This is a pre-publication version of the article published in Comparative European Politics, Vol 20 (6), 2022.
This paper is part of the EU3D Horizon 2020 Project.

Did they know what they were doing? The Euro-crisis as a policy fiasco

By Ingrid Hjertaker*[1] and Bent Sofus Tranøy[2]

Abstract

How should history judge the euro crisis and the way it was handled? Does it qualify as a policy fiasco in the sense that it was *avoidable*? Or could the crisis at least have been handled in a manner which substantially reduced its destructive impact on the economic and social welfare and politics of Europe? These questions demand counter-factual analysis. Nevertheless, they deserve attention. How history is interpreted impacts decisions about today and tomorrow. The article explores three discourses about economic governance: On financial stability, on fiscal policy and on growth. Each discourse came with pathologies: They did not sensitize decisionmakers to crucial negative consequences of the policy choices they privileged at decisive points in the sequence of boom, bust and (policy engineered) painfully slow recovery. The ECB has quietly changed its ways, but unwillingness to confront the crisis head on as a policy fiasco can obstruct learning opportunities that are important for the EU and the Eurozone going forward.

Keywords

Euro Crisis, European Monetary Union. Policy Fiasco, Financial Stability, Lender of Last Resort, Optimal Currency Area.

Contact details

1.Department of Organization, Leadership and Management, Inland Norway University. Email: ingrid.hjertaker@inn.no

* Corresponding author

2. Department of Organization, Leadership and Management, Inland Norway University. Email: bent.tranoy@inn.no

Notes on contributors

Ingrid Hjertaker is a PhD candidate in political science at Inland School of Business and Social Sciences, Inland Norway University. Her dissertation examines central bank power, innovation and political contestation. Her most recent publication are 'The Dollar as a Mutual Problem: New Transatlantic Interdependence in Finance' in *Politics & Governance* and 'The ECB – Unchecked transgressions and formal extensions', *Handbook on EU Crisis*, Palgrave 2021. (both with Bent Sofus Tranøy)

Bent Sofus Tranøy is professor of Political Science at Inland Norway University and a visiting scholar at ARENA. Among recent publications are: (Co-editor of) *Successful Public Policy in the Nordic Countries.* OUP 2022. 'Equality as a driver of inequality? Universalistic welfare, generalised creditworthiness and financialised housing markets'. *West European Politics,* (2019) (with Ingrid Hjertaker and Mary Ann Stamsø); and 'Thinking about Thinking about Comparative Political Economy: From Macro to Micro and Back'. *Politics & Society,* (2018) (with Herman Schwartz).

Introduction

How should history judge the euro crisis and the way it was handled? Following one definition of policy fiascos (Bovens & Hart, 1996) we can ask: Was the crisis and the dramatic fallout *avoidable*? Or could the crisis at least have been handled in a manner which substantially reduced its destructive impact on the welfare and politics of Europe? These questions are counterfactual and cannot be answered in an authoritative manner. Nevertheless, they deserve attention. How history is interpreted impacts decisions about today and tomorrow. In this contribution we explore three discourses about economic governance- and the policies and institutions that they shaped - that set Europe on the path to crisis. Each discourse came with pathologies: They did not sensitize decisionmakers to crucial negative consequences of the policy choices they privileged at decisive points in the sequence of boom, bust and (policy engineered) painfully slow recovery.

One discourse neglected *financial stability* as a topic, allowing the unchecked build-up of private sector risk in the European banking system. The second allowed for creating a monetary union without a *fiscal* authority or backstop for member states experiencing a run on their government bonds. The third held that the core problem of European *growth* – also in the midst of a deep recession - lay in divergent institutional and economic structures and the (perverse) incentives they gave rise to, rather than in insufficient demand.

The euro crisis has, as befits its enormity and shock-value, spawned a rich literature. For our purposes we can divide this into two main strands, output from EU-scholars versus what has been produced by generalist political economists and economists. For those who see the survival of the eurozone as the yardstick against which to gauge success, the euro's survival is a cause for celebration. For his speech acts of august 2012, before introducing the bond market supporting OMT-programme, Mario Draghi was lauded as having almost single-handedly saved the euro (e.g. Randow & Speciale, 2018). Amongst European integration scholars, the ECB is also often portrayed in positive light. The ECB 'rose to the occasion', 'taking bold steps' and was 'willing to embark on novel terrain' (Verdun, 2017, pp. 209; 214). Others view the crisis through a lens of how it pushed European Integration forward, wherein some negative effects of the crisis may be acknowledged, but emphasis is on how it has impacted the EU's level of integration and strengthened its supranational institutions (e.g. Bickerton et al., 2015; Fabbrini & Puetter, 2016; Puetter, 2012, Laffan and Schlosser 2016, Riddervold et al 2021).

In contrast to this, (political) economists have been more concerned with how the euro in general, and the crisis-handling has had a negative impact on variables such as welfare, employment, equality and economic growth (e.g. Blyth, 2013; Mitchell, 2015; Mody, 2018). On some metrics, the effects of the financial and euro crises on the Eurozone were more severe than the effects of the Great Depression on the US economy (Crafts, 2013). The turn to austerity was criticized as destructive in real time by moderate new Keynesians like Paul Krugman (2011), Paul de Grauwe (2011) and Simon Wren Lewis (2012). Several analysts (e.g. Blyth, 2013; Tooze, 2018) have argued that an earlier intervention by the ECB to backstop sovereign debt markets might have avoided (most) of the euro crisis altogether.

As the above illustrates, fiascos will nearly always be contested. It is an inherently normative concept with an inescapable 'eye of the beholder' quality to it. Still, there are strategies available that can rescue us from sliding into pure relativism. Modern governance is built on ideals of rationality. This entails that goals are stated or at least can be reasonably assumed, goals that outcomes can be gauged against. When we analyze macro-economic governance the relevant goals relate to what we can think of as the implicit societal contract of the European social model: employment, growth, livelihoods and economic opportunity. If we can establish plausible causal links between policy and (a detrimental impact on) these outcomes, we have taken significant steps towards being able to declare a fiasco. The final step hinges on being able to demonstrate the avoidability of the crisis.

There is more at stake here than reputations, spin and blame games (Hood, 2011). From a learning perspective it is obvious that what lessons we draw from economic troubles and crises affect economic governance now and in the future. It influences policy content and sometimes also the distribution of power and responsibilities within a polity. Indeed, what came to be the dominant interpretation of the divergent inflation performances and currency volatility experienced within the Snake and the European Monetary System (EMS), directly and indirectly impacted both policy priorities within and the institutional set-up of the EMU.

