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4 Chapter Four: Historical Institutionalism (HI)

HI is generally regarded as one of the three schools of modern new institutionalism (e.g. Hall and Taylor 1996; Aspinwall and Schneider 2001; Pollack 2009, 2010; Rosamond 2010, 2013; Lelieveldt and Princen 2011). Hence, this chapter will first introduce the theoretical background of HI (i.e. the origins of new institutionalism and its applications in EU research), then elaborate on the basic propositions of HI and review the most typical and representative HI analyses of the EU (i.e. Pierson's path dependent theory), and finally, derive hypotheses.

4.1 The Theoretical Background of New Institutionalism

4.1.1 Limits of the Classical Debate between Neo-functionalism and Intergovernmentalism and New Thinking on the EU

In the 1990s, the two grand theories of neo-functionalism and intergovernmentalism, representing two classical debated models — supranationalism and nationalism — to account for EU integration, drew various critiques as they failed to provide accurate explanations for the ever growing EU project. Generally speaking, as was also discussed in the previous chapters, the traditional neo-functionalist-intergovernmentalist debate has been subject to three kinds of criticisms: first, both theories fail to reflect and capture the unfolding reality of the integration project, as neo-functionalism was unable to explain the EC in the 1970s and intergovernmentalism only focused on one dimension of the project while neglecting the fact of EU governance; second, as the derivatives of IR studies, both theories have fallen into the entrapment of the IR perspectives, such as the simple zero-sum opposition between member states and a “superstate” and the characteristic academic practice of “state fixation”; and finally, both theories have their “scientific” limitations, being ambitious to provide a general theory for the whole integration project (Rosamond 2010, 106-109). Despite these critiques, neo-functionalism and intergovernmentalism are two cornerstones that EU studies cannot simply circumvent and these criticisms also stimulated both theories' new developments during and after the 1990s.

The explanative failure of both neo-functionalism and intergovernmentalism (represented by LI), according to Risse-Kappen (1996, 55-57), is rooted in their common weaknesses. First, both assume that the driving forces behind European integration are self-interested actors “whereby the utility functions are defined in economic terms”; as a result, neo-functionalism has no account for “the transition from utility maximizing self-interest to integration based on collective understandings about a common interest”, while LI fails to examine whether EU institutions and the integration process influence actors’ interests and preference formation (Risse-Kappen 1996, 56). Second, both utilize “low” and “high” politics to make a distinction between the easier integrated economic policy areas and other difficult integrated areas such as foreign policies (Risse-Kappen 1996, 56): neo-functionalists hold that “‘low politics’ can be successfully depoliticized through Europeanization”, while intergovernmentalists claim that nation states get strengthened rather than weakened through integration because “transferring issues from the domestic to the foreign policy sphere moves them into the ‘*domaine réservé*’ of executive control” (Risse-Kappen 1996, 57). Third, both adopt a conventional concept of the state, “implicitly adhere(ing) to a Weberian notion of the state as a hierarchical structure of authoritative decision-making enjoying external and internal sovereignty” (Risse-Kappen 1996, 57). Finally, both fail to make a distinction “between domestic structures, i.e. the nature of political institutions, of society, and of state-society relations” (Risse-Kappen 1996, 57).

The controversies between traditional neo-functionalism and intergovernmentalism also suggest that to develop a grand theory to account for all aspects of the EU is impossible. Thus, along with the growth and increasing complexity of the European integration project, scholars in recent years have tended to focus their attention on certain elements or specific policy areas of the EU and rarely attempt to construct a one-size-fits-all theory to encapsulate the whole project (Rosamond 2010, 105). For example, Moravcsik’s LI is taken as “an account of one dimension of the EU, namely, state-to-state bargaining” rather than “a theory of European integration” (Sandholtz 1996, 45), while Sandholtz and Stone Sweet’s (1998) supranational governance does not explain the origins of the EU (Rosamond 2010, 107). Recognizing that “different kinds of theories are appropriate for different pieces of the EU puzzle” (Sandholtz 1996, 427), scholars forged a new academic trend in EU studies as they developed “middle-range theories” to focus and explain certain fabrics

of the EU rather than the whole project (Rosamond 2010, 108). Meanwhile, scholars started to take the “Euro-polity” as an independent variable instead of a dependent variable (Rosamond 2010, 108). As a result, the EU is treated as a political system and analyses began exploring the actual functioning of the EU rather than its origins. Quite often, new research starts from the controversies between neo-functionalism and intergovernmentalism, raising different questions while answering them from more diverse perspectives (Lelieveldt and Princen 2011, 41). For instance, rejecting both supranational and intergovernmental paradigms represented by neo-functionalism and LI, Risse-Kappen (1996) argues for the analysis of transnational/transgovernmental relations, that is, “cross-boundary relations of sub-units of national governments in the absence of centralized decisions by state executives” (58), which emphasize the role of transboundary non-governmental actors and challenge the traditional conception that the state is the only significant unitary actor in IR (57-58). Risse-Kappen (1996, 58-59) makes four propositions of transnational/transgovernmental relations on the EU: (1) the EU’s peculiar institutional structure has been formed by the interaction among interstate relations, supranational institutions and transnational relations; (2) the network of transnational coalitions and organizations affects not only EU policies, but also national preference formation processes via the domestic structure of nation states, and in turn, domestic structures also influence the very nature of transnational actors, such as their independence; (3) EU institutions provide an environment for the flourishing of transnational/transgovernmental relations; and (4) ideas, communicative processes and collective identities also have their impact on the formation of the EU project, so transnational coalitions, and consequently the construction of the EU, are not only the result of the convergence of self-interests, but also shaped by “collectively shared values and consensual knowledge” (59). Risse-Kappen (1996, 59-60) believes that four types of research resemble the notions of transnational relations: Wolfgang Wessels’ “fusion thesis”, Marks et al.’s multi-level structure of governance, the inter-organizational network analysis and HI, and all of these research, from Risse-Kappen’s point of view, can be classified under the rubric of *Politikverflechtung* (interlocking politics) (1996, 60-61), exhibiting a growing convergence among scholars to conceptualize the EU as “a multi-level structure of governance where private, governmental, transnational and supranational actors deal with each other in highly complex networks of varying density, as well as horizontal and vertical depth” (Risse-Kappen 1996, 62). Risse-Kappen contends that the domestic structures of the

member states together with the EU institutional structure determine the degree of EU governance (1996, 67), and beyond rational choice models, communicative actions should also be integrated in EU studies so as to understand the diffusion of ideas and internalization of norms (1996, 72). Risse-Kappen's transnational/transgovernmental argument actually suggests other new approaches to analyze the EU: governance approaches, policy networks, new institutionalism and constructivism (cf. Table 1.1), which demonstrates that when traditional integration theories are not inadequate to capture European integration, scholars begin to look into the new thinking in IR theory and comparative policy analysis and creatively apply them to EU studies. Nevertheless, the two competing as well as complementary models — supranationalism and nationalism advocated by neo-functionalism and intergovernmentalism — have never fallen out of favor with scholars, and they are still useful to account for certain EU policies (e.g. Lieberman and Gray 2006).

To sum up, the neo-functionalist-intergovernmentalist controversies in the 1990s, on the one hand, promoted new theories and approaches to the EU, which, by addressing the contextual factors neglected by the classical dichotomous debate (Lelieveldt and Princen 2011, 41), formulated another distinctive phase as well as a new branch of EU studies: analyzing EU governance besides explaining EU integration (cf. Table 1.1); on the other hand, those controversies point out the inadequacy and shortcomings of the two classical integration theories, encouraging them to absorb new thoughts from other theories and disciplines and adapt themselves to the EU's new situation; thus, the classical debate also promises the necessities and possibilities for the traditional theories to develop and update. Moreover, the classical debate's convergence on HI exhibits the significance to understand and analyze the EU from an institutionalist perspective, and hence new institutionalism, specializing in offering institutionalist explanations and spotlighting EU institutional operation and decision-making procedures, assumes a peculiar status in EU studies.

4.1.2 Old and New Institutionalism

Institutionalism as a theory has a long history. It is argued that “[t]he roots of political science are in the study of institutions” (Peters 1999, 1; 2005, 1; 2012, 1), and great thinkers from Aristotle, Althusius (John of Salisbury), Thomas Hobbes to John Locke and Montesquieu all have recommended a systematic analysis of institutions and their impact on individuals and society (Peters 1999, 3; 2005, 3-4; 2012, 3-4). So

institutionalist research, stressing that individuals are constrained by formal or informal institutions (Peters 1999, 1; 2005, 1; 2012, 1), actually can date back into ancient times. After the Second World War, two theoretical approaches gained in popularity: behaviouralism and rational choice, both of which assume “individuals act autonomously as individuals, based on either socio-psychological characteristics or on rational calculation of their personal utility”, and consequently, “preferences are exogenous to the political process” (Peters 1999, 1; 2005, 1; 2012, 1).⁹⁹ Accompanying the new theories is the transforming of the methodological and theoretical construction in the discipline of political science, which, as a result, demands more systematical thinking about the collection of evidence and more rigorous empirical research methods, such as carrying out hypothesis tests derived from theories by the application of statistics and mathematics (Peters 1999, 11-13; 2005, 12-13; 2012, 12-13). Traditional institutionalist studies primarily focusing on institutions, however, appear incompatible with this methodological revolution while the new rising theories lack institutional concerns; later, at the beginning of the 1980s, as a counter-reformation, a revival return to institutionalism led to what March and Olsen (1984) called “new institutionalism” (Peters 1999, 15; 2005, 16; 2012, 16). So for one thing, the new trend of institutionalist approaches from the 1980s onwards is a result of reintroduction of institutions into existing theories (e.g. Marxism, pluralism, neo-realism, and behaviorism) where “institutions had been either absent or epiphenomenal, i.e. reflections of deeper factors or processes such as capitalism or the distribution of political power in a given domestic society or international system” and the revival of institutionalism during the 1980s and early 1990s actually fulfills the

⁹⁹ Both of these two approaches have four attributes in common: (1) an explicit concern with research methodology and theory construction in political science; (2) anti-normative bias; (3) methodological individualism; and (4) “inputism”, that is, emphasizing the inputs from society into political structures (Peters 1999, 11-15; 2005, 12-15; 2012, 12-16). According to Peters, the prominent differences between traditional institutionalism and the two revolutionary approaches are as follows: behaviorism focuses on individual performances and views causation in one direction — economy and society influence politics and political structures; by contrast, old institutionalism goes to the other extreme to emphasize government behavior, but it views causation in a mutual direction as institutions also shape social and economic orders; as for rational choice, it explains both individual behavior and collective decision-making, but sees institutions as “little more than means to aggregate the preferences of the individuals who comprise them” and thus tends to deny the shaping power of institutions on participants’ preferences (1999, 14-15; 2005, 14-15; 2012, 15-16). In a broad sense, the theoretical styles of political science from the 1950s to the beginning of the 1980s are characterized by contextualism, reductionism, utilitarianism, functionalism and instrumentalism (March and Olsen 1984, 735-738).

theoretical vacuum left by these institution-free accounts of politics throughout the 1950s and 1970s (Pollack 2009, 125; 2010, 21); for another, though various new institutionalist approaches may paint the political world in different pictures, they are reactions to the popular theory of behaviouralism during the 1960s and 1970s, sharing the commonality in “elucidate(ing) the role that institutions play in the determination of social and political outcomes” (Hall and Taylor 1996, 936).

