With the benefit of hindsight: what did (and does) political science tell us about the Eurozone crisis?

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We are interested in the question how the Eurozone crisis is reflected in the engagement with Economic and Monetary Union (EMU) from a political science perspective. EMU has absorbed considerable academic interest since its inception. Many structural deficiencies of EMU – such as the heterogeneity of its Member States, the lack of automatic fiscal transfers or insufficient labour mobility – were already widely debated in the 1990s. But similar to the political discussion, the attention dedicated to potential flaws of EMU waned after 1999. At its tenth anniversary, the common currency was still hailed as a success story by European institutions and many observers alike. We therefore ask how intensively, and with what focus, political science journals dealt with EMU. How has the scientific discourse on the topic changed with the outbreak of the crisis?

Our systematic analysis of articles (N=118) in selected peer-reviewed political science journals dealing with EMU for a ten year period (2005-2014) yields a number of general findings. We observe marked differences between the pre- and post-crisis period. Political science has increasingly taken up issues of financial regulation and questions of trust in a monetary union. Political scientists did not engage as much as expected with the democratic ramifications of the crisis management. Finally, the Franco-German tandem identified in an earlier literature review as a main precondition for the creation and survival of EMU is superseded by a more encompassing north-south divide.

1. Introduction

The Eurozone crisis has exposed major deficiencies of the institutional set-up of Economic and Monetary Union (EMU). The inconsistent labelling of ‘the crisis’ as a sovereign debt crisis, a competitive crisis, a financial crisis, a banking crisis or a crisis of political legitimacy points to the multifaceted dimensions of this phenomenon. These different labels indicate that there is no single narrative or explanation as to why EMU has slipped into an existential crisis that is calling its very survival into question.
The objective of this paper is to assess how intensively, and with what focus, political scientists have analysed EMU and the Eurozone crisis. We use published articles in high-ranking political science journals as a proxy for academic engagement with the topic and conduct an analysis of relevant articles in selected journals for the years 2005-2014. We are particularly interested in answering the following questions: What are patterns of political science engagement with EMU before and after the outbreak of the crisis? Which explanations for the crisis are provided in the literature, which remedies are discussed? Do political scientists explicitly address any root causes of this crisis? Do they identify specific conflict lines that are pivotal for the survival of the common currency?

The paper can build on work with a similar orientation. In their 2009 literature survey (which can be seen as ‘pre-crisis survey’ from today’s perspective) Sadeh and Verdun identified three conditions for the sustainability of EMU (see Sadeh and Verdun 2009): First, the continuity of the Franco-German political deal. Second, the on-going hegemony of the belief in “sound money”. And third, that ‘losers’ from EMU remain underrepresented in national and EU institutions. One aspect of interest for the present paper is if these conditions are still dominant in the academic discourse concerning the Eurozone crisis.

Furthermore, this article builds on the assumption that different narratives of the Eurozone crisis exist, each of which systematically identifies diverging main causes of and remedies for the crisis. We identify five popular narratives (see below). Some have long accompanied the construction of the Eurozone, while other readings gained prominence with the aggravation of the crisis in the post-2010 period.

The article proceeds as follows. Part 2 presents the main interpretations of the crisis discussed in the literature. This part serves as the conceptual framework for the analysis. Part 3 provides details on the process of coding and presents the data. Part 4 discusses major characteristics of the debate. Part 5 offers a number of conclusions.

2. Theoretical part: Different interpretations of the crisis

Unsurprisingly, there is little consensus in academia about the root causes of the major deficiencies of the Eurozone. Conflicting interpretations abound: some commentators hold Germany accountable for its initially reluctant stance to provide financial assistance or its insistence on strict austerity policies (see for instance Pisani-Ferry, Sapir, and Wolff 2013). Others lay blame on lax fiscal policies in countries such as Greece (for a description see
Featherstone 2012: 6f) or point to the immense economic heterogeneity of capitalist systems within the Eurozone (see for instance Höpner 2014, Streeck 2014). None of these interpretations sheds light on all potential root causes of the crisis and can thus not fully explain the situation of all crisis-ridden countries (for a similar argument see for instance Hancké 2013). Why did Portugal and Spain, despite belonging to a similar type of market economy (see for instance Hall and Soskice 2001), face very different economic challenges? Why did Ireland – the only non-Southern crisis country – slip into the crisis at all?

In this section, we develop a conceptual frame consisting of five dominant narratives, covering (i) fiscal and economic coordination, (ii) the construction of EMU, (iii) questions of trust, (iv) financial regulation and (v) aspects concerned with the democratic legitimacy of the institutional framework. We will use this framework to assess the dominance of certain crisis interpretations over others in political science articles. Although we develop ideal types, each interpretation focuses on a specific set of instruments to tackle the crisis and is associated with a set of causal explanations as to why the Eurozone is in a perilous state.

