

The Role of the Delors Committee in the Creation of EMU: An Epistemic Community?

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ABSTRACT

The agreement on Economic and Monetary Union (EMU) in the European Union (EU) is a significant move in the integration process. When explaining why EMU was accepted and incorporated in the Maastricht Treaty, little attention has been given to the role of monetary experts in this process. This paper examines their role in the creation of EMU by focusing on the Delors Committee that wrote the blueprint for EMU which was inserted in the Maastricht Treaty with few amendments. The paper discusses whether it was necessary for the EMU momentum that these monetary experts held similar ideas about how European monetary integration had to proceed. Furthermore, it investigates whether the Delors Committee fits the definition of an 'epistemic community' (Haas, 1992) and concludes that this is indeed the case. The paper closes by suggesting that this conceptual tool could enlarge our understanding of the role of expert committees in the process of European public policy-making.

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Amy Verdun¹

1. INTRODUCTION

When the Delors Report was published, launching an Economic and Monetary Union (EMU) in the European Community (EC) (Delors Report, 1989), it received little response from national policy-makers or the general public. The Delors Committee² -- consisting of twelve EC central bank presidents, three independent experts, the EC Commission President and another EC Commissioner - who had drafted the report, unanimously agreed on its contents. The Report called for the irrevocable fixing of exchange rates between national currencies, and eventually the introduction of a single currency. In order to reach these objectives, the Report voiced the need for a "common monetary policy" and "a high degree of compatibility of economic policies (...) particularly in the fiscal field" (Delors Report, 1989: 17).

It has puzzled scholars of political science that consensus on the creation of EMU in the Community could have been reached so easily. It has been still more surprising that the Treaty on European Union (more commonly referred to as 'Maastricht Treaty'), contained virtually all the

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² The official name of the Delors Committee was 'Committee for the Study of Economic and Monetary Union'.

recommendations of the Delors Report, and even went a step further by introducing a timetable, and suggesting that EMU could start only with those Member States which had fulfilled the so-called 'convergence criteria' (cf. Artis, 1992; Woolley, 1992).³ By accepting the Maastricht Treaty, the Member States had committed themselves to transferring sovereignty over monetary policy to the European level. At the same time, no increase in Community policy-making had been envisaged in the flanking areas of macro-economic or fiscal policy-making.⁴ Not only had the Member States agreed to institutionalise monetary policies at the European level, they also decided to give the new 'European System of Central Banks' an independent status, and a single mandate, i.e. to secure price stability. It is indeed a great puzzle how such a far-reaching arrangement could have been accepted by the twelve Member States of the European Community in the period 1989-1991. It is also noteworthy that the general public started to show considerable interest in the EMU project only after the Treaty had been signed. This is not unusual in EC/EU policy-making (see Richardson, 1982). Nevertheless, public opinion was in 1992-1993 largely *sceptical* about the whole project.

In their attempt to understand the EMU process, contemporary authors have examined a number of explanatory variables such as, the role domestic politics, certain economic ideas, the intergovernmental bargaining process, global factors, interdependence, the importance of EC institutions and the institutional framework of Member States, all of which were believed by various authors to have contributed to the momentum which culminated in the Maastricht Treaty. This paper takes a different approach and examines the role of monetary experts in bringing about the EMU project. Pioneering work on the first EMU project (Werner Report, 1970) which focused on the role of monetary experts was done by Rosenthal (1975). Her conclusion was that the EMU proposals materialized so quickly in the late 1960s and early 1970s because the monetary officials responsible for negotiating the Werner Report knew each other very well had been working together over a period

³ For a discussion of the developments leading up to the Maastricht Treaty see Dyson (1994), Gros and Thygesen (1992) and Italianer (1993).

⁴ Elsewhere I have discussed this 'asymmetrical' nature of the process of economic and monetary integration (Verdun 1996a) and the 'democratic deficit' which results from this asymmetry (Verdun, 1996b).

of many years. Hence if we were to study the role of 'monetary experts', we would include policy-makers, i.e. public officials, private and quango officials, as well as academics who are outlining or formulating policies regarding EMU or monetary policies for the organisation to which they belong. This group would also include economists working at universities and 'think tanks' as well as the monetary policy specialists within trade unions and employers' organizations. However, a comprehensive study of all these monetary experts is beyond the scope of the present paper.⁵ Instead, this paper will examine only a small group of key monetary experts, namely, the members of the Delors Committee. These monetary experts are selected because they drafted the EMU blueprint, which proved to be so authoritative, and because these experts represent important national monetary experts. The aim of the paper is to apply the epistemic community concept and examine how it contributes to our understanding of the EMU process. The central question posed here is: Is the fact that EMU was successfully incorporated in the Treaty rooted in consensus among important monetary experts -- the Delors Committee -- about national monetary policies and thus European monetary policy? In addressing this main question three subquestions are examined: What factors does the literature on EMU attribute to explaining EMU? What was the role of monetary experts? Does the conceptual tool of 'epistemic communities' (Haas, 1992), which examines the role of knowledge among experts, contribute to our understanding of the EMU process?

