

DRAFT FOR COMMENTS.

**LINKING POLITICAL AND MONETARY UNION:
THE MAASTRICHT AGENDA AND DOMESTIC POLITICS**

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A most important, indeed fateful, development early in the Maastricht process was a decision to broaden the agenda of reform by launching two parallel intergovernmental conferences, one on economic and monetary union, the other on political union. Typical of so much of the history of the development of European institutions, the joining of these two sets of issues seems to have occurred in a decisive initiating act by the leaders of Germany and France. Many accounts identify as critical a joint Franco-German declaration of April 19, 1990 favoring the launching of a second intergovernmental conference to deal with political union.¹ This intent was echoed immediately thereafter in a decision of a special European Council meeting in Dublin. In that decision, the Council instructed foreign ministers to develop proposals for a second intergovernmental conference for consideration at the upcoming June summit.²

It is important to examine the conditions for creating this parallel linkage because with hindsight it is clear that most of the misgivings expressed in the course of the ratification process--not least in Denmark--have had to do with the political union elements in the treaty.³ It is also important to examine because for many observers, the linkage appears to have been unnecessary and therefore problematical.⁴

I shall argue that the historical evidence shows that the support of German Chancellor Helmut Kohl was especially critical in making the link of political and economic and monetary union. While many others, especially Jacques Delors, President of the European Commission, promoted the issue and gave it visibility and specificity, it was Kohl, more than any other participant, who assured that the whole array of issues appeared on the formal agenda for negotiations.

Several explanations for the linkage appear to be especially promising. One explanation is in terms of the negotiating strategy of the Germans. From this view the linkage is interpreted either as a means of burdening the negotiations with many complex issues so as to increase the probability of failure, or as a means of enlarging the scope for possible compromises. A second explanation is in terms of the dramatic change in the external political environment with the collapse of communism in eastern Europe. In this view, the increased uncertainty caused by the collapse of communism made Western states more willing to consider dramatic changes in order to ensure stability of the regional international system. A third explanation refers to domestic politics. According to this view, negotiators would have sought the linkage in order to satisfy domestic political interests--for example, by acknowledging principled commitments of critical coalition partners.

This paper examines each of these views. There is insight to be gained from each of them, and indeed a great deal of weight has been placed, correctly, on the importance of the transformation of the external political environment. However, I am especially interested in the additional insights we gain from the third perspective linking domestic politics and international negotiations. I shall argue that

1. Bartsch, 1990. Their goals: "to reinforce the union's democratic legitimacy, to make its institutions more efficient, to ensure economic, monetary, and political cohesion and to define and set in motion a common foreign and security policy." On the dynamics of previous reform initiatives see Moravcsik 1991 and Cameron, 1992.

2. See Nelson and Revzin, 1990; Europe Daily Bulletin, May 1, 1990.

3. The Danish rejection of the treaty in June 1992 was later interpreted by Danish politicians as a rejection of common defense policy, European citizenship, and transfers of sovereignty in justice and police matters. Danish officials restated their opposition to participating in stage three of EMU--which was already anticipated in the terms of the treaty. Concerns were also expressed about ensuring greater openness in the Council of Ministers, a stronger role for the European parliament, assuring that the social dimension sets minimum and not maximum requirements, and greater clarity about the principle of subsidiarity. The Danish position is stated in a document entitled "Denmark in Europe," published in Europe Daily Bulletin Document No. 1806, November 5, 1992.

At the time of the 1990 Dublin Summit, when formal agreement was reached to launch the two intergovernmental conferences, Danish Foreign Minister Uffe Ellemann-Jensen was quoted as saying that there should be "no misunderstanding that we support a strengthening of the Community structures."

4. For example, in 1990 two close observers noted Kohl's interest in strengthening the European Parliament and characterized it as "somewhat of a mystery." Colchester and Buchan 1990, 48.

commitments in German domestic politics provided an essential impetus for Chancellor Helmut Kohl to link political union and economic and monetary union.

This analysis of the links between German domestic politics and the Maastricht agenda draws inspiration from work of others on the logic of so-called two-level games (Putnam 1988; Alt and Eichengreen 1989; Tsebelis 1990; Putnam and Bayne 1987). In at least three ways, domestic politics can shape the behavior of international negotiators; the three may interact to reinforce one another. First, domestic institutions specify whose preferences count by specifying whose agreement is required in formal ratification and subsequent implementation of the international agreement. Second, the fundamental policy commitments of critical coalition partners or decisive ratifying institutions must be honored in order to assure their continued support. Fundamental commitments may be created in various ways, but a common one is through reiterating a principled position and taking action consistent with that position over time.⁵ Third, electoral challenges to the governing majority on issues of importance in the negotiations can lead negotiating partners to be more accommodating than they otherwise would be so long as they prefer the current government to its potential challenger.

PUTTING POLITICAL UNION ON THE AGENDA

"Political Union" is a very large umbrella covering a wide array of issues including the relationship between EC institutions; the conduct of common foreign and defense policy; regional policy; industry and regulatory policy; and the social charter. At the core, European political union (EPU) was about how to create and balance new institutions that could be the repository of significant transfers of national sovereignty to the European Community. The issue came on the negotiating agenda in a context dominated by the collapse of east European communist governments and concern that momentum for economic and monetary union not be lost. As we shall see, Kohl played an especially important role in propelling the issue of political union onto the agenda and in defining its content as being about new powers for European institutions, especially the Parliament.

