



COPYRIGHT AND USE OF THIS THESIS

This thesis must be used in accordance with the provisions of the Copyright Act 1968.

Reproduction of material protected by copyright may be an infringement of copyright and copyright owners may be entitled to take legal action against persons who infringe their copyright.

Section 51 (2) of the Copyright Act permits an authorized officer of a university library or archives to provide a copy (by communication or otherwise) of an unpublished thesis kept in the library or archives, to a person who satisfies the authorized officer that he or she requires the reproduction for the purposes of research or study.

The Copyright Act grants the creator of a work a number of moral rights, specifically the right of attribution, the right against false attribution and the right of integrity.

You may infringe the author's moral rights if you:

- fail to acknowledge the author of this thesis if you quote sections from the work
- attribute this thesis to another author
- subject this thesis to derogatory treatment which may prejudice the author's reputation

For further information contact the University's Copyright Service.

sydney.edu.au/copyright

Governance in the Eurozone

A Strategic Relational Approach

Anna Elisabeth Rennie

Supervisor: Dr Michael Beggs

Honours Thesis: Submitted as partial requirement for the degree of Bachelor of International and Global Studies (Honours), Political Economy, University of Sydney, 14th October 2015

Table of Contents

Declaration of Originality.....	4
Acknowledgements.....	5
Abbreviations	6
Figures.....	7
Introduction	8
The Question	8
Structure.....	8
Parameters of this Research.....	11
Why does this Research matter?	13
Chapter 1.....	14
The Strategic Relational Approach	14
Introduction	14
1.1 What is the SRA?	15
1.2 How the SRA frames the Eurozone?	16
1.3 SRA's Analytical Tools.....	17
1.3.1 State projects.....	17
1.3.2 Accumulation Strategies	18
1.4 Spatial Considerations.....	20
Conclusion.....	20
Chapter 2.....	22
Making Change for a Euro: The Creation of the Formal Institutions of the Euro	22
Introduction	22
2.1 History and Context of EMS.....	23
2.1.1 Treaty of Rome- The First Step in Creating a Single Market 1958.....	23
2.1.2 The Maastricht Treaty – Birth of the Eurozone, the Establishment and Cementing of Power Structures.....	24
2.1.3 Stability and Growth Pact- Fiscal Governance of the Eurozone	27
2.2 German Central Banking Ideology.....	28
2.2.1 Autonomy and Accountability.....	30

2.2.2 Economic ideology	31
2.3 The structure of the ESCB	33
Conclusion.....	35
Chapter 3.....	37
Waging War and Zoning Out: Understanding Asymmetry across the Zone.....	37
Introduction	37
3.1.1 Theory 1: Endogenous Currency Areas.....	38
3.1.2 Theory 2: Krugman’s Alternative Theory.....	38
3.2 How Did this Disparity Occur?	39
3.2.1 The Importance of Labour.....	40
3.2.2 Use of Wage Suppression.....	41
3.3 The Structure of the Eurozone Economy	45
3.4.1 Varieties of Capitalism.....	45
3.3.2 Firms, Enterprises and the -temporal fix of harmonisation.....	46
3.4 Financial Markets’ Role in the Economy.....	48
3.5.1 The Role of Finance and Debt	51
Conclusion.....	52
Chapter 4.....	53
A Greek Tragedy or A Eurozone Financial Crisis?.....	53
Introduction	53
4.1 What Happened to make the system falter?.....	53
4.2 Whose Responsibility was it? Supervision and Intervention in the ESCB.....	54
4.3 Who were they protecting? What made them act?.....	56
4.4 National Strategies.....	57
4.5 The Supranational.....	59
Conclusion.....	62
Conclusion.....	64
Findings	64
Significance and Implications	66
Reference List.....	68

Declaration of Originality

This work contains no material which has been accepted for the award of another degree or diploma in any university, and to the best of my knowledge and belief, this thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis.

Acknowledgements

I would like to thank my supervisor, Dr Mike Beggs, for his unwavering patience with me and dedication to helping shape this thesis. His input and kindness has been an invaluable resource throughout this process.

This thesis also would not have been possible without all of the people who have endured level 5 of Fisher with me particularly, Angus, Maddy, Nick, Nat, Elpitha, Ella, Taylor, Ellis and Matt. Their compassion, generosity and patience are what kept me standing.

To the many friends who have kept me focused or distracted when I needed it. I am forever in your debt for tolerating my sense of humour, tears and coffee addiction. Special note must go to Nick, Emily and Beth.

I would also like to thank my family. To my father, for believing in me and not letting me equivocate or hide behind my fear, his belief in me made me commit to this year. To my mother, for always supporting me and being the practical and rational voice I needed to allow myself to spend a year in the books. To my sister for believing I am significantly more talented than is possible. And to my Uncle Col for giving me a real life research opportunity.

Ultimately, this thesis however is dedicated to my grandparents. To my Grandfather, Thomas Fyfe Rennie, who passed away this year before I could live up to the potential he saw in me, and to my maternal grandparents, especially my grandmother, Anna Paull, for giving me an interest in a country that's in need of fixing and tenacity to keep looking for answers.

Abbreviations

BIS- Bank International Settlements

CB- Central Banks

CDS-Credit Default Swap

DM- Deutsch Mark

EC- European Commission

ECA- Endogenous Currency Areas

ECB –European Central Bank or the Bank

EFSF- European Financial Stability Facility

EMS –Economic and Monetary System/European Monetary System

EMU-European Monetary Union

ESCB- European System of Central Banks

ESM- European Stability Mechanism

ERM- Exchange Rate Mechanism

EP- European Parliament

GFC- Global Financial Crisis

IMF- International Monetary Fund

LOLR-Lender of Last Resort

LTRO-Long Term Refinancing Operation

NCB –National Central Banks

NCM-New Consensus Macroeconomics

OCA-Optimum Currency Area

OMT- Outright Monetary Transaction

SDC- Sovereign Debt Crisis/ Crisis

SGP- Stability and Growth Pact

SRA – Strategic Relational Approach

SMP- Securities Market Program

SPV- Special Purpose Vehicle

TEU- Treaty on the European Union/ Maastricht Treaty

ToR- Treaty of Rome

Figures

Figure 1 –Unit Labour cost in the Eurozone.....43

Figure 2 –Nominal Labour Costs.....44

Figure 3 - Household securities other than shares..... 49

Figure 4 - Private sector debt to % GDP.....50

Introduction

The Question

This thesis addresses itself to the question ‘to what extent the institutions of the Eurozone, particularly the European Central Bank (ECB), are the by-product of self interested strategic interests and thus were destined to be inadequate to manage a collective economy?’ The formation of the Eurozone (Zone) towards the end of the 20th Century was an attempt to further unify Europe through the creation of a collective and competitive economy. Its establishment, however, was not undertaken in a political vacuum and the Eurozone has been at crucial stages of the process, shaped by specific forces and interests, which were more individual than collective. This structuring has meant that the Eurozone has not necessarily acted in an economically congruous or collectively advantageous manner. The Sovereign Debt Crisis (SDC) starkly revealed the inherent issues in the economic and political behaviour of select Eurozone member states, mostly in what is considered Periphery, and the manner in which they are governed on a national level. This thesis however aims to go further in demonstrating on an institutional level the strategically implemented limitations of Eurozone governance that permitted some member states to exploit the Euro for nationalistic gain at the expense of cohesive economic governance. This thesis refocuses the argument associated with the Eurozone around the embedded power asymmetry and the individualistic outlook of some member states at the expense of the collective interest rather than purely the national narratives the Sovereign Debt Crisis revealed.

Structure

This thesis traces the development Eurozone from the late 1990s to 2011, providing an overview of the creation of key institutions, such as the ECB, that allowed for the exploitation of the lack of structural cohesion and oversight of the European economy. This thesis will argue that dominant strategic interests influenced the establishment of new governance structures, deliberately limiting the effective

economic development and governance of the Zone as a whole. Whilst the Eurozone has been the subject of significant amount of academic analysis, most of this literature has focused on crisis management or individual member state responsibility, rather than seeking to understand the core institutional reasons underlying the Eurozone's issues. This thesis aims to reframe the analysis of the formation and subsequent development of the Eurozone by applying Bob Jessop's Strategic Relational Approach (SRA), highlighting the inherent power structures and bias that were exploited by stronger state actors in the creation of new state spaces.

Core concepts of the SRA relevant to the undertaking of this task are outlined in Chapter One. It is argued that these provide a framework through which to highlight the interests of key member states in the establishment of the Eurozone. The SRA framework provides a series of analytical tools necessary to examine the manner in which power and capitalism interacted to perpetuate the ideology of the Core member states. Jessop's ability to focus on the level of high politics and governance, which for the sake of this thesis will be state actors and superstate institutions, streamlines the analysis to a limited but functional set of actors. This unit of analysis emphasises the importance of governance and the spaces these actors operate in within the context of capitalist accumulation. The SRA grounds this thesis in terms of the actors and groups operating for self interest, attempting to maximise their strategic advantage through the shaping of the collective structures and rules of the Eurozone.

With this in mind, the second chapter of this thesis explores the foundation of the Eurozone with the creation of key treaties and the establishment of the European Central Bank (ECB). This section explores the importance of the governing ideology and context that underpinned the development of these constituent agreements, and identifies the actors who were crucial to shaping them. It becomes clear that the Eurozone is a divided and asymmetric economy with an entrenched ideology in favour of a Core group of influential member states, particularly Germany and France. This foundation allows the Eurozone's institutions and governance to exist as economically irrational, yet politically explainable and coherent. The Zone's creation also introduced a new level of supranational governance institution and actor, in the form of the ECB.

The ECB was given extraordinary autonomy and operates under an ideology favoured by and, implemented for, the Core. This thesis will analyse the reasoning behind some of the powers given to (and limitations imposed on) the ECB, and the parameters of the Eurozone's economic governance. Due to their various design deficiencies the official structures of the Eurozone were surprisingly left with significant vulnerabilities and strategic gaps in governance. These vulnerabilities are explored in Chapter 3.

Though the Eurozone was ostensibly designed with the intent to create a single, holistic European economy, this vision has not come to fruition. Chapter 3 highlights the strategic shortcomings of economic governance at the supranational level, which, in part impeded the realisation of economic integration. The economic ideology governing much of the Eurozone assumed that a great deal of convergence and unity would occur. In fact, to the contrary, member states engaged in competitive labour policy, fiscal and financial competition and biased firm behaviour. The lack of supervision or intervention in these areas, whilst they were well documented, allowed for dramatic asymmetric divergences, making it not only harder to govern the Zone, but creating additional vulnerabilities. Whilst the Core was able to materially advance its position globally and regionally by exploiting these policies and opportunities. This behaviour dramatically threatened the Periphery and weakened the Euro as a whole in the long run.

This process culminates with the impact of the Sovereign Debt Crisis (SDC or Crisis) and in response the re-embedding of the strategic interests of the same group of influential member states with, and in, the creation of the European Financial Stability Facility (EFSF) in 2010. Chapter Four explores how the Crisis exposed the many weakness of the Eurozone, especially its lack of adaptability to the changing pressures of global finance and also the Eurozone's futile response to collective crisis management. The Eurozone and the ECB had its hands tied by the ideology of late 20th Century advanced by the pervasive interests of the Core. This ideology, a combination of Ordoliberal and Neoliberalism, was embedded in these governance institutions that were exposed as fundamentally inadequate to deal or contain the Crisis. It is for these reasons that the Eurozone resorted to the creation of new institutions. However these institutions re-established the primacy of the Core and its interests and relations. In

doing so, the Eurozone demonstrated how little it had learned from the mistakes of the ECB.

This thesis intentionally ends in 2011, a year after the creation of the EFSF, to highlight the lack of progress Europe had made in dis-embedding strategic power relations. A year after the EFSF's establishment allows for a analysis of its governing structure and the strategic biases it was advancing. From the perspective of 2015 it must be acknowledged that much progress has been made since 2011, with the establishment of new supranational institutions such as the European Stability Mechanism. However the scope of this thesis is on strategic positioning of states and the manipulation of institutions by using the EFSF as an exemplar of the lack of progress the Zone had made in the critical area of collective governance.

Parameters of this Research

In order for this thesis to maintain clarity it is necessary to define and contextualise some of the terminology that will be utilised in establishing the parameters of this investigation. The analysis within this thesis will focus on the Eurozone as it is centred around the implications of the ECB and the Monetary Union. Whilst it must be recognised that the Eurozone is a subset of the broader European Union, in order to centre the analysis, this thesis will focus on those member states that were most heavily impacted by these governance bodies and strategic relations. Practically, therefore, the Eurozone states are all nations using the Euro as official legal tender and under the governance of the ECB (including Germany, France, Italy, Belgium, Greece, Austria, Ireland, Portugal, Spain, Slovakia, Slovenia, the Netherlands, Finland, Cyprus, Latvia Lithuania, Luxembourg, Malta and Estonia). Due to limitations on the scope of this thesis, it will only examine a select few as representatives of the Core and Periphery, with an emphasis on how these groupings interact with each other. This thesis will utilise Germany and France as representatives of the Core with the two largest and some of the fastest adjusting economies, whilst Greece is selected as acting

as the (extreme) representative of the Periphery (Sapir 2009: 264). However the Periphery's widely accepted definition includes the Mediterranean nations, Greece, Italy, Spain, along with some of the smaller and slower adjusting nations such as Portugal and Ireland.

It is acknowledged that there are a range of institutions that contribute to the governance and oversight of the Eurozone, however it is beyond the scope of this thesis to mention all of them. Some notable absences from this thesis include the International Monetary Fund, the European Parliament, and the Bank for International Settlements. All of these institutions have contributed to the governance of the Eurozone and the ECB, with their efforts (arguably) being most prevalent during the Sovereign Debt Crisis.

This thesis also requires the introduction of some contested concepts, and, at this point, it is necessary to outline the functional definitions that will be used. First, there is the concept of Ordoliberalism (also known as German neoliberalism). It is a school of thought associated with a strong state and a focus on 'entrepreneurship, private property and the free price mechanism' (Bonefeld 2012: 633-4). It views economic agents as a necessary component of the capitalist economy, but whose greed requires containment in order to prevent society's destruction (Bonefeld 2012: 633-4). It is a form of state-led, but individualistic governance, which originated in Germany in the 1920s. This ideology is one that was not heavily utilised elsewhere. However, this thesis will aim to highlight the subtle exporting of Germany ideology throughout the creation of the Eurozone institutions. This thesis analyses a period that is largely considered the neoliberal era, and whilst this is a highly contentious concept, it is necessary to acknowledge that the Eurozone's experience of neoliberalism is highly varied. There is 'spatial variegation' - where each local experience of 'neoliberalisation' is shaped by existing and unique institutional, ideological, and cultural context, resulting in different 'neoliberalisms' (Brenner, Peck and Theodore, 2009:183). This has meant that whilst all of Europe experienced some variation of 'privatization, marketization and deregulation as well as the macroeconomic policies of inflation-targeting,' how it has been expressed and the extent to which it has been beneficial is varied (Cahill 2014:xi). Whilst not

heavily utilised throughout this thesis, this concept provides the context to the nature of capitalist accumulation in the years preceding the Eurozone's establishment, and through its first decade of development.

Why does this Research matter?

This research attempts to refocus the debate around the Eurozone in terms of strategic relationships at play in the Eurozone, rather than purely focusing on the actions and behaviours of individual nations or purely a structural analysis of the ECB. Instead this thesis aims to confront the shortcomings of the Eurozone from the perspectives of strategy and governance. Rather than attribute blame, it highlights the inherent inefficiencies and ideological rigidities in an attempt to refocus the debate about the Eurozone as a product of its member states relationships and an understanding of its economic rationale going forward. The asymmetric and multispeed nature of the Eurozone is a feature that is crucial to understanding the shortcoming of the Zone's governance. It is hoped that by framing the debate around how these features came to be exacerbated and entrenched, that a more encompassing and unified approach to the Eurozone's economy could be conceived. The Eurozone is a significant component of the global economy, and understanding the foundational causes of its instability and the shortcomings of its governance is vital for it, its members and all those who deal with them.

Chapter 1

The Strategic Relational Approach

Introduction

In order to analyse the complex multi-scalar actions of state actors it is necessary to have an adaptable analytical framework. It is for this reason that this thesis will utilise the Strategic Relational Approach (SRA). The construction of the Eurozone, and its shortcomings exposed through the Sovereign Debt Crisis, involve a range of state actors, institutions and strategic settings that are best framed through a paradigm that can conceive of the importance of social setting and motivation. Accordingly, Jessop's SRA is the most functional framework, placing the emphasis on the actor's motivation and strategic capabilities given the social structures that have been constructed. As this thesis will follow the construction of institutions within the Eurozone, the SRA has the flexibility to analyse the strategic advantages inherent in the establishment of these institutions (particularly the European Central Bank) and the perpetuation of the capabilities of certain states. This chapter of the thesis will outline the Strategic Relational Approach; it will then broadly apply it to the European context. It will then be necessary to frame the important analytical tools the SRA utilises, including state form and accumulation strategies. Finally, as this thesis is a temporal study spanning from the 1990s to 2011, this chapter will draw together how, according to Jessop, institutional change is strategically achieved. This will lay the foundation from which it will be possible to analyse the states involved and the institutions of the Eurozone that exacerbated the systemic crisis of governance revealed by the Sovereign Debt Crisis (SDC).

