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The Making of Europe by Payment Cards. Hidden Integration in the Era of Neoliberalism.

Politics, Finance and Technology from 1992 to 2010

Bachelor Thesis European Studies

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Abstract

This thesis aims to reconstruct the process of the development of the SEPA for Cards in the timeframe of 1992 up to 2010 and expose its contribution to the making of Europe.

To reconstruct this process this thesis answers the question:

How did the development of payment cards in the Single Euro Payments Area (SEPA) contribute to the making of Europe?

In order to answer this question the theory of Misa & Schot is used which claims that European integration, often perceived as a political, economic or cultural process, is an emergent outcome of inclusion and exclusion of actors through technology which causes tensions and interactions.

This approach must be placed in a neoliberal context to comprehend the relationship of the market actors with the governmental actors and their visions of Europe.

This research finds that the SEPA for Cards knows three actors who perceive Europe from different perspectives which causes tensions and are related to the infrastructure for the SEPA for Cards.

Furthermore the role of the US must be stressed because they influenced Europe and the card payments system for decades. Europe and the US started competing again with different technologies for payment systems.

This thesis concludes that the SEPA for Cards contributed to the making of Europe through a new infrastructure which provides a platform where actors of the market and the government interact with each other. Furthermore the SEPA for Cards places Europe as global competitor and innovator on the global market because of its new infrastructure for card payments and their harmonized monetary union.

Foreword

In this foreword I want to stress my motivation to address the topic of this thesis as well as express my gratitude to the people who have supported me the last half year.

The payment card was at first sight not a topic that intrigued me. When I had to think of a topic for my thesis I remembered a particular course in European Public Administration which addressed the history of Europe as the outcome of technological development. This got my attention and I contacted the professor who lectured at that time. After several meetings we ended up with the emergence of the payment card as technological integrative part of Europe. Because I wanted to break away from the Social Sciences approach and include more technology in my thesis this topic eventually appeared to be the right choice.

Therefore I want to thank my supervisor Dr. Adri Albert de la Bruheze who has spent a significant amount of time in criticizing, discussing and supporting the work that I have put into writing this thesis. With his feedback and contribution of understanding the topic I managed to explain and structure this thesis. I am very grateful that he has given me an insight in the field of the history of technology and the approach of the Humanities. Also I want to thank my second supervisor Dr. Ir. Fokko Jan Dijksterhuis with whom I spent just a small amount of time but his interpretations and feedback gave me new insight in the SEPA for Cards and contributed to the analysis of, especially, the relation between Europe and the US.

Next to my academic supervisors I want to thank my parents, brother and sister who have always supported me in the process of graduating for my Bachelor European Public Administration. I want to thank my (ex)-roommates who have me the time and space to think, reflect and discuss the process which they also have experienced. Furthermore I want to thank my colleagues who accepted my, sometimes long, periods of absence. Finally I want to thank Nikki Driessen and Timon Klerx who are close friends of mine and have always provided me with new insights and energy in performing this research.

List of Abbreviations

Abbreviation	Meaning
ATM	Automated Teller Machine
CSG	Cards Stakeholders Group
ECB	European Central Bank
ECSC	European Coal and Steel Community
EEC	European Economic Community
EMU	European Monetary Union
EMV-Standard	Europay, Mastercard, VISA - Standard
EPC	European Payments Council
EU	European Union
IC	Intelligent Card
ICA	Interbank Card Association
MIF	Multilateral Interchange Fee
NCB	National Central Bank
POS	Point-Of-Sale
SCF	SEPA Cards Framework
SCT	SEPA Credit Transfer
SDD	SEPA Direct Debit
SEPA	Single Euro Payments Area
UK	United Kingdom
US	United States

Outline

1. Introduction

1.1. Topic

On the first of January 2002 millions of Europeans stood at an automated teller machine to withdraw the first Euros from their bank account. Although the Euro was used in the financial system since 1999, the banknotes and coins would become available for European citizens at the beginning of 2002. This was an historic event, or as the French Prime Minister, Jacques Chirac put it: 'A new way of being in Europe'.[1] The ratification of the Euro was the last step in creating the European Monetary Union (EMU) as stated in 1992 when the Maastricht Treaty was signed. Subsequent to the development of an economic and political union in the 50s, the next step in the Making of Europe consisted of the formation of a monetary union.[2]

This example presents the result of the first steps regarding the topic of this thesis. The European Monetary Union and its product, the Euro, are the first steps in the intensification of the Single Market with regard to cross-border payments. The next step is the development of the Single Euro Payments Area (SEPA) which embodies "[…]the creation of an integrated euro payments market, with a geographical scope that extends beyond the Eurozone to encompass all EU member states as well as Norway, Iceland, Liechtenstein, Switzerland and Monaco."[3] In the SEPA four different main topics are distinguished: SEPA for Credit Transfers, SEPA for Direct Debit, SEPA for Cards and SEPA for Cash. This thesis focuses on the SEPA for Cards and reconstructs the development of this infrastructure in the timeframe from 1992 to 2010. The research adopts the approach from Misa & Schot which takes the different actors, technological development and legislative decisions into account and connects them in an agency approach within a neoliberal context. This approach relates to the making of Europe, which envisions European integration as emergent outcome from the interaction between these different actors. During this process actors are included, excluded, integrated and segregated which makes it a complex process of enabling, enacting and changing Europe. The research starts with the ratification of the Treaty of Maastricht in 1992 and ends with the period just before the implementation of SEPA in 2010. This timeframe spans the period that the first detailed plans of a monetary union enter the agenda of the EU up till the moment before the implementation of the SEPA. It must be noted that there is an essential difference between the EU and Europe in this research.

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[1] "Europe welcomes new cash," *BBC News*, January 1, 2002, accessed December 9, 2014, http://news.bbc.co.uk/2/hi/europe/1736744.stm
[2] Barry Eichengreen, "European monetary unification," *Journal of Economic Literature* (1993): 1325.
[3] "What is SEPA," *SEPA Frequently asked questions,* Payments Council, n.d., accessed January 12, 2015, http://www.paymentscouncil.org.uk/what_do_we_do/european_payments/sepa_frequently_asked_questions/

The framework of Misa & Schot approaches the EU as an actor which adopts a major role in making of Europe but is not the central subject of this research. The interaction between the different actors who operate in the development of the SEPA for Cards contributes to the making of Europe. In this process banks, service providers, the EU and other smaller actors are included and excluded, integrated and segregated which makes Europe a category of practice.

With the ratification of the Treaty of Maastricht a new idea is born to intensify the Single Market of the European Union (EU). From 1992 up to 1999 the European Monetary Union and the Euro are developed which contributes to the European integration in three different dimensions. First, the common currency can be seen as a tool of the economic system to create more unity in Europe by making one type of cash payment available in twelve different countries (during the enlargement of Europe the number of Euro countries expanded). Second, the Euro has the purpose of letting the European citizens feel more European and more associated with each other. This cultural approach enforces the intention of the abolishment of borders between the Member States and that Europeans no longer compete with respect to which country has the strongest currency. Third, the European Union is politically expanded with a new institution quite similar to the American Federal Reserve: the European Central Bank (ECB).[4] These three dimensions show the integrative power of the European Monetary Union. Next to the Euro the monetary union is created to integrate the market with regard to the financial industry (e.g. banks, service providers, national central banks) as next step for the smooth functioning of Europe. This leads to the Single Euro Payments Area which has the purpose of a smoother flow of cross-border money transactions between countries with a focus on small payments, the so-called retail payments.

This thesis aims to describe the evolution of the plastic payment card and its contribution to the making of Europe from 1992 to 2010. This period is marked by new IT-infrastructures to digitalize money and the financial world. To access digital money we, as consumers, have multiple choices of digital products. This includes card payments and online transfers like credit transfers, in which an individual transfers from one account to a different account, or direct debit, in which an individual gives the bank the order to get money from a different account. In the European Union card payments are the most used payment method followed by digital transactions.[5] The digitalization of money and finance is shaped by a long history of technological development, innovation and

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[4] Dieter Gerdesmeier, Francesca Paolo Mongelli and Barbara Roffia, "The eurosystem, the US federal reserve, and the Bank of Japan: Similarities and differences," *Journal of Money, Credit and Banking* 39, no. 7 (2007): 1787.

[5] "Understanding payments – Types of payment," *Eurosystem,* European Central Bank, 2013, Accessed Dec 9, 2014, http://www.ecb.europa.eu/paym/retpaym/undpaym/paymtyp/html/index.en.html

implementation. Especially with regard to the use of payment cards which stems from 1891 with the first travelers' cheque.[6]

1.2. Scientific Approach

To describe the evolution of the payment card the approach of Misa & Schot provides an analytical framework in which technology is seen as a crucial but hidden integrative force. Misa & Schot speak of 'hidden integration' because in their view technology has been neglected in integration studies, because involved scientists and engineers preferred to 'hide' their work, and because technology is not an agenda issue in the European Union.[7] An important part of this approach is that Misa & Schot do not perceive integration as a product of the European Union but as an emergent outcome of Europe. The European Union is merely an actor in the making of Europe who interacts with other actors. These actors exert their force on Europe from the inside and outside and thus contribute to the making of Europe. Misa and Schot define Europe as an actor category instead of a geographical, economic or political entity with an essential meaning. This means that multiple actors interact, negotiate and materially construct Europe and European integration. Technology and its social diffusion is created and formed because it circulates between actors who actively modify, adjust and adapt artifacts, systems and plans. Misa & Schot emphasize that European integration should be seen and analyzed in specific historical and global contexts that enable and constrain activities and negation spaces of the actors involved.

In this discursive and material making of Europe, actors, regions and nation states are linked, included, but also de-linked and excluded. These linkages and de-linkages are the result of emergent outcomes or the result of intended and planned activities and strategies. In their approach, Misa and Schot emphasize the crucial role of technology on different types of integration. In their view it is technology that precedes, enables, or constrains, political and economic integration. Technology affects daily life with the use and social embedding of artifacts (car, telephone), and technical systems (electricity grid). Misa & Schot see this social embedding as processes of circulation and appropriation with which they mean "[…] the movement of people, knowledge, and artifacts between cities, companies, and nation states. […] to avoid the trap of assuming that circulation is free-floating, […] appropriation refers to the process in which users – including governments, companies, organizations, and citizens – variously explore, signify, reproduce, communicate, and integrate knowledge and artifacts into their daily life and business."[8]

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[6] "American Express Our History," American Express, n.d., accessed Dec 10, 2014, https://secure.cmax.americanexpress.com/Internet/GlobalCareers/Staffing/Shared/Files/our_story_3.pdf
[7] Thomas J. Misa and Johan Schot, "Introduction: Inventing Europe: 1 Technology and the hidden integration of Europe," *History and Technology* 21, no. 1 (2005): 3.
[8] Misa & Schot, "Introduction: Inventing Europe," 9, 10

1.3. Outline

The approach of Misa & Schot has been used as an analytical lens in which secondary and primary sources are perceived. This thesis reconstructs the development of the payment card and in what way this contributed to the making of Europe and is structured in the following way.

The second chapter of the thesis starts with the main research question followed by its subquestions which this thesis will answer. The main question is focused on how the making of Europe is influenced by the SEPA for Cards and is supported by subquestions which are derived from the approach of Misa & Schot. The other paragraph of this chapter describes the methodology of this thesis which is an extensive literature review of primary and secondary sources. This paragraph also explains the inductive approach of this research.

The third chapter scrutinizes the making of Europe through wars, trade and culture which eventually spawned monarchs, dictators and conquers who all envisioned a unified Europe. During the interbellum period the first steps were made towards a political and economic union with the League of Nations and the unilateral agreements of, for example, the Benelux. After the Second World War the making of Europe is often perceived by political scientists as political, economic of cultural union. However, the approach of Misa & Schot breaks away from this approach and emphasizes the role of technology in the making of Europe conjoined with the standard approach. The important point in this chapter is that the classic approach sees Europe as the EU and its regulations whereas Misa & Schot see Europe in which the EU is an actor who contributes to the emergence of Europe through interaction with other actors.

The fourth chapter places the approach of Misa & Schot in a neoliberal context since the emergence of the payment card occurred within the deregulation of the financial market. The approach of Misa & Schot in the context of the neoliberal philosophy bestows a deeper understanding of the making of Europe and the evolution of the payment card within the Single Euro Payments Area. Here the difference between Europe and the EU is an important development. In this process the tensions between the US/UK and Europe are described but also how the EU tries to make Europe within its boundaries whereas market actors go further and act within Europe instead of only the EU.

The fifth chapter follows the institutional development with regard to the establishment of the Single Euro Payments area and the deepening of the Single Market in which the payment card performs a role in the making of Europe. Furthermore, this chapter bring the neoliberalist context to light as it exposes the strong entanglement of market actors with government actors and the intentional and unintentional technological developments which sprout from this collaboration and thus the internal and global making of Europe.

The sixth chapter describes the evolution of the payment card which provides a better understanding in the analysis of the choices made during the shaping of the SEPA and why the US is such an important actor in the development of payment systems. The evolution of the payment card shaped the global market of payment systems and shaped Europe who saw the US as a role-model and enemy of the European market at the same time. It became a race of technology in the payments sector to discover who had the better system.

In the seventh chapter, the analysis, the reconstruction of the actions regarding the development of the payment card in the SEPA are indicated. The analysis consists of three parts. In the first part the relevant actors, their European visions and the relationship between them is analyzed in the making of Europe with relation to the payment card system. Second the tensions between the banks, service providers and the European Union emphasizes the complex field of regulators and market actors and the struggle between free-market principles and legislative power. Third the relation of the payment system of Europe in association with the influence of the US is analyzed which exposes the technological global ambitions. The overall theme of the analysis diagnosis the political, economic and cultural developments through the lens of technology.

The conclusion will summarize the findings of this research and answer the questions asked in chapter two. In this chapter the interaction between actors, the clash of the visions and the role of the US are presented. Furthermore the role of technology and the inclusion and exclusion process are taken into account to explain how the SEPA for Cards made Europe. Finally options for further research and limitations of this research are scrutinized.

2. Topic and Research Questions & Methodology

To grasp the complex dialogue between actors and their visions on the SEPA for Cards and thus the making of Europe this research needs to be structured. The approach of Misa & Schot provides an insight in the different research strategies to understand the making of Europe in which technology plays such a crucial role. The linking and delinking of actors, their visions and their operations in a globalized society relates to interaction of actors who agree and disagree on the subjects discussed in the SEPA for Cards. Therefore explicit questions must be asked to comprehend the developments that took place in this actor generated initiative which manufactured different infrastructures complying to the 'global friendly' policies. This research is therefore structured on questions that depend on the approach of Misa & Schot in the neoliberalist context. These questions are answered through an extensive literature review of primary and secondary sources which contribute to a better understanding how the SEPA for Cards made Europe.

2.1 Topic and Research Questions

The making of Europe is typified by a complex assembly of different interests from different perspectives. The SEPA assembles banks, service providers, the EU with its financial institution the Eurosystem and engineers to form a harmonized payment card infrastructure in Europe. Technology presents itself sometimes as catalyst in the decision-making process but also as hindrance with regard to the implementation of the correct system to suit all actors. In this complicated process actors are included, excluded, integrated and segregated from the payments area for cards and the technological advancements that emerge in this process. Furthermore, the neoliberalist context in which the SEPA is created exposes the influence of actors in the private sector. The private actors unite themselves in the European Payments Council and gain a position equal to the Eurosystem, the organization of the EU burdened with the functioning of the European Monetary Union. Because the payment card is part of the SEPA agenda and contributed to the making of Europe in the light of the different actors, the emergent outcome and the global position. My research topic will embody the development of the payment card with regard to its infrastructure, by using the approach of Misa & Schot. My main research question will be:

> *How did the development of payment cards in the Single Euro Payments Area (SEPA) contribute to the making of Europe?*

In line with the approach of Misa & Schot the subquestions will contribute to a better understanding and argumentation of the main research question. They refer to the three concepts that are crucial in the Misa & Schot approach. With regard to Europe as actor category, and in this thesis directed at payment cards the first subquestion relates to the techno-political governance structure:

Q1: Which actors were involved in the process of making a European payment card structure, and what Europe visions did these actors have?