We seriously misunderstand the linkage of political and economic union by imagining that the issues were something new, suddenly placed on the agenda by Kohl and Mitterrand in Spring 1990. Political union had long been a goal of European federalists, although never so seriously and prominently on the agenda as in Spring 1990. There was an easy juxtaposition of the goal of political union with concern about a European "democratic deficit."⁶ Concern about the democratic deficit demonstrably increased in the course of 1989 as excitement grew about the 1992 project and observers contemplated the political implications of the Delors Report on economic and monetary union released in April.⁷ Thus, there was already a body of ideas available to be exploited by any large-country leader who wished to press for action on political union.

In mid-1989, no focal program for advancing political union or addressing the democratic deficit had been embraced by any of the major European leaders. There was no sense of urgency for working immediately on political union until Kohl--and Delors--began to press the issue in late 1989. Mitterrand, president of the European Council in the second half of 1989, was primarily focused on achieving an

5. A detailed discussion of the issue of credible commitments is beyond the scope of this essay. The importance of general principled positions is stressed in Schelling, 1980. Promises to a national parliament or to a national audience in advance of negotiations may have a commitment effect like that of a contract between a principal and agent; see Dixit and Nalebuff 1991. Commitments of the latter kind were made only by the UK government of John Major prior to Maastricht. A useful general review of the issue of credibility and commitment is in Blackburn and Christensen, 1989.

6. This refers to a belief that the power of European institutions is not matched by sufficient accountability to elected officials (Williams, 1991).

7. See European Communities, Committee for the Study of Economic and Monetary Union [Delors Committee], Report on Economic and Monetary Union in the European Community [Delors Report] (Brussels: Commission of European Communities, 1989). A NEXIS search of press use of the term "democratic deficit" prior to 1990 turned up only 11 articles, 8 of them in 1989, 2 in 1988, and 1 in 1985. The search included all sources in the NEXIS archive; sources identified in the search included the Financial Times, the Telegraph (Daily and Sunday), Reuter Library Report, and the Economist.

interstate bargain for adherence to a social charter. Mitterrand was also agitating for convening an intergovernmental conference on EMU as soon as possible after July 1, 1990--the date for starting stage one of EMU as described in the Delors Report. Mitterrand showed an interest in strengthening the links between national parliaments and the European Parliament--but little or no enthusiasm for reforms that would strengthen European institutions relative to the European Council.⁸

In a speech at Bruges in October 1989, Jacques Delors urged acceleration toward EMU in order to counteract any tendency to become distracted from the single market program by political changes in Eastern Europe. Delors hinted at the need for a "qualitative leap in our conception of the Community," suggesting that reforms in the Community's institutions would be needed to respond to the contemporary challenges.⁹ This speech was seen as part of a Delors "campaign" to step up the pace of movement toward EMU--one endorsed at least in part by Helmut Kohl (Jukes, 1989).

Delors expanded on this notion in late November, suggesting that an EMU treaty should include measures to "improve the decision-making process and to fill what has come to be called the democratic deficit in the Community."¹⁰ Delors seemed most clearly to have in mind strengthening the power of the Commission, but he also mentioned the possibility of reforms in the Council, enhanced powers for Parliament, and creating a set of independent agencies to manage some regulatory matters (Kellaway, 1989b).

Just prior to the meeting of the European Council in Strasbourg in December 1989, Kohl caused concern by writing Mitterrand to propose delaying the start of the intergovernmental conference on Economic and Monetary Union from mid-1990 to after December 1990. The delay, Kohl wrote, would be in order to expand the conference to include consideration of the structure of community institutions and the European Parliament.¹¹ Kohl's position was that the next European Parliament (elected in 1994) must have increased power (Buchan, 1989b; Buchan and Davidson, 1989). In my view, this act by Kohl is exceedingly important. It was one of (if not the) the first unambiguous indications by Kohl of his interest in linking EMU and EPU.

The response to Kohl's initiative was primarily hostile and suspicious. Delors responded by repeating his own support for institutional change, but cautioned that strengthening the Parliament should not be made a precondition for EMU negotiations. Delors further warned that the need for changes in EC institutions was being used as a pretext for delay on European Monetary Union.¹²

The Strasbourg summit concluded with an agreement to move forward on an intergovernmental conference on EMU in late 1991, after the German elections, as Kohl desired. The issue of political reform was still inchoate and by no means clearly on the negotiating table.¹³ It was obvious to many observers

8. Mitterrand, as president of the Council, and Kohl, in an unusual break with custom, both addressed the European Parliament on November 22. Mitterrand stressed the need to move forward swiftly on EMU, the social charter, and environmental policy. Kohl stated the German government's full support of "implementation of European union" and strengthening the process of European integration. See Johnson, 1989.

