter look in practice? Is it really possible to alter job-security provisions, labor-market institutions, and regional policy in the direction and to the degree presupposed by the OCA-analysis? Are there not certain historically given outer conditions – i.e., universal and equal suffrage, civic rights and freedoms, etc.– which powerfully inhibit the necessary balancing of the two contrary considerations featured in the economic analysis?

The economists do not attempt, in other words, to hide the political character of the OCA problem. On the contrary, they underline precisely what it is that needs discussing from such a perspective. Martin Feldstein, for example, ventures the following judgement in an article reviewing the field:

> As economists, we can evaluate the likely effects of monetary union on unemployment, inflation, trade and overall economic well-being. But we should recognize that the officials who are pursuing monetary union are motivated by political considerations that transcend questions about the likely performance of the European Central Bank and whether the European economy satisfies the Mundell (1961) criteria of an optimal currency area. It is useful to explore these political considerations before looking at the likely consequences of EMU for the economies of Europe and the rest of the world.
>
> My own judgment is that the net economic effect of a European Monetary Union would be negative. The standard of living of the typical European would be lower in the medium term and long term if EMU goes ahead than if Europe continues with its current economic policies of a single market for trade in goods and services, the free flow of capital and labor, adjustable exchange rates within broad bands, and domestic monetary policies aimed at low inflation. But in the end, it should be for the Europeans themselves

> to decide whether there are net political advantages of EMU that outweigh the net economic disadvantages. Unfortunately, the public discussion of EMU in Europe has not focused on this trade-off, because EMU is being marketed as a source of improved economic performance (Feldstein 1997: 24 f.).

The idea of a common currency unaccompanied by a fiscal union has been marketed as an economic gain. As a consequence of this, the question of whether or not the political advantages of such an arrangement outweigh its economic disadvantages has been asked all too rarely. Implicitly, then, Martin Feldstein is criticizing us political scientists for neglecting this question.

On our side of the disciplinary divide, meanwhile, there has been a strong tendency during the 1990s uncritically to accept the direction developments have been taking. According to a certain viewpoint that has, in my view, been championed all too often and contested all too seldom, there are reasons of a purely power-oriented sort to adopt a positive attitude towards the measures that have been taken. Otherwise, it is feared, we – political science as a discipline and our own country – will lose influence.

Theories of this kind fail to distinguish between studying what is happening and furnishing apologetics for the direction events are taking. It can always be said, of course, that the population of a given country would enhance its influence and relative self-determination if it surrendered to an occupying power, to an international organization, or to a successful interest group in its midst. But we should distinguish, for the sake of clarity, between "political reasons" in the sense of the ability of the powerful to dictate conditions, and "political reasons" in the sense of the intellectual foundation for the authority conferred on the powerful.

A claim to power based on acceptable reasons is different from a language of force founded on physical or economic sanctions. If we fail to make this distinction, the task of political scientists will be limited to the performance of certain calculations regarding population size, production levels, the possible presence of nuclear weapons, and other resources at the disposal of the powerful.

The task should rather be – and not just for economists but for political scientists as well – to clarify risks, and to analyze the criteria for making rational decisions in different situations. The citizens, for their part, should be presented with a clear picture of the matter at hand, for they are ones bearing the ultimate responsibility. This applies whether one's underlying assumption is that "facts speak for themselves," or that "everything is possible." Self-respect requires that we surmount the tendency simply to pit these two extremes against each other. We must not fail, in other words, to examine also such arguments as those in possession of political and economic power might prefer shall remained inadequately elucidated and explored.

The political scientist who first posed the question of sustainability in an academic manner was David McKay, in his book Rush to Union. Unafraid that his analysis might "undermine" the realization of a monetary union unaccompanied by a fiscal one, he discussed the political sustainability of such an arrangement, treating it as an analytical problem fully on a level with the question of said arrangement's economic sustainability.

McKay explains the move from the fourth step to the fifth along the same lines as Milward and Moravcsik: as reflective of a shift within the calculations of the participating governments in regard to "low" questions of domestic policy. When, in the estimation of the governments, the balance of advantages and drawbacks has shifted, *the federal bargain* is then renegotiated. Such a renegotiation takes place, according to McKay, not just within the individual countries but between them as well. The critical thing driving the change is a shift in what the member states gain from greater political integration, and what they lose from it.

The governments of Europe renegotiated the federal bargain during the second half of the 1990s. The difficulties they had encountered in the fight against unemployment– high inflation notwithstanding – justified a suprastatal and independent central bank in their eyes. Control over the value of money would be irreversibly delegated, i.e., lost to democracy, in practice. The governments would then seek once again to combat unemployment; now, however, they say they would be able to do so more effectively. For they could count now on having won the confidence of the financial markets for the foreseeable future.

Having explained why the line of defense was shifted from the fourth step to the fifth, McKay then raises the question of sustainability in regard to political unions generally. What general conditions are required for the survival of fixed associations of states? Survival, he argues, demands political parties capable of bridging the different administrative levels: local, regional, state and federal. First then – when political parties have been centralized on an all-European basis – can the use to which the suprastatal authorities propose to put tax bases be rendered intelligible and legitimate on all administrative levels. A federation's sustainability is determined by the structure of its party system, McKay writes. In this, McKay connects up with the work of William Riker, an older scholar who had served as his inspiration. The latter's judgement on the matter is that

> [in] a variety of governments, then, the structure of parties parallels the structure of federalism. When parties are fully centralized, so is federalism (e.g. in the Soviet Union and in Mexico). When parties are somewhat decentralized, then federalism is only partly centralized. Because of this perfect correlation of, at least, two extremes of party structure, the inference is immediate: one can measure federalism by measuring parties. The structure of parties is thus a surrogate of the whole constitution (Riker 1975: 137).

The question, in other words, is how multi-level systems call forth and re-create consensus. How can citizens be induced – when deliberating together in municipalities, in regions, in states and on the federal level – to think along similar lines when it comes to the content of legislation and the uses to which taxes monies should be put? Decisions that diverge all too greatly between levels – as to the way the norm-giving and fiscal powers should be used – cannot be combined. For it is the *same* tax bases which are employed on all four levels, and it is the *same* citizens who must live according to the rules and stipulations laid down by the four barely coordinated power centers.

