



ΤΜΗΜΑ ΔΙΕΘΝΩΝ ΚΑΙ ΕΥΡΩΠΑΪΚΩΝ ΣΠΟΥΔΩΝ

The Effect of EU Integration on the EU Democratic Deficit:

The Case of the Eurozone Crisis Measures

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DEDICATION

To my mother, Ermofili Soultanidou, whose trust, encouragement and immense support, have been indispensable to both the completion of this dissertation and my overall personal and professional growth and improvement.

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ΠΕΡΙΛΗΨΗ

Ο στόχος της παρούσης έρευνας είναι η εκτίμηση των επιπτώσεων της διαδικασίας της ενοποίησης της Ευρωπαϊκής Ένωσης (ΕΕ) όσον αφορά στα μέτρα που ελήφθησαν σε Ευρωπαϊκό (υπερεθνικό) επίπεδο για την κρίση της Ευρωζώνης, στο δημοκρατικό έλλειμα της ΕΕ. Κάθε ένα από αυτά τα δύο θεωρητικά πεδία (ενοποίηση και δημοκρατικό έλλειμα) έχει προσελκύσει σημαντικό όγκο σχετικής βιβλιογραφίας. Ωστόσο, η σχέση μεταξύ τους εξετάζεται σπάνια. Τα μέτρα που ελήφθησαν για την αντιμετώπιση της κρίσης Ευρωζώνης, και ειδικότερα οι πολιτικές και οι διαδικασίες λήψης αποφάσεων που εισάγονται με αυτά τα μέτρα αποτελούν την μελέτη περίπτωσης της παρούσης έρευνας. Αναμφίβολα, η κρίση της Ευρωζώνης και τα σχετικά μέτρα που ελήφθησαν έχουν αλλάξει ριζικά και εκτενώς το λειτουργικό πλαίσιο της ΕΕ και τις σχετικές διαδικασίες λήψης αποφάσεων, επηρεάζοντας τόσο τη διαδικασία της Ευρωπαϊκής ολοκλήρωσης όσο και το δημοκρατικό έλλειμμα της ΕΕ. Αρχικά, αναλύονται τα στοιχεία, τα χαρακτηριστικά, τα θεμέλια και οι οντολογικές αρχές των εννοιών που χρησιμοποιούνται σε καθένα εκ των δύο ανωτέρω θεωρητικών πεδίων. Όσον αφορά στις θεωρίες ενοποίησης της ΕΕ, εξετάζονται οι τρεις βασικές θεωρίες: διακυβερνητισμός (intergovernmentalism), νεολειτουργισμός (neofunctionalism) και μεταλειτουργισμός (postfunctionalism). Η βιβλιογραφία για το δημοκρατικό έλλειμα της ΕΕ περιλαμβάνει τρεις διαφορετικές προσεγγίσεις: συμμετοχή (input), αποτελέσματα (output), διαδικασίες (throughput). Πέραν της εις βάθος εξέτασης των ανωτέρω θεωρητικών πεδίων, ειδικά σχετικά με το πεδίο του δημοκρατικού ελλείματος, ο στόχος της ανάλυσης των τριών προσεγγίσεων είναι να ομαδοποιηθούν εκ νέου γύρω από βασικούς θεματικούς άξονες, βάσει των οποίων μπορεί να διεξαχθεί μια ποιοτική αξιολόγηση των επιπτώσεων των μέτρων κρίσης στο έλλειμα. Με βάση την μέθοδο των αναλυτικών αφηγήσεων (analytic narratives), και χρησιμοποιώντας ανάλυση των σχετικών κειμένων και ημι-δομημένες συνεντεύξεις, αναλύονται λεπτομερώς οι διαδικασίες που εισήγαγε κάθε ένα από τα μέτρα της κρίσης, τα οποία και χωρίζονται σε αυτά που σκοπεύουν στην παροχή οικονομικής βοήθειας στα κράτη μέλη και σε αυτά που εισάγουν διατάξεις ενίσχυσης συντονισμού πολιτικών των κρατών-μελών. Όλα τα παραπάνω συνδυάζονται για να προσδιορίσουν, πρώτον, ποια είναι η κατεύθυνση της ενοποίησης της ΕΕ μετά την λήψη των μέτρων για την αντιμετώπιση της κρίσης, δεύτερον, ποιες οι επιπτώσεις αυτών των μέτρων στο δημοκρατικό έλλειμα της ΕΕ και τρίτον, ποια ευρύτερα συμπεράσματα μπορούν να εξαχθούν από την παρούσα μελέτη περίπτωσης σχετικά με τις γενικότερες επιπτώσεις της διαδικασίας ενοποίησης της ΕΕ στο δημοκρατικό της έλλειμα.

ABSTRACT

The aim of this research is to examine the impact of the European Union (EU) integration process on the EU democratic deficit. Each of these two theoretical fields has attracted a considerable volume of scholarship. However, the relationship between them is rarely examined in detail. To achieve this aim, the measures adopted to respond to the Eurozone crisis at the EU level, and, more specifically, the decision-making processes introduced or altered by these measures, are assumed as a case study. It is, by now, clear that the Eurozone crisis, and the relevant supranational measures, have fundamentally and extensively modified the EU operating framework and decision-making processes. This has, in turn, signaled a change in the integration process of the EU, unavoidably affecting, among others, its democratic deficit. At first, the different elements, characteristics, foundations, and ontological origins of different concepts included in each of the above two theoretical fields, are analyzed. In terms of EU integration theories, the three grand-level theories are examined: intergovernmentalism, neofunctionalism, and postfunctionalism. The literature on the EU democratic deficit includes three different approaches: Input, Output, and Throughput. Aside from an in-depth study of these fields, the above analysis, in particular for the EU democratic deficit scholarship, aims at comprehensively re-grouping the insights offered by the three approaches around key thematic areas, based on which a qualitative evaluation of the impact of the crisis measures can be conducted. Using the method of analytic narratives, based on textual analysis and semi-structured interviews, the processes introduced by each of the crisis measures, separated into those aimed at the provision of financial assistance to member states and those aimed at enhanced coordination between member states, are analyzed in detail. All the above elements are combined to determine, first, the direction of the EU integration process after the assumption of the crisis measures, second, the impact of those measures on the EU democratic deficit, and third, what the above case study analysis indicates about the broader impact of the EU integration process on the EU democratic deficit.

1. INTRODUCTION

The European Union (EU) is undoubtedly a *sui generis* organization. As such, it has always attracted both the regular and academic ‘spotlight’. One of the main reasons for both its uniqueness and interest is that it is a unique case of regional integration. No other organization compares to it; simply put, the EU is in the middle of a traditional, exclusively intergovernmental international organization and a fully developed (federal) state. Since the 1950s, academics have attempted to explain this unique trajectory of regional integration, offering, along the way, important theoretical contributions in the respective field. No matter how many attempts, however, as recognized also by one of the most prominent scholars in EU studies, Fritz Scharpf (2020), the theories always trail the actual integration process in the EU.

Because of the unique nature of the EU and its integration process, one of the most important elements that has been analyzed especially after the 1980s, is the impact it has on the democratic process. This became another theoretical field in which the EU politics field has contributed, precisely because no other international organization or state affects democracy in the way that the EU does. In turn, this impact is transferred directly to the lives of EU citizens.

Both the mode and direction of the EU integration process, and the democratic process at the EU level – both at the EU level – are, hence, of primary importance not merely from a theoretical or academic perspective, but also for citizens, literally in their everyday life. However, albeit both have been extensively studied, their relationship has, oddly enough, not received equal attention. It is the aim of this research to address this issue: How does the mode and direction of the EU integration process impact the EU democratic deficit? EU integration is the path on which the EU ‘walks’; the democratic deficit is perhaps the most important aspect affected by the EU’s ‘walking’.

Why choose specifically the EU democratic deficit? The scholarship on EU integration, albeit quite extensive in both volume and across time, is rather well-defined, and its ontology is clear. That is not the case, however, for democracy, even if limited to its liberal form that exists across the contemporary

Western world. Democracy is a concept that, throughout the millennia of its existence, has not only escaped a single, widely accepted definition, but is studied through a tremendous number of perspectives, including philosophical, sociological or political, theoretical or empirical, etc. A limitless discussion on democracy, or an arbitrary choice of a set of characteristics would, therefore, be challenging research-wise. The EU democratic deficit, with its three approaches of Input, Output and Throughput, albeit not a theory in itself per se (Börzel 2020), is the analytical ‘lens’ through which the democratic processes within the EU (at the EU level) have been seen through the largest part of the literature; and is arguably the most comprehensive one. While this offers valuable insights, a thematic-based reorganization of the elements of the three approaches is conducted, in a novel attempt at offering a more evaluative-friendly structure to examine the impact of the measures on the deficit. In relation to EU integration theories, things are much clearer. There are, to date, three grand level or grand theories of EU integration: (liberal) intergovernmentalism, neofunctionalism, and postfunctionalism.

The theoretical frameworks to be used have been set. But it is, obviously, not possible to address this important research question throughout time and across all EU policies. The Eurozone crisis (henceforth ‘crisis’), and more specifically the measures adopted at the EU level to address the various aspects of the crisis, is assumed as a case for examining the impact of the mode and direction of the EU integration process on the EU democratic deficit. It is the case that the EU has been experiencing a number of crises during the last decade, and even before that. However, the Eurozone crisis is perhaps the most serious and existential one. The crisis originally transferred within the EU from across the Atlantic and the the financial crisis of the late 2000s in the United States of America (USA). Starting with Hungary (for the EU) and Ireland (for the Eurozone), the financial situation of all EU member states was adversely affected, to the point where three EU and five Eurozone member states had to resort to financial assistance for, basically, their financial survival. Cumulatively, a total of close to half a trillion euro was provided in assistance from the EU alone (excluding the amounts provided by the International Monetary Fund or IMF),

and the Eurozone, arguably consisting of the most integrated EU member states – the ‘core’ of the EU – came close to breaking up or, at the very least, suffering the exit of one of its members (Greece), a scenario so unthinkable that, unlike an exit from the EU, is not even provisioned for anywhere within the EU Treaties (Treaty on the Functioning of the European Union or TFEU, Treaty on European Union or TEU; EU 2016a, 43-4).

The crisis, more than anything else, brought to the surface shortcomings in the design of the Economic and Monetary Union (EMU), primarily the fact that, while being a sufficient monetary union, economic policy remained primarily with the member states (albeit with restrictions and rules). In other words, it demonstrated that “it would have been much better if the monetary union had not started before the EU had become state. To start with the monetary union without having a European state meant that all problems that were coming up had to be dealt with at the intergovernmental level. And that was the basic mistake that was made in 1992...” (Scharpf 2020).

While still stopping short of a fully-fledged economic union, the EU adopted an extensive set of measures that introduced perhaps the single largest overhaul of its operating framework without an overall amendment to the EU Treaties. The measures aimed at addressing a number of the weaknesses of the previous status quo, and can be separated across two broad categories: those aimed at providing financial assistance to EU or Eurozone member states, and those aimed at enhancing the policy (particularly economic) coordination between EU and Eurozone member states. The former category includes the European Financial Stability Mechanism (EFSM), the European Financial Stability Facility (EFSF SA), and the European Stability Mechanism (ESM), and their financial assistance programs implemented in various member states, while the latter category includes the Six-Pack, the Two-Pack, the Euro Plus Pact, the Treaty on Stability, Coordination and Governance (TSCG), the European Supervisory Authorities (ESAs), and the Banking Union. Considering the extent and foundational depth of the changes introduced through the crisis measures in the EU’s operating framework, it is clear that this case study is fitting for examining the impact of the mode and direction of the EU integration process on

the EU democratic deficit. These changes clearly affected the direction of integration that the EU is headed in. In addition, many of the measures have raised considerable concerns relating to their overall impact on the EU's democratic processes.

The part of the measures relating to the financial assistance mechanisms, aside from the purely EU-level aspect (their processes and establishment) has the aspect of implementation of the financial assistance programs at the national level. Although this clearly needs to also be examined, it is impossible within a confined, in volume and time, research, in addition to examining all the measures, to examine all eight financial assistance programs of EU member states, or even all five implemented in Eurozone member states. Therefore, the specific cases of Greece, as primary case, and Ireland, as secondary case, are taken in order to specifically examine the implementation of the financial assistance programs. Inter alia, Greece was the first Eurozone member state to receive financial assistance (a possibility previously unthinkable), was the only to undergo three successive assistance programs, was the last from all other Eurozone member states to exit, and received close to half of the entire amount the EU provided in financial assistance to all eight EU member states that received it. The depth of the analysis of the financial assistance programs for Greece makes it impossible to assume a second national-level case, at least at the same breadth and depth. However, research conclusions drawn would benefit from such a second case. Ireland serves as the secondary case for the EU financial assistance programs, in order to provide a more comprehensive investigation and improve generalizability.

The innovations offered by this research are multiple. The primary contribution is the analysis of the research question itself, i.e., of how the mode and direction of the EU integration process impacts the EU democratic deficit. Research on this issue has been scarce across the relevant literature. Another contribution is the depth and breadth of the analysis of the case study (crisis measures at the EU level); while there is scholarship examining these measures, an intricate analysis of such detail and extent is mostly lacking. The assessment of the mode and direction of the EU integration process after the adoption of the

crisis measures, and the impact of those measures on the EU democratic deficit are also valuable contributions. Finally, the overview and re-organization of the EU democratic deficit scholarship into thematic areas that are appropriate for conducting an evaluation of the impact of the measures on the deficit, is perhaps the primary theoretical innovation offered.

The findings of the research are both interesting in terms of the existing literature, but offer valuable insights in terms of the overall subject-matter. Overall, it is found that the mode and direction of the EU integration process after the adoption of the crisis measures has been neofunctional. In addition, all of the measures were found to have – at varying degrees – an adverse impact on the EU democratic deficit, heavily relying (mostly) on the Output, and neglecting the Input and, to a lesser extent, Throughput approaches. This, then, provides the conclusion that, a neofunctional progression of EU integration will adversely impact the EU's democratic process.

The structure of this research is as follows. The following chapter conducts a literature review of the existing scholarship that is relevant to this research. The third chapter establishes the two broad theoretical frameworks that will be used (grand-level EU integration theories and EU democratic deficit scholarship), and delineates expectations for the impact of the crisis measures on each. The fourth chapter outlines the research methods and design of this analysis. Inter alia, this chapter also includes the more general, broader expectations in relation to how each mode and direction of the EU integration process impacts the EU democratic deficit. The fifth chapter is the main analytical chapter of this research. It provides a brief timeline of the crisis, and then examines each of the measures in terms, first, of their effect on the mode and direction of the EU integration process, and, second, of their impact on the EU democratic deficit (all in accordance with the expectations outlined in the third chapter). Finally, the chapter concludes with a summary of the findings, as well as the broader conclusions that can be drawn in relation to the impact of EU integration on the EU democratic deficit (in accordance with the expectations outlined in the fourth chapter). The conclusion summarizes the aims, structure, analysis, and findings of the research, offering prospects in terms of future research.

2. LITERATURE REVIEW

Introduction

Addressing the impact of the way the EU integration process unfolds on the EU democratic deficit, using the Eurozone crisis measures as a case study, involves a number of different types of scholarship. There are the two primary ones related to EU integration theories – more specifically to the grand-level theories of intergovernmentalism, neofunctionalism, and postfunctionalism – and the EU democratic deficit. There is also literature examining the impact of the Eurozone crisis measures on either of those two. In addition, scholarship specific to the two national level cases (Greece as primary case, Ireland in a supportive capacity) used to examine specifically the financial assistance measures, specifically in relation to the impact of the supranational-level crisis measures on the national level policy and decision-making procedures, is also relevant. It is the aim of this chapter to both situate this research within the broader literature in existence, and also demonstrate the reason why, given the existent scholarship, this research is both relevant and innovative, and its contributions.

There has been extensive scholarship examining the case study of this research, i.e., the crisis measures at the supranational level, either in relation to how they have affected the EU integration process (in terms of the three grand-level theories) or to how they have impacted democracy at the supranational level. Naturally, nearly all of the works focus on the EMU. However, from the detailed survey of relevant literature, the specific issues examined in this research have not received adequate scholarly treatment. Substantial contributions can, hence, be offered in primarily four areas of the case-study specific scholarship.

The first area is addressing the impact of the Eurozone crisis measures on the EU democratic process at the supranational level specifically using the EU democratic deficit and its three approaches as a whole framework, rather than using a specific concept(s) of democratic theory. The second area is examining all of the crisis measures at the supranational level in their entirety, rather than taking a specific measure or specific institution as cases. The third area is the combination of addressing the impact of the measures both on the direction of EU

integration and on the EU democratic deficit within one, rather than focusing on the impact of one or the other.

The fourth area is an analysis of the national level, for crisis measures that are specifically implemented at that level. Most of the existing scholarship deals with either the supranational or the national level. The combination and interconnection of the two has scarcely received any scholarly attention, much less in relation to both the EU integration process and the EU democratic deficit. For example, the EFSF SA or the ESM are, indeed, supranational crisis measures, and they can be analyzed as such. However, this is only a partial analysis. Examining the creation, institutional setup, or authority of the ESM, for example, is a partial approach. The implementation of ESM programs on the ground, i.e., on individual member states, must also be investigated, in order to reach a conclusive determination of not only how the ESM is supposed to operate, but how its programs are actually implemented in member states, and what the impact of that implementation is. The focus may still remain at the supranational level integration process and democratic deficit, but as the EU is not a completely separate entity from its member states, the impact of its policies on those member states can also yield valuable conclusions for the EU level itself.

Scholarship on the national level of the two cases (Greece as primary, Ireland in a supporting capacity) used in this research to examine the national-level aspect of certain crisis measures has considerable limitations: it is focused exclusively on the national level, is, mostly, from a purely legal perspective, and a large portion for it (at least for the primary case of Greece), is in Greek. The aim of this research is to contribute to all the above areas, most of all by combining analyses of the supranational and, in measures that is necessary, the national level, while maintaining the overall focus on the impact at the EU level.

Crisis, EU democracy, and the EU integration process

The literature most directly relevant to this research is that examining they ways the EU integration process after the crisis has impacted its EU democratic deficit. More broadly, the impact of the EU integration process on the EU's democratic process has been firmly established across the literature. When

discussing the progress of EU integration, Mitrany (1965), arguably the founder of functionalism, itself the forefather of neofunctionalism, discussed in length the democratic process within a united Europe (e.g., 132-3). As Kleine & Pollack (2018) highlight, the Output approach to the EU democratic deficit is consistent (and in fact originates from the same scholar) with liberal intergovernmentalism. Hix (2018) focuses on how a liberal intergovernmentalist approach to issue-salience and politicization of EU policies at the national level, impacts citizen representation and politics at the EU level. Even from the early 1990s, Weiler et al. (1995), had identified EU integration as the primary factor adversely impacting democracy at the EU level, both because of deepening and widening (6). In their analysis of legitimacy within the EU, Beetham & Lord (1998) examine an intergovernmental and a supranational model of the EU (59-60). Accordingly, Scharpf (1999) conducts an in-depth examination of EU integration in analyzing the legitimacy of EU policies over time, especially as carried-out by different institutions (in fact, he includes an entire chapter on the matter; 43-83 and 189-90), and Chrysochoou (2000), in his analysis of democracy within the EU, also places primary importance in the EU integration process (e.g., 134-167). This is unsurprising considering that legitimacy within the EU has been primarily analyzed “as a process of interaction between the EU and member state levels” (Beetham & Lord 1998, 3)².

Turning to how the relationship between the EU integration process and the EU’s democratic process has manifested during the crisis and the relevant measures, this has been treated in a rather limited number of scholarly pieces and usually from a narrow theoretical perspective. Relevant scholars usually focus on one area of EU integration theory (in some cases, indirectly too) and, correspondingly, one aspect of the EU’s democratic process. Fossum (2015) looks into how the hypothesized increased differentiation across the EU post-

² Most other scholars analyzing democracy within the EU inextricably link it with the EU’s integration process, such as Warleigh (2003), Follesdal & Hix (2006), Weiler (1995), etc. For example, Warleigh (2003) argues for a direct association between the focus of EU studies on the EU democratic deficit and the changing conceptualization of EU integration theories (19-21), while Weiler (1995) argues that ‘inverted regionalism’ (adding a supranational tier of government) has intense and wide-ranging deligitimation effects (232-3).

crisis has impacted the democracy within the EU. However, integration and democratic process are both dealt in a very limited manner (the first through differentiation, the second through a “deliberative democratic perspective;” 801). He defines differentiation as including differentiated integration and, in addition, instances in which some member states further integrate while, at the same time, some disintegrate and instances in which “even notionally full members come to be regarded as having different membership status,” concluding that congruence and accountability (key principles of the his deliberative democratic approach), primarily seen through parliamentary input (either vertical from or inter-parliamentary), have been harmed not by differentiation itself, but by the occurrence of the crisis and the way measures to address it were assumed and implemented (Fossum 2015, 801; 811-12).

Papadopoulos (2010) examines the impact specifically of Multi-Level Governance (MLG) policy-making practices on democratic accountability, the former being the foundation for the EU integration theory of post-functionalism. In this analysis, it is emphasized that multiple and intertwining circles of governance within the EU – predominantly technocratic and expert-based – can endanger accountability of the decision-making procedure to citizens; “multi-levelness” becomes an aggravating factor (Papadopoulos 2010, 1035-9). Papadopoulos (2010) concludes that “we may well be in the presence of a paradox: network and multi-level governance is characterized by more accountability, but less democracy,” taking into consideration all the different actors that exercise horizontal accountability (peer-to-peer) that does not necessarily coincide with the vertical accountability exercised on elected officials by citizens (1043-4). The emphasis on horizontal accountability mechanisms is in line with arguments of the Throughput approach to the EU democratic deficit (further below). This contribution too, however, is focused primarily on accountability, and integration appears in a very indirect (at best) manner through MLG as the foundation of post-functionalism.

Crum (2013) hints at the impact of EU integration on EU democracy after the crisis, examining different models of EU governance post-crisis and their impact on national self-government, based on Dani Rodrick’s incompatibility

trilemma³. The analysis focuses on how diversity can affect monetary integration and, hence, impact democracy within the EMU. Crum (2013) echoes Gill's reservations, observing that "the present financial and economic crisis has revealed that this initial mix of monetary integration with a considerable degree of policy tolerance in financial and economic affairs is not sustainable" (620). He indirectly hints at the fact that the crisis has led to enhancement of the integration process, suggesting the shift of decision-making processes at the EU level towards "executive federalism [...] to the extent that it involves the deepening of common frameworks for financial and economic policy-making and the strengthening of European surveillance [...] (and it) allows for a certain level of diversity, and actually acknowledges it to be ineradicable" (Crum 2013, 621). It is also indirectly acknowledged that the EU integration process has progressed in a rather intergovernmental manner, with Crum (2013) arguing that there is a continuing "primacy of national governments in EMU" (Crum 2013, 622). The analysis, again, takes into consideration specific aspects of a limited number of measures, and addressed democratic process in a similarly restrictive manner as, primarily, national self-determination and representative (parliamentary) oversight.

Crisis and EU democracy

Scholarship related to the impact of the crisis and the relevant measures on the EU democratic process is extensive, especially from 2012 onwards. Most scholars emphasize the restrictions inherent in membership of the Economic and

³ Rodrik (2011) argues that "we cannot have hyperglobalization, democracy, and national self-determination all at once. We can have at most two out of three" offering three options: "restrict democracy in the interest of minimizing international transaction costs, disregarding the economic and social whiplash that the global economy occasionally produces. We can limit globalization, in the hope of building democratic legitimacy at home. Or we can globalized democracy, at the cost of national sovereignty. This gives us a menu of options for reconstructing the world economy" (200). Hyperglobalization is defined by Rodrik (2011) as "a new kind of globalization that reversed the Bretton Woods priorities [...] Domestic economic management was to become subservient to international trade and finance rather than the other way around. Economic globalization, the international integration of markets for goods and capital [...] became an end in itself, overshadowing domestic agendas" (76).

Monetary Union (EMU) – particularly its third stage, the Eurozone (details on the structure and stages of the EMU are presented in the fourth chapter). Those restrictions concern primarily the inability to freely utilize monetary and fiscal policy to respond to changing financial conditions, most importantly in the case of the crisis (Schmidtke 2004, 22-3; Ravasio & Ohly 1997, 478-81; Crum 2014, 620). As Crum (2013) argues, the ability to modify the above policies would permit “national governments to respond to the diversity in the economic conditions and the political preferences they face” (614). The limitation to adaptation of these policies to political preferences inherent within the EMU is particularly pertinent for the subject of this research.

Gill (1998) was one of the first to observe that the Euro “would constrain European Union governments from using fiscal policy to offset recession for counter-cyclical reasons,” further arguing that “economic liberalisation [...] involves actively remaking state apparatuses and governmental practices and the institutions of civil society [...] to render state and civil society more permeated with market practices, values, discipline...” (9). He observed that, aside from a geopolitical and federative strategic process, the EMU was, more fundamentally, “a strategy for reconciling regional integration with globalizing forces” (Gill 1998, 10). Accordingly, Ravasio & Ohly (1997) highlighted quite early on that “the main cost of EMU usually referred to is the loss of control over interest rates and exchange rates at the national level” (479)⁴. They further argue that “from a political economy point of view, one could argue that EMU gives member states the possibility to ‘tie their hands’ vis-a-vis domestic public opinion...” (Ravasio & Ohly 1997, 480-1).

Scharpf (2011) also traces the impact of the constraints to monetary policy resulting from EMU participation as far back as Germany during the early 2000s (13 and 23)⁵. He places primary importance in the non-Optimal Currency Area

⁴ However, they are quick to follow this up by arguing that “national sovereignty in these areas does not play as important a role as is often argued” (Ravasio & Ohly 1997, 479).

⁵ This is an interesting case. As Kyriakidis (2016c) argues, when both France and Germany qualified for an Excessive Deficit Procedure in 2005, they successfully modified the criteria to remove the numerical value for severe economic downturn (until then set at a minimum of 2% fall in GDP) and replace it with “negative annual GDP volume growth rate or from an accumulated

(OCA) nature of the EMU⁶, which, in turn, resulted in “asymmetric impulses in EMU economies, with above-average or below average rates of growth and inflation,” also finding that

in contrast to the currently (2011) popular narratives, external indebtedness even in Greece and Portugal was mainly, and exclusively in Spain and Ireland due to private-sector rather than public-sector borrowing (20 and 23; also, more broadly, Börzel 2020).

This argument was also echoed in the interviews conducted with Professors Ben Crum and Paul De Grauwe. Crum (2020), argues that “there were deep asymmetries in the Eurozone [...] it was meant to be a machine for convergence, but to some extent it has been a machine for divergence.” De Grauwe (2020), suggests that “the biggest problem...has been that those who started...underestimated the need to move forward and create political institutions in which the monetary union can be embedded [...] you need more political integration to make this function properly.” It has also been argued that, oftentimes, the aforementioned monetary restrictions have been extended to include policy alternatives, with governments, especially during the crisis, often mistakenly claiming that the ‘road taken’ is the only one (TINA – There Is No Alternative; Maduro et al. 2012). This is consistent with broader arguments relating to the increasing depoliticization of decision-making processes throughout the Eurozone and EU (Bohle 2014; Dukelow 2015). Relevant scholarship has, therefore, highlighted from the very beginning the restrictions on fiscal monetary policy stemming from participation within the EMU. But how have recent developments relating to the crisis and its measures affected this conclusion?

loss of Output during a protected period of very low annual GDP volume growth relative to is... (EU member state) potential,” thus essentially escaping the EDP (85-6).

⁶ OCAs have three primary characteristics, “developed by Robert Mundell in the 1960s...: factor...mobility..., convergence..., and fiscal integration...,” with “the need for a single Central Bank that is also the lender of last resort” being added later on (Kyriakidis 2018). Scharpf’s observations echo the so-called ‘Walters critique’, whereby, upon creation of the EMU, “capital restrictions were eliminated but inflation was slow to converge between the core/Northern low-inflation and the periphery/Southern high-inflation Member States [...] (and) “economic booms in the periphery/South, financed by excessive and cheap capital inflows from core/North, led to a loss of competitiveness that could not be restored through monetary policy” (Kyriakidis 2018).

Building on the above, Crum (2013), argues that the Fiscal Compact (TSCG) is an example of a “clear contravention of national financial autonomy” (622). Papadopoulos & Piattonni (2019) examine the democratic shortcomings of the European Semester (analyzing the broader capabilities for policy learning), a process established under the so-called ‘Six-Pack’ (crisis measures are presented in detail in the fifth chapter of this research), finding, inter alia, that “functional problems such as weak compliance with the Semester recommendations might not be surprising after all given the power asymmetries and democratic weaknesses that in all likelihood act as disincentives to the development of learning and of feelings of shared ownership” (73).

These observations touch upon a more nuanced problem compared to the one attributed to the consequences of EMU participation prior to the crisis: imbalances of power, authority, etc., at the EU level between member states. Before the crisis, the main concern was limitation of fiscal and monetary policy by virtue of elimination: the national level, which had the tools to adapt these policies, yielded monetary authority directly (and partial fiscal authority indirectly, through monitoring) to the supranational level. But the supranational level simply lacked a similar toolkit. However, after the crisis and the relevant measures, as Professor (Prof.) and, inter alia, former Deputy Prime Minister and former Minister for Finance of Greece, Honourable Evangelos Venizelos argues, a large part of that toolkit was established at the supranational level. For example, the ECB’s Quantitative Easing program could be considered as a substitute for the ability to adapt monetary policy by each individual member state. The problem, then, has become the uncoordinated and divergent preferences of different Eurozone member states (e.g., for the case of the ECB, within its Governing Council), which, despite the, at least partial, existence of an appropriate toolkit, creates problems resulting in the same insufficient or inexistent outcome as if the toolkit simply did not exist (Venizelos 2016).

A large part of the scholarship traces much of the aforementioned arguments to the imbalance and asymmetries between core and periphery

Eurozone member states, and primarily to German hegemony⁷ within the Eurozone that has led to strong ordoliberal foundations⁸ (e.g., Tsoukala 2013; Bohle 2014; Dyson 2010). Regan (2012), for example, in examining the Irish government's response to the crisis, argues that the differences in collective bargaining and broader socio-legal traditions between the core and periphery Eurozone member states, with the latter lacking “formal-legal mechanisms of collective bargaining at the firm and sector levels, akin to corporatist economies of Netherlands, Germany and Finland, to protect wages and employment,” coupled with the fact that “the policy constraint of the EMU...shifts the entire burden of adjustment on to labour costs and public spending,” has led to, essentially, the neoliberalization of domestic policy-making (466 and 488-9). Kyriakidis (2016c) finds that

there are...exogenous...reasons accounting for economic problems within the Eurozone. Economic booms in the periphery, which were often accompanied by cheap capital inflows by banks in more economically powerful Eurozone MS (member states) [...], inevitably led to loss of competitiveness. The governments of the periphery (member states) [...] had little ability to restore this loss, as EMU participation had removed fiscal policy alternatives from them [...] This effect was further intensified by the fact that within the ordoliberal-oriented EMU environment, primary focus was placed on price stability, which was misaligned with the economic and socio-political traditions of the periphery... this...resulted in trade imbalances and growth disequilibria, further weakening the import-led, deficit-expanding economy of the periphery ...vis-à-vis the export-led, high competitiveness economy of the core... (14-5; also in Papadopoulos 2013, 30-1).

Prof. Venizelos further elaborates on the above, arguing that the “locked inequalities” relating to the different fiscal situation, growth strategies, banking

⁷ Germany conceded to take part in the EMU only in exchange for considerable influence in its, and, by extension, the ECB's (not entirely coincidentally headquartered in Frankfurt and its establishment heavily influenced by the Bundesbank), design (‘sound money’; Kyriakidis 2016c, 14).

⁸ Kyriakidis (2016c) informs that “ordoliberalism was developed during the 1930s by Walter Eucken, Franz Böhm and Hans Grossmann-Doerth in Freiburg University in Germany [...] (and) advocates for a more regularized version of the laissez-faire environment proposed by liberalism [...]the state should assume a positive role in ensuring a free market economy[...] (and) needs to be limited, but such limitation should not impede its power in areas where it is to assume a strong role, such a regulation [...] Hence, the objection to the role of the state in welfare and social policy is mitigated, under the condition that said state would conform to market practises...” (13; also, more generally, Sally 1996).

sectors, etc., of Eurozone member states and the shortcomings related to the absence of an EU-wide redistribution mechanism, surfaced due to the crisis.

There is scholarship approaching the subject from a more democratic theory-based perspective (compared to the more International Political Economy-based one above). Laffan (2014) focuses on the adverse impact of the responsibilities assumed by Eurozone member states under the crisis measures on the responsiveness of national governments to the electorate, further constraining “national governments in budgetary and fiscal matters” (285). The analysis does indeed examine some crisis measures, as well as overviewing some of the consequences of events occurring, especially during the initial period of the crisis, concluding that responsiveness of the EU level decision-making processes and institutions to EU citizens is of key importance (Laffan 2014, 284).

Schmidt (2020) analyzes the impact of crisis measures on EU legitimacy, examining the CEU, ECB, EC, and EP, and drawing broader connections with EU governance. She focuses specifically on legitimacy, drawing the lines between Input, Output and Throughput, recognizing that different EU institutions have different “paths” to obtaining such legitimacy (Schmidt 2020, 9-13). The analysis utilizes “discursive institutionalism,” and thus relies heavily on discourses and ideas of relevant actors, and how those are communicated to the public (Schmidt 2020, 15-6). She concludes that “Eurozone governance has gone much farther in undermining national sovereignty and democracy than any other EU policy domain, let alone any other regional or international organization, without providing the expected benefits from the shared supranational authority and control,” advocating for a more differentiated approach to the Eurozone integration process, in order to allow for maximum flexibility and consideration of different national preferences (291-2).

Crum & Merlo (2020) also focus on legitimacy of the EMU, observing that “in many respects, EMU appeared as a kind of limited liability partnership rather than a union” (403). They find that in the pre-crisis EMU regime, its institutional structure and the so-called ‘no bail-out’ clause of TFEU art. 125, as well as the fact that the national level mostly maintained economic policy, led to a more limited need for input legitimacy (Crum & Merlo 2020, 402-3). However,

the implementation of the crisis measures modified many of the above conditions, and so Crum & Merlo (2020) find that the post-crisis operating framework of the EU suffers from deficiencies in parliamentary oversight and from considerable supranational restraints on national policy-making of member states (403). However, they rely heavily on input legitimacy, and, while examining a number of crisis measures, they are far from all and the analysis is considerably brief and, hence, limited.

Crisis and the EU integration process⁹

In terms of scholarship related to the impact of the crisis measures on the EU integration process, it is first worth noting that a fully evaluative framework for EU integration, based on any one or multiple integration theories, is largely absent from the relevant scholarship, not least due to the foundationally different ontological assumptions of at least the aforementioned three integration theories and their fundamentally different approaches to the integration process of the EU (although, common elements and areas of convergence across all three have been identified, inter alia, by the same scholars who developed them, as referenced across the above section of this chapter). Despite such fact, some scholars have very recently attempted to preliminarily evaluate the EU integration process after the Eurozone crisis, but also in the face of other crises, such as the migration crisis or the exit of the United Kingdom from the EU¹⁰ (e.g., Schmidt 2018; Scicluna

⁹ The review of this part is, naturally, restricted to literature relevant to the case-study of this research, namely the (Eurozone) crisis. There is, of course, scholarship, examining other crises in terms of their impact on the EU integration process. For example, Niemann & Spreyer (2018) argue that neofunctionalism can offer key insights into the migration crisis, suggesting that dysfunctions related to the inactiveness on functional interdependencies of Schengen “and the...need for stronger co-operation on external border management,” were exposed by this crisis (24). They argue that this was the catalyst for the creation of the European Border and Coast Guard, “which became the most functionally logical solution as various path-dependent factors blocked the way towards disintegration (Niemann & Spreyer 2018, 24).

¹⁰ The United Kingdom of England, Scotland and Northern Ireland (UK) has exited the EU effective January 2020 (so-called ‘Brexit’; CEU 2020b). A new Trade and Cooperation Agreement was concluded between the EU and the UK in December 2020 (EU & UK 2020).

2018; Biermann et al. 2019; Jabko & Luhman 2019; Hodson & Puetter 2019; Webber 2019; Degner 2019; Kuhn 2019; Börzel & Risse 2018).

Scicluna (2018) offers an entirely alternative approach to EU integration post-crisis termed Integration-Through-Crisis (ITC), observing the paradox that, despite expectations (and predictions of some of the existing grand-level integration theories, particularly postfunctionalism), the Eurozone crisis led not only to the non-extinction of the common currency but also to “its members...(emerging) from the most volatile period of the crisis more tightly integrated in economic and fiscal matters” (1874). Albeit primarily focused on the ECB and the CJEU, Scicluna (2018) does observe overall that

The outcome – deeper integration amongst euro area states – indicates that the crisis was an opportunity taken, while the EU’s crisis management only proves the resilience, flexibility and adaptability of its institutions. On this view, it is the continuity of European integration that stands out. No states exited the euro area (and those that planned to join before the crisis, joined), new integrative steps built on old ones (e.g., banking union as a corollary of monetary union), and institutional changes were merely intensified versions of trends evident since Maastricht (e.g., the growing agenda-setting dominance of the EU Council). [...] The euro crisis did spur closer integration at a speed and of a kind that would otherwise have been considered impossible. [...] However, these actions have come at a cost to the coherence and credibility of EU constitutionalism (1886).

Biermann et al. (2019), drawing on game theory and comparing the Eurozone crisis with the migration crisis, argue that while the former “triggered a veritable reform boost...,” in the latter, member states have “largely resisted calls for institutional and regulatory reforms. Instead, we even observe tendencies among states to circumvent and suspend existing rules, such as the partial and temporary suspension of the Schengen system” (246-7). They argue that the responses to both crises are indicative of liberal intergovernmentalism:

in the euro crisis, member states faced a dilemma of common aversion, jointly seeking more integration to avoid a ‘common bad’..., while creditors and debtors still tried to maximize their individual benefit in the context of redistributive bargaining [...] In the refugee crisis, member states’ preferences were asymmetrical, since there was no agreement on a common bad [...] The group of states least affected ... sought to effectively block the demands for policy and institutional reform expressed by those states that were most affected...(Biermann et al. 2019, 248).

Degner (2019) presents an intriguing conceptualization of the connection between the EU integration process and crises in general, developing a “four-part

model of the crisis-integration link [...] mainly based upon liberal intergovernmentalism,” but refining it with “insights from multiple streams framework:” crises raise public attention, the respective issue turns into a salient one for governments as a result, and this process creates the opportunity for domestic and supranational actors to proceed with integration through “cost-benefit calculations [...] (and) distribution of governmental bargaining power” (243). However, the theoretical depth and generalizability of the analysis is, inevitably, limited, *inter alia* being restricted to a mostly summative overview of two crises (the bovine spongiform encephalopathy and the Eurozone crises) and to only the so-called “big-three Germany, France and the United Kingdom...” (Degner 2019, 248)

Jabko & Luhman (2019) focus on sovereignty and politicization in relation to integration, using the Eurozone and migration crises as case studies, accepting postfunctionalism’s insights relating to politicization hindering EU integration, but arguing that sovereignty and integration are not mutually exclusive, and thus, through a crisis that “reveals the vulnerability of existing sovereignty practices,” integration can actually be enhanced (1041).

Hodson & Puetter (2019) examine the notions of equilibrium and disequilibrium throughout liberal intergovernmentalism, neofunctionalism, and new intergovernmentalism, while Börzel & Risse (2018) examine (briefly) the three grand theories of EU integration in relation to politicization and identity, using the immigration and the Eurozone crises as a case study. They argue that none of the three theories are essentially able to fully account for the direction of integration during these crises, proposing that all three theories could further benefit from assigning greater importance to identity politics in at the national level as a response to EU-wide policy issues (84).

A very interesting and quite recent contribution comes from Moravcsik & Schimmelfennig (2019) in relation to developments of liberal intergovernmentalism and its explanatory capacity in relation to the Eurozone and migration crises. In relation to the former, they argue that liberal intergovernmentalism “predicts that the threat of a common catastrophe creates strong incentives for both northern and southern countries to avoid the immediate

costs of defaults” and that the variance of distributional burdens for adjustment among member states was an outcome of strong intergovernmental bargaining (Moravcsik & Schimmelfennig 2019, 72). Similarly, different negotiating powers of member states in the migration crisis led to different views on the specifics of tackling the problem, but a broad consensus on “the reduction of overall migration into the EU” (Moravcsik & Schimmelfennig 2019, 77-8).

Crisis and the national level: Greece & Ireland

In relation to scholarship focusing at the national level, the overwhelming majority concerns the impact of the crisis on democratic processes, but, again, confined from a national-level perspective. That is, the impact on the EU integration process or the EU democratic deficit of supranational-level measures (e.g., financial assistance mechanisms, through their programs for individual member states) implemented at the national level, has not received but little attention. In most of the relevant literature, issues are examined from a political economy or a purely legal perspective. Cartensen (2013) examines ideational change – in particular the reasons behind the absence of implementation of new ideas during crises – using this crisis and Denmark as case studies, while Dukelow (2015) analyzes, through the case of Ireland, how the neoliberal paradigm has been reinforced during the crisis. Bosco & Verney (2012) conduct a survey-like examination of the impact of the crisis on electoral politics and parties across the EU’s south (Portugal, Italy, Greece, Cyprus, Turkey), and Busch et al. (2011) analyze whether the (then new) Six-Pack and accompanying surveillance “should be applied symmetrically, to all countries of the Eurozone, or whether they should specifically target countries with current account deficits,” taking Greece, Spain and Portugal as cases (354).

A portion of the relevant literature also focuses on the primary case (for measures that affect the national level) of this research, i.e., Greece. Ladi (2013) examines the reforms introduced in the Greek public administration pursuant to the Greek MoU from a historical institutionalism perspective, while Theodoropoulou (2014) conducts a similar analysis in relation to social and labor market reforms, adding Portugal as a case along Greece. Athanasiou (2009) traces

the implications of Greece's fiscal imbalances for its responses to the crisis, and Katsimi & Moutos (2010), building on the relevant scholarship for the broader EMU, examine Greece as a case for the shortcomings in the EMU's design, among them "the supposition that the main threat... is irresponsible behavior by member state governments only; the consequences of private excessive borrowing and lending, and accompanying moral hazard and deficient corporate governance, were ignored" (569). Verney (2012) examines the 2010 local government election outcome in Greece as a result of the lack of association of the incumbent by the electorate, with the previous government that experienced an 'explosion' of the debt and deficit, and the belief that, even (or maybe because) of the MoU, things were hopeful. Tsakatika & Eleftheriou (2013) analyze the strategy employed by the "radical left" (KKE and SYRIZA parties), and the differences between them in terms of approaching Greek civil society.

Finally, there is a relatively small portion of the literature examining the Greek financial assistance programs in detail, primarily from a legal perspective. However, the overwhelming majority is written in Greek. Manitakis (2011) examines constitutional issues raised in relation to the MoUs, focusing extensively on whether they are considered international agreements or soft-law instruments. Similarly, Drosos (2010) analyzes the impact of the MoUs on the Greek type of government based on constitutional principles and law. Chrysogonos (2010) analyzes the extent to which economic sovereignty, and by extension national state sovereignty, of Greece was ceded to external actors through the MoUs. Katrougkalos (2011) examines the impact of the MoUs (and of the broader relationship between EU and national law) on the social aspects and policies of Greece.

Conclusion

From the above literature review, it is clear that the subject matter of this research has received little and mostly segmented scholarly attention. It is, hence, the purpose to contribute to the existing scholarship by providing a detailed examination of the supranational crisis measures, conducting national-level analyses where this is necessary (e.g., in the financial assistance mechanisms that,

beyond their supranational nature, have a national-level component, i.e., the financial assistance programs), determining the way in which these measures have affected the EU integration process, and, primarily, evaluating their impact on the EU democratic deficit through re-organizing the relevant scholarship on the three deficit approaches into thematic areas that can be qualitatively evaluated. The combination of all the above elements in one, conclusive, research is an innovative approach offering a unique insight into the overall impact of the Eurozone crisis on the EU integration process and the EU democratic deficit, itself, thus, allowing for broader conclusions to be drawn in terms of the relationship between how the EU integration process advances and the effect this has on its democratic deficit. The outcome of the research will not only address a missing link between integration and democratic process within the EU, but will include potentially useful insights into how the impact of one on the other can be mitigated and improved.

First, what does the existing scholarship has to offer? It seems overwhelmingly accepted by scholars that, overall, the EU integration process, one way or another, impacts on the EU's democratic processes. Scholars focus on different modes of EU integration and different aspects of the democratic processes, yet the conclusion is, overwhelmingly, the same. The majority of problems found are related to either legitimacy or accountability; something unsurprising considering that they are two foundational pillars of the modern, liberal, democratic system, and are particularly related to the EU (as explained in detail in the dedicated section of this chapter on the EU democratic deficit further below). Most of the relevant scholarship also recognizes the limitations arising from EMU participation, and the strains those limitations impose on the national sovereignty and self-determination of member states. While this has been existent since the creation of the EMU, it is widely accepted by scholars that the crisis measures introduced have made necessary the enhancement of democratic processes within the EU, compared to the previous status quo. Of particular concern are the consequences emerging from the, mostly de facto, inequalities between the ability of different member states to influence the decision-making procedures equally.

In terms of the EU integration process after the crisis, the predominant perspective in the relevant scholarship is that it has progressed, largely, through liberal intergovernmentalism. Emphasis is placed on the role played not only by individual member states (e.g., Germany), but by the mostly intergovernmental institutions of the EU (e.g., European Council) as opposed to the mostly supranational ones (e.g., European Commission). The relevant perspectives focus largely on the discursive aspects of the crisis, i.e., the way it was handled at the EU level and the process of adoption of the relevant measures.

But, also, what are the specific limitations of existing scholarship? First of all, the absence of evaluative frameworks for the process of EU integration and, more importantly, the EU democratic deficit, is a major shortcoming. In relation to EU integration, this is perhaps somewhat understandable, considering the ontological and foundational differences between, at least, the three grand-level theories. However, in terms of democracy, the inexistence of such a framework creates problems of consistency and conclusiveness across the relevant research. Some proposals have been put forward, and scholars choose to focus on a limited number of concepts that are indeed quite pertinent in terms of democratic process. However, the scholarship and insights developed in relation to the EU democratic deficit, while quite useful and concise, do not seem to have been extensively put to this task, or even used at all. This seems like a missed opportunity, particularly considering not only the fact that the deficit literature is well-developed, but also its almost direct relation with the EU integration process and, at least, two grand-level theories of integration. Through the detailed overview and analysis of the deficit literature and its three approaches of Input, Output, Throughput, and its reorganization into thematic areas, it is the aim of this research to contribute to this area, by providing, at minimum, the foundations for an overall, qualitative evaluation of the deficit.

In addition, there seems to be insufficient specificity and nuance in examining the measures in a comprehensive and detailed manner. Most scholars treat the crisis measures in a limited and segmented manner, usually addressing only some of them and/or from a limited theoretical perspective. This results in, oftentimes, taking for granted issues that have not received meticulous attention

and that, if investigated in-depth, may yield different or additional conclusions to those presented in the existent literature. A more nuanced analysis of the measures can also provide better targeted focus on areas that are important for the EU integration process or problematic for the EU democratic process, offering more solid conclusions and, at the same time, better possibility for improvement. The contribution of this research is detailed analysis and overview not only of the measures themselves, but of the impact each of the provisions of those measures has on the process of EU integration and on the EU democratic deficit.

In terms of the direction of the EU integration process post-crisis, because of the largely discursive focus of the existing literature, the predominant perspective favoring liberal intergovernmentalism may not be entirely accurate, at least in terms of describing the level and kind of EU integration after the adoption of the crisis measures. Once a detailed analysis of the measures is conducted (as outlined above), results yield surprising reinforcement of supranational institutions, both in terms of the breadth of policies they can affect and their decision-making procedures. In addition, through the extensive overview of each of the three grand-level EU integration theories is undertaken, it becomes clear that, at the very least, some elements of the crisis measures and the post-crisis EU operating framework do not necessarily fit the intergovernmental paradigm. Finally, scholarship concerning the national level of Greece and Ireland during the crisis offers valuable contributions for that level, but, due to the absence of direct connection with the supranational level, the conclusions drawn are specifically related to each of those member states.

As established in the section above, current literature offers some insights, but there are considerable shortcomings and many areas in which novel contributions are possible. One such area is the comprehensive evaluation of the mode of the EU integration process after the adoption of the crisis measures, and the impact of those measures on the EU democratic deficit. To achieve this, and to also make possible essentially all other contributions of this research as well, a detailed overview of both EU integration theories and the EU democratic deficit scholarship are essential, in order to determine the elements again which the crisis measures can be evaluated. Without the above, the analysis will run into the same

shortcomings highlighted in relation to the existing scholarship: segmented approaches, focusing only on certain aspects of either EU integration or democratic processes, lacking in comprehensiveness and in-depth examination and resulting in partial or limited conclusions.

What is more, in relation specifically to the EU democratic deficit, aside from a detailed overview of the scholarship, a comprehensive reorganization of the three approaches of Input, Output, Throughput is presented. The aim is to present a set of qualitative thematic areas, identifying common themes examined across the three deficit approaches. These areas will then constitute the ‘prism’ through which the crisis measures will be evaluated in terms of their impact on the EU democratic deficit. The purpose of this section is to conduct the above overview of these two strands of literature and, specifically for the deficit scholarship, reorganize the three approaches to construct a set of qualitative thematic areas that can be used to evaluate the impact of the crisis measures.

3. THEORETICAL FRAMEWORKS

Introduction

In order to be able to conduct this research and contribute to the existing literature, especially in light of its shortcomings, a detailed analysis of scholarship related both to the EU integration process and the EU democratic deficit is necessary. In terms of the grand-level EU integration theories, this process will make it possible to more comprehensively and effectively determine the mode of the process after the adoption of the measures. An in-depth look into the three theoretical approaches will yield a more precise determination about the direction of the EU integration process, and may even result in a different outcome than what is currently prevalent in the relevant literature.

In terms of the EU democratic deficit, the contributions offered by this research go beyond providing a detailed analysis similar to the grand-level EU integration theories. From the examination of the relevant literature, it was found that scholars, while utilizing specific concepts of democratic process (accountability, transparency, legitimacy, etc.), there is an absence of a comprehensive evaluative framework. In this research, to address this and offer an innovative perspective, the EU democratic deficit and its three approaches are not only analyzed in detail, but their respective elements are reorganized into thematic areas, in order to make it possible to conduct a qualitative evaluation of the impact of the crisis measures on the deficit. As opposed to the three grand-level EU integration theories, which present fundamental ontological differences, thus making a similar reorganization at least difficult and at most theoretically questionable, the EU democratic deficit and its approaches are much closer and have converging ontological roots, thus presenting an excellent case for reorganizing them into an empirically-useful evaluative construct.

EU integration process: three grand-level theories

The process of EU integration has been a constant field of theorization of regional integration, not least because of the arguably *sui generis* nature of the EU as an international organization. The relevant scholarship is, however, much

more specific compared to that of the EU democratic deficit. There are considered to be three grand-level or grand theories of EU integration: intergovernmentalism, neofunctionalism, and, the more recent, postfunctionalism (Hooghe & Marks 2019; Kuhn 2019, 1216)¹¹. An overview of each of these theories is presented below.