9. Delors did not make specific proposals beyond proceeding to adopt and ratify an EMU treaty (Buchan 1989d). This led the Financial Times to editorialize that a decision on radical institutional reform, implying a new treaty, "would surely be the most difficult and time-consuming [course of all]." October 18, 1989, p. 18. The Economist perceived in Delors's remarks the "hint that the coming inter-governmental conference on EMU should also take on board another reform of the Community's decision-making." The Economist, October 21, 1989, p 50.

10. Buchan 1989a. Also see "The Building of Europe" Financial Times December 7, 1989, p. 16.

11. "Kohl Breaks with Paris on Delors Plan," Times [of London], December 7, 1989, p. 1.

12. "Bonn bid to cover EMU talks Rift." Financial Times, December 8, 1989, p. 1. Simultaneously, the President of European Parliament demanded that any EMU treaty dramatically increase the powers of the Parliament.

13. The summit's final communique included this Delphic statement: "The European Council emphasized, in this context, the need to ensure the proper observance of democratic control in each of the member states. With a view to the new term of the European Parliament, which will begin in 1994, it calls for Economic and Monetary Union, to comply fully with this democratic requirement."

that this issue was likely to resurface and cause controversy. Shortly after the Strasbourg summit, Delors suggested that a second IGC on political and institutional issues should take place one or two years after the EMU conference.¹⁴

In speeches by Delors, Kohl and Bundesbank President Karl-Otto Poehl, in January 1990, issues were raised relevant to the question of political reform. Poehl, speaking in Paris on January 16, described in considerable detail his image of a politically independent monetary authority that should be created in the intergovernmental conference on EMU (Poehl, 1990). Of particular interest, Poehl stated that he saw no problem with the creation of an independent central bank prior to the perfection of a political union. "To give the system democratic legitimacy, it would suffice that it be set up by a treaty among democratic governments and ratified by democratically elected parliaments, and provided with a clearly defined mandate."

In a counterpoint to Poehl's speech, the next day Kohl and Delors made coordinated presentations in which they both stressed the need for reforms in Community institutions and progress toward political union. In a speech to the European Parliament Delors explicitly called for addressing the Community's democratic deficit and endorsed Kohl's earlier suggestions that the upcoming intergovernmental conference should deal not only with EMU but with institutional reform. In these remarks, Delors emphasized "political cooperation" (i.e., a common foreign policy) and the creation of a responsible executive power.¹⁵ It was clear at the time that the French were not particularly enthusiastic about Delors's proposals (Trean 1990). In an address to the French Institute for International Relations in Paris, Kohl repeated his call for political union and institutional reforms (Johnson 1990).

For a period in February 1990, discussion shifted back to the issue of the timing of the meeting of the (single EMU) Intergovernmental Conference, with the Italians and French again proposing to accelerate it to July. The issue was scheduled for discussion at a special European Council summit in Dublin in April.

The Political Union discussions gained form and specificity in March 1990. In mid-March the Martin Report, with a detailed program of political reforms, was adopted by the European Parliament.¹⁶ Shortly thereafter, Belgian Foreign Minister Mark Eyskens circulated a working paper outlining proposals for institutional reforms.¹⁷ In late March, Kohl again raised the issue of political union, calling for a decision at the April summit to launch an intergovernmental conference on political union. This conference, he proposed, would begin at the end of the year and run in parallel to the EMU conference.¹⁸

In short, while the issue of European political union had been on some agendas for a long time, it emerged as a serious issue only in the context of decisions to proceed with EMU negotiations. These decisions were being made, as we shall shortly see in more detail, while trying to respond to the changes taking place in Eastern Europe. Jacques Delors was an important voice for reform, and others, including the European Parliament and Belgian officials, helped contribute relatively highly detailed programs for

14. Kellaway, 1989a. Delors adopted a much more positive tone toward two parallel negotiations a month later. See Dickson, 1990.

15. "M. Jacques Delors Propose de Mettre en Chantier des 1990 les Institutions de la 'Federation' Europeenne." Le Monde January 18, 1990, p. 4. Also see Usborne, 1990.

16. Among other things, the Martin Report called for majority voting the Council of Ministers; public debates in the Council of Ministers; co-decision for the Parliament; Parliamentary right to initiate legislation; and right of Parliament to elect the Commission President. Buchan and Dickson, 1990.

17. Eysken's proposals, which paralleled the ones in the Martin Report, included that virtually all decisions should be taken by a majority vote of ministers, that the European Commission should become a powerful executive with its president elected by the European Parliament, and that there should be other new powers for the parliament, including the right to propose legislation. "Belgium Calls for Accelerated EC Integration," The Reuter Library Report, March 21, 1990.

18. Trean, 1990. At the time it was clear especially that the Spanish government supported Kohl, and the French indicated that they and Kohl "were both going in the same direction."

reform. However, prior experience showed that unless a leader of one of the major countries embraced a proposal, it had little prospects of becoming a viable option in European reform (Moravcsik 1991). In this history, we see that the critical, initial proponent of political union was none other than Helmut Kohl. The sequence of events supports an interpretation that Kohl conditioned meaningful progress on EMU on broadening the agenda to include EPU.

A NEGOTIATING STRATEGY?