The paper is structured in the following way. The next section elaborates on the concepts of policy failures and fiascos and discusses whether they are applicable in the case of the European Monetary Union. Sections 3, 4 and 5 address the discourses on financial stability, fiscal policy and growth, in turn. Relying on meeting minutes, policy reports and secondary literature, we examine for each discourse how these issues were viewed around the birth of the EMU and forward. We ask which, if any, challenges were raised, and how were decisions justified. Section 6 discusses and offers concluding remarks.

2. Conceptual moves: From failure to fiasco or farce?

The literature on 'policy gone bad' employs a rich and evocative language. Concepts like failure, fiasco, disaster, mishap, blunders and pathologies appear in different texts. Also, failure and fiasco and are sometimes used interchangeably, often in contributions that are more concerned with theorizing failures for explanatory purposes, rather than operationalizing the concept as such (e.g. Brummer, 2016; Dunlop et al., 2020; Dunlop & Radaelli, 2018). In one special issue on policy fiascos, the editors state that they purposefully avoided asking their 'authors to start out from a single definition of the constitutive elements of fiascos', and that what united them was an interest in 'situations in which things have gone wrong, where policy has fallen short of some objective or subjective benchmark of success' (Oppermann & Spencer, 2016, p. 644).

This unwillingness to tackle the 'constitutive elements" reflects the difficulty of establishing objective measures of failure and success. However, this has not stopped scholars from refining analytical tools grounded in intersubjectivity. Thus, it is now possible to discern an emerging consensus among scholars on the usefulness of McConnel's (2010; 2015) and collaborators' (e.g. 't Hart & Compton, 2019) scheme for identifying both success and failures. This framework distinguishes between three dimensions when evaluating policy – programmatic (which relates to the stated goals of a policy), processual (the effectiveness and legitimacy of the process) and political (which is about support and opposition). In Dunlop's (2017, p. 6) apt phrase, this scheme allows scholar to 'bolt-on their own analytical specifications'.

It is beyond the scope of this article to analyse the euro crisis along all three dimensions. We centre our analysis on the programmatic aspect. As noted, in the context of macro-economic governance, this translates to broad goals such as employment, growth and life chances. We have already touched upon the political dimension when referring to different interpretations of how the euro crisis was handled, while a brief comment on the process dimension concerns the role of the ECB in the troika: The secret letters sent by the ECB to some of the crisis countries, asking for structural reform in exchange for monetary support, has been broadly criticized for lacking in democratic legitimacy. Stiglitz (2018, p. 165) described the ECB as 'Europe's sledgehammer', while Sandbu (2015) speaks of the ECB engaging in 'democratic blackmail'.

Simplifying our conceptual point of departure allows us to go back to Bovens and 't Hart's (1996; 2016) original distinction between failures and fiascos. Failures are *spectacular, unambiguous and highly consequential mishaps* that few people will hesitate to label as such. We will argue that the Euro crisis is such an event: We understand the euro crisis broadly as covering both the initial financial meltdown, and how this financial crisis morphed into a fiscal crisis handled through self-defeating austerity and inappropriate conditionality. In our view it also qualifies as what Bovens and 't Hart (1996, p. 15) describe as a *policy fiasco*. In our case, this distinction is important. Their definition of a fiasco is

> ...a negative event that is perceived by a socially and politically significant group of people in the community to be at least partially caused by avoidable and blameworthy failures of public policymakers.

This definition establishes three criteria for identifying a case that qualifies for the term. We can distinguish between (1) the establishment of an outcome as a negative event, (2) establishing a causal role for public policy in producing this event and (3) that the political actions implicated by this understanding of causality were avoidable and therefore worthy of blame. The third criterion thus draws an analytical demarcation line between failures and fiascos: Policy failures can be defined as negative events where public policy played a causal role. Policy fiascos, on the other hand, include the third criterion. That is, the events were avoidable.

If we view the handling of the euro crisis from 2010 to 2015 along these criteria the first one is obviously met. The loss of jobs and homes, of livelihoods and even lives, in addition to the financial and real economic losses suffered, unambiguously qualifies as a negative event. In the following paragraph we will argue that also the next criterion – that policy played a causal role – is fulfilled. The third criterion, that the actions were avoidable is what the rest of the paper is about. It is a central concern in the analysis of how our three pathologies came into being.

We argue that each of the pathologies has its place in the longer causal chain that produced these negative events. Firstly, we have the pathology we have termed a blinkered understanding of financial stability. This entailed an overly optimistic view of the stability and rationality of markets, while keeping a close to singular focus on fiscal restraint by member states. Fiscal indiscipline was viewed as the major (de facto only) risk for the 'soundness' of the euro. Furthermore, this led to decisionmakers practically disregarding the prospect of instability arising from risk-taking in the financial sector. We argue that this lax oversight and regulation were necessary, but not sufficient, conditions for the crisis to happen.

The role played by the second pathology, the unbalanced relationship between monetary and fiscal union, can be placed further down the causal chain. The crucial question is which adjustment mechanisms were available to the EU and to member states once a single currency had been adopted and currency devaluation was taken off the table. This is at the core of Optimum Currency Area theory, and a problem the policymakers at the time were fully aware of. The member states had different business cycles and the currency area had low labour mobility, making adjustment a likely necessity. Yet rather than adopt some form of risk sharing or fiscal transfer mechanisms, the policymakers instead went to strict fiscal rules to ensure 'convergence'. When the crisis hit, the European Central Bank's (ECB) initial reluctance to support sovereign bond markets led to sky-high interest rates, and crisis packages that required budget cuts in the midst of a GDP contraction. This accelerated internal devaluation processes, the most socially and economically costly way to adjust. At the very least the ECB could have refrained from raising interest rates in the middle of a recession as it famously did in 2011.

This is where the growth pathology enters the picture. In a union informed by a different set of dogmas, bond market panics could have been quelled while rescue and restructuring could conceivably have been handled very differently – with less insistence on austerity and structural reform. In EU-speak, structural reform is a catch-all euphemism that covers reforms ranging from cuts in pensions, to opening up of markets in general and reducing employment security in particular (making labour markets more 'flexible'). In the middle of a downturn where unemployment is skyrocketing, this entails an additional transfer of power from employees to employers, driving wages and working conditions downward which in turn further damages aggregate demand.