The fiscal side of things is particularly problematic here. The tax monies in their entirety constitute the sum of the use to which the fiscal power is used on all four levels. Without political parties which strive for internal consistency, and which are active in the formation of opinion on all four levels, no overarching policy capable of

inspiring confidence can take form. This applies not only to the use of tax bases but also to legislation, in the degree that this means anything for the citizens on election day.

The interest expressed by citizens in democratic accountability varies, I would argue, in accordance with the *differential* manner in which taxes, fees and legal provisions are felt at the household level. Legal provisions bearing on conditions within families or affecting the status of employees at work are more easily "seen," as are policies applied in connection with taxes and expenditures. Policies of this type are therefore harder to institute if those responsible for making them cannot be held democratically accountable. That portion of the norm-giving power, which bears on the mobility of capital, goods and services, on the other hand, is not so clearly "seen" at the household level. The regulation of the common market has not, therefore, called forth any drive for democratization.

So long as it is only power over the market that has been centralized, the Union organs do not compete with municipalities, regions or the member states for tax bases. When citizens see, however, that important fiscal questions are being decided at the suprastatal level, a fair measure of concord between the different political levels becomes a necessity. At that point, moreover, the debate becomes more engaging and concrete. As long as the democratic deficit bears only on the legitimacy of rules instituted to regulate the market, the problem remains theoretical. As the question of how tax bases are to be used assumes increasing importance, however, we can reckon with a growing interest on the part of the public. This is because there are alternative levels – municipal, regional and national – at which the same fiscal resources can be put to work.

The perspective here is altered once power over the currency is centralized. Unemployment and social-spending cuts are felt at the household level. This serves to generate political demands of real weight. Within a monetary union, moreover, regional differences become more clearly visible. Individual countries can no longer adjust to economic shocks by letting the value of their currency fluctuate. All that remains for individuals at the household level is to lower their standard of living or to move. The industrial structure, moreover, is in practice one-sided – within both individual countries and the Union as a whole – due to the exploitation of comparative advantages. Shocks originating in the international economy thus elicit demands for fiscal redistribution and a democratically accountable suprastate.

Yet a centralization of power over taxes and expenditures is extremely unlikely all the same. Power over the fiscal resources of the different nations could only – in a system characterized by far-reaching citizen rights and freedoms – be transferred to the Union with the greatest difficulty. As long as the political system in the member states is based on universal and equal suffrage, it would be necessary to induce citizens in all fifteen states to decide – parallel with each other – to foreswear the power to decide over the use of their own tax bases. A decision of such an import cannot easily be brought about, to put the point cautiously.

At the same time, a centralization of power over the currency cannot help but affect the different areas of the Union unevenly. Politicians will then be presented with a double demand. On the one hand, centralization cannot be allowed to result in a

suprastatal right of taxation; on the other, it cannot be allowed to restrict democracy within the member states. In the absence of centralized political parties capable of bridging the different levels, it is hard to see how this equation can be solved. It bears noting that the line of defense has been erected on the fifth step, *even while* no corresponding changes have taken place in parties, organizations or the mass media. Nor has there been any obvious increase in the preparedness of different electorates to countenance a redistribution of tax monies across borders.

> Uniquely in the history of federations, the bargain underpinning the European Union was policy-driven and, as has been argued, will certainly produce pressures towards fiscal centralization. In every other democratic federation this process has been facilitated by a centralizing party or parties operating through well-developed central political institutions. Politics has, therefore, been driving policy, rather than policy driving politics. What the rather dry and analytical term "fiscal centralization" actually means is, of course, the willingness of the citizens of the component states of the EU to pay taxes to a federal government intent on redistributing revenues to disadvantaged countries and regions. This may be a permanent redistribution; the rich may never be paid back (McKay 1996: 136).

The prospects for keeping the Union on the fifth step of the integration staircase will be determined, in McKay's view, by two factors. The one is the willingness of citizens to countenance fiscal centralization. Will this willingness increase or diminish? The other is the degree to which parties present a coherent program for all four levels. How shall we interpret developments in this regard? Do we see before us centralization or decentralization? Are parties becoming more European in the view they take of fiscal equalization? Is it not just as likely, in fact, that parties will be increasingly affected by municipal and regional considerations when it comes to their views regarding costly collective programs for health, education and social care *within* the member states?

Upon having summarized the available facts, McKay concludes there is very little reason indeed to believe the oft-presented claim that the skepticism exhibited by citizens in regard to European institutions is rooted in an information problem. The lack of enthusiasm appears, on the contrary, to rest on much better grounds than many so-called enlightened scholars would prefer to believe. Citizens ask themselves, namely, what will happen if the arrangement undertaken cannot be sustained (an amply justified question in this case). "In the final analysis, the viability of the union will be determined by the particular mix of costs and benefits which will flow over time. Ultimately, it will be the willingness of some states and regions to subsidize others that will determine whether the union stands or falls" (McKay 1996: 171).

In other words, the sustainability of a monetary union unaccompanied by a fiscal one is not, in the first instance, a question of economic but rather of *political* efficiency. It is a question of convincing those who exercise universal and equal suffrage within the municipalities, the regions, the nations and the Union. McKay's point, reflected in the title of his book, is that the member states "rushed" past the stage of political reflection that ought, in principle, to precede political decisions. What the governments did was to present citizens with a *fait accompli*. Before the broad mass of the people had grasped what was happening, they had been bound to a structure based on the proposition that the threat from the Soviet Union had been succeeded by

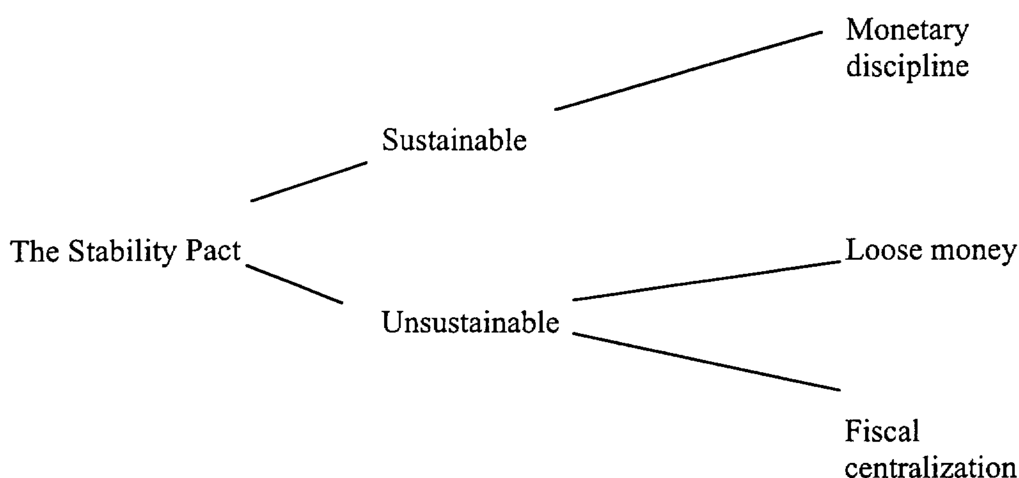
another: the threat to the economic policy of *la pensée unique* issuing from democracy within the member states.

