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**France and the reform of the eurozone –
from Sarkozy to Hollande**

Diplomová práce

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Abstrakt

Diplomová práce si klade za cíl zmapovat a vysvětlit změnu přístupu prezidenta Françoise Hollanda k otázkám úsporných opatření v eurozóně. Na jaře roku 2012 budoucí francouzský prezident Hollande nastoupil na vlnu volání veřejnosti po změně a ve své kampani a volebním programu slíbil radikálně nový přístup k hospodářským a fiskálním politikám eurozóny. Nejexplicitnějším indikátorem této změny se měla stát renegociace fiskálního paktu, formálně Smlouvy o stabilitě, koordinaci a správě v hospodářské a měnové unii. Navzdory všeobecnému očekávání toho nový socialistický prezident změnil v přístupu k úsporným opatřením doma ve Francii i v eurozóně velmi málo. Za účelem vysvětlení tohoto neočekávaného výsledku aplikuje diplomová práce sociologicko-politický teoretický koncept Eurokratického pole, odvozený od sociologie Pierra Bourdieua a rozvinutý ve francouzském akademickém prostředí Didierem Georgakakisem a Jayem Rowellem. V tomto kontextu se prezident Hollande stal hráčem ve velmi specificky fungujícím poli. Použitím několika empirických metod práce identifikovala relevantní částkové pole pro vysvětlení zkoumané otázky a zmapovala pozice všech relevantních hráčů v něm. Z takto provedené analýzy pak práce vyvodila, že změna přístupu prezidenta Hollanda se udála v důsledku mimořádně nepříznivé pozice, kterou v relevantním poli zajímal. Prezident Hollande pak nejenže pokračoval v úsporných opatřeních, ale v mnohých šel ještě mnohem dál než jeho předchůdce v úřadě. Fakt, že fiskální pakt nakonec nebyl znovuotevřen a renegociován je jen logickým vyústěním popsaného vývoje.

Abstract

The thesis seeks to map and explain the change of mind of President François Hollande with regard to the overall austerity in the eurozone. In early 2012, the President-to-be Hollande campaigned on a wave of desire for change and his campaign promises and election program promised a radically new approach towards economic and fiscal policies in the eurozone once he became president. The most explicit manifestation of this change should have been the renegotiation of the fiscal compact, formally the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. However, once in office, the new socialist president made very little to change the overall course of austerity at home and in the euro area. To explain this unexpected outcome, the thesis employs the sociological-political concept of the field of Eurocracy, derived from the sociology of Pierre Bourdieu and developed in the French academia by Didier Georgakakis and Jay Rowell. In such context, President Hollande became actor in a very specifically-functioning field. Using multiple empirical methods, the thesis identified the sub-field relevant for the study of the above-mentioned issue, mapped the positions of all the relevant actors in it and concluded that President Hollande's change of mind was due to the highly unfavorable position he possessed inside the field. In fact, not only did President Hollande continue in austerity policies, but in many cases he went beyond the ones that he originally criticized. It goes without saying that there was no serious attempt to renegotiate the fiscal treaty.

Klíčová slova

Francie, eurozóna, François Hollande, fiskální pakt, Eurokratické pole

Keywords

France, eurozone, François Hollande, fiscal treaty, field of Eurocracy

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Prohlášení

1. Prohlašuji, že jsem předkládanou práci zpracoval samostatně a použil jen uvedené prameny a literaturu.
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3. Souhlasím s tím, aby práce byla zpřístupněna pro studijní a výzkumné účely.

V Praze, dne 15.5.2015

Tomáš Juhás

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V čem se oproti původními zadání změnil cíl práce?

Cieľom práce naďalej ostáva vysvetliť rozpor medzi predvolebnými sľubmi kandidáta F. Hollanda v prípade prístupu Francúzska k reformám fiškálneho rámca eurozóny, a následnými povolebnými krokmi prezidenta Hollanda.

Jaké změny nastaly v časovém, teritoriálním a věcném vymezení tématu?

Časové ani teritoriálne hľadisko sa nezmenilo. V prípade vecného vymedzenia práca pravdepodobne rezignuje na prolematiku bankovej únie a sústreďí sa iba na reformy fiškálneho rázu.

Jak se proměnila struktura práce (vyjádřete stručným obsahem)?

S upresnením teoretického rámca a vecného vymedzenia došlo k upresneniu aj v prípade štruktúry práce. V prvej časti bude bližšie zadefinovaný teoretický rámec (field of Eurocracy). Následne práca preskúma podrobnejšie predvolebné sľuby kandidáta Hollanda, a zasadí ich do kontextu vývoja eurozóny. Následne, v empirickej časti, bude zadefinované relevantné pole, v ktorom bol prezident Hollande nútený fungovať a budú preskúmané pozície jednotlivých aktérov v danom poli. Z rozloženia relevantného poľa, vzájomných pozícií aktérov a prezidenta Hollanda bude ponúknuté vysvetlenie posunu prezidenta Hollanda od predvolebných sľubov ku krokom zodpovedajúcim kurzu nastolenému jeho predchodcom v prezidentskom úrade.

Jakým vývojem prošla metodologická koncepcie práce?

Z teoretického hľadiska došlo k upresneniu použitej teórie - práca bude vypracovaná za použitia politicko-sociologickej teórie Eurokratického poľa (field of Eurocracy), vychádzajúcej zo sociológie Pierra Bourdieua, rozvinutej a na EÚ aplikovanej Didierom Georgakakisom a Jayom Rowellom. Táto teória je v českom

prostredí používaná málo, pričom však obsahuje niektoré neoddiskutovateľné výhody oproti iným teóriám zaoberajúcim sa európskou integráciou a správaním jej rôznych aktérov - berie do úvahy nielen inštitucionálne hľadisko, avšak obohacuje ho o istý sociálny rámec. Tým umožňuje presnejšie podchytenie tak komplexného prostredia, akým je Európska únia - desiatky tisíc úradníkov, stovky europoslancov, desiatky ministrov a premiérov, komplexné pravidlá fungovania (formálne i neformálne), rokovania, skladanie koalícií a často protichodné záujmy (a to ako inštitucionálne, tak osobné jednotlivých aktérov). Všetky tieto komplexnosti zasádza táto teória do koherentného teoretického rámca. V prípade empirického výskumu bude využitá kvalitatívna obsahová analýza verejných výstupov F. Hollanda.

Které nové prameny a sekundární literatura byly zpracovány a jak tato skutečnost ovlivnila celek práce?

Doteraz spracovaná literatúra sa zaoberala najmä širším kontextom problematiky - Francúzsku a jeho vzťahu k EÚ (Jacques Guillaume - La France dans l'Union européenne), fiškálnej politike všeobecne (Mark Hallerberg - Fiscal Governance in Europe) a fiškálnemu rámcu EÚ, resp. eurozóny (TSCG, relevantné ustanovenia primárneho práva EÚ a súvisiaca sekundárna legislatíva, výstupy EK). Tieto zdroje priamo obsah budúcej práce ovplyvnia v obmedzenom rozsahu, avšak sú nevyhnutné pre riadne pochopenie problematiky, ktoré je zase predpokladom pre ďalší výskum.

Druhá skupina doteraz spracovávanej literatúry sa týka teoreticko-metodologického rámca, kľúčovú úlohu zohráva kniha Didiera Georgakakisa a Jaya Rowella The Field of Eurocracy. Mimoriadne prínosným bol tiež úvod do danej teórie sprostredkovaný priamo prof. Georgakakisom (vyučujúci na Université Paris I Panthéon-Sorbonne).

Charakterizujte základní proměny práce v době od zadání projektu do odevzdání tezí a pokuste se vyhodnotit, jaký pokrok na práci jste během semestru zaznamenali (v bodech):

zúženie vecného zamerania; upresnenie teoretického rámca; rámcové určenie metodologického rámca; identifikácia a štúdium prameňov a literatúry nevyhnutných pre hlbšie pochopenie širších súvislostí skúmanej témy; identifikácia ďalšieho smerovania diplomovej práce na základe poznatkov získaných semestrálnym pobytom na Université Paris I Panthéon-Sorbonne

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1. Introduction

Much has been written about the crises that the European Union is facing, many reasons were found, many solutions identified and proposed. Much has also been done politically to solve the current and avoid the future ones. The existing literature usually focuses on the causes, possible solutions and dominant players in the different processes. When the financial crisis, the economic recession and mainly the subsequent eurozone debt crisis hit the EU, the Union was partially caught by surprise. Concerning the third phase of the crisis, the one starting with the unsustainable Greek debt, the eurozone was not prepared to face it. Since large sums of money and a strong political leadership was needed, it is the EU leaders who took the lead. European Council, originally designed to serve as a strategic guide of the Union, became the crisis manager. Unsurprisingly, the two largest states took the lead inside it – Germany and France. Much has been written about the German role, something has been written also about France. But there is one issue that has not been covered sufficiently, especially in the Czech Republic – the issue of President François Hollande.

François Hollande became president after having beaten Nicholas Sarkozy in early May 2012. At the time of the election campaign, the Franco-German austerity prescription for eurozone was quickly taking formal shape, mainly in the form of the so-called fiscal compact, formally the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. François Hollande campaigned under the strong slogan “The change is now!” promising to change practically everything that his contestant was doing. In the eurozone context, in short, he promised to end austerity. Being a socialist, campaigning on a wave of desire for change – many expected that he would deliver. After all, France is the second economy of the eurozone after Germany. It is a strong and proud country and its president is a very influential figure not only inside Europe, but globally. However, not long after the elections it was clear, that no serious breach with the past austerity was going to happen. From today’s perspective we could almost say that President Hollande is more pro-austerity than was President Sarkozy. The government of Manuel Valls is reportedly one of the most reformist

governments in the history of the Fifth Republic,¹ realizing exactly the type of reforms that President Sarkozy, jointly with the German Chancellor Angela Merkel, prescribed in 2011 as part of its austerity agenda. This development leaves a European Studies Master's student wondering – why did such a change of mind take place? Why did Mr Hollande change his approach? This question is at the core of the following diploma thesis.

Christian Lequesne argues in his paper published in *JCMS* in 2013,² that Hollande changed his mind for two main reasons: 1) substantially opposing Germany might break the legendary Franco-German tandem in the EU, so very important in symbolic terms in France; and 2) France had no room for maneuver because of the different financial and economic pressures. Although it may have not been clear in 2013 (or before, when the paper was being prepared), there is an issue with both these conclusions. Firstly, the Franco-German motor's significance declined under President Hollande, although for multiple reasons.³ Secondly, France was never under such a strong macroeconomic pressure, at least in the short-term, to justify Lequesne's argument. Certainly, under Mr Sarkozy, France lost the highly-valued AAA rating of its bonds.⁴ It clearly faced (and faces) many economic challenges, but they were not of such magnitude so as to suggest an imminent default of France. Also, the neo-Keynesian pro-growth policies might also have been the solution, equally successful, or even more so, than the austerity-driven reforms in which Mr Hollande's presidency chose to continue. We shall therefore suggest an alternative view in the following chapters. One centered around politics in the EU, more specifically inside the European Council. One derived from a very interesting theoretical approach with a number of advantages, which is however not commonly utilized in the Czech academia – a sociological-political concept inspired by Pierre Bourdieu's work, co-developed and

¹ "The Last Valls," *The Economist*, October 2014, <http://www.economist.com/news/briefing/21621707-manuel-valls-heads-most-reformist-government-france-has-seen-many-years-might>.

² Christian Lequesne, "A New Socialist President in the Elysée: Continuity and Change in French EU Politics," *JCMS: Journal of Common Market Studies* 51 (2013): 42–54.

³ "The Ups and Downs of Franco-German Harmony," *Euronews*, accessed May 12, 2015, <http://www.euronews.com/2013/05/23/the-ups-and-downs-of-franco-german-harmony/>.

⁴ "France Loses AAA Rating as Euro Governments Downgraded," *BBC News*, accessed May 12, 2015, <http://www.bbc.com/news/business-16552623>.

further studied by academics from the French milieu, usually known as “field of Eurocracy theory”.

The thesis will open with a theoretical chapter, outlining the above-mentioned theory and some of its advantages. In order to responsibly assess the question that this thesis seeks to answer, we shall then reiterate some of the crucial context information. In the third chapter, we will look closely at the exact nature of Mr Hollande’s campaign pledges. It is not thinkable to proceed to the question without having firmly established what it is exactly that he promised. The fourth chapter employs the theory outlined below and constructs the relevant sub-field in which Mr Hollande operated. The closing chapter of the thesis brings together the findings of all the chapters and proposes an answer to the questions above.

1.1 Terminology

Since we operate with several very specific issues, it is important to clarify the used terminology. Obviously, this thesis involves the European Union. As usual in the scholarly literature, I use not only the official term, but also the abbreviation “EU” or simply the word “Union” to name it. The group of countries inside the EU, that have as currency the euro, are usually described as the eurozone or the euro area. I tend to use the first term, although if necessary for the sake of text fluency, I also use the second name - the terms are interchangeable. Concerning the EU institutions, I use either their official names (European Council, European Commission, Council of the European Union, the Eurogroup, European Central Banks), or a widely-used abbreviation (Commission, EC = European Commission; Council = Council of the EU; ECB = European Central Bank). To describe the treaties on which the EU is based,⁵ namely the Treaty on European Union and the Treaty on the Functioning of the European Union, I simply use the word “Treaties” (capital T). In the same logic, I sometimes call members of the European Parliament “MEPs”.

⁵ *Treaty on European Union, Treaty on the Functioning of the European Union, Consolidated Version*, accessed May 12, 2015, <http://eur-lex.europa.eu/legal-content/SK/ALL/?uri=OJ:C:2012:326:TOC>.

More importantly, this thesis involves legal acts of different natures relating to the budgetary discipline in the eurozone. For the Stability and Growth Pact I sometimes use the abbreviation SGP. Six-pack and two-pack are two different sets of measures aimed at enhancing the original SGP. For the “Treaty on Stability, Coordination and Governance in the Economic and Monetary Union”, I tend to use either the abbreviation “TSCG”, or the not so precise expression “fiscal compact”⁶, or an expression inspired by Mr Hollande’s election program “fiscal treaty” (traité fiscal).

In the empirical part, especially in a graphic that I construct, I use internationally recognized double-letter abbreviations for the eurozone states (DE for Germany, FR for France, LU for Luxembourg and so on).

Although this thesis is written in English, in places where it is appropriate for the sake of clarity, precision or simply flow of the text, I tend to use some well-known French expressions (typically Parti Socialiste = the French Socialist Party, Présidentielle 2012 = the 2012 French presidential elections).

⁶ Fiscal compact is formally the name of one of the titles of the TSCG.

2. Theoretical and methodological framework

2.1 Theory

Given the fact that the question posed by this thesis, why Mr Hollande changed his approach towards the reform of the fiscal framework of the eurozone once he became President of the Republic, is a very European one, theories of the European integration naturally come among the first to the mind of the researcher who tries to find the answers. Moreover, the debated events occurred during a time of the most serious crisis of the common currency so far. Crisis times often lead to big architectural, if not structural changes not only in the Union, but in general. Theory frameworks already developed are at such times offered a very good opportunity to be tested and adjusted, if needed.