One widespread reading is that the euro crisis is primarily a fiscal and economic crisis, resulting from fiscal profligacy by, especially, Southern European countries as well as growing economic imbalances in the Eurozone. The insufficient compliance with the rules of the Stability and Growth Pact (SGP) (see for instance Eichengreen 2012: 128) before 2010 is often interpreted as a major factor explaining why countries accumulated unsustainably high sovereign debt levels. The reinforcement of the SGP as well as the adoption of the ‘Treaty on Stability, Coordination and Governance’ (TSCG) would consequently constitute a potential solution (see for instance Seng and Biesenbender 2012). Also, from this perspective, the newly introduced macro-economic imbalance procedure or the European Semester can help reducing economic divergences in the Eurozone. As observers rightly point out, however, such a reading does not convincingly account for the difficulties of Spain or Ireland (nor does it explain why, for instance, Belgium, was not hit as hard by the crisis as other countries, see among others Hancké 2013). Spain and Ireland were in good shape fiscally and economically before the crisis, but then experienced major economic and financial setbacks.

A second reading understands the euro crisis as rooted in the construction of EMU, focusing in particular on overly rigid labour markets in Southern Europe and their inflexibility to adjust wages and social benefits. Throughout the 1980s, a consensus emerged that floating exchange rates were themselves a major source of economic instability (see for instance Belke, Gros
2009; for a slightly different argument see Höpner and Spielau 2015). This consensus formed the cornerstone of the actual design of EMU (McNamara 1999). Given that exchange rates are fixed, labour mobility is low and automatic fiscal transfers are largely absent, necessary adjustments in a currency union must be derived from labour markets, and thus ultimately wages. In this reading, the huge sovereign aid packages from European and international financiers are ultimately devices to buy time (Streeck 2014) and adjustments must still take place via internal devaluations (Höing 2016).

The construction narrative also addresses the heterogeneity of the Eurozone and the lack of mechanisms to achieve convergence, such as (automatic) fiscal transfers, Eurobonds, an exit-option or procedures to handle state insolvencies within a currency zone. However, also this interpretation falls short of explaining the positive economic performance of countries with relatively rigid labour markets (in their export sectors), such as Germany or Austria; it also has problems explaining why certain countries joined the Eurozone in the first place.

A third popular reading interprets the crisis as a crisis of trust. A particular problem in a monetary union derives from the fact that member states can give no guarantee that they will always be able to pay out bond-holders when bonds mature. This is different for stand-alone countries, i.e. countries outside a monetary union, and suggests a potentially ‘destructive dynamic’ in monetary unions if no institution acts as a ‘lender of last resort’. Such a self-fulfilling prophecy was described, among others, by De Grauwe (De Grauwe 2012) who compared the situation of Spain and the UK (with the former becoming vulnerable to self-fulfilling movements of distrust). High inflation rates and negative real interest rates fuelled asset price inflation and bubbles in countries such as Spain. There was arguably also a systematic failure of rating agencies which did not adequately assess the risk of sovereign bonds of periphery countries (see for instance Cordes 2014). In theory, interest rates are market mechanisms and have an important ‘signalling function’. The strong convergence of interest rates since the creation of the common currency indicates that this market mechanism was largely suspended. The central question is whether this was a systemic failure, i.e. the convergence of interest rates was a natural by-product of the currency union, or (simply) the result of poor risk assessment from rating agencies and other financial market participants.

In order to break this vicious circle, a credible lender of last resort function becomes indispensable. The promise of the European Central Bank in September 2012 “to do whatever it takes” has – at least for the time being – calmed down financial markets. Also the Eurozone’s initial reaction to the crisis in 2010 was supposed to re-establish trust in the ability
of Eurozone Member States to refinance their sovereign debt. Eurozone governments stepped in with bailout funds, first temporary, then permanent. These rescue mechanisms do equally function as (modest) lenders of last resort. However, on its own, the trust narrative also fails to convincingly explain the extent to which public debt levels in Greece or Portugal were unsustainable. Poor risk assessment on the side of financial market participants can hardly account for the excessive build-up of debt in these countries.

A fourth narrative explains the outbreak of the crisis primarily by poor financial regulation. Ireland and arguably Cyprus attracted risky capital due to lax tax regulations and an oversized banking sector. Immediate policy decisions to tackle the crisis have worsened the economic situation of these countries (see for instance Lane 2012). In order to break the link between banks and sovereigns, the Banking Union was eventually initiated. Its first pillar, in particular, addresses questions of financial regulation and supervision (although all three pillars are crucial for the functioning of a fully-fledged banking union), accompanied by several measures at the international level to regulate international financial markets. Also this narrative is unable to explain the entire picture since financial regulation had been rather strict in Italy or Spain (Hancké 2013).

