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Political science research on the reasons for the (non) adoption and (non) implementation of EMU reform proposals: The state of the art

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# Political Science Research on the Reasons for the (non) Adoption and (non) Implementation of EMU Reform Proposals: The State of the Art

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# Political science research on the reasons for the (non) adoption and (non) implementation of EMU reform proposals: The state of the art<sup>1</sup>

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## Abstract

There have been numerous attempts to reform the Economic and Monetary Union (EMU) after the Great Recession, however the reform success varies greatly among sub-fields. Additionally, the political science research community has engaged a diverse set of theory-driven explanations, causal mechanisms, and variables to explain respective reform success.

This article takes stock of reform policies in the EMU from two angles. First, it outlines distinct theoretical approaches that seek to explain success and failure of reform proposals and second, it surveys how they explain policy output and policy outcome in four policy subfields: financial stabilization, economic governance, financial solidarity, and cooperative dissolution.

Finally, the article develops a set of explanatory factors from the existing literature that will be used for a Qualitative Comparative Analysis (QCA).

**Keywords:** Economic and Monetary Union, European integration, neoinstitutionalism, political economy, European Banking Union, European Capital Markets Union, economic governance, fiscal solidarity, policy reform

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# 1 Introduction

The research community that studies the economic architecture of the European Union (EU) and the Economic and Monetary Union (EMU) has always been interdisciplinary. Central questions as to whether the Eurozone and the changes that are associated with reforms after the Great Recession are sufficient, sustainable, legal, or legitimate are positioned at the intersection between law, economics, history, sociology and political science and to some extent cultural studies, making a comprehensive research overview a burdening task. The latter becomes even more challenging given the character of the topic as a moving target. Recently, the Recovery and Resilience Facility (RRF), adopted to tackle the economic consequences of the COVID-19 pandemic in 2020, and other financial transfers between member states and the European Commission have highlighted the need to understand the conditions under which the adoption of substantial EMU reforms and their realization sometimes are possible (see Lindner, 2022; Schelkle, 2021; Schmidt 2021).

This article takes stock of different theoretical lenses in order to explain the (non) adoption and (non) implementation of EMU reforms between 2008 and 2020. We focus on the adoption of reforms, which we discuss as output, as well as the realization or implementation of reforms, which we discuss as outcomes, at European level. That is, we do not consider implementation of European reforms at national level. We use the term “output” with reference to the result of policy formulation understood as the political decision and legal ratification of reform proposals (Eckert et al. 2020: 3). At EU level, treaty changes and secondary law would fall into that category, as these require a political decision-making process. By contrast, we refer to “outcome” when considering implementing measures, including measures such as rule-specification through Comitology (e.g. resulting in delegated acts) or post-legislative guidance (Scott 2011) and soft post-legislative rulemaking (Senden 2012). We are aware that drawing a neat line between policy formulation and policy implementation and thereby between policy output and policy outcome is not straightforward in the EU context where there is “a huge grey zone between these two concepts” (Blom-Hansen 2011, 351).

In our stock-taking, we seek to work out how these distinct theoretical approaches can explain our two dependent variables, i.e. (non) realization of policy output and (non) realization of policy outcome in the field of the EMU. In doing so, the article serves a double purpose. First, it aims to present and explain major theories used in political science to readers unfamiliar with this literature and second, the article identifies explanatory variables from different streams of theory which can later be used for hypothesis building and a subsequent Qualitative Comparative Analysis (QCA). The empirical focus of our paper builds upon earlier work. In a

SAFE White Paper (Eckert et al. 2020) we have taken stock of four distinctive areas of EMU reforms since the Great Recession: (1) financial stabilization, (2) economic oversight, (3) fiscal solidarity, and (4) cooperative dissolution. The preliminary findings of this analysis pointed to a differential degree of adoption and implementation of reforms, which overall matched the distinct types of policy involved: Compared to regulatory policies redistributive policies, e.g. transfers between member states, were less likely to be adopted and implemented.

In developing theory-driven explanatory approaches to account for different reform dynamics in these four fields, we focus on relevant sub-fields of political science, but do also link our discussion to neighboring disciplines where useful. In line with our previous paper, we are leaving the question of the desirable reform content to the disciplines of economics and law, and focus on the political feasibility of reforms. In order to support dialogue across disciplinary borders, we explain basic tenets of political science theories with regard to the (non) implementation of reform initiatives. Finally, we also identify preliminary policy implications that might be of interest to policymakers and practitioners who seek to understand why some reform proposals are successfully implemented and others fail.

Section 2 introduces relevant explanatory approaches deriving from European integration theories, neo-institutionalism and the political economy literature. Section 3 discusses how these theoretical lenses have been used to explain reform output and outcomes in the four areas identified above and subsequently identifies patterns in current explanatory approaches. Finally, Section 4 concludes and explains how these findings are relevant for the policymaking community.

## 2. Theoretical approaches for explaining EMU reform (non) adoption and implementation

The field of EU and specifically EMU reform often looks unmanageable to outsiders. The complexity of European politics within a framework of multi-level-governance results in a high number of supranational, national, and even local actors with overlapping and competing legal and political competences. Additionally, successful legislative initiatives on average take four years from the beginning of the preparation to the adoption (Hartlapp 2017, 307, Hartlapp, Metz, and Rauh 2014, 261). This makes the isolation of causal explanations a time-consuming enterprise. When explaining the feasibility of EMU reform, debates often feature implicit ad hoc theorizing. Member states', citizens' and interest groups' preferences, institutional decision-making processes, the influence of lobbying, the power of discourses and ideas, and

talk about windows of opportunities feature heavily in the policymaking community. Some academics, often economists, have produced books that (implicitly) explain the EMU's inability to undertake meaningful EMU reform from one or two angles, yet often fail to offer causal relations beyond historical contingency. Brunnermeier, James, and Landau (2018), for example, argue that the "Battle of Ideas" between French and German ideological and cultural understandings of the economy was at the center of the conflict on EMU reform. However, throughout their work, they make ample references to the Commission's "institutional constraints" (p. 19) in the decision making process and various other explanatory factors. Meanwhile, their conclusions describe the French and German positions as cultural misunderstandings rather than competing ideas (p. 375), leaving the reader indifferent to the causes of unsuccessful reform: was failure due to socio-economic structure, interest and idea formation and diffusion, or simply the lack of European public space?