One corpus of theories of the European integration is based on the almost automaticity of the integration process. The legendary neofunctionalism of Ernst Haas,⁷ with its spill-over effect, see the European integration as a process of integration leaps, from one level to a higher one, fuelled mostly by the realization that in order for the integration to work properly and for the benefits to be as high as possible, integration at one level requires integration at the higher one. In this logic a free trade area becomes customs union, this is developed into a single market, followed by economic integration and, finally, political union. The process is considered to be almost inevitable in the theory, fuelled and steered by the institutions of the integration. The role of the states is underestimated and individuals play only small role in this approach. It is therefore perhaps useful to see the changes in the eurozone in the recent years in such a way – although only at a time of serious problems, the eurozone realized that it needs more fiscal coordination to work better (properly); but several issues exist with the neofunctionalist framework in our case. Firstly, it was mostly the member states of the Union, and some more than others, which fuelled the process, not the institutions.

⁷ Ernst B. Haas, *The Uniting of Europe; Political, Social, and Economic Forces, 1950-1957* (Stanford University Press, 1958).

Secondly, this approach is not usable to explain the changed mind of the French President.

Another set of theories see the impulses for integration at the exterior of the integration. Andrew Moravcsik⁸ and his liberal intergovernmentalist approach see the integration as steered by the member states, because it is profitable for them – economically (for the state and its economic actors) as well as politically (mainly for the government in power). The notion of a “two-level game” is used here - a politician plays two different games at two different levels, state and integration, and results at the integration level help him score political points at home. This last formulation is the reason why the liberal intergovernmentalist theory is not usable in this particular case. Mr Hollande may have played a game on two different levels, but surely the support of austerity and tough fiscal policies at the EU level did not help his home approval rate – this indicator decreased to record-low values over the first years of the presidency.⁹ However, this theory at least takes into consideration also the person of Mr Hollande, which is an important characteristic of the theory in this work.

There is a corpus of theories which focus in particular on individuals and appreciate their role in the process of the European integration. According to these theories of socialization¹⁰, or also europeanization in this context, individuals who meet each other for a longer period of time tend to converge in terms of opinions. Therefore, if representatives of the 28 EU member states meet regularly on Council meetings, after some time their views on things they discuss become more and more similar. This enables them to communicate better and since they have similar views on important things, they are more likely to agree on more integration in their particular domain. Although socialization is most interesting with regard to the more permanent positions in the EU universe, it could also be applied to heads of state and government. One can imagine that presidents and prime ministers in European Councils get to know each

⁸ Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, Cornell Studies in Political Economy (Ithaca, NY: Cornell University Press, 1998).

⁹ “France - Hollande’s Popularity Hits New Low of 15%,” *France 24*, accessed May 12, 2015, <http://www.france24.com/en/20131114-hollandes-popularity-hits-new-low-15>.

¹⁰ Cécile Robert and Hélène Michel, eds., *La fabrique des « Européens ». Processus de socialisation et construction européenne* (Strasbourg: Presses universitaires de Strasbourg, 2010).

other after some time, their opinions converge, thus facilitating more integration. Mr Hollande, therefore, could have gotten socialized with other EU leaders on subsequent European Council meetings, which led him to reconsider his original mind-setting concerning fiscal reform of the eurozone. However, we mentioned earlier that socialization theories require rather longer periods of time – years, if not decades. Also, in case of presidents and prime ministers, these figures are above all national politicians, their legitimacy and power come from their home electorates. As politicians, they are naturally keen to win re-election. It is therefore not hard to assess that they will be more receptive towards their home public opinion than to the (possibly converging) opinions of their partners from other member states.

There are certainly other theories which could be considered, but let us now pass towards the one that we will try to employ in this work. As we mentioned earlier, it seems quite obvious that the person of Mr Hollande will be of interest. It does not suffice to consider him only as an institution, the President of the Republic. On the other hand, it would not help either to neglect his institutional status, and the status of other persons with whom he interacts, and focus too much on him personally – theories of informal governance can have these effects. Rather, we will use a sociological-political concept, derived mostly from the works of Pierre Bourdieu.¹¹ Bourdieu sees the society neither as a pyramid vertically divided into strata, nor as a continuum with almost no structure at all, but rather as an environment structured by the uneven distribution of capitals. The capitals are of three main types – economic, cultural and social. The economic capital is mostly the income and the property. Cultural capital includes manners, formation, education. Social capital represents the corpus of relations that one is able to mobilize. The volume of owned capitals and their specific mix structure the society. One can be wealthy, but with no manners, another can be an impoverished aristocrat with a large number of relatives and so on. Such view creates a very complex image of the society, but a very useful one. It provides for a large number of possible social groups, quite well-defined according to the capitals, and therefore with more or less predictable attitudes towards different questions, but at the same time not deterministic - which makes it a dynamic model.

¹¹ Pierre Bourdieu, “The Forms of Capital,” in *Handbook of Theory and Research for the Sociology of Education* (New York: Greenwood, 1986), 241–58.

One can overcome a number of problems in the studies of the EU institutions and processes using the application of Bourdieu's concept. A classical point of view of the EU institutions is Treaties-based, legalistic and institutional.¹² With this approach, the EU is reduced on a very large number of paragraphs in all kinds of EU law and the interactions between the institutions need always have a legal base somewhere in that law universe. One closer look at the functioning of the Union makes this image somewhat simplistic and insufficient. Institutions do not always interact as strictly as written in the Treaties, some of them clearly seek more and more powers, while others had such an impact on integration, which is no way provided for in the legal foundations of the Union. Secondly, going back to the beginning of this chapter somewhat, there is the functionalist trap. In the views of many, the EU functions in such a way that one input gives some specific intended output. This view is consistent with the neofunctionalist theory for which such predictability and automaticity is characteristic. But again, a closer look at the institutions reveal that processes are not always linear and big projects seldom run as smoothly as hoped for. Bourdieu's concept can be used to overcome these issues by inserting a social point of view, but not one which is totally behavioral and therefore inherently almost unpredictable and unstructurable, but rather a well-structured one which can create all sorts of social categories inside the Union with more or less predictable means and goals.

As Crozier¹³ suggested in his model of sociology of organizations, the breakdown of an organization into several social sub-units can give credible answers in situations where an institutionalist approach cannot. In a firm, there are usually quite well-established hierarchies between the groups of employees. For example, in a firm producing shoes, there is at least a boss, workers and maintenance workers. An institutionalist approach sees each category with some functions and would give the highest amount of power to the boss. But in reality, an unexpected amount of power can lie with the maintenance workers. Pursuant to Crozier's model, these maintenance workers control the functioning of an essential part of the company (the machines) and

¹² Didier Georgakakis and Jay Rowell, eds., *The Field of Eurocracy: Mapping EU Actors and Professionals* (Palgrave Macmillan, 2013), 3.

¹³ Michel Crozier, *The Bureaucratic Phenomenon* (New Brunswick, NJ: Transaction Publishers, 2009).

have therefore, informally, much higher influence on the overall productivity of the firm, than the boss directly can ever have. In a power struggle, for instance in bargaining for salaries, maintenance workers have more leverage on the boss than the boss has on them and can therefore achieve better conditions. Similarly, the concept could be employed to study the EU, which has a lot more categories of “employees” than the firm in the illustration above, but similar effects are observable also for its case.

Going back to Bourdieu’s sociology, one of his key concepts is the concept of the field. As we mentioned above, Bourdieu sees the society as a space structured by the uneven distribution of different capitals. This unevenness gives birth to a number of social groups. If several of these groups share some goals and some rules, there exists a field characterized by the struggle between these different groups. Inside this field, the struggle can be to achieve domination of the field directly through interactions, but one can imagine a struggle to redefine the field, thus achieving better position inside the field for a specific group. The power different social groups have inside the field depends, quite unsurprisingly, on the capitals they possess. Power can be attributed to those having the classic capitals (economic, social, cultural, that is e.g. a lot of money, good education, good contacts around the field), but there can also be a field-specific capital, such as rank in the institutional chart or sector-specific expertise. Equally importantly, there is also the symbolic capital – credibility or local charisma, meaning the ability to catch the attention and gain trust of other members of the field.

Bourdieu himself did not originally apply his field theory on international arena.¹⁴ He worked mainly with national fields, such as the administrative field of officials in charge of housing policies in France.¹⁵ However, several authors have overcome this and used Bourdieu’s concepts on the international. Concerning the application on the European Union, mainly works from the francophone world exist, in particular from universities of Paris and Strasbourg. Various scholars worked with Bourdieu’s theory of the field, more specifically in its bureaucratic form, and applied it

¹⁴ Didier Georgakakis and Antoine Vauchez, “Le Concept de champ à l’épreuve de l’Europe,” in *Enquêtes globales en sciences sociales*, ed. Johanna Siméant and Bertrand Réau (CNRS, 2015).

¹⁵ Pierre Bourdieu and Rosine Christin, “La construction du marché - Le champ administratif et la production de la ‘politique du logement,’” *Actes de la recherche en sciences sociales* 81, no. 81–82 (March 1990): 65–85.

to specific sectors of the EU functioning. They sought to define rules, developments, or simply provide an empirical overview of various actors in the EU field. One can find a corpus of papers mapping the different political and career trajectories of the members of the European Parliament¹⁶, Commissioners¹⁷, top-level civil servants of the EU institutions.¹⁸ But there are also papers centered around a specific agenda, for example mapping players in areas immigration, justice and home affairs¹⁹ and so on.

Didier Georgakakis and Jay Rowell²⁰ sought to synthesize these partial, player-specific studies into an overall concept of the Union based on Bourdieu's sociology and field theory. The basic premise of their edited volume, which serves as the main theoretical point of departure of this thesis, is that the whole of the European Union, with all its players, rules, laws and complexities of formal and informal governance, can be conceptualized as a single bureaucratic field. To set this field apart and highlight its specificity, they recycle the word "Eurocrats" introduced into the general discourse by Altiero Spinelli²¹ in 1966, and name the field a "field of Eurocracy". By seeking to construct an overall theoretical concept of the whole EU field, the authors hope to integrate the valuable existing player-specific empirical studies with new ones, concerning more players, with specific dynamics of the field resulting from players' changing roles (as is very often the case in the Brussels "bubble" – MEPs become Commissioners, lobbyists become officials, officials become think-tankers, and so on) and much more. Also, not least, they provide framework for research of future developments.

Let us shortly get back to the notion of the bureaucratic field. This notion is at the core of the field of Eurocracy theory and is derived also from Bourdieu's works. The EU is described as a bureaucratic field for a very good reason. It does not mean that

¹⁶ Julien Navarro, *Les députés européens et leur rôle: sociologie des pratiques parlementaires* (Brussels: Editions de l'Université de Bruxelles, 2009).

¹⁷ Andrew MacMullen, "European Commissioners, 1952-95," in *At the Heart of the Union. Studies of the European Commission*, ed. Neill Nugent (London: Macmillan, 1997), 27–48.

¹⁸ Morten Egeberg, "Organization and Nationality in the European Commission Services," *Public Administration* 74, no. 4 (1996): 721–35.

¹⁹ Didier Bigo, ed., *The Field of the EU Internal Security Agencies* (Paris: L'Harmattan, 2007).

²⁰ Georgakakis and Rowell, *The Field of Eurocracy*.

²¹ Altiero Spinelli, *The Eurocrats: Conflict and Crisis in the European Community* (Baltimore: The Johns Hopkins Press, 1966).

the EU is dominated by bureaucrats, in the common pejorative understanding of the word typical for the Czech context. The EU is described as a bureaucratic field as opposed to a political field. In a political field, players oppose each other in political terms and the outcomes of the field games are based on political majorities (voting). On the other hand, in a bureaucratic field, the interactions are much more diverse, players integrate many different types of resources, seek to promote not only political, but also institutional, professional or even social goals. The outcomes of the field power games are not based on voting, but rather on complex negotiations on different simultaneous levels.²² The final result is a compromise forged by a coalition of different actors who possess the highest power in the field – in other words have the best position in the field based on the capitals they possess and other characteristics. Even at first sight, this understanding of bureaucratic field seems to be very close to the functioning of the European Union. Few things could serve as a better illustration of how the EU works, as the overall legislative process inside the Union. In the beginning is a long-term preparation process – officials working on a draft, with inputs from member states, lobbyists, NGOs. Then the draft makes its way through the Commission apparatus – inputs from different DGs and services are added to the draft. Finally, when the draft is adopted, negotiations among member states representatives on the one hand, and members of the EP on the other, kick off. At each level, there is yet again a strong lobbying from different actors. When both processes are concluded, then the EP and the Council need to agree among themselves. What we can see is a multiplicity of actors with different interests, coalition buildings in the EP and in the Council to find the required majority or consensus – put simply, a prototype bureaucratic field.

To make the field of Eurocracy theory as all-encompassing as possible, Georgakakis and Rowell define the actors in the field very widely. They include all the EU-related officials and representatives at all the levels – Commissioners, permanent representatives, MEPs, EU officials, even presidents and prime ministers (representatives in the European Council) or ministers (representatives in the Council), governors of the eurozone central banks and so on. They include also all interest representatives, NGOs, think tanks, academia personalities dealing with Union agendas.

²² Georgakakis and Rowell, *The Field of Eurocracy*, 7.

In all, they include all those, who have something in common with the functioning of the EU, both in Brussels and elsewhere.

As already mentioned, the different players in the field do not have the same positions. Agents in the field of Eurocracy are structured according to the capitals they possess. What counts most inside the field is less of the classic Bourdieu-style capital types – good education and well-established network of contacts may help, together with the knowledge of foreign languages, but things such as high income or a good family background do not. Specifically to the field, what really counts is for example multicultural capital – the ability to work with people from very different social and cultural backgrounds, sector-specific expertise and the know-how of the European negotiation process. These are all connected to the individual, as is the possible EU-specific charisma. But there are also several collective resources. If one agent represents Germany and another Greece on economic issues, the German will have a stronger position. So one of the agent's resources may also be the entity he represents. A larger member state is more resourceful in this matter than a smaller one, also a word of an agent of the European Parliament and of a small sector-specific Commission agency do not have the exact same value. In economic questions, a well-performing state, e.g. Finland, can have a bigger say than a poor-performing, though larger state, e.g. France. And we could continue like this. The resources of an agent in the field of Eurocracy are therefore a combination of his individual resources and of collective resources supplied by the entity that he represents.²³

A key characteristic of the field of eurocracy, according to Georgakakis and Rowell, is the permanent vs. temporary status of the different agents.²⁴ Permanent agents are those who reside in Brussels (or Frankfurt for the ECB, or Luxembourg for the judges of the Court of Justice) for a longer period to work on EU-specific issues. Temporary agents come and go, some stay longer than others, but their position in the system is not permanent. Commission officials, employees of the Secretariats of the Council or of the European Parliament, members of the ECB Executive Board and administrative apparatus and resident agents of enterprises and associations, these can

²³ Ibid., 228–232.