It is recognized that these theories, while (mostly) clearly defined, have long traditions based on broader theoretical perspectives of international relations (as opposed to the EU democratic deficit scholarship which, albeit much less defined, has a much narrower and more specific theoretical lineage). As such, when developing each of these three theories, scholars will often expand considerably into the normative assumptions and consequences of their assumptions (e.g., Moravcsik 1991, 1993; Marks et al. 1996, etc.). While this is expected from a theoretical perspective, subject to presenting and giving due consideration to each of the theories' ontological foundations, such an extended approach is beyond the (primarily evaluative, for these theories at least) purpose and aim of this research. In short, it is not the aim of this research to provide a fully-fledged theoretical analysis and evaluation of EU integration theories, but rather to analyze their assumptions for the EU integration process in order to determine the mode of this process after the adoption of the crisis measures. A similar approach has been often adopted by scholars interested in an evaluative and not theoretical perspective (e.g., Hooghe & Marks 2019; Schimmelfennig & Winzen 2019, etc.).

Neofunctionalism

Neofunctionalism is arguably the very first theory of EU integration. As Rosamond (2000) notes, “for many, ‘integration theory’ and ‘neofunctionalism’ are virtual synonyms” (50). It was developed literally at the same time as the creation of the EU during the 1950s by Ernst B. Haas in his seminal work *The*

¹¹ Haas (2004) identified, in addition to these three (postfunctionalism was, at the time, termed multi-level governance), new institutionalism (misleadingly identified, according to Haas), and networks/discourse analysis as two other theories of EU integration (xvi).

Uniting of Europe: Political, Social and Economic Forces 1950-1957 (Haas 2004). As Desmond Dinan notes in the Forward of the 2004 edition of Haas' book that "two events of great importance in the history of European integration happened in 1958. One was the launch of the European Economic Community; the other was the publication of Ernst Haas's *The Uniting of Europe*" (Haas 2004, ix).

Neofunctionalism is largely based on the functionalist approach to international integration and international relations, albeit expressly rejecting its idealistic presuppositions, and on pluralism (Rosamond 2000, 31 and 51; Hooghe & Marks 2019, 1114)¹². Functionalism aspires mostly to the idealistic and liberal assumptions of international relations, with its core idea being "an international effort organized through a multiplicity of international legal arrangements" (Navari 1995, 229). The primary figure in its development is considered to be David Mitrany, often referred to as the "founding father, of the functional approach" (Anderson 1998, 577; Rosamond 2000, 31)¹³.

Mitrany was influenced considerably by the work of Leonard Woolf, with whom he worked closely together on a number of international bodies, such as the League of Nations Society, on issues related to international government (and, to a lesser degree, by George Douglas Howard Cole). Leonard Woolf, in specific, is considered to have put forward a pre-cursor to functionalism (although Mitrany "became a severe critic of the statism and the legalism which underlie Woolf's first two conceptions of international government;" Wilson 1995, 140). Woolf contributed the following central elements to functionalism: inability of the increasingly isolated state structure "to satisfy the welfare needs of its citizens,"

¹² It also includes elements of federalism, primarily in terms of the end goal of a single (albeit not necessarily fully federated in the strict sense of the term) political community at a higher level than that of the state, and was substantially influenced by the behavioural turn in political science at the time (Rosamond 2000, 54-5).

¹³ Note that, as Navari (1995) points out, "...Mitrany's theory of functionalism was essentially laid out in one lecture, one internal Foreign Office paper, and one longish pamphlet. Nowhere was a full social or political theory provided to underpin it. [...] In this respect, the more elaborate neofunctionalist models which Mitrany disdained...provide much more in the way of analytical tools [...] with which to measure and analyse the process of integration" (233-4; also generally Rosamond 2000, 32).

advantages stemming from “a world order composed of a plurality of functionally different actors,” spontaneous development of a “cosmopolitan international government” out of modern conditions, potential invalidity of political representation based on geographical factors, and the form of an international bureaucrat (Wilson 1995, 140). The first and second elements would become core concepts of neofunctionalism through functionalism.

Mitrany first advocated for (international) functionalism in the mid-1920s, in a memorandum to the US Congress on the problems that may have been created by the imposition of sanctions of the Geneva Protocols (Navari 1995, 228). Mitrany outlined several problems, offering his solution of “schemes that were ‘faculative’” – which constitutes that first formation of ‘functionalist’ – and that leaned “towards more limited but specific obligations, and obligations which took account of existing special relationships” (Navari 1995, 228). He developed functionalism in particular relation to the notion of a united Europe (“Pan-European union;” Mitrany 1930, 462). He argues

Between the conception of a universal league and that of continental unions there is, therefore, a difference not merely of degree but of essence. The one would proceed in the old way by a definition of territory, the other by a definition of functions; and while the unions would define their territory as a means of differentiating between members and outsiders, a league would select and define functions for the contrary purpose of integrating with regard to them the interests of all (Mitrany 1930, 476).

Mitrany (1965) offered functionalism as an alternative to the prospect European federalism, i.e., Europe assuming the form of a federation similar to the US (127-8 and 134-5)¹⁴. In order for economic and social harmonization to be achieved, he advocated for a global solution through the “functional way¹⁵ [...] (by) making use of [...] social and scientific opportunities to link together particular

¹⁴ Functionalism was created as an opposite to federalism primarily including arguments against a unified political authority (inter alia other objections; in fact, Mitrany was highly sceptical of the state both as an entity and as the primary player in international formations and was against “state fixation”; Rosamond 2000, 33-4; Navari 1995, 231-3).

¹⁵Mitrany (1965) himself traces the concept to democratic and liberal political philosophy “which leaves the individual free to enter into a variety of relationships-religious, political and professional, social and cultural-each of which may take him in different directions and dimensions and into different groupings, some of them of international range” (139).

activities and interests, one at a time, according to need and acceptability, giving each a joint authority and policy limited to that activity alone” (135).

Mitrany’s (1930) view of functionalism was that states should cooperate and organize around functions rather than territories, arguing that

relations between independent states must, in fact, be organised on functional rather than on territorial lines; while the need for it leaps to the mind when one thinks merely of how flying and wireless have, so to speak, obliterated the limits of effective territorial control. From that point of view a league of nations is merely the necessary agency for the continuous and systematic adjustment of such international functions (476).

He suggested that “the starting point should not be a question about the ‘ideal’ form of international society, but about what its essential functions should be” (Rosamond 2000, 32). Functionalism thus includes arguments for a “largely technocratic vision of...governance” and only skepticism of political authority, since, those involved in such authority are argued to ultimately be interested more in retaining authority rather than serving the common good (Rosamond 2000, 33).

Mitrany’s work laid the foundations for the operation of contemporary international organizations, and the EU in particular, through “the handing of delimited tasks to special intergovernmental committees, with experts advising a group of bureaucrats” (Navari 1995, 230). Mitrany also argued, building on Woolf’s argument that the increasingly isolated individual state was becoming increasingly incapable to secure the welfare of its citizens, that “technical politically neutral functions,” which citizens expected their governments to design and implement, “could not be performed at the national level and international collaboration was vital if they were to be carried out at all” (Navari 1995, 230). He further advocated for “...technical self-determination. The functional dimensions...determine themselves. In a like manner, the function determines its appropriate organs [...] (and) reveals through practice the nature of the action required under the given conditions and... the powers needed by the respective authority” (Mitrany 1966, 72-3).

There is no doubt that neofunctionalism used functionalism as a foundation. However, Mitrany became increasingly skeptical and eventually opposed to neofunctionalism, both ideologically and as an ‘offspring’ of functionalism, eventually calling it ‘semi-functionalism’ or ‘federal

functionalism'. He, in particular, had substantial problems with the neofunctional idea of automatic progression of integration (so-called spillover; further below) that would eventually lead to a political union, something to which he was staunchly opposed to as, inter alia, a structure "reproducing the faults of the state system writ large" (so much so that he also argued against direct elections of Members of the European Parliament or MEPs; at the time only a plan put forward by Jean Monnet; Rosamond 2000, 36-7; Navari 1995, 233). Conversely, Haas (1967) argued that "the progression from a politically inspired common market to an economic union, and finally to a political union among states, is automatic. The inherent logic of the functional process...can push no other way" (327)¹⁶. Mitrany was also opposed to regional integration more generally, because of its territorial exclusionism and membership limitations (Rosamond 2000, 37).

Haas developed neofunctionalism as a response to three prevalent (at the time) International Relations theories – classical realism, idealism, and world systems theory (Marxism) – challenging the first's "fetishizing of power," the second's naivety towards "the road to world peace," and the third's deterministic views and its conceptualization of capitalism as a mode of production (Haas 2004, xiv). Neofunctionalism includes assumptions of democratic pluralism, suggesting that "preferences of political actors are formulated on the basis of values held; they, in turn, determine an actor's sense of interest," which results in "no fixed and knowable national interest" (Haas 2004, xiv). The theory, in essence, has a "soft' rational choice" ontology: "social actors, in seeking to realized their value-derived interests, will choose whatever means are made available by the prevailing democratic order" (Haas 2004, xv).

Haas begins by describing what a political community is and how political communities are similar across Europe. He argues:

Conflict and consensus, unity in diversity are the chief components of existing western European political communities [...] The institutions which characterise this social pattern are those standard to western national government. Decisions of the central authority are binding on the citizenry

¹⁶ Cf. Hooghe & Marks (2019): "...neofunctionalists emphasize the potential for deeper and broader governance at the regional level. Whether this will lead to some kind of federal polity is unknown. Neofunctionalists have been more interested in the direction of regional integration than its outcome" (1114).

[...]Consent is assumed if the legislature, by majority vote, enacts law. It is assumed also in the administrative acts of the executive in carrying out the legislative injunctions. Majoritarianism, ...is ...the operative principle of day-to-day political life (Haas 2004, 6)¹⁷.

He then proceeds to define economic and political integration, which he views “not as a condition but as a process” (Haas 2004, 11). Economic integration must have the following characteristics

(1) agreement for gradual but complete elimination of tariffs, quotas and exchange controls on trade among the member countries ; (2) abandonment of the right to restore trade restrictions on a unilateral basis for the duration of the agreement, regardless of difficulties that may arise;(3) joint action to deal with problems resulting from the removal of trade barriers within the community and to promote more efficient utilisation of the resources of the area; (4) some degree of harmonisation of national policies that affect price structures and the allocation of resources (for example, social security and agricultural programmes) and of monetary and fiscal policies ; and(5) free, or at least freer, movement of capital and labour (Haas 2004, 12).

If economic integration is accompanied by some form centralization of economic policy-making “not initially federated” then it is clear that there is a political community growing (Haas 2004, 13).

In terms of political integration, for Haas (2004) the focus should be on the “interests and values defended by the major groups involved in the (integration) process [...] (which) will undergo change, [...] redefine in terms of a regional rather than a purely national orientation and [...] gradually be superseded by a new and geographically larger set of beliefs,” as a result yielding “a new national consciousness of the new political community” (13-4). Accordingly, he defines political integration as

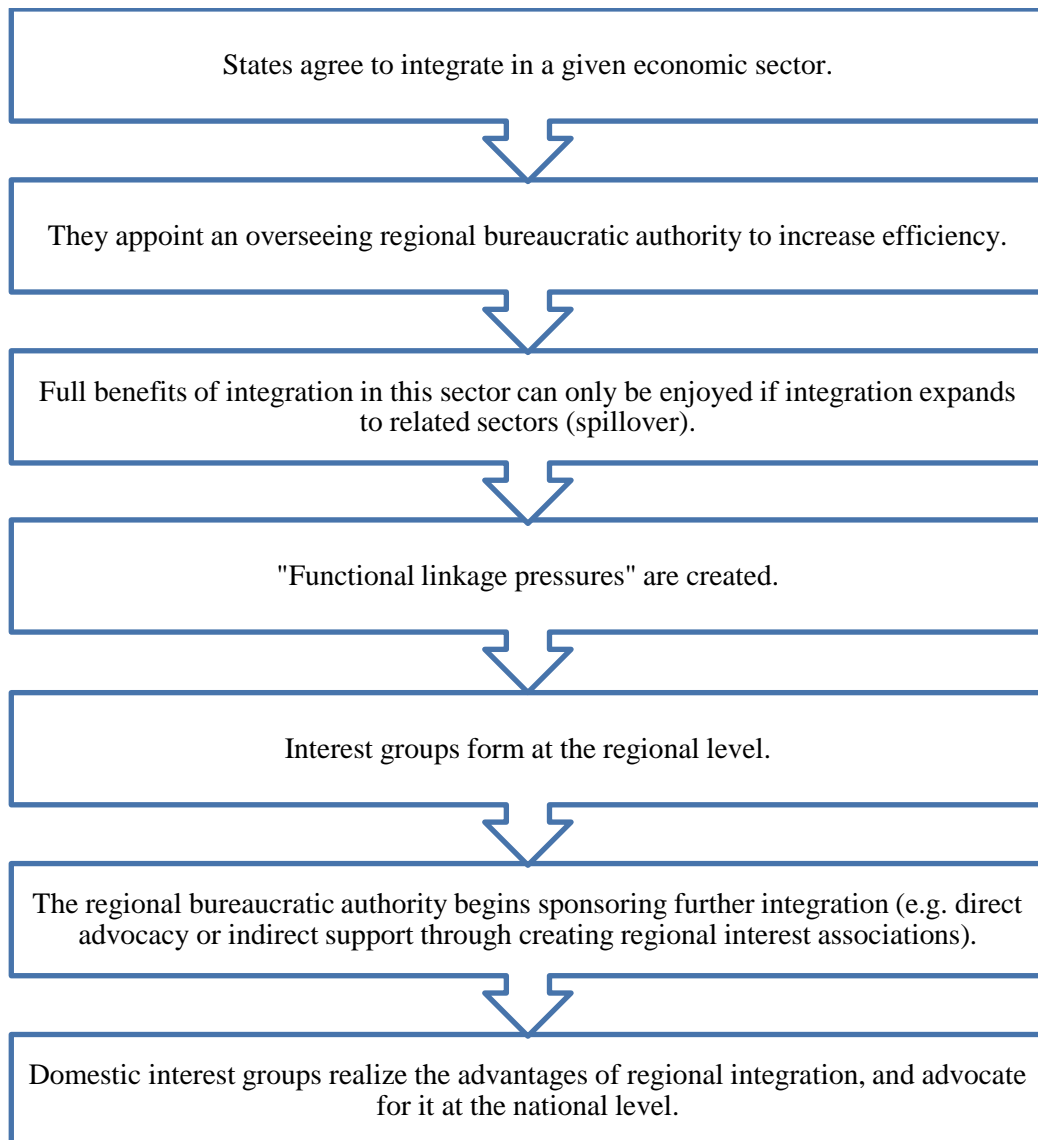
the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing national states. The end result of a process of political integration is a new political community, superimposed over the pre-existing ones (Haas 2004, 16).

In evaluating political integration, Haas (2004) focuses especially on elites, an approach primarily justified because of the “bureaucratized nature of European organizations of long standing, in which basic decisions are made by the

¹⁷ In just one of many examples of how influential neofunctionalism, and Haas’ ideas in particular, have been to the EU, the phrase “United in diversity” is the official motto of the EU since 2000 (EU 2020).

leadership, sometimes over the opposition and usually over the indifference of the general membership” (17). He also places emphasis on institutions; along with elites, a two-way integration environment is created: national elites influence supranational decision-making processes and actors, while the latter attempt to disentangle themselves from the former (Haas 2004, 19).

Neofunctionalism has a process rather than outcome-based approach in terms of integration: “the process emerged from a complex web of actors pursuing their interests within a pluralist political environment” (here there is a clear influence by pluralist political science; Rosamond 2000, 55). As Hooghe & Marks (2019) highlight, “neofunctionalists consider international relations as the interplay of societal actors” (1114). The theory ‘begins’ from the rising dissatisfaction for national governments from the fact that they eventually prove to be weak players in a world stage of growing turbulence and uncertainty (this clearly draws from the arguments of functionalism; Haas 1966, 321). In that sense, neofunctionalism presupposes “that national consciousness is weak and that the national situation is perceived as gloomy,” which can then lead to “national frustration to economic unit, and eventually, to political unification” (Haas 1966, 331). The focus of the regional level is on “matters of satisfaction of welfare and material needs,” and not on high politics, in another clear connection with Mitrany’s functionalism, which advocated for the ability of technocracy (of which neofunctionalism was in favour) to much better resolve problems in the interest of citizens compared to the political status quo (Rosamond 2000, 57 and 62). Rosamond (2000) presents an overview of the neofunctionalist reasoning, as depicted in Figure 1 below (58-61).

Figure 1: Neofunctionalist reasoning

There are two main elements to neofunctionalism in terms of regional integration: the concept of supranationality and the concept of spillover (Rosamond 2000, 60). Haas (2004) defines¹⁸ supranationality as “the existence of governmental authorities closer to the archetype of federation than any past international organisation, but not yet identical with it” (59). Keohane & Hoffman (1994) further point out that the concept of a supranational institution does not

¹⁸ This is in structural terms; Haas (2004) argues that “in operation... (supranationality) depends on the behaviour of men and groups of men” (59). The influence of the behavioural movement in political science on neofunctionalism is, hence, quite clear (Rosamond 2000, 54).

necessitate the a priori authority of it over the state nor does it constitute the final stage in the neofunctional spectrum. A supranational bargaining environment can simply exist through the promotion of common interests by actors and the absence of unconditional obstruction by national actors towards achieving those common interests (245). In any case, according to neofunctionalism, these supranational institutions would have to be qualitatively different from those of intergovernmental organizations, enjoying “direct access to societal groups [...] (and hence) bypass the traditional gatekeeping role of national institutions” (Rosamond 2000, 56).

In relation to spillover, it is defined as “a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action, and so forth” (Lindberg 1994, 107). Haas originally suggested that the benefits of increased economic integration in one field would only be truly enjoyed if integration was pursued both in other related fields and more ‘deeply’ in that field (functional spillover)¹⁹. As he argues, “the original ... (neofunctionalism) conceived of the spillover process as confined to economic sector. Dissatisfaction with the performance of already integrated sectors was thought to trigger reforms requiring the integration of additional, coguate, sectors” (Haas 2004, xx). However, he recognized later that other scholars extended it “to deal with the unintended growth of any kind of EU institution, whether related to economic activity and policy or riot. It also covers the growth of administrative and judicial rules and organs” (Haas 2004, xx). The concept, thus, came to include the necessity of political integration accompanying economic integration, usually led by the regional technocratic authority/ies (Rosamond 2000, 60-1)²⁰. This process would eventually lead to the shifting of

¹⁹Haas (2004) draws a number of similarities between spillover and path dependency, according to the latter of which “the process (of EU integration is seen) as partly shaped by the initial institutional choices of the founders [...] and likely to go on as long as the positive gains continue” (xxiii).

²⁰ Haas believed that, if states were left without such a ‘push’ to the direction of more integration, they would “bargain down to a lowest common denominator positions” (Rosamond 2000, 61). It is worth noting that Lindberg’s approach to neofunctionalism emphasized primarily political

loyalties of supranational actors, and the overcoming of state power with integration becoming “*most nearly automatic when these forces are given maximal play*” (Haas 1966, 330).

As a result of the above, there are primarily three types of spillover that have developed: functional spillover, whereby, due to policy sector-interdependence, “tensions and contradictions that arise from the integration of one sector vis-à-vis other sectors tend to foster additional integrative steps,” political spillover, whereby “elites (of member states) come to perceive that problems of substantial interest cannot be effectively addressed at the domestic level. This should lead to a gradual learning process inducing national elites to promote further integration, thus adding a political stimulus to the process,” and cultivated spillover, whereby “supranational institutions, seeking to increase their own powers, become agents of integration, from whose progression they are likely to benefit. Once established, they tend to take on a life of their own and are difficult to control by those who created them” (Niemann & Spreyer 2018, 26).

It is evident that the concept of spillover (in general) is directly based on Woolf’s work and Mitrany’s functional “technocratic automaticity” (Rosamond 2000, 55). It is also evident of the fact that neofunctionalism draws from path dependence theory: “the timing and sequence of prior integration matters because it progressively narrows the range of options” (Hooghe & Marks 2019, 1115; also Scicluna 2018, 1875). Spillover has five features: its dynamic depends on converging integration goals, institutions experience an increased in delegation of power and ability to take initiative in difficult situations or when faced with contested decisions, problems of central institutions can only be solved through further integration, economic integration can lead to integration in other policy sectors, and non-members of a customs union may be negatively predisposed, which can, again, only be solved through increased integration (Lindberg 1994, 107-8).

spillover (“how actors created political pressures for deeper integration as they became involved in the process”) rather than functional (Rosamond 2000, 62).

Overall, it is worth noting that Haas (2004) kept developing neofunctionalism, incorporating or otherwise addressing many other issues and challenges raised by both theoretical observations and empirical findings (e.g., xiv-xx)²¹. For example, he considers a “neo-neofunctionalism,” influenced primarily by institutional and constructivist (pragmatic constructivism²²) thinking (Haas 2004, xxvi and xlvi and liii). As Desmond Dinan suggests, “Haas was not a doctrinaire neofunctionalist. His ideas about European integration were not frozen in time but ... evolved considerably overtime” (Haas 2004, xi). For example, while he originally conceived the integration process as fully automatic, he later suggested that “incrementalism is the decision-making style of successful functionalism,” arguing that an incremental approach to small pieces of policies will be more successful towards integration in light of a lack in clear political agreement and common vision towards that direction by political leaders, but, also, that incrementalism is facilitated substantially by agreement on the goals of integration between those leaders and non-governmental elites – the absence of such an agreement can cause serious problems even for the incremental approach (much more for the more dramatic political vision-based approach; Haas 1967, 329-31)²³. Haas (2004) also became progressively more reserved in relation to the “automaticity” of spillover, both in terms of policy areas and the institutionalization process of the EU (xxi), while later major neofunctionalists (e.g., Lindberg or Schmitter) tended to focus more on actor strategies, allowing for the theory to become more adaptive to the changing conditions regarding the EU.

²¹In the 2004 edition of *Uniting of Europe*, Haas wrote a 44-page introduction, considering the contributions to neofunctionalism, broader shortcomings, and ontological foundations of a number of EU integration theories (Haas 2004).

²² According to Haas (2004), pragmatic constructivism “assumes that agency is constrained by the actors' enmeshment in networks, formed by institutions and by habit, not by structural forces. These constraints, however, do not predict the results of agency or action itself because PC also assumes that actors adjust their later behavior in light of the perceived failure of earlier behavior to realize the actors' perceived interests. Put differently, later choices are the result of unwanted and unforeseen consequences” (xxvi).

²³ This revision was because of the seeming inability of neofunctionalism to explain the situation with DeGaulle during the mid and late-1960s.

More recently, there have been partial refinements to neofunctionalism proposed, using historic institutionalism (Schmidt 2018, 1547)²⁴. Central to most of these refinements are (primarily on account of post-2000s developments within the EU) the issues of domestic politicization and identity (e.g., Kuhn 2019, Moravcsik 2018, etc.). It has been observed that there is increased intergovernmental bargaining and deliberation within the EU, in agreement with the above, but that the rules that result from the above have also, quite oddly, led to a reinforcement of all supranational bodies (regardless whether newly established or the EC for example), which have, through these rules, also acquired “ideational power” developing policies to be implemented (Schmidt 2019, 1551; Haroche 2020, 855-8). There is, hence, a greater focus on the power of ideas of the EC for example, rather than its “use of institutional rules and dynamics to push deeper EU integration” (Schmidt 2018, 1551).

Intergovernmentalism

The second grand level EU integration theory is intergovernmentalism. The theory was first developed by Stanley Hoffman in the late 1960s and was heavily based on rationalist assumptions of international relations: negotiations of member states are always rational and interest-based, and “are determined by their asymmetrical bargaining power (coercive power)” (Schmidt 2018, 1544 and 1546). Realism, with main scholars such as Hans Morgenthau, was developed in the immediate aftermath of World War II and has at its core “the idea that international politics is about the interaction of self-interested actors...in an essentially anarchic environment - a situation where there is no overarching authority to provide order in a global scale” (Rosamond 2000, 131).

Morgenthau (1948) himself describes the moving force of the world as “the aspiration for power of sovereign nations,” further arguing that “international

²⁴ Although Schmidt (2018) for example uses the term “supranationalism” and not “neofunctionalism,” it is evident from the explanation (“...the older supranationalism of institutional power and leadership by technical actors...”) that this essentially refers to neofunctionalism (1550; similarly Haroche 2020, 855-6 where the connection is made much clearer).

politics, like all politics, is a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate aim [...] whenever they (statesmen and peoples) strive to realize their goal by means of international politics, they do so by striving for power,”²⁵ and that all politics, whether international or domestic, are ultimately “a struggle for power” (8, 13, 17). Realism is both a descriptive and a normative theory: it not only aims at explaining the reality of politics, but to also to describe the best possible way of conducting politics (Morgenthau & Thompson 1985, 10)²⁶. In this way, it is quite different in its purpose from intergovernmentalism, and liberal intergovernmentalism in particular (below), which are primarily only descriptive theories²⁷. In the 6th edition of his seminal work *Politics Among Nations: The Struggle for Power and Peace*, revised by Kenneth Thompson, 5 principles of political realism are presented (Morgenthau & Thompson 1985, 4-17)²⁸:

- Politics, and society generally, are “governed by objective laws that have their roots in human nature” that can be reflected in a rational theory²⁹;
- The main drive of politics and actions of relevant actors is “interest defined in terms of power” (politics is thus a separate and distinct sphere from other areas, such as economics);
- Interest, defined in terms of power, and power itself, are objective and “universally valid,” but their meaning is not fixed across time; it “depends upon the political and

²⁵ Morgenthau (1948) defines political power as “the mutual relations of control among the holders of public authority and between the latter and the people at large [...] a psychological relation between those who exercise it and those over whom it is exercised” (13-4).

²⁶ “Political realism contains not only a theoretical but also a normative element [...] (it) considers a rational foreign policy to be a good foreign policy; ... (because) it minimizes risks and maximizes benefits and, hence, complies both with the moral precept of prudence and the political requirement for success” (Morgenthau & Thompson 1985, 10).

²⁷ As Chernoff (2007) informs, “many scholars...offer theories that help systematize what we observe, help identify persistent patterns, and help explain those [...] such theories are descriptive and explanatory. Some scholars also give recommendations on what policies should be pursued, which involve ‘prescriptive theory.’ The latter are fundamentally different from the former” (3).

²⁸ Morgenthau & Thompson (1985) refer to 6, but the sixth reason is a mostly a recapitulation of the other 5 and a reference to some of its primary differences with other theories; 13).

²⁹ In political realism, theory “consists in ascertaining facts and giving them meaning through reason” (Morgenthau & Thompson 1985, 4). In terms of the rational aspect, it is worth noting that political realism does not require every action to be rational; “it knows that political reality is replete with contingencies and systemic irrationalities” (Morgenthau & Thompson 1985, 8-9).

cultural context...” (hence realism leaves open the possibility that the *modus operandi* of foreign policy may change);

- Actions of states and relevant actors are not of universal moral value, “but...they must be filtered through the concrete circumstances of time and place. While such universal values apply equally to both individuals and states/relevant actors, the latter “inspired by the moral principle of national survival” must not allow these values to impeded on successful political action³⁰;
- Moral values are independent of states, which means that under no circumstances can a state claim to identify its “moral aspirations...with the moral laws that govern the universe;”

Realism was refined primarily by Kenneth Waltz into what has become known as neorealism or structural realism (Waltz 1988, 618). Waltz (1979) proposed to conceive the international political system as a distinct system of varying structures (hence structural realism), maintain that its character was basically anarchic (66 and 79-81; Waltz 1988, 618). He saw power “as a possibly useful means, with states running risks if they have either too little or too much of it,” and, hence, states and relevant actors should not strive for continuously more power (as proposed by realism) but for “an appropriate amount of it” (Waltz 1988, 616). As he argued,

neorealism contends that international politics can be understood only if the effects of structure are added to the unit-level explanations of traditional realism. [...] (it) presents a systemic portrait of international politics depicting component units according to the manner of their arrangement. [...] states are cast as unitary actors wanting at least to survive, and [...] the essential structural quality of the system is anarchy-the absence of a central monopoly of legitimate force (Waltz 1988, 618).

According to Waltz, there are three levels of analysis: the individual (behavior of humans), the state (nation-state structure), and the international (system of anarchy; Waltz 2001; Singer 1961; Rosamond 2000, 132). Waltz focuses primarily on the international and national levels (prioritize “politics among nations” against “politics within nations;” Rosamond 2000, 135), which is unsurprising given his structural-functionalist theoretical framework (Waltz 1988, 618; Sampson 2002, 442). This is a “positional model of structure,” whereby an actor’s position within the larger system is investigated, resulting in

³⁰ According to political realism, “prudence – the weighing of the consequences of alternative political actions – ... (is) the supreme virtue in politics” (Morgenthau & Thompson 1985, 12).

an ultimately state-centric approach to international relations (Harrison 2002, 148 & 154).

Considering the above, for realism/neorealism, the EU is merely a continuation and intensification of inter-state cooperation in the post-World War II international political realm (Rosamond 2000, 133). As such, it is already clear how this ontological lineage has impacted the formation of (liberal) intergovernmentalism, with an intense focus on states as the primary actors behind EU integration, which is based only on mutual benefits without endangering national interests and with minimal supranational delegation (below).

In his seminal work on intergovernmentalism, Hoffman (1966) begins by clearly arguing for the importance of states in international relations:

the critical issue for every student of world order is the fate of the nation-state [...] nation-states – often inchoate, economically absurd, administratively ramshackle, and impotent yet dangerous in international politics – remain the basic units in spite of all the remonstrations and exhortations. They go on gaude de mieux despite their alleged obsolescence indeed, not only do they profit from man's incapacity to bring about a better order, but their very existence is a formidable obstacle to their replacement" (862-3).

It is clear already from the above that intergovernmentalism is a descriptive and not prescriptive theory, unlike realism/neorealism (Rosamond 2000, 76). Hoffman is not in favour of a state-based structure of the international stage (far from it, considering his scathing remarks in no less than a few lines), but rather finds and recognizes that this is the case.

Intergovernmentalism's overall main argument is that "anything that is 'beyond' (the state) is 'less': that is, there are cooperative arrangements with a varying degree of autonomy, power, and legitimacy, but there has been no transfer of allegiance toward their institutions, and their authority remains limited, conditional, dependent, and reversible" (Hoffman 1966, 909). For Hoffman (1966), the main reason³¹ that a state remains at the forefront of focus even in regional integration is because of the increasingly global nature of the

³¹ Hoffman (1966) suggests that, at a lesser extent, there are other reasons as well: "the legitimacy of national self-determination" and because of the "nationalist upsurge" that many, more recently created, states have "wrested their independence" by (864).

international system, which simultaneously diverts states from a truly regional focus and, altering the rules for the use of force that lead to the “atrophy of war” (865-6). In other words, there is little incentive for states, already partaking in a globalized world, to integrate regionally, especially without the incentive of avoiding war.

Hoffman (1966) juxtaposed neofunctionalism (“the logic of integration set up by Monnet and analyzed by Haas”)³² with intergovernmentalism (what he calls “the logic of diversity;” 881)³³. This “logic of diversity” sets limitations to how automatic integration (spillover) impacts freedom of national governments to act, such as for example to make welfare policies; intergovernmentalism “suggests that, in areas of key importance to the national interest, nations prefer the certainty, or the self-controlled uncertainty, of national self-reliance, to the uncontrolled uncertainty” of integrated outcomes (882)³⁴. In intergovernmentalism the state structure is still the most appealing form of social organization, and, in terms of what it cannot offer, it can provide it “through cooperation, or the citizens can go and find it across borders, without any need to transfer their allegiance...” (Hoffman 1966, 893).

³² Hoffman did agree that neofunctionalism was valid, but only in relation to issue of ‘low politics’, and did not extend to ‘high politics’ (e.g., defence and security; Rosamond 2000, 77).

³³ It should be noted that Hoffman himself never used the term ‘intergovernmentalism’, which was later advanced in EU integration theory by Andrew Moravcsik. Accordingly, Moravcsik in his early work (1991, 1993) actually never referenced the work of Hoffman relevant to intergovernmentalism across his own work (although he does include some minimal references to Hoffman in terms of critiquing Haas’ work) – much less draw any connections – despite referencing Haas and neofunctionalism multiple times (it is the case that Haas developed a much more fully-fledged theory of EU integration, and that Hoffman’s intergovernmentalism was similarly restrained to Mitrany’s functionalism in terms of theoretical breadth). In fact, he often references to his approach as “the intergovernmental approach” (Moravcsik 1991, 27). However, intergovernmentalism as it has become known in EU integration theory scholarship engulfs both Hoffman’s and Moravcsik’s work, much like Haas’ neofunctionalism and Mitrany’s functionalism (e.g., Rosamond 2000). More recently, Moravcsik also references Hoffman as developing the “traditional intergovernmentalism” in the 1960s (Moravcsik & Schimmelfennig 2019, 64).

³⁴ Hoffman places (unsurprisingly given the difficult situation with Charles De Gaulle at the time) primary importance in the argued apparent resurgence of tendencies in favour of the state structure (what he calls nationalist) in France and Germany during the 1960s, as drivers of (non) integration (also Rosamond 2000, 76).

The theory refutes the positive sum-based neofunctional view of integration, since “on a vital issue, losses are not compensated by gains on other...issues,” especially if those are of lesser importance (Hoffman 1966, 882). What is more, the establishment of supranational authorities, which will gradually develop a progressively stronger interest in their own survival, is argued to “post clearly articulated threats to national policy actors who in turn might resist” (Rosamond 2000, 78). As is clear, intergovernmentalism focuses more on the political aspect, as opposed to neofunctionalism, in which it is argued that Europe was moving towards increased technocracy (above; also Rosamond 2000, 78).

Hoffman (1966) also presents a set of conditions necessary for achieving integration: the units need to be formal political entities with similar internal political structure (elite groups, social structures, etc.), temporal and situational contexts are important (e.g., a common threat across the international realm), but policy-makers also need to present a coherent and cohesive integrative vision across time and external conditions³⁵, and the more recent the state the easier it is to integration (states with long history of existence and presence in the international political realm are more difficultly integrated; 904-8).

It is interesting to note that both Haas and Hoffman indicated that neofunctionalism and intergovernmentalism were not mutually exclusive and could, in fact, coexist³⁶. Haas (2004) suggested that these two theories could actually be compatible, finding that “moderate intergovernmentalism is quite compatible with a scaled-down argument for supranationalism” (xvii)³⁷. Accordingly, Hoffman (1966), quoting Haas, argued that “it has become possible

³⁵ “‘Objective’ similarity is disembodied [...] The similarity that matters is ...in the way in which different statesmen interpret a whole historical and geographical experience and outline the future [...] Integration means a common choice of a common future.” (Hoffman 1966, 906).

³⁶ As Hooghe & Marks (2008) highlight, both neofunctionalism and (liberal) intergovernmentalism refined functionalism, and they have two main commonalities: in both theories, preferences are conceived as economic and the focus is placed primarily “on distributional bargaining among...interest groups” (3-4).

³⁷ He was, however, more reserved in relation to Andrew Moravcsik’s liberal intergovernmentalism, suggesting that he “overstates his case by totally neglecting the departures from state-determined decisions which abound in the day-to-day affairs of the EU and its legal system.”

for scholars to argue both that integration is proceeding and that the nation-state is more than ever the basic unit, without contradicting each other, for recent definitions of integration "beyond the nation-state" point not toward the emergence of a new kind of political community, but merely toward an 'obscuring of the boundaries between the system of international organizations and the environment provided by member states'" (909).

The signing of the Single European Act seemed to challenge a lot of the assumptions of Hoffman's approach (and some of Haas' neofunctionalism too; Moravcsik 1991, 19). To that end, Andrew Moravcsik refined the theory into "liberal intergovernmentalism" combining it (and its realist/neorealist foundations) with Putnam's two-level game theory (Kleine & Pollack 2018, 1495; Rosamond 2000, 136). Putnam (1988) applies the behavioral theory model of social negotiations by Richard Walton and Robert McKersie to the international political realm, arguing that

The politics of many international negotiations can usefully be conceived as a two-level game. At the national level, domestic groups pursue their interests by pressuring the government to adopt favorable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments. Neither of the two games can be ignored by central decision-makers, so long as their countries remain interdependent, yet sovereign (433-4).

The theory recognizes state interdependence, but maintains that states (more specifically governing structures) are the key players at the international realm, bound by both domestic preferences and international cooperation to avoid adverse conditions. It also widens the notion of governing structures to apply beyond states, to, for example, international organizations (Putnam 1988, 436).

Moravcsik's liberal intergovernmentalism thus combines "a liberal theory of national preference formation and an intergovernmentalist account of strategic bargaining between states" (Rosamond 2000, 136). Moravcsik began by developing what he termed "intergovernmental institutionalism," based on structural realism, describing it as follows:

States are the principal actors in the international system. Interstate bargains reflect national interests and relative power. International regimes shape interstate politics by providing a common framework that reduce the

uncertainty and transaction costs of interstate interactions (Moravcsik 1991, 27).

Clearly influenced by Putnam's two-level game theory, he further highlighted that, in difference with structural realism, intergovernmental institutionalism considers not only power distribution but also state interests that "change over time, often in ways which are decisive for the integration process but which cannot be traced to shifts in the relative power of states" (Moravcsik 1991, 27). States remained, as expected, the primary actors, with Moravcsik (1991) finding that "the historical record does not confirm the importance of international and transnational factors," and concluding that "the primary source of integration lies in the interests of the states themselves and the relative power each brings to Brussels" (44 and 56).

Moravcsik (1993) then further developed his refinement of Hoffman's intergovernmentalism in what he called "liberal intergovernmentalism," based on intergovernmental institutionalism (480). Liberal intergovernmentalism has three key features: state behavior is rational, national preferences are formed based on liberal theory ("groups articulate preferences; governments aggregate them")³⁸, and interstate negotiations are based on intergovernmentalism (Moravcsik 1993, 480 and 483; Moravcsik & Schimmelfennig 2018, 65). Integration is again presented as a process, framed in terms of demand and supply (again drawing from the two-level game theory of Putnam): the demand is determined by domestic preferences (national level), and the supply involves "interstate strategic interaction" on ways to address those preferences (EU level; Moravcsik 1993, 481).

The liberal part³⁹ of the theory assumes a principal-agent relationship between citizens and the government: the former delegate authority or constrain

³⁸ According to Moravcsik (1993), "liberal theories of international relations focus on the effect of state-society relations in shaping national preferences. They assume that private individuals and voluntary association with autonomous interests, interacting in civil society, are the most fundamental actors in politics," with policy makers "embedded in domestic and transnational civil society, which decisively constraints their identities and purposes" (483).

³⁹ As Moravcsik (2018) highlights, "central to liberal IR theory are domestic 'transmission belts' ... (i.e.,) state institutions and patterns of social mobilization..., that convey demands of domestic individuals and groups to governments" (1652).

the latter, while the latter's primary interest "is to maintain themselves in office," which, in modern democracies, requires support from a variety of domestic actors (voters, interest groups, political parties, etc.; Moravcsik 1993, 483 and 2018, 1652). There is also a focus on economic interdependence: governments have an incentive to cooperate in order to effectively manage or remove negative policy externalities that exist at the international level (e.g., pollution) and that may be caused by other international actors and, hence, under regular circumstances, are beyond the reach of the state (Moravcsik 1993, 485).

In terms of rational behavior and intergovernmental bargaining, Moravcsik (1993) utilizes Putnam's two-level game theory to argue that the bargaining game of integration is constrained by a number of possible agreements, as constrained by domestic preferences, of which one is chosen based on interstate negotiations (496-7). The preferences are not constant but rather issue-specific, i.e., they change both over time and across different issues (Moravcsik 2018, 1650-1). It is usually the case that agreements will be reached at the lowest common denominator, although that does not necessarily translate to the "lowest possible common standard" (Moravcsik 1993, 502).

Considering the foundation of the theory upon the interest of member states partaking in integration to, ultimately, reinforce their position domestically (in order to ensure the continuation of their incumbency), (liberal) intergovernmentalism supports strong supranational institutions interestingly enough. As Moravcsik (1993) argues, this facilitates the interstate negotiating and implementation frameworks (discussion forum, defined decision-making processes, monitoring of compliance), which, eventually, reduces transaction costs (507)⁴⁰. He argues that "EC institutions serve as a passive structure, providing contractual environment conducive to efficient intergovernmental bargaining. As compared to ad hoc negotiation, they increase the efficiency of bargaining, facilitating agreements that would not otherwise be reached" (Moravcsik 1993, 508). Powerful supranational institutions also serve to augment "the

⁴⁰Moravcsik (1993) bases this argument on "the functional theory of regimes, which focuses on (their)...role...in reducing transaction costs" (507-8).

legitimacy and credibility of common policies, and... the agenda-setting power” of member states’ governments vis-à-vis their domestic polity; it is argued they have been designed “deliberately... to assist national governments in overcoming domestic opposition” (Moravcsik 1993, 507 and 515)⁴¹.

Moravcsik (1993) does suggest that it is wrongly assumed that “strong supranational institutions are...the antithesis of intergovernmentalism (507). However, his view of these institutions is as facilitators for interstate bargaining, with the ability to play a decisive, but rather quite limited in breadth, role within the broader supranational decision-making framework. As such, it is questionable whether these institutions assume the same power under (liberal) intergovernmentalism as they do under neofunctionalism. It is also worth noting that the facilitator role that the theory places on these institutions serves as the foundation for the Output approach to the EU democratic deficit (the EU is merely a facilitator of interstate bargaining; section of this chapter below).

Similar to neofunctionalism, recent refinements have also been proposed for liberal intergovernmentalism, again largely due to the argued increased pertinence of domestic politicization and identity in EU politics after the 2000s. For liberal intergovernmentalism, these refinements are based on the use of discursive institutionalism and constructivism, compared to rational choice and institutionalism (Schmidt 2018, 1547). It is argued that inter-member state cooperation has increased substantially at the EU level through shared authority (as opposed to the member states focusing on national sovereignty or domestic socio-economic interests), but that this increase in integration has been happening simultaneously with an attempt by member states “to reduce Commission powers through the creation of supranational agencies,” such as the ESM, instead of exercising strong intergovernmental control over existing EU structures (e.g., through the CEU; Schmidt 2018, 1549; Scicluna 2018, 1875; Kleine & Pollack 2018, 1499; König 2018; 1240; Haroche 2020, 854). This ‘new intergovernmentalism,’ as it has been termed, emphasizes the concept of disequilibrium, “a term which captures the societal tension in a political system

⁴¹ In this aspect, the influence of Putnam’s two-level game theory is particularly evident.

drive by pro-integration consensus but shielded from growing public disenchantment with policy outcomes” (Hodson & Puetter 2019, 1155)⁴².

It is worth noting that, while the recent refinements to both neofunctionalism and intergovernmentalism offer some interesting prospects, the primary arguments of the original theories remain pertinent and should be the primary focus; as Schmidt (2018) highlights “although applauding the newer approaches for their innovations in EU integration theory, in particular their focus on EU actors’ ideational and discursive powers, ...it is a mistake to largely disregard the significance of coercive or institutional power, emphasized in the older approaches” (1546).

Postfunctionalism

The theory of postfunctionalism was developed quite more recently (late 2000s) compared to neofunctionalism and liberal intergovernmentalism by Gary Marks and Liesbet Hooghe. By their own admission, postfunctionalism “seeks to make sense of new developments in the politics of the European Union...and the middle-range theories that account for them” (Hooghe & Marks 2008, 1). Postfunctionalism is based on (and a refinement of) Multi-Level Governance (MLG), also developed (earlier) by the same scholars (Hooghe & Marks 2008, 2).

MLG was proposed during the early 1990s as an alternative view to EU integration (albeit, at the time, more focused on the policy-making process rather than broader issues of regional integration; Marks et al. 1996, 356), other than neofunctionalism (supranational approach) and liberal intergovernmentalism (state-centric approach). Building on earlier work, Marks et al. (1996) proposed that there is a wide variety of actors at different levels, all of whom are important

⁴² Hodson & Puetter (2019) further elaborate on the concept of disequilibrium, proposing it is “the EU’s tendency to produce policy Outputs that polarize politics in ways that cast doubt on the future of the Union. This tendency brings systemic risks, including the erosion of the EU’s...normative order...and threats to the Union’s territorial integrity and that of major policy domains, such as the single currency” (1157).

and participate in EU policy-making at different times and with differing degrees of influence in the policy making process, arguing that

while national governments are formidable participants in EU policy-making, control has slipped away from them to supranational institutions [...] Individual state sovereignty is diluted in the EU by collective decision-making among national governments and by the autonomous role of the European Parliament, the European Commission, and the European Court of Justice (342-3).

MLG combines elements from two broader theoretical fields: multiple levels of policy-making and (network) governance. The former originates from the international relations' concept of levels of analysis, firstly put forward (insofar as used in political science) by Kenneth Waltz (2001) during the 1950s to trace the origins of war and peace in terms of neorealist theory (above; hence, MLG, like intergovernmentalism, draws from neorealism). In his book *Man, The State and War: A Theoretical Analysis*, Waltz investigates three levels of analysis (also see subsection on intergovernmentalism): the individual (behavior of humans), the state (nation-state structure), and the international (system of anarchy; Waltz 2001; Singer 1961). After Waltz proposed the concept, Singer (1961) provided arguably the most comprehensive evaluation of the levels-of-analysis framework, focusing on the theoretical tangents and their implications for policy investigation and analysis. The connection between MLG and levels-of-analysis is clear. The theories share the belief that policy is conducted in different levels. They also commonly suggest that policy in one affects policy on the other. MLG's aspect of more than governmental actors interacting at the above various levels originates from its connection with the aforementioned theory of network governance.

The second broader theoretical field from which MLG draws is (network) governance. The term governance has assumed a wide variety of meanings across time, and has been at the center of much theoretical debate in regards to its meaning and origin (Rhodes 1996, 652). It is indicative that the total number of specific definitions for the term 'governance' has been argued to reach at least

fifty (Robichau 2011, 114)⁴³. Governance, in its most simplistic form, can be basically “defined as the making and implementation of rules, and the exercise of power, within a given domain of activity” (Keohane 2002, 3). In such a system of rules, there have been three fundamental categories within a society (or a combination thereof): markets, hierarchy, and networks. The former two are considered the most fundamental ones, constituting the two ends in the governance spectrum and originating from economic theory (Börzel & Heard-Lauréote 2009, 137).

The distinction between hierarchy and the market originated from Ronald Coase’s work on firms’ structural organization during the 1930s, which later developed by O. Williamson in the 1970s⁴⁴ (Powell 1990, 296). The new addition to the market-hierarchy dichotomy, i.e., networks, can be broadly defined as “a collection of links between elements of a unit [...] The unit as a whole is often called a system” (Dijk & Beek 2008, 3). The market is “a spontaneous coordination mechanism that imparts rationality and consistency to the self-interested actions of individuals and firms,” while hierarchy is when “the visible hand of management supplants the invisible hand of the market in coordinating supply and demand. [...] A hierarchical structure... (involves) clear departmental boundaries, clean lines of authority, detailed reporting mechanisms, and formal decision-making procedures” (Powell 1990, 302-3). In networks “transactions occur neither through discrete exchanges nor by administrative fiat, but through networks of individuals engaged in reciprocal, preferential, mutually supportive actions. [...] Basic assumption...is that one party is dependent on resources controlled by another, and that there are gains to be had by the pooling of resources” (Powell 1990, 303). In broad terms, hierarchy describes a situation in which a highly organized, bureaucratic structure is in command, while the market

⁴³For example, Rhodes (1996) posits the existence of, at least, six separate meanings of the term governance: as a minimal state, as corporate governance, as the new public governance, as good governance, as socio-cybernetic governance, and as self-organizing networks (653-659).

⁴⁴Mainly in his 1975 book *Markets and Hierarchies* (Provan & Kenis 2008, 232). His analysis was based on Transaction Cost Economics theory (Jones et al. 1997, 912).

describes the complete deregulation of policies. Networks lie in the middle of the two, combining elements from both.

These three types of governance have been retrofitted within a political science framework by Dijk & Beek (2008), who suggest that, since these three modes of organization are ideal, any government at a given phase exercises each at different degrees. Hence, governments can be of three corresponding types (Dijk & Beek 2008, 9-13):

- “traditional government ... (shaped as) a pyramid.” This includes the classic form of the Western liberal democratic state. Policy is conducted top down, usually relying on the public administration to execute it, and policy preferences are formed from the bottom up, usually through elections or formal protests.
- “turning government (which) means leaning over to the more horizontal modes of governance of the market and networks.” This type involves limited market independence, as well as governmental agencies’ increased political and hierarchical autonomy⁴⁵, and there are multiple independent committees that cut across governmental departments.
- “network government.” Here, the principle of heterarchy is emphasized, whereby a network structure ensures the involvement of all levels of actors across most levels of policy. Interconnectedness and flexibility, as well as interdependence are high.

In contemporary political science, the meaning attributed to governance is most often based on the third type of network government⁴⁶ (based, in itself, on the broader concept of networks), also termed as “socio-cybernetic governance,” indicating a combination of actors which pursue and are involved in policy-making, ranging from central government to non-governmental organizations and citizens’ interest groups (Rhodes 1996, 656-8). All these actors come from different levels, are of different kinds, and push for different interests (Stoker 1998, 17; Bache et al. 2011, 124). The following are the main characteristics of network governance: actors do not originate solely from government, which has decreased inclusion and limited power, but are from a wide array of other spheres (private, independent, civil organizations); actors

⁴⁵ This has been also termed as “*vertical disaggregation*” in management-based scholarship relevant to network organization, i.e., the devolution of functions of the main core of actors (business functions in management-based literature) to other actors (Cravens et al. 1996, 207).

⁴⁶ Similar terms which have been used for this concept are: network governance, interfirm networks, organization networks, flexible specialization, and others (Jones et al. 1997, 913).

partaking in governance are dependent upon one another; main policy issues are usually focused around socio-economic conditions; actors involved are autonomous and self-governed, usually in the form of a network; actors negotiate on creating rules and abide by them in interactions based on game theory; trust, blame assignment and reputational coercion are instruments used in negotiations (from Stoker 1998, 18 and Rhodes 1996, 660).

Based on this multidimensional, multi-level, and multi-actor approach, MLG was developed with three basic elements: First, decision-making is not monopolized by state executives, with supranational institutions having acquired considerable and independent influence in policy-making processes; second, power of individual member states is also reduced by collective-decision making, that is, while outcomes on the lowest common denominator are possible in high-politics issues (e.g., integration), “decisions concerning rules to be enforced across the EU have a zero-sum character, and necessarily involve gains or losses for individual states;” third, there are actors from other levels (e.g., subnational) that can affect policy-making at the EU level, even directly (Marks et al. 1996, 346-7).

Hooghe & Marks (2003) further delineate the concept by distinguishing between two distinct types of MLG: Type I (actor-oriented) and Type II (policy-oriented). Type I is based on federalism, which is “*concerned with power sharing among a limited number of governments operating at just a few levels*” (Hooghe & Marks 2003, 236). Here the unit of analysis is the central government, and not the individual policies, which interacts with various subnational governments on different areas. The architecture of Type I systems is based on “*triaspoliticas [sic]*,”⁴⁷ more commonly known as the separation of powers, i.e., “*an elected legislature, an executive (with a professional civil service), and a court system*” (Hooghe & Marks 2003, 237).

Type II MLG is based primarily on neoclassical political economy and public choice theories. The unit of analysis is specific policies rather than the central government, while the local level holds a key position in the policy-making procedure. In Type II, policy-making actors intersect at different levels

⁴⁷Usually written as *trias politica*.

and with different jurisdictions over a variety issues, so that “*each citizen... is served not by ‘the’ government but by a variety of different public service industries*” (Hooghe & Marks 2003, 237-8)⁴⁸. Type II MLG also draws heavily from economic theory in its flexibility “*to changing citizen preferences and functional requirements*” (Hooghe & Marks 2003, 238).