According to Peters (1999, 2005, 2012), the old institutionalism, represented by such authors as Carl Friedrich, James Bryce, Herman Finer and Samuel Finer, has provided intelligent and insightful descriptions of the political world in non-abstract terms (1999, 2-3; 2005, 3; 2012, 3) and “constituted the basis of political science for much of the late nineteenth and first half of the twentieth centuries” (1999, 6; 2005, 6; 2012, 6), while “new institutionalism”, utilizing many old institutionalist assumptions, pays more attention to research tools and theoretical construction (1999, 1; 2005, 1; 2012, 1). Peters lists five defining assumptions for old institutionalism: (1) legalism: “[l]aw constitutes both the framework of the public sector itself and a major way in which government can affect the behavior of its citizens” (1999, 6; 2005, 7; 2012, 7); (2) structuralism: structure matters and determines behavior, leaving little or no space for individual’s impact, and old institutionalism tends to concentrate on the formal aspect of political systems (1999, 7-8; 2005, 8-9; 2012, 8-9); (3) holism: old institutionalists tend to make comparative studies on the whole political systems rather than compare components of institutions within systems (1999, 8-9; 2005, 9-10; 2012, 9-10); (4) *historicism* (revised into “*historical*” in 2005 and 2012 edition): old institutionalism sees a long term pattern of mutual influence between society and politics, and it is “concerned with how [...] contemporary political systems were embedded in their historical development as well as in their socio-economic and cultural present” (1999, 9-10; 2005, 10-11; 2012, 10-11); (5) normative analysis: old institutionalism has a strong normative element, stressing norms and values that consist of a “good government” (1999, 10-11; 2005, 11; 2012, 11).

Old institutionalism has always been criticized for its formal-legal approaches and normative descriptions which make it lack the base for a scientific theory construction, whereas new institutionalism, growing out of the old theory, takes these critiques into account and reasserts the virtues of the old institutionalist propositions

(Peters 1999, 6-11; 2005, 6-11; 2012, 6-11).¹⁰⁰ According to March and Olsen (1984, 738), new institutionalist ideas, compared with “contemporary theoretical thinking in political science”, stress (1) “an interdependence between relatively autonomous social and political institutions” rather than “the dependence of the polity on society”, (2) “relatively complex processes and *historical* inefficiency” rather than “the simple primacy of micro processes and efficient histories”, and (3) “logics of action and the centrality of meaning and symbolic action” rather than “metaphors of choice and allocative outcomes”. Some of those new ideas, however, may turn out to be mutually inconsistent. For instance, the assumption that large institutional structures are rationally coherent autonomous actors contradicts the proposition that political actions and choices may not be adequately rational — as (1) and (3) may suggest (March and Olsen 1984, 738). Furthermore, institutionalism emphasizes institutional structures and thus imposes certain orders on the world, and new institutionalism proposes six conceptions of order: *historical*, temporal, endogenous, normative, demographic, and symbolic order (March and Olsen 1984, 743-744).

As there are various approaches to institutional phenomena, to specify the common core of new institutionalism is necessary, and Peters (1999, 18-19; 2005, 18-19; 2012, 19-20) defines four common features of new institutionalist views as the criteria that can disqualify any approach claiming to be new institutionalism under false pretenses: (1) an institution is a structure, being formal (i.e. “a legislature, an agency in the public bureaucracy, or a legal framework”) or informal (“a network of interacting organizations or a set of shared norms”), where given specified relationships among the actors, “some sort of individual patterned interactions [...] are predictable”; (2) an institution is of some stability over time; (3) an institution must affect individual behavior with its formal or informal constraints; and (4) it is of “shared values and meaning among the members of the institution”. With these criteria, Peters contends that new institutionalism includes six variants (1999, 19-20; 2005, 19-21; 2012, 20-21): (1) normative institutionalism: how the norms of institutions affect and shape the behavior of members of institutions; (2) rational choice institutionalism: the purpose of institutions is to meet social and economic necessities, and individual “behaviors are a function of rules and incentives” to maximize their own

¹⁰⁰ For a more elaborate comparison between old and new institutionalisms see, for example, DiMaggio and Powell (1991, 13), “Table 1.1 The Old and the New Institutionalisms”.

utilities (1999, 19); (3) *HI*: initial policy choices and the institutionalized commitments after them determine subsequent decisions, exhibiting “path dependence”; (4) empirical institutionalism: the structure of government decides the way of policy-making and governmental choices, as different decision procedures in presidential and parliamentary government suggest;¹⁰¹ (5) international institutionalism: the existence of structure delineates and explains the behavior and interactions of states and individuals, as international regime theory illustrates; (6) societal institutionalism: this category refers to “the structuring of relationships between state and society” (1999, 20). As a matter of fact, Peters’ classification of six types of new institutionalisms in a broad sense echoes March and Olsen’s (1984) six conceptions of institutionalist order.

The birth of new institutionalism was marked by March and Olsen’s article in 1984, and roughly in the same time period, EU studies started to examine institutions, such as Scharpf’s joint-decision trap (e.g. Pollack 2009, 129). As a matter of fact, there was a mutual reinforcement between EU studies and the development of new institutionalism in political science: on the one hand, EU studies are heavily indebted to the theoretical developments in other disciplines, while on the other hand, new institutionalism takes EU institutions as cases for research and brings theoretical innovations and new insights to the theory itself as well as enriches EU studies (Aspinwall and Schneider 2001, 6-7). As a result, new institutionalism became a distinctive and important integration theory. Obviously, new institutionalism emphasizes a mutual interaction between institutional structures and individual behavior and the rubric “new institutionalism” actually includes various institutionalist approaches; besides, the trajectory of institutionalism suggests that HI, rooted in the old institutionalist assumption — historicism — has always been a distinctive and important variant of institutionalism.

4.1.3 Three Schools of New Institutionalism in the Context of the EU

Although originally formulated in IR research, new institutionalist approaches have been applied to EU studies. Adopting Hall and Taylor’s (1996) categorization of the three institutionalisms — rational choice, historical, and sociological institutionalism¹⁰²

¹⁰¹ In 2012 edition, Peters changes the fourth category “empirical institutionalists” (1999,19; 2005, 20) into “old institutionalists” (2012, 21), and this shows the empirical feature of old institutionalism.

¹⁰² Cf. Campbell (2004) argues for three paradigms of institutional analysis in IR studies: rational choice, organizational, and historical institutionalism. For the classification and comparison of these

— Aspinwall and Schneider (2001) map out a spectrum of three institutionalist variants where the economic-rationalist approach and the sociological approach sit at polarized ends while HI lies in the middle, and they apply the spectrum to understand and classify institutionalist approaches to the EU (Aspinwall and Schneider 2001, 2; see also Rosamond 2010, 110). Rational choice institutionalism sees institutions as the most external factors while sociological institutionalism views them as the most internalized ones; by comparison, HI eclectically synthesizes the two extremes with a research objective on the long-term effects of institutions (Aspinwall and Schneider 2001, 5; Rosamond 2010, 110).¹⁰³ As a matter of fact, Hall and Taylor, after comparing the strengths and weaknesses of the three schools of new institutionalism, conclude that “HI stands in an especially pivotal position”, as HI contains both rational choice and sociological institutionalist elements: in one respect, HI analyses can be translated into rational choice terms in the instrumental selection of new institutions, and in another respect, they are open to the sociological approach in interpreting historically available alternative choices (1996, 957; see also Lelieveldt and Princen 2011, 42).

Drawing inspirations from signaling games, voting power studies, and the spatial theory of voting¹⁰⁴, rational choice institutionalism assumes that actors involved in EU decision-making behave rationally and make use of strategies to realize their preferred

three new institutionalisms, see “Table 1.1. Similarities and Differences in the New Rational Choice, Organizational, and Historical Institutionalism” in Campbell (2004, 11). The term “organizational institutionalism” is often treated as a synonym for sociological institutionalism (e.g. Sitek 2010, 570). Scholars may adopt different categorizations of new institutionalism, but no matter what types of classification are made, as Campbell (2004, 10) argues, “there are always exceptions to these generalizations and considerable variation within each paradigm.”

¹⁰³ Sil and Katzenstein (2010, 411) define analytic eclecticism as an appreciable “intellectual stance that supports efforts to complement, engage, and selectively utilize theoretical constructs embedded in contending research traditions to build complex arguments that bear on substantive problems of interest to both scholars and practitioners” and it has three valuable merits in the research of social sciences.

¹⁰⁴ The spatial theory of voting involves two classes of actors: voters and candidates. Based on the premises that both actors are self-interested, the spatial theory of voting concerns “how the interaction between voters and candidates affects the choices that candidates offer the voters” (Enelow and Hinich 1984, 6). Accordingly, this theory can be divided into two kinds: the spatial theory of committees and the spatial theory of elections. The former treats the voters as the key actors who are “voting over different policy alternatives, each of which is usually represented as a point in a Euclidean space”, and the latter takes the candidates as the key actors while the voters are playing a fixed role (Enelow and Hinich 1990, 1). As voting always takes place in an institutional setting, institutions matter — they can serve as agenda setters. This suggests the links between the spatial theory of voting and new institutionalism: when an institution affects actors’ calculations, “the institution must be included in the spatial voting model” (Enelow and Hinich 1984, 161-162).

outcomes; consequently, the EU is generally analyzed under principal-agent models, illustrating how principals (i.e. member states) delegate their power to agents (i.e. the supranational institutions or the member states who implement supranational decisions) and how such delegation affects interactions at both the national and supranational levels (Aspinwall and Schneider 2001, 7). In light of rational choice institutionalism, EU institutional agents, typically represented by the Commission which possesses most information, are always depicted as opportunity-takers to exploit the delegated power so as to expand their authorities and realize their own agenda, and rational choice analysts began to examine “how agents exploit the uncertainty which results from the imperfect division of power between competing European actors” (Aspinwall and Schneider 2001, 7). This shows the affinity between rational choice institutionalist and neo-functionalist (and even the revised LI’s) proposition on the Commission’s autonomy, as Pollack (1997) clearly states his principal-agent analyses of the relationship between member government principals and EU supranational agents (e.g. the Commission, the ECJ, and the EP) are “based largely on the new institutionalism in rational choice theory” (100). According to Aspinwall and Schneider (2001, 6-14) and Pollack (2009, 129-136), three distinctive thematic sub-groups stand out in the rational choice institutionalist research on the EU: rationalist approaches to legislative procedures (i.e. EU decision-making involving the Commission, the Council and the EP) (e.g. Steunenberg 1994; Tsebelis 1994, 1997; Garrett 1995a; Moser 1996, 1997, 1999; Moser et al. 2000; Crombez 1996, 1997; Kreppel 1999, 2002; Crombez et al. 2000; Tsebelis and Garrett 2000, 2001; Hix 2001; Garrett et al. 2001; Albert 2003; Mattila 2004; Hayes-Renshaw and Wallace 2006; Thomson et al. 2006; Hix et al. 2007; McElroy 2007; Häge 2008; Naurin and Wallace 2008; Thomson 2011; Héricier and Reh 2012; Jensen and Nedergaard 2012); rationalist approaches to the implementation of rules, measures and policies (i.e. power delegation to the Commission and the exercise of those powers — the so-called comitology procedures) (e.g. Steunenberg et al. 1996, 2000; Pollack 1997, 2003a; Schmitter 1997; Moravcsik, 1998; Tallberg, 1999, 2007; Franchino 2000, 2002, 2004, 2007; Majone 2001; Hix 2007; Moury and Héricier 2012); and rationalist approaches to the ECJ (i.e. the role of ECJ *vis-à-vis* national governments and courts) (e.g. Garrett 1992, 1995b; Garrett and Weingast 1993; Burley and Mattli 1993; Weiler 1994; Mattli and Slaughter 1995, 1998; Alter 1998, 2001; Garrett et al. 1998; Stone Sweet and Caporaso 1998; Stone Sweet and Brunell 1998; Kilroy 1999; Conant 2002, 2007). So rational choice institutionalism actually has

studied “all three of the major functions of government at the Union level”: legislative politics, executive politics and judicial politics (Pollack 2009, 129). Certainly, besides these three areas, rational choice institutionalism covers broad topics. For example, Schneider and Cederman (1994) adopt a rational choice approach to the effects of information asymmetry so as to explore how uncertainty may influence the bargaining strategies of member states and outcomes, particularly in the negotiations in the summits of the European Council; Hug (2000) utilizes spatial models to discuss the possible effects of referendums on the European integration progress; Schneider (1997) uses a portfolio allocation model to explore constraints imposed by informal rules (e.g. the seniority in the selection of the Commissioners) of Commission politics on the discretion of the Commission; Dijkstra (2010, 2012) applies the rational choice institutionalist principal-agent approach to explain the Council Secretariat’s political influence in the CFSP (2010) and EU officials’ influence in the CFSP (2012); Fägersten (2010) investigates the bureaucratic resistance to international intelligence cooperation of Europol from a rational choice institutionalist perspective; drawing on rational choice institutionalism, Stacey (2010) explores the informal modes of rule-making outside the EU’s regular legislative procedures and the intergovernmental treaty-making meetings, while Tallberg (2010) probes the chairmanship of EU formal leaders’ influence in international cooperation.

