The handle http://hdl.handle.net/1887/31618 holds various files of this Leiden University dissertation.

**Author:** Pan, Wen  
**Title:** Crises and opportunities: strengthened European Union economic governance after the 2008 financial crisis  
**Issue Date:** 2015-01-28
9 Chapter Nine: Conclusions

In the beginning of this new millennium, the European integration project reached another new milestone in its history: after arduous national ratification, the Lisbon Treaty, a revision of the aborted Constitutional Treaty, became effective as of 1 December 2009. A new era of the EU began, but at the same time, the world economy encountered a serious recession due to the 2008 global financial crisis, which firstly originated from the 2007 US subprime mortgage crisis and subsequently triggered the most severe challenge to the EU and EMU since their creation: the eurozone sovereign debt crisis starting from the fall of 2009. From the US subprime mortgage crisis, to the worldwide financial turmoil, and then to the euro area sovereign debt crisis, these consecutive events illustrate how deeply the world economies are interconnected with each other in the 21st century.

Facing unexpected difficulties and challenges, the EU and its member states have been actively engaging in working out solutions to the negative impacts exerted by the global financial crisis, particularly the euro area sovereign debt crisis, which has tottered the credibility of the common single currency — the euro — as well as the existence of EMU and the European integration project as a whole. After the 2008 global financial crisis, a series of new measures and policies have been adopted and implemented by the EU under the newly effective Lisbon Treaty, which aim at stopping the spread of the eurozone sovereign debt crisis, restoring financial stability and regaining economic growth and prosperity. Tables 1.2 and 1.3 of this dissertation have offered a glimpse of the initiatives and new developments of the EU during the post-2008 crisis era as well as after the Lisbon Treaty. Thus, the research question rose: Along with the EU’s various new measures to counter the crisis, where are the EU and EMU heading? That is, what are the tendencies of EU economic governance after the 2008 crisis (as well as after the Lisbon Treaty)? This is the main research question (MRQ) of this dissertation, and to address it, another five sub-research questions (SRQs) were developed: Is the EU on the way towards a political union/political integration (SRQ1)? Do the current developments of the EU signify supranationalism over nationalism (SRQ2)? Why did the EU and member states agree to take these new measures (SRQ3)? What are the implications and consequences of the new
developments of the EU during the crisis (SRQ4)? What are the prospects for the EU and EMU in the future (SRQ5)? To answers these questions, this dissertation resorts to three main European integration theories — neo-functionalism, intergovernmentalism (represented by LI, a later development of intergovernmentalism) and HI, which, developed on the basis of EU empirical facts and aiming at theorizing the EU, provide useful epistemic tools to understand the EU and grasp its developing trends. The philosophical base of utilizing European integration theories to answer the research questions and unravel our puzzles of the external world is the relationship between ontology (i.e. what is the world?) and epistemology (i.e. how can we know the world?): human history and various creations till today show that human beings can conceptualize and make changes to the external world. Via the epistemic tools offered by the three main European integration theories which by nature conceptualize the EU project, we can understand and grasp the EU and even make changes to improve the EU. Naturally, these conceptual tools should be continuously checked and modified by empirical developments, thus the theories themselves also get developed and updated, suggesting a benign relationship between theories and practices. Towards the same case of EU development, different integration theories may approach it from different angles with different focuses and emphasized factors. Then this gives rise to another SRQ of this dissertation: What is the explanatory and predictive power of the three different European integration theories when they are applied to the EU’s recent developments during the post-2008 crisis era (SRQ6)? That is, do these European integration theories account for the EU well and are there any theoretical developments of new variables and causal mechanisms to the existing theories? What are the theoretical reflections of the solutions to the crisis?

To answer these SRQs and the MRQ, this dissertation utilizes the congruence method and process-tracing to test the derived hypotheses from each theory with the three selected cases consistently — the European Semester, the ESRB and the ESM. Adopted under the Lisbon Treaty, these three newly implemented measures typically represent the EU’s three distinctive rationales and approaches to address the negative impacts brought by the 2008 global financial crisis, particularly the eurozone sovereign debt crisis. First, implemented from 1 January 2011, the European Semester is designed as a reinforced EU policy coordination and surveillance procedure for coordinating, monitoring and giving recommendations to national fiscal and economic plans before national governments adopt their next year’s budgets; as more coordinated contents
and policy dimensions are added to the European Semester’s timetable, it has been developed into a grand and inclusive policy coordination and supervision mechanism, integrating all possible coordinated policy dimensions into a single framework. The European Semester represents the EU’s rationale to address the crisis via strengthening the coordination and supervision of member states’ fiscal and economic behavior so as to direct national fiscal conditions back to a sustainable track while promoting economic growth and job creation. Second, the 2008 global financial repercussions on the EU financial market revealed a “blind spot” of the EU financial system: there is no EU agency responsible for EU-wide macro-prudential oversight; thus, the purpose of establishing the ESRB is to fill such a vacuum in the EU project. The ESRB started on 1 January 2011, and its main function is to prevent or mitigate systemic risks via issuing warnings and recommendations so as to keep financial stability and thus contribute to a stable internal market and EU economic growth. Obviously, the creation of the ESRB stands for the EU’s rationale to counter the crisis by strengthening EU financial supervision and blocking the loopholes of the Union’s financial system. Finally, the adoption of the permanent ESM via Treaty revisions shows the EU’s rationale to establish a permanent crisis resolution mechanism to provide direct, timely, and substantial financial assistance to the debt-ridden euro member states. Inaugurated in October 2012, the ESM works alongside the temporary financial assistance mechanism — the EFSF, but since 1 July 2013, the ESM has become the sole mechanism to provide financial assistance to the new requests in the future. Therefore, the three selected cases bear adequate variations for hypothesis tests so far as their nature, purposes and functions are concerned.

