

The Creeping Competence of the European Central Bank During the Euro Crisis

Michele Chang*

Abstract

The European Central Bank enjoys a large degree of independence due to the academic and policy consensus that independent central banks achieve better results in the pursuit of price stability. Since the global financial crisis, however, ECB activities now includes broader objectives with redistributive consequences. How can we explain this mission creep? This article considers the expansion of the ECB's role in euro area governance over the last decade. Using a neofunctionalist framework, it shows the weakness of the traditional argument of the ECB as a technocratic actor and demonstrates how the ECB became one of the most influential institutions in the EU beyond monetary policy-making.

Die schleichende Ausweitung der Kompetenzen der Europäischen Zentralbank in der Eurokrise

Zusammenfassung

Die Europäische Zentralbank (EZB) verfügt über ein ausgeprägt unabhängiges Mandat, das durch den Konsens von Akademikern und Entscheidern darüber bestimmt ist, dass unabhängige Zentralbanken stabile Preisniveauentwicklungen besser erreichen. Seit der globalen Finanzkrise haben sich die Aktivitäten der Europäischen Zentralbank erweitert und beinhalten nun breitere Ziele die re-distributiven Konsequenzen nach sich ziehen. Wie sind diese Erweiterungen zu erklären? Dieser Artikel analysiert die Expansion der Rolle der EZB im politischen System der Eurozone über die letzten zehn Jahre. Dabei wird ein neofunktionalistischer Analyserahmen gewählt, der zum einen die Schwächen der traditionellen Beschreibung der EZB als technokratischer Akteur verdeutlicht. Zum anderen wird demonstriert, wie die EZB eine der einflussreichsten Insti-

* Prof. Michele Chang, Department of European Political and Governance Studies, College of Europe, 11 Dijver, B-8000 Brugge, Email michele.chang@coleurope.eu.

I would like to thank the College of Europe's Research fund for supporting this project and the participants of the workshop, "The Political Role of the European Central Bank in European Union Governance" in Duisburg, Germany, the 2016 ECPR Joint Research Sessions, and the 2016 CES annual conference for their helpful comments. I also thank the anonymous reviewer for the valuable feedback. All errors remain my own.

tutionen in der Europäischen Union geworden ist, auch jenseits ihrer Aufgaben zur Sicherung von Preisniveaustabilität.

Keywords: European Central Bank, ECB, accountability, legitimacy, neofunctionalism

JEL Classification: F5

The European Central Bank (ECB) is famously one of the most independent central banks in the world, founded on an academic and policy consensus on the utility of an independent central bank in achieving price stability. After the global financial crisis and the sovereign debt crisis, however, the ECB has an expanded role in euro area governance. Not only has it engaged in controversial unconventional monetary policy in its core policy field, it has also extended its functions formally (as the Single Supervisory Mechanism) and through the expansive use of previously little-used roles such as government advisor (bilaterally and through the troika). Moreover, public opinion has been increasingly skeptical of the ECB's actions (*Roth et al.* 2016). Finally, the ECB's actions have prompted several legal challenges, albeit unsuccessfully.

This article looks at the major innovations of the ECB's role in euro area governance over the last decade and argues that it has taken on a distinctly political character (*Torres* 2013) with fiscal implications (*Howarth/Hogenauer* 2016). How can we explain this mission creep? Under what conditions is a supranational actor able to augment its own power?

The first part of the article looks at the original logic of an independent central bank in Europe that rested on the expectation that the ECB would be a technocratic institution with a narrow mandate. The following section provides an overview to the expansion of the ECB's activities, applying a neofunctionalist analysis. The conclusion considers the implications of this expansion, arguing that additional accountability is needed to correspond to the expanded role of the ECB in euro area governance.

I. The ECB's Technocratic Origins

Why did EU member states delegate monetary authority to an independent central bank? This is part of a larger trend internationally. According to the literature on time inconsistency, governments have an incentive to renege on monetary commitments (such as a commitment to maintain stable prices) in order to generate "surprise inflation", thereby stimulating output and employment in the short term. If inflation is anticipated by markets, however, higher inflation without growth ensues (*Kydland/Prescott* 1977). Better macroeconomic outcomes could be achieved through credible policy commitments (*Barro/Gordon* 1983). Institutionally, this could be done by placing a conservative central bank in charge of monetary policy that places significant weight on maintaining price

stability (Rogoff 1985). The rationale for the degree of central bank independence is its need to achieve the relatively narrow mandate of price stability.