²⁴ Ibid.

be described as permanent. On the other hand, ministers who come to Council meetings, presidents and prime ministers who meet at European Councils or Euro Summits or national experts who come to participate in Council working groups or Commission expert meetings are inherently temporary. Permanent representatives of the member states and the staff of their representations are more permanent than the government officials who only come for a day or two and then leave, but are more temporary than the Commission officials who often spend their whole professional lives in the institutions. Permanent representatives are still diplomats and these are always sent to represent their country for a certain period of time. Their mission can be renewable, but after some time the ambassadors leave the position for sure, making place for their successors. This is an important characteristic because in it is enshrined a large inequality of the two groups. Permanent agents work in one area, often on a single issue, for a long period of time. They can thus obtain a specific, sometimes even unique expertise in the issue they focus on. Moreover, since they are in place for a long time, they can forge alliances more effectively, not to say that their Eurocracy networks are wider. Still, though, some temporary agents can possess capitals of different kinds that compensate for their temporary status. For example a minister has a much larger political (democratic) legitimacy than a director at one of the Commission's directorates-general. What is interesting for research, then, is the interaction between such capitals and the temporary-permanent position. A temporary agent, for example a minister who comes at a Council meeting, cannot match a Commission official in terms of expertise. At such a meeting, therefore, in a very specific and technical sectorial debate, a Commission official's word can very easily outweigh that of a minister, who theoretically has the final word (together with the other ministers). Research suggests that the EU officials have learned to use their permanent status, vis-à-vis their temporary opponents very wisely. It is not so unusual, that the Commission comes up with an idea that the member states' representatives do not like. If at the given moment the political constellation in the EU member states is not favorable to pass some regulation, the Commission can easily put it aside and focus on other initiatives. Its officials keep working on the original idea, developing it and acquiring ever more expertise. Sometime later, when governments change in some states and maybe an external action changes the minds of the other ones, the Commission can present its original idea, which has since been fine-tuned, and present it again to the member states. It is not difficult to imagine, that this time the regulation could pass. From a longer-term

perspective, therefore, the permanent status can very well serve as a compensation of the lack of some capitals, especially political legitimacy.

The characteristics developed above can be used to construct a graphical representation of the field of Eurocracy.²⁵ This representation can take a form of a two-dimensional graphic, with one axe representing the amount of capitals a player in the field possesses – the aggregation of the personal and collective capitals, while the other axe would stand for another characteristic. This could be the temporary/permanent status, but other characteristics are also imaginable. Georgakakis uses for example a business/public administration divide.²⁶ More usefully for our case, one could also consider the level of inclusion in the field of Eurocracy, in other words an insider/outsider position. The insider/outsider position represents another essential characteristic, especially for the temporary agents and for the newcomers to the field. As seen above, the field of Eurocracy is a very complex one. On the one hand it has a large number of players, on the other the rules governing their mutual relations are extremely field-specific and complex. This is very true even for the formal rules (the overlapping competences and responsibilities as provided by the Treaties), not to mention the informal rules that the field has developed over the years of daily functioning. Therefore a newcomer with zero experience in EU matters can be lost in the field in the beginning, unable of effective functioning. For a period of time, the newcomer finds himself in a very unequal position with fewer resources on his side, compared to the more “insider” players, accustomed to the field-specific rules of the game.

What the overall picture constructed by Georgakakis and Rowell enables us to do, is to study different shifts in the field, changing positions of different players, even large shifts in power distribution (e.g. nationalization at times of the “crisis management” by the European Council). But the field of Eurocracy theory makes it possible to do smaller, more pragmatic observations. We have already mentioned the complex functioning of the field (consultations, negotiations, coalition-building, at many different levels). In fact, one can analyze the rules that govern the field and

²⁵ Ibid., 229.

²⁶ Ibid., 232.

identify which exact group of players usually prevails, which is the usual “victorious” coalition. In the graphical representation, this constitutes a “power center”, a region of the field around some specific players, who had the best position to dominate the field. As indicated above, the exact position of the power spot can at times be counter-intuitive. We could expect that the strongest players are naturally those with the most capital, such as the ministers – it is them who decide in the end at the Council level. But, for example, as Michel Mangenot demonstrated in his paper on the establishment of Eurojust,²⁷ a small portion of mid-level officials of the Council Secretariat General can alter the overall institutional architecture development in a specific area, even with the more powerful players opposing them in the beginning. In this specific case, therefore, the power center would obviously be placed in the region with mid-range capital and rather permanent status of players. It is therefore necessary to study the location of the power center for each specific case.

2.2 Methodology

Georgakakis and Rowell sought to construct the “big picture” of the field of Eurocracy, integrating all players, all possible interactions, all possible processes, thus providing framework for different more narrow studies in the future. This is exactly what this thesis has the intention to be. Our research question, why Mr Hollande shifted away from his promise of less austerity, concerns a specific area of eurozone reform (fiscal compact, firm commitment to austerity). We know that this reform was debated and negotiated at the European Council level, among presidents and prime ministers. When Mr Hollande became president, he became also member of the European Council – the arena that imposed the very measures he promised to overturn and that had the competence to bring about change, too. The European Council is part of the wider field of Eurocracy, as conceptualized by Georgakakis and Rowell, or a specific sub-field of the overall field, with the same general characteristics (outcomes based on complex

²⁷ Michel Mangenot, “Jeux européens et innovation institutionnelle. Les logiques de création d’Eurojust (1996-2004),” *Cultures & Conflits*, no. 62 (Spring 2006): 43–62.

negotiations and coalition-building, players' positions based on capitals and other characteristics, and so on).

Inspired by Pierre Bourdieu's study of housing administration field,²⁸ we shall conduct a case study of the overall Georgakakis's and Rowell's field of Eurocracy²⁹ - the case being a specific European Council meeting, which we shall precise later based on preliminary research. Similarly to the "big picture" graphical representation by Georgakakis and Rowell, and to Pierre Bourdieu's representation of the administrative field of housing policies, we will prepare a graphical representation of our specific sub-field. Empirically, we will analyze the positions of the different players in our sub-field based on two measures – the amount of capital they possess and their insider/outsider status. The amount of capitals is in Georgakakis's and Rowell's assessment a key characteristic. The other key variable they use, temporary/permanent status of the player in the overall field, is of less importance in our specific sub-field – by definition the European Council members (apart from its permanent President with no voting right) are temporary agents. We shall therefore use a similar characteristic – the insider/outsider status of the players. This has a very similar logic to the temporary/permanent status (insiders are well-oriented in the field, in its rules, as are the permanents, and so on), but is more relevant for us. I am therefore persuaded we can use it in our specific case.

The crucial part of our case study will be placing the power center inside the specific sub-field. Since it is widely understood that Mr Hollane did not live up to his promises to change the development of the eurozone away from austerity, we can logically hypothesize that his position in the field was very unfavorable, far away from the field's power center. In order to place the power center in such a specific case, as is a European Council meeting, we can do two things – 1) get an insight into the development of the specific meeting from someone who was there. There are two practical ways to get something similar – get a first-hand witness account (through an interview, or through a written statement), or get a second-hand account (typically a

²⁸ Bourdieu and Christin, "La construction du marché - Le champ administratif et la production de la 'politique du logement.'"

²⁹ Georgakakis and Rowell, *The Field of Eurocracy*.

report by the media based on an inside source). The first-hand witness account is problematic – assuring an interview with a president or a prime minister, or a high-level official in their milieu, is not realistic on my level. Written statements are rare, since the European Council negotiations are not normally disclosed by the participants. What it leaves us with, then, is media coverage. Indeed, media often have well-informed sources inside such meetings. Of course, relying on media coverage may be problematic – I come back to this issue in the following sub-chapter on literature. Then 2) one can look at the outcomes of the meeting, usually published as conclusions, and identify elements probably pursued at the meeting by a certain participant. We shall combine both approaches to ensure as high a credibility of the findings, as possible. In both cases, the method used will be a qualitative content analysis.

Of course, the overall assessment of the question asked by this thesis has several steps, and there is a crucial one to be carried out even before we look at the relevant sub-field. It is to look more closely at the nature of Mr Hollande's campaign promises – being the original state from which he reportedly moved away. This analysis is an important input in the overall sub-field construction and overall analysis of the thesis – not only does it enable us to identify the relevant European Council meeting (each meeting has a different agenda), but it also serves as a cross-check of the widely agreed-upon statement that a shift in Mr Hollande's position in fact took place. To look at the promises, we shall use a qualitative content analysis of Mr Hollande's public statements during his campaign. These include mainly an electoral manifesto, TV debates and campaign meeting speeches, possibly complemented by the general media coverage.

In temporal terms, we are naturally interested in the period of Mr Hollande's presidential campaign and a short period afterwards, approximately the year 2012. Subsequent research will determine the exact date of the relevant European Council meeting that we shall analyze as the sub-field.

2.3 Sources

The main sources of this thesis include official documents, conclusions and other outputs of European Councils and intergovernmental agreements, legislative acts, all of these publicly accessible from the EU websites. These are mainly used to precise the outcomes of the field's games. These documents are mostly very much impartial and their language is very diplomatic. Thus, they can be considered as reliable. However, the very existence of an EU-specific, careful and very diplomatic language could constitute an issue. Carefully-worded formulations are sometimes very misleading. Even more so if they use very EU-specific language, where many commonly employed words possess a slightly different meaning. Also, these documents are often very technical in their nature, therefore incomprehensible. Being aware of this eventual problem, with a certain experience in EU functioning gained during my studies in the Czech Republic, in France and during my short-term work experience in Brussels, I am confident I can overcome these difficulties and identify with a sufficient level of precision the key elements of the outputs of the field's game.

To study the key characteristics of the players of the relevant sub-field (presumably presidents and prime ministers – members of the European Council), I use preferably the official biographies published on the governments' websites.

Other sources of this thesis include public statements of the actors. These are either published directly by the actors (PR services of their offices or political parties), through EU channels (press conferences after EU summits) or through various media appearances. Media outputs can be very problematic if not handled with caution. They can lack precision, overlook important details or be, knowingly or unintentionally, manipulated. In order to limit the possible negative effects, I try to work with such media coverage which provides the least space for manipulation. Therefore, I only work with media that are widely regarded as serious, with long history of quality journalism. Also, if their political allegiance is more or less obvious, I try to keep this in mind when dealing with the contents and possibly balance it with other media. Also, online availability is an important factor. I work with online archives of the media, as well as

with specialized online databases, such as Factiva. As for the language distribution of the media sources, I work with outputs in English and in French.

3. Context

In order to carry out a decent analysis of the aforementioned issue, let us first begin with a concise thematic-chronologic introduction into the context in which all the events, decisions and European Council meetings took place.

The global financial system was hit with a severe chock in 2008. The default of Lehman Brothers, followed by a domino effect on other large banks and financial institutions in the USA triggered a crisis of the financial sector. Although the causes are now quite well-understood and appear as having been in the making for prolonged periods of time, the whole world was practically taken by surprise. What followed was a deep economic recession, which many renowned economists and other experts compare to the Great Recession of the 1930s. Certainly, Europe was not spared the effects. From 2009 onwards, EU economies suffered from this outside impetus.³⁰ But even more importantly, and of much more relevance for this work, the global financial crisis and economic recession combined in the EU with a number of very unfortunate developments.

Firstly, the countries had no savings from good times (economic boom) to counter the effects of what lay ahead (economic bust). According to respected economic theories, states should profit from good economic times to make savings, which in turn would be used to overcome crisis times. In crisis times, people lose jobs, which puts pressure on the social system, not to mention the neo-Keynesian paradigm of economic stimuli necessity. Therefore, since crises are very expensive for states, they should prepare themselves beforehand. The problem in the EU was that virtually nobody was prepared.

If states don't have money, they can borrow from each other, from institutions such as the IMF, or from the financial markets. Thus in times of economic recession, even if a state does not have any savings to overcome the difficulties, it should be able

³⁰ Dermot Hodson, "The EU Economy: The Eurozone in 2010," *JCMS: Journal of Common Market Studies* 49 (2011): 233.

to acquire money by issuing bonds, which it would later in better times pay back. And here comes the second problem of the EU states in the eve of the recession – practically all member states were already indebted, and what is more important, for many countries the debt levels were alarmingly high.³¹ Thus when a crisis came and even more money was to be needed, it is quite unsurprising that the high debt levels became an issue.

The problem first erupted in Greece. In retrospect, Greece led a very generous public spending policy for decades. Salaries grew quite steadily, despite not being matched by growth in productivity, public sector was disproportionately high and pensions reached levels unmatched by other highly developed countries. Together with a rigid labor market and chronic tax evasion, the situation was far from sustainable in the long term. Of course, under such condition, the Greek economy was not competitive when compared to its trade partners inside the EU (and its predecessors). This was not such a big issue as long as Greece had a very important tool at its disposal – autonomous exchange rate policy. The logic is very straightforward – if you are not competitive, devalue your currency and regain your competitiveness. However, this tool disappeared with the adoption of the single currency in the EU. Greece joined the currency bloc in 2001.³²

It is important to include a small note at this point about Greek entry in the euro. Architects of the monetary union were very much aware that a single currency cannot function properly if the member states share only the monetary policy, but not fiscal and economic policies. Even more so if countries about to adopt a single currency are so disparate in economic terms. Therefore, economic policies of the countries were to be coordinated at intergovernmental level, and fiscal policies were to be kept under control by the Stability and Growth Pact. The SGP provides that each eurozone country must keep its fiscal deficit-to-GDP ratio below 3% and its cumulative sovereign debt-to-GDP

³¹ “General Government Gross Debt,” *Eurostat*, accessed May 12, 2015, <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde410&plugin=1>.

³² Andreas Hatzigeorgiou, “The Greek Economic Crisis – Is the Euro to Blame?,” *World Economics* 15, no. 3 (July 2014): 144–148.

ratio under 60%.³³ Also, it was encoded in the Treaties that the eurozone countries do not guarantee each other's debts.³⁴

When Greece wanted to adopt the euro when it was first conceived, in 1999, its sovereign debt was well above the 60% of GDP threshold value. It promised some adjustments and re-applied for the euro again in 2000. This time, its debt seemed to be descending toward the 60% threshold, therefore the eurozone agreed to include Greece as of 1 January 2001. The problem was, however, another sad Greek characteristic – the Greek authorities quite routinely played with their debt numbers, and that happened both before and after they adopted the euro.³⁵

With the euro as currency, though, Greece had a protective clout over its uncompetitive economy. Stronger economies were regarded as guarantors of the single currency, which meant that bond yields of all the countries descended to unprecedentedly low levels. This was, naturally, also the case of Greece.³⁶ With an uncompetitive economy and no will to reform, without the possibility to regain competitiveness by adjusting its exchange rate vis-a-vis other currencies and with the possibility to borrow ever more money cheaply, Greece continued to finance its generous public spending by accumulating ever more debt. Accounting tricks ensured that the levels never looked too horrible and in fact little attention was paid to them.

However, once the recession came, the comfortable protective clout of the euro was suddenly dropped. The financial markets, themselves hit roughly by the crisis, started to differentiate between the eurozone countries and yields on sovereign bonds started to rise. Greece was forced to reveal the true status of its public finances, which rocketed its yields even more.³⁷ And it is here, in late 2009/early 2010, where the story really begins.

³³ Peter Robbins, "The Greek Debt Crisis: The Need for 'Heroic' Economic Policy Reforms in the European Economic and Monetary Union," *Indiana Journal of Global Legal Studies* 22, no. 1 (Winter 2015): 176–179.

³⁴ Art. 125 of the Treaty on the Functioning of the European Union

³⁵ Allan Little, "How 'Magic' Made Greek Debt Disappear before It Joined the Euro," *BBC News*, accessed May 12, 2015, <http://www.bbc.com/news/world-europe-16834815>.

³⁶ Hatzigeorgiou, "The Greek Economic Crisis – Is the Euro to Blame?," 145.

³⁷ *Ibid.*, 151.