On numerous occasions, the crisis has also been framed as a crisis of political legitimacy (see for instance Laffan 2014; Otero-Iglesias 2015). Various authors have pointed to the political and economic constraints resulting from EMU membership (see for instance Scharpf 2012; Crum 2013). The management of the crisis has facilitated the dominance of executive actors which cannot be held accountable to a unitary parliamentary actor at the EU level. Although the lack of democratic legitimacy can hardly explain the outbreak of the crisis, the lack of legitimated political structures has indeed hampered efficient decision-making during the immediate management of the crisis, regularly leading to brinkmanship and tough intergovernmental bargaining (Fabbrini 2013; Schimmelfennig 2015). It might also explain some of the insufficient reactions to the current crisis.

1 Hancké adds a fifth narrative in which he explains the asymmetric development of nominal unit labour costs (NUCL) and inflation rates by the institutional set-up of labour markets. Informed by the varieties of capitalism approach (VoC) (Hall and Soskice 2001), Hancké distinguishes coordinated wage setting systems in the North of Europe and decentrally organized systems in the rest of Europe (with a hybrid type in Ireland). Hancké’s central argument is that, in a monetary union, the Northern wage-setting regimes take the NUCL of other EMU Member States into account. As a result, these settings experience a consistent fall of NUCL and ever-depreciating real exchange rates. The picture is reverse for countries with decentralized labour markets. The consequence is a growing gap of competitiveness between Northern and Southern EMU Member States which is particularly hard to overcome. Although Hancké presents some slight optimism at the end of his book, other authors conclude that the “European varieties of capitalism are too heterogeneous to productively fit into a common currency regime” (Höpner 2014, 664).
These five narratives are partly complementary (see Table 1). Although the classification is not always unambiguous, they all identify different causes for the current crisis and point to different instruments to tackle it.

3. Data

Journals and articles

In order to obtain a meaningful sample of articles, we analyse a small number of peer-reviewed journals in their entirety for a long timeframe (2005-2014). Our sample represents only a tiny snapshot of the political science engagement with the topic. For example, we do not look at other forms of academic publications, above all books. We leave out primary sources, policy papers, non-refereed journals and the press. At the same time, this approach has the advantage that we deal with high-quality contributions which can be considered to represent the state of the art in political science. The choice of journals is in our view justified by their thematic focus, their rank (in terms of citations), and their degree of familiarity in the academic community. In particular, based on the 2014 ThomsonReuters Journal Citation Reports ranking in the category political science, these journals exhibit the highest impact factor for journals focussing explicitly on European politics. The journals included are the European Journal of Political Research (Journal Citation Reports five-year impact factor in 2014: 2.225, Rank in category political science: 7/161), the Journal of Common Market Studies (1.814, 19/161), the Journal of European Public Policy (2.079, 21/161), and West European Politics (1.692, 31/161).2

In order to establish some kind of benchmark, we also selected two political science journals without a special European focus for the timeframe under consideration: the (German-language) Politische Vierteljahresschrift (Journal Citation Reports five-year impact factor in 2013: 0.208, 140/157) and the (US-based) Journal of Politics (2.482, 19/157). Interestingly, for our timeframe 2005-2014, we find only a very small number of articles loosely dealing with EMU in the latter two journals (15 articles out of a total of 978). By contrast, in the four

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2 Source: Incites Journal Citation Reports, Thomson Reuters, [https://jcr.incites.thomsonreuters.com/](https://jcr.incites.thomsonreuters.com/) (23.02.2016).
journals dedicated to European politics, a scan of titles and abstracts resulted in 189 articles of potential interest (out of a total of more than 2,200).³

**Selection and coding**

In a next step, we looked at each article more closely in order to decide whether to include it in our content analysis or not.⁴ This reduced the number of articles in our sample to 118 (for the four journals with a European focus) and 4 (for the two journals with a more general orientation).

The number of articles relevant according to our criteria in the latter journals is very low. In fact, no article in the Journal of Politics has a sufficient focus on the Eurozone to warrant inclusion in our sample. At the same time, the number of relevant articles in the European Journal of Political Research is also in the single digits. We discuss this finding further below but restrict our analysis to the four journals with an EU focus in the remainder of the paper.

Step three consisted of manually coding the remaining articles selected from the four journals. The coding was carried out jointly by the two authors. The code book was drawn up based on the items discussed in Part 2 and slightly refined after coding all 2014 articles from the sample. This test run also served to ascertain inter- and intra-coder-reliability.

[Table 2 around here]

The articles analysed are unevenly distributed among the four journals: 72 articles (out of a total of 672, that is 10.7%) in the Journal of Common Market Studies, 30/679 (4.4%) in the Journal of European Public Policy, 13/529 (2.5%) in West European Politics and only 3/350 (0.9%) in the European Journal of Political Research.

Before we discuss the occurrence and dominance of the outlined narratives, we present some descriptive data on our sample of articles. First, we identified the level of analysis for each article, e.g. whether the academic contributions focussed primarily on the national, the EU or

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³ The number of relevant articles per journal varies greatly between journals, and so does the overall number of articles. There is also much variation over years, caused for example through special issues. However, since we are not interested in intra-journal or yearly comparisons of article numbers this does not pose a problem for our analysis.