A brief comparison with Iceland can be instructive, as the case indicates how combination of fortuitous circumstances, monetary autonomy and a more Keynesian inspired crisis handling can bring different mechanisms into play and produce vastly better outcome. Compared to Southern European countries, Iceland's room for manoeuvre was significantly bigger, even though financial losses relative to GDP were much larger. In short Iceland could let the Krona depreciate sharply, install capital controls to stem flows out of the country, obtain or force through significant debt write-offs and implement a programme of cuts combined with compensatory measures. This program, with the IMF's blessing, was also designed to shield the most vulnerable. That is, those with the highest propensity to consume were protected. Thus, Iceland was able to retain a functioning welfare state while reducing growth-stilting effects on aggregate demand (Tranøy & Sigurjonsson, 2022).

Reinhart and Rogoff (2014) offer two interrelated metrics for comparing recoveries: how large are the losses measured in terms of output (which in turn reflect employment and general welfare) and how long does it take from peak to through and back to pre-crisis output levels? The two are combined in a severity index by adding the sum of the absolute value of the fall in per capita GDP and how long (in years) it takes to get back to the pre-crisis peak. The two metrics are related because the faster you manage to bottom-out on your losses, the quicker you can start your recovery, which then reduces the time 'available' to accumulate further losses. In short: a 'v-shaped' recovery.

In Iceland the real economy reached its nadir after just two years. By 2010 output had contracted by 10 percent per capita in real terms. Consumption fell by 22 percent while unemployment rose from 2.3 to almost 8 percent even as there was a significant reversal of Iceland's migration balance. The 2011 state budget moved from 2009's plus 6 to minus 6 percent while state debt rose from a mere 28 to a whopping 130 percent of GDP. This was as bad as it got. By 2011 the economy was growing again and in 2016 reached its pre-crisis peak in per capita terms, neatly fitting Reinhard and Rogoff's operationalization of a v-shaped recovery. By the end of 2017 GDP was 15 percent above the pre-crisis peak, in per capita terms this corresponded to 7 percent above the numbers for 2007 (The Central Bank of Iceland 2018, 73-74). Greece and Spain suffered relatively smaller financial losses, yet the real economic impacts were both more severe and more sustained. This emerges from Benediktsdóttir et. al's (2017: table 10) updating of Reinhard and Rogoff's index. Greece's total loss of GDP per capita from peak to through was 26.3 percent, it took no less than 6 years to bottom-out and 15 years to return to pre-crisis levels.

The corresponding figures for Spain were 10,6 percent, accumulated over the same 6 years as Greece, while Spanish recovery measured as GDP per capita was achieved in 2019, 11 years after the crisis broke.

3. The financial stability discourse and policy path

The first of the three pathologies we examine concerns how to regulate financial markets within the eurozone. Firstly, we will argue that financial regulation in the eurozone prior to the crisis constituted a regulatory failure because key issues were not addressed before it was too late. We will then specify how this failure contributed to the crisis before taking a brief look at what technocrats and regulators were concerned with, given that they failed to see what turned out to be key issues.

The crisis that broke in 2008 proved that European financial regulation was inadequate on three crucial scores (Tegle-Stenstad & Tranøy, 2021): Firstly, there was only micro-level, and no macroprudential regulation, the assumption being that if each unit was stable, the system would be stable too. Secondly, the architecture was found wanting in terms of functional scope: Each interconnected segment of the financial sector (insurance, banking and capital markets) was overseen by separate regulators. This created blind spots regarding systemic dynamics both in terms of macro phenomena and functional interdependencies. The third problem was a lack of geographical reach. The basic architecture was national level regulation of an increasingly European market. Thus, the internal market for capital, credit and insurance was created and then boosted by the introduction of the euro without moving corresponding regulatory functions to the European level.

The Europeanization of finance in the form of large and complex pan-European finance groups shot apace in response to the SEM and even more so after the introduction of the euro. One consequence was that the scope for systemic risk moved from each member state to the single financial market as national financial systems became increasingly inter-linked (Teixeira, 2020, p. 117). The remaining domestic regulation of banks prior to the financial crisis was furthermore done on the same problematic terms as in other advanced states at the time. The regulatory beliefs that dominated this period viewed large financial institutions, using sophisticated internal risk models, as better able to regulate their own risk than regulators. Global capital adequacy rules, which European policymakers campaigned for, gave strong incentives toward this 'market-based risk regulation', especially after the Basel II rules of 2004 (BCBS, 2004).

This permissive regulatory environment allowed for several risks to accumulate. Firstly, the build-up of financial imbalances between core and peripheral euro members. Secondly, the risk assumed in US markets by European banks seeking higher yields outside of their overbanked, low growth European markets (McCauley, 2018). Rather than a source of risk, the short term results of the imbalances (bubble-like growth in the periphery) were interpreted as proof that the euro facilitated a much desired convergence in economic results (Tranøy & Schwartz, 2019). The problem of risk-taking in the US market simply did not register with European regulators (Tooze, 2018). To make matters worse, European banks were on average more poorly capitalized than their US counterparts (Cechetti 2013).

If technocrats and policymakers were not concerned with the above problems, what were they focused on? For this potentially endless discussion we have chosen two different entry points. We look at what regulators actually did, and secondly, we ask what those entrusted with planning the EMU talked about. The general impression is that those entrusted with financial regulation were informed by a desire to create a 'level playing field' in order to reap efficiency gains, seemingly secure in the belief that financial markets tend to be efficient and stable as long as they are competitive. Systemic risk at the European level was a non-starter, but prudence in general was also consigned to the back seat.

One example is how the Commission intervened on the side of competition concerns when conflicts emerged between the protectionist impulses of member states and the interests that drove cross-border banking forward (Teixeira, 2020, pp. 117–118). That competition policy took precedence over prudence concerns was codified when the directive on supervisory assessment of bank acquisitions was amended in 2007. Reversing the logic of a previously held principle, it clearly stated that prudence concerns could not limit free competition and financial integration. This created an incentive structure where states and their national champions scrambled for market shares, financial activity and the resulting tax revenues. Thus, the period up to the financial crisis degenerated to what Sinn (2012, pp. 157–158) has described as 'a competition in laxity'.