In comparison, sociological institutionalist research on the EU comes along with the IR theoretical trend of identifying normative and cultural mechanisms constructing or constraining national behavior and identity and of how identity itself influences state interests and behavior as well as international normative structures; so EU studies of this tradition partly concern how state behavior is shaped or constrained and partly how identity is constructed and exerting its influence (Aspinwall and Schneider 2001, 12). Various topics are discussed from the sociological institutionalist perspective, such as domestic-European relations (e.g. Holm 1997; Larsen 1997; Laursen, 1997; Berglund et al. 2006; Adler-Nissen 2009; Crespy 2010; Zahariadis 2010), regionalism and European integration (e.g. Christiansen 1997; Bicchi 2006; Carter and Pasquier 2010; Gourgues 2010), member states’ policy-making (Hope and Raudla 2012), European citizenship (e.g. Wiener 1998; Fligstein 2008), EU security and military operation (Hardt 2009; Petersohn 2010), EU institutions and policy-making (e.g. Joerges and Neyer 1997a, b; From 2002, Argomaniz 2009a; Lewis 2010; Lauber and Elisa 2011), European integration and IR (e.g. De Ville 2012; Schmidt 2012; Delreux and Van den

Brande 2013), EU enlargement (e.g. Fierke and Wiener, 1999; Sedelmeier 2005; Piedrafita 2007, 2012; Schukking 2012) and candidate countries (e.g. Atikcan 2010). Jenson and M érand (2010) highlight the necessity and significance of applying sociological institutionalism — via merging the two traditional isolated theories institutionalism and sociology — to EU studies so as to explore “the informal practices, symbolic representations and power relations of social actors involved in European society as well as the broad polity” (Jenson and M érand 2010, 74).

According to Aspinwall and Schneider (2001, 12-14), two prominent features emerge from sociological institutionalist research on the EU. First, sociological institutionalists would problematize the concepts that rationalists have taken for granted and they particularly focus on norm and identity construction and norm communication through discursive practices (Aspinwall and Schneider 2001, 13), such as Diez (1999), Wiener (1998), Fierke and Wiener (1999), Lynggaard (2007), Crespy (2010), Lauber and Elisa (2011), Schmidt (2012), De Ville (2012) and Hope and Raudla (2012) — actually, the rising popularity to explore the dynamics of institutional changes from “the substantive content of ideas and the interactive process of discourse” (Schmidt 2010, 1) leads Schmidt (2010) to support a fourth “new institutionalism” besides the traditionally recognized three new institutionalisms: discursive institutionalism (DI) (see also Hope and Raudla 2012, 400-402). Second, sociological institutionalists tend to expound cultural traditions that make a distinction among the European states, along professional or organizational lines, or at the subnational level so as to examine “the impact of values, beliefs and identities on actors’ responses to integrative challenges”, that is, the shaping powers of culture (Aspinwall and Schneider 2001, 14); this kind of research is represented, for example, by Crouch (1993), Zetterholm (1994), Finnemore (1996), Crouch and Streek (1997) and Kitschelt et al. (1999), Bicchi (2006), Mounier (2009), Tatar (2011), and Faleg (2012).

As there is a polarization of rationalist-constructivist arguments, *HI cuts into the antithesis of economic and sociological ontologies and links the two, highlighting how prior institutional arrangements and commitments condition further actions, set limits on possible options, and lead actors to redefine their interests (Aspinwall and Schneider 2001, 10; see also Bulmer 1994, Pierson, 1996; 1998), and assuming that “institutions reflect the complex and unique structures that influence both the interests of actors and action arenas” (Sitek 2010, 570). The changes of institutions and policies are “path dependent” — current decisions are endogenously constrained by what are*

made in the past, that is, “[h]istory creates context, which shapes choice” (Aspinwall and Schneider 2001, 10). (HI argument 1)¹⁰⁵ Taking the two extremes of “power” and “culture” into consideration, HI studies on the EU can be close to the rational choice school when they view institutions as being power-neutral and take culture into discount, and can also be close to the sociological school when they stress cultural factors and institutional power implications to social groups; in addition, similar to the EU-level research, HI approaches have also been applied to the member-state level, highlighting the influence of national unique economic and political traditions on states’ responses to internal and external challenges (Aspinwall and Schneider 2001, 11-12)¹⁰⁶.

Exploring and extending the basic premise — institutions affect political decisions — in different directions, the three types of institutionalist approaches advocate different logics of explanations, yet all of them are valid (Aspinwall and Schneider 2001, 1) as March and Olsen once commented: “[i]t is not obvious that any one approach is superior to the others in capturing the complexities of change. There are several stories to be told and a necessary humility associated with the telling of any one of them” (1998, 958; also quoted in Aspinwall and Schneider 2001, 16). Lelieveldt and Princen (2011, 42-43) illustrate the differences and validity of the three institutionalist interpretations of the EU’s fisheries quotas, that is, how to explain the phenomenon that the finalized-decided level of fisheries quotas is always much higher than that proposed by the scientists and the Commission. From a rational choice institutionalist perspective, this can be explained by the institutional rules of decision making on the fisheries quotas where the Council of Ministers has the ultimate say. Because each member state is the maximizer of its own interests and a decision in the Council could be blocked by the states who have large fisheries sectors, the Council’s decisions on quotas tend to elevate the level proposed by the Commission. In such a rational choice institutionalist framework, rational strategic bargaining of member states is the analytical focus. In light of sociological institutionalist analyses, the

¹⁰⁵ In order to facilitate hypotheses derivation at the end of this chapter, this dissertation, when narrating HI’s arguments, italicizes the core ideas of HI and numbers them in the way of “HI arguments 1, 2, 3, ...”, which thus serve as the basis of and sources for the HI hypotheses formation.

¹⁰⁶ Aspinwall and Schneider (2001, 12) argue that here rises one of the shortcomings of HI: it lacks the integration of the effects of institutions over time at both the national and EU levels, so more efforts should be endeavored to examine institutional interactions between the two levels, and the challenge is that how to break the cycle of feedback mechanism — where institutions influence decision making but are also subject to change — to determine and test causality.

fisheries case could be interpreted as follows: people who are responsible for fisheries policy-making have been socialized into a paradigm which combines three fundamental objectives of EU fisheries policies — “protecting fish stocks, protecting the economic viability of the fisheries sector, and protecting vulnerable communities dependent on fisheries” (Lelieveldt and Princen 2011, 42); under the instruction of those fundamental objectives, people for fisheries policy-making always try to balance these three without giving precedence to any one of them; the level proposed by scientists tends to be low due to their exclusively ecological concern, so the inflated quotas can be explained as policy-makers’ intentions and efforts to balance the three fundamental objectives. By comparison, HI takes a “path dependence” view on how earlier fisheries decisions have effectively “locked in” EU policies and integration. The practice of the fixed formula for the division of fisheries quotas among member states originates from the 1980s, and it is guided by the principle of “relative stability”, which makes the pre-set formula nearly impossible to change. Lelieveldt and Princen’s illustration of applying the three different institutionalist approaches to the same case echoes Checkel’s arguments that “each school explains important elements of the integration process; working together, or at least side-by-side, they will more fully capture the range of institutional dynamics at work in contemporary Europe” (Checkel 2001, 20). It is also important to keep in mind that there might be several different theoretical explanations for the same puzzle, and one approach is not necessarily superior to the others (Aspinwall and Schneider 2001, 16). Nevertheless, scholars may compare the three different institutionalist approaches — or any two of them, such as Karlas 2012 and Pollack 2003b — and argue for the better one among (between) the three (two) for specific cases, as De Ville (2012) contends that HI and DI are better than rational choice institutionalism in explaining how the WTO rules influence EU regulatory politics. Or they may combine the three institutionalist approaches together (e.g. Jablecka and Lepori 2009; Ziemann 2009; Borońska-Hryniewiecka 2011; Gross and Juncos 2011) — or any two of them, such as Font (2006) and Duina and Buxbaum (2008)¹⁰⁷ — to explain a certain phenomenon, as Delreux and Van den Brande (2013) argue that the three new institutionalisms make up a complementary framework to explain the EU’s informal division of labour with regard to the EU’s external

¹⁰⁷ Literature below referring to scholars’ efforts to synthesize and bridge the rational-sociological divide also belongs to this category.

environmental policy-making during the United Nations Commission on Sustainable Development (CSD) and international climate negotiations where member states and the Commission, instead of the rotating Presidency (who should formally and officially represent the EU externally), “take the lead”, and four factors account for such an informality: burden sharing, expertise pooling, involving member states, and guaranteeing continuity, which demonstrates that “not only rational choice but also historical and sociological institutionalism need to be taken into account if one wants to fully understand (the continuation of) informal practices in the EU” (Delreux and Van den Brande 2013, 127); in such a way, “these three institutionalist approaches are complementary rather than competing” (Ziemann 2009, 314). Focusing on the same case, researchers may compare the strengths and weaknesses of each institutionalist approach (e.g. Sitek 2010). The polarization of the rationalist and sociological approaches does not prevent scholars’ efforts to synthesize and build bridges between the complementary dichotomous rationalist-sociological/constructive divide¹⁰⁸ (e.g. Bursens and Deforche 2008; Lynggaard and Nedergaard 2009; Niemann and Mak 2010; Brosig 2010; Dunlop and Russel, 2012). Moreover, as new institutionalist theories came after the two orthodox integration theories — neo-functionalism and LI — scholars may compare them with the traditional approaches and thus cast new insightful light on theoretical explanations for the integration project as well as supplement our understanding of the EU. For instance, Verhoeff and Niemann (2011) argue that LI provides an adequate framework to explain the formation and development of Germany’s energy policy concerning EU–Russian relations before its EU Presidency term — as LI predicts, German policy preferences for this issue reflect German domestic producers’ interests, but LI fails to account for German governmental action during the Presidency as domestic preferences were largely downplayed after it took on the Presidency role. Instead, it is rational choice institutionalism and sociological institutionalism that offer satisfactory explanations: the former “highlights

¹⁰⁸ Checkel (2007, 58) defines constructivism as the study of the concepts such as “deliberation, discourses, norms, persuasion, identity, socialization, (and) arguing”, and he distinguishes three variants of constructivism: conventional, interpretative and critical/radical constructivism, and hence constructivism is also referred to as “social constructivism” (Cini and Borragán 2010a, 440). Moreover, as Pollack (2007, 44) points out that the controversy between rational choice and constructivism has forged “a new ‘great debate’”, which, displacing the earlier neo-functionalist-intergovernmentalist divide, characterizes IR and EU studies from the late 1990s into the early 2000s. So in new institutionalist studies, constructivism is sometimes taken as a synonym to refer to sociological institutionalism.