Looking at Europe as '*emergent outcome'* the linking, de-linking, including, excluding, integration and segregation affects all actors in the infrastructural process. The tensions and changes which occur with the creation of the infrastructure have shaped Europe to such an extent that positions of market and governmental actors change. As a result government officials and market representatives did not always agree with each other in de the decision-making process. Market actors start to contest the government and demand more power in the creation of the SEPA. They want to be included in the making of Europe because their visions for a united Europe differ from the governments' vision. Furthermore the representatives of the market are directly affected by the SEPA and the government needs their knowledge. Therefore it is necessary to describe where the tensions are, what Europe visions caused this tension and who are included or excluded from the process.

Q2: What tensions arose during the process of establishing an European card infrastructure between the banks, service providers and the European Union?

When taking into account the external forces that influence the development of the SEPA the last subquestion concerns the global impact of the European card payments. The influence of the US in the creation of the payment card system leads to decisions which developed a more global infrastructure. There is an apparent tension between the visions of the EU and the US but also between actors who act in Europe and the actors in the US. The importance for the EU is that their Single Market is protected but also adjusted to comply with regulations for the US in the light of global competition. For the market actors in Europe it is important that they could compete or ally with their American counter-parts. In SEPA there was an urge to make the payment system as 'global friendly' as possible.

Q3: How did the American payment card system influence the European payment card system in its infrastructure?

2.2 Methodology

In order to answer these questions this study adopted an extensive literature review of primary and secondary literature sources. The literature review started with an analysis of scientific literature which relates to the historical reconstruction of financial systems, automatisation of financial systems and the role of technology in the making of Europe. Subsequently to the scientific articles the internet provided a first insight in the meaning and purpose of SEPA. Especially the impact assessment from the European Central Bank performed by KPMG and the website of the European Payments Council were useful sources to get a first insight in the SEPA. From the information from these sources the first draft for the topic and research questions was created.

The SEPA is split up in several categories to grasp the great amount of infrastructures that were redeveloped. To make a decent and appropriate choice which topic had to addressed in this research the analysis of the progress and migration reports of the ECB show the tensions between the Eurosystem and EPC. From these reports six categories were distinguished: SEPA Direct Debit, SEPA Credit Transfers, SEPA for Cards, Infrastructure, SEPA for Cash and Governance. Eventually SEPA for Cards became the main topic because this covers SEPA for Cash, the Infrastructure and the Governance and thus the biggest part of SEPA.

To get a better grasp on the topic the history of the payment card was included in the thesis for a better comprehension of the SEPA for Cards. The research on the history of payment cards used primarily secondary sources which included the websites of Mastercard, VISA and forums in which the payment card is discussed. Furthermore the evolution of money, the consequences of a neoliberalist system and the making of Europe by money was deduced from documentaries and non-scientific books.

This information asked for a scientific approach to comprehend how this contributed to the making of Europe. Therefore this research focused on the approach from Misa & Schot to explain the Making of Europe through SEPA because this approach emphasizes the role of technology in European integration. Misa & Schot approach the Making of Europe as an ongoing process by agents instead of a structuralist approach in which institutions make legislation and set the boundaries for Europe. Misa & Schot claim that actors, which includes individuals, groups, organization, companies, make Europe by interacting, enabling and changing Europe.

To approach the SEPA from the perspective of Misa and Schot the context of the timeframe was taken into account. Therefore this research addressed the neoliberalist context which was the uprising context on a global scale in which actors concerned with the SEPA operated. Neoliberalism exposes the individualized and market driven societal changes that were at hand during the 80s up to the 00s and influenced the Making of Europe through SEPA. For example the SEPA is highly influenced by banks and other market actors who are concerned with the different groups that the SEPA envisions to change. These agents of different industries interacted with institutions of the EU and institutions outside the EU, such as the European Free Trade Area members, and affected the decision-making.

This extensive literature review is an inductive process which started with observations from primarily secondary sources and was supported by scientific theories. The inductive process explores the cutting surface of the Humanities and the Social Sciences. It embodies a contraction of History and European Public Administration in which the reconstruction of a European project reflects political, economic and technological developments. Instead of the classic structuralist approach from European Public Administration the research adopts a constructivist approach from Misa & Schot. These researchers do not use a priori categories but show that the making of Europe is a conflation of actors, emergent outcomes and globalization. In light of this framework the subjects discussed in the European Public Administration are described, analyzed and connected to each other.

The choice for this research relates to an urge from the author to break loose from the classic approach and an attempt to place the SEPA for Cards in a historical approach. This alternative method contributes to the field of European Public Administration by showing the crucial role of technology and the struggle between market actors and governmental actors. The Humanities offer a platform which connects technology with Social Sciences and transcends multiple disciplines within the SEPA for Cards.

3. The making of Europe

3.1. Introduction

The aim of this chapter is to provide an insight in contrasting classic theory in the Making of Europe through institutions and its constructivist counterpart of Misa & Schot. The difference between those approaches is how the making of Europe is perceived. Unlike the classic approach which sees a structuralist framework arise from centuries of war and attempts of unification within Europe. The approach of Misa & Schot sees an agency framework in which the interaction, discussion and cooperation between actors make Europe as emergent product from this process. Furthermore Misa & Schot emphasize the crucial role of technology as agent of change in the making of Europe. Technology connects, integrates and breaks boundaries just as politics and economics are possible to do this through legislation. The role of technology and the actors that operate in this field are often ignored or overlooked by political scientists who claim that European integration is constituted by directives and regulations in political agencies. Misa & Schot accentuate the integrative and disintegrative power of technology which intentionally or unintentionally makes Europe.

3.2. The Classic approach

Europe is a continent which is shaped by wars, trade and a melting-pot of different cultures. The Roman Empire was one of the first empires which used violence, money and culture as tools to emerge a cross-bordered and cross-civilized Europe. In the language and traditions of nearly every European culture Roman influences can be detected. After the collapse of the Roman Empire a great number of emperors, kings, monarchs and dictators ruled Europe and pursued, sometimes in a very violent way to realize their European vision. The 20th century, for example, is marked as an era of attempts to shape Europe as unified entity. Prior to the First World War, a Europe was shaped where free movement of people and capital was not prohibited. However, during tensed periods, for instance prior World War I, restrictions were imposed. The introduction of passports for instance restricted and regulated the free transnational movement of European citizens. After World War I politicians envisioned a political and economic unified Europe. To accomplish this unification the League of Nations was established during the Interbellum period and in addition to the League of Nations a number of countries formed unilateral agreements. The leading example of these trans-national agreements is the agreement between Belgium, Luxemburg and the Netherlands, or BeNeLux. These three countries agreed to the free movement of labourers and capital prior to the Second World War.[9] However, Europe was ripped apart again due to World War II and the agreements of the League of Nations and BeNeLux could not be preserved. The most recent and

[9] Daniel C. Turack, "Freedom of Movement and the Travel Document in Benelux," *International and Comparative Law Quarterly* 17, no. 1 (1968): 193.

successful attempt to unify Europe was established in the 50s with the Treaty of Paris and the introduction of the European Coal and Steel Community. This new community based itself on the ideas of the Benelux which fosters economic unification and peace. A new era of peace and wealth in Europe rose from the ashes from World War II. This era took off with the integration of the economy of the six founding countries i.e. Benelux, Italy, France and Germany. Through the years the economic integration expanded and with it the creation of the European judicial and political system. The integration of the three areas in Europe got entangled and forced the, renamed ECSC to the European Economic Community, to regulate European integration.

As a result of the integrative process identity, a former non-institutionalized but as important part of the European integration, became a competence of the political system in the 80s and was inherited by policy-makers as the People's Europe project.[10] This European identity became part of the political system at the time that tensions in the USSR rose. It was of utter importance for legislators to make the people of Europe feel united should the USSR collapse. To approach European identity as part of a political agenda makes identity an object of legitimization for the existence of the European Union. Identity becomes a strategic tool to market the EU as unity and inclines a compulsory making of Europe through culture. The foundation of European culture is located in the Jewish, Christian, Greek and Roman roots which every nation in Europe altered to its own traditions and habits. Culture shapes a nation but the alteration of culture shapes an identity with which people can relate to. In this cultural constructivist approach the European Union used the Christian Greco-Roman roots as its culture and chose a European flag, anthem, organized European festivals and created regulations for a European Passport so people and governments could relate to a unified Europe and thus their European identity.[11] The cultural approach was essential for the further existence of the European Union, because it legitimizes the economic, political and judicial integration.[12]

[10]Cris Shore, "Inventing the 'People's Europe': critical approaches to European Community 'cultural policy,". *Man* (1993): 787.
[11] Shore, "Inventing the 'People's Europe," 788; Misa & Schot, "Introduction: Inventing Europe," 4.; Jan Ifversen, "Europe and European culture-a conceptual analysis,". *European Societies* 4, no. 1 (2002): 13-15.
[12] Shore, "Inventing the 'People's Europe," 795.

Scholars who approach Europe in the classic idea of European integration criticize the European Union with regard to the integrational agenda. Notably political scientists present European integration as gridlocked, due to the great number of political actors, non-democratic and delinked from the average citizen in the EU.[13] Or as Mark Esykens, minister of foreign affairs of Belgium once stated: "Europe is an economic giant, a political dwarf and a military worm."[14] Moreover, the cultural integration of Europe also receives criticism from scholars, as the European identity is referred to as an elitist project which tried to make the Fortress of Europe. The Fortress of Europe excludes the ones who do not possess the Greco-Roman ancestry and includes only those who relate to this heritage. This idea does not integrate Europe but instead erects new boundaries for Asians, Arabs, Americans and Africans who already feel European.[15]

3.3. The Agency approach

Scholars like Misa & Schot approach European integration from a different perspective than classic scholars do. Misa & Schot perceive European integration as 'category of practice' in which success, failure, linkage, de-linkage, inclusion and exclusion are part and parcel.[16] When European integration is approached from this point of view the main questions becomes how the "[…] varied attempts at European integration, have been experienced, projected, performed, exported, imported, appropriated, and reproduced in a range of contexts."[17] Which means that European integration is not a linear event which starts and ends somewhere in time but European integration is a process which is constantly moved by interaction between European and global actors which spawn and destroy products and influence the making of Europe.

Misa & Schot acknowledge that the EU is formed by the nation-states which contributes to the making of Europe. Their inhabitants, politicians and other actors became even more aware of their nation-state through the establishment of the EU. The nation-state shaped the EU from a bottom-up level in which politicians and policy-makers agreed that a unified Europe is needed for their national economy and prosperity in a globalizing world.[18] Political scientist also tend to emphasize the importance of the nation-state in the identity shaping of Europeans. The European identity needs to become an element of the national identity so citizens can relate to their national identity and a bit to European identity. The approach of Misa & Schot deviates from the traditional approach in which they reiterate European integration by addressing the importance of engineers and technology as innovators who's activities are mixed up with politics, economy and identity. In this way technology

[13] Simon Hix, What's Wrong with the European Union and How to Fix it (John Wiley & Sons, 2013), cover.
[14] Misa & Schot, "Introduction: Inventing Europe," 6.
[15] Ibid., 6.
[16] Ibid., 7.
[17] Ibid., 7.
[18] Ibid., 6.

operates as a facilitator, catalysator or innovator in the making of Europe, which is seen as an ongoing process in which politics, economics and technology become blurred. Therefore Misa & Schot conclude that the history of the EU does not have a closed end but instead should be perceived as open ended, which not only includes integration but also segregation, disintegration, exclusion which are important variables in the category of practice, i.e. in the ongoing and flowing process of integration, see figure 3.1 and 3.2.

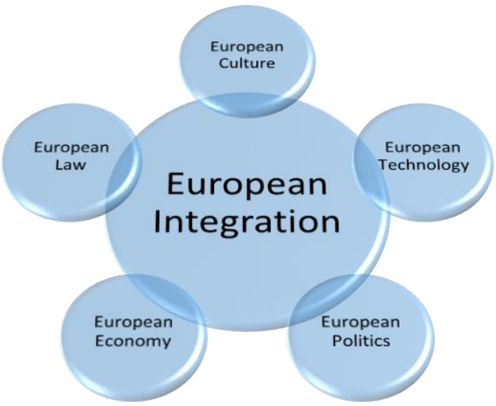

Figure 3.1: European integration in the traditional approach

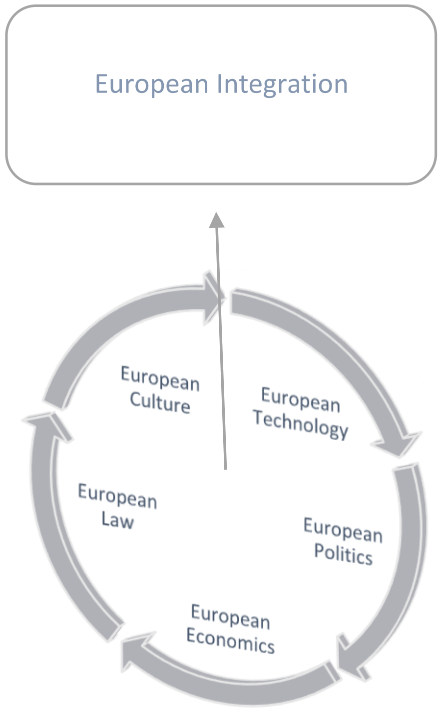

Figure 3.2: European integration as ongoing process

In line with this approach, and generally neglected by political scientists who deal with European integration, is the technological making of Europe, a dynamic process which integrates, segregates, disintegrates and excludes parts of Europe. Technology is thus not (the simple) operationalization of the classic integration areas, but instead facilitates and stimulates integration as a mediator between the material, the institutional and the discursive level.[19] Technology contributes to the step-by-step decision making on institutional level and results in the material level. For example the Single Euro Payments Area emerged from an idea of unifying Europe on a monetary scale.

[19] Alexander Badenoch and Andreas Fickers, "Introduction: Europe materializing? Toward a transnational history of European infrastructures," *Materializing Europe: Transnational Infrastructures and the Project of Europe* (2010): 9

This unification could only be carried out when the particular technology for the unification evolved to such a degree that the idea of the SEPA could be amended for the next step which was depending on the technological improvements. This example shows that technology, decision-making and thus making Europe are intertwined where technology is often ahead of the institutional level. Especially with respect to European infrastructures, technology has played this mediating role.

Schipper & Schot claim that technological integration is a two-fold process of European institutions who want to use infrastructure to build networks which "[…] help to sustain multiple overlapping, competing, and complementary European structures, sometimes as a by-product of other activities but over time more by design."[20] On the other hand, trans-national organizations defined Europe in various ways, which led to the motivation of constructing transnational structures to manage the growing cross-border flows outside the established institutionalized frameworks. Seen from an institutionalized framework this means that technology is not always regulated, or intentionally created, from an institutional perspective to shape Europe. Technology is also making Europe when formal political or economic interests are not involved. In their efforts to create technical and technocratic efficiency, engineers use technology to reduce costs, seek new collaborations and scale up this efficiency. When doing so engineers unintentionally and intentionally contribute to the making of Europe with the application of technology.

The technological integration of Europe, whether institutionalized or not, has been marked by Misa & Schot as the hidden integration of Europe.[21] Hidden integration refers to the fact that engineers and scientists 'hide' their work and findings or, as mentioned before, perform research without the interest of regulations. Hidden integration also includes that without the awareness of the mediating role that technology fulfils, Europe is shaped prior to political and economic unification since politicians are not aware of the role of technology. Hence, Misa & Schot emphasize that the integration of Europe started before the European Union and even before the League of Nations came into existence. During the 19th century technology already started to integrate Europe through the start of the Industrial Revolution and the diverse products that originated from this period.