1.1 What is the SRA?

Boldly stated, the SRA is a theory designed to conceive of social power and the choices within a system. The SRA, like many social theories, highlights the importance of both structure and agency (Cotton 2015: 321; Knops 2015: 3). What makes the SRA unique is its ability to connect them through ‘strategic’ motivations (Jessop 2008: 203). In broad terms this refocuses analysis on how norms and institutions come to be shaped by agents through the advancing their own interests; and conversely how different agents are constrained and influenced by the pre-existing norms (Jessop 2003: 101). It allows for the construction of structures and institutions to be viewed as a process mediated by the strategic interests of a variety of interested agents (Biebricher 2013: 394). The theory provides a lens to analyse change, both on an institutional level and also through the way in which agents position themselves to optimise the number of strategies available to them. The theory does not claim agents have any superior foresight or ability to predict the outcomes of their interests and strategies, but frames all behaviour as an attempt at optimisation of outcomes.

From this perspective, the SRA framework is able to introduce concepts to analyse capitalism and the relations between dominant and subordinate groups in reproducing structures that continue to preference their interests. This process is seen as inherently political on all levels. This political nature highlights the struggle and positioning of forces in order to maintain their empowerment (or resist their disempowerment), with agents’ strategies frequently being multi-level games, involving contingency and re-engagement with the same actors and structures. In relation to the state, which can be seen as any governance institution, this reinforcement is also a matter of survival (Jessop 2008: 35). The state (and in Europe’s case, multilevel governance) is required to secure the ‘extra economic’ conditions, institutionally and socially necessary to perpetuate certain interests and maintain stability, thus benefitting dominant interests (Jessop 2012: 7). The promotion of capitalist accumulation is necessary for the state to execute basic functions, and thus it must promote certain

social conditions that support capitalist interests for it to perpetuate itself. In the context of the Eurozone, this is true of both nation states and the supranational institutions (such as the ECB). As it will be seen, these interests are not always complimentary nor in the best interest of all actors.

1.2 How the SRA frames the Eurozone?

The creation of, and subsequent political developments in the Eurozone have left it with a complex set of agents, interests and institutions to analyse. The SRA, however, has a variety of tools that are equipped to frame and deconstruct the power struggle and the subsequent construction of new state spaces and institutions that occurred. In light of this, three important justifications for the SRA can be made as to why it is an appropriate methodology for analysing the Eurozone. First, the Eurozone involves *strategic* action at the level of states, state-institutions and newly created supra-state institutions (such as the European Central Bank (ECB)). In this context the SRA is able to view state behaviour as mostly homogenous: though states are composed of contradictory forces and their actions are not always consistent, their actions are unified (Kelly 1999: 110-11). On a supra-national level, the Eurozone institutions are able to act as a state form, however incomplete, delivering governance across national boundaries. Certain groups are acting strategically at both levels, advancing their own position. This strategic element is crucial, because the Eurozone required state actors to concede part of their sovereignty to enable the creation of new institutions and actors, namely the single market and the ECB.

These spaces required the establishment of new rules, and an acknowledgement of how other agents were going to strategically behave once they were created. In practical terms this is a limitation upon the capabilities of actors, such as monetary and fiscal policy autonomy. The creation of these structures also necessitates a change in behaviour as the structures influence the ability for certain strategies and introduces new

non nation-state actors, such as the ECB. Second, the SRA is adaptable to multiple layers of governance, and territorial boundaries. This feature is imperative for examining the structures of the Eurozone, as it requires supra-state action, with individually motivated member states still pursuing strategic interests, upon an uneven strategic terrain. Third, in order to contextualize the Eurozone there needs to be a framework that can simultaneously highlight the role of accumulation and grouping by class interests.

1.3 SRA's Analytical Tools

1.3.1 State projects

The SRA is able to utilise the analytical perception of state projects in order to frame the behaviour of the European states within the system. For Jessop (2008: 9), the state apparatus is generally defined as:

'a distinct ensemble of institutions and organisations whose socially accepted function is to define and enforce collectively binding decisions on the members of a society in the name of their general will.'

This broad definition encapsulates both the traditional nation-states that make up the countries of the Eurozone, and also those supranational institutions that are set up for multi-scalar governance of this territory, such as the ECB. Conceptually, this allows for state governance to be a multilayered and fluid process that is socially dictated as the product, object and determinant of struggle and contest.

This conceptualisation highlights how states appear simultaneously unified in their ability to execute functions, whilst being internally subject to countervailing strategies and interests. Using Jessop's precursor, Poulantzas, the state within this framework can be seen as 'intrinsically and internally differentiated', constantly engaging in compromise internally in order to execute policies and aims (Poulantzas in

Bruff 2008: 2). This differentiation is derived from the fact that states are constructed in part by social classes, each with their own strategic interests in advancing their position through state institutions and policies, such as the ECB. States have a ‘structurally mediated bias’ towards some groups that allows those groups greater influence over policy and state action (Kelly 1999: 110-11). This ‘structurally mediated bias’ can come in the form of direct political influence, but it is often a by-product of economic power. The state depends on the perpetuation of capital and markets, and cannot escape this capitalist social context (Bruff 2012: 182). This bias is unavoidable, however it is not a top-down imposition but rather it is a social expression of class conflict occurring at any given time with selective strategic interests (Bruff 2012: 183).

1.3.2 Accumulation Strategies

The SRA is also able to analyse the complex social structural composition of the state through the prism of capitalistic accumulation. The second concept from the SRA that is useful to this thesis is the concept of accumulation strategies. According to Jessop’s theory, accumulation strategies are:

‘the specific pattern or model of economic growth together with both ... [an] associated social framework of institutions and the range of government policies conducive to its stable reproduction.’ (Brenner 2004: 86)

These strategies gain acceptance through a process of struggle resulting in the approval of dominant groups and ‘fractions of capital’ (Jessop 2012: 105). However, this process is not predetermined or deterministic. The process is dependent upon a variety of social conditions. Capitalism is reliant on the state for its expanded reproduction, which the market alone cannot provide (Jessop 2001b: 84, 87; Biebricher 2013: 394-5). For this thesis, this concept illuminates how the ECB attempted to integrate various existing national accumulation strategies and the different interests at play, creating institutions that clearly favoured specific groups (Jessop 2012: 105).

The role of the state is socially constructed, entrenching in it the extra-economic requirements that allow capitalism to operate, but separating it from the ‘circuit of capital’, and thus giving it an institutionally contingent ‘ability to function as an agent of capitalist interest’ (Brenner 2004: 84). Whilst the state has a vested interest in maintaining the necessary means for the execution of its power, according to Jessop this does not give state a deterministic, systemic, structurally prescribed course of action (Brenner 2004: 87). Instead it means the state, and various of the institutions that compose it, favour certain types of accumulation. The form of which this takes can vary, as with the increasing role of finance in the Eurozone. It is important to point out that Jessop’s state is never complete or finite, as it acts as a social relation. It is constantly engaging in compromise to appease the groups that compose it (Bruff 2012: 183). Whilst the state does selectively benefit groups, which groups benefit can change along with capitalism itself. The structure is not indefinitely rigid.

In this context, whilst there is a preference towards certain accumulation strategies for certain agents, the state and governing structures are capable of changing style. The state, however, does play a role in promoting the conditions necessary for capitalism’s expanded reproduction. State projects in the context of a liberalised capitalist model are the reinforcing mechanism that normatively creates the ideal conditions for accumulation using their socially accepted extra-economic coercion (Brenner 2004: 86; Jessop 1983: 91-93). For the Eurozone this process has seen the rise of neoliberal accumulation strategies, and Ordoliberal accumulation patterns which have gained traction in the new state spaces, subordinating less powerful accumulation strategies used by the Periphery (Jessop 2012: 105). Jessop’s framework highlights the rise of certain modes of accumulation and the manner in which they came to dominate. It is able to conceive of how structures embed these ideas, such as Germany’s entrenchment of price stability over Europe’s other social-democratic orientations. It is necessary to have a mechanism that is able to frame the role of accumulation and state projects since it accounts for the failure of governance due to the multiple objectives and incomplete nature of the Eurozone’s governance and economic structure (Jessop, Brenner & Jones 2008: 395; Jessop 2003: 106).

1.4 Spatial Considerations

The study of the Eurozone and its governance requires a framework that is able to conceive of a fluid conception of the state changing in time, existing outside traditional territorial considerations. The Eurozone's governance involves both nation states, who are instrumental in the perpetuation of accumulation, but also supranational institutions also imperative in understanding the dominance of certain strategies (Jessop 2012: 96). All of this is compounded with the ECB acting as a state institution without a polity, but nonetheless under Jessop's framework it is a state institution. This spatial component means that capitalism's accumulation strategy is capable of unfolding in varied ways due to the predilections of specific regions (Bruff 2012: 183-4). This thesis is dealing with nation states and other areas of governance not necessarily constrained by the typical "Westphalia" territorial obsession. Instead, territory acts as the realm of influence capital organises around, without being definitive (Jessop 2008: 136). It is merely a component of the way in which states construct their power, conceive of strategies and are able to execute their interests.

Conclusion

The SRA is a framework which is capable of both adapting to the changing state spaces composing the Eurozone and explaining the social reasoning behind the behaviour of its constituent agents'. Through this the SRA is capable of framing the systemic struggles of the Eurozone around the social and capitalist patterns inhibiting and advancing agents' strategic interests. The theory's unique ability to link agents and structure at a variety of levels, means that both state action and supra-state governance can be examined. The SRA places states' actions at the centre and as this thesis will show, highlights the inadequacy of European state and collective governance to benefit the whole. From these foundations, the SRA provides the analytical tools to emphasis the role and motivations of states and also the interaction with the influence of capital. This influence is imperative for the examination of the European Central Bank and

understanding how selective ideology became dominant and the manner in which these strategic interests became systemically embedded. As this thesis will demonstrate the Strategic Relational Approach provides a framework to analyse the governance of the Eurozone in a manner that emphasises the interests of agents at that level but also the role of capital accumulation and pre-existing institutions and structures.

Chapter 2

Making Change for a Euro: The Creation of the Formal Institutions of the Euro

Introduction

The governance of the Eurozone (Zone) is a multilayered inherently strategic process that has been heavily influenced by the economic context at the time immediately preceding and during its creation. The context surrounding the creation of the Eurozone acts as both an exemplar a of the strategic relationships involved and informs the future behaviour of member states. This period solidified the ideology that became engrained within these governing structures, creating rigid institutions unable to adapt to changing circumstances. These rigidities were established through the founding Treaties that early on outlined the ideology of economic liberalisation and monetary and fiscal conservatism. These ideas were not only increasing in popularity in the late 20th Century as the Eurozone was being established, but were also being advanced by several strong economic member states who were necessary to creation of the Eurozone, particularly Germany. These power structures, and the somewhat economic irrelevant criteria placed around the Eurozone, have highlighted their strategic and political purpose, exposing the bias inherent in the multispeed economy that is the Eurozone. Overall, the creation of the Eurozone has revealed several divergent groups of member states, the Core (exemplified by Germany), and the Periphery of Mediterranean nations (exemplified by Greece). The Eurozone has struggled to balance national identity with a supranational collective good, to strike a balance between autonomy and accountability, and to centralize power across diffuse sovereign states.

2.1 History and Context of EMS

In order to understand the Eurozone it is necessary to understand the political documents that established, perpetuated and govern its institutions. The Treaty of Rome (1958), the Maastricht Treaty (1992), the Stability and Growth Pact (1997), are expressions of the constituent strategic interests of the Eurozone as it became ever more integrated. These documents have all contributed to economic integration through a combination of competition and trade policy, the creation of the infrastructure and governing institutions of the Eurozone, and the impositions of fiscal constraint.

2.1.1 Treaty of Rome- The First Step in Creating a Single Market 1958

The Treaty of Rome (ToR) began the process of economic cooperation and political affiliation in 1958. The document was a representation of the desire for 'harmonious...economic activities' through the creation of a common market (Snaith 2014: 186). The common marketplace allowed for the free movement of goods, services and people of participating member states (European Commission 2014: 4). The Treaty had two major consequences: first, it began the process of economic expansion across Europe, with preferential trading and freedom of labour movement between the member states; secondly it began fostering a sense of European unity, which would allow Europe to be seen as a formidable force in the face of the United States and Soviet Union (Feldstein 1997: 70). (This sense of European identity was meant to be crucial component in the building of the Eurozone. However it has been poorly executed as member states continue to compete between and amongst each other, rather than acting for the good of Europe as a whole.) The movement of people would become an increasingly important mechanism to manage structural rigidities with the European Monetary Union (EMU), and in battling the systemic racism necessary to create a cohesive union. The Treaty of Rome outlined the foundations for European trade harmonisation, economic competition and began readying Europe for greater economic reform.

2.1.2 The Maastricht Treaty – Birth of the Eurozone, the Establishment and Cementing of Power Structures

Greater economic reform came in the form of the creation of an Economic and Monetary Union (EMU) based on the Maastricht Treaty (Treaty on the European Union/ Maastricht). The Maastricht Treaty was a major leap from the previous 20 years of merely trying to taper fluctuations between the member states (under the European Monetary Systems (EMS)). Maastricht involved the establishment of new institutions, a unified view on monetary policy and a ‘Convergence Criteria’ to ensure the stability and viability of the Eurozone. The Convergence Criteria outlined in Maastricht was the tripwire member states needed to comply with in order to enter into the final stage, Stage Three, of the EMU (Harrop 1998: 25). The Convergence Criteria included: price stability, an inflation rate of no more than 1.5% ; fiscal sustainability, a deficit no higher than 3% of GDP and a level of gross government debt to GDP ratio under 60% (these were caveated if there was satisfactory trajectories or exceptional temporal circumstances); exchange rate stability within the normal fluctuations of the ERM for two years without tension; finally, low interest rates ‘long term interest rate should not exceed by more than 2 % points the interest rates in ...the three best performing countries in terms of price stability’ (Eiffinger & De Haan 2000: 28).

The Maastricht Convergence Criteria was motivated by strategic political interests rather than a consistent economic argument (Mulhearn & Vane 2008: 49). In terms of economic logic the Convergence Criteria were not optimal, acting instead as a political precursor to Germany’s desire for an Ordoliberal infrastructure. Maastricht’s Convergence Criteria was interested in nominal economic convergence, ignoring to a large extent structural and asymmetric differences arising as part of the creation of the Zone (Sapir 2009: 264).¹ Politically, the Maastricht Criteria were designed to create a low-inflation area with a stable common currency that mimicked Germany, but with greater market expansion (Eiffinger & De Haan 2000: 28). Economically, it is important to highlight that according to Optimum Currency Area (OCA) criteria, and the empirical

¹ There is a possibility that ignorance of structural asymmetric shocks was due to the line of reasoning that a common currency would sufficiently align intra-industry trade and that national banking shocks would be admonished due to the monetary union (Sapir 2009: 264).

data at the inception of the EMS in the 1990s, there was a definitive core (Germany, France, Austria, Denmark and the Benelux countries) whose adjustment speed to shocks was fast (Sapir 2009: 264). There was also a periphery (Portugal, Ireland, Italy, Greece, Spain, Finland, UK and Sweden) who suffer from both larger shocks and slower adjustment speeds (Sapir 2009: 264).

The Maastricht Convergence Criteria (Criteria) proved to be a political bargaining mechanism, with more than half the member states admitted failing to satisfy at least one of the Criteria. The Criteria failed to inspire the monetary and fiscal conservatism they were designed to inspire due to the short time window they operated within (Mulhurn & Vane 2008: 49). This temporary nature has meant that many governments have deviated from these commitments once entering the EMU, thus accentuating the asymmetry and multispeed nature of the Zone. It became increasingly clear that the Convergence Criteria were not a way to align business cycles or synchronise crucial elements of government ideology, but were merely an initial threshold to limit the states eligible to partake in the EMU. Whilst the ECB does have the ability to issue fines for budgetary non-compliance the ECB has failed to issue or enforce them (Sharma 2014: 112).

The Convergence Criteria and the Maastricht Treaty emphasise just how dominant and strategically significant Germany were to the Eurozone. Germany utilised Maastricht as an opportunity ensure the ongoing legacy of the Bundesbank and the strength of German economy. Germany occupied a unique position during the construction of Maastricht, having been the cornerstone and leading economy for much of the EMS in the lead up to the EMU (Thiel & Schroeder 1998: 117). It utilised this position in order to ensure the ECB was based on a blueprint of the German Bundesbank. Whilst theoretically possible for the rest of Europe and mainly for the French, Maastricht provided an opportunity to end the hegemony of the Bundesbank by starting afresh with a central bank detached from national loyalties (Scharpf 2015: 387). Germany however did not allow this to occur, with their involvement imperative and thus their influence inescapable. The Eurozone needed an anchoring economy in lieu of

a hesitant UK, making Germany strategically critically positioned to enforce their ideology (Mulhearn & Vane 2008: 80).

