To Euro or Not to Euro? The EMU and Identity Politics in the European Union

THOMAS RISSE, DANIELA ENGELMANN-MARTIN, HANS-JOACHIM KNOPF and KLAUS ROSCHER

European University Institute

This article attempts to explain the variation in post-Maastricht elite attitudes toward the single currency in Western Europe. It concentrates on the British reluctance to join the single currency in the first round as well as the French and German continuing support for it. We argue, first, that explanations based solely on material conceptions of actors’ interests — whether economic or geopolitical — are insufficient in explaining the variation in attitudes. There are as many good economic or geopolitical reasons in favour of the Euro as there are against it. In particular, perceived instrumental interests of actors as such do not explain the considerable variation in attitudes. Rather, we claim that actors’ perception of their material and instrumental interests with regard to the Euro are deeply influenced by their visions of European political order. Second, the visions about European order which give political meaning to EMU, need to be understood in the framework of identity politics. Differences in the construction of collective elite identities pertaining to the nation-state and to Europe explain the controversies among the political elites in the three countries as well as the variation in attitudes. While the French and German political elites — from the centre-right to the centre-left — have incorporated ‘Europe’ into their nationally defined collective identities, British policy-makers including New Labour remain hesitant. Third, on a more conceptual level, this article does not try to push an ‘identity versus interest’ argument. Rather, we claim that the causal arrows run both ways. Collective nation-state identities define the realm of instrumental or material interests considered legitimate and appropriate in a given political discourse. We claim this to be the case in Britain and Germany. The more identity constructions are contested or in flux in a political discourse, however, the more likely it is that those constructions carry the day which actors see as furthering their perceived instrumental, political or economic interests. We argue that this was the case in France.
1. Introduction

On 1 January 1999, 11 of the 15 European Union (EU) members (except Denmark, Greece, Sweden and the United Kingdom) joined ‘Euroland’, the European Economic and Monetary Union (EMU). The introduction of a single currency is without doubt the most significant move toward European integration so far. It is all the more remarkable how smoothly the transition toward EMU was managed since its inception in the Maastricht treaties. In particular, it is quite significant that 14 EU member-states (Greece being the only exception, the other non-members of ‘Euroland’ having opted out for political reasons) met the Maastricht convergence criteria which required deep cuts in public expenditures in order to reduce the national budget deficits. Given the cuts in social welfare which governments had to impose to meet the Maastricht convergence criteria, in conjunction with feeble economic growth and high rates of unemployment, it is not surprising that public opinion in some member-states was quite sceptical about a common European currency. Yet, political elites in ‘Euroland’ countries stubbornly supported the move toward a single currency and were prepared to push through the necessary budget cuts in order to meet the convergence criteria.

This article attempts to explain the variation in post-Maastricht elite attitudes toward EMU in Western Europe. It concentrates on the British reluctance to join the single currency in the first round as well as the French and German continuing support for it. We do not focus on specific policy decisions such as the national decisions on the Maastricht treaties. Rather, we try to account for the underlying preferences and general attitudes toward a single European currency among the political elites.

We argue, first, that explanations based solely on material conceptions of actors’ interests — whether economic or geopolitical — are insufficient in explaining the variation in attitudes. There are as many good economic or geopolitical reasons in favour of the Euro as there are against it. In particular, perceived instrumental interests of actors as such do not explain the considerable variation in attitudes. Rather, we claim that actors’ perception of their material and instrumental interests with regard to the Euro are deeply influenced by their visions of European political order. Thus, the Euro is about European union and political order rather than only lowering transaction costs or creating exchange-rate stability.

Second, we argue that the visions about European order which give political meaning to EMU, need to be understood in the framework of identity politics. Differences in the construction of collective elite identities pertaining to the nation-state and to Europe explain the controversies
among the political elites in the three countries as well as the variation in attitudes. Money has historically been closely linked to state- and nation-building (Helleiner, 1997). The Euro is no exception. While the French and German political elites — from the centre-right to the centre-left — have incorporated ‘Europe’ into their nationally defined collective identities, British policy-makers including New Labour remain hesitant. As a result, the continental European debates about the Euro largely concentrated on the question when to join the single currency, while the British debate continues to discuss if joining was at all in the national interest.

Third, on a more conceptual level, this article does not try to push an ‘identity versus interest’ argument. Rather, we claim that the causal arrows run both ways. Collective nation-state identities define the realm of instrumental or material interests considered legitimate and appropriate in a given political discourse. At the same time, consensual identity constructions can be used by political actors to further their perceived instrumental or material interests. We claim this to be the case in Britain and Germany. The more identity constructions are contested in a political discourse and in flux, however, the more likely it is that those constructions carry the day which actors see as furthering their perceived instrumental interests. We argue that this was the case in France.

We proceed in the following steps. First, we discuss conventional explanations for the Euro focusing on economic and geopolitical reasons and on institutional path dependency. Second, we try to clarify some conceptual issues relating to the concept of collective nation-state identities and to develop a theoretical argument on the ‘identity–interest’ problematique. Third, the empirical part of the paper analyses collective identity constructions among the political elites in the three countries investigated.

2. The Puzzle: Why was the Euro ‘Locked In’?

How is it to be explained that the Euro survived all challenges since the Maastricht treaties were signed in 1991, including

- a near rejection by the French public in the 1992 referendum which would have certainly killed the single currency?
- the near collapse of the European Monetary System (EMS) in 1992/3?
- the difficulties which most EU member-states faced in implementing the Maastricht convergence criteria requiring stiff austerity policies at times of sluggish economic growth and unprecedented levels of unemployment?
- initially high levels of opposition to the Euro in mass public opinion of important member-states?
The Indeterminacy of Economic Reasons

A first-cut answer to the puzzle points to economic reasons which traditional theories such as neofunctionalism or liberal intergovernmentalism see as driving forces behind European integration (Cameron, 1997; Haas, 1958; Moravcsik, 1993). The single currency is viewed as the logical follow-up to the European single market allowing for the free movement of goods, capital, labour and services. The Euro would stop excessive currency fluctuations and protectionist pressures which could jeopardize the single market. Only an elaborate institutional framework such as EMU could provide the exchange-rate stability necessary to provide economic stability in a globalizing economy (Dupont and Wolf, 1998). The single currency would eliminate transaction costs (some estimate the savings at 0.5% of Europe’s combined GDP) and might lead to increased investment. In sum, the Euro is supposed to be the answer to the increased economic interdependence among the EU member-states and to the challenges of globalization.

A second look reveals that the economic arguments in favour of EMU are not that clear. Leading advocates of neoliberal economics disagree among themselves on the merits of a currency union in the absence of a political union or a common economic policy (Breuss, 1997; Eichengreen and Frieden, 1994; Eichengreen et al., 1996; Hagen and Lutz, 1995; Sutter, 1997; overview in Cameron, 1997; Minkkinen and Patomäki, 1997; ‘European Union Survey’, The Economist, 31 May 1997: 5–10). Some argue that the European Central Bank will not be truly independent from political influence, while others maintain that inflationary pressures cannot be effectively resisted if there is no integrated economic policy and a political union. There is considerable disagreement among economists on what constitutes an ‘optimal currency area’ and how much economic homogeneity has to be achieved for it. To accept 11 EU countries into ‘Euroland’ was mainly a political decision and did not have much to do with economic criteria for optimal currency areas. In June 1997, more than 300 leading European economists published an appeal against the single currency, while more than 150 German economists published a similar admonition in February 1998.

This is not to say that policy-makers in various countries did not use economic arguments to push EMU. Of course, they did. Some might even have been motivated by economic reasoning in which case the disagreement among economists about the merits of the Euro would not disconfirm a causal argument based on perceived economic interests. We suggest, however, that it is quite striking that policy-makers’ economic arguments in the debates about EMU correlated strongly with their political preferences.
concerning European integration and with their use of identity-based arguments. While this correlation as such does not tell us much about the direction of causality, the observable variation among attitudes toward EMU suggests that economic preferences as such are not the driving force behind these dispositions. If this were the case, we would expect that governments with a predominant neoliberal orientation should be more supportive of the single currency than those primarily concerned about the preservation of the welfare state. This mispredicts the British case as compared to the more welfare state-oriented governments of France and Germany. Moreover, we would expect that support for and opposition against the Euro varies along party lines, particularly along the right–left divide with conservative parties more in favour of EMU and social democratic parties more opposed. This expectation mispredicts both the French and the British cases where opposition against the Euro was initially stronger among the conservatives than among centre-left parties.

In sum, there are indeed economic reasons supporting a single currency for the European Union. The goals of lowering transaction costs and stabilizing expectations concerning currency fluctuations for business in light of globalization pressures provide good reasons why one might support the single currency. But these economic arguments do not account for the specific variation in national attitudes toward the Euro among the elites in the three countries. Moreover, the economic costs and benefits of a common currency are still uncertain and depend on scope conditions which cannot adequately be predicted at this point. EMU is far from representing an obvious solution to Europe’s economic problems.