Against this background, this article returns to the foundations of explanatory theories on EMU reform. We can distinguish three broad categories of political science theorizing that can help us with explaining differences with regard to EMU reform (non) implementation (summarized in Table 1). First, European integration theories seek to explain the emergence and evolution of a new political entity beyond the nation state. Second, neoinstitutionalist theories provide an elaborate framework to analyze mechanisms, types and the directions of institutional change (in the European Union and beyond). Third, critical political economy approaches put the role of powerful social forces front and center in explaining economic and political developments. Importantly, all three approaches establish causal relationships between explanatory factors derived from theory such as interests, power, and ideas (independent variables), and policy outputs and outcomes (dependent variables).

**Table 1: Three strands of theorising**

Category	Central question	Theories
European integration	What explains the European integration process?	Functionalism Liberal Intergovernmentalism Postfunctionalism
Neoinstitutionalism	What explains institutional change?	Rational Choice Institutionalism Historical Institutionalism Sociological Institutionalism Discursive Institutionalism
Critical political economy	How do relations between social forces explain economic and political developments?	Historical Materialism Comparative Capitalism

## 2.1 European Integration Theories

Theories of European integration are relevant for our research topic as they theorize explanatory factors of regional integration, i.e. the process where states pool parts of their sovereignty in a common institution. Our dependent variable, the adoption and implementation of EMU reform initiatives – and their failure – is a specific instance of integration. While neofunctionalism (NF) and liberal intergovernmentalism (LI) have sought to explain why we see deeper integration over time, a newer strand of post-functionalist (PF) theorizing addresses the option of integration failure and disintegration. In view of our research interest the latter is particularly relevant to account for non-adoption and non-implementation of reforms. Moreover, another strand of literature has focused on how integration occurs when it does not affect all member states or policy fields equally, namely as Differentiated Integration (DI). As differentiation is an important escape route in cases of political disagreement and opposition, we also take stock of this literature.

**Table 2: European Integration theorizing**

<b>Theory</b>	<b>Explanatory factors</b>	<b>Key concepts</b>	<b>Expectations</b>
<b>Neo-functionalism (NF)</b>	functional drivers e.g. economic interdependence, rational interests, role of supranational/transnational actors	spill-over, low and high politics, shift of loyalties	integration will spill-over from sector-specific cooperation towards other areas, actors will shift their loyalties towards new political unit Output/outcome in one area may fuel output/outcome in another area
<b>Liberal Intergovernmentalism (LI)</b>	economic interests of powerful domestic constituents, relative power of each state in the international system	rational choice, utility maximizing, cost-benefit analysis, bargaining, package deals	reform choices (output) reflect the interests of the most powerful governments and will not go beyond, can be reversed
<b>Post-functionalism (PF)</b>	identity politics, public opinion, interest group pressure	mass arena, interest group arena, distributional (left-right) vs. identity logic gal-tan	politicization fuels domestic opposition towards further visible integration (output), depoliticized modes (outcome) might constitute an escape route
<b>Differentiated integration (DI)</b>	diverging national interests, functional pressures of cross-border cooperation	vertical and horizontal differentiation, external and internal differentiation	output only applies in certain jurisdictions (horizontal DI)/ policy fields (vertical DI)

### *2.1.1 Neofunctionalist theorizing*

Neofunctionalist theorizing (NF) of European integration has its root in functionalism, a strand of International Relations. David Mitrany's book "A working peace system" (1943) was a landmark in this school. Mitrany seeks to explain why states cooperate in response to increasing interdependence, and argues that we see a move from sector-specific cooperation in areas of "low politics" which over time spills over to other areas, notably those of "high politics". Ernst



B. Haas takes up this functionalist reasoning of spillover effects and European integration dynamics in his book “The Uniting of Europe” (1959) which analyses the early phase of European cooperation in the 1950s. He adds nuance to previous theorizing arguing that integration is not an automatism, but depends on rational interests of the actors involved – these include national governments, parties, associations and supranational institutions. A key driver of integration, Haas argues, are supranational institutions. In a longitudinal perspective, NF theorising expects that a state-like entity emerges over time and that key actors will shift their loyalties towards this new entity. Dynamics in one area are expected to spillover to other, adjacent policy areas. We could thus expect that monetary integration over time spills over to financial integration. More recently, however, neofunctionalist theorizing has also been used to explain negative spillovers not in terms of more, but rather less integration (Howarth and Quaglia 2020).

### *2.1.2 Liberal intergovernmentalism*

Andrew Moravcsik laid the milestone of LI with the publication of his book “The Choice for Europe: Social Purpose and State Power from Messina to Maastricht” published in 1998. His theorizing of European integration roots in intergovernmentalism, a theory of international relations. Intergovernmentalism puts the role of national governments front and center and conceives of international institutions mainly as devices to realize the goals of nation states. According to this logic, integration will always reflect the interests of the participating states. That said, external pressures do affect the interests of cooperating partners. Moravcsik explains integration as the result of the choices made by national governments who respond to powerful domestic economic interests (Moravcsik 1998). Importantly, intergovernmentalist theorizing assumes that integration outcomes can be reversed. Overall, LI focuses on policy output, that is political decision-making mainly influenced by the member states, and to a large extent has been developed against the background of EU treaty revisions, i.e. moments of taking history-making decisions. LI is much less suited to explain dynamics of policy outcomes, as we define them in this paper.

### *2.1.3 Postfunctionalist theorizing*

Post-functional theorising builds on neofunctionalist theorizing discussed above. The starting point is the observation that the history of integration proves neofunctionalist theorizing wrong. We have not seen a shift of loyalties towards the EU over time, but rather a move from a

“permissive consensus” to a “diverging consensus”. Lisbeth Hooghe and Gary Marks have therefore formulated their postfunctionalist theory of European integration (Hooghe and Marks 2009). They argue that there is increasing politicization of EU politics in the member states which involves public opinion and interest group pressure as two distinct arenas, namely the mass arena and the interest group arena. While the latter is driven by a distributional logic, the mass arena is characterized both by a distributional logic and an identity logic. The distributional logic corresponds to the classical left-right divide, the identity logic to a divide between a group adhering to green-alternative-libertarian (gal) values as opposed to a group adhering to traditionalism-authority-nationalism (tan) values. The focus on contestation has brought the possibility of disintegration and dissolution into the picture, with a growing literature on the explanatory factors for less rather than more integration either with regards to policies or entire territories (Vollaard 2014, Héritier 2019). One might assume that such contestations is particularly prevalent in areas of high rather than low politics and redistributive rather than regulatory policies, given the role of issues such as immigration and EU budget contributions during the Brexit campaign.