Building on their work on MLG, and especially the fact that it “conceives regional integration as part of a more general phenomenon, (i.e.,) the articulation of authority across jurisdictions at diverse scales,” Hooghe & Marks (2008) proposed postfunctionalism as a regional (EU) integration theory (2), focused mainly on identity, and emphasizing the “the disruptive potential of a clash between functional pressures and exclusive identity” (Hooghe & Marks 2019, 1116). Marks (2020) says: “I just couldn’t understand the decisions that they (the governments of Eurozone member states) – I don’t think they’re explicable without rooting them into domestic politics.” According to Börzel (2020) “postfunctionalism is the next step (after neofunctionalism) at taking politics seriously.”

It is interesting to note that postfunctionalism is connected to neofunctionalism, through MLG. Haas (2004) himself, identified MLG as one of the main challenging theories to neofunctionalism, recognizing its contribution particularly in relation to recognizing the Input of a wide variety of actors from multiple levels “even in the absence of supranational organizations,” including the, underestimated by neofunctionalism according to Haas, national level (xvi).

Hooghe & Marks (2008) suggest that

We describe the research programme as postfunctionalist because the term reflects an agnostic detachment about whether the jurisdictions that humans create are, or are not, efficient. While we share with neofunctionalism and intergovernmentalism the view that regional integration is triggered by a mismatch between efficiency and the existing structure of authority, we make no presumption that the outcome will reflect functional pressures, or even that the outcome will reflect these pressures mediated by their distributional

⁴⁸ The intersectional nature of Type II MLG, in the context of the EU, is termed as “*condominio*”⁴⁸(Hooghe & Marks 2003, 238). The variety of actors, and the levels those actors are in, leads to the USge of the term “*multi- or polycentered governance*” to describe Type II MLG (Marks & Hooghe 2003, 238).

consequences. Political conflict makes all the difference, and that conflict, we argue, engages communal identities (2).

In postfunctionalism, domestic politicization is of primary importance: a “mismatch between functional efficiency and jurisdictional form” that leads to issue creation in public opinion and political groups, which, in turn, lead to political parties choosing (and being bound by the respective rules) whether the issue remains within these groups, leading to the conflict structure being biased exclusively towards distribution, or enters mass politics, leading to the conflict structure being biased primarily towards identity (Hooghe & Marks 2008, 8-9). As Börzel (2020) argues, “neither liberal intergovernmentalism nor neofunctionalism can account for the politicization of EU integration.”

The assessment of the effects and causes of politicization is essentially a three-step process: the first step is a “mismatch between the institutional status quo and the functional pressures for multilevel governance that arise from interdependence; the second step involves the arena of decision-making, i.e., whether an issue remains “insulated among government leaders, civil services, European bodies, and interest groups” or enters the “arena of mass politics “where it is subject to mass media, political parties, social movements, and government coalitions” (this will depend on the stakes of the issue at hand and whether actors have the capacity to politicize it or not); the third step, drawing on behavioralism (party competition, voter choice) “analyzes how European integration shapes the structure of political conflict, with activating identity issues resulting in constraining integration (disrupting established parties and reinforcing radical ones; Hooghe & Marks 2019, 1117). In essence, the theory thus emphasizes “public opinion, political parties and identity in order to frame hypothesis about preferences, strategies and outcomes of regional integration,” in a way endogenizing “politicization as an outcome of party strategy and public opinion” (Hooghe & Marks 2008, 21-2).

Conclusion

In order to evaluate the impact of the EU integration process on the EU democratic deficit, using the Eurozone crisis measures as a case study, the first

thing that is necessary, following also the shortcomings revealed in the relevant literature, is a detailed overview of the three grand-level EU integration theories. This will provide for a sufficient theoretical discussion, upon which to determine the mode of the EU's integration process after the adoption of the Eurozone crisis measures. Following the preceding detailed overview, it is useful to briefly functionally present the elements of each of the three theories, in order to facilitate the above determination. This will also demonstrate the areas of focus and the corresponding expectations relevant to this research and, in particular, its case study, i.e., the crisis measures. This is important, in order to provide for a theoretical guide against which the measures can be compared, in order to determine the direction or mode of the EU integration process after their adoption.

Neofunctionalism draws primarily from the functionalist approach to international relations. In fact, functionalism itself was developed largely based on European integration. The core idea is the fact that integration is not static but a process, initiated and, to a large degree fueled, by the inability of governments at the national level to effectively address the concerns of citizens in an increasingly interconnected and interdependent global realm. Integration in one policy area will inevitably lead to integration in other ones ("often driven by the...consequences of previous decisions or made possible through...erosions of earlier integrative attempts/developments; Neimann & Spreyer 2018, 25), particularly if the former is of an economic nature; the end-result is some form of political integration (spillover). This is evident from the gradual shift of the involved actors' – supranational, and primarily technocratic, in nature, such as the EC – loyalties from the national to the EU level, the latter itself a political community that supersedes the former. In turn, other stakeholders involved in the decision-making process also gradually shift their loyalties accordingly, a tendency which eventually reaches the citizens themselves. The progression of the above renders the national level progressively less able to determine policy outcomes and, thus, actually reinforces its perceived incapacity to adequately secure rights and promote interests of citizens. For neofunctionalism, integration is, essentially, a positive-sum process (Niemann & Spreyer 2018, 25). In neofunctionalism, there is "little room for ordinary citizens to influence European

integration” either due to ignorance or lack of understanding by EU citizens or bureaucratic “insulation” of EU politics from public scrutiny, although in later developments it did include arguments relating mostly to skepticism of citizens towards integration (Kuhn 2019, 1216).

Liberal intergovernmentalism is heavily based on neorealist and rational institutionalism assumptions relating to rational choices⁴⁹ made by governments of EU member states, seen as “unitary, boundedely rational actors seeking to increase their own utility under conditions of international interdependence,” which are aimed to satisfy domestic policy preferences, and particularly socio-economic interests (or sovereignty according to simple or realist or classic intergovernmentalism), thus also maximizing their time in office (Schmidt 2019, 179 and 181; Degner 2019, 243). Domestic actors form demands, national governments aggregate them and determine strategically how to best satisfy them (Schmidt 2019, 181-2). This is achieved in three stages: aggregation of domestic preferences, “distributive bargaining” at the EU level between governments of member states, and “the design of institutions to secure and implement collective bargains” (Kleine & Pollock 2018, 1496). As Moravcsik & Schimmelfennig (2019) argue:

decisions to cooperate internationally can be explained in a three-stage framework: states first define preferences (pluralist theory), then bargain to substantive agreements (bargaining theory), and finally create (or adjust) institutions to commit to and secure those outcomes in the face of future political uncertainty (regime theory; 65, and also more broadly Moravcsik 2018, 1650-8).

The emphasis on pluralist domestic preferences (“functional issue-specific interests”) is a key distinguishing feature between liberal intergovernmentalism from other approaches (e.g., institutionalism) that view the interests of actors involved in the decision-making process as “unitary and fixed” (Moravcsik 2018, 1651; Kleine & Pollock 2018, 1495). In essence, integration is viewed “as a series of intergovernmental bargains...shaped by intergovernmental constellations of

⁴⁹ It is worth noting that rational behaviour of actors is also supported by neofunctionalism, but these actors “nevertheless have the capacity to learn from their experiences in co-operative decision-making” (Neiman & Spreyer 2018, 25).

preferences and power” (Schmidt 2019, 179; also Biermann et al. 2019, 248-9 and Kleine & Pollack 2018, 1495).

States remain the most important actors in the integration process, both in the EU and globally, realizing that relinquishing such preferential positions in the decision-making process to other states or supranational actors will adversely impact their ability and freedom to choose relevant policies (Kuhn 2019, 1218). Hence, and also because integration is argued to be primarily an overall zero-sum process (benefits in some policy areas are traded-off with losses in others)⁵⁰ decisions are often based on the lowest common denominator. However, and always subject to the above conditions, states have an interest in integrating, primarily to eliminate (economic) externalities and to ensure fair cooperation and control through (oddly enough for the theory) strong (in terms of authority to oversee, not independence in policy formation) supranational institutions that act as ‘referees’ for the inter-state agreements (Schmidt 2019, 179; Biermann et al. 2019, 249)⁵¹. In this case, it is possible “that an exchange of concession and mutual adjustments can increase the welfare of all parties (Kleine & Pollack 2018, 1498). After all, as Biermann et al. (2019) observe, “international interdependence is a necessary condition for, and hence a driver of, political reform” (249). That being said, the more independent a member state, the less dependent it is on the need for cooperation in order to combat the externalities produces, thus being able to “issue credible threats of non-agreement and exclusion [...] unless their wishes are accommodated” (asymmetrical interdependence; Schmidt 201, 179; also Biermann et al. 2019)⁵².

⁵⁰ This is directly related to what Moravcsik (2018) refers to as “asymmetrical interdependence” (1653-4).

⁵¹ As Kleine & Pollack (2018) suggest, liberal intergovernmentalism predicts that “states pool sovereignty and delegate authority in areas where governments are easily tempted to renege on agreements” (1500).

⁵² Differentiated Integration (DI) has been proposed as a partial remedy for the adverse impact this asymmetrical bargaining environment of integration has on member states with less bargaining power (more dependent on cooperation and integration; Schmidt 2019, 180). Accordingly, scholars have found that, in the case of the crisis reform for example, there is a clear asymmetry between different member states (Papadopoulos & Piattoni 2019: 72-3; Zahariadis 2013). DI was first referenced in the Prime Minister of Belgium Leo Tindemans’ report to the European Council in 1975 (Stubb 1996: 285; Leruth et al. 2019, 1016; Holzinger &

Postfunctionalism draws on the ideas of MLG, building on the argued fact that “European integration has become a highly politicized issue, and policy makers today cannot ignore public opinion” (Kuhn 2019, 1220). It is a sort of middle ground between intergovernmentalism and neofunctionalism, at least insofar as the nature of the actors involved in the decision-making process is concerned. While states and supranational institutions remain relevant, there is a complex web of local, national, and supranational stakeholders involved in the policy process, all of whom influence decisions. The theory shares the importance of domestic preferences – identity and related aspects specifically – with intergovernmentalism, but ascribes a considerable role to the ability of the EU level to both better satisfy these preferences compared to the national level and also, primarily, to impact how they (and identity) are formed, framed, and portrayed to and through the general public, i.e., “whether individuals see themselves as belonging exclusively to a national community or ...as Europeans” (Kuhn 2019), similar to neofunctionalism.

In postfunctionalism, the quest for democratic legitimacy in supranational decision-making has led to intense politicization of an otherwise scrutiny-insulated field, which in turn has caused political conflict (Kuhn 2019, 1220-1).

Schimmelfennig 2012: 293). Tindemans (1975) focused on the temporal dimension of DI, in which some member states who wish to move forward may do so, and the others may later follow (multi-speed Europe), expressly rejecting Europe a la carte;20-1). Various definitions of DI have since been put forward. Stubb (1996), in his seminal work on DI, defines it as “the general mode of integration strategies which try to reconcile heterogeneity within the European Union” (283; Holzinger & Schimmelfennig 2012: 296). Most definitions centre on the above elements, emphasizing heterogeneity in relation to the EU member states’ varied willingness (preferences) or capacity to participate in the integration process (Kölliker 2001, 126-7; Vollaard 2018, 103; Andersen & Sitter 2006, 321; Holzinger & Schimmelfennig 2012, 299; Schimmelfennig & Winzen 2019, 1173). Stubb (1996) identified three variables according to which DI could be categorized: time (multi-speed), space (variable geometry) and matter (a la carte; 285). The first describes a mode of integration in which a core group of willing and able member states lead the process by going further, with the rest set to follow, and includes examples such as the Economic and Monetary Union (EMU; Stubb 1996: 285). The second refers to separate integration levels that are set, recognizing “permanent differences among both the core and periphery, thus creating various conglomerations of integrative units,” and includes examples such as the Schengen Area (Stubb 1996: 288). Finally, Stubb’s (1996) third type of DI leaves it entirely up to each member state to choose the policy areas they wish to participate “whilst at the same time maintaining a minimum number of common objectives” (288).

As Hodson & Puetter (2019) aptly observe, “postfunctionalism was ahead of the theoretical curve in thinking about the post-Maastricht period as one in which political contestation over integration has moved to the center of EU politics” (1154). In essence, “postfunctionalism emphasizes the politicization of exclusive national identities that constrains⁵³ the process and content of European integration” (Kuhn 2019, 1221).

But what is the guide with which these three theories provide us, in order to determine the mode and direction of the EU integration process after the crisis measures? Based on the aforementioned elements, for neofunctionalism it is expected that there will be found, first and foremost, an inability of individual member states to effectively respond to the Eurozone crisis. The problem of the crisis is expected to be found to only be possible to be addressed at the EU level. Another expectation is that there needs to exist integration (or at least some integration) in one area that inevitably leads to either more integration or integration in other areas (spillover), if the problem – in this case the crisis – is to adequately be addressed at the EU level (the only level possible; above). In addition, this problem is expected to have occurred, at least in part, precisely because earlier integrative efforts have been incomplete. The EMU includes near-complete integration in one area (monetary policy) but only limited integration in another (economic policy; Papadopoulos 2013, 29-30). According to neofunctionalism, this in part led to the crisis and in part constituted the primary reason that, upon the occurrence of the crisis, the EU level was unable to effectively respond to it, lest more integration was pursued. In neofunctionalism, therefore, it would be expected that the measures would include additional integration (compared to before) in economic policy between EMU members. The measures are also be expected to demonstrate a shift in loyalty from the national to the EU level, evident from this introduction of deeper or more expansive integration at that level. Accordingly, this tendency is expected to be

⁵³ As Börzel & Risse highlight, according to postfunctionalism, “the ‘permissive consensus’ in mass public opinion supporting the EU integration project has been gradually replaced by a ‘constraining dissensus’ that limits decisions of EU friendly élites seeking to deepen European integration” (84).

reflected (eventually) to the preferences of citizens themselves (the focus on the attitude of citizens, albeit still limited considering the heavily elite-based nature of neofunctionalism, increased during later contributions to the relevant scholarship, including from Haas himself; Kuhn 2019, 1217-8).

As a result of the above, and because of the mostly elite-based nature of neofunctionalism, the measures are expected to progressively enhance the decision-making authority and capacity of EU-level institutions vis-à-vis the national level, with the former slowly gaining policy-making capacity against the latter. These institutions need not necessarily be strictly supranational (e.g., EC), but can also be more intergovernmental in nature (e.g., CEU), so long as their authority is enhanced compared to the one of individual member states. Furthermore, considering the elite-based nature of neofunctionalism, the focus of this increase in decision-making authority in the measures is expected to rely heavily on elite or bureaucratic structures (technocratic over the political), and much less on EU citizens and their participation. In the end, the measures are expected to create a positive-sum situation, whereby all member states, through integration, manage to gain.

The expectations of (liberal) intergovernmentalism are quite different. Because of its largely (neo)realist theoretical presuppositions, the measures are expected to focus on the member states as primary actors. Integration is not expected to be automatic, but rather incremental and respectful of the diversity of member states. Furthermore, the measures are expected to not concern any sensitive, key national policy areas, which the member states prefer to maintain under the control of the national level. This resistance to transference of power to the EU level is expected to grow increasingly stronger in light of attempts by supranational institutions (e.g., EC) to gain progressively more policy-making capacity. Should it become unavoidable that a problem requires a solution that transcends the national level of individual member states, the theory predicts that diffusion of additional tasks to other intergovernmental institutions (e.g., ESM) is chosen rather than reinforcement or increase in the decision-making capacity of existing supranational institutions (e.g. EC) In the end, intergovernmentalism expects that the political is favored over the technocratic. EU-level institutions

(particularly those that are mostly supranational in nature, such as the EC) are expected to only gain and have sanctioning powers against member states. This is justified by the fact that these powers facilitate cooperation and reduction of transaction costs between member states by ensuring fair and equal compliance with obligations undertaken. It is, hence, the only type of authority that is in the interest of all member states to be given to these institutions. There is expected to be no transference of allegiances from the national to the EU level. For intergovernmentalism, the measures would introduce limited reforms that are flexible, reversible, and do not put overly tight constraints or overpower the national level. In terms of gains, since integration is not a positive-sum game, as is supported in neofunctionalism, the measures do eventually create winners and losers among member states.

Liberal intergovernmentalism would also expect that each member state would adopt a stance on the measures that is based on national-level preference formation, which would then be expressed at the EU level through the designated national-level entities (executive, etc.). The latter would be severely bound by the preferences of their electorate, since, based on the rational behavior presupposition of liberal intergovernmentalism, their existence in power is dependent upon satisfying that electorate. Preferences do change and are issue specific: for example, integration on education policy might be easier than integration on economic policy, since the latter is much more sensitive for the national level and includes a considerably higher number of agreements with national actors that constrain the actions of governments at the EU level.

Postfunctionalism is heavily based on MLG. As such, it is expected that the measures would be formed and include provisions related to the consideration or participation of a number of actors, of a supranational, national or local level (civil society, citizens organizations, official institutions, etc.). This would be both in the drafting stage and also in the measures themselves. In addition, it is expected that multiple levels of governance between different actors at different levels would be included within the measures, and not a focus primarily on either EU level institutions or the national levels of member states. The crisis would have led in increased politicization of relevant issues, most prominent of which

the integration of the EMU. This, in turn, is expected to lead to increased pressures originating from actors at the national level (interest groups, political parties, citizens, civil society organization, etc.), radicalizing the public view of integration at the EU level. Concordantly, this would lead to a restriction on further integration, and the measures would be, expectedly, limited, in light of these increased national-level pressures and radicalization across the EU.

The EU Democratic Deficit

Democracy in brief

It is evident that the EU democratic deficit is inextricably linked with democracy in general and broader democratic theory. After all, EU scholars will often trace the three approaches to the EU democratic deficit (Input, Output, Throughput – see relevant section below) to both broader democratic theory as well as the history of democracy as a system of government since ancient times (e.g., Schmidt 2020, 32). Providing a brief overview of these concepts as well as identifying this lineage, therefore, is highly pertinent for this present research. Democracy has been a long-contested subject, even as early as its creation, both in relation to its theoretical but also to its practical applications (Diamond 1999, 7-17; Dahl 1999, 19-20). It is not surprising then that an agreed definition of democracy, either at a practical or at a theoretical (political philosophy or theory for example) is absent (Beetham 1994b, 27). The scholarly debate so extensive as to even include arguments pertaining to the lack of usefulness of the debate itself, since the modern, Western, liberal democratic system consists of largely homogenous elements all across its applied models (Beetham 1994b, 27)⁵⁴. On

⁵⁴ Beetham's framework for a democratic audit is considered a landmark in democratic theory. He begins by arguing that democracy is best defined when one addresses its core principles, rather than for example the institutional arrangement it requires, although they are inevitably interrelated. He defines democracy as "a political concept, concerning the collectively binding decision about the rules and policies of a group, association or society. It claims that such decision-making should be, and it is realized to the extent that such decision-making actually is, subject to the control of all members of the collectivity considered as equals" (Beetham 1994b, 28). He arrives at this definition based on his argument of two core concepts of democracy: "equal human worth" (equality assumption) and "human self-determination" (Beetham 1999, 7-13; he does recognize that his assumption suffers from a universalist theoretical bias). His model of a

the other hand, there are scholars such as Held (1993), who argues that “there is not simply one institutional form of democracy. Contemporary democracies have crystallized into a number of different types...” (14). There are also scholars in the middle: an example is the argument for distinguishing (primarily supported by Schumpeter) between two different forms of democracy, one that describes the actual political system requirements and procedures (often termed as ‘formal’ or ‘procedural’ democracy), and one that focuses on “a way of regulating power relations in such a way as to maximize the opportunities for individuals to influence the conditions in which they live” (often termed as ‘substantive’ democracy; Warleigh 2003, 4; Hix 2008, 76).

Historically, democracy was originally developed in Ancient Greece, primarily in Athens⁵⁵, although there were earlier representative-type regimes, such as in Chios and Megara, as early as the 6th century BC (Robinson 2004, 1; Held 2006, 12). The word originates from two Greek words: ‘δήμος’, which means people, and ‘κράτος’, which means power, i.e., the power of the people (Dormparaki 2005, 213 & 461). At the time, democracy was based on three pillars: liberty (‘ελευθερία’), equality (‘ισότης’) and the devotion to civic duty, considered an obligation of the utmost importance⁵⁶ for every Athenian citizen (Held 2006, 14)⁵⁷.

democratic audit of 30 indices is based on two basic principles: popular control (principle distributed) and political equality (distributional principle), and that democracy can be defined via these two principles (Beetham 1994β, 28 & Beetham 1999, 5).

⁵⁵ As Robinson (2007) describes it “...democracy meant that the demos (the people) were sovereign in the deliberations of state. A popular assembly, to which all citizens were invited, met regularly and provided a forum for debating and voting on the most important matters. Representative councils typically prepare in advance the agenda for the assembly meetings. Popular courts, with ordinary citizens serving as jurors, tried legal cases, and administrative officials (such as generals, treasurers, etc.) were either elected or chose by lot for relatively brief terms, usually one year. Officials were held to account after their terms of office as a check on corruption. [...] Underlying the development of these institutions were the ideals of freedom and equality” (3).

⁵⁶ “The principle of government was the principle of a form of life: direct participation” (Held 2006, 14).

⁵⁷ For example, in Pericles Funeral Oration (Thucydides, *The Peloponnesian War*, Book II): “For it is only us (Athenians) who think a man not participating in those things (the politics of the city) is not minding his own business but is useless” (Rossis 1927, 24).

It is interesting to note that most of the elements of democracy in Ancient Athens constitute foundational characteristics of modern democracies, with one of the main ones constituting the separation of powers, often attributed to later philosophers such as John Locke⁵⁸ or Charles-Louis de Secondat, Baron de La Brède et de Montesquieu⁵⁹ (e.g., Held 2006, 65-70). While these philosophers definitely contributed to forming the three different branches of government as implemented today in Western, liberal democracies, the separation of powers into three branches was first proposed by Aristotle nearly 2000 years before them. In *Politics* (Book IV), Aristotle writes “All constitutions have three parts [...] One of the three parts [1] deliberates about public affairs (legislative); the second [2] concerns the offices, [...] (executive); and the third [3] is what decides lawsuits (judiciary)” (Aristotle 1998, 125). Many other characteristics, such as the institution of government to facilitate co-existence of people in society without fear of one another⁶⁰, equality before the law, and consideration of written laws in combination with unwritten custom law⁶¹, are cornerstones of the modern democratic system from then until today.

The influence of Ancient Greek democracy in the Western world began as early as late-11th century⁶², culminating in the Renaissance (the concept had been mostly forgotten up to the Middle Ages; Robinson 2004, 4; Held 2006, 29-

⁵⁸ In his book *Two Treatises of Government*, Locke presents the three branches of government as the legislative, the executive and the federative, the last of which has the power to make international acts and to conduct foreign affairs such as peace or war (Shapiro 2003, 164-5 and 329).

⁵⁹ The separation of powers appears in his book *The Spirit of Laws* (Montesquieu 1989, 156-7)

⁶⁰ Thucydides: *The Peloponnesian War*, Book II: “We live freely, both in our public life as citizens and in relation to oversight by one another of our everyday life, not being angered against another, if he does something, the way he likes, neither do we have a face of disdain, which is harmless but annoying” (Rossis 1927, 16). This has also been largely attributed to Montesquieu, who wrote in the *The Spirit of Laws* ...and in order for him (the citizen) to have this liberty (that he has his own security) the government must be such that one citizen cannot fear another” (Montesquieu 1989, 157)

⁶¹ Thucydides, *The Peloponnesian War*, Book II: “We do not violate the law, we abide by those who possess offices and by the laws...even those who, even unwritten, bear widely-accepted shame upon those who violate them” (Rossis 1927, 16).

⁶² After the Roman Republic, popular rule resurfaced around 1100 c.e./a.d. in some cities of northern Italy (Dahl 1998, 15).

32). The modern liberal democratic system evolved from the revival of Republicanism⁶³ in combination with the writings of Thomas Hobbes and John Locke (Held 2006, 58-9). The specific form of a parliamentary government⁶⁴ was firstly implemented in Britain during the 1688 conflict between the Parliament and King James II (Müller et al. 2006, 6). It was from the 20th century onwards that democracy assumed its liberal, modern form, including an essential alteration from the Ancient Greek model: representativeness, i.e., indirect policy making and delegation. Politics unavoidably became a career accompanied by a set of specific qualifications and technical knowledge, i.e., there occurred “the registration of the broad desires of ordinary people, while leaving actual public policy to the few who are sufficiently experienced and qualified to make it” (Held 2006, 142-3).

The above was the aftermath of, inter alia, the shift from the Aristotelian republic tradition, placing the common good ahead of the individual, to the Hobbesian liberal tradition⁶⁵ in which “priority is assigned to the individual, rather than to the polity; ...individual self-determination replaces the value of collective self-determination” (Scharpf 2009, 174-5). The citizen was no longer considered a pivotal element in government, but rather government was considered, as David Bentham proposed, “an umpire or referee while individuals pursue ...their own interests” (Held 1993, 19 and 2006, 189). Accordingly, depoliticization, i.e., “the eradication of political and moral questions from public life by an obsession with technique, productivity, and efficiency,” also substantially contributed to the above (Held 2006, 189)

⁶³ On the distinction between a democracy and a republic: It is common to assign directness to Ancient Greek democracy (so called pure democracy), and representation to the Roman Republic (as by James Madison). However, there is no historic evidence to support such a claim (Dahl 1998, 16-7). Even the etymology of the word republic is similar to democracy, i.e., from Latin ‘respublica’, a composite word from ‘res’: matter, thing and ‘publica’: of the people (Berube et al. 1997, 1159).

⁶⁴ The term parliamentary democracy was used much later, from 1832 onwards. Terms used instead included responsible government, cabinet government, etc. (Müller et al. 2006, 9).

⁶⁵ Primarily in his 1651 work *Leviathan* (Hobbes 2008; Newey 2008, 17).

Legitimacy, Accountability, Delegation

The EU democratic deficit scholarship focuses primarily on three, arguably foundational, concepts of the democratic system: legitimacy, accountability and, most often indirectly, delegation⁶⁶. For example, one of the most prominent scholars of the EU democratic deficit, Dimitris Chrysochoou (2000), argues that

overall the meaning of democracy appears to be two-fold: first it involves the existence and acceptance of a number of specific principles and values held be the demos of a political community (i.e., legitimacy); and second, it provides the machinery for the embodiment of these ideals in the daily process of government (i.e., delegation and accountability; 49-50).

The emphasis on legitimacy is also highlighted by, inter alia, arguably the most prominent scholar of the EU democratic deficit, Fritz Scharpf (2009, 173). Accordingly, Lord (2004) in his audit of EU democracy (adapting his national democratic audit model to the EU level – what he calls ‘modified consociationalism’) examines the concepts of citizenship, authorization, representation, accountability, and constitutionalism (28-9). These concepts constitute different facets of legitimacy (citizenship, authorization, representation), accountability (accountability, authorization), and delegation (citizenship, representation). The relevance especially of legitimacy and accountability can be seen also in works of prominent scholars in the field such as Chrysochoou and Eriksen & Fossum, in which the deficit is presented as a gap between EU citizens and the EU decision-making structure (whether in regards of agenda-setting, actual policies, policy effects, etc), translated primarily into a lack of legitimacy of supranational decision-making, as well as a lack of

⁶⁶ EU scholars often draw direct connections between the EU democratic deficit approaches and these broader concepts of democratic theory (e.g., Moravcsik 2008, Schmidt 2013 and 2020). As Moravcsik (2008) argues, the EU democratic deficit can be characterized either “as an absence of public accountability or as a crisis of legitimacy” (340). However, these concepts are defined in this context in quite a broad, and often somewhat simplistic, manner. For example, Schmidt understands accountability simply “as being subject to scrutiny by a specific forum” and legitimacy as “whether a government of any form is accepted by its citizens as having the authority to govern” (Schmidt 2013, 16).

accountability of decisions taken at that level (Chrysochoou 2000, 37; Eriksen & Fossum 2000a, 2).

The three different approaches within the EU democratic deficit scholarship of Input, Output, and Throughput⁶⁷ can be argued to draw heavily from these broader concepts of democratic theory (Follesdal & Hix 2006, 547). It is, therefore, useful, to briefly overview these three concepts, in order to more comprehensively analyze the EU democratic deficit approaches. An overall clarification, however, is first necessary on the parameters under which these three concepts (legitimacy, accountability, delegation) are overviewed within this research. As with democracy, conceptualizations of each of these concepts varies in ontological, epistemological and definitional elements. For example, democratic theory scholars will often perceive accountability as a part of legitimacy, at least insofar as it offers legitimation to the democratic process. This is a broader and more generic view of legitimacy, under which essentially all elements within a contemporary democracy can be perceived to offer, and hence be part of, legitimacy (the question then becomes in what way and how effectively). In fact, legitimacy itself is, as a concept, untied from democratic governance, since a variety of regimes can be accepted by those governed for various reasons (see the subsection on legitimacy below).

However, the aim of this research is a targeted and empirical application of the EU democratic deficit literature in relation to evaluating the impact the EU integration has on it, and not to analyzing each of these three concepts. As such, these three concepts are viewed as processes within democratic governance, i.e., from an applied or empirical perspective, rather from a philosophical or conceptual one. This belongs to the narrower definitions-end of the spectrum in the relevant scholarship, but it offers a variety of advantages for this present research: it offers a set of more specific set of characteristics of each process, thus facilitating a more evaluative approach, and also directly relates each of them to

⁶⁷ The EU democratic deficit approaches are examined in detailed in the following section of this chapter.

the democratic process, thus focusing on the subject-matter of the analysis (the democratic process within the EU).

Legitimacy is perhaps the concept of democratic theory most associated with the EU democratic deficit⁶⁸. Legitimacy “can be characterized as the ex-ante process of democracy, through which citizens provide their consent for the decision-making process to be exercised by a governing structure..., and their acceptance of authority of this structure” (Kyriakidis 2016c, 37). As Papadopoulou (2017) argues “Legitimacy facilitates the exercise of power by enhancing the probability that certain or all commands will be obeyed by a given group of persons” (65).

In accordance with the above, legitimacy is viewed as a process within democratic governance, i.e., from a more practical and narrower perspective: the set of (direct or indirect) processes through which authority to a democratic government is granted and accepted by citizens⁶⁹. The word etymologically originates from the Latin *legitimus*, which in turn comes from *lex*, i.e., law (Berube et al. 1997, 775). Definitions of legitimacy vary: for example, Birch (1993) describes it as “the quality of ascribed entitlement to exercise...(political) power” (32), while Bellamy & Castiglione (2003) define it “as the normatively conditioned and voluntary acceptance by the ruled of the government of their rulers” (10).

The foundational work on legitimacy has been done by Max Weber, who saw legitimacy as “an empirical social fact...disconnected from normative debates on what constitutes rightful authority” (Ehin 2008, 622; Papadopoulou

⁶⁸ For example, Beetham & Lord (1998) analyze a legitimacy deficit within the EU, Scharpf, as early as the 1970s, focused on the legitimacy offered by input-oriented and Output-oriented democratic thought (6).

⁶⁹ Naturally, in the broader view of legitimacy, the fact that the government can be held accountable and potentially removed from office, is viewed as included in the reasons because of which citizens accept the authority of that government (hence it is legitimate). Evidently, multiple scholars have engaged with the concept of legitimacy from a wide variety of perspectives and discipline. A mere single example is Easton (1965), in providing a political systems theory, examines its ideological sources, looking into structural legitimacy, personal legitimacy, the impact of legitimacy on sentiments, and the psychological aspects of needing to believe in legitimacy (289-310).

2017, 65). He distinguished between three basic types: traditional, in which compliance is ensured by direct loyalty to the leader (e.g. chief of tribe), charismatic, in which compliance is ensured by trusting the charisma of a specific leader, and legal or rational, in which compliance is ensured by accepting the procedures through which rules and laws are constructed (Birch 1993, 34).

David Held (2006) further elaborated on the above three basic types of legitimacy, expanding them to the following 7 ways through which an individual legitimates authority, albeit recognizing that the distinction is largely analytical and that, in real life, a combination usually occurs (155): Coercion (follow orders); Tradition (no inquiry – this is always how it has been done); Apathy (simply do not care); Pragmatic acquiescence (dissatisfied with current state of things, but another option is unimaginable – remain to the current status quo and view it as fate); Conditional agreements (dissatisfied with current state of things, but remain to the status quo to achieve a long-term aim); Normative agreement (this is what each individual, and the whole community, believes is right and proper at the time); Ideal normative agreement (a choice to which we would ideally have agreed to).

Beetham & Lord (1998) assume a more practical approach to legitimacy, also shared by the majority of scholars of the EU democratic deficit, proposing that the following “different elements that make up liberal-democratic legitimacy in the contemporary world”: a mode of legality based on constitutional law (‘legality’), popular sovereignty “as the source of political authority,” defense of freedom, welfare and security “as the purpose of government”⁷⁰ (both consisting ‘normative justifiability’⁷¹), consent of citizens to authority that originates from

⁷⁰In their analysis, Beetham & Lord (1998) draw parallels with Locke’s philosophy, arguing that “the ends or purposes of government...can best be summarized in terms of Lockean rights protection (such as liberty, life, and property) complemented by welfare rights and securing the conditions for economic growth” (6).

⁷¹ Within ‘normative justifiability’ they include a subcategory for accountability, and they also note earlier that in legitimacy, it is important (albeit less) for the entire system to “effect the prompt removal of those who have failed or simply grown stale in office,” and include (Beetham & Lord 1998, 6). However, there seems to be some conflation here with the concept of accountability: Beetham & Lord (1998) in their analysis appear to conceive it as a part of legitimacy rather than a separate concept.

electoral authorization⁷², and recognition of the political structure by other, external legitimate authorities (both consisting ‘legitimation;’ Beetham & Lord 1998, 9).

In discussing legitimacy within the EU, Beetham & Lord (examine two models: the typical model for international organizations, in which the legitimacy of the EU derives from that of its member states, as it is also dependent on them and their legitimacy for the implementation of its policies and the enforcement of its legislation,” and a technocratic conception of legitimacy, based on argument put forth by Helen Wallace and Giandomenico Majone, which includes a regulatory, non-majoritarian approach to democracy and sees the EU as a mere regulatory actor (Beetham & Lord 1998, 11-22).

Finding both approaches suffering from several deficiencies in terms of legitimacy, and, in a prelude to the EU democratic deficit scholarship, they investigate the concept of a ‘legitimacy deficit’ as developed by Habermas in the late 1970s and used as a tool “to analyze a growing gulf between principles and practice, or between legitimizing norms and societal support for them, which heralds a process of political upheaval, renewal or transition” (Beetham & Lord 1998, 2). Within the EU, they divide this deficit into 3 types, and proceed with analyzing ways to improve each one: a performance deficit (agreement on a single welfare/rights model, and effective implementation of that model), a democratic deficit (lack of authorization for institutions such as the EC, lack of or insufficient accountability for institutions such as the CEU, insufficient representation because of the ‘second-order’ nature of EP elections) and an identity deficit (lack

⁷²A point worth highlighting is that elections is only one means (albeit probably the most important one in modern democracies) through which legitimacy is granted. An individual may choose to legitimize the system (i.e., vote and accept the outcome of the voting process, regardless of whether it was their choice) or a specific candidate (i.e., vote for a specific person) for any of the above reasons. However, as Schumpeter has argued, a modern democratic system tends to create its own conditions for its legitimacy, since “a competitive democratic system routinely enables those in powerful political positions to manipulate and distort the political will of citizens” (Held 2006, 156). The argument, therefore, has been made that legitimacy from different members of a society differs in its importance: “as long as government and states are able to secure the acquiescence and support of those collectivities that are crucial for the continuity of the existing order...(such as financial interests, major worker unions, dominant electoral groups), public order can be sustained” (Held 2006, 199).

of a single ‘demos’ based on “common language, shared customs or a common historical experience;” 22-30)⁷³. Similarly, Scharpf (1999) argues that there exists a tri-faceted deficit within the EU: “lack of pre-existing sense of collective identity (corresponding to Beetham & Lord’s ‘identity deficit’), lack of Europe-wide policy discourses (corresponding to Beetham & Lord’s ‘performance deficit’), and the lack of a Europe-wide institutional infrastructure that could assure the political accountability of office holders to a European constituency (corresponding to Beetham & Lord’s ‘democratic deficit’; 187-9).

From the scholarship already presented, the foundations of the EU democratic deficit are apparent. The Input approach includes arguments relating to reduced direct and indirect participation by EU citizens in the policy-making process, corresponding to Beetham & Lord’s democratic deficit or Scharpf’s lack of EU-wide, fully accountable institutional structures. The Output approach includes arguments relating to the perceived as regulatory nature of the EU and its focus on satisfactory performance rather on representative policies, corresponding to Beetham & Lord’s performance deficit or Scharpf’s argued lack of EU-wide policy discourse (without which performance criteria cannot be sufficiently constructed or implemented). After all, as Beetham & Lord (1998) argue

all government is involved in producing binding rules and regulations for those under its authority, and in distributing burdens and benefits between them; and that since these activities involve coercion, restrictions on liberty and the imposition of material costs on people, they require substantial justification, both in terms of by what and whose authority the government so acts (legitimacy), and what broader purposes and values are served by its doing so (accountability; 123).

⁷³ On the existence of a European demos, or lack thereof, see Nicolaidis (2004), who also advocates for the existence of a European ‘demoi-cracy,’ i.e., the democratic co-existence of multiple ‘demoi’ under the following conditions: moving from a common identity to sharing identities, moving “from a community of identity to a community of projects,” and moving from “multi-level governance to multi-centred governance” (“horizontal sharing and transfer of sovereignty;” 84-5). Accordingly, Chryssochoou (2000) devotes a substantial part of his research in EU “demos-formation,” the concepts of ‘Gemeinschaft’ and ‘Gesellschaft’, etc. (80-104). However, later developments in the field of the EU democratic deficit indicate a lesser degree of importance attributed to consideration of relevant issues (following section of this chapter).

As with legitimacy, accountability⁷⁴ is also defined in this research as a process within democratic governance, i.e., the set of (direct or indirect) methods through which a government is held accountable for its performance (Strom 2003, 62). As opposed to the usual conceptualization of legitimacy, which is broader compared to the one used within this research, the conceptualization of accountability is often much narrower compared to the way presented in this analysis, usually treated as a part, or a part of a part (e.g., Throughput) of legitimacy, at least insofar as it offers legitimation to the democratic process. This is a broader and more generic view of legitimacy, under which essentially all elements within a contemporary democracy can be perceived to offer, and hence be part of, legitimacy (the question then becomes in what way and how effectively). However, the aim of this research is a targeted and practical application of the EU democratic deficit model in evaluating the impact the EU integration has on it. As such, legitimacy is viewed as a process, i.e., from a more practical and narrower perspective: the set of (direct or indirect) processes through which authority to the government is granted and accepted by citizens⁷⁵.

In turn, then, accountability, also viewed as a process, is perceived as the set of (direct or indirect) methods, through which a government is held accountable for its performance (Müller et al. 2003, 62)⁷⁶. The emphasis here is placed on the produced policies and their alignment, or not, with the interests and specifications of citizens or other institutions, who then accordingly sanction or reward policy-makers.

⁷⁴ The word originates from Latin “‘a’ (to) and ‘cunter’ (count) [...] traced back to 1085 and William I of England, who ‘required all the property holders in his realm to render a count of what they possessed’” (Berube et al. 1997, 9; Bovens 2010, 951).

⁷⁵ Naturally, in the broader view of legitimacy, the fact that the government can be held accountable and potentially removed from office, is viewed as included in the reasons because of which citizens accept the authority of that government (hence it is legitimate).

⁷⁶ Accountability, similarly to legitimacy, has been used in a variety of other (than as a process) ways, most of which are burdened with normative qualities or assumptions (e.g., accountability as a virtue; Bovens 2010; Curtin et al. 2011 throughout; Chrysochoou 2000, 57). In fact, Chrysochoou (2000) goes so far as to argue that “the accountability construct (of a democratic society) becomes the essence of democratic theory and practice...” (58).

Accountability is often defined, primarily in terms of agent-principal theory, i.e., as “one party... (being) an agent who makes some choices on behalf of a principal who has power to sanction or reward the agent” (Strom 2003, 62). It essentially means “being answerable to somebody else, to being obliged to explain and justify (in)action – how mandates and contracts have been dealt with, how authority and resources have been applied, and with what results” (Olsen 2013, 3-4). This is essential for a democratic governing structure. As Chryssochoou (2000) argues, “continuously functioning big government should be accompanied by effective and continuous mechanisms for holding government into account” (57). Accountability as a process is more related to the performance of a government, as opposed to legitimacy as a process, which relates to the participatory process in electing said government. Without accountability “the gap between popular expectation and governmental performance...will dangerously widen, and popular sovereignty will remain a distant ideal” (Chryssochoou 2000, 57).

Accountability is usually separated across two types: vertical, which involves processes through which citizens hold the government accountable (e.g., through elections), and horizontal, which involves competition between the different governing structures (e.g., one branch of government holding another accountable, such as parliamentary inquiries into government actions, judicial oversight, etc.; Huller 2012, 252-3). It is worth noting that the primary method of vertical accountability, i.e., the electoral process, is the same as one of the primary methods for a governing structure acquiring legitimacy in a democratic governing structure. Although the process is the same, legitimacy and accountability involve different aspects of it. The electoral process, through elite competition, political debates, voting, etc., bestows legitimacy in a democratically-elected governing structure, i.e., citizens accept its authority on them because of this process and the input they can have in it (regardless of the votes or the outcome). However, this process also contributes to accountability: the electorate has the ability to sanction or reward the governing structure through voting. This does not focus on the citizens’ input itself per se, as does the legitimacy aspect of elections, but rather on the mechanism through which

citizens hold the governing structure accountable. Therefore, while legitimacy and accountability are both included and expressed through the same electoral process, each concerns a different aspect of it.

The last basic concept of democratic theory that is particularly relevant for the EU democratic deficit is delegation. While not of the theoretical depth of legitimacy or accountability, belonging much more to the operational or practical aspects of the modern democratic system, delegation is pivotal. As Müller et al. (2003) point out “the policy process in contemporary democracies...can be viewed as a process of delegation” (19). Similar to accountability, delegation is also examined in terms of principal-agent theory. It can broadly be defined as “an act where one person or group, called a principal, relies on another person or group, called an agent, to act on the principal’s behalf” (Lupia 2003, 33). Another difference of delegation to legitimacy and accountability is its ‘ancestry’. While the latter two concepts existed, mostly in their contemporary form, since ancient times, delegation is a much more recent addition to the democratic system of government.

During the resurgence of democracy, modern philosophers (John Stuart Mill, Max Weber, etc.) found the Ancient Greek model to be difficultly implemented in contemporary societies, at least in those larger than small towns, primarily due to issues of number of citizens, geographic location, physical limitations, and potential overshadowing of the able and the wise by an uninformative majority. Due to the above, citizens would have to delegate decision-making authority to representatives out of necessity (Held 2006, 85). This was consistent with the move towards a more technically-oriented political life, in which politicians became full-time professionals regulating relationships among citizens, as opposed to citizens being politicians (section of this chapter above). These philosophers, however, did not shy away from pointing out potential problems that this process would involve, which have eventually materialized (below). Both Alexis De Tocqueville and John Stuart Mill were of the position that the ever-expanding government apparatus, on which a growing number of individuals become increasingly dependent, coupled with the increased efficiency of its administrative and scientific sectors, would become a

threat to freedom and turn into “the dictate of the public administrator” (Held 2006, 83).

Again, similar to accountability, delegation can be vertical (from citizens to the governing structure) or horizontal (inter-branch or inter-agency delegation; Lupia 2003, 24)⁷⁷. Several issues exist with both in modern democratic systems, most of which also appear in the EU democratic deficit approaches. In terms of vertical delegation, its frequent use and implementation parameters make it an incredibly delicate process which is prone to multiple complications. From a top-down approach, those governing may aim to pursue their own ideals deviating from their mandate (policy drift), or their own material gain (rent-seeking; Müller et al. 2003, 22; Strom 2003, 84). Non-policy motivations, i.e., agents simply getting a ‘free ride’ (e.g., leisure-shirking⁷⁸) may also create issues (Strom 2003, 84). Governing structures also have powerful agenda-setting abilities, which can lead to potential misinformation of or lack of focus on an otherwise important issue by citizens (Strom 2003, 82-3). for its legitimacy on its own (Held 2006, 156). After all, after election into office, those participating in the governing structure may choose to simply hide information that may jeopardize the relationship with citizens (Strom 2003, 88; Müller et al. 2003, 24-5; Chrysochoou 2000, 69).

From a bottom-up approach, while citizens (as principals) can activate both *ex ante*⁷⁹ and *ex post facto*⁸⁰ controls, in order to minimize so-called ‘agency losses’⁸¹, they are severely constrained both by the high cost of oversight of these

⁷⁷ Majone (1998) defines horizontal delegation as from government, such as independent central banks and regulatory authorities,” and argues that this is usually justified under the “government *pro tempore*” approach leading to commitments that are more credible than those connected to the governing interval (e.g., longer-term than the electoral cycle; 15-17).

⁷⁸ “To avoid or neglect (a duty or responsibility),” originally from German *Shurke*, which means scoundrel (Berube et al. 1997, 1258).

⁷⁹ For example, contract design (e.g., constitution or election political party programs) and screening mechanisms (e.g., candidates’ profiles; Strom 2003, 63; Lupia 2003, 48).

⁸⁰ For example, monitoring (e.g., transparency) and institutional controls (e.g., judicial oversight; Strom 2003, 63).

⁸¹ Defined as “the difference between what the principal wants and what the agent delivers” (Müller et al. 2003, 23).

controls and also, oftentimes, the amount of expert knowledge over the subject-matter required (Strom 2003, 86; Müller et al. 2003, 23-4). In either case, citizens are, in most cases, bound by temporal constraints in terms of being able to choose different individuals (e.g., electoral cycle; Strom 2003, 88)⁸². Issues with horizontal delegation usually occur when specific objectives and systematic evaluation are lacking (Majone 2010, 158).

Democracy in the EU and the EU Democratic Deficit

Democracy in the EU has long been a focus of EU scholars as well as a concern for EU politicians. While often presented as the most democratic of international organizations (albeit, considering its structure and decision-making authority, a comparative approach is somewhat questionable), it has been argued that it still suffers from an extensive and substantial democratic deficit (Dahl 1999, 20-22 and Eriksen & Fossum 2000, 2). Bellamy & Castiglione (2000) argue that “there is little doubt that the structure of European governance does not fully conform to any meaningful interpretation of the many standard definitions of democracy” (69). Historically, the predecessor of the EC – the High Authority of the European Coal and Steel Community – had little accountability to the member states, and the entire construct was focused more on appealing to political elites rather to the general public (Majone 2012, 20). As Warleigh (2003) suggests, “the founders of the EU...prioritized elite-centered welfare generation over popular participation – technocracy over democracy” (16).

The first use in academia of the term ‘democratic deficit’ to describe deficient democratic process in the EU was by British political scientist and Professor David Marquand in his 1979 book *Parliament for Europe* (e.g., 64-65), throughout which he presented arguments mainly related to the need for an increase in the role of the EP within the EU construct (Devuyst 2008, 254; Meny 2002, 8). Weiler et al. (1995) were also of the first to put forward the concept of “the ‘Democratic Deficit’ of the Community,” offering what they termed the

⁸² As Held (2006) observes, the citizenry becomes increasingly unable to oversee such an extensively, ever expanding bureaucratic government (83-4).

‘standard version’ of its definition, according to which the problem is the transfer of “many, and increasingly important, government functions [...] to ‘Brussels’ (and) [...] within the exclusive or concurrent responsibility of the Community and the Union” (what they termed as ‘inverted regionalism’ and “its delegitimization effect;” 6-7).

The literature on the argued deficit of democracy throughout the EU is substantial, having begun since the 1970s and peaking during the 1980s (on account of the Single European Act) and again during the 2010s (on account of the Eurozone crisis; Guastaferrero & Moschella 2012, 204; Schmidt 2013, 2; Hix 2008, 67). Of particular attention has been the expanding nature and specialization of the EU in its decision-making capacity. As Schmidt (2006) argues “*national executives [...] have delegated to a range of EU institutions authority over policy areas that used to be sovereignty-defining tasks of the nation-state...*” (55). Hence, there are concerns raised in terms of “*bureaucratic despotism*” (Moravcsik 2002, 606).

Despite this long history, however, and much like in the case of democracy across the field of democratic theory, a single, widely-accepted definition of the EU democratic deficit is mostly lacking, primarily due to the very existence of “rival understanding of what democracy is, and how it could be best applied to the EU” (Warleigh 2003, 3; also, generally Follesdal & Hix 2006, 534-5). Currently, there are two main views encountered across the relevant literature (Kyriakidis 2016c, 26).

The first view, also termed the ‘orthodox view,’ focuses on the reduced parliamentary input in the decision-making processes of EU institutions (Chrysochoou 2000, 32; Schmidt 2006, 64-5). In other words, the democratic deficit is “*the absence or incomplete development of the institutions and practices of representative democracy*” (Majone 2010, 150). This definition echoes arguments of democratic theory related more broadly to the decline of parliamentary authority over the decision-making process in modern democratic systems, due primarily to the increasing lack of ‘social responsibility’ of MPs, the progressively more technical nature of legislation, and the rising global interdependence of states, which lead to the empowerment of the executive

(Chrysochoou 2000, 108-9). The second view includes a focus on an argued between the preferences of the elites and the perceptions of citizens (Chrysochoou 2000, 34). In turn, these elites “for the sake for decisional efficiency, compromise the interests of their governments” (Kyriakidis 2016c, 27)⁸³.

Chrysochoou (2000) manages to bridge these two, and other views to the democratic deficit, explaining it as “an institutional deficit in general, and an accountability deficit in particular: an apparent chasm between the powers of the Union and their political responsibility to the directly elected representatives of its citizens” (32). Based on this, and refining it, the EU democratic deficit is perceived in this research as lack of participatory practices (either direct or indirect), and related institutional mechanisms, leading to an eventual misalignment of outputs produced compared to citizens' preferences, at the supranational (EU) level. This is concurrent not only with the above, but also with the three approaches to EU democratic deficit: Input, Output, Throughput. These approaches analyze issues relevant to the aforementioned observations: level of input by citizens and decision-making authority of supranational representative institutions (Input), institutional processes and safeguards (Throughput), and alignment (or lack thereof) of policy outputs with preferences of EU citizens or with protection of their rights (Output).

The majority of the scholarship relevant to the EU democratic deficit focuses on distinguishing between the above three different approaches (Papadopoulou 2017, 65-6; Crum 2020). The distinction between Input and Output – the two more traditional approaches – first originated⁸⁴ in the work of noted scholar Fritz Scharpf, who argues:

⁸³ It is interesting to note that, while mostly perceived as external, there have been arguments relating to the endogenous nature of the democratic deficit to the EU (aside from its historical ‘ancestry’) through what is termed the “Monnet method of integration by stealth” (Majone 2010, 159). By introducing a ‘fait accompli’ character to EU integration (thus rendering any opposition pointless), and through the lack of precise knowledge of the process, it becomes possible to proceed with such integration without necessarily having the consent of the citizenry (Majone 2010, 159; also Rosamond 2000, 53).

⁸⁴ Naturally, input and Output as concepts of a political system have been used in a wider variety of conceptualizations. An example is their existence and, admittedly similar to the EU democratic

I have described these as input-oriented and Output-oriented legitimising beliefs [...] Input-oriented democratic thought emphasizes government by the people. Political choices are legitimate if and because they reflect the will of the people... By contrast, the Output perspective emphasizes government for the people. Here political choices are legitimate if and because they effectively promote the common welfare of the constituency in question (Scharpf 1999, 6).

Throughput has been a much more recent addition, primarily developed by noted scholar Vivien Schmidt⁸⁵.