Do Geopolitical Reasons Provide an Answer?

One could argue from a realist perspective that European integration has always been as much about security concerns as about solving economic problems. Could this reasoning apply to EMU, too? Geopolitically speaking, the end of the Cold War brought the German problem back on the European agenda. The Maastricht treaties and EMU can, thus, be regarded as an effort to contain German power in Europe in the aftermath of unification by firmly binding the Federal Republic to Western institutions and by preventing a German Sonderweg (Grieco, 1995). Moreover, the single currency and the European Central Bank (ECB) effectively end the quasi-hegemony of the German Bundesbank over monetary policies in Europe. Supporters of EMU, particularly in France (see later), argued that shared control over the single currency by an independent ECB is to be preferred to unilateral monetary hegemony by the Bundesbank.
Geopolitical arguments in favour of EMU overlook two problems. First, if EMU represents a binding strategy of the weaker European states to contain German power, why has Germany agreed to it? Why was it that the German government under Chancellor Kohl remained an enthusiastic supporter of a single currency and why did his successor, Gerhard Schröder, follow on this course? At least, there should have been stronger German opposition to the Euro than was actually the case. In sum, if it is in the geopolitical interest of Germany’s neighbours to opt for ‘binding’ through institutional arrangements, then it is also in the German interest to retain as much national sovereignty as possible.

Second, it is not clear, either, why institutional binding should be the obvious strategy to pursue for German neighbours in order to contain German post-unification power. If one does not believe in the power of institutions, one should rather return to traditional ‘balance of power’ strategies, as neorealists would argue. John Mearsheimer and Kenneth Waltz were theoretically consistent, they just missed the point empirically (Mearsheimer, 1990; Waltz, 1993). Reference to geopolitics alone cannot explain why arguments in favour of institutional binding failed to convince elites in the case of the European Defence Community in 1954 when Germany was rather weak, while they carried the day during the 1990s. Binding would be the rational option to pursue only if unified Germany was indeed a regional hegemon in the 1990s. Despite some arguments to the contrary, unified Germany simply lacks the power capabilities to become a hegemonic power in Europe (see Barkin, 1996; Bulmer and Paterson, 1996; Markovits and Reich, 1997; Rittberger, 1993). Any combination of two or three major European states could still outweigh German power if they saw balancing to be in their interest.

Again, geopolitical reasons and security concerns did matter in the beliefs of policy-makers. Historical memory of German behaviour earlier this century certainly played a role. But we claim that the choices in response to these concerns can only be explained if we take into account visions of European political order, beliefs in the capability of international institutions to bind powerful states, and ultimately identity-related attitudes.

**Institutional Path Dependence and the Fear of Capital Markets**

One could apply arguments from historical institutionalism on ‘path dependence’ in order to account for the fact that EMU was firmly locked in since the Maastricht decisions (Hall and Taylor, 1996; North, 1990; Pierson, 1996, 1997; Steinmo et al., 1992). A path-dependent process is one in which positive feedback loops lead to increasing returns. An institutional decision in a certain direction made at a ‘critical juncture’
offering several possible choices subsequently changes the parameters in such a way that the next decision is likely to move in the same direction, etc. Path dependent processes continue irrespective of whether the initial decision still makes sense, and explain why actors often ‘stick to their guns’ even though their short-term instrumental interests might have changed.

It could then be argued that the Maastricht treaties set in motion a process which made the implementation of EMU more likely over time, since the costs of changing course were increasingly prohibitive. The political costs involved renegotiation of the Maastricht treaties, while the economic costs of changing course related both to the enormous investments of public institutions in implementing the treaty provisions and of the private sector (banks and industry) in setting up new infrastructures. Note the ‘pull’ factor of EMU among the EU’s Southern member-states who were once considered unlikely to meet the criteria. Moreover, policy-makers feared the reaction of the global financial markets if they changed course. The 1992–3 EMS crisis might have had the ironic effect of reinforcing the decision for EMU by convincing policy-makers that they had to avoid tampering with the Euro in order to stabilize volatile capital markets. The more they reassured the markets that the Euro would come in a timely fashion, the more they created a self-fulfilling prophecy.

The institutionalist account offers indeed a more convincing explanation for the puzzle than the focus on economic or geopolitical interests. But it complements rather than substitutes the explanation presented below. First, the argument about path dependence only makes sense in the context of our discussion if it focuses on the level of national decisions. France and Germany have been on the EMU path all along, while Great Britain — at the critical juncture of the treaty negotiations — opted for an alternative path and continues to do so for the time being.

Second, regarding the reaction of financial markets, this is a case of adaptive expectations with economics following politics, not the other way round. The issue is certainty and stability, not the nature of a particular decision. National and supranational decision-makers decided that they should stick to EMU and the timetable outlined in the Maastricht treaties come what may and conveyed this decision to the financial markets. The credibility of commitments was at stake, not the substantive content of these commitments. In other words, we are back to politics.

Third, historical institutionalist arguments about path dependence emphasize learning effects. Learning in this case involves the gradual adaptation and internalization of new norms and rules, i.e. a socialization process. Implementation of EMU then reinforced these norms, ensured that they became part of collective beliefs of actors, and modified the standard operating procedures of existing public and private institutions. As a result,
these norms were being taken for granted. Norms of appropriate behaviour, however, enact given collective identities (Jepperson et al., 1996; Kowert and Legro, 1996). An account about internalizing norms and enacting given identities does not tell where these identities came from and what they entail.

These considerations suggest that the historical institutionalist account of EMU as a path-dependent process complements the arguments presented here. We need to take a closer look at the preferences of political elites in order to explain why EMU remained locked in and why the 1992–3 EMS crisis led to opposite reactions in Britain as compared to continental Europe. Endogenizing the preferences and interests of political actors inevitably leads to an analysis of the visions about political and economic order attached to EMU and to the construction of national and/or European identities in the collective discourses of the three countries.

3. What is ‘Nation-State Identity’ and What Can it Explain?

Before we can move on to our empirical findings, we need to clarify three theoretical issues. First, the concept of collective identity must be explored and defined. Second, we discuss how one should think theoretically about potential Europeanization effects on nation-state identities. Third, we address the causal relationship between collective identities, on the one hand, and perceived instrumental or material interests of actors, on the other.

Social psychology — in particular, theories of social identity, self-categorization and social representation (Abrams and Hogg, 1990; Brackwell and Canter, 1993; Moscovici, 1981; Oakes et al., 1994; Turner, 1987; Weller, 1997) — provides a good starting point for clarifying the concept of ‘collective identity’. These approaches help link the inevitably social and discursive nature of collective identities to their cognitive and affective features ‘inside people’s minds’. Social identities contain, first, ideas describing and categorizing an individual’s membership in a social group including emotional and evaluative components. Identities provide ‘a system of orientation for self-reference, creating and defining the individual’s place in society’ (Oakes et al., 1994: 81). In other words, groups of individuals perceive that they have something in common on the basis of which they form an ‘imagined community’ (Anderson, 1991). Collective identity constructions concerning Europe, for example, typically refer to a common historical heritage dating back to ancient Greece, to Christianity as a shared religious experience, or to a community of liberal democracies and social market economies in the sense of a Kantian ‘pacific federation’ (Delanty, 1995; Sorensen, 1995; Wilson and Van der Dussen, 1993).
Second, a sense of difference with regard to other communities accentuates this commonness. Individuals frequently tend to view the group with which they identify in a more positive way than the ‘out-group’. Self-categorization theory adds the principle of meta-contrast — the greater the perceived differences between groups in contrast to the differences within one’s own group, the greater a group’s collective identity. This does not mean, however, that the perceived differences between the ‘in-group’ and the ‘out-group’ are necessarily based on value judgements and that the ‘other’ is usually looked down on (Eisenstadt and Giesen, 1995; Wæver, 1996). Europe’s ‘others’, for example, are frequently constructed as territorially defined entities (America; Russia; Turkey; Asia), but also as the continent’s own past of wars and nationalist rivalries.

Third, national identities are social identities defining social groups on the basis of mostly territorial criteria. In modern times, they construct the ‘imagined communities’ of nation-states and are, therefore, closely linked to ideas about sovereignty and statehood (Bloom, 1990). As a result, national identities often contain visions of just political and social orders. In the case of identity constructions related to Europe, federalist visions of a ‘United States of Europe’, of an intergovernmental confederation of nation-states, or ideas about functional market integration are examples of such concepts of political order.