If the Commission and financial regulators for all practical purposes ignored the risks that came with the forces they helped unleash, what about those who planned EMU? Our point of entry here is the minutes of the Delors committee (Delors Committee, 1988). The Committee Report provided what turned out to be more or less a blueprint for the final Maastricht agreement (Verdun, 1999, p. 309). Did these men (there were no women on this committee) in the erstwhile privacy of their meeting room in Basel, voice any fears that a common currency could lead to over-lending and overbanking? In our reading of these minutes, we find no references to financial market instability as such. What engaged the members was how to fulfil the mandate given to it, and best build on the emerging success (as viewed in 1988-89) of the EMS. The decision was one between even more fixed rates or a single currency. Considering this overarching goal of monetary integration, the fiscal policy choices of states were repeatedly portrayed as the main threat to monetary stability, while markets were cast as agents of discipline and rationality.

The leading candidate when looking for warnings against the build-up of risk, imbalances and instability, would have to be Alexandre Lamfalussy, who at the time headed the Bank for International Settlements (BIS). He had been influenced by important New-Keynesians like John Hicks and James Tobin in his late formative years and in the tradition of BIS, he was more interested in financial stability than any of the central bankers on the Delors Committee (Maes, 2017). In a note to the Committee about prospects for fiscal convergence in a Monetary Union his argument hinged on an analysis of how investors behave in the market for Sovereign bonds, which proved to be remarkably prescient. Without seeking to address this question in and of itself, he specified the mechanisms through which the imbalances that the EMU later came to facilitate would be financed.

> Nor do I believe that it would be wise to rely principally on the free functioning of financial markets to iron out the differences in fiscal behavior between member countries: (a) *the interest premium to be paid by a high-deficit member country would be unlikely to be very large, since market participants would tend to act on the assumption that the EMU solidarity would prevent the "bankruptcy" of the deficit country; and (b) to the extent that there was a premium, I doubt whether it would be large enough* to reduce significantly the deficit country's propensity to borrow. There is, therefore, a serious risk that, in the absence of constraining policy coordination, major difference in fiscal behavior would persist within a European EMU (quoted in James 2012: 249, emphasis added).

The process set in motion by the Single European Market (SEM) and EMU, was one where interest rates converged on German levels, and where banks from the core of the EMU sent money to the periphery, financing trade imbalances and property bubbles while chasing miniscule interest rate differentials. The ECB was given no real supervisory duties. This does not mean that systemic risk was never mentioned nor that the idea of giving what was to be the ECB prudential responsibilities was never floated.

According to Coene (2014, p. 15) , Lamfalussy tried to raise the issue without succeeding. We do not have any details of how this played out, as there are no traces of it in the meeting minutes, but there is reason to believe that the context was an initiative taken by the Dutch then chairman of the Basel Committee on Banking Supervision (BCBS), Huib J. Muller. In November 1988 he convened a meeting of senior central bankers with supervisory responsibilities in Brussels, shadowing the contemporaneous meeting of the Delors committee in Basel. The topic for discussion was 'the evolution of prudential supervision in a single European Market for banking services'. In a confidential note that the supervisors originally wanted to send to the Delors committee, but which was eventually addressed to 'EC-governors' upon the advice of an unnamed Governor, the supervisors tried to warn the monetary specialists of increased systemic risk on the horizon. In particular, the group noted the issues raised by the growing interdependencies in recent years between the banking systems of different countries and between the banking system and other financial developments.

The supervisors further suggested that they set up a subcommittee to the 'Committee of EC governors' (CoG) with the aim of including supervisory functions "if and when the creation of European Monetary Authority were to take place". A Banking Supervision Sub-Committee (BSSC) was indeed established as a formal substructure of the CoG in 1990 but the goal of adding supervisory and prudential functions to the remit of the ECB was not realized. Neither do we find traces of this topic being debated in the minutes of the Delors Committee. As European financial integration grew apace after the launch of the Euro the topic re-emerged, but it always floundered on the issue of lender of last resort responsibilities. The fiscal cost of such activities meant that it needed to remain the responsibility of national governments, parliaments, and taxpayers (James 2012: 396).

4. The fiscal policy discourse

When the financial crisis morphed into a sovereign debt crisis for Europe, it became clear that the introduction of the euro, even when accompanied by strict fiscal rules, had not led to economic convergence. In fact, the differences between the economies had increased, just as several experts and even some key decisionmakers themselves had warned. Given these explicit, and often public warnings, this is the pathology where it is easiest to show that decision-makers were confronted with opposing ideas and were warned about the consequences of the policy path they were considering. It is furthermore a policy choice where decision-makers went against dominant thinking at the time, rather than conforming to it (as is the case with the other two).

This section will not focus on which actors were decisive in pushing for monetary union, and what their motivations were. The rich, historical path toward the economic monetary union has been skillfully documented by others (e.g. Dyson & Featherstone, 1999; Dyson & Maes, 2017; Issing, 2008; James, 2012; McNamara, 1998; Mody, 2018). Instead, we will focus on certain crossroads at which the decisionmakers were confronted with criticism and warnings. As we shall see, the idea of a monetary union in Europe remained controversial from the 1969 EC decision to move forward with monetary integration, through various Committees and reports, and after the final design decisions were made.

The idea that Europe was ill-suited for a single currency was often discussed with reference to Mundell's theory of Optimum Currency Areas (Mundell, 1961). Here, Mundell outlines a set of criteria to determine whether an area is suitable for a currency union. These are capital mobility, labor mobility, similar business cycles, and a system for risk sharing. Europe clearly qualified on the first point by the time the internal market for capital was established, the three others were more dubious, if not clearly disqualifying. While the internal market had the legal framework to permit labor mobility between member states, actual labor mobility within the EU was still far below US level – the US Federal system being a natural comparison for the EMU. The European member states did not have similar business cycles, and the economic differences between the Northern and Southern states had persisted in the decade before the euro was introduced, despite the latter having largely abandoned expansionary policies and attempted to model the German anti-inflationary stance since the late 70s. On the final point, a risk sharing system was a criterion which the EU clearly did not meet, and the decisionmakers at the time were very aware of this point. In the minutes from the Delors Committee meetings (Delors Committee, 1988), we see that what kind of alternative adjustment mechanisms could be put in place to compensate for the problem of not having a fiscal union to accompany the proposed monetary union is a topic of discussion that runs throughout.