> [M]onetary union was seen as the solution to a quite different sort of threat – that stemming from a perception that, with the internationalization of capital, governments were increasingly unable to control inflation. The experience of the 1970s and early 1980s had convinced government and opposition alike not only of the evils of inflation, but also that the problem had to be solved by some external discipline (McKay 1996: 171).

It does not appear to be the case that, in the spring of 1990, the politicians gave any thought to anchoring their decisions about the future shape of the Union among their peoples. Nowhere in materials from the time does McKay find any such discussion. The leading statesmen appear to have been blissfully unaware of what was required. It seems somehow to have escaped them that the solution they had chosen would have to carried out in countries featuring far-reaching citizen rights and freedoms; universal and equal suffrage; a tax quotient of between 40 and 55 percent of GNP; and parties which consequently give priority to municipal, regional and national questions.

The risk of error is necessarily serious when politicians make decisions "in the absence of good information, or [when they] are driven more by ideology than by practical calculation" (McKay 1996: 178). Ten years on, we are nearing the moment of truth, McKay writes in a subsequent article. What will the political effects be, and what is the likelihood of the one or the other result? He seeks to answer this question by way of discussing three alternatives: monetary discipline, loose money, and fiscal centralization.

Figure 2. *ThreePossible Outcomes in terms of Economic Policy Regime*



Monetary discipline is the intended result. In this scenario, the stability pact forces through lower levels of compensation in social and labor-market insurance. The mobility of the labor force increases, and variations in wages become wider. Yet the social strains attendant upon reduced security and increased inequality are internalized in a disciplined manner by the public opinion, parties, and trade unions of the individual countries.

This is the one side of the matter. The other is the restraint imposed by the stability pact on redistribution among countries: i.e., all transfers of funds across borders must take place within the resources of the present structural funds, and within the bounds of balanced budgets within the member states. No transfers between countries are to take place beyond this. Nor can any member state seek respite from this discipline through borrowing.

Another feature of the picture here – and one tending to obscure the content – is the rhetoric which Christian and social democratic parties have developed in defense of a monetary union unaccompanied by a fiscal one. The object is not, to be sure, to create unemployment or to weaken the provisions of state-guaranteed welfare. But a "retrenchment," it is thought, will make it easier over the long run to raise levels of employment and to defend social welfare. By "shortening" its lines of defense, the welfare state will be better equipped to withstand the strains. Success means preventing the rise of a democratic suprastate, and keeping power over taxes and expenditures within the member states.

As against this successful outcome, the project of a common currency unaccompanied by a fiscal union can fail in two different ways. In the one case, the lack of popular support is paired with so complete an incapacity for fiscal union that inflation is let loose over the entire continent. The consequence is loose money. Opposition to both austerity and redistribution on the part of public opinion, parties and organizations generates this outcome. Nor is it possible to counteract the resulting inflation by means of Union-wide measures. Such measures cannot be taken, for the suprastatal authorities have no significant budget of their own, and they cannot alter this circumstance by conferring new prerogatives on themselves. Nor can sufficient solidarity be summoned to permit redistribution. None of these strategies end up working. The euro becomes ever softer as a world currency.

McKay calls the third outcome fiscal centralization. The lack of popular support is here paired with so strong an aversion to inflation that the governments choose fiscal union as the lesser of two evils. The need to collect taxes at the European level forces the member states to centralize power over the different national tax bases. This in turn can scarcely be accomplished without democratization.

One effect is to produce problems when it comes to defending – in municipal, regional and national fora – cutbacks in the provisions for health, education and social care which are provided on these levels. In terms of practical politics – since money must be taken from the lower levels to finance the suprastatal level – this problem seems impossible to solve. Citizens will be very defensive about any reductions in funding when it comes to the levels they know and love – municipalities, regions and member states – and relatively uninterested in how money is spent at the Union level due to the relative weakness of an all-European identity. Yet the governments prefer running that risk to letting inflation loose, and thus jeopardizing democracy over the long term.

McKay does not consider any of these three outcomes – monetary discipline, a soft euro, or fiscal centralization – to be more likely than the others. There are too many factors, he argues, and they are too uncertain. We do not know which considerations

the participating governments will prioritize in the end. In order for strict prediction to be possible, the actors in question must have discernible preferences.

These preferences, moreover, cannot change – whether in reaction to subsequent events or on account of a growing understanding on the part of the actors regarding the relationship between the various desiderata. Yet a reasonable forecast, McKay concludes, would be that citizens will attempt to use "legitimated first order (national) elections and institutions to express their disquiet. Clearly, such actions could constitute a serious challenge to the integrity of the EMU project" (McKay 1999: 000). In municipal, regional and national fora, politicians will continue to be held accountable for unemployment and for cuts in social spending.

Citizens will find it hard to accept, in other words, that they should abstain (and for their own good) from aspects of popular self-rule. Politicians may protest ever so vigorously that their hands are tied, that they cannot be held responsible for unemployment or for spending cuts, and that the power to decide over such matters has been formally delegated to the Union authorities. But as long as no mechanism has been established by which the Union-level authorities can be held accountable – as a unit, and on a single occasion throughout the Union – the so-called establishment will continue to confront a serious problem of legitimacy. For the notion of democratic accountability – of the need for a calling to accounts – is deeply and widely held, not least as a consequence of two world wars and a cold war.