That ideology was principally Ordoliberalism, viewing the role of the state as inherently connected to ‘protecting [the] capitalist economy ideationally and practically’ (Streeck 2015: 363). Whilst not desirable for the rest of the Eurozone, this ideology was forced to be palatable by the necessity of obtaining German backing for the Union. Its implementation was also aided of the increasing prevalence of neoliberalism in Europe. As a result the ECB as a state institution was equally subject to spatially layered and intertwined power processes including the ideational influence of neoliberalism (Brenner 2004: 81). These reasons ensured that as Germany surrendered economic sovereignty it guaranteed the perpetuation of its preferred ideology and ongoing strength of its position. Germany highlighted its strategic influence over the issue of price stability, by having Maastricht pass through their national constitutional court an order affirming that the “EMU was conceived of as *Stabilitätsgemeinschaft*” in order for full ratification to occur (Thiel & Schroeder 1998: 115). This process acted as a political tool to demonstrate the importance of Germany in the European Single Market Project. The threat of Germany not entering the Union would have undermined the entire EMU, and this process emphasized the importance of the German agenda.

Institutionally the Maastricht Treaty acted as an opportunity to reveal the actors and interests contributing to European monetary governance from this moment onwards. The Maastricht Treaty clearly positioned the ECB and the role of governance in ‘high politics’, that of states and technocrats and prevented community voices and real economic variables from affecting economic decision-making (Dyson & Fetherstone 1999: 15). The Treaty forced the exclusion of non-state actors through an explicit non-consultative Article (Article 107)² (Mulhearn & Vane 2008: 97). This Article guarantees that the ECB operates on a rigid ideological, German outlook on central banking, un-impinged by community concerns. This strategic positioning meant

² Article 107 of Maastricht Treaty: ‘*When exercising their powers, carrying out their tasks and duties neither the ECB nor National Central Banks nor any other member of the decision making bodies shall seek or take instructions from community institutions or bodies from any government of a member state or any other body*’ (Mulhearn & Vane 2008: 97)

that once the dominant group of member states had been established its voice and interests, it was effectively amplified by controlling the agenda and limiting the number of other issues that could be contributed.

2.1.3 Stability and Growth Pact- Fiscal Governance of the Eurozone

Maastricht was reinforced with the Stability and Growth Pact (SGP or Pact) in 1997, expanding upon the fiscal conditions applied on member states. The Pact was meant to reinforce growth desirable fiscal behaviour and growth patterns, including preventative, corrective and deterrent elements (Issing 2008: 197)³. It focused on deficit ceilings and government debt, and had the power to impose sanctions. However this Pact was composed of almost entirely ‘soft laws,’ with powerful member states such as Germany and France unabashedly violating the Pact and halting the European Commission from issuing punishment (Issing 2008: 199). The member states with the largest economic activity were not only most likely to violate this Pact, but almost unpunishable, with any sanction risking the entire Eurozone’s growth (Hanson 2015: 8). This positioning has allowed these dominant members to not only violate the Pact but to also maintain judgement on other transgressors, influence policy decisions and create divergences in fiscal policy throughout the Eurozone (Issing 2008: 199). The SGP did little to curb ‘poor’ fiscal management by either large or small member states. Instead, it highlighted the exploitative and uneven relationship the Core had with the Periphery.

The documents discussed above are central to the analysing the rigidity of the ECB as they highlight multilevel governance of the Eurozone, rather than viewing the Eurozone as a supranational state (Jessop 2006: 141). The Eurozone’s member states acted in a manner that was designed to guarantee their interests, and they focused on their national economies. The formal documents and structures of the Eurozone act as the foundation of capitalist reproduction through the promotion of institutionalised ‘multi-scalar meta-governances’ in favour of open markets, with hierarchical networks to improve outcomes for select member states (Jessop 2006: 153). The strong states

³ Otmar Issing is a German Economist, former Bundesbank Board Member and a founding member of the Executive Board of the ECB from 1998-2006

were strategically utilising their influence in order to protect their economies by ingraining favourable ideology that favoured their method of accumulation.

The Core member states therefore used this opportunity in order to ensure that their accumulation strategy was perpetuated, no matter the cost. This accumulation strategy required a strong focus on inflation targeting, an emphasis on fiscal conservatism and advanced opportunities for their economy. This strategy was inherently in their favour as it allowed for expansive access to markets with a favourable export exchange rate, and Germany's economy was already prepared for this style of liberalism as will come to be seen in Chapter 3. This idea has allowed for the promotion of the capitalist hierarchy and an investment in a Schumpeterian construction of capitalism, as competitive integration, innovation and enterprise push for a neoliberal orientation (Jessop 2006: 148). Ultimately, however, these strategies would come to weaken the Zone as a whole, with asymmetric accumulation and economically incoherent policy creating risks for the interdependent European economy.

2.2 German Central Banking Ideology

The ECB is governed by a mentality of New Consensus demand-side economics supplemented by German central banking traditions. So what makes German central banking unique? German central banking's philosophy forces price stability to be the principle aim, and *only* once accomplished may other traditional 'Anglo-Saxon central banking' aims, such as unemployment rates, be considered (De Grauwe 2005: 166). In order for this singular anti-inflationary aim to be achieved the European Central Bank needed to be politically unbiased towards any one nation. Accordingly this philosophy provided the basis for justifying the ECB's unprecedented independence (Palley 2011: 7). This independence is unique. Whilst many countries have a central bank independent from politics (e.g the Reserve Bank of Australia) almost all central banks are accountable and subject to parliamentary mandates and act as their government's

banker⁴(see section 2.3.). However, the ECB's unprecedented independence is derived from a few key elements in the Maastricht treaty including: the non-consultative articles, prohibiting government or community groups from interfering or influencing the ECB; the non-disclosure of voting records; the inability to alter the 'instrumental aims' of the ECB without ratification by all signatory states of the EU (not just the Eurozone); and finally the inability of the ECB to finance the debt of individual member states (Mulhearn & Vane 2008: 97; Schroeder 2003: 210).

This structuring was able to succeed due to the belief that no member state should be able to exert its will over the rest of the EMU, and the increasing prevalence of New Consensus Macroeconomics (NCM) ideas in central banking. Germany used the increasing prevalence of New Consensus Macroeconomics that had been on the rise since the 1980s, to justify its demands (Arestis 2009: 3). NCM makes price stability as its aim, with monetary policy (namely the interest rate) as the only way to control it. NCM was compatible with Germany's aims, and also placed central bank independence in line with German fears for hyperinflation and the political manipulation of the ECB (Arestis 2009: 3). The need for political independence came from the assumption that politicians could manipulate monetary policy to affect elections through the adjustment of short-run inflation preferences (Baimbridge 2005: 78). This desire has resulted in a 'democratic deficit,' as important national and community stakeholders were excluded from the conversation or holding the ECB accountable (Talani 2005: 204). The Bank exists as an institution infatuated with maintaining monetary variables, yet it is conceivable that it lost touch with real economic indicators (such as growth and unemployment rates) due to its unaccountable relationship from Europe.

⁴ ECB President can be called to appear before the European Parliament but unlike US Federal Reserve or other central banks they are able to disregard opinions of elected represents without recourse due to the unanimity required to alter the Banks mandate (De Grauwe 2005:178)

2.2.1 Autonomy and Accountability

The creation of the ECB resulted in a new institution with unprecedented autonomy and unaccountability, with an inherent bias towards the accumulation interests of particular member states. The ECB has a unique lack of accountability and transparency due to it being an assumed requirement to ensure that its decisions are based on European not national interests. In this vein, the Bank has withdrawn itself from interaction with or input from local communities and national stakeholders through application of Article 107/8 of the Maastricht Treaty, the a ‘non-consultative’ or ‘non-interference’ principle (Schroeder 2003: 210). It is assumed that this withdrawn nature enables the Executive Board of the ECB to make decisions without fear of retribution or national bias. This assumption that detachment from any real world influence would allow the Bank to exist as a superior technocratic institution has instead exposed the undemocratic and unaccountable nature of the ECB. However the Bank is not truly detached, with its policies and implementation exhibiting ‘greater cognisance’ of Core influential member states over than the Mediterranean Periphery (Lapavistas 2012: 3).

This principle is compounded by the inability for Executive Board members to be held accountable to any national parliament for their collective decisions (Mulhearn & Vane 2008: 97). Whilst the Bank is theoretically accountable to the European Parliament (EP), and can be called before it to explain decisions or give forecasts the Bank maintains ‘instrumental independence’ about how to accomplish aims, making them tautologically justified (De Grauwe 2005: 179). The ‘democratically elected’ European Parliament also has no discretionary disciplinary power over the ECB, with no power of veto over decisions and Governors of the Bank being nationally appointed on long-term contracts. This is compounded by the fact that all voting records are kept confidential (Article 10.4 of Maastricht) to ensure that voting in line with national preferences against the interest of the European community does not occur (Mulhearn & Vane 2008: 97-8). This veil of distance that the Bank has pursued was premised on the idea that a European identity would emerge from monetary unity concurrently as economic forces push towards the synchronisation of business cycles and employment.

This distance however failed to produce a superior technocratic, governance institution or a harmonious Eurozone as will be seen in Chapter 3.

2.2.2 Economic ideology

The ideology underpinning the governance of the Eurozone is a result of the economic climate and powerful economic agents immediately preceding its creation. The 1970s and 1980s represented a shift in global economic ideology as the world adapted to the failures of Keynesianism and Stagflation, and economic powers (such as Germany) continued to reinforce their success (Fitoussi & Saraceno 2013: 483). In response to a changing economic climate new discussion began and focused on lowering inflation and aligning economies. As a consequence the European Monetary System was created. This was an attempt to align the most economically powerful nations in Europe by ensuring the Deutschmark (DM) did not appreciate too much in value, whilst simultaneously providing France with domestic political coverage surrounding its tightening of their monetary policy and bringing exchange rates back in line (Harrop 1998: 24).

The consequence of lowering inflation rates for Peripheral member states tended to be high short-term unemployment rates. However these states were operating under an assumption that in the long run there is no trade-off between unemployment and inflation and they therefore complied (Harrop 1998: 24). These activities were enacted simultaneously to the EMS's enforcement of an Exchange Rate Mechanism (ERM) [Snake in the Tunnel for interest rates⁵] in order to encourage convergence as Europe headed towards an Economic and Monetary Union (EMU). For the Peripheral member states this had a two-pronged effect: unemployment rose, as the deflationary preference was enforced; whilst the most vulnerable nations were unable to adjust exchange rates in order to enhance their international competitiveness with devaluation (Lucarelli 2011: 211). This ultimately resulted in structural imbalances, as strong economies such as Germany, were able to use 'wage discipline' to increase price competitiveness on a

⁵ 'Snake in the Tunnel' was the terminology used to describe the approximately 4.5% window relational to each other each currency had to maintain.

global scale at the expense of the Periphery (wage discipline will be returned to in Chapter 3) (Issing 2011: 741). [This allowed the French to implement their deflationary policies, but was proven to be insufficient, causing increasing political backlash in 1995 from the French public. However at this point the EMU was firmly established and the French government had insufficient power to alter economic policy (Reland 1998: 85).]

The ECB's *modus operandi* since its inception is that of the New Consensus Macroeconomics, a school of thought arising from the domination of monetary policy over fiscal policy (Fontana 2006: 441). Under the New Consensus, price stability is the prevailing indicator central banks utilise. This indicator is adjusted according to the nominal interest rate increases in response to expected inflation to increase the short term real interest rate, affecting aggregate demand and re-aligning inflation (inflation rate of around 2% is considered stable) (Fontana 2006: 441). It must be remembered that Europe operated under a quasi central bank since the 1980s, the Bundesbank, whom Modigliani characterised as having an 'obsessive fear of inflation and a benign neglect for unemployment' (Fontana 2006: 443). This view was able to persist as the New Consensus promotes a Classical view that monetary policy only produces real effects in the short run. According to Modigliani, this view has allowed for the level of aggregate demand and employment across Europe to be severely negatively affected (Fontana 2006: 443).

These views were able to dominate as a subset of the neoclassical paradigm that was simultaneously influencing banking and economic governance (including the US Federal Reserve) espousing similar beliefs of: rational agents; market's efficient allocation of resources; the (mostly) ineffective intervention of governments; monetary conservatism; and the universality of these principles (Fitoussi & Saraceno 2013: 484). The prevalence of these views in both New Keynesian and New Classicals made it strategically easier to implement these aims, feeding off the neoliberal ideology. These principles aligned with many components of Germany's economic outlook and practice. Germany's belief in these principles makes sense, as it allows for a strong German export market, it plays to their fear of hyperinflation since the War, and, as the anchoring bank they had increased credibility in implementing their Ordoliberal

ideology across the Eurozone as a whole (Lucarelli 2011: 211; Schroeder 2003: 211; Bibow 2013: 109, 611-12). Against the backdrop of globally failing Keynesian central banking practice, which viewed central banks as an organ of the state that should be inherently accountable and invested in real outcomes, the Eurozone had almost no choice but to structurally embed these new ideas into the ideological fabric of the ECB (Bibow 2013: 109, 611-12).

2.3 The structure of the ESCB

The strategic forces and global pressures throughout the late 20th Century therefore resulted in a complex structure of the European System of Central Banking (ESCB). The ESCB is a body of institutions with the ECB situated at the head. As such the ECB maintains a high degree of centralised power, however it is heavily reliant on the National Central Banks (NCB) of member states for dissemination of decisions and the relaying and collection of information (Padoa-Schioppa 2004: 24)⁶. Historically central banks have been responsible for supervision of commercial banks to ensure informational validity when making decisions (Padoa-Schioppa 2004: 22-3). However the ECB, contrary to its immense power and independence, is reliant upon NCBs for prudential supervision retaining only a weak supervisory function (Skaperdas 2011: 14). This leaves the ECB reliant on the trustworthiness of Eurozone member state's NCBs for the information that contributes to their economic decision making and modelling, such as expected inflation and GDP (Gorter, Jacobs & de Haan 2008: 478). This information is discretionary and politically volatile, as member states have agreed to both the Stability and Growth Pact and the Maastricht Treaty, which carry penalties for violations of deficits and public debt (Hertzog & Hengstermann 2013: 3). This supervisory and informant based role is one of the few features the subsidiary, NCBs have maintained under the hegemonic influence of the ECB (Padoa-Schioppa 2004: 22-4). A subset of this structure is the idea of decentralisation, the subsidiary nature of the NCB within the ESCB.

⁶ Padoa-Schioppa was an Italian Economist and considered one of the founding fathers of the Eurozone he was an Executive Board Member of the ECB from 1998-2005

Structurally therefore, the Eurozone acts as its own 'polity', where the Zone acts like a country but with member states reduced to a role similar to corporations, influenced by strategic and competitive motivations but systemically constrained by the governing control and coordination of Eurozone's Single Market Program (Padoa-Schioppa 2004: 35, 49). A certain degree of concession to market by the state has not been uncommon throughout the 21st Century, as geographical boundaries become increasingly irrelevant under the pressure of commercial institutions (Goodhart & Tsomoscicos 2012a: 455). This phenomenon is exacerbated in the Eurozone by the interdependence of all nations; both commercial banks and enterprise can exert undue influence on markets as there is no reliable supervisory functions. Supervisory data has been proven to enhance economic forecasting, and when well executed at both micro and macro level can dramatically influence the ability for effective crisis management (Goodhart & Tsomoscicos 2012a: 468-9). The Eurozone has failed to properly emphasise and execute this crucial role, with the role of central bank supervision still under discussion, but decentralised reporting functions delegated to the NCBs and sovereign powers increasingly unwilling to relinquish any more politically valuable autonomy to the ECB (Goodhart & Tsomoscicos 2012a: 459; Goodhart & Tsomoscicos 2012b: 129).

The structures that govern the Eurozone are rigid to such a degree that on a national and supernational level strategic influence and adaptability is heavily obscured. The Governing Council and the General Council are largely composed of Governors of NCBs of Eurozone and EU nations (Eijffinger & De Haan 2000: 33). Within this structure there is an expectation that NCB Governors will be detached from their national identity, with each vote given equal weighting, with a 'one person one vote' mentality (Thiel & Schroeder 1998: 111-2). This is an extension of the idea that a European identity exists and that a collective good for all European nations is possible in making monetary decisions. However both the level of unaccountability and the politically charged nature of the ECB's role has left it more vulnerable to mismanagement than unbiased, technocratic governance. The second function that central banks have historically performed is a Lender of Last Resort (LOLR), a function the ECB has condemned by diminishing NCBs' ability to create money (without excessive bond returns), and prohibiting the financing of public debt of any member

state (see Maastricht (Article 21.1) and Amsterdam Treaties) (Goodhart and Tsomoscos 2012a: 456; Palley 2011: 7; Lucarelli 2011: 211).