#### *2.1.4 Differentiated integration*

Finally, the EU has been conceptualized as a system of „differentiated integration“ (Leuffen et al., 2013; De Burca, 2000; Kölliker, 2001; Schimmelfennig and Winzen, 2014; Schimmelfennig et al., 2015). The starting point of this strand of conceptualization (rather than theorising) is that the discussion on integration relies on a misperception to the extent where it treats equal participation and cooperation of member states as well similar integration outcomes across policy fields (which one could derive from neofunctionalist theorizing) as the rule. Rather, horizontal and vertical differentiation are considered to be the standard outcome. Horizontal differentiation describes the situation where not all member states participate in integration steps, e.g. by opting out from EMU. Vertical differentiation describes uneven centralization across policy fields, e.g., the weaker degree of fiscal compared to monetary integration. Unlike neofunctionalist theorizing, differentiated integration does not assume a unidirectional process towards an ever closer union. Rather, it is also used to account for (differentiated) disintegration (Schimmelfennig, 2018; Vollaard, 2014; Jones, 2018; Webber, 2014) in order to explain recent developments such as Brexit. Relating back to our categories of output and outcome, we might expect that differentiation in output has ramifications for outcomes, also in a sense that the differential (geographical or policy) scope of decisions cannot

be maintained in the implementation stage, i.e. that there are spill-overs in a neofunctionalist sense (as discussed for EMU and financial integration by Howarth and Quaglia 2020).

## **2.2. Neoinstitutionalist theorizing**

Neoinstitutionalist theories ask how institutions can change over time. Neoinstitutionalism has been used to explain change at the European level as an alternative to the European integration theories discussed above. Moreover, it is a useful lens to account for diverging adaptation to European integration and reform outcomes at the national level, which is at the heart of the crosscutting strand of Europeanization research (e.g. Börzel and Panke 2013). Institutional theorizing includes rationalist, sociological and constructivist, as well as historical approaches as the three major neo-institutionalisms (Hall and Taylor 1996). Some authors add a fourth variant, discursive institutionalism, which puts discourse front and centre, and resonates with constructivist approaches (Schmidt 2010). Historical institutionalist approaches may use either rationalist or constructivist logics. Figure 3 depicts the four neoinstitutionalisms and their explanatory model.

**Table 3: Neo-institutionalist theorizing**

Theory	Explanatory approach	Key concepts	Expectations
Rational Choice Institutionalism (RCI)	Logic of calculus actor-focused; utility-function, preferences, cost-benefit-maximizing Logic of calculus	principal-agent, moral hazard, adverse selection, regulatory capture, stable equilibrium, free-riding, veto points, veto players	reforms will happen when they are pareto-optimal or when most powerful actors support change
Historical Institutionalism (HI)	contingent; timing and sequences shape behaviour and change “history matters”, lock-in, institutional reproduction	path dependence, critical juncture, punctuated change, gradual change (layering, displacement, drift, conversion)	reforms will build on previous reforms (incremental and gradual change), radical change only in response to a critical juncture
Sociological Institutionalism (SI)	logic of appropriateness actor-focused, norms, identity, social practices, representation, learning logic of appropriateness	cognitive framework, norms, policy ideas, policy learning, socialization	reform output and outcome depends on norms and cultural factors
Discursive Institutionalism (DI)	framing, ideas, and discourses	input, output and throughput legitimacy	reform output and outcome depends on narratives and on legitimacy discourse

### 2.2.1 Rational choice institutionalism

Scholars of rational choice institutionalism (RCI) follow the assumption that political actors always aim to maximize their utility. Institutional design is seen as a solution to a collective action dilemma. The application of RCI argues that institution-building and institutional change are possible when actors can achieve mutual gains. RCI departed from pure rational choice theories of government in explaining how rules shape the behaviour of legislators and other policymakers and help to overcome permanent anarchy (Hall and Taylor 1996). The theorization of rational self-interested actors who play repeated rounds in a game for maximized gains puts the RCI approach close to liberal intergovernmentalism (Pollack 2014) and new institutional economics. RCI treats institutions as political equilibria. For example, the prevalence of moral hazard and the fear of freeriding are seen as major obstacles for reform in the field of redistributive policies (Herzog 2011). Principal-agent-models are used to explain

implementation hurdles, and have often been linked to economic oversight (Barbone and Poniatowski 2013). Another explanatory variable in RCI are veto points and veto players. One theory-driven expectation here is that the number of veto points is affecting the chances for policy change (Tsebelis 2002).

### *2.2.2 Historical institutionalism*

Historical institutionalism (HI) emphasizes the important role of timing and sequencing in institutional design and change. The most important concept of HI is path dependence, which broadly implies that “history matters”. HI argues that historical processes are neither deterministic nor always open to change in all directions. Instead, specific policy outputs and outcomes generate positive feedback loops, further institutional build-up, which make deviation from a trajectory both politically and economically costly. This may lead to lock-in-effects of non-optimal institutions. Hence, according to more traditional HI theorizing, massive change is most likely to occur during crises and other critical junctures, since the rules are otherwise locked-in. Critical junctures destabilize institutions and create windows of opportunity (Capoccia and Kelemen 2007, Baumgartner and Jones 1993). Accordingly, HI views the Eurozone crisis as a period of uncertainty with more possible pathways (Verdun 2015). Historical institutionalist theorizing of gradual change, however, offers a more nuanced approach to change which can also occur regardless of critical junctures (Mahoney and Thelen 2010, 15-18). Unlike RCI, HI allows for a perspective that conceives of institutions as flawed and inefficient (Pollack 2019). The persistent lack of democratic institutions for the EMU and the decade-long absence of political change in this field might be considered being a prime example in this respect (Verdun 1998, Scharpf 2015).

### *2.2.3 Sociological institutionalism*

The sociological or constructivist institutionalist approach criticized that the definitions of institutions by both RCI and HI were too narrow. It defines institutions as formal rules and informal norms, and social practices that are socially embedded in a specific context (Jenson and Mérand 2010). SI rejects the assumption that actors’ behavior can be modeled as a utility function and argues that actor-specific elements such as identity (e.g. European or national), shared experiences, and learning from the past shape cognitive frameworks which can explain actor behavior (Saurugger 2013). Economic preferences and popular opinion as expressed in surveys are thus dependent on specific frameworks and open to change when actors learn and

make new experiences (Saurugger 2016). Another important stream of SI research investigates the role of language and translation in policymaking and implementation (O'Connor 2005).