The structure of the paper is as follows. The next section discusses how EMU became the monetary regime as we know it today. Section three briefly reviews the contemporary political science analyses of EMU most relevant for the argument presented here, followed by a discussion of the epistemic communities approach in section four, in particular the work of Peter Haas and Ethan B. Kapstein. Section five examines whether the Delors Committee could be considered an epistemic community. Some conclusions about the role of experts in creating EMU, and the examination of the utility of the conceptual tool of the 'epistemic community' are provided in the last section.

⁵ For a study of EMU perceptions of monetary experts in central banks, ministries of finance, employers' organisations and trade unions, see Verdun (1995) (1996a) and 1996c).

2. THE EMERGENCE OF EMU

The plan to create an EMU in the European Community (EC) dates back to the 1970s. In those years, however, EMU did not materialize due to unfavourable international circumstances and divergence in economic and monetary policy-making in the Member States. The Bretton Woods system, which had provided an international monetary regime of stable exchange rates for a period of more than twenty years, collapsed in this period. Domestic policy responses to the 1973 oil crisis and subsequent recessions revealed the continuing large differences in monetary and economic policy-making in the EC.

One of the lessons learnt in the late 1970s by policy-makers in EC Member States and elsewhere in the world, was that there was no trade off between inflation and unemployment. When the European Monetary System (EMS) became operational in March 1979 Member State policy-makers stood on the eve of a change in monetary policy-making regime. Monetarist policies were to become more fashionable in the US, the UK and other countries, and eventually in countries such as France and Italy. During the 1980s monetary policies became geared towards reducing inflation, though not all central banks were equally successful in obtaining this objective. Usually the recurring inflation resulted from central banks' relaxation of monetary policies, which happened when the central banks were instructed to safeguard other policy objectives such as stimulating economic growth. Indeed, in most EC countries central banks were not independent, the exceptions being those in Germany, Italy and *de facto* the Netherlands (Hasse, 1990).

An important change in monetary policy came in 1983 when the French government realised it could not pursue 'socialist policies' in one country (Hall, 1986). Other countries, such as Italy, came to realise that reducing inflation should be a more important policy objective (Guerrieri and Padoan, 1989). However, this was not enough to create the EMU momentum which was to emerge in the late 1980s. The launching of the Internal Market Programme contributed importantly to the

renewed desire for an EMU in Europe (Vaciago, 1991). As a result of the four freedoms, i.e. the freedom of movement of goods, services, persons and capital, the creation of an EMU in the EC was deemed necessary by the Heads of States and Governments. The Commission President, Jacques Delors and the French President François Mitterrand were very much in favour of EMU. They were strongly supported by the German Chancellor Helmut Kohl (Ross, 1995: 79-88; Dinan, 1994: 158-63). Jacques Delors thought a 'spill-over' momentum was needed to move the integration process forward. Already in the Single European Act a clause was incorporated stating that the Single European Market (SEM) would necessitate the creation of EMU (see also Cameron, 1992 and Levitt, 1996). The link between the SEM and EMU was also at the core of an influential paper written by the German Foreign Minister Hans-Dietrich Genscher, published in February 1988, on the need for a European single currency and an independent European Central Bank (Genscher, 1988). The 1988 Hanover European Council entrusted a committee chaired by President Jacques Delors the 'task of studying and proposing concrete stages leading towards this [economic and monetary] union' (Delors Report, 1989: 3).

Not only specific internal European factors contributed to the need to have a single currency in the EC. Global factors also pressed EC firms to lobby for EMU (Ruigrok and Van Tulder, 1995: 289-93; cf. Cowles, 1995). Firms such as Fiat, Philips, and Volvo responded to their loss of international competitiveness by voicing the need for the creation of a European market and a single currency. The President of Philips, Wisse Dekker, launched 'An Agenda for Action' (Dekker, 1985) which strongly influenced Lord Cockfield who was drafting the Whitebook for the Internal Market (Van Lonkhuijzen, 1995; Krause, 1992). In order to achieve EMU, large companies organised themselves in the Association for the Monetary Union in Europe (AMUE). Politicians in Member States also started to become aware of the distorting effects of a fluctuating dollar on the European economy (Tsoukalis, 1993; Verdun, forthcoming) and the need for a European response to it, especially as attempts to coordinate exchange rates at the international level in G-7 meetings failed at a time when the dollar fluctuated greatly against the D-Mark (Funabashi, 1988). Moreover,

national policy-makers also increasingly realised that European economic interdependence, globalisation, and the growth of international capital markets reduced the room for manoeuvre in national policy-making.