⁴ The criterion was that it had to deal with the Eurozone and issues pertaining to it. A focus on the EU or its Member States by itself did not merit inclusion of an article. Neither did an analysis of, say, OECD countries, even if the topic addressed might be relevant for the Eurozone crisis (such as fiscal policy).
the international level. Unsurprisingly, the EU forms the level of analysis in the majority of articles (63%), with an additional 15% displaying a combination of the national and the EU level and 4% a combination of the international and the EU level.

[Figure 1 around here]

We found only few articles exclusively focussing on the international/global level (4%). These articles are mostly concerned with questions of financial regulation. The number of articles focussing exclusively on the national level is also low (14%). Put differently, for more than 70% of articles, there is no explicit focus on the national level and thus individual Member States. Case studies were nevertheless represented in our sample although there is no single country that scholars particularly focus on (notwithstanding a smaller number of articles dealing with Germany and – to a lesser extent – Greece).

Second, there is no focus on a specific EU institution (64%). Only interest in the European Central Bank (17%) and the European Commission (8%) is slightly higher than for other institutions. And although the ECB has often been hailed as the only institution capable of acting since the outbreak of the crisis, the number of contributions dealing with the ECB in the 2010-2014 period is not larger than in the 2005-2009 period (in fact, the number of contributions focussing exclusively on the ECB decreases from nine to five).

Third, we inductively identified potential conflict lines that were recurrent themes in our sample. Though not every article explicitly outlined such a conflict line (87 out of 123, that is around 71%), more than one third of the articles focussed on the classical question of supranational versus intergovernmental policy-making. This conflict line was dominant in the construction, the democratic as well as the financial regulation narrative. The aspect of moral hazard (16%) was particularly dominant under the fiscal and economic narrative while the North-South conflict emerged as a relatively new conflict line and was often addressed under the construction narrative.

[Figure 2 around here]

We now turn to the discussion of our findings.
4. Discussion

Our conceptual framework identifies five different “crisis narratives”. Applying this framework on our sample of articles from the four journals, we can associate most of them with one (and in a few cases two or several) specific narratives of the crisis.\textsuperscript{5}

We find that all five narratives are present in our sample to a considerable degree. This is not surprising given that the narratives emanate from the literature in the first place. On the other hand, it is plausible that certain narratives pique the interest of researchers less than others to the point of irrelevance. In our sample, narratives ‘Fiscal and Economic Surveillance’ (N = 37) and ‘Construction issues’ (N = 29) come out on top, followed by the ‘Financial Supervision and Regulation’ (N=24) and the ‘Monetary Trust’ narrative (N = 23). The democracy narrative was coded least frequently (N = 16).

[Figure 3 around here]

Looking in more detail at the individual narratives, it is interesting to compare the periods before and after the start of the crisis (2005-2009 and 2010-2014).\textsuperscript{6} Overall, we coded the five narratives 56 times in the first half of our reference period and 73 times in the second half. A further breakdown (per year etc.) does not yield meaningful results given the imponderables of the review and publication process.

[Figure 4 around here]

*Fiscal and economic coordination narrative*

The first narrative focuses on the ‘E’ of EMU, the attempt to complement the ECB’s independent monetary policy with coordination procedures primarily in the fiscal, but also in the broader economic realm. In quantitative terms, the narrative dealing with the coordination of fiscal and economic policies is the most prominent one overall (37 occurrences). When

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\textsuperscript{5} Eleven articles could not be associated with any of the crisis narratives outlined above. Another ten articles represented two narratives each. Providing a longer-term, theoretical treatment of EMU, four articles represent three or more narratives (Dyson 2009; Eichengreen 2012; Enderlein and Verdun 2009; Hodson 2009), even though three of them were published before the height of the euro crisis.

\textsuperscript{6} This rough division takes into account the time-lags created by the review and the publication process. Subsequent to the in-depth analysis of all articles, we refined the division insofar as Issue 5 of the JCMS in 2009 contained five articles explicitly dealing with the financial crisis. We thus added these articles to the second phase.
differentiating between pre-crisis (38% of all narrative codings in the 2005-2009 period) and post-crisis (22%) publications, the rank decreases from first to third. The drop, despite the numerous reforms in that area after 2009, may be explained by the fact that after the outbreak of the crisis, other narratives gained prominence.

In the run-up to the first reform of the SGP, a cluster of articles deals with the Pact’s politico-economic rationale and its functioning in practice (Donnelly 2005; Ferré 2005; Heipertz and Verdun 2005; Mckay 2005; Schelkle 2006). McKay (2005: 540) argues that ‘the potential political costs of the SGP almost certainly outweigh any possible [economic] gains’. In a similar vein, but from an economist’s perspective, Ferré (2005) concludes that the Pact is not necessarily beneficial for Member States. Schelkle (2006) proposes a different conceptualization of the Pact: as a disciplinarian device it undermines the credibility of policy makers it is supposed to strengthen, and should therefore rather be seen in terms of ‘collective insurance’. Following the reform of the SGP in 2005, Buiter (2006) considers the Pact ‘dead’.