The LOLR function of the central bank was disregarded in the context of the ECB due to a fear of irresponsible member states would ‘free-ride,’- expecting fiscally responsible member states to finance their debt. As a consequence there has been a lack of critical thought into other necessary strategies to help manage public debt, or control external shocks that may result in contagion and spill over (Eltis 2000: 53). As the ECB is ill-equipped to handle or compensate for national issues it has resulted in ‘haphazard’ institutions being established such as the European Financial Stability Facility (EFSF) (See Chapter 4) (Gocaj, Ledina & Meunier 2013: 240). The absence of this crucial function highlights the impotence of member governments over their financial stability. The ECB failed to not only anticipate the concept of a crisis but failed to create a politically accountable authority capable creating a harmonious economy to govern. This is especially important as the Eurozone entered the 21st Century, with increased speculative finance and personal exposure highlighting the lack of recourse member states and the ECB had in the case of a crisis.

Conclusion

The Eurozone’s infrastructure was able to be established as a rigid and poorly structured institution facilitating the exacerbation of an uncohesive and vulnerable collective economy. The Zone was not established to be balanced or economically coherent, and as a consequence it must be seen as a political and strategic endeavour. As previous Executive Board Member of the ECB Padoa Schioppa stated: ‘the European Union is an eminently political construct. Even readers primarily interested in economics would hardly understand the euro if they ignored its political dimension’ (Krampf 2015: 183). This political nature however has left weaknesses which were exploited by powerful member states, as will be seen. But this political construction deprived the Eurozone of much of the foundational unity it was aspiring to and has made its institutions deficient at governing in the interest of the whole. The ECB was not given enough power to effectively govern and unite the Eurozone, acting as a partial

state, and as member states were deprived of their autonomy competition rather than collective interest became the dominant force. The various constitutional Treaties and the history of Europe merely acted as a new strategic space for the Core nations to establish and cement their dominance at the expense of both the Periphery and eventually the Eurozone as a whole.

Chapter 3

Waging War and Zoning Out: Understanding Asymmetry across the Zone

Introduction

The creation of the ECB and accompanying institutions failed to establish a governable holistic economy. The ECB's lack of oversight and intervention allowed for asymmetry to be exacerbated across the Eurozone, and as a consequence benefits of the joint currency unequally distributed. This was able to occur through a lack of active harmonisation under the illusion that the Zone would naturally equilibrate. This lack of governance however provided strategic opportunities for national governments to implement policies for their own advantage. This resulted in member states competing with and destabilising each other, weakening the position of the Zone as a whole. Theoretically, the Eurozone was designed to create a strong economy that would not only harmonise Europe but also challenge the domination of other currencies. Instead it has resulted in internally competitive industrial relations between member states, financial mismanagement and a collective economy that was unsustainable under its governance infrastructure. This chapter will explore the rationale behind the Eurozone's lack of active integration, and how this lack of active governance allowed select member states to utilise policies to increase their competitiveness. It is important to emphasise that the Eurozone economies are diverse and thus not all are able to implement the same policies and for those policies to have the same affect. Finally this chapter will acknowledge the changing context of the Eurozone, as its first decade saw an increasing role of debt and finance and how this asymmetrically impacted upon member states without adequate supervision.

3.1.1 Theory 1: Endogenous Currency Areas

The Eurozone's institutions, the ECB and European Commission, unfounded faith in the Endogenous Currency Area Theory (ECA), resulted in a lack of supra-state governance positioning member states to be able to strategically benefit from the lack of oversight. The ECA, also known as the 'self-validating currency area' theory, claimed that the introduction of a single currency would naturally induce integration and the harmonisation of the member state's economies, following the creation of the EMU (Silvia 2004: 150-1). Under this logic⁷, since intra-industry trade dominates in the developed world, member states' economies would increase trade causing greater synchronising of business cycles (this can also occur with equally diversified economies) and making all national economies equally vulnerable to external shocks (Schelke 2013: 40). This passive theory provided a rationale that allowed the Eurozone's institutions, such as the ECB, the solitary role of monitoring the economy. The theory effectively created a complacent attitude to economic governance at a supranational level, providing member states with an the opportunity to exploit their advantage by engaging in competitive policies. It provided national governments and institutions with the strategic space to position themselves (and not the Eurozone) in the global economy. It is due to this strategic space that member state's national governments did not harmonise as the ECA hypothesised.

3.1.2 Theory 2: Krugman's Alternative Theory

Paul Krugman's interpretation of asymmetric integration, the 'Specialization Hypothesis,' provided a significantly more accurate account. Krugman's Specialization Hypothesis argues that a single currency would result in 'greater geographical specialisation since it promotes greater economies of scale and reduces costs to trade' (Silvia 2004: 150). Geographically, Krugman highlights that whilst trade may increase, this trade would not have to be reciprocal or symmetrical, therefore allowing for the

⁷ Which is an extension of Rose and Frankel Optimum Currency Area explanation (Frankle & Rose 1996:1-2)

reaping of asymmetric benefits across the Zone. In strategic terms this initially meant that in the single market process there existed an opportunity to heighten productivity to ensure that specific national economies had a competitive advantage. From this vantage point not only is the Eurozone destined to be sub-optimal, but specific regional and national specialisation makes asymmetric shocks across the Zone, more probable (Schelkle 2013: 40). Under Krugman's framework certain regions of the Eurozone and groups of member states would suffer from a reduction in correlation in regional incomes with the rest of the Zone together with an increase in trade asymmetry (Silvia 2004: 150).

This asymmetry in trade is compounded by Myrdal's Development Economics perspective that once a competitive advantage is achieved it will be accentuated. Myrdal's hypothesis puts forward the view that:

'the free circulation of capital leads to polarisation through a process which is cumulative in character due to the fact that the entry of capital in a country at a higher marginal productivity leads to new activities that in turn create new opportunities [for] attracting new capital.' (Bianchi 1998: 22)

In the context of the Eurozone this meant that the early years following its establishment provided a space for individual member states to attempt to advance their productivity and competitiveness in a concerted effort to attract long term capital. As a result, those member states that failed to appropriately orient their economies or to increase productivity and competitiveness preceding entry into the EMU or during its early establishment risked suffering a prolonged period and environment in which they had no advantage.

3.2 How Did this Disparity Occur?

Whilst the ECB and its associated institutions (European Commission) did monitor productivity, employment and wage rates, entrepreneurship and investment, all

economic reforms were focused at a national level. This allowed national governments to be able to focus on their domestic economy and global positioning, ignoring the implications for the Eurozone as a whole. This is especially true in areas such as labour relations, where domestic policy and market structures can significantly differ in outcomes and minimum standards. These policies left some parts of the European economy more vulnerable, volatile and, much as Krugman feared, subject to regional ghettoization and polarisation of investment for productive industry.

3.2.1 The Importance of Labour

Labour plays a seminal role in the unification of the Eurozone by creating harmony across Europe and in synchronising economies. However it was left out of the purview of the ECB and thus left to national level governance. The Treaties that enacted the EMU laid out the practical explanations for the Zone, and highlighted the goal of a subsequent political and social union, reinforcing the interests of a more peaceful Europe in the wake of WWII (Feldstein 1997: 61; Tsoukalis, Hill & Smith 2005: 234). Whilst this political union failed to materialize, the necessity for labour to be the adjustment mechanism to equilibrate European the economy remained.

How was labour meant to equilibrate the economy? Labour mobility and wages (as a form of prices) were expected to compensate for the loss of the nominal exchange rate mechanism between Eurozone member states (Baltho 1998: 144). In principle this meant that when, for example Germany, becomes more productive and growth occurs meaning it requires more labour, real wages will rise and goods will become more expensive. Simultaneously in a Peripheral member state there is unemployment so wages will fall and products will become cheaper (Eijffinger & de Haan 2000:19). This mentality however is predicated on the assumption that member states are ‘rational wage setters’ meaning ‘wages are set so as to deliver the real exchange rate consistent with the economy at equilibrium output and with inflation at the ...[Common Currency Area] inflation target’ (Carlin 2013: 490). If these conditions are not met, persistent inflation can occur, the real interest rate can become a destabilizing source of

information, loose credit conditions can occur creating divergent current account balances and real exchange rates, creating even greater volatility (Carlin 2013: 490). In terms of macro economic policy, rational wage setting was not enforced at a supra-state level. Due to this, price signals failed to be a meaningful indicator or to aid the synchronizing and converging of national economies to diminish the risk of asymmetric shocks (Issing & Smith 2004: 25).

3.2.2 Use of Wage Suppression

The lack of concession of sovereignty to EU institutions around industrial relations provided national governments with a short temporal window to cement their competitive advantage in order to maximise their benefits from the Euro. In order to improve their competitive positions, the Core economies had to implement strategically selective policies that would suppress wage growth, outsource underproductive sectors and attract productive capital in order to expand markets available to them.

The use of an effective wage suppression policy (wage moderation) enabled select collections of member states to increase their competitiveness at the expense of other member states. Many of the northern economies, particularly Germany, entered the EMU at an uncompetitive exchange rate. However they had already begun the process of decentralizing wage bargaining, resulting in greater firm flexibility with regards to employment conditions and labour market restructuring (Rhodes 2014: 656). These policies, which existed in several of the northern Core economies, enabled the coordination of nominal wage growth so that it could not grow at an uncompetitive level in important tradable industries in order to maintain control of competitiveness (Carlin 2011: 326).

The Core countries that committed to these policies were able to do so as their wage level growth was tethered to more sheltered sectors, and were thus less vulnerable to speculative pressures (Johnston, Hancke & Pant 2014: 1772). These policies however come at an expense; whilst Germany's national economy grew it resulted in a real wage

devaluation for German workers (Young & Semmler 2011: 2). In reducing the cost of labour Germany was able to be more competitive and productive, but at the expense of its workers. However it was only able to execute this strategic policy due to its pre-established position within the global economy as an exporter.⁸ This valorisation process in favour of the Cores' capitalism is an extension of capital's domination and control of the states' extra-economic coercive force in its domestic favour (Jessop 1983: 90).

In contrast, the Periphery's national governments were unable to engage in this strategic devaluation of labour, due to both financial markets and their reliance on internal domestic markets. The Periphery had less structured economies, with less control over wage rates and a much greater reliance on their domestic market, which would have been stifled if domestic demand were depressed by decreasing the value of wages (Grahl & Teague 2013: 688). Instead, joining the Eurozone acted for much of the Periphery as an incentive for speculative capital and credit based consumption. This speculative and personal debt based spending in turn produced a consumption boom, forcing prices (including wages) to rise, but with all of the gain being readily reversible (See Figure 1 and 2) (Grahl & Teague 2013: 688). This high demand in the Periphery however was a distortion of the market, and served to reinforce the Periphery's historically poor productivity (Rhodes 2014: 657). Figures 1 and 2 clearly display how Germany was able to give the illusion of increasing productivity whilst maintaining a strong export sector. In contrast the rest of the Eurozone (and Greece in particular) experienced heightened labour costs and were thus a less competitive economy. Figures 1 and 2 depict the dramatic divergence in wage rate throughout the first decade of the Euro.

⁸ The Core has *only* approximately 50% of its trade from internal EU trade compared to the Periphery which is reliant on the EU market for up to 70%. (Thiel & Schroeder 1998: 106)

Labour Costs in the Euro Area, Germany and Greece between 2000-2012



Figure 1: Labour costs across the Euro area from 2000-2012

Unit Labour Costs 2000=100.00

Source: OECD (2012)

Nominal Labour Costs in Europe from 1995 -2008

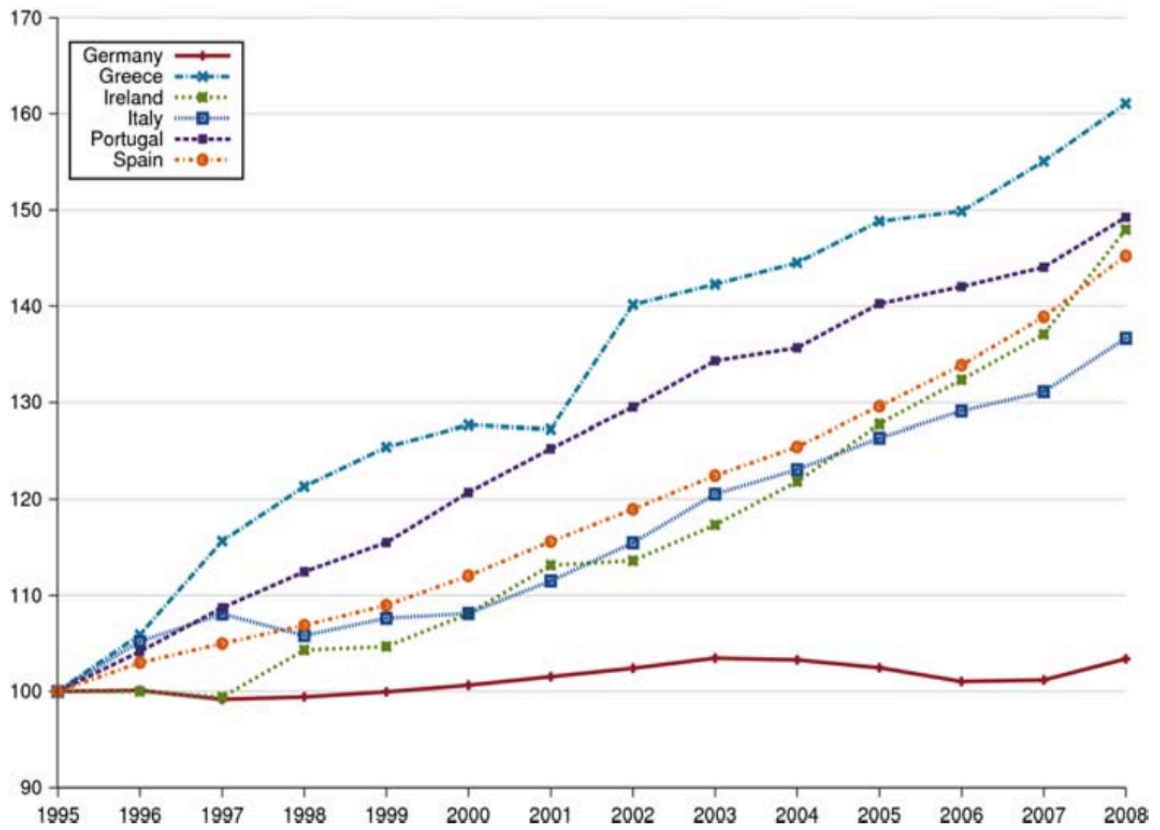


Figure 2: Nominal Labour Cost 1995=100
Sources: Lapavistas (2010: 338)

3.3 The Structure of the Eurozone Economy

The European economy suffered after the establishment of the Treaties and the failures of its governing bodies to reorientate Eurozone members to behave as a single economy. This lack of behavioural unity and holistic governance allowed for powerful member state's governments to position themselves within the global economy and steer the European economy by proxy. Whilst there is a common interest in a strong European economy, there is no institutionally accepted monopoly over coercive power. This allows for individual member states to exert their self interest such that multi-scalar governance becomes too great an effort to coordinate various stakeholders in order to have a complimentary means of governance, rather than one policy that is good for all (Jessop 2004: 50-51). In this sense the Eurozone economy has been able to be strategically dominated by the Core member states with a strong and embedded interest in protecting their domestic capital.

3.4.1 Varieties of Capitalism

Due to a vacuum in centralised power the Core member states have been able to strategically situate their economies in a global context, answering to its domestic interest for capital and increasing its own power. As stated previously, the Germans have only been able to utilise wage devaluation because of their economy's outward focus. In this time Germany and France were also able to secure conditions to enhance the productive components of their economy. For the French the depreciated value of the Euro in the early years provided a time envelope for advancing their manufacturing sectors export sector (Talani 2005: 224). This positioning would aid them in the years to come by progressing their markets. The German government exerted a similar, if not greater, effort to ensure their manufacturing and production sector were globally competitive in the context of the global economy (especially exploiting the large market opened by oil producing nations in the Middle East) (Rhodes 2014: 656; Talani 2005: 224). The German economy, accompanied by the Netherlands and Austria, was only able to sustain a thriving export sector (growing at

twice the speed of the rest of the Eurozone 1996-2008) and current account surpluses by creating imbalances that necessitated current account deficits in the Periphery (Young & Semmler 2011: 2, 10). These self-interested policies were able to be executed by powerful states, in the interest of capital, due to a vacuum left ungoverned and uncoordinated at a European level, and because of the economic structures which enabled this to be an option.