Policy convergence in the institutional framework of the EMS also seemed to become apparent in the late 1980s. The EMS had developed quite successfully during the mid 1980s after having gone through a difficult initial period. The D-Mark became the *de facto* anchor currency, and Member State governments started to pursue policies towards low inflation. Their method was to shadow German monetary policies (Goodman, 1989; 1992; Thiel, 1989). Consequently, when this policy proved effective, in the late 1980s, the governments of countries participating in the EMS started to view it as a 'political symbol' of successful European integration. All these factors taken together gave rise to the desire to move towards more economic and monetary integration in the EC.

3. EXPLAINING EMU

Puzzled by the acceptance of creating an EMU in the EC, many authors have investigated what caused this progress in European monetary policy-making. Even though the above section made clear that there was some momentum for EMU, it would still represent a major development in European integration and a substantial departure from formal national sovereignty over monetary policy and likely affect adjacent policy areas. In the literature on EMU various authors identify one or more of the following factors as very important for explaining the EMU agreement: the dominance of politics over economics (*inter alia*, Minkkinen and Patomäki, 1997; Eichengreen and Frieden, 1995), domestic politics (Milner, 1993) domestic politics and certain ideas (McNamara, 1994; McNamara, forthcoming; Marcussen, 1997), issue linkage (Martin, 1993), the role of identity (Engelmann *et al.*, 1997), international bargaining (Moravcsik, 1994), institutional aspects (Campanella, 1995; Kaufmann, 1995), German reunification (Garrett, 1993), the success of the EMS, the optimism

surrounding the Internal Market Programme, financial market integration, globalisation or a combination of these factors (*inter alia* Dyson, 1994; Sandholtz, 1993; 1996; Verdun, 1995). Few stress the fact that the Delors Report, drafted mainly by central bankers, strongly resembled the eventual EMU articles in the Maastricht Treaty.

Dyson *et al.* (1995) focus on the central bankers in the process leading up to EMU, and analyse why the central bankers were so successful in having the principle of central bank independence taken up in the Treaty. They find that none of the prevailing 'theories' explain central bank behaviour (Dyson *et al.*, 1995: 475-9). They point to the need to take into account the "powerful structural forces" which have shaped central bank performance. Their conclusion is that the crucial factor in explaining central bankers' influence in the EMU process should be found in the "*structural changes* in the nature and structure of capitalism, notably the relationship between EC states and global financial markets and the phenomenon of inflation." (Dyson *et al.*, 1995: 484). Hence these authors identify the institutional arrangements in the EC, the changes in the global economy, including changed perceptions about economic and monetary policy objectives, as the primary factors which determined the EMU process.

Kenneth Dyson (1994) has written the most recent comprehensive study on EMU.⁶ His central argument is "that the EMS and EMU policy process is best understood as composed of a distinct set of interdependent bargaining relations and rules of the game, embedded in a framework of structures that they have a limited, and fluctuating, capacity to influence." (Dyson, 1994: x). His book takes a 'two-level game' perspective and looks at the policy actors, the bargaining relations and what he calls 'structural power in the international political economy'. His central thesis is that the EMU process is shaped by the '*will and capacity of the central actors involved*'. Four factors influence this will and capacity. First, the actors have to operate in a 'scene', a 'two level game'.⁷

⁶ Earlier comprehensive studies of the first EMU project are Tsoukalis (1977) and Kruse (1980). The process of creating the EMS is found in Ludlow (1982).

⁷ On two level games see Putnam (1988) and Evans, Jacobson and Putnam (1993).

Moreover, these central actors have also held certain economic beliefs. Thirdly, these actors are confronted with changing structural conditions in the international political economy, and lastly, their will and capacity to create EMU is heavily influenced by their experience with European economic and monetary integration process, notably the EMS and EMU (Dyson, 1994: 10-17).

With respect to 'structural power', Dyson refers to control over a wide range of factors in the external environment (cf Strange, 1988). These include, *inter alia* the control over the anchor currency, control over supply and demand of capital, control over 'economic fundamentals' and, notably, the "*control over the key ideas and beliefs informing the policy process, in particular the 'capture' of the EMS policy process by economic ideas of 'sound money' and the prevalence of political beliefs about European union.*" (Dyson, 1994: 16). In addition to the national governments, the commission and the central banks, two technical committees -- the Monetary Committee and the Committee of Central Bank governors -- are of great importance, but these committees are not examined against the framework of an epistemic community.