In addition, the Maastricht treaty also envisaged a role for the ECB in financial supervision and as a government advisor. Prior to the global financial crisis, however, the ECB's actions in these areas were relatively limited.

In summary, delegation of monetary policy to the ECB has been justified on technocratic grounds: its strong independence applies to a very restricted task. The next section considers how the crisis altered policy incentives by shifting the emphasis from price stability to include financial stability and saving the euro.

II. From Crisis to Creeping Competence

The global financial crisis exposed weaknesses in the reigning policy paradigms of central banking, particularly the central bank's role in financial stability and in preventing asset bubbles. During the sovereign debt crisis, new threats arose and the ECB shifted its focus: no longer was inflation the biggest concern among policymakers as the euro area underwent an existential crisis. Euro area governments struggled to identify the policy mix needed that would calm markets as well as domestic political forces in both creditor and debtor countries. The ECB's actions bought policymakers additional time (Yiangou et al. 2013); a recent Transparency International report noted, "The ECB is left with little choice in the current institutional architecture of EMU, which allows elected politicians to shirk their responsibilities, thus forcing unelected technocrats to do the 'dirty work' for them" (Braun 2017).

Saving the euro, however, included measures that extended beyond conventional monetary policy. First, the ECB undertook actions that some had construed as acting as a lender of last resort (LOLR) to sovereigns, which is legally prohibited (Buiter/Rahbari 2012). In May 2010 the ECB launched the Securities Market Program (SMP) in which it purchased the sovereign debt of peripheral economies like Greece, Ireland, Spain, Portugal and Italy on secondary markets. The ECB justified this move on the ground of needing to "restore an appropriate monetary policy transmission mechanism, and thus the effective conduct of monetary policy oriented towards price stability in the medium term" (ECB glossary). Others noted the ECB's bond purchases had the effect of lowering bond yields and could be construed as an indirect monetary financing of governments. Moreover, the ECB could be liable for the peripheral countries' debt if they were to default.

The ECB also launched several series of long-term refinancing operations (LTROs) in 2010. Two rounds (December 2011 and February 2012) offered banks a one percent interest rate for a three-year period. The official explanation was "to support the liquidity situation of euro area banks" (Draghi 2011).

The LTROs also made it easier for Spanish and Italian banks to purchase the debt of their sovereigns in primary markets. Indeed, 70 percent of the initial LTROs were purchased by banks from peripheral countries, furthering claims that the ECB was acting as a LOLR to governments (*Buiter/Rahbari* 2012).

In July 2012 ECB President Mario's Draghi's famous "whatever it takes speech" was operationalized with the Outright Monetary Transactions (OMT) in which the ECB would make unlimited bond purchases on secondary markets for countries that were under a conditionality program as part of a bailout from the European Stability Mechanism (ESM) or its predecessor, the European Financial Stability Facility. Markets welcomed the announcement with sharply falling bond yields, as the announcement had effect of removing concerns over currency redenomination or a euro area breakup (*Chang/Leblond* 2015). The Bundesbank, however, opposed the OMT publicly, and the German constitutional court questioned its legality. Though it has never been used, the OMT furthered claims that the ECB was an unofficial LOLR to euro area banks and had possibly overstepped its mandate (*Buiter* 2014).

In addition to the unconventional monetary policy, the ramifications of conventional roles for the ECB as lender of last resort to banks (as opposed to sovereigns) also became more significant. Specifically, the granting or withdrawal of the ECB's emergency liquidity assistance (ELA) determined if government applied for a bailout. ELA occurs when Eurosystem national central banks provide funding to financial institutions outside of monetary policy operations. The national central bank assumes primary financial responsibility for ELA, though the Governing Council takes decisions on the ELA for requests exceeding €2 billion by a 2/3 majority and has the option of objecting to or limiting ELA). ELA can only be provided to solvent financial institutions, in accordance with the Treaty's prohibition against monetary financing (*Praet* 2016). However, "there is a fine line between liquidity and solvency needs, which in a crisis is often blurred" (*Coéré* 2013). The threat of ELA withdrawal at times came with ECB suggestions for specific policy measures.