Germany's restraint from defending its original domestic preferences due to rational calculation embedded in normative Presidency constraints", while the latter "accounts for the reprioritization of objectives through the 'taken-for-grantedness' of thoroughly internalized Presidency norms" (Verhoeff and Niemann 2011, 1271). Clearly, the three new institutionalist approaches can be taken freely to combine or contest with other theories and approaches to do EU research, such as Mackay et al. (2009) advocating the dialogue between sociological institutionalism and feminist political science so as to develop tools and paradigms beyond conventional political science for feminist analyses, Klüver (2010) combining resource mobilization theory with rational choice institutionalism to investigate national interest groups' lobbying strategies at the EU level, and Loveca and Erjavec (2013) proposing a critical realist approach which is considered better than rational institutional and constructivist approaches to the CAP reform.

All of those show the advantages and merits of new institutionalism, as "it does not prescribe a unique recipe for institutionalization; instead it recognizes the diversity of paths that can lead towards the internationalization of cooperation", that is, the three variants of new institutionalism provide different institutionalist perspectives and each of them is "grounded in a different theoretical tradition and hence emphasizes the importance of different explanatory variables" (Wolff et al. 2009, 17). The proliferation of institutionalist studies on the EU suggests that new institutionalism as a whole indeed "offers an attractive venue" to understand and conceptualize the institutionalized EU (Wolff et al. 2009, 17).

Among these three, HI is believed to possess an eclectic trait of both rational choice and sociological extremes (e.g. Hall and Taylor 1996, Aspinwall and Schneider 2001, Sitek 2010), and this theoretical advantage as well as modesty probably is a reason for neo-functionalism and intergovernmentalism to converge on HI rather than on other institutionalist theories. Naturally, as an IR theory and integration theory, HI is also subject to criticism, as Koelble (1995, 239) points out that "it is unclear whether the intentions of individuals or the constraints imposed by institutions shape outcomes", and besides, it is difficult to ascertain and measure the "cultural roots" of institutions and there is no alternative control group in reality to study specific institutional outcomes in its absence (Aspinwall and Schneider 2001, 6). From the methodological point of view, historical (or sociological) institutionalist research on the EU has exhibited its strengths and merits in case studies with rich and precise descriptions and

explanations of unique events, but it may “obscure the relative importance of causal variables” and moreover, lack valid theoretical generalization and adequate quantitative data analyses (Aspinwall and Schneider 2001, 15). Despite all those weaknesses, HI has become an extensively applied EU integration theory and it offers a singular perspective to understand, explain and predict EU developments.

4.2 HI in the Context of the EU

Recent literature reveals abundant HI research on the EU. Adopting the historical institutionalist approach, for example, Argomaniz (2009b) conducts an empirical analysis of the post-9/11 institutionalization of EU counter-terrorism, Howell (2009) assesses the devolution and institutional culture in the Welsh Assembly, Kourtikakis (2010) accounts for the structural similarities between institutions in the member states and certain EU institutions — a process of institutional transfer from the national to the EU level, Icoz (2011) explicates the changes in Turkey’s National Security Council and in Turkey-EU relations, Lășan (2012) explains the 1992 and 2003 CAP reforms, and Mendez (2012) even develops a ‘path-interdependent’ approach to account for the radical changes of EU cohesion policy. Meanwhile, combined with other institutionalist approaches — rational choice and/or sociological institutionalisms (and sometimes with the so-called fourth new institutionalism DI (e.g. Schmidt 2009) — HI has been applied to account for the reform of the public research funding system in Poland from 1989 to 2007 (Jabłeczka and Lepori 2009), the dynamics of changes that take place in health care systems of post-communist Central Europe (Sitek 2010), the similarities of the regional reform outcomes in Romania and Turkey during their EU candidacy (Ertugal and Dobre 2011), the endogenous institutional change by focusing on the attitudes of (Dutch) legislators to institutional reform in the Netherlands in 1990 and 2006 (Ziemann 2009), and the creation of European regulatory agencies and its limits (Thatcher 2011). Though the literature review here only represents a portion of HI research on the EU — it is far from being exhaustive and the list can go on and on along with the EU’s development, those recent studies have displayed two prominent features of the HI approach to the EU: (1) the cases explored by HI all are related to institutional or policy evolution, changes or reforms, and (2) those research emphasizes the core ideas of HI: path dependence. Those two characteristics of HI approaches to the EU cast light on the case studies of this dissertation: first, the three selected cases are potentially suitable for HI research as they represent the EU’s recent developments

and changes, and therefore, they are the most-likely cases for HI analyses; second, as Pierson's path dependent theory is generally regarded as a typical HI application to EU studies (e.g. Aspinwall and Schneider 2001; Pollack 2009), this dissertation will probe into the concept of this theory and derive hypotheses related to the EU's new developments during the eurozone sovereign debt crisis. The following section will first review Hall and Taylor's propositions of HI as an IR theory, then elaborate on Pierson's path dependence theory, present HI's three-stage analytical framework, and finally, summarize HI's propositions by formulating HI hypotheses about the eurozone sovereign debt crisis.

4.2.1 Hall and Taylor's Account of HI as a Variant of New Institutionalism in IR Studies

Developing from the prominent group theories of politics and structural-functionalism during the 1960s and 1970s, HI defines institutions as "the formal or informal procedures, routines, norms, and conventions embedded in the organizational structure of the polity or political economy" (Hall and Taylor 1996, 938). Compared with two other schools of institutionalism — rational choice institutionalism and sociological institutionalism, *there are four distinctive features of HI. First, it tends to have a broad conception of the relationship between institutions and individual actions. Second, it lays stress on power relations and the asymmetrical power distributions during the operation and development of institutions. A given institution provides different interest groups with "disproportionate access to the decision-making process"; consequently, some groups win and others lose (Hall and Taylor 1996, 941). Third, it views institutional development through the lens of "path dependence" and "unintended consequences". Finally, it takes institutions as one factor in a causal chain leading to political outcomes. (HI argument 2) Compared with rational choice institutionalism, HI is concerned with other factors, such as socioeconomic development and the propagation of ideas and beliefs, paying particular attention to the relationship between institutions and ideas (Hall and Taylor 1996, 942).* (HI argument 3) Hall and Taylor (1996) offer a detailed elaboration of the first and third features of HI.

4.2.1.1 HI's View on the Relationship between Institutions and Actors

North (1990, 5) once argued that institutional creation and changes, on the one hand, depend upon individual decisions, while on the other hand, institutions impose

constraints on individual choices, and therefore institutionalist research should combine both individual choices and institutional constraints. So the central issue to any institutional analysis is to explore the mutual effects between institutions and individual behavior, which, according to Hall and Taylor (1996, 939), can be answered by three sub-questions: “how do actors behave, what do institutions do, and why do institutions persist over time?”; and there are two contrasting approaches to these questions — the “calculus approach” and the “cultural approach” (Hall and Taylor 1996, 939).

Hall and Taylor (1996, 939) explain that the calculus approach views individuals as rational and purposive utility-maximizers who always calculate strategically to select the options that could bring maximum benefit from all possible choices; individuals’ preferences or goals, therefore, are exogenous to institutional analysis. What institutions mean to individuals is, for example, to provide actors the information of the certainty of other actors’ behavior as the reached agreements introduce enforcement and penalty mechanisms for the actors involved; from such a perspective, institutions can alter the expectations of an actor on others and strategic calculations assume key roles in institutional analysis (Hall and Taylor 1996, 939). In contrast, the cultural approach, while not denying the rationality of actors and the strategic interactions among them, views individuals, bounded by the individual world view, as “satisficers” rather than “utility-maximizers”, emphasizing “the extent to which individuals turn to established routines or familiar patterns of behavior to attain their purposes”; as a result, individual choices depend upon “the interpretation of a situation rather than on purely instrumental calculation” (Hall and Taylor 1996, 939). From this point of view, institutions, composed of symbols, scripts and routines, serve as the filters for individuals to interpret the situations and themselves, and thus construct their courses of actions; institutions do not only offer strategic interaction information, but also affect an individual’s preferences, identities, and self-images, providing “moral or cognitive templates for interpretation and action” (Hall and Taylor 1996, 939). As for the question of the persistence of institutions over time, the calculus approach contends that it is because the deviation from current institutional arrangements will cause more losses than gains to individuals, and the more gains an institution brings to involved actors and the more it contributes to solving collective problems, the less possibility for it to decrease; the cultural approach, on the other hand, claims that it is because individual choices tend to treat institutions as conventions and thus neglect a direct

scrutiny on them, and the taken-for-granted collective constructions, which cannot be changed easily by any single individual's actions, structure all possible options for individuals to make reform (Hall and Taylor 1996, 940). *Being eclectic of both calculus and cultural approaches, HI explains the mutual relationship between institutions and individual behavior as follows: under a given institutional arrangement, an individual's calculated strategies over time could be transformed into world views, which, having being advocated by institutional organizations, may ultimately shape an individual's preferences and self-images (Hall and Taylor 1996, 940).* (HI argument 4)

4.2.1.2 Historical Development and Social Causation: Path Dependence

History matters, and “[w]e cannot understand today's choices [...] without tracing the incremental evolution of institutions” (North 1990, 100). *The sequences of decisions matter and past choices exert an influence over today's decisions by making certain alternatives appear more attractive — this is called “path dependence”, which suggests that once a course of action is taken, it will be difficult to break away from it radically because the status quo is regarded as the right way to do things, and a drastic change requires large investment (Lelieveldt and Princen 2011, 42).* (HI argument 5)

Institutions are one of the central factors driving historical development along a set of “paths” inherited from the past, and actually history can be interpreted as landscapes of different path dependence (Hall and Taylor 1996, 941). Seeking to explain how institutions produce different paths in various ways, *historical institutionalists look at “state capacities” and “policy legacies” on subsequent policy formation, or focus on “policy conditions” which encourage societal groups to line up with existing policies or to develop interests in certain policies (Hall and Taylor 1996, 941).* (HI argument 6)

As a result, there might be unintended consequences and inefficiencies generated by existing institutional settings; nevertheless, path dependence of continuity might be punctuated by “critical junctures”, that is, a “branching point” where historical movement takes a new path due to a substantial institutional change; so at issue is to explain what causes such junctures, but besides the factors of economic crisis and military conflict, historical institutionalists seem to lack a complete elaboration of this (Hall and Taylor 1996, 942). (HI argument 7)