Finally, David Cameron (1995) has examined the role of monetary experts in the process leading to EMU. In his analysis he questions whether the process should be seen as primarily supranational or intergovernmental. His conclusion is that both types of politics were important, but transnational actors played an important role:

"[T]ransnational actors and their politics were present and influential *throughout* the development of the EMU initiative, from the first meeting of the Delors Committee in 1988 to the last meetings of the IGC nearly four years later, and in some respects and at some moments, they were *more* influential than *either* governmental or supranational actors." (Cameron, 1995: 73-4, italics in the original).

The transnational actors he refers to are in fact monetary officials who were members of the Monetary Committee or the Committee of Central Bank Governors. Cameron points to the fact that these actors not only represented their national governments, but also met one another regularly as their meetings were highly institutionalised. Cameron's line of thinking reminds us of the work done by Rosenthal

on the Werner Report (1975), in which she draws similar conclusions.

4. EPISTEMIC COMMUNITIES

Let us now turn to an examination of the EMU process by using the conceptual tool of the 'epistemic community'.⁸ Interestingly, the epistemic community concept is seldom applied to the case of EC policy-making (exceptions are Radaelli, 1995; Richardson, 1996, Wright, 1996). Before examining whether the Delors Committee, indeed constitutes an epistemic community, let us first clarify what an epistemic community is, and why such a label would be of use.

In 1992 a special issue of *International Organization* was dedicated to epistemic communities.⁹ In addition to the introductory and concluding articles, a study by Ethan B. Kapstein is of special interest for us here as it examines whether central bankers constituted an epistemic community during the debt crisis in the early 1980s. The discussion below will reflect on the general concept of epistemic communities, and briefly revalue Kapstein's analysis of central bankers, and apply the concept to the role of monetary experts in the EMU process.

Departing from the aim to understand how states identify their interests apart from influences of domestic pressures and systemic constrictions, Peter Haas offers:

"an approach that examines the role that networks of knowledge based experts -- epistemic

⁸ Though Dyson *et al.* had previously not applied the concept of the epistemic community to central bankers, their most recent paper indeed mentions that central bankers can be considered an epistemic community, but no analysis is provided (Dyson and Featherstone (1996).

⁹ The introductory article is found in Haas (1992b) and the concluding article in Adler and Haas (1992). The papers were reprinted in P.M. Haas (1997). The concept of an epistemic community was originally introduced by John Gerald Ruggie (1975), who had borrowed from Michel Foucault (1973) the term 'episteme' to refer to "a dominant way of looking at social reality, a set of shared symbols and references, mutual expectations and a mutual predictability of interests". (Ruggie, 1975: 570). In this early article Ruggie gives no clear definition of an epistemic community. However he does state that the epistemic community may play interrelated roles, which influence its members' perception of social reality. Epistemic communities are called upon especially to settle international issues when unilateral or bilateral agreements fail. Epistemic communities then contribute to collective arrangements. They set the rules of behaviour of collective responses to new situations.

communities -- play in articulating the cause-and-effect relationships of complex problems, helping states identify their interests, framing the issues for collective debate, proposing specific policies, and identifying salient points for negotiation." (Haas, 1992b: 2).

The concept is defined as follows:

"An epistemic community is a network of professionals from a variety of disciplines and backgrounds, they have (1) a shared set of normative and principled beliefs, which provide a value-based rationale for the social action of community members; (2) shared causal beliefs, which are derived from their analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcomes; (3) shared notions of validity - that is, intersubjective, internally defined criteria for weighing and validating knowledge in the domain of their expertise; and (4) a common policy enterprise -- that is, a set of common practices associated with a set of problems to which their professional competence is directed, presumably out of the conviction that human welfare will be enhanced as a consequence." (Haas, 1992b: 3).

In addition to this formal definition additional characteristics are identified:

"[M]embers of an epistemic community share intersubjective understandings; have a shared way of knowing; have shared patterns of reasoning; have a policy project drawing on shared causal beliefs, and the use of shared discursive practices; and have a shared commitment to the application and production of knowledge." (Haas, 1992b: fn. 5).

An epistemic community can emerge when national executives aim at achieving international policy coordination. Various factors explain their emergence which Haas labels: uncertainty, interpretation and institutionalization (Haas, 1992b: 3). Whether international policy coordination succeeds depends heavily on the policies of the other countries. Moreover the policy choices "involve multiple and only partly estimable consequences of action." This gives rise to the desire for information. This information is not merely technical information nor an educated guess about the situation, but rather

"the product of human interpretations of social and physical phenomena." (Haas, 1992b: 4). Epistemic communities, either national or transnational, are one possible provider of such information. Because decision-makers seek their advice, which as indicated above, is an *interpretation* of facts, these epistemic communities contribute to the way national policymakers formulate their interests. The transnational epistemic community, in a sense, is even more influential as its "causal beliefs" and "policy preferences" can be displayed to all national policy-makers who seek their advice.