Fourth, individuals hold multiple social identities and these social identities are context-bound (Cederman, 1997; Oakes et al., 1994: 100). A group of Europeans might perceive themselves as fellow Europeans when dealing with Americans, while emphasizing national differences when interacting mainly with each other. The context-boundedness of national identities also means that different components of national identities are invoked depending on the policy area in question. ‘National identities’ with regard to citizenship rules might look different from ‘national identities’ concerning understandings of the state and political order (Checkel, forthcoming). This article is concerned with the latter rather than with the former as a result of which we use the term ‘nation-state identity’ in the following to delineate the differences from other components of national collective identities. The multiplicty, context-boundedness and contestedness of collective identities has led many authors to conclude that social identities are fluid and subject to frequent changes (Neumann, 1996). But the latter does not follow from the former. Rather, we know from cognitive psychology that cognitive schemas only change rarely and rather slowly. Self-categorization theory also argues that self/other categorizations change the more gradually, the more they are incorporated in institutions, myths and symbols, as well as cultural understandings (Fiske and Taylor, 1984; Jervis, 1976; Lebow and Stein, 1993; Oakes et al., 1994; Stein, 1995). This should
be particularly relevant for collective nation-state identities which usually take quite some time and effort to construct and are then embedded in institutions and a country’s political culture. We assume, therefore, that collective nation-state identities are usually rather sticky and only gradually subject to change.

But there are also instances of acute identity crises leading to rapid and thorough reconstructions of collective identities. Such instances should occur at ‘critical junctures’ when the amount of perceived information which severely contradicts given identity constructions becomes unbearable. It then depends on the learning capacities of individuals, groups and organizations whether they are able to reconstruct and change their collective identities (Levy, 1994; Stein, 1995: 236–8; Tetlock, 1991). In the following, we discuss such an identity crisis for the French case.

In sum, we use the following indicators for collective nation-state identities in the empirical part of this article:

• elite statements on the ‘imagined community’ of the nation-state and its relationship to Europe including statements on the specific distinctiveness of one’s nation;
• statements involving concepts of ‘others’, the non-members of one’s own nation-state as well as Europe’s ‘others’;
• statements concerning visions of political order — both existing and desired ones, both for the national and the European levels (see also Jachtenfuchs et al., 1998).

The second issue to discuss here relates to the Europeanization effects on collective nation-state identities. While this article concentrates on the effects of nation-state identities on elite attitudes concerning the Euro, we cannot ignore the question how Europeanization impacts upon nation-state identities (see also Marcussen et al., forthcoming; Risse, forthcoming). We draw on work in cultural sociology, sociological institutionalism and constructivism in International Relations (Checkel, 1997; Finnemore and Sikkink, 1998; Haferkamp, 1990; Hall and Taylor, 1996; Immergut, 1996; Jepperson and Swidler, 1994; Lepsius, 1990a; March and Olsen, 1989; Powell and DiMaggio, 1991; Swidler, 1986; Ulbert, 1997). This work has recently developed a ‘resonance’ proposition about norm and identity change which we find helpful for our work. Accordingly, new ideas including principled beliefs, knowledge and new identity constructions are the more likely to impact upon and be incorporated in norms, consensual knowledge and collective identities, the more they resonate with given norms, knowledge structures and traditional identities embedded in political institutions and collective cultural understandings.

Thus, ideas about Europe, a common European identity and visions about
European political order which are put forward and promoted by individual actors in a given political discourse, are the more likely to be considered legitimate and appropriate and, thus, to be influential, the more they resonate with given collective nation-state identities and consensual understandings about political order. This implies that we expect to find variation with regard to both the content of and the degree to which ‘Europe’ and references to a common European identity can be incorporated in given nation-state identities. We expect different interpretations with regard to what is understood as ‘European’ in the various national contexts and how Europe’s ‘others’ are defined.

But how do collective identities affect the behaviour of groups and of corporate actors? What potential causal pathways and mechanisms can be identified? How are collective identities and the perceived interests of actors related and how can one theoretically conceptualize this relationship? First, we do not assume that such broad constructs as national identities directly determine particular political behaviour and decisions. Individuals including political decision-makers have a range of choices how to enact given collective identities. We do not attempt to explain particular EU decisions regarding EMU as a direct result of collective identities. Rather, our ‘dependent variables’ are the differing general attitudes and preferences toward the Euro. We want to explore whether a focus on social identities increases our explanatory mileage with regard to these preferences.

Second, the last point requires some further thoughts on the identity–interest problematique. Actors hold collective identities relating to their nation-state, they have certain preferences over outcomes (such as the EMU), but they also hold instrumental interests. For example, we can safely assume that political parties, the subject of our empirical inquiry, want to acquire and to maintain political power. Furthermore, actors have preferences with regard to perceived material states of the world; political leaders want to improve the welfare and the security of their countries. In the following, we do not suggest an ‘identity versus interest’ account which would only serve to reify both. Rather, we claim that causality might run both ways. Collective identities define and shape in the first place how actors view their perceived instrumental and material interests and which preferences are regarded as legitimate and appropriate for enacting given identities. At the same time, a change in perceived material and instrumental interests might well lead over time to changes in collective identities. The task ahead is, therefore, to specify the conditions under which identities affect interests and when the causal arrow runs the other way round.

We start with the distinction between two logics of social action, as introduced by sociological institutionalism (Finnemore and Sikkink, 1998; Hall and Taylor, 1996; Jepperson and Swidler, 1994; March and Olsen,
1989; Powell and DiMaggio, 1991). The concept of ‘interests’ is usually identified with a logic of instrumental rationality whereby actors calculate ends and means as well as the costs and benefits of specific courses of action and then try to act accordingly. The concept of ‘identity’ connotes a logic of appropriateness whereby human actors are imagined to follow rules that associate particular identities to particular situations. Action involves evoking an identity or role and matching the obligations of that identity or role to a specific situation’ (March and Olsen, 1998: 951). Following a suggestion by James March and Johan Olsen (1998: 952–4), we can differentiate among several social situations in order to specify which logic dominates at a given point in time:

1. When collective nation-state identities are stable and largely consensual, while interests are ambiguous, indeterminate or contested, we expect the logic of appropriateness to prevail. In other words, collective nation-state identities then delineate the realm of appropriate and legitimate political choices. Moreover, political actors are likely to frame their preferred courses of action in those identity terms. Those who successfully manage to link their preferences to the collective nation-state identity, will carry the day in a political discourse characterized by identity politics. In our empirical analysis, we claim this to be the case with regard to EMU in Britain and Germany, albeit with opposite consequences.

2. During critical junctures, however, nation-state identities are in flux and contested. Several identity constructions compete among each other, while the perceived instrumental and material interests of actors might be rather stable and clear. We suggest that these interests will determine in such cases which identity constructions are selected and carry the day within a particular political group and which constructions ultimately become consensual. We claim that this causal pathway was partially at work in the French case during the EMU debates. Once nation-state identities stabilize, however, and become consensual, the logic of appropriateness will take over again, actors will internalize the new identity and adjust their perceived instrumental and material interests accordingly.

3. When collective identities are stable and uncontested, while there is also general agreement of a country’s instrumental and material interests, it is hard to tell analytically which logic dominates, because both point in the same direction.

4. Finally, what happens if both identities and interests are in flux, contested or ambiguous? This is, of course, the most interesting case where it is almost impossible to tell beforehand which interests will connect with which identities and which of these connections will prevail. However, we
will not consider such a situation further here, since it does not apply to our three case studies (with the possible exception of France, though).

In the following, we present empirical evidence from the party debates on EMU in Britain, France and Germany in order to show that these controversies should be understood as debates about political order in Europe and as contestations of national and/or European identities.

4. The Euro versus National Currencies: Identity Constructions in Britain, Germany and France

Great Britain: The Euro versus Englishness

The British attitude toward the single currency has essentially remained the same over the last decade or so (details in Knopf, 1998). At the Maastricht summit, the British government reserved the right to decide for itself whether or not the United Kingdom would join EMU in 1999 (‘opt-out’). The Tory government under Prime Minister John Major tried to appease the Conservative ‘Euro-sceptics’ and to avoid a serious split in the party. Toward the end of his term, Major was held more and more hostage by a small, but outspoken and articulate minority of Euro-sceptics. The Euro-sceptics recently carried the day in a postal ballot about the Euro in which 200,000 members of the Conservative Party participated and 84.4% rejected the single currency. As a result, the Conservative stance against the Euro hardened: ‘By any standards this is a result which demonstrates that there is a settled will in the Conservative Party to fight the next election in favour of keeping the pound.’