Second, the ECB became financial supervisor to the euro area. In June 2012 the European Council agreed to the creation of a banking union composed of a single supervisory mechanism (SSM), single resolution mechanism, and the single rulebook. The SSM was created under the aegis of the ECB in cooperation of national supervisory authorities. It directly supervises the largest and most important banks of the euro area since 2014. Banking union is the most significant step in European economic integration since the introduction of the euro, and its role as the SSM puts the ECB at the heart of it.

Third, the ECB has undertaken an important role as advisor to governments, offering counsel on matters like fiscal policies and structural reforms. Some of this has been informal, through the writing of letters during key moments of the

sovereign debt crisis. President Jean-Claude Trichet and several euro area central bank governors had written letters to government leaders during the height of the sovereign debt crisis:

- *Ireland*: In October 2010 Trichet wrote to Irish Finance Minister Brian Lenihan, warning that “the extraordinarily large provision of liquidity by the Eurosystem to Irish banks in recent weeks ... should not be taken for granted” (Trichet 2010a), advising him to target a fiscal deficit below 3 % in 2014 and a declining debt ratio starting from 2012. In November Trichet wrote another letter that indicated that Ireland should submit to an adjustment program or else have its ELA cut off (Trichet 2010b).
- *Cyprus*: Bank of Cyprus Governor Anasthasios Orphanides sent a letter to Cypriot President Demetris Christofias warning of the “negative feedback loops between the financial sector and public debt ... [that] require prompt corrective action” (Sapir et al. 2014);
- *Italy*: Trichet and Bank of Italy Governor Mario Draghi wrote to Italian Prime Minister Silvio Berlusconi on 5 August, noting the Italian government’s proposal for a balanced budget in 2014 was “not sufficient”, urging “immediate and bold measures to ensuring the sustainability of public finances” (Draghi/Trichet 2011). A day after the letter was sent, the ECB began purchasing Italian bonds as part of its SMP;
- *Spain*: Also on 5 August, Trichet sent a letter with Spanish Central Bank Governor Miguel Fernández Ordoñez to Spanish Prime Minister José Luis Zapatero, writing that it was “crucial” for reforms to be undertaken on wage bargaining and indexation (Trichet/Ordoñez 2011). Neither the Italian nor the Spanish letter, however, contained threats or conditions.

The ECB’s advice has taken on a more general tone in recent years, and the minutes from the April 2016 Governing Council meeting acknowledged that “giving structural reform recommendations might prove challenging”. (ECB 2016). In September 2016, Bloomberg (Radow/Speciale 2016) reported the creation of a “Task Force on Economic Reforms,” composed national central bank staff to analyze domestic reforms.

The ECB also had an institutionalized role as advisor in its participation in the “troika” (with the Commission and International Monetary Fund (IMF)) since 2010. These institutions are responsible for the surveillance and implementation of financial assistance programs of countries under a conditionality program as part of a euro area bailout. With the addition of the ESM, these were later referred to as the “institutions” or the “quadriga”. The future of the ECB’s participation in the troika has been called into question by the ECJ and the European Parliament.

In summary, the global financial crisis revealed the inadequacy of the ECB’s focus on price stability to the detriment of financial stability. Nevertheless, cen-

tral banks became key players in the management of the crisis and in the reformed institutional architecture of economic governance. For the ECB, this included an extension into unconventional monetary policy as well as government advisement and financial supervision. How can we understand the ECB's creeping competence?

III. Spillover and Entrepreneurship

Neofunctionalism and intergovernmentalism are among the oldest theories of European integration. While other major reforms such as the fiscal compact and the decision to create a banking union were characterized by intergovernmental dynamics (Bickerton et al. 2015), neofunctionalism offers a compelling explanation for the ECB's actions beyond safeguarding price stability. Neofunctionalism distinguishes between three different types of spillover to explain the expansion of supranational institutions' power: functional, political and cultivated. Functional spillover occurs due to "pressures from within" whereby cooperation rises from within the same sector in order to achieve shared goals (Niemann/Schmitter 2009). Political spillover occurs when political elites' expectations and loyalties turn to the supranational level because solutions can no longer be found at the domestic level (Haas 1958). Finally, cultivated spillover indicates the expansionary nature of supranational institutions through policy entrepreneurship, brokering agreements, and elevating agreements above the lowest common denominator (Ioannou et al. 2015).

The subsequent analysis applies a neofunctionalist framework to the ECB as lender of last resort, banking supervisor, and government advisor.