The "uncertainty" which the decision-makers face is a result of the increasing complex and technical nature of the issues on the international agenda. According to Haas these issues include among other things monetary and macroeconomic issues (Haas, 1992b: 12). The 'uncertainty' factor is very important to Haas' approach as it increases the incentives for the decision-makers to consult epistemic communities especially when a shock or crisis occurs (see Haas, 1992b: 14-6).

Who, in Haas' view, constitute an epistemic community? Excluded are a broader scientific community, or people working in the same profession and/or discipline, as these people, "seldom limit themselves to work that is closely congruent with their principled values". The members of the epistemic community can be distinguished from these people as they try to obtain a goal they believe in: "[M]embers of an epistemic community tend to pursue activities that closely reflect the community's principled beliefs and tend to affiliate and identify themselves with groups that likewise reflect or seek to promote these beliefs." (Haas, 1992b: 19). Notwithstanding this observation, members of a particular subgroup of a discipline, could well form an epistemic community.¹⁰ In other words, for a knowledge-based group to be included in Haas' definition, it is important that the members share principled normative and causal beliefs.

In their evaluation of the usefulness of their theoretical framework of 'epistemic communities', Adler and Haas then hypothesize that "the greater the extent to which epistemic communities are

¹⁰ The example he gives is that economists form a profession, whereas "Keynesians" can be considered an epistemic community if they hold similar beliefs, views, ideas, goals and so on (Haas, 1992b: 19). Applied to our case this means that 'central bankers' would thus also *not* form an epistemic community. However, 'central bankers who favour an EMU' *could*, by contrast, constitute an epistemic community.

mobilized and are able to gain influence in their respective nation-states, the greater is the likelihood that these nation-states will in turn exert power on behalf of the values and practices promoted by the epistemic community and will thus help in their international institutionalization." (Adler and Haas, 1992: 371-2).

How do epistemic communities *exert influence*? Adler and Haas identify four mechanisms. First by *policy innovation* they frame the issue, i.e. decide the nature of the issue, the policy objectives, and at what level (in which forum) the issue should be solved. These initial choices set the stage for defining national interests. Second, *policy diffusion*, which refers to the mechanism with which members of epistemic communities communicate using transnational links to make their views known. The acceptance of their ideas by others across the globe, in turn, can be used to put pressure on national governments. Third, *policy selection*, can take place. In this case, decision makers seek support from a *selected* epistemic community which they know will support their policies. This approach enables the decision-makers to legitimize their policy choices by referring to the community of experts who approve of their policy choices. Fourthly, *policy persistence*, the continuation of consensus of ideas, beliefs and goals over time among the members of the epistemic communities contributes to their credibility, and hence their authority, and thus it also determines how long an epistemic community remains influential. Finally, *policy evolution as learning*. Epistemic communities can contribute decisively to the process of learning, which is very important as the final understanding of a policy issue determines the policy outcome. (Adler and Haas, 1992: 375-87).

Could the concept of the epistemic community and its presumed political behaviour shed light on the EMU process? Could the monetary experts of the Community be considered such a community? Before answering these question, let us reflect briefly on the earlier mentioned Kapstein article which analyses the convergence of policies of the industrial states during the debt crisis of the early 1980s.

5. CENTRAL BANKERS AN EPISTEMIC COMMUNITY?

Ethan Kapstein tries to understand why policies converged and finds the answer in the power capabilities and shared political purpose of the United States and Britain. Central bankers, who played a key role in enhancing multilateral cooperation in banking regulation, he concludes, did not fit the definition of an epistemic community as used in the special issue of *International Organization*:

"The central bankers involved in this case were a group of bureaucrats who were attempting to serve *several conflicting public and private sector interests* in an effort *to maintain if not enhance their positional power in their domestic political structures*. Unlike the policy projects of the environmentalists (...) the policy project of the central bankers (...) was not solely the product of rigorous scientific investigation. It also reflected a political decision. (...) The decision to pursue the idea of a single capital adequacy standard was not so much the product of collective technical knowledge as it was the reflection of what the British and American central bankers considered to be the 'art of the possible' given the international and domestic politics in which the debt crisis was embedded. (...) [T]here was little in the literature of regulatory theory to suggest that this was the 'best' method for strengthening the international payment system."(Kapstein, 1992: 266-7).