Generally speaking, the attitude of the Labour Party toward EMU was more positive than that of the governing Conservatives. Labour spokespersons accused the Conservatives of isolating Britain in the EU. However, the more positive attitude of Labour stopped short of advocating British

---

**Figure 1**

The Identity–Interest Problematique and the Direction of Causality

<table>
<thead>
<tr>
<th>Identities</th>
<th>Interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable, clear</td>
<td>Ambiguous, indeterminate</td>
</tr>
<tr>
<td>Consensual/stable</td>
<td>indeterminate</td>
</tr>
<tr>
<td>Contested/fluid</td>
<td>Interests → Identities</td>
</tr>
<tr>
<td></td>
<td>(France)</td>
</tr>
<tr>
<td></td>
<td>Identities ←→ Interests</td>
</tr>
<tr>
<td></td>
<td>(France and Germany in the 1950s)</td>
</tr>
</tbody>
</table>
entry to the first round of EMU. The new Labour government under Tony Blair confirmed this position and decided that Britain would not participate at first, but would continue the ‘wait and see’ attitude of its predecessor:

Any decision about Britain joining the single currency must be determined by a hard-headed assessment of Britain’s economic interests. . . . But there are formidable obstacles in the way of Britain being in the first wave of membership, if EMU takes place on 1 January 1999. What is essential for the success of EMU is genuine convergence among the economies that take part, without any fudging of the rules.

We want the Single Currency to be a success. Too many jobs in Britain depend on exports to Europe for it to fail. And when the time is right, we will make our decision on whether to join on the basis of a hard-headed assessment of whether it will be good for the economy in Britain and good for jobs in Britain.11

Conventional wisdom holds that the reluctant attitude of the two major parties toward the Euro reflects sound economic policies, since Great Britain’s economic cycle is out of sync with continental Europe. Keeping the pound would also allow Britain to devalue its currency against the Euro during times of economic crises. But there are also good economic reasons why Britain should join Euroland. As Robin Cook pointed out, most of Britain’s foreign trade is with the continent. Britain had no trouble meeting the Maastricht convergence criteria, particularly the budget deficit target of no more than 3% of GDP. EMU also fits well in the neoliberal economic orientation of the British government which did not change much under Tony Blair, at least compared to the continental European states. For years now, Britain has tried to attract foreign direct investment and to become a main production centre for non-European multinationals in their efforts to enter the single market. The Euro would be attractive for these companies, since it lowers transaction costs and eliminates exchange-rate instabilities. For these reasons, British business elites lobbied the Labour government to enter the Euro zone early.12

In sum then, British economic interests are at least ambiguous and indeterminate with regard to the Euro. Moreover, it is somewhat surprising that new Labour is more enthusiastic about the single currency than the staunch advocates of neoliberalism in the Conservative Party. We claim, therefore, that the British case is one where stable collective nation-state identities shape the perception of economic interests with regard to the Euro. Thus, Britain belongs in the Northeast cell of Figure 1.

Conservative Euro-sceptics routinely used identity-related arguments in order to justify their opposition to EMU:

. . . European monetary union will remove all characteristics of sovereignty
which characterize a proud and independent nation, and which still today give
to the British one of the few binding characteristics of discipline that entitle us
to call ourselves a great nation.

Sometimes I lie there [in the bath] and wonder how we can be prepared to
hand over the control of our central bank to a group of foreigners under
German domination. I wonder what King William III would have thought
about that when he drew up the original charter for the Bank of England.

. . . abolish the pound and you abolish Britain. You make a decisive move
towards a country called Europe governed from Brussels and Frankfurt. . . .
reading the treaties and looking at the wide range of institutions already
established in the name of the European Union shows that the intention is the
establishment of a new country.13

While these are the more extreme statements, even Prime Minister Major
used identity language when talking about the Maastricht treaties:

Britain successfully used the Maastricht negotiations to reassert the authority
of national governments. It is clear now that the Community will remain a
union of sovereign national states. That is what its peoples want: to take
decisions through their own Parliaments. That protects the way of life, the
cultural differences, the national traditions which the French and Germans, the
Greeks and the Danes, hold as dear as the British. . . . It is for nations to build
Europe, not for Europe to attempt to supersede nations.14

British attitudes toward the EMU and to the EU in general reflect
collectively held beliefs about English identity.15 More than 20 years after
entry into the European Community, a majority of the British political elite
still regards Britain as ‘of rather than in’ Europe; it remains the ‘awkward
partner’ and ‘semi-detached’ from Europe (Bailey, 1983; George, 1992,
1994). There is still a feeling of ‘us versus them’ between Britain and the
continent. For Jenkins, the semi-detachment from Europe is a result of the
weakness of British politics wishing to play in another world league after the
World Wars (Jenkins, 1994). In the British political discourse then, ‘Europe’
is still identified with the continent and perceived as the — albeit friendly —
‘other’ in contrast to Englishness:

. . . because one of the things that those of us who have gone to Europe have
learnt is that there is also a change of opinion in Europe. As it happens, when
I first went to Europe, the first European politician I met was Lionel
Jospin.16

It is not surprising that European integration appears to threaten parts of the
English nation-state identity. Using the principle of meta-contrast (see
above), one could argue that the collective identification with national
symbols, national history and national institutions is greater in the British
political discourse than a potential identification with European symbols,
history and institutions. Europe is more often than not considered as part of ‘them’ rather than ‘us’, and this view is shared in both major parties.

The social construction of ‘Englishness’ as the core of British national identity comprises the meanings attached to institutions, historical memory and symbols. Each of these components is hard to reconcile with a vision of European political order which goes beyond intergovernmentalism (Lynch, 1997; Lyon, 1991; Mitchell, 1992; Schauer, 1996, 1997; Schmitz and Geserick, 1996). British institutions like Parliament and the Crown form important elements of national identity. The identity-related meanings attached to these institutions centre around a peculiar understanding of national sovereignty. The Crown symbolizes ‘external sovereignty’ in terms of independence from Rome and the Pope as well as from the European continent since 1066. When the ECB decided that national symbols will not appear on Euro bank notes, treasury officials claimed that Gordon Brown, the Chancellor of the Exchequer, would ‘fight to save the Queen’s head by arguing that the UK should be exempted from the ruling’.17

Parliamentary or ‘internal’ sovereignty represents another important constitutional principle relating to a 700-year-old parliamentary tradition and hard-fought victories over the King. English sovereignty is directly linked to myths about a continuous history of liberal and democratic evolution and ‘free-born Englishmen’. It is not surprising that British objections against transferring sovereignty to European supranational institutions are usually justified on grounds of lacking democratic — meaning parliamentary — accountability — ‘We believe in Europe; but we also believe in Britain. We will not stand by and see our parliamentary democracy handed away.’18 This argument has more to do with collective nation-state identity than with concerns about democracy in Europe, since the same British leaders routinely object to strengthening the competences of the European Parliament.

One of the most powerful symbols of Britain’s great past as a world power is the pound sterling, the former world reserve currency. While the German Deutsche Mark stands for German post-World War II prosperity (see later), the British pound serves as a strong reminder of a glorious past. This symbolism is directly related to notions of sovereignty and English exceptionalism distinguishing Britain from the European continent. During the EMS crisis of 1992, the British government would rather leave the Exchange Rate Mechanism altogether than accept the humiliation of devaluing the pound against the other currencies through a readjustment of the currency parities (Cameron, 1993). The ensuing market-driven devaluation of the pound was seen as a humiliation by many Conservatives who then became even more Euro-sceptic (Young, 1997).

British visions of European political order reflect the identity-driven
approach to European integration. The majority of both parties continue to support an intergovernmentalist ‘Europe of nation-states’ (see also Jachtenfuchs et al., 1998). European federalists remain a minority in the political discourse, both among the Tories and within Labour; only the Liberal Democrats favour deeper integration and, as a consequence, also support British membership in EMU. The mainstream of the two leading parties share a consensual vision of European order, as the two 1997 election manifestos document:

(O)ur vision of Europe is of an alliance of independent nations choosing to co-operate to achieve the goals they cannot achieve alone. We oppose a European federal superstate.

(T)he government has a positive vision for the European Union as a partnership of nations. We want to be in Europe but not run by Europe. . . . Some others would like to build a federal Europe. A British Conservative Government will not allow Britain to be part of a Federal European State.\textsuperscript{19}

In sum, the British debate on EMU and the continuing reluctance toward joining the single currency must be understood with reference to a rather stable nation-state identity collectively shared by the political elites in both major parties. This identity discourse strengthened the opponents of EMU who regularly used identity arguments to make their point. They feared that Britain would lose the ability to govern herself and argued against any further loss of national sovereignty. British supporters of a ‘wait and see’ policy including Tony Blair’s Labour government refrained from identity arguments and framed their viewpoint exclusively in terms of economic interests, as the earlier quotes reveal. The political discourse centred around whether to join later or never. This contrasted sharply with the debates in Germany which concentrated on joining now or later. While a ‘wait and see’ attitude was the trademark of British Euro supporters, German Euro opponents used such arguments.