The events of this century make it hard to accept a system in which leaders cannot be held answerable for their actions. The most ingenious technical solutions in the world cannot suffice to solve the problems arising in connection with the establishment of a monetary union in the absence of a fiscal one. For the solution to be sustainable, it must be *accepted*. Creating a common currency in the absence of any redistributive mechanisms places heavy demands on the citizenry. Under such an asymmetrical structure, the critical decisions are made by persons who do not represent the citizens, and who cannot be called to account by them. Indeed, this may be the reason why said structure was erected in the first place.

In view of the importance McKay ascribes to the impact on democracy, it is striking that his classification of the possible outcomes takes no account of this question. Monetary discipline, loose money, and fiscal centralization are all potential outcomes in terms of *economic policy regimes*. What is missing is a transverse classification reflecting the consequences for democracy. An asymmetrical solution may prove to be sustainable or unsustainable. In a comparable way, democracy itself may be the one or the other. The problem can be visualized more clearly if, instead of three economic policy regime alternatives, we imagine four *constitutional* outcomes.

In alternative 1, democracy in the member states withstands the strain. We may even imagine it being vitalized. The stability pact forms the foundation; it is the pact that makes it possible for a common currency to operate unaccompanied by a fiscal union. The constitutional structure of the Union therefore need not, it is assumed, develop in the same fashion as that in the United States, in Canada, or in Germany. The federal budget accounts, in these latter countries, for upwards of half of all public spending. A glance at established federal states would thus lead one to expect a corresponding development in the case of the European Union. Here, however, there is a barrier to

fiscal integration in the form of the stability pact. No federal fiscal policy is desired for Europe – no central right of taxation, no democratic organization for the suprastate. No fiscal union, accordingly, will be established. Such was the basic idea of the 1990 settlement between Germany and France.

Since its inception, moreover, this settlement has never been seriously questioned – only regarded as a fact. Substantive objections have been waved away, on the grounds that they possess no more than academic interest. The analytical method chosen may be characterized as *constitutional policy* (Lepsius 1995: 400 ff.). The primary thing is assumed not to be the economy, but rather the political system. There are forces working, to be sure, in the direction of fiscal union. But, it is thought, it is the task of the participating governments to hold said forces in check. And this they can do by pledging not to seek a Union-wide system of redistribution corresponding to that operating within each member state.

Figure 3. *Four Possible Outcomes in terms of Constitutional Policy*

		The Stability Pact	
		Sustainable	Unsustainable
Democracy	Sustainable	1	2
	Unsustainable	3	4

Reasoning of this kind is well-known from international relations. Conflict and war may be a "natural" condition in the intercourse of states. But this counts not *against* but rather *for* the conscious creation and maintenance of obligations that serve to hinder the "natural" course of events from taking place. By cooperating with each other, nations can civilize themselves to the point that war is no longer seen as an acceptable alternative. The interest in peace is believed capable of moving mountains. Citing the experiences of history, and moved by a conviction that the interest in peace is a common one, champions of the institutionalist approach remind us that events on the international level can be prevented from taking their "natural" course. It is for this reason that functional systems of reciprocal and universal obligations are created and maintained.

As applied in international relations, this approach tells us that we can move "mountains" by political means – meaning that we can subdue the "natural" tendency of states to make war upon each other. In this case of the matter under examination in this paper, however, it is another "natural" force that needs checking. By means of the asymmetrical structure mentioned earlier, the institutionalist idea is applied to domestic politics. The purpose here is to reduce the space for a fiscal policy which, in "all too great" a measure, is open to influence by electorates, interest organizations, and public opinion.

One could perhaps say, with a somewhat drastic expression, that monetary union is designed to work as a kind of economic-policy "pressure cooker" without any safety valve. The purpose of the stability pact is to force through rapid changes in the member states. The "problem" is that these are democracies. Which means that their social and political life is marked by the prevalence of citizen rights and freedoms, of universal and equal suffrage, of parliamentary or presidential rule, and of far-reaching rights of expression and association. And the last-mentioned feature involves, most crucially, the existence of active organizations endowed with the statutory right to take industrial action on the labor market.

The governments that have pooled their sovereignty understand, to be sure, that the member states are democracies offering their citizens far-reaching rights to associate, to strike, and the like. Yet notwithstanding this, the governments propose to move the "mountain" consisting of parliamentarism, public opinion, freedom of association, the right to strike, and the right to vote. The risk is that these rights and freedoms will be used to influence policy in the direction of fiscal union. But, it is believed, it should be possible to check any developments in this direction – if the governments involved really wish to do so. If only their convictions are strong enough, they should be able to prevent any fiscal union from arising reminiscent of that found in the United States, in Canada, or in Germany.

The interesting question here is whether this application of the institutionalist concept is sustainable (wholly irrespective of whether it is desirable). Is it possible by political means to counteract such a strong "natural" tendency as that in question here? Once a common currency is in operation, it is only possible for citizens to adapt to unfavorable economic changes by two means – by moving away from their home region, or by lowering their standard of living. The further method, which has now been removed, is to allow the value of the currency to fluctuate. Under such conditions, money has the same value for all persons living and working throughout the Union. If different areas of the Union are affected by economic developments unevenly, policy responses to the consequent problems will be regulated by the stability pact. By the terms of the pact, each individual country is obliged to handle any such problems purely within the means of its own budget. The country in question cannot solve the problem by printing money, by borrowing, or by relying on federal solidarity in the form of tax monies allocated by the center. The only solidarity offered by the other countries is the guarantee that no other country will be assisted by its neighbors either.

The assumption is therefore that, in such countries as Sweden and Finland (where it is not considered legitimate for living standards to vary all too greatly across the national territory), the citizens residing in southern and central areas will be willing and able to bear any increased burdens arising in connection with asymmetrical economic shocks which strike northern and inland areas in particular. No more than Portuguese, Greeks or Irishmen will Swedes and Finns be able to reckon with any material assistance from other countries. For no federal budget will exist on any larger scale than that obtaining already today, with its meager resources amounting to just 1.27 % of the gross product of the Union. (This figure should be compared, for the sake of perspective, with the tax quotient of roughly 50 % obtaining within each of the member states.)

The result, politically speaking, of a *successful* adherence to the arrangement in question – monetary union without fiscal union – would appear to be enhanced national cohesion. This is almost true by definition, in fact. If the participating countries have accomplished the apparently impossible, then they will certainly have succeeded in vitalizing their democratic structures. The need to keep their own fiscal house in order – once the currency has been Europeanized without any supporting fiscal union – forces politicians to appeal to the solidarity of their countrymen. For only so is it possible to cope with the strains on the economy of different regions and social strata arising from the arrangements adopted on the European level.