3.3.2 Firms, Enterprises and the -temporal fix of harmonisation

States in Europe are inherently influenced by a desire to protect and advance their domestic firms. The Treaties, particularly the Treaty of Rome, were constructed in such a fashion that the opening of borders was beneficial to firms that had established efficient economies of scale. The Core member states (France and Germany) statistically have a larger average firm size, than the Mediterranean Periphery (Mulhern 1995: 83-4). These Core firms were also strategically well positioned in the 1980s neoliberal era⁹, leading up to the EMU, with a large export focus making them significantly more competitive than those in the Periphery (Bruff 2010: 626; Maccartney 2011: 34-5). The Mediterranean region on the other hand is largely populated with small size firms, with two thirds of Greece's firms considered 'micro-firms,'¹⁰ leaving them more vulnerable to competition and inefficiency (Mulhern 1995: 83-4). During this period these Mediterranean firms with lower trade barriers for protection, were now facing increased competition together with an environment with penalising borrowing rates due to their lack of collateral and significantly less productive labour (by up to 66%) (Mulhern 1995: 84). In essence this made the Mediterranean economies more reliant on internal and credit based markets, as their competitiveness in export markets was so low. This allowed the Core member states

⁹ Jessop (2013: 71) definition of neoliberalism: 'six defining economic policies of the neoliberal political project are likely to be adopted in such cases: liberalisation, deregulation, privatisation, market proxies in the residual public sector, a commitment to further internationalisation and reductions in direct taxation.'

¹⁰ Definition of micro firms: 'Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers... (SMEs) are non-subsidary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union'(OECD glossary 2015)

increased access to external markets, stronger economies and as a result produced greater regional inequalities (Macartney 2011: 34-5). This necessity for credit can be seen in Figure 3, using household financial assets (as a proxy for household debt), the divergence between the Core and the Periphery is evident. The same relationship is true for business as seen in Figure 4 with private debt.

Since the EMU's inception the Core has also elongated the timeframe and geographical reach of its corporate domination through the establishment of regulatory frameworks that strategically limit the influence of other actors. Since economic governance was not wholly conceded by the states to the EU institutions, Core firms have been able to position themselves through careful regulation at both a state and supra-state level in order to increase their advantage. This has mostly been achieved through strategic, first-mover advantages in regulatory settings, negative integration (the removal of barriers) and selective subsidy protection. First, on a regulatory basis (Germany and France) have used their technocratic dominance to propose and set European standards. These standards-setting strategies are only available due to their already formidable position in the global economy limiting any future impediments to their growth (Avdagic 2001: 144-5). This corporate domination is reinforced by those states able to support business, protecting weaker sectors, such as Germany gaining unchallenged subsidies in their favour (Art 2015: 198). Under this form, Germany has embedded a series of rules and norms over how and where capital is drawn, despite the counterproductive effect these rules may have on the rest of the Eurozone, especially the Periphery (Jessop 2013: 8).

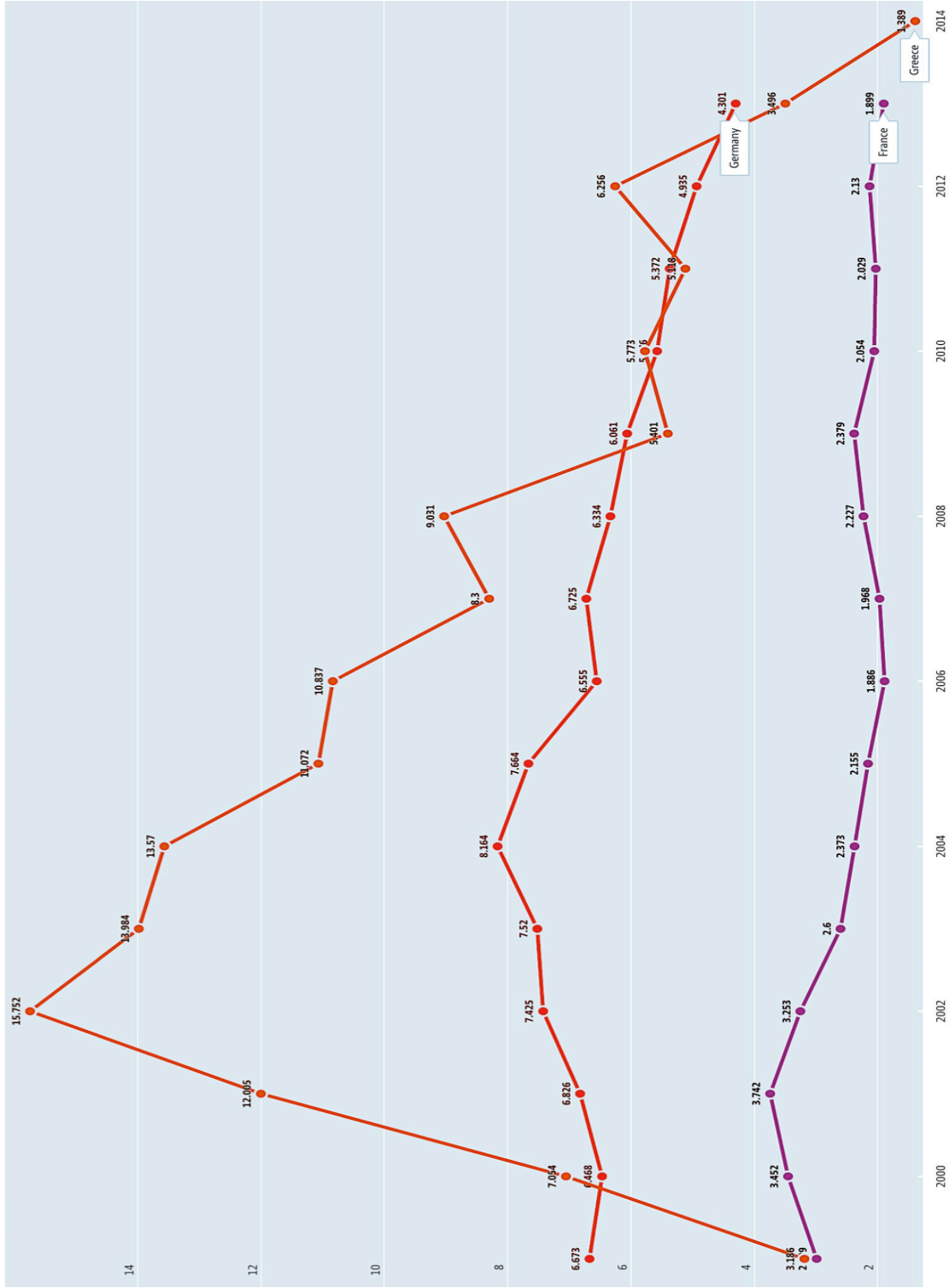
This form of 'regulation-cum-governance' has aided the Core's capital accumulation, but has ultimately derailed harmonisation efforts and created greater polarization. The Core has been able to utilise their strategic position in order to instil norms which will continue to favour their economic growth, as seen above through their business behaviour and as will be explained with their roles in finance capital (Jessop 2013: 9-11). Structures have been created and implemented where it advances the Core, and at the same time, barriers are only revoked in the interests of the Core. In the context of Europe, this form of accumulation strategy has been inherently biased, but

has also resulted in the need for a spatio-temporal fix. Spatio-temporal fixes act as a compromise where the time frame shifts, allowing for institutional imbalances and compromises to exist within the accumulation regime and governance (Jessop 2005: 51). Under this premise the dominant class acts in a manner which is not necessarily congruous with their interests in a given area or time, but in perspective the compromise can be seen to be in their long-term or short term advantage (Jessop 2000: 331). By embedding these structures capitalism ultimately served to weaken the Zone and its institutional integrity, and the spatial areas available to exploitation.

3.4 Financial Markets' Role in the Economy

The Eurozone's creation coincided with a heightened prevalence of speculative finance. For many countries the unification of the Eurozone made them much more attractive and easy to invest in for speculative finance. The creation of the Euro, as stated previously led to inflationary divergences and a narrowing of real interest rate differentials, providing a fruitful environment for 'bubbles' to occur, such as the housing bubbles in Spain, Ireland and Greece (Lucarelli 2011: 207). The low interest rates allowed for artificially easy borrowing for a lot of households in the Periphery giving them increased personalised debt (See Figure 3). This was in conjunction with mass financialisation that was occurring in mature economies around the world, where finance increases in importance comparative to productive components of the economy (Lapavistas et al. 2010: 321). This process also included commercial banks beginning to target households instead of corporations, who can self-finance (see Figure 4). This relationship can be seen through the amount of household financial assets (aside from shares) each are holding (Lapavistas et al. 2010: 322). Whilst financialisation has occurred across the Eurozone, Germany and the Core avoided much of the personal volatility associated with increasing household debt and speculative bubbles such as real estate (Lapavistas et al. 2010: 322). This increasing personal and private sector debt acted as a compounding and unequal burden falling on the Periphery due to the structure of their economies.

Household securities other than shares as a % of total financial assets from 1999-2014



Key
 Orange= Greece
 Red = Germany
 Purple =France

Figure 3: Household securities other than shares as a percentage (%) of total financial assets.

Source: OECD (2015)

Private Sector Debt, Consolidated- Percentage (%) of Gross Domestic Product

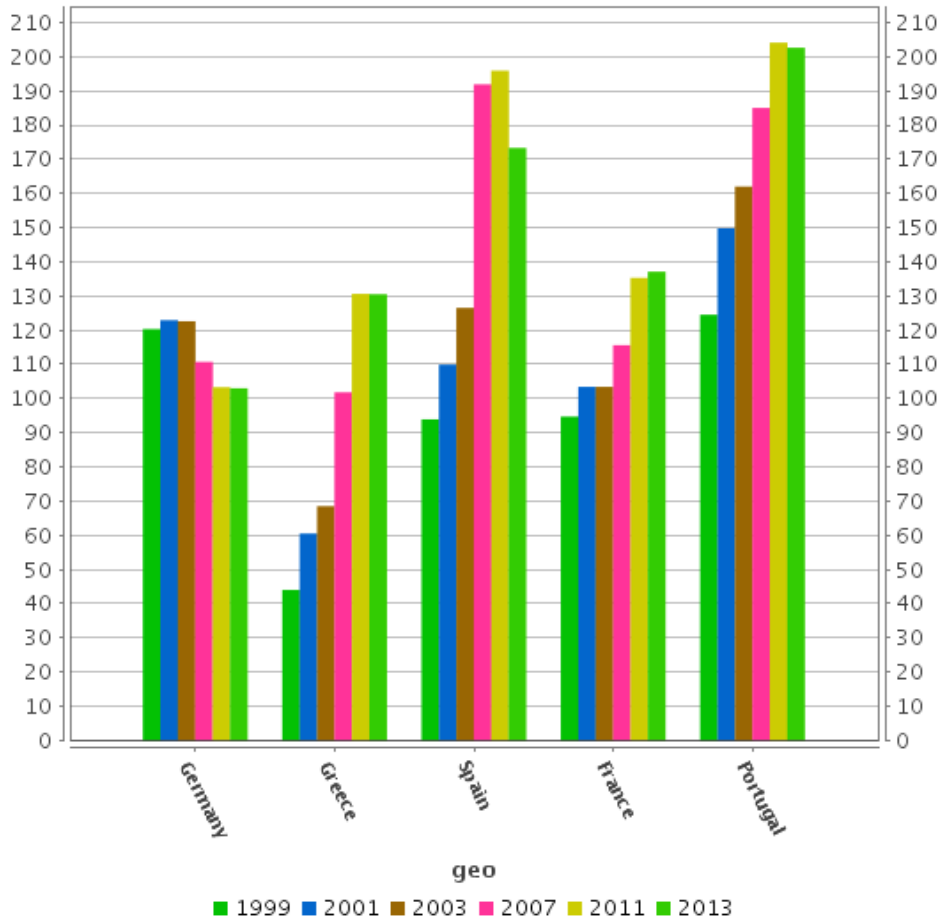


Figure 4: Private sector debt to % GDP

Source: Europa (2015)

3.5.1 The Role of Finance and Debt

The Core was also able to utilise the new sovereign subservience to the bond market to consolidate their advantage. Most of the Periphery's credit was drawn from external sources. External debt is the only form of debt available for most Eurozone states as they do not have control over monetary policy or the quantity of money. This debt is also the most volatile as interest involves 'drainage out of the domestic income stream,' placing increased pressure on the aggregate domestic economy without stimulating that economy (e.g. by being internally reinvested) (Diamond 1965: 1141, 1147). The Periphery's debt – both public and private – whilst in the Eurozone has doubled or trebled giving the countries heightened risk and exposure (Lucarelli 2011: 208). Whilst all sovereigns are subject to the volatility of the bond market, the structure of the Eurozone has acted as a reinforcing mechanism for capital flows, with investors drawn to 'safer' states, that of the Core (surplus states) (Palley 2011: 7; Pasiouras 2012: 31). This ultimately acts as a vicious cycle for the Periphery reinforcing their debt and volatility without the level of access to productive capital flows as the Core.

This disproportionate exposure was largely ignored by the ECB, allowing for it to be exacerbated and thus increasing risk due to the lack of supra-state unity. As the monetary system became further integrated, national governments ceded control to the bond market. It is in this way that the EMU becomes the 'master' of national governments. This is due to the fact the ECB is structured as a 'detached' central bank, not authorised to buy government debt or act as a lender of last resort (Palley 2011: 7). As a consequence, individual Eurozone governments are exposed to confidence shifts and speculative attacks (Gill 1998: 25). These actions also delegitimise them as sovereign states, reducing member states to almost to the equivalent of corporations, unable to control their own debt through monetary policy or guarantee the repayment of external debt (Palley 2011: 11).

Due to the structure of the Eurozone it is also possible for other member states' elites' to speculate against a government's bonds, exacerbating the cost of borrowing (through betting against volatile nations debts) (Palley 2011: 9). This institutional

loophole was exploited during the Sovereign Debt Crisis, reinforcing the Core's position as the safe-zone for capital and investment (this will be explained in more detail in Chapter 4). From the Eurozone member states' perspective financialisation created a new space to establish themselves and their role in capitalist reproduction. Whilst finance introduced a new set of stakeholders to influence the power dynamics, these dynamics mimicked much of the pre-existing strategies. Core member states were able to strategically position their firms in the realm of productive capital to ensure primacy, and that their positions in financial markets mirrored this domination. This action was merely a component of state internationalisation, where states had to have a dualistic role in both national and international capital reproduction (Panich & Gindin 2012: 4).

Conclusion

The early years of the Eurozone highlight the nationalistic interests domination over cohesive economic governance. The Eurozone, as it was seen in Chapter 2, had developed a set of formal institutions that were favourable towards such nationalistic interests. This Chapter explored how these institutions were able to be exploited by key members at the expense of the weaker economies and the Zone as a whole, outside the purview of the ECB. The lack of institutional oversight allowed for the exacerbation of asymmetries across the Zone, with the assumption that a unified monetary policy would coherently adapt proving to be unfounded. The spaces that fell outside the Eurozone's supra structural governance creating a vacuum that allowed for further exploitation by self interested members (and their firms). However these strategies were only selectively available requiring such pre-existing economic strength that it precluded the participation of the Periphery. The Zone was also exposed as rigid and inflexible to changing pressures, with the increasing role of finance. It became clear just how important this finance was to the Eurozone and how ill equipped its monitoring and accountability was to handle these new challenges. The majority of the first decade of the Euro saw the rise of asymmetry, public mismanagement, and Core member states reap the benefits of a favourable economic outlook at the expense of the Periphery.

Chapter 4

A Greek Tragedy or A Eurozone Financial Crisis?

Introduction

Within its first decade the Eurozone (Zone) was in a position where it was forced to confront a crisis with a divided economy within its first decade. As demonstrated in the previous chapter, the Eurozone economy had been utilised to advance the interests of individual member states embedding asymmetry and weakening the Zone's ability to act as a whole. The Eurozone institutional framework had been exploited to such a degree, and became so ill-configured, that it was unable to meaningfully respond to the Sovereign Debt Crisis (SDC or Crisis). That Crisis exposed the divided nature of the Eurozone, highlighting the shortcomings of the ECB's crisis management and lack of responsiveness. The inbuilt nationalistic and strategic nature of the Zone meant that certain member's interests were not abated in favour of the collective. Instead and perversely, those dominant interests were re-established in the new institutional infrastructure, particularly the European Financial Stability Facility (EFSF) that was created to manage the Crisis. This chapter will explore the inadequacy of the Eurozone's response to financial crisis, revealing how the national interests of certain dominant groups exerted themselves throughout the creation of a new institution (and by doing so hindered its effectiveness). The nature of the Sovereign Debt Crisis makes it imperative to draw on the role of bond markets in regards to the ability for member states to respond to the Crisis, especially in light of their inability to use monetary policy. Finally, this issue will be framed in terms of both national responses of certain members to the Crisis and the delayed supranational Eurozone response.