EMU, many observers claimed, held the prospect of significant long-run economic benefits for Europe. Germany, some argue, was in the forefront of those gaining from the EMS and, by implication, of those likely to gain economically from EMU. Others argued that the purely economic benefits for Germany from EMU were ambiguous, at best. In either case, Germany's position as the "anchor" of the EMS put it in a position to insist on institutional rules for a future European central bank that would be "more Bundesbank than the Bundesbank." What could be better, from the perspective of a proponent of a Europe-wide monetary policy guided strictly by concern for price stability, than a super-Bundesbank with no coherent counter-balancing political institution? Why then propose--or allow others to propose--to create such counter-balancing institutions?

One answer could be in terms of negotiating strategy. Increasing the number of issues on the agenda may have served German interests. If in fact the Germans really did not gain much from EMU, they may not have cared much whether EMU proceeded. Indeed, they already controlled the de facto European Central Bank. In this case, placing an additional set of difficult issues on the negotiating agenda would increase the odds of deadlock and stalemate in the negotiations. Thus, a status quo acceptable to Germany would be preserved without the potential embarrassment of having to defend it explicitly.¹⁹ Alternatively, if Germany did see the potential for increased economic benefits from EMU, introducing an additional set of issues might allow Germany to extract further compromises on EMU--thereby doubly assuring that their conception of EMU would determine the outcome.

This stylized account abstracts radically from the evolving external context of the EMU debate in late 1989 and early 1990 by basically ignoring it. Indeed, as we shall see next, there is too much evidence of the importance of external environment for us to accept the naked version of bargaining strategy presented here. Moreover, as we have already seen, while Kohl's advocacy of political union talks was essential, Kohl was not alone. The importance of Delors at critical moments in promoting and underscoring the idea of political union talks cannot be ignored. No story constructed purely in terms of German negotiating strategy can rely heavily on Delors as an agent.

THE FOREIGN POLICY CONTEXT

The strategic bargaining explanation is inadequate, but some other inter-state bargaining story could be better. Such a story need not be constructed with special reference to domestic politics. It might well be cast in terms of the response of Western European states to the cataclysmic changes under way in Eastern Europe and the radical implications of those changes for the balance of power system.

It is hard, in retrospect, to overstate the dizzying speed of change in this period. The rapid weakening of the communist government in East Germany in autumn of 1989--the Berlin Wall fell November 9--dramatically altered the West German and European political agendas. In late November 1989, Kohl outlined a 10-point plan for eventual German reunification without prior consultation with European allies. The lack of consultation on an issue so fundamental to post-World War II European security arrangements was regarded as disturbing, especially in London and Paris. By January 1990, East Germans were fleeing to West Germany at the rate of over 2000 per day. In late January, East German

19. See Treverton, 1991: "Economically, though, achieving the 1992 program and not much more would suit unified Germany just fine."

parliamentary elections planned for May 6 were abruptly advanced to March 18 as the Communists' capacity to govern slipped away.

Within days of the January crisis in East Germany, monetary union between the two Germanies was high on the agenda. French and British leaders were notably cool toward the prospect of reunification and found renewed interest in discovering their own common ground in areas of defense and foreign policy. Mitterrand met with Gorbachev to advise against allowing the German reunification to occur too swiftly. The French and Italian governments renewed proposals for accelerating the start of the EMU IGC to midyear--a proposal Kohl had rejected in December on domestic political grounds (he wanted to avoid negotiations on this issue prior to national elections in December).²⁰ He rejected the proposal again--for the same reasons (Marsh and Cooke, 1990).

At the time, commentators saw large opportunities for negotiating partners to exercise leverage against Germany in EC negotiations. Fears of "the German Problem," it was asserted, could be invoked in order to press Kohl to move faster than he would prefer on EMU. Further claims were made that the process of German monetary union showed how Kohl could override Bundesbank objections in a decisive way--and thus, how little domestic constraint he really faced.

It was in this foreign policy context, after a lengthy period of negotiation between Bonn and Paris, that the joint Kohl-Mitterrand statement on political union was issued in mid-April. The joint statement was widely interpreted as part of a move to reassure Germany's allies that a reunified Germany would be firmly anchored in western institutions.²¹ The statement was also understood as representing a recognition of the need to reconsider issues of European security arrangements in light of the changed strategic context.

The collapse of communism in the East is without doubt an important element in comprehending the pressures on the German government to reassure its partners and adjust its policies. It helps us to see why Germany's negotiating partners felt a sense of urgency about assuring the close ties of Germany into Western Europe.²² Yet why these actions should take the form of a major initiative for European political union is not obvious. The most prominent requests for reassurance from Kohl's partners, moreover, were not for the set of reforms that Kohl advanced. Kohl had other ways to reassure his European partners without proposing large and difficult institutional reforms. He could have simply expressed renewed interest in EMU and undertaken additional intensive consultations about reunification, the Oder-Neisse line, and NATO defense arrangements.²³

Kohl's December 1989 surfacing of a proposal to examine and strengthen community institutions clearly antedated the period in which German monetary unification was an immediate reality. Moreover, Kohl's proposal was by no means presented in a context of trying to reassure and mollify aroused negotiating partners, and it did quite the opposite. Prior to Kohl's initiative, his negotiating partners were urging a renewed commitment to European union, but that commitment was framed primarily in terms of a redoubled effort to achieve EMU. In short, the new foreign policy context may be a necessary element in

20. Raising this issue again in light of the clear prior indications that it caused domestic political problems for Kohl suggests, among other things, a certain willingness on the part of the French and the Italians to push Kohl in a direction that would subject him to possibly significant domestic political challenges.