\textit{Germany: Between the Euro and the Deutsche Mark}

In contrast to Great Britain, the German government agreed to EMU early on and stubbornly supported the Euro throughout the 1990s. Chancellor Kohl’s successor, Gerhard Schröder, who had advocated a delay in the start of a single currency in 1997,\textsuperscript{20} changed his position in early 1998 and pledged to honour Kohl’s decision. The majority of the German political elite never waivered in its support for the single currency. Even more surprising was the lack of public controversy about the Euro, despite the fact that a majority of German mass public opinion rejected giving up the cherished \textit{Deutsche Mark} until very recently.\textsuperscript{31}
It is particularly noteworthy that the German centre-left largely remained silent over EMU and that the majority of the Social Democratic (SPD) elite supported it (see Notermans, 1998). The German left blamed the current record level unemployment on the Kohl government’s austerity measures but few drew the obvious connection between these policies and Bonn’s determination to meet the convergence criteria. The German trade unions in particular refrained from criticizing the Euro, even though their constituents appeared to be the biggest losers of the austerity policy to reach the 3% deficit goal. Rather, opposition to the Euro came from neoliberal economists. A few prominent politicians, mostly prime ministers of German Länder facing election campaigns, challenged German elite support for the Euro. They were joined by the more implicit opposition voiced by the powerful Bundesbank. The critics framed their opposition in terms of insisting on a strict adherence to the convergence criteria and a quest for delaying the third stage of EMU. All let it be known that they were in favour of European integration.

One could argue that German elite support for the Euro is not that surprising, since the make-up of EMU with tight convergence criteria, the stability pact and an independent ECB modelled after the Bundesbank corresponded to German long-held preferences. Germany needs the single currency to insure itself against competitive disadvantages in the case of devaluations of other European currencies and, thus, to increase exchange-rate stability (Dupont and Wolf, 1998). Finally, the Euro might strengthen German competitiveness on the global markets more than the Deutsche Mark ever could — provided, of course, that the Euro becomes a strong currency. But this is precisely what is unclear. Even with the convergence criteria firmly enforced and the ‘stability pact’ in place, it is uncertain whether Germany’s cherished economic policies of tight money and low inflation will survive EMU. The German economy probably needs a common currency least, since the EMS constituted a Deutsche Mark zone. German industry conducted its European business predominantly in Deutsche Marks; the effects of a common currency on lowering German transaction costs are not significant. Finally, why should the Germans give up the EMS as a Deutsche Mark zone controlled by the Bundesbank in favour of the EMU and a supranational ECB, particularly after unification increased German power?

Some have argued that EMU was the price the Bonn government had to pay to ensure that its European partners, particularly France, acquiesced in German unification (Andrews, 1993; Grieco, 1995: 36). This argument is factually wrong. (West) Germany had been in favour of a single currency before unification, provided that economic convergence would take place prior to its introduction and that a European Central Bank would be as
independent as the Bundesbank. Germany supported the Delors Committee in 1988 and agreed to its report in 1989 (Dupont and Wolf, 1998: 2). The only two German concessions to France as a quid-pro-quo for support for unification concerned the treaty on political union and an accelerated timetable for the ratification of the Maastricht treaties (Cameron, 1995b: 60).

This is not to argue that the German political elites do not agree to ‘self-binding’. The ‘taming of German power’ (Katzenstein, 1997) through European integration found the support of German elites from the centre-right to the centre-left long before unification. As we will argue later, German acceptance of ‘self-binding’ resulted from a collective construction of historical memory, a shared perception of Germany’s place in Europe and, not least, visions of European order. Geopolitical arguments must be placed in the context of identity-related discourses.

In sum, arguments based on perceived material interests cancel each other out in the German case. German economic and political interests concerning a single currency are at least as indeterminate and as ambiguous as British interests. However, Germany supported the Euro all along, while Britain remained reluctant. We argue that the collective nation-state identity of German political elites largely explains how they came to define the country’s interests in favour of a single currency. Thus, the German case also belongs in the Northeast corner of the identity–interest problematique in Figure 1.

On the one hand, general elite support for the single currency was based on German post-World War II identity — Euro-patriotism — which was supposed to overcome the German nationalist and militarist past once and for all. On the other hand, opponents of the Euro linked their scepticism to another part of German collective identity — Deutsche Mark patriotism. The latter explained the rigid insistence of German government officials on the strict fulfilment of the Maastricht convergence criteria (to make the Euro ‘as strong as the Deutsche Mark’).

German elite attitudes toward EMU were based on broader visions of European political integration and a federalist consensus (‘United States of Europe’) among the major parties from the centre-right to the centre-left. This consensus has remained largely untouched since the late 1950s, when the German Social Democrats changed their position on European integration (Risse and Engelmann-Martin, forthcoming). Since then, the political elites have shared a consensus on what Simon Bulmer called the ‘Europeanization’ of German politics (Bulmer, 1989; also Hellmann, 1996; Katzenstein, 1997). The majority of the German political elite viewed the Euro as a cornerstone of European political integration, despite a legitimacy crisis in German public opinion. Since the Euro was regarded as part and parcel of
this political project, supporters strongly insisted that a delay with regard to entering the third stage in 1999 would ‘endanger the successes of the European integration process up to now’, as Chancellor Kohl put it. Former Chancellor Helmut Schmidt, a Social Democrat, argued even more bluntly that ‘any delay means in all likelihood the ultimate abandonment of the currency union project; . . . As a result, Europe would face the worst crisis of European integration since the 1950 Schuman plan.’

The German political elite identified the Euro with European integration as a whole. Even after unification and with more sovereignty to sacrifice for the European cause, the majority of the German political elite shared Chancellor Kohl’s belief that only deeper political and economic union — symbolized by a single currency — could anchor Germany firmly in the West and strengthen European institutions to ensure peace in the years ahead:

If the Euro-currency is not realized by January 1, 1999, it will most likely never again be realized; . . . This would result in the worst crisis of the European integration process — possibly its end! And Germany would be isolated — exactly the opposite of the binding which all chancellors from Adenauer to Kohl have pursued as the overarching strategic goal, in the vital German interest.

Chancellor Kohl in particular wanted to be remembered as the one who pushed through EMU and hence made a closer European Union inevitable, thus preventing a return to nationalism in Europe (Banchoff, 1997a, 1997b: 61–3). Kohl framed the single currency as the symbol of European integration and he deeply identified his political fate with the realization of the Euro. His unsuccessful candidacy for the Chancellory in 1998 was motivated primarily by his commitment to European integration and the Euro. He also labelled 1997 — the year of reference for the fulfilment of the convergence criteria — as the ‘key year of Europe’, as existential for further integration. Kohl appeared to believe that if ‘the house of Europe’ was not built now, it would not be possible 10 years later, either. He even argued that the success of EMU was a ‘question of war and peace’.

Support for the Euro among the German political elites was not only linked to their broader visions about European order, but had directly to do with their post-World War II nation-state identity. In contrast to Britain, the German notion of what constituted the ‘other’ had much more to do with European and German national history. Germany’s own nationalist and militarist past constituted the ‘Other’ in the process of ‘post-national’ identity formation whereby Europeanness replaced traditional notions of national identity. The new Germany should be firmly anchored in ‘the West’ and in Europe, or, as the famous writer Thomas Mann put it during the interwar period, ‘we do not want a German Europe, but a European Germany’. For decades, European integration was regarded by German
political elites as a sort of substitute for their own defeated, divided and
occupied country. Due to their problematic nation-state identity following
the Holocaust and World War II, and in contrast to the British, many
Germans thought the aim of European unity so self-evident that they never
really debated the pros and cons but only the means. The German political
elite considered the establishment of a lasting European peace order as the
ultimate goal of integration, ‘Europe’ thus being tantamount to superseding
nationalism. The federal governments from Chancellors Adenauer to Kohl
and Schröder were determined to render the European unification process
irreversible because they were convinced that a unified Europe was the most
effective assurance against the renaissance of nationalism, a relapse into
power-political rivalries and disastrous conflicts.

The time period since the end of the Cold War, the collapse of East
Germany and German unification in 1990 is particularly significant for our
argument. With the unexpected end of the East–West conflict and regained
German sovereignty, a broad range of foreign policy opportunities emerged
creating a situation in which the Germans could have redefined their
national interests. Instead, not much happened. Germany did not reconsider
its fundamental foreign policy orientations, since Germany’s commitment to
European integration had long outlived the context in which it had
originated (Hellmann, 1996; Katzenstein, 1997; Müller, 1992; Rittberger,
1993). The collective nation-state identity of the German elite largely
shaped their understandings of the country’s political and economic
interests. Attitudes toward the Euro reflected these understandings.