The eurozone was suddenly faced with a prospect of a defaulting member. Greece had a horrendous debt, no ability to finance it and a non-competitive and free-falling economy. The currency bloc had never before faced such a situation and, in fact, was not at all ready to face it. Two possibilities were on the table. Firstly, Greek exit from the euro, a standard sovereign default and a new start for the economy. This would be tough economically and socially, but rather quick and could in fact be an opportunity for Greece to reform to regain competitiveness. But this would send a very bad signal that the euro is not as strong as it seems, that the eurozone is not as stable as it seems. There were indications, that Greece might not be the only one to face similar problems. High debts and uncompetitive economies were unfortunately not so exceptional in the eurozone. Many worried that this could, in the end, lead to the complete break-up of the euro and, later on, possibly even of the whole EU. Therefore a second possibility was preferred – help Greece financially to avoid its default, giving it enough time to reform and regain competitiveness by imposing tough reforms.

Since the eurozone/EU institutional architecture was not ready for problems of such magnitude, the leaders of the member states took control.³⁸ At a never-ending series of summits, they discussed how to solve the potentially fatal problems that the euro faced. Two lines of action were taken.

Firstly, the acute financial problems of Greece, with other states waiting in line, needed to be at least temporarily solved. To this end, the presidents and prime ministers decided to if not openly disrespect the Treaties, at least tweak the interpretation of their wording in such a way so as to allow eurozone countries to help each other financially.³⁹ The mechanism was simple: first bilaterally (first Greek bailout), then through a special financial mechanism (Ireland, Portugal, second Greek bailout), and in cooperation with other institutions (ECB, IMF), give large amounts of money to the

³⁸ Joachim Schild, “Leadership in Hard Times: Germany, France, and the Management of the Eurozone Crisis,” *German Politics & Society* 31, no. 1 (Spring 2013): 24–47.

³⁹ Claire Kilpatrick, “On the Rule of Law and Economic Emergency: The Degradation of Basic Legal Values in Europe’s Bailouts,” *Oxford Journal of Legal Studies*, February 26, 2015, <http://ojls.oxfordjournals.org/content/early/2015/02/25/ojls.gqv002>.

state in problems in exchange for reforms that would, in principle, avoid such troubles in the future.⁴⁰

Secondly, for the sake of avoiding similar future problems, the EU leaders agreed to enhance the architecture of the eurozone.⁴¹ The classic debate of existing monetary vs. non-existing fiscal union was once again there. Of course, the first possibility would be a full fiscal union, with a dedicated eurozone budget and all of the other characteristics of such architecture.⁴² But this was of course unrealistic in political terms. In fact, although the debate was serious and some of the fiscal union measures were discussed, what prevailed was a wide understanding that the rules designed to avoid the exact same crisis as the eurozone was facing, were in fact there the whole time – at least in principle. At this point we come back to the SGP. If the SGP thresholds had been respected and if the coercive measures it theoretically contained had been used, Greece would never have gotten into such trouble. The problem was that in good economic times, before the 2008/9 crisis arrived, little attention was paid to fiscal discipline. It is highly symptomatic that the first countries to ignore the SGP openly were France and Germany in 2003.⁴³ The sovereign debt crisis opened the eyes of many to the possible results of non-respect of the agreed rules. It was therefore agreed that the rules must be toughened.

Several courses of action were taken to toughen the rules. Firstly, the already existing SGP rules were made stricter and their coercive measures were made almost automatic. The problem with the pre-crisis rules was that sanctions were in fact approved by the states against which they were targeted. The so-called “six-pack” of

⁴⁰ “The Eurozone in Crisis,” *Council on Foreign Relations*, accessed May 12, 2015, <http://www.cfr.org/eu/eurozone-crisis/p22055>.

⁴¹ The debate about the problematic characteristics of banks in the EU will not be debated here. In fact, this was a third line of action to avoid future crises in the eurozone. Given the fact that banks are at the forefront of financing of the EU economy, they are of crucial importance for the stability of the whole monetary bloc. Also given the fact that the eurozone is practically one economic bloc with virtually free capital flows, it was agreed that certain aspects of banking regulation are to be transferred to the Union level. Thus was born the so-called banking union with its 3 pillars – single supervision of largest banks by the ECB, common rules for banks and common rules and procedures for the resolution of banks facing default.

⁴² Carlo Cottarelli, “European Fiscal Union: A Vision for the Long Run,” *International Monetary Fund*, accessed May 12, 2015, <https://www.imf.org/external/np/speeches/2012/110112.htm>.

⁴³ Allan Little, “Did Germany Sow the Seeds of the Eurozone Debt Crisis?,” *BBC News*, accessed May 12, 2015, <http://www.bbc.com/news/world-europe-16761087>.

measures to toughen the SGP sought to eliminate this bias by introducing, among others, a reverse qualified majority principle – meaning that sanctions proposed by the Commission for the non-respect of the SGP were adopted automatically, unless a qualified majority in the Council opposed them. Similar rather small adjustments were made in other measures to ensure better compliance with the already existing rules.⁴⁴

At the same time, it was agreed that the SGP in itself as such was not sufficient to ensure good functioning of the eurozone, even in its strengthened form. The leaders therefore agreed to introduce a new set of rules to the architecture of the eurozone. This is where the so-called fiscal compact comes to the front. What is even more important for this work is the fact that the fiscal compact is mainly a product of the well-known eurozone crisis management duo “Merkozy” – German Chancellor Angela Merkel and French President Nicholas Sarkozy.⁴⁵ The two leaders pushed hardest for new rules to be introduced to the eurozone and one of this push’s main results is the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, agreed in December 2011 and formally signed by 25 countries in March 2012.

The original idea of Ms Merkel and Mr Sarkozy was led by the logic of austerity. They argued that not only non-respect of existing rules was the issue. The true problem, of which the non-respect of SGP was only a symptom, was a long-term spending by governments of money they never had (and which they only could borrow). In other words, in their view, Europe was living well above its standards. Such situation is not sustainable. For some time, which can be a rather long period, governments can finance their spending by issuing bonds and thus borrowing money. But sooner or later the moment would inevitably come, as it did with Greece, that nobody would lend more money to the state. And since the debts were already so high that they could only be refinanced by borrowing new money, practically all the states faced default sooner or later. Of course only if the practice were not changed. And changing this practice was the guiding principle of the Merkozy duo during the eurozone sovereign debt crisis.

⁴⁴ “Six-Pack? Two-Pack? Fiscal Compact? A Short Guide to the New EU Fiscal Governance,” *European Commission*, accessed May 12, 2015, http://ec.europa.eu/economy_finance/articles/governance/2012-03-14_six_pack_en.htm.

⁴⁵ Schild, “Leadership in Hard Times: Germany, France, and the Management of the Eurozone Crisis.”

The reforms imposed onto Greece, and other states which received bailouts, were guided by the exact same principle. In their case, the principle could be translated “easily” in a certain sense. Experts from the European Commission and from the IMF diagnosed the illnesses of the economies and prepared a list of reforms that the governments ought to implement. At the end of these programs, the economies were to be healthy enough to be sustainable in the long term, and also able to repay their debts from the past. The logic with states not under bailout programs was more indirect. Through the new fiscal compact, a new stricter set of thresholds was introduced, together with the obligation for states party to the treaty to impose onto themselves strict limits on public spending. Based on monitoring and recommendations issued by the European Commission, and by independent expert panels at home, the states ought to move steadily toward more healthy and sustainable public finances.

On the following lines, let us briefly state the central characteristics of the TSCG.⁴⁶ The TSCG is formally an intergovernmental treaty, concluded among 25 Member States of the European Union – at the time of its conclusion, in the beginning of 2012, all but United Kingdom and the Czech Republic (Croatia became member of the EU on 1 July 2013 and did not yet accede to the treaty). The refusal of mainly United Kingdom was, in fact, the reason why the Franco-German design of new rules was not adopted as legal act of the EU, but rather as a very non-elegant international treaty.⁴⁷ The TSCG is opened only to member states of the EU for accession (which the Czech Republic announced the intention to do) and in fact only develops and strengthens some of the rules on fiscal policies set out by EU law. It comes as no surprise, then, that the states party to the treaty agreed bindingly to introduce the substance of the TSCG into EU law within 5 years of the treaty’s entry into force. Even though member states both inside and outside of the euro concluded the treaty, its most strict measures only apply to the eurozone. At the core of these measures is the idea of balanced budgets. This is where the TSCG truly goes beyond the already existing rule

⁴⁶ *Treaty on Stability, Coordination and Governance in the Economic and Monetary Union*, accessed May 12, 2015, <http://www.consilium.europa.eu/en/workarea/downloadAsset.aspx?id=27066>.

⁴⁷ Schild, “Leadership in Hard Times: Germany, France, and the Management of the Eurozone Crisis.”

of 3% of GDP deficits. The signatories of the treaty agreed to have balanced budgets⁴⁸ and to adopt their own domestic laws, preferably constitutional, forcing them to do so.⁴⁹ Also, the sanction regime at the EU level was toughened, in line with the parallel SGP revision inside the EU. A balanced budget is defined as a medium-term objective of 0.5% of GDP of structural deficit, or less. In other words, states must steadily and controllably work towards max. -0.5% of GDP of budgetary deficit cleansed of cyclical impacts (economic recession impacts) and one-off measures (large investments or other extraordinary expenditures, but also extraordinary incomes, such as one-off taxes and levies). The number may rise as high as 1% of GDP of structural deficit if the state's sovereign debt is well below the 60% of GDP threshold. It is also important to point out, that the rule of max. 3% of GDP of general budget deficit at all times (in market prices) stays valid. Also, states whose sovereign debt is above the 60% threshold must work steadily and controllably towards its reduction.⁵⁰ Incompliance with all of the above-mentioned additional rules triggers automatic sanctions which have several levels, the most serious being a fine of up to 0.1 of the state's GDP. In addition to the fiscal measures, the treaty establishes a Euro Summit of heads of state and government of the eurozone countries, to be held at least twice a year. States which do not pay with the euro are not bound by the fiscal measures, unless they want to be. Also, they have the possibility to participate at least once a year at the Euro Summit and discuss the larger questions of eurozone design and future developments.⁵¹

Certainly, in order to respect either the new TSCG, or also the terms of the bailout programs for the relevant states, it was necessary to cut public spending quite severely. That is also the reason why this whole drive is named "austerity" in the EU. Austerity measures can be very diverse, but they have in any case one thing in common. They have a bad influence on the overall performance of the economy. If the government wants to cut spending, it can either do so by cutting public sector wages, pensions or social benefits, or by refusing public investment, or by firing some of its own employees. In any of these cases, the overall result for the economy is naturally

⁴⁸ Art. 3, par. 1) of the TSCG

⁴⁹ Art. 3, par. 2) of the TSCG

⁵⁰ Art. 4 of the TSCG

⁵¹ Title V of the TSCG

bad. And what is more important, in Europe these steps were to be taken in times of a serious economic recession. Thus, in short, the proposed austerity made the already critical economic situation even worse.

Many experts and politicians began to push for less austerity and more investment in Europe. They argued that reforms and spending cuts are necessary, but that they would lead to prolonged periods of recession. As a result, many more people would lose their jobs, more businesses would go bankrupt. In line with the neo-Keynesian logic, they argued, the EU needs to invest to promote growth. This logic was also adopted by Mr Sarkozy's contestant in the Presidentielle 2012 in France, Mr François Hollande.

4. Hollande's promise of change

The objective of this chapter is to look at the elements of the campaign promise of Mr Hollande to change course in eurozone matters. The campaign process around the 2012 presidential elections in France took naturally several months, since approximately the Fall of 2011 until early May 2012 when the second round of the *Présidentielle* took place. It is important to point out, however, that a large part of Mr Hollande's campaign was not in fact a presidential campaign, but a campaign to win the backing of his *Parti Socialiste* in a primary. The logic of that campaign was a bit different and narrower, therefore we will only be interested in the campaign of the presidential election launched after the October 2011 primaries that Mr Hollande won.

Four main sources can be used to assess Mr Hollande's campaign promises in general, and the ones concerning the eurozone in particular. Firstly, it is the electoral manifesto "Le changement, c'est maintenant – Mes 60 engagements pour la France",⁵² unveiled in late January 2012.⁵³ This manifesto of about 20 pages contains 60 points, each one developed into a concise paragraph, stating what and how the candidate intends to do to change in France (and beyond). This electoral manifesto is publicly accessible on Mr Hollande's website. The second important sources, very much linked to the manifesto, are Mr Hollande's public appearances during the campaign, mainly of course during his campaign gatherings. The number of these gatherings is relatively high, given the size and population of France. Reports, videos and sometimes transcripts of Mr Hollande's speeches can be found on the official website of the *Parti Socialiste*. From these, we are going to work with approximately four, distributed over the period of the main campaign in spring 2012 and geographically taking place in Northern France, Southern France and Paris (Rouen on February 13,⁵⁴ Nice on March 27,⁵⁵ Mont-

⁵² The Change is Now! - My 60 undertakings for France

⁵³ "Le projet de François Hollande," *Parti Socialiste*, accessed May 12, 2015, <http://www.parti-socialiste.fr/dossier/le-projet-de-francois-hollande>.

⁵⁴ "Revivez le meeting de François Hollande à Rouen," *Parti Socialiste*, accessed May 12, 2015, <http://www.parti-socialiste.fr/articles/revivez-le-meeting-de-francois-hollande-rouen>.

⁵⁵ "Revivez le meeting de François Hollande à Nice," *Parti Socialiste*, accessed May 12, 2015, <http://www.parti-socialiste.fr/articles/revivez-le-meeting-de-francois-hollande-nice>.

de-Marsan on March 29⁵⁶ and Vincennes, Paris, on April 4⁵⁷). The third group of sources is the coverage of Mr Hollande's other campaign public appearances and statements. These can also be found on the Parti Socialiste's website, but are also covered by the media. The fourth group of sources is the TV debates. Although there has been a number of them during both the socialist primary and the campaign, we will work mainly with two: one taking place before the first round and giving place to all the candidates, and the other, much more interesting and conflictual, taking place between the first and second rounds of the elections. The first debate took place on April 11 in a special edition of France 2's show *Des Paroles et des Actes*. It is important to point out at this point, that I have not been able to access the whole debate in a video format, nor find an integral transcript of the show. What I work with, therefore, is an analysis of the debate by a commercial market consultancy.⁵⁸ It is also important to state, that this first debate did not take the form of direct confrontation between the different candidates. Rather, in two separate episodes, each candidate had the possibility to present his/her views in a conversation with the host. The second, more important debate took place on May 2 on TF1, and in this one, the two contestants who made it into the second round of the poll, sat opposite each other and debated for almost 3 hours live.⁵⁹

What I looked for in the four sources described above, was a mention of the EU or the eurozone, together with the focus on the fiscal governance. In the French context, Europe is often used interchangeably with the EU, so also the term Europe signified for me such mention. Since the primary issue with the eurozone policy set by the Merkozy duo mainly in 2011 was austerity, I searched also for expressions having this meaning or connotation. When such mentions came up in the videos, transcripts or other public statements, I looked more closely at the context in which the expressions were mentioned. Analyzing those parts of the public statements, I tried to come up with

⁵⁶ "Meeting de F. Hollande à Mont-de-Marsan," *Parti Socialiste*, March 29, 2012, <http://www.parti-socialiste.fr/video/meeting-de-f.-hollande-a-mont-de-marsan>.