In the Output approach, the main argument is that more ‘democratization’ of the EU would lead to less efficiency, an element which is, as it is argued, the most primary purpose of the EU (Papadopoulou 2017, 70-1; Moravcsik 2008, 340)⁸⁶. The existence of a democratic deficit, chiefly involving lack of citizen input, in EU decision-making processes is not denied per se, but it is suggested that “whether by design or effect, this input can and should be sacrificed to achieve the desired Output, which increased input might often have damaged” (Kyriakidis 2016b, 213)⁸⁷. Proponents of this approach further argue that, not only would increase input lead to less efficiency, but also that it “would almost likely undermine... popularity and trust without generating greater public accountability” (Moravcsik 2008, 340), i.e., “politicization would lead to redistributive rather than Pareto-efficient outcomes” (Follesdall & Hix 2006, 538). An outcome is Pareto-efficient “if it the case that compared with it, no one’s utility can be raised without reducing someone else’s utility;” this is essentially a positive-sum policy situation (Sen 1995, 521), as opposed to a redistributive

deficit, use, in political systems theory, in which input is seen as processes of demand and support, and Output as “decisions and actions of the authorities (Easton 1965, 26-32).

⁸⁵ As Schmidt (2013) admits “(Throughput) has not usually been part of normative theorizing about EU legitimacy, ... (it) has sometimes been discussed in Output terms, where particular institutional or discursive processes are seen as preconditions for better Output..., and occasionally in input terms, where certain institutional processes or deliberative interactions are preconditions for better input...” (14).

⁸⁶ It is also argued that increased participation would not necessarily lead to the creation or reinforcement of an EU political community (Moravcsik 2002, 615 and 2008 338).

⁸⁷ Proponents of the Input approach strongly disagree with a purely Output-based evaluation of the EU (e.g., Eriksen 2000a, 43).

outcome, where resources would be reallocated, resulting in a zero-sum policy situation (some would be worse off and some better, toward equilibrium). That could be detrimental for the EU, an organization argued to be merely facilitating inter-member state relations (Warleigh 2003, 16).

As such, the EU is argued to be an organization of a highly technical nature – a regulatory agent (e.g., Bredt 2011, 41) – lacking decision-making capacity on redistributive policies that have high threshold requirements for citizen input, such taxes or social welfare (Moravcsik 2002, 607-8 and 2008, 333). Instead, it is argued that issues on which the EU has competence over, exactly because of their highly technical character, are not electorally salient, i.e., the public was never expected to, and is not interested in deciding on technical issues (Majone 2010, 157; Hobolt 2012, 90). This is also argued to be the explanation behind the seemingly “apathetic electoral behavior of EU citizens” (Kyriakidis 2016c, 32). In either case, it is argued that “technocratic expertise in technical policies is superior to the knowledge, or willingness of participation of citizens (on account of the high costs involved),” and independent technocratic institutions can prove much “more impartial and less prone to biases or pressures by powerful national minorities” (thus avoiding the risk of a ‘tyranny of the majority’; Moravcsik 2002, 614).

It is interesting to note here that one of the most prominent scholars in EU studies, and perhaps the main advocate of the approach, Andrew Moravcsik, in 2002 went so far as to argue that would not include any new policy areas because of clear limitations in terms of “fiscal, administrative and legal authority” (Moravcsik 2002, 608). Considering the above, it is argued that, as issues that are subject to EU authority, are mostly regulatory in nature, there is no need for further ‘democratization,’ since this would only be necessary if and when redistribution occurred (Majone 2003, 5). This is consistent with the argued unwillingness of member states “to surrender their decision-making authority in important policy realms such as welfare and education,” which is shared by citizens since, for example, “social policy, which includes a great amount of value judgements, is considered a fundamental function of the state” (Kyriakidis 2016b, 214).

Throughout this line of argumentation, the substantial influence of market regulation theory becomes clear (perhaps unsurprising, considering that the second main advocate of the approach after Moravcsik, albeit with some differences, is Giandomenico Majone, a noted regulation theory scholar). Limited policies which have a Pareto-optimal and not a redistributive outcome (and are often geared towards correcting market failures) are argued to be best made by non-majoritarian/independent institutions. These institutions, the argument goes, would be more impartial in protecting the interests of EU citizens, being politically insulated and legal obligated (Majone 1998, 22-3).

Proponents of the Output approach also argue that further ‘democratization’ is unnecessary not only because of the nature of policies impacted by the EU, but also because the accountability obtained under the indirect representation of EU citizens through their governments at the EU level is sufficient and effective (Moravcsik 2002, 607)⁸⁸. As Moravcsik (2002) argues, “a more important channel (of democratic accountability) lies in the democratically elected governments of Member States, which dominate the ...structure of the EU” (612; also, Moravcsik 2008, 334-6). Similarly, Scharpf (2009) suggests that even under Qualified Majority Voting (QMV), “consensus-seeking practices are so effective, that politically salient national interests that are vigorously defended by the respective governments are rarely overruled” (182). In any case, usually EU policies are highly fragmented, hence offering a wide variety of alternatives for member states who may not wish to participate, and the EU-level policy process has many checks and balances (Moravcsik 2002, 609).

Finally, the Output approach includes arguments relating to the overoptimistic standards usually employed to evaluate democracy within the EU,

⁸⁸ This argument constitutes the most major difference between the two main proponents of Output, Moravcsik and Majone. Majone (1998) remains considerably more reserved in terms of the efficacy of indirect control through member states’ governments, suggesting that “such indirect legitimation cannot provide an adequate normative foundation for its (the EU) supranational component” (12). In agreement with the broader Output-based arguments, however, Majone (1998) argues that adequate democratic safeguards are derived from the EU institutions’ contribution to protecting economic, social, etc., rights, possibly even against governments of member states and in favor of EU citizens (13).

without taking due account of, or even underestimating, the amount of delegation in national modern democratic systems (Auberger & Iszkowski 2007, 274). Criticisms, then, related to the quality of democracy at the EU level are argued to be no more different than those aimed at the national level; in fact, it is further argued that the EU ranks better compared to its member states across most of the criteria employed (Moravcsik 2008 332-340).

The Input approach seems more concurrent with the republican tradition of democracy, recognizing the value of the Output of policies but, at the same time, placing the primary emphasis on “the input (or lack thereof) of citizens which is necessary to produce the proper outputs” (Scharpf 2009, 188; Kyriakidis 2016c, 28). As Bellamy (2010) suggests, “what counts is being included in the process...and not feeling permanently excluded” (5). Proponents of this approach advocate for the application to the EU of the same standards of democratic governance as those applied to member states (Follesdal 2006, 443; Chrysochoou 2000, 63)⁸⁹. The main argument of this approach can be encapsulated in the phrase “democratic legitimacy does not stem from the aggregation of the preferences of all, but from the deliberation of all” (Eriksen & Fossum 2000a, 18). Decision-making based on deliberation and consensus, subject to party and policy competition⁹⁰, are all key elements of the democratic system, regardless of the level in which this system exists (Follesdal & Hix 2006, 549-51).

⁸⁹ This is a point of strong disagreement with Output. Aside from employing overambitious standards (as outline in the Output sub-section of this chapter), Majone (1998) suggests that majority rule is different than democracy; the latter includes many non-majoritarian institutions and other entities of similar nature (10).

⁹⁰ Primary emphasis is placed on competition in Input. As Follesdal & Hix (2006) argue, “if citizens cannot identify alternative leaders or policy agendas, it is difficult for them to determine whether leaders could have done better or to identify who is responsible for policies” (548). As Scharpf (2009) further argues, it might be difficult to adopt legislation on a supranational level, on account of demanding voting and deliberating procedures, but, once enacted, such legislation not only supersedes any relevant national legislation, but is potentially much harder to abolish than it was to enact it (182). The above lack in opposition can also create adverse collateral effects as “it is precisely because there is no visible quasi-official ‘opposition’, that citizens cannot distinguish between opposition to the current EU policy regime and opposition to the EU system as a whole” (Follesdal & Hix 2006, 548-9).

Proponents of the Input approach further argue that the EU has developed considerably from its original nature as a mere facilitator, gaining the ability to influence virtually all policy areas of the national level (at different degrees; Chrysogonos 2016). As such, the EU has now come to affect a wide range of redistributive policies moving away from a purely Pareto-optimal system, which, in turn, makes effective citizen input of great importance in ensuring the quality of democratic governance (Follesdal & Hix 2006, 543-552). Even if the EU is supposed to produce policies that are highly technocratic and beneficial to EU citizens (as the proponents of the Output approach suggest), it is argued that their preferences are not fixed and, so, in either case, participation would be required in order to determine those preference, in which case additional input by citizens would also ensure that the EU policy-making structure remains responsive to the needs of citizens (Follesdal & Hix 2006, 545-9; Auberger & Iszkowski 2007, 274). Indirect accountability is argued to be insufficient in maintaining responsiveness of policies, since due to voting procedures (e.g., QMV), etc., it is rather limited at the EU level: a government could have voted in accordance with the preferences of its electorate at the CEU, and a different outcome for the entire EU, including that electorate, could still be decided.

It is additionally argued that independent technocratic institutions are not necessarily or automatically better equipped or more objective in producing effective policies compared to majoritarian-based institutions (Bellamy 2006, 737). In fact, technocratic and expert institutions can be even more prone to influence by lobbies or interests, or may often simply “overlook issues that are legitimate worries for ordinary folk” (Bellamy 2006, 740; Follesdal & Hix 2006, 546). The benefits of insulating some institutions from representative or majoritarian influence within the modern democratic system is recognized, but it is argued that those would have to be limited, both in number and purpose, and would to enjoy sufficient justification for such insulation (Follesdal & Hix 2006, 542-3).

Scholars of the Input approach also place considerable emphasis on the need for a substantial enhancement of the EP’s powers, which are currently quite limited, especially when compared with the powers of other technocratic or non-

majoritarian supranational institutions, such as the EC and CEU (Majone 1998, 7-8). This is argued to also require an increase in the awareness of supranational policy issues, and EP elections, among EU citizens. As it currently stands, EU elections are regarded as secondary (at best) to national elections, which presents major challenges in terms of elite and political party competition (Hix 2008, 70). This leads, *inter alia*, to reduced voter turnout rates for EP elections, an issue that most Input scholars⁹¹ argue is owed to the lack of a single coherent demos⁹² which is necessary to turn the entire EU into a political community (Chrysoschoou 2000, 81-91). Finally, supporters of the Input approach argue that the EU suffers from a policy bias that favors neoliberalism and negative over positive integration, failing to effectively implement a social policy agenda and protect rights of EU citizens (Moravcsik 2002, 617; Majone 1998, 13)⁹³.

Finally, there is the Throughput approach, which is a later addition to the EU democratic deficit scholarship and “covers what goes on in between the input and the Output” (Schmidt 2013, 14). Noted EU scholar Vivien Schmidt, who introduced it as an addition to the EU democratic deficit literature alongside Input and Output, argues that “it (Throughput) is a necessary accompaniment to Output and input legitimacy, by ensuring people’s trust that the rules are being applied fairly, in the spirit as much as the letter of the law, in ways that are responsive to citizens’ input demands while ensuring the best possible policy Outputs” (Schmidt 2020, 25 and 31). The approach essentially focuses on the processes of the EU decision-making mechanism, and their quality. As Schmidt (2013) highlights, Throughput “is process-oriented, and based on the interactions – institutional and constructive – of all actors engaged in EU governance” (5; also Schmidt 2016, 1033). It “focuses on the quality of the governance processes of the EU,” emphasizing institutions’ efficacy, accountability, inclusiveness, transparency, and openness, analyzed in terms of either their outcomes or their

⁹¹ Eriksen & Fossum (2004, 437-442), Schmidt (2013, 4), etc.

⁹² On the ‘demoi-cracy’ approach, see footnote 80 *supra*.

⁹³ Moravcsik (2002) counter-argues (albeit 18 years ago), that this is only possible in few policy areas, in which it largely has not happened (618-9).

ideational perspective, i.e., their more constructivist aspect (Schmidt 2013, 5-8 and 2016, 1033).

Considering the intense focus on processes, unsurprisingly Schmidt (2020) cites David Easton's political systems theory as a major influence in developing Throughput (31). Easton (1965), viewing political life as a "system of behavior imbedded in an environment to the influences of which the political system itself is exposed and in turn reacts," argues that it can be eventually interpreted as "a complex set of processes through which certain kinds of inputs are converted into the type of Outputs we may call...policies, decisions," (17).

The approach seems to also draw heavily on the broader field of legal theory⁹⁴ and rules, and the concepts of 'procedural due process' and 'process values'. As Summers (1997) aptly argues "rules are of special importance. [...] (they) are the main legal instruments for authoritative embodiment not merely of essential civic policies such as community peace, order and safety, but of all kinds of problem-specific policies (1173-4). In terms of the process value of these rules, that refers to the "standards of value by which we may judge a legal process to be good as a process, apart from any 'good result efficacy' it may have" (Summers 1974, 3). He further explains:

a process may also be good insofar as it implements or serves 'process values' such as participatory governance and humaneness⁹⁵. These forms of goodness

⁹⁴ The interpretation of 'law' within this approach is rather broad, and is not confined to merely legalistic procedural elements, hence including processes such as elections, legislatures, the state as an entity, etc. (Summers 1997, 1173). Accordingly, Fuller (1969), a pioneer in the morality of law, and a teacher of Summers, defines law even more broadly as "the enterprise of subjecting human conduct to the governance of rules [...] this view treats law as an activity" (106). For Fuller, rules in an ideal legal system must be: general, so as to be implemented across the board (with exceptions), public, proactive (not retroactive), understandable, congruent in their actual administration with the way they are formulated, not contradictory, not changed constantly, and not requiring actions that are impossible for those to whom the rules are addressed (Fuller 1969, 37-8 and 41-2).

⁹⁵ Summers (1974) also identifies timeliness and procedural rationality (e.g., the existence of Parliament committees that analyze proposed legislation prior to its final form, thus improving their responsiveness and efficacy; 17). Overall, he identifies ten legal process values: participatory governance (input by citizens in various forms), process legitimacy (legal, political, moral), process peacefulness (elections, courts, etc., that secure peaceful governance), humaneness and respect for individual dignity (e.g., prohibition of torture), personal privacy, consensualism (potential to refuse participation in various processes, such as elections), procedural fairness (e.g., equality regardless of income or race), procedural rule of law (existence of rules and of procedures

are attributable to what occurs, or does not occur, in the course of a process. They are thus process-oriented, rather than result-oriented (Summers 1974, 13).

He proceeds to identify eight features of (legal) processes that can be examined: how the process begins and who is authorized to initiate it, the various stages it has to go through, what activities are included in each of these stages, who can participate and in what way in each of these states, any reviews of the process or “any veto on its outcomes,” how is the process sanctioned, how is the process conclude it and who can terminate it, and what are the criteria for choosing the individuals participating in the process (8).

Throughput includes the following four basic elements: efficiency of decision-making processes, accountability of actors involved in those processes⁹⁶, transparency of information, and inclusiveness to deliberation and consultation (civil society; Schmidt 2013, 6-8 and 2016, 1038 and 2020, 32). These elements are based on institutional and constructivist perspectives to EU decision-making. The former places emphasis on efficiency, transparency and accountability, as well as “the intermediation processes through which citizens organized in interest groups have a direct influence on policy making,” based on pluralist and associated-democracy theoretical approaches (e.g., Robert Dahl; Schmidt 2013, 15). An example is the EC’s recent (post-1990s) attempts to include civil society (special interests, activists, etc.) to its policy making (Schmidt 2013, 15). The later (constructivist perspective) places emphasis on the deliberative aspect of the decision-making processes, highlighting that they can be “a ‘counter-steering mechanism’ ensuring that citizens’ community power is adequately channeled in societal and administrative decision making, thereby improving accountability”

to ensure officials follow these rules), procedural rationality (settle affairs through reason rather than arbitrary action), and timeliness and finality (e.g., legal procedures may be outdated and thus untimely; 20-7).

⁹⁶ It is worth noting here that accountability in Throughput is specific to the actors involved in the decision-making process only, and thus is of different magnitude than accountability as a process of democratic governance, as also examined within this research, which addressed the entire process of democratic governance, and not only the actors involved in policy-making (see above subsection of this chapter on accountability).

(one example is the comitology consultative process of the EC; Schmidt 2013, 17).

Albeit arguably analyzing the middle space between Input and Output, Throughput seems closer to the former, with Input scholars often echoing similar arguments relating to processes (Schmidt 2006, 29)⁹⁷. For example, Eriksen (2000) argues that "...both procedures for deliberation and for decision-making are required [...] Certain procedural norms and institutional settings are required..." (61-2). Follesdal & Hix (2006) also contend that "institutional design (and), not policy outcomes," should be the main focus of a democratic society (548). There are, however, other Input scholars that are more reserved, such as Bellamy & Castiglione (2000), who argue that "...democratic legitimacy depends on a thick network of institutions more than on thin procedural rules" (78).

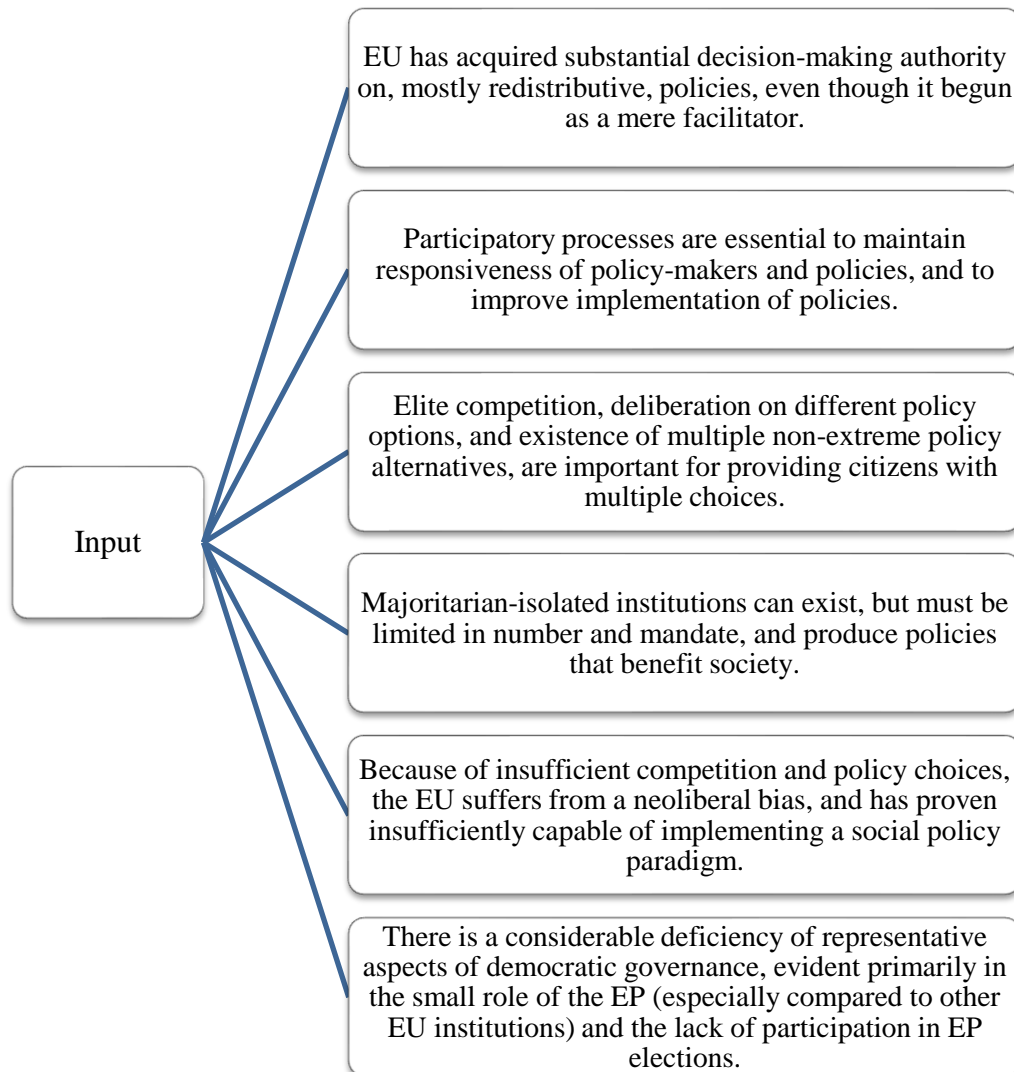
Evaluating the EU democratic deficit

From the analysis of the relevant scholarship on the EU democratic deficit, a number of observations can be made. Firstly, most scholars, regardless if they are in favor of Input, Output or Throughput, do not seem to question the existence of a democratic deficit within the EU per se. Rather, the differences between these three approaches center on the extent of such deficit and, primarily, its importance and impact on the quality of democratic governance within the EU. As Börzel (2020) suggests, the approaches provide "an assessment or normative criteria [...] they do not explain why the EU has a democratic deficit or not." As such, it appears that each approach draws from a different process of democracy in the broader field of democratic theory, as those processes are presented above (legitimacy, accountability, delegation), and places emphasis on different elements.

⁹⁷ The legal-theory concept of 'process values', from which Throughput heavily draws, also seems to similarly 'tilt' more towards Input than Output (although both are important; the latter is termed "process value efficacy;" Summers 1974, 27-8). Summers (1974) suggests that a process, although and even despite its deficient result efficacy (Output), may, nonetheless, be in itself good (e.g., while legislatures oftentimes create bad laws, their democratic, participatory features are important in themselves; 18).

In the Input approach (for the main arguments also see Figure 2 below), the process of legitimacy is of primary concern. It is argued that the EU has expanded into a number of areas of policy-making, many of them of a highly redistributive nature for EU citizens. As such, reinforcement of the various input outlets is necessary in order to ensure that EU decision-making and policy implementation remain legitimate. Without such reinforcement, with the current, arguably low, levels of elite competition, deliberation, and representation (EP), especially when compared to the policy-making capacity of other EU institutions, EU democratic governance remains substandard and leads to single-track policy paradigms (neoliberal bias). The emphasis here is placed on the authorisation by citizens to policy-makers, and the way it is provided in order for the relevant policies to be accepted.

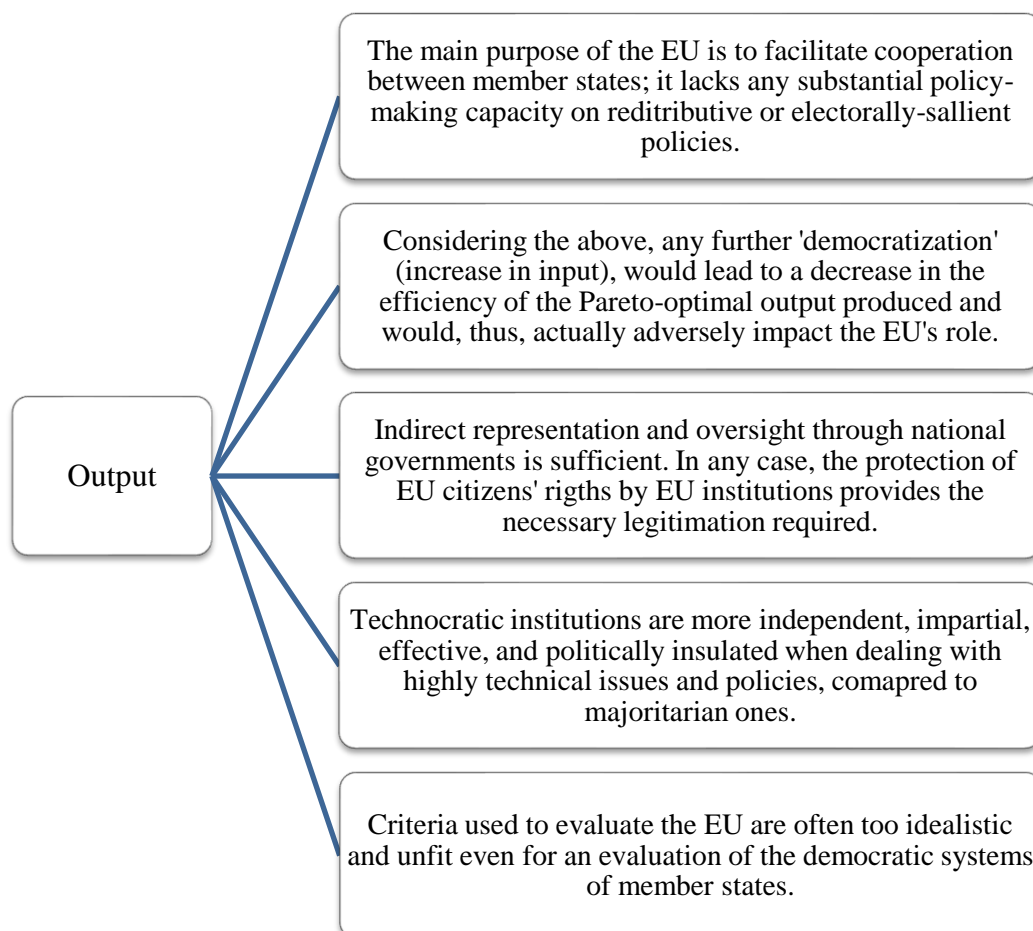
Figure 2: Main arguments of the Input approach.



In the Output approach (for the main arguments also see Figure 3 below), accountability is of primary concern. It is worth highlighting that Scharpf (1999) has also made this connection, placing (electoral) accountability as the first mechanism of output-oriented legitimizing mechanisms (13-4). The emphasis is not placed on increasing input, which is argued to be, at best, unnecessary and, at worst, detrimental to the efficiency of the EU, considering the otherwise highly technical and non-redistributive nature of EU policy-making (Pareto-optimal, cooperation-based formulation of policies). Rather, what is important for the EU is the production of satisfactory outputs, primarily by independent, technocratic institutions that are, as is argued, more independent and impartial compared to

those subjected to majoritarian forces. The production of these policy outputs is the important issue for maintaining the quality of democratic governance within the EU. The emphasis, then, is placed on the outputs of policies, and how fitting these outputs are for EU citizens.

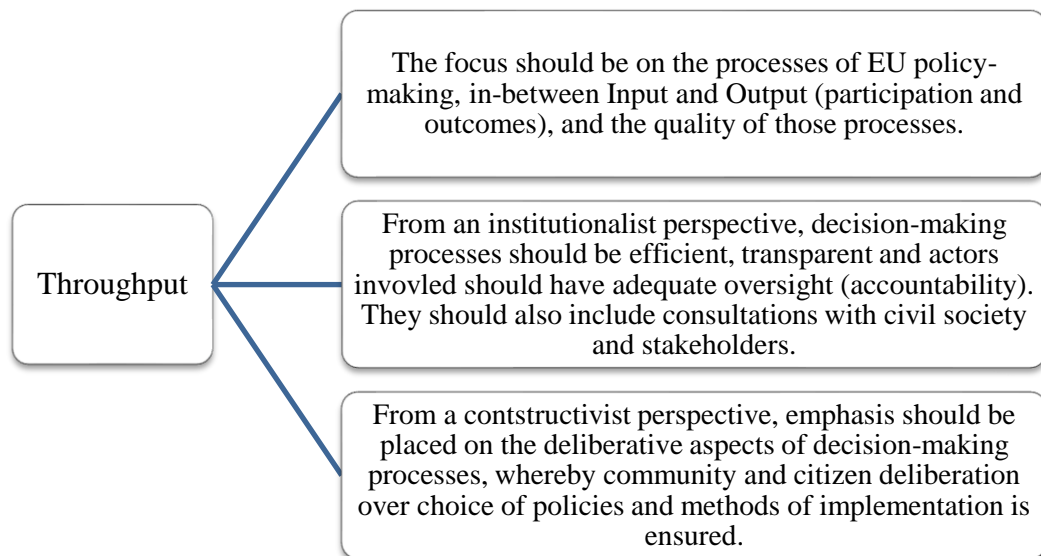
Figure 3: Main arguments of the Output approach.



Lastly, in the Throughput approach (for the main arguments also see Figure 4 below), the process of delegation is emphasized. What is of primary importance is the different ways through which policies are formed and decisions are taken, aside from the input of citizens or the correct alignment of policies produced. In this approach, the emphasis is on the efficiency of the decision-making process, the oversight of actors involved in the process (accountability), the transparency of information, and the inclusiveness of stakeholders to deliberative and consultative stages of this process. Without these safeguards,

even with proper input and output, the ‘black box’ in between would still adversely impact the quality of democratic governance.

Figure 4: Main arguments of the Throughput approach.



It is the case that a fully evaluative framework for the EU democratic deficit (per se) is lacking. One of the most notable, and perhaps comprehensive, approaches to evaluating democratic deficiencies within the EU operating framework was that by Lord (2004), who chose to apply the democratic audit framework developed by David Beetham for the UK to the EU (see section of this chapter above on legitimacy, accountability and delegation; 1)⁹⁸. This approach definitely presents multiple advantages, not least in actually empirically evaluating democratic governance within the EU and in arguing for the consideration of whether “processes by which Union institutions are formed themselves” are democratic. However, this framework provides for a specific overview of democracy within the EU, examining issues such as citizenship, constitutionalism, input by national parliaments, etc., alongside issues of legitimacy, accountability and delegation (Lord 2004, 28-9). It is substantially limited by applying a purely national-based democratic audit model to the EU

⁹⁸ Crum (2020) highlights that a simple transference of a model developed for a well-established parliamentary democracy to the EU may be somewhat problematic.

and, therefore, presupposes a certain view not only of democracy but of the EU itself. It is worth noting that Lord (2004) does not even make any direct references to the EU democratic deficit literature.

Conversely, the scholarship on the EU democratic deficit includes discussions about the potential democratic shortfalls of the EU in light of different views of the EU construct itself. As such, it addresses democratic governance within the EU in a more comprehensive manner, not simply evaluating it against specific indicators, but debating on its overall purpose and extent. Furthermore, it is clear that Lord's evaluation is, at its essence, based mostly on the arguments highlighted by scholars working on the EU democratic deficit, drawing again from the broader democratic processes of legitimacy (e.g., Lord's representation), accountability, and delegation (e.g., Lord's consent; Lord 2004, 28-9 and 74-5).

Similarly, in a more recent attempt to address the empirical and evaluative aspect of the literature, Kyriakidis (2016c), applying Jupille et al.'s (2003) model of theoretical dialogue of additive theory based on complementary domains of application⁹⁹, often used in terms of evaluation of EU integration theories (e.g., Ioannou et al. 2015), attempts to construct an a single, empirical, evaluative framework that is based on the existing...literature and relevant approaches" (Kyriakidis 2016c, 42). As with Lord's approach, Kyriakidis also attempts at creating a unified framework for evaluating democratic governance within the EU, reliant (albeit more so than Lord's) on the EU democratic deficit.

The above attempts are certainly useful, but a unified approach to evaluating democratic deficiencies within the EU is perhaps premature, too theoretically ambitious and, in either case, somewhat limited. However, considering the fact that there is a unified body of scholarship on the EU democratic deficit, the approaches outlined therein could serve as benchmarks for evaluating EU measures and, in more specifically in this analysis, the Eurozone

⁹⁹ This model "provides a synthesis of the empirical aspects of...approaches in a unified framework, always maintaining their distinctive theoretical characteristics and integrity," sidestepping an argued limit on over-discussed theoretical issues in order "to develop a basis for empirical analysis" (Kyriakidis 2016, 42). The model requires common ground between the theories used (common terminology, etc.), extensive analysis of the similarities and differences of each theory, and preservation of each distinct theory (Kyriakidis 2016c, 42).

crisis measures. In other words, the aim of this research in relation to the EU democratic deficit is to evaluate these measures, and the resulting EU operating framework, in terms of the deficit approaches. Has Input, Output or Throughput been more prevalent? What does the adoption of each of these measures mean for the EU democratic deficit as seen through these three approaches? This is a much more focused and targeted application of the EU democratic deficit literature, essentially using the deficit approaches as lenses through which to 'see' the crisis measure. Although perhaps more limited theoretically in relation to previous attempts, it nonetheless is highly advantageous as it can offer greater specificity and research outcomes of better evaluative quality.

Considering all the aforementioned elements, in order to evaluate the impact of the crisis on the EU democratic deficit, and drawing from contributions of existing approaches, a set of qualitative thematic areas is constructed through a reorganization of the relevant democratic deficit scholarship to identify common themes examined across the three deficit approaches (Input, Output, Throughput), as those have been examined above. These areas, which will constitute the 'prism' under which the crisis measures will be evaluated, are qualitative in nature; there are no specific answers or restrictions in the breadth of analysis. Rather, these areas set the overall subjects of analysis of the democratic deficit scholarship and its three approaches that will be used for each measure, its adoption, and its implementation. In essence, the common elements across all three deficit approaches will be extracted and reorganized into thematic areas that can be used to conduct an empirical evaluation of the impact of the measures.

Across all three approaches, a major area of analysis is the ability of EU institutions, and the EU level more generally, to affect electorally salient national policy areas with redistributive effects that are oftentimes of a sensitive nature for member states (e.g., taxation or defense). Input scholars argue that this has become the norm, while Output scholars that this is not the case and that, in fact, member states would be highly unwilling to ever allow this to happen. Within this area, there are two major points of focus. The first, and most obvious one, is the number and type of policies that the EU has authority over. There is a second

point of focus, however, that is less apparent: the level and conditions of delegation involved in this process. This focuses on the process aspect of EU policy-making, and hence is related more to the Throughput approach, as well as the argument of the Output approach that indirect democratic oversight through relevant channels at the national level (e.g., during elections, the EU policy-making of a national government can be properly sanctioned or rewarded by citizens of a member state). In other words, it is not sufficient to examine whether the EU has acquired capacity over more policy areas, and the redistributive nature (or lack thereof) of these areas, but rather the process under which this capacity has been acquired, and the conditions of delegation involved either from the national to the EU level or between different institutions at the EU level, must also be analyzed. This is an issue that directly affects the way policy is made, and thus is pivotal in determining how the crisis measures impact the democratic deficit.

Another major area of focus is the influence of majoritarian or representative institutions, either in the decision-making or policy-implementation stages. This builds directly on each approach's arguments related to the first area of focus (above). Input and Output scholars focus primarily on the role of the EP and EU elections. The former argue that the EP has a very limited ability to substantially impact policy-making, especially when compared to the increased ability of other, technocratic, non-representative EU institutions, such as the EC and the ECB and that EU elections are considered second-order compared to national ones. These adversely impact on the input that EU citizens can have, and creates a non-competitive policy environment that has limited or no policy alternatives from which to choose. This is considered unacceptable, especially considering the argued augment in the ability of the EU to affect electorally salient and redistributive policy areas (above). The latter scholars suggest that, while the observations related to the EP and EU elections may be valid, an increase in their policy-making capacity and electoral salience would not only be pointless, since the EU does not affect redistributive policies and member states would be unwilling to permit that to happen (above), but could

adversely impact on the argued Pareto-optimality and compromising nature of EU policy-making, argued to be the primary purpose of the EU.

The third major area of focus is the direction of EU policy-making. Here, the Input approach includes arguments related to the one-sidedness of EU policies, including mostly a neoliberal mix, coupled with increased absence of alternatives (above). This is argued to result in failure of the EU to promote or sufficiently defend a social policy model, which could otherwise lead to improvement in legitimacy. Conversely, Output scholars argue that the EU does effectively protect the social, economic, and sometimes even political, interests of its citizens, which can compensate for the lack of effective indirect, national level-based, democratic oversight. In either case, it is argued that EU technocratic institutions are both better equipped (considering the intensely technocratic nature of EU-affected policies) and more protective of EU citizens, as they are more transparent and more impartial compared to majoritarian or representative institutions. This also touches on the Throughput approach, in terms of the transparency and impartial nature of EU institutions. Figure 5 below presents all of the issues raised by the three EU democratic deficit approaches, reorganized into the three main focus areas that will be used to evaluate the crisis measures, as those are described above.

Figure 5: Reorganization of issues in Input, Output, Throughput.

<p style="text-align: center;">Area 1</p> <p style="text-align: center;">Ability of EU level to impact more policies and/or more redistributive policies, and extent and quality of delegation.</p>	<p style="text-align: center;">Area 2</p> <p style="text-align: center;">Influence of majoritarian/representative institutions, especially compared to other EU institutions, and relevant processes.</p>	<p style="text-align: center;">Area 3</p> <p style="text-align: center;">Direction of policies implemented and impact on interests of EU citizens</p>
<ul style="list-style-type: none"> • EU has acquired substantial decision-making authority on, mostly redistributive, policies, even though it begun as a mere facilitator (<i>Input</i>). • The main purpose of the EU is to facilitate cooperation between member states; it lacks any substantial policy-making capacity on redistributive or electorally-salient policies (<i>Output</i>). • Indirect representation and oversight through national governments is sufficient. In any case, the protection of EU citizens' rights by EU institutions provides the necessary legitimation required (<i>Output</i>). • Technocratic institutions are more independent and impartial when dealing with highly technical issues and policies, compared to majoritarian ones (<i>Output</i>). • Criteria used to evaluate the EU are often too idealistic and unfit even for evaluating the democratic systems of member states (<i>Output</i>). • Extent and conditions of delegation: efficiency, transparency, accountable institutions, stakeholder participation, deliberative practices (<i>Throughput</i>). 	<ul style="list-style-type: none"> • Participatory processes are essential to maintain responsiveness of policy-makers and policies, and to improve implementation of policies (<i>Input</i>). • Elite competition, deliberation on different policy options, and existence of multiple non-extreme policy alternatives, are important in providing citizens with multiple choices (<i>Input</i>). • Majoritarian-isolated institutions can exist, but must be limited in number and mandate, and produce policies that benefit society (<i>Input</i>). • There is a considerable deficiency in representative aspects of democratic governance, evident primarily in the small role of the EP (especially compared to other EU institutions) and the lack of participation in EP elections (<i>Input</i>). • Any further 'democratization' (increase in input), would lead to a decrease in the efficiency of the Pareto-optimal output produced and, would thus, actually adversely impact the EU's role (<i>Output</i>). 	<ul style="list-style-type: none"> • Because of insufficient competition and policy choices, the EU suffers from a neoliberal bias, and has proven insufficiently capable of implementing a social policy paradigm (<i>Input</i>). • Technocratic institutions are more effective and politically insulated when dealing with highly technical issues and policies, compared to majoritarian ones • Transparency and effectiveness of institutions (<i>Throughput</i>).

It is clear that the analysis of the EU democratic deficit scholarship is more extensive and in-depth compared to the detailed overview of the three grand-level EU integration theories, including the innovation of reorganizing the three approaches into thematic areas that can be employed to evaluate the impact of the measures on the deficit. But, similar to the integration theories, and after having reorganized the three approaches into thematic areas that are appropriate for empirical evaluation, a guide of expectations in relation to the crisis measures is necessary, in order to conduct a targeted examination. The expectations are sorted according to each of the three reorganized thematic areas, considering, at the same time however, the elements of each of the three approaches that are included in those areas. Naturally, as the areas and evaluation to be conducted, are qualitative in nature, the expectations outlined are general, in order to allow for differentiation across the crisis measures. Exact enumeration of every specific possible expectation would include a vast number of hypothetical or counterfactual situations, leading to an unnecessary restriction of the analysis and possible exclusion of important issues. The overall theme is a temporal and level-based comparison, i.e., a comparison with the previous status quo and a comparison with the authority at the national level.

The first thematic area of the reorganized deficit scholarship includes an analysis of the EU level's ability to impact more national-level policies, or more redistributive ones, or increase that ability. It also includes the extent and the quality of delegation from the national to the EU level. The EU level comprises of the following institutions: EC, CEU, European Council, ECB, and, indirectly (since they utilize the EC and ECB for relevant tasks) EFSF SA and ESM. For each of these institutions in each of the crisis measures, the type and number of policy areas that they can impact is examined, particularly in relation to the number and type of policies they could impact before. In terms of the type, of interest is, primarily, the redistributive effects of the policies affected, but, also, their sensitivity for national policy-making. For example, augmented ability of the EU level to influence the budgetary process or social or tax policy of member states is new and is of a clearly redistributive nature. Impact on education policy is new (expanded breadth), but is not necessarily redistributive. Impact on defense

policy is new and, while not redistributive, is highly sensitive (national security) for a member state.

This area also includes the manner through which the above areas are affected. The EU is not a separate organization from its member states, so all authority it acquires is delegated from the national to the EU level. But how does that delegation work? The analysis here includes the way through which the aforementioned institutions impact the policies they do in the crisis measures. For example, even if the EU level was delegated authority to impact the budgetary process of member states through the measures, how far does this delegation extend and what is the balance between the authority of the supranational and national level? Does the EC have limited delegation, such as issuing a mere opinion, or has it been delegated the authority to directly approve the budget? For example, are supranational decisions binding on the national level, and, if so, how far? How is oversight and accountability enforced, either from the national to the EU level, or, horizontally at the EU level? Does the delegation ensure certain conditions, such as stakeholder participation or transparency? All the above are questions to be answered when evaluating the crisis measures against the first thematic area of the deficit.

The second thematic area concerns the influence majoritarian or representative institutions. Here, the primary focus is on the EP and, to a lesser extent, national Parliaments, only insofar as the crisis measures at the EU level are concerned. The main element to be analyzed is the ability of the EP not only to influence policy more broadly, but to also have input in other aspects of the decision-making process, such as oversight and accountability, in the crisis measures. This can be expressed in a number of ways, such as participation in the EU legislative process, participation in the processes of financial assistance, oversight of other actors, etc. In addition, a comparison of the above with similar elements of other EU institutions – particularly those of a technocratic nature, such as the EC – will yield results into how much decision-making authority the EP has not only in absolute terms, but also comparatively. Has the EP become, overall, stronger or weaker, either when examined alone or in comparison with other EU institutions? Similar observations will be made in relation to national

Parliaments, always, however, in relation to the crisis measures at the EU level. In a supporting capacity, examination of other possible majoritarian processes that may exist in the crisis measures will also be conducted.

Finally, the third thematic area concerns the direction of policies implemented and how these policies impact on the interests of EU citizens. In this case, the relevant deficit literature includes arguments related to a neoliberal bias. Was this the case in the crisis measures? In addition, were EU citizens' rights effectively protected or not? Here, there will be attention not only to the measures themselves, per se, but also to judicial precedent (as always, at the EU level) regarding their implementation and the conduct of institutions participating. For example, if supranational institutions are found to have increased delegation, has this led to potential disregard of EU citizens' interests, particularly as protected under the EU Treaties, or did they manage to protect the interests of EU citizens more effectively compared to representative institutions?

4. RESEARCH METHODS AND DESIGN

Research design

The overall aim of the research is to examine the impact of the mode of the EU integration process on the EU democratic deficit at the EU level. Accordingly, the research question is: How do the modes of the EU integration process impact the EU democratic deficit? The overall argument is that there is indeed a connection between the mode of the EU integration process and the EU democratic deficit. To address this arguably extensive and broad subject, the case study of the Eurozone crisis measures is used, at both the supranational and national levels.

Based on the above, the respective stages of the analysis to answer to the above question are the following. First, the mode and direction of the EU integration process after the adoption of the crisis measures is examined. Second, the impact of the crisis measures on the EU democratic deficit is evaluated. Finally, the above two are used to draw conclusions, both for the crisis measures but also more broadly, in relation to the impact of the mode and direction of EU integration on the EU democratic deficit. The process for achieved each of these tasks is outlined below.

In terms of determining the mode and direction of the EU integration process, this is seen in this research through the three grand-level integration theories, as those have been extensively overviewed throughout the first section of the previous chapter: neofunctionalism, (liberal) intergovernmentalism, postfunctionalism. Each of those theories has its own presuppositions, assumptions, and views. In order to be able to trace one or the other throughout the crisis measures, a guide was provided in the concluding subsection of the aforementioned section, in which the expectations of each of those theories in relation to the EU integration process specifically after the crisis measures was outlined. Each of those expectations is then traced throughout each of the crisis measures, in order to make an overall determination of their impact on the EU integration process.

In terms of evaluating the impact of the crisis measures on the EU democratic deficit, it is a decidedly more complicated and theoretically demanding task. This is due to the absence of a unified framework for evaluating the impact of EU measures (in general) on the democratic process at the EU level. For the reasons outlined in the second section of the above chapter, the EU democratic deficit is chosen as the scholarship most promising to lay the foundations for such an empirical evaluative framework. However, as the scholarship stands, while the distinction between Input, Output, and Throughput is theoretically appealing, it is not particularly useful in terms of an empirical evaluation. While these three approaches to the deficit include different perspectives and arguments, they have been found to focus on, essentially, the same areas, then focusing on arguments related to how EU-level policies affect these areas and, subsequently, what the eventual impact is on the deficit.

For example, all three approaches focus on the ability EU-level institutions have to impact redistributive (e.g. taxation) and sensitive (e.g. defense) policy areas of the national level. However, each of them differs in their findings. From the perspective of the Input approach, this ability has increased, leading to the existing participation levels being not sufficient to ensure effective democratic process. From the perspective of the Output approach, this ability has remained the same, and therefore any attempt to increase participatory practices is not only futile but may result in harming the argued focus that the EU-level policy-making should have on efficiency and effectiveness. From the perspective of the Throughput approach, similar to Input, this ability has indeed increased, but there are more safeguards needed (oversight, transparency, accountability, etc.) rather than an increase in participatory practices. But, again, all three approaches focus on this element (ability of EU level institutions to impact redistributive and sensitive, national level policies).

Considering the above, while not a framework, this is an opportunity (missed, to an overwhelming extent, across the relevant scholarship) to extract the common thematic areas that all three approaches focus on, and utilize those to empirically evaluate the impact of the crisis measures on the democratic deficit (the argument is also made that this could serve as a basis for a framework or a

model that could potentially be used to evaluate any EU policy measure). As the three approaches are not antithetical or foundationally different (as, for example, are the three grand-level EU integration theories), this reorganization serves to more comprehensively and effectively address the impact of EU-level policies (in this case, the crisis measures) on the EU democratic deficit, without being confined to a predetermined line of argumentation, which would be the case if an evaluation was made based on Input, Output, Throughput. While maintaining the theoretical integrity of each of the three approaches, the thematic-area approach, aside from having better evaluative capacity, has the additional benefit of not being confined to merely adopting one of the three approaches, but rather provides the ability to determine the mixture of the three in relation to the crisis measures.

There are three thematic areas that all three deficit approaches were found to focus on: ability of EU level to impact more policies and/or more redistributive policies, and extent and quality of delegation; influence of majoritarian/representative institutions, especially compared to other EU institutions, and relevant processes; direction of policies implemented and impact on interests of EU citizens. Each of the crisis measures is examined against each of these areas, focusing on elements for each area as referenced in the last subsection of the second section of the previous chapter. The findings of this evaluation are juxtaposed to the argumentation included in each of the three deficit approaches, to determine whether a single one of them is accurate in describing the impact of the measures on the deficit, or whether there exists a combination of two or all three of them, and what that combination is. For example, using the thematic-area empirical evaluation, it may be found that only arguments of the Input approach are accurate, and hence that this approach alone describes the impact of the measures on the deficit. Or, it may be the case that specific arguments of both Input and Output are found to be accurate (e.g. that the EU level has acquired increased ability to influence national-level policy making, but that this has concerned mostly non-redistributive and non-sensitive policy areas), in which case the impact will consist of a combination of both approaches.

The last stage of analysis for the research are the broader conclusions drawn, based on the case study of the crisis measures, in relation to the impact of the mode and direction of EU integration on the EU democratic deficit. The hypothesis of this research is that there is, indeed, a relationship between the two and that the way that the EU integration process progresses impacts the democratic process at the EU level. But what exactly are the expectations? Based on the detailed theoretical review of both the three grand-level EU theories and the three EU democratic deficit approaches, the following are expected.

If the mode of EU integration is based on neofunctionalism, then it is expected that there will be an overall adverse impact on the deficit. Neofunctionalism is, overall, an elite-based mode of integration, involving the increase of the decision-making authority of supranational, and particularly technocratic, institutions, and describing a mostly automated integration process (spillover). Considering these elements, it is expected that there will be an increase in the authority of supranational institutions, without however a corresponding increase in the ability of input by the electorate. This may seem counterintuitive, but it is worth noting that neofunctionalism is not equivalent to a federation, in which case proper participatory mechanisms would ensure fully efficient democratic processes at the federal level. At most, neofunctionalism is a process that may eventually lead to a federation. As such, during this process, and considering neofunctionalism's elite-based nature, it is expected that democratic processes, particularly as expressed through participatory practices, will not be sufficient.

Intergovernmentalism places the primary importance of integration with the member states themselves; supranational institutions, and the EU level more generally, are argued to have minimal to no influence in redistributive or sensitive national policies of member states, instead maintaining a 'refereeing' role. This is consistent with the Output approach to the deficit, since there would be no increase found in the decision-making authority of EU-level, and particularly supranational, institutions, thus having minimal impact on the deficit and largely negating the need for additional attention to participatory practices at the EU level. This is consistent with arguments of the Input approach, and also, partially,

of the Throughput approach to the deficit, insofar as the latter focuses on the inter-institutional processes and structure (primarily transparency and accountability).

Postfunctionalism, based largely on MLG, includes arguments related to the multi-dimensional, multi-actor and multi-level character of the EU integration process. This is mostly consistent with the Throughput approach. This is also consistent with the Throughput approach, which emphasizes stakeholder and civil society participation. These forms of participation would, hence, have to increase in order to allow for a broader set of interests to, albeit often indirectly, affect the decision-making process.

The case study of this research is the Eurozone crisis measures at the EU level. As Gerring (2007) argues “we are witnessing a movement in the social sciences away from a variable-centered approach to causality and toward a case-based approach” (3). This case study includes nine measures in total that can be separated into two broad categories: those related to the provision of financial assistance to member states (EFSM, EFSFS SA, ESM and the related TFEU amendment), and those aimed at enhancing coordination between member states (ESAs, Euro Plus Pact, Six-Pack, Two-Pack, Banking Union). This research is focused entirely on the EU level. The measures are outlined and examined in detail in the fifth chapter of the research.

However, this focus presents a predicament in relation to the measures related to the provision of financial assistance. These measures have a purely EU-level aspect (their establishment, regulations, etc.), but they also have a more applied national-level aspect, i.e., the financial assistance programs as implemented in different member states. These programs for Eurozone member states facing extreme financial difficulties included the loan agreements or Financial Assistance Facility Agreements (FAFAs) – the financial aspect – and the Memorandums of Understanding (MoUs)¹⁰⁰ – the policy conditionality aspect, upon satisfaction of which assistance is provided.

¹⁰⁰ As Kyriakidis (2016) suggests, the term MoU includes the IMF-based “Memorandum of Economic and Financial Policies, usually accompanied by a set of definitions in a Technical Memorandum of Understanding [...] (and the EU-based) Memorandum of Understanding on Specific Economic Policy Conditionality, or MoU under the now permanent ESM framework” (57). MoUs are concluded, for the IMF, between the beneficiary state and the IMF, and for the

Leaving the latter aspect of the implementation of financial assistance programs unconsidered would lead to an incomplete analysis. Therefore, and only insofar supranational level institutions are involved in the process, the case of Greece, and Ireland, but mostly in a supporting capacity, are examined in order to look into the implementation of the financial assistance programs themselves. The focus on crisis measures at the EU level still remains, but considering the financial assistance programs actually implemented through some of the EU-level crisis measures (financial assistance mechanisms), focusing in particular on the interaction between the supranational and the national levels in the relevant decision-making processes for their adoption and implementation, is the only way to conduct a fully comprehensive analysis. Without evaluating them the analysis would have to remain limited only to a theoretical discussion about the processes of these mechanisms.