4.2.2 A Path Dependence Framework

Pierson's path dependent theory (1996, 1998) highlights the importance of past decisions on current intergovernmental negotiations and raises our awareness of the evolution of cooperation among European nation states over time (Aspinwall and Schneider 2001, 10; see also chapter three of this dissertation), and later Pierson (2004) — “[t]he best and most comprehensive statement of historical institutionalism” (Pollack 2009, 143) — highly recommends to place politics in time so as to examine political processes and causal chains unfolding over time. According to Aspinwall and Schneider (2001, 11), HI may stress the normative aspect of institutions as certain values and ideas are embedded into them, which might influence the choice of actors: non-market preferences, for instance, have been marginalized by the Community's market orientation policy and the configuration of producer and consumer directorates; nevertheless, on the issue of the power and the role of culture in institutional influence, HI researchers may have different opinions: Pierson's (1996, 1998) analyses do not address EU supranational institutions' structural bias which could privilege certain actors and types of policies over others, an important feature of HI defined by Hall and Taylor (1996, 940-941); in comparison, Armstrong and Bulmer (1998) emphasize the influence of different cultural factors within European institutions, such as the Commission. However, Pierson (2004, 11) does claim that his path dependent arguments of *self-reinforcing processes* “*reinvigorate the analysis of power in social relations by showing how inequalities of power, perhaps modest initially, can be reinforced over time and often come to be deeply embedded in organizations and dominant modes of political action and understanding, as well as in institutional arrangements.*” (HI argument 8) Such a theoretical supplement or revision exhibits the trajectory of Pierson's path dependence theory. In order to explain his path dependent theory, Pierson's (1996, 1998) initially utilizes “sunk costs” (see chapter three of this dissertation), then “increasing returns processes” (Pierson 2000), and “self-reinforcing or positive feedback processes” (Pierson 2004) to underline his core arguments. Accordingly, the concept of path dependence is defined as “a social process grounded in a dynamic of ‘increasing returns’” (2000, 251) or “the dynamics of self-reinforcing or positive feedback processes in a political system” (2004, 10). In essence, Pierson adopts Margaret Levi's (1997, 28) definition of path dependence:

Path dependence has to mean, if it is to mean anything, that once a country or region has started down a track, the costs of reversal are very high. There will be other choice points, but the entrenchments of certain institutional arrangements obstruct an easy reversal of the initial choice. Perhaps the better metaphor is a tree, rather than a path. From the same trunk, there are many different branches and smaller branches. Although it is possible to turn around or to clamber from one to the other — and essential if the chosen branch dies — the branch on which a climber begins is the one she tends to follow. (Levi 1997: 28, quoted in Pierson 2000, 252; see also Pollack 2009, 127)

The idea of increasing returns suggests “self-reinforcing or positive feedback processes” (Pierson 2000, 251), which, Pierson believes, captures the essence of path dependence: *as “the relative benefits of the current activity compared with other possible options increase over time” while “the costs of exit — of switching to some previously plausible alternative — rise”, “the probability of further steps along the same path increases with each move down that path”*; therefore, *“preceding steps in a particular direction induce further movement in the same direction”* (Pierson 2000, 252), and those previous steps *“make reversals very difficult”* (Pierson 2004, 10). *“Increasing returns” are self-reinforcing as “[l]ong movement down a particular path will increase the costs of switching to some previously forgone alternative”* (Pierson 2000, 261); they are of *“positive feedbacks”* as *“institutions and policies generate incentives for actors to stick with and not abandon existing institutions, adapting them only incrementally to changing political environments”* (Pollack 2009, 127). (HI argument 9) When an institution is established and a policy is adopted, three factors may contribute to the self-reinforcing dynamics: patterns of political mobilization, the institutional rules, and “citizens’ basic ways of thinking about the political world” (Pierson 2004, 10), and the result is that “[p]olitical alternatives that were once quite plausible may become irretrievably lost” (Pierson 2004, 11) or “forsaken alternatives becomes increasingly unreachable with the passage of time” (Pierson 2004, 13). *In EU institutional decision-making procedures such as the co-decision procedures, path dependence means “steps in a sequence are irreversible because losing alternatives are dropped from the range of possible options”* (Pierson 2004, 13), that is, *the sequence entailed in EU decision-making procedures involving different institutions which may possess discrepant opinions matters as the alternatives are dropped out along with the process of policy-making procedures.* (HI argument 10)

Previously, “path dependence” has been used to illustrate human being’s technology history, as North once explained: “incremental changes in technology, once begun on a particular track, may lead one technological solution to win out over another, even when, ultimately, this technological path may be less efficient than the abandoned alternative would have been” (North 1990, 93). Similarly, the incremental evolution of an institution gets its own path dependence once a solution prevails (North 1990, 94). Agreeing with North, Pierson (2000) holds that *due to increasing returns, actors are strongly motivated to stick to a single alternative to continue and thus a specific path is taken after the first choices in that direction are made. In other words, “[o]nce an initial advantage is gained, positive feedback effects may lock in this technology, and competitors are excluded”* (Pierson 2000, 254). (HI argument 11) Increasing returns in technology are conditioned, and so is it for the world of politics.

Borrowing from Arthur’s (1994) arguments on the conditions that give rise to increasing returns, Pierson lists *four factors that contribute to the self-fulfilling movement of a particular path: large set-up or fixed costs, learning effects, coordination effects, and adaptive expectations* (Pierson 2000, 254; see also 1998, 46). (HI argument 12)

“1. Large set-up or fixed costs. These create a high pay-off for further investments in a given technology. With large production runs, fixed costs can be spread over more output, which will lead to lower unit costs. When set-up or fixed costs are high, individuals and organizations have a strong incentive to identify and stick with a single option.

2. Learning effects. Knowledge gained in the operation of complex systems also leads to higher returns from continuing use. With repetition, individuals learn how to use products more effectively, and their experiences are likely to spur further innovations in the product or in related activities.

3. Coordination effects. These occur when the benefits an individual receives from a particular activity increase as others adopt the same option. If technologies embody positive network externalities, then a given technology will become more attractive as more people use it. Coordination effects are especially significant when a technology has to be compatible with a linked infrastructure (e.g., software with hardware; automobiles with an infrastructure of roads, repair facilities, and fueling stations). Increased use of a technology encourages investments in the linked infrastructure, which in turn attracts still more users to the technology.

4. Adaptive expectations. If options that fail to win broad acceptance will have drawbacks later on, then individuals may feel a need to ‘pick the right horse’. Although the dynamic here is related to coordination effects, it derives from the self-fulfilling character of expectations. Projections about future aggregate use patterns lead individuals to adapt their actions in ways that help make those expectations come true.” (Pierson 2000, 254)

As these four features are applied to institutions¹⁰⁹, they refer to (1) the creation of institutions entails considerable start-up costs; (2) individuals and institutions learn by doing; (3) the benefits of individual activities or those of an institution are enhanced if they are coordinated or “fit” with the activities of other actors or institutions; and (4) in order to bet on the “right horse”, actors adapt actions in light of their expectations about the actions of others (Pierson 2000, 254). (HI argument 13)

As a matter of fact, factor (3) is similar to the idea of “spillover” in the sense that gaining benefits in one option will promote and encourage cooperation in the linked areas, while factor (4) implies the acceptance of different methods, ideas, values, or world views could become a part of an individual’s strategic calculation, which then over time might be translated into an taken-for-granted preference. Moreover, according to Pierson (2000, 255), *increasing returns processes, at the micro-level, tend to reinforce the stability and further development of the newly established individual institutions, while at the macro-level, promote complementary configurations of institutions.* (HI argument 14)

Under those conditions conducive to path dependence, Pierson makes four presumptions of the path dependent mechanisms (multiple equilibria, contingency, a critical role for timing and sequencing and inertia): (HI argument 15)

- “1. *Multiple equilibria.* Under a set of initial conditions conducive to increasing returns, a number of outcomes — perhaps a wide range — are generally possible.
2. *Contingency.* Relatively small events, if they occur at the right moment, can have large and enduring consequences.
3. *A critical role for timing and sequencing.* In increasing returns processes, *when* an event occurs may be crucial. Because earlier parts of a sequence matter much more than later parts, an event that happens “too late” may have no effect, although it might have been of great consequence if the timing had been different.
4. *Inertia.* Once an increasing returns process is established, positive feedback may lead to a single equilibrium. This equilibrium will in turn be resistant to change.” (Pierson 2000, 263, his emphasis)

¹⁰⁹ The applicability of “increasing returns” from economics to politics, Pierson explains, is due to four prominent characteristics of the political arena: “(1) the central role of collective action; (2) the high density of institutions; (3) the possibilities for using political authority to enhance asymmetries of power; and (4) its intrinsic complexity and opacity” (Pierson 2000, 257). In addition, another two factors, the short time horizons of political actors and the strong status quo bias associated with the decision rules of political institutions, contribute to the intensity of path dependent effects in politics (Pierson 2000, 261-62).

Those four propositions are four “likely” features of political life if “path dependent processes are at work”, and a path dependent fashion will get changed at “critical junctures” — Pierson emphasizes that *it is important to keep the two, i.e. “path dependence” and “critical junctures”, distinct, and it is the former that lays the foundations to the latter, not vice versa, and besides, the former can explain why the latter has “lasting consequences”* (Pierson 2000, 263) (HI argument 16); accordingly, the hypotheses in this dissertation are drawn within two categories: (H) is about critical junctures; (H) concerns path dependence. *Path dependence, as North points out, “is not a story of inevitability in which the past neatly predicts the future” (1990, 98-99), but rather “a way to narrow conceptually the choice set and link decision making through time” (1990, 98), which means “previously viable options may be foreclosed in the aftermath of a sustained period of positive feedback, and cumulative commitments on the existing path will often make change difficult and will condition the form in which new branchings will occur”* (Pierson 2000, 265). (HI argument 17)

The above arguments are reinforced in Pierson (2004), where *four major themes stand out: positive feedback and path dependence, time and sequence, slow-moving dimension of social life (e.g. the stickiness and incremental changes of political institutions), and institutional origins and changes (e.g. critical junctures)* (Pierson 2004, 9); *it is the first theme of path dependence that lays the foundation for the other three thematic propositions and the whole argument of Pierson’s “politics in time” (2004, 11). As institutional arrangements are deeply embedded over stretches of time, scholars should explore “institutional development rather than institutional choice” (Pierson 2004, 15, his emphasis).* (HI argument 18) This displays HI’s distinctive characteristic compared to Moravcsik’s LI model which takes “institutional choice” as a key research theme.