Kapstein's conclusions that central bankers cannot be considered as an epistemic community with regard to the debt issue is partially convincing. In this case they were serving conflicting interests. It can be questioned, however, whether Kapstein's other arguments could be interpreted differently. Indeed, Adler and Haas stress that decision-makers may seek advice from the epistemic community which is willing to support their policy choices. In this scenario other epistemic communities would exist which would disagree with these policy choices. Thus, for a central banking community to be an epistemic community, there is no need for regulatory theory to suggest only one 'best' method. Moreover, the notion of the epistemic community requires the members to have a commitment to a political goal, and to interpret their knowledge in such a way that it supports their goal. In fact, as

was indicated above, a purely scientific community is not an epistemic community if it does not interpret facts, and/or does not aim for a common cause.

Kapstein's analysis shows convincingly, however, that the community of central bankers was divided over their final goal during most of the 1980s, and it was only in a later stage that an accord was reached. This implies that during this period one cannot interpret the central bankers to have constituted an epistemic community. Should they, however, have been considered an epistemic community, once they *did* agree on a political goal? Kapstein discards this possibility because his analysis of the final agreement suggests it was a product of "state power and collective purpose" (Kapstein, 1992: 286). The United States and Britain were the leading forces, and Kapstein strongly doubts whether an agreement would have been reached without their leadership. It is not clear whether 'leadership' within an epistemic community has been allowed for; Haas' definition of the epistemic community does not mention anything about whether hierarchies may or may not exist within an epistemic community. However, it is hardly imaginable that an epistemic community would exist consisting of completely equal persons, or that it would not allow for the concept of 'leadership'. Ergo, Haas' definition should be clarified on this point. It would be useful to accept that within an epistemic community leadership could exist. Perhaps a certain hierarchy of its members could exist, which could give rise to some members having more and others less influence within the epistemic community.

Does the fact that Kapstein's case study of the debt crisis in the 1980s exclude the possibility that central bankers in the EC with regard to monetary policies would still *not* constitute an epistemic community? Kapstein has already pre-empted the question by setting out in his article under which conditions he would consider the central banking community an epistemic community. He identifies the need for three conditions: first, substantially more consensus on theoretical and empirical knowledge on international banking would have to emerge. Second, regulatory policies would have to become based on this consensual knowledge rather than national political ideologies. Third, "a supranational regulatory agency would probably be needed to insulate

bank supervisors from domestic political pressures." (Kapstein, 1992: 268).

To apply Kapstein's conditions to our case of monetary policy we only need to make minor changes in the wording of the conditions. Where Kapstein refers to "international banking" we shall insert "monetary policy". Let us now examine whether these conditions are met. First, as regards theoretical and empirical knowledge on monetary policy it appears that central bankers indeed held common views on the aims of monetary policy, namely to reach price stability. The second condition reads that "regulatory policies" would have to be based on this consensus. Again, this condition seems to have been fulfilled. The central bankers and monetary experts who drafted the Delors Report all agreed that monetary policies should be moved away from political influence. In EMU monetary authorities were not to be influenced by any political actor. To guarantee this independence monetary policies would be transferred to an independent European System of Central Banks, which was to be kept free from political influence. This brings us to Kapstein's third condition, i.e. the need for a "supranational regulatory agency" which was indeed put in place to protect the central bankers from "domestic political pressures." The politically independent ESCB perfectly fits the requirement.

6. THE DELORS COMMITTEE -- AN EPISTEMIC COMMUNITY?

The above discussion suggests that central bankers may constitute an epistemic community if they meet regularly in an (inter)national forum or in an institution. Let us now turn to the Delors Committee, whose task it was to study and propose concrete stages leading to the creation of EMU, and recall its composition.

The members of the Delors Committee were selected by the European Council during the Hanover Summit in June 1988. Before this decision was taken, suggestions had been made about the composition and mandate of the committee. The German Foreign Minister Genscher had suggested a committee of independent experts (Genscher, 1988). The central banks wanted to be represented

in this committee. However, Delors was against the idea of having the Monetary Committee or the Committee of Central Banks draft a proposal. The final decision was taken at the EC Summit in Hanover. The Council decided that the Committee chaired by President Delors would consist of the twelve central bank Presidents or Governors, "one other member of the Commission" (Frans Andriessen, DG I), and "three personalities designated by common agreement by the Heads of State or Government (...): Alexandre Lamfalussy, General Manager of the Bank for International Settlements (BIS), Niels Thygesen, a professor of economics¹¹, and Miguel Boyer, president of Banco Exterior de España." (Conclusions of the European Council in Hanover, 27-28 June 1988). The rapporteurs were selected by Jacques Delors, who chose Gunter Baer and Tommaso Padoa-Schioppa.¹²

Given the importance that this committee had in drafting the EMU blueprint could it be argued that here was an influential epistemic community at work? What kind of expertise did this community offer, and did it act as the theoretical framework suggests it would? The report was drafted in a relatively short time, and adopted unanimously. However, the Delors Committee had two members who dominated the sessions: President Delors and the Bundesbank President Karl-Otto Pöhl (on the dominance of Pöhl see Dyson, 1994) -- as had been the case with the central banking community in the Kåpstein analysis, the Delors Committee was not without hierarchy.