21. So editorialized the Financial Times, April 20, 1990, p. 22.

22. The German reunification did clearly raise one kind of institutional question that involved the weight of German representation in EC institutions, especially the European Parliament. The pressures created by international events may have made it much more difficult than it otherwise would have been for Germany to engage in relatively straightforward delaying tactics about EMU.

23. Moreover, if Kohl needed to reassure his partners, those partners also needed to reassure him. They had been cool if not hostile to one of the defining objectives of West German politics, the reunification of Germany. The depths of the mistrust they revealed about fundamental German intentions must have been disturbing to the Germans. Did these leaders have any rational basis for confidence that the German response would be positive? Would any have had a basis for objection if Germany had responded by trying to constrain the EMU negotiations as narrowly as possible to the issue of making a European Bundesbank?

our understanding of the linkage of these two large initiatives, but it surely is not a sufficient explanation alone.

GERMAN DOMESTIC POLITICAL COMMITMENTS TO POLITICAL UNIFICATION.

A more nearly sufficient account, I believe, must take account of the domestic commitments and calculations of Kohl and other leading German politicians.²⁴ With the collapse of East Germany, foreign and domestic politics were suddenly and dramatically fused in Germany. Consequently, these external stresses provoked a reassertion of German domestic policy commitments that shaped the two-level play in the Maastricht negotiations. This section examines how domestic political commitments, coalitions, and institutions all reinforced the logic for Kohl of putting political union on the agenda together with economic and monetary union.

A Principled West German Consensus Existed on European Union

One important element was the existence of a strong consensus (at least at the rhetorical level) in favor of European Union on the part of virtually all the major players in German politics. In this context, Kohl had to advance the political union issue together with EMU, or, more modestly, it was very unlikely that any major domestic participants could challenge him successfully when he did so.²⁵

As early as 1982, Kohl had committed his government to "opening new routes to European Unification" (Bulmer and Paterson 1987, 81). But even in 1982 this was hardly a new commitment. Support for European federalism had been a fundamental assumption of West German politics from the earliest days of the Federal Republic (ibid, 6-7; Kirchner 1991, 154). In the 1950s, this goal was been particularly closely associated with parties of the CDU/CSU center-right coalition--i.e., Kohl's core constituency (Sturm, 1989). Through time, however, European union ceased to be an important source of partisan division in German politics. Indeed, one of the dominant features of recent German politics has been the gradual creation of a strong area of compromised agreement on foreign policy objectives such as supporting European integration (Hanrieder, 1989, 334). The view that German influence and German reunification could come only in the context of a politically unified Europe was widely shared among German political leaders. "Parliamentary opinion, with the exception of the Greens, is solidly in favor" of union (Bulmer and Paterson, 247).

Thus, there was a long-standing principled commitment in German domestic politics to the idea of West European unification. If some observers detected a waning enthusiasm for European political union in the years prior to 1980-90 (c.f., Kirchner 1991, 157), it was also true that there had been no rejection of that longstanding commitment. Indeed, consistent with this general support for European Union, there had been significant criticism of the limited enhancement of the powers of the European Parliament as part of the Single Act (Bulmer and Paterson, 249). As the moment for German reunification suddenly presented itself, there was no possibility for retreating from the associated commitment to European Union.

Institutions and Coalitions

By making the link of EMU to political union, Kohl also had a means of addressing some of the most important commitments of his coalition partner, the FDP, and of an institution important for implementing EMU, the Bundesbank. Although a small party in terms of votes, the FDP provided the decisive Bundestag majority for Kohl. The FDP draws its support overwhelmingly from the urban middle

24. To reiterate, this by no means rules out the relevance of international circumstances. As Hanrieder has written, in the post-War period "the meshing of domestic and foreign policies became the essence of West Germany's political culture." Hanrieder 1989, 332.

25. Indeed, given the relative weakness of the economic benefits for Germany in EMU as estimated by some economists, it may be appropriate to see Kohl's linkage of political union and EMU as a rhetorical device to explicitly evoke the deepest commitments of German politics so as to preclude issues from being framed in strictly cost/benefit terms.

and upper-middle class, and has been supported financially by industry (Sturm 1989, 465-66). These constituencies have been particularly attracted by the contributions European unification can make to liberalism and free markets. The Bundesbank is, of course, the German central bank, and is generally regarded as the most politically independent of all central banks in the world.