Accordingly, chapter one, “Introduction”, mainly presents the research questions, the selection of the three European integration theories and the three new EU measures as cases to be studied, the research methods of congruence testing and process-tracing, and the whole research structure of this dissertation. Chapters two to four give the literature review of neo-functionalism, intergovernmentalism and HI consecutively, and based on each theory, hypotheses on the EU’s development during the post-2008 crisis era, particularly the eurozone sovereign debt crisis, are derived. Chapter five offers a summary of all the hypotheses to be tested, including the relationship among the derived main hypotheses and their sub-hypotheses, after which a general description of the selected three cases follows. Subsequently, chapters six to eight carry out hypothesis tests and case studies, one chapter for one theory’s hypotheses tests,
confirming, rejecting or revising these hypotheses, based on which new Propositions, as modifications or new developments to the existing European integration theoretical frameworks, are posited. Needless to say, all the Propositions in this dissertation are subject to further empirical tests. This chapter, Chapter nine, concludes: first, it will summarize the research results of hypotheses tests and case studies in the previous chapters; second, based on these research results, it will answer the research questions put forward in the beginning of this dissertation; finally, it will point out the research limitations of this dissertation and possible research topics in the future. Table 9.1 gives a summary of the hypotheses test results and new developments to the three EU integration theories.

Table 9.1 Summary of Hypotheses Test Results in Chapters Six, Seven and Eight

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ H1: confirmed; three new findings:</td>
<td></td>
</tr>
<tr>
<td>Proposition 1: Political integration (of different degrees) will follow economic integration, because political integration is the extension of economic interests and it is a necessary step to foster further economic benefits.</td>
<td></td>
</tr>
<tr>
<td>Proposition 2: The mode and degree of EU political integration are defined and limited by EU Treaties; the political integration degree entailed in an EU measure links to the competence division and the legal basis prescribed in the Lisbon Treaty, which suggests a low-to-high scale of political integration via the division of supporting competences/competences of coordinating economic and employment policies — shared competences — exclusive competences.</td>
<td></td>
</tr>
<tr>
<td>Proposition 3: Non-EU nationals’ citizenship acquisitions and foreign tourist travelling, indicating personnel mobility across the EU, contribute to increasing social interactions which enhance EU political integration; the former tends to be subject to internal factors but impervious to external challenges, while the latter tends to be susceptible to external environments but impervious to internal crises.</td>
<td></td>
</tr>
<tr>
<td>● H1a: not fully confirmed; a model construct: “Figure 6.5 A Functional Spillover Model”;</td>
<td></td>
</tr>
<tr>
<td>● H1b: confirmed and extended; three new findings:</td>
<td></td>
</tr>
<tr>
<td>H1b&lt;sub&gt;extended&lt;/sub&gt;: Confronted with collective problems and challenges (e.g. the sovereign debt crisis), national interest actors, both governmental and non-governmental, support further integration and promote European-level solutions over national-level means because (a) to do so brings more benefits and (b) it is an internal logical demand by the nature of collective issues which, on the one hand, cannot be addressed by individual member states, while on the other hand, the solution to the collective issues ultimately relies on the substantial cooperation and efforts of the member states.</td>
<td></td>
</tr>
<tr>
<td>Proposition 4: Confronted with crises, actors of different levels within the EU (i.e. interest groups, national governments, and EU institutions) tend to forge common positions and support EU integrative actions, so crises also mean opportunities and tend to push further integration; during the crises, the EU is a useful scapegoat for national governments to carry out economic and social reforms when national interest groups oppose to do so.</td>
<td></td>
</tr>
</tbody>
</table>
Proposition 5: The core interests of interest groups decide their positions towards the EU project as well as their alliance with the Commission and/or the national government; interest groups tend to ever support EU integration so long as their core interests are not intruded upon by EU policies.

Proposition 6: The strength of interest groups’ support for an EU policy proportionately links to the degree of political integration indicated by that policy: the higher the degree of political integration entailed in an EU policy, the stronger support by interest groups for that policy will be.

• H1c: not fully confirmed; five new findings:

Proposition 7: In formulating solutions to the crisis, the Commission’s proposed initiatives tend to be framed up by the European Council and/or the Council of the Minister rather than by the Commission itself, which indicates that the fate of the EU still largely rests in the hands of the nation states.

Proposition 8: Confronted with crises, two main EU institutions, the Commission and the EP, not only tend to forge common supportive positions towards the EU project, but also tend to take further pro-integrative measures to push the EU forward.

Proposition 9: EU supranational institutions tend to take crises as opportunities to expand their powers and autonomy; meanwhile, EU institutions tend to mutually support each other’s positions.