4.2.3 HI’s Three-Phase Analytical Model

Pierson’s HI analysis of the EU derives from the HI school in political science (e.g. Hix 1999, 2005; Pollack 2009). *Pierson himself claims that his theory of path dependence actually supports HI’s key propositions as follows: “specific patterns of timing and sequence matter; a wide range of social outcomes may be possible; large consequences may result from relatively small or contingent events; particular courses of action, once introduced, can be almost impossible to reverse; and consequently, the political development is punctuated by critical moments or junctures that shape the basic*

contours of social life” (2000, 251; see also 2004, 8-9) (HI argument 19), which in fact is a re-statement of the four likely characteristics to judge a path dependent process at work and the idea of critical junctures. In order to explain the historical perspective better, Hix (1999, 2005) summarizes HI as a three-step model:

“At time T0, a set of institutional rules is chosen or a policy decision is made (by the member state governments), on the basis of the structure of existing preferences. At time T1, a new structure of preferences emerges under the conditions of the new strategic environment: the changed preferences of the member states, the new powers and preference of the supranational institutions, and the new decision-making rules and policy competences at the European level. And, at time T2, a new policy decision is adopted or a set of institutional rules is chosen.” (Hix 1999, 16)

In this model, though national governments have had their control at the first stage T0, decisions made at time T0 “lock” the integration process into a particular “path”, that is, “the decision taken by the member states at T2 is very different from that which they would have taken if they had faced the same decision at T0” (Hix 2005, 17). As actors do not have perfect information to predict preferences at T1 or policy outcomes at T2, unintended consequences can take place (Hix 1999, 16) with governmental policy competences and powers further delegated to EU institutions (Hix 2005, 17). (HI argument 20) Such path dependence does not mean an inevitable process of integration, but rather, the only way to escape from further integration is to break with past practice at “critical junctures” (Cini 2010, 95), where “path dependent institutional stability and reproduction [...] are punctuated occasionally by brief phases of institutional flux [...] during which more dramatic change is possible” (Cini and Borragán 2010a, 441), that is, moments of “branching points” brought by substantial institutional changes where the historical movement takes a new path (Hall and Taylor 1996, 942; Pierson 2000, 263). (HI argument 21) Promoting HI to the study of international political economy (IPE), Drezner (2010) argues that though HI’s path dependence may not be a perfect causal mechanism, it does explain why institutions, rules and policies evolves into current looking (Drezner 2010, 795). When discussing international market regulation, Drezner (2010) explains,

“At time t, a set of rules R is codified. These rules help to shape and reinforce the preferences of the salient actors. At time t+1, the cost of switching away from R is somewhat higher. With each iteration, the

reinforcement between actor preferences and the rules that bind them make it increasingly unlikely that R will be changed endogenously.” (Drezner 2010, 794) (HI argument 22)

Drezner’s description highlights theoretically unlimited “iteration” and “reinforcement” of rules R via time stages of t+1, t+2, t+3, ... t+n, and the analysis of rules R can be divided into a sequence of T0-T1-T2 analysis. The difference here is that Hix’s T0-T1-T2 model stresses the evolving relationship between nation states and supranational institutions on institutional rules and policy-making throughout certain periods of time, that is, it focuses on decision-makers and the potentially changing context of decision-making over time, while Drezner’s proposition pays attention to the rules themselves and the underlying factors that drive the reinforcement and stickiness of the established rules and policies throughout certain periods of time. So Hix’s T0-T1-T2 model and Drezner’s t+1, t+2, t+3, ... t+n proposal actually can be viewed as different approaches to path dependent mechanisms from different angles: if the former emphasizes the historical and institutionalist context to explain how a path dependent mechanism works and evolves, then the latter values the dynamics of path dependence — increasing returns. Moreover, Drezner’s argument that “it (is) increasingly unlikely that R will be changed endogenously” implies that to break up the current chain of reinforcement and thus to embrace a new path may require exogenous pushes, that is, rules will be changed due to exogenous factors, such as the global economic crisis (cf. Niemann’s (2006) “exogenous spillover” propositions in chapter two of this dissertation). Corresponding to HI’s three-stage T0-T1-T2 analytical framework, Pierson (1996, 149; 1998, 49) maps out “the path to European integration” in the pattern of three time stages, visually offering the factors that account for EU institutional and policy evolution between intergovernmental “grand bargains” from a path dependent perspective (see chapter three of this dissertation). Pierson argues that *decisions made by “the short-term preoccupations of institutional designers”, as the evolution of European social policy suggests, could “undermine [...] the long-term control of member state governments” and lead to widespread unanticipated consequences (1998, 56), because the institutional arrangements and increasing sunk costs (i.e. “the cost of exit”) make a reversal difficult and unattractive (Pierson 1998, 45-46; see section 3.6.3). The logic here is not only about the institutional constraints from the macro-level (e.g. high institutional thresholds to later reforms, reward and penalty mechanisms prescribed by new rules), but also about societal actors at the*

micro-level incrementally building up their vested interest in the maintenance of EU policies over time (see chapter three of this dissertation). (HI argument 23) Pierson's *T0-T1-T2* path to European integration actually exhibits a synthesis of Hix's new structures of preferences and Drezner's switching costs in the context of EU "grand bargains" for Treaty revisions and the term "sunk costs" defined by Pierson (1996, 1998) was later developed into "increasing returns" (Pierson 2000) and "positive feedback" (Pierson 2004). The analyses here lay a foundation for the derivation of H16 in light of HI's *T0-T1-T2* path dependent model on the basis of the arguments of Pierson, Hix and Drezner.

Situating analyses at different periods of time, the *T0-T1-T2* path dependence analytical framework can be used to explain institutional and policy outcomes (if starting from T2 and thus looking backwards into *T0-T1*) or predict future policy-making (if starting from *T0* and looking forward to *T1-T2*) at the supranational level. Combing through the literature above, two key propositions underpin HI analyses: path dependence and critical junctures — the former delves into history to explain institutional and policy formation and evolution, while the latter can be treated as a starting point to predict institutional and policy in the future following the path dependent logic.

4.2.4 Summary and Hypotheses Derivation

As argued previously, all three new institutionalist approaches to the EU are valid, providing us with various theoretical lenses to examine and understand the EU, but "post hoc explanations are too easy to invent and usually [...] totally useless" (Scharpf 1997, 29), so the significance of hypotheses formulation is to put forward "strong *prior* expectations" on the basis of theories to check the explanatory and predictive power of the relevant theories, where "the disconfirmation of such expectations" serves "as a welcome pointer to the development of more valid explanations" (Scharpf 1997, 29, his emphasis). According to the literature review above, "path dependence" and "critical junctures" lie at the core of HI, and in hypothesis form, HI arguments against the background of the crisis after 2008 can be stated as follows, which could be viewed as an HI framework to explain as well as to predict the EU's developments during the euro area sovereign debt crisis and in the future. To begin with, HI's propositions on "critical junctures" imply that

H10: The 2008 global financial crisis serves as a "critical juncture" where EU

policies of economic governance in the post-2008 crisis era take new paths as national-national and/or national-supranational competence and powers get changed and redefined.

This hypothesis will be tested by the three selected cases: the ESM, the ESRB, and the European Semester to see whether they mark EU “critical junctures”, signaling the moments of the “branching points” where EU financial and/or fiscal supervision and policy-making take new paths. However, “new paths” are subject to definition; they are not absolute yes-or-no questions, but rather questions of degree and relativity compared with the “old paths”, because to ascertain the effects and property of the “critical junctures” evolves over a certain period of time and depends on the thematic subjects, that is, “new paths” may mean different things to different scholars for different research purposes. In a broad sense, judging from Cini and Borragán’s (2010a, 441) definitions of “critical junctures” (HI argument 21), all new institutional creations during the post-2008 crisis era could be viewed as sort of “branching points” on the trunk of the EU as the EU’s path dependent institutional stability and reproduction are punctuated by phases of institutional flux; thus from such a broad perspective, the crisis in 2008 does serve as a “critical juncture”. This dissertation, however, selects national-national and national-supranational power relations as the litmus to test the new paths, which is based on the following consideration. First, in recent years, the sovereign debt crisis is a “contagious headache” for euro member states as well as for the whole EU, and the EU’s new measures are collective attempts of national governments to find solutions at the supranational level. Without a doubt, national states are the elementary bricks for the grand building of the EU and the tensions between nationalism and supranationalism lie at the heart of the EU, both in practice and in theory (cf. chapter two and chapter three). For example, the essence of EU decision-making procedures, the core of the EU machine, is about the function, power and competence division between national states and EU supranational institutions, and the changes in national-supranational relations normally will influence the EU’s future policy-making and developments which may contribute to “a substantial institutional change” (HI argument 7). Second, as HI arguments 2, 8 and 20 suggest, to analyze power relations and asymmetrical power distributions, as well as to examine how those asymmetries and inequalities get reinforced and evolve over time, is a distinctive tool and feature of HI and an intrinsic element that underscores the self-reinforced path dependent processes. Therefore, this dissertation will take national-national and

national-supranational power relations as the gauge to judge the “critical junctures” and “new paths”. Accordingly, this dissertation will look at national governments’ and the EU supranational institutions’ functions, powers and status defined in the new measures, and if there is any change of national-national and/or national-supranational power relations caused by the new measures compared with previous financial and fiscal policies and practices, H10 will be shown to be valid; if the power distributions, however, do not assume any changes in case studies, H10 will be rejected. If H10 is valid, then firstly, HI’s argument 7 on the causes of critical junctures (i.e. an economic crisis) are justified, and to be more accurate, the factors contributing to the branching points of the EU and EMU development this time are the world-wide financial crisis originating from the US, the consequent global economic recession and the unsound fiscal conditions of nation states (i.e. the high budget deficit and debt rates). This dissertation will delineate the timing and sequence of those factors, and the adoption and implementation of the new measures so as to see whether there is any visible patterns underling those factors and any contingencies of relatively small events which exert large and enduring consequences as occurring at the “right” moment (HI arguments 15, 19). Secondly, if national government powers are further constrained, unintended consequences posited both by HI and neo-functionalism are also confirmed. Besides, this dissertation will examine whether previous institutions and these new measures have forged an asymmetrical access to the decision-making process for different interest groups, and if so, this dissertation will check who are the winners and the losers and how the disproportionate access and asymmetrical powers evolve over time, getting reinforced or changed (HI arguments 2, 8). However, even if H10 is vindicated, the new measures’ actual magnitude of impacts on the EU and EMU (whose developments also depend on various other factors) in the future requires further clarification and specification. Because “critical junctures” and “new paths” connote time-involvement (i.e. the appearance and effects of them require certain period of time to expose, to be visible and then to be evaluated), the evaluation of the new measures at different time points (e.g. at present, 10 years later or even 100 years later), together with other factors such as scholars’ research questions and objectives, may lead to different judgments and conclusions on the same “critical junctures” and “new paths”, and thus H10 is still, and should be, open to empirical tests in the future along with EU developments. The case studies in this dissertation just make a small contribution to the ever-developing HI research project on the EU, and these new

institutional and policy creations, being efforts of the EU and the member states to solve the crisis, may be or may not be vindicate as far-reaching “branching points” for the EU and EMU in the future.

As Pierson (2000, 263) argues, critical junctures rest on the arguments of path dependence, or else how can a juncture be judged as being “critical” (HI arguments 16, 18)? The EU’s new measures to cope with the crisis since 2008, on the one hand, may exhibit differences and deviations from the EU’s previous policies and practices as challenges this time are unexpected and really serious, while on the other hand, being developed under the existing EU institutional structures, the new measures may also display policy coherence and consistence, inheriting certain policy features from the previous decisions and choices. Like a coin which has two sides, institutional and policy creations, in one respect, are novelly designed to deal with the new rising challenges, and in another respect, their formation is conditioned by a specific historical context. If “critical junctures” suggest institutional and policy inventions, deviations and “new paths”, then path dependence, stressing looking back into the historical and institutionalist context where those new policies are produced, has offered an explanation for why and how these inventions, deviations and “new paths” happen and thus explores policy roots, continuity and evolution. All in all, path dependence theory offers an explanation for institutional and policy outcomes — whether they are shown as branching points and new paths or not; meanwhile, the logic of path dependence also makes predictions on future institutional and policy developments. In the context of countering the negative impact of the crisis, the path dependent arguments in hypothesis form can be stated as follows:

H11: The EU's new measures adopted during the post-2008 crisis era, on the one hand, are conditioned by prior institutional arrangements and commitments which set limits on the possible available options, make certain alternatives appear more attractive, and lead actors to redefine their interests, while on the other hand, the new measures reflect a complex context that shapes actors' strategies, world views and action arenas, which, having been advocated by EU institutions with each iteration of the new measures, will shape actors' preferences and/or self-images as the status quo of the new measures is regarded as the right way to solve the crisis. (HI arguments 1, 3, 4, 5, 6, 22, 23).