4.1 What Happened to make the system falter?

At the end of its first ten years the Eurozone had developed a dominant financial sector, an (arguably) two-speed economy compounded by a lack of supranational

supervision, making it highly vulnerable to an exogenous shock. The Subprime Mortgage Crisis (which would become the Global Financial Crisis) acted as the catalyst to uncover these weaknesses within the Eurozone. This Crisis became relevant for the Eurozone once toxic financial assets were exposed as being on the balance sheets of many major European commercial banks, necessitating large national bailouts (Sharma 2014: 103). In turn these bailouts exposed the extent of public debt in various member states (especially as a percentage of GDP), which in some cases was misreported to the ECB. This in turn raised questions about government solvency of the affected member states and the ability of the Zone to respond collectively to the now Sovereign Debt Crisis, effectively threatening the viability of the Periphery (Sharma 2014: 106-7).

4.2 Whose Responsibility was it? Supervision and Intervention in the ESCB

In light of the SDC, state responsibility and institutional oversight were exposed as ill-adapted to the complexity of the Euro. The interconnectedness of trade and finance since the inception of the Euro had dramatically increased and the Eurozone's institutions failed to keep pace with these changes. Whilst this is true for much of the developed world, the issues were compounded in the Eurozone by the level of integration and divergence. The ECB recognised the need for change in 2005 with the ECB Financial Stability Review calling for a 'widely accepted and rigorous framework' in order to keep up with policy assessment' (Goodhart & Tsomocos 2012a: 19). Whilst this recognition existed, the Eurozone failed to adequately respond, especially on a financial level as the Crisis developed.

The Crisis exposed and exacerbated the most fragile and incongruous components of the Eurozone, and allowed these weaknesses to be exploited through new institutions in the banking and financial sectors. Financial supervision within the European System of Central Banks (ESCB) was defective, never specifically delineating between the responsibility of National Central Banks (NCBs) and the ECB. This issue partially arose due to the question of who was more capable of providing better supervision, especially

considering the diverse, independent factors creating a crisis and the fact that crisis management was never a central feature of the Eurozone's planning (Goodhart & Tsomocos 2012b: 468). The relinquishing of supervision to National Central Banks again made the role of oversight strategic and politically charged. Specifically, National Central Banks were, through the lack of alternative arrangements, given the responsibility of monitoring the quality of commercial bills in the money markets, as these were some of the more volatile bills that would need to be discounted in the case of a crisis. National Central Banks were expected to follow the Classical monetary economics principle of 'real bills' of central banking policy (Chailloux, Gray & McCaughrin 2008: 10). The focus of this principle is on setting policy to ensure that there is enough available money market assets to inject liquidity (Goodhart & Tsomocos 2012a: 123). Overall this diffusion of responsibility meant that both the ECB and NCBs effectively have less power to create and maintain a climate of financial stability. However this reduced NCBs to merely monitoring and consulting institutions, reliant on fiscal authorities for loans in order to create balance sheets for financial intervention (Goodhart & Tsomocos 2012b: 456).

The underlying question then, is why did this structure arise, especially considering the risk associated with the financial sector? In response the answer is that this structure favoured those member states possessing strong fiscal authorities, leaving the Zone as a whole ignorant about the true cumulative risks as a consequence. In perspective the accumulation strategy had favoured those member states with strong fiscal records, which had accrued resources to be able to interact with the market in a meaningful and unencumbered way, and as a result those members were essentially strategically well positioned to handle the Crisis.

During this time, the lack of supervision at a supranational level by the ECB allowed Greece's to accrue 400€ billion of national debt, (approx. 140% of GDP) that threatened the strength of the Eurozone (Bongiovanni 2012: 228). The 'fiscally responsible' member states who, as it has previously been seen, exploited weaker states for success, were now poised to set the terms of the future of the Eurozone. They had strategically positioned themselves in such a way that both the ECB and the Periphery

required their consent to act, effectively instilling their national interest as part of the criteria in the new crisis management frameworks. This exposed the contradictory nature of national and supranational interests that were allowed to exist as part of the Eurozone's haphazard institutional design. Due to this structure member states in the Periphery were facing harsh penalties for their actions, such as their fiscal irresponsibility, effectively imposed by the Core. These penalties manifested as the conditionality which the Core was able to impose on the Periphery, for example committing to greater trade liberalisation that would benefit the Core but at great expense to the Periphery (Krampf 2015: 183).

In perspective, the institutions of the Eurozone were constructed around an ideology that failed to consider the importance of finance or the need for a redistributive mechanism other than the market (Krampf 2014: 304). This meant that rather than the ECB adapting to the increasing role of global finance in Europe, financial markets have filled a gap, acting as a disciplinary device for careless national budgets (Yiangou, O'keeffe & Glockler 2013: 226).

4.3 Who were they protecting? What made them act?

Crisis intervention for the Eurozone failed to create an atmosphere of unity or trust, with intervention only occurring when strategically beneficial to Core countries (including in risk minimisation). The first intervention by the ECB was the Long Term Refinancing Operation (LTRO), where the ECB undertook risk sharing, allowing for more assets to be used as collateral and extending loan lengths. Whilst this is conventional banking practice, its timing and broadening was strategically implemented to 'minimize the exposure of German banks to infected banking systems' (Krampf 2014: 307). These strategies did initially serve Germany, with the response being concerted to reduce the risk to the Core. As a donor country, Germany wanted to maintain 'last-resort lending rather than harsh conditionality when it fears that the spread of the Crisis will affect its own economy or the stability of the international system' (Krampf 2015: 184). Germany, however, wanted to maintain its leverage, perpetuating the continued

opening of markets and conditionality being applied to debtor nations. Germany still saw itself as an atomistic actor, and was reluctant to support ESFS's direct bailouts or the purchasing of sovereign bonds through the Outright Monetary Transaction (OMT) program without pressure from the Bank (Krampf 2015: 190-1). The Bank was now interested in its own preservation and perpetuation, and for that to occur the Core needed to provide the funds for its ongoing existence. The ECB however was not powerful enough on its own and required the the European Commission and heads of state to allow for the circumvention of governing Treaties, and the commitment of Germany.

4.4 National Strategies

The Crisis was initially dealt with on a solely national level. The Crisis for the Eurozone began in September of 2009, almost a full year after toxic subprime mortgage assets had been exposed in the US (Sharma 2012: 103). Nationalisation highlighted the self-interested nature of member states and the lack of cohesive Eurozone framework to deal with a crisis. Initially, most nations tried to bailout or nationalise local businesses in an attempt to reassure the public of the confidence in their banking system (Sharma 2012: 103). This process included nationalisation, bailouts and guarantees; for example: the Icelandic nationalization of Glitnir, one of their biggest banks; Belgium nationalizing Fortis, a banking and insurance company; Ireland 'issuing guarantees of the deposits and debts including all liabilities of [their] six largest lenders' and Greece publicly guaranteeing all bank deposits (Sharma 2012: 103-4).

Whilst there were some bilateral national bailouts of firms, such as the French helping Belgium, or Netherlands and Luxembourg helping bailout Fortis, most of this process was situated at a national level, effectively lifting the debt from the commercial sphere and into the national public sphere (Sharma 2012: 104). It was a 'country-by-country' strategy to deal with a financial crisis that was integrated throughout the continent. These initial national strategies of the Eurozone mimicked that of the US, where governments 'assume[d] colossal debt'(Sharma 2012: 102-105) However, unlike

the US, the Eurozone nations lacked the mechanism to increase the money supply as financial stress began to build and the cost of borrowing increased (Calice, Chen & Williams 2013: 123). However this heightened the risk of sovereign default, as bond yields became increasingly volatile and, due to their European context, monetary policy remained inaccessible (Bongiovanni 2012: 227).

The integrated and exposed nature of the bond market became a highlighted vulnerability of the system during the Sovereign Debt Crisis. With the removal of individual national exchange rate speculation, bond markets became the dominant mechanism for investors' speculation throughout Europe. The pricing of risky bonds is based on a simple assumption that investors should receive the same amount of interest as they would on safe bonds, plus a premium. However, the more uncertain the safety of the bond, the more the interest rate on the bond rises, as investors need a higher incentive to hold it (Palley 2011: 9). This idea is seen through the equation:

$$E(R) = 1 + i^* + z (1)$$

Where $E(R)$ = expected return from holding risky country bonds, i^* = interest rate on safe bonds, z = required risk premium to hold risky country bonds (Palley 2011: 9).

This, as we have seen before, essentially reduced Eurozone member states to the same position as corporations in a financial system - in the sense that investors can create circumstances where the bond yield is far higher than the risk premium by being able to 'leverage highly speculative bet(s) on default,' exploiting control over market liquidity and sovereign Credit Default Swaps (CDS), and where sovereign states cannot use monetary policy to intervene or guarantee the system, making debt restructuring significantly harder (Calice, Chen & Williams 2013:124).

From this standpoint the bond market is a mutually reinforcing mechanism where the safest bond issuing country, Germany, attracted even more investment, 'increasing the liquidity of [German bonds] and further driving down the German interest rate (Palley 2011: 10). This process heightened the risk to other already structurally weak national

economies, compounded by the fact that their risk premium on Credit Default Swaps (CDS) was growing, making them more uncertain and unattractive to investors (Gaspar 2011: 332). For high-risk member states this exposure to speculation had a two-pronged effect. First, a decline in the value of their bonds with exceedingly high interest rates attached to them strained their capital and liquidity, as bonds are used as collateral in interbank markets. Secondly, in many circumstances it forced an increase of government debt, as member states had to intervene to capitalise vulnerable domestic banking institutions (ECB 2015: Para 7). In this context, National Central Banks were forced to engage to a greater extent with the bond market in order to ensure liquidity management, as the ECB was prohibited from providing emergency liquidity assistance in the case of financial crisis at this stage in the Crisis (Clerc & Mojon 2011: 269). The lack of an integrated strategy weakened and exacerbated member states economies and the Eurozone economy as a whole, forcing the escalation to a European level.

4.5 The Supranational

The European response further suffered from a severe delay due to the lack of anticipation and an appropriate infrastructure for crisis management. This delay was partially due to the infrastructure of the ECB and Article 103 of the Maastricht Treaty that prohibited the acquisition of financing of another member state's debt (Mulhern & Vane 2008: 100). It was also partially due to the lack of a crisis response plan in any of the European level institutions. The Eurozone's Ordoliberal and neoliberal orientation had failed to anticipate the need for crisis management or the occurrence of a crisis on this scale. This meant that in 2010 the ECB needed to break with the spirit of its own mandate and issued its first bailouts through the roll out of the Securities Market Program (SMP) (Krampf 2014: 307). The SMP started with the purchase of €16.3 billion in member bonds. This not only decreased the Bank's independence but also severely compromising the ECB's reserves (Belke 2010: 358).

The Bank leveraged much of its reserves in order to commit to this process, significantly weakening its own position, and requiring backing from other nations,

particularly from the Core. The SMP was designed to ‘restore an appropriate monetary policy transmission mechanism,’ but it failed to instil long-term confidence (Darvas 2012: 266). This ‘appropriate monetary mechanism’ was created to stop a secondary crisis or greater contagion, with the hope that bailouts at this point would limit risk to the Periphery (Sharma 2012: 104-5). For many of the failing member states it reinforced their ability to embrace the moral hazard, by not following through on conditionality once the ECB had engaged in buying bonds and re-engaging in reckless fiscal policies (as happened in Italy in 2011) (Darvas 2012: 266).

Whilst these measures did manage to stifle a level of the contagion, they also weakened the Eurozone’s position on fiscal responsibility by removing the ‘no bailout’ principle, and thus shifted the onus onto the collective Zone to implicitly act in the interest of its weakest members (Belke 2011: 677). The programs were also met with a great deal of frustration from those Core members who were due to finance the new institutions. This was derived from the lack of control they would be able to exert over fiscal nature of other states; “Germany... argu[ed] that it would accept these institutions *only* if they were be accompanied by a fiscal union, in which ‘nation states give up their jurisdiction in terms of fiscal policy,” according to Schäuble¹¹ (Krampf 2014:311). Germany was a necessary contributor to these institutions. In order to maintain its position as a benign leader rather than a malicious hegemon, it was necessary for Germany to make some concessions about the proposed nature of the bailouts and subsequent institutions.

This short-sighted program, weakening the Eurozone’s overall position, was then intensified by the subsequent creation of the European Financial Stability Facility (EFSF). The EFSF was a response to the revelation that the Crisis was systemic and required a response that was not permitted under ECB’s governing framework (Closa & Maatsch 2014: 839-40). The rigidity underpinning the ECB meant that any broadening of its mandate (including a temporary Lender of Last Resort function) would require unanimous ratification by all member states, with combined significant legal and

¹¹ Wolfgang Schäuble has been Germany’s Minister for Finance since 2009-present

political implications and distributional issues in terms of funding (Dallago 2013: 210). The Eurozone was left in a position where in order for member states to act collectively an organisation outside of the established Treaties (e.g. Maastricht) had to be created, the European Financial Stability Facility.

The EFSF was therefore created under the guise of solidarity and the united nature of the European economy. However the EFSF was only set up with a 3 year term and with a budget of €500 billion, made up of €60 billion from the EU and €440 of government guaranteed bonds to be raised through capital markets (which must be AAA rated –diminishing that amount in actuality), all complimented by €250 billion from the International Monetary Fund (IMF) (Arestis & Karakitsos 2013: 161)¹². The short term nature of the EFSF undermined its aims of strong conditionality of the loans the EFSF was providing with the institution seen as reactive creation, and only a temporary divergence from the ‘ultimate objectives,’ giving a perception that the pervading mandate was unchanged (Krampf 2014: 304).

Whilst breaking with the strict sense of the Maastricht mandate, the EFSF still placed a great deal of emphasis on national responsibility. The EFSF is a facilitated funding program. Whilst its aim was to alleviate the Crisis and diminish its spread, all loans were conditional and have an expectation of repayment (Closa & Maatsch 2014:829). These loans reinforced the idea that it was indeed the reckless behaviour of individual nations that prompted this position, and not systemic structural issues or the strategic exploitation by other member states, by placing the responsibility back on already fiscally struggling states. The EFSF has a high ‘penalty premium’ built into its interest cost that has reinforced the idea that bailouts were designed to protect the Zone from further damage and not save member states with whom they had a common financial interest (Lane 2011: 78).

This common interest, however, was largely self-preservation for the Core. In 2010 at the inception of the EFSF, German and French banks held more than \$900

¹² Whilst the IMF's role in the Crisis and bailout is an important, due to this thesis's focus being on the ECB, it will not be analyzed here.

billion of exposure to Greece, Portugal, Ireland and Spain (Gocaj & Meunier 2013: 241). The integrated system meant that a last minute and haphazard response was necessary to prevent further spread of the Crisis throughout the European banking and financial system. The EFSF was destined to reinforce the same power dynamics, with the Bundesbank exceptionally resistant to assistance funding, demanding a short-run 3-year program for the Special Purpose Vehicle (SPV), and that there be a penalty interest rate applied rather than economic solidarity and forgiveness (Varoufakis 2013: 58-9). These policies highlight the lack of progress that the Eurozone had made with individual member states, which still perceived themselves as atomistic and self-interested. The Zone's governance was still dominated by nationalistic interests and self-advancement, attempting to re-establish accumulation patterns that favoured their interests rather than the entire Eurozone economy. The Eurozone institutions had failed to unify in any practical way, whilst the new institutions instilled the same strategic dynamics and rigidity that had come before.

Conclusion

The Sovereign Debt Crisis exposed the lack of cohesive governance and collective interests in the Eurozone. The SDC brought to the fore the level of asymmetry that had developed throughout the Eurozone, and also exposed just how futile the infrastructure of the Euro was to manage it. The Crisis however merely uncovered the asymmetric growth patterns and exposure that had been developing since the introduction of the Euro. The established institution of the Eurozone, the ECB, had failed to supervise and manage national interests in order to prevent the vulnerabilities the Crisis uncovered. This is largely attributable to their mandate that favoured supervision only in areas that favoured Core accumulation, allowing for the Eurozone's unanticipated financial vulnerability to go unnoticed. However the Eurozone also fell victim to its own lack of synchronicity and harmonisation, with a lack of severe enough interdependence that member states felt responsible for each other, but a monetary policy which necessitated collective action. Compounding this was a rigid ideology that had failed to consider crisis management at the inception of the Eurozone. This

culminated in the Eurozone's lack of cohesive and timely management of the Crisis necessitating the creation of new governance institutions, the EFSF, to circumvent foundational treaties and the pre-existing institutions, namely the ECB (Orphanides 2011: 18)¹³. Both the EFSF and the ECB failed to act as a paradigm shifting influence for the Eurozone, insufficient to overcome national competition in the interest of the collective good (Krampf 2014: 304). As this Chapter has shown these institutions, merely acted as a space for the Core to assert their interests over the collective. Ultimately leaving the Eurozone in a position where it exhibits systemic vulnerability to further crisis and ongoing asymmetry.