(Termed “a synergy of the cultivated spillover effects of EU institutions”)

Proposition 10: Confronted with crises, actors within the EU, both institutional and non-institutional, not only tend to forge common pro-integrative positions toward the crises, but also willingly take new integrative steps, thus pushing EU political integration further; meanwhile, these actors tend to support each other’s positions. (Termed “a synergy between political spillover and cultivated spillover”)

Proposition 11: A member state’s contributions to the EU integration project, which are largely proportionate to its economic power, decide its political status and political clout within the EU system, that is, the stronger an economy is, the bigger share it shall contribute, and then the greater influence it shall exert over EU policy making; consequently, the EU’s developments tend to reflect the biggest member states’ interests.

• H1d: not fully confirmed; three new findings:

Proposition 12: There is a distinctive line between the euro and non-euro states within the EU: the euro countries tend to be more supportive of the EMU project and more enthusiastic about EMU affairs than the non-euro countries.

Proposition 13: During the crisis, the support rates for EMU tend to decrease, and thus the gap between public and elite support for the EMU project tends to get enlarged rather than narrowed.

Proposition 14: During the crisis, though the EU is still regarded as the most effective level at which to tackle the crisis, the public view seeing national governments as the most effective actors to cope with the crisis tends to increase.

➢ H2: partially confirmed;

• For the first half of H2, confirmed with a model construct: “Figure 6.17: Favorable Conditions Fostering Spillover” and two new findings:

Proposition 15: Crises, in institutional and/or non-institutional aspects, contribute to the occurrence of spillover and thus promote EU integration; five non-institutional factors (i.e. GDP growth; government budget deficits and debts, inflation, unemployment and sovereign bond yields) can be used to measure the magnitude of the crises, and the more severe the five indicators are, the more likely spillover will happen.

Proposition 16: During a crisis, spillover effects tend to occur, because the threat imposed by the crisis tends to activate and promote actors’ motivations to work out solutions to the crisis.

• For the second half of H2, rejected; a new finding:
Proposition 17: The EU integration process will not slow down, because (a) as new unanticipated challenges emerge along with globalization, policy areas for member states to reach agreement are not going to be exhausted, and (b) though more national actors will pursue their political rights at the EU level, confronted with crises, different interests tend to forge common positions, and meanwhile, EU institutional arrangements frame up the channels and the possible representation for different interests.

- H3: not fully vindicated; modifications to each sub-hypothesis:
  - H3a<sub>modified</sub>: Increasing cross-border transactions among EU member states demand more regulation at the EU level (i.e. European standards, rules, and/or dispute resolution mechanisms) and/or macro-frameworks to improve the environment of transactions, leading to a process of EU institutionalization where rules are introduced, revised or reinforced on the basis of the mutual enforcement among EU institutions, EU rules, and transnational society, which appears more salient in front of crises.
  - H3b<sub>modified</sub>: Along with the process of institutionalization, when EU supranational governance of making binding rules in a given policy area increases, national capacity to control policy outcomes in that policy area tends to decrease.
  - H3c<sub>modified</sub>: During crises, the EU’s new developments, which result from increasing cross-border transactions and transactors’ demand for more regulation at the EU level and which may lead to a higher degree of EU supranational governance, exhibit a path dependence fashion, which is hard to reverse as current supranational rules define transactors’ means to pursue their interests and/or dispute resolution mechanisms that shape the context for subsequent interactions and delineate the normative and institutional contours of future policy.

- H4: rejected; a new finding: “a saturated state” for some integration approaches and theories to account for the EU, e.g. institutional/legalistic spillover does not necessarily accompany EU political integration.

- H5: not fully confirmed, as
  - H5a: confirmed;
  - H5b: confirmed;
  - H5c: not applicable to the three selected cases;
  - H5d: confirmed by the cases of the ESRB and the ESM while refuted by the case of the European Semester.

LI (H6-H9)

- H6 (a criticism levelled at LI’s predictions of consensus practices in the council): not gaining adequate supporting evidence, while the intergovernmentalist assumption that the informal consensus practices in the Council tend to be impervious to external factors (e.g. the institutional design, the composition of the Parliament, and/or the views of the Commission) (Proposition 18) is still subject to empirical tests;

- H7 (a revised LI three-stage model): the ESM (a suitable case) + the European Semester and the ESRB (unsuitable cases) (see Table 7.5); two models constructed: “Figure 7.2 A Simple Steady Process of the LI Model” and “Figure 7.3 An Elaborated Process of the LI Model”;
  - H7a: confirmed by the ESM; two new national preference formation modes and a new scope condition added to the LI model presented in Figure 3.2:

Proposition 19: When addressing the general economic and financial environment and/or the interconnectedness across different sectors, the line between producers and taxpayers/regulators tends to become diffuse as national preferences are based on the general economic considerations rather
than any specific individual sectoral interests, exhibiting an equilibrium of the responsibility and actions between the national/micro level and the EU/macro level.

Proposition 20: In terms of issues directly related to the fate of the euro and/or the EU, national preference formation is not only based on economic interest calculations, but also carries political considerations on securing the political project which enshrines more than half a century’s efforts.