An outcome of this type may be considered a variation on the theme favored by General de Gaulle: *l'Europe des patries*. With the tax bases overwhelmingly under national control, the successful erection of a monetary union unpaired with any fiscal counterpart will make for better-functioning democracies. Such is the result if *both* the stability pact and democracy withstand the strain. The party system, the organizations, and public opinion prove themselves robust under adversity. National cohesion is enhanced, and democratic government vitalized.

The degree of cohesion exhibited by nations in defending and developing their own tax bases will determine how well they live up to their obligations under the stability pact. The countries have foresworn, of course, any power over the market or the currency. But where social legislation and fiscal policy are concerned, they will have acquired for themselves all the greater control. Prospects for the centralization of power over social legislation and tax monies actually diminish. The reason for this is the success of the stability pact's ban on relief. The parties, the organizations, public opinion – all emerge strengthened from their trial by fire.

This conclusion – where the impact of alternative 1 on democracy is concerned – may appear somewhat paradoxical. Yet a brief reflection on the matter – in the light of the broad historical accounts offered by Milward and Moravcsik – is enough to dispel the apparent contradiction. It becomes hard, on the contrary, to see how it could be any other way. Why should we believe, after all, that the governments of the member states are not doing what they believe to be best for protecting their democracies and tax bases?

Alternative 1 presumes a virtuous circle for both democracy and the stability pact. But not even an incorrigible optimist can ignore the possibility that events will not proceed in the desired direction. When, furthermore, the method employed is so bold as in the present case, one should be prepared for the eventuality that the project will develop in a manner and in a direction less pleasant to contemplate. The "problem" here is the form of government applied within the member states. These are democracies, and they hold elections at regular intervals.

Through the instrumentality of parliamentarism or of presidential rule, the policies applied within states of this kind can be influenced by the manner in which citizens exercise their right of free expression, their right of association, and their right to strike. The practice of calling leaders to account has consequences. In addition, unemployment and social exclusion afflict the member countries unevenly and with variable intensities. The principle of comparative advantage does just obtain theoretically; it is also applied in practice. Labor markets vary in structure, both

within and between the countries. This means the ensuing strains will affect the various regions and countries of the Union differently. And once the possibility of exchange-rate variation has disappeared, individual countries will possess no monetary-policy instruments with which to parry the blows.

In a system characterized by monetary union but not fiscal union, the capacity of different regions and countries to adapt to economic changes will still be inhibited by a number of factors, such as: a lingering application of solidaristic wage policies; an insufficient mastery of foreign languages on the part of citizens (which prevents them from developing the requisite mobility); and other instances of inadequate flexibility arising from deeply rooted social and cultural values. All of these factors point to the need for costly regional and labor-market policies operating across national borders.

It may happen, then, that the parties, the organizations, and public opinion cannot "deliver" the necessary resistance to fiscal union, or to inflationary fiscal policies. It is not altogether clear that governments, opposition representatives, regional politicians, and national trade-union leaders will be able to handle the strains of the proposed arrangement in the manner assumed in alternative 1. The rights of free expression and association may instead be used to express discontent to such an extent that the parties, the organizations, and the public debate cannot play the equalizing and stabilizing role envisioned for them.

The stability pact will be put to the test when regional and social interests start demanding that "Brussels" compensate them for the distress which has "unfairly" struck country V, or region X, or social group Y in country Z. The member state in question will have vowed, it is true, to abide by the provisions of the stability pact. But the consequences of so doing have proved "unexpectedly" serious. Both government and opposition leaders within the country feel themselves bound, for "the sake of social and political stability," to request a relaxation of the pact's strict rules in this particular case. The temptation arises, in other words, to open up a safety valve in the economic-policy "pressure cooker."

In alternative 2, the member states cannot withstand the strain, and so are forced into fiscal union and into a democratization of the suprastate. The line of defense is breached; the collective exploitation of tax bases is commenced. The asymmetry between a centralized currency and decentralized public finances cannot be sustained. A recalcitrant public opinion, a failing party system, and strong interest groups have their effect: citing extraordinary conditions, the Council of Ministers gives its consent to "temporary" and "one-time" departures from the pact's ban on relief.

An extremist party in one of the participating countries, for example, may be rapidly gathering strength by stoking the fires of discontent. Such a party may be similar to those, which already today are successfully exploiting discontent with unemployment in such countries as Austria and France. If severe economic conditions "temporarily" and unevenly strike such a country, it may appear that the party in question will be able to paralyze politics in the unhappy nation. In the worst case, said party may be on its way to conquering governmental power. The political establishment of the afflicted country then appeals in its need to its partners, imploring them to stretch out a helping hand – in the form of fiscal transfers on a large scale – to save the embattled democracy.

The first time this happens, it may be possible to justify it on the grounds that one time is no time at all. It may work on the second occasion as well. But in the third instance it starts getting hard. Once such practices have well gotten started, they feed the one concession after the other. The missions of the fire brigade soon become so many, and so large in scale, that it becomes necessary to coordinate these "exceptions" and to give them constitutional form. At that point, the Union organs feel called upon to propose changes in the treaties. The stability pact needs replacing by a ministry of finance, it is claimed, thus raising the question of the optimal use of the tax bases within the Union. The right of the European Parliament to collect taxes is soon recognized, as is its power to decide over the use of monies thus raised.

As a federal fiscal policy takes form, then, the question of the Union's constitutional character comes to the fore. Should not the European Commission be made democratically answerable? Should it not therefore assume the powers of government in a manner corresponding to those exercised by the federal government in Germany, or the American president and his administration? How can an order of things be justified wherein the European authorities undertake fiscal redistribution, but cannot be held to account for their actions in general elections?

It is a simple thing for us theoreticians to declare that a redistributive suprastate of this character should be democratic. For democratically accountable politicians, however, a certain problem still remains. How can they persuade their citizens to accept the outcome of majority decisions relating to a federal disposition of national tax bases? The problem here is that a constitutionally delineated European *demos* ought first to exist, *before* the suprastatal authorities assume the right of taxation. Otherwise the tensions may become untenable. Growing antagonisms, advancing disintegration, and the like – these must be deemed precisely as likely a scenario as one in which fiscally redistributive policies based on majority decision meet with widespread acceptance. There is cause on this point in particular to warn for wishful thinking.