Before the Second World War technological projects were launched by different trans-continental and transnational organizations. Those organizations did not always have the incentive to create a unified Europe but often had pragmatic interests to stimulate the unhindered cross-border movement of people, capital, services and goods.[22]

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[20] Frank Schipper and Johan Schot, "Infrastructural Europeanism, or the project of building Europe on infrastructures: an introduction," *History and Technology* 27, no. 3 (2011): 251
[21] Misa & Schot, "Introduction: Inventing Europe," 11
[22] Schipper & Schot, "Infrastructural Europeanism," 250

European integration is a complex process of interaction between nation-states and transnational organizations in which sometimes the technology precedes the political and economic desires but the opposite also occurs where technological projects are highly political and economic regulated. The different approaches to European integration should not be addressed apart from each other but more as a conflation of two processes.[23] To treat technological integration in the entanglement of institutions, nation-states and their political and economic agenda's Misa & Schot deployed a set of research strategies.

Firstly, Misa & Schot approach 'Europe' as an actor category which means that Europe is formed by concepts of multiple actors and their activities to realize these concepts. For example banks who form financial infrastructures throughout Europe in cooperation with National Central Banks, and try to influence EU policies. In co-operation with service providers as VISA and Mastercard, these banks created the European payment system which citizens had to comply with. In a reaction to the initiatives and activities of banks, the EU created policies to regulate the system and to protect the citizens. Next to that the National Central Banks also act within Europe by influencing policy of the European Union and act as gatekeepers for the national economy.[24] This cat-and-mouse game of three forces in which EU legislation is influenced by the interests of National Central Banks, private banks and service providers takes mainly part on political grounds. The operationalization of this legislation is related to technical systems which connect the different Member States to each other and thus influence the European integration and fragmentation, the so called techno-politics.[25]

Secondly, Misa and Schot define the processes of European integration as an '*emergent outcome',* i.e. as the often unintended results of the practices of linking, de-linking, circulation and appropriation. In this way they are able to show how technology connects, disconnects, includes and excludes social groups, geographical regions and nation-states. In the view of Misa and Schot the processes of integration can be explained through the movement of services, goods, capital and labour.[26]

Related to payment cards this means that a certain policy is introduced by the EU to regulate the emerging technical systems. However this is neither a linear nor unproblematic process as banks, national governments, National Central Banks, service providers tend to amend the policies. This action-reaction interaction between EU, Stakeholders and technology has a circular character that proceeds in time as can be seen in figure 3.2.

[23] Badenoch & Fickers, "Introduction: Europe Materializing?," 6-8.
[24] Schipper & Schot, "Infrastructural Europeanism," 250
[25] Misa & Schot, "Introduction: Inventing Europe," 8
[26] Misa & Schot, "Introduction: Inventing Europe," 8

Finally, Misa and Schot emphasize that processes of European integration must be placed in a '*global perspective'* to take into account influential broader developments. Europe is primarily shaped by comparing the developments of the 'Other'. The reflection of what Europe observe red in the US or Asia caused Europe to react as non-American or non-Asian. Europe retrenched itself to construct an identity which is always related to being not the 'Other'.[27] The scholars Badenoch & Fickers question in their article what makes a system European and what did Europe actually contribute to a system when it was created and operationalized? They come to the conclusion that close inspection of European connecting systems reveal that the term European becomes 'nebulous' and systems are more globally integrated than only European as Europeans tend to claim.[28]

3.4. Conclusion

The two different approach towards the making of Europe show distinctions and overlap. The classic approach claims that the EU sets the boundaries and provides a framework in which Europe is shaped. This shaping occurs through the directives and regulations of the EU but also through the policy of the national governments. They built a framework for Europe and determine how Europe acts. On the other hand, Misa & Schot approach the making of Europe as emergent outcome in which the European Union is merely an actor in the making of Europe as entity. The EU interacts with individuals, governments, companies and organizations which in turn interact with each other. Through this interaction Europe is made by including, excluding, integrating and segregating actors primarily through technology. This emphasis on technology is a perception that is absent in the classic approach. According to Misa & Schot technology has always been a 'hidden' process which intentionally or unintentionally made Europe and thus contributed to the European integration. It is important to make this distinction between the EU and Europe, in this thesis the EU is an actor in the SEPA of Cards and does not define Europe. Nevertheless it is a major actor in the process and with its legislative power delivers a major contribution to Europe. With regard to the European Monetary Union and the SEPA, Europe departs the retrenchment of Europeanisation and devotes itself to being the global leader on monetary arrangements in good governance with banks, service providers and other actors involved. To understand the SEPA for Cards in the approach of Misa & Schot it must be placed in a context in which the SEPA for Cards is developed.

[27] Misa & Schot, "Introduction: Inventing Europe," 11
[28] Badenoch & Fickers, "Introduction: Europe Materializing?" 8

4. Deregulating Europe – The neoliberalist context

4.1. Introduction

The approach of Misa & Schot is applicable in a great number of aspects which appertains to the complex and diffuse process of European integration. The approach must, however, be associated with a broader context and placed in a timeframe. A description of European integration depends on the political, economic and cultural issues that triggered technological development and improvement. In the light of the SEPA, the decline of the global financial situation during the 80s forced world leaders to act upon a new financial system and a change of how to approach the welfare state. Furthermore, technology in the financial sector improved at a high pace through the IT revolution which influenced global economics. Consequently, the speed of financial products outdistanced the speed of policy-making in the financial area and forced governments to adopt a more market-driven approach.[29] This caused governments to adopt a deregulation of the market during the 80s up to the late 00s. The neoliberalist market contains a small government and more power for market actors to shape the financial world on a global scale. The development of the EMU and the SEPA for Cards is highly influenced by market actors and the making of Europe with regard to the financial market. The approach of Misa & Schot in this context emphasizes the influence of market actors and the emergent outcome which is strongly related to globalization.

4.2. The Uprising of Neoliberalism

The neoliberal philosophy was adopted at the end of the 70s and the beginning of the 80s, under Ronald Reagan in the US and Magaret Thatcher in the UK, to boost competition. This deregulatory approach on finance occurred because old regulations from the 30s and 40s were not flexible enough to grow with the market and caused, during the seventies, inflation to rise and profit rates to fall.[30] The end of the liberal economy and the welfare state also caused unemployment to rise and a widespread discontent among labour and the low-societal classes. Voices were raised for socialist, fascist and capitalist solutions which reflected in the emergence of great support for socialist and fascist mass-movements. The left-wing support from the low- and middle-class threatened the upper-class not only because their capital was declining but also because their widely supported political capitalist values began to shrink.[31]

[29] Bronwyn Davies and Peter Bansel, "Neoliberalism and education," *International Journal of Qualitative Studies in Education* 20, no. 3 (2007): 250.;

[30] Gérard Duménil and Dominique Lévy, "Costs and benefits of neoliberalism. A class analysis," *Review of International Political Economy* 8, no. 4 (2001): 603.; Matthew Sherman, "A short history of financial deregulation in the United States," *Center for Economic and Policy Research* (2009): 8.

[31] David Harvey, "Neoliberalism as creative destruction," *The Annals of the American Academy of Political and Social Science* 610, no. 1 (2007): 27,28

The emergence of neoliberalism was facilitated by upper-class actors like stakeholders, fiscal analysts, high-placed politicians who have stakes in the market and industrialists. These people are the so called trans-national elitist group which consists of state and non-state actors and have the purpose to foster competition on the market.[32] The solution for the flaws in capitalism sprouted from one of these upper-class actors, the Austrian politician and philosopher Friedrich von Hayek. Von Hayek opposed the Keynesian theory, which was adopted after the Beurskrach, that the state must have the mandate to intervene whenever the financial market was declining.

On the contrary, Hayek believed that the hidden hand of the market could revive economies and individual freedom remained the highest value people could obtain. Furthermore, as he writes in his *Constitution of Freedom*, Hayek argues that state decisions are biased by the lobby of interest groups and the information at hand. The state should not interfere with values as individual liberty, private property and entrepreneurial freedom and therefore the state should deregulate the market to foster competition.[33] The privatization and deregulation of the former regulated economy is perceived by neoliberalism as the perfect tool to foster economic development and improve human welfare. Neoliberalism is defined by Duménil & Levy as 'the ideological expression of the reassertion of the power of finance. The term itself, 'finance', refers to a framework of institutions, interlocked in a complex network; behind these institutions, stand individuals.'[34] In this context problems in the economy will be solved by the financial market in which perfect competition between individuals, firms and territorial entities is the highest value. When rules regarding competition are not clear, the government is obliged to make these rules so the market can flourish.[35] In the definition of Duménil & Levy the individual is identified as the backbone of the neoliberal theory. Therefore, within neoliberalism individual rights, values and freedom are the highest priority. However, the consequence of this individualism is that individuals are also responsible for their own well-being. If an individual fails in a neoliberalist world the individual did not pursue its values and has personally failed because the individual did not significantly invest enough in one's personal capital.[36]

[32] Jean-Christophe Graz, "How powerful are transnational elite clubs? The social myth of the World Economic Forum," *New Political Economy* 8, no. 3 (2003): 324.
[33] David Harvey, *A brief history of neoliberalism* (Oxford University Press, 2005), 15-30
[34] Duménil & Lévy, "Costs and benefits of neoliberalism," 579.
[35] Harvey, A brief history of neoliberalism, 65.
[36] *Ibid,* 65.

4.3. Neoliberalism in the EU

In this perspective the rise of the EU, the idea of a single currency and eventually the establishment of the SEPA have been developed. The urge to regulate the financial market through an European Monetary Union within a neoliberal context demands governance, in which all concerned market actors must collaborate with governmental institutions. Furthermore, the theory of Misa & Schot shows that the neoliberal context is also a complex integrational debate which pursued integration through competition and reveals the revolution of IT and telecommunication systems to rise and connect firms, individuals and territorial entities on a global scale. To indicate that the financial world (market driven) and the economic world (government driven) get intertwined with each other in the perspective of the emergence of SEPA, banks are given more power since money and finance become the central focus of society and governments in consultation with banks discuss policy and regulations.[37] As described in the article of Gual, national governments in the EU deregulated the interest rates and liberalized the capital flows which gave banks the potential for cross-border banking. This enforced European integration fostering competition between banks.[38]

The European Union embraced the neoliberal system with the implementation of the Single European Act in 1986 which placed the Single Market high on the political agenda. The rationale behind the Single Market is that through the abolishment of trade barriers and tariffs, competition between Member States is elevated to a maximum and Europe will become a strong wealthy continent which can compete on a global market. The neoliberal ideology is from its emergence a global project since it works on the evaporation of barriers to enhance capital mobility.[39] Breaking down the internal barriers of the EU did not raise external barriers to the European market which damaged the protectionist position of some of the wealthier Member States as Germany, the Netherlands and Great Britain. The consequence of not having external barriers to Europe created a market where Asian and American industries got the same opportunities as the Member States in the EU. Furthermore, in the development of the Single Market the European Union chose not to make this a supra-national product but chose for the principle of mutual recognition.[40] This principle embodies that products that have been authorized by the regulations of one member state can also be marketed in other member states according to the same standards. Governments have to trust other governments that they regulate their own industries just as well as they do.[41]

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[37] Stephen Gill, "European governance and new constitutionalism: economic and monetary union and alternatives to disciplinary neoliberalism in Europe," *New Political Economy* 3, no. 1 (1998): 8.
[38] Jordi Gual, "Deregulation, Integration, and market structure in European Banking," *Journal of the Japanese and international economies* 13, no. 4 (1999): 379.
[39] Christoph Hermann, "Neoliberalism in the European Union," *Studies in Political Economy* 79, no. 79 (2007): 2-8.
[40] Hermann, "Neoliberalism in the European Union," 9.
[41] Susanne K. Schmidt, "Mutual recognition as a new mode of governance,"*Journal of European Public Policy* 14, no. 5 (2007): 672.

In this perspective voices were raised to build the labour market and the services market on the principle of mutual recognition. However, only services were deregulated on the principle of mutual recognition, not the labour market. The paradox in this regulation is that labour rights depend on the regulations of the state where the company is settled. So a great amount of companies moved their headquarters to low labour-right countries and employed their employees for diminished labour rights.[42]

4.4. Global Neoliberalism

In the current timeframe, where neoliberalism starts to lose a bit of its power due to the global crisis of 2008, the financial world and governmental or monetary world are still strongly entangled with each other.[43] The financial market holds the power to determine who gets linked, excluded, segregated and where conflict starts and where not.[44] For example the third world is still financially excluded from the first world because the companies cannot compete with other companies on the stock market. Asia gets increasingly included in the financial system of the western world because capitalism has started to grow in those countries and multinationals from Asia can compete with the companies of the Western world.[45] The emergence of neoliberalism in Europe is highly influenced by the US and the UK. The scholar Milton Friedman developed the 'Chicago School' from the theory of Von Hayek. The theory from Friedman reduced the influence from the government even more and claimed that the traditional values of the welfare state should completely be abolished to make neoliberalism the financial most profitable form. Because Thatcher and Reagan both envisioned a nation which was entirely market driven their market actors could operate on a more free and benefit driven fashion they adopted the theory from the 'Chicago School'. The US, in particular, exerted a lot of power to the European economic landscape. Due to de-industrialization of Europe, which caused high unemployment, Europe needed to act upon new methods of economy. The US offered interesting financial products which were enforced by rapidly developing IT-structures and Europe saw deregulation and privatization as the cure for economic ill countries. The further improvement of the welfare state was at its end and Europe looked at the US how their economy flourished through decreasing state regulation. Deregulation in Europe started with the Thatcher regime which obliterated labour unions monopolies and claimed that state institutions needed to be more competitive.

[42] Hermann, "Neoliberalism in the European Union," 11
[43] John Comaroff, "The end of neoliberalism? What is left of the Left," *The Annals of the American Academy of Political and Social Science* 637, no. 1 (2011): 146.
[44] Gordon L. Clark, "Money flows like mercury: the geography of global finance,"*Geografiska Annaler: Series B, Human Geography* 87, no.2 (2005): 103.
[45] For example Samsung, Tata, Alibaba, Mitsubishi, PetroChina, Sinepec-China Petroleum. See http://www.forbes.com/sites/liyanchen/2014/08/27/asias-tech-takes-over-the-world/

Many European countries followed the example from the US by deregulating state owned companies as telecommunications, railways and air transport. This proved to be a blessing for governments which saw their state deficit decrease and their economic global competitiveness rise. Due to this focus on the market the actors also gained more territory in the political landscape which provided them with strong lobbies in the offices of parliament. So instead of only being a market actor companies now also became political actors who interacted in a complex system with the government. They performed a great amount of power in governments which caused governments to deregulate more markets and allow financial agents to increase their power beyond multinationals but refinancing small-and-medium enterprises. This resulted in small-and-medium enterprises to enter the stock-market which made enterprises vulnerable for takeovers from the US.[46]

4.5. Conclusion

Neoliberalism proved to be the solution for making Europe more competitive and financial healthy. Highly influenced by the American and British system the European countries adopted the market-driven approach from these uprising economies. A noticeable phenomenon is that the UK distanced itself from Europe as a continent and turned towards the US as innovator for their new economy. The UK excluded Europe in the process of deregulating their market and when this proved to be beneficial the European countries from the mainland included this form of government on a domestic level at the end of the 80s and the beginning of the 90s. This is also the turning-point in history where the EU sees that the neoliberalist ideology should be implemented in their policy-making.