⁵⁷ "Revivez le meeting de François Hollande à Vincennes," *Parti Socialiste*, accessed May 12, 2015, <http://www.parti-socialiste.fr/articles/revivez-le-meeting-de-francois-hollande-vincennes>.

⁵⁸ "L'émission « Des Paroles et des Actes » du 11 Avril," *TNS Sofres*, accessed May 12, 2015, <http://www.tns-sofres.com/etudes-et-points-de-vue/lemission-des-paroles-et-des-actes-du-11-avril-analyse-twitter>.

⁵⁹ "Le compte rendu intégral du débat: dépenses publiques, éducation, Europe (partie 3)," *Le Monde.fr*, accessed May 12, 2015, http://www.lemonde.fr/election-presidentielle-2012/article/2012/05/03/le-compte-rendu-integral-du-debat-depenses-publiques-education-europe-partie-3_1694458_1471069.html.

several findings regarding Mr Hollande's pledge to change course in the reform of the fiscal framework of the eurozone.

The first thing one has to notice when assessing Mr Hollande's campaign pledges is that, quite unsurprisingly, the EU did not play a dominant role in the elections. This fact must be pointed out even though it is the case in almost all national elections in the EU member states. Of the 41-page manifesto of Mr Hollande, only two pages are dedicated to the EU.⁶⁰ The pages are titled "I want to re-orient the European construction" and encompass 3 points, of which only one concerns the fiscal compact. The second one is about the Multiannual Financial Framework 2014-2020 and the last one concerns the EU environmental goals. Other than this section, Europe is then mentioned only 5 times – once concerning public services, several times concerning the Common Agricultural Policy and once concerning banks. In the same way, Europe in general, and the fiscal compact in particular, were only small parts also in other media appearances. Of a typical one-hour speech during a campaign event, Mr Hollande spoke about the fiscal reform of the eurozone for about 4-5 minutes. In a transcript form, it typically corresponds to one or several, but few paragraphs of a pages-long speech. In the Hollande-Sarkozy TV debate, the topic was explicitly debated, and quite fiercely at times and it had a very clear position as one of the topics of discussion. However, it was still one of many topics only. The main themes of the election were, of course, national. Inequalities, taxation, unemployment and economic growth, pensions, education system, immigration, equality – those were among the most mobilizing elements of the campaign.⁶¹

The first aspect one may mention while analyzing the public statements of Mr Hollande in relation to the reform of the eurozone, is the way he used the topic to distance himself and confront his (principal) contestant, Mr Sarkozy. This is in no way surprising, but worth noticing nevertheless. At his meeting in Nice⁶², he makes an elegant connection between the sovereign debt crisis, the fiscal compact and President Sarkozy. In fact, he argues that the eurozone leaders, in particular Mr Sarkozy (he

⁶⁰ "Le projet de François Hollande," 12–13.

⁶¹ "Le compte rendu intégral du débat."

⁶² "Revivez le meeting de François Hollande à Nice."

avoids mentioning the others, mainly perhaps Chancellor Merkel), reacted belatedly to the problems, thus making the economic (and social) impacts worse. Moreover, when the most acute part of the problem (Greece) was somehow treated, Mr Hollande continues, Mr Sarkozy (again, no mention of Chancellor Merkel) came with a panacea of fiscal compact. This fiscal compact is destined to bring about eternal austerity to the eurozone, thus hampering any development and economic growth. Therefore in Mr Hollande's logic, Mr Sarkozy equals fiscal compact, equals economic (and social) degradation.

The several eurozone- and fiscal-reform-related promises of Mr Hollande during the campaign were coherently embedded in his overall pledge "Le changement, c'est maintenant". In fact, the whole campaign carried the message that a significant change is needed in almost every area of policy, and the hope for this change to become real was personalized in Mr Hollande. In terms of his eurozone pledges, this change was supposed to be the return to growth in the EU. This was the overarching objective. In fact, the eurozone faced renewed stagnation, even recession, following the outburst of the debt crisis and, even more worryingly, the recession and stagnation was expected to stay for some time. In all his appearances and public statements, Mr Hollande blamed the austerity measures, encompassing the tough reforms imposed upon Greece, toughening of the SGP and the new fiscal compact, for making things unnecessarily worse. The formulations in all the statements are very similar in this regard – a radical change of paradigm is needed in the euro, "growth will also have to be made a priority!"⁶³. It is the only way to progress economically and, in fact, it is the only way to pay the horrendous debts that the eurozone countries accumulated in the past. This return to growth was to be done using several tools. Firstly, the fiscal compact, only concluded weeks before the elections, was to be re-opened and renegotiated to include more room for maneuver in case of pro-growth policies. This very explicit and clear pledge can be found in practically all important statements - "[...] there will be a renegotiation of the [fiscal] treaty"⁶⁴, "We must renegotiate the [fiscal] treaty..."⁶⁵). Secondly, the election manifesto mentions a new EU-level commitment to growth to be

⁶³ "Revivez le meeting de François Hollande à Rouen."

⁶⁴ "Revivez le meeting de François Hollande à Vincennes."

⁶⁵ "L'émission « Des Paroles et des Actes » du 11 Avril."

adopted, in the form of a “growth pact”. Thirdly, a number of tools were to be mobilized to ensure growth, among them some controversial ones. Mr Hollande spoke of the so-called eurobonds, of increased investment activity of the European Investment Bank and of a re-orientation of the role of the European Central Bank, which also should go beyond its narrow mandate of monetary stability and do more to promote economic growth. The reform of the fiscal framework of the eurozone, mainly the fiscal compact and its promised renegotiation, was not an element apart, but was part of the wider EU-wide pledge to promote economic growth.

Another extremely important point one notices when looking at Mr Hollande’s public appearances prior to the elections in April/May 2012 is the almost Messiah status he grants France and his election in the struggle for the alteration of the fiscal framework of the eurozone (and thus, as seen above, for economic growth as such). This aspect can be found in practically all the considered meetings and also in the big TV duel with Mr Sarkozy prior to the second round. Mr Hollande argues that his election to the post of president of France will in a way unlock the potential for change towards growth in Europe. He argues that governments of smaller eurozone countries are waiting for a change of course of France that is bound to come with his own election to the highest post, a change towards the end of austerity and renewed energy of the Union for economic growth. Once he is elected, the governments will surely switch sides away from austerity. A pro-growth Socialist as head of the second most populous state of the EU and second biggest economy of the euro will, in Mr Hollande’s argumentation, give courage to the leaders and trigger a real change. “Many in Europe, and not only in progressist parties, wait for our victory: to give the European treaties a new dimension [...]”⁶⁶ “In fact, since I made this proposition, doubtlessly the first round of the presidential elections was useful for a certain number of heads of state and government who share the French views; the ECB president said: ‘We need to go back, add a growth pact.’ The Spanish government chief who is right-wing said: ‘We will not last if there is no growth.’ The Dutch prime minister has the same view. Also Mario Monti, who is neither of my political orientation, but who is well aware that Italy cannot

⁶⁶ “Revivez le meeting de François Hollande à Rouen.”

survive in recession.”⁶⁷ Of course, there may be some truth to those words, but one cannot fully shake the impression of the French exceptionalism manifesting itself again, therefore these declarations need to be treated rather carefully.

To manifest firmness of his intention to stand up to his campaign promises, Mr Hollande published on April 4 a detailed plan of his first months in function (in case he is elected, of course). This short online document contains some 14 steps to be taken after the second round of the elections until the end of June. Concerning his pledge to alter the course of the eurozone away from austerity and towards growth, not least by renegotiating the fiscal compact, Mr Hollande undertook to “hand over to the European partners a detailed memorandum proposing a Pact on responsibility, growth and governance, modifying and complementing the Treaty on Stability and reorienting the European construction toward growth” at the European Council scheduled for 28 and 29 June.⁶⁸ The June 2012 European Council therefore seems to be key for Mr Hollande’s pledge to alter austerity, renegotiate the fiscal compact. The following chapter will therefore look closely at the June 2012 European Council as a sub-field, identify Mr Hollande’s and other players’ positions inside it and propose an explanation for the outcome.

⁶⁷ “Le compte rendu intégral du débat.”

⁶⁸ “L’agenda du Changement : du 6 Mai au 29 Juin 2012,” *Parti Socialiste*, accessed May 12, 2015, <http://www.parti-socialiste.fr/articles/lagenda-du-changement-du-6-mai-au-29-juin-2012>.

5. The sub-field of the June 2012 European Council

5.1 Operationalization

The June 2012 European Council was supposed to discuss further steps to be taken at the Economic and Monetary Union level to solve the existing problems and avoid similar problems in the future. The President of the European Council Herman Van Rompuy was expected to present a report on possible future institutional reforms of the eurozone.⁶⁹ At the same time, it was supposed to be the time and place where (the fresh) President Hollande hoped to present his ideas for renegotiating the fiscal compact and reorienting eurozone away from austerity and more towards growth. It is therefore the June 2012 European Council, taking place on 28 and 29 June 2012 in Brussels, that is the case in our case study. This particular meeting represents, in terms of the field of Eurocracy theory presented above, the sub-field relevant for the study of our issue.⁷⁰

As indicated in the earlier chapter on theoretical framework, we shall try to decipher the setting of the field in the particular time and place. Since the European Council is very well-defined by the Treaties⁷¹, the players in the field are very well known – they are presidents, prime ministers, chancellors or similar highest executive positions in the respective EU member states, one person per member state, plus the President of the European Council Herman Van Rompuy, plus the President of the European Commission Jose Manuel Barroso. Since the issue in which we are interested is fairly specific, originally conceived by the heads of governments, and since the two Presidents do not hold voting right in the meeting, for the purpose of this study we shall not take them into account. At the same time, the issue is very specific to the eurozone. Of course, formally all EU member states, except for Denmark and the UK, have the obligation to adopt the euro sometime in the future and are thus at least potential

⁶⁹ “Meeting of the European Council 28.06.2012-29.06.2012,” *Danish Presidency of the Council of the European Union 2012*, accessed May 12, 2015, <http://eu2012.dk/en/Meetings/European-Council/Jun/European-Council-juni>.

⁷⁰ The European Council on 28 and 29 June 2012 was complemented by an informal meeting of the eurozone presidents and prime ministers to discuss very specific eurozone issues. This took place in the evening of 28 June. I include this formally different meeting in the overall European Council meeting, since the two are closely linked.

⁷¹ Art. 15 of the Treaty on European Union

eurozone members. In such view, almost all EU members were at least potentially concerned by the issue of renegotiation of the fiscal compact. However, in the medium-term, only two small countries were planning to adopt the euro seriously – Latvia (adopted 2014) and Lithuania (adopted 2015). As already stated in the theoretical chapter, the relative economic strength of a country is a significant part of the relative strength of a player in this sub-field. Therefore given the facts that only small economies planned to join the euro in the short-to-medium term and all the others did not plan it (or had permanent derogations), combined with the fact that the issues debated concerned dominantly the eurozone, we shall only take into consideration European Council members representing the eurozone countries as of 2012.

We shall place players in the field based on two parameters – the relative economic strength combined with the fiscal performance of their country on the vertical axis, and their longevity in the function combined with their possible prior EU-related engagement and also political family on the horizontal axis. The vertical axis as defined above corresponds to the amount of capitals possessed by the player in the field. In fact, since the European Council members represent countries, the key field-specific capital for them is linked to their state. In a monetary bloc, the economic performance is naturally the main indicator of strength of a member. This economic performance is usually designated by the notion of GDP. As the eurozone was in a very specific crisis, the overall amount of capital owned by the state representative was also linked to the performance of the state in the crisis. And the crisis was considered to have negative effects mainly on states which did not respect the rules in the past (running high deficits, accumulating debts, slow reform process) – in other words if a state had been hit by the sovereign debt crisis, it was regarded as being mainly the state's own fault. Therefore a poor-performing state in terms of deficit or sovereign debt had a significantly lower position in terms of capital than a well-performing state. In this regard, apart from budget deficit history, debt history and other measurable indicators, we shall also take into consideration the reforms either already done or very seriously intended in the near future. It is important to point out, that we will compare the positions only qualitatively. For the purpose of this work, it is not necessary to place the players of the field extremely precisely. At the same time, it is very complicated to harmonize the very different indicators, all of which are important in the overall assessment, into a single numerical indicator. Certainly, this rather qualitative

assessment is objectionable, but in my opinion such approximate method is very much sufficient and each qualitative result is logically defensible.

The position on the horizontal axis corresponds to the insider-outsider position of the player in the sub-field. Representatives who hold their position for a longer period are more likely to have met other heads of state or government in the past. They know each other better than they know those who are new to the field. They also have a better know-how of the negotiating process, formal and informal proceedings during the meetings and can thus be more effective. Similarly, people with a European professional path are better positioned than those who have no contact with the EU in the past. The longer-serving prime ministers and those with an EU history are closer to the “insider” extremity of the axis, while newcomers and prime ministers with no EU past are on the “outsider” side of the graphic. It is also worth noting the political affiliation of the relevant European Council members. If some political family is significantly stronger than another in terms of number of members affiliated with it, the affiliation to the stronger family is a boost for the “insider” status, while the opposite is true for the other political families. In this indicator, we shall also proceed qualitatively, similarly to the capitals axis.

5.2 Amount of capitals

Let us first look at the relative economic strengths of the European Council members representing the 17 eurozone member states (as of 2012). The following table states the relative GDPs and the proportions of the respective GDPs to the eurozone total, as of 2011.⁷²

⁷² “Gross Domestic Product at Market Prices,” *Eurostat*, accessed May 12, 2015, <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tec00001&language=en>.

| State | GDP (million €, PPP) | % of eurozone GDP |
|----------------|-----------------------------|--------------------------|
| Belgium | 342 302,8 | 3,64% |
| Germany | 2 597 161,4 | 27,64% |
| Estonia | 23 613,7 | 0,25% |
| Ireland | 155 101,1 | 1,65% |
| Greece | 223 886,2 | 2,38% |
| Spain | 1 152 394,3 | 12,26% |
| France | 1 840 289,5 | 19,58% |
| Italy | 1 608 536,4 | 17,12% |
| Cyprus | 21 176,0 | 0,23% |
| Luxembourg | 35 775,2 | 0,38% |
| Malta | 9 129,0 | 0,10% |
| Netherlands | 584 289,7 | 6,22% |
| Austria | 278 783,8 | 2,97% |
| Portugal | 214 547,9 | 2,28% |
| Slovakia | 102 102,2 | 1,09% |
| Finland | 163 649,7 | 1,74% |
| Slovenia | 44 132,9 | 0,47% |
| eurozone total | 9 396 964,9 | 100,00% |

The following charts show several other indicators of economic performance and fiscal discipline, namely GDP growth (past and projected), unemployment, budget deficit and sovereign debt.