The first major step in monetary union process was the commissioning of the Werner Report that was published in 1970. The Werner Report (1970) acknowledged that labour mobility was not sufficient and that the Community budget would be insufficient to backstop an economic and monetary union. Still, the report recommended moving forward in a model of 'parallelism' between monetary and political union, and is perhaps the first clear representation of the so-called 'falling forward' model of European integration: if monetary union came first, political integration would surely follow. The report's recommendation was that while fiscal policy would have to remain at the national level, rules that controlled this fiscal policy should be decided and enforced at the Community level. The Werner Report received broad criticism at the time from several leading intellectuals. Nicolas Kaldor (1971) one of the world's leading economists at the time, argued that it would be a 'dangerous error' to believe that monetary and economic union could come before a political union:

> 'the objective of a full monetary and economic union is unattainable without a political union; and the latter pre-supposes fiscal *integration*, and not just fiscal *harmonisation*. It requires the creation of a Community Government and Parliament which takes over the responsibility for at least the major part of the expenditure now provided by national governments and finances it by taxes raised at uniform rates throughout the Community. With an integrated system of this kind, the prosperous areas automatically subside the poorer areas; and the areas whose exports are declining obtain automatic relief by paying in less, and receiving more, from the central Exchequer.'
>
> 'Monetary union and Community control over budgets will prevent a member country from pursuing full employment policies on its own- from taking steps to offset any sharp decline in the level of its production and employment, but without the benefit of a strong Community government which would shield its inhabitants from its worst consequences.' (Kaldor, 1971)

The Werner Report, however optimistic on a falling forward-model, supposed European monetary union in Europe would lay sometime in the not immediate future. In the meantime, European leaders, led by French president George Pompidou, wanted to move ahead sooner and pushed for more study of monetary integration. A commissioned study group led by Robert Marjolin – an advocate of European integration and a key figure behind the Treaty of Rome – produced a report that referred to the idea of a monetary union in Europe as 'naïve' (Marjolin, 1975). A following report by a Committee led by Sir Donald McDougall set out to study how fiscal integration would take form, stressed that any European monetary union would need to be accompanied by a 'US style tax system' (MacDougall, 1977).

Opposition to the monetary integration plans also came from domestic sources, especially in Germany. In the late 1970s, Helmut Schmidt and Valéry Giscard d'Estaing kept their negotiations secret, allegedly because Schmidt knew he would face opposition from his own ministry of finance and the Bundesbank (McNamara, 1998; Mody, 2018). The confederation of

German industry wrote to Helmut Kohl in June 1989 warning of precisely the dynamics that the creation of the euro would create:

> Prematurely abandoning the possibility of responding to divergent economic developments and structural changes by means of exchange rate arrangements might confront the European Community with considerable strains. Europe's economically and structurally weaker regions would thus be deprived of an important instrument, the option of exchange rate adjustment. Locational disadvantages would be preserved or even exacerbated. This would result in appeals for new financial adjustment mechanisms or structural funds to ensure the necessary balance. (Letter from Bundesverband der Deutschen Industrie June 3 1989, quoted in Mody 2018: 70)

Despite repeated warnings from even then well-respected sources, there were never any serious plans to create anything resembling a fiscal union. While the initial proposal for the European Monetary System included a suggestion to create a European Monetary Fund, such an institution was never created for the EMS (McNamara, 1998, p. 127), and the idea was not resuscitated during the EMU negotiations. Instead, the focus in the Delors Committee negotiations is on harmonizing member state economies through creating EU-level rules for national fiscal policy. This would come to take the form of the convergence criteria of the Maastricht Treaty, and later the rules outlined in the Stability and Growth Pact. The Economic and Monetary Union was to be limited to countries with 'sound' economic management (McNamara, 1998, p. 168), with the emphasis on low inflation, low government debt and low government deficits. Ironically, it appears that several of the Delors Committee members themselves believed, after being convinced by the arguments of German member Karl-Otto Pöhl, that in setting dauntingly tough rules for fiscal discipline as a requirement for monetary union, the EMU would be politically unpalatable for most potential member countries and never come to pass (Mody, 2018, pp. 69–70).

Despite astute and repeated warnings, European leaders opted to create a rigid monetary union without accompanying mechanisms of risk-sharing and fiscal redistribution, and a central bank which was not intended to act as lender of last resort. The criticism did not cease after the decision was made. Milton Friedman (1997) argued publicly against the euro, warning that taking away the adjustment mechanism that was the exchange rate of the individual member states would be very dangerous for Europe if no other adjustment mechanisms were put in place.

5. The growth discourse

The third of our discourses concerns growth. While a supply-side view of economic growth and development was a central part of the global neoliberal 'Washington consensus', we argue that these ideas would find a particular resonance in the context of the EMU. One of the key underlying fears that characterized the negotiations leading up to the creation of the EMU was what was perceived by Northern Member States as the fiscal recklessness of the 'Southern' Member States, to which the convergence criteria were seen as the solution. Convergence here meant for the demand-driven economies of the 'South' to become more like the lower inflation, (ostensibly) budget balancing, export-oriented economies of the Northern member states, especially Germany. Structural reform was viewed as key to secure this convergence.

An important arena for socialization in this regard was the Committee of Governors. Here, central bankers from other member states were brought around to the 'German view': growth and employment could not be attained through demand-side policies, fiscal or monetary, price stability should be the focus of monetary policy, in combination with a focus on structural reform (McNamara, 1998, pp. 146; 156). The idea of adopting a 'dual mandate' as in the US or finding other ways to manage potential trade-offs did not stand a chance in the design negotiations. The wording of Article 105 which gave primacy to price stability was, according to Otmar Issing a source of 'constant controversy' prior to the onset of the negotiations, but once the negotiations of the design of the EMU and ECB began, any potential trade-offs between employment and inflation were not given attention (Issing, 2008, pp. 63; 87).

The narrow focus on price stability was at the time criticized from external commentators. US economist Alan Blinder said in a media interview that it was a mistake for the ECB not to have employments as its primary concern, given Europe's poor performance on employment. When the incoming Executive Board of the new central banks was subject to hearings in the European Parliament in May 1998, the central bankers were asked to respond to Blinder's argument. Issing's response was that while Blinder was a 'dear friend', they disagreed about the long- and short term goals of monetary policy, and fundamentally, that Blinder simply did not understand Europe: 'The main difference is that the Americans have no idea about our institutional environment, which is totally different' (Issing, 2008, p. 35).

Both the primacy of price stability and the ban on bailouts were enshrined in the Treaties. To the disappointment of some member states, labour market and wage 'flexibility' were not given the same status as the 'sound money' consensus. Yet, there was a broadly held belief by the Northern member states that markets would discipline states and force a learning process towards supply-side flexibility nonetheless. The asymmetrical design of the treaty, with liberalization combined with a specific central bank design was believed to secure a 'trojan horse' composed of monetary policy and market forces that would open for supply-side flexibility (Dyson & Featherstone, 1999, p. 784). Up until at least 2014, the European Central Bank consistently pushed structural reform in its public policy recommendations, and labour market reforms in particular (Braun et al., 2022).