The evolution of the SEPA for Cards in the light of Misa & Schot must be placed in the neoliberal context in order to understand the influence of the market actors in this development process. Due to neoliberalism the involvement of the market actors in the SEPA for Cards cannot go unnoticed. The market, in particular the banks, where one of the major actors in the SEPA for Cards and balanced the ideas of the European Union. Banks agreed, disagreed, included and excluded ideas and enforcements from the EU. They also included or excluded other actors, like merchant-unions, consumer-unions and payment card actors, in the development of the SEPA for Cards. Misa & Schot provide a framework in the neoliberalist context which exposes the actors, their visions of Europe and the global impact of the development in the SEPA for Cards.

[46] Harm G. Schröter, "Economic culture and its transfer: an overview of the Americanisation of the European economy, 1900–2005," *European Review of History—Revue européenne d'histoire* 15, no. 4 (2008): 339,340.

5. Single Euro Payments Area in integrative Europe

5.1. Introduction

With the introduction of neoliberalism the European Economic Community (EEC) started to change their policy of economic integration. In less than a decade the EEC transferred to the EU and created the Single Market which evaporated the borders between the Member States in order to foster competition and free trade. However, the Single Market needed to be expanded and intensified therefore the European Monetary Union (EMU) was established. Part of this monetary union was the Eurosystem. In this system the approach of Misa & Schot shows that multiple actors include and exclude other actors. The Eurosystem exists of the European Central Bank and all National Central Banks of the countries who are included in the Euro. The Single Euro Payments Area is an initiative regulated by these entities, however not implemented. The SEPA envisions the abolishment of borders for cross-border payments and attempts to harmonize the electronic payments industry. The SEPA acts in different categories of electronic payment and is highly influenced by the European Payments Council, an organization which existed only of private banks. The SEPA for Cards is one of the electronic payment categories and is also influenced, not only by the EU or banks, but also by service providers as VISA and Mastercard. This chapter aims to describe the different actors who influenced the decision-making and the development of the infrastructure in the SEPA for Cards.

5.2. The European Monetary Union

In 1986 the Member States of the EU agreed to finalize the Single Market and open all borders by signing the Single European Act (SEA). This act was the first move towards a complete borderless trade area within the EEC. Additionally, in 1992 the Treaty of Maastricht was signed which was the result of the regulations and policy written under the SEA. The Maastricht Treaty unified the different Treaties from previous decades, abolished the EEC and founded the European Union. A part of this new European Union was the implementation of the European Monetary Union (EMU).[47]

The EMU had to accomplish the implementation of a transparent and liberalized capital market in the EU over a timespan of seven years. The product of these seven years ought to be the establishment of a European Central Bank (ECB), which existed of all National Central Banks (NCBs), and the first steps for the implementation of the single currency, the Euro. In 1999 the youngest institute of the European Union was founded, the ECB, which operates as the umbrella organization for the single monetary policy and for the NCBs. Together the NCBs and the ECB comprise the European System of Central Banks.

[47] Eichengreen, "European Monetary Unification," 1323-1325.

Within this framework a distinction is made between the NCBs that have implemented the Euro and those who have not. The ECB forms with the NCBs of the Member States who have implemented the Euro the Eurosystem, which is responsible for the coordination of the EMU.[48] For a structured overview see figure 5.1.

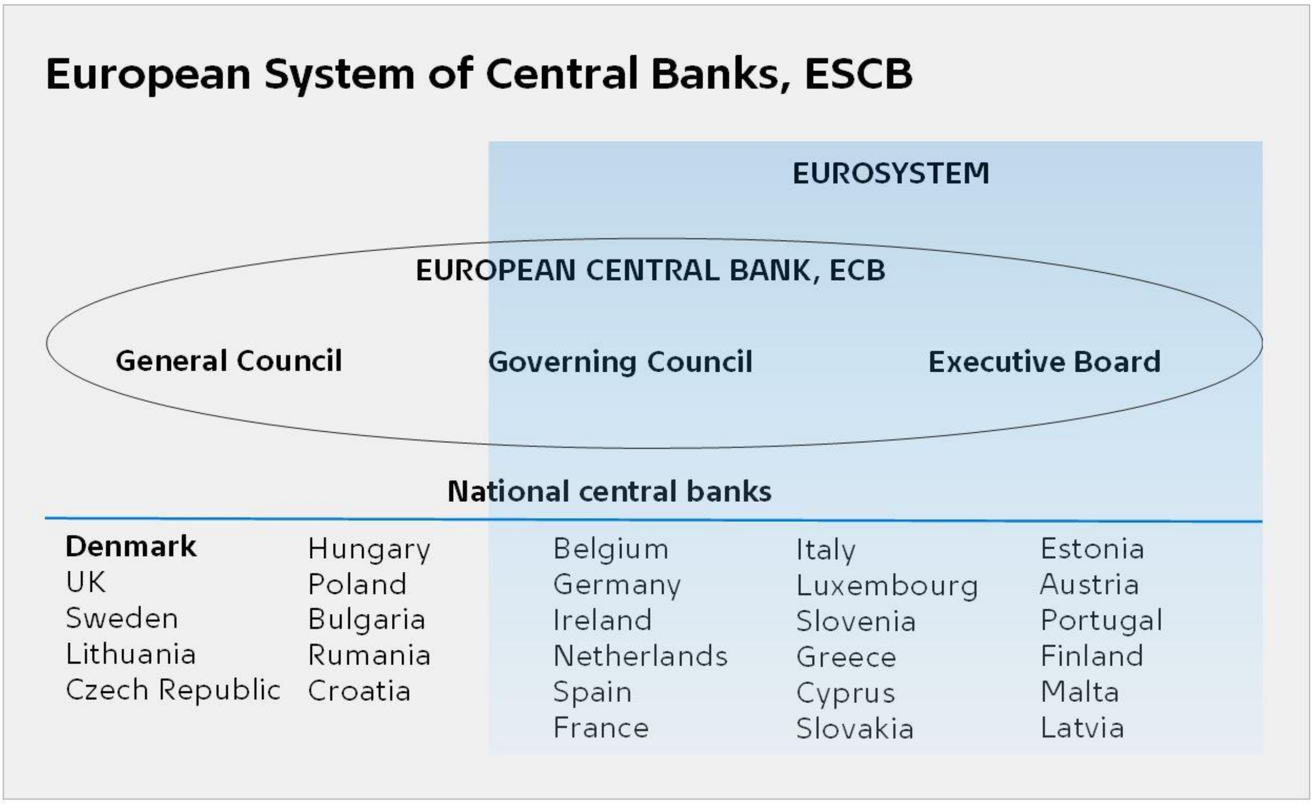

Figure 5.1.: The structure of the European System of Central Banks

Source: < http://www.nationalbanken.dk/en/monetarypolicy/Denmark_and_the_euro/PublishingImages/ESCB_ENG.JPG> *accessed 29 December 2014*

During the process of implementing the EMU the NCBs and the ECBs noticed that the EMU did not serve the full completion of the financial market in the EU. Europe should be a competitive global entity but the EU did not cover the whole of Europe. Therefore a new system should be created to include countries who are not part of the Eurozone or the EU. The European Commission scrutinized in 1997 that the primary problem was related to cross-border retail payments which still formed a barrier between countries of the Eurozone. If Europe wanted to act as global competitor, the EU should first abolish their internal borders before transcending their external borders. To accomplish the intensification of the Single Market, the Eurosystem was burdened in 1999 to regulate the policy for the Single Euro Payments Area (SEPA).

[48] European Central Bank, The workings of the Eurosystem – Monetary policy preparations and decision-making – selected issues. ISSN 1725-6534, 2008, 5.

5.3. The Development of the SEPA

The start of the ECB was not satisfactory because the Single Market was not fully completed. According to the ECB the further harmonization of the Single Market relied on three topics which should be addressed. Firstly, the functioning of the Single Market would be smoothened if an equalization occurred between domestic and cross-border retail payments. This equalization should abolish the difference in fees for cross-border payments and domestic ones, and should abolish the time that transfers took to move money from one country to another.[49] Secondly the earlier issued directive in 1997 of the European Council and the European Parliament was not satisfactory since it was issued at a moment that Europe was still a multi-currency area. During these days the possibilities of a single currency were not completely evaluated. This led to an unsufficient regulation on cross-border payments and USge of the advancements which is provided by a single currency. Finally the involvement of the Eurosystem to establish such an infrastructure with all actors, will be intensified for the smooth operation of payment systems in the European Union.[50]

The uncompleted Single Market triggered the ECB to point at this subject first in their monthly bulletin of February 1999 and later on with the report on improving cross-border retail payment services.[51] Consequential, the Eurosystem decided that besides the physical implementation of the Euro, in banknotes and coins in 2002, the cross-border retail payments became the new project to focus on with regard to European economic, political and technological integration. It contributes economically because the harmonization of cross-border retail payments would break down the internal borders of the monetary union and thus contributing to European unification. Politically because new forms of governance arose existing between private actors and public, or European, actors. Technically because the infrastructure of payment systems would undergo a radical change.

The new first project of the Eurosystem and the biggest project after the implementation of the Euro for the EU was named the Single Euro Payments Area. The purpose of this area became the harmonization of the financial infrastructure and harmonization of intra- and interbank payment systems. The incongruent financial infrastructure was partly tackled by the introduction of the Euro, however electronic payments, which became intensively used since the advancement on the internet and IT, were still not regulated and in the hands of national governments and actors on the market. Therefore the SEPA was given the task to make the electronic payments as easy as cash payments and create the new electronic infrastructure for payment systems.

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[49] European Central Bank, Improving cross-border payments, 7.

[50] *Ibid.,* 8

[51] European Central Bank, Improving cross-border payments, 7.; European Central Bank, Monthly Bulletin February. ISSN 1561-0136, 1999, 33.

Harmonizing the payment area is not only for beneficial of the EU who strives for European unity. It is also beneficial in light of the neoliberalist philosophy, to put money in the center of society and by doing this give multinationals more influence into the daily lives of people. The unification of a deregulated market seems quite anti-EU, since the EU always claims to foster competition and fines mergers of companies which could threaten the competition on the market. However, the financial position of the EU compared with the US and with the Asian world, for example China which introduced Unionpay as the only interbank network of China, was quickly declining despite the introduction of the Euro on the market.[52] Therefore the SEPA also had the purpose of placing Europe back on the financial market as strong actor. Furthermore the SEPA could be an interesting area for investors in Europe because of the ease of money transfer in relation to the anticipation of the advancements in the digital infrastructure. The SEPA can be seen as the political reaction on the technology in the banking sector which superseded the policy-making of the EU.

The harmonization of the electronic payment systems included the unification of payment systems of which the infrastructure should be more transparent and better accessible for other payment systems which are domestic, trans-national or even international. Furthermore the different card payment systems in the Member States needed to be integrated with each other. The result of this integration provided European citizens to access their money everywhere in the Eurosystem instead of being restricted by regulations of a Member State or the deals which banks made with service providers (e.g. VISA & Mastercard). There was an urgency from the Eurosystem to take into account the international technological infrastructures in the debate. The infrastructure should be made 'global proof' and transparent so international service providers could easily access the European market.[53] So to structure the electronic cross-border retail payment system the Eurosystem distinguished three cashless payments in the Eurozone: credit transfers, direct debit and card payments.

Credit transfers are electronic transfers in which money gets transferred from one account to the other. This system operated on a domestic system without fees and almost without any delay transferring money from one bank to another. The primary problem on cross-border transfers occurred in this system because it took almost six workdays to transfer money from one account to another and often process-costs were charged on account of the acquirer. Direct debits transfers work the other way around, instead of a person transferring money from its account to another account a person issues an amount of money from the account of the other.

[52] European Central Bank, Monthly Bulletin February, 13.
[53] European Central Bank, Improving cross-border retail payment services – Progress report. ISBN 92-9181-087-8, 2000, 12.

The direct debits endured the same problems as with the credit transfers. Therefore the infrastructure of the credit transfers and direct debit was remodeled.

The SEPA tackled the slow processing and the extra costs by creating the SEPA Credit Transfer Rulebook and the SEPA Direct Debit Rulebook which includes guidelines how banks, companies, individuals and other institutions should handle payment transfers. From these handbooks arose the IBAN/BIC structure in which every individuals' bank account number is molded in the structure of first the country-ID, unique number, bank-ID and eventually the number of the bank-account. Another system which flows from these handbooks are the open infrastructures that payment services have to adopt for the speed of payments. This infrastructure makes it possible to transfer money from a Dutch bank account to a German bank account at the same day where this previously took approximately six days.[54]

5.4. The SEPA for Cards

The payment card is the other distinguished category of cashless payments. The payment card industry before the SEPA was a market in which commercial banks in collaboration with payment service providers made bilateral agreement on the interbank fee. This involves whenever someone pays by card the bank of that individual pays the service provider a small fee for the service delivered i.e. transferring money via card from one account to another. This small fee is recharged to the owner of the machine from where the money is transferred. This could be an ATM or the point-of-sale (POS)[55], this small fee is than reflected in a small rise in prices at the shop of the vendor. Furthermore whenever a withdrawal or payment by card is made outside the card-owners' Member State the fee is recharged at the card-owner for the cross-border transfer that occurs where different service providers have to transfer the data from a foreign bank to the domestic bank. The SEPA for cards tackled the two problems by creating the SEPA for Cards Framework in which the fees for cross-border payments are abolished.[56] However, the charge that service providers ask of banks is not abolished because of the different interests of service providers in the establishment of the SEPA for Cards Framework.

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[54] "SEPA Credit Transfer," *SEPA Credit Transfer,* European Payments Council, n.d., accessed December 27, 2014, http://www.europeanpaymentscouncil.eu/index.cfm/sepa-credit-transfer/sepa-credit-transfer-sct/.; "SEPA Direct Debit Core Scheme (SDD Core)," *SEPA Direct Debit,* European Payments Council, n.d., accessed December 27, 2014, http://www.europeanpaymentscouncil.eu/index.cfm/sepa-direct-debit/sepa-direct-debit-core-scheme-sdd-core/.

[55] In dutch: verkooppunt bijvoorbeeld een pinautomaat in een winkel of mobiel apparaat wat voornamelijk in de horeca wordt gebruikt.

[56] "EPC Deliverables in the Area of Cards," *SEPA Cards,* European Payments Council, n.d., accessed December 27, 2014, http://www.europeanpaymentscouncil.eu/index.cfm/sepa-vision-for-cards/sepa-vision-for-cards/.

5.5. Governance in the SEPA for Cards

The establishment of the SEPA was an initiative of the European Commission and delegated to the Eurosystem. The implementation and the emergence of the Rulebooks and the Cards Framework could, however, not solely be regulated by the Eurosystem. Therefore the Eurosystem summoned the banks to operate in the creation of the infrastructure for the different types of cashless payment. The banks answered the call of the Eurosystem and in 2003 the second progress report was published in which a new governance structure was introduced: The European Payments Council (EPC). This council existed solely form market actors who anticipated on the policy of the EU which would regulate the payments sector. So they created a governance structure with 52 delegates from a variety of banks, the European Banking Association (EBA) and the three European Credit Sector Associations (ECSA which existed of The European Banking Federation, the European Savings Banks Group and the European Association of Co-operative Banks).[57] Within this Council several groups and working groups were founded to structure the functioning and give room for the different specialties that are addressed within the EPC. Eventually the EPC became the coordination and decision-making body of the SEPA for cards and was made responsible for the Rulebooks and the Cards Framework.