#### *2.2.4 Discursive institutionalism*

Another lens to study institutional change is by looking at discourses. This includes both public discourses, e.g. in news media, and elite discourses in Brussels. This research asks, inter alia, how actors seek legitimacy for their policies by using different framing techniques. According to Vivien Schmidt (building on previous work by Fritz Scharpf), legitimacy can take three forms: output, input and throughput legitimacy. Output legitimacy is characterized by superior (economic) results, e.g. welfare benefits from the single market. Input legitimacy originates in popular support via elections or concertation with powerful membership organizations. Finally, throughput legitimacy is achieved by transparent, accessible and participatory political processes, which allow citizens and stakeholders to engage on issues (Schmidt 2020).

### **2.3 Critical political economy approaches**

There is also a literature addressing related topics from a critical political economy lens (Bigo et al, 2020), although less frequent than institutionalist or integration theory reasoning. We can broadly distinguish two different critical political economy approaches towards the explanation of EMU (non) reform. The first, historical materialism, takes a broad structural perspective on corporate interests and locates the latter on transnational class relations in the EU. The second borders on institutionalist approaches, by highlighting the institutional heterogeneity of capitalist institutions on the national level in EMU member states (in contrast to the focus on EU level institutions discussed in section 2.2 above).

**Table 4: Critical political economy theorizing**

Theory	explanatory approach	Key concepts	Expectations
Historical Materialism	class struggles, transnational class alliances	social relations of production, class fractions, intellectual hegemony, organic intellectuals	Reform output and outcomes follow the preferences of the most powerful class fractions
Comparative Capitalism	comparison of institutions of capitalism on national level	nationally distinct models of capitalism, institutional complementarities	reform output and outcome depends on compatibility with national level institutions

### *2.3.1 Historical materialism*

Historical materialist approaches towards European Union and EMU (non) reform place the latter in the context of transnational class relations (Bieler and Salyga 2020). Particularly prominent are neo-Gramscian approaches, arguing that the institutional design of EU reforms follows the preferences of transnational class alliances of the leading capitalist fractions, based on the intellectual hegemony created by organic intellectuals. With regard to the latter, the European Roundtable of Industrialists is particularly important (van Apeldoorn 2002). A particularly prominent argument highlights the importance of the EU treaties, of EMU and of EMU stabilization conditionality as a “new constitution” for the economy, safeguarding that the latter is working according the ideas of economic (neo-/ordo) liberalism and suppressing alternative models for ordering the economy (Gill 2001). Price stability, for example, has taken preference over full employment, due to EMU rules. However, the (neo-/ordo) liberal character of these rules also lead to opposition, by disaffected class fractions (Bailey et al. 2017). Studies that take into account the importance of elite actors and their personal influence in international law-making stress the need for being open to proposals that have failed, so that the respective actors’ attributes and relations come to light (Block-Lieb and Halliday 2017).

### *2.3.2 Comparative capitalism*

Comparative capitalism (CC) scholarship takes issue with one size-fits-all approaches towards EMU reform coupled with further fiscal and political integration (Nölke, 2020). Policy-makers as well as orthodox economic scholarship on the European Union – and the Eurozone in particular – prescribe similar economic policies for all member economies. This does not sufficiently take into account the different national path dependencies of the member states –

an observation already made by Brunnermeier et al. (2016) with regard to “national economic philosophies”. The EMU focus currently is on external competitiveness via wage restraint, public sector austerity and – to a more limited extent – private sector investments in research and development. CC scholarship, in contrast, has long pointed to the diversity of capitalist models in the EU, inter alia including the “Liberal Market Economy” of the United Kingdom, the “Coordinated Market Economies” of Germany and Austria and the “Dependent Market Economies” in the Visegrád countries (Nölke 2016). Depending on the institutional complementarities within these economies, very different economic policies may be adequate. CC scholarship has highlighted that the co-existence of this capitalist diversity necessarily leads to far more – and even destabilizing – tensions, if combined with a common currency. In particular the demand-compressing policies advocated after the Eurozone crisis produce highly destructive effects in those Southern economies that traditionally have been based on consumption-led growth (Stockhammer 2016).

### 3. Empirical research on the reasons for EMU reform (non) implementation

#### 3.1. Research on the stabilization of the financial sector

Political scientists have analyzed reform output and outcomes in this area using all three theoretical lenses discussed above. The creation of the EBU (output) and its implementation (outcomes) in particular has been approached from the lens of integration theories. Authors adopting a *neofunctionalist perspective* have identified a trend towards more centralized state capacity with the creation of the EBU (Epstein 2017, Epstein and Rhodes 2018, 2016). Authors adopting an *intergovernmentalist lens*, by contrast, have emphasized national opposition, for instance when it comes to banking resolution. These studies shed light on how member states were reluctant to cede resolution powers, and were opposed to have either the ECB or the Commission hold respective competencies (Donnelly and Asimakopulos 2019, 8). They provided evidence how the largest euro area members managed to retain control (Asimakopulos 2018), or how the creation of the SRM was driven by “political opportunism” (Mayes 2017), and how the creation of the SRB was shaped by the diverging policy preferences of France and Germany (Schild 2018). Integration theories are also helpful to assess institutional and policy outcomes. The creation of the EBU, for example, has been discussed as a case of *differentiated integration*, namely as a “differentiated leap forward” (Schimmelfennig 2016). Differentiated integration points to both, divergence as to the degree to which competencies are shifted towards the supranational level policy-wise (vertical differentiation),



but also the extent to which member states participate or not (horizontal differentiation). Howarth and Quaglia have recently bridged a *neofunctionalist* analysis of integration dynamics and the concept of differentiated integration, arguing that the creation of EMU over time has had negative spillover effects of financial market integration, resulting in “one money, two markets” (Howarth and Quaglia 2020). Eckert (2022a) analyses the external dimension of differentiated integration in the banking area, and questions the extent to which Switzerland and the United Kingdom as third countries have access to the EU’s sectoral governance.