1. Lender of Last Resort

In terms of functional spillover, the ECB maintains that its unconventional monetary policy was required to restore the monetary transmission mechanism. By blaming a dysfunctional market environment, the ECB claimed that its interest rate decisions were unable to impact the economy as intended and the SMP, LTROs and OMT were needed for its monetary policy to be effective. Regarding political spillover, one can detect the beginnings of a transferal of expectations (if not loyalty) to the ECB by both governments and financial markets. There were already calls for the ECB to be more aggressive in dealing with declining liquidity in 2008 through the use of quantitative easing, which the Federal Reserve and Bank of England used shortly after the onset of the global financial crisis. Although the ECB did not succumb to QE pressure (adopting it only in 2015), the repeated inaction and inadequate policy response of governments left the ECB as the only actor capable of quickly anticipating and shaping market

sentiments. Finally, cultivated spillover indicates the agency of the ECB in expanding its influence in “turn[ing] into a lender of last resort” (*Krampf* 2014). Its actions boosted the ECB’s profile and generated momentum to view the ECB as a natural participant in other matters of fiscal and distributional significance in which a central bank does not typically partake as a government advisor. It also contributed to the selection of the ECB as banking supervisor.

Not everyone agreed that the ECB’s unconventional monetary policies were necessary, indicated by the resignations of several top German central bankers. Other key governmental actors supported the policy, however, and the time that it bought euro area government leaders to construct a policy response to the crisis. This, combined with the positive market response to the policy, allowed for the expansive interpretation of the ECB’s policy actions as corresponding to its central mandate.

The lack of political (particularly fiscal) union in the euro area meant that the ECB only provided liquidity to banks that it assumed were solvent. Nevertheless, the ECB provided generous support to the euro area banking sector after the fall of Lehman Brothers (*Braun* 2015) in its use of emergency liquidity assistance (ELA). ELA allowed the ECB to sidestep issues regarding bank bailouts and resolution, which would have clear fiscal implications (*Giavazzi/Wyplosz* 2015). There is a clear functional link in the extensive use of ELA and maintaining the stability of the financial system as well as the integrity of the euro area. Political spillover appears more tenuous in that the extensive use of ELA appeared to be less welcome than the use of unconventional monetary policy. Whereas it was primarily German central bankers who protested against the unconventional monetary policy, concerns over the use of ELA was more widespread by both those concerned with moral hazard as well as those worried that “the provision of such liquidity remains at the discretion of the ECB ... [and] the governments ... have no power over the ECB and cannot force ... [it] to provide liquidity” (*De Grauwe/Ji* 2015). Therefore, no transfer of expectations that was seen under the unconventional monetary policy is present. The case for cultural spillover appears stronger, as the ECB repeatedly made use of ELA to convince government leaders to seek EU/IMF assistance and to implement structural reforms. This can be seen as policy entrepreneurship, in that the ECB has played a critical role in determining the amount and length of ELA that can be given to banks, thus determining their ability to remain within the euro area without an adjustment program. Given that the ECB would also be a part of this assistance in its role as member of the troika, this further complicates claims of the ECB as a purely technocratic actor as assumed by the logic of central bank independence.

2. Financial Supervision

A functional logic can be identified in which a stable monetary union would require integrated financial supervision. The rise of cross-border financial institutions across Europe has made contagion across markets an increasingly important concern for policymakers. Numerous academic economists also agreed on the need to add financial stability to the mandate of central banks (*Eichengreen et al.* 2011). Moreover, the euro crisis showed how a small economy like Greece could snowball into a major crisis by calling into question the integrity of the euro area (*Chang/Leblond* 2015). Banking union with common supervision was critical to restoring market confidence, though it did not necessarily lead to the ECB playing this role.

From the standpoint of political spillover, the ECB had accumulated a considerable amount of credibility during the crisis. Many of its policies had been received favorably by markets, and the new banking union could benefit from a halo effect. Such arguments correspond with the transferal of expectations and possibility loyalties over the longer-term.

Finally, cultivated spillover appears relevant in that the ECB had repeatedly promoted the cause of centralized financial supervision and itself as supervisor. The Commission had promoted other options, but the ECB's policy entrepreneurship prevailed (*De Rynek* 2016).