GDP real growth (% annual change)⁷³

| State | 2009 | 2010 | 2011 | 2012 (projected) |
|--------------|-------------|-------------|-------------|-------------------------|
| Belgium | -2.8 | 2.3 | 2.3 | 0.9 |
| Germany | -5.1 | 3.7 | 2.9 | 0.8 |
| Estonia | -14.3 | 2.3 | 8.0 | 3.2 |
| Ireland | -7.0 | -0.4 | 1.1 | 1.1 |
| Greece | -3.2 | -3.5 | -5.5 | -2.8 |
| Spain | -3.7 | -0.1 | 0.7 | 0.7 |
| France | -2.7 | 1.5 | 1.6 | 0.6 |
| Italy | -5.1 | 1.5 | 0.5 | 0.1 |
| Cyprus | -1.9 | 1.1 | 0.3 | 0.0 |
| Luxembourg | -5.3 | 2.7 | 1.6 | 1.0 |

⁷³ Dermot Hodson, "The Eurozone in 2011," *JCMS: Journal of Common Market Studies* 50 (2012): 178–94.

| | | | | |
|----------------|------|-----|------|------|
| Malta | -2.7 | 2.7 | 2.1 | 1.3 |
| Netherlands | -5.3 | 2.7 | 2.1 | 1.3 |
| Austria | -3.8 | 2.3 | 2.9 | 0.9 |
| Portugal | -2.5 | 1.4 | -1.9 | -3.0 |
| Slovenia | -8.0 | 1.4 | 1.1 | 1.0 |
| Slovakia | -4.9 | 4.2 | 2.9 | 1.1 |
| Finland | -8.2 | 3.6 | 3.1 | 1.4 |
| Eurozone total | -4.2 | 1.9 | 1.5 | 0.5 |

Unemployment⁷⁴

| State | 2009 | 2010 | 2011 | 2012 (projected) |
|----------------|------|------|------|---------------------|
| Belgium | 7.9 | 8.3 | 7.6 | 7.7 |
| Germany | 7.8 | 7.1 | 6.1 | 5.9 |
| Estonia | 13.8 | 16.9 | 12.5 | 11.2 |
| Ireland | 11.9 | 13.7 | 14.4 | 14.3 |
| Greece | 9.5 | 12.6 | 16.6 | 18.4 |
| Spain | 18.0 | 20.1 | 20.9 | 20.9 |
| France | 9.5 | 9.8 | 9.8 | 10.0 |
| Italy | 7.8 | 8.4 | 8.1 | 8.2 |
| Cyprus | 5.3 | 6.2 | 7.2 | 7.5 |
| Luxembourg | 5.1 | 4.6 | 4.5 | 4.7 |
| Malta | 6.9 | 6.9 | 6.7 | 6.8 |
| Netherlands | 3.7 | 4.5 | 4.5 | 4.7 |
| Austria | 4.8 | 4.4 | 4.2 | 4.5 |
| Portugal | 10.6 | 12.0 | 12.6 | 13.6 |
| Slovenia | 5.9 | 7.3 | 8.2 | 8.4 |
| Slovakia | 12.0 | 14.4 | 13.2 | 13.2 |
| Finland | 8.2 | 8.4 | 7.8 | 7.7 |
| Eurozone total | 9.6 | 10.1 | 10.0 | 10.1 |

Budget deficit as % of GDP⁷⁵

| State | 2009 | 2010 | 2011 | 2012 |
|---------|-------|-------|-------|-------|
| Belgium | -5.5 | -4.0 | -4.1 | -4.1 |
| Germany | -3.0 | -4.1 | -0.9 | 0.1 |
| Estonia | -2.2 | 0.2 | 1.2 | -0.2 |
| Ireland | -13.9 | -32.5 | -12.7 | -8.1 |
| Greece | N/A | N/A | -10.2 | -8.7 |
| Spain | -11.0 | -9.4 | -9.4 | -10.3 |
| France | -7.2 | -6.8 | -5.1 | -4.8 |

⁷⁴ Ibid.

⁷⁵ "General Government Deficit/Surplus," *Eurostat*, accessed May 12, 2015, <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00127&plugin=1>.

| | | | | |
|----------------|------|-------|------|------|
| Italy | -5.3 | -4.2 | -3.5 | -3.0 |
| Cyprus | -5.5 | -4.8 | -5.8 | -5.8 |
| Luxembourg | -0.5 | -0.5 | 0.4 | 0.1 |
| Malta | -3.3 | -3.3 | -2.6 | -3.6 |
| Netherlands | -5.5 | -5.0 | -4.3 | -4.0 |
| Austria | -5.3 | -4.5 | -2.6 | -2.2 |
| Portugal | -9.8 | -11.2 | -7.4 | -5.6 |
| Slovenia | -5.9 | -5.6 | -6.6 | -4.0 |
| Slovakia | -7.9 | -7.5 | -4.1 | -4.2 |
| Finland | -2.5 | 2-6 | -1.0 | -2.1 |
| Eurozone total | N/A | N/A | -4.1 | -3.6 |

Sovereign debt as % of GDP⁷⁶

| State | 2009 | 2010 | 2011 | 2012 |
|----------------|-------|-------|-------|-------|
| Belgium | 99.2 | 99.5 | 102.0 | 103.8 |
| Germany | 72.6 | 80.5 | 77.9 | 79.3 |
| Estonia | 7.0 | 6.5 | 6.0 | 9.7 |
| Ireland | 62.3 | 87.4 | 111.2 | 121.7 |
| Greece | N/A | N/A | 171.3 | 156.9 |
| Spain | 52.7 | 60.1 | 69.2 | 84.4 |
| France | 79.0 | 81.7 | 85.2 | 89.6 |
| Italy | 112.5 | 115.3 | 116.4 | 123.1 |
| Cyprus | 54.1 | 56.5 | 66.0 | 79.5 |
| Luxembourg | 15.5 | 19.6 | 19.1 | 21.9 |
| Malta | 67.8 | 67.6 | 69.7 | 67.4 |
| Netherlands | 56.5 | 59.0 | 61.3 | 66.5 |
| Austria | 79.7 | 82.4 | 82.1 | 81.5 |
| Portugal | 83.6 | 96.2 | 111.1 | 125.8 |
| Slovenia | 34.5 | 38.2 | 46.5 | 53.7 |
| Slovakia | 36.0 | 40.9 | 43.4 | 52.1 |
| Finland | 41.7 | 47.1 | 48.5 | 52.9 |
| Eurozone total | N/A | N/A | 86.0 | 89.4 |

The charts lead us to several findings. Very unsurprisingly, the eurozone is a bloc of several big economies, followed by a bunch of small and very small ones. Germany, France, Italy and Spain together represent more than $\frac{3}{4}$ of the eurozone economy. If we add the Netherlands, which is the only remaining country representing more than 5% of the eurozone economy, we come to almost 83%. In this regard therefore, the only players seemingly able to make a difference here are the

⁷⁶ “General Government Gross Debt.”

representatives of these 6 countries, with Germany of course being the strongest, followed by France, Italy, Spain and the Netherlands. All the other representatives are well below these 6 on the capitals axis.

Let us now assess other indicators that we take into account. In terms of GDP growth, Germany is performing much better than the eurozone average, France being on the average, Spain seemingly doing worse but catching up and Italy doing slightly worse, moreover with negative prospects. The Netherlands is somewhat above the eurozone average. Concerning unemployment, Germany is well ahead of the other big economies, together with the Netherlands. Italy is slightly better and the overall development copies the development in the whole eurozone. France is approximately on the eurozone average and Spain performs remarkably badly – its unemployment rate being twice as big as the monetary bloc's. In terms of fiscal indicators: regarding government deficit, which is supposed to be under 3% under the SGP, Spain is well above this target. Of course, Spain faced a big crisis in its banking sector. Italy was above the threshold, but going steadily in its direction. France was also well above the threshold and its progress seemed slower than necessary. Similarly for the Netherlands. Germany on the other hand surpassed the threshold only in 2010, reducing it substantially in 2011 and going to budget surplus in 2012. Concerning sovereign debt, Germany, France and Italy were above the 60% threshold over the period 2009-2012, Italy being at double values. But while Germany succeeded in reducing it slightly over the period, the French debt steadily rose. The Spanish debt was within the limit, but then quickly rose by more than 30 percentage points over the 4 years. As noted above, Spain faced serious issues with its banking sector. The Dutch debt also surpassed the threshold in 2011.

Several notes on reform pledges should be added to the above. The German government prescribed tough austerity to its economy, the results of which are very well visible in the reduced deficit and eventually surplus of the budget, despite meagre GDP growth. In Italy, the government of Silvio Berlusconi resigned and was replaced by a

centrist technocrat Mario Monti in November 2011.⁷⁷ The primary rationale behind this, and then behind Monti's government, was the adoption on tough reforms and austerity. In Spain, a new conservative and reformist government of Mariano Rajoy Brey was appointed in December 2011.⁷⁸ He pledged reforms, too. On the other hand, as seen in the previous chapter, French President François Hollande won the elections promising less austerity and more pro-growth policies (which is usually associated with more spending).

From all of the mentioned, we can assess the big eurozone countries approximately as follows:

- Germany is doubtlessly the most significant in terms of capitals. Its economic performance, unemployment, fiscal discipline and reform efforts were highest.
- France is a very significant economy, but its score is significantly undermined by weak its fiscal performance and, given the original campaign promises of Mr Hollande, rather bad economic and fiscal outlook.
- Italy represents a large portion of the eurozone economy, but its very high debt and weak growth prospects undermine its position. However, the progress in its fiscal consolidation and reformist technocratic government drag Italy upwards. We place it to a level position with France.
- Spain performs badly in all the indicators, but it must be noted, that it faced a serious banking crisis and therefore the negative effect of the cumulated indicators on its overall capitals score is less severe. Moreover, the reformist government gives hope for future efforts to improve the situation. As a result, Spain is overall placed below France and Italy, but not too far.
- Netherlands aggregates good and bad performances in several indicators, therefore its position corresponds to its economic strength, well below the four big ones.
- Finland, Austria, Luxembourg and Estonia all do remarkably well in one or more indicators, despite their small size. Luxembourg and Estonia have very low

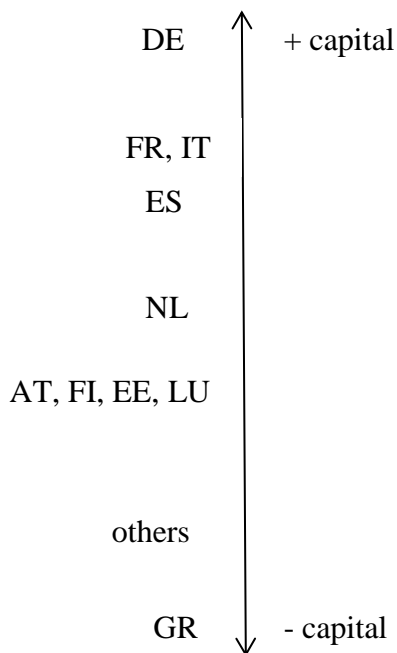
⁷⁷ "Mario Monti," accessed May 12, 2015, http://www.unibocconi.eu/wps/wcm/connect/Bocconi/SitoPubblico_EN/Navigation+Tree/Home/About+Us/Organization/International+Advisory+Council/Monti+IAC_Greenslade+2010+06+07+03+13.

⁷⁸ "Mariano Rajoy Brey, President of the Government of Spain," accessed May 12, 2015, <http://www.lamoncloa.gob.es/lang/en/presidente/biografia/Paginas/index.aspx>.

levels of debt and run budget surpluses. They deserve, therefore, a much better position, than their size suggests. In fact, they could be leveled with Austria and Finland, both of which are bigger in terms of size and do much better than the average, but not as well as Luxembourg and Estonia.

- The other economies small are below the above-mentioned countries, perhaps with the exception of Greece, which is even lower due to its extremely poor performance, bad track record and recent bailout avoiding its default.

Graphically, the situation would look like this:



5.3 Insider/outsider position

Let us now look more closely on the insider-outsider status of the heads of state or government of the eurozone countries in the European Council. Since the first part of the assessment set apart some countries, we shall first consider those. The other ones will then be looked upon, too, but their assessment will be less detailed.

Germany was represented by Chancellor Angela Merkel. Ms Merkel had been Chancellor since 2005. In 2012, therefore, she has represented Germany in the European Council for more than 6 years, thus being well familiarized with the EU

politics. Prior to her appointment as Chancellor, she served on ministerial positions in the 1990s, but none was related to fiscal discipline or finance. For the purposes of this assessment, it is important to point out that she is a conservative, Christian-democratic center-right politician.⁷⁹

The main object of this work, President Hollande, was in function for a little more than a month at the time of the European Council, thus being a complete newcomer. Moreover, prior to his appointment, he held only several regional and municipal positions in France and had no privileged contact with the high-level EU politics. He was head of his Socialist Party from 1997 to 2008.⁸⁰

As previously stated, Italy was headed by Mario Monti since November 2011. He was therefore not a complete newcomer to the arena. In the period from his appointment as PM until early July, he held also the position of Finance Minister, therefore he participated in the Eurogroup meetings. In the Santer and Prodi European Commissions, he served as European Commissioner for Internal Market, Services, Customs and Taxation (Santer) and then for Competition (Prodi). He was therefore well oriented in Brussels negotiations and had a long history in finance matters. Politically, he was appointed as a technocrat, therefore without any political affiliation.⁸¹

Spain was represented by Mariano Rajoy Brey, Prime Minister since December 2011. In June 2012, he was therefore at least partly familiarized with the arena. In late 1990s-early 2000s he held several senior government posts. His affiliation is center-right, conservative.⁸²

⁷⁹ “Angela Merkel - Biografie,” *Die Bundeskanzlerin*, accessed May 12, 2015, http://www.bundeskanzlerin.de/Webs/BKin/DE/AngelaMerkel/Biografie/biografie_node.html.

⁸⁰ “François Hollande - Biographie,” *Élysée - Présidence de La République*, accessed May 12, 2015, <http://www.elysee.fr/la-presidence/francois-hollande-biographie/>.

⁸¹ “Mario Monti.”

⁸² “Mariano Rajoy Brey, President of the Government of Spain.”

The Netherlands were represented by Mark Rutte, a liberal Prime Minister installed in October 2010. Mr Rutte was therefore no newcomer and was at the table when the major eurozone crisis was being managed.⁸³

Luxembourg was represented by a well-known figure – Jean-Claude Juncker. He had been Prime Minister of Luxembourg since 1995 until late 2013. Also, in the period 1989-2009, he served also as Luxembourgish Finance Minister. He is therefore the prototype of an insider in our assessment. Politically, he is a conservative, Christian-democrat.⁸⁴

Finland⁸⁵ and Estonia⁸⁶ were also represented by center-right wing politicians, who were each in their respective positions since 2011 (in fact, the Estonian Prime Minister Ansip was in his position longer, but Estonia only joined the euro in 2011). Also, both had a history as Finance or Economy Ministers, although this fact is more relevant for the Finnish then-PM Katainen, who headed the Finance Ministry in the turbulent crisis times, from 2007 until 2011.

The Austrian Chancellor Werner Faymann⁸⁷ had been in his position since 2008 and is a socialist. Greece was headed by the then-fresh PM Antonis Samaras,⁸⁸ who only assumed office several days before the summit. This conservative politician was elected to the European Parliament in 2004. He was therefore a freshman in the European Council, but somewhat familiar with Brussels politics.

The other eurozone countries were headed by four other conservatives, three of whom were in their positions since 2011 or early 2012 and one since 2004. Three countries were headed by socialists, two of whom were also appointed in 2011 or early 2012, the third being in power since 2008.

⁸³ “Mark Rutte - Curriculum Vitae,” accessed May 12, 2015,

<http://www.government.nl/government/members-of-cabinet/mark-rutte/curriculum-vitae>.