The FDP, and especially Hans Dietrich Genscher, German Foreign Minister since 1974 (and party chairman from 1974-84), was clearly and strongly committed to EMU, European federalism, and a common European defense and foreign policies.²⁶ Genscher had been associated with a major contribution to reinvigorating the movement toward European union--the Genscher-Columbo proposal, which promoted various forms of cooperation, especially in foreign and security policy, and became the basis for the Stuttgart European Council's Solemn Declaration on European Union in 1983.²⁷ Genscher played a key role in promoting the Delors Committee as an important step toward European Union. The radical aspirations implicit in Genscher's vision would suggest that EMU alone was not a sufficiently large ambition.²⁸ Kohl could hardly ignore the FDP leader's deep commitments in this area without risking the stability of his coalition, nor is there any evidence that he desired to do so.

The Bundesbank, by contrast, had a well-known and long-standing commitment to price stability. Price stability, in the Bundesbank's own view, was not simply a result of the legal position of the central bank, but was even more fundamentally a result of the commitment of social institutions, broadly conceived, in supporting the goal of price stability.

This view had been evident in the German (and especially Bundesbank) view expressed in earlier European debates about monetary union that convergence had to precede economic union. Only convergence, it was argued, could guarantee that there would not be problems of economic coordination in a monetary union (Tsoukalis, 1977; Ludlow, 1982).

Poehl's January 1990 statement, mentioned above, explicitly challenged the notion that democratizing political reforms at the European level must precede the creation of a European Central Bank.²⁹ The Bundesbank's concern was not with political legitimacy, per se--the democratic deficit. Rather, it was with the current and possible future existence of centers of power external to the central bank which might be opposed to the bank's goals. In this view, EMU should not proceed without simultaneously assuring that there would be a supportive institutional environment. As Poehl went on to say in his speech, public authorities and the social partners must adopt a responsible attitude that involves accepting realistic limits in order for the central bank to fulfill its mission "without problems" (Poehl 1990).³⁰

The Bundesbank reiterated its concern for the terms of political union in Bundesbank statement on EMU that was released in September 1990, prior to the start of the Intergovernmental Conferences. At that time, the Bundesbank said:

26. This treatment probably overstates the unity of the FDP; some elements in the party were quite close to the Bundesbank position. However, the political strategy for Kohl would not be different in that light.

27. See Colchester and Buchan, p. 18; Bulmer and Paterson, 134-135. This proposal itself had domestic political goals of differentiating the FDP from the SPD more clearly.

28. "Mr. Genscher puts forward a vision of a federal Europe of East and West, and says that 'no one thinks any more in the category of nation-states'" (Marsh 1989). Also see Buchan, 1989c.

29. He did note explicitly that "of course European integration cannot be limited to monetary policy. Improvements in other domains are also necessary, as the German Chancellor has urged for the European Parliament." Poehl, 1990.

30. In a post-Maastricht statement, the Bundesbank characterized its earlier position as one maintaining the monetary policy "will be crucially influenced by the economic and fiscal policies of and by the behavior of management and labour in all the participating countries." *Europe: Documents*, No. 1764, March 2, 1992. A more cynical interpretation of the Bundesbank's position would involve noting that it began to embrace political union as it became clear that the French were going to agree to an independent central bank along the lines of the Bundesbank.

In the final analysis, a Monetary Union is . . . an irrevocable sworn confraternity--"all for one and one for all"--which, if it is to prove durable, requires, judging from past experience, even closer links in the form of a comprehensive political union (Deutsche Bundesbank, 1990).³¹

Beyond this particular phrase, the Bundesbank had little to say publicly on political union. In its most concrete expressions, the Bundesbank stressed the need to create institutions ("binding rules and sanctions") to assure "effective budgetary discipline."

However, in the period after the negotiations, spokesmen for the Bundesbank again emphasized the importance of the political and social environment in which monetary policy functions (Schlesinger 1992). In a statement published in early February 1992, the Bundesbank criticized the Maastricht agreement as inadequate: "Future developments in the fields of the political union will be of key importance for the permanent success of the monetary union."³²

Kohl's decision to move political union to the fore makes sense in terms of an effort to address both the preferences of his coalition partner and the view of the Bundesbank. Both positions were held with great conviction; ignoring either while pursuing EMU alone could have been very costly to Kohl.³³ The Genscher/FDP position would favor expanding the agenda in order to achieve longstanding goals of creating a European union capable of defining a common defense and foreign policy. The Bundesbank position favored attention to "political union" in order to assure the success of monetary union. The support of the FDP was essential to the Kohl government's continued majority in the Bundestag. The Bundesbank would have substantial ability after the fact to affect the progress toward effective implementation of EMU--it could not be ignored except at great peril.

Elections and Kohl's Calculus

One reasonable expectation from the logic of two-level games is that domestic and international politics may be linked especially in the periods around elections. At such times, domestic challengers may try to turn issues in international negotiation into salient domestic issues. Alternatively, or international negotiating partners may shape negotiations in order to try to influence the other party's domestic election.³⁴ Kohl's electoral circumstances were of some importance in this period, as elections were pending, and it is worth exploring how this might have affected the decision to link EMU and EPU.