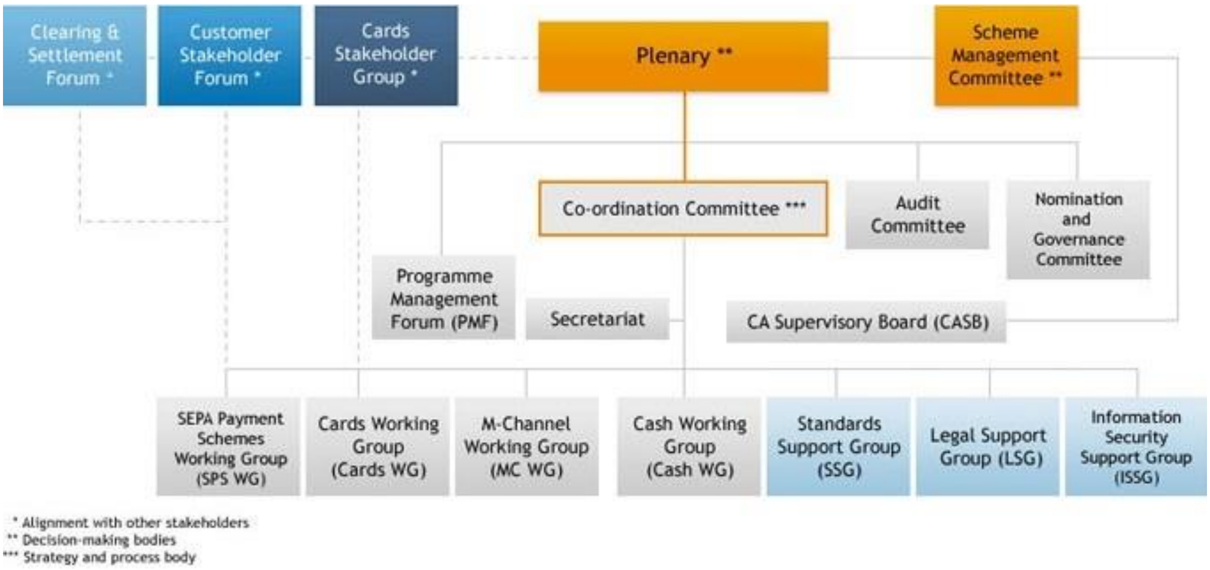

Figure 5.2.: The structure of the European Payments Council

Source: < http://www.europeanpaymentscouncil.eu/epc_public/assets/Image/Updated%20Org%20Chart_2.jpg > *accessed 28 December 2014*

[57] For a full list of the banks involved see Annex I

The governance structure of the EPC as market actor who collaborates with the Eurosystem as government actor shows the power of neoliberalism in the EU. Especially because the banks, service providers and other relevant actors did not want to miss the train in which the regulation and implementation was decided upon. The market actors shaped Europe in the SEPA for Cards because they developed the infrastructure which should be used for the harmonization of the monetary union. On the other hand the Eurosystem linked the monetary and the financial world to each other and created a complex collusion of political, economic and technological actors which resulted in multiple new infrastructures which included and excluded global actors. The technological improvement in the field of payment card infrastructure is an emergent outcome of the governance between the EPC and the Eurosystem in which intentional and unintentional technological developments occurred. Intentional developments are the developments with regard to the harmonization of the monetary union. The unintentional technological developments is the payment card standard which is the evolution of a global standard and a strong financial position of Europe on the global payment cards market.

5.6. Conclusion

This chapter shows again the tensions of the SEPA between the EU and Europe. Market actors unify themselves to make Europe a global actor whereas the EU focuses on the internal market and the abolishment of borders. The emergence of the EPC and their 'battle' with the Eurosystem also shows that the neoliberalist philosophy is deeply rooted in Europe. The inclusion of the banks and the Eurosystem in the SEPA exposes the complex entanglement of financial, political and technological actors who structure the SEPA for cards.

6. Evolution of the payment card

6.1. Introduction

Development of technology is not a linear process in which all actors cooperate and envision the same purpose. Technology is a struggle between engineers, scientists and organizations who all see technology with a different purpose and a different evolution. The technology of the payment card also shows a history where technology is perceived with different purposes and a struggle between systems to simplify payments for consumers and merchants. In this chapter the battle between the system of the bankers in the US and the system of bankers in Europe is exposed. This evolution shows that through the protectionist position in Europe towards the US two different systems are created parallel to each other. During the 80s the US sets the example for the European market by rapidly improving the IT-infrastructure of payment cards. As stressed earlier the US has also been an example in the 80s for the European financial market with its progressive philosophy of neoliberalism. So although two different payment systems evolve on the two continents, in the end Europe shows very good reasons to take over the IT-infrastructure built in the US and implement it in their own system as they did with the economic philosophy.

6.2. Evolution of the Payment Card in America

The US used the concept of a credit card for the first time with Charg-It during 1946 on a local scale in Brooklyn. Whenever a customer bought a product at a merchant the charge was send to Biggins' bank which refunded the merchant and charged the customer. This fairly simple transaction could only be done if the customer had a bank account at Biggins' bank [58].

This system worked out so well that in 1949 the Diners Club was founded as the first credit card company. This company acted as an intermediary between the customer, granting them credit, and the merchant, attracting customers.[59] In this case when a customer bought products at a merchant, the merchant would sent the bill including the name of the customer to the Diners Club who stored the bill. At the end of the month they collected the outstanding debt, with interest, and transferred this to the merchant. Fees for the service of lending the customer money and for the USge of the system were reimbursed at the customer as well as at the merchant.

[58] "History of the Card Payments System," Mastercard Worldwide, n.d., accessed December 27, 2014, http://www.mastercard.com/us/company/en/docs/History_%20of_payments.pdf.

[59] David Maurer, "An examination of the economics of payment card systems," (Reference paper, Swiss National Bank, 2009), 3.

This system was the foundation of making payment cards an universal product and was brought on the market as 'travel and entertainment cards' which was used for making general purchases at a geographical bigger scale than only the local merchants.[60] Before the universal cards, proprietary cards were distributed by local merchants to make it easier for their customers to buy products from their shop and thus binding the customer to the store, for example an oil (courtesy card) or department store (charge plates).[61] The success of the Diners Club attracted more interested actors on the market. In 1958 American Express and Carte Blanche entered the market and tried not to cover a small district or city but cover national reach with their cards. During that same year Bank of America came with the Bankamericard, which in 1976 became VISA because this was easier to pronounce in other languages. Because other banks saw the market expand and could not stay behind the United California Bank, Wells Fargo, Crocker National Central Bank and the Bank of California formed the Interbank Card Association (ICA) in 1966 as a response to the Bankamericard. The ICA would become Master Charge in 1969 and would transform in 1979 to Mastercard because of the international ambition.[62]

Firgure 6.1.: First credit card from the Diners Club for Mr. Alfred Bloomingdale, one of the founders of the Diners Club

Source: < http://americanhistory.si.edu/numismatics/moneyintrans/graphics/nnc1955credcardb.jpg > accessed December 27, 2014.

Figure 6.2.: Proprietary cards, the so called charge plates for department stores. The customer showed this card to the storekeeper who kept a tab for the customer.

Source: < http://image.timepassagesnostalgia.com/watermarked/imagesd4/d427creditx2a.jpg > accessed December 27, 2014.

60 Stanley J. Sienkiewicz, "Credit cards and payment efficiency," Federal Reserve Bank of Philla Payment Cards Center Discussion Paper 01-02 (2001), 3.
61 Maurer, "Examination of payment card systems," 3
62 "History Timeline," About us, Mastercard, n.d., accessed December 27, 2014, http://www.mastercard.com/corporate/ourcompany/about-us.html.

However, the smart card and automation systems were not introduced in Europe up till 1974 when the Frenchman Roland Moreno officially patented the IC card in Europe.[63] This made the manual labor for credit card transactions very intense. An old store clerk describes the steps that he had to take for a credit card transaction[64]:

1. The customer handed a credit card to a store clerk.

2. The clerk placed the card into a small imprinting machine, then fitted a credit card form over the credit card.

3. The clerk moved a slider from one side of the imprinting machine to the other. This printed the credit card information and the store's information onto the paper credit card form.

4. The clerk hand wrote the purchase information onto the credit card form.

5. The clerk called a toll-free phone number (if the transaction was higher than fifty dollars) and gave credit card and purchase information to a person who worked for the bank. (This took less than a minute, usually.) The bank employee would approve or disapprove. If approved, the clerk had to write an approval number on the credit card form.

6. The customer signed the form.

7. If it's a carbonless form, the clerk tore off the customer's copy of the form and handed it to the customer. If the form had carbons, the clerk pulled the carbons out and disposed of them. Then the clerk gave the customer his/her copy.

6.3. Evolution of the Payment Card in Europe

Credit cards however did not find a lot of support in Europe during the 60s. Instead of the credit card the first cashless payment method in Europe was introduced during the 60s with the Eurocheque. This cheque was introduced and developed by the banks because they saw future in the retail banking business. They started retail banking because they: 'hoped that this would generate an inflow of assets on their liabilities side, which certainly would be able to stimulate their credit business.'[65] It should be noted that this system was, as with the American system, not based on an automated system but on just paperwork. The ideas for an electronic system were going around in the US when the Eurocheque was introduced but it would take technology to the 80s to make an electronic system for money withdrawal and transfers.

[63] Katherine M. Shelfer, and J. Drew Procaccino, "Smart card evolution," *Communications of the ACM* 45, no. 7 (2002): 84.
[64] "How did businesses take credit card information before computers?," *Yahoo Small Business (online forum)*, n.d., accessed December 27, 2014, https://smallbusiness.yahoo.com/advisor/answers/credit-20091012130255AAu64iA.html
[65] Barbara Bonhage, "Eurocheque: Creating a 'Common Currency'. European infrastructure for the Cashless Mass Payments," in *Materializing Europe. Technologies of Transnationalism,* ed. Alexander Badenoch, and Andreas Fickers (London: Palgrave Macmillan, 2010), 184.

Although the ideas were far away from being reality the US led the development of payment systems since they only have one currency which gives them the benefit of quicker development. In Europe the Swiss Banks Association started campaigning for cheques and cashless payments in 1963 which eventually led banks to collaborate and introduce a trans-national system of the Eurocheque in 1968.[66]

Still European banks were looking at the American system which achieved the status of role model because cashless payments and banking habits were a very common phenomenon in this part of the world where Europe paid with national checks, giro for large transfers of money and mainly cash for small transfers. The Eurocheque has created an infrastructure which encouraged Europeans to get a private bank account and make the cashless payment market booming as a fight between bankers who all wanted the customer to sign up at their bank took place. Banks profited from private bank accounts because their market share grew with every person that signed up. This meant more assets to speculate on the stock market and attracting investors who contributed to the revenue of the banks.[67] When the process of private bank accounts started to reach its optimum banks saw, however, that the manual labor and the amount of paper that was needed to process Eurocheques was far from beneficial. On the contrary, with every Eurocheque processed a bank lost money no matter what the commission was. Next tot that retailers who accepted the Eurocheque used and thus contributed to its widespread usage did not share a part in the costs. Therefore banks started to invest in computers and their systems because they realized that cashless payments could only be beneficial if it is made electronically instead of the manual labor and paper processing.[68]

The high costs of manual labour were tackled in 1972 when the European banks who were connected to the Eurocheque system agreed to create a standardized guarantee card which was proof that the customer was credit worthy. The technology of smart cards in 1974, created by a Frenchman, made it possible to enhance the guarantee card with a magnetic strip and act as an debit card during the 80s. As addition to the debit card the, in 1964 founded, Eurocard was also picked up by banks in the payment system. Eurocard, Eurocheque and the guarantee card were common payment methods in Europe during the 70s and 80s.

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[66] Bonhage, "Eurocheque," 186.
[67] *Ibid,* 187
[68] *Ibid,* 191.

This occurred because the use of ATMs also gained more territory in daily life. Eventually the Eurocard, who had an alliance with ICA since 1968, and Eurocheque merged as Europay in 1992, and became a debit card which could be used throughout Europe.[69] After the introduction of the Euro in 2002 Europay was merged with Mastercard International and continued to function as debit card for the European market.

The American card system went through a quick development because it was built on a strong basis which relates to the Charg-It initiative and the Diners Club. Therefore, European bankers followed the American innovation as role model for the European market. However, they were afraid that the American credit card companies would break down the cheque system and thus the debit card and turn the European market into a credit card system controlled from the US.[70] There was a strong believe in Europe that they could create their own credit card system which was not dominated by the US and which would protect the European consumer from falling into the hands of the American credit card companies. If Europe would be dominated by the US credit card companies the assets of European banks on the credit card market would drastically decrease. Therefore the top management of the European banks created the European Council for Payment Systems which decided that Eurocard must be the leading credit card in Europe.[71]

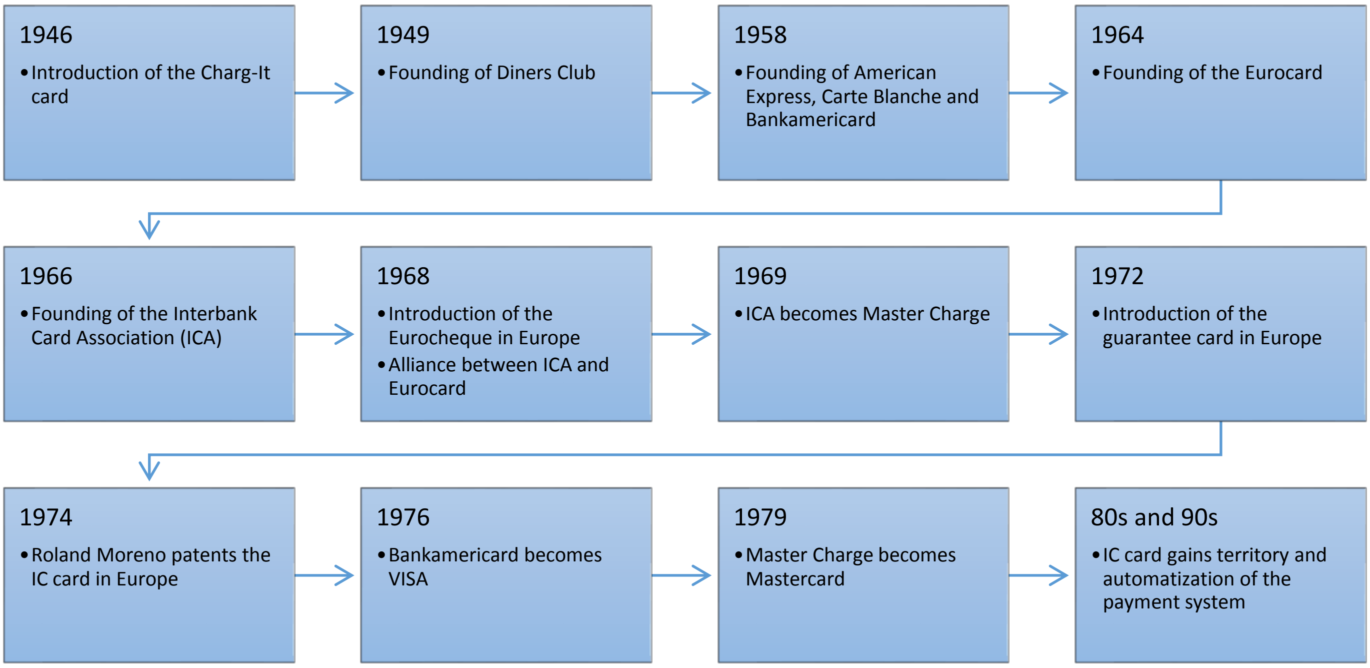

Figure 6.3: Schematic overview of the evolution of the payment card

[69] Bonhage, “Eurocheque,” 189.; “History of the Card Payments System”;
[70] Bonhage, “Eurocheque,” 190.
[71] Bonhage, “Eurocheque,” 190.