⁸⁴ “Jean-Claude Juncker,” accessed May 12, 2015, http://ec.europa.eu/commission/2014-2019/president_en.

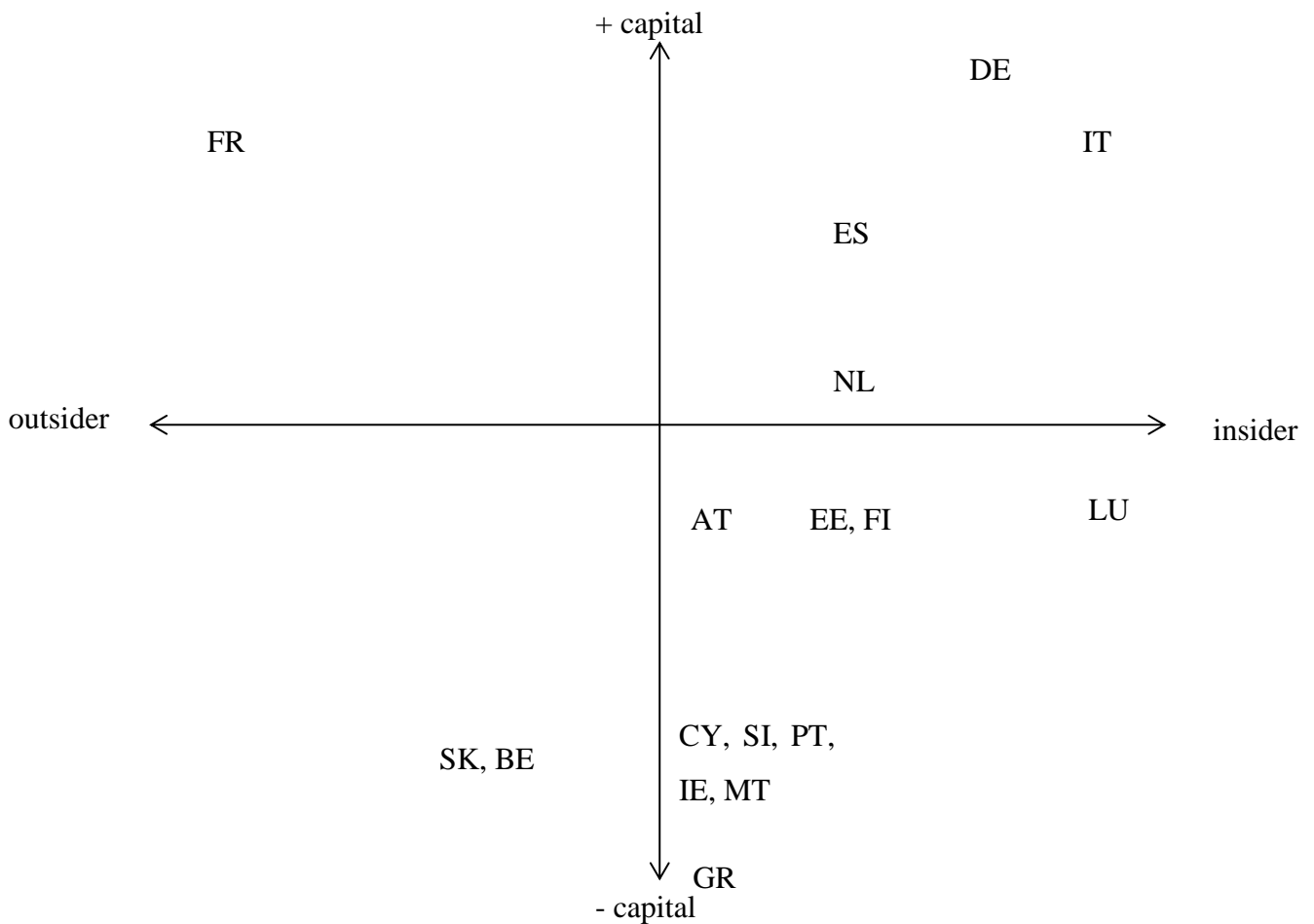
⁸⁵ “Jyrki Katainen,” accessed May 12, 2015, https://ec.europa.eu/commission/2014-2019/katainen_en.

⁸⁶ “Andrus Ansip,” accessed May 12, 2015, http://ec.europa.eu/commission/2014-2019/ansip_en.

⁸⁷ “Werner Faymann,” accessed May 12, 2015, http://www.parlament.gv.at/WWER/PAD_36450/.

⁸⁸ “Antonis Samaras - ND,” accessed May 12, 2015, <http://www.epp.eu/party-leader-antonis-samaras>.

The graphic combining the two axes, and thus representing the structure of the field would therefore look as follows:



5.4 Power center of the sub-field

With the mapping of the relevant sub-field established, all we need to do is try to locate its power center. As mentioned in the chapter on literature, the safest way to do this would be to gather several statements from direct participants in the meeting. Of course, interviewing heads of state or their European Council sherpas is beyond the possibilities of a Master's student. We shall therefore use coverage by respected media to try to construct the picture as precisely as realistically feasible.

Apart from the overarching goal of President Hollande, as presented in the previous chapter, to swing the eurozone policies further away from austerity and

towards more pro-growth measures, the June 2012 European Council and the subsequent Euro Area Summit had very specific points of agenda. The most relevant for our cause is the establishment of certain short-term measures that would ease the pressure of financial markets on Spain and Italy. Spanish and Italian bond yields had in the weeks before the summit reached such levels, that the sustainability of refinancing the sovereign debts of these countries was being practically destroyed. If no measures had been taken, both countries would have faced real possibility of sovereign default sooner or later.⁹² And while Greece was small enough in terms of its economy to be bailed out, Italy and Spain, numbers 3 and 4 of the eurozone, were simply too big. Reports by respected media suggest that this was the true substance of the power struggle in the field during the summit(s), that this was the primary battle fought there. Let us therefore focus on this partial agenda to establish the power center in the sub-field.

Bloomberg,⁹³ Der Spiegel,⁹⁴ BBC,⁹⁵ The Guardian⁹⁶ – all of these respected media houses report that in the early evening hours of the first day of the summit the Italian and Spanish Prime Ministers rebelled against German Chancellor Angela Merkel, insisting that they would not approve other items (to which we shall come back a bit later) unless more concrete steps were taken to ease the pressure on their bond yields. Bloomberg carefully suggests that President Hollande joined his Southern colleagues in this small “rebellion”. The concrete measure was supposed to be a direct financing line from the eurozone bailout funds, the temporary EFSF and the permanent ESM, to the banks in trouble; moreover, without the tough strings of compulsory austerity measures imposed on the government (as in a state bailout) attached. If such measure were to be politically approved, it would send a very strong positive signal to

⁹² Gavin Hewitt, “Euro: Merkel Gives Concessions to Italy and Spain,” *BBC News*, accessed May 12, 2015, <http://www.bbc.com/news/world-europe-18641002>.

⁹³ Helene Fouquet and James Neuger, “Hollande Wrests Merkel Concessions in Euro Crisis Plan,” *Bloomberg*, accessed May 12, 2015, <http://www.bloomberg.com/news/articles/2012-06-29/hollande-wrests-merkel-concessions-in-euro-crisis-plan>.

⁹⁴ Carsten Volkery, “Monti’s Uprising: How Italy and Spain Defeated Merkel at EU Summit,” *Spiegel Online*, June 29, 2012, <http://www.spiegel.de/international/europe/merkel-makes-concessions-at-eu-summit-a-841663.html>.

⁹⁵ Hewitt, “Euro: Merkel Gives Concessions to Italy and Spain.”

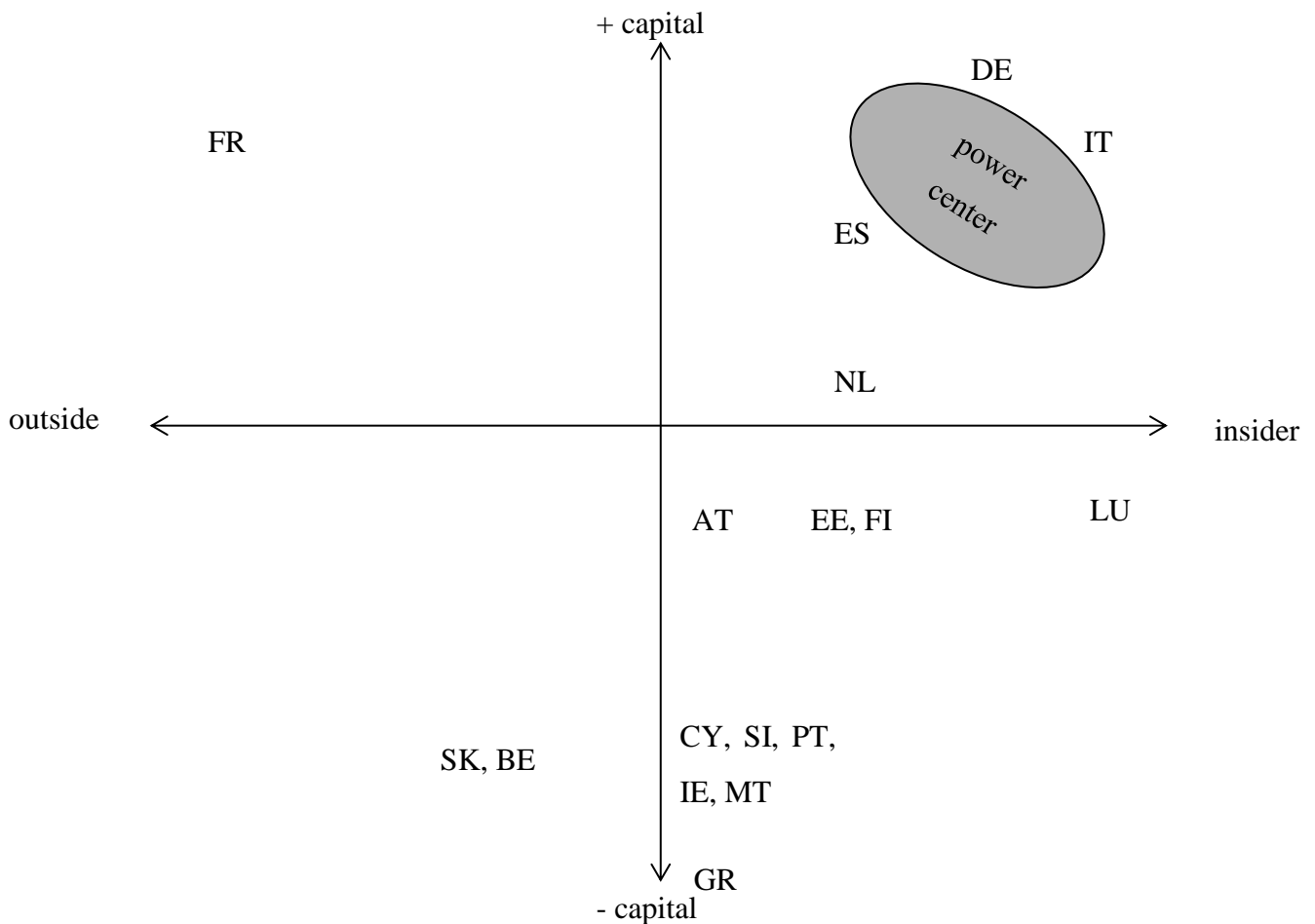
⁹⁶ Ian Traynor, “Angela Merkel Risks German Wrath with Eurozone Concessions,” *The Guardian*, accessed May 12, 2015, <http://www.theguardian.com/world/2012/jun/29/angela-merkel-german-wrath-eurozone>.

the markets and yields would drop, Monti and Rajoy reportedly argued. But Chancellor Merkel was unwilling to accept. Germany was the biggest guarantor of both bailout funds, meaning that if anything went wrong, the German taxpayers would pay the highest price of all the eurozone members. Moreover, the following evening the German Bundestag was scheduled to ratify both the fiscal compact and the permanent bailout fund (ESM) treaties. Chancellor Merkel feared a backlash in her own parliament if she gave in. And this may be the crucial moment of the evening, and the characterizing moment of the whole power struggle – Prime Ministers Monti and Rajoy refused to give in to the Chancellor and stood their ground. The negotiations continued well into the night, from a certain moment taking place only in the Euro Area Summit⁹⁷ format (this fact proved the validity of our premise that the most important measures were taken by the 17-member bloc). And as the conclusions of this Euro Area Summit suggest, “Super Mario” Monti and Mariano Rajoy Brey won the battle and won the concessions from Chancellor Merkel. The bailout funds were to be allowed to directly fund banks in trouble. Of course, Angela Merkel used this concession to impose a strong supervision arm in the nascent banking union project, but this does not change the fact, that Monti and Rajoy prevailed in a dispute, the substance of which Merkel previously described as absolutely non-negotiable!⁹⁸

Taking one step back from the specific issues, let us generalize this outcome a little, at least for eurozone-related topics. What this battle outcome arguably means is that, perhaps a little counter-intuitively, the power center is not the German “spot” in the graphical representation in the field, but a place somewhere between Italy, Spain and Germany:

⁹⁷ Since the TSCG was not yet ratified, this format was only informal, not based on any treaty. The EU Treaties do not recognize high-level eurozone summits.

⁹⁸ Hewitt, “Euro: Merkel Gives Concessions to Italy and Spain.”



5.5 Outcomes of the field power struggle

Having assessed the positions of the players (eurozone state representatives) in the relevant sub-field (European Council and informal Euro Area Summit on 28 and 29 June 2012), let us look more closely at the outcomes of the meetings relevant to our issue. As usual, the outcomes are published on the website of the European Council. There are two sets of publications from the two day summit(s) – conclusions of the ordinary and formalized European Council, and a statement from the informal one-night Euro Area Summit.

Let us start with the shorter one – the Euro Area Summit statement.⁹⁹ This 2-page, 4-point brief document basically transforms the outcomes of the “battle” between Mario Monti, Mariano Rajoy and Angela Merkel mentioned above into writing,

⁹⁹ “Euro Area Summit Statement 29 June 2012,” accessed May 12, 2015, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131359.pdf.

concretely in the first point of the statement (points are not numbered). The two outcomes are presented as a single measure – a strong supervision in the banking union AND a possibility for direct capitalization of banks from the eurozone bailout funds. The second point is of rather technical matter concerning the transfer of the eventual direct aid to banks from the temporary bailout fund (EFSF) to the permanent one (ESM) once this latter one becomes operational. The third point reiterates the roles of all the measures in force to ensure a stable eurozone – the SGP, all the EU monitoring and coordination procedures, as well as the bailout funds. This can be read as an assurance that there is no substantial change to the overall course set in the previous years – that of enhanced oversight over budgetary discipline and austerity, although a mention of certain flexibility is included. The concluding point tasks the Eurogroup to translate the political understanding into concrete actions.

The European Council conclusions¹⁰⁰ are a bit longer – it is a 6-page document, with a 10-page annex. The conclusions encompass 3 points related to the economy and one dedicated to other issues. These other issues include opening enlargement negotiations with Montenegro, justice and home affairs agenda, civil war in Syria or the Iranian nuclear program. The first three points are the following: I. Growth, Investment and Jobs; II. Report on EMU and III. Multiannual Financial Framework. Points II and III are rather general in nature, welcoming the progress made in either the evaluation of possible future institutional changes in the eurozone, or in the negotiations over the MFF 2014-2020 led by the Danish Presidency of the Council. Both points also encourage future efforts. The first point announces the adoption by the heads of state and government of a Compact for Growth and Jobs, included as the already-mentioned 10-page annex, which should demonstrate the resolve of the EU leaders to kick-start the economy. The other sub-points of the point I deal with other specific issues, namely the European Semester and the possible enhanced cooperation concerning the establishment of an EU-wide patent.