When the crisis erupted, and several member states needed crisis loans, conditionality thinking would resurface in full. According to Henning (2017), Germany consciously designed the troika to include the European Central Bank and the International Monetary Fund precisely to ensure that crisis loans would be subject to strict conditionality, and feared that a pure-EU, Commission-led solution would be too soft., given the perceived history of EC conditionality. According to Harold James (2012: 279) 'The history of EC conditionality was a saga of softness and failure' due to the intergovernmental processes they would have to pass before being enacted.

Structural reform and austerity would go hand-in-hand in the handling of the crisis. Austerity is also viewed here as flowing from supply side views on growth. When facing a recession, the correct response is therefore not Keynesian countercyclical stimulus, but confidence boosting austerity. Originally peripheral Italian economic ideas from Einaudi and Alesina later became mainstream in Brussels, as these ideas became formalized in the mathematic language of rational expectations economics, including the belief in so-called 'expansionary austerity' (Helgadóttir, 2016). These ideas would merge with German Ordo-liberalism placing emphasis on rules and discipline.

The European Central Bank has pursued expansionary monetary policy since 2015, and especially since the Covid19 pandemic with the Pandemic Emergency Purchasing Programme of 2020, and the new 'Transmission Protection Instrument' introduced July 2022 that permits the ECB to explicitly target Member States in trouble for monetary support. The no bailout-clause appears to be de facto dead and buried though it remains in the Treaty but does this mean that structural reform as the central feature of the EMU's growth model has gone away? With the introduction of the European Semester, Two Pack and Six Pack, and moving from the Open Method of Coordination to Economic Governance, the EMU has opened for 'softer' forms of economic surveillance of all member states that enable the push for structural reform even in Member States that are not in deep economic crisis and in need of crisis loans with conditionality attached (Hermann, 2017).

6. Discussion and concluding remarks

Economic crises and fiascos are complex phenomena, and have, upon closer inspection and contrary to the popular saying, many fathers. The three paths we have outlined helps us understand three crucial drivers of the ultimate outcomes as measured by losses of jobs, wealth and life chances. Relegating financial stability to a matter of secondary importance helped produce the fragility that brought five peripheral economies down when the great financial crisis broke. Not providing fiscal resources and refusing to calm bond markets before the summer of 2012 caused things to get out of hand. At the same time, foisting austerity and structural reform on depressed economies made matters worse and contributed to debt/GDP ratios going up and not down.

The three pathologies can all be tied to the same broader discourse on the nature of states and markets. Underlying all three is a decontextualized and rosy view of markets as respectively stable, discipline inducing and growth promoting, while states (and the policies democracies are wont to produce) are seen as inflation driving and growth stilting. Thus, it is in the collective self-interest of states to bind themselves to rules and subject themselves to the discipline of the market.

This world view was dominant across industrialized nations at the time when the EMU was planned and executed. This is an important part of the big picture when seeking to explain the euro crisis in general terms. But this picture is also too big, as it obscures the avoidability issue which a more subtle, context sensitive discussion can bring out. Members of the Delors Committee repeatedly referred to monetary union as moving into unchartered territory, a notion that should inspire caution, careful analysis and a modicum of modesty. Instead, we see that the underlying project failed at three decisive points: No backstop against panicking bond markets, lackadaisical monitoring and regulation of financial markets and crisis handling that made matters worse. All these were points where available knowledge and learning opportunities were readily ignored by decision makers. In this sense the crisis was avoidable.

First, and most crucially measured in terms of both easy to grasp causality and availability of codified alternative practices, there were no automated fiscal transfers in place to deal with business cycle problems in the eurozone, and there were no pre-established institutions or rules for how to deal with a market run on a member state's sovereign debt. Market concerns about eurozone member state debt caused rates on bonds for several member states to spiral in the logic of a self-fulfilling prophecy identical to that of a bank-run. There is no need for a default for this to happen. All it takes is the fear that one may occur. This drives interest rates up until a default becomes a reality (increased risk demands higher interest rates which increases risk of default and so on and so forth). In other states such as the US, the UK or the Scandinavian countries for that matter, market participants know that the central bank will act as the lender of last resort. This insight is at least 150 years old (Bagehot, 1873) but the creators of the EMU chose to ignore it and the ECB's leadership waited until the second half of 2012 to re-interpret their mandate in such a way as to allow it to quell the panic.

In short, the market panic could have been stopped quickly if EU policymakers had been decisive and clear about creating a backstop – a ceiling on interest rates - for eurozone sovereign debt. Instead, EU policymakers continued to stress the no bailout-clause in the Treaty and the moral hazard it was supposed to prevent. This continued long after the crisis was a fact. As Wren-Lewis (2012) remarked at the time: 'the fire engine does not drive slowly to the fire to encourage others to be careful'. It should also have been clear that, apart from Greece and arguably Portugal, that the root of the problem was private-, not public sector debt.

Efforts at providing emergency liquidity to all the member states in acute crisis were conflictual, drawn-out and eventually, resolved in an unsatisfactory manner. High unemployment and low growth would plague the eurozone for years, in what even former ECB officials now refer to as a "lost decade" for Europe (Smaghi, 2021). Amongst those who have studied the mechanics of the crisis, it is now uncontroversial to claim that had the EU responded more quickly to reassure markets, the crisis could have been avoided, or at the least been far less painful and resolved at significantly lesser expense (e.g. Blyth, 2015; Schmidt, 2020). In his detailed study of the ECB's market operations from its inception until today: van 't Kloosters (2022: 15) puts it like this when stopping at Draghi's famous 'whatever it takes': 'This announcement, which is widely seen as the ECB solving the bond market panic, can equally well be understood as the announcement that the central bank would stop causing it.'

In the case of insufficient financial regulation our conclusion is less clear cut. This is because the notion of avoidability has to be qualified in light of the fact that other big regulators failed in their tasks too (most notably in the US and the UK). This reflects that the dominant paradigm coalesced around rational expectations based 'new macro' and efficient markets theory combined with Ordoliberal thought. While New Macro's advice and Ordoliberal practices dictated a singular focus on inflation targeting and clear rules, the efficient market hypothesis held that lightly regulated financial markets tend to be stable. In this perspective, the financial crisis of 2007 and onwards was a joint failure of a larger epistemic community.