6.4. The Payment Card as Emergent Outcome

In the light of the neoliberal context and the approach of Misa & Schot it can be stated that the techno-politics of the European bankers and their fear of the American credit card market to take over the European market has contributed to the linking of the banking sector concerning the cashless payments and the uprising of debit and credit cards. Electronic money became more popular and more integrated in daily life since ATMs, Points of Sale and other cashless ways to pay were accepted by the consumer. Next to that the stakes of banks and credit card companies became much higher since a new global market was born concerning cashless payments. The banks, credit card companies and customers benefited from the advancements in the evolution of cards since it became a profitable market for banks and credit card companies and it made life somewhat easier for the consumer to withdraw money or pay a merchant when no cash was at hand. On the contrary money became more important and more of a concern for people to cope with. Hence, it became an abstract product with a certain elasticity as consumers could spend money that they did not even own. This was harder than when payments were done with cash. Integration of the card services from America (Mastercard, VISA) and the European payment organizations (Eurocard and Eurocheque) constructed a more interconnected and interdependent world which had the ambition to expand their services on a global scale as the American industry desired for several decades after the Second World War. To achieve the global financial market the, strongly regulated, European financial market should be deregulated in which the service providers needed the help of the European institutions to make the market more accessible. To dissolve the boundaries of different regulations in every Member State a European initiative was needed and established with the erection of the SEPA. This shows that Europe needs the EU to manage the payment card industry. This eventually became a collaboration of the EU with banks, and service providers because the payment cards transcended the boundaries of the EU.

6.5. Conclusion

This chapter indicates the struggles between the US and Europe with regard to the payment cards. The two systems that are developed by the banks both show the urge to reduce the use of cash money and simplify payments for consumers. Although Europe attempted to create and keep their own system the American multinational companies (VISA and Mastercard) eventually are deciding in this battle. They take the initiative to take over the European market which could only be done through the deregulation and globalization of the payment card market. The technology from the US proved to be more efficient and aimed at the future with the rapid development of IT in the 80s and 90s. This made the Europeans realize that the paper system of a Eurocheque was not efficient at all and digital money was the future which made the paper Eurocheque redundant. The Eurocard still exists and is mostly used as corporate credit card in the Scandinavian and Baltic states. In other countries this card is completely integrated in Mastercard.

7. Analysis of SEPA for Cards

7.1. Introduction

In the development of the SEPA for Cards the actors envision a different Europe and exert power upon each other to establish their idea of Europe. This reflects Europe as an actor category: multiple collaborating and competing actors in the making of technology and in the making of Europe. One must realize that Europe does not really exist without those actors i.e. actors shape Europe and define what Europe is. Therefore the SEPA is a 'making Europe' tool where different actors with different Europe perspectives try to create a monetary Europe and act within specific historical context. As a result we should not talk about transnational or borderless Europe with an essentialist meaning but we instead should talk about different Europe's when we define Europe as an actor category. To understand the making of Europe one must see technology, economy and politics as a dynamic and evolving package deal. Furthermore the making of Europe is a diffuse process which means that different Europe's influence each other and act upon decisions made within particular settings. This diffuse process enables the different Europe's to be seen as a whole and thus integrate the separate Europe's into one unified zone. This view is deduced from Misa & Schot approach in which Europe is seen as an actor category instead of being the unavoidable result with an essentialist meaning which acts independently.

7.2. Actors, Visions and Relations in the SEPA for Cards

When we look at the SEPA for Cards, Europe is shaped through different actors who do not focus on the Member States of the European Union or states outside the European Union but Europe is shaped by the actors operating in the field of the SEPA. The main actors in this shaping are the European Payments Council, the Cards Stakeholders Group and the Eurosystem. These three actors look at the SEPA from different perspectives. The EPC looks at Europe from a banking perspective which is represented, nowadays, by 74 members existing of banks, banking communities and payment institutions.[72] This Council is responsible for the smooth implementation of the SEPA and thus for the SEPA for Cards. The EPC's Card Stakeholders Group (CSG), is represented by "banks, card scheme holders, processors, manufacturers of cards and terminals and retailers."[73] This group discusses the standardization of end-to-end card payments in relation with POS and ATMs. The third actor is the Eurosystem which consists of the NCBs and ECB. This actor creates policy together with and acts as overseer, regulator, catalyst and facilitator for the EPC.[74]

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[72] "EPC Members," *About EPC* , European Payments Council, n.d., accessed December 13, 2014, http://www.europeanpaymentscouncil.eu/index.cfm/about-epc/epc-members/

[73] "What is CSG." *About CSG*, Cards Stakeholders Group, n.d., accessed December 13, 2014, http://www.cardscsg.eu/index.cfm/about-csg/

[74] European Central Bank, Towards a Single European Payments Area – Progress Report. ISSN 1725-307, 2003, 20

To clarify the visions of the actors on Europe it is necessary to explain how they are structured and from which perspective they approach the SEPA for Cards. Therefore table 7.1 summarizes the different actors, their structure and their vision of Europe which are deduced from their official charters or governmental papers.

Actor	Collaboration of	Representation	Vision
Eurosystem	National Central Banks and European Central Bank.	Member States who have implemented the Euro. All NCBs and the ECB have the same voting power which makes it an intergovernmental institutions.	Abolish monetary boundaries which obstruct competition and free trade associated with cross-border payments.[75]
European Payments Council	74 Banks, Banking Communities and Payment institutions.	Elitist from the banks. The Plenary of the EPC exists of three high placed persons in the banking sector and operates as the main decision-making body of the EPC.	Harmonized, interoperable and free standards, which are openly available to all parties within the card payment value chain.[76]
Cards Stakeholder Group	The Banking, Retail, Vendor, Processor and Schemes sector.	Five representatives of each sector. They have two co-chairs, one from the banking sector and one from retailer side and meet four times a year. They submit updates to the EPC about the development of the SEPA Cards Framework (SCF)	Create the SEPA for Cards framework. They share the vision of the European Payments Council but aimed at the Cards sector. This Group can be seen as an expert committee of the EPC who operate independently but submits to the EPC.[77]

Table 7.1.: Overview of actors in the SEPA for Cards

[75] European Central Bank, Towards a Single European Payment Area. ISSN 1725-3071, 2006, 17.
[76] "EPC Deliverables"
[77] Marc Temmerman, email message to the author, December 17, 2014.

This summary lists the major actors in the SEPA for Cards who have contributed to the policy on this infrastructure and actually created the infrastructure in different Expert Committees. It should be noted that the European Commission is a latent actor who observes the decisions made by all three actors. However they do not actively operate in neither of the organizations. Only the Eurosystem has to update the European Commission about the developments of the SEPA. The Commission only acts when they think that the SEPA for Cards is going in the wrong way. In short, they act as observer but has the power to overrule all three organizations.

To comprehend the summarizing table the following part contains a detailed description of the visions and structures of the actors.

7.2.1. The Eurosystem

The Eurosystem represents the member states which use the Euro as their currency. The Eurosystem only reports to the European Commission, European Parliament and other European institutions. The Eurosystem in this case is purely an observer and the European Commission and European Parliament will interfere through the Eurosystem if they see that the implementation of the SEPA for Cards is not on schedule or makes decisions which are not in line with the regulations and policy of the European Union. The vision of the Eurosystem with regard to the SEPA for Cards is broader than the vision of the EPC. The Eurosystem wants to abolish all boundaries which hamper the cross-border payments and focuses more on the European citizen instead of the market. With this vision a standardization for card payment systems needs to be developed to eliminate differentiation based on the country of issue of the card or service provider at a bank. Furthermore interchange fees also must be standardized and equalized throughout the Euro area so merchants do not acquire higher costs whenever foreign cards are used at their POS.[78]

[78] European Central Bank, Towards a Single European Payment Area, 17.

7.2.2. The European Payments Council

The EPC is registered according to Belgian law as an international non-profit organization and established itself[79]:

> "[…] to serve as the decision-making organization for the European payments industry. It will also supervise the implementation of such decisions. Within its scope, EPC will act as the standardization body for payments related standards and provide guidance to and liaise with other standardization bodies in order to achieve its objective. The EPC shall be responsible for the performance of functions relating to Scheme Management, as set out in the Internal Rules of the EPC."

The EPC also states in its charter that they will communicate on European level with the ECB, European Commission, European Parliament and other European institutions together with European Lobby groups. On national level they will communicate with National Central Banks, authorities and parliaments and the national lobby groups.[80]

They remain independent of the European Union because the funding of the EPC comes from the fee that members have to pay when they want to join the EPC and the inclusion of the ECB as observer instead of member of the EPC. All this together makes the EPC an independent organization which anticipates on the legislation of the European Union and operationalizes this in their own fashion. The vision of the EPC is to create: "[…] harmonized, interoperable and free standards, which are openly available to all parties within the card payment value chain."[81] This vision brings to light that the establishment of a SEPA for cards is a governance structure in which the ambitions of banks, service providers and government actors come together in complex collaborations with different interests.

Reflecting on the vision of the EPC two different topics are distinguished in the vision of the EPC. Those topics reveal a subtle interpretation of the core values of the EU transformed to a vision for the market and aimed for a more global approach.

Harmonization, mentioned in their visions, is an EU policy topic since the erection of the ECSC. The concept of harmonization and a unified Europe are closely associated with each other. This is a clear reference to the core value of the EU.

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[79] The European Payments Council, Charter of the European Payments Council. EPC433-12, 2012, 2.
[80] *Ibid,* 3
[81] "EPC Deliverables"

On the other hand interoperability and free standards are strongly related to the service providers and banks who want to have an equal position on the European Market which requires the interoperability and open entry to the infrastructure. When the different infrastructures can interact with each other the costs for the cards infrastructure decreases. The financial burden for the implementation lies primarily at the side of the banks. Furthermore, the interoperability prepares the European market for the global market. If the infrastructure of the European market can interact with other global infrastructures and is freely accessible, Europe's position on the global market is more attractive for banks and service providers. In relation to the EU the free standards foster competition which opens the market for all relevant actors, the banks and service providers see chances for possible mergers and an increase of market share when they provide the best service.

7.2.3. The Cards Stakeholders Group

To manage the SEPA for Cards the EPC established the Cards Stakeholders Group (CSG) in 2009 pressured by the ECB who insisted that the EPC represented the complete stakeholder community.[82] The CSG served as a tool to adequately anticipate the wishes and expectations from those stakeholders. They articulate the interests and expectations of the stakeholders. Thus operated as a spokesperson who ´translated´ interests and expectations of stakeholders. The prime task of the CSG was to manage the technical implementation of the SEPA for Cards to create a strong market which is enforced by all stakeholders in the cards sector.[83]

This means that this group is completely made up from actors on the market who influence the policy of the European Payments Council which in turn influences the policy from the Eurosystem. The CSG has no mandating power but submits on a regular basis updates for the SEPA for Cards Framework which has to be endorsed by the EPC. Because the CSG reports to the EPC and its decisions have to be endorse by the EPC, it envisions the same purpose as the EPC in the broader context of the SEPA for Cards. The CSG can be seen as an expert committee of the EPC.

[82] Marc Temmerman, email message to the author, December 17, 2014.
[83] Claude Brun, "EPC establishes the Cards Stakeholder Group," *SEPA for Cards, Get Involved!*, July 23, 2009, accessed December 13, 2014, http://www.europeanpaymentscouncil.eu/index.cfm/newsletter/article/?articles_uuid=82F2BCD0-E82D-7DAE-6C5DD1D1277F5332

7.2.3. Actors, Visions and Relations in the approach of Misa & Schot

The multiple actors in the SEPA for cards who developed the harmonized infrastructure show the importance of the approach of Misa & Schot to see the making of Europe as an actor driven operation. Relevant actors unite themselves in umbrella organizations which discuss, amend and implement policy. However, some actors were excluded before the ECB decided that the EPC must increase the stakeholder landscape. The EPC was founded in 2002 and the CSG was founded six years later. This means that the stakeholders from the different branches, which are represented by the CSG, are excluded from the SEPA for Cards framework for six years. The emergent outcome of the governance structure between the Eurosystem and the EPC plus CSG, is that the infrastructure for card payments is partly politically driven, so intentionally, but the EPC and the CSG added different features so the card system was more 'global proof' i.e. it could expand more easily on the global market. This is reflected in the development of the EMV-standard. This standard emerged from the pressure that the Eurosystem put on the EPC by emphasizing that a standard was needed. Therefore the EPC, in collaboration with the service providers, developed the Europay, Mastercard VISA – standard, EMV-standard. Which is created with the intention to be the global standard. The neoliberalist approach of the Eurosystem to leave the standardization up to the market actors caused some tensions in the cooperation.

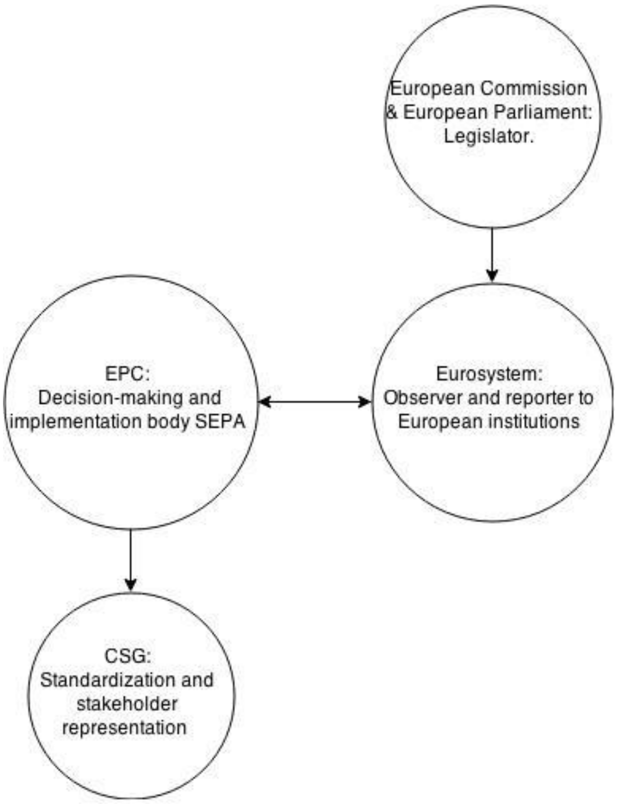

Figure 7.1: Relationships within SEPA for Cards

7.2 Tensions – The inclusion and exclusion process.

The governance structure of the SEPA for Cards provides the banking industry with a high level of influential power in the creation of the infrastructure. They are almost autonomous in the implementation of the SEPA for Cards which sometimes creates tensions with regard to the decision-making. Those tensions were related to the Eurocrisis which emerged from the banking crisis of 2008 and caused the Eurocrisis in 2009. The approach of the European Commission before the crisis was aimed at self-regulation. Credit rating industries, for example, were completely self-regulated and operated freely on the market. When the world was deeply plunged in the crisis the G-20 decided that there should be strong regulations on the financial sector. Therefore the EU demanded more transparency in the operations of banks, credit rating agencies and national central banks.[84] The crisis did influence the establishment of the SEPA for Cards. When analyzing the Progress the reports of the ECB and Eurosystem, which provide the progress of the SEPA and its migration, the number of encouragements and advices towards the EPC increases in the last reports when the crisis just started.

7.2.1. Service Provider Tensions

The tensions in the SEPA for Cards were significantly lower before the crisis than during the crisis. Most of the tensions were between the EPC and the European Central Bank about the implementation of the SEPA for Cards. When in 2009 a member of the Executive Board of the ECB speeches on the conference of the European Financial Management Organization that the SEPA for Cards is lacking in the vision of SEPA to discharge interchange fees, lack of a European cards scheme and lack of technical standards it provoked a reaction of the EPC and VISA Europe which stated that there is not enough financial compensation for a bank to provide someone credit. Furthermore VISA Europe got angry with the ECB because it implied that there was not European Card Scheme. VISA Europe claimed that when they became independent from VISA Inc. they created a European card scheme for which VISA Europe lobbied in the EPC.[85] These different visions of what a European Card Scheme is relate to the vision of the European Union that they want enough competition on the market where small schemes compete with the big pan-European schemes. VISA Europe sees a Europe that is connected with their parent company VISA Inc. and therefore implemented a pan-European Card Scheme in which different actors from around the world can operate. The EU tries to foster competition on the EU market, where VISA sees competition on a European-Global market.