The Compact for Growth and Jobs is a political deal concluded by the EU heads of state and government aimed at mobilizing all the tools available, both at the member

¹⁰⁰ “Conclusions of the European Council of 28/29 June 2012,” June 29, 2012, http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf.

state level and at the EU level, to promote “smart, sustainable, inclusive, resource-efficient and job-creating growth”, while remembering “the importance of sound public finances, structural reform and targeted investment”. It lists in a series of short paragraphs all the sectors where action should be taken to tackle unemployment and kick-start growth. These measures include:

- at the member state level
 - growth-friendly fiscal consolidation
 - structural reforms to promote competitiveness and lower unemployment
 - modernizing public administration
- and at the EU level
 - deepening the Single Market
 - creating a true Digital Single Market by 2015
 - reducing regulatory burden
 - completing energy market by 2014
 - fostering innovations
 - introducing single EU patent
 - mobilizing €100 billion for investments in the economy
 - using the future MFF 2014-2020 for pro-growth measures
 - continuing to review certain tax-related EU measures
 - fostering labor mobility
 - promoting open trade, continuing ongoing bilateral free trade talks
 - updating the eurozone institutional architecture.

These are the main take-aways from the two-day European Council and Euro Area Summit. In the concluding chapter of this paper, let us bring together all the elements discussed above, assess President Hollande’s shift from his campaign promises and propose an answer to the question at the core of this thesis – why this shift happened.

6. Conclusion

Being equipped with the list and brief analysis of Mr Hollande's campaign promises concerning the eurozone reform, with the graphic representation of the sub-field he was supposed to operate in at the key European Council meeting, and with the a brief description of the outcomes of the said meeting, let us now get back to the question asked by this work – why did Mr Hollande not live up to his promises to alter the austerity course of the eurozone?

If there is a single word to describe the agenda of Mr Hollande as presidential candidate in the campaign, it would doubtlessly be “change”. The main slogan of his campaign, “Le changement, c’est maintenant” is the best possible demonstration of this fact. All the campaign promises of candidate Hollande, the “60 engagements pour la France”, need therefore be understood in this context. Chapter two clearly demonstrated that the eurozone theme was only a small part of the campaign. Only one of the 60 engagements, only a paragraph in his meeting speeches, only a couple of sentences in the TV debates. Nevertheless, the promise to change course of the eurozone was there. Firstly, we stated that even such a specific issue as the eurozone was utilized as a means to distance himself from his opponent, the outgoing President Nicholas Sarkozy. This does not in itself mean much, but the strong “change” drive of Mr Hollande's campaign was omnipresent, and the change was clearly away from Mr Sarkozy's style – in whatever the area. Also, not only were the eurozone pledges yet another way to confront his opponent. They were part of another larger drive of Mr Hollande's campaign – pledge to end the economic misery and kick-start economic growth. In Mr Hollande's view, the reform of the fiscal framework of the eurozone, namely strongly toughened fiscal discipline via the six-pack improvements of the SGP and the even stronger fiscal treaty was about to lead the eurozone, and thus also France, into an endless spiral of austerity. It would not solve the sovereign debt problems of Greece (and others in line), but would exacerbate them and likely make them unsolvable in the long run. He therefore targeted the fiscal treaty and explicitly promised to renegotiate it at the EU level – softening the austerity and introducing more room for pro-growth spending. Together with the renegotiation of the TSCG, he promised measures such as

eurobonds, or softer mandate of the ECB. He identified the June 2012 European Council as the time and place for decisive action from his part to be taken.

That is why we targeted the June 2012 European Council as the relevant sub-field in which the upcoming power struggle to shift the eurozone from austerity towards growth was to take action, including the renegotiation of the fiscal treaty. We identified as key players in the sub-field (in the Bourdieu- and Georgakakis and Rowell-style terms, as explained in the theory chapter) the heads of state or government representing the eurozone member states. By attributing a certain amount of capital to each player, we sorted the member state representatives in terms of their relative strength. The capital, again in the Georgakakis and Rowell sense, was identified as relative economic strength of the state, combined with its recent fiscal and macroeconomic performance, including prospects of future development in terms of reforms. Then, we descended further to the personal level and assessed the position of each player in terms of his insider/outsider status in the sub-field. We looked at the representatives' longevity in the post, previous EU-related engagements and political affiliation. Combining the amount of capitals and insider/outsider position, we constructed a graphical representation of the sub-field in which Mr Hollande was supposed to deliver to his promises to alter the development of the eurozone away from austerity, inter alia by renegotiating the fiscal compact.

In order to determine the power center of the said field, we looked into reports from respected media. As presented in the final part of the third chapter, I placed the power center of the sub-field between Germany, Italy and Spain, principally based on the reports that Italian and Spanish Prime Ministers basically cornered Chancellor Merkel, reached a compromise that was then adopted by all as conclusions (or Euro Area Summit statement).

The final graphical representation of the relevant sub-field deserves a number of comments. Firstly, it proved what we may have intuitively expected – that the power center of the field is in the strong-capital/insider corner of the graphic. However, this result was far from certain from the beginning. Georgakakis and Rowell demonstrated, that the overall Eurocracy field is full of paradoxes – it is very well possible that high-level political figures are outmaneuvered by mid-level and very active EU officials.

Also, regarding the current situation in the eurozone around Greece,¹⁰¹ with a new radical-left government of Prime Minister Tsipras, and with Yanis Varoufakis as finance minister in charge of bailout negotiations being a prototype outsider, the picture of the sub-field would look completely different. Greece may well be placed far away from any other countries in the weak-capital/outsider corner, but the fact that the eurozone creditors have been unable to impose their vision means that the power center is radically shifted towards the weak and outsider Greece. The outcome of our field of Eurocracy theory-derived analysis of the sub-field is therefore perhaps unsurprising, but nevertheless necessary for the continuation of our argumentation.

Let us now get back to the main question posed by this thesis. The power center being placed between Italy, Spain and Germany, we can instantaneously see that France is far away from it – in the strong-capital/outsider corner. What this logically means is that France has very limited options in setting and pushing its agenda. And this is the crucial point of this paper. What we found out in course of the previous chapters in fact means that President Hollande was not at all in position to change the overall direction of eurozone development away from austerity, inter alia by renegotiating the fiscal compact. Given the distribution of power in the field, he could not have delivered to his promises. In his rather marginal position (from the perspective of the graphic we constructed) he sure could have attempted to mobilize all his resources and try to change the outcome even from his very disadvantageous position. Going back to the current example of Greece and its PM Tsipras, this is clearly the tactics utilized by the far-left leader. But President Hollande's position was simply too far from the power center of the sub-field, and moreover, from any other player of the sub-field. From the 4 large eurozone economies, 3 were around the power center, and France was far away. Since virtually no steps sought by Mr Hollande were in the outcomes of the June 2012 meetings, we can safely argue that he failed.

One fact seemingly opposes the conclusion that we constructed above. We reiterated Mr Hollande's pledges (renegotiate fiscal treaty, firmly reorient the eurozone

¹⁰¹ Renee Maltezou and Deepa Babington, "Tsipras Presses for May Debt Deal, Threatens Referendum," *Reuters*, April 28, 2015, <http://www.reuters.com/article/2015/04/28/us-eurozone-greece-idUSKBN0NJ0FT20150428>.

away from austerity towards pro-growth policies, plus some other measures) and stated that he was not at all in position to assure their adoption at the EU level. But the June 2012 European Council conclusions very clearly contain a political undertaking to promote growth – in the form of a Compact for Growth and Jobs. Of course, there is no word about the renegotiation of the fiscal treaty. But as the fourth chapter pointed out, this was not a standalone promise, but rather a step in his Hollande’s drive towards growth. Since the promotion of growth is encompassed in the outcome of our relevant sub-field, does it not mean that President Hollande in fact succeeded and our field of Eurocracy theory-derived approach failed to explain the issue at the core of this thesis?

Actually, this is precisely the line of argumentation of President Hollande after the summit.¹⁰² At a press conference, he draws a picture of a huge success of France in reorienting eurozone away from austerity. Compact for Growth and Jobs – this political deal contains everything that he promised: a change towards growth, symbolically strengthened by using the same word as the previous fiscal deal (compact). However, a closer look at the measures of this new compact lead us to a rather different conclusion. Firstly, the wording is in the majority of cases very vague, while all the previous austerity-promoting documents are very precise (the very clear technical wording of the fiscal compact – non-negotiable undertaking to have balanced deficits, comes to mind). The Compact for Growth and Jobs’ formulations that, for example, states will “step up efforts to increase youth employment”¹⁰³ or that the Commission “intends to present further growth-enhancing measures”¹⁰⁴ for the Single Market, could hardly be more generic. Also, on the EU action side, some steps are from the beginning too ambitious to be taken seriously – the digital single market or energy market by 2015 and 2014 respectively. The only very specific measure is the pledge to pump some €120 billion to the economy via the European Investment Bank and using the so-called Project Bonds. However, even though the sum looks impressive at first glance, additional perspective changes the picture somewhat. Firstly, it corresponds to about 1% of the EU gross national income. It is therefore far from being an ambitious investment, economy-kick-

¹⁰² “Conférence de presse du Président de la République à l’issue du Conseil européen de Bruxelles,” *Www.elysee.fr*, accessed May 12, 2015, <http://www.elysee.fr/conferences-de-presse/article/conference-de-presse-du-president-de-la-republique-a-l-issue-du-conseil-europeen-de-bruxelles/>.

¹⁰³ “Conclusions of the European Council of 28/29 June 2012.”

¹⁰⁴ *Ibid.*

starting plan. Secondly, the overall bailout funds paid to Greece, a small economy in eurozone terms, amounted to double that value, some €240 billion.¹⁰⁵ It must also be mentioned, that the new compact reiterates fiscal discipline and reforms as a key condition for growth.

It is very understandable politically that President Hollande presented the outcome of the summit as his success and the beginning of a reorientation of the eurozone away from austerity and towards growth. But a very brief analysis of the measure, namely the Compact for Growth and Jobs, shows that such interpretation is illusory. Despite Mr Hollande's words and despite his support for the Compact for Growth and Jobs, its adoption does not mean that Mr Hollande held on to his promises. In fact, shortly after the June 2012 summit, Mr Hollande submitted the non-renegotiated TSCG to the French parliament for ratification, expressing at the same time his support.¹⁰⁶ This can be regarded as a symbolical next step away from his promises and towards the then-mainstream policies of austerity, originally prescribed by Chancellor Merkel with President Sarkozy. This shift, as mentioned in the introduction, is widely understood to have taken place. In the end, even the French Prime Minister Jean-Marc Ayrault conceded that much.¹⁰⁷ This paper proved that the shift really had taken place, too. More importantly, though, it sought to prove that by utilizing the field of Eurocracy-derived theory. We demonstrated that President Hollande had a very distant position from the power center of the relevant sub-field. He was in no position to alter the eurozone substantially in this matter, even though he may have tried. This is the answer of the presented thesis to the question in the beginning. Of course, this assessment does not have the ambition to be absolute. Neither could our analysis be exhaustive. Clearly many inputs determine the politicians' actions and rarely one cause is identifiable as being decisive. Also, one could argue that an unfavorable position at one specific European Council meeting and the resulting failure to push some agenda need not lead to capitulation. My answer would be the following – Mr Hollande

¹⁰⁵ "Financial Assistance to Greece," *European Commission*, accessed May 12, 2015, http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm.

¹⁰⁶ "France Readies EU Fiscal Pact for Ratification amid Backbench Rebellion," *EurActiv*, accessed May 12, 2015, <http://www.euractiv.com/future-eu/france-readies-eu-fiscal-pact-ra-news-514870>.

¹⁰⁷ "Ayrault reconnaît que le traité européen n'a 'pas été renégocié,'" *LeJDD.fr*, accessed May 12, 2015, <http://www.lejdd.fr/Politique/Actualite/Ayrault-reconnait-que-le-traite-europeen-n-a-pas-ete-renegocie-561648>.

boarded a moving train when he became president. The drive towards austerity was strong and moving – countries were ratifying the fiscal compact¹⁰⁸ (one of the key measures). In fact, it is not far from true that the June 2012 European Council was the last opportunity to significantly change course. Once President Hollande failed there, he had little more options, but to continue in the same course as the other eurozone partners. Of course, even this interpretation, as well as the whole of this thesis's findings could be academically contested – which is only natural and much welcome in academia. But the field of Eurocracy theory provides a strong indication.

¹⁰⁸ European Parliament DG for Internal Policies, “Article 136 TFEU, ESM, Fiscal Stability Treaty - Ratification Requirements and Present Situation in the Member States,” October 3, 2012, http://www.europarl.europa.eu/meetdocs/2009_2014/documents/afco/dv/2012-10-08_pe462455_/2012-10-08_pe462455_en.pdf.

Summary

The aim of this thesis is to offer an explanation for President Hollande's change of approach concerning the reform of the eurozone. During the elections campaign, Hollande distanced himself from his opponent and from the policies that he advocated. In case of the eurozone, he refused to continue in austerity and promised promoting growth. An important aspect was his undertaking to renegotiate the fiscal treaty. The thesis employs a sociological-political theoretical concept, derived from the sociology of Pierre Bourdieu, and developed and applied on the EU by French scholars Didier Georgakakis and Jay Rowell – field of Eurocracy.

The thesis opens with a context chapter. It reiterates some of the key developments in the euro bloc following the outbreak of the global financial crisis, followed by an economic recession. Certainly, the crucial aspect was the Greek sovereign debt crisis. The chapter moves on to the solution that was prescribed not only to Greece, but also to the eurozone in general. The prescription was austerity and was pushed through by the German Chancellor Merkel and the then-French President Sarkozy. One of the symbols of austerity was the already mentioned fiscal treaty – imposing balanced budgets on eurozone governments.

Next, the thesis continues with Hollande's campaign promises concerning the euro area. It has been noted that Hollande's pledge to move away from austerity was partly inspired by the willingness of the socialist candidate to distance himself from the unpopular incumbent. More importantly, though, the promise to renegotiate the fiscal treaty and end austerity was deeply embedded in the overall drive for change, omnipresent in Hollande's campaign, and the rationale behind it was promoting economic growth. Hollande argued that austerity will throw the eurozone into a deadly spiral of recession. He therefore promised to end the dangerous spiral and introduce pro-growth stimuli. He undertook to impose such measures also upon the eurozone and targeted the June 2012 European Council as a place and time to do so.

The June 2012 European Council thus became the relevant sub-field in the overall field of Eurocracy, onto which we focused our research. Empirically, we

identified relevant actors of the field and placed them into the sub-field using two variables – the amount of “capitals” they possessed and their insider/outsider position. Then, based on reports of the field power games and on their outputs, we placed the power center inside the field.

The thesis concludes that President Hollande was in no way in a position to impose his pro-growth agenda onto the eurozone. His position in the field was highly unfavorable, he was very far apart from the power center and also from any possible allies. Of course, there were indications of some changes, but Hollande’s presidency continued in the austerity course and did not renegotiate the fiscal treaty.

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