Proposition 21: On the issues cutting through multiple policy domains and addressing the interconnections and interdependence among various economic and financial sectors, the representation of domestic societal interests tends to be weak and diffuse; nevertheless, national governments tend to assume predictable pro-integrative positions, and meanwhile, EU institutions and their leaders tend to exert influence on policy formation as they possess macro-level information, resources, expertise and/or legitimacy that each individual national government lacks.

- H7b: not confirmed by the ESM and thus another new scope condition added to the LI model:

Proposition 22: The LI model’s second stage (i.e. interstate bargains) works better when the negotiating parties belong to the same block in terms of the relevance of the agreement to them.

- H7c: confirmed, and more causal mechanisms added to H7c:

H7c$_{extended}$: The EU’s new measures and policies to solve the euro area sovereign debt crisis tend to reflect big countries’ will rather than supranational entrepreneurship, because EU entrepreneurs rarely possess information or expertise unavailable to the member states; the amount of financial contributions to the new measures and policies, which is proportionate to member states’ economic powers, decides each member state’s political influence and bargaining power over the formation of the new measures and policies — the measures and policies concerning only EMU countries tend to reflect Germany’s and France’s national interests, which, however, can be challenged by a coalition of other EMU member states, particularly by the coalition forged by Italy and Spain.

Three new findings after H7b and H7c:

Proposition 23: Interstate bargains consist of (several rounds of) national interest swaps and compromises; negotiating parties can make use of various strategies to secure their national interests the most, such as (a) offering package deals, (b) forming an alliance with other powerful parties, (c) making concessions in the marginal interests in exchange for support for core interests, (d) meeting certain demands of domestic opposition, (e) threatening to veto, (f) withdrawing from financial commitments, and/or (g) excluding recalcitrant negotiators.

Proposition 24: National core interests are the bottom line of interstate bargains, which tend to be unwavering during negotiations while exhibiting national policy tradition over time.

Proposition 25: The eurozone sovereign debt crisis further strengthens Germany’s leading role while weakening France’s political leverage in EMU affairs; nevertheless, Germany must form a coalition with France so as to materialize its national interests. Consequently, on the one hand, the new EMU policies and measures tend to start from and/or end at the merger and/or compromise of the propositions of the two core euro states, which normally are characterized by a German-French style of stricter v.s. lessened fiscal rules and of budgetary cuts v.s. spending growth emphases; on the other hand, Germany tends to make concessions to France’s demands, but the negotiation results tend to represent Germany’s national interests more than France’s due to asymmetrical national economic powers.

- H7d: not fully confirmed by the ESM, and thus a modified H7d:

H7d$_{modified}$: In order to solve the debt crisis, nation states make institutional choices to delegate and pool sovereignty to EU supranational institutions and/or intergovernmental institutions among (part of) EU member states so as to guarantee the credibility of intergovernmental commitments, and the latter may cause differentiated integration speeds among EU member states.
- **H7**: confirmed and extended;  
  \(H7_{\text{extended}}\): Member states’ credible commitments can be guaranteed and realized via strengthening the national executive, the national judicial branch, the national parliament and/or the very domestic groups that support the policy in the first place vis-à-vis other domestic forces favoring non-compliance.
- **H7f**: not applicable till the end of 2013 and remaining open to empirical tests in the future;
- **H7g** and **H7h**: confirmed by LI’s failure in accounting for the European Semester and the ESRB; further complemented by another two scope conditions: Propositions 21 and 22.

- **H8**: not fully confirmed by the ESM, fully rejected by the European Semester and partially rejected by the ESRB; two points justified: (a) LI’s argument of EU constitutional settlement and possible substantial reforms due to unforeseen exogenous shocks, and (b) crises can also be opportunities for incremental changes or for substantive reforms; a new finding: a crack on national government control over their fiscal activities, which is a core of national interests and expected to remain national, has been signaled by the ESM.
- **H9**: EP election turnout data in 2014 not available in the spring of 2014, and thus only preliminary analyses.

<table>
<thead>
<tr>
<th>HI (H10-H16)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H10</strong>: confirmed by the ESRB and the ESM (which indicate critical junctures) while rejected by the European Semester (which displays strong path dependence rather than a critical juncture);</td>
</tr>
<tr>
<td><strong>H11</strong>: confirmed;</td>
</tr>
<tr>
<td><strong>H12</strong>: not fully confirmed; new findings echoing, for example, Proposition 4; holistic approaches to the crisis stressed;</td>
</tr>
</tbody>
</table>
| **H13**: not fully confirmed; two new findings:  
  Proposition 26: *The once competitive options are not the necessary components of path dependence, but the unique functions and indispensable role of a new measure tend to adequately guarantee path dependence initiated by the new measure.*  
  Proposition 27: *Institutional structuring effects claimed by HI appear more observable in the legally binding measures adopted by the collective Community method, while they tend to be diffuse and weak in the measures concluded by intergovernmental approaches, because the latter are more subject to intergovernmental bargains and political will.* |
| **H14**: H14(a)-(d) all confirmed except H14(d) not applicable to the European Semester and the ESRB; a newly developed favorable condition added to H14(a)-(d):  
  \(H14_{\text{extended}}\): The EU’s new measures to address the crisis entail considerable institutional start-up costs and/or holistic collective approaches beyond individual member states’ capacity which intend to serve the interests of the EU as a whole while maximizing each individual member state’s gains from the increasingly integrated process; thus strong incentives are there for actors to stick to the new measures.  
  \(H14_{\text{modified}}\): National actors actively engage in learning and adapting to the new measures as the new measures are considered helpful to keep economic and financial stability; as actors gain more experience and expertise with these new measures and/or due to the inspiration from other practices, they are likely to introduce further innovations and changes into these measures and/or into other related policy areas.  
  \(H14_{\text{extended}}\): The new measures are compatible with the activities of other actors and institutions, and moreover, the new measures promote new developments in the linked areas and policies, which in turn increase the viability of the new measures; in addition, political decisions to make a new measure the |
sole available mechanism of its kind reinforce the viability of the new measure. 