Having established why it is necessary to consider financial assistance programs implemented in member states by the EU-level measures relating to provision of financial assistance (financial assistance mechanisms), i.e., in order to more comprehensively analyze these measures themselves, a further clarification needs to be made in relation to the member states chosen. It would be obviously unfeasible to cover all financial assistance programs of all Eurozone member states that received such assistance, in the depth and detail required for any effective analysis. Greece is chosen as the primary subject of this particular examination. It was the first Eurozone member state to receive financial assistance and the last (by far) to exit the program, the first to receive part of the assistance from the IMF, the only one to have undergone three distinct assistance programs, and the one that has received by far the largest amount of financial assistance (over 230 billion euro). In addition, and partly because of the aforementioned distinguishing characteristics, the adjustment to the policy conditionality was extremely intensive, with Greece losing 25% of its GDP and experiencing a 65% increase in its overall unemployment rate within the 9 years

EU, between the beneficiary member state “and the EC representing, in one form or another ... the rest of the Eurozone or EU,” while the monitoring of implementation is carried out by the IMF, EC, ECB and, in case of ESM assistance, by the ESM (on occasion; Kyriakidis 2016c, 57).

examined in this research (2009-2018; Eurostat 2020a and 2020b). Because of all the above, Greece presents the most interesting and appropriate case for the national-level measures. However, an additional, complimentary in nature, comparative instance is also useful in terms of improving generalizability. Ireland, the first member state to be affected by the Eurozone crisis, and one of the first of two to exit the financial assistance programs, and the one that is statistically closer to the aforementioned indicators, serves as an appropriate, complementary case for the national-level measures.

In terms of the characteristics of the case study of the crisis measures from a methodological perspective, this is a case study of a single instance (the relationship between the EU integration and the EU democratic deficit, in the case of the crisis measures), and the case is a single (not cross case), in-depth, evidence study (the examination of Greece and Ireland, insofar as necessary to address a part of some of the crisis measures, i.e., the financial assistance programs implemented through the financial assistance mechanisms, may be semi-comparative, i.e. cross and within-case; Gerring 2007, 20-1). The case study is observational (albeit the dichotomy with experimental case studies has been more recently argued to be less clear and useful), comprehensively examining through textual and interview-based methods the provisions included in the Eurozone crisis measures (Gerring 2007, 12 and 18-21).

Spatial limits are set as the EU level. It is the case that some of the measures include provisions relating only to Eurozone¹⁰¹ member states. The Eurozone, however, is the ‘hard core’ of the EU, representing the most advanced step in the EU integration process, with currently 19 out of 26 EU member states

¹⁰¹ What has become known as the Eurozone is, effectively, the third stage of the EMU (Delors et al. 1989, 30-36; EC 2019e; ECB 2021): the first stage lasted from July 1990 until December 1993 and included, inter alia, economic convergence and free use of the European Currency Unit (earlier form of the Euro), freedom for capital transactions and increased cooperation between member states’ central banks; the second stage lasted from January 1994 until December 1998 and included, inter alia, the creation of the European Monetary Institute, adoption of the SGP, and preparation for fixed exchange rates; the third stage begun from January 1999, and included, inter alia, introduction of the Euro and establishment of the ECB. The Euro was first introduced as an accounting currency for three years until January 2002, when it was launched in physical form and official used as a currency for the first 12 EU member states that joined the Eurozone (EC 2019e).

(EC 2019e). All EU member states, except Denmark, which secured an opt-out¹⁰², are “required to adopt the euro and join the euro area, once they are ready to fulfil them (convergence criteria¹⁰³)” (EC 2020q). It, therefore, becomes evident that any changes introduced to EU decision-making and policy processes concerning Eurozone member states will, eventually, apply to all EU member states. Temporal limits are set in the timeframe of the research, which is set from the beginning of the crisis within the EU in 2009, until the exit from financial assistance of the last Eurozone member state, which was Greece, in the summer of 2018.

The focus of this research is, primarily, on internal validity, considering the number of measures analyzed and the in-depth examination conducted, both in terms of their adoption process/timeline, but primarily in terms of their provisions. It is, after all, clear that the process of EU integration (and, in fact, the grand level theories themselves) existed before the EU democratic deficit (of course, discussion on the democratic deficit of individual states or other international organizations already existed). The EU (European Coal and Steel Community) existed before it was even anticipated that its functions would require increased democratic accountability. Construct validity is also solid, since the three grand-level EU integration theories are used in order to determine the mode and direction of the EU integration process after the adoption of the measures, and the EU democratic deficit scholarship is used to produce thematic areas appropriate for evaluating policies in terms of their impact.

Because of the in-depth focus on each of the crisis measures, and the detailed analysis of each of the provisions they include, external validity

¹⁰² According to TEU/TFEU Protocol (No16) on Certain Provisions relating to Denmark, Denmark is exempted from automatically proceeding to the third stage of EMU, pending on satisfying national legislative provisions (EU 2016a, 287). The only other member state to have secured an opt-out from the obligation to proceed to the third stage of the EMU was the UK, which has since exited the entire EU. According to TEU/TFEU Protocol (No 15) on Certain Provisions Relating to the United Kingdom of Great Britain and Ireland is exempted from the Stage 3 of EMU, and retained national power over monetary policy (EU 2016, 284-6).

¹⁰³ There are four convergence criteria: price stability, sound public finances, exchange-rate stability, and long-term interest rates (EC 2019f).

(generalizability) is, expectedly, not as strong. While the crisis measures do cover an extensive array of policies, they remain limited to largely economic, financial and monetary concerns (albeit also, through those, affecting a vast number of other policies, but indirectly), they were adopted, largely for (or in response to) a specific purpose (crisis) and not policy, and their process of negotiation and adoption was ‘loaded’. However, the theoretical insights into EU integration theory and, primarily, the deficit, can serve as a foundation for developing similar evaluative and qualitative-based models.

Research methods

As has been referenced in the preceding sections and chapters, this is a qualitative research. This is in line with the case-study approach. As Gerring (2006) informs “the case study has been associated with qualitative methods of analysis” (10). Accordingly, Bates et al. (1998), who first introduced this method, utilize it on case-study analyses as well. Tsebelis (2016) employs the method in a similar context to attempt and explain the negotiations and outcomes of the Greek crisis during the first term of the 2015 SYRIZA-led government.

Analytic narratives

combines analytic tools that are commonly employed in economics and political science with the narrative form, which is more commonly employed in history [...] (it) is narrative; it pays close attention to stories, accounts, and context. It is analytic in that it extracts explicit and formal lines of reasoning, which facilitate both exposition and explanation (Bates et al. 1998, 11).

This method fits perfectly with the aim of this research to conduct an in-depth evaluation of the crisis measures (first, to determine the mode and direction of the EU integration process; second, to determine the impact of their provisions on the EU democratic deficit), the process of their adoption, and their implementation. Bates et al. (1998), placing similar attention to “rigorous deductive reasoning as well as [...] attention to empirical detail,” utilize analytic narratives with the exact same purpose to “trace the behavior of particular actors, clarify sequences, describe structures, and explore patterns of interaction” (11). Like them, the aim here too is to both “locate and explore particular mechanisms that shape the

interplay between strategic actors [...] (and) focus upon the logic of processes that generate the phenomena...” (Bates et al. 1998, 13-4 and 16).

In this research, the method of analytic narratives is implemented quite similarly to how Bates et al. (1998) implement it (e.g., 26-57). There is a combination of reference to the progression of events and a consideration for the relevant theories (grand-level EU integration theories and the EU democratic deficit). Because of the nature of the case study and the relevant material to be analyzed (for the most part, legislative acts), more focus is placed on the processes of both the negotiation and implementation of the provisions of the crisis measures. The overall application, however, remains mostly the same as in other scholars that employed this method (e.g., Bates et al. 1998; Tsebelis 2016; Rodrick 2003b), with a focus on the roles of institutions, conditions, etc.

In terms of the material analyzed, there are two types: legislative documents and relevant texts, and semi-structured interviews. As Gerring argues (2007) “case study research usually relies heavily on contextual evidence and deductive logic to reconstruct causality within a single case” (172). The documents examined are obtained from all official sources publicly available and, when this is not possible, requests for unpublished documentation are submitted to various institutions and actors involved in the decision-making and policy processes relevant to this research. While it may seem as a simple method, a detailed analysis of the relevant documents of the Eurozone crisis measures is mostly lacking from the relevant literature, with most scholars using secondary sources and, hence, inevitably often succumbing to repeating misconceptions and, in any case, not having as solid a foundation as is possible. Using this method in this research leads to accurate and precise evaluations in relation to the impact of the crisis measures on EU integration and the EU democratic deficit. In addition, considering the extensive breadth of measures considered, the final outcome, both comprehensive and conclusive, concerns the EU as an entire structure.

The second type of material used, which complements the above textual and document analysis, is semi-structured interviews. These can provide additional background and complement the solid structure of document analysis with more nuanced and context-rich elements. General and specific regular, grand

tour and example questions are used, with limited use of prompts (Aberbach & Rockman 2002, 675; Leech 2002, 667-8; Berry 2002, 681-2). Errors related to non-response cannot be avoided, but random sampling errors were counterbalanced by ensuring a variety of individual of multiple academic and professional backgrounds holding different positions and offices (Goldstein 2002, 669-673).

5. ANALYSIS

Introduction

This is the main analytical part of this research. It includes an analysis in accordance with each of the three stages outlined in the above fourth chapter, always utilizing the method of analytic narratives of material based on document and textual analysis and semi-structured interviews. The first section includes a brief overview of how the relevant events unfolded during the timeframe of the research. Although the emphasis of this research is on the actual crisis measures, and their processes and provisions, because of the use of analytic narratives, some conclusions can already be drawn from this overview. In addition, the overview is useful in order to place the analysis within the broader temporal context.

The second section of the chapter includes the first and second stages of analysis of this research. Each of the measures, with its processes and provisions, is examined in detail. Following this, first, using the three grand-level EU integration theories, and the guide of expectations specifically relevant to the subject-matter of this research, as those have been presented in the second section of the third chapter, the mode and direction of the EU integration process after their adoption is determined. Second, an analysis follows in terms of the impact each measure has on the EU democratic deficit, through an evaluation against the three thematic areas of the EU democratic deficit, as presented in the third section of the third chapter, in order to determine their impact. The concluding section involves a discussion of the results of the above two sections, and combines them in order to establish how has the mode and direction of EU integration affected the EU democratic deficit in relation to the crisis measures, and what broader conclusions can be drawn from this case study in terms of the broader impact of the former on the latter (the third stage of analysis of this research).

Brief overview of events

The Eurozone crisis was directly preceded by the 2007-2008 financial crisis in the USA, which involved a ‘credit crunch’¹⁰⁴ caused primarily by a withdrawal of investment from the Asset-Backed Securities; primarily subprime mortgages. The crisis was transferred within the EU in the form of a banking and, later, sovereign debt crisis (Murray-Brown & Dennis 2008; Kyriakidis 2016b, 209). Hungary, Latvia and Romania became the first EU (though non-Eurozone) member states to request financial assistance, which was provided, on the EU’s side, through the Medium-Term Financial Assistance (MTFA).

Hungary was the first one to request financial assistance in November 2008, in the amount of 6.5 billion euro from the EU (MTFA), combined with approximately 12.5 billion euro from the IM¹⁰⁵ through a Stand-By Arrangement (SBA)¹⁰⁶, and 1 billion euro from the World Bank (WB; CEU 2008a, 5-6 and 2008b; IMF 2008a and 2020a; EC 2020a), amounting to a total of approximately 20 billion euro¹⁰⁷. The policy conditionality MoUs were entered into on 4 and 19 November 2008 with the IMF and EU respectively (EU 2008; IMF 2008b). The program expired two years later (November 2010) and Hungary entered Post-Programme Surveillance (PPS; see the section of the Two-Pack further below for

¹⁰⁴ When the supply of credit is constrained “below the range usually identified with prevailing market interest rates and the profitability of investment projects” (Council of Economic Advisors 1991).

¹⁰⁵ 10.537.500.000 Special Drawing Rights, corresponding to 1.015% of the country’s quota in the IMF (IMF 2008a and 2020a).

¹⁰⁶ The IMF uses primarily two mechanisms for providing financial assistance: the SBA, “aimed mostly to providing short-term assistance to countries coping with crises and ensuing problems with balance of payments, with a duration of two (and a potentially third) years,” and the Extended Fund Facility (EFF), aimed at providing medium to long-term financial assistance to countries with serious payments imbalances, with a duration of three (and a potentially fourth) years” (Kyriakidis, 2016c, 65).

¹⁰⁷ Eventually, only approximately 14.2 billion euro was disbursed: 5.5 billion euro from the EU, approximately 8.7 billion euro from the IMF, and none from the WB (EC 2020a).

(EC 2020a)

detailed information on the process)¹⁰⁸ from April 2011 until November 2014 (EC 2020a).

The second EU member state with derogation (at the time¹⁰⁹) to request assistance was Latvia in January 2009, for the amount of 3.1 billion euro from the EU (MTFA), approximately 1.7 billion euro from the IMF¹¹⁰ through an SBA (this had already been agreed since December 2008; IMF 2008c), 1.9 billion euro from Sweden, Denmark, Finland, Estonia, and Norway, 400 million euro from the WB, and 400 million euro from the European Bank of Reconstruction and Development, the Czech Republic and Poland, amounting to approximately 7.5 billion euro in total¹¹¹ (CEU 2009a and 2009b, 39). The policy conditionality MoUs were entered into on 28 January 2009 for the EU and 27 July 2009 for the IMF (EC 2020b; EU 2009a; IMF 2009a). The financial assistance program expired in January 2012, and the PPS lasted from January 2012 to January 2015 (EC 2020b).

The third, and last, EU member state with a derogation that resorted to requesting financial assistance was Romania in March 2009 for a total amount of approximately 20 billion euro: 5 billion from the EU (MTFA), approximately 1.7 billion euro from the IMF¹¹² through an SBA, 1 billion from the WB, and 1 billion

¹⁰⁸ PPS was established much later in 2013 through Two-Pack Regulation 472/2013 (below), and so the legal basis for conducting PPS missions before is unclear (neither the MTFA nor the respective CEU Decisions for any of the three countries include any relevant provision). The EC does state that the MTFA “does not per se lay down a procedure for PPS These [sic] were established by the EFC [Economic and Financial Committee] in 2011, with the update of the complementary ‘EU procedures for providing financial assistance for non-euro area EU Member States’, commonly referred to as the ‘Green File’” (EC 2015, 7). The process and the file were requested by the author from the EC, including lodging a confirmatory application, but both partial and complete access were refused on the basis that the Economic and Financial Committee’s proceedings and documents are confidential, and that release of the document would jeopardize the EU’s international relations, specifically its relations with the IMF, and create speculative behaviours from markets (EC 2020r).

¹⁰⁹ Latvia would join the Eurozone much later on 1 January 2014 (EC 2019a).

¹¹⁰ 1.5 billion Special Drawing Rights, amounting to 1.200% of Latvia’s quota in the IMF (CEU 2009b, 39).

¹¹¹ From that amount, only approximately 4.5 billion euro were eventually disbursed (EC 2020b).

¹¹² 11.443 billion Special Drawing Rights, amounting to 1.111% of Romania’s quota in the IMF (CEU 2009d, 8; IMF 2009b).

from the European Bank for Reconstruction and Development and the European Investment Bank (CEU 2009d, 8; EC 2013a, 13). The MoUs were entered into on 23 June and 8 September 2009 for the EU and IMF respectively (EU 2009b, 9; IMF 2009c). The program was concluded in the spring of 2011 (EC 2013a, 13)¹¹³.

Contrary to what is often suggested, i.e. that Greece was the first EU member state to receive joint EU-IMF financial assistance), there were already three EU, non-Eurozone, member states to resort to financial assistance because of the crisis, as early as two years prior to Greece's request. In addition, albeit in the context outside the Eurozone, the EU was already applying a near-identical framework of financial assistance and policy conditionality implementation monitoring (MoU, Loan Agreements, EC acting as a monitor, etc.) prior to 2010. These processes had already, to a very large extent, been in place.

The first Eurozone member state to be affected by the crisis was Ireland¹¹⁴. Among growing fears of the contagion effect from the US, in late September 2008 the Irish government decided to guarantee the liabilities of the entire Irish banking sector, amounting at the time to 400 billion euro¹¹⁵, for an initial period of 2 years

¹¹³ Romania would go on to conclude an additional two, precautionary in nature, financial assistance programs under the MTF: one between 2011 and 2013, at the approximate total amount of 6 billion euro (the EU provided 1.4 billion, but the funds were not disbursed) with the MoUs being concluded on 9 and 29 June 2011 with the EU and IMF (SBA) respectively, and one between 2013 and 2015, at the approximate total amount of 6.4 billion euro (the EU provided 2 billion, but, similarly to the second program, no funds were disbursed), with the MoUs being concluded on 12 September and 6 November 2013 with the IMF (SBA) and EU respectively (CEU 2011a, 15 and 2011b and 2013a, 1 and 2013b; EU 2011, 8 and 2013, 7; IMF 2011a and 2013a; EC 2015a, 5 and 2017a, 5).

¹¹⁴ As Kyriakidis (2016c) argues, the primary reason that Ireland was the first to be affected was “the very nature of the late-2000s financial crisis in the USA as a property ‘bubble,’ which also affected the weaknesses of the Irish economy, i.e. the Irish property ‘bubble’ [...] In a period when Ireland was known as the ‘Celtic Tiger,’ Irish real estate prices kept increasing considerably from the late 1990s until 2007 [...] also made possible by ‘the relaxed and weak Irish regulatory supervision of the financial sector’ [...] Given the fact that most of the banking sector was Irish-owned..., the ‘collapse in the domestic housing market led to the collapse in the domestic banking system’” (200-1).

¹¹⁵ As Kyriakidis (2016c) highlights, “...the Irish government might have underestimated the true breadth of the issues in the banking sector,” based on the estimation of the Irish Central Bank that the liquidity problems were primarily short-term and, hence, the massive guarantee “would not substantially affect the financial position of the state” (202). In 2018, it was eventually calculated

(Guider & O'Brien 2008)¹¹⁶. The Credit Institutions Financial Support Act 2008, signed into law in 2 October 2008, allowed the Irish Minister of Finance to “provide financial support in respect of the borrowings, liabilities and obligations of any credit institution or subsidiary which the Minister may specify...” (Republic of Ireland 2008, 4-5).¹¹⁷ In addition to the guarantees, the government also imposed some preliminary cuts in the budget, such as in education or healthcare (Little 2008; Irish Examiner 2008). Austerity measures would continue to be imposed, with Ireland not only being the first to experience the ‘credit crunch’ but also the first to experience massive demonstrations against austerity measures, with attendees reaching more than 100.000 people between September 2008 all throughout February and March 2009 (Kyriakidis 2016c, 201). This was unsurprising considering, inter alia, that the unemployment rate in 2009 nearly doubled from the previous year, reaching 12.6% overall and 24.5% on youth (15-24 years old; Eurostat 2020b)¹¹⁸. Demonstrations in Ireland, much like in other Eurozone member states under financial assistance programs, would continue until Ireland’s exit from the program.

At the very beginning of the crisis, the EU assumed a different strategy than the one implemented later on. In December 2008, the Brussels EUCO adopted the EC’s proposal for a number of financial support measures across the EU, termed ‘the European Economic Recovery Plan’ (EUCO 2009, 4). The Plan included measures such as a European employment support initiative, State aid rule exemptions, encouragement for investment in troubled sectors, possibility for reduction of Value-Added Tax (VAT) rates by member states, even allowing

that all the measures assumed to support and stabilize the Irish banking sector cost a total of 41.7 billion euro (Taylor 2019).

¹¹⁶ It has also been argued that perhaps the Irish government underestimated both the depth of the exposure of the banking sector, but, perhaps more importantly, the nature of the crisis as a short-term liquidity problem (Whelan 2013, 13).

¹¹⁷ The whole recapitalization process of the Irish banks, which included primarily promissory notes, led the deficit of 2010 to reach a truly astonishing 32.1% GDP (Eurostat 2020c; Whelan 2013, 14).

¹¹⁸ This was the second highest unemployment rate in the Eurozone behind Spain at the time. Interestingly, Greece’s overall unemployment rate was well below that at 9.6%.

national budgetary stimulus packages, etc., amounting in total to 200 billion euro (EUCO 2009, 4-6; EC 2008b, 7-13 and 2008c, 1). While a formidable amount, most of the measures were indirect in nature (e.g. tax breaks, involving investment from the European Investment Bank, etc.), and were still subject to the limitations of the Stability and Growth Pact (SGP), with flexibility focusing more on the duration of correcting an excessive deficit, rather than on the amount of the deficit itself (EC 2008c, 4).

The Plan seemed, therefore, to be lacking the direct and impactful effect needed at that point in the crisis. This is particularly evident when compared with the corresponding approach by the USA for example, which included both direct purchases of troubled financial assets by the federal government as well as a massive direct (federal funding, job creation, etc.) stimulus package of 840 billion USA dollars (USA 2008 and 2009).

The above actions were proven insufficient as a holding action against the further intensification of the crisis and its spread across the Eurozone, with credit rating downgrades taking place for Ireland, which had already begun to implement austerity measures¹¹⁹, as well as Spain (Bloomberg 2011). Against this backdrop, after the October 2009 snap elections in Greece, the new Greek government, only days into its new term, announced that the budget deficit, had been grossly underestimated by the previous government¹²⁰ and needed to be reevaluated upwards to more than double its former value (6% GDP to more than 12% GDP; Kyriakidis 2016a, 9).

In many ways, and despite the fact that events indicative of a wider crisis had already taken place (above), the announcement for the need to extensively recalculate the Greek deficit can be considered as the true beginning, and in many

¹¹⁹ The so-called 'austerity period' for Ireland would last from September 2008 all through December 2014, nearly a year after it exited its financial assistance program and into PPS (Connor et al. 2015, 1).

¹²⁰ There had already been issues with Greek statistical data since November 2009. Pursuant to the CEU's decision, the EC issued a report on January 2010, identifying several deficiencies in the gathering and processing of statistical data by Greek authorities (lack of use of double-entry bookkeeping system by some Greek Ministries, lack of independence of the Greek statistical authority, etc.)

ways the catalyst, for the Eurozone crisis that was to unfold over the next decade. The announcement led to consecutive downgrades from all three major Credit Rating Agencies¹²¹, dramatically increased the pressure on Greek bonds, and inevitably resulted in a severe credit crunch for Greece throughout the beginning of 2010 (Elliot 2010). Simultaneously, fears of contagion throughout the Eurozone caused similar pressure through member states, particularly Ireland, Spain and Portugal¹²².

The increased pressure, especially towards Greece, led to the EUCO issuing a common statement in early February 2010. The statement reaffirmed their support to the Greek government and its efforts to reduce the deficit (the statement verbatim suggests "...we fully support the efforts of the Greek government and their commitment to do whatever is necessary"), but also, for the first time since the establishment of the Eurozone, officially included the possibility of a Eurozone member state (in this case Greece) receiving financial assistance (albeit confirming that Greece had made no such request; CEU 2010a)¹²³. The same month, the CEU, having decided already from April 2009 that Greece had an excessive deficit¹²⁴ and having judged inadequate the measures it assumed to address it, placed Greece under an EDP¹²⁵ and outlined relevant measures to be taken (mostly quite broad in nature, referencing

¹²¹ As Kyriakidis (2016c) states, "Fitch, Standard & Poor's, and Moody's are the three CRAs that are officially authorized to conduct ratings for states by the USA's Securities & Exchange Commission" (77).

¹²² These member states are often referred to as P.I.I.G.S. (the second 'I' stands for Italy), an acronym that has been used in an intensely derogatory manner since the late 1970s (Kyriakidis 2016c, 77).

¹²³ The last paragraph of the statement: "Euro area Member states will take determined and coordinated action, if needed, to safeguard financial stability in the euro area as a whole. The Greek government has not requested any financial support."

¹²⁴ CEU Decision 2009/415/EC. Note that this Decision for the existence of an excessive deficit was abrogated only in September 2017, under CEU Decision 2017/1789, placing Greece in the EDP for a record 8 years in a row (CEU 2017a).

¹²⁵ Established in TFEU article 126 and Protocol No 12 of the EU Treaties, and specified in SGP Regulation 1467/97 (EU 2016a 99-102 and 279-280; CEU 1997b).

budgetary targets rather than specific measures, in line with EDP standard practice; CEU 2009e; CEU 2010e and 2010f).

In order to address the above situation, all four member states (Greece, Spain, Ireland, Portugal) introduced austerity measures from that month onwards (Melander 2010; Pisany-Ferry 2014, 181; Moya 2010; Bloomberg 2011). For Greece, in particular, this was the first set of austerity measures imposed under Law 3833/2010, which included cuts across the public sector, such as freezing wages of public employees, cuts in Christmas and Easter bonuses and other allowances, etc (Hellenic Republic 2010a). The austerity measures caused the first wave of major protests not just in Greece but across the Eurozone (Eleftherotopia 2010; Kostarelou 2010; Illmer 2010).

The Eurozone member states also issued a common statement March 2010, reaffirming their support to the Greek government and its initiative to adopt consolidation measures. This statement also included, for the first time, the specifics of a possible EU-IMF financial assistance program for Greece, which was absent from the aforementioned EUCO statement (CEU 2010b). The statement prioritized and emphasized IMF financing repeatedly¹²⁶, stressing that this mechanism, which later became known as the Greek Loan Facility (GLF) and which would consist of “coordinated bilateral loans” from Eurozone member states on the EU’s side, would be used only as a last resort (i.e. only when market financing became insufficient), “subject to strong conditionality and based on an assessment” by the EC and ECB, and with interest rates higher than the Eurozone average “to set incentives to return to market financing as soon as possible by risk adequate pricing” (CEU 2010b, 1; ESM 2018a).

At the time, there had been no precedent for providing financial assistance to a Eurozone member state. However, there was a relevant process established within the EU Treaties, in TFEU article 122, which provided the possibility for financial assistance to any EU member state faced with natural disasters or exceptional circumstances (EU 2016a, 98). It is, therefore, interesting that,

¹²⁶ Phrases such as “...involving substantial International Monetary Fund financing...” “...complementing International Monetary Fund financing...” (CEU 2010b, 1).

despite the existence of a relevant provision in the EU Treaties, that was ignored in favor of a mechanism outside the EU Treaty framework (bilateral loans), especially since the statement itself suggests that “decisions under this mechanism will be taken in full consistency with the Treaty framework and national laws” (CEU 2010b, 1).

The choice of such a framework resulted in considerable delays. Since the response was not coordinated through the EU, each Eurozone member state had to satisfy its own national procedures applicable to bilateral agreements (and not EU legislation), resulting in considerable delays and dysfunctionalities. Furthermore, circumventing the EU framework and placing each Eurozone member state opposite Greece in a bi-lateral manner, also adversely impacted on the cohesiveness and sense of unity among EU citizens. There had already been a climate of distrust and growing animosity, evident from instances such as the February 2010 cover of the German newsmagazine ‘Focus’, depicting the Venus de Milo statue digitally modified in an offensive gesture with the title “Betrüger in der Euro-Familie” (translated as ‘Cheaters/swindlers in the Euro-Family’; Barysch 2011)¹²⁷, or the repeated reference to Greeks, primarily employees of the

¹²⁷ The article, included, among others, arguments that Greece was in “2000 years of decline,” referring to, among others, failed construction projects and tax fraud (Spiegel International 2011). The title was obviously a reference to the belief that Greece cheated its way into the Eurozone. This, however, does not seem supported by the relevant data. Greece officially joined the Eurozone in January 2001, 2 years after the currency was officially introduced as a currency (2000/427/EC/19-06-2000; CEU 2000a). The statistics used were of “*the year ending March 2000*” (CEU 2000a 21), i.e. fiscal year of 1999, and amounted to a deficit of 1.8% GDP and a debt of 105.2% GDP (Eurostat 2004, 4). This placed Greece in excess of the debt but not the deficit value of the convergence criteria. In 2004, during an investigation into Greek statistics from 1997 to 2004, conducted by the Greek government and Eurostat, both amounts were revised to 3.4% GDP and 112.3% GDP respectively, exceeding both values of the convergence criteria (Eurostat 2004, 4; Vasileiou 2008). The increase was, inter alia, due to changes in accounting reporting by the EU (ESA 95 system against ESA 79) and in recording of military defense equipment (to be done upon signing of the contract and not upon delivery). While there is some debate as to the impact of these changes, even if it is assumed that they were entirely correct and necessary, most of the founding members of the Eurozone, prior to Greece acceding, had similar issues in regards to the deficit and debt (Simitis & Stournaras 2012; EC 2020d; EC 2020e): Austria, Spain, the Netherlands, Italy, Belgium and Ireland had debts over 60% GDP, while France, Luxembourg and Portugal had deficits over 3% GDP. Germany and Finland were the only two members satisfying both criteria, and, for Germany, by quite a narrow margin (0.3% for deficit and 0.2% for debt). Accordingly, arguments relating to the masking of the debt through a Goldman Sachs-assisted currency swap of Greece in 2001-2002 (recorded as a currency trade

public sector, as indolent, lethargic, and “eternally-sun-bathing” (Chrysoloras 2013, 4; Stoiciu 2012; McDonald 2012; Pop 2013)¹²⁸.

Financial pressure on Greece was mounting, and the Eurozone member states, in their 11 April 2010 meeting, specified further (following the March 2010 statement referenced above) the terms of, at the time still potential, financial assistance to Greece (CEU 2010d). What is interesting, in comparison to the March 2010 statement, is that, in this one, financial assistance to Greece is referred to as “when needed,” and not as “if needed.” Even though the official request would not be made for another 12 days, the statement assumed that a program would be activated, already stating that the EC, ECB and IMF “will start working on Monday April 12th with... the Greek authorities on a joint program” including the amounts of financial assistance as well as the policy conditionality attached (the latter to be based upon the EDP measures outlined in CEU Decision 2010/320/EU issued a month later; CEU 2010g). The statement further specifies the modalities of the disbursements, the total amount, the non-concessional rates applied (e.g. 5%), etc.

A few days later, on 23 April 2010, the Prime Minister officially requested¹²⁹the activation of the GLF, making Greece the first Eurozone member

rather than a loan), are similarly unfounded, not least since other Eurozone member states employed the same tactic, and since this was two years after the statistics used for Greece’s Eurozone accession, and one year after said accession (Simitis & Stournaras 2012; Story et al. 2010; Balzli 2010).

¹²⁸ This is also not supported by relevant data. The Organization for Economic Co-operation and Development (OECD) calculated that between 2000-2012, out of 36 countries (including most Eurozone member states, USA, UK, Canada, etc), Greece ranks almost always among the top five in terms of average annual hours worked, while Germany is in the last places. For example, in 2012 Greece ranked second with 2.034 average hours worked annually per employee, while Germany ranked 32 with 1.397 average hours worked annually per employee (OECD 2020). Overall, the lowest amount of working hours annually per employee for Greece was 1.950 in 2008 (Germany had 1.422 hours), while the corresponding highest value for Germany was 1.471 in 2000 (Greece had 2.130 hours). Therefore a minimum difference of at least 479 hours annually per employee is observed between the two countries between 2000 and 2012 (OECD 2020).

¹²⁹“It is a need, a national and imperative need, to request, officially as well, from our partners in the EU the activation of the support mechanism which we, together, created” (PrimeMinisterGR 2010a).

state to ever request financial assistance¹³⁰. The Eurogroup, confirming that “market access for Greece is not sufficient and that providing a loan is warranted to safeguard financial stability in the euro area as a whole,” unanimously agreed to activate the GLF on 2 May 2010, under the aforementioned conditions (CEU 2010h). It is worth noting that two days after the agreement, Greece had to cover or roll-over a 10-billion-euro bond, with the former choice being impossible for Greece and the latter unacceptable by the markets, leading to inability of actors such as the Greek parliament or the EP to be involved in the process (Xafa 2016).

Considering the tremendously impactful request for financial assistance by Greece – a previously unthinkable scenario for a Eurozone member state – and the pressure building on other Eurozone member states as well, the CEU in its extraordinary early May 2010 meeting, immediately after the full activation of the GLF, decided to create two of the, eventually, three financial assistance mechanisms that the EU would establish during the course of the crisis: the EFSM and the EFSF SA (CEU 2010h). EFSM, based on TFEU article 122(2) and with the ability to provide financial assistance to all EU member states regardless of Eurozone participation, was created under Regulation 407/2010 on 10 May 2010. In testament to the truly emergency nature of the situation, the EC’s proposal for the Regulation was submitted only one day before its adoption by the CEU (CEU 2010i and 2010k).

EFSF SA, a Special Purpose Vehicle in the form of a Limited Company headquartered in Luxembourg that would be established a month later on June 2010 (through an international agreement titled the EFSF Framework Agreement), had a considerably increased capacity for financial assistance but was restricted to providing assistance only to Eurozone member states (EFSF SA 2011a). On the October 2010 European Council, the intention to establish the ESM as a permanent financial assistance mechanism for Eurozone member states was established, pursuant to the endorsement of the report of the Task Force on Economic Governance (above; EUCO 2010d).

¹³⁰It is worth noting that the Prime Minister, during the 2009 elections campaign, had repeatedly argued against IMF financial assistance (which was the only financial assistance framework conceivable at the time (PASOKwebTV 2009).

The GLF did little to calm the markets, especially considering the backlash that the attached policy conditionality had, and pressure on other Eurozone member states kept building up, primarily Ireland and Portugal (Pisany-Ferry 2014, 182). A major problem especially with Ireland was the considerable guarantees provided by Ireland to the banking sector (above), including the full nationalization of one of the largest Irish banks (Anglo Irish Bank¹³¹), which was made possible by the extension of Emergency Liquidity Assistance (ELA)¹³² by the ECB that allows national Central Banks to act as a lender of last resort (Irish Minister for Finance 2010).

However, the progressively increasing amount of ELA (e.g., from 36 billion euro in April to 74 billion euro in September 2010; Whelan 2013, 15) made the ECB express serious reservations (ECB 2010b). In a situation quite similar to the one that would occur 5 years later with Greece, the ECB warned in November 2010 the Irish government that ELA would continue to be provided only on the condition that Ireland requests financial assistance from the EU-IMF ad-hoc cooperation (ECB 2010c). The Irish government responded affirmatively, and Ireland became the second Eurozone member to request financial assistance on the same month (Irish Minister for Finance 2010; CEU 2010).

The request for assistance led the minor coalition government partner Green Party to withdraw from the government, and snap elections were proclaimed and held on February 2011. As would happen across Eurozone member states under financial assistance, the major governing party of Fianna Fáil suffered losses amounting to 58/165 MP seats (24%) compared to the 2007 elections and the majority opposition came in first, forming a new coalition government with the Labour party (Taggart 2011).

¹³¹ For this bank alone, “total capital injections...reached more than 29 billion euro or over 18% of Irish GDP” (Kyriakidis 2016c, 201).

¹³² ELA allows for the National Central Banks of Eurozone member states to provide each Eurozone member state’s financial institutions (as a rule, banks) with exceptional financing to cover temporary liquidity needs, essentially acting “in their capacity as lenders of last resort” (Gibson et al. 2020, 3; also ECB 2020 and Banca de’Italia n.d.). Relevant operations had already taken place since 2008, extending ELA to banks in Greece, Cyprus, Ireland, Portugal, Italy, and even Germany (Mourmouras 2017).

In early March 2011, demonstrations of hundreds of thousands took place in Portugal against the austerity measures (tax hikes, welfare cuts, etc.) imposed in an attempt to reassure the markets (DW 2013). These proved largely insufficient, and Portugal became the third Eurozone member state to resort to EU-IMF financial assistance on 7 April 2011. The structure of the program was identical to Ireland (CEU 2011c).

Successive downgrades throughout 2011 from all major Credit Rating Agencies (CRAs) of multiple Eurozone member states, including Italy and Spain, two of the largest Eurozone economies (Pisany-Ferry 2014, 184). Interestingly, EFSF SA was also downgraded at the same time first by Standard & Poor's (downgrades by Moody's in November 2012 and Fitch in July 2013 followed; ESM 2019; EFSF SA 2012a).

With both the financial and political pressure growing across the EU, on 25 March 2011, the European Council at its meeting adopted Decision 2011/199/EU, allowing for the establishment of the ESM as the permanent financial assistance mechanism of the Eurozone (EUCO 2011). The final version of the ESM Treaty was signed on February 2012 and entered into force on September of the same year (ESM 2012c and 2014). At the same time, Eurozone member states decided to proceed with further enhancement of their economic policy coordination through what became known as the 'Euro Plus Pact' (EUCO 2011c, 5-15; and 2011d, 5 and 13-20).

Meanwhile, the EC launched the Task Force for Greece (TFGR)¹³³ as an ad-hoc instrument of technical assistance for Greece in July 2011 (endorsed by

¹³³ The TFGR had a five-fold mandate: "Identifying and coordinating [...] the technical assistance that Greece needs to deliver the EU/IMF adjustment program [...] Assisting the relevant Greek authorities in defining the details of the kind of technical assistance to be provided [...] Recommending legislative, regulatory, administrative and if necessary (re)programming measures for an accelerated take-up of EU funds [...]" (4) Preparing clear terms of reference for all technical assistance assignments...with milestones and delivery deadlines [...] (5) Providing quarterly progress reports to the Commission and the Greek authorities..." (ECA 2015, 20-7). It was originally placed under the EC's Director-General of Human Resources and Security, but later (May 2012) transferred to the EC's Directorate-General for Economic and Financial Affairs (ECA 2015, 10). According to the European Court of Auditors, the TFGR undertook 118 programs in 12 policy fields, while the EC refers to "more than 140 projects (that) have been started" (ECA 2015, 12; EC 2018a, 24).

the European Council held the same month), under the initiative of the EC President (EC 2012a; EUCO 2011f, 7). The TFGR provided a framework for technical assistance by other member states, with staff remunerated either from those member states they originate from or from the financial assistance Greece was receiving, covering an extensive number of policy areas, most of which reflected the areas included in the MoU (e.g. budget, labour market, public administration, justice system, etc.; ECA 2015, 12-4). This was the first instance of a framework for the provision of bi-lateral, intra-member state technical assistance.

It was later followed by the similar Support Group for Cyprus, established in March 2013 (EC 2014a). Based on both of the above, in July 2015 the Structural Reform Support Service (SRSS)¹³⁴ was created within the EC to manage the new Structural Reform Support Programme (with a budget of over 220 million euro for 2017-2020, and a proposal for raising this amount to 25 billion euro after 2020), now officially part of the EU legal framework under Regulation 2017/825 (EC 2015, 15-9 and EC 2016, 22-5; EC 2018a, 9 and 26; EP & CEU 2017).

However, the political climate in Greece had deteriorated considerably, forcing the Prime Minister to, *inter alia*, initiate discussions about a potential referendum on the financial assistance program in July 2011 (that would eventually be announced, but never officially proclaimed, in October 2011; Kyriakidis 2016a, 10)¹³⁵. Correspondingly, the GLF was not yielding the anticipated results, either in its implementation, its impact on the market positioning of Greece, or its effect on Greece's financial situation, as it included,

¹³⁴ By 2018, it had supported 28 projects in 17 EU member states (EC 2018a, 25).

¹³⁵ The referendum was vehemently opposed both within but also outside Greece. Within Greece, the decision was condemned by all the opposition political parties, mainly on account of questionable legitimacy of the result, because of the complicated and technical nature of the issue, as well as the short amount of time anticipated between the announcement and the referendum (less than 3 months; Kyriakidis 2016c, 154). Outside Greece, a number of key EU officials and officials of other Eurozone member states, chief among them the French President and German Chancellor, opposed the idea, instead arguing that, should a referendum be held, that would have to be on the question of Greece remaining within the Eurozone or not (Kyriakidis 2016c, 155).

inter alia, overly optimistic projections of the impact of policy conditionality (multipliers), Greece's debt sustainability, etc., (IMF 2016a, 1). For example, the EC had predicted an improvement of GDP growth rate by 2.4 percentage points between 2010 and 2011 (-7.5% against -5.9), whereas, in actuality, there was, instead, a contraction of GDP by 3.6 percentage points (-5.5 for 2010 against -9.1 in 2011; EC 2010, 12; Eurostat 2020d). Accordingly, Greece's debt had increased in 1 year by nearly 26 percentage points (146.2% GDP in 2010 against 172.1% in 2011; Eurostat 2020e).

Given the above situation, a second financial assistance program was deemed necessary and agreed during the July 2011 Euro area summit. It is interesting to note that, in this case, for the first time ever, the program had been decided to include, aside from the EU and IMF, "a voluntary¹³⁶ contribution of the private sector" (CEU 2011e). As this, obviously, includes a nearly-unilateral change of terms of Greece's sovereign lending (this was, in essence, a restructuring of Greece's private debt), the statement of the Eurosummit made it clear, in two separate paragraphs no less, that the Private Sector Involvement (PSI) in the case of Greece was an "exceptional and unique solution," and that all other Eurozone member states would unequivocally "honor fully their own individual sovereign signature and all their commitments...". It is interesting to note that already a month earlier, in June 2011, the German Finance Minister in a letter to his Eurozone counterparts, the ECB and the IMF, had already proposed the Greek PSI (Reuters 2011).

While the CEU Decision and the approval of a second program came immediately in July 2011, due to the political turmoil in Greece, the Prime Minister resigned and a cooperation, mostly technocratic, government was agreed in November 2011 between the governing party PASOK, the majority opposition party New Democracy and the smaller right-wing party LAOS, to conclude the processes for the second program and, only then, lead the country to general elections (Kyriakidis 2016a, 10 and 18). A few months later in February 2012,

¹³⁶ The voluntary nature is essential because, if enforced via Collective Action Clauses (CACs), to all bondholders, there is the likelihood that it will be deemed as a credit/default event, triggering Credit Default Swaps (CDS) (i.e. insurance for a country's default/debt restructuring) pay-outs.

Greece officially requested financial assistance (Deutscher Bundestag 2012, 2; EFSF SA 2012b, 2). The Eurogroup welcomed the agreement, and the MoU and FAFAs were approved throughout March 2012 (CEU 2012b).

Under the increasing pressure to all Eurozone member states, and particularly Greece, and to compliment the decisions on the ESM, in December 2011, the EU adopted the so-called ‘Six-Pack’ (Regulations 1173/2011 through 1177/2011 and Directive 2011/85/EU), which partly reforms and reinforces the SGP and partly introduces new elements to enhance economic coordination (e.g. the European Semester; EC 2011c)¹³⁷. The reforms included in the Six-Pack, along with, primarily, the creation of the ESM, had been included in the report of Task Force on Economic Governance¹³⁸, established by the European Council in its March 2010 meeting, to present “the measures needed to reach the objective of an improved crisis resolution framework and better budgetary discipline...” (EUCO 2010a; EUCO 2010b, 1-2 and 2010c, 1)¹³⁹.

In the Eurozone summit that took place in December 2011¹⁴⁰, it was agreed that a fiscal compact to strengthen economic policy coordination would be adopted (EUCO 2011h, 1-3). However, during the negotiations, the UK was (the only member state) against incorporating this new compact in the EU Treaties, because of the effect it would have on its financial services industry (and because of a failure to secure an exemption; Miller 2012, 1). Therefore, because unanimity could not be achieved, it was decided that this new compact would be

¹³⁷ The legislative package had been proposed by the EC already from September 2010, a few months after the Task Force on Economic Governance had released its report and 1 month prior to the endorsement of that report by the European Council (EC 2010b).

¹³⁸ Its members were the European Council President, the European Commissioner for Economic and Financial Affairs, the Chair of the ECB, and the Ministers for Finance of all EU member states (EUCO 2010b).

¹³⁹“The Task Force considers that in the medium term there is a need to establish a credible crisis resolution framework for the euro area capable of addressing financial distress and avoiding contagion. It will need to resolutely address the moral hazard that is implicit in any ex-ante crisis scheme. The precise features and operational means of such a crisis mechanism will require further work” (EUCO 2010b, 2).

¹⁴⁰ France and Germany had sent a letter to the European Council President already a few days prior to the Eurozone summit, outlining their joint proposals for a new fiscal compact, most of which were eventually reflected in the final TSCG (Miller 2012, 2-3).

adopted as an international agreement outside the EU legal framework and “incorporate these provisions into the treaties of the Union as soon as possible” (EUCO 2011h, 7). A few months later in March 2012, the TSCG was signed between 25 EU member states¹⁴¹, with the term ‘Fiscal Compact’ applying to Title III, and entered into force from January 2013 (CEU 2012g, 11 and 24; EC2017c, 2).

In Greece, the first elections after the EU-IMF financial assistance request were held in May 2012 (Hellenic Ministry of the Interior 2012a). The results were, as expected, devastating for both major political parties almost exclusively due to the harsh austerity measures imposed, with the governing PASOK experiencing “a substantial a substantial drop of 70%¹⁴² from its October 2009 percentage (from 44% down to 13%), and New Democracy, which came in first (108 seats) an approximate 44% drop (from 34% to 19%)” (Hellenic Ministry of the Interior 2012a).

On the other end, anti-MoU and anti-austerity parties underwent a surge in their electoral percentages since October 2009, with SYRIZA experiencing a staggering increase of 265% (from 4.6% to 17%) and coming in second (52 seats), while the extremist, until-then somewhat obscure, far-right political party of Golden Dawn¹⁴³ (its electoral percentages were lower than 0.5%) managed to be elected into Parliament with 7% of the votes (Hellenic Ministry of the Interior 2012a). There was no party with majority, and, after attempts, no government could be formed, so repeat elections were held in June 2012, in which the seats of New Democracy and SYRIZA (the first two parties) were increased and a coalition government was eventually formed (174/300 seats in Parliament) two

¹⁴¹ It now applies to all current EU member states, although several non-Eurozone member states are bound only by specific provisions – the TSCG obligatorily applies to its entirety for all Eurozone member states (CEU 2020c).

¹⁴² All electoral percentages are rounded to the closest integer.

¹⁴³ The party drew inspiration for the two Greek juntas (Metaxa junta of the 1930s and Colonels junta of 1967-1974), and was later, with its members (many of whom Members of Parliament at the time) indicted in 2014 as a criminal organization, for various violent acts (primarily the murdering of a left-based musician; Kyriakidis 2016c, 157). The trial was concluded after approximately 6 years on October 2020, convicting the party leadership (BBC 2020).

days after the elections between New Democracy, PASOK and the minor left party of Democratic Left (Hellenic Ministry of the Interior 2012b).

At the EU-level, on June 2012 the President of the EC for the first time proposed the creation of “a banking union as the first building block for deepening the Economic and Monetary Union”¹⁴⁴, a proposal also endorsed by the President of the European Council (EC 2012d, 3; EUCO 2012a, 4-5). To that end, the EC proposed its roadmap towards a full Banking Union in September 2012 (EC 2012d). The relevant legislative acts, covering various facets of the banking sector, from deposit guarantees to supervision and resolution, were adopted throughout 2013 and 2014, but additional modifications continue to be adopted even to this day, such as in the CEU’s roadmap to completing the Banking Union (including measures such as a common backstop for the Single Resolution Fund, enhancing the bank resolution framework, etc.; CEU 2016a).

In late June-early July 2012, the domino effect within the Eurozone continued, with both Spain and Cyprus requesting financial assistance and raising the total number of Eurozone member states under assistance to 5 (CEU 2012c; CEU 2012d). Almost one third¹⁴⁵ of Eurozone member states were now receiving financial assistance and were cut-off from the international markets. Spain was the first case of the ESM providing financial assistance¹⁴⁶, albeit the assistance was limited only towards the recapitalization of financial institutions (ESM 2020c).

In the case of Cyprus, the situation was more complicated, and the program structure followed that of Greece, Ireland and Portugal. While the Cypriot economy was struggling, primarily on account of problems with its banking sector as well as exposure to the Greek Private Sector Involvement (PSI)

¹⁴⁴ The EC had already made relevant proposals addressing specific aspects of the potential banking union, such as the proposal for a Directive on banks’ recovery and resolution. Accordingly, as early as June 2010, the EP had proposed several legislative steps towards a banking union (EC 2012e; EP 2010).

¹⁴⁵ In January 2011, Estonia became the 17th Eurozone member (EC 2017b).

¹⁴⁶ The program was agreed with the EFSF SA, but within one month in July 2012 it was transferred to the ESM, per the decision taken at the June 2012 Euro Area Summit, which eventually conducted all the financing (ESM 2012b; EUCO 2012b).

(which was completed 2 months prior to the request for assistance by Cyprus), the program was agreed more than a year after the request was made (April 2013), due to differences between the so-called Troika (EC, ECB, IMF) and the Cypriot government primarily relating to the terms of the planned levy on bank deposits, the extent of the privatizations, etc. (EC 2020l; IMF 2013c; BBC 2013).

The case of Cyprus presents two interesting aspects. One is that because of the uncertainty building over the long negotiating period, and of fears for a potential run on the Cypriot banks, Cyprus introduced a bank holiday and capital controls¹⁴⁷, keeping its banks completely closed and inactive for approximately 2 weeks (Johnston 2013). This was the first time a Eurozone member state imposed complete bank closure and ‘freezing’ of capital movement.

Another interesting aspect is that the Cypriot plan involved a novelty measure not implemented ever before, even in the previous financial assistance programs: a levy on bank deposits. This measure was of extensive impact, as it directly challenged the safety and guarantee of individual bank deposits, otherwise considered completely safe, and, what is more, did so by legislative fiat. The initial proposal was for the imposition of a levy on all bank deposits, with percentage variation depending on whether they were below or above the 100.000 threshold (6.75% if below, 9.9% if above). Eventually, the agreement reached excluded all deposits under 100.000 euro, also in agreement with EU-wide deposit-guarantee legislation¹⁴⁸, but, even as such, this was the first time a bank levy was imposed within the Eurozone (CEU 2013f). Cyprus stands out from all other Eurozone member states for another reason: it was the first to receive the assistance after the adoption of the so-called ‘Two-Pack’ (Regulation 472/2013 and 473/2013) on May 2013¹⁴⁹, which was the only piece of legislation

¹⁴⁷ While banks opened after the 2-week period, capital controls were not fully lifted until 2 years afterwards on April 2015 (Kambas 2015).

¹⁴⁸ The relevant EU Directive 94/19/EC on deposit-guarantee schemes, as amended last, until then, by Directive 2009/14/EC (after the Cyprus program it was later repealed and replaced by Directive 2014/49/EU), provisioned the guarantee of aggregate deposits of up to 100.000 euro (EP & CEU 1994 and 2009 and 2014d).

¹⁴⁹ The original CEU Decision 2013/236/EU for the financial assistance of Cyprus, that used the combination of TFEU articles 126 and 136 as introduced for the first time in the GLF, was

since the beginning of the crisis to formally establish the Troika and the MoU within the EU legal framework.

Things began to normalize after mid-2013, with all Eurozone member states under financial assistance, except Greece, terminating their programs: Ireland in December 2013, Spain in January 2014, Portugal in June 2014 and, finally, Cyprus in March 2016 (EC 2015e, 11; EC 2020m; EC 2014b, 5; EC 2014c; EC 2020n; EC 2019b, 22; EC 2020l). In the meantime, however, the first post-crisis EP elections were held in November 2014, with Eurosceptic/anti-austerity/far-left and far-right parties demonstrated an unexpected and considerable surge, rising to occupy, cumulatively, almost 30% of the total number of EP seats (Spiegel & Carnegie 2014; BBC 2014).

For Greece, things remained relatively stable until December 2014, with the exception of the problems encountered by the New Democracy-PASOK-Democratic Left coalition encountered in June 2013. It related to “the abrupt shutdown of the Greek public radio and TV broadcaster...,” with which decision the Democratic Left disagreed and departed the coalition, leaving it with a reduced but still substantial 162/300 seat majority in Parliament (Kyriakidis 2016a, 11).

While Greece’s second financial assistance program was due to be completed in December 2014, the Eurogroup decided to extend it by 2 months in order to allow for the adoption of additional adjustment measures, with considerable backlash, among others by the Greek Minister for Finance (CEU 2014l)¹⁵⁰. Greek society was experiencing intense reform and consolidation fatigue after 4 years of constant MoUs and Troika oversight, and 2 financial assistance programs. The economic situation of the country was also deteriorating: the overall unemployment rate was the highest across the EU at 26.5% (with Spain being the only other member state with a rate over 17%), youth unemployment (ages 15-25) was the second highest across the EU at a staggering

repealed and replaced within only 4 months in September 2013 by CEU Decision 2013/463/EU, which uses Regulation 472/2013 as the legal foundation for the Cyprus program (CEU 2013g).