In essence, advocates of a single European currency, Chancellor Kohl in
particular, managed to frame the issue in the German political discourse by
constructing a powerful equation linking the Euro to German identity:

\[
\text{Support for the Euro} = \text{support for European integration} \\
= \text{‘good Europeanness’} \\
= \text{‘good Germanness’} \\
= \text{rejection of the German militarist and nationalist past.}
\]

This framing of the issue served as a powerful silencing mechanism of the
political discourse on EMU. It was no longer possible to argue about the
pros and cons of a single currency and to weigh the policy alternatives in
some neutral way. Opponents of a single currency had to make sure that they
could not be regarded as ‘bad Germans’, i.e. proponents of German
nationalism. As a result, German opponents of the Euro almost never
declared their opposition openly, but rather demanded a postponement of
the Euro. They went to great lengths to show that one could be a ‘good
German European’ and still remain sceptical vis-à-vis a single currency.
Critics of the Euro such as Edmund Stoiber, the Prime Minister of Bavaria, and — until recently — Gerhard Schröder, who was Prime Minister of Lower Saxony before he became Chancellor in 1998, made it very clear that they remained ‘good Europeans’ by arguing that ‘a controlled delay would not damage Europe’.29 Both called for delaying entry into the third stage of EMU basing their arguments on economic considerations regarding financial stability.

But supporters of the Euro had to cope with another aspect of German post-World War II identity, ‘Deutsche Mark patriotism’. This was the ultimate reason why the Euro was supposed to look like the Deutsche Mark and why the political discourse in Germany mainly focused on the question of how strong a currency the Euro would become. The ECB was modelled on Germany’s Bundesbank (Goodman, 1992; Notermans, 1991; Sturm, 1995).

To the extent that there was a German debate on the single currency, it was largely framed in terms of Euro-patriotism versus Deutsche Mark patriotism. Supporters of the Euro emphasized that the single currency would be ‘as strong and stable’ as the Deutsche Mark and that there would be no difference between the two — except for the name. Critics of EMU tried to capitalize on Deutsche Mark patriotism suggesting that the Euro would never reach the stability of the German currency. The proxy for this identity-related debate was the controversy surrounding the strictness with which the convergence criteria should be applied. Rigid adherence to the convergence criteria before and after EMU became the symbolic causal mechanism by which the ‘strong Deutsche Mark’ was going to be converted into an equally ‘strong Euro’. The insistence on the convergence criteria was originally meant to reassure public opinion that the Euro would equal the strength and stability of the Deutsche Mark and that the savings of ordinary Germans remained safe. Opponents of the single currency, however, used the convergence criteria as a proxy to hide their criticism of EMU.30 They tried to hammer away at popular fears that the Euro would not become as strong a currency as the Deutsche Mark. The 3% criterion of the Maastricht treaty was constructed as the primary benchmark by which the future quality of the Euro was to be judged.

The exaggerated emphasis placed on meeting the convergence criteria up to the decimal point had little to do with economic policy and the Maastricht treaty as such, but reflected a particular reading of German pre-World War II history and the collective memories of rising inflation and the world economic crisis with its consequences for the rise of the Nazis. Again, the ‘other’ in this part of the German collective identity was the country’s own past. Overcoming the German past also meant instituting sound economic policies of low inflation and controlled budget deficits so as to
never again be tempted to solve economic problems by ‘printing money’. The Deutsche Mark became the symbolic embodiment of this economic policy signifying a distinctive feature of German post-war nation-state identity. Over the years, the Deutsche Mark acquired a highly identity-inducing value as a powerful symbol which embodied Germany’s prosperity and the economic miracle after World War II. The Deutsche Mark stood for the ‘rise from the ruins’ of World War II (Haselbach, 1994; Helleiner, 1997).

In sum, the German debate over the Euro can be analysed as a contest of competing identities, Euro-patriotism versus Deutsche Mark patriotism. The former construction was much stronger among the political elites than the latter. First, even those opposed to EMU did not dare touch the German consensus on European integration, but framed their criticism in terms of asking for a delay and/or demanding a strict application of the convergence criteria. They had to make sure that Deutsche Mark patriotism could not be constructed as an alternative to German Europeanness. That German Euro-patriotism was the dominant identity construction becomes abundantly clear when one compares the German discourse with the British one. ‘Wait and see’ was the trademark of Euro supporters in the UK, while it was the rallying cry of its opponents in Germany.

In theoretical terms, however, Britain and Germany are cases in which collective nation-state identities largely shape the definition and perception of instrumental and material interests among the political elites. In both countries, collective nation-state identities remained rather stable over time, while their respective ‘national interests’ with regard to joining the Euro were ambiguous and far from clear. Our third empirical example, France, represents a different case.

France: The Euro and the Europeanization of National Distinctiveness

Twenty years ago, a single European currency based on a convergence of economic policies would have been hard to swallow for the French political elite. It would not have resonated with the general orientation of French monetary and economic policies. Monetary policy in the Fifth Republic until the early 1980s was to serve broader economic goals defined by the government. French economic policies were based on a specific version of Keynesianism with a heavy dose of state interventionism in the economy dating back to the 1930s (Fourastié, 1985). As a result, France favoured the ‘monetarist approach’ to monetary union over Germany’s ‘economist approach’ since the days of the Werner plan (Cameron, 1992, 1995a). The French political elite also used to share a specific vision of European political order, l’Europe des nations (the Europe of nation-states), as the founding
father of the Fifth Republic, President Charles de Gaulle, called it. A single currency and the ensuing transfer of monetary authority to supranational institutions was hardly compatible with such an intergovernmentalist vision of the future European order.

Why is it then that the major French parties — Socialists, Liberals and Gaullists alike, and irrespective of whether either of them was in government or opposition — accepted EMU which largely followed the German model in terms of an independent ECB and the convergence criteria? We argue in the following that the French approach toward EMU followed an interest-driven reorientation of French economic and monetary policies in conjunction with a change in French approaches to European order. These changes led to a reconstruction and Europeanization of French nation-state identity which the end of the Cold War exacerbated and accelerated (see also Flynn, 1995; Schmidt, 1996, 1997). The French example resembles a case whereby collective identities are ambiguous, contested and in flux during ‘critical junctures’, while the perceived instrumental and material interests of the dominant actors appear rather clear and well-defined. As we hypothesized earlier (see Southwestern corner of Figure 1), perceived interests should drive the selection of nation-state identities in such a case. However, this is not the entire French story. We claim that the French political elites quickly internalized the new and European nation-state identity and adjusted their instrumental interests accordingly. This explains to a large degree why the Paris governments continued to support the single currency based on the German model — despite enormous unemployment and despite grumblings on either side of the political spectrum.

The most important transformation of French attitudes toward both economic policies and European political order with significant repercussions for the EMU project occurred among the French left in the early 1980s. When President François Mitterrand and the Socialist Party (PS) came into power in 1981, they initially embarked upon a project of creating democratic socialism in France based on leftist Keynesianism. This project failed miserably when the adverse reactions of the capital markets hit the French economy which in turn led to a severe loss of support for Mitterrand’s policies by the electorate. In 1983, Mitterrand had practically no choice other than to change course dramatically, if he wanted to remain in power (Bauchard, 1986; Uterwedde, 1988). This political change led to a deep crisis within the Socialist Party which gradually abandoned its Socialist project and moved toward ideas once derisively labelled ‘Social Democratic’. In changing course, the party followed its leader and President, François Mitterrand.

The reorientation of the French Socialists toward neoliberal economic policies — in ‘French colours’, of course — went hand in hand with a
change in attitudes toward European integration as a whole which had often been denounced as a ‘capitalist’ project. The Socialists now saw the European future in a more or less federal model. They were willing to share larger amounts of sovereignty in various domains, for example security, economic and social policies, because national sovereignty in its traditional understanding was regarded as an illusion in an interdependent world. The commitment to European integration had reached consensual status in the PS by the mid-1980s.

A deliberate effort to reconstruct French national identity in European colours accompanied this move toward Europe. The French Socialists started highlighting the common European historical and cultural heritage. They increasingly argued that the French future was to be found in Europe:

We are at the moment where everybody unites, our fatherland, our Europe, our fatherland, the ambition to support one by the other, the excitement of our land and of the people it produces, and the certainty of a new dimension is expecting them. (Mitterrand, 1986: 104; our translation)

The French left also started embracing the notion of a ‘European France’, extending the vision of the French ‘mission civilisatrice’ toward Europe writ large. The peculiar historical and cultural legacies of France were transferred from the ‘first nation-state’ in Europe to the continent as a whole, because all European states were children of enlightenment, democracy and republicanism. This identity construction used traditional understandings of Frenchness and the French nation-state — sovereignty understood as enlightenment and republicanism, the French mission civilisatrice — and attached them to Europe:

The values of the Republic are, thus, a certain idea, a certain approach of equality among citizens. This is why the problematique which is in front of us today, is the extension of the French exceptionalism to Europe. . . . The future of French exceptionalism, the future of the social achievements which we have attained, passes through the conception of Europe . . . . Understand that this Europe is a necessity today for the forces of progress, for the values which represent the Republic.32

In contrast to English identity constructions where ‘Europe’ is still the ‘other’, this understanding incorporates Europe into one’s own nationally defined identity and the understandings about sovereignty and political order embedded in it. French identity was transformed and Europeanized, but only to the degree that ideas about Europe could be incorporated in and resonated with previous visions of the French nation-state. Europe, in turn, had to defend its identity in a globalized world and, at the same time, had to play a specific role in the world. In the view of the French Socialists, the USA
and Japan constituted the ‘other’ of European identity. The Euro, for example, should create a European answer to the dollar and the yen, defending the European economy against the outside world (Mitterrand, 1988; PS, 1988: 78).