The Broad Economic Policy Guidelines (BEPG), the coordination instrument for economic policies, are analysed in Deroose et al. (2008), whereas Meyer (2005) focuses on the impact of fiscal and economic policy coordination in the national media in the UK, France and Germany. Pisani-Ferry (2006) and Howarth (2007) take a broader and more theoretical perspective on policy coordination, outlining the debate on a rule-based vs. a discretionary policy regime (gouvernement économique).

Articles published subsequent to the outbreak of the crisis for the most part do not focus exclusively on the SGP and its second reform. Instead, they treat fiscal policy coordination in the context of more general debates such as ‘rules vs. discretion’ (Jabko 2010), ‘deliberative intergovernmentalism’ as a form of policy-making in the EU (Puetter 2012), or the institutional development of EMU since 2007 (Salines et al. 2012). Rather than addressing the SGPs reform, Hallett and Jensen (2012) suggest a completely new framework for managing public finances in the euro area, including debt targets for fiscal authorities. Another contribution uses the SGP as a point of departure for a case study of Germany analysing the country’s ‘Stability Culture’ as a strategic resource (Howarth and Rommerskirchen 2013). Case studies under the fiscal and economic coordination narrative are frequent towards the end of our research period, for instance on Germany (Bulmer 2014), Greece (Kosmidis 2014; Vasilopoulou et al. 2014) or Italy (Culpepper 2014). The second reform of the Stability and Growth Pact (through the ‘Six Pack’ and the ‘Two Pack’) are of course also dealt with, but perhaps less than one would have expected (Buti and Carnot 2012; Crespy and Schmidt 2014;
Laffan 2014). The new macro-economic imbalance procedure is discussed by (Knedlik and Von Schweinitz 2012), who review proposed indicators, and Moschella (2014), who compares the MIP with IMF surveillance. The topic is also dealt with, albeit less intensively, in Buti and Carnot (2012).

A broad, more theoretical contribution asks a question that the present paper is also interested in: with the benefit of hindsight, was the euro project a mistake? The author concludes that the standard economic analysis was on the mark” (Eichengreen 2012: 134), but a lack of statutory and procedural reform of national fiscal policies should have been a warning sign. The main problems he identifies are insufficient oversight of banking and financial systems on the one hand, and the political decision to admit countries against better economic judgement.

Turning to other aspects of fiscal and economic coordination, articles in our sample also deal with the TSCG. For example, Tsebelis and Hahm analyse how the euro countries achieved the unanimity required for its adoption, comparing various drafts with the final version (Tsebelis and Hahm 2014). The TSCG is also addressed by Crespy and Schmidt (2014), who analyse how French and German leaders managed agreement on EMU reform in 2011-2012 because they “used justificatory discourses invoking different norms and values” in their countries. They thus revisit the debate on ‘French’ gouvernement économique vs. ‘German’ rules-based coordination.

Construction narrative

Whereas the first narrative focused on coordination processes between relatively independent member states, the second narrative deals with the set-up of EMU, that is, the inherent weaknesses of the design adopted at Maastricht. Similar to the first narrative, the frequency of the construction narrative also shows a drop. Whereas it ranks second in terms of the number of occurrences both overall and in the first half (32% in 2005-2009), it comes fourth in the second half (15% in 2010-2014).

The question whether EMU membership is beneficial for countries is central to this narrative. This is oftentimes linked to the ‘convergence hypothesis’ according to which EMU will trigger convergence between its members: Askari and Chatterjee (2005) conclude that capital market integration within EMU increased, but also for the three non-members Denmark, Sweden and the UK. Other authors find that EMU leads to further divergence of bargaining systems (Herrmann 2005), that price differences over borders persist (Mathä 2006), and deal
with wage inflation and labour unions in EMU (Johnston and Hancké 2009). Mongelli revisits OCA theory in the light of first experiences with EMU. Overall, little confirmation for the convergence hypothesis is found (Bearce 2009). In a similar vein, De Grauwe (2006) uses OCA theory to illustrate that fiscal stabilization through a central budget can alleviate asymmetric shocks, making EMU more sustainable. However, fiscal transfers within EMU are linked to more integration in the political domain in his view. Dullien and Schwarzer (2009) also deal with the issue of automatic fiscal stabilization, inter alia proposing anticyclical expenditure from the EU budget and a European unemployment scheme. The question of how in line government actions are with the sustainability of EMU is raised by Sadeh (2009), concluding that microeconomic policies have become more divergent, and scepticism towards EU institutions has spread.

A number of articles deal with the euro adoption of Central and Eastern European Countries (CEEC) (Angeloni et al. 2007; Dyson 2007; Van Poeck et al. 2007) and analyse convergence and divergence with a view to these countries (Frenkel and Nickel 2005; Mikek 2009). Another group of articles look back on the first ten years of EMU, linking several narratives in the process (Dyson 2009; Enderlein and Verdun 2009; Hodson 2009). The consequences of EMU for welfare states are discussed in Bolukbasi (2009).