¹⁵⁰ A similar extension until February 2015 was also decided by the EFSF SA on December 2014 (EFSF SA 2016, 10; EFSF SA 2014).

52.4% (although reduced from 58.3% in 2013), the country's debt had reached 178.9% of GDP (the second highest was Portugal's at a distant almost 40 percentage points smaller) and the deficit stood at 3.6% of GDP (albeit markedly improved from the 13.2% of GDP deficit in 2013; Eurostat 2020b and 2020c and 2020e). In addition, the 'flight' of human capital was tremendous: over 50.000 Greeks between the ages of 25 and 44 emigrated abroad annually from 2011 onwards¹⁵¹, and a staggering total of 223.000 between the ages of 25 to 39 (so-called 'brain drain') for the period 2008-2013 (Bank of Greece 2016, 75 and 2019, 108-9).

The additional measures requested were outlined in a 48-page letter sent through email by the Greek Minister for Finance to the Troika, and was made public first by the press and 2 days later by the President of the Council of State (the Supreme Administrative Court and 1 of 3 Supreme Courts of Greece; Hellenic Republic 2014a; In.gr 2014). The measures were of fiscal and administrative nature and included, inter alia, significant Value Added Tax (VAT) rate increases (from 6% to 13% for hotels), extension on 'freezing' of pensions through 2017, etc. However, it also included considerable reservations on the part of the Greek side in terms of several projections for revenue shortcomings by the Troika (e.g. page 8). It is interesting to note that the Minister for Finance, recognizing the aforementioned reform and consolidation fatigue within Greece, preempts the content of the report by arguing that "we are determined to walk the extra mile described in detail below, while recognizing we are facing inherent limitations. The proposal described herein exceeds the limits of our present reform capital and it should be interpreted as a last good faith attempt to mitigate your legitimate concerns for the credibility of the program".

With seemingly insufficient political capital to move forward to yet additional reforms, after already more than 4 years of consolidation under policy conditionality and with many election polls placing anti-MoU and anti-austerity

¹⁵¹ This became a steady rate for each year, with the total number of emigrated Greece between the ages of 25 and 44 reaching 467.000 from 2011 until 2017 (Bank of Greece 2019, 108-9).

SYRIZA in first place ahead of the ruling New Democracy¹⁵², the Prime Minister opted to bring the election of the Greek President to December 2014 (due to take place by February 2015 at the latest; Enikos.gr 2014; Daley 2014)¹⁵³. The President is elected by the Parliament in 3 sittings: the first two require a reinforced majority of 200/300 Members of Parliament (MP), while the third a less-reinforced majority of 180/300 MPs (Hellenic Parliament 2008, 47-50). If none of the sittings yield the necessary votes in favor of one candidate, then the Parliament is dissolved and elections are held. Considering the above, this move was made primarily to determine whether there was the political support of the government to proceed yet to more reforms, or not, translating the outcome of the President's election as support by MPs for the government more generally. The candidate put forward by the government did not manage to gather the necessary votes in any of the 3 sittings (the most gathered were 168 MP votes in the last sitting, far from the 180 votes required)¹⁵⁴, and snap elections were proclaimed for less than a month later on January 2015, putting the last review of Greece's second financial assistance program on hold (Stavropoulos 2014; Naftemporiki.gr 2014; Hellenic Republic 2014b).

The political climate during the electoral campaigns of the two major political parties (New Democracy and SYRIZA) was extremely polarized¹⁵⁵,

¹⁵² After all, SYRIZA had already come first by almost 4 percentage points ahead of New Democracy during the November 2014 EP elections in Greece (Hellenic Ministry of the Interior 2014).

¹⁵³ The incumbent President had been elected for a second, 5-year term on March 2010, and election of new President, in accordance with the article 32(4) of the Constitution of Greece, has to take place 1 month prior to the expiry of incumbent's term (Naftemporiki.gr 2010; Hellenic Parliament 2008, 49).

¹⁵⁴ The political climate during that time had been quite intense, with even accusations by MPs for attempted bribery into voting for the government's candidate for President (Galiatsatos 2014).

¹⁵⁵ E.g. New Democracy suggested that the election of SYRIZA to power would amount to bankruptcy, insolvency and the inability of the state to even guarantee that pensions and wages would be paid (To Vima 2015a). On the other hand, SYRIZA ran on an anti-austerity, anti-MoU platform, supporting, inter alia, a generous reduction of Greece's debt, reversing a number of measures implemented by the previous governments as part of the MoUs (e.g. reinstitute the 13th pension, reinstating minimum wage levels, reinstating the tax-free wage threshold at EUR 12.000, etc.), the abolition of the of the Unified Real Estate Tax (ENFIA; first introduced as a

continuing the already high polarization during the ultimately failed Presidential election. With a society tired and weary from the strict structural adjustment, and unwilling to still condone Troika supervision and the MoUs, for the first time ever in Greece, SYRIZA, a left political party, came first in the January 2015 elections, obtaining 149/300 seats in Parliament, and formed a coalition government with the much smaller right-wing Party of ANEL (an arguably odd combination¹⁵⁶; together they held 162/300 seats in Parliament; Hellenic Ministry of the Interior 2015a; Smith 2015a). The victory of SYRIZA had EU-wide implications, as this was the first political party in the Eurozone that was elected on an anti-austerity platform since the beginning of the Eurozone crisis (Kassam et al. 2015). The political ‘multiplier’ effect was particularly important for Spain, in which the political party ‘Podemos’, with a similar platform and trajectory¹⁵⁷ to SYRIZA, was gaining substantial popularity ahead of the two major Spanish political parties (Kassam 2015a)¹⁵⁸.

The newly appointed government moved to propose a new candidate for President, who was approved by the Parliament in the first sitting with 233/300 votes in favor (The Telegraph 2015). However, on the front of Greece’s second financial assistance program, already in ‘limbo’ for close to 3 months, the election of SYRIZA posed a considerable puzzle. On February 2015, the new SYRIZA-led Greek government applied for a 6-month extension only of the second program’s MFAFA (in an attempt to distinguish between the loan agreement and the MoU; To Vima 2015b). The request was met with skepticism by the Eurgroup, which was favorably predisposed to it but also highlighted the Greek

temporary measure under Law 4152/2013 and the made permanent under Law 4223/2013), etc (Syriza 2014; SKAI 2015a and 2015b; Stavropoulos 2015; Hellenic Republic 2013a and 2013b).

¹⁵⁶ This would be repeated most notably in the case of the Italy during the 2018 elections, in which the far-right party ‘Lega Nord’ and the far-left ‘Five Star Movement’ formed a coalition government (FRANCE 24 2019; Legorano 2018; Horowitz 2018) .

¹⁵⁷ In the November 2014 EP elections, only 2 months into its existence, ‘Podemos’ managed to get 5 seats in the EP and garner 8% of the votes, coming in fourth (Kennedy 2014).

¹⁵⁸ From January to March, polls were showing Podemos ahead of both major political Parties of Spain (center-left PSOE and center-right PP). The party would take third place in the December 2015 Spanish elections, but would later lose support during the June 2016 Spanish elections (Díez 2015; Kassam 2015b; Buck 2016).

government's commitment to refrain from rolling back implemented measures and requested an initial list of reforms. EFSF SA approved the extension of the MFAFA the same month (CEU 2015a; EFSF SA 2016, 10)¹⁵⁹. The list of measures provided by the Greek government was, again, met with mixed responses from the Troika: while judging it as an adequate first step, the IMF requested further specification of measures and their alignment with the MoU, siding with the ECB in that the current program would have to be completed as it is (Deutscher Bundestag 2015, 6-11 and 20-1 and 26). However, even as early as March 2015, there were indications that a third financial assistance program was being negotiated, with the Spanish Prime Minister confirming relevant discussions on it (Buck 2015)¹⁶⁰.

It is worth noting that right after the January 2015 snap elections, even before the request of the new Greek government for an extension of the second program, the ECB lifted the waiver of “minimum credit rating requirements for marketable instruments issued or guaranteed by the Hellenic Republic [...] based on the fact that it is currently not possible to assume a successful conclusion of the programme review and is in line with existing Eurosystem rules” (ECB 2015a). This resulted in considerable shortage of credit for Greek banks, which became increasingly unable to cover the substantial deposit outflows they were experiencing (Mourmouras 2017).

After a long period of negotiations, the Greek government and the Troika were unable to reach an agreement on the way to conclude the second financial assistance program. The Troika insisted on implementing measures of the program, while the Greek government counter-proposed a completely different approach, both to the nature of the reforms to be implemented and to the monitoring process, i.e., without the Troika as was formed at the time. The final proposal of the Troika¹⁶¹ for the actions necessary to conclude the second

¹⁵⁹ This would be the third MFAFA amendment (ESM 2015a).

¹⁶⁰ The Greek Prime Minister would later admit that it was a mistake to extend the MFAFA without simultaneously securing appropriate funding (In.gr 2015a).

¹⁶¹The final character of the proposal was reiterated by the Eurogroup President (EC 2015c).

program was provided late-June 2015 (EC 2015f). On 26 June 2015 the Greek Prime Minister characterized the proposal as an ultimatum and a request to implement policies that were expressly rejected by the Greek people in the 2015 elections, rejecting it and proclaiming a referendum on the proposal was proclaimed to be held on 5 July 2015 (Hellenic Republic 2015a). It is worth noting that the extension to the MFAFA, and, accordingly, the entire second program, expired on 30 June 2015, i.e. 5 days prior to the date of the referendum on the conclusion of that program (CEU 2015b; ESM 2015b)¹⁶².

In an unprecedented move, the 18 Ministers for Finance, except Greece, met and issued a separate “Ministerial statement,” reaffirming, *inter alia*, their commitment to maintain the stability of the Eurozone (CEU 2015f). Meanwhile, the ECB decided to not raise the ELA¹⁶³ for Greece on two different occasions, which, considering the tremendous reliance of Greek banks on it and the lack of any additional financing due to the expiration of the second program and the inexistence of an agreement on a potential third one, resulted in a severe credit squeeze (ECB 2015b)¹⁶⁴. This was a similar situation as the one in Ireland in late

¹⁶² The Greek Prime Minister had requested individually from all other Eurozone member states’ Heads of Government and State (e.g. the Prime Minister of Luxembourg; Hellenic Republic 2015b) on 28 June 2015 to reconsider giving an extension of the second program until 6 July 2015, but that was denied on 1 July 2015 (CEU 2015 and 2015e) .

¹⁶³ In Greece, ELA “began in August 2011, when the Bank of Greece started providing liquidity to credit institutions...due to the decreasing value of their eligible collateral [...] aimed at counterbalancing the decrease in and the withdrawal of deposits by the private and public sectors, as well as the decrease in the value of eligible collateral for monetary policy operations, against a background of the banks’ inability to resort to the markets for funding. Indeed, uncertainty led to large deposit outflows, amounting to some €90 billion, i.e. one third of the initial deposit base, in less than three years during 2010-2013” (Mourmouras 2017). Greek ELA reached zero in 2014, but then was raised gradually throughout the first 6 months of 2015 to 90 billion euro (Mourmouras 2017).

¹⁶⁴ The Greek government had been preparing as early as March 2015 for a potentially severe shortage of credit and liquidity that could even result in the inability to cover public wages and pensions. Article 36 of Law 4320/2015 provisioned that any deposits from General Government and Local Governments in the Bank of Greece can be used to invest (repos or sell/buy backs) in Greek government bonds, and served as the basis for Law 4323/2015 which mandated that all entities of the General Government and Local Governments (except the State-Owned Enterprises – SOEs and Social Security Funds – SSFs) were obliged to transfer their account deposits from all other banks to the Bank of Greece (Central Bank), in deviation from any other provision or stipulation (Hellenic Republic 2015e and 2015f). These funds could be used to both service

2010. As a result, the Greek government decided to introduce a bank holiday and capital controls on 28 June 2015 and until 6 July 2015 (a day after the referendum), to avert a bank run imposing, inter alia, a 60 euro withdrawal limit per day (Mourmouras 2017; Hellenic Republic 2015c)¹⁶⁵. The bank holiday was extended to 3 weeks until 20 July (Hellenic Republic 2015d). Even though banks reopened, capital controls as well as cash withdrawal limits remained in place (with various modifications and easements across time) for more than 4 years, eventually being fully lifted in late-August 2019 (Hellenic Republic 2019).

The expiration of the second financial assistance program, and the consequent lack of any funding, led to Greece missing an approximately 1.5-billion-euro repayment to the IMF (IMF 2015a)¹⁶⁶. This was the first time that a Western developed state, and Eurozone member state, was in arrears towards the IMF, effectively defaulting (at the time, the three other countries in arrears to the IMF were Somalia, Sudan and Zimbabwe; IMF 2015b). The above could constitute a default for the EFSF SA, a reason enabling it to request the immediate repayment of the entire financial assistance provided to Greece, at the time more than 135 billion euro (as a measure of comparison, Greece's entire debt in 2015 was 175.9 billion euro; ESM 2015c; Eurostat 2020e). However, the EFSF SA chose to reserve its rights for a future time (ESM 2015c).

With the banks closed, strict capital controls in place, and with a rapidly deteriorating financial and political situation, especially in relation to a possible exit of Greece from the Eurozone¹⁶⁷ (many EU member state leaders, including

existing debt/procure new debt, as well as cover any wages and pensions in the case of extreme shortage of credit.

¹⁶⁵ Note that the only other case in which a bank holiday and capital controls were introduced was Cyprus, and it had been close to 3 months since those had been completely lifted (April 2015; above) from when Greece imposed equivalent measures.

¹⁶⁶The payment itself was a summation of all of Greece's June 2015 payments to the IMF in a financially facilitating maneuver last employed by Zambia in the 1980s (Donnan 2015). At the time, Greece was the largest debtor of the IMF owing EUR 35 bln in principal alone (Donnan 2015).

¹⁶⁷ So-called 'Grexit' had been advocated primarily by the German Finance Minister, who proposed "a time-out from the Eurozone, with possible debt restructuring, if necessary, in a Paris Club - like format over at least the next 5 years" (BBC 2015b). There was also an alleged 'Grexit' plan put together by the European Commission as early as 2012 (Dendrinou & Varvitsioti 2019).

those of Germany, France, the EC President, etc., emphasized that a vote against the Troika proposal would not mean securing better terms for financial assistance but rather a Greek exit from the Eurozone), the referendum was held on 5 July 2015, with the outcome being a 61.31% of the votes against the proposal of conclusion for the second financial assistance program (BBC 2015a; Elliot et al. 2015; Hellenic Ministry of the Interior 2015). The outcome of the referendum was deemed a historic point in the Eurozone, sending ripples all throughout the EU, in a time when there was relative stability for the first time since the beginning of the crisis (all Eurozone member states under financial assistance had exited their programs, except Cyprus, which itself was a few months from exiting; Freeman & Dominiczak 2015). However, aside from the fact that the program had already expired on 30 June 2015, and despite the fact that the official position of the Prime Minister was against the Troika proposal, the Prime Minister himself had already sent two consecutive letters 5 days prior to the referendum, not only accepting many of the reforms included in the Troika proposal by also requesting a new, third, financial assistance program for Greece from the ESM (the EU institutions had replied that the request would be examined after and on the basis of the outcome of the referendum; Hellenic Republic 2015g and 2015h and 2015i and 2015g).

With the future of Greece, not only in the EU but also as a country under severe financial constraints (the banks remained completely closed), hanging literally on the ballast, the outcome of the referendum would, essentially, be ignored. A meeting of all leaders of Parliamentary political parties (except Golden Dawn) was held under the President the day after the referendum, which resulted in a common communiqué (with the exception of the Greek Communist Party) authorizing the Greek PM to proceed with all actions necessary to restore stability in the country within the framework of the EU and the Eurozone (Hellenic Republic 2015j). On the same day, the Greek Finance Minister Yanis Varoufakis, a central figure to the economic policy of SYRIZA who also reportedly had

Pursuant to correspondence, the EC confirmed the existence of such a plan, “entitled ‘Potential Impact of Greek Exit, a quantitative evaluation using QUEST’, 25 September 2012, reference Ares(2020)706142” (EC 2020n).

adverse effects in terms of cooperation and discussions with other Eurogroup members, resigned and was replaced by the more moderate Euclid Tsakalotos (Khan 2015; Hellenic Republic 2015k and 2015l)¹⁶⁸. Two days later, on 8 July 2015, the new Minister for Finance sent a request to the ESM for a third financial assistance program, following (and also superseding) the above requests made days earlier by the Prime Minister (Hellenic Republic 2015m).

An unprecedented, intense and dramatic set of negotiations ensued, with 4 Eurogroup meetings (7, 11, 12 and 13 July 2015), 2 Eurosummit (7 and 12 July 2015) meetings and a European Parliament debate on Greece¹⁶⁹ (8 July 2015) within only 5 days (CEU 2015h and 2015i and 2015j and 2015k; EUCO 2015a and 2015b; EP 2015). There was also a European Council summit scheduled for the 12 July 2020, rumored to be aimed at dealing with a potential Greek exit from the Eurozone or EU or both, for which there was also a detailed EC, but the meeting was later cancelled (CEU 2015h; Christie 2015; BBC 2015c)¹⁷⁰. The Eurogroup and Eurosummit on 7 July resulted in setting a clear deadline for a new ESM programme with strict conditionality to be requested by Greece, with Greece submitting its proposals on the 9 July (CEU 2015j). The Eurogroup on 11

¹⁶⁸ Relevant issues in terms of Varoufakis and the negotiations had already as early as April 2015 led to the reshuffle of the Greek negotiating team to appoint Tsakalotos as the primary liaison (Smith 2015b).

¹⁶⁹ “The debate was not followed by the adoption of a resolution” (EP n.d.)

¹⁷⁰ The Greek exit from the Eurozone was supported particularly by the German Finance Minister, whose proposal was made public in July 2015 (the then Greek Finance Minister claimed that he had proposed it as early as March 2015) as a response to the proposed plan of the Greek government (Maurice 2015; Varoufakis 2015). It deemed the plan largely inadequate and offered two options. The first option was a new ESM program under four conditions: a new privatizing fund under the control of institutions except Greece, the depoliticization of the Greek public administration, automatic spending cuts (e.g. a debt ceiling, which was, in either case, already provisioned in the TSCG to which Greece was a party) and Greece a priori assuming the responsibility of a potential no conclusion of the new ESM program. The second option was a ‘time-out’ of Greece from the Eurozone for 5 years and possible debt restructuring (Paris Club; Weiss 2013), along with support offered. The legal implementation of the above was not outlined in the proposal, but it was made clear that Greece would remain an EU member state (which complicated the legal aspect of the issue, as there is TFEU article 50 for an exit of an EU member state from the EU, but no article for only a Eurozone exit). The eventual agreement reached, included most of the conditions of the first option of Germany’s proposal. A notable example is the agreement’s stipulation that

July was continued into the morning of the 12th lasting a total of 14 hours (CEU 2015l). The Eurosummit of 12 July lasted 17 hours (extending into the 13th) with an agreement finally being reached between Greece and the other Eurozone member states¹⁷¹ on the third financial assistance program (EUCO 2015b)¹⁷². This was seen as a great success for the Eurozone and entire EU, raising issues of yet further Eurozone integration, with the French President even proposing the creation of a Eurozone government (Le Journal du Dimanche 2015).

The agreement included a set of actions to be legislated immediately, with negotiations on the new Greek ESM program to begin only after. After the agreement was reached, the SYRIZA-led coalition incurred heavy losses of MPs in the voting of the agreement. Having, de facto, lost a great portion of the majority in Parliament¹⁷³, and considering the direct opposition of the policies to be implemented with the electoral platform, the PM (and leader of the majority in Parliament) resigned on 20 August 2015 and snap elections were proclaimed for 20 September 2015 (Hellenic Republic 2015s and 2015t).

With the dramatic events of the referendum still recent, and without actually having yet implemented any MoU policies, SYRIZA managed to maintain its electoral advantage, obtaining slightly less MP seats than in the

¹⁷¹ The agreement included a commitment by Greece to request financial assistance from the IMF too, in accordance with recital 8 of the ESM Treaty (ESM 2012c, 5). However, the IMF insisted that the Greek debt had become highly unsustainable, and debt relief measures were necessary, making clear that this was the only way that it could participate in the new Greek program (IMF 2015c, 1 and 2015d). In this context, the agreement reiterated the November 2012 commitment on the side of the Eurozone member states to examine debt easement measures (longer maturing periods, lowering interest rates, etc) after the first positive review of the new program (CEU 2012f).

¹⁷² A day prior to the Eurosummit, Law 4333/2015 was enacted, authorizing the Greek government to negotiate the terms for the ESM program (Hellenic Republic 2015n). The Bill's Explanatory Report, deposited to Parliament during the discussion, included the request of the Greek Finance Minister of 8 July 2015 along with a detailed 13 page-list of prior actions to be completed by the Greek government (Hellenic Parliament 2015a). It is worth noting that, during the vote of the Bill in Parliament, the SYRIZA-ANEL governing coalition lost 17 votes, including the Speaker of the Parliament, which automatically reduced the seats held by the coalition from 162 to 145/300 (Kathimerini 2015; In.gr 2015b).

¹⁷³ The primary reason was the departure of 25 SYRIZA MPs from the party, in order to form their own, anti-Eurozone party 'Popular Unity' (Bourdaras 2015).

January 2015 elections (145 against 149/300; Hellenic Ministry of the Interior 2015c). The same applied both for New Democracy (majority opposition), Golden Dawn (the third party in both elections), and Independent Greeks (the minor coalition government partner of SYRIZA from January until September 2015)¹⁷⁴. With a new mandate to implement the third financial assistance program, SYRIZA formed, again, a coalition government with the Independent Greeks and the same PM as in January 2015 immediately after the elections (Hellenic Republic 2015u and 2015v).

The situation remained relatively stable, until the second review of the ESM program. The first review had been concluded successfully on 25 May 2016, during which time short and (potential) medium-term relief measures for Greek debt were agreed (along with a long-term contingency mechanism) by the Eurogroup (CEU 2016c)¹⁷⁵. However, the second review had been recurrently delayed¹⁷⁶ “primarily because of the unwillingness of the IMF to provide financing [...] unless the following measures were adopted: (1) additional structural adjustment policies with emphasis on tax and pension reform by Greece, and (2) relief for Greek debt [...] by the Eurozone member states to make it sustainable (Kyriakidis 2017b)”¹⁷⁷. Greek debt stood at 178.5% GDP for 2016, the largest in the EU and Eurozone by some 40 percentage points (the second largest was Portugal’s at 131.5% GDP; Eurostat 2020e). However, Greece was

¹⁷⁴ The party formed from the departing SYRIZA MPs in August 2015 did not manage to obtain any MP seats and was left out of Parliament (Hellenic Ministry of the Interior 2015c).

¹⁷⁵ The short-term measures, consisting of “smoothing Greece’s repayment profile; reducing interest rate risk; waiving the step-up interest rate margin for 2017,” were implemented throughout 2017, while the medium-term measures, agreed to be activated by the Eurogroup on 22 June 2018 and consisting of “(i) a mechanism for the conditional abolition of the step-up interest rate margin related to the debt buy-back tranche of the second Greek programme from 2018 onwards; (ii) a further deferral of EFSF interest and amortisation by 10 years on €96.4 billion of EFSF loans to Greece; and (iii) an extension of the maximum weighted average maturity on the above-mentioned portion of EFSF loans by 10 years, respecting the programme authorised amount,” were implemented from the end of 2018 onwards (ESM 2017a and 2018c; CEU 2018b).

¹⁷⁶ As evident, for example, at the Eurogroup meetings of December 2016 and [February 2017](#) (CEU 2016d and 2017c).

¹⁷⁷ The IMF had participated in the drafting of the MoU, but had yet to initiate a financial assistance program (IMF 2015f).

unwilling to implement even more austerity measures, especially in relation to a further reduction of pensions, after almost 6 years of consolidation, and, on the EU's side, member states (particularly Germany) essentially opposed any debt relief that would go further than what has already been considered, which (along with the reforms on the side of Greece) was deemed insufficient by the IMF (Kathimerini 2016; Sheffield 2016; Donnan 2016; IMF 2016b and 2017b). In the meantime, the IMF considered the targets set by the Greek program as unachievable for the medium to long terms to achieve a sustainable fiscal position (IMF 2016c).

To resolve this impasse, the solution found was the IMF's Approval-in-Principle process¹⁷⁸, which re-assured the Eurozone member states that the IMF was committed to participating to the financial assistance, but also stopped short of a full approval of a financial assistance program, providing the IMF with the leeway to reserve its final decision pending satisfaction of its terms by both Greece (additional fiscal consolidation) and the Eurozone member states (sufficient debt relief; IMF 2017b). In July 2017, after the adoption of a major set of supplemental measures by Greece and the relevant MoU update¹⁷⁹, Greece

¹⁷⁸ This process was “first implemented during the 1980s debt crisis of Latin American countries:” the IMF considered external financing necessary to initiate a program, while the banking sector considered an IMF program a prerequisite to commit to providing additional external financing (Kyriakidis 2017b). The Approval-in-Principle “offered a way to reassure the banks that there would be a program so that they could provide the necessary external financing, without committing the IMF until this financing was in place. [...] (It) was first used for Sudan in 1983 and a total of 19 times through the 1980s [...] (and) proved a convenient instrument, but fears of indiscriminate usage led to the adoption of a set of arrangements by the IMF in 1984:” it would be limited to SBAs that would be “effective *on the date on which the Fund finds that satisfactory arrangements have been made for the financing of the uncovered gap*” (in the Balance of Payment); it should be used “*where substantial uncertainties on the financing of a program remain but management is of the view that... (it) would assist the member in reaching an agreement with its creditors,*” and “*to give confidence to other creditors...that members concerned are making serious adjustment efforts;*” a country seeking it “would not be treated more favourably than a country seeking outright approval of an assistance program: any prior actions should be completed before AIP approval;” and, finally, “to avoid delays between [...] a deadline of 30 days for reaching a deal was set [...] but with flexibility around this on a case-by-case basis” (Kyriakidis 2017b).

¹⁷⁹ This was the most major supplemental MoU of the third program and its measures were introduced in the Greek legal order under Law 4472/2017 in May 2017 (the MoU was entered into in early July 2017; ESM 2017b; Hellenic Republic 2017). It is worth noting that the Bill

submitted a request to the IMF for a precautionary SBA at the amount of approximately 1.6 billion euro, which was approved in principle by the IMF (IMF 2017c and 2017d). The SBA would eventually never be activated (IMF 2018).

Greece became the last Eurozone member state (by almost 2 years; it was also the only one to undergo more than one financial assistance program) to successfully complete and exit its ESM program, after 8 years of fiscal consolidation and structural adjustment and 3 financial assistance programs on schedule, in August 2018¹⁸⁰ (EC 2018b). Greece committed with a specific Annex to the Eurogroup of late-June 2018 (which concluded the fourth and last review of the program), to continue to implement reforms and meet its budgetary targets after the program's conclusion (CEU 2018c and 2018d).

In addition, while all other Eurozone member states that underwent financial assistance programs automatically entered PPS after exiting, Greece was the only one subjected to enhanced surveillance¹⁸¹ under Two-Pack Regulation 472/2013, i.e., a stricter framework compared to PPS. Compliance with the enhanced surveillance quarterly reports was a precondition for the activation of the medium-term debt relief measures for Greece (CEU 2018d; EC 2020o, 32). Within Greece, implementation of the ESM program, similarly to the effects of the previous two financial assistance programs, led to the fall of SYRIZA from power and the rise of the majority opposition party of New Democracy, both in the May 2019 European elections as well as the June 2019 national elections (Hellenic Ministry of the Interior 2019a and 2019b).

What does the temporal narrative of the crisis indicate? It is interesting that the EU, at first, attempted to implement an anti-cyclical policy. But the support for such policies between the more powerful member states (e.g., Germany), or even the support of implementation of those policies from

number, with all accompanying documents and reports, nearly 1.000 pages, and was voted within 5 days (Hellenic Parliament 2017).

¹⁸⁰ The fourth and last review of the program was concluded in late-June 2018 (CEU 2018d).

¹⁸¹ This was originally for 6 months until February 2019 under EC Decision 2018/1192, but the period was prolonged for consecutive 6-month periods under EC Decisions 2019/338, 2019/1287, 2020/280 until August 2020 (EC 2018c and 2019c and 2019d and 2020p).

supranational institutions, such as the EC, was quite frail. As such, the attempt proved considerably insufficient, resulting from intergovernmental preferences and pressures. Insistence on not proceeding with enhancing integration, thus empowering supranational institutions, is also evident from the fact that the same solution implemented in the cases of financial assistance for non-Eurozone member states was also pursued for Eurozone member states, despite the very clear and distinct differences in both magnitude and type of issues. The GLF proved considerably insufficient.

Intergovernmental pressures, primarily from Germany in this case, also led to the involvement of the IMF (following the non-Eurozone member states' financial assistance paradigm), despite the fact that Eurozone member states were part of a unique monetary union, with decision-making processes that were not fit for IMF participation, for the simple reason that, in the end, monetary policy was not controlled by each individual member states, depending to its own needs, but rather centrally by the ECB for the entire Eurozone, based on aggregate and average indicators. In addition, the involvement of an international organization not only within individual member states (which, after all, was the case with non-Eurozone financial assistance programs as well), but within EU level institutions, such as the CEU or Eurogroup, created considerable deficiencies in terms of both efficiency and due process.

However, at the EU level, the above changed within already one year. The 'hard truth' that the EMU was suffering from inherent, systemic deficiencies that, at the very least, created an inability to effectively address the crisis (if not being, in part, the reason that led to its occurrence), was faced. The proposition of the Six-Pack and the ESM already from 2010, and their adoption throughout 2011 and 2012, while not fully addressing those deficiencies, was certainly on the right track. While the intergovernmental framework was, to a large degree, maintained, especially in relation to financial assistance, several provisions introduced actually enhanced the decision-making authority of supranational, and mostly technocratic, institutions, thus indicating a neofunctional turn (details on the specific provisions are presented in the following section). This does not only

include measures such as the Six-Pack and Two-Pack, but also the TFGR for example.

Austerity measures were imposed by nearly all Eurozone member states, and while not a specific EU-level policy, the demonstrations that ensued were indicative of the large opposition to those measures by the majority of EU citizens. Despite such fact, and albeit through compromises, the measures were imposed, seemingly disregarding, at least in large part, the preferences of the electorate and their expressed opposition to these measures. Indeed, many of those measures were later found to directly challenge the rights of EU citizens (details on relevant EU-level judicial precedent is presented in the section below). It becomes clear, then, that, although there was enhanced integration progressing, this was done without necessarily ensuring adequate participation from citizens and with potentially harming their interests. This is in line with the expectation of neofunctional mode of EU integration leading to the arguments of the Output approach.

The impact of the EU level on individual member states is apparent not only in terms of financial assistance, but in other instances too. It is interesting to note the conditionality attached by the ECB to the provision of ELA, setting specific limitations, after which the ECB would only further extend the ELA subject to the member states concerned requesting a financial assistance program. As will be demonstrated further below, the conditional adjustment involved in these programs resulted in considerably increased homogenization of economic policies of Eurozone member states (obviously, within certain limits).

Crisis measures: integration process and impact on the deficit

Financial Assistance Mechanisms

Financial assistance mechanisms existed before the crisis, at least as early as the 1970s (machinery for medium-term financial assistance; CEU 1971). However, after the introduction of the Euro, assistance was limited to non-Eurozone member states with the Medium-Term Financial Assistance (MTFA)

mechanism, based on Regulation 332/2002¹⁸² (CEU 2002a). However, after the Greek request for financial assistance, the need for creating a similar mechanism able to provide assistance to Eurozone member states became evident. In total, three such mechanisms were created throughout the crisis: EFSM, EFSF SA and ESM.

The MTFA, which existed long before the crisis, is the EU's framework for providing financial assistance to non-Eurozone EU member states (referred to officially as 'member states with a derogation;' EU 2016a, 107) that face Balance-of-Payments¹⁸³ difficulties (CEU 2002a, 2). Based now on Regulation 332/2002, it originated from the merger of the 1971 "machinery for medium-term financial assistance," based on Decision 71/143/EEC, and the 1981 Community Loan Mechanism, based on Regulation 682/1981, into one (CEU 1988). It is worth noting that, after the creation of the Eurozone, participating member states were excluded from the financial assistance framework, almost exclusively based on the belief that financial assistance (at the time aimed to maintain the integrity of common market and commercial policy) for Eurozone member states was simply redundant, since they were not expected to face any such problems (EP 2001: 12; EU 2002: 83-4, 87; Marzinotto et al. 2010: 5).

It is worth noting that, at that point, the MTFA did not actually include the concept of a MoU, merely stipulating that the loans would be attached to economic policy conditions in the form of "adjustment or back-up programme," decided upon by the CEU and monitored by the EC (CEU 2002b, 2). It was only a month after the request for financial assistance by Greece in April 2010 (below),

¹⁸² As Kyriakidis (2016c) notes, this Regulation was last modified under CoM REG 431/2009, adopted in May 2009, one month after the request of financial assistance by Greece [...] (aligning) the MTFA framework with the modalities of financial assistance as created under the, then, temporary framework of bi-lateral Eurozone MS loans to Greece, i.e. to include an MoU in all provisions relevant to [...] and raising the amount available...from EUR 25 to EUR 50 bn, obviously anticipating the impact of the Greek, and later Eurozone, crisis..." (84).

¹⁸³ Defined overall as "a financial tabulation of all international economic transaction between a nation and other nations in a given year [...] recorded in a nation's current account, capital account, and financial account" (Balaam & Dillman 2019, 493). According to the EU statistical service (Eurostat), "the balance of payments records all economic transactions between resident and non-resident entities during a given period" (Eurostat 2019).

that the MTF A Regulation was amended to include the MoU, and also to increase the available amount of loans from 25 to 50 billion euros (CEU 2002a). Even at that time, the MTF A maintained the EC as the sole monitor of policy conditionality implementation¹⁸⁴. However, all three CEU Decisions granting financial assistance to Hungary, Latvia and Romania, despite all having been adopted before the aforementioned amendment, reference the MoU, and also provide that the EU's Economic and Financial Committee (EFC)¹⁸⁵, along with the EC, was tasked with monitoring the implementation of that MoU (CEU 2008a, 6 and 2009b, 40 and 2009d, 9).

The EFSM is broadly in line with the MTF A framework, with the difference that it can provide financial assistance to all EU member states, regardless of Eurozone participation, up to 60 billion euro (CEU 2010m). Aside from the first-ever mechanism to provide assistance to Eurozone member states, the EFSM introduced (officially) the process of EU and IMF cooperation in providing financial assistance¹⁸⁶ and the establishment of the Troika (EC, ECB, IMF) and the process of monitoring policy conditionality outlined in an MoU (CEU 2010, 2).

The EFSF SA is a Luxembourg-headquartered limited liability company based on international (private) law, outside the EU framework. It was legally established based on the EFSF Framework Agreement, an international agreement between all Eurozone member states, and the Articles of Incorporation (Luxembourg private law), both entered into on June 2010 (EFSF SA 2010 and 2011a and 2011b). Its Board of Directors consists of the members of the Eurogroup Working Group and its shareholders are the Eurozone member states

¹⁸⁴ In all three CEU Decisions granting financial assistance to Hungary, Latvia and Romania,

¹⁸⁵ The EFC is provisioned in article 134 of the TFEU, and is tasked (broadly) with delivering opinions, reviewing the economic and financial situation of member states, to conduct preparatory and advisory work for the CEU, and to examine once a year the situation related to freedom of payments and movement of capital (EU 2016, 105). It consists of two members (experts, senior officials of the administration/central bank) designated by the member states, the EC and the ECB (CEU 1998, 110).

¹⁸⁶ "Its activation will be in the context of a joint EU/International Monetary Fund...support" (CEU 2010, 1).

(Kyriakidis 2017, 23-4)¹⁸⁷. EFSF SA was created to provide conditional (policy conditionality is, similarly to the EFSM, included in an MoU) financial assistance exclusively to Eurozone member states at a maximum of 440 billion euro (EFSF SA 2011a, 1-2). Because of the fact that the EFSF SA is completely outside the EU operating framework, the MoU, which includes policy conditionality for financial assistance, “shall be consistent with a decision the Council may adopt under Article 136(1)” of the TFEU¹⁸⁸, and the Troika is assigned with negotiating and monitoring the compliance with the MoU by the beneficiary member state (EFSF SA 2011a, 5 and 12). The strong connection with the IMF in the provision of assistance is maintained (“it is envisaged that financial support to euro-area Member States shall be provided by EFSF in conjunction with the IMF...;” EFSF SA 2011a, 1).

The third financial assistance mechanism, again solely for Eurozone member states, which is now permanent, is the ESM, with a total lending capacity of 500 billion euro (ESM 2014). Similar to the EFSF SA, ESM is completely outside the EU operating framework. It is an independent international organization based on the international ESM treaty, with its participating members being the Eurozone member states (ESM 2012c). As referenced in the fourth chapter above, its establishment was made possible through an amendment to the TFEU under European Council Decision 2011/199/EU (EUCO 2011b)¹⁸⁹. The Decision amended¹⁹⁰ TFEU article 136, adding a third paragraph that

¹⁸⁷ This is a “sub-configuration of the Economic and Financial Committee, consisting only of Eurozone... (member states’) representatives, the EC and the ECB [...] created under TFEU article 134...to deliver opinions..., to monitor the economic situation ... (of member states), with a particular focus on external financial relations... to examine the free movement of capital and freedom of payments, and to prepare the work” of the CEU and Eurogroup (Kyriakidis 2016c, 88).

¹⁸⁸ The EFSF Framework Agreement also states that “the conditions attached to the provision of Financial Assistance by EFSF as well as the rules which apply to monitoring compliance must be fully consistent with the Treaty on the Functioning of the European Union and the acts of EU law” (EFSF SA 2011a, 2).

¹⁸⁹ The amendment entered into force 2 years after the Decision’s publication and 1 year after the ESM Treaty was signed, on 1 May 2013 (EP 2013, 4).

¹⁹⁰ The amendment was done in accordance with the simplified revision procedure of TFEU article 48(9), which allows amendments by the European Council to TFEU Part Three (that

permitted the creation of a stability mechanism (the ESM is not referenced by name) by Eurozone member states “to be activated if indispensable to safeguard the stability of the euro area as a whole.”¹⁹¹.

The process of financial assistance is essentially identical to that of the EFSF SA, including the close connection with the IMF¹⁹², with the difference that the connection with the EU framework was made more broad (instead of specific reference to TFEU article 136, it is provisioned that “the MoU shall be fully consistent with the measures of economic policy coordination provided for in the TFEU, in particular with any act of European Union law, including any opinion, warning, recommendation or decision addressed to the ESM Member concerned;” ESM 2012c, 29).

In terms of the specifics, an important issue to highlight is the connection between the MoU¹⁹³ and the EU operating framework. The process for providing financial assistance specifically to Eurozone member states is not expressly provisioned in the EU Treaties and, therefore, the implementation of policy conditionality is equally absent. In the EFSF SA and ESM frameworks, the mechanisms used primarily for financial assistance to Eurozone member states, there are provisions connecting the MoU to EU-based legal acts. However, the element of conditionality inherent in the MoUs is absent from any possible EU act issued. This does not only make a full connection between the two questionable, but also raises the issue of whether the EU-based acts acquire a

includes Economic and Monetary Policy), following consultations with the EC, EP and ECB but without an intergovernmental conference (ordinary revision procedure), after a proposal submitted on the first day of the European Council’s meeting (24 March) by the Belgian government (Kyriakidis 2016c, 89-90).

¹⁹¹ An earlier version had been signed in July 2011, but was later modified to include, inter alia, the link with the TSCG (primarily Fiscal Compact), alignment with IMF practices relating to Private Sector Involvement, etc. (CEU 2012a, 1; ESM 2014, 2; Kyriakidis 2016c, 93).

¹⁹² “The ESM will cooperate very closely with the International Monetary Fund...in providing stability support. [...] A euro area Member State requesting financial assistance from the ESM is expected to address, wherever possible, a similar request to the IMF” (ESM 2012c, 5).

¹⁹³ Xyrsogonos (2016) raises the point that MoU may be conceived not an international treaty or other official legal document; in such a case, its official character is, instead, de facto expressed through conditionality.

conditional character through the MoU, which would otherwise not be possible within the EU framework. This would only be possible for the EFSM, as the only provision relating to conditional financial assistance (to all EU member states) is under TFEU article 122(2)¹⁹⁴ (EU 2016a, 98).

It is also important that the EC and ECB are assigned with a wide variety of tasks, especially in the EFSF SA and ESM frameworks¹⁹⁵, including assessing the risk of Eurozone member state under difficulties, determine its debt sustainability and financing needs, and negotiating and monitoring the implementation of the MoU (EFSF SA 2011a, 3; ESM 2012c 5-6 and 28-13). While the EC did enjoy the capacity to undertake these tasks under the MTF framework (albeit only for non-Eurozone EU member states and for considerably less amounts), the augment in decision-making capacity is particularly pertinent for the ECB, which became elevated to the same level as the EC from previously (under the MTF) only being tasked with carrying out the specifics of the financing in relation to financial assistance (CEU 2020a, 2 and 4-5). The impact is even more important, considering that most of the MoU concerns economic policies. An example is the letter sent by the ECB President to the Italian Prime Minister in August 2011, in which the ECB President outlined and requested the adoption by the Italian government of a wide variety of fiscal measures, such as wage and collective bargaining system reforms, privatizations, modification of retirement provisions, etc. (Corriere Della Serra 2011). The ability of the CEU to influence policy has remained largely unchanged, although the medium has changed: from CEU meetings, decisions are now mostly taken outside the EU

¹⁹⁴ This is based “on the preparatory work for the Treaty of Maastricht, where it was emphasized that a financial support scheme should be set in order to assist Member States facing serious financial difficulties, and that it should be attached to positive conditionality [...] As financial assistance is given on condition that structural adjustment policies are implemented, i.e. belongs to positive conditionality, this could be argued to fall within the EU Treaties process, at least insofar as the process of TFEU article 122(1)” (Kyriakidis 2016c, 108).

¹⁹⁵ In terms of whether international organizations can assign duties to EU institutions, “per settled CJEU precedent, it is not forbidden..., under the condition that the tasks assigned ‘do not alter the essential power conferred on those institutions’ by the EU Treaties,” which condition the CJEU held as satisfied in case C-370/12 (Kyriakidis 2017, 31-2).

framework within the EFSF SA and ESM, with the same members (usually Eurogroup) but with other procedural safeguards and provisions.

So, how have the financial assistance mechanisms impacted the mode and direction of EU integration, and how have they impacted the EU democratic deficit? It is clear that individual governments were unable to address the increasingly devastating effects of the crisis, not least because of the increased interdependence and restrictions originating from Eurozone participation. This may be indicative of a spillover effect, since neofunctionalism's spillover would posit that integration in one area would lead to integration in other areas. However, that does not seem to be the case here. While actions from individual member states were inadequate, and the integration within the EMU until prior to the crisis had created certain issues, financial assistance mechanisms were established primarily outside the EU framework, and the process of both their creation as well as of their decision-making were heavily based (not entirely coincidentally, considering their international legal nature) on intergovernmental bargaining. The exception is the EFSM, but its financial assistance capacity is 'dwarfed' by that of the EFSF SA and ESM and its use has been very limited throughout the crisis, mostly in a supporting capacity.

Furthermore, states seem to have responded rationally to the issue at hand, ensuring the continued existence of the EMU and, hence, the benefits they derive from it, most of the time despite objections from citizens of both the 'lender' and 'borrower' member states (obviously, for different reasons). As such, and albeit the EU policy-making process became increasingly politicized during this time, that does not seem to have impacted it substantially as expected by postfunctionalism. This, however, means that there was reduced attention paid to domestic preferences, at least those not involving the government of member states, despite opposite predictions by liberal intergovernmentalism.

Even based on rational incentives and through, primarily, the intergovernmental route, Eurozone member states did eventually provide for a more integrated framework, in agreement with predictions of neofunctionalism. Accordingly, the extension of the previous regime of financial assistance for non-Eurozone EU member states to Eurozone member states denotes a successive

progression of integration because of incomplete previous integration and inability of governments to address a problem alone, again as predicted by neofunctionalism. However, it is clear that the successive exclusion of the EFSF SA and the ESM from the EU operating framework, and the minimal use of the EU-based EFSM (also reflected in the different budgets of the three) denotes an intensely liberal intergovernmentalist progression of integration.

It is the case that there is augmented decision-making capacity for EU institutions, primarily from the EC and ECB, especially in relation to key national policy areas through the MoU/policy conditionality process (e.g. budget). What is interesting is that this increase is much more considerable under the intergovernmental EFSF SA and ESM, compared to the EU-based EFSM. In other words, through these financial assistance mechanisms, these institutions were able to affect more national policy-making processes. It is worth highlighting that these institutions, through the EFSF SA and ESM, are essentially able to affect areas that would otherwise be off-limits within the EU framework. As such, supranational institutions have increased their ability to influence policy somewhat, despite the establishment of organizations outside the EU.

However, in the end, Eurozone and EU member states are set responsible for releasing or withholding financial assistance, as well as for creating, abolishing or modifying these mechanisms (at least those outside the EU framework that appear to be the most important), a finding that is consistent with intergovernmentalism. An important element to be highlighted is conditionality of the structural adjustment policies. In terms of EU integration theories, conditionality increases the ability of supranational or intergovernmental actors to affect national policy (since the member state is receiving financial assistance that is necessary for it). As such, the augment in the EC and ECB's authority through the financial assistance mechanism becomes even greater.

In relation to the EU democratic deficit, in terms of the first thematic area and the financial assistance mechanisms, the element of conditionality is, again, important. It is conditionality that increases exponential the impact of supranational-level actors on national policy-making. The increased decision-

making capacity acquired by the EC and ECB within this framework is of particular importance. Through the MoU/MAP process, they can, inter alia, assess whether there is a risk for the Eurozone by the difficulties experienced by a member state, determine the sustainability of the debt of that member state, assess its financing needs, negotiate and sign the MoU on behalf of the ESM, and monitor compliance of the member state with the MoU/MAP (CEU 2012g, 28-31). It is possible for EU institutions to be tasked with duties by organizations outside the EU, provided these duties do not alter the power conferred on them. However, the EP, in its report related to the operation of the Troika, found that there is a potential conflict of interest arising from the fact that the EC is part of the Troika but also the EU institution tasked with guarding the EU Treaties “especially ...with regard to Member States” wage and social policy, an area in which the Commission has no competence, as well as respect for the Charter of Fundamental Rights of the European Union” (EP 2014a).

Issues become quite more complicated in relation to the ECB. The ECB is a solely monetary institution of the EU, tasked by the EU Treaties (and primarily its Statute, included therein) with defining and implementing EU monetary policy, foreign exchange operations and reserves, and ensure smooth operation of the payment systems across the EU, and can submit reports to the EU or member states, but only in relation to its competences (EU 2016a, 230-1). In its role as part of the Troika, it is evident that the ECB has departed considerably from its institutional mandate, now having direct input in economic policy of individual member states¹⁹⁶; a mere example is the letter of the ECB’s President to the Italian PM in 2011, referenced in the above section of this chapter, where the ECB does not only influence economic policy broadly, but makes requests for modifications in specific policies, such as wage agreements, retirement provisions, etc. Accordingly, the EP not only finds that “the ECB has taken decisions that fall outside its mandate,” but that the ECB is prone to a conflict of interest, much like the EC, arising from its role in the Troika and as a creditor of the Eurozone member states under financial assistance, making “its

¹⁹⁶ Katseli (2016) suggests that the ECB should not be part of the negotiations.

own actions conditional on decisions it is itself part of,” and also having information related to specifics of the banking sectors of those member states and their financial situation, exerting “policy leverage on decision-makers” (EP 2014a and 2014b).

Overall, the financial assistance framework, even after the creation of three mechanisms and eight years of implementing relevant programs, has remained ad-hoc, without any sort of institutional basis, of procedural safeguards, and of transparency, while the legal foundations, even after the adoption of the relevant Two-Pack Regulation 472/2013 (next parts of this section), are somewhat uncertain. Stakeholders, along with more official institutional actors, such as national parliaments, are kept completely outside the decision-making process. Additional issues are raised by the international nature of some of the measures themselves. While exclusively including EU member states and EU institutions, the EFSF SA and the ESM are legally outside the EU framework. As such, procedural safeguards are different, even though practically all the same institutions and actors are involved in the decision-making process.

In terms of the second thematic area of participatory processes, there is simply no reference or mention of either the EP or national Parliaments in any of the financial assistance mechanism frameworks. What is more, the two most used mechanisms, including the now permanent one for the Eurozone (EFSF SA and ESM) that also have the largest capacity in terms of financial assistance (with considerable difference compared to the capacity of the EFSM), are completely outside the EU operating framework, being a company and an international organization. As such, the EP has, quite literally, absolutely no capability of any input or, at the very least, oversight capacity (in any form or kind) in relation to the activities of those two mechanisms. Concordantly, the above combined with the fact that these two mechanisms make exclusive use of only the EC and the ECB for their tasks (something that raises even more concerns about the exclusion of the EP, since other supranational, technocratic institutions of the EU were included), leads to the inability of the EP to exercise any form of oversight not only over the mechanisms themselves, but also of the EC and ECB – otherwise

EU-based institutions – when operating within the framework of these mechanisms.

The above lead to a quite interesting paradox, whereby EU institutions may not only operate outside the EU, but may also evade oversight that they are otherwise normally subjected to. This raises considerable issues, not least since the development of all three institutions within the EU, including their increases in decision-making authority, etc. (even prior to the crisis measures) has followed a parallel course: they are interconnected, and each of them provides elements necessary for the others to maintain their legitimacy, accountability, and exercise their delegated authority. Removing one (the EP), and actually increasing the decision-making capacity of the other two, leads to serious concerns regarding the democratic deficit.

In terms of the third thematic area of the EU democratic deficit, the EP has found that the financial assistance programs have led, inter alia, to high unemployment, threatening social protection, declining job quality, brain-drain and long-term structural imbalances, decreasing living standards for the middle class, and social and healthcare spending reductions (EP 2014b; Chrysogonos 2016). Furthermore, the financial assistance mechanisms, and particularly the extensive use by them of the EC and the ECB outside the EU operating framework and relevant safeguards, including a considerably increased ability of these institutions to impact the decision-making process, especially in redistributive and sensitive policy areas (above), led to substantial challenges to the interests of EU citizens. Those challenges were outlined in detail in two core CJEU precedents: *Pringle* (C-370/10) and *Ledra Advertising* (C-8/15 to C-10/15).

It originated from a case brought before the Supreme Court of Ireland against the ESM and the relevant TFEU amendment allowing for its establishment, by a member of the Irish Parliament on April 2012 (CJEU 2012, par. 24-7; also Fabbrini 2014, 93 and 95). The Supreme Court of Ireland referred the case to the CJEU, asking it (broadly) to determine if the amendment of TFEU article 136 through the simplified procedure was valid and if its content violated EU law, if, considering the EU Treaties (especially exclusive and share competences of the EU with member states), Eurozone member states had the

right to sign the ESM Treaty, and if, the ESM Treaty could have been ratified by Eurozone member states without the TFEU article 136 amendment yet having entered into force (CJEU 2012, par. 28).

The arguably novel judgements made on the following issues are especially important for the present research: strict conditionality in connection with financial assistance from the ESM, the TFEU article 125 ‘no bail-out’ clause, and the ability of EU institutions to be used outside the EU framework by member states or by other organizations, such as the ESM. In terms of the first one, the CJEU justified the use of strict conditionality “in order to ensure that that mechanism will operate in a way that will comply with European Union law” (CJEU 2012, par. 69).