*Rational choice institutionalism* is a dominant lens in the literature on agencies and regulatory networks (delegation and principal agent theories in particular) (Thatcher and Stone Sweet 2002, Tesche 2020). *Historical institutionalist theorising* has been used to explain why change in the area of financial and banking regulation was slow and difficult (Grossman and Leblond 2012), but also to account for the creation of the EBU as a punctuated change, departing from the “tradition of gradual institutional innovations observed in EMU so far” (Glöckler, Lindner, and Salines 2017, 1146). Moreover, historical institutionalism is an insightful approach to grasp processes of institutional layering and “second-best” solutions which, for instance, characterize the EBU’s architecture (Thatcher and Coen 2008, Eckert 2020). Eckert (2022b) has bridged historical institutionalist theorizing of gradual change to the discussion of distinct paths of integration in order to analyze the policy outcomes of sectoral governance. She concludes that establishing a link between governance arrangements and policy outcomes is a tentative one, as many alternative explanatory factors come in. Her findings are mixed for the banking case: while overall the creation of institutionalized coordination bodies has contributed to market integration, there are also signs of partial renationalization especially during periods of crisis.

A specific strand of literature has examined the role of European regulatory networks and agencies (Thatcher and Coen 2008, Levi-Faur 2011, Blauburger and Rittberger 2015). Changes in the securities sector, moving from a committee structure (CESR) to an agency (ESMA), for instance, has attracted wide attention (Coen and Thatcher 2008, Maggetti and Gilardi 2011), and is most frequently explained in historical institutionalist terms as a process of “layering”. Legal contributions in the field frequently point to the degree of discretion left to national authorities and market actors in the EBU (Zavvos and Kaltsouni 2015, 25). Clearly, this line of argumentation resonates with *rational choice institutionalism*. These authors stress the extent to which the Single Rule Book relies on soft law and guidelines, and hence allows for national options and discretions (Ferran and Babis 2013, 285, Lastra 2019, 13, Kudrna and Puntser Riekmann 2018). Another element discussed in this strand of the literature is the leeway for the regulated industry. In a context where the EU single supervisor lacks the

competencies to override substantive differences in prudential regulation multinational banks can choose to either establish subsidiaries, subject to supervision by the host country, or branches, subject to supervision by the home country (Tröger 2014, 14, 20-21). *Constructivist institutionalist theorizing* is another perspective been used to discuss the advent of policy agendas such as the one on CMU, which Quaglia and Howarth have analysed from a policy narrative perspective (Quaglia and Howarth 2018).

Finally, a *critical political economy lens* usefully complements these perspectives as it draws closer attention to the interlinkage between market power structures and the political process. For instance, it takes into account how powerful actors have played a role in the evolution (output) and functioning (outcome) of the Banking Union (Culpepper and Tesche 2020), or discusses the political economy in the making of the CMU (Quaglia, Howarth, and Liebe 2016). This lens sheds light on how government preferences are influenced by national models of capitalism and related domestic banking structures and policy legacies (Massoc 2019, Spendzharova 2014), but also how market actors' power plays out in the policy process. Taking into account the types of power (structural, instrumental) regulated industry holds in the banking sector is, for instance, a useful perspective to grasp the role of big banks in the EBU's functioning (Culpepper and Tesche 2020). Mapping actors' political and European capital and their network relations can explain why certain reform proposals have failed (Georgakakis and Rowell 2013b, a).

### **3.2. Research on the supervision of member state economies and economic policies**

The research on the new EU economic governance after the Eurozone crisis has focused on both reform output as well as reform outcomes, with a considerable lack of research on reform proposals that were not adopted. In terms of reform adoption, research focuses on the two-pack, six-pack and Fiscal Compact, often in accord with the ESM, and the EFSF that was established at the same time. Given that most reforms were adopted in the early 2010s and academic debate has now shifted dominantly to implementation, relatively little research has been conducted on the adoption of the European Pillar of Social Rights (EPSR) and the non-adoption of far reaching proposals as a Euro Finance Minister.

Regarding policy output, several authors have explained the adoption of the Two-Pack, the Six-Pack and the Fiscal Compact from an *intergovernmentalist* perspective. National governments did not delegate power to supranational authorities, but aimed to achieve policy coordination through intensified intergovernmental coordination (Puetter 2012). They point out that the Commission and the ECB have been relegated to observatory positions and providers of

services for the intergovernmental deliberations (Bickerton, Hodson, and Puetter 2015). This is in agreement with studies that apply a *neofunctionalist* or *historical institutionalist* perspective respectively. Nicoli (2019b) and Verdun (2015) find insufficient evidence for *neofunctionalist* or *historical institutionalist* explanations respectively for the successful reform agenda. Indeed, most scholars agree that ‘high politics’, i.e. politics that refer to core state powers such as budgetary sovereignty, still follow a predominantly *intergovernmentalist* integration mode. Accordingly, reform or non-reform is best explained by governments’ preferences and their negotiation positions. This explanatory model has shifted the research towards the understanding of preference formation, bargaining power, and coalition building.

There is, however, significant disagreement on the importance of the German position for reform outcomes, especially during the early 2010s. Applying a quantitative and comparative dataset, Wasserfallen et al. (2019) showed that contrary to often assumed German dominance, negotiations led to compromise and were not dominated by one or two countries. Scholars who approach the questions of reform or non-reform from *critical political economy* perspective, meanwhile, argue that the strength of the German export sector led to the German dominance in the negotiations and that the economic supervision and austerity reflect German preferences (Konecny 2012). Critical political economy approaches also highlight the importance of dominant ideas and ideologies among policy elites such as *ordo liberalism* and argue that long-term ideational trends and not economic cost-benefit analyses have shaped government preferences for fiscal austerity (Blyth 2013, Matthijs 2016, Matthijs and McNamara 2015). Similarly, in a rare case of the inclusion of unsuccessful reforms, Schoeller (2017) argued that German leadership in a reform process explains whether a reform is adopted and in turn depends on German leadership perceived net benefit. While they supported the Fiscal Compact, they did not support a proposed Super-Commissioner for Economy and Finance at the same time.

Similarly, the disagreements regarding the policy outcome of supervisory reforms are often found in the interpretation of the empirical evidence, but less so in the theoretical conceptions. Most research on implementation approaches the issue from an explicit or implicit *institutionalist* point of view. According to Verdun and Zeitlin (2018) the research runs along three crucial axes: from economic to social policy, supranational to intergovernmental positions and from technocratic to democratic forms of governance. The implementation (outcome) takes place through the European Semester, a yearly undertaking of reports and recommendations to streamline national fiscal, economic, and social policy in accordance with the respective EU policy objectives and targets. In recent years, the Semester has become a focal point for the study of EU impact in these policy fields. The measurement of successful implementation is at

least two-fold: First, a number of studies measures to which degree reports and recommendations by the European Commission follow the policy objectives lined out in the respective legislation and how social, economic, and fiscal targets compare to each other, and second, country case studies and comparative analyses measure the implementation of recommendations on national, regional, and sometimes local level. Explanatory approaches for reform outcomes fall into two categories: structural and actor-centered approaches, both anchored in institutionalist thinking.