In June 1989 elections for the European Parliament, the CDU/CSU coalition lost seats. Nationalist right-wing parties did particularly well, winning over 14 percent of the vote in Bavaria, the CSU stronghold. The right wing was especially hostile to suggestions that the deutschemark should be surrendered under any circumstances in the future. In 1989, the Republicans were predicting further substantial gains in state

31. Europe Daily Bulletin, 2/14/92; Koelle, 1992. The Bundesbank statement is reproduced in full in Europe: Documents, No. 1655, October 5, 1990. Also see the Financial Times September 20, 1990. A review of major European press sources (Financial Times, Le Monde, Frankfurter Allgemeine Zeitung, Handelsblatt, Der Spiegel) covering the Bundesbank's statement found none that singled out this particular phrase as especially significant. Of the sources surveyed, only the Financial Times treated the story as worthy of the front page.

32. Europe Daily Bulletin: Documents, No. 1764, March 2, 1992.

33. As early as August 1989 German EMU preparations were guided by a working party including representatives from the Chancellery, Foreign Ministry, Economics Ministry, Finance Ministry, and the Bundesbank. Granted, it might seem unlikely that a difference of views on Europe would emerge great enough to provoke FDP defection, but the willingness to do so in principle could not be doubted since the FDP provoked Schmidt's fall in 1982.

34. It is quite likely, for example, that such calculations led German Chancellor Helmut Kohl to decide to agree to the ploy of putting the social protocol outside the body of the Maastricht Treaty as an agreement between all parties but the UK. This provided electoral protection for Major, who had committed himself on the issue before Parliament; preserved an already complex agreement, and increased the prospects that the U.K. would be led by Conservatives rather than Labour. See, inter alia, "On to the Next Campaign," The Economist December 14, 1991, p. 61; Boris Johnson, "After Maastricht: How 'King' Kohl Saved the Day for Britain," Daily Telegraph 12/12/91, p. 6

elections in 1990. Already in December 1989, the press reported right-wing posters being mounted proclaiming "hands off the deutschmark."³⁵

It is not surprising, as noted above, that the German government insisted, successfully, against opposition from the French and Italians, that the EMU intergovernmental conference should not start prior to the German national elections in December 1990. The Kohl government made clear, according to many press reports at the time, its concern that the EMU negotiations should not become an occasion for right-wing politicians to raise alarms about loss of control of the deutschmark, weakening of the Bundesbank, or allowing European unification to disrupt progress toward German reunification. This threat suggests a domestic rationale for delay and foot-dragging. However, if Kohl moved forward on EMU and therefore lost support on the right-wing, could he compensate by occupying more centrist ground?

Laender elections in Germany during the runup to the IGCs provided further confirmation (at least to some observers) that Kohl was under domestic pressure--this time from the left. For example, in January 1990, Oskar Lafontaine catapulted to the national leadership of the SPD as a consequence of his decisive victory in Saarland elections. In contrast to the right-wing threat, Lafontaine may have presented an attractive alternative to Kohl for some negotiators--particularly Mitterrand's socialist government.³⁶

In fact, Kohl could use the issue of political union to divide the SPD opposition while laying claim to the middle of the political spectrum. The SPD, like Kohl, opposed the right-wing nationalism that threatened to take votes from Kohl. However, unlike Kohl, the left wing of the SPD was suspicious of the probusiness themes in the larger Single Market program and European Union. To the SPD's left wing this program seemed to promote the interests of large firms, environmental destruction, and loss of European democracy. By promoting political union, encouraging the power of the European parliament, and endorsing the social charter, Kohl presented the SPD with a dilemma. How could the SPD oppose just some aspects of the current proposal for European union and avoid seeming to be in alliance with the extreme right (de Weck, 1991)?

Aspects of German Federalism Reinforced Concern for Political Union

The Laender (or German states) were another source of German domestic concern for clarifying the details of Political Union. An EMU that created a new European central bank replacing the Bundesbank would infringe on the rights of the Laender to have representation on the Bundesbank council.³⁷ Indeed, Laender rights had been adversely affected by prior European reforms such as the Single Act. It was almost certain that any treaty on EMU would have to be approved by the Bundesrat. Since the Laender had aspirations to achieve independent regional representation within the EC, for Kohl to advance an EMU treaty which promised to reduce Laender powers without any compensating benefits might have seemed unwise.

Since 1985, the Laender have had observers participating in meetings of the European Council of Ministers. The Single Act had infringed on the rights of the Laender by extending EC policy into areas such as regional policy and training and the environment (Bulmer and Paterson, 250-51). The Laender established their own representation in Brussels, and created a new committee in 1988 to search for a common Laender position on pending EC legislation.³⁸ The Laender concerns are rarely partisan in any straightforward sense, but reflect deep commitments of Laender politicians to preserve their prerogatives.

35. For example, see the report in Institutional Investor, December 31, 1989.

36. On this supposition see "A Tale of Three Cities," The Economist, June 2, 1990. Ironically, Lafontaine's own opposition to the Maastricht Treaty not only worked against his leadership of the SPD, but reduced his usefulness to German bargaining partners who might have wished to encourage the fortunes of an opponent to Kohl. See Busche, 1992.

37. After German reunification, the Bundesbank itself proposed to reduce the number of seats occupied by Laender representatives in order to avoid having the Bundesbank Council become too unwieldy. This was greeted with hostility by the states and none other than Oskar Lafontaine began trying to recruit other states to assist in challenging the move in the Federal Constitutional Court. Wall Street Journal, October 12, 1990.