H11 emphasizes the structural effects exerted by path dependence. Apart from this, path dependence as well as HI also stresses the influence of past choices on

current decisions and the importance of the timing and sequences of events, which, according to HI arguments 5, 6, 10, 15, 17, 23, suggest the following:

H12: The choices of the specific new measures to cope with the post-2008 crisis era are made on the basis of the past choices where certain elements in today's choices have appeared more attractive and the sequences of institutional decisions entailed in EU decision-making procedures to adopt the new measures matter as certain alternatives are irreversibly dropped from the range of possible options along with the proceeding of the decision-making procedure; thus, path dependence indicates a way to link decision-making through time and to narrow conceptually the choice set, and consequently, the new measures have become the only available options for actors to resort to, along which societal groups make adaptations to the new measures and incrementally build up their vested interest in maintaining and even developing the new measures.

In case studies, this dissertation will examine whether the mechanisms of H12 are present in the selected cases. Following HI argument 22, this dissertation will focus on the “salient” actors’ preferences and the rules that bind them; as far as the euro area sovereign debt crisis is concerned, this dissertation will take national governments and EU supranational institutions as the “salient” actors. At issue is how nation states can solve the sovereign debt crisis, so this dissertation will particularly focus on nation states’ preferences; if member states become to take the new measures for granted and resort to the new measures as their first responses to solve the sovereign debt crisis, then we can say that the new measures have shaped member states’ preferences and they have been internalized as part of nation states’ strategies and world views. Moreover, because the sovereign debt crisis exerts a great negative impact on national economies and as suggested by HI arguments 6 and 23, this dissertation will also examine the positions of societal interest groups to see whether the new measures have encouraged societal groups to line up with the new policies and to incrementally build up their vested interest in maintaining and even developing the new measures. The mechanisms argued in H12 tend to be the “possibly materializing” phenomena or observable facts; the underlying reasons leading to these possible phenomena or facts are, however, due to “increasing returns”:

H13: Once the new measures are established to deal with the crisis, actors tend to stick to them due to the increasing returns, that is, the relative benefits brought by current measures compared with other possible options increase over time, and the costs of exit (i.e. sunk costs) or the costs of switching to the previously plausible

alternatives rise (i.e. self-reinforcing processes), which generate incentives for actors to stick with and not abandon the new measures, only adapting the new measures incrementally to the changing environment (i.e. positive feedbacks). As a result, with each iteration of the new measures, (a) actors' preferences and the rules that bind them are increasingly reinforced and the status quo of the new measures is regarded as the right way to solve the crisis, (b) the once competitive options are excluded, (c) the equilibriums formulated by the new measures to solve the crisis are resistant to change, (d) specific paths are taken as the new measures induce further institutional and policy movement in the same direction, (e) the iteration of rules codified in the new measures and the repetition of the cumulative commitments on the existing paths make changes difficult and condition the form where new branching points will occur in the future, and (f) it is increasingly unlikely that the new measures will be changed endogenously. (HI arguments 4, 5, 9, 11, 15, 17, 22, 23)

While H12 hypothesizes the relationship among possible phenomena and facts, H13 explains the dynamics and deep reasons that cause H12. The first half of H13 hypothesizes the causal mechanisms entailed in increasing returns, whereas the second half of H13 argues for the possible results of increasing returns, and the absence or presence of H13(a)-(f) should be judged after a certain period of time after the adoption and implementation of the new measures. As the research period is delimited to the phase of 2010-2012, the effectiveness of H13(a)-(f) will be checked by the three selected cases during this time period. However, some of the causing mechanisms, such as (e) and (f), may suggest a much longer period of time to be involved, so judging from a different angle, H13(a)-(f) can also be taken as predictions made by HI on the EU's and EMU's future development after the adoption and implementations of the new measures, which are open to future empirical tests. The causing chains have been stated clearly in H13(a)-(f), but still H13(d) needs further clarification if HI argument 14 is taken into account. H13(d) argues that the new measures induce specific paths that will lead to further institutional and policy movement in the same direction, while HI argument 14 expects that both the reinforcement as well as the development of the new measures complementary to the new measures are the results of increasing returns processes. Therefore, "movement in the same direction", spurred by increasing returns, not only suggests the reinforcement of the stability and the further development of the new measures, but also should include the development of complementary measures; accordingly, the "same" direction also means to take new

initiatives that are facilitating the implementation of the new measures or are generally considered helpful to solve the crisis. The development of complementary institutions and policies to the new measures in the future, from an HI perspective, can be regarded as a result of increasing returns, while from a neo-functional point of view, they indicate the dynamics of spillover. So EU integration theories actually offer different angles and interpretations to the same snapshot of the EU empirical development. In addition, H13(e) will probe into both macro-constraints and micro-adaptations as suggested by HI argument 23.

Certain factors are conducive to the effectiveness of path dependent mechanisms, and in accordance with the four factors posited by Pierson (1998, 2000), this dissertation hypothesizes that there is a beneficiary environment for path dependence to take place, that is,

H14: There are conditions conducive to foster the self-fulfilling movement of the particular paths introduced by the EU's new measures to deal with the crisis, as large set-up costs, learning effects, coordination effects, and adaptive expectations are effectively present. (HI arguments 12, 13, 14)

This hypothesis actually is composed of four sub-hypotheses according to the four analytical factors:

H14a: The EU's new measures to address the crisis entail considerable institutional start-up costs, which serve as a strong incentive for actors to stick to them.

H14b: National actors actively engage in learning and adapting to the new measures as the new measures are considered helpful to keep economic and financial stability; as actors gain more experience and expertise with these new measures, they are likely to introduce further innovations and changes into these measures and/or into other related policy areas.

H14c: The new measures are compatible with the activities of other actors and institutions, and moreover, the new measures promote new developments in the linked areas and policies, which in turn increase the viability of the new measures.

H14d: Actors whose options have failed will adapt their actions and expectations in accordance with the new measures.

The case studies in this dissertation will see whether those four beneficiary factors are present and thus to judge whether there is a fertilizing field for the new measures to introduce specific paths for the EU's future economic governance. Besides the assumptions on the conditions conducive to path dependence, Pierson (2000) (HI

argument 15) argues for four likely features that mark the political life when path dependent processes are at work, which indicate the following:

H15: The political process accompanying the effectiveness of path dependence of the new measures are likely marked by (a) multiple equilibria, (b) contingency, (c) a critical role for timing and sequencing, and (d) inertia.

The purpose of this hypothesis is to check whether the political life before and after the adoption of the new measures to tackle the post-2008 crisis situation is marked by the four features (also see HI argument 19) where the timing and sequences of (small or contingent) events have great impact on the formation of the new measures. H15 actually is partly entailed in H13(b), (c), (e) and (f), and H15 could also be viewed as a sort of re-statement of the propositions in H12 from a different angle; additionally, the planned analyses for the “critical juncture” of H12 also cast light on H15. In short, H15 posits a completed and full political process of path dependence, and the four possible features are the symptoms to “diagnose” the effectiveness of path dependence.

In accordance with HI’s three-step analytical model $T0$ - $T1$ - $T2$, this dissertation puts forward the path of the new measures to deal with the post-2008 crisis situation via $T0_{the\ TEU}$ - $T1a_{the\ Amsterdam\ Treaty}$ - $T1b_{the\ Nice\ Treaty}$ - $T2_{the\ Lisbon\ Treaty}$ to test the assumptions entailed in HI arguments 20, 22 and 23 and Pierson’s $T0$ - $T1$ - $T2$: “the path to European integration” (see Figure 3.1).¹¹⁰ The path dependent mechanisms of the $T0$ - $T1$ ($T1a$ - $T1b$)- $T2$ posited by this dissertation assume the following:

H16: Member state initial decisions on EMU, the single currency, and EU economic governance enshrined in the TEU ($T0$) lock the relevant development of institutions and policies into a particular “path”, which, via the time stages of $T0_{the\ TEU}$ - $T1a_{the\ Amsterdam\ Treaty}$ - $T1b_{the\ Nice\ Treaty}$ - $T2_{the\ Lisbon\ Treaty}$, is characterized by three

¹¹⁰ The road to the Lisbon Treaty illustrates the history of the EU: the Treaty establishing the ECSC (1951) — Treaties of Rome establishing the EEC and the Euratom (1957) — the SEA (1986) — the Treaty of Maastricht (the TEU) (1992) — the Treaty of Amsterdam (1997) — the Treaty of Nice (2001) — the Constitutional Treaty (2004) — the Lisbon Treaty (2007). The Constitutional Treaty was signed in October 2004, but France and the Netherlands rejected it during May to June 2005 by referendum, so it never became effective. As a revision to the Constitutional Treaty, the Lisbon Treaty was signed on 13 December 2007 by 27 member states and approved by 26 out of 27 member state parliaments from 2007 to May 2009. On 12 June 2008, the referendum in Ireland failed to ratify the Treaty; after negotiations and revisions to the Treaty, on 2 October 2009, the second referendum of Ireland adopted the Treaty, and on 1 December 2009, the Lisbon Treaty entered into force (see, for example, *Your Guide to the Lisbon Treaty* (2010, 11)). This dissertation selects the period from the TEU to the Lisbon Treaty, and as the Constitutional Treaty has never been ratified, the road to Lisbon, in accordance with the HI $T0$ - $T1$ - $T2$ path dependence model, is illustrated as $T0_{the\ TEU}$ - $T1a_{the\ Amsterdam\ Treaty}$ - $T1b_{the\ Nice\ Treaty}$ - $T2_{the\ Lisbon\ Treaty}$.

prominent features: (a) the TEU shapes and reinforces the preferences of the salient actors, which get further reinforced with the iteration of Treaty rules, and from T0 to T2, the initial rules set down at T0 get changed due to exogenous challenges rather than endogenous needs; (b) the institutional arrangements and increasing sunk costs make actors stick to the existing course; (c) the EU's new measures to cope with the euro area sovereign debt crisis after the enforcement of the Lisbon Treaty (T2) are unintended consequences of the initial decisions of the TEU (T0) as (i) more national government competences and powers are delegated to EU institutions and national governments' control over the EU policies (i.e. the new measures) is further reduced, and (ii) member states would have taken very different measures if they had faced the sovereign debt crisis after the enforcement of the TEU.

The purpose of this hypothesis test is to see whether there is an HI *T0-T1-T2* path dependent mode for the policies relevant to the single currency and EU economic governance from the TEU to the current EU's new measures to address the post-2008 crisis challenges, particularly the eurozone sovereign debt crisis, and the hypothesized path is shown as follows: *T0_{the TEU}-T1_{a_{the Amsterdam Treaty}}-T1_{b_{the Nice Treaty}}-T2_{the Lisbon Treaty}*-The EU's New Measures to solve the crisis. This path model derives from the time-stage mechanisms argued by Pierson (HI argument 23 and Pierson's "the path to European integration"), Hix (HI argument 20) and Drezner (HI argument 22), and the designation for *T0*, *T1* and *T2* is based on the following consideration.

First, as Pierson's "path to the European integration" via *T0-T1-T2* is formulated through the study of institutional and policy evolution between EU intergovernmental "grand bargains" for Treaty revisions (which require member state unanimous approval), accordingly, the selection of the TEU (IGC 1990-1991), the Amsterdam Treaty (IGC 1996), the Nice Treaty (IGC 2000) and the Lisbon Treaty (IGC 2007) meets the requirement of Pierson's case selection of intergovernmental grand bargains to test his HI model. Besides, the EU has been developing through a series of Treaties which lay down the legal basis for this regional organization, and moreover, each Treaty conclusion constitutes the milestones of the EU, so carrying out research on the progress of EU Treaties is meaningful.