On the other hand, there were good reasons for the Europeans to be extra alert, also before 2008. The interaction effects that arose between a single market for capital and EMU set in motion processes that made Europe more risk prone and more fragile than comparable regulatory spaces: European banks merged and competed for market shares. Weakly capitalized banks hunted for profitability where they could find it, be that in the American subprime market or in southern Europe. The intra-European capital flows enabled by this made it easier for economies to finance balance of payments (and fiscal) deficits. Lamfulassy was proved right. In fair weather the market proved to be an enabler and not the agent of discipline envisaged by the reigning consensus. In these circumstances European decisionmakers chose to ignore imbalances, prioritize competition over prudency in regulatory policy while remaining blissfully ignorant of the risks their banks were taking on in US-markets.

Our final point is that austerity and structural reform in the middle of a downturn were avoidable choices. There were real time warnings against prioritizing *structure* in the middle of sharp *cyclical* downturn. Even if structural reform could be proved to be the silver bullet the European elite consensus made it out to be, its effects would have been slow and long term, thus inappropriate to deal with an urgent crisis. Policymakers seemingly held on to the notion that austerity would stimulate private investment through its confidence boosting effects while debt-to-GDP ratios were moving dramatically in the wrong direction.

Eventually though, the ECB and the Commission came round to a different understanding of the mechanisms at work in crisis. This is not so much evident from what has been said, as from what has been done. A kind of soft-voiced *technocratic Keynesianism* (van 't Klooster, 2021) is discernible as the rationale behind the ECB getting round to performing QE and even more so from the

Pandemic Emergency Purchasing Programme of 2020, and the new 'Transmission Protection Instrument', which allows the ECB to directly target states in bond market trouble.
This gradual shift has arguably raised the prestige of the ECB in European circles in general and among scholars of European integration in particular. This raises the specter of what Bovens and 't Hart (2016) calls a (policy) *farce*. This concept comes into play in situations where policies have demonstrably contributed to bad outcomes, while the dominant narrative remains one of success. The farce scenario reduces the capacity to appraise and learn. At the time of writing the ECB and the EU is confronting stagflation driven by profit margins and value chain disruption (Schnabel, 2022) in an environment characterized by geopolitical-, climate- and post-pandemic (radical) uncertainty. In such a situation the EU can ill afford to circumscribe its own capacity to critically reflect upon past dogmas, policies and institutional solutions.

Bibliography

Bagehot, W. (1873). *Lombard Street A Description of the Money Market*. Henry S. King & Co.

BCBS. (2004). *Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework*. Bank for International Settlements.

Bickerton, C. J., Hodson, D., & Puetter, U. (2015). The New Intergovernmentalism: European Integration in the Post-Maastricht Era. *JCMS: Journal of Common Market Studies*, *53*(4), 703–722. https://doi.org/10.1111/jcms.12212

Blyth, M. (2013). *Austerity: The history of a dangerous idea*. Oxford University Press.

Blyth, M. (2015). *Austerity: The history of a dangerous idea*. Oxford University Press.

Bovens, M. A. P., & Hart, P. 't. (1996). *Understanding policy fiascoes*. Transaction Publishers.

Bovens, M., & t'Hart, P. (2016). Revisiting the study of policy failures. *Journal of European Public Policy*, *23*(5), 653–666.

Braun, B., Carlo, D. D., & Diessner, S. (2022). Planning laissez-faire: Supranational central banking and structural reforms. *Zeitschrift Für Politikwissenschaft*. https://doi.org/10.1007/s41358-022-00322-6

Brummer, K. (2016). 'Fiasco prime ministers': Leaders' beliefs and personality traits as possible causes for policy fiascos. *Journal of European Public Policy*, *23*(5), 702–717. https://doi.org/10.1080/13501763.2015.1127277

Coene, L. (2014). Introduction. In I. Maes & F. Moss (Eds.), *Progress through crisis? Proceedings of the conference for the 20th Anniversary of the European Monetary Institute*. European Central Bank.

Crafts, N. (2013, December 13). The Eurozone: If only it were the 1930s. *VoxEU.Org*. https://voxeu.org/article/eurozone-if-only-it-were-1930s

De Grauwe, P. (2011). The Governance of a Fragile Eurozone. *CEPS Working Paper*, *346*.

Delors Committee. (1988). *Minutes of the first meeting of the Delors Committee*. European Central Bank. https://www.ecb.europa.eu/ecb/access_to_documents/archives/delors/html/index.en.html

Dunlop, C. A. (2017). Policy learning and policy failure: Definitions, dimensions and intersections. *Policy & Politics*, *45*(1), 3–18. https://doi.org/10.1332/030557316X14824871742750

Dunlop, C. A., James, S., & Radaelli, C. M. (2020). Can't get no learning: The Brexit fiasco through the lens of policy learning. *Journal of European Public Policy*, *27*(5), 703–722. https://doi.org/10.1080/13501763.2019.1667415

Dunlop, C. A., & Radaelli, C. M. (2018). The lessons of policy learning: Types, triggers, hindrances and pathologies. *Policy & Politics*, *46*(2), 255–272. https://doi.org/10.1332/030557318X15230059735521

Dyson, K., & Featherstone, K. (1999). *The road to Maastricht: Negotiating Economic and Monetary Union*. Oxford University Press.

Dyson, K., & Maes, I. (2017). Architects of the Euro: Intellectuals in the Making of European Monetary Union. In *Architects of the Euro*. Oxford University Press. https://oxford.universitypressscholarship.com/view/10.1093/acprof:oso/9780198735915.001.0001/acprof-9780198735915

Fabbrini, S., & Puetter, U. (2016). Integration without supranationalisation: Studying the lead roles of the European Council and the Council in post-Lisbon EU politics. *Journal of European Integration*, *38*(5), 481–495. https://doi.org/10.1080/07036337.2016.1178254

Friedman, M. (1997, August 28). The Euro: Monetary Unity to Political Disunity? | by Milton Friedman. *Project Syndicate*. https://www.project-syndicate.org/commentary/the-euro--monetary-unity-to-political-disunity

Helgadóttir, O. (2016). The Bocconi boys go to Brussels: Italian economic ideas, professional networks and European austerity. *Journal of European Public Policy*, *23*(3), 392–409. https://doi.org/10.1080/13501763.2015.1106573

Henning, C. R. (2017). *Tangled governance: International regime complexity, the Troika, and the Euro Crisis* (First Edition). Oxford University Press.