H14e_{added}: The uniqueness and indispensability of the new measures to the EU project also contribute to nurturing path dependence after they have been taken. (restating Proposition 26)

- H15: confirmed; echoing H14c_{extended};
- H16: partially confirmed by the ESRB and the European Semester, while totally rejected by the ESM; three new findings:

Proposition 28: Unintended consequences after the initial decision tend to appear in two types of situations: (a) adopting new measures of legally binding powers where national control over EU policy is constrained; (b) adopting new measures built upon the previous practices or models, which have changed the context of the initial decision.

Proposition 29: Among the three factors: (a) shifts in domestic conditions, (b) micro-level adaptations and “sunk costs” and (c) heavily discounted or unintended effects, factor (b) tends to exert decisive influence on member state preferences rather than the other two factors.

Proposition 30: On the issues that require coordination and cooperation among the individual member states as well as between the EU and national authorities, EU institutions (particularly the Commission) tend(s) to be assigned more functional tasks to maximize the synergistic effects between each individual member state, while national consensus rather than bargaining powers prevails in these issues.

Notes: Table 9.1 is complementary to Tables 5.1 and 5.2.

With the research results listed in Table 9.1, the answers to the MRQ and SRQs raised in the Introduction to this dissertation (chapter one) can now be given. The following first addresses the six SRQ, and then comes to the MRQ.

SRQ1 asked whether the EU is on the way towards a political union/political integration. Based on the empirical analysis of this dissertation, the answer is “Yes”. Table 6.1 indicates that the EU is on the way towards a political union, which, nevertheless, is unlikely to evolve into an entity of the highest degree of political integration (i.e. Mode 6 in Table 6.1); a prominent characteristic of this political union is the uneven political integration degrees across different policy areas, where the highest degree of political integration is entailed in the operation of the ECB with a unified monetary policy for the euro member states while the lowest degree of political integration tends to appear in policy coordination areas without legally binding powers to the member states, such as the European Semester. (See also the vindication of H1, Propositions 1, 2, 3, 6 and 10, and the new finding to H4)

SRQ2 asked whether the current developments of the EU signify supranationalism over nationalism. The answer, in light of the research results, is “Not too much”. According to Table 6.19 and the hypotheses test results of H3 about EU supranational governance based on transaction-based theory, implementing legally
binding policies is the key to pushing EU supranational governance over national control (see H3b\textsubscript{modified}). Since the two new measures — the European Semester and the ESRB — do not have binding powers to their addressees, they do not signify supranationalism over nationalism, but the two do display strengthened and improved EU economic governance. The two measures’ unique functions and indispensable roles to the EU project indicate the trend of EU supranational governance in the future: (a) addressing collective challenges from holistic approaches (e.g. H14a\textsubscript{extended}); (b) emphasizing macro-level coordination and surveillance which serve the general interests of micro-level economic activities and tends to cut across different policy areas (e.g. H3a\textsubscript{modified} and Proposition 21); and (c) enhancing and improving coordination and cooperation among various actors at both the EU and national level (e.g. Proposition 30). In contrast, the ESM, which almost fully confirms the eleven causal steps entailed in H3 (see Tables 6.19 and 6.20), expresses supranationalism over nationalism, but the ESM has been developed by the intergovernmental approach (i.e. concluded by part of EU member states via interstate bargains) rather than by the Community method (e.g. the OLP which codified the European Semester and created the ESRB). The intergovernmental method, however, imposes new challenges for the EU: how can the intergovernmental treaties (which may only stand for part of member states’ interests) be compatible with the EU legal framework (i.e. the \textit{acquis communautaire}), and to what extent is it justifiable for these intergovernmental interests to make use of existing EU institutions and resources which are supposed to serve the collective interests of the EU? Those worries had already been cited by the UK Prime Minister David Cameron when the TSCG went ahead without the participation of the UK (see Miller 27 March 2012). The parallel of intergovernmental approaches with EU collective decision-making also brings about another two concerns: first, intergovernmental treaties concluded by only a part of the member states and thus not binding to all tend to divide the EU member states into “ins” and “outs”, which causes different integration speeds (e.g. H7d\textsubscript{modified}) and may polarize the existing cleavages in the EU project, such as South-North, big-small, core-periphery or euro-non-euro; second; intergovernmental treaties, though legitimized by national governments and their electorates, lack the participation and legitimization of the EP at the EU level, and thus raise the issue of democratic credibility when implemented at the EU level (Hallerberg et al. September 2012, 29). As a consequence, both the EU and its member states must solve the legality challenges and implementation problems.
brought by the juxtaposition of existing EU law and the newly concluded intergovernmental binding agreements among (part of) EU member states.