The problem arises in the degree to which the governments of the member states allow themselves to be pressured into fiscal union *before* they have succeeded in making the Commission responsible to the European Parliament. Experiences from the history of the member states suggest it may be difficult to levy taxes upon a people when they are not able themselves to take part in determining the uses to which the resulting monies are put. It is this which necessitates the existence of a functioning system – of the sort indicated by Riker and McKay – in which political parties are active on all the various levels of government.

Alternative 3 must stand out, for persons espousing defensible political values, as the most unattractive of the lot. In this case, a common currency unpaired with a fiscal union is successfully instituted. But this is accomplished at the price of democracy. The governments are driven to authoritarian measures. Democracy must be abandoned because the governments continue to refuse to prioritize between fighting unemployment or fighting inflation, at the same time as they are unable to garner popular support for their policies. They choose to defend both the independent standing of the central bank and the stability pact's ban on relief. The asymmetrical structure withstands the strain. But democracy cannot be preserved. The parties, the organizations and the public debate do not function in the cohesion-creating manner

desired. Extremist parties, strike waves, and an aggressive climate of debate drive politicians to take desperate measures.

Demands are then made that politicians seek relief from other countries, or that they borrow on a large scale to safeguard employment levels. No heed is paid to the prohibition against adopting such policies, or to the sanctions laid down for infractions in the stability pact. But the leading politicians refuse to yield to the pressures. Rather than giving in to the wrath of the people, they undertake to change the rules of the game.

The solution they choose is to reduce the role of the popular will in the formulation of domestic policy. For the popular objections are not expressive, they fondly imagine, of the "true" will of the people; nor are they "substantively founded." Criticisms emanating from the public do not reflect the public interest – only "special interests." Such things are averred already under normal conditions. Now, such notions are filled with an outright authoritarian content.

The legal limits for how far a government can go in disciplining a recalcitrant populace are laid down in the European Convention for Protection of Human Rights and Fundamental Freedoms from 1950. The provisions of said convention forbid the resort to capital punishment; they safeguard freedom of conscience, expression and association; and they protect the right of ownership and the right to a fair trial. They say nothing, however, about such basic matters as parliamentarism, universal and equal suffrage, or the right to strike. "Everyone has the right to freedom of peaceful assembly and to freedom of association with others, including the right to form and to join trade unions for the protection of his interests" (Article 11). Rough-and tumble methods of the sort employed in the United States are accordingly forbidden. The Convention does not say, on the other hand, that the suffrage must be universal and equal, or that electoral outcomes must be converted into public policy via parliamentarism or presidential rule.

Aside, then, from where rights of expression and association are concerned (in regard to which the hands of the member states are tied by international law), there is room for restrictions on parliamentarism, on job security, on the right to strike, and on the right to vote. How far these restrictions extend in practice is decided not by international undertakings, but by political and cultural factors within each country. It is here that the public debate – or what MaKay calls "legitimacy"– makes itself felt. How far parliament and government dare to go depends on the extent to which a reduction in democracy meets with public acceptance.

Alternative 4, finally, means that the member states abandon both the stability pact and democracy. The idea is to let inflation loose and thus to make the euro a soft currency. This calls forth, to begin with, great vitality and inventiveness in the media, in organizations, and in electoral contests. The short-term effect seems to be a land of milk and honey, in which "everything" is possible. A political intoxication of this kind is not likely, however, to be of the abiding sort. Catastrophe impends when the central bank loses control over the value of money, at the same time that the political conditions for fiscal union prove to be absent.

Neither the stability pact nor democracy withstand the strain in this fourth alternative. The political experiences of Europe during the 1970s and early 1980s give an indication of how this vicious circle is constituted. The combination of being able *neither* to control the value of money *nor* to hold down unemployment undermines faith in democracy (Scharpf 1987: 294 ff.). The consequences are felt in the morning, so to speak.

For psychological and historical reasons that are easily understood, the attempt to solve economic problems by means of the asymmetrical structure examined here leaves little or no room for failure. If the stability pact is thrown over, even while no fiscal union as in alternative 2 is erected, then the policies of the 1970s will not be easily repeated. Dammed-up expectations issue in deep disappointment. In this case too, authoritarian methods lie close at hand. Extraordinary methods may appear – under certain conditions – to offer the only chance for breaking out of a vicious circle comprised of galloping inflation, rising unemployment, and growing popular contempt for politicians.

The problem lies in the relation between the short and the long term. Democracy is endangered over the long run by an ever weaker euro and by accelerating inflation. Such is the consequence if neither the cooperating governments nor the Union organs are able to do anything about the raging inflation. Power over the central bank is irreversibly delegated. The member states have lost, in practice, any prospects for influencing monetary policy.

At the same time, the governments are unable to win popular support within their respective countries for a *union-wide* redistributive fiscal policy. The member states can only amend the treaties with the utmost difficulty. It is herein the crucial difference lies as against the monetary prerogatives reversibly delegated to a central bank in an ordinary state. It is enough in the latter case to change the constitution – which the democratic organs of the country in question are empowered to do on their own. From a political and "realistic" standpoint, this can be hard enough. Changing the provisions of the treaty regulating the status of the European Central Bank is fifteen times harder.

I have thus sketched four conceivable outcomes. If we apply the categories of "sustainable" and "unsustainable" *both to* the stability pact and to democracy, we discover four possibilities instead of three.

More can certainly said about each of these possibilities. But I shall refrain. My main object has been to argue for a system of classification based on constitutional rather than economic-policy factors. Asking only about the legitimacy of the three economic-policy outcomes – monetary discipline, loose money, and fiscal centralization – does not capture the politically essential. It is instead, I would argue, the fourfold division proposed here which enables us, from the distinctive standpoint of political science, to address the question posed by Martin Feldstein: namely, whether "there are net political advantages of EMU that outweigh the net economic disadvantages" (Feldstein 1997: 25).