[84] Siegfried Utzig, "The financial crisis and the regulation of credit rating agencies: A European banking perspective," (2010): 14.

[85] Gareth Ellis, “Disagreements over SEPA cards Framework on first EFMA day,” *ACI worldwide,* September 10, 2009, accessed December 13, 2014, http://www.aciworldwide.com/what-we-know/expert-view/2009/09/10/disagreement-over-sepa-cards-framework-on-first-efma-day.aspx; Gertrude Tumpel-Gugerell, “A single market for cards: the missing piece in the SEPA puzzle,” *European Central Bank*, September 9, 2009, accessed December 13, 2014, http://www.ecb.europa.eu/press/key/date/2009/html/sp090909.en.html

VISA and Mastercard also had some tensions with the European Commission regarding the card schemes and the Multilateral Interchange Fees (MIF). These fees are charged from the customers bank (issuing bank) towards the merchants bank (acquiring bank) when paid by card. In the case of payment schemes of VISA and Mastercard the fees are multilaterally agreed upon by groups of banks. When a customer pays with card the acquiring bank pays the merchant the sales price minus the interchange fee because the acquiring bank must pay the interchange fee to the issuing bank and the merchant has to pay the acquiring bank because of the use of the technology and maintenance behind the point of sale. The result is that the merchant makes the prices of its products higher because of the fee the merchant has to pay to the bank. The higher the fee the higher the prices of the product and because banks multilaterally agree upon the fee there is an unequal competition. The VISA and Mastercard decisions to raise the MIFs have several times led to the European Commission dragging one of the two parties in front of the European Court of Justice for fostering unequal competition between merchants and raising prices for customers. This occurred in 2007 with Mastercard and in 2010 and 2014 with VISA who deliberately raised the interchange fees to attract more customers to the issuing banks and so receive more money from meddling between the payment transactions.[86]

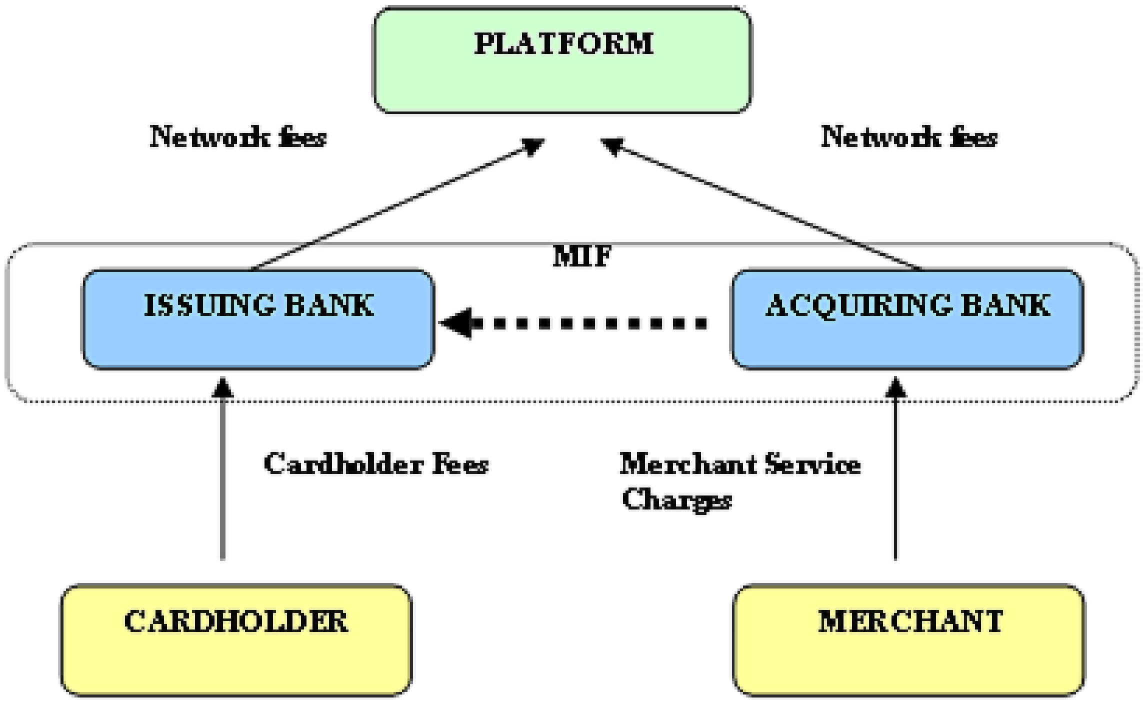

Figure 7.2: A four-party card scheme

[86] "Competititon enforcement in the payment card market," *Banking & Payment Systems,* European Commission, n.d., accessed December 14, 2014, http://ec.europa.eu/competition/sectors/financial_services/enforcement_en.html

The UK debit cards market is an excellent example of how competition between VISA and Mastercard triggered an increase in interchanges fees. In 2005, Mastercard increased its MIFs to 6.93p per debit card transaction. In reaction VISA increased its interchange fee to 8.00p in 2007. MasterCard did not react at that time. The result was immediate: a number of banks decided to move to VISA. For example in 2009, HSBC switched 10 million customers from Maestro to VISA debit. Maestro had 27 million cards in 2008 but only 2.8 million in 2011, losing 90% of its market share in the process. A similar situation was observed in Hungary, where in the result of the competition proceedings VISA consumer debit card MIFs were lowered to a level of 0.20%. This led to the massive migration of debit card issuers from VISA to MasterCard, with VISA losing 45% of its market share (more than a million cards) in the first semester of 2012 compared to 2009.[87] In the end VISA Europe and Mastercard reduced their MIFs to respect the decision of the European Commission and because of earlier rulings of the European Court of Justice.[88]

7.2.2. Timeframe Tensions

Another controversy was the timeframe in which the SEPA for Cards was developed and the interchange fees. VISA Europe for example did not agree with the ECB about the multilateral interchange fees which are fees that the service provider, VISA Europe, receives from being the middle-man between banks if a transaction is made. Next to that the European Card Scheme which the European Commission and ECB were urging was still not established and the timeframe of a SEPA for Cards was taking too long according to the European institutions.[89] The progress reports of the Eurosystem of 2007 and 2008 already stated that time was ticking and the Eurosystem urged the EPC at that time to start implementation of the SEPA for cards whenever they could start with this.[90] The EPC in turn stated in their press-release on the first of November in 2010 that legislation of the European Commission was not contributing to a faster migration of the SEPA but endangering the project because of the phasing out of existing payment schemes, it would only contribute to fragmentation of different schemes and it could endanger the investments of the banks and stakeholders in the SEPA. The EPC stated that the European Commission's plans could: "[…] effectively derail the entire SEPA project."[91]

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[87] European Commission, Impact Assessment. SWD 288 final, 2013, 19.

[88] "EU accepts Visa's pledge to reduce credit card interchange fees," Alliance News, February 26th, 2014, accessed January 12, 2015, http://www.lse.co.uk/AllNews.asp?code=8uiainmk

[89] European Commission, Impact Assessment, 19.

[90] European Central Bank, Single Euro Payments Area (SEPA) from concept to reality. ISSN 1725-3071, 2006, 12.; European Central Bank, Single Euro Payments Area. ISSN 1725-3071, 2008, 22.

[91] "European Payments Council Marks Further Progress Towards the Single Euro Payments Area (SEPA) And Calls On EU Lawmakers To Set End Dates For Migration To The SEPA Schemes Through Regulation," European Payments Council, November 1, 2010, accessed December 14, 2014, http://www.europeanpaymentscouncil.eu/index.cfm/knowledge-bank/epc-documents/epc-press-release-european-payments-council-marks-further-progress-towards-sepa-and-calls-on-eu-lawmakers-to-set-end-dates-for-migration-to-the-sepa-schemes-through-regulation/epc378-10-epc-press-release-1-november-2010-finalp/

Despite the protests of the EPC the European Commission overruled the autonomy of the EPC and created legislation in December of that same year with a strict timeframe for implementation regarding SEPA direct debits, credit transfers and technical framework for SEPA for Cards. They did this because, according to the European Commission, the self-regulation of the banks has failed the implementation of SEPA in Europe according to the European Commission. Next to that they want to ensure that the technical infrastructure and the pan-European system would be ready on time in 2012.[92]

This led to protests from the EPC in the Annual Activity Report of 2010 where they state that: "[…] self-regulation by banks in close dialogue with payment service users has generally proven to be the most efficient means to create and maintain innovative, effective, secure and stress-resistant payment systems."[93] However the European Commission made this legislation and the EPC together with the CSG had to face the consequences that they had to implement SEPA in a higher speed and should phase out domestic systems that still were used in the banking sector. This meant that the standardization of the cards and the European Card Scheme should be implemented faster than expected. The EPC solved this by speeding up the process of the SEPA Cards Framework (SCF). This framework was a standardization of the payment card industry in Europe so all cards are accepted inside the SEPA and customers do not pay extra fees for their cross-border payments.

7.2.3. Tensions in the approach of Misa & Schot

The tensions expose how the visions of the different actors clash when the implementation of the SEPA comes closer. The banks and service providers cling to their autonomy and their position of free acting on the market. They eventually show that the harmonization of the European payments market is not in the interest of the European citizen or for the proper functioning of the internal market but is a profit-driven process. The pressure of the Eurosystem on the EPC to speed up the process in the SEPA for Cards shows that there is a hidden agenda. The banks and service providers do not want to speed up the process of SEPA for Cards because the implementation is an expensive project. Imagine replacing all cards with new cards so European citizens can use the new technology (EMV-standard) in their daily lives. A similar problem is the replacement of the old infrastructure with the new infrastructure. The EPC claims that they need more time to phase out the old infrastructure and phase in the new infrastructure. This also a process that comes along with high costs for which the banks and service providers must pay.

[92] "EC sets Sepa migration deadlines," Finextra, December 16, 2010, accessed December 14, 2014, http://www.finextra.com/news/fullstory.aspx?newsitemid=22112

[93] European Payments Council, *Driving forward the SEPA vision*: *EPC annual activity report* (European Payments Council, 2010), 9, accessed December 14, 2014.

What catches the attention is that the small banks and service providers are excluded from the process of the SEPA for Cards. Only the market actors who see a global benefit in this system contribute to the discussion of shaping the infrastructure. Furthermore the NCBs, who are represented in the Eurosystem, do not seem to have a strong opinion on the development of the infrastructure. The decisions and eventually the interference of the European Commission seem to be a product of the European institutions instead of a bottom-up approach. This might be possible due to the crisis that kept national banks more focused on saving their national commercial banks instead of discussing the SEPA.

The emergence of the SEPA for Cards accelerates when the crisis started. The EU acknowledges that the free-roaming financial market, in the neoliberalist philosophy, should be regulated more intensively with the start of the crisis. That is the reason that from 2008 the unification of the Monetary Union gets a boost because all eyes are now on the financial market and how it operates.

The construction of the strongly global oriented infrastructure explains that the actors tried to link the payments systems of the world together. However, a basis was needed where this payment system could be constructed and the SEPA for Cards provided a perfect cradle to create this global infrastructure. Market and government clashed due to the crisis which resulted in an urge for both parties to establish the SEPA for Cards. The urge for the EU to show that they could regulate the financial actors and an urge for financial actors to gain credibility by showing that they could construct an infrastructure which benefits governments, market actors and citizens.

7.3 Globalisation and the US

Next to tensions the technology which was developed by VISA and Mastercard contributed to the development of the payment system standardization technology. This technology is created by EMVCo which is a collaboration of American Express (US), Discover (US), JCB (Japan), Mastercard (US & Europe), Unionpay (China) and VISA (US & Europe). The EMV –standard which stands for the Europay, Mastercard VISA – standard, the founders of this technology is used to secure the card payment industry and has the ambition to create a worldwide payment system.[94] In SEPA the EMV-standard meant the abolishment of the magnetic stripe payment and the introduction of Chip & Pin payment which created a safer system regarding pass fraud because only the data from the chip needs to be read instead of the whole data from the magnetic strip. The most important goal of the EMV-standard is to globalize payments which is strangely not accepted by the United States. Everywhere where the EMV-standard is ratified and implemented monitoring bodies see the face-to-face fraud decrease and an improvement of payment cards. However in 2012 the EMV-standard was not implemented in the United States because the costs to implement this technique was more expensive than the fraud occurring in the US.[95]

This means that for the first time in history Europe plus Canada and Mexico together with some other small countries used a different technology than the technology of the United States with regard to payment card systems. The US did not implement the EMV-standard for several reasons according to the Guardian, a liberal online paper. First, the scale of the market for smart cards in the US is too big to change the way Americans pay. Second the costs that come with the change of technology and thus the system is a political and economic issue in the US. The MIFs in the European Union are regulated by the European Commission, however in the US, the cradle of neo-liberalism, the MIFs are not regulated and get discussed on a regular basis by banks, service providers and retailers. So the question who is going to pay for the enormous amount of money to change the system is non-discussable since the MIFs are a hot topic in the US. Third, the US has low fraud rates and a good working legal system when one loses its credit card or its credit card number. Therefore the US regulators see no need in changing the system from the security point of view. Finally the payment technology has evolved rapidly in the last few years and mobile payments together with RFID payments have developed in such a pace that the US thinks they can skip the Chip & PIN standard.[96]

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94 “EMVCo Members,” About EMVCo, EMVCo, n.d., accessed December 14, 2014, http://www.emvco.com/about_emvco.aspx?id=156
95 Sarah Jones and Ugo Bechis, “EMV goes Global: The End of an Era for the Magnetic Stripe Payment Card,” SEPA for Cards, October 29, 2012, accessed December 17, 2014, http://www.europeanpaymentscouncil.eu/index.cfm/newsletter/article/?articles_uuid=5C8D49D6-5056-B741-DB1A9B9719FDA63B
96 Heather Long, “Why is US a decade behind Europe on ‘chip and pin’ cards?,” Lessons for America, January 27, 2014, accessed December 17, 2014, http://www.theguardian.com/commentisfree/2014/jan/27/target-credit-card-breach-chip-pin-technology-europe

The problem with the US not adapting to the EMV-standard primarily hits the inhabitants of the US who travel to other parts of the world. Especially, of course, the Americans who travel to Europe and are dazed about the fact that they cannot pay with their credit cards at small local vendors or local supermarkets. The EMV-standard is spreading over the world to place the payment system in a global dimension which makes the large international banks and the service providers global market leaders. With the message of a more secure payment system, which is definitely true, their interest is to make more money on the interest fees which are still not abolished but in some places capped by regulators as in the European Union.

The governance of the US compared with the governance in Europe show clear differences. Where Europe creates a completely new infrastructure to globally compete with other actors the US focuses on the innovation of contactless payment. Once again developments in the US and in Europe run parallel to each other. However, at the moment the US is at this moment excluded from the global payment system developed by Europe. The outcome of this exclusion is that the US started to invest in contactless payments.[97] This became also a new competence of the SEPA in 2014 and the first mobile payment initiatives have been published in June of that year. The two developments of contactless payment will not be as differentiated as the development of the credit card and the Eurocheque during the 60s. The neoliberalist philosophy, though declining, will contribute to this technology and will construct a global framework where the US and European technology will meet each other quicker than a few decades ago.

[97] "NCR invests in contactless payments firm Vivotech," Finextra, August 20, 2007, accessed December 28, 2014, http://www.finextra.com/news/fullstory.aspx?newsitemid=17337.