As for SRQ3 about the reasons for the EU and member states to agree to take these new measures, the research reveals that basically, dealing with the collective sovereign debt crisis as well as the general financial turmoil and economic recession in the wake of 2008 global financial crisis is beyond individual member states’ capacity and ability (see confirmation of H5b). The new measures, approaching the problems from the macro level with holistic perspectives, can bring realistic benefits to national economies (e.g. H1b\textsubscript{extended} and H14a\textsubscript{extended}). The supranational entity — the EU — is the most suitable available choice to fulfill the functions of macro-level coordination and surveillance, and despite the fact that public support for EMU decreased during the crisis, the EU is still regarded as the most effective level at which to tackle the crisis (Propositions 13 and 14). Other explanations may include: (a) national leaders’ political considerations to secure the EMU and the EU project (Proposition 20), (b) EU policies are taken as a useful “scapegoat” to carry out reforms that national levels should but have failed to implement due to domestic pressures and opposition (Proposition 4), (c) crises push both the EU and national governments to forge common pro-integrative positions (Proposition 10), (d) national interest groups’ representation tends to be diffuse on the issues cutting through multiple policy domains and/or addressing financial and economic interconnectedness and interdependence (Propositions 19 and 21), (e) policy tradition and institutional structural effects (see the confirmation of H11), (f) international discourse and the EU’s own original initiatives (see hypotheses tests for H5d).

Concerning SRQ4, each confirmed hypothesized causal mechanism and the revisions and theoretical developments made to the hypotheses in this dissertation explain the implications and consequences of the EU’s new developments during the crisis from various perspectives. For instance, from a neo-functionalist point of view, the new EU measures of economic integration lead to EU political integration, the degree of which tends to increase along with growing economic cooperation and social interaction among member states; standing on an LI camp, we find that though national governments, facing the severe collective crisis, tend to reach a consensus on strengthening policy coordination and fiscal, financial and economic supervision from a macro perspective, the EU’s new developments during the post-2008 crisis era still tend to reflect big countries’ will, especially on EMU affairs where Germany’s leading
role has been further reinforced while France’s political leverage has been weakened via the dealing with the eurozone sovereign debt crisis. In comparison, from an HI perspective, though the crisis has pushed a gush of institutional and policy reform of the EU, not all policies suggest critical junctures of substantial reforms to the EU project, and some measures display strong stickiness to EU and member state previous practices and policy traditions. Therefore, these three integration theories provide us with very useful epistemic lenses and conceptual tools to understand and unravel the EU.

SRQ5 is closely related to SRQ4, as the implications and consequences of the EU’s new developments naturally indicate and, to a certain degree, prescribe the future of the EU and EMU. As a matter of fact, SRQ5 can be viewed as another version of the MRQ; still, SRQ5 about the prospects of the European integration project can be approached by probing the nature and the dynamics and driving forces of the EU. So firstly, what is the EU? According to Cini and Borragán (2010b, 3),

“The European Union is a family of liberal-democratic countries, acting collectively through an institutionalized system of decision making. When joining the EU, members sign up not only to the body of EU treaties, legislation, and norms (the so called *acquis communautaire*), but also to a set of shared common values, based on democracy, human rights, and principles of social justice. Even so, members, and indeed the European institutions, are keen to stress the diversity of the Union — most obviously in cultural and linguistic terms.”

Compared with such a general conception of the EU, the EU, based on the analysis in this dissertation, can be defined from its functions:

The European Union is a political project purposely forged by the European national states to meet their common challenges and to realize collective prosperity, stability and security. The EU aims to properly complement national functions and fulfill those that are beyond each individual member state’s capacity and ability. Challenges and crises always expose nation states’ limitations while also pointing out the necessity and the potential benefits of strengthening EU-wide supranational governance, coordination and cooperation, and thus they also mean and indeed provide opportunities for EU growth and development (e.g. Proposition 4). Coming into the new era of globalization, the likelihood for EU member states to retreat from this regional integration regime becomes dimmer, while the importance of the EU, like “an
aircraft carrier” providing a safe and stable platform for the member states (like “individual aircrafts”) has ever been increasing. How would it be realistic and possible for a single “aircraft” (i.e. an EU member state) to abandon this European “carrier base” (i.e. the EU)? More likely is that member states will build this giant “carrier” more accommodationable for each “aircraft” to handle specific “internal mechanic difficulties” (i.e. domestic problems) and/or “external bad weather” (i.e. external challenges).

From such a perspective, besides supranational and national actors, newly emerging situations and crises (being external or internal) are also the driving forces behind the integration process (see Propositions 4 and 9 and justified point (b) after H8 test), and EU dynamics, apart from institutionalization and intergovernmental negotiations, also rest on solving problems arising from national searches for economic prosperity, political stability and military security from the ever integrated and interdependent national economies as well as the world economy. Consequently, this dissertation asserts that EU economic integration with political integration results is irreversible, and the EU and EMU have become more mature and stronger after weathering through the crisis.