3. Government Adviser

From a functional spillover perspective, the reasons for the ECB's involvement in advising governments are tenuous. There is the ideational consistency in which the ECB's interest in fiscal consolidation by governments is part of the prevailing economic ideas that also justify the ECB's independence, in their Ordoliberal emphasis on price stability and fiscal responsibility. In response to an inquiry of the troika by the European Parliament, the ECB emphasized the technical nature of its advice and that it was the member states who were responsible for lending, not the ECB (ECB 2014). On the other hand, "reasons for European authorities to request ECB participation in the Troika are not spelled out explicitly, and there is no straightforward rationale for this involvement" (*Pisani-Ferry et al.* 2013). Indeed, the ECB has the unusual distinction during negotiations of being on the side of the creditors (as part of the Troika) when normally the central bank would be on the side of the recipient country. Possible reasons for the ECB's acting as a "quasi-fiscal actor in program countries" (*Pisani-Ferry et al.* 2013) include: 1) the ECB had a significant exposure to the country, and as part of the troika it could assess better the risks to its balance sheet; 2) European leaders trusted the ECB and wanted its inclusion; and 3) concern that the IMF

could have challenged the ECB's policies (*Pisani-Ferry et al. 2013*). The second and third reasons could fit easily under the rubric of political spillover. The euro area government leaders preferred having the ECB as one of the representatives in the troika, indicating a transfer of expectations away from the Commission, the institution that traditionally provides such surveillance functions. In the area of cultivated spillover, the ECB has been the staunchest advocate of fiscal consolidation among the troika members (*Merler et al. 2012*). While it may not be aiming for the extension of its powers to the area of fiscal policy, it has been using its role in the troika as a platform for its ideas. This, combined with its ELA and bond-buying ability, make such advice difficult to ignore.

IV. Conclusion: Creeping Competence and Crawling Accountability Requirements

The ECB is one of the most independent central banks in the world, thanks to the broad policy consensus on the utility of central bank independence. The ECB's independence was more problematic in the sense that it serves as a central bank for an area that is not a political union, thereby limiting the policy tools at its disposal relative to other major central banks. Such limitations were necessary in order to justify its independence: by retaining a narrow remit (over monetary policy), its independence could be justified through the output legitimacy of price stability over the euro area.

Since the global financial crisis, however, the tasks of central banks have expanded, including the duties of the ECB. Can ECB independence still be justified on its role as a technocratic actor? In order to cope with the crisis, the ECB abandoned monetary dominance to promote financial stability and fiscal austerity (*Gabor 2014*). Interestingly, both advocates of fiscal austerity as well as their opponents have voiced their opposition to the expanded role of the ECB. Former ECB Executive Board Member *Jürgen Stark* accused the institution of having been "taken hostage by the national interests of the periphery" (*Stark 2012*) because of its actions that drove down the sovereign bond yields of these countries, deeming it to be not "monetary policy but rather – as in this case – fiscal policy or 'monetary politics'". The ECB also faced criticism from government representatives (such as in Ireland), and even the European Parliament (2014) questioned whether its actions that had clear fiscal implications were appropriate for a central bank that was not backed by a political and fiscal union.

This article has considered the three roles of the ECB that expanded as a result of the crisis: lender of last resort, financial supervision, and government adviser. A neofunctionalist framework has been applied, arguing that the "quiet, yet powerful, mission creep" (*Menz/Smith 2013*) can be explained through functional, political, and cultivated spillover. Functional and cultivated (ECB entre-

preneurship) spillover were particularly significant in the ECB's role of lender of last resort. Functional spillover also played a role in the ECB as financial supervisor, along with political spillover (transferred expectations) and cultivated spillover. Functional spillover was less of a factor in the ECB's role as government advisor; instead, political spillover played the largest role in this area. Future research could look more at the circumstances under which each type of spillover is likely.

The ECB faces distinct challenges in behaving like a supranational actor in the same way as the European Commission, given its need to remain within the boundaries set by the Treaties. Indeed, one of the factors in favor of making the ECB the euro area financial supervisor was that it would not create a treaty change (Glöckler et al. 2017). While its role in banking supervision increased its accountability requirements, in other areas its accountability remains unchanged. Its use of unconventional monetary policy and emergency liquidity assistance have come under political and legal scrutiny because of the potential for the ECB to overstep its mandate.