Perceived instrumental interests, the desire to preserve political power in this case, led to a reconstruction of the political programme of French Socialists and subsequently to a transformation and Europeanization of their collective identity relating to the nation-state. This new identity, however, quickly gained its own dynamics and explains why the PS consistently supported EMU. President Mitterrand set the trend and his party followed him. While support for a single currency as a political project in conjunction with European integration was locked in early on and has remained so ever since, the French Socialists’ understanding of its economic foundations included remnants of French state interventionism. The original French proposal for EMU, for example, was a far cry from the version adopted in the Maastricht treaty which followed the German model. The PS interpreted the Maastricht treaty and EMU in such a way that monetary policy was to be co-decided by the ECB and the Council of Ministers and that the ECB had to realize the community goals of economic growth and employment. 33

But whenever the PS had to choose between its support for European integration and its preferences for economic policies, Europe carried the day. This explains the party’s stubborn support for EMU during the referendum’s campaign, while in opposition from 1995 to 1997, and when it came back into government in 1997 as well. While EMU looked rather different from the Socialists’ ideas about European economic order, they continuously supported it as part and parcel of their political vision of Europe. This political vision of Europe was in turn incorporated into their reconstructed collective identity as a European Social Democratic party. Like Chancellor Kohl, the then Prime Minister Bérégovoy defended the Maastricht treaty during the ratification debates as a question of war and peace:

But first, I would like to talk to you about the hopes which gave birth to the European Union. Above all, hopes for peace. I belong to that generation who has seen the Europe of fire and blood when nationalism bred war, when war attracted nationalism. Within one generation of reconciliation and of community construction, centuries of ripping fratricides have been erased... Yes, I believe in Europe, because I passionately desire peace. 34

Similar changes in the prevailing visions of European order combined with reconstructions of French nation-state identity took place on the French right. 35 The heir of Charles de Gaulle’s vision of ‘l’Europe des patries’, the Rassemblement pour la République (RPR) provides another example of the French political elite changing course. In this case, the end of the Cold War constituted a ‘critical juncture’ for the French centre-right. When the Berlin
wall came down, Germany was unified and the post-Cold War European security order emerged, France — *la grande nation* — remained largely on the sidelines of the action. As a result, large parts of the political elite finally realized the grand illusion of the myths of ‘*grandeur*’ and ‘*indépendence*’.

The way out was Europe, including the Euro (Flynn, 1995).

While the RPR had adopted the neoliberal discourse and monetarism (Baudouin, 1990), the party was initially divided over EMU. These divisions had little to do with differences over economic policies, but with a split about what European integration meant. The cleavage first became apparent during the controversy over the Gaullist ‘*Manifeste pour l’Union des Etats de l’Europe*’ in 1990. A draft by the then party leader Jacques Chirac and Alain Juppé accepted the transfer of sovereignty to supranational institutions, but demanded strengthening the European Council of heads of governments. EMU should result from a progressive unification of economic conditions leading to a common currency. The concurrent draft by Charles Pasqua and Philippe Séguin (*‘Changer de cap’*) argued that European integration had lost a good part of its raison d’etre with the end of the Cold War and that it was time to reflect anew on de Gaulle’s vision for Europe. Pasqua and Séguin were motivated by the fear of Germany and a resentment against the bureaucracy in Brussels. They then expressed their opposition to a single currency, based primarily on political grounds (Joas, 1996: 227–9). While the RPR as a whole adopted a position closer to the Chirac/Juppé line, the divisions remained and became apparent again during the debate on the referendum in 1992. Pasqua and Séguin led the battle against EMU, while Chirac and Juppé remained largely silent.

The internal divisions within the RPR over the single currency centred around understandings of what constituted sovereignty and how much supranationalism was compatible with it. It is not surprising that competing visions about European order held by RPR policy-makers corresponded to differing views of Frenchness. President Jacques Chirac and former Prime Minister Alain Juppé expressed similar ideas about the Europeanization of French distinctiveness as their counterparts among the French left:

> The European Community is also a question of identity. If we want to preserve our values, our way of life, our standard of living, our capacity to count in the world, to defend our interests, to remain carriers of a humanistic message, we are certainly bound to build a united and solid bloc. . . . If France says yes [to the treaty of Maastricht], she can better reaffirm in what I believe: French exceptionalism.36

As in the case of the French Socialists, this identity construction transfers the properties of the Gaullist vision of the French nation-state to Europe.

In contrast, French ‘Euro-sceptics’ such as Charles Pasqua and Philippe Séguin stuck to traditional understandings of sovereignty and a purely
nationalist view of collective identity. According to them, the idea of the French Republic and of its values could not be separated from the idea of the French state and the French nation:

There is a French Republic as there was a Roman Republic. . . It cannot be separated from the dignity of the human person and from her emancipation, from the rule of law, from the equality and the egalité of chances. . . . It cannot be separated from the state . . . it cannot be separated from the nation.

In order to cooperate, one must first exist as a country, as a nation. In contrast to what the government proposes, Maastricht is not founded on an audacious patriotism, but on cold surrender. This is France under tutelage, France enslaved.37

These arguments which closely resemble points made by British Eurosceptics, still shared ‘a certain idea of France’ resulting from its history and drawing their sources from Gaullism and the Great Revolution. They stuck to the notion of a ‘Europe des patries’ rejecting supranationalism as the demise of the French model of culture and civilization. In this understanding, the definition of ‘us’ remained national, while the ‘other’ was still everybody non-French.

It is striking in this discourse that both sides shared the substantive content of what constitutes the French nation-state. This content was deeply grounded in the Gaullist identity construction pertaining to the Fifth Republic (Roscher, 1998). Both ‘national’ Gaullism and a ‘European’ Gaullism were available identity constructions in the debates within the RPR. But the party no longer shared a collective nation-state identity. Jacques Chirac and Alain Juppé, who represented the ‘European’ Gaullism, ultimately carried the day when the former was elected President and the latter became his Prime Minister. As in the case of the French Socialists 10 years earlier, instrumental interests — to gain political power — determined which identity construction ultimately succeeded. In the case of the RPR, however, it is too early to tell whether European Gaullism will have enough staying power to lead to a new and consensual collective nation-state identity.

In sum then, support for and opposition against EMU in the French debate centred around competing understandings of national sovereignty and of ‘Frenchness’. While the majority of the French political elite in both the PSF and the RPR gradually embraced a European interpretation of French distinctiveness and identified the future of France as a nation-state with European order, a distinct minority sticks to the old concepts of French ‘grandeur’ and ‘indépendence’. Attitudes toward EMU reflected these identity constructions.

Of the three countries considered in this article, France is the only one in
which a major reshaping and reshuffling of the elite discourse on national identity took place in recent years. Two ‘critical junctures’ leading to a widespread perception of crisis triggered these reconstructions of national identity. First, the failure of the Socialist programme in the early 1980s and the about-turn of Mitterrand’s economic policies served as a catalyst for an identity crisis among the French left as a result of which the Parti Socialiste became a modern European Social Democratic Party and embraced European integration as well as the Euro. The desire to remain in power triggered this identity change. But the reconstruction of French nation-state identity by the Socialists was profound. It largely explains why the PS stuck to its support for EMU and European integration even after they lost power in 1995 — in other words, even after their perceived interests changed once again. Second, the end of the Cold War and the irrelevance of French foreign policy in this context led to a similar identity crisis among the French centre-right which subsequently split into ‘national’ and ‘European’ Gaulists. President Chirac’s European identity construction won the debate, at least temporarily, and the RPR as a whole then supported the single currency. Again, this is a case of instrumental interests determining which of the identity constructions available in a political discourse get selected. In general then, the French case confirms our theoretical argument that perceived instrumental interests of actors tend to influence the choice of identity constructions when the latter are in flux and contested.