Conditionality was also connected to the issue of TFEU article 125(1), in which the CJEU, in a landmark interpretation, suggested that it “does not prohibit the granting of financial assistance by one or more Member States to a Member State which remains responsible for its commitments to its creditors provided that the conditions attached to such assistance are such as to prompt that Member State to implement a sound budgetary policy” (CJEU 2012, par. 173). In other words, it pronounced that there was no overall ‘no bail-out’ clause, but only one specifically in case of debt forgiveness for example¹⁹⁷. It is worth noting that the CEU, despite recognizing as a ‘no bail-out’ clause, confirmed that “no item of European Union secondary legislation has ever provided a definition or specification of the scope of application” for it, as is provisioned and possible under TFEU article 125(2) (CEU 2016; EU 2016a, 99). In combination, the above suggest that, even if the CEU decides to proceed with specifications, it now has to conform with the above interpretation of the CJEU.

The final major issue examined in *Pringle* and relevant to this analysis is the ability of EU institutions to be used outside the EU framework. This is of particular importance in relation to the EC and ECB, which participated in the

¹⁹⁷It is interesting to note that in this broad, rather than narrow, interpretation of TFEU Article 125, the CJEU seems to have been substantially influenced by the German Constitutional Court, which, in its decision 2 BvR 987/10 on the first Greek financial assistance program, offered similar arguments (BVerfG 2011, par. 66-7; CJEU 2012, par. 130-7; Fabbrini 2014, 86-7).

Troika and were tasked with the negotiation and monitoring of the MoU and financial assistance conditionality within the EFSF SA and the now permanent ESM frameworks. However, there is a lot of criticism for entrusting EU institutions with such powers outside the EU institutional framework even under the condition that the powers accorded “do not alter the essential power conferred on those institutions’ by the EU Treaties,” as is dangerous to accord

a broad substantive discretionary power to EU institutions with no legal procedural safeguards ... [e.g.] no formal procedural constraints relating to: reasoned justification for the institutional decision to participate in such an agreement; the form in which the institutional decision is to be taken; consultation with other institutions; or securing the agreement of other institutions” and “securing accountability ex post and ex ante... and ensuring the applicability of important substantive protections such as the Charter of Rights (Peers 2013, 42-6; Craig 2014, 27-8).

In *Pringle*, the CJEU argued that establishment of the ESM “falls within the area of economic policy” (CJEU 2012, par. 60 and 160). Furthermore, it determined that the tasks entrusted to the EC and ECB by the ESM in terms of MoU negotiation and monitoring, “important as they are, do not entail any power to make decisions of their own..., solely commit the ESM,” and “do not alter the essential character of the power conferred on those institutions” by EU Treaties (CJEU 2012, par. 161-2). The CJEU even argued that, through their involvement in the ESM framework, they advance and promote the general interest of the EU is promoted (CJEU 2012, par. 164-5). Concordantly, it allowed for the creation of the ESM “provided, however that, in its operation, that mechanism complied with European Union law and, in particular, with measures adopted by the Union in the area of coordination of the Member States’ economic policies” (CJEU 2012, par. 121). It is worth noting that, despite the above, the CJEU did argue that “the Member States are not implementing Union law, within the meaning of Article 51(1) of the Charter, when they establish a stability mechanism such as the ESM” (CJEU 2012, par. 180).

Ledra Advertising (C-8/15 to C10/15) included appeals deposited by Cypriot natural persons and the company Ledra Advertising Ltd. before the CJEU against decisions of the General Court (CJEU 2016; Papadopoulos 2018, 239-42). The cases concerned a request to annul the provisions of the Cyprus MoU

relating to the recapitalization and relevant bail-in implemented at the Bank of Cyprus and Cyprus Popular Bank (CJEU 2016, par. 1 and 21; EC 2013c, 74). The appellants claimed the General Court “erred in law” in arguing that the EC and ECB “do not entail the exercise of any power to make decisions of their own,” and that Cyprus was compelled to resolve the banks through a bail-in, despite preferring to recapitalize them, because the EC and ECB favored that approach (CJEU 2016, par. 42 and 43; Papadopoulos 230-3). In addition, they argued that the General Court did not reply to the fact that, despite the obligation of the EC for the conformity of the MoU with EU law, the EC failed in such task, suggesting that the bail-in as implemented “constitutes a flagrant breach of the right to property” as protected by Article 17(1) of the Charter (CJEU 2016, par. 45 through 47).

The CJEU reaffirmed its position in *Pringle* related to the role of the EC and ECB, suggesting that despite the fact that the EC and EB “participated in the negotiations with the Cypriot authorities, provided their technical expertise, gave advice and provided guidance [...] does not enable the latter [MoU] to be classified as an act that can be imputed to them,” and the tasks allocated to those institutions by the ESM “do not alter the essential character of the powers conferred” to them by the EU Treaties (CJEU 2016, par. 52 and 53 and 56). The CJEU also held that any infringement caused on the right of property of the appellants by the bail-in was not an unjustified, “a disproportionate and intolerable interference impaling the very substance” of their right to property (CJEU 2016, par. 74). However, despite dismissing the appellants’ arguments, the CJEU also provided that, in accordance with Article 51(1) of the Charter, while the ESM is outside EU law and, hence, the Charter does not apply to the Member States when acting in the ESM framework¹⁹⁸, the Charter does bind the EU institutions used by the ESM (which have no EU law-based restriction), i.e. the EC and ECB and, specifically, in order for them to ensure that the MoU “is

¹⁹⁸The CJEU had already in 2013 refused to issue a preliminary ruling in relation to a national law implementing the MoU in Portugal and its impact on the Charter, arguing that there is no evidence that the Portuguese government was implementing EU law, and thus there was no legally binding effect of the Charter (CJEU 2013; Kilpatrick 2014, 399; Poulou 2017, 1017).

consistent with the fundamental rights guaranteed by the Charter” (CJEU 2016, par. 67). It is worth noting that this perspective had already been put forward by the majority of scholars, as well as by the Advocate General in *Pringle* (Peers 2013, 51-2; Salomon 2015, 534; Kilpatrick 2014, 405).

Taking the above precedence under consideration, the binding effect of EU law on the EC and ECB in relation to the interests of EU citizens remains rather questionable, for the simple reason that, since the CJEU itself accepts that they do not make decisions on their own, the MoU provisions can be merely agreed upon between the EU member states, and implemented at the national level by the member state receiving assistance, with the EC and ECB acting merely as agents (either at the negotiation or monitoring stages). The CJEU also found that the MoU is not an act that can be attributed to those institutions. Therefore, as mere negotiators on behalf of others, or monitors, always subject to the principle of subsidiarity (Article 50 of the Charter), they do not bear any legal responsibility for provisions included in those documents, especially in light of Article 50(2) of the Charter. Given that the implementation of the MoU is at the national level with national laws and the negotiation takes place in areas outside the competences of both the EC and ECB, legal responsibility of either institution for the MoU would de facto mean an extension of the field of application of EU law or even new or modified powers for the EU, something expressly prohibited by the above paragraph (EU 2016a, 404).

All the above, then, inexorably lead to the conclusion that EU citizens are, under the current legal and judicial status quo, to a large degree unprotected in relation to all rights included in the Charter. This conclusion is reinforced considering that, in most cases, safeguarding provisions prescribed by the Charter appear to satisfy the conditions of Article 52(1) of the Charter when implemented in relation to financial assistance, i.e. measures are adopted by law, are proportionate in one form or another, are necessary, and are presented as being in the general interest of the EU or to protect others (EU 2016a, 404). As such, even in *Ledra Advertising*, the CJEU rejected, based on the fulfillment of the above conditions, the claim of the appellants for violation of their right to property.

Concordantly, individual rights established by the Charter also seem to be challenged by the establishment of the ESM outside the EU framework and the design of the financial assistance framework as is. For example, in relation to the right to effective judicial remedy (Article 47 of the Charter), in *Pringle* the CJEU examined whether the lack of protection for this right precluded the establishment of the ESM, finding that, as member states are not implementing EU law in creating this international organization, they are not bound by the Charter and thus are free to proceed (CJEU 2012, par. 178 through 182).

Implementation of financial assistance programs in member states

The sub-section above provided an analysis of the financial assistance mechanisms in terms of their establishment and provisions. As has already been argued, however, the analysis would be incomplete without examining the implementation of the financial assistance programs by those mechanisms in Greece and, in a supporting capacity, in Ireland, in order to also look into how the processes of these mechanisms were actually realized.

Greece underwent three financial assistance programs in total. For the first one (Greek Loan Facility), which was also the very first across the Eurozone (but not the EU), the total amount committed would be 80 billion euro¹⁹⁹, with the IMF committing an additional 30 billion euro through a 3-year Stand-By Arrangement²⁰⁰ (IMF 2010a; Kyriakidis 2016a, 13). Hence, GLF consisted of

¹⁹⁹ Eventually, this would be reduced to 52.9 billion euro, with Slovakia not participating, and Ireland and Portugal being excluded after having requested financial assistance themselves (EC 2020f; EFSF SA 2016, 10).

²⁰⁰ Provision of “short-term assistance to countries coping with crises and ensuing problems with balance of payments, with a duration of two (and a potentially third) years” (Kyriakidis 2016a, 13). The amount exceeded 600% of Greece’s IMF quota, which at the time stood at approximately 1 billion euro (2900% of quota) and thus exceptional access under IMF rules required (IMF 2020c; Kyriakidis 2016a, 13-4). According to the IMF’s view, Greece did not have an outlook “compatible with a high probability of debt sustainability,” and, hence, did not satisfy one of the four criteria for exceptional access (Kyriakidis 2016a, 14). However, “because the provision of assistance was deemed necessary to avoid adverse effects for the Euro and instability for the global economy, the IMF’s Executive Board amended this criterion and permitted exceptional access even when it is ‘difficult to state categorically that there is a high probability that the debt is sustainable,’ provided that there is ‘a high risk of international systemic spillovers’,” which was

four elements, all entered into within the first 10 days of May 2010 (a framework mostly followed throughout the crisis for all Eurozone member states under assistance)²⁰¹:

- Financial Assistance Facility Agreement (FAFA), in this case between Greece and all other Eurozone member states, which outlined the modalities of the financial assistance (Ireland 2010, 26-45),
- Intercreditor Agreement between the Eurozone member states except Greece, which contained specifics relevant to the relationship between the member states (Hellenic Parliament 2010a, 38-57; Ireland 2010, 5-25),
- Memorandum of Understanding (MoU)²⁰² between Greece and the EC (representing the Eurozone member states), which included the policy conditionality of the financial assistance (EC 2010, 42-95), and
- CEU Decision 2010/320/EU, in the context of the EDP in a novel combination with TFEU article 136 (CEU 2010g).

The CEU Decision provided the only connection of the entire process, otherwise completely international and intergovernmental in nature, with the EU operating framework. In terms of the actual policy front, following the above and the enactment of Greek Laws 3845/2010 and 3847/2010²⁰³ that included the policy conditionality outlined in the MoU above²⁰⁴, as well as the MoU itself, from the next day and for the following one-and-a-half year, massive demonstrations took

again modified in 2016 (requiring funding from other sources to restore debt sustainability; Kyriakidis 2016a, 14).

²⁰¹ The sources for the FAFA and the Intercreditor Agreement were provided by the EC, after a relevant request and ensuing communication (EC 2020g).

²⁰² On the European side, the MoU is titled ‘Memorandum of Understanding on Specific Economic Policy Conditionality’ (e.g. EC 2010a, 59) or simply ‘Memorandum of Understanding’ under the now permanent European Stability Mechanism framework (e.g. EC 2015b), while, on the IMF’s side, the MoU is titled ‘Memorandum of Economic and Financial Policies’ (e.g. EC 2010a, 39; IMF 2010b, 1).

²⁰³ Under article 73(2) of the Greek Constitution, provisions relating to pensions must be the primary, or only, subject-matter of a Law and the relevant Bill must be accompanied by a report of the Court of Audit, under penalty of nullity for these provisions if otherwise (Hellenic Parliament 2008, 81-2). In the case of Law 3845/2010, while it did include pension provisions (articles 10-15), none of the above conditions were met¹. Therefore, Law 3847/2010 was enacted for those pension provisions (articles 1-4 are verbatim article 10-14 of Law 3845/2010).

²⁰⁴ Note that the MoU, and the policy conditionality included therein, was the only part of the GLF introduced into the Greek legal order, and with the question of whether even the MoU was legally approved remaining a matter of debate (Kyriakidis 2016a, 15).

place in Greece recurrently, with attendees ranging from a few thousand to an estimated 100.000 (Hellenic Republic 2010b and 2010c; Kyriakidis 2016a, 10).

The second Greek financial assistance program consisted, on the EU's side, of financing only from the EFSF SA at the amount of 141.8 billion euro²⁰⁵, with CEU Decision 2011/734/EU²⁰⁶ (which recast the previous CEU Decision 2010/320/EU²⁰⁷ of the GLF) serving as the EU legal foundation for the process (ESM 2020b; CEU 2011f; EC 2012b). This time, the CEU Decision was considerably more detailed in terms of policies to be implemented, specific laws to be adopted in specific intervals, etc., and also more extensive: the previous Decision numbered just 5 pages (although its amending Decisions had extended that somewhat), while this one had triple the amount of pages, i.e. 15. Unlike Portugal and Ireland, who received combined EFSM and EFSF SA assistance, and, hence, their CEU Decisions were based on Regulation 407/2010, in the case of this second Greek program, assistance was only originating from the EFSF SA, and, as such, the relevant CEU Decision was (much like its original, un-recast, version) on the combination of the EDP with TFEU article 136. On the IMF's side, the previous SBA was cancelled (as of March 2012), and a new, 4-year, EFF was requested for a total amount of 28 billion euro, or over 2.100% of Greece's IMF quota, of which, eventually, only 12 would be disbursed (IMF 2012a; Kyriakidis 2016a, 13)²⁰⁸.²⁰⁹

²⁰⁵ The amount included 45 billion euro of the GLF that had remained undisbursed (Zois 2011).

²⁰⁶ This new Decision was further amended another 3 times until today, under CEU Decisions 2011/791/EU, 2012/211/EU, and 2013/06/EU, the last of which, adopted in December 2012, extended the period within which Greece had to end the excessive deficit by 2 years from the reference year of Decision 2010/320/EU (2014), to 2016 (CEU 2013c).

²⁰⁷ The original CEU Decision had, in the meantime, been amended 3 times up to that point (CEU Decisions 2010/486/EU, 2011/57/EU, and 2011/257/EU; CEU 2011f, 38).

²⁰⁸ The EFF went off-track since 2014, with only 5 out of the 16 program reviews being concluded, and was finally cancelled at the request of Greece in January 2016 (IMF 2017a,1)

²⁰⁹ The original PSI agreed on July 2011 involved a "private sector voluntary...participation for a projected 21% reduction...on the Greek bonds' Net Present Value" (Kyriakidis 2016a, 18). However, it was never initiated because of, inter alia, the fact that the ECB, the largest holder of Greek bonds (16.3% in 2012), did not participate, that the bond maturity was restricted to bonds ending on 2020 and not beyond, that the coupons had a high value, and that the deepening recession made the 21% ultimately insufficient to restore solvency (Koutras 2012; Zettelmeyer et

Greek Law 4046/2012 included drafts of the relevant MoU and FAFAs (Deutscher Bundestag 2012, 2; EFSF SA 2012b, 2; Hellenic Republic 2012a)²¹⁰. The documentation was considerably more complex compared to the GLF, or compared to any of the programs of other Eurozone member states, primarily because of the technicalities of the PSI. On the side of policy conditionality, there was the MoU and, in addition, a PSI MoU, while, on the side of FAFAs, there were the Bond Interest Facility Agreement, the PSI – Liability Management Facility Agreement, the ECB Credit Enhancement Facility, the Co-financing Agreement, the Existing Bank Recapitalization Facility and the Master Fafa,

al. 2013; 5-8). Because of that, in the October 2011 Eurosummit a reinforced PSI, termed PSI+, was agreed, “involving a 50% or more reduction in the Greek bonds’ nominal value” (EURO 2011g; Kyriakidis 2016a, 18). Compared to the simple PSI, which had several options for bondholders, the reinforced version was in the form of a ‘take-it-or-leave-it’ package, but was still voluntary in nature. It was projected to cut an approximate projected €100 bln from the Greece’s debt (Zettelmeyer et al. 2013, 9; To Vima 2011). The voluntary nature of the PSI/PSI+ was essential because in order to avoid the characterization of a credit/default event by the International Swaps and Derivatives Association (ISDA, an organization existing since 1985 that regulates credit risks, increases transparency and improves the operational infrastructure of the derivatives and relevant transactions), triggering Credit Default Swaps (CDS, insurance for a country’s default/debt restructuring) pay-outs (ISDA 2020a). Despite the originally announced voluntary nature, eventually it was deemed necessary to make use of Collective Action Clauses (CACs, clauses that extend a decision of a majority of shareholders to all shareholders. However, Greek bonds were, in their overwhelming majority (86% of eligible debt), issued under Greek and not English law, which automatically includes CACs, and hence needed unanimity to be modified (Zettelmeyer et al. 2013, 11). Therefore, Greek law 4050/2012 was enacted in February 2012, which essentially ‘retrofitted’ CACs to all Greek bonds issued under Greek law (introducing a 2/3 majority for the modification of all bonds; Hellenic Parliament 2012b). These bonds had an “aggregate outstanding amount of approximately 177 billion euro (Hellenic Ministry of Finance 2012, 1). This led the ISDA’s Determinations Committee for Europe to evaluate this as a credit event triggering the activation of CDS (ISDA 2012a). The total exposure of CDS sellers was determined by the ISDA, Inc. to be 3.2 billion USD, and the CDS auction resulted “in payouts of €2.5 billion to protection buyers,” a relatively low 2% of the total size of the restructuring (ISDA 2012b; Zettelmeyer et al. 2013, 16). It is interesting to note is that almost all the members of the ISDA’s Determinations Committee at the time were also credit institutions participating in the CDS auction (ISDA 2020b). After the conclusion of the PSI+ process, an estimated decline of approximately 107 billion euro to Greece’s debt face value had been achieved (Zettelmeyer et al. 2013, 13; Creditex Group Inc. 2012).

²¹⁰ The Master Fafa was introduced in the Greek legal order through Law 4060/2012 (Hellenic Republic 2012c), and its later first amendment and the amendment of the PSI.

signed a few days after the rest (EC 2012c; EFSF SA 2012c, 2-3; ESM 2018b, 4)²¹¹.

Finally, the third Greek financial assistance program provided for up to 86 billion euro in financing across 3 years, with an additional immediate buffer (for repayment of various obligations, primarily of the aforementioned outstanding IMF arrears and of 3.5 billion euro to the ECB by 20 July 2015) to cover urgent financing needs of Greece for July and August amounting to a total of 12 billion euro (Rankin 2015). This was, hence, a composite program. The EFSM component consisted of a ‘bridge’ loan at the amount of 7.16 billion euro, based on CEU Decision 2015/1181²¹² of 18 July 2015, which, *inter alia*, cleared the arrears of Greece to the IMF (CEU 2015m; IMF 2015e)²¹³. The ESM component, i.e. the primary part of Greece’s third financial assistance program, included financial assistance for a total amount of up to 86 billion euro (eventually only 61.9 billion euro would eventually be disbursed; ESM 2018b, 3 and 2020d)²¹⁴. It consisted of an MoU, agreed, endorsed by the Eurogroup, and eventually entered into in August 2015, and a FAFA entered into at the same time (CEU 2015p; ESM 2018b, 2-3 and 24).

On the EU’s side, in accordance with Regulation 472/2013, which had, since, come into force and was, for the first time, implemented, CEU Decision

²¹¹ The Master FAFA has since been amended 4 times, and the Bond Interest Facility and the PSI – Liability Management FAFA have been amended once each (EC 2020g). The first amendments of the Master FAFA and the PSI – Liability Management FAFA were introduced into the Greek legal order through Law 4111/2013 (Hellenic Republic 2013c).

²¹² This program was initiated after Regulation 472/2013 entered into force, and therefore the additional CEU Decision 2015/1182 ensured that the measures outlined were part of Greece’s MAP (CEU 2015n). In addition, due to the reservations of non-Eurozone EU member states regarding the provision of financial assistance to Greece, EFSM Regulation 407/2010 was amended in August 2015 by Regulation 2015/1360 in order to provide these member states with, *inter alia*, additional safeguards for repayment (CEU 2015o).

²¹³ This opened the way for Greece to request IMF financial assistance. Given the aforementioned position of the IMF in relation to the unsustainability of Greek debt combined, a discussion on potential additional debt relief measures was initiated, with some Eurozone member states, including primarily Germany, remaining quite reticent as to the potential extent of these measures (Reuters 2015).

²¹⁴ Note that part of the amount was used to repay the EFSM ‘bridge’ loan (CEU 2015o, 2).

2015/1411 approved Greece's MAP for the program (CEU 2015o)²¹⁵. Two sets of measures (with deadlines of 15 and 23 July 2015; Wall Street Journal 2015;), which were agreed to be implemented prior to the conclusion of negotiations for the ESM program were introduced into the Greek legal order under Law 4334/2015 and Law 4335/2015, while the eventually agreed provisions of the program, including drafts of the MoU and FAFA, were introduced under Law 4336/2015²¹⁶, which was enacted on 14 August 2015, five days prior to the

²¹⁵ There seemed to be an inconsistency, since the same Decision was issued again a year later in 2016 under number 2016/544 (CEU 2016b). After correspondence with the CEU, it was clarified that the Decision "was adopted by written procedure" in English only, while "the other languages were adopted only in February 2016," upon which instance the Decision "was given a new number: 2016/544" (CEU 2020b). It was later amended in 2017 by CEU Decision 2017/1226 (CEU 2017b).

²¹⁶ The process leading up to the voting of this Bill was tumultuous. The Bill was deposited on 12 August 2015 a little after midnight, with a request by the government and the PM for the voting to be concluded within 24 hours by 13 August, primarily on account of the scheduled Eurogroup convening the next day at 16:00 (Hellenic Parliament 2015b; Hellenic Parliament 2015c, last three pages; Hellenic Republic 2015r; Hellenic Parliament 2015d, 4788-9). The Conference of Parliamentary Chairmen (of the following: Speaker, former Speakers that have been elected, Deputy Speakers, President of Standing Committees, President of the Committee on institutions and transparency, the Presidents of Parliamentary Groups and one independent Member of Parliament acting as a representative for the independent Members of Parliament provided that they are at least five), responsible for determining whether the plenum is convened and what the agenda is (article 14 of the Standing Orders of Parliament), met in an emergency meeting on the same day, under intense circumstances, as many of its members, who were elected with SYRIZA, including the Speaker, were unwilling to condone to convening the plenum and, thus, to facilitating the adoption of yet another financial assistance program, while elected expressly on a different platform (Hellenic Parliament n.d., 8-9). The Conference decided to discontinue the Parliament's summer break (6-16 August), and introduce the Bill to the relevant Parliamentary Committees, all of which voted in favor of both the Bill and its designation as very urgent (according to article 109 of the Standing Orders of Parliament, voting on very urgent Bills limited in one sitting of a duration of, at most, 10 hours) on the morning of the next day (13 August; Hellenic Parliament n.d., 84-5). It is worth noting that the Bill, which included the MoU, the FAFA, and relevant provisions implementing those within the Greek legal framework, numbered close to 400 pages. The Conference of Parliamentary Chairmen met again immediately after the Committees' vote, to decide on when the Bill would be introduced for voting in the plenum, as well as whether its opinion on introducing to the plenum two amendments to the Bill by the Government, which were submitted on the same day but were late (in accordance article 74 of the Greek Constitution and article 87 of the Standing Orders of Parliament, any amendments or additions are submitted at least 3 days prior to the commencement of the debate and, in case of dispute, the plenum decides by vote; Hellenic Parliament n.d., 68 and 2008, 82-4 and 2015e). There were issues particularly with one of the amendments, which introduced modifications to the pension regime of civil servants, which, with the accompanying documents and was 73 pages long. According to article 73 of the Greek Constitution, pension provisions cannot be included in

signing of the MoU and FAFA (Hellenic Republic 2015o and 2015p and 2015q; ESM 2018d). The plenary session of Parliament for voting Law 4336/2015 lasted approximately 9 hours (Hellenic Parliament 2015d, 4787 and 4996), with many MPs of the governing SYRIZA-ANEL coalition strongly disagreeing with approving a third financial assistance program while being elected on an expressly opposite platform and considering the outcome of the referendum. The final tally was 222/300 MPs in favor, with most MPs from the majority opposition also voting in favor of the Bill, but the coalition government was left with 110/300 MPs, as 39 MPs in total from SYRIZA chose to not vote for the Bill (either vote against, vote present, or be absent; Hellenic Parliament 2015d, 4891; Ta Nea 2015).

The financial assistance programs of the rest of the Eurozone member states that received on are as follows. In the Irish case, the EFSM and the EFSF SA were used on the part of the EU (as opposed to the GLF that included bilateral loans), providing a total of 22.5 and 17.7 billion euro respectively, while on the part of the IMF, a 3-year Extended Fund Facility (EFF)²¹⁷ was used, providing a total of approximately 21.81 billion euro (EC 2020h; ESM 2020a;

Bills pertaining to other matters under penalty of nullity (however, other provisions can be included in Bills that pertain to pensions; Hellenic Parliament 2008, 81-2). At the time, the Bill was titled “Ratification of the Draft Financial Assistance Agreement of the European Stability Mechanism and provisions for the implementation of the Financing Agreement” (Hellenic Parliament 2015f, 154). Therefore, during the Conference, the opinion was expressed that the amendment could not be introduced for discussion. Eventually, the title of the Bill (and, after voting, Law) changed, with the phrase “Pension provisions” added in front of the existing title (thus transforming the Bill into a pension Bill that simply included additional provisions). In terms of the amendments, the Conference reached an agreement to opine that they should not be introduced to the plenum. However, as to when the plenum should be convened, the Conference was initially unable to reach a decision. The votes were 10/20 in favor of convening the plenum immediately, 8 were against and 2 voted present, but decisions of the Conference need to be taken with absolute majority of those present (11/20; in case of a tie, the Speaker’s vote determines the outcome, but in this case, there was not tie; Hellenic Parliament 2015e, 30). There was an impasse, but finally one of the SYRIZA MPs Deputy Speaker, altered his vote to align with the majority. The Conference ended at approximately 01:00 on 14 August, and the plenary sitting of the Parliament began an hour later (Hellenic Parliament 2015e, 53-4).

²¹⁷ EFF includes “medium to long-term financial assistance to countries with serious payments imbalances, with a duration of three (and a potentially fourth) years” (Kyriakidis 2016c, 66).

IMF 2013b)²¹⁸. The program was activated in December 2010 and included CEU Decision 2011/77/EU, issued pursuant to the provisions of the EFSM Regulation 407/2010 and serving as the EU basis for the provision of financial assistance and the policy conditionality attached, the Loan Facility Agreement (with the EFSF SA), outlining the financial specifics of the assistance, and the MoU, which included the policy conditionality of the assistance (CEU 2010i; EC 2011a).

For Portugal, on the EU's side, combined EFSM and EFSF SA assistance was provided at the amount of 26 billion euro from each (52 billion euro in total), while, on the IMF's side, 26 billion euro was provided under a 3-year EFF, bringing the total amount of committed assistance to 78 billion euro (EC 2020i; IMF 2011b and 2014). The program was unanimously approved at the Eurogroup/CEU meeting and activated on May 2011, with CEU Decision 2011/344/EU, based on EFSM Regulation 407/2010, serving as the EU-framework legal basis, a Loan Facility Agreement (with the EFSF SA) and the MoU (CEU 2011c and 2011d; EC 2011b).

Spain, which received assistance only for its banking sector, underwent a program that was not combined with IMF funding, although the IMF was involved in the policy conditionality along with the EC, ECB, the EFSF SA and the newly-established EBA (since the assistance was for bank recapitalization). The amount made available was originally 100 billion euro, but only 41.3 billion was eventually used. The program consisted of a FAFA and an MoU while CEU Decision 2012/443/EU serving as the EU legal basis. The IMF side of the program included only a 2-page document outlining the terms of reference for IMF Staff monitoring in the context of the EU program (ESM 2012a; EC 2012f; CEU 2012e; IMF 2012b and 2012c)²¹⁹.

²¹⁸ The total amount of the program was 85 billion euro, with the remaining funds being provided through bilateral loans with the UK (3.8 billion euro), Sweden (600 million euro) and Denmark (400 million euro; EC 2020h).

²¹⁹ As the IMF did not contribute with any financing, it did not participate to the MoU or the overall financial assistance, and hence the legal basis for its monitoring was article V(2)(b) of the IMF's Articles of Agreement, which provides for the possibility of the IMF performing "financial

The Cyprus program included a total amount of assistance of 10 billion euro, with the EU side (ESM again) providing up to 9 billion (eventually, only 6.3 billion were disbursed) and the IMF providing approximately up to 1 billion euro through a 3-year EFF (IMF 2013). Similar to all other Eurozone financial assistance programs, except Spain's, the Cyprus program included an MoU, a FAFA and CEU Decision 2013/236/EU serving as the EU legal foundation of the program (EC 2013b; ESM 2013; CEU 2013e).

Looking at the two cases examined in this research in relation to the implementation of the financial assistance programs, Greece has received a total of 256.6 billion euro in financial assistance from the EU, undergoing three (and a half) programs (the first through the GLF, the second through the EFSF SA, the 'bridge' loan by the EFSM, and the third through the ESM) in a little over 8 years between April 2010 and August 2018 (CEU 2020d)²²⁰. There are three corresponding primary MoUs between the EC (representing either the Eurozone member states in the GLF, the EFSF SA or the ESM) and Greece (EC 2010a, 46-95; EC 2012b, 93-184; ESM 2015c), which include the policy conditionality attached to the financial assistance (and the technical terms in the Technical MoU), and various updates to each of those.

The conditionality aspect in the MoUs is clearly stated, in the beginning of each of the ones for the first two programs, there is a type of disclaimer. In the MoU for the GLF it reads

The quarterly disbursements of bilateral financial assistance from euro area Member States will be subject to quarterly reviews of conditionality for the duration of the arrangement. The release of the tranches will be based on observance of quantitative performance criteria, and a positive evaluation of progress..., which specifies the detailed criteria that will be assessed for the successive reviews [...] The authorities commit to consult with the European Commission, the ECB and the IMF on adoption of policies that are not consistent with this memorandum. They will also provide them with all

and technical services...that are consistent with the purposes of the Fund" if requested (IMF 2020d, 102).

²²⁰ Greece also received a total of 32 billion euro (approximately) by the IMF through an SBA between 2010 and 2012, and an EFF between 2012 and 2016, corresponding to an approximate 2465% of its quota to the IMF.

requested information for monitoring progress during program implementation and the economic and financial situation... (EC 2010a, 64).

In the MoU for the second program (EFSF SA), it reads

The disbursements of financial assistance to Greece, by the European Financial Stability Facility (EFSF), are subject to quarterly reviews of conditionality for the duration of the arrangement. The release of the tranches will be based on observance of quantitative performance criteria and a positive evaluation of progress made with respect to policy criteria [...] Greece commits to consult with the European Commission, the ECB and the IMF staff on the adoption of policies falling within the scope of this Memorandum allowing sufficient time for review. The Government [...] will fully cooperate with the Commission, the ECB and the IMF ...to strengthen the monitoring of programme implementation, and will provide ...access to all relevant data and other information in the Greek administration. However the ownership of the programme and all executive responsibilities in the programme implementation remain with the Greek Government (EC 2012b, 123).

It is interesting to note the addition of the last sentence relating to the “ownership of the program and all executive responsibilities” of it in the MoU for the second program as opposed to that of the GLF. Issues are much more concise and legally clear in the MoU for the third program – as expected because of the establishment of the ESM as an international organization. In that MoU, Recital (D) stipulates

the Memorandum of Understanding has been negotiated and finalised between the European Commission (on behalf of the ESM and with the approval of its Board of Governors) - in liaison with the ECB – with input from the IMF, and the Beneficiary Member State. The financial assistance to be provided to the Beneficiary Member State by the ESM shall be dependent upon compliance by the Beneficiary Member State with the measures set out in the Memorandum of Understanding (ESM 2015c, 2).

It is further highlighted that the MoU “details the conditionality attached to the financial assistance facility [...] (and) will be updated on a quarterly basis,” and that the Greek government commits to consulting with the Troika “on all actions relevant for the achievement of the objectives of the Memorandum of Understanding before these are finalized and legally adopted” (ESM 2015c, 4). Accordingly, the EU side of the MoUs, i.e. the relevant CEU Decisions, reflected the above (CEU 2010g, 7 and 2011f, 39 and CEU 2015o, 12).

In terms of the secondary case of this research for the national level, Ireland received a total of 40.2 billion euro for its one and only financial assistance program across 3 years between 2011 and 2013. The program was with the EFSM in combination with (later) the EFSF SA, and included an MoU with

the policy conditionality attached to financial assistance (EC 2011a, 46-82). The MoU had similar provisions as to the MoU for the second program of Greece in terms of conditionality/ownership (EC 2011a, 59).

The MoUs in general, and especially those of Greece, are considerably extensive in terms of length, types of policies affected, and level of impact at the national level policy-making process. For the first and second Greek programs, Kyriakidis (2017) identifies the following categories and sub-categories of policies affected (14-5):

- Budget (e.g. alterations in the state and local government enterprises' budget, arrears);
- Taxation (e.g. VAT, wage taxation, excise and luxury taxes, presumptive taxation, levies, gaming and telecommunications licenses, real estate taxes, fines for unauthorized construction, customs code, tax collection systems, solidarity tax);
- Public administration (e.g. public employees remuneration and pensions, public employment policy, including reductions, labour reserve, mobility scheme, etc., revenue administration reform, including closure of offices, object and number of audits, etc., State-Owned Enterprises & public entities policies restructuring, price controls and closures, government statistics overhaul, local government reform);
- Energy (e.g. electricity/gas policies, tariffs, etc., liberalisation);
- Labour market (e.g. liberalization of restricted professions, reorganisation of private sector workplace, including minimum wage, collective agreements, overtime, employment protection laws, list of heavy and arduous professions, etc., modification of the business environment, including setting-up and resolution of companies, enterprise licensing, etc., policies on competition, public investments, unemployment benefits, imports and exports);
- Healthcare (e.g. health funds, hospital restructuring, including accounting, pricing, etc., pharmaceuticals, including generics/off-patent over brand, etc., hospital staff);
- Education (e.g. franchised diplomas and professional qualifications);
- Transportation (road freight, railway sector liberalisation, buses, coaches, taxis, ferries);
- Social welfare (e.g. social benefits, Social Security Funds, unemployment benefits, list of disabilities);
- Banking sector (e.g. loans, mergers/acquisitions/resolutions, Bank of Greece),
- Research & development (e.g. public and private),
- Public procurement,
- Privatizations (e.g. state-owned real estate, airports, ports, banks, utilities companies);

- Overall legislative changes (adoption of new legislation and repeal of old legislation, establishment of new agencies).

Considering the above elements, it is, then, unsurprising that negotiations relating to the MoUs were intense, with Troika enjoying considerable input even at the draft legislative stage of the policy process (Katseli 2016), de facto oftentimes limiting substantially the ability of the legislature to both draft and pass legislation completely independently (Chrysogonos 2016).

When analyzing the implications of the above on the mode and direction of EU integration, it may seem odd, but they have led to neofunctionalism. First of all, in the implementation of policies, citizens had limited (direct or indirect) participation, and most policies were agreed between executives and EU/international institutions. In addition, the direction of the policies is considerably neoliberal, having extensive similarities with the so-called ‘Washington consensus’²²¹. This was applicable for the programs of both Greece and Ireland. This raises an interesting point, not often raised in relation to financial adjustment programs: the structural adjustment policy conditionality resulted in promoting a largely one-sided policy paradigm, and, as such, eliminated a considerable amount of the differences in various policy areas the periphery Eurozone member states had both with the paradigm but also with the core member states. From an integration point of view, then, this has led to an increase in the integration among them. Therefore, the above, again, indicate a largely neofunctional turn to integration. While seeking assistance was a rational behavior by the Eurozone member states under programs, the policies included in those programs resulted in bring them closer (at least ‘on paper’) to the core Eurozone member states. That is notwithstanding the intense politicization of relevant issues, and the objections raised through which proved (relatively) temporary and, in any case, did not seem to hinder the progression of the crisis measures.

²²¹ As Harvey (2005) informs, the principles of fiscal discipline, redirecting public expenditure toward high economic returns, tax reform, competitive exchange rate, interest rate liberalization, trade liberalization, liberalization of foreign direct investment, privatizations, deregulation, and securing property rights, were proposed as the answer to the crises of the 1960s and 1970s (13; Birdsall et. al. 2010, 7).

What of the impact on the EU democratic deficit? In terms of the first thematic area, the augmenting of the decision-making capacity at the supranational level is evident. The MoUs cover nearly every domestic policy area, and impact it considerably. Also considering the conditional character of financial assistance, the impact on national policy-making processes becomes considerable. What is important to note is that none of the provisions referenced in the CEU legal instruments relating to financial assistance (in Greece or Ireland for example), and none of the provisions referenced in the relevant Regulation 472/2013, includes the possibility of making the policies outlined in those instruments conditional upon receiving financial assistance, as also referenced in the previous section of this chapter. As such, the *de facto* legal nature of these instruments is questionable: through their connection with the MoU process, they acquire a conditional character, otherwise inexistent in the provisions of EU primary law upon which they are based. Even more interesting is the fact that, when voting under these procedures (e.g. TFEU articles 126 or 131), the CEU decides without the member state concerned. While this is logical when deciding on violations or penalties regarding economic policy, etc., this process is now used to vote on specific policies and timetables that a Eurozone member state must implement, without its own input. This seems paradoxical and challenging in terms of the democratic process, even within the very intergovernmentally-based CEU.

It is also democratically problematic that, under the above policy conditionality framework, a Eurozone member state receiving financial assistance must resign from its immunity on state property. For example, for Greece this was done through an opinion of a Legal Advisor to the State (Charitaki 2012). As Kyriakidis (2016c) notes, while a state's public property is, in principle, immune, English law (the applicable law throughout all MoUs and FAFAs of Eurozone member states under financial assistance), and specifically the UK's State Immunity Act of 1978, provisions that "a state's property is immune²⁵⁹ from any legal proceedings, except for when the state gives a written authorization that declares otherwise" (172). Accordingly, the Rome Convention on the Law Applicable to Contractual Obligations, a contractual obligation may

not be implemented should it run contrary to the ordre public of the state in which it is to be enforced (CEU 1980, 5). Greece, hence, waives its immunity under the UK's State Immunity Act and, as far as the Rome Convention is concerned,

while it is provisioned within the ...FAFAs that this immunity is to be suspended except where mandatory law provides otherwise..., the term mandatory law is not applicable within the Greek legal system. Within the context of protection of public property against private entitlements, article 4(1) of Law 3068/2002 prevents claims on —an object which has been tasked for the direct service of a specific public purpose” (Hellenic Republic 2002, 4986). However, it is not clear if this falls within the term mandatory law (Kyriakidis 2016c, 172).

and, in any case, the legal opinion pre-emptively accepts that the FAFAs are not contrary “to mandatory provisions of Hellenic law, to the ordre public of the Beneficiary Member State, to international treaties or to generally accepted principles of international” (Charitaki 2012). Chrysogonos (2016) does suggest, however, that the above Legal Opinions are “completely unfounded, because in no case can there be execution (of claims) in relation to public property.”

Six-Pack

The Six-Pack is the most extensive overhaul of the EU budgetary discipline and budgetary oversight framework for all EU member states. In short, Regulations 1175/2011 and 1177/2011 are the two main ones amending the SGP. The first modifies Regulation 1466/97 (the preventive ‘arm’; EP & CEU 2011g; CEU 2011g). The main modification is the introduction of the European Semester, the “annual...cycle of enhanced economic and fiscal policy coordination at EU level” (Ireland 2020). During the Semester, the CEU conducts reviews and coordinates the implementation of a set of policies, including the broad economic policy guidelines (TFEU article 121) and national economic policies, the employment guidelines (TFEU article 148), the potential for macroeconomic imbalances (Regulation 1177/2011) and measures to address them, the Stability Programs (3-year budget plan for Eurozone member states), the Convergence Programs (3-year budget plan for non-Eurozone member states), and the National Reform Programs (annual programs of policies under way, provisioned for in Europe 2020; EC n.d.; CEU 1997a, 3-5; EC 2010c, 32). Should

guidance be address to any member state on any of the above, it should be taken in “due account...before taking key decisions on...national budgets for succeeding years. Sanctions are provisioned if there is a failure to comply with the above guidance. The second Regulation (1176/2011) modifies the corrective ‘arm’ of the SGP (Regulation 1467/97) that relates to the EDP, further enhancing the sanctions imposed, and specifying further the process of the EDP and, primarily, when an excessive deficit can be considered exceptional.

Regulations 1173/2011 and 1174/2011 are addressed only to Eurozone member states. The first, inter alia, introduces stricter SGP sanctions for Eurozone members, and clarifies sanctions imposed in case of statistical inaccuracies (largely due to the recurring issues of Greek statics as outlined above). It also includes a provision of delegation for imposing sanctions to the EC. The second, inter alia, addresses the possible existence and correction of macroeconomic imbalances within the Eurozone, and sanctions that may be imposed within that framework (EP & CEU 2011e and 2011f).

Finally, Regulation 1176/2011, addressed to all EU member states, introduces the Excessive Imbalance Procedure (EIP), the equivalent of the EDP but for macroeconomic imbalances, along with the alert mechanism (scoreboard) for those imbalances (similar structure to the corrective and preventive ‘arms’ of the SGP), while Directive 2011/85/EU introduces provisions relating to, inter alia, the budgetary frameworks of EU member states, including delineation of numerical fiscal rules (debt and deficit TFEU criteria), and the establishment of the Medium-Term Budgetary Framework (MTBF) of at least 3 years (EP & CEU 2011h; CEU 2011h).

It is important to highlight that the Six-Pack is the first major legislative instrument within the EU, concerned with the most highly sensitive policy area of member states (economic, fiscal and budgetary policy), to prominently introduce the process of reverse Qualified Majority Voting (rQMV) in the CEU in favor of EC proposals. In other words, in most cases, an EC proposal (for example to impose a fine to a Eurozone member states in violation of SGP criteria) is considered adopted in the CEU, unless a rejecting qualified majority (in the cases of Regulations 1173/2011, 1174/2011, 1176) or simple majority (in

the case of Regulation 1175/2011) is formed and only within 10 days from the date the EC adopted the proposal.

The MTBF of Directive 2011/85/EU is a three-year budgetary commitment by member states that shifts the annual budgetary focus to the medium term (CEU 2011h, 46). Regulation 1176/2011 introduces the EIP, the equivalent of the EDP but for macroeconomic imbalances. In the EIP, after surveillance by the EC and ECB (based on the alert mechanism – a scoreboard for predicting macroeconomic imbalances), which can be initiated even under mere suspicion by the EC that imbalances may affect a member state in the future and which may include on-sight missions to member states by the EC and ECB, the CEU issues recommendations to the member state concerned that have to be included in a plan and timetable of that member state (EP & CEU 2011h, 26-7). Regulations 1173/2011 and 1174/2011 are addressed only to Eurozone member states, with the former imposing stricter fines and sanctions (e.g. interest-bearing deposits) for violations of the debt and deficit criteria or of TFEU article 126 (EP & CEU 2011e, 2-6). The latter Regulation also delineates and intensifies fines for macroeconomic imbalances that remain uncorrected, essentially further reinforcing the EIP within the Eurozone (EP & CEU 2011f, 8-10). In all three Regulations, rQMV is applicable to EC proposals.

Perhaps the most important process introduced in the Six-Pack is the European Semester of Regulation 1175/2011 (the amendment to the preventive arm of the SGP; EP & CEU 2011g, 15). It is essentially an overall economic and financial policy monitoring framework, including monitoring of economic policies implemented across EU member states, and has been expanded to other policy areas, monitoring the formulation of employment guidelines, the stability or convergence programs, the national reform programs on the EU's growth and jobs strategy, and the surveillance to prevent macroeconomic imbalances. The CEU can "address guidance to the member states" in the form of Recommendations, which they "shall take due account [of] [...] in their development of their economic, employment and budgetary policies before taking key decisions on their national budgets for the succeeding years." Failure to adhere to the above may result in further recommendations with specific

measures, EC warnings, or even sanctions, while the EC is tasked with “reinforced monitoring” that “may include surveillance missions” with on-site monitoring (EP & CEU 2011g, 12 and 15-16 and 23). An interesting observation is that the legal foundation of the Regulation, set as TFEU article 121, only provides for the ability of EU institutions to adopt “broad guidelines of economic policies,” and not specific ones or ones related to other policy areas (EU 2016a, 97). Regulation 1177/2011, the second main SGP revision (corrective arm), introduces similar provisions as 1175/2011 in relation to the EDP.

In terms of the mode and direction of the EU integration process, it is clear that the provisions included in the Six-Pack, strengthening coordination between both EU and Eurozone member states through stricter penalties, denote a primarily neofunctionalist perspective. After all, the Six-Pack is the most comprehensive attempt among the crisis measures to address the issues relevant to lack of economic policy coordination between member states (albeit still falling somewhat short). In essence, from the perspective of the EU integration process, this is an incremental attempt to further proceed with and expand the breadth of economic integration in additional fields, in order to address shortcomings remaining from the lack of such integration at previous stages.

Accordingly, the EC, a primarily supranational instrument, becomes considerably more powerful vis-à-vis other intergovernmental institutions, such as the CEU, with the widespread introduction of rQMV instead of QMV: its decisions are now a priori deemed adopted, unless a blocking majority is formed in the CEU. The European Semester of Regulation 1175/2011, now expanded to areas beyond economic policy, acts as a supranational policy coordination and monitoring ‘clock’. Again, the EC gains increased ability to monitor and coordinate national policies of member states. Again, the Six-Pack was aimed at addressing the shortcomings originating from the incomplete or otherwise insufficient coordination of economic policies across EU and Eurozone member states, whether through improved processes or stricter penalties (e.g., the EIP). The strengthening of the EC against the CEU for example is a clear indication towards a neofunctional (as opposed to intergovernmental, for example) mode of integration.

It is worth noting that the other two supranational institutions, the EP and the ECB, remain mostly outside this framework. The entire process of the Six-Pack, primarily the idea of introducing closer coordination (thus reducing the ability for individual member states to have more leeway), and, much more, that of increasing penalties or introducing new ones and that of making it more difficult for the CEU, and intergovernmental body, to block proposals introduced by the supranational EC, i.e. in essence distancing substantially the relevant policies and monitoring from the intergovernmental bargaining field and relinquishing them, to a large degree, to a supranational body, seems to run almost completely contrary to every element of liberal intergovernmentalism. Politicization here seems to play virtually no role, not least because of the intensely technocratic and bureaucratic nature of both the specific issues concerned, but also of the EC itself.

In terms of the impact on the EU democratic deficit, it is clear throughout the Six-Pack that supranational, technocratic institutions – most notably the EC – substantially increase their decision-making capacity. The EIP is a notable example. It includes specific rules, but its legal foundation on TFEU articles 121(3) and (4) does not seem solid, since these articles simply provide for monitoring of economic developments across in member states (EU 2016a, 97). In addition, the submission of a corrective action plan, or any other plan, by the member state concerned, as well as the imposition of penalties on it (EP & CEU 2011h, 27 and 30), are not provisioned anywhere within TFEU article 121. Yet, even with these doubts in terms of legal foundation, this new process of surveillance on the national level is introduced, and, also importantly in terms of the democratic process, it is introduced with rQMV, i.e. involves increased delegation for decision-making to a supranational technocratic institutions (EC).

Once again, there is an increase in the decision-making capacity of the EC, especially in comparison to the CEU, through the widespread implementation of the rQMV²²² and through the ability to conduct onsite monitoring missions to

²²² The increased difficulty in blocking an EC proposal is evident from the fact that “it would be almost impossible to achieve without any of the first four most populous countries

member states, becomes pertinent (EP & CEU 2011e, 5-11 and 2011f, 10 and 2011g 15-23 and 2011h 26-31; CEU 2011g 34). The introduction of rQMV in particular removed, to a large extent, the politicization of the relevant processes (EIP, EDP, etc.), but, although this may be seen as advantageous from an implementation perspective, it is not necessarily good for democratic process, especially considering that relevant decisions in relation to the EIP or EDP for example can impact national redistributive policies. It could, however, ensure better and more equal application of the rules to all member states.

In relation to the second thematic area of the deficit evaluation, the participation of the EP is considerably limited. The only involvement it has throughout the Six-Pack is the capacity to interview institutions and actors involved in the process (EP & CEU 2011e, 4 and 2011f, 11 and 2011g, 16 and 2011h, 32; CEU 2011g, 37). The existent, but minimal and virtually impact-less participation of the EP in the decision-making process across the Six-Pack (and the Two-Pack as well; below) is striking, considering that all were discussed and voted by the EP itself. Chrysogonos (2016) suggests that this is owed to the complicated role and nature of the EP in the broader EU framework, and its delayed institutional development as opposed to other institutions, such as the EC and ECB.

In terms of the national parliaments, references are, again, minimal and scattered, despite the referenced need for them to participate in the new economic governance framework (EP & CEU 2011g, 13 and 2011h, 25). There are a few provisions relating to respect of their autonomy and authority (most notably in the EIP; EP & CEU 2011h, 27), and some provisions that provide for similar capabilities as those of the EP (interviews, discussions with key institutions, etc.) (EP & CEU 2011h, 27). The direction of the policies included in the Six-Pack, in relation to the third thematic area of the deficit, are extensively focused on fiscal discipline and detailed legal and numerical rules to be followed. There are some references to sustainable growth, employment, and social protection, but those

(Germany, France, Italy, Spain, Poland)..., on measures which could concern imposition of fines or deposits” of smaller member states, such as Greece or Cyprus (Kyriakidis 2016c, 128).

are minimal and mostly broad in nature (EP & CEU 2011e, 1-2 and 2011f, 8 and 2011g, 13 and 2011h, 25).

Two-Pack

The Two-Pack consists of Regulations 472/2013 and 473/2013 addressed only to Eurozone member states (EP & CEU 2013c and 2013d). The first Regulation, inter alia, establishes the process of Enhanced Surveillance, to be activated “when a Member State (is) experiencing or threatened with serious difficulties with respect to its financial stability which are likely to have adverse spill-over effects on other Member States in the euro area” (EP & CEU 2013c, 3). The concept of the Macroeconomic Adjustment Program (MAP) is also introduced, which is the EU-based equivalent of the MoU. Finally, it establishes the process of Post-Program Surveillance (PPS), equivalent to the IMF’s process of Post-Program Monitoring, whereby Troika review missions are conducted in a Eurozone member state that has received financial assistance, even after the expiration of the program until at least 75% of that assistance is repaid (EP & CEU 2013c, 6-8; IMF 2020e).

The second Two-Pack Regulation 473/2013 includes perhaps one of the most important legal innovations adopted during the crisis: the direct oversight of, and potential input in, Eurozone member states’ draft budgets, before being legally adopted by their legislatures, by the CEU and EC (EP & CEU 2013d, 17-20). The Regulation also enhances the reporting requirements for Eurozone member states under the EDP, along with establishing the Economic Partnership Program (EPP; EP & CEU 2013d, 20).

These two Regulations present arguably the most important and groundbreaking modifications in the EU operating framework in relation to Eurozone member states. The first Regulation introduces the process of enhanced surveillance: the EC alone can decide to subject a Eurozone member state experiencing or merely threatened by “severe difficulties with respect to its financial stability which are likely to have adverse spill-over effects...” on the rest of the Eurozone to enhanced surveillance (this is also the case when the member state is receiving precautionary financial assistance from any EU-based

or international assistance mechanism; EP & CEU 2011c, 3-4). Perhaps more importantly, the Regulation established, for the first time within the EU framework since the beginning of the crisis, the MAP as, essentially, the MoU EU-based equivalent (however, there is no reference to conditionality or any conditional relationship between MAP compliance and financial assistance whatsoever within the Regulation), and the Troika as an ad-hoc body for monitoring compliance with it, even after a Eurozone member state has exited under the process of PPS (EP & CEU 2013c, 7)²²³. What is more, it extends Troika oversight and input beyond the financial assistance process, provisioning a set of adjustment measures to be agreed with, and implemented by, a Eurozone member state not receiving any financial assistance but merely having been placed under enhanced surveillance by the EC (EP & CEU 2011c, 4-5).