38. For some additional interesting views on the Laender representation in Brussels, see Hauser, 1991)

The CSU (based in the State of Bavaria) has also emphasized the need to protect Germany's federal structure (and the rights of the Laender) during the process of European integration (Sturm, 1989). As a quasi-independent grouping within the dominant coalition, Kohl could hardly ignore these views.

Federalism has long been a major issue in German politics. Because of the complex implications of any further steps toward European union for the German federal system, and given the importance of federalism in the German system, it would be surprising if a German Chancellor failed to try assure that spheres of authority were as precisely demarcated as possible in any moves toward creating stronger European institutions. Moreover, given the disagreements within Germany over the independent representation of the Laender in the EC (i.e., opposition from Genscher and the Foreign Ministry), to include such an issue on the agenda for negotiations would allow Kohl an opportunity to externalize an internal political dispute, therefore taking advantage of the inherent logic of the two-level game.

Confirmation of These Commitments Came During and After the Negotiations.

Additional evidence about the existence of important and relevant domestic commitments in support of political union came while the Maastricht negotiations were under way. In November 1991, the CDU's draft "Dresden Manifesto" called for the development of the EC into a political union (Vorkoetter, 1991). At about the same time, the SPD warned that failure to enhance the power of the European Parliament would lead to the treaty's eventual rejection in the Bundestag. One observer noted that "the feeling in favor of granting co-decision-making powers to the European parliament is running strongly in all parties in the Bundestag" (Peel, 1991). The point of the SPD warning was to criticize the Kohl government for not having done enough to strengthen the European Parliament.³⁹

In the immediate aftermath of the Maastricht summit, Kohl was roundly criticized at home for not making enough progress on political union given the commitment made to enter EMU in 1999 (Parkes, 1991). "An influential part of German opinion, from both the right and left, declares that Chancellor Helmut Kohl has given away control over the D-Mark for too low a price" (Marsh, 1991a). This influential opinion included both FDP leader Otto von Lambsdorf (a "sad event") and SPD leader Bjorn Engholm ("the chancellor simply buckled at the knees") (Landrey 1991; Berlin 1991.). Reimut Jochimsen, president of the regional central bank of North Rhine-Westphalia, criticized Kohl's compliance as 'maybe suicidal'. . ." (Marsh, 1991b).

The hostile reaction to the prospect of losing "our lovely money" was of course not a surprise (de Weck, 1991). It was exactly in anticipation of such a reaction that Kohl had insisted that the intergovernmental conference on EMU not begin prior to national elections in 1990. However, it confirmed the wisdom, in domestic political terms, of his earlier move to broaden the agenda of the EMU negotiations beyond the creation of a new currency.

CONCLUSIONS

Building on ideas suggested by prior work on two-level games, this paper has examined the links between domestic politics and one of the most important decisions of the Maastricht negotiations--the decision to EMU and political union negotiations. The negotiating strategy of the Germans may have been an important element, but in many ways it does not provide a persuasive account. Without the dramatically changed conditions in Eastern Europe, the prospects for making the linkage would surely have been much reduced. In the final analysis, I have argued that the this linkage is difficult to understand without considering features of German domestic politics.

As with any specific historical events, the developments analyzed here are overdetermined--there are too many plausible causes and not enough information to decisively rule out all but one. Indeed, since

39. Europe Daily Bulletin November 15, 1991, p. 4bis. And indeed, on the same day, Kohl was quoted as reiterating that "The Treaty on Political Union is the indispensable counterpart of the Treaty on Economic and Monetary Union" (ibid, p. 5)

more than one cause is surely at work, the search for "one cause" is a cul-de-sac. The tests we must apply involve imagining counterfactuals. Would Kohl have proposed--and his negotiating partners agreed--to link political and economic union negotiations in the absence of the collapse of the communist regimes? Alternatively, in the absence of the reinforcing domestic political factors reviewed above, would Kohl have proposed linking political and economic union--even in the presence of the collapse of the Eastern regimes?

In my view, neither scenario is highly likely, although the latter strikes me as less plausible than the former. It seems correct to conclude that the collapse of East Europe provoked strong demands from Germany's main European partners for moves toward further integration in the form of EMU. In the absence of that context, German politicians might never have faced the issue of whether EPU should be put on the agenda.

Given that German politicians did face that issue, would proposing EPU make sense as a purely strategic ploy to derail EMU? In the absence of the kinds of domestic political conditions described above, surely such a proposal would not have seemed serious. John Major, for example, who had many reasons for wanting to see little progress on EMU, could not have possibly embraced EPU as a hostile negotiating strategy. The domestic reaction from his own party would have been one of repudiation; internationally no negotiating partner could consider the negotiating position to be a serious one. The reasons that made EPU unavailable to John Major as a hostile negotiating strategy make it implausible that Kohl's advocacy of EPU was "merely strategic" and not truly rooted in domestic interests and policy commitments. While the changed international system may have affected the course of EMU negotiations, the exact direction of that effect was largely determined by the interests and commitments made in German domestic politics.

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