7.4 Conclusion

The actors in the SEPA for Cards see different Europe's arise from the framework that they try to create. The European Union sees a harmonization of the monetary union and benefits for the European citizen in a borderless electronic payment area. This vision, however, is limited to the borders of the EU. They want the SEPA for Cards properly implemented within their own borders before they expand on a global scale. The EU sees the union as competitive entity where the EPC and the CSG see Europe as part of the global market. They subtly please the European Union while trying to place their own interest in the infrastructure and timeframe of the SEPA for Cards. One of these interest is the global competitiveness of the SEPA for Cards in which the US is excluded. However, the EMV-standard has been implemented in other countries outside the EU which shows that the standardized method of card payments is not restricted to the EU. This is the result of the governance structure which places the control of the infrastructure not with the government but with the market actors

8. Conclusion

This thesis started off with an introduction in SEPA, the approach of Misa & Schot in a neoliberal context and the impact of the payment card in the making of Europe. After a historical journey from 1992 up to 2010 in which a reflection of politics, economics and technology stood in the centre of attention it is time to reconstruct the whole story and evaluate what the impact of the payment card had in the making of Europe.

This thesis aims to answer: *how did the development of payment cards in the Single Euro Payments Area contribute to the making of Europe?* This question proved to be a complex integrative process between technological developments, political regulations and economic interests. Misa & Schot provided a framework in which those different aspects of the payment card could be encapsulated. According to their research strategies Europe is shaped by different actors who hold different visions of Europe. The first subquestion of the research is related to this statement and tried to approach Europe as product of interaction between actors. Interaction, in this perspective, consists of a process of inclusion, exclusion, integration, segregation, linking and de-linking. Consequently this interaction created tensions between actors and caused visions of Europe to clash. The second subquestion aims to cover these tensions and expose the interests of the different actors. Finally, the actors in the SEPA for Cards are not restricted to the boundaries of Europe and should therefore be placed in a global setting. As described the payment card system is strongly influenced by developments in the US from the 60s up to the 90s which shows parallels and differences between the US and Europe. Therefore it is important that this thesis reflects on the development of the payment card in the US and Europe.

8.1. Reconstructing the SEPA for Cards

The making of Europe in the SEPA for Cards is developed by the three umbrella organizations, Eurosystem, EPC and CSG, which were responsible for regulations, implementation and the infrastructure. The Eurosystem initiated the SEPA for Cards and envisioned a harmonized electronic payment card infrastructure for the EU. They issued the banks, service providers and others concerned with this union to develop this infrastructure. In 2002 the banks welcomed this union and formed the EPC. When the SEPA for Cards was conceptualized the banking, retail, vendor, processor and schemes sector started to develop the infrastructure. This form of governance where the Eurosystem, as governmental actor, and the EPC plus the CSG, as market actor, work together started the ‘battle’ of the regulators versus the market.

The primary clash of these actors is rooted in their perception of Europe. Where the European Union limits itself to the boundaries in which they regulate and seek harmonization of the payment system. The EPC and CSG envision a Europe bigger than only the EU. They perceive Europe as a market which can be expanded to a global scale. This makes Europe a borderless entity which is part of a global interacting system. When extending this vision Europe fades away in global markets which are not obstructed by borders of political institutions. The EU, however, clings to these borders and perceives to make Europe an independent entity which competes on a global market. In this independent entity the EU regulates and protects the boundaries of Europe. The SEPA for Cards exposes these different visions of Europe. The most notable example is the development of the European Card Framework which should act as an infrastructure for the members of the Eurozone. This is opposed by VISA and the banks who claim they have such an infrastructure which is compatible with other infrastructures around the world. The EU would like to see an infrastructure which is made for the Eurozone and external actors, as the US, have to comply to the standard that they have set. Eventually the infrastructure of the unified service providers, Europay, Mastercard and Visa, is adopted and the European Cards Framework operates as a pan-European framework which is easy accessible for global actors.

The tensions exposes the inclusion and exclusion of different actors in different fields in the SEPA for Cards. The Eurosystem might be the initiator of the SEPA for Cards but its vision is overruled by the EPC. This excludes the Eurosystem and thus the EU in the development of the infrastructure around the SEPA for Cards. The institutions of the EU function as observer in the market driven organizations which see Europe not as an EU-bordered entity but as part of a global infrastructure. Only once the European Commission intervened in decisions which were not in the best interest of the European citizen. However, this did not explicitly exclude an actor from the SEPA for Cards, it was an intervention in the interest of the European citizen and did not hamper the vision of the EPC and CSG to continue with the development of the infrastructure. Eventually the SEPA for Cards is primarily a linking and integrative process. The integration of government with the market, the inclusion of different stakeholders in European policy making and the inclusion of the national central banks in the ECB and the Eurosystem. The SEPA for Cards links a great number of actors to each other with different visions of Europe. These different visions eventually do create an infrastructure which connects the card payment system inside and outside Europe.

Reflecting the SEPA for Cards on the US there is an obvious parallel with the situation at the start of the 60s when the first cashless payment methods were developed. The European card payments landscape was shaped by the technology from the US. When the US developed a new technology, Europe adopted this technology or developed a different technology. This is different technology becomes apparent in the development of the credit card versus the Eurocheque. On the other hand the neoliberal philosophy in the US quickly spread out to Europe and the gets adopted by European governments. The parallel that can be drawn nowadays is the standardized payment system from Europe versus the contactless payment technology that is rapidly evolving in the US. The EMV-standard is an outcome of market actors who wanted to create a system that would fit in the vision of the SEPA for Cards and could expand globally. The US wants to skip this step for several reasons and improve the contactless payment technology. Which brings European technology and American technology again to the battlefield.

In retrospect the battle of the market versus the regulators is won by the market which eventually saw in the SEPA for Cards a framework which they could use to unify the different payment systems in Europe. Furthermore the Eurosystem gave a lot of regulatory power away by making the EPC the implementation body of the SEPA. In the progress reports of the Eurosystem they enforce and emphasize the needs for the SEPA but they do not have the mandate to impose restrictions or obligations to the EPC. The only involved actor who is capable of doing this is the European Commission who delegated the responsibility of the SEPA to the Eurosystem. This created a regulatory gap in which the market actors were almost free to act but abided by the wishes of the Eurosystem.

8.2. Misa & Schot and the SEPA for Cards

The approach of Misa & Schot in light of reconstructing the SEPA for Cards has advantages and disadvantages to a structuralist approach. The emphasis of Misa & Schot on technology as 'hidden integration' is particularly interesting in the development of the SEPA for Cards. In the SEPA for Cards technology proves to have a integrative character because it is used as an agent of change. The urge from the EU to develop a technological infrastructure which linked the payment systems to each other served as a catalyst for the political and economic actors to react and start building this infrastructure. During the process of creating the infrastructure it appeared to be a technological instrument which emerged tensions between the regulators and the market actors. These tensions caused the acceleration of the infrastructural development when the European Commission obliges the EPC to finish the infrastructure in 2012. Technology exposes the interests of the actors in the SEPA for cards and causes conflict between government and market but also causes unity within the different actors. The National Central Banks who get united in the Eurosystem, the service providers who developed the EMV-standard and the banks who unite themselves in the EPC. The emphasis on technology in the approach of Misa & Schot is definitely applicable in the SEPA for Cards. The great number of actors in the system and their visions which collide are difficult to understand from a structuralist point of view. The actors all act independent from each other and through interaction they come to agreement, because of this there are no clear hierarchies or not one controlling entity imposing laws and regulations to which other must abide.

Reflecting on the main question I think that the development of the SEPA for cards has contributed to the making of Europe in several ways. The different actors shaped Europe through discussion and disagreement which led to a specific unification of the monetary union. Without SEPA for Cards Europe could never have gotten the banks, the service providers and all other stakeholders with their ideas and visions together to discuss how Europe should be shaped. The shaping of Europe occurred through tensions, which showed the different perceptions of Europe and Europe in a global perspective. Furthermore the infrastructure of the SEPA for Cards has linked the different domestic payment systems and enclosed it in one standardized payment system. However, this technology of cross-border retail payments is not fully developed. The EMV-standard is included in most countries who fall in the boundaries of Europe as it is perceived by the market actors. The fees for cross-border retail payments are still intact and are only abolished in the Eurozone. This exposes the different types of Europe that are made through technology. In one Europe we all pay in the same way through the EMV-standard but in the Europe outside the Eurozone we still have to pay fees for cross-border transaction.

In short the making of Europe by the SEPA for Cards has an extensive history made by actors from within and outside Europe who used technologies linked to and embedded within specific Europe to collaborate, to solve problems, to upscale processes that all, more or less contributed to the making of Europe. The emergence of a harmonized system with technology that supersedes European boundaries and places Europe as global entrepreneur in the world contributed to the image of Europe. The making of Europe is a complex intertwined process and cannot be seen as a straightforward decision-making process. The approach of Misa & Schot in the context of neoliberalism lends itself to address the different actors, the visions and ideas that sprout from this collaboration and the global influence. In the light of SEPA for Cards, Europe is not the retrenched continent anymore but can be seen as an entrepreneur in technology which connects political and economic actors.

9. Further Research and Reflection

The methodology used for this research exists of an extensive literature review via an inductive method. I think the inductive method was a suitable approach for this research because in this particular topic this type of research has not been executed. Hence, al lot of information from primary and secondary sources first had to be gathered to get an idea of what the impact was of the SEPA for Cards. However, these points also show out the negative side of the inductive method. When performing inductive research there is a risk of information overload which can affect your scope and create an incoherent story which addresses a lot of unnecessary topics. Furthermore the inductive method takes a lot of time which is lost in reading articles and other sources which might not be necessary for the particular research. In this research for example only a few progress reports are mentioned but I needed to read all of them in order to know which one were relevant and which were not. The extensive literature review was also suitable for this research because, as mentioned before, there was little to no information which structured the history of the payment card in Europe. However, interviews with experts on this topic are very welcome to show how the relations of the actors were in detail. This research interpreted the governmental reports combined with impact assessments and secondary sources.

The inductive literature research combined with the theory of Misa & Schot have learned me to see European integration from a different perspective which is not very much applied in Social Sciences. The agency approach shows that European integration is not a hierarchical product of regulations and directives but a more a product of independent actors who perceive Europe in different ways which certainly differ from the vision of the European Union or nation-states. Furthermore the agency approach, in my opinion, is a tool which reveals the truth of how European integration takes place. Instead of counting votes in a European Parliament or calculating the minimum-winning coalition which can shape Europe, Europe is a product of interaction, tensions, conflict, inclusion, exclusion, constant changes and hidden collaborations. This exposes a more comprehensive and down to earth view of European integration and does not make it a product of the elitists in Brussels. However, to fully understand European integration I think that good research needs both approaches. Making Europe is part of interaction but also by trying to make boundaries through legislation and political debate. To understand the SEPA for Cards one need to understand why the EU chose for the EMU, why the EU chose for the governance approach between banks and the Eurosystem. These are all decisions in directives and regulations of the European Commission. I think that the SEPA for Cards is not completely comprehensible from one of the two approaches, there is always a part missing.

This thesis aims to catch a small part of the SEPA and reconstruct the emergence of this niche which affects the shaping of Europe. The SEPA embodies more, however, than only the SEPA for Cards. Therefore the obvious step for further research is to reconstruct the evolution of the SEPA for Direct Debits and the SEPA for Credit Transfers. These essential parts of the SEPA, which attracted the attention of the Eurosystem and the EPC when the development of SEPA started, includes interesting and complicated technological developments which addresses the global structure of transferring money. The other disciplines of the SEPA, SEPA Cash and SEPA Mobile, also provide perfect fields for further research. Especially the combination of these disciplines. The vision of the SEPA is to reduce cash payments to a minimum and convince European citizens to make more electronic payments. To stimulate electronic payments the NFC (Near Field Communication) technology of smart-phones could replace cash. As we speak some payment services and banks are experimenting with this technology. The final topic in the SEPA that deserves more attention is the IT-infrastructure which is constructed. For researchers in the field of IT this infrastructure is a complex code of different systems and languages which are connected with each other via complex infrastructural mechanisms. When taking distance from the content of SEPA and focussing on other research topics, the institutional development and the tensions that occurred within the European Union institutional field offers and interesting topic in the light of EU decision-making procedures. The vision of the SEA, the ratification of the Maastricht Treaty and the obstacles that hindered the implementation of the EMU provides interesting material for those interested in European institutional development. In that same perspective the decision-making during the structuring and implementation of the SEPA in the Eurosystem and in the classic European institutions is material for potential research.

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Annex I

Participating banks in the EPC

ABN AMRO Bank *Netherlands*	AMERICAN EXPRESS	Association of Banks in Bulgaria (ABB) *Bulgaria*	Association of Cyprus Banks (ACB) *Cyprus*
Associazione Bancaria Italiana (ABI) *Italy*	Banco Bilbao Vizcaya Argentaria(BBVA) *Spain*	Banco Comercial Português *Portugal*	Banco Popular *Spain*
Banking & Payments Federation Ireland *Ireland*	Banco Santander *Spain*	Bank of Valletta *Malta*	Banque et Caisse d'Epargne de l'Etat(BCEE) *Luxembourg*
La Banque Postale *France*	Bankia S.A. *Spain*	Bayern LB *Germany*	Betaalvereniging Nederland *Netherlands*
BNP Paribas *France*	BNP Paribas Fortis Bank *Belgium*	Bundersverband der Deutschen Volksbanken und Raiffeisenbanken (BVR) *Germany*	Bundesverband deutscher Banken(BdB) *Germany*
BPCE *France*	Caixa Geral de Depositos (CGD) *Portugal*	Caja de Ahorros y Pensiones de Barcelona (La Caixa) *Spain*	Citibank *UK*
Commerzbank AG *Germany*	Crédit Agricole Cedicam *France*	Crédit Mutuel / Banque de l´Economie, du Commerce et de la Monétique(Becm) *France*	Croatian Banking Association (HUB) *Croatia*
Czech Banking Association (CBA) *Czech Republic*	Danish Bankers Association (Finansradet) *Denmark*	Danske Bank *Denmark*	Deutsche Bank *Germany*
Deutsche Zentral-Genossenschaftsbank (DZ BANK) *Germany*	Deutscher Sparkassen – und Giroverband (DSGV) *Germany*	DNB BANK ASA *Norway*	Erste Bank der Oesterreichischen Sparkassen *Austria*
Euro Banking Association (EBA) *France*	European Association of Cooperative Banks (EACB) *Belgium*	European Banking Federation (EBF) *Belgium*	European Savings Banks Group(ESBG) *Belgium*
Fédération Bancaire Française (FBF) *France*	Federation of Finnish Financial Services *Finland*	Hellenic Bank Association *Greece*	HSBC Bank *UK*
Hungarian Banking Association *Hungary*	Icelandic Financial Services Association (SFF) *Iceland*	ING Bank *Netherlands*	Intesa Sanpaolo *Italy*
Istituto Centrale delle Banche Popolari Italiane (ICBPI) *Italy*	KBC Bank *Belgium*	Landesbank Baden-Württemberg *Germany*	Liechtenstein Bankers Association *Liechtenstein*
OTP Bank *Hungary*	Payments Council Limited *UK*	Pohjola Bank plc *Finland*	Polish Bank Association *Poland*
Powszechna Kasa Oszczednosci Bank Polski (PKO) *Poland*	Rabobank Nederland *Netherlands*	Raiffeisen Zentralbank Österreich (RZB) *Austria*	Romanian Banking Association *Romania*
Slovak Association of Banks (SBA) *Slovakia*	Société Générale *France*	Swedbank *Sweden*	Swedish Bankers Association *Sweden*
The Royal Bank of Scotland *UK*	The Spanish Banking Association *Spain*	UBIBanca *Italy*	UBS *Switzerland*
UniCredit S.p.A *Italy*			

Source: "EPC Members."