First, Jordan, Maccarone and Erne (2020) find that the implementation of fiscal rules depends on the current economic problem-load. When the severity of the Euro crisis decreased, so did the implementation of economic reforms proposed in the Semester. Likewise, quantitative analyses of reform implementation found that participation in financial assistance programs as the ESM, high unemployment and market pressure increase national reform implementation, but without long-term effects (Darvas and Leandro 2015). Smaller countries are more likely to implement reforms than bigger ones, highlighting the role of political power in European decision making (Gros and Alcidi 2015).

Second, Zeitlin and Vanhercke (2018) find that the decrease in implementation of fiscal rules corresponds with increased activity in the field of social policy. Building on the theory of *actor-centered constructivism*, an advancement of *sociological institutionalism*, they argue that this change in policy recommendations is caused by the application of strategic agency and learning techniques by supra-national actors such as the Employment Committee (EMCO) as well as successful lobbying by NGOs and social partners. Accordingly, implementation success is linked to discursive constellations within and outside access to the institutions that prepare policy reports and recommendations in the Semester. Applying a *rational choice institutionalist* principal-agent framework, Savage and Howarth (2018) find that the European Commission has not been able to strengthen the quality of statistics used in the Semester, a crucial feature for reform implementation. Finally, Crespy and Vanheuverzwijn (2019) find that the policy recommendations linked to structural reforms have contained ambiguous, even contradictory advice, making implementation impossible.

In sum, the reform balance in the field of economic supervision is ambiguous. While member states succeeded in agreeing to far-reaching reforms (output), the implementation (outcome) looks mixed at best. There is little disagreement that the reforms were driven by member states, however there remains substantial uncertainty as to whether the reforms depict political compromises or were more-or-less dictated by a few powerful member states, notably Germany. Looking at implementation, the research finds less activity in the second half of the

decade, but disagrees, whether this is driven by structural, economic reasons or discursive changes.

### 3.3. Research on fiscal solidarity

Before 2020 and the Covid-19 recession, only a few reform proposals generated a policy output, most notably the creation of the European Stability Mechanism (ESM) in 2012. The ESM created a capacity for fiscal risk sharing between Eurozone member states, labeled as ‘monetary solidarity’ (Schelkle 2017). Other proposals, such as Eurobonds, a Euro Area Budget or a European unemployment insurance have not been adopted, let alone officially proposed by the European Commission. Instead, they have only been endorsed by various actors as heads of government, European and national parties and parliamentary groups. Accordingly, the research has focused on policy output, while analysis of outcome is scarce. The ESM is generally discussed jointly with economic oversight reforms since they have been adopted simultaneously and financial aid is conditional on the acceptance and implementation of the Fiscal Compact. According to Gocaj and Meunier, the creation of the ESM locked-in the EMU on a path of intergovernmental treaties (2013) from which it could not defect later when the Commission proposed to integrate the ESM into the European legal acquis as a European Monetary Fund (EMF). From a *historical institutionalist* perspective, the successful ESM implementation made future reforms more unlikely. Thus, it is an example of second-best institutional framework that became a permanent structure. Smeets, Jaschke and Beach (2019) slightly disagree with regard to the historical institutionalist lock-in effect. They argue that the supranational institutions played no role in the creation of the ESM but leveraged their institutional position to later expand the scope and size of the ESM. While the creation of the ESM (policy output) is characterized by high political salience and the prevalence of high politics, the latter changes (policy outcome) are low politics. The adoption of the ESM shows a common pattern: The policy output is best explained by governments’ preferences, but the actual scope of implementation is linked to decision-making processes at the supra-national level. Accordingly, the failure to reform the ESM into an EMF may be caused by greater opposition from member states, i.e. based on an *inter-governmental* approach. Opposition to the proposal came from governments who opposed the ESM in the first place as well as those who favored its current institutional design (European Parliamentary Research Service 2019 ).

Most literature on the lack of fiscal activity in the EMU explains this instance by either structural or political factors. Structural factors include the decision-making process in the Council that leads to a race to the bottom (*rational choice institutionalism*), economic

heterogeneity and diversified growth models in the Eurozone (*comparative capitalism*) as well as the lock-in-effect which was already mentioned (Scharpf 2015, Maricut and Puetter 2018, Fernandes and Maslauskaitė 2013). Political factors on the other hand are found in opposition from voters and interest groups. Walter, Ray, and Redeker (2020) argue that the non-willingness to commit towards more sharing was caused by unfavorable preference formations of national interest groups – a core factor highlighted by *liberal intergovernmentalism* and even more so by *comparative capitalism* literature - rather than structural hurdles.

Mertens and Thiemann (2018; 2019) have explained the rise of the European Investment Bank (EIB) as an important actor in EU-wide financing from a historical and political economy perspective. They argue that the underdeveloped fiscal capacity allowed the EIB in cooperation with national development banks to become functional equivalent to traditional sources of state investment funding, e.g. in the case of the Juncker Plan.

Recently, a number of publications have studied public attitudes towards fiscal integration/solidarity in the Eurozone to better understand government preference formation that prevents fiscal solidarity. The importance of public attitudes has been highlighted by *post-functionalism* and *discursive* as well as *sociological institutionalisms*. The findings, so far, are still somewhat contradictory. They usually show that ideology/party identification, trust in the EU and European identity/cosmopolitanism and the severity of the Great Recession are most important predictors of support on an individual level and that Germans are significantly less likely to support fiscal solidarity (Franchino and Segatti 2019, Dolls and Wehrhofer 2018, Blesse et al. 2020, Nicoli 2019a, Kanthak and Spies 2018, Blesse et al. 2019). Meanwhile, Vasilopoulou and Talving show that poorer countries are significantly less likely to support fiscal solidarity than rich ones (Vasilopoulou and Talving 2020). Country-level cost/benefit calculations, too, explain variety for support of fiscal integration (Daniele and Geys 2015). An Amsterdam Institute for Social Science Research report has showed that citizens are more likely to support fiscal solidarity, when implementation is decentralized and when social investment policies are attached (Vandenbroucke et al. 2018). However, the diffusion from public preferences as expressed in survey data to reform activity is ambiguous. The fiscal response to the Covid-19 recession, namely the safety nets by the Commission, the ESM, and the EIB, and the Resilience and Recovery Fund, have started