¹³ Orphanides is the Central Bank Governor of Cyprus

Conclusion

This thesis explored the extent to which the Eurozone has been weakened by the strategic behaviour of key actors. The Eurozone and its governance are undeniably an important component of the global economy, and this thesis has aimed to highlight the foundational causes underpinning its weaknesses. This refocusing has demonstrated the nature of the Eurozone's shortcomings in through structural rigidity and biased governance structures. The European Central Bank (ECB) in particular has demonstrated its lack of capacity or strategic intent to govern in the interest of 'mutually [or collectively] beneficial' outcomes (Jessop 2003:101). The examination of the Eurozone through the theoretical lens of the Strategic Relational Approach (SRA) has allowed for a reconceptualization of the Eurozone's structures and institutions of the Eurozone in a manner that reveals the systemic failures in the spaces where governance occurs. Ultimately this thesis has highlighted the strategically implemented limitations on governance in the Eurozone due to the social relations inherent in its structures and the self-interested goals and behaviour of key agents.

Findings

The continuing political and economic crises that plague the Eurozone have not been adequately explored within existing literature, that frames the debate narrowly round narratives of national blame. This thesis has provided a way in which to reconceptualise the nature of these responses to, these crises as an inherent and systemic feature of the structures and institutions of the Eurozone. The issues plaguing the Eurozone required a reframing in order to move away from the polarising debates around national blame and crisis management to a more holistic and nuanced interpretation. By starting with the establishment and formalising of the strategic interests within the institutions of the Eurozone, this thesis has made evident the structures that allowed for the perpetuation of nationally competitive mentalities and behaviour. The creation of the Eurozone was an inherently strategic project, and this thesis has demonstrated the way in which the realisation of this project has served as a

barrier to effective governance of the Eurozone as a collective. The determination of Core member states to have institutions reinforce an ideology congruent with their national economies resulted in the adoption and embedding of fragmented and biased processes of governance. These issues also exposed the Eurozone to vulnerability due to its rigidity to respond to changing circumstances and a lack of accountability distilled in the mandates of institutions whose role was theoretically to govern for all. Member states determination to maintain individualistic sovereign authority made them competitive and unable to adapt to the changing nature of global economy. It is through the strategic framing of nation states, and the nature of supranational governance to favour select groups that these issues became evident and understandable. Member states have to be perceived as actors whom are out to advance their position through the structures in which they operate.

This thesis has aimed to highlight the role that pervasive ideology has had in reinforcing the Core's accumulation strategies. In Chapter 2 it was argued that the Core did not mechanically superimpose or inscribe an ideology onto these institutions, but merely exploited the widespread acceptance of certain already existing ideologies. Through this it was able to entrench these existing ideologies into the emerging structures of the Eurozone in order to perpetuate its own material interests. Explicitly, this came in the use of neoliberal and Ordoliberal primacy of inflation targeting and business-friendly mentalities.

With this established, Chapter 3 highlighted the way in which, once instituted, these systemic and structural imbalances in the Eurozone's governance facilitated the development of specific national economies. This, however, merely served to exacerbate the structural biases and asymmetries existing across the Eurozone. The thesis used industrial relations and fiscal policies as exemplars of the exploitation of the Eurozone's lack of collective interest by Core member states. The lack of oversight in these areas allowed for the member states to advance their own interests at the expense of other member states. Whilst the Zone's passive approach to the creation of a unified economy allowed for labour, finance and business policy to be utilised for nationalistic advancement. These policies, however, came at a cost of exacerbating the asymmetric

nature of the Eurozone's economy. It is no shock that these areas were pursued given the ideology under which the Zone was operating and the internal interests set to benefit from these policies. The initial development of the Eurozone lacked effective supranational governance, and that in turn created the vulnerabilities that became the fault lines for the Sovereign Debt Crisis.

The Sovereign Debt Crisis however is where most of the contemporary literature lies and is an important component in situating the progress the Eurozone has made in its strategic and structural configuration. The Sovereign Debt Crisis exposed the extent to which the Eurozone is still composed of nationally interested, and strategically advantageous actors rather than a holistic economy. Chapter 4 demonstrated this through the prolonged nationalistic management of the Crisis and the re-establishment of existing power structures with rigid ideology and the attribution of blame to particular strategies, rather than the underlying asymmetries of the system. Chapter 4 demonstrated how the rigidity established in Chapter 1 within the ECB limited its capacity to respond effectively to the Crisis but also how the Eurozone failed to learn from these shortcomings. Indeed, the establishment following the Crisis of the European Financial Stability Facility demonstrated again the Core's dominance and the Periphery's weaknesses.

Overall, this thesis has established how governance of the Eurozone lacks cohesion and congruence, with member states and institutions still strategically positioned in a competitive manner in relation to one another. The Eurozone governance infrastructure, particularly the European Central Bank, has failed to overcome this and create one collective economy that can adequately manage the complexity the Eurozone requires.

Significance and Implications

The effective management of the Eurozone is of considerable importance for the global economy. This thesis has refocused the debate around governance and the

strategic identities involved in the governance of Eurozone, rather than the traditional approach of nationalistic blame. Through the utilisation of Jessop's SRA methodology this thesis has reframed the nature of the issues facing the Eurozone. This refocusing provides a framework and a new way to conceptualise the governance of the Eurozone in the interests of future research, moving away from national based blame or merely crisis analysis. A reconceptualization of the Eurozone along these lines allows for the social and structural elements to be considered but has also provided and analytical tools to frame governance at this level. Whilst not explored here, this thesis suggests a way in which the Strategic Relational Approach could be utilised in order to frame the other governance institutions within the Eurozone (whilst maintaining a nation state level frame), in order to create a more comprehensive analysis. This strategic lens allows for the Eurozone to be seen for both the structures and the normatively instilled rules through which it functions, providing a means through which to trace their evolution.

This thesis has created a position from which future research can examine the nature of the structural issues plaguing the Eurozone and the nature of the actors involved in its governance. It has highlighted national responsibility in a strategic sense, but has also stressed the importance of how strategic behaviour is responsible for creating systemic flaws in structure. In doing so it has emphasised as exemplars some of the crucial policy areas that can be re-examined. These include the expansive adaption of ideologically motivated policy commitments, rather than those that actively facilitate the conditions required for effective governance of the Eurozone. The Eurozone has been plagued by decisions underpinned by known illogical economic policies and criteria. These policies have had transparent political motivations, and have consequently affected the effective governance of the Eurozone. In light of this, future research must keep in mind the strategic relational context of governance in the Eurozone and the asymmetric relations of the power that continues to govern its structures and institutions.

Reference List

Allsopp, C. (1998). Fiscal policy and European integration In J. Forder & A. Menon (Eds.), *European Union and National Macroeconomic Policy* (pp. 156-173). USA: Routledge.

Apeldoorn, B. v. (2002). *Transnational capitalism and the struggle over European integration*. New York; London: Routledge.

Arestis, P. (2009). New Consensus Macroeconomics: A Critical Appraisal. *Levy Economics Institute, Working Paper*(564).

Arestis, P., & Karakitsos, E. (2013). The Sovereign Debt Crisis Financial Stability in the Aftermath of the 'Great Recession' (pp. 140-163). Basingstoke: Palgrave Macmillan

Art, D. (2015). The German Rescue of the Eurozone: How Germany Is Getting the Europe It Always Wanted. *Political Science Quarterly*, 130(2), 181-212.

Ascari, G., & Rankin, N. (2013). The effectiveness of government debt for demand management: Sensitivity to monetary policy rules. *Journal of Economic Dynamics and Control*, 37(8), 1544-1566.

Asensio, A. (2011). Inflation targeting drawbacks in the absence of a neutral anchor; a Keynesian appraisal of the Fed and ECB policies from 1999 to 2006. In C. Gnos & L.-P. Rochon (Eds.), *Credit, Money and Macroeconomic policy: a post-Keynesian approach* (pp. 213-234). Cheltenham: Edward Elgar.

Avdagic, S. (2001). Setting European Standards: Politics, Rules, andn Norms In M. P. Egan (Ed.), *Constructing a European Market: Standards, Regulation, and Governance* (pp. 133-166). Oxford: Oxford University Press.

Bache, I., & Flinders, M. V. (2004). *Multi-level governance*. Oxford: Oxford University Press.

Baimbridge, M. (2006). The ECB in theory and practice. In P. Whyman, M. Baimbridge & B. Burkitt (Eds.), *Implications of the Euro: A Critical Perspective from the Left* (pp. 77-84). Routledge: London.

Belke, A. (2010). Driven by the markets? ECB sovereign bond purchases and the securities markets programme. *Intereconomics*, 45(6), 357-363.

- Belke, A. (2011). The Euro Area Crisis Management Framework: Consequences for Convergence and Institutional Follow-ups. *Journal of Economic Integration*, 26(4), 672-704
- Belke, A., & Barbara von, S. (2012). European monetary policy and the ECB rotation model: Voting power of the core versus the periphery. *Public Choice*, 151(1/2), 289-323.
- Berggren, E. M. (2007). *Irregular migration, informal labour and community: a challenge for Europe*. Maastricht: Shaker Publishing Bv.
- Biagi, M. (2001). *Towards a European model of industrial relations?: building on the first report of the European Commission*, The Hague, Netherlands.
- Bianchi, P. (1998). *Industrial policies and economic integration: learning from European experiences*. New York; London: Routledge.
- Bibow, J. (2013). At the crossroads: the euro and its central bank guardian (and saviour?). *Cambridge Journal of Economics*, 37(3), 609-626.
- Biebricher, T. (2013). Critical Theories of the State: Governmentality and the Strategic-Relational Approach. *Constellations*, 20(3), 388-405.
- Blankenburg, S., King, L., Konzelmann, S., & Wilkinson, F. (2013). Prospects for the Eurozone. *Cambridge Journal of Economics*, 37(3), 463-477.
- Bleaney, M., & Ozkan, F. G. (2011). The structure of public debt and the choice of exchange rate regime. *The Canadian Journal of Economics / Revue canadienne d'Economique*, 44(1), 325-339.
- Blyth, M. (2013). *Austerity: the history of a dangerous idea*. Oxford: Oxford University Press.
- Boltho, C. (1998). Should unemployment convergence precede monetary union? In J. Forder & A. Menon (Eds.), *European Union and National Macroeconomic Policy* (pp. 143-156). USA: Routledge.
- Bonfeld, W. (2012). Freedom and the Strong State: On German Ordoliberalism. *New Political Economy*, 17(5), 633-656.

Bongiovanni, F. M. (2012). *The decline and fall of Europe*. New York, NY; Houndmills, Basingstoke, Hampshire: Palgrave Macmillan.

Bordo, M. D., Brittan, S., Mundell, R. A., & Jonung, L. (2000). *Lessons for EMU from the history of monetary unions* (Vol. 50). London: The Institute of Economic Affairs in association with the London Business School.

Brenner, N. (1999). Globalisation as reterritorialisation: the re-scaling of urban governance in the European Union. *Urban studies*, 36(3), 431-451.

Brenner, N. (2004). *New state spaces: urban governance and the rescaling of statehood*. Oxford: Oxford University Press.

Brenner, N. (2004). *New state spaces: urban governance and the rescaling of statehood*. Oxford: Oxford University Press.

Brenner, N., Peck, J., & Theodore, N. I. K. (2009). Variegated neoliberalization: geographies, modalities, pathways. *Global Networks*, 10(2), 182-222.

Breuss, F. (2011). DOWNSIZING THE EUROZONE INTO AN OCA OR ENTRY INTO A FISCAL TRANSFER UNION. *CESifo Forum*, 12(4), 5-12.

Bruff, I. (2008). *The Continued Relevance of Nicos Poulantzas' State, Power, Socialism*. Paper presented at the British International Studies Association Conference University of Exeter.

Bruff, I. (2010). European Varieties of Capitalism and the International. *European Journal of International Relations*, 16(4), 615-638.

Bruff, I. (2012). The Relevance of Nicos Poulantzas for Contemporary Debates on 'the international'. *International Politics*, 49(2), 177-194.

Cahill, D. (2014). *The end of laissez-faire?: on the durability of embedded neoliberalism*. Cheltenham: Edward Elgar Publishing.

Calice, G., Chen, J., & Williams, J. (2013). Liquidity spillovers in sovereign bond and CDS markets: An analysis of the Eurozone sovereign debt crisis. *Journal of Economic Behavior and Organization*, 85(1), 122-143.

Caporaso, J. A., & Kim, M.-h. (2012). The Maastricht Treaty at Twenty: A Greco-European Tragedy? *Journal of European Integration*, 34(7), 769-789.

- Carlin, W. (2013). Real Exchange Rate Adjustment, Wage-Setting Institutions, and Fiscal Stabilization Policy: Lessons of the Eurozone's First Decade. *CESifo economic studies*, 59(3), 489-519.
- Chailloux, A., Gray, S., & McCaughrin, R. (2008). *Central Bank Collateral Frameworks: Principles and Policies*: Citeseer.
- Clerc, L., & Mojon, B. (2011). Financial Stability and Monetary Policy: Lessons from the Euro area. In M. Beblavý, D. P. Cobham, L. u. Ódor & S. Národná banka (Eds.), *The Euro Area and the Financial Crisis* (pp. 268-292). Cambridge, England: Cambridge University Press.
- Closa, C., & Maatsch, A. (2014). In a Spirit of Solidarity? Justifying the European Financial Stability Facility (EFSF) in National Parliamentary Debates. *JCMS: Journal of Common Market Studies*, 52(4), 826-842.
- Costantini, M., Fragetta, M., & Melina, G. (2014). Determinants of sovereign bond yield spreads in the EMU: An optimal currency area perspective. *European Economic Review*, 70(0), 337-349.
- Cotton, M. (2015). Structure, agency and post-Fukushima nuclear policy: an alliance-context-actantiality model of political change. *Journal of Risk Research*, 18(3), 317-332
- Dallago, B. (2013). Financial and real crisis in the Eurozone and vulnerable economies. *The European Journal of Comparative Economics*, 10(3), 195-215.
- Darvas, Z. (2012). The ECB's magic wand. *Intereconomics*, 47(5), 266-267.
- Davanzati, G. F., Pacella, A., & Realfonzo, R. (2009). Fiscal Policy in the Monetary Theory of Production: An Alternative to the "New Consensus" Approach. *Journal of Post Keynesian Economics*, 31(4), 605-621.
- Davidson, P. (1991). Is Probability Theory Relevant for Uncertainty? A Post Keynesian Perspective. *The Journal of Economic Perspectives*, 5(1), 129-143.
- De Grauwe, P. (1995). Alternative strategies towards monetary union. *European Economic Review*, 39(3-4), 483.

- De Grauwe, P. (1996). The Economics of Convergence: Towards Monetary Union in Europe. *Weltwirtschaftliches Archiv*, 132(1), 1-27.
- De Grauwe, P. (2005). *Economics of monetary union*. Oxford: Oxford University Press.
- De Grauwe, P. (2009). *Economics of monetary union*. Oxford: Oxford University Press.
- De Grauwe, P. (2013). The European Central Bank as Lender of Last Resort in the Government Bond Markets. *CESifo economic studies*, 59(3), 520-535.
- De Grauwe, P., & Ji, Y. (2014). The Future of the Eurozone. *The Manchester School*, 82(1), 15-34.
- Dent, C. M. (1997). *The European Economy: The Global Context*. New York; London: Routledge.
- Diamond, P. A. (1965). National Debt in a Neoclassical Growth Model. *The American Economic Review*, 55(5), 1126-1150.
- Dyson, K., & Featherstone, K. (1999). *The Road To Maastricht: Negotiating Economic Monetary Union*. Oxford: Oxford University Press.
- ECB. (2015). *The Crisis Response in the Euro Area*. Last Accessed 12 September 2015, from <https://www.ecb.europa.eu/press/key/date/2013/html/sp130417.en.html>.
- Egan, M. P. (2001). *Constructing a European market: standards, regulation, and governance*. Oxford: Oxford University Press.
- Eichengreen, B. (2005). Europe, the euro and the ECB: Monetary success, fiscal failure. *Journal of Policy Modeling*, 27(4), 427-439.
- Eichengreen, B., Jung, N., Moch, S., & Mody, A. (2014). The Eurozone Crisis: phoenix miracle or lost decade? *Journal of macroeconomics*, 39(2), 288-308.
- Eichengreen, B. J. (1998). *Globalizing capital: a history of the international monetary system*. Princeton, N.J: Princeton University Press.