In the second half of the period of analysis, reflections on an exit from EMU appear for the first time in our sample (Eichler 2011; Papadia 2014). Germany is subject of a case study dealing with the country’s willingness to provide financial assistance to crisis countries (Bonatti and Fracasso 2013). Instruments for (automatic) financial stabilisation are discussed under the construction narrative (e.g. Dullien and Schwarzer 2009; Mourlon-Druol 2014), but there is only one article especially dedicated to a proposal for Eurobonds (Hild et al. 2014). Otherwise, Eurobonds are mentioned in a number of other articles as well, but only in passing.

A few articles take a broad view and/or sketch a full ‘panorama’ of the euro crisis (Eichengreen 2012; Hall 2014; Hansen and Gordon 2014, each with different focus of course). In a mainly historical contribution Mourlon-Druol (2014: 1291) argues that the issues of economic convergence, of transfer mechanisms, and of financial supervision and regulation have been “on the agenda of EU policy-makers for the last half century”. In his view, it is difficult to argue that the crisis was foreseeable.
Trust narrative

The third narrative, subsuming trust vis-à-vis the single currency, underwent a reverse development compared to narratives one and two. The trust narrative ranked fourth in articles published in 2005-2009, and second in the 2010-2014 period (from 11% to 23% of all narrative codings for each period). On the one hand, this narrative focuses on the monetary pillar of EMU and thus on the ECB and its policies, which are analysed in four articles in 2005 and 2006 in our sample. Quaglia (2005) compares the evolution towards central bank independence using Britain, Germany and Italy as cases. The ECB’s monetary policy is compared to that of the US Federal reserve (Belke and Gros 2005) and evaluated quantitatively (Dieppe et al. 2005) and theoretically (Goodhart 2006). The overview articles by Dyson (2009) and Enderlein and Verdun (2009) have already been mentioned above in narratives one and two, but also address the trust narrative.

On the other hand, the ‘lender of last resort’ issue is part of this narrative. It became acute when Member States were threatened with sovereign default. The rescue mechanisms EFSM, EFSF and ESM epitomize this debate. The increase of the trust narrative in the second half of our reference period is, however, only in part caused by their creation. Merely two articles focus on these instruments. The first one, a study of parliaments’ positions on the EFSF in eight Member States, finds that in addition to the left-right cleavage, receipt of a bailout accounts for support or opposition of parties in national parliaments (Maatsch 2014). The second article deals with the increase of the budgetary capacity of the EFSF and concludes that Euroscepticism and the government-opposition cleavage are the main explanations (Closa and Maatsch 2014). Two more articles discuss the rescue mechanisms as part of a more comprehensive account of the crisis (Eichengreen 2012) and the eurozone’s institutional evolution 2007-2011 (Salines et al. 2012). The article by (Buiter and Rahbari 2012: 21ff), in contrast, argues that the rescue mechanisms are a form of – useful but insufficient – self-insurance and that it was in fact the ECB that has acted as a lender of last resort in the crisis.

Our sample is too small to evaluate why the rescue mechanisms did not feature more prominently in the political science engagement with the crisis. Their creation was certainly controversial, as proceedings before the German constitutional court illustrate. They also led to the downfall of the Slovakian government in 2011 and facilitated the rise of Eurosceptical parties (for instance in Finland or Germany). Furthermore, the receipt of ESM financial
assistance is conditioned on the ratification of the TSCG. Nevertheless, explicit political science engagement with these rescue mechanisms was surprisingly modest in our sample.

The lender of last resort issue is also touched upon in the comparison by (Thorhallsson and Kirby 2012) of Ireland and Iceland (albeit only briefly) and in the article by (De Grauwe and Ji 2013), who argue that the hesitation of the ECB to act as such contributed to panic and excessive austerity. At the same time, however, these latter contributions also form part of a larger group of articles in the post-crisis period, dealing with ECB monetary policy during the crisis. Generally, the high number of articles explicitly addressing the ECB was somewhat unexpected. It is, however, in line with the exceptional role and design of the ECB. As mentioned above, it is not the case that the ECB was addressed more often after the outbreak of the crisis than before. That the ECB emerged as one of the few institutions capable of decisive action in times of crisis is thus not reflected in its salience in our sample. While the remaining institutions, of course, form part of several analyses, there is only one example of an article with an exclusive focus on one of the EU’s seven institutions other than the ECB: Smeets and Zimmermann (2013) ask if the EU Summits succeed in convincing the markets during the crisis (their answer is no).

Among the articles with an ECB focus is a study of the influence of national shocks on ECB interest rate decisions (Bouvet and King 2013) and an article by ECB economists on ECB policy during three phases of the crisis: the financial turmoil from August 2007 to the collapse of Lehman Brothers; the global financial crisis from September 2008 until spring 2010; and the Eurozone sovereign debt crisis from spring 2010 onwards (Drudi et al. 2012). Focussing on the opposite perspective, Kaltenthaler et al. (2010) find that citizens distrust the ECB due to a perceived lack of accountability.