Not all expert committees will automatically form an epistemic community. In order for the Delors Committee to be an epistemic community it needs to fulfil the four conditions provided in the definition. First, the committee shared a "set of normative and principled beliefs, which provide[d]

¹¹ Niels Thygesen had been supportive of the European Economic Monetary integration objective for many years. In 1975 he was one of nine well-known economists who signed what was called 'The All Saints' Day Manifesto for European Monetary Union', which appeared in *The Economist* on 1 November 1975. It was an attempt to relaunch EMU by introducing suggesting the introduction of a parallel currency.

¹² Padoa-Schioppa had been rapporteur of an earlier report, the so-called Padoa-Schioppa Report (Padoa-Schioppa, 1987). It studied how the Community had to develop economically, in the light of the enlargement of the EC with Spain and Portugal, the prospect of completing the Internal Market, and more majority voting resulting from the signing of the Single European Act. Gunter Baer was a top official in the Bundesbank and was put on the committee on specific request by the German Chancellor Helmut Kohl.

a value-based rationale for the social action of community members". They all believed that further economic and monetary integration would be beneficiary to the European Community, provided, of course, this development was based on certain principles.

Second, they "shared causal beliefs, which are derived from their analysis of practices leading or contributing to a central set of problems in their domain and which then serve as the basis for elucidating the multiple linkages between possible policy actions and desired outcome". This condition is also fulfilled by the committee. Their causal beliefs, based on their experience with the EMS and monetary policy in general, were fourfold. First, they believed that inflation was detrimental to growth. Second, stable exchange rates were necessary to ensure the proper operation of the Internal Market. Third, the *de facto* dominance of the D-Mark as the anchor currency, and hence the dominance of the Bundesbank in determining European monetary policies was politically unsatisfactory. Fourth, even though the Committee favoured a new European monetary institution, it was considered undesirable that an economic authority would be established at the supranational level. Rather, the Delors Committee wanted national governments to remain fully responsible for national macroeconomic and fiscal policies. Hence, the need for multiple linkages -- binding rules would be necessary to contain budget deficits (Delors Report, 1989).

The third condition "shared notion of validity" resembles the previous condition, and hence seems to be fulfilled. It is difficult to establish the exact difference between conditions two and three, but presumably the Committee fulfils this third condition as well. The examples given above, about "inflation" being detrimental for growth, seem to apply here. Moreover the decision that the European System of Central Banks needs to be independent would be another example.

Finally, the fourth condition "a common policy enterprise" obviously exists as the Committee members were selected for this Committee *exactly because* they had the 'task of studying and proposing concrete stages leading towards this [economic and monetary] union' (Delors Report, 1989: 3). Hence drafting the EMU blueprint was their common policy enterprise.

Moving beyond the four conditions set out in the definition it appears that the Delors

Committee also satisfies the other reasons for the emergence of an epistemic community. It emerged because national executives were aiming at achieving international monetary policy coordination. Moreover, if cooperation were to happen, the national executives would be confronted with "uncertainty", "interpretation" and "institutionalization". It would involve "uncertainty" as it would not be guaranteed whether Member State governments would *really* be committed to the common policy goals, i.e. low inflation, exchange rate stability, and, in support of these two goals, reducing budgetary deficits. "Interpretation" would occur as soon as the EMU arrangement would become taken up in the amended Treaty of Rome. The formulation of the convergence criteria was not done by the central bankers in the Delors Report, but was merely hinted to. They were agreed to at the eleventh hour at the Maastricht negotiations. Finally, "institutionalization" of monetary policies and of limits on budgetary policies was, of course, the ultimate aim of the EMU project.

Now, how did the national executives benefit from consulting this particular epistemic community? To start with, when the European Council requested the Committee to investigate the possibility of an EMU, not all Member State governments were in support of an EMU. Notably the British government was very much opposed to the whole project. Though it may seem puzzling to some as to why the British government agreed to the investigation of a possible road to EMU, the British themselves claimed the Report would not need commit them to accepting the policy recommendations; it was merely a theoretical exercise. The main reason why the British did not oppose an EC EMU blueprint was that they feared that West Germany, France and the Benelux could form an EMU on a multilateral basis, which would eliminate British influence over the process.