This article demonstrates that the ECB's mission creep was the result not only of functional necessity and the inaction of member states but also the cultivated and political spillover of the ECB itself. While it played a critical role in stabilizing market expectations and perhaps even saving the euro from implosion, these new powers should be accompanied by stronger accountability. The original rationale for independent central bank hinged on their narrow remit to pursue price stability. Although this also had redistributive consequences in that it benefitted savers over borrowers, the policy function was sufficiently narrow and provided the public good of macroeconomic stability. Now that the ECB has taken on more overtly redistributive tasks, the rationale for central bank independence is more questionable from a political standpoint. The EU has long suffered from perceptions of a democratic deficit, and the unelected central bankers are vulnerable to criticism of their legitimacy. The accountability framework of the ECB should be reconsidered in a way that reflects its new prominence in euro area governance.

References

- Barro, R. J./Gordon, D. B. (1983): Rules, Discretion and Reputation in a Model of Monetary Policy, *Journal of Monetary Economics* 12, pp. 101–121.
- Bickerton, C. J./Hodson, D./Puetter, U., Eds. (2015): *The New Intergovernmentalism: States and Supranational Actors in the Post-Maastricht Era*. Oxford, Oxford University Press.
- Braun, B. (2015): Governing the Future: The European Central Bank's Expectation Management During the Great Moderation, *Economy and Society*, 44, 3, pp. 367–391.

- (2017): Two Sides of the Same Coin? Independence and Accountability of the European Central Bank, Transparency International, http://transparency.eu/wp-content/uploads/2017/03/TI-EU_ECB_Report_DIGITAL.pdf.
- Buiter, W.* (2014): Central Banks: Powerful, Political and Unaccountable?” *Journal of the British Academy* 2, pp. 269–303.
- Buiter, W./Rahbari, E.* (2012): The European Central Bank as Lender of Last Resort for Sovereigns in the Eurozone, *JCMS: Journal of Common Market Studies* 50, 2, pp. 6–35.
- Chang, M./Leblond, P.* (2015): All in: Market Expectations of Eurozone Integrity in the Sovereign Debt Crisis, *Review of International Political Economy*, 22, 3, pp. 626–655.
- Cœuré, B.* (2013): The Usefulness of Forward Guidance, Speech before the Money Marketeers Club of New York, 26 September.
- De Grauwe, P./Ji, Y.* (2015): Correcting for the Eurozone Design Failures: The Role of the ECB, *Journal of European Integration*, 37, 7, pp. 739–754.
- De Rynck, S.* (2016): Banking on a Union: The Politics of Changing Eurozone Banking Supervision, *Journal of European Public Policy*, 23, 1, pp. 119–135.
- Draghi, M.* (2011): Introductory statement to the press conference. Frankfurt am Main, 8 December.
- Draghi, M./Trichet, J.-C.* (2011): Letter to Silvio Berlusconi, 5 August.
- ECB* (2014): ECB’s Replies to the Questionnaire of the European Parliament Supporting the Own Initiative Report Evaluating the Structure, the Role and Operations of the ‘Troika’ (Commission, ECB and the IMF) Actions in Euro Area Programme Countries, https://www.ecb.europa.eu/pub/pdf/other/140110_ecb_response_troika_questionnaire.pdf.
- (2016). Account of the Monetary Policy Meeting of the Governing Council of the European Central Bank held in Frankfurt am Main on Wednesday and Thursday, 20–21 April.
- Eichengreen, B./El-Erian, M./Fraga, M.A./Ito, T./Pisani-Ferry, J./Prasad, E./Rajan, R./Ramos, M./Reinhart, C./Rey, H./Rodrik, D./Rogoff, K./Shin, H. S./Velasco, A./Weder de Mauro, B./ Yu, Y.* (2011): *Rethinking Central Banking*. Washington, DC, Brookings.
- European Parliament* (2014): Report on the Enquiry on the Role and Operations of the Troika (ECB, Commission, and IMF) with Regard to the Euro Area Program Countries (2013/2277(INI)). Committee on Economic and Monetary Affairs. 28 February.
- Gabor, D.* (2014): Learning From Japan: The European Central Bank and the European Sovereign Debt Crisis *Review of Political Economy*, 26, 2: pp. 190–209.
- Giavazzi, F./Wyplosz, C.* (2015): EMU: Old Flaws Revisited.” *Journal of Economic Integration*, 37, 7, pp. 723–737.
- Glückler, G./Lindner, J./Salines, M.* (2017): Explaining the Sudden Creation of a Banking Supervisor for the Euro Area, *Journal of European Public Policy*, 24, 8, pp. 1135–1153.
- Haas, E.* (1958): *The Uniting of Europe*, Stanford, Stanford University Press.