An article on the provision of liquidity during phases of boom and bust in the CEECs inter alia notes that “countries that had access to the ECB were not in trouble, the countries that manifestly were in trouble were not eligible to access liquidity through the ECB” (Jacoby 2014: 63). The CEECs are also in the focus of Epstein and Johnson (2010) who try to explain the adoption (or not) of the euro in these countries using domestic institutional and regime discontinuity and credibility of international actors as explanatory variables.
Kluth and Lynggaard (2013) compare the responses in Ireland and Denmark to the 2008 financial turmoil and conclude that differences are largely due to banking sector preferences and legacies of collective action.

Another topic under the trust narrative is the system of rating agencies, the performance of which in the run-up to the crisis elicited much criticism. Alternative policy options such as the creation of a network of small rating agencies, delegation of sovereign debt ratings to the ECB or the creation of a European rating agency are discussed (Eijffinger 2012). Focussing on investors instead, the article by Eichler (2011) already mentioned under the construction narrative also deals with expectations concerning a sovereign default and/or withdrawal from the Eurozone and, therefore, trust.

Financial regulation narrative

The weaknesses of financial markets came to the surface with the outbreak of the global financial crisis in 2007/2008 and formed the initial stage of the crisis. Political science engagement within this narrative shows an increasing pattern similar to the trust narrative when the 2005-2009 and 2010-2014 period are compared (from 7% to 27% of all narrative codings in the respective period). Between 2005 and 2008, only one contribution focussed on questions of financial services regulation (Quaglia 2007), dealing with reforms in that area during the first five years of EMU. In 2009, however, the topic featured very prominently in political science journals, with eight contributions in our sample. Two articles looking back on the first ten years of EMU (Dyson 2009; Enderlein and Verdun 2009) were already mentioned above as they address all narratives to some extent. Quaglia (2009a) looks at the evolution of the infrastructure behind financial services and the role of ‘bureaucracies’ such as the Commission and the ECB therein. The remaining five articles were published in a JCMS special issue, which might explain the relatively high absolute numbers of articles in 2009. Carmassi et al. (2009: 992) find that “lax monetary policy, mainly, but not only, in the United States” was the main cause of the financial turmoil in 2007-2008, compounded by insufficient regulation of the financial sector in the face of financial innovation. Begg (2009: 1107) basically shares this assessment and discusses how “the growth of cross-border financial intermediation can best be regulated to limit the ensuing risks of financial contagion”. He argues that a quasi-federal network would be suited best for that task, but cautions that such a system would be difficult to achieve for political reasons (Begg 2009: 1125f.). Other articles focus more on country-specific aspects of the crisis, such as the French and the German
banking system (Hardie and Howarth 2009), the emulation of the British banking rescue plan in other EU Member States (Quaglia 2009b) or the particular experiences of the Nordic countries compared to earlier crises in the 1980s and 1990s (Mayes 2009).

The focus of articles in this narrative changed in the second half of our period of investigation. In the later stages of the crisis, when fault lines within the Eurozone surfaced, the vicious circle between banks and sovereigns became a focal point of the debate. In general, “financial supervision has changed dramatically from no EU-wide co-ordination at all (prior to 2008), to soft co-ordination at the EU level (2009), to a banking union based on hard law (2012/13)” (Hennessy 2014: 152).

Especially the Banking Union, which has been labelled as one of the biggest projects of European integration since the Maastricht Treaty, occupied a prominent place in the 2010-2014 period. A number of rather descriptive articles illustrate that researchers are working on an evolving field. The articles by Hennessy (2014) and McPhilemy (2014) provide accounts of the reform in the financial sector, based on expert interviews and primary documents, respectively. Gros and Schoenmaker (2014) and Howarth and Quaglia (2014) focus on the second (and third) pillar of the Banking Union, presenting a proposal for a combination of the two pillars in the former case, and an account of the second pillar’s development in the latter. More generally, Drudi et al. (2012) provide an account of the phases of the crisis with a (economists’) focus on the interplay of economic reforms and monetary policy in the Eurozone. Eichler and Sobanski (2012) analyse stock-market data to single out the determinants of banking sector fragility.

Spendzharova (2012) deals with the position of New Member States on EU financial regulatory reforms (as set out in the de Larosière report) and finds that the higher the foreign ownership of a country’s financial sector, the more reservations it expresses. The historical analysis by Mourlon-Droul (2014) was already mentioned under the construction narrative and discusses also the Banking Union.

Another instrument representing the financial regulation narrative is the financial transaction tax, by Grahl and Lysandrou (2014).