SRQ6 addresses the explanatory and predictive power of the three European integration theories to account for EU recent developments after the 2008 crisis. Based on the empirical analysis of this dissertation, the following answers can be given.

Table 9.1 provides the hypotheses test results for each hypothesis derived from the three European integration theories. Generally speaking, the causal mechanisms posited by the three theories (except the inapplicable situations and unsuitable cases) largely account for the three selected measures, and meanwhile, based on the case studies, some of the derived hypotheses have been modified or extended, new propositions (as many as thirty) with some new variables have been added, and three models have been constructed (see Figure 6.5 A Functional Spillover Model; Figure 6.17: Favorable Conditions Fostering Spillover; Figure 7.3 An Elaborated Process of the LI Model).

To be specific, among the five neo-functionalist hypotheses (H1-H5), H1 is fully confirmed, while the other four partially collapse in the three cases. Though H1 has been vindicated by the three measures, the specific three sub-type spillover mechanisms (H1a-H1c) are effective to different degrees, and only H1b (i.e. political spillover) has been fully confirmed by the three cases. H1d is an attempt to ascertain a
proportionate increase among political spillover, cultivated spillover and public support, along with increasing functional spillover; the case study results, however, refute such a proportionate connection assumption, and public support rates for the EU project appear to be issue- and country-specific. With regard to LI — a later and adapted form of intergovernmentalism — it turns out to be the most rigorous theoretical framework among the three selected theories, as it not only effectively accounts for the creation of the ESM, but also the two scope conditions attached to the LI model work well in explaining LI’s applicability to the suitable case (i.e. the ESM) and LI’s weak applicability to the unsuitable cases (i.e. the European Semester and the ESRB). Nevertheless, LI’s failure and inapplicability to EU daily decision-making (see Table 7.5) have restrained its theoretical explanatory and predicative power to account for the EU’s developments. Targeting at and specializing in explaining EU milestone-like developments brought about by intergovernmental negotiations, the LI model has been continuously checked, modified, and expanded; similarly, in this dissertation, the existing propositions got refined and new factors and causal mechanisms were added to the LI model. As a consequence, this dissertation with new propositions has sharpened LI’s accuracy and rigorousness. Besides, the intergovernmentalist constitutional settlement argument has been justified, while another two assumptions (Proposition 18 and H9) still need further checking. As for HI, it advocates a retrospective view to evaluate EU policies and offers a dichotomous understanding of EU development: path dependence or critical junctures. Any policies and actions must have historical roots and ancestors, or else they represent critical junctures so far as they define a new national-national and/or supranational-national competence and power geometry compared with the previous practices. The argument of path dependence emphasizes policy continuities due to the structural effects of the context as well as the mutual structural effects between policies and the general context (institutional and non-institutional), while the proposition of critical junctures stresses substantial reforms departing from the previous practices or the existing structural constraints, indicating changed competence and power distributions between EU institutions and member states and/or among the member states. Such dialectically dichotomous historical and institutionalist views seem to make HI unassailable — it actually represents an effective epistemic instrument to recognize and grasp reality, but still, the case study results of this dissertation indicate several deficiencies of HI assumptions (e.g. see Propositions 26 and 27). For example, HI’s arguments of the trade-off between
increasing supranational governance and decreasing national control over EU policy-making and unintended consequences (also a neo-functionalist perspective) tend to be only applicable to explain legally binding policies; besides, not all EU policies have solid and deep historical roots, and suddenly rising unexpected situations can bring new sprouts of paths, such as in the case of the ESM.

Approaching the EU from different perspectives with different focuses, the three integration theories tend to complement rather than compete with or substitute each other. Neo-functionalism tends to grasp the general spillover and supranational governance trends of the EU project in a globalization context with the focuses on EU collective decision-making involving supranational institutions together with national governments and interest groups, while LI is particularly devoted to explaining EU leaping developments forged by intergovernmental negotiations, emphasizing national interests, bargaining powers and asymmetrical gains. Generally speaking, neo-functionalism takes a top-down approach, while LI (intergovernmentalism) presents a bottom-up view to account for the EU. Nevertheless, despite their sharp contrasts, it is amazing to find that the new findings via their own lenses tend to support the propositions of each theory’s “traditional opponent”. For instance, Proposition 5 formulated after the neo-functionalist political spillover hypothesis test stressed “core interests” of societal groups in deciding their positions towards the EU process and EU policies, which actually is a key concept wielded by LI (see Proposition 24 and Figure 7.3); in turn, the case study results after the LI model test further confirmed the indispensable role of EU supranational institutions and their leaders (Proposition 21), which has always been valued the most by neo-functionalism — even though the existing LI model has already admitted and prescribed the role for the supranational actors as being one of its scope conditions (see H7). Moreover, both neo-functionalism and LI address some common topics: (a) public support for the EU (H1d and H9), (b) potential two speeds of integration (Proposition 12, H7d_{modified}), and (c) the proportionate links among the national economic power, financial contribution to the EU/EMU project, and the political leverage over EU/EMU affairs and thus EU policies tending to express big member states’ wills and preferences (Proposition 11 and H7c_{extended}). Viewing all of these three integration theories together, all of them are based on the micro level economic activities: neo-functionalism emphasizes cross-border transactions, LI domestic constituents (e.g. producers v.s. taxpayers/regulators), HI “sunk costs”; without doubt, micro economic activities are
the ultimate base, engine and goal of the European integration project.