- Eijffinger, S. C. W., & Haan, J. d. (2000). *European monetary and fiscal policy*. Oxford: Oxford University Press.
- Eltis, W. (2000). Is EMU sustainable without political union? In M. D. Bordo & L. Jonung (Eds.), *Lessons for the EMU from the history of Monetary unions* (pp. 53-58). London: Institute of Economic Affairs.
- Epstein, G. A. (1992). Political economy and comparative central banking. *Review of Radical Political Economics*, 24(1), 1-30.
- Europa. (2015). *Eurostat - Tables, Graphs and Maps Interface (TGM) graph*. Retrieved 12 October 2015, from <http://ec.europa.eu/eurostat/tgm/graph.do?tab=graph&plugin=1&language=en&pcode=tipspd20&toolbox=type>
- Feldstein, M. (1997). EMU and International Conflict. *Foreign Affairs*, 76(6), 60-73.
- Fitoussi, J.-P., & Saraceno, F. (2013). European economic governance: the Berlin-Washington consensus. *Cambridge Journal of Economics*, 37(3), 479-496.
- Fontana, G. (2006). The Federal Reserve and the European Central Bank: A Theoretical Comparison of their Legislative Mandates *Journal of Post Keynesian Economics*, 28(3).
- Forder, J., & Menon, A. (1998). *The European Union and national macroeconomic policy*. New York; London: Routledge.
- Frankel, J., & Rose, A. (1996). *The Endogeneity of Optimum Currency Area Criteria* Cambridge: National Bureau of Economic Research.
- Gaspar, V. (2011). The Euro Area: how to regain confidence In M. Beblavý, D. P. Cobham, L. u. Ódor & S. Národná banka (Eds.), *The Euro Area and the Financial Crisis* (pp. 329-335). Cambridge: Cambridge University Press.
- Gill, S. (1998). New constitutionalism, democratisation and global political economy. *Pacifica Review: Peace, Security & Global Change*, 10(1), 23-38.
- Gnos, C., & Rochon, L.-P. (2011). *Credit, money and macroeconomic policy: a post-Keynesian approach*. Cheltenham: Edward Elgar.

- Gocaj, L., & Meunier, S. (2013). Time Will Tell: The EFSF, the ESM, and the Euro Crisis. *Journal of European Integration*, 35(3), 239-253.
- Goodhart, C. A. E., Sunirand, P., & Tsomocos, D. P. (2011). The optimal monetary instrument for prudential purposes. *Journal of financial stability*, 7(2), 70-77.
- Goodhart, C. A. E., & Tsomocos, D. P. (2012a). *The challenge of financial stability: a new model and its applications*. Cheltenham, Glos: Edward Elgar
- Goodhart, C. A. E., & Tsomocos, D. P. (2012b). *Financial stability in practice: Towards an uncertain future*. Cheltenham: Edward Elgar.
- Gorter, J., Jacobs, J., & De Haan, J. (2008). Taylor Rules for the ECB using Expectations Data*. *Scandinavian Journal of Economics*, 110(3), 473-488.
- Grahl, J., & Teague, P. (2013). Reconstructing the eurozone: the role of EU social policy. *Cambridge Journal of Economics*, 37(3), 677-692.
- Hansen, M. A. (2015). Explaining deviations from the Stability and Growth Pact: power, ideology, economic need or diffusion? *Journal of Public Policy, FirstView*, 1-28.
- Harrop, J. (1998). The EU and National Macroeconomic Policy: an empirical overview. In J. Forder & A. Menon (Eds.), *The European Union and National Macroeconomic Policy* (pp. 11-28). USA: Routledge
- Healey, N. M., & Levine, P. (1992). European Monetary Union: The Issues. *Economic and Political Weekly*, 27(6), 261-264.
- Herzog, B., & Hengstermann, K. (2013). Restoring Credible Economic Governance to the Eurozone. *Economic Affairs*, 33(1), 2-17.
- Issing, O. (2008). *The birth of the Euro*. Cambridge: Cambridge University Press.
- Issing, O., Smith, D. B., & Institute of Economic, A. (2004). *The ECB and the Euro: the first five years* (Vol. 134). London: Institute of Economic Affairs.
- Jager, J., & Hafner, K. A. (2013). The Optimum Currency Area Theory and the EMU: An Assessment in the Context of the Eurozone Crisis. *Intereconomics/Review of European Economic Policy*, 48(5), 315-322.

Jessop, B. (1983). Accumulation Strategies, State Forms and Hegemonic Projects. *Kapitalistate*, 10, 89-111.

Jessop, B. (2000). The Crisis of the National Spatio-Temporal Fix and the Tendential Ecological Dominance of Globalizing Capitalism. *International Journal of Urban and Regional Research*, 24(2), 323-360.

Jessop, B. (2001a). State Theory, Regulation, and Autopoiesis: Debates and controversies. *Capital & Class*(75), 83.

Jessop, B. (2001b). Institutional re (turns) and the strategic-relational approach. *Environment and Planning A*, 33(7), 1213-1236.

Jessop, B. (2003). Governance and meta-governance: on reflexivity, requisite variety and requisite irony In H. P. Bang (Ed.), *Governance as social and political communication*. Manchester, England; New York: Manchester University Press.

Jessop, B. (2004). Multi-level governance and multi-level metagovernance. *Multi-level governance*, 49-74.

Jessop, B. (2005). Critical Realism and the Strategic-Relational Approach. *New Formations*, 56(1), 40-53.

Jessop, B. (2006). State- and Regulation-Theoretical Perspectives on the European Union and the Failure of the Lisbon Agenda. *Competition and Change*, 10(2), 141-161.

Jessop, B. (2008). *State Power: A Strategic- Relational Approach*. Cambridge: Polity Press.

Jessop, B. (2012). Marxist Approaches to Power In E. Amenta, K. Nash & A. Scott (Eds.), *The Wiley-Blackwell Companion to Political Sociology* (pp. 3-14). UK: Blackwell Publishing Ltd.

Jessop, B. (2012). The world market, variegated capitalism and the crisis. In P. Nousios, H. Overbeek & A. Tsolakis (Eds.), *Globalisation and European integration: critical approaches to regional order and international relations* (Vol. 25, pp. 91-111). Abingdon, Oxon;New York;: Routledge.

Jessop, B. (2013). PUTTING NEOLIBERALISM IN ITS TIME AND PLACE: A Response To The Debate *Social Anthropology*, 21(1), 65-74.

- Jessop, B. (2013). Revisiting the regulation approach: critical reflections on the contradictions, dilemmas, fixes and crisis dynamics of growth regimes. *Capital & Class*, 37, 5-24.
- Jessop, B., Brenner, N., & Jones, M. (2008). Theorizing sociospatial relations. *Environment and Planning. D, Society and space*, 26(3), 389-401.
- Johnston, A., Hancké, B., & Pant, S. (2014). Comparative Institutional Advantage in the European Sovereign Debt Crisis. *Comparative Political Studies*, 47(13), 1771-1800.
- Kahn, G. A., & Benolkin, S. (2007). The Role of Money in Monetary Policy: Why Do the Fed and ECB See It So Differently? *Economic Review - Federal Reserve Bank of Kansas City*, 92(3), 5-36,32.
- Kelly, D. (1999). The Strategic-Relational View of the State. *Politics*, 19(2), 109-115.
- Kim, M.-h., & Caporaso, J. (2012). The Maastricht Treaty at Twenty: A Greco-European Tragedy? *Journal of European Integration*, 34(7), 769-789.
- King, J. E. (2013). A case for pluralism in economics. *The Economic and Labour Relations Review : ELRR*, 24(1), 17-31.
- Knops, A. (2015). A STRATEGIC-RELATIONAL ACCOUNT OF LANGUAGE USE, DISCOURSE, AND REASON. *Critical Discourse Studies*, 12(1), 1-19.
- Krampf, A. (2014). From the Maastricht Treaty to Post-crisis EMU: The ECB and Germany as Drivers of Change. *Journal of Contemporary European Studies*, 22(3), 303-317.
- Krampf, A. (2015). Perhaps this time it's different: ideas and interests in shaping international responses to financial crises. *Contemporary Politics*, 21(2), 179-200.
- Lane, P. (2011). The Irish Crisis. In M. Beblavý, D. P. Cobham, L. u. Ódor & S. Národná banka (Eds.), *The Euro Area and the Financial Crisis* (pp. 59-81). Cambridge, England: Cambridge University Press.

- Lapavitsas, C., Kaltenbrunner, A., Lindo, D., Michell, J., Paineira, J. P., Pires, E., . . . Teles, N. (2010). Eurozone crisis: beggar thyself and thy neighbour. *Journal of Balkan and Near Eastern Studies*, 12(4), 321-373.
- Lapavitsas, C., & Kouvélakis, E. (2012). *Crisis in the Eurozone*. New York; London: Verso.
- Leeson, R. (1999). Keynes and the "Keynesian" Phillips curve. *History of Political Economy*, 31(3), 493-509.
- Linsenmann, I., Meyer, C. O., Wessels, W., & Palgrave, C. (2007). *Economic government of the EU: a balance sheet of new modes of policy coordination*. Basingstoke: Palgrave Macmillan.
- Lucarelli, B. (2011). German Neomercantilism and the European Sovereign Debt Crisis. *Journal of Post Keynesian Economics*, 34(2), 205-224.
- Macartney, H. (2011). *Variiegated neoliberalism: EU varieties of capitalism and international political economy*. New York; London: Routledge.
- Maćkowiak, B. (2008, 2009). *The euro at ten: lessons and challenges : fifth ECB Central Banking conference 13-14 November 2008*, Frankfurt am Main.
- Menoncin, F., & Tronzano, M. (2005). Is a Monetary Union a Never-Ending Story? *Revue économique*, 56(1), 25-49.
- Menz, G. (2005). *Varieties of capitalism and Europeanization: national response strategies to the single European market*. Oxford; New York: Oxford University Press.
- Miller, M. H., & Upton, C. W. (1974). *Macroeconomics: a neoclassical introduction*. Homewood, Ill: R. D. Irwin.
- Mulhearn, C., & Vane, H. R. (2008). *The euro: its origins, development and prospects*. Cheltenham: Edward Elgar.
- Mulhern, A. (1995). The SME sector in Europe: A broad perspective. *Journal of Small Business Management*, 33(3), 83-87.
- Niemann, A., & Bretherton, C. (2013). EU external policy at the crossroads: The challenge of actorness and effectiveness. *International Relations*, 27(3), 261-275

OECD. (2005). *OECD SME and Entrepreneurship Outlook: 2005*. Paris Retrieved from <https://stats.oecd.org/glossary/detail.asp?ID=3123>.

OECD. (2015) *Euro area labour costs converging, but imbalances persist-OECD* from <http://www.oecd.org/eco/euroarealabourcosts.htm> [Last accessed 17 September 2015]

Organisation for Economic Co-operation and Development. (2012). Euro area labour cost converging, but imbalances persist Retrieved 10/9/2015, 2015, from <http://www.oecd.org/eco/euroarealabourcosts.htm>.

Orphanides, A. (2011). Towards a New Architecture for Financial Stability in Europe. In M. Beblavý, D. P. Cobham, L. u. Ódor & S. Národná banka (Eds.), *The Euro Area and the Financial Crisis* (pp. 8-23). Cambridge, England: Cambridge University Press.

Padoa-Schioppa, T. (2004). *The euro and its central bank: getting united after the union*. Cambridge, Mass: MIT Press.

Palley, T. (2011). The European Monetary Union Needs a Government Banker. *Challenge*, 54(4), 5-21.

Palley, T. I. (1996). *Post Keynesian economics: debt, distribution, and the macro economy*. New York; Houndmills, Basingstoke, Hampshire: Macmillan Press.

Panich, L., & Gindin, S. (2012). *The Making of Global Capitalism*. London Verso.

Panizza, U., Sturzenegger, F., & Zettelmeyer, J. (2009). The Economics and Law of Sovereign Debt and Default. *Journal of Economic Literature*, 47(3), 651-698.

Pasiouras, F. (2012). *Macroeconomic and Institutional Environment Greek Banking* Palgrave Macmillan Studies in Banking and Financial Institutions (pp. 21). Basingstoke: Palgrave Macmillan.

Pelagidis, T., & Mitsopoulos, M. (2014). *Greece: From Exit to Recovery?* Washington: Brookings Institution Press.

Plumper, T., & Troeger, V. (2006). Monetary Policy Autonomy in European Non-Euro Countries, 1980-2005. *European Union Politics*, 7(2), 213-234.

Potts, N. (2001). Kalecki, any old idiot and the European Central Bank. *European Business Review*, 13(3), 166-185.

Randzio-Plath, C. (2003). Monetary dialogue and the democratic accountability of the ECB. *Transfer: European Review of Labour and Research*, 9(4), 727-729.

Reland, J. (1998). Policy in the four member states: France. In J. Forder & A. Menon (Eds.), *The European Union and National Macroeconomic Policy* (pp. 85-105). USA: Routledge

Rhodes, M. (2014). It's the Labour Costs Stupid! Or Is It? The Complex Origins of Southern Discomfort in the Eurozone Crisis. *Labor History*, 55(5), 655-660.

Richardson, A. J. (1989). Corporatism and intraprofessional hegemony: A study of regulation and internal social order. *Accounting, Organizations and Society*, 14(5-6), 415-431

Rijkeghem, C. V., & Weder, B. (2009). Political Institutions and Debt Crises. *Public Choice*, 138(3/4), 387-408.

Risk, H. (2011). EU sovereign debt: Bondholders should bite restructuring bullet. *Euromoney*.

Sandbeck, S., & Schneider, E. (2014). From the Sovereign Debt Crisis to Authoritarian Statism: Contradictions fo the European State Project. *New Political Economy*, 19(6), 847-871.

Sapir, A. (2009). The OCA Theory. In B. MAĆKOWIAK, F. P. MONGELLI, G. NOBLET & F. SMETS (Eds.), *The Euro at Ten- Lessons and Challenges* (pp. 263-268). Germany: European Central Bank.

Scharpf, F. W. (2015). After the Crash: A Perspective on Multilevel European Democracy. *European Law Journal*, 21(3), 384-405.

Schelkle, W. (2013). Monetary integration in crisis: how well do exisiting theories explain the predicament of EMU? *European Review of Labour and Research*, 19(1), 37-48.

Schiaffino, P. (2013). A comment on the European Central Bank solution vs. the Keynes solution. *Journal of Post Keynesian Economics*, 35(3), 457-462.

- Schmidt, V. A., & Thatcher, M. (2013). *Resilient liberalism in Europe's political economy*. Cambridge: Cambridge University Press.
- Schroeder, J. (2003). The European central bank (ECB) and the international role of the Euro. *Journal of Asian Economics*, 14(2), 209-218.
- Sell, F. L., & Reinisch, D. C. (2013). How Do the Eurozone's Beveridge and Phillips Curves Perform in the Face of Global Economic Crisis? *International Labour Review*, 152(2), 191-204.
- Sharma, S. D. (2014). *Global financial contagion: building a resilient world economy after the subprime crisis*. New York, NY: Cambridge University Press.
- Silvia, S. J. (2004). Is the Euro Working? The Euro and European Labour Markets. *Journal of Public Policy*, 24(2), 147-168.
- Skaperdas, S. (2011). POLICYMAKING IN THE EUROZONE AND THE CORE VS PERIPHERY PROBLEM. *CESifo Forum*, 12(2), 12-18.
- Spilioti, S., & Vamvoukas, G. (2015). The impact of government debt on economic growth: An empirical investigation of the Greek market. *The Journal of Economic Asymmetries*, 12(1), 34-40.
- Stockhammer, E. (2011). Peripheral Europe's debt and German wages: the role of wage policy in the Euro area. *International Journal of Public Policy*, 7(1-3), 83-96.
- Streeck, W. (1998). The Internationalization of Industrial Relations in Europe: Prospects and Problems. *Politics & Society*, 26(4), 429-459.
- Streeck, W. (2015). Heller, Schmitt and the Euro. *European Law Journal*, 21(3), 361-370.
- Szarowska, I. (2012). European Tax harmonisation In R. Matousek & D. Stavarek (Eds.), *Financial Integration in the European Union* New York: Routledge.
- Talani, L. S. (2005). The European Central Bank: Between Growth and Stability. *Comparative European Politics*, 3(2), 204-231.
- Thiel, E., & Schroeder, I. (1998). Policy in four member states: Germany. In J. Forder & A. Menon (Eds.), *European Union and National Macroeconomic Policy* (pp. 105-119). USA: Routledge.

Tsoukalis, L., Hill, C., & Smith, M. (2005). *International relations and the European Union* (Vol. 4th). Oxford; New York: Oxford University Press.

Varoufakis, Y. (2013). From contagion to incoherence towards a model of the unfolding Eurozone crisis. *Contributions to Political Economy*, 32(1), 51-71.

Verdun, A. (2015). A historical institutionalist explanation of the EU's responses to the euro area financial crisis. *Journal of European Public Policy*, 22(2), 219-237.

Wagner, H. (2014). Can We Expect Convergence through Monetary Integration? (New) OCA Theory versus Empirical Evidence from European Integration. *Comparative Economic Studies*, 56(2), 176-199.

Wibbels, E. (2009). Cores, peripheries, and contemporary political economy. *Studies in Comparative International Development*, 44(4), 441-449.

Yiangou, J., O'keeffe, M., & Glöckler, G. (2013). 'Tough Love': How the ECB's Monetary Financing Prohibition Pushes Deeper Euro Area Integration. *Journal of European Integration*, 35(3), 223-237.

Young, B., & Semmler, W. (2011). The European Sovereign Debt Crisis: Is Germany to Blame? *German Politics & Society*, 29(1 (98)), 1-24.