5. Conclusions

This article argued that the Euro is about identity politics and political visions of European order. Strong supporters of the project in the three countries investigated join a common vision of European integration as overcoming the historical divisions of the continent (on these visions see also Jachtenfuchs et al., 1998). While they might differ in details, they share the belief that the times of national solutions to economic, political and social problems in Europe are definitely over. They use the single currency as a means to get closer to this political vision. The Euro then symbolizes a collective European identity, while the Deutsche Mark, the Franc and the Pound Sterling are constructed as the symbolic remnants of a nationalist past. At the same time, opponents of EMU use the Deutsche Mark, the Franc Français and the pound sterling as symbols of nation-state identities which are not to be sacrificed under some vague ‘Europeanness’.

But collective identification with Europe comes in national colours. We do not claim in this article that ‘Europe’ means the same for everybody. The
variation in the collective understandings regarding Europe and European-ness can be explained by the ‘resonance’ assumption (see earlier). Accordingly, the more specific ideas about Europe and visions of European order are compatible with previous collective understandings of the nation-state, the more they are likely to be incorporated into these nation-state identities. The strongest identification with Europeanness can probably be found among the German political elites where ‘Euro-patriotism’ forms part and parcel of the country’s post-World War II nation-state identity. Moreover, Europe’s ‘other’ in the German political discourse is constructed as the continent’s and Germany’s own past of wars and nationalist excesses. Since Europe is, thus, at the core of modern Germany’s ‘post-nationalist identity’, opponents of the Euro had a hard time justifying their cause. Deutsche Mark patriotism, while resonating well with German mass public opinion, did not represent a strong enough identity construction in the German elite discourse to effectively compete with Euro-patriotism.

The opposite is the case in Britain. English identity still constructs ‘Europe’ as the ‘other’, i.e. the continent, and entails notions of national sovereignty which are hard to reconcile with the institutional set-up of EMU. As a result, supporters of the Euro in Britain faced a similar uphill battle in the British elite discourse as its opponents did in Germany. ‘Wait and see’ was understood as potential support for a single currency in the British context, while it became the battle-cry of Euro-sceptics in Germany.

France occupies the middle ground. On the one hand and similar to Britain, French identity politics has long been grounded in distinct nationalist constructions. While German nationalism has come to be identified with authoritarianism and militarism, French nationalism signified republicanism, enlightenment and the ensuing mission civilisatrice. We argued in this article, however, that French distinctiveness became European over the last 20 years in the elite discourse, since a purely nationalist identity construction was no longer tenable. But French Europeanness still looks very different from German Europeanness, since it essentially Europeanizes understandings of the état-nation. Europe to some extent is constructed as France writ large.

How can we explain the evolution of nation-state identities in the three countries theoretically, particularly in light of the ‘identity–interest’ problematique developed above? With regard to both the British and the German cases, we claim that collective identities — Englishness as non-European-ness, in one case, German Europeanness, in the other — largely influenced how political elites came to see their economic interests with regard to European integration in general and EMU in particular. In these two cases, collective identities do most of the causal work in explaining the particular
way in which the elites in both countries came to view British and German interests including their own instrumental preference. In these two cases in which the identities were rather clear, while the ‘national interests’ remained vague and ambiguous, collective identities defined the range of (economic and political) choices which actors regard as in their and the country’s interest.

In the French case, however, we claim that the causal arrow runs from interests to identities. Two ‘critical junctures’ — the failure of Mitterrand’s economic policies in 1983 and the end of the Cold War in the late 1980s — profoundly challenged the perceived instrumental as well as political and economic interests of the political elites. Policy failures triggered a reconstruction of political interests — in the mid-1980s for the French Socialists and in the early 1990s for the French Gaullists. Both parties then adjusted their collective identities accordingly and Europeanized their understandings of French distinctiveness.

But the French case also demonstrates that political elites are not free to pick and manipulate any new nation-state identity, even in this interest-driven account. Rather, French policy-makers embraced identity constructions which were already available in the political discourse. The argument concerning Europe as the French nation-state writ large, for example, had already been made during the 1950s (Marcussen et al., forthcoming; Risse, forthcoming). At the time, however, the Gaullist vision of the French nation-state carried the day. Thirty years later, we witness the beginning of a gradual Europeanization of this prevailing identity construction of the Fifth Republic. In sum, our ‘resonance’ argument explains which identity constructions are available in a given political discourse, while the interest argument accounts for which of these constructions is likely to win out when identities are in flux.

We would like to conclude this article with a note of caution, though. For methodological reasons, we focused exclusively on the level of political elites. But how can one talk about ‘national identity’ and ignore the people who are the subject of such elite discourses? After all, identity constructions put forward by political elites are powerful tools by which policy-makers communicate with their electorate which is supposed to form the ‘imagined community’ of a nation. While policy-makers cannot simply make up national identities, their use of collective identity constructions, of symbols and myths with which people identify, is a means to increase the legitimacy of their policies. This point is particularly salient in the German case where public and elite attitudes toward the Euro diverged for quite some time. When Chancellor Kohl declared the Euro a question ‘of war and peace’, he certainly attempted to communicate with mass public opinion. However, German mass public opinion remained deeply sceptical of the Euro and
Kohl’s Europeanness certainly did not do him any good in the 1998 elections. Does that mean that the German public does not share Chancellor Kohl’s identity construction? In general, how do elite and mass identities relate to each other? Further research is needed to tackle this question.

Notes

This is a thoroughly revised and updated version of an article first published as Engelmann et al., 1997 and subsequently as an EUI working paper (cf Risse et al., 1998). The article is based on findings from a research project on ‘Ideas, Institutions and Political Culture: The Europeanization of National Identities’ funded by the German Research Association (Deutsche Forschungsgemeinschaft) and the European University Institute. We thank Tanja Börzel, James Caporaso, Walter Carlsnaes, Ronald Jepperson, Elizabeth Kier, Yver Neumann, Heikki Patomäki, Fritz Scharpf, Hans Peter Schmitz, Yasemin Soysal, Cornelia Ulbert, Christoph Weller, the anonymous reviewers of this Journal, as well as audiences at Columbia, Cornell, Georgetown, Oslo Universities, and the European University Institute for their critical and helpful remarks.

1. Only in Spring 1998 did the support level for the single currency rise considerably among the Euro 11. Among the three countries investigated here, the net percentage in favour of the Euro was 43% in France, 15% in Germany (where support for the Euro passed the 50% mark for the first time), and in Britain, minus 15%. See European Commission (1998).


3. Not even the Maastricht convergence criteria were strictly applied. The budget deficit target of 3% GDP was singled out as the most important requirement, while the public debt target of 60% GDP was less relevant. Otherwise, neither Belgium nor Italy would have made it.


5. We will address (and disconfirm) the argument below that EMU was the price to be paid for German unification.

6. While some collective identities, e.g., ethnic identities, are based on primordial characteristics, they are nevertheless social constructions which came about through the social practices of actors identifying ‘in-groups’ and ‘out-groups’. One should refrain from ‘objectifying’ the concept of national identity. For a critique of such primordial concepts of national identity see Lepsius (1990b). On the self/other distinction in general, see Connolly (1991) Neumann (1996).

7. We owe this point to Yasemin Soysal.

8. We thank Tanja Börzel for alerting us to this point. For a rather similar approach to determine when organizational culture prevails over domestic politics, and vice versa, see Kier (1997).
9. For details see Marcussen et al. (forthcoming); Risse (forthcoming).


13. The first two quotes are from Peter Tapsell, Conservative, House of Commons (HoC), 24 March 1993, 967–8, 977. The third quote is from Redwood, 1997: 19. On the British left, Tony Benn made similar remarks. See his speech in House of Commons, 24 March 1993, 984–6. For further evidence see also Baker et al. (1993, 1994); Young (1997).


15. The national discourse in Great Britain still identifies ‘Britishness’ with ‘Englishness’. There are, of course, sub-national identity-related discourses in Scotland and Wales with strong anti-English sentiments. It would be interesting to see whether these discourses have incorporated references to a collective European identity in order to distance themselves from ‘London’. This is, however, beyond the scope of this article.


21. See Eurobarometer data, n. 1.


23. On the Bundesbank position in general see Cameron (1995b); Goodman (1992); Heisenberg (1998). See also ‘Tietmeyer Taking the Long View’, *International Herald Tribune*, 30 June 1997; ‘Der Warner’, *Die Zeit*, 12 September 1997. Of course, the Bundesbank’s reluctance vis-a-vis the Euro is easily explained by the fact that it is the single most important loser of power to the EMU.

34. M. Bérégovoy, speech in Assemblée Nationale, 5 May 1992, JO, 837.
35. We ignore the Liberal Democrats (Union pour la Démocratie Française) here, since they have continuously been the most pro-European French party embracing the Euro early on. See Saint-Ouen (1990).
37. The first quote is from Philippe Séguin, speech in the Assemblée Nationale, 5 May 1992, JO, 869. The second quote is from André Lajoine, speech in the Assemblée Nationale, 6 May 1992, JO, 890.

References


Risse et al.: To Euro or Not to Euro?