### 3.4. Research on cooperative dissolution of (parts of) the Eurozone

In contrast to other issue areas of EMU reform, research on proposals to dissolve the Eurozone is very limited since no member state has yet left the EMU. Therefore, this section can only focus on the non- output of this policy field. This research mainly consists of economic and legal reasoning about the design of dissolution options, including for example the effects of a redenomination of currencies on balance sheets (Durand and Villemot 2020, Lapavitsas 2018). Even within this body of research, however, there is hardly any analysis on why reform proposals, e.g. on a Greek or Italian exit of the Eurozone, were so profoundly unpopular in the political spheres. Although there are valid economic and legal reasons that make this exit look very unattractive, Eurozone exit might still be an promising option for individual interest groups, parties or think tanks. Still, hardly any of these corporate actors has chosen to further the Eurozone exit cause. Support for the Euro was shared by clear majorities of at least 60 per cent of the population, both in the core and the periphery before, during and after the Eurozone crisis (Verney and Katsikas 2021: 257).

A few studies highlight social forces supporting or opposing Eurozone dissolution in individual countries such as Germany (Schuseil 2012, Candeias 2013), but only in a very sketchy way, not based on systematic data or theorizing. The situation is not much better with regard to government positions. Given that deliberations within the Eurogroup meeting are confidential, we also have to rely on very difficult sources for core questions with regard to negotiations of potential Eurozone exit options, such as accounts by participating ministers (Dijsselbloem 2018, Varoufakis 2017). Obviously, these studies are not based on any comprehensive empirical research.

The only field where more systematic analysis on the reasons for the non-dissolution of (parts of) the Eurozone has been conducted is the study of individual attitudes towards the common currency. Three main factors have been identified (Jurado et al. 2020: 386-7): First, material interests – as would be assumed by theories of *rational choice institutionalism*, but also by some strands of *historical materialism* - play the most important role, for example informing the higher degrees of Euro support by individuals in tradable sectors and/or high levels of human capital as well as financial assets. More specific considerations have been observed during the Eurozone crisis, with pensioners, mortgage-holders and the better-off supporting the common currency by all means, with the younger generation and the industrial regions most affected by the crisis in opposition. A second factor determining support for the dissolution of the common currency were political attitudes (as highlighted by *post-functionalism* as well as *discursive* and *sociological institutionalisms*, with strong support for dissolution in those parts of the electorate

sharing Eurosceptic attitudes and strong opposition with those lacking trust for their national governments (particularly in Eastern/Southern Europe).

Walter et al. (2020) and Jurado et al. (2020) have undertaken the most sophisticated studies in this field. They ask why the Eurozone crisis was so difficult to resolve, why some actors had to bear a much larger share of the costs and why no country has chosen to leave the Eurozone, in spite of the massive costs involved, such as extreme austerity. These authors *inter alia* have used survey data from a poll conducted one day before the 2015 Greek bailout referendum in order to find out why people vote in favor of remaining within the Eurozone, highlighting the importance of threats (“costly signals”) by foreign actors (in line with *intergovernmentalism* and *historical materialism*), but also the ability of elite actors to frame monetary alternatives very negatively, highlighting the high degree of uncertainty *discursive* and *sociological institutionalisms*). Later, Walter has extended this line of research to a research program on the “mass politics of international disintegration”, but now with a focus on Brexit and Swiss referenda. In principle, the massive body of research by now available on the causes of the Brexit decision might be used for identifying factors potentially causing exits from the Eurozone (Oliver 2017), but so far these potential parallels have not been explored yet (even leaving aside whether EU exit can be compared to Eurozone exit).

Currently, very innovative survey experiments are being undertaken at the Max-Planck-Institute for the Study of Societies in Cologne. Baccaro et al. , e.g., found that only a fragile majority of Italians support the country’s EMU membership and that a European bail-out coupled with austerity policies would significantly decrease support for EMU membership in this country (Baccaro, Bremer, and Neimanns 2020), a development also envisaged by Jurado et al. (2020: 402). Still, this research is only in a very preliminary stage and we don’t know very much about the reasons why suggestions for the cooperative dissolution of the Eurozone have not gained substantial traction with political actors, even in member states where parts of the population were suffering massively from EMU and EMU stabilization policies.

### **3.5 Mapping explanatory factors for EMU (non) reform**

Taking stock of political science research covering reforms in four policy fields sheds light on the overarching questions, when, how, and why reforms are possible and implemented. The key explanatory factors identified in this literature can be summarized as follows.

First, we find that explanatory accounts of the initial stage of reform output often refers to the relevance of member state interests. Especially in the area of fiscal and redistributive policies, the question whether reforms take place firmly lies in the hand of the member states. Reforms



in these policy fields are often part of ‘high politics’ which touch upon core member state competences, especially where they concern fiscal and budgetary power. Supranational actors such as the European Commission, let alone the European Parliament, have had only limited success in pushing through their agenda when they did not form coalitions with member states. The cases of the EMF, the CCCTB or EDIS are proof of that. As such, some politics of EMU reform, especially in the fields of economic governance, fiscal solidarity, and cooperative dissolution may now constitute a new form of ‘high politics’ since they are vital for core state powers of democratic decision-making and financing (see also Eckert et al 2020). This broadens the concept, since high politics traditionally refer to policy areas as defense and foreign relations, while economic and financial affairs were considered ‘low politics’.

Second, we find inconclusive evidence as to the formation of preferences, the bargaining positions, and the importance of certain interest groups/voter blocs for reform output. On a meta level, we can roughly divide between two sub-sets of explanations: structural and political (social) explanations. Structural explanations focus on the importance of socio-economic diversity, economic problem-load, institutional settings and path dependence. Politically driven explanations on the other hand focus on actor preferences (e.g. Member States, supranational institutions, interest groups, transnational class fractions), the politicization of certain reforms, mass politics, and intellectual hegemony. Hence, structural explanations are linked to institutions and socio-economic conditions, political explanations focus more heavily on interests and ideas. The exact balance between the two types of factors remains highly controversial. Many authors have taken the position that structural factors such as built-in design failures (e.g. the need for unanimous decision making in the European Council) and the economic diversity of member states make meaningful EMU reform almost impossible to achieve (Armingeon and Baccaro 2012, Armingeon and Cranmer 2018, Höpner and Seeliger 2019, Höpner and Lutter 2018, Streeck and Elsässer 2016, Hall 2014, Hall 2012). Testing the influence of both political and structural factors on member states’ preferences between 2010 and 2015, Târlea et al. (2019) also found that public opinion and electoral considerations can not explain respective positions. Recently, however, Walter, Ray, and Redeker (2020, 257) argued that conditions which block reforms are “not just structural, but also rooted in politics”. Their analysis of interest group preferences show that EMU reform may not be easy to achieve, but that the central question must be how, when, and under which conditions they can be successful instead of whether they are possible at all. Additionally, they find that the importance of interest group preferences, electoral concerns, ideological orientation etc. depend on other factors such as the economic climate and *vice versa* calling for explanatory models that center

on conditionality instead of linearity. Hence, a comparative perspective must include factors that cover both types of categories.