Hermann, C. (2017). Crisis, structural reform and the dismantling of the European Social Model(s). *Economic and Industrial Democracy*, *38*(1), 51–68. https://doi.org/10.1177/0143831X14555708

Hood, C. (2011). *The blame game: Spin, bureaucracy, and self-preservation in government*. Princeton University Press.

Issing, O. (2008). *The birth of the Euro*. Cambridge University Press.

James, H. (2012). *Making the European monetary union*. Harvard University Press.

Kaldor, N. (1971). The Dynamic Effects of the Common Market. *New Statesman*.

Krugman, P. (2011, March 25). Opinion | The Austerity Delusion. *The New York Times*. https://www.nytimes.com/2011/03/25/opinion/25krugman.html

Laffan, B., & Schlosser, P. (2016). Public finances in Europe: Fortifying EU economic governance in the shadow of the crisis. *Journal of European Integration*, *38*(3), 237–249.

MacDougall, D. (1977). *Report of the Study Group on the Role of Public Finance in European Integration*. Commission of the European Communities.

Maes, I. (2017). Alexandre Lamfulassy: A Cassandra about Financial Stability. In K. Dyson & I. Maes (Eds.), *Architects of the Euro: Intellectuals in the making of the European Monetary Union*. Oxford University Press.

Marjolin, R. (1975). *Report of the Study Group "Economic and Monetary Union 1980."* EU Commission.

McCauley, R. N. (2018). The 2008 crisis: Transpacific or transatlantic? *BIS Quarterly Review*.

McConnel, A. (2010). Policy Success, Policy Failure and Grey Areas In-Between. *Journal of Public Policy*, *30*(3), 345–362. Cambridge Core. https://doi.org/10.1017/S0143814X10000152

McConnell, A. (2015). What is policy failure? A primer to help navigate the maze. *Public Policy and Administration*, *30*(3–4), 221–242. https://doi.org/10.1177/0952076714565416

McNamara, K. (1998). *The Currency of Ideas. Monetary Politics in the European Union*. Cornell University Press.

Mitchell, W. (2015). *Eurozone Dystopia: Groupthink and Denial on a Grand Scale*. Edward Elgar Publishing.

Mody, A. (2018). *EuroTragedy: A Drama in Nine Acts*. Oxford University Press.

Mundell, R. A. (1961). A Theory of Optimum Currency Areas. *The American Economic Review*, *51*(4), 657–665.

Oppermann, K., & Spencer, A. (2016). Studying fiascos: Bringing public and foreign policy together. *Journal of European Public Policy*, *23*(5), 643–652. https://doi.org/10.1080/13501763.2015.1128228

Puetter, U. (2012). Europe's deliberative intergovernmentalism: The role of the Council and European Council in EU economic governance. *Journal of European Public Policy*, *19*(2), 161–178. https://doi.org/10.1080/13501763.2011.609743

Randow, J., & Speciale, A. (2018, November 27). The Inside Story of How Mario Draghi Saved the Euro. *Bloomberg*. https://www.bloomberg.com/news/features/2018-11-27/3-words-and-3-trillion-the-inside-story-of-how-mario-draghi-saved-the-euro

Reinhart, C. M., & Rogoff, K. S. (2014). Recovery from Financial Crises: Evidence from 100 Episodes. *American Economic Review*, *104*(5), 50–55. https://doi.org/10.1257/aer.104.5.50

Riddervold, M., Trondal, J., & Newsone, A. (Eds.). (2021). *The Palgrave Handbook of EU crises*. Palgrave.

Sandbu, M. (2015). *Europe's Orphan: The future of the Euro and the Politics of Debt*. Princeton University Press.

Schmidt, V. A. (2020). *Europe's crisis of legitimacy: Governing by rules and ruling by numbers in the Eurozone* (First edition). Oxford University Press.

Schnabel, I. (2022, May 11). *The globalisation of inflation*. https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220511_1~e9ba02e127.en.html

Sinn, H.-W. (2012). *Casino Capitalism: How the Financial Crisis Came About and What Needs to be Done Now*. Oxford University Press.

Smaghi, L. B. (2021, June 14). The eurozone must not return to its pre-crisis ‘normality.’ *Financial Times*. https://www.ft.com/content/323a1e8c-8dda-4d49-92b1-9ef051a18825

Stiglitz, J. E. (2018). *The Euro: How a common currency threatens the future of Europe*.

’t Hart, P., & Compton, M. (Eds.). (2019). *Great Policy Successes*. Oxford University Press. https://doi.org/10.1093/oso/9780198843719.001.0001

Tegle-Stenstad, E., & Tranøy, B. S. (2021). Failing Forward in Financial Stability Regulation. In M. Riddervold, J. Trondal, & A. Newsone (Eds.), *The Palgrave Handbook of EU Crises*. Palgrave.

Teixeira. (2020). *The Legal History of the European Banking Union*. Hart.

Tooze, A. (2018). *Crashed: How a decade of financial crises changed the world*. Allen Lane.

Tranøy, B. S., & Schwartz, H. M. (2019). Illusions of convergence. In J. Bátora & J. E. Fossum (Eds.), *Towards a Segmented European Political Order* (1st ed., pp. 47–70). Routledge. https://doi.org/10.4324/9781351024341-3

Tranøy, B. S., & Sigurjonsson, T. O. (2022). Back from the brink: Iceland’s successful economic recovers. In C. de la Porte, G. Björk Eydal, J. Kauko, D. Nohrstedt, P. ’t Hart, & B. S. Tranøy (Eds.), *Successful Public Policy in the Nordic Countries*. Oxford University Press.

van ’t Klooster, J. (2021). Technocratic Keynesianism: A paradigm shift without legislative change. *New Political Economy*, 1–17. https://doi.org/10.1080/13563467.2021.2013791

Verdun, A. (1999). The role of the Delors Committee in the creation of EMU: an epistemic community? *Journal of European Public Policy*, *6*(2), 308–328. https://doi.org/10.1080/135017699343739

Verdun, A. (2017). Political leadership of the European Central Bank. *Journal of European Integration*, *39*(2), 207–221. https://doi.org/10.1080/07036337.2016.1277715

Werner, P. (1970). *Werner Report—Report to the Council and the Commission on the realisation by stages of Economic and Monetary Union in the Community*.

Wren Lewis, S. (2012, August 23). The work of John Maynard Keynes shows us that counter-cyclical fiscal policy and an easing of austerity may offer a way out of the Eurozone crisis. *EUROPP*. https://blogs.lse.ac.uk/europpblog/2012/08/23/keynes-counter-cyclical-fiscal-policy/