The relationship between the MAP and the MoU merits further empirical analysis: the connection is left somewhat vague in the Regulation, and therefore an evaluation of how this unfolds practically is necessary. An example is the MoU and MAP of the third financial assistance program of Greece. When comparing the MoU (ESM 2015c) and the corresponding MAP (CEU 2015o), stark differences can be observed. The reforms included in the CEU Decision number just two pages, and include very broad categories of policy measures to be adopted, mostly restricted to referencing targets for expenses, revenues, etc., rather than specific measures (CEU 2015o, 29-31).

For example, there is only one paragraph on labor and product market reforms (CEU 2015o, 31). In contrast, the corresponding MoU numbers fifty-three pages in total²²⁴, in most cases referencing precisely which Greek law or piece of legislation is to change and in what way (ESM 2015c). There are

²²³ In terms of the relationship between the two, it is provisioned that “the Commission shall ensure that the memorandum of understanding signed by the Commission on behalf of the ESM or of the EFSF is fully consistent with the macroeconomic adjustment programme approved by the Council” (EP & CEU 2011c, 7).

²²⁴ The main part is 28 pages, and there is also an 18-page Asset Development Plan, detailing precisely which Greek legal entities are to be privatized, how and for how long, and a 7-page outline of Government Pending Actions, in which the detailed legal stage of each action taken and to be taken by the Greek authorities is included.

approximately two dedicated pages just on labor market reforms, that include detailed timelines (monthly) of consultations and actions to be taken by the Greek government (ESM 2015c, 21-3). This is highly important in relation to delegation to supranational institutions. While the EC and ECB undertake, in principle, the same duties across all four mechanisms in both the EU-based instruments and the corresponding MoUs, considering the extensive differences between them, these institutions have managed to considerably augment their ability to influence policy-making at the national level of Eurozone member states, usually of a substantially redistributive nature, oftentimes even seemingly exceeding their EU institutional mandate.

Regulation 473/2013 is equally novel and important. Aside from establishing the Economic Partnership Program (EPP), submitted by member states under an EDP and including measures “to enhance competitiveness and long-term sustainable growth and addressing structural weaknesses,” it provisions, for the first time since the creation of the EU, the ability of the EC and Eurogroup to directly scrutinize the budgetary plans of Eurozone member states before they become binding at the national level (EP & CEU 2013d, 20-1). Each Eurozone member state is obliged to submit by October of each year a draft budgetary plan for the upcoming year, which is then scrutinized by the EC, which issues an opinion. Should deviations from the SGP (refined under the Six-Pack) be observed, the EC can even request revisions to the budgetary plan, re-assess the revised plan and issue a second opinion, and submit it to the Eurogroup. The Eurogroup then conducts discussions on the draft budgetary plans of all members and the EC’s opinions (EP & CEU 2013d, 13-8). This Regulation also enhances the reporting requirements for Eurozone member states under the EDP (EP & CEU 2013d, 13 and 20).

Similar to the Six-Pack, the EP is restricted to merely being able to invite representatives of relevant institutions involved (primarily the EC or the CEU) for interviews on related issues (EP & CEU 2011c, 10 and 2011d, 22). It is indicative that in Regulation 472/2013, which essentially includes all EU-based provisions relating to the policy conditionality attached to financial assistance, there is only one article on the EP out of twenty, which occupies a mere two-and-

a-half lines (EP & CEU 2011c, 10). However, unlike the widespread use of rQMV in the Six-Pack, in the Two-Pack the CEU decides by QMV upon relevant EC proposals (e.g. EP & CEU 2011c, 7).

The Two-Pack Regulations have had arguably one of the most pertinent effects on the EU integration process. A first observation that needs to be highlighted is the substantial augment of the decision-making capacity of the EU. This is evident from the mere indicative fact that the EC is the only one tasked with determining whether a Eurozone member state is to be placed under enhanced surveillance, with policy adjustments and Troika monitoring, without any CEU input whatsoever. The introduction of the MoU (through the MAP) and the Troika within the EU framework, in not only Eurozone member states under financial assistance, but also in those under enhanced surveillance, also indicates a neofunctional turn. It has transferred what was, until then, a purely intergovernmental ad-hoc cooperation outside the EU framework (even if two out of the three institutions were supranational EU-based entities), within the EU. Accordingly, the increased decision-making capacity of both the EC and ECB as member so of the Troika are now also 'sanctioned' within the EU legal framework too. The incorporation of this capacity within the EU framework is yet another indication of stronger supranational institutions, and, hence, neofunctionalism.

However, the presence of the IMF within the Troika in this Regulation, leading to an essentially permanent cooperation between it and EU institutions, definitely adds an intergovernmental element, demonstrating a potential lack of trust to EU institutions alone and an appraisal for the work of the IMF. As both Stournaras (2016) and Venizelos (2016) suggest, this was on insistence by the German government, especially as a counterbalance to the perceived inexperience and lack of strictness on the part of the EC. In addition, and as opposed to the Six-Pack, the CEU assumes primary positioning in most duties related to the MAP or enhanced surveillance, maintaining QMV. This is unsurprising, considering the highly sensitive nature of policies covered in MoUs and, by extension MAPs. Therefore, while a neofunctional direction of integration can be traced, it is somewhat more restricted compared to the Six-Pack.

In Regulation 473/2013, the neofunctional turn is substantially more pronounced. The coordination of Eurozone member states budgetary plans, and the ability of the EC – previously completely unimaginable – to scrutinize them before they even become legally binding, is the evident element of this direction. In essence, the EC can now oversee and scrutinize state budgets of Eurozone member states, before they become binding, directly. Even in this case, the intergovernmental element is not absent, with the Eurogroup collecting all the budgetary plans and the EC's report, and conducting relevant discussions. It is interesting to note the fact that even in the intergovernmental aspect of this process (the Eurogroup), the Regulation still uses the term 'discuss', an indication that the state budgets remain a highly sensitive area for the national level and thus, still, remains far from binding commitments of EU institutions.

The comparison with the ability of the EC to request changes to the budgetary plans, should they deviate from the commitments assumed under the Six-Pack, is in stark contrast with the Eurogroup's 'discussing' capacity and evident of the overall neofunctional direction. After all, as in the Six-Pack, the aim of further and closer economic coordination, primarily to address the insufficiencies of the previous status-quo through further integration, is a primary assumption of neofunctionalism in itself. Despite the augmenting of both the EC and ECB, the EP remains severely constrained through the Two-Pack as well. Accordingly, politicization and input from different levels does not appear, at least directly, relevant to the processes introduced by these two Regulations.

Once again, therefore, it is found the supranational, mostly technocratic institutions, are in the forefront of the integration process (some intergovernmental elements could obviously not be avoided, especially considering the nature of the EU and also the highly sensitive and redistributive nature of the member states' policies affected), while participatory institutions lag behind. Moreover similarly to the progression of EU integration across the Six-Pack, the Two-Pack is yet a more intensive effort towards the completion of economic integration, in order to fully integrate the EMU, addressing shortcomings of the partial character of previous integrative efforts.

Accordingly, the impact of the Two-Pack in the EU democratic deficit is also considerably. In fact, the Two-Pack involves perhaps the most pertinent issues related to the first thematic area of the deficit. The delegation to the EC and ECB in Regulation 472/2013 in relation to adjustment programs (MAP) not only for Eurozone member states receiving financial assistance, but also for those under enhanced surveillance, and the fact that the EC alone can place a Eurozone member states under enhanced surveillance, dramatically increase their ability to influence an array of national policies. It is worth noting that, even when a member states exist its financial assistance program, PPS retains Troika oversight for a number of years; for example, Ireland exited in 2013 and will be under Troika oversight for another 18 years (2031). It is worth noting that the, now evidently permanent participation of the IMF within the EU and Eurozone also raises issues relative to the democratic process within the EU (Venizelos 2016). Here, the duties of the EC and ECB as part of the Troika (monitoring, surveillance, negotiation of policy programs, etc.) extend beyond financial assistance.

Regulation 473/2013 yet again includes considerable delegation to supranational actors and increase in their ability to influence national policies. In this case, this is done in the most direct way: capacity of the EC to scrutinize and, if necessary, request changes to Eurozone member states' draft budgets, and of the Eurogroup to discuss them. This seems particularly problematic in terms of democratic process, not least because this process is done before the budget even goes through the national legislature, i.e. both the EC and the Eurogroup can influence perhaps one of the most important elements of national sovereignty that affects every policy area of a state, before the elected representatives of that state are even able to deliberate on the budget. Additional issues arise from the fact that the national budget is highly redistributive and sensitive for a state, while the EC is a technocratic, non-elected supranational actor and the Eurogroup involves other governments that are non-accountable to the citizens who will eventually be impacted by the budget. In the absence also of any provision of primary EU law that would allow direct influence of any EU institution on the national budget

of Eurozone or EU member states, the legitimacy of this process is also called into question (Chrysogonos 2016).

In terms of the second thematic area of the deficit, the findings are mostly the same as in the Six-Pack. Across the Two-Pack, the participation of the EP is minimal, confined mostly to inviting relevant institutions for interviews or engaging in dialogue with them (EP & CEU 2013c, 4-6 and 2013d, 22-3). In terms of the national parliaments, references are, again, minimal and scattered, despite the referenced the need for them to participate in the new economic governance framework (EP & CEU 2013a, 4).

The near absence of relevant decision-making, oversight, or general input capacity of the EP and the national Parliaments is particularly concerning, considering the extent and amount of delegation from the national to the EU level for redistributive and sensitive member states' policies. Notable examples are the MAP (EU-based leg of the policy conditionality attached to financial assistance programs) and the ability of the EC and Eurogroup to directly influence draft budgetary plans of Eurozone member states. As such, the lack of EP input is particularly alarming in terms of ensuring, at the very least, sufficient oversight by representative institutions. As Börzel (2020) aptly describes, "the national parliaments need to be given a greater role in EU policy-making." This is perhaps the reason that it was in the Two-Pack and the financial assistance framework that the EP attempted to make full use of the minimal related provisions, , creating a Financial Assistance Working Group that is permitted to have meetings with relevant institutions involved in the financial assistance process (e.g. EC or IMF) and exchange views, as well as conduct fact-finding missions. However, this, again, stops extensively short of qualifying as input (of any form or kind) of the EP, itself mentioning that very framework that it does not take any part in the actual process and relevant decision-making procedures (EP 2016).

The observations related to the third thematic area – that of the direction of the policies included in the measures, are similar to those of the Six-Pack. References to sustainable growth, employment, collective bargaining agreements (in the MAP framework) and social protection are minimal, broad in nature, and seemingly insignificant when compared to the detailed policies related to fiscal

rules, monitoring processes, and financial assistance program implementation (EP & CEU 2013c, 6-7). An interesting point, however, that differs from the Six-Pack, is related to the relevant jurisprudence of the CJEU, as presented in the financial assistance mechanisms sub—section. This relates specifically to the MoU-MAP connection.

Judicial remedy for citizens in the ESM framework is non-existent. According to the ESM Treaty, final jurisdiction over adjudication on matters of disagreement between ESM members or the ESM and its members is retained by the CJEU, without, however, providing any sort of ability of citizens or other institutions (e.g. EC) to utilize this provision²²⁵. Despite the above, and while the CJEU avoids directly addressing all the aspects of the MoU connection with the MAP (Papadopoulos 2018, 259-60), an EU citizen could technically seek remedy to the CJEU on matters of financial assistance not against the ESM or the MoU directly, but against the Two-Pack Decision related to that assistance and the relevant MAP (as highlighted also by Kilpatrick 2014, 405 and Papadopoulos 2018, 263-5, the latter in relation to compensation and not annulment). And here there arises a more general problem in relation to the ESM/MoU – Two-Pack/MAP interconnectedness.

As has been outlined above, the second paragraph of Article 7(2) of Two-Pack Regulation 472/2013 stipulates that the EC “shall ensure that the memorandum of understanding signed by the Commission on behalf of the ESM or of the EFSF is fully consistent” with the MAP, in particular ensuring that the MAP fully observes the right of collective bargaining of Article 28 of the Charter (EP & CEU 2013d, 7; Anagnostopoulou 2016). While the provisions are clear, in reality things become more complicated. For example, in the case of Greece’s third financial assistance program and MAP, as presented in the previous subsections, considering the vague nature and limited breadth of the reforms of the

²²⁵Poulou (2017) does suggest that the ESM MoU, regardless of its binding or non-binding international legal effect, is subject to the Charter due to the participation of and signature of the MoU by the EC (1011). However, this does not change the observation made that, even in such a case, there is material no ability of citizens to challenge that in front of the ECJ that is ultimately responsible for adjudicating on issues relevant to the Charter.

latter, and the detailed nature and extensive breadth of the reforms of the former, the EC and ECB, in their monitoring capacity based on Regulation 472/2013, could technically approve compliance even if the Greek authorities presented some initiatives and reforms, regardless of their content and type. Conclusions are similar for other financial assistance programs. For example, the MAP for Cyprus was 4 pages long whereas the MoU was 37 pages long (CEU 2013e; EC 2013b, 66-103).

Therefore, even if assuming that, *de jure*, an EU citizen could utilize the Two-Pack MoU-MAP connection as the basis for seeking redress from the CJEU, in practice such an action is impossible, since the MAP does not contain almost any of the specific provisions of the MoU (Poulou 2017, 1002)²²⁶. This is not a merely theoretical observation, as the General Court of the EU itself already from 2010 declared inadmissible a request for annulment of the corresponding Decision of the first financial assistance program for Greece (2010/320/EU) – then based on the EDP – that was more specific than the one of the third program, because of lack of specificity of the provisions included in that Decision, which left it “to the discretion of the Greek authorities to specify all the details”²²⁷ for their implementation (CJEU 2010, par. 69 to 87; similar cases referenced in Poulou 2017, 1012). Given all the above, potential action related, for example, to Article 28 of the Charter, respect for which is also directly referenced in Two-Pack Regulation 472/2013, becomes *de facto* impossible.

All the aforementioned observations demonstrate that the right to an effective remedy of Article 47 of the Charter is clearly jeopardized not only directly by a potentially member state-specific implementation of a financial assistance program, but throughout the entire permanent framework of financial

²²⁶ Cf. Kilpatrick (2014), who suggests that “the MoU under the EFSF or ESM and the Macro-Economic Adjustment Programme state the same or at any rate strongly similar requirements...” (403).

²²⁷ The decision of the General Court is at some points considerably puzzling (e.g. Poulou 2017, 1013), especially when finding that the Greek government had discretion in implementing what the Court ultimately considered a vague provision of Decision 2010/320/EU that called for “a reduction of the Easter, summer and Christmas bonuses and allowances paid to civil servants...” by June 2010 in order to save 1.5 billion euro in 12 months (CJEU 2010, par. 69-73).

assistance. Issues would be substantially improved if the EFSM was used more widely, considering that it is an EU-based mechanism or if the ESM was included in the EU framework, since, in either of those cases, the connection of both the organization itself, but also of its MoU, with the EU legal order would be clear and unarguable. As Fabbrini (2014) suggests, “the main explanation for the rising tide of judicial intervention in the field of the EMU lies, paradoxically, in the choice by the member states to respond to the Euro-crisis with an intergovernmental approach and with legal measures adopted mainly outside the legal framework of the EU,” further adding that “courts have expressed more discomfort when reviewing measures concerning financial stabilization and economic adjustment” (104).

The above are demonstrative of an adverse impact of Two-Pack Regulation 472/2013 itself on the implementation of the Charter. The inconsistency between the MoU and the MAP seems to challenge the Regulation’s stipulation that the EC must ensure that the MoU “is fully consistent” with the MAP. Even if it is assumed, however, that the two are consistent with each other, the omission of a great amount of detail and information from the MAP, and the lack of a clear and specific legal provision in the Regulation making such an omission impossible, takes away from the ability of EU citizens to effectively invoke the Charter’s protection.

Treaty on Stability, Coordination and Governance

The TSCG is the only one of the enhanced coordination crisis measures that is outside the EU framework as an international treaty (similarly to the EFSF Framework Agreement or the ESM Treaty – however, as opposed to those, its membership is mixed with both Eurozone and non-Eurozone member states participating in various parts). The TSCG introduced several novelties to the EU operating framework, most important among them being the recognition of the Eurozone summit as an official (albeit informal in character) institution to meet,

at least, twice a year²²⁸, specifying numerical values for when a national budget is to be considered balanced (0.5% of GDP), and provisioning the reduction rate required for a debt over 60% of GDP (1/20 rate of reduction per year; CEU 2012g, 9-11 and 14; Papadopoulos 2013, 77-8). Further provisions include obligations on ex ante reporting of debt issuance by member states and mandatory discussions on major economic reforms of a member state that may affect the rest.

The most important element of the TSCG is the introduction of an automatic correction mechanism (also known as a ‘Golden Rule’) for any deviation occurring from the MTBF targets. This mechanism, based on common principles proposed by the EC, should be based on “provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be... adhered to throughout the national budgetary processes” (CEU 2012g, 12). As Kyriakidis (2016c) observes, amongst the Eurozone member states, “Germany was the first to introduce it in 2009 (termed ‘Schuldenbremse’). This constituted the model upon which it was agreed by the then French President and German Chancellor that the relevant Eurozone-wide provisions should be based [...],” following which Austria, Spain, Italy, Slovenia, Poland and Greece have also adopted similar legislation (113-4). The EC has reported that all but Greece and Lithuania have incorporated relevant specific provisions or have incorporated de jure or de facto the TSCG in their budgetary laws (EC 2017d, 4).

The TSCG presents an intriguing case in terms of the EU integration process. It is an international treaty outside the EU framework. Its adoption process reflects this intergovernmental element, as the objections of primarily one EU member state led to the TSCG’s non-inclusion in the EU Treaties. However, a first element worth noting is that it was, even as an international treaty, adopted. Moreover, it applies, in different parts, to all EU member states (and EU member states alone), and the commitments it includes for member states – the numerical

²²⁸ As Kyriakidis (2016c) points out, the Eurozone summit, a meeting between the Heads of State of Government of only Eurozone member states, “began under an unofficial character, with the first Eurosummit being held in Paris in October 2008 because of the financial crisis and the urgent need to assume decisive measures to respond to it...” with its Rules of Procedure being published in March 2013 by the CEU (61).

values and, most notably, the automatic correction mechanism – homogenize considerably the budgetary framework across the EU. Therefore, its adoption and included processes indicate an attempt to address a previously insufficient or incomplete stage of integration with more integration across the EU, which is consistent with neofunctionalism. After all, considering the considerable restrictions that commitments it includes apply to participating members, it would be even less rational for it to be adopted by all EU member states. Despite such fact, there was only one member state staunchly objecting (UK), and it is the only one to exit the bloc.

In terms of the EU democratic deficit, the impact of the TSCG is somewhat more limited compared to the measures examined above. It is an international treaty that mainly sets fiscal targets to be achieved by member states (so, in terms of the third thematic area of the deficit, considering the treaty's specific purpose, there is little room to include additional policies or stakeholders; there are, however, minor references; CEU 2012g, 9 and 17), and does not necessarily include considerable empowerment of any EU institution (first thematic area of the deficit). Accordingly, and perhaps expectedly in this case, there is no consideration for the EP or national Parliaments (second thematic area of the deficit). The most important aspect of the TSCG in terms of the deficit is the intense focus on fiscal discipline itself, expressed through the commitment of all member states to introduce a debt 'break', which is clearly moving towards a specific policy direction.

Euro Plus Pact, ESAs, Banking Union

The rest of the measures introduced during the crisis were building much more on previous, existing structures (ESAs), are of a soft-law approach (Euro Plus Pact) or are expand over a vast number of legislative instruments (Banking Union). It was agreed by 22 out of the 27 EU member states (except the UK, Croatia, Hungary, Sweden, and the Czech Republic) and Denmark, to "further strengthen the economic pillar of EMU and achieve a new quality of economic policy coordination, with the objective of improving competitiveness and thereby

leading to a higher degree of convergence reinforcing our social market economy” (EUCO 2011a, 5).

The Euro Plus Pact includes commitments of the members in policy areas that the EU has either shared or no competence (e.g. competitiveness, employment, etc.; EUCO 2011a, 5-12), and is governed through the Open Method of Coordination (OMC; EP 2020)²²⁹: members enter into policy commitments (reflected in their Stability or Convergence Programs and National Reform Programs) freely and after conducting consultations with other members, and the EC monitors progress based on indicators that are agreed by the European Council (the EP and the CJEU play no role in this process; EUCO 2011d, 13-20). The success of the Pact was mixed to falling short of expectations (EC 2015c, 1; EUCO 2011e, 1-3). While an extensive list of measures was announced early on, implementation lagged (EUCO 2011e). For example, in 2015 only 5 of the 22 participating members (Belgium, Germany, Latvia, Malta, and Denmark) “included specific references to the Euro Plus Pact and its commitments” in their

²²⁹OMC has been argued to be one of the most important new modes of multilevel governance (Benz 2007, 505; Eberlein & Krewer 2002, 9-12), presenting “a ‘third way’ for EU governance between regulatory competition and harmonization, capable of opening a sustainable path [...] between fragmentation and a European superstate” (Zeitlin 2011, 136). OMC originated from principles outlined at the December 1997 Luxembourg European Council (mostly in relation to employment). Drawing on this and other European Council Conclusions (e.g. the one in June 1999 at Cologne), OMC was officially established in the March 2000 Lisbon European Council (Hodson & Maher 2001, 723; Zeitlin 2011, 135). In Lisbon, OMC was introduced as an official form of governance concerning not only specific policy areas, as was the case before (the Luxembourg or Cologne processes), but EU policy-making more broadly (European Council 2000). Four main attributes of OMC were originally identified by the European Council (European Council 2000, 7; also Zeitlin 2011, 135 and Trubek & Trubek 2005, 348): Setting guidelines and timetables for short, medium, and long-term policy implementation towards achieving specific aims; Identifying best practices worldwide, and establishing indicators and benchmarks tailored to the different needs of member states in order to adopt these practices; Effectively translating the above indicators and benchmarks into national policies for achieving specific targets; Peer-monitoring and review towards mutual learning. The legal basis for OMC, is TFEU article 156. So far, OMC has been applied to economic coordination (the Broad Economic Policy Guidelines), employment (the Luxembourg Process or European Employment Strategy), poverty and social exclusion, pensions and health care (Pochet 2011, 169-170), as well as environmental policy, tax policy and policies related to justice and home affairs (Börzel 2010, 207).

annual Stability or Convergence Programs and National Reform Programs (Kyriakidis 2016c, 92).

Despite its limited success in inducing solid reforms, the Euro Plus Pact, nonetheless presents an increase in the ability of the supranational level (here in the absence of direct input from any supranational institution, and on a voluntary basis) to influence policies that go beyond the EU's mandate (e.g. employment or taxation). While an ambitious attempt to extend coordination even beyond what is provisioned in the EU Treaties – a clearly neofunctional attempt, including ideological undertones as well – has had limited success and thus has not really guided integration.

In terms of the ESAs, with the exposure of the financial sector to the crisis having been made clear, a high-level group on financial supervision was created by the EC in November 2008, in an attempt to create a more effective EU oversight framework, including through increasing supervision and strengthening cooperation across the EU, both between member states and various agencies at the national and supranational levels, in relation to financial oversight (EC 2008a). The group was named 'The de Larosière Group' after its chairman, Jacques de Larosière, and its mandate included increasing the effectiveness of prudential supervision of financial institutions and markets within the EU, strengthening EU-wide cooperation in relation to financial stabilities, and improving jurisdictional cooperation (Larosière et al. 2009, 69-70). It consisted of the following members (EC 2008a):

- Jacques de Larosière, inter alia, former IMF Managing Director (1978-1987), former Governor of the Central Bank of France and, from 1998 onwards, an Advisor to the President of BNP Paribas²³⁰ (EC 2020c; IMF 2020b).
- Leszek Balcerowicz, inter alia, former Minister for Finance and Deputy Prime Minister of Poland responsible for Poland's transition from a centrally planned economy to a market-based one (Balcerowicz Plan or Shock Therapy), which included limiting the state's influence in the market, austerity, etc (W.Z. 2009).

²³⁰ BNP Paribas is considered the largest bank in France. In 2014 the USA government pressed criminal charges on account of hidden information pertaining to its client and pleaded guilty, paying an \$8.9 bln fine (Protes & Silver-Greenberg 2014).

- Otmar Issing, inter alia, former ECB Executive Board member, strongly against EU financial assistance, further EMU integration and bailout programs, and in favor of ordoliberal principles (Issing 2014).
- Rainer Masera, inter alia, academic and Chairman of the bank Banca delle Marche SpA²³¹.
- Callum McCarthy (Sir), inter alia, former Chairman of the Financial Services Authority²³² and former Chief Executive of Ofgem, the UK's independent authority for protecting electricity and gas consumers (Ofgem 2002; Smale 2007).
- Lars Nyberg, inter alia, a businessman and former Deputy Governor of the Swedish Central Bank (Sveriges Riksbank; Nyberg 2015).
- Jose Perez, “one of the key figures of the Spanish financial system,” who, inter alia, served in the Central Bank of Spain, as well as a non-Executive Chairman of the Banco Madrid (Fernandez 2011).
- Onno Ruding (Herman Onno Christiaan Rudolf Ruding), inter alia, former Executive Director of the IMF, former Minister for Finance of the Netherlands, and former director of Citicorp (TBVI 2015).

The Group's report, endorsed by the EC on February 2009, centered on modifying the operating framework of and upgrading the three existing Lamfalussy 3rd level Committees: the Committee of European Banking Supervisors, the Committee of European Insurance and Occupational Pensions Supervisors, and the Committee of European Securities Regulators²³³. The results were primarily the proposal to upgrade the above Committees to Authorities,

²³¹The bank became insolvent and was eventually acquired by UBI Banca (Unione Di Banche Italiane 2017).

²³² A limited (by guarantee) company, financed by the financial services industry, that served as the independent, non-governmental regulator of the UK financial services sector (Financial Services Authority 2015). In April 2013 it was abolished and replaced mainly by the Prudential Regulation Authority (along with the Financial Conduct Authority and the Financial Policy Committee; HM Treasury & The Rt Hon Greg Clark MP 2012).

²³³The Lamfalussy process was first recommended by the Lamfalussy committee and endorsed by the Stockholm EUCO in 2001, with the purpose of introducing a more effective regulation of the EU securities market (EC 2004c, 3; Lamfalussy et al. 2001). It is “a four level regulatory approach”: at the first level there is agreement on the broad legislation, at the second level the EC adopts implementing measures after consulting the relevant Committee and the EP, at the third level the Committees issue guidelines, recommendations, implementing measures on the national level, etc., and at the fourth level the EC ensures compliance of member states with EU law (EC 2004, 16 and 2007, 2; Lamfalussy et al. 2001). The three Committees were established under EC Decisions 2001/527/EC, 2004/5/EC, and 2004/6/EC (EC 2001 and 2004a and 2004b).

grouped under “an integrated European System of Financial Supervision” and with reinforced mandates on enforcement, supervision and coordination of relevant issues and legislation both at the EU-level and also among EU member states (e.g. binding supervisory standards, licensing of EU-wide credit rating institutions, etc.), and to create a European Systemic Risk Council that would gather information and macro-prudential developments across financial sectors (Larosière et al. 2009, 47-57). These new proposed ESAs and a new European Systemic Risk Board (ESRB), were created in the next year (2010): the Board under Regulation 1092/2010, the European Banking Authority (EBA) under Regulation 1093/2010, the European Insurance and Occupational Authority under Regulation 1094/2010, and the European Securities and Markets Authority under Regulation 1095/2010 (EP and CEU 2011a through 2011d).

The upgrade of the three Lamfalussy Committees to the fully independent ESAs, provided them with a substantial augment in their decision-making capacity and breadth of policy areas and extent of policy input, compared to their former role primarily as advisory bodies to the EC (EC 2004c, 3 for example). This is clearly demonstrative of a neofunctional mode of integration, as supranational, technocratic actors obtain increased decision-making authority over national ones. The ESAs have ‘shed’ their original advisory role and can now issue binding regulations and have oversight capacity, as well as to the Banking Union: for example, the SSM has assumed oversight from the national level for 123 systemic banks across the EU (Katseli 2016). This also limits the oversight of national Parliaments (otherwise strong at the national level) without being matched by oversight by the EP (which is, comparatively, weaker than national Parliaments)

Finally, the Banking Union consists of three broad instruments: the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism (SRM), and the Single Rulebook (SR; CEU n.d.). The SSM was established in October 2013 under Regulation 1024/2013, which confers supervisory capacity for national system banks of EU member states to the ECB (tasks are also assigned to national supervisory authorities; CEU 2013d). The SRM was completed in July 2012 under Regulation 806/2014, and includes two parts: the Single Resolution Board,

an EU-wide resolution authority for banks, and the Single Resolution Fund, a common resolution fund financed by banks across the EU (EP & CEU 2014a; CEU 2020a). Finally, the SR, established across 2013 and 2014, includes a number of relevant legislative acts that enhance EU-wide protection of depositors, strengthening oversight of the banking sector and improve management of bank failures: the Capital Requirements Directive IV (CRD IV; Directive 2013/36/EU), the Capital Requirements Regulation (CRR; Regulation 575/2013), the Deposit Guarantee Scheme Directive (DGS; Directive 2014/49/EU), and the Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU; CEU 2018a; EP & CEU 2013a and 2013b and 2014b and 2014c).

The Banking Union is perhaps one of the strongest indications of a neofunctional mode of integration, since throughout the adoption of the relevant EU legal instruments, EU institutions such as the ECB or EBA have assumed tasks and duties previously held by authorities at the national level, such as the oversight of systemic banking institutions or the unified across the EU resolution fund for problematic financial institutions. Börzel (2020) characterized the Banking Union as “a major step in supranationalization.” Accordingly, this indicates a substantial increase in the decision-making authority of supranational institutions (first thematic area of the deficit) with no corresponding increase of participatory practices or institutions. This fact is, in this particular case alone, mitigated, considering the isolation of monetary, and to a large extent banking, policy at the national level as well.

Conclusion

This is the main analytical chapter of the research. Using analytic narratives, and through document and textual analysis, as well as semi-structured interviews, it addresses the three stages of analysis as outlined in the fourth chapter: first, the mode and direction of the EU integration process after the crisis measures were adopted and implemented; second, the impact of the crisis measures on the EU democratic deficit; third, which is the main aim of this section as well, the broader conclusions that can be drawn in relation to impact of the

mode and direction of EU integration on the EU democratic deficit, through this particular case study (crisis measures).

In terms of the first stage, overall, then, the analysis presented above suggests that, ultimately, the crisis measures have steered EU integration largely towards neofunctionalism. Throughout the measures, there is a considerable reinforcement of the ability of EU level actors, such as the EC and the ECB, to influence EU and national policy, and a considerably expanded set of policy areas in which they can do so (also, Börzel 2020)²³⁴. What is more, in many of the measures, this coincided with a corresponding increase in their independence from contested political process, as expressed primarily through intergovernmental instruments, such as the CEU. Even in the case of intergovernmental institutions, there is still an augment in their policy-influencing capacity, such as the Eurogroup and Eurozone member states' draft budgets; the supranational level (broadly conceived) acquired substantially increase decision-making authority.

Most of the institutions of the EU level that were reinforced (or the ones that were reinforced the most), were of a supranational and technocratic nature. This is in agreement with the elite-based approach of neofunctionalism. In addition, the nature of the crisis measures also seems to fit with neofunctionalism. Most of the reforms were a continuation of formerly incomplete or insufficient measures, and were pursued because of the fact that the crisis demonstrated such incompleteness or insufficiency. While the political ideal is somewhat absent, the reforms do indicate 'spill-over', in large part also because of the inability of individual member states to effectively address the situation alone. Consistent with new approaches to neofunctionalism, it is the case that some of the above measures (although far from all) were pursued through the intergovernmental 'road', however they still present an overall elevation of the importance of the supranational level and its actors.

²³⁴ Although Börzel (2020) does point out that this increase is not as much as it should be in terms of economic policy so as to compensate for the incomplete nature of the EMU.

The behavior of member states was calculated and rational, but not ‘individualistic’ or solely interest-based, as liberal intergovernmentalism proposes. Member states seem to have little interest or incentives to further tighten their coordination between them, at least from the domestic preference-based view of liberal intergovernmentalism. This results in additional constraints relating to conducting policy at the national level, and, throughout the crisis, electorates from Germany to Greece, for different reasons, did not seem keen in supporting this; in fact, quite the opposite. There is certainly a disequilibrium between member states, especially in some of the measures, such as the ESM, however this does not seem to play an important role, or played one only in the adoption of these few measures, and not in their implementation. Therefore (new) liberal intergovernmentalism seems to not particularly fit the development of processes within the EU post-crisis in terms of integration. It has to be recognized, of course, that the national level, particularly some specific member states (e.g. Germany, France) played, and continue to play, a key role in the policy process of the EU, particularly during the crisis. Even these states, however, would have little incentive to push for measures that were highly controversial and divisive, both for their electorate and among other member states and, would in either case, restrict their policy maneuvering in the future.

There is a potential convergence between neofunctionalism and intergovernmentalism, in the fact that, while, directly, the crisis measures restrict current and future policy-making at the national level (and thus member states appear to have little incentive to propose or accept them, based on liberal intergovernmentalism) through the overall enhancement of the coordination and monitoring regime, externalities will be further reduced in the future, thus resulting in an improvement (it so happens that this improvement will, presumably, apply to all member states). Through this perspective, agreement by member states to the reforms appears more rational (although only tangentially in relation to liberal intergovernmentalism, especially considering the primary emphasis placed in the theory on domestic preferences, which, in most cases, appeared to run contrary to the direction eventually taken).

The integration theory that was least existent throughout the processes of the crisis measures evaluated was post-functionalism. Little (to no) evidence was found for the ability of multiple levels to affect policy-making processes, with most measures at the supranational level being introduced under a rather emergency character with little to no input from stakeholders, and those at the national level being agreed between and implemented by, primarily, the executive and supranational/international institutions. Politicization of relevant issues throughout this period was of course substantial, but, as observed directly above, seem to have comparatively little impact in the overall direction of the measures assumed (contrary to a considerable portion of outlets claiming that the crisis would be the end of the EU). Therefore, from the three grand theories, post-functionalism was found to be the least fitting in describing the direction of integration as a result of the crisis measures and the processes they introduced.

In terms of the second stage of the analysis, i.e., the impact of the measures on the EU democratic deficit, the reorganized deficit thematic areas were used in order to provide a 'guide' through which an empirical evaluation of the measures was possible. The outcome of the examination is that, overall, there is a deterioration of the EU democratic deficit. Deficiencies can be observed in all three approaches (Input, Output, Throughput). In the first thematic area, a considerable amount of delegation to supranational institutions, primarily the EC and the ECB, was found across nearly all measures. Overall, it was found that there was an increased ability of the supranational level not only to impact more redistributive or sensitive national policy areas but, through conditionality or the budget oversight of Regulation 473/2013 for example, to do so in a more binding manner. This happens under questionable legal grounds, at least in relation to the conditionality aspect of financial assistance, considering that this is absent from relevant EU primary legislation. This thematic area included several elements of the three EU democratic deficit approaches. To begin with, the Input argument relating to the increased ability of the supranational level to impact national policies, especially of a redistributive nature, is found accurate. It is clear that the Output approach to considering the EU as a mere facilitator is not applicable after the crisis measures, as various processes included in them lead to clearly

redistributive policies. Accordingly, the argument in favour of indirect accountability also seems insufficient.

Taking the example of Greece and Germany, it is worth highlighting that the majority of the electorates in both had a clear preference for policies that were, eventually, not implemented: German citizens were not in favour of ‘bailing-out’ Greeks, while Greek citizens starkly opposed structural adjustment upon which the provision of financial assistance was conditional. Nonetheless, the justification used by both (and other Eurozone member states in the corresponding position of the two) was that this was necessary. As such, indirect accountability through national governments, especially in the case of the crisis whereby the executive acquired even more decision-making capacity, proved to be inadequate.

In terms of the impartiality of technocratic institutions, that may be the case on otherwise technical issues, but, in the case of the crisis measures, issues that would otherwise be highly electorally-salient, were argued to be highly technocratic, leading to the actual de-politicization of the decision-making process of negotiating on education spending for example. In either case, the EP found that there were several dangers of conflict of interest for both the EC and, primarily, for the ECB. The quality of the relevant processes of the crisis measures were mostly sub-standard as well. While addressing a number of areas where reform was necessary, the new operating framework has created an even more complex web of actors and procedures, compared to before, hindering transparency and accountability. Stakeholder participation, either because of the complexity of the institutional setup or simply because of unwillingness by the participating institutions to engage, was found to be non-existent, not only in the measures relating to financial assistance but, surprisingly, also to measures relating to enhanced coordination. Efficiency is also perhaps questionable: it is worth considering, for example, that, instead of one, there are currently three financial assistance mechanisms for Eurozone member states, established within just two years (EFSF SA does remain inactive for new operations, but still exists), or that it took three years to eventually incorporate the Troika – an otherwise completely mandate-less, ad-hoc cooperation between the EC, ECB, and IMF,

within the EU framework. In addition, because of this complexity and constant modifications, people suffered reform fatigue under the financial assistance programs for example.

The second thematic area concerns the ability of majoritarian institutions to influence policies. Participatory policies throughout the measures were virtually non-existent, the path followed was more often than not presented as TINA, and majoritarian-isolated institutions like the EC and ECB not only increased their decision-making capacity, but often exceeded their mandate. The ability of the EP to participate to relevant processes, either in the measures for financial assistance or those for enhanced coordination, was severely limited to interviewing relevant actors, etc. National parliaments were affected even more strongly, not only being unable to participate in the decision-making process, but actually experiencing a reduction in their ability to conduct legislative business in the Eurozone member states under financial assistance programs, due to Troika oversight. In terms of an adverse impact on efficiency because of increased 'democratization', as observed above, the nature of EU policy-making in the post-crisis operating framework has become increasingly redistributive in nature, and hence there is no danger of disrupting the argued (in the Output approach) Pareto-optimal output.

The third thematic area of the EU democratic deficit concerns the direction of policies and the protection of EU citizens' interest. Consistent with arguments of the Input approach, processes introduced through the crisis measures were aimed at ensuring an overall more neoliberal policy environment. That applies not only in relation to the more obvious case of the structural adjustment related to financial assistance, but also to the stricter rules, and increased surveillance at maintaining 'sound money' throughout the enhanced coordination crisis measures. From the analysis of this subsection, it also became clear that not only did the EU fail to ensure and protect the interests of all EU citizens, but oftentimes endangered, through its institutions, those very interests, such as the EC as a member of the Troika.

Finally, the third stage of the analysis of this research includes the conclusions that can be drawn in terms of the broader relationship between the

EU integration process and the EU democratic deficit. The findings are in line with the applicable relevant expectation (of the three, as established in the first section of the fourth chapter). It was expected that, if the mode and direction of EU integration was found to be based on neofunctionalism, then an overall adverse impact on the democratic deficit will exist. There would be a clear focus on the Output (albeit the protection of citizens' interest would be expected to come second to the need to proceed with further integration), while Input and, to a lesser extent, Throughput would be jeopardized.

In the analysis it was found that the crisis measures have steered the EU towards a largely neofunctionalist path of integration, with a few elements of (liberal) intergovernmentalism. Very few indications of postfunctionalism were found. The analysis also yielded an adverse effect of the measures on the EU democratic deficit. This was largely consistent with arguments of the Input and Throughput approach, while the arguments of the Output approach were not found applicable. The EU integration process has proceeded under neofunctionalism, in essence increasing its integration. Consistent with arguments of neofunctionalism relating to minimal room for participation of citizens, this seems to have adversely impact democratic processes within the EU. This is unsurprising, considering the primarily elite-based approach of neofunctionalism. The increased intergovernmental bargaining is also explained by the new refinements of neofunctionalism, with insights from historic institutionalism. As supported by relevant literature, the construction of the EMU was substantially incomplete, albeit in itself a significant step forward in EU integration. During the crisis, this incomplete nature came to light, upon which instance relevant actors were faced with, essentially, two choices: either move backwards (e.g. a Greek exit from the Eurozone or, more dramatically, the breakup of the entire common currency) or proceed with even more integration (the spill-over option). This was the choice actually made; while not progressing to an entirely centralized economic union, the crisis measures introduced processes that are towards this direction. In addition, while a 'romantic' conception of transfer of loyalty or a common ideal, involved actors remained committed to progressing with EU integration, even despite the often opposing

views of citizens of most member states. In this way, the national level is becoming progressively less able to determine policy outcomes.

6. CONCLUSION

The aim of this research has been to analyze the impact of the mode and direction of the EU integration process on the EU democratic deficit. The Eurozone crisis measures at the EU level were used as a case study for the analysis, with the purpose of drawing broader conclusions on the relationship between these two concepts. The analysis unfolded in three stages: first, the mode and direction of the EU integration process was examined after the adoption and implementation of the crisis measures, using the three grand-level EU integration theories; second, the impact of the crisis measures on the EU democratic deficit was evaluated, using the Input, Output, Throughput approaches and, in terms of the empirical evaluation, reorganizing them into thematic areas appropriate for such a task; third, conclusions were drawn on the broader relationship between the mode and direction of the EU integration process on the EU democratic deficit, based on the outcome of this particular case study.

The crisis measures were separated into those which concern the provision of financial assistance to Eurozone or EU member states, and those that provide for enhanced coordination across them. The case of the crisis was chosen due to its immense impact on the EU operating framework, and the wide-ranging changes it introduced, equivalent to overall EU Treaties' changes. The timeframe of the research was between 2009, when the crisis began within the EU, and 2018, when the last Eurozone member state under financial assistance, exited the program (Greece). While many of the measures, and almost all of which that introduce the most extensive changes in the EU operating framework, concern only Eurozone member states. However, the Eurozone is considered the core of the EU and, most importantly, all EU member states, except Denmark and, formerly, the UK, which secured so called opt-outs. Therefore, any changes introduced to EU decision-making and policy processes concerning Eurozone member states will, eventually, apply to all EU member states regardless. For the national level, the primary case of Greece was taken, supported by the secondary case of Ireland. Greece was the first Eurozone member state to receive financial assistance and the last to exit, the first to receive part of the assistance from the

IMF, the only one to have undergone three distinct assistance programs, and the one that has received by far the largest amount of financial assistance (over 230 billion euro). The secondary case of Ireland is important to compliment the conclusions drawn for the primary case of the national level, thus also ensuring better generalizability.

Relevant literature on the subject appeared to be limited. However, this issue is of primary importance for the theoretical field of EU politics, as well as for EU policy-makers and citizens alike. The outcome of the research will not only address a missing link between integration and democratic process within the EU, but will include potentially useful insights into how the impact of one on the other can be mitigated and improved.

Despite the lacking specific literature, there are multiple scholarly works address each one of the three scholarship strands converging in this research: impact of the crisis measures on EU democracy, impact of these measures on the EU integration process, and broader theoretical contributions relating to EU integration theory and the EU democratic deficit. Even in these cases, and despite the fact that these works offer interesting insights and their existence (most are fairly recent) demonstrates a growing theoretical and empirical interest in relevant analyses, there is ample room for additional contributions. In terms of the first two strands, the field includes somewhat limited (in number) contributions, of which the analysis of the crisis measures is often either extremely constrained or very brief, as is the conceptualization of EU integration or the EU democratic deficit.

As such, there are considerable limitations in drawing broader conclusions in relation to the research questions and hypotheses in hand, as well as in constructing these questions and hypotheses in the first place. Both the 'depth' in which the theories or measures are analyzed and, perhaps more importantly, the specificity and detail in which the respective crisis is analyzed, are considerably constrained. For example, Biermann et al. (2019) utilize less than one page in total to analyze the preferences of different member states in light of the adoption of measures to respond to the Eurozone crisis (252). Scicluna (2018) focuses

almost exclusively on the ECB's response (and, in a lesser degree, the relevant CJEU adjudication) after 2012.

In relation to scholarship related to the theoretical perspective of EU integration and the EU democratic deficit, that is naturally considerably more extensive and comprehensive. However, what is largely absent in this case, is the 'empirical turn': attempts to comprehensively and analytically apply the approaches of one or the other theoretical field (or, more ambitiously, a combination of both) empirically. The cases in which this has been attempted, although valuable, do not, either in extent or depth, reach the breadth of this present research. This is where this research aims to contribute, by providing a more in-depth analysis of EU integration and the EU democratic deficit theoretical approaches, facilitating a more empirically-based evaluative perspective, and conduct a detailed and in-depth analysis of each of the crisis measures, producing a theoretical-engaging, empirically thought-provoking and analytically comprehensive and thorough outcome.

The method used in this research is analytic narratives, through document and textual analysis, and through semi-structured interviews. There is increased focus in the processes of the crisis measures, and their impact on both EU integration and democracy. Interviews served to both complement the document analysis and compensate for any anticipated shortcomings in relation to that method.

The research offers several innovations. The combination of EU integration and the EU democratic deficit is unique, with almost no scholarship examining the relationship between the two, especially in such depth and extent. This marks the importance of the issue as well, since EU integration is the primary way of viewing the progress of the EU construct, while the EU democratic deficit is, to date, the most referenced and conclusive view of democracy within the EU. Moreover, the detailed analysis of the EU democratic deficit scholarship, including its ontological and theoretical foundations, a field which is underscored by common themes but that has not been seen in a conclusive manner, is a novelty in itself. The re-structuring of the characteristics of the three different approaches into empirical, evaluation-oriented, groups offers considerable advantages in

conducting evaluations of the impact of EU policies on democratic governance. Also innovative is the depth of the analysis in relation to EU integration theories, and particularly their ontological foundations, which can serve as a conclusive and solid foundation for either elaborating on the existing or developing new approaches to EU integration. Also, the application of either EU integration theories or the EU democratic deficit, or a combination of the two, in relation to the Eurozone crisis measures is mostly lacking. Finally, the extremely detailed analysis of the Eurozone crisis measures themselves can offer useful insights in a field that is somewhat often prone to misconceptions related to either supranational or national measures, and, for the case of Greece (and also, in a lesser degree Ireland), is mostly a novelty. Anticipated areas of possible shortcomings are the ever-evolving nature of EU integration theories, the lack of a definitive body of literature in relation to the EU democracy deficit, and methodological limitations.

After a detailed presentation of the timeline and the crisis measures, an analysis of the processes introduced by the measures was presented, followed by an evaluation of the impact of those processes on the EU integration process and the EU democratic deficit. In terms of EU integration, even considering the intergovernmental nature of several of the crisis measures, which can be explained by newer approaches to neofunctionalism too, it was found that the overall direction of the EU is largely neofunctional.

A considerable reinforcement of the ability of supranational actors, such as the EC and the ECB, to influence supranational and national policy, and a considerably expanded set of policy areas in which they can do so was found. Even in the case of intergovernmental institutions, there is still an augment in their policy-influencing capacity, such as the Eurogroup and Eurozone member states' draft budgets. Furthermore, most of the measures were a continuation of formerly incomplete or insufficient measures, and were pursued because of the fact that the crisis demonstrated such incompleteness or insufficiency. While the political ideal is somewhat absent, the reforms do indicate 'spill-over', in large part also because of the inability of individual member states to effectively address the situation alone.

In terms of (liberal) intergovernmentalism, the behavior of member states was calculated and rational, but not 'individualistic' or solely interest-based. Member states seem to have little interest or incentives to further tighten their coordination between them, at least from the domestic preference-based view. This results in additional constraints relating to conducting policy at the national level. There is certainly disequilibrium between member states, especially in some of the measures, such as the ESM, however this does not seem to play an important role, or played one only in the adoption of these few measures, and not in their implementation. The national level, particularly some specific member states (e.g. Germany, France) played, and continue to play, a key role in the policy process of the EU, particularly during the crisis. Even these states, however, would have little incentive to push for measures that were highly controversial and divisive, both for their electorate and among other member states and, would in either case, restrict their policy maneuvering in the future.

It is interesting to note that there is a potential convergence between neofunctionalism and intergovernmentalism, in the fact that, while, directly, the crisis measures restrict current and future policy-making at the national level through the overall enhancement of the coordination and monitoring regime, externalities will be further reduced in the future, thus resulting in an improvement. This perspective makes agreement by member states to the crisis measures appears more rational, although only tangentially in relation to liberal intergovernmentalism, especially considering the primary emphasis placed in the theory on domestic preferences, which, in most cases, appeared to run contrary to the direction eventually taken. The integration theory that was least existent throughout the processes of the crisis measures evaluated was post-functionalism, with little to no evidence being found for the ability of multiple levels to affect policy-making processes, with most measures at the supranational level being introduced under a rather emergency character with little to no input from stakeholders, and those at the national level being agreed between and implemented by, primarily, the executive and supranational/international institutions.

In terms of the EU democratic deficit, the crisis measures seem to have had an adverse impact on it, consistent with elements of the Input and Throughput approaches. Through the MoU/MAP process, the EC and ECB experienced a considerable augmenting in their decision-making capacity, particularly its semi-binding nature due to the element of conditionality. Both institutions were found prone to conflicts of interest, and the ECB seems to have exceeded its EU Treaties-based mandated in its role as part of the Troika, now having direct input in economic policy of individual member states. Similarly, the supranational level overall, and specifically the EC, have gained considerable decision making authority throughout the Six-Pack and the related rQMV, intensification of penalties and introduction of, oftentimes, completely new processes, as well as the Two-Pack through the MAP and, of course, the ability to scrutinize directly Eurozone member states national budgetary plans. Contrary to the above, both the EP and national parliaments were completely marginalized, if not completely ignored, in the establishment of the processes of most of these measures.

Procedural safeguards were hindered due to the lack of specific mandate for some of the measures (e.g. the Troika) and the complexity of actors and rules involved in the process. In the case of the crisis measures, issues that would otherwise be highly electorally-salient, were argued to be highly technocratic, leading to the actual de-politicization of the decision-making process of negotiating on education spending for example. In either case, the new operating framework has created an even more complex web of actors and procedures, compared to before, hindering transparency and accountability. Stakeholder participation, either because of the complexity of the institutional setup or simply because of unwillingness by the participating institutions to engage, was found to be non-existent, not only in the measures relating to financial assistance but, surprisingly, also to measures relating to enhanced coordination. Efficiency is also perhaps questionable: it is worth considering, for example, that, instead of one, there are currently three financial assistance mechanisms for Eurozone member states, established within just two years, or that it took three years to eventually incorporate the Troika – an otherwise completely mandate-less, ad-hoc cooperation between the EC, ECB, and IMF, within the EU framework. In

addition, because of this complexity and constant modifications, people suffered reform fatigue under the financial assistance programs for example. Finally, it is clear that there is a neoliberal tendency to most of the measures, even those aimed at enhanced coordination (e.g. through the introduction of stricter rules).

Beyond the case of the crisis measures, then, it seems that further EU integration adversely impacts the democratic process within the EU. After all, neofunctionalism includes little room for participation of citizens. What are the broader conclusions that can be drawn from this research? Considering the nature of the EU, and that, true progress in integration removes authority from the national level in favour of the supranational one, it seems that neofunctional integration will always have an adverse impact on the EU democratic process, at least until a fully-fledged political union is established (upon which point, it would move from neofunctionalism to federalism). However, that does not have to be the case. Further integration can be achieved through legitimate, accountable and transparent institutions. Improvements should focus on involving more stakeholders, building deliberative platforms, and increasing the overall input of citizens, whether direct or indirect.

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