Building on the theoretical approaches as well as the empirical studies, the following five categories – and preliminary suggestions for operationalization – may prove useful for such an analysis. In each category, various sets of conditions can be used, either individually or conjunctural. However, final conditions cannot be defined upfront, but must be evaluated and tested, both for reform output and outcome:

- Socio-economic situation (e.g. economic crisis): Possible data series include unemployment, debt and deficit ratio, and GDP. Data may cover the EU/EMU proper, but definitions can also be conditional on a number of countries meeting or missing certain targets.
- Supranational agenda-setting and decision-making: agenda-setting ability and influence of supranational institutions, including the European Commission, but also the Parliament, and the ECB. Data collection: policy proposals issues by the European Commission, legislative process in the European Parliament and in the Council, proposals and documents issued by the ECB
- Institutional constraints: This condition will include the number of actors, especially the number of veto players in a legislative process, voting rules in the European Parliament and European Council and the Eurogroup (unanimity, qualitative majority vote), and legal constraints such as the European treaties and ECJ case law.
- Inter-governmental support: Possible operationalizations include national coalition composition, party memberships of heads of government and finance ministers, and voting records from the European Parliament. In line with theoretical expectations, it can also be useful to include positions of a single member state as Germany as a proxy for political support.
- Interest group politics/lobbying: The power of interest group lobbying in the EU is widely researched (e.g. Klüver 2013, Dür et al. 2019), various indicators are used to measure access to and/ or influence on the decision-making arena

Third, reform outcomes differ over time and space. Studies must therefore be time-and space-dependent and general conclusion are hard to make. However, the evidence on national level implementation – a research area not covered in our survey – suggests that supranational institutions as well as member states who are legally obliged to undertake certain reforms have some leeway that they are willing to exploit. This literature focusses on two categories of variables to explain (non) implementation: country-specific socio-economic conditions (i.e.

better or worse economic outlook) are relevant in the area of economic governance. Furthermore, actor-centered perspectives and discursive changes within the institutions that undertake, review, and report about reforms are often mentioned, and so is institutional capacity. The concept of ownership is now widely used to analyze the willingness and degree of reform outcome (Munta 2020, Vanheuverzwijn and Crespy 2018, Maatsch 2017). The latter part of the overall reform process provides the greatest chance for outside actors to impact reform activity. Further research needs to establish whether these results on national level implementation can be generalized to the European level as well.

Overall, the research on both reform output and outcome shows a high degree of case-specific and conditional explanations. Reform activity and success depend on multiple factors. Moreover, the impact of these factors may vary on circumstances. Therefore, Qualitative Comparative Analysis (QCA) offers itself as a useful research method to compare the (non) implementation of policies, both over time and space. Unlike linear regression analyses, QCA aims to identify sets of conditions, i.e. “pathways” that lead to specific policy outcomes. Additionally, asymmetry in the analysis leads to case-specific explanations of non outputs and outcomes in the reform process, obviously a crucial feature given the mixed reform success (Schneider and Wagemann 2012, 76ff). Thus, it may incorporate various regimes of high and low, redistributive and regulatory politics, and provides an openness for the possibility that structural and political explanations are not mutually exclusive, but dependent on circumstance. In recent years, some studies explored the impact of EMU accession and membership on national politics in areas as social concertation (Avdagic, Rhodes, and Visser 2011, Bender and Ebbinghaus 2020), wage setting (Park and Young 2015), welfare state spending and cuts (Baccaro and Heeb 2012, Shahidi 2015), and national growth strategies (Cacciatore, Natalini, and Wagemann 2015). However, to date there are no studies on genuine European reform politics.

#### 4. Conclusion: Understanding and delivering change

This article has studied research on EMU reform from two angles: First, it presented theoretical frameworks for the analysis of EMU reform, and second, it surveyed the application of these theories for reform activity in four policy fields. Policy output, i.e. the legislative result of negotiations is distinguished from policy outcome, i.e. the realization of reforms at supranational level.

In general, research on the reasons for EMU (non) reform runs along two axes: the distinction of high and low politics, and the competing explanations of structural and political factors. A future research agenda in this field should pay attention to some shortcomings of existing studies with regard to theories, subjects and methods. In terms of theories utilized, most research on EMU reform still uses well-established theories on European integration. While these theories have led to very valuable insights, future research should make more comprehensive use of the social science toolkit. With regard to the specific subjects of existing studies, most focus thus far has been on the explanation of the (non) implementation of individual EMU reform efforts. Much rarer are comparative studies on various reform initiatives. And the few comparative studies that do exist (e.g. Târlea et al 2019) have a fairly narrow focus on interest group or governmental preferences. A very promising methodological avenue of research, finally, would be to conduct QCA-based investigations for the identification of sets of conditions that are conducive to successful reform.

Still, existing research as summarized in this paper already provides policy-makers with a few early lessons for future reform initiatives. EMU reform initiatives that entail redistributive policies – instead of regulatory issues – will most likely be confronted with a high degree of politicization in domestic discourses, in particular in those societies that consider themselves to be on the donor side of fiscal transfers and in those societies that fear the imposition of strict conditionalities for domestic economic and social policies. These policies have become the realm of ‘high politics’ and this increases the likelihood of non-implementation of reform considerably. Second, policy-makers need to take into account both structural and actor-based hindrances for successful reform implementation. Opposition to reform stems both from structural factors such as the heterogeneity of member state economies or EU level decision rules, and from powerful actors including member states, interest groups and supranational institutions. Third, time and space are important categories for understanding different reform outcomes. Solutions that have worked in a specific situation may not be replicable in a different one.

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