- Howarth, D./Hogenauer, A. (2016): Unconventional Monetary Policies and the ECB's Problematic Democratic Legitimacy, *Journal of Public Law*, 17, 2, pp. 1–24.
- Ioannou, D./Leblond, P./Niemann, A. (2015): “European Integration and the Crisis: Practice and Theory, *Journal of European Public Policy*, 22, 2, pp. 155–176.
- Krampf, A. (2014): “From the Maastricht Treaty to Post-crisis EMU: The ECB and Germany as Drivers of Change.” *Journal of Contemporary European Studies* 22(3): pp. 303–317.
- Kydland, F. E./Prescott, E. C. (1977): Rules Rather than Discretion: The Inconsistency of Optimal Plans, *Journal of Political Economy* 85, 3, pp. 473–492.
- Menz, G./Smith, M. P. (2013): Kicking the Can Down the Road to More Europe? Salvaging the Euro and the Future of European Economic Governance, *Journal of European Integration*, 35, 3, pp. 195–206.
- Merler, S./Pisani-Ferry, J./Wolff, G. (2012): “The Role of the ECB in Financial Assistance: Some Early Observations.” Paper Prepared for the European Parliament's Committee on Economic and Monetary Affairs, <http://www.europarl.europa.eu/document/activities/cont/201207/20120702ATT48160/20120702ATT48160EN.pdf>.
- Niemann, A./Schmitter, P. (2009): Neofunctionalism, *European Integration Theory*. Wiener, A./Diez, T., Oxford, Oxford University Press: pp. 45–64.
- Pisani-Ferry, J./Sapir, A./Wolff, G. (2013): “EU-IMF Assistance to Euro Area Countries: An Early Assessment.” Bruegel Blueprint.
- Praet, P. (2016): The European Central Bank and its role as lender of last resort during the crisis, *The Lender of Last Resort: An International Perspective*, Washington, DC, Committee on Capital Markets Regulation.
- Randow, J./Speciale, A. (2016): “ECB Said to Redouble Economic Reform Push With Task Force.” Bloomberg, 21 September.
- Rogoff, K. (1985): “The Optimal Degree of Commitment to an Intermediate Monetary Target, *Quarterly Journal of Economics*, C, 403, pp. 1169–1189.
- Roth, F./Jonung, L./Nowak-Lehmann, F. (2016): Crisis and Public Support for the Euro, 1990–2014, *JCMS: Journal of Common Market Studies*, 54, 4, pp. 944–960.
- Sapir, A./Wolff, G./De Sousa, C./Terzi, A. (2014): The Troika and Financial Assistance in the Euro Area: Successes and Failures.” Study on the request of the Economic and Monetary Affairs Committee of the European Parliament, <http://bruegel.org/2014/02/the-troika-and-financial-assistance-in-the-euro-area-successes-and-failures/>.
- Stark, J. (2012): The ECB's OMTs (Out-of-Mandate Transactions) *International Economy*, 26, 4, pp. 52–83.
- Torres, F. (2013): The EMU's Legitimacy and the ECB as a Strategic Political Player in the Crisis Context, *Journal of European Integration*, 35, 3, pp. 287–300.
- Trichet, J.-C. (2010): Letter to Irish Finance Minister Brian Lenihan on 15 October, <http://www.ecb.europa.eu/press/html/irish-letters.en.html>.
- (2010): Letter to Irish Finance Minister Brian Lenihan on 19 November, <http://www.ecb.europa.eu/press/html/irish-letters.en.html>.

- Trichet, J.-C./Ordoñez, F.* (2011): Letter to Jose Luis Rodriguez Zapatero on 5 August, <https://www.ecb.europa.eu/pub/pdf/other/2011-08-05-letter-from-trichet-and-fernandez-ordonez-to-zapateroen.pdf>.
- Yiangou, J./O’Keeffe, M./Glöckler, G.* (2013): ‘Tough Love’: How the ECB’s Monetary Financing Prohibition Pushes Deeper Euro Area Integration, *Journal of European Integration*, 35, 3, pp. 223–237.