3. Sustainability Presupposes Enlightened Understanding

What makes it defensible to take so great a risk as that taken by the leaders of Germany and France, when they opted for alternative 1? The question should not be confused with that of risk-taking in general. Is it admissible to use hitherto untested ideas as a basis for action? An unreflecting opposition to all things new is no ideal of mine. Nor do I deem it appropriate to embrace the first best new idea around, irrespective of whether or not it is properly thought-out. Long established or newfangled, ill-considered ideas should be treated just the same.

In other words, we should not dismiss *in advance* the new Maginot line of defense against further political integration chosen by the leaders of Europe for the upcoming century. Their object is to preserve both the stability pact and democracy. That comparative research has not hitherto uncovered a functioning monetary union in the absence of a fiscal one is hard to dispute. But how weighty is this as an objection to the line of defense adopted by the Christian and social democrats?

Someone has to be the first, Helmut Kohl and François Mitterrand would presumably have said, had they condescended to discuss the matter with a political scientist. The sustainability of the arrangement we have chosen, they might have said, is determined not by the lessons of political experience, but by the specific features of this particular case. Indeed, they might even have admonished us; truly great statecraft is characterized precisely by a *lack* of reliance on comparison or experience. Decisions of this order are distinguished, rather, by their one-time character and their reliance on intuition.

Had I found myself in the company of these two statesmen in the spring of 1990, I would have advised them against behaving so arrogantly. The circumstance that the thing had never before been attempted did not free them, in my view, from thinking the matter through so far as possible, or from giving an account of their reasons. Politicians cannot, of course, devote all their time to research. No decisions would in that case be made. "So far as possible" is the critical rider. The norm of enlightened understanding enjoins leaders to base their decisions on the best information possible. The fact that a given leader must ultimately reach a decision does not entitle him or her to disregard expert knowledge or tested experience.

On the basis of a study of German social democracy at the turn of the century, Robert Michels formulated what he called the "iron law of oligarchy." Wherever human beings organize themselves, the result is the rule of a few. What I have described here as the natural tendency of a monetary union – a tendency that the settlement of 1990 flew in the face of – is a kindred notion. Wherever a common currency is introduced, a fiscal union and a democratic suprastate arise as well. Not just unitary states such as Denmark, France and Sweden, but federal states like the United States, Canada and Germany as well, have learned that monetary union leads sooner or later to a common exploitation of the available tax bases.

A good recent illustration may be seen in German developments during the 1990s. As a result of the centralization of power over the currency, the federal German budget transfers vast sums of money from west to east within the reunited country. Similar

examples can be found throughout the world. In all such cases fiscal redistribution takes place, in the form of targeted state programs and other measures designed to equalize conditions between richer and poorer parts of the country. How can a corresponding drive towards territorial redistribution and revenue sharing be prevented, once the EU has established a monetary union in the absence of its fiscal counterpart?

It must be judged a high-risk project, against this background, to attempt both to hinder the democratization of the suprastate and to preserve popular government within the member states. Taking such a risk can only be considered admissible if two conditions are met.

First, we should *be informed* about the nature and extent of the risk that is actually being taken. Power over the currency has been centralized, while power over tax and expenditures has not; nor are there any mechanisms for holding the Union-level authorities answerable for their actions. How great is the likelihood that this arrangement will hold, and what will happen if it does not? Is it truly possible to avoid *both* Scylla and Charybdis – both a dreaded democratization of the Union organs and a feared collapse of democracy within the member states? A successful outcome cannot be excluded beforehand, but the prospects for success should not be exaggerated either. The facts of the case must be studied. No pains should be spared in our efforts to test possible outcomes and to estimate their likelihood.

Second, we should be able to argue on behalf of the criterion we apply when the decision to be made is risky, fateful and uncertain. Representatives are allowed to take risks, on condition that they fulfill the requirement of *enlightened understanding* (Dahl 1989: 111 f., 180 f., 306 ff.) on the part of the electorate. How this should be measured bears discussing. I do not believe, however, that the main difficulty in this case resides on the methodological level. Irrespective of the method of measurement employed, it would seem both enlightenment and understanding have been in short supply here – and not just among citizens, but among representatives as well.

Not just politicians but their voters too must be aware of the risks involved. It is important to be gentle to democracy, as well as faithful to the treaties. The method employed should be autonomy-compatible and loyalty to what has already been established – *autonomieschonend und gemeinschaftsverträglich*—in the words of a well-known German researcher, who wishes by this phrase to stress the exceeding narrowness of the passage between Scylla and Charybdis (Scharpf 1994: 131ff.). Citizens must be in the clear that the continued (and in practice irreversible) steps towards further integration are constantly on the verge of damaging democracy within the member states. The requirement of enlightened understanding is tantamount to a reformist rather than revolutionary posture (Gustavsson 1997, 1999).

Kohl and Mitterrand acted in the face of expert knowledge and tested experience – and this notwithstanding the fact that the risk of failure must be said to have been large. The probabilities of a vitalization of democracy along the lines of alternative 1 were far from overwhelming. To this must be added the observation that the consequences of a fiasco, as seen in alternatives 3 and 4, were not just unpleasant but *highly* disagreeable from a democratic normative standpoint.

Only a failure along the lines of alternative 2 might possibly be considered of a manageable sort. Yet this too is a bold assertion, in my view. A transfer of sovereignty to an all-European state would most likely presuppose, in practice, a lack of national self-confidence within the member states not merely in regard to things political, but also – and in a high degree – where social and economic conditions are concerned.

The manner in which this full-scale experiment was introduced raises, in other words, a question of greater moral weight than we political scientists normally ask. Kohl and Mitterrand thought themselves beholden not merely to the German and French electorates. They also considered themselves to be acting on behalf of the German and French citizens of tomorrow and of yesteryear. What shall we say of such a posture? Is one permitted to disregard the requirement of enlightened understanding if one believes oneself to be making a so-called historic contribution?

Representatives too have the right to take risks, I would reply. My point is that they must be answerable to *the voters of the day.* The prohibition against acting in an unenlightened manner is no prohibition against acting with boldness; nor does it forbid the making of decisions with great and long-term consequences. Not even decisions carrying irrevocable consequences can be excluded. "All" that is required is that citizens be aware of the nature of the risk being taken.

Citizens have the right to know what they are doing, and to be convinced on rational grounds that the advantages of their choice outweigh the disadvantages. What is forbidden, by the precepts of intellectualism and of democracy, is for either citizens or their representatives to flee from responsibility and freedom by hiding behind the inheritance of the past, or behind what they sense will be the demands of future generations.