Regarding the possibilities suggested in the Introduction (chapter one) of this dissertation of synthesizing multiple causal chains linking the specific independent and dependent variables (i.e. possible “equifinality” in typology), this dissertation suggests a combination of the three distinctive theoretical tools to explain a new measure simultaneously, as each of the three has its own peculiarities. The experience of the case studies of this dissertation vividly supports the following.

Proceeding with the hypotheses tests in chapters six, seven and eight, the prominent features of each theory were revealed: neo-functionalism stresses spillover effects and the pro-integrative role of both supranational and national actors; in contrast, LI mainly focuses on national interests and preferences and national governments’ role in deciding EU policies via interstate bargains, while HI tends to explore policy constraints and roots from the past into the future, emphasizing the structural effect of path dependence. Facilitated by the three theories, the dissertation has obtained particular epistemic lenses and theoretical tools to understand and unravel the EU: chapter six, offering neo-functionalist hypotheses tests, makes studies on EU collective decision-making mainly involving EU supranational institutions as well as the general trend of EU economic integration; then chapter seven of LI changes the focus to the national states: national interests, bargaining powers, potential asymmetrical institutional access and benefit gains, and finally chapter eight diverts attention to the policy roots and historical paths of the new measures. Obviously, each of the three theories has its own strengths and particular value in accounting for the three new measures as well as the EU, and it is not until in chapter eight that the relevant previous EU practices and policy traditions of the three new measures were revealed.

Therefore, combining the three integration theories’ particularities together will be a powerful and relatively comprehensive epistemic tool to understand, grasp and unravel the EU. Equipped with the three European integration theories, when coming across a new EU policy or measure, we know how to understand it better by asking and answering: how has it been brought into existence against a specific context (a neo-functionalist perspective)? What are national government positions based on domestic interest groups (an LI approach)? How is it connected with the previous practices and how about its viability in the future (an HI perspective)? Based on the research results of this dissertation, a scope condition for the application of the three is advised: neo-functionalism is more suitable to explain policies and measures developed
via the EU’s collective decision-making procedures, while LI is more appropriate in accounting for those developed outside the Community method, that is, via intergovernmental negotiations; by comparison, HI is more applicable to those of legally binding powers to their addressees.

Having focused on the answers to the SRQs of this dissertation, it is now possible to move to the MRQ of this dissertation: along with the EU’s new developments during the post-2008 crisis era, particularly during the eurozone sovereign debt crisis, what are the tendencies of EU/EMU economic governance now and in the future? The first five SRQs actually have provided detailed answers to the MRQ from five related, but different angles. Here, focuses are shifted to the three selected cases themselves to see what trends of EU economic governance in the future are particularly entailed and reflected by the three new measures. The most prominent feature of the European Semester and the ESRB is that under both, no legally binding decisions shall be taken, which indicates a trend of strengthening EU economic governance in the future: promoting macro level guidance, cooperation and surveillance, which may not necessarily have legally binding powers to the addressees, so as to serve micro level activities better. This trend demands and suggests another trend of EU economic governance in the future: improving policy and institutional coordination and cooperation cutting across multiple policy areas and involving various national and supranational actors, which implies taking holistic approaches to the issues concerned from a whole EU perspective so as to bring out a maximal synergistic effect of each individual member state as well as individual policies and agencies (see also Proposition 30); in essence, how to maximize the synergistic effect, and as for the EU, how to maximize the extra benefits brought by the coming together of 28 member states. With regard to the ESM, its formation and functional evolution show a German-Franco dominance over EMU affairs, where German leverage begins to surpass France’s due to the enlarged gap of the economic powers between them, but at the same time, France is an indispensable partner/coalition member for Germany to materialize its national interests. Being designed as the permanent crisis resolution mechanism for the euro area countries, the ESM indicates a justification for a two-speed EU. Last but not least, the EU’s new developments after 2008 almost happen with the effectiveness of the Lisbon Treaty — the selected three cases are the examples, so the conclusions above also suggest EU economic governance trends after the Lisbon Treaty.
Apart from the theoretical developments, new findings and answers to the research questions, this dissertation also has its research limitations: it does not examine the interactions and possible synergetic effects of the three selected measures, neither does it delve into the real impacts and effectiveness in solving the crisis after their implementation. Nevertheless, with solid literature reviews and applications of three major European integration theories, this dissertation has gained a broad understanding of EU economic governance and the EU’s efforts to solve the crisis, which shall build up a platform for the further research on the issues related to the eurozone sovereign debt crisis and EU economic governance. Research after this dissertation could address the limitations pointed out above, mainly focusing on the practical functions and effects of the individual measures over time, such as the European Semester. Moreover, the EU’s methods, experience, and lessons to counter the severe economic recession and the sovereign debt crisis have provided valuable examples for other countries and regions to improve economic governance. As the author of this dissertation comes from China, the world’s second largest economy today, the author plans to carry out research of “lessons and inspirations of EU economic governance during the post-2008 crisis era to China’s economic governance in transformation”. This dissertation is a summary of doctoral research, but a new starting point to probe the EU deeply in a global context.