Second, the selected new measures addressing the post-2008 crisis era are the institutional and policy outcomes after the grand bargains for the Lisbon Treaty, so naturally the Lisbon Treaty is assigned as *T2*, whereas assigning the TEU as *T0* is because the TEU satisfies the requirement of the *T0-T1-T2* model, which assumes that at the initial time *T0*, national governments had control over institutional structures and

supranational policy-making. The first IGC negotiation for EMU was “opened in Rome in October 1990 and closed in Maastricht in 1991” (Verdun 2010, 329), and the negotiated results are reflected in the TEU, which, on the basis of the 1989 Delors Report, not only stipulated three stages to realize EMU, but also set down the convergence criteria for member states to join EMU at the final stage implemented on 1 January 1999, thus “constitut(ing) the legal basis for EMU and its new single currency” (Hosli 2005, 37). Therefore, choosing the TEU as time T_0 meets the conditions set out by the HI model T_0 - T_1 - T_2 , as it is in the TEU that national governments made their first IGC negotiations and decisions related to EMU and the common currency and thus, national governments at that time are assumed to have had their control over EMU and the single currency policies. Additionally, it should also not be forgotten that the name of the “European Union” was officially introduced by the TEU, signaling a new era for European regional cooperation.¹¹¹ Moreover, the solution to the post-2008 crisis era is related to EU financial, fiscal and economic policies (see Table 1.2 and 1.3), which are interwoven with each other and collectively belong to EU economic governance in a broad sense, so the research of this dissertation also reflects EU economic governance tendency against which the decisions and policies related to the single currency are made. The HI T_0 - T_1 - T_2 model emphasizes that decisions made at time T_0 will cause unintended consequences at time T_2 over time; accordingly, this dissertation is going to examine whether the new measures are unexpected consequences for the decisions made in the TEU.

Finally, the HI T_0 - T_1 - T_2 model represents a conceptual framework which stresses the evolution of institutions and policies over time, offering a historical rather than a snapshot perspective to understand EU policies today. In Pierson’s T_0 - T_1 - T_2 model, T_1 indicates the time period between two grand bargains, from which considerable gaps in national government control, contributing to the altered context for T_2 , emerge, and to be more exact, T_1 suggests (1) shifts in domestic conditions, (2) micro-level adaptations (“sunk costs”), (3) accumulated policy constraints, and (4) heavily discounted or unintended effects, whereas T_2 indicates a changed context for the IGC negotiations forged by (5) member state preferences (influenced by (1), (2)

¹¹¹ The TEU (i.e. The Maastricht Treaty) is regarded as “a new stage” for the European integration project, as it introduced a three-pillar-structured “European Union”: the European Communities, CFSP and JHA. Meanwhile, the concept of European citizenship, a reinforced EP and the launch of EMU are also introduced. Besides, the EC superseded the EEC. See “Treaty of Maastricht on European Union” (European Union).

and (4) at time $T1$), (6) member state bargaining powers (decided by (3) and (4) at time $T1$), and (7) the power of other actors (as the consequences of (4) at time $T1$), which as a whole causes the institutional and policy outcomes after the grand bargains. By comparison, in Hix's $T0$ - $T1$ - $T2$ model, $T1$ means a new structure of national preferences in a new environment conditioned by (8) the changed preferences of the member states, (9) the new powers and preferences of the supranational institutions and (10) the new decision-making rules and policy competences at the European level, while $T2$ is the decision making after the new structure of national preferences. In contrast, in Drezner's t , $t+1$, $t+2$, ..., $t+n$ model, $t+1$ suggests (11) higher switching costs from the rules codified at t , (12) the reinforcement between actors' preferences and the rules that bind them, and (13) an increasing unlikelihood to change the rules codified at t endogenously. In the model $T0_{the\ TEU}$ - $T1a_{the\ Amsterdam\ Treaty}$ - $T1b_{the\ Nice\ Treaty}$ - $T2_{the\ Lisbon\ Treaty}$ put forward by this dissertation, $T0_{the\ TEU}$ represents the beginning of decisions and policies about the single common currency and the related economic governance trend at that time, while the new measures dealing with the crisis are the decisions and policies related to the euro and EU economic governance after the grand bargains of $T2_{the\ Lisbon\ Treaty}$; between $T0_{the\ TEU}$ and $T2_{the\ Lisbon\ Treaty}$, $T1$ is a large time gap which actually consists of two chronological intergovernmental grand bargains of $T1a_{the\ Amsterdam\ Treaty}$ - $T1b_{the\ Nice\ Treaty}$, which for one thing, being the time gaps between $T0_{the\ TEU}$ and $T2_{the\ Lisbon\ Treaty}$ and following Pierson's $T0$ - $T1$ - $T2$ model, should suggest (1)(2)(3)(4), and for another, representing new structures of national preferences and altered contexts, and in light of Pierson's and Hix's arguments, should exhibit the features of (5)(6)(7)(8)(9)(10); besides, following the logic of Drezner's model, $T1$ after $T0$ should also exhibit (11)(12)(13). So synthesizing all of them together,¹¹² this dissertation formulates H16, and from another perspective, the selection of $T1$ as $T1a_{the\ Amsterdam\ Treaty}$ - $T1b_{the\ Nice\ Treaty}$ satisfies various interpretations to $T1$ in an HI three-phase model. In addition, treating $T1a_{the\ Amsterdam\ Treaty}$ - $T1b_{the\ Nice\ Treaty}$ as a whole as $T1$ is also justified by the nature of the Lisbon Treaty, which, "amend(ing) the Treaty on European Union, the Treaty establishing the European Community and the Treaty

¹¹² It is also possible to illustrate such a synthesis visually based on Figure 3.1 (i.e. Pierson's diagram "the path to European integration"). Pan and Hosli (2014) represent H16 in a Figure form by integrating Hix's (1999, 2005) and Drezner's (2010) analytical factors into Pierson's path to European integration. As a result, all the thirteen factors mentioned in this part are visually displayed in a single Figure.

establishing the European Atomic Energy Community”, was designed “to complete the process started by the Treaty of Amsterdam and by the Treaty of Nice with a view to enhancing the efficiency and democratic legitimacy of the Union and to improving the coherence of its action” (Preamble of the Treaty of Lisbon C 306/3). Altogether, (1)-(13) discussed here are the analytical elements for the proposed path dependent model, which shall be examined in the case(s) where the path model is supposed to be effective.

The merits of the proposed path dependent model — T_0 _{the TEU}- T_1 _{a the Amsterdam Treaty}- T_1 _{b the Nice Treaty}- T_2 _{the Lisbon Treaty}-*The EU’s New Measures to address the post-2008 crisis situation* — are that from T_0 to T_2 , each time point represents IGC bargains and EU Treaty revisions, which on the one hand, meet the conditions for Pierson’s model, while on the other hand, also represent changed structures of preferences and new contexts for policy-making, as argued by both Pierson and Hix. Besides, each concluded EU Treaty is based on previously adopted Treaties, and in the end, based on the Treaties of Rome that gave birth to the Community on 1 January 1958 (among which the TEU for the first time laid down specifications and regulations for EMU and the single currency). Each EU Treaty *revision and expansion* connotes the potential of the iteration and reinforcement of initial rules as suggested by Drezner. The nature and property of the selected time points for analyses make the proposed path dependent model possible and reasonable. As a matter of fact, each two consecutive grand bargains and the institutional and policy outcomes after the second grand bargain (*i.e.* T_{TEU} - $T_{the Amsterdam Treaty}$; $T_{the Amsterdam Treaty}$ - $T_{the Nice Treaty}$; $T_{the Nice Treaty}$ - $T_{the Lisbon Treaty}$) can be analyzed from the different perspectives offered by Pierson, Hix and Drezner, respectively, and the contribution of this dissertation is to make an original synthesis of the various causal mechanisms of path dependence posited from diverse points of view.

According to the assumptions of H16, this dissertation will delineate the contour of the rules about the single currency and EU economic governance related to the three new measures from the TEU, via the Amsterdam Treaty and the Treaty of Nice, to the Lisbon Treaty, after which the mechanisms posited in H16(a), (b) and (c) will be tested as follows:

First, as for H16(a), empirical analyses will investigate whether the preferences of the salient actors who are bounded by the TEU rules (e.g. national governments, EU supranational institutions and the societal interest groups) get strengthened and reinforced over time (12), and whether the changes of relevant rules are caused by EU

internal needs (endogenous causes) and/or external challenges (exogenous causes) (13), both of which imply the possibility of newly emerging interests and preferences (8)(9)(10); moreover, the changed preferences of national governments (5)(8) subsume three analytical factors: (1), (2) and (3).

Second, the assumption of H16 (b) that “the institutional arrangements and increasing sunk costs make actors stick to the existing course” will be tested by the presence or absence of mechanisms suggested by (2)(4)(7) (9)(10)(11), among which (7) and (9) are the embodiment of (4), (11) is another expression of (2), both suggesting a micro-level analysis on societal actors’ incrementally building-up of their vested interests in the maintenance of EU policies, and (10), which always associates with (9), concerns the rules and institutional arrangements themselves such as the punish mechanisms, decision-making procedures, voting rights and thresholds for institutional reforms.

Finally, the assumption of H16(c) will be accepted or rejected by examining (i) and (ii). While (ii) is a frank evaluation of the possible unintended consequences by situating the current sovereign debt crisis in the context of the effectiveness of the TEU rather than the Lisbon Treaty and the new measures are not predicted by national governments when they make decisions at the time of the TEU, (i) suggests the causal chains presumed by (3)(4)(6)(7)(9)(10), among which (3) and (4) are the contributing factors to (6); as (4) (i.e. heavily discounted or unintended effects) connotes (7) (i.e. the increasing “power of other actors” besides national governments), (7) is also a factor that will influence (6) (i.e. member state bargaining powers), which implies a possible power and competence trade-off between nation states and EU supranational institutions, and accordingly this dissertation will check: (a) whether from *T0_{the TEU}* to *T2_{the Lisbon Treaty}* and then to the new measures, step by step, the power and competence of national governments get reduced and delegated to EU institutions while those of EU institutions increase; and (b) the evolution of the power and competence of various actors bounded by the Treaties.

Obviously, this proposed model places the new measures into the evolving historical and institutionalist context of EU Treaties, an perspective that is valued and stressed not only by HI, but also shared by neo-functionalism and intergovernmentalism. As Pierson’s path dependence theory (1996, 1998) is utilized by both neo-functionalists and intergovernmentalists to support their own arguments, the hypothesis tests results of HI will serve as confirmative or disconfirmative proof to

some of the neo-functional and intergovernmentalist propositions (see Tables 3.2 and 3.3). In addition, viewing all HI hypotheses formulated in this chapter, this dissertation observes that there are overlapping elements among some HI hypotheses, so consequently, there is mutual support or disconfirmation among these hypotheses.

Last but not least, as HI argument 2 has pointed out that institutions are just one of the factors in the causal chains that lead to political outcomes, but after a close examination of the HI arguments, this dissertation finds that external factors tend to be excluded from explaining policy formation. For example, Pierson's map on "the path to European integration" stresses domestic changes, but offers no places for international vicissitudes. Based on HI arguments 1 and 22, the hypothesized mechanisms H13(g) and the second half of H16(a) introduce the factor of the exogenous challenges (the external environment) into HI perspectives. Although Europe's sovereign debt crisis happened in the wake of the global financial crisis of 2008, the broad international economic and financial situation should be included in accounting for the adoption and implementation of the new measures. So in case studies, this dissertation will also look into the global context in which the EU treaties were concluded and the new measures were formulated, so as to explore the interactions between the EU policy outcomes and the external environment.