Thus, the governments in favour of EMU would benefit from a study carried out by a committee of monetary experts. Second, the Member State governments knew that it would still be highly controversial to introduce an Economic and Monetary Union in the European Community, as it implied institutionalising a monetary regime that thus far had been dominated *de facto* by German monetary policies, and the strength of the D-Mark. The very fact that Member State governments anticipated the fact that the German monetary regime could well become the core of European

monetary policies implied that they also knew that if a European Central Bank (ECB) were to be set up, it would likely be modelled on the Bundesbank, i.e. become a politically independent central bank. The governments who held more reservations to this model (e.g. Spain and the United Kingdom) found themselves confronted with the successful achievement of low inflation in Germany and in countries which had pegged their currencies close to the D-Mark -- an objective which they tried anxiously to reach as well. And again for these countries, the absence of a European agreement could well imply that several countries could go ahead and implement a single currency zone outside on a multilateral basis outside the framework of the EC. The prospect of having a say in the setting up of the scheme, and possibly the prospect of staying outside such a scheme, was a point of major concern to countries such as Spain and the UK. Therefore, these countries were willing to make some compromises to their original positions. Moreover, the fact that the Delors Committee of experts would decide a feasible blueprint for EMU, facilitated the explanation at home of agreeing to the selected type of EMU which was based strongly on the German model. Hence, it was very convenient for all parties to give the task of initiating policy to a group of central bankers and independent specialists, and have them suggest the ECB's independent status. This was important especially because, as was mentioned above, most EC central banks in fact were still obliged to accept instructions from their national governments. Finally, as was also mentioned above, no political consensus could be found among Member State governments on accepting a macro-economic or fiscal authority to 'flank' the monetary institution. A group of central bankers would be an epistemic community *unlikely* to recommend the need for such an institution to be introduced at the European level.

7. EVALUATING THE UTILITY OF THE EPISTEMIC COMMUNITIES CONCEPT FOR THE CASE OF EMU

It can be concluded here that the Delors Committee operated as the definition of an epistemic community suggests. National governments sought a body of experts who could back up their policy choice, and they could use the experts' collective knowledge and advise to support their decisions. Without the report of the experts, national governments would remain very suspicious about the motives and goals of other national governments.

Does this role of an epistemic community in the process of creating EMU add to the literature on EMU as set out in Section Two above? In other words, has the Delors Committee not just prepared a decision which actually resulted from traditional international bargaining, or aimed at solving domestic problems, or to tackle the problems related to the global economy and the unmanagability of the domestic economy? The analysis provided here *does not* suggest that the Delors Committee was a political actor which stood "above" the political struggle between nation states. It was asked its advice (i.e. how to create EMU in the EC) *precisely because* national decision makers needed extended legitimacy and knowledge about how to make the next step in international cooperation. In that sense considering the Delors Committee as an epistemic community helps us understand strategies used to tackle the 'two levelled' nature of the policy-making process; bargaining that takes place between states and legitimize policy decisions at the domestic level. For both these levels, using the knowledge from the epistemic community proved useful. Furthermore, a necessary condition was that the central bankers had all gone through significant monetary policy learning, which meant that they could also agree on a single monetary policy. Finally, the role of global factors and changing perception of the global economy implied that national executives were disillusioned about independent uncoordinated policy decisions, and were hence interested in a common policy. Hence, the central bankers could only be given such an important and authoritative voice because Member States realised that economic interdependence implied that their room for manoeuvre to solve domestic problems in isolation from others, or without coordinating policies with surrounding countries, appeared increasingly limited.

This paper has given an affirmative answer to its initial question whether consensus among

monetary experts was necessary for the progress towards EMU. The conceptual tool of the epistemic community was found to be very useful. However, when applying the definition and re-examining Kapstein's earlier reservations on whether central bankers could be considered an epistemic community, it was found that two amendments of the original definition are needed (Kapstein, 1992; Haas, 1992b: 3). First, even though monetary experts have moved ahead towards the creation of EMU because there was consensus among central bankers, this strategy also served *diverging national interests*. Second, within the epistemic community it is possible to have one or more *dominating* members, or a certain *hierarchy*, or some kind of *leadership*.

This paper has shown that in order to improve our understanding of the process of European economic and monetary policy-making it is worth studying a committee of monetary experts. It would be interesting to see whether other expert committees in the Community can be regarded as epistemic communities as well and can help to explain the process of European public policy-making more generally.

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