An instructive parallel may be seen in the environmental consequences issuing from the use of nuclear power. The idea of not forgiving the debts of the developing countries is another example. In both cases, it is a question of taking a position with consequences of a likely fateful – but uncertain – kind. The problem emerges with still great clarity if we consult the developments that took place within Germany during the period examined in this paper, i.e., the beginning of the 1990s. Monetary union *without* fiscal union was launched as the solution for the European Union at the very same time that the opposite policy – monetary union *with* fiscal union – became the formula for unifying Germany. The task for the politicians, it may be said, is to explain the difference.

The theory of a "natural" constitutional centralization was thus used, in the course of two parallel events in the 1990s, *both* to justify fiscal union (in the case of Germany), and to prevent such a development (in the case of Europe). A "natural" centralization of power over taxes and expenditures was *seen as obvious* in the case of Germany. Where Europe was concerned, on the other hand, it was viewed as important that this same "nature" be *combated.* In the stability pact, the member state governments pledged not to lay claims upon one another's tax bases. This pledge testified to a great faith in the institutionalist method. The governments judged it possible to prevent "natural" appeals to solidarity from being heeded. Through a special doctrine devised for the purpose at hand – the ban on relief enunciated in the stability pact – they

thought they could prevent the iron law of fiscal centralization from operating in this case.

The two processes of unification – the German and the European – were thus handled in diametrically opposed ways. The German policy was framed to further suprastatal democracy. When it came to European unification, on the other hand, the governments of the continent sought to prevent any comparable development. The intellectual justification for the difference is not easy to discern. It is presumably for this reason that Kohl and Mitterrand chose to break with the requirement of enlightened understanding.

David McKay (1999) argues that legitimacy is required if monetary union without fiscal union is to be politically sustainable. An asymmetrical solution will not work, he avers, unless the electorates of the member states give it their active support. I couldn't agree more. Yet merely pointing out the general need for legitimacy is to beg the question, as I see it. The more interesting and important task we are faced with, in my view, is to seek out a more specialized solution to this problem in terms of political science, rather than in terms of sociology or of economics.

What political reasons are there for believing an asymmetrical solution to be sustainable? Assuming intellectual honesty is their ultimate criterion, citizens and politicians will need to know *why* the iron law of fiscal centralization can and should be rendered, through a deliberate act of self-binding, inoperative in favor a new type of political order. Why should the suprastatal element in the European Union be prevented from developing into a democratic structure? Why should we wish to alienate monetary powers to an independent federal bank without at the same time creating an appropriate system of revenue-sharing – one comparable to that found in other federations?

In order to have its intended effect as a new (i.e., Christian and social democratic rather than market liberal) Maginot line of defense against further political integration, the idea of monetary union without fiscal union has to be understood. Not only by the masses of people in the 300 million-strong Union, but by their elected representatives as well. Both citizens and politicians must be able to explain why the solution selected is such a good one. Sustainability presupposes an enlightened understanding on their part of why the European political order has been given the asymmetrical form that it has, and why it should remain that way.

References

Attali, Jacques. 1995. *Verbatim. Chronique des annèes 1988-1991.* Tome 3. Paris: Fayard.

Balassa, Bela. 1961. "Towards a Theory of Economic Integration," *Kyklos*, 16, pp. 1-17.

Baun, Michael J. 1996. *An Imperfect Union.* Boulder: Westview Press.

Dahl, Robert A. 1989. *Democracy and Its Critics.* New Haven, Conn.: Yale University Press.

European Convention for Protection of Human Rights and Fundamental Freedoms. Rome, 4, XI. 1950. [http://www.coe.fr/eng/legaltxt/5e.htm]

Feldstein, Martin. 1997. "The Political Economy of the European Economic and Monetary Union," *Journal of Economic Perspectives*, 11: 4, pp. 23-42.

Gustavsson, Sverker. 1997. "Double Asymmetry as Normative Challenge," pp. 108-131 in Andreas Føllesdal & Peter Koslowski, eds., *Democracy and the European Union*. Berlin: Springer Verlag.

—————— 1999. "Reconciling Suprastatism and Accountability," in Catherine Hoskyns & Michael Newman, eds., *Democratising the European Union*. Manchester University Press. Forthcoming.

Lafontaine, Oskar & Dominique Strauss-Kahn. 1999. "Europa – sozial und stark," *Die Zeit*, January 14.

Lepsius, Rainer M. 1995. "Institutionenanalyse und Institutionenpolitik," pp. 392-403 in Birgitta Nedelmann, Hrsg., *Politische Institutionen im Wandel*. Opladen: Westdeutscher Verlag. (= Kölner Zeitschrift für Soziologie und Sozialpsychologie, Sonderheft 35).

McKay, David. 1996. *Rush to Union*. Oxford: Clarendon Press.

—————— 1999. "The Political Sustainability of European Monetary Union," in *British Journal of Political Science*. Forthcoming.

Michels, Robert. 1911. *Zur Soziologie des Parteiwesens in der modernen Demokratie*. Leipzig: Klinkhardt.

Milward, Alan S. 1984. *The Reconstruction of Western Europe 1945-51*. London: Methuen.

—————— 1992. *The European Rescue of the Nation-State*. London: Routledge.

Moravcsik, Andrew. 1998. *The Choice for Europe*. Ithaca, NY: Cornell University Press.

Mundell, Robert A. 1961. "A Theory of Optimum Currency Areas," *American Economic Review*, 51, 657-664.

Regierungserklärung vom 10.11.1998. [http://www.bundesregierung.de/03/0302/]

Riker, William H. 1975. "Federalism," pp. 93-172 in Fred. I. Greenstein & Nelson. W. Polsby, eds., *Handbook of Political Science*. Vol. 5. Reading, Mass.: Addison Wesley.

Scharpf, Fritz W. 1987. *Sozialdemokratische Krisenpolitik in Europa*. Frankfurt: Camus Verlag.

——————— 1994. *Optionen des Föderalismus in Deutschland und Europa.* Frankfurt: Campus Verlag.

Teltschik, Horst. 1992. *329 Tage.* Berlin: Siedler.

Zelikow, Philip & Condoleezza Rice. 1995. *Germany Unified and Europe Transformed.* Cambridge, MA: Harvard University Press.