Finally, the (weak) influence of the European financial services industry (Young 2014) and the EU/Eurozone (Bieling 2014; Posner and Véron 2010) in financial reform at the global level plays a role in our sample.
The review of political science journals demonstrates that the debate on the European financial system is by no means dominated by authors with a background in economics. We also coded the discipline of the authors and found that nearly 80% of the contributions within the financial regulation narrative (N=22) have been written by political scientists. The overall share of articles in our sample with at least one political scientist as author is 78/118 = 66% and with at least one economist is 42/118 = 35% (five articles with authors from both disciplines). According to our sample, not only did a lack of financial regulation become a prominent narrative in analysing the Eurozone crisis, we also found an increased interest among political scientists in the European banking system over the years.

Democratic legitimacy narrative

Overall, the frame interpreting the crisis primarily as a crisis of democracy is the narrative least frequently addressed in our sample (16 articles). Although the share of the fifth narrative remains almost constant between the 2005-2009 period and the 2010-2014 period (from 13% to 12%), its rank decreases from third to fifth. The focus of related contributions has changed when the two periods are compared. In the 2005-2009 period, various contributions characterise the EMU as a rules-based system with limited possibilities of political interference (Dyson 2009; Enderlein and Verdun 2009; De Grauwe 2006; Schelkle 2006). The (dis)advantages of ‘tying one’s hands’ (see Giavazzi and Pagano 1988) is a recurrent theme. Schelkle concludes that ‘tying one’s hands’ can “either be a cure or a curse” (Schelkle 2006: 680), while de Grauwe argues that the entire EMU construction “remained fragile because of the absence of a sufficient degree of political union” (De Grauwe 2006: 711). Looking back at the first ten years of the Eurozone, Hodson (2009: 522) reckons that the main concern “is not whether EMU will spur centralized decision-making but how its decentralized approach to economic policy-making can overcome the many challenges to its effectiveness and legitimacy”.

One article in our sample focuses especially on the accountability of the ECB (Bénassy-Quéré and Turkisch 2009). It provides an econometric analysis of the possible impact of introducing rotating voting rights in the ECB Governing Council once the number of members reaches a certain threshold. The authors do not expect that monetary policy decisions will change considerably. A contribution by Majone takes a broader view, using the ECB to illustrate the basic problem of “political integration under the guise of economic integration” (Majone: 2010: 159). In his view, the lack of a political counterweight for the ECB would need to be
countered either by a federalist upgrading of the EU (which is probably not feasible) or by a combination of less commitments and more extensive normative and institutional resources for the EU (Majone 2010: 173).

Articles published in the second half of our period under investigation, taking into account the crisis events, assess the current state of European democracy quite differently. A recurrent theme in these contributions is the executive dominance during the management of the crisis. The articles also point to the growing asymmetries in the Eurozone, especially between economically strong Member States in Northern Europe and crisis-ridden countries in the South. Solidarity or, in other words, responsibility of Member States for the collective comes to the fore. Laffan (2014: 285) emphasizes the constrained political choices resulting from this situation: analysing the reforms of European economic governance, she concludes that “the new regulatory regime further constrains national governments in budgetary and fiscal matters and that the politics of constrained choice will condition electoral competition and party government in the euro states”. Taking a more negative view, Crum uses a theoretical model explaining why the Euro can only be saved “at the cost of democracy” (Crum 2013) and makes some suggestions how this pessimistic scenario might be attenuated in practice. The dilemma that “the strengthening of the European institutions […] would require more democratic input”, but “is impeded by increasingly reluctant publics” is also voiced in Meny (2013: 1351), who discusses the scenarios of muddling through, a two-speed Europe and a federal option.

A different view argues that “there is an emerging demos in the European polity and it has been strengthened during the Euro crisis” (Risse 2014: 1213). In contrast to this long-term view of European integration, other studies find waning public support for the euro. Banducci et al. (2009) look at public support for the Euro between 2000 and 2007 and find that rising prices had a negative effect, which was, however, offset by the positive effect of diffuse support for the EU. Armingeon and Guthmann (2014) deal with the impact of the crisis on support for national democracy in a meta-study of national surveys. They find that satisfaction with the way democracy works and trust in parliament declined dramatically during the crisis, caused both by external actors interfering with national democratic procedures and by deteriorating perceptions of the economic situation. Auel and Höing (2014) also look at the national level but discuss what role the crisis has played in the formal activities of national parliaments. They find widespread parliamentary debate but otherwise “business as usual” with regard to crisis management (Auel and Höing 2014: 1187).
Throughout our period of observation, the fifth (democracy) narrative often appears together with the first (fiscal and economic coordination) narrative. Schelkle (2006), De Grauwe (2006), Hodson (2009), Jabko (2010), Culpepper (2014) and Laffan (2014) in some form draw the parallel between imposed austerity and democratic accountability. Political science has dealt with the democratic legitimacy of the Eurozone throughout our period of observation. However, the rather carefully worded warnings that EMU is a milestone in European integration but lacks input legitimacy have been replaced by assessments of severe democratic deficits of the current EMU construction.

Pre-Crisis literature review

Our small sample does not yet allow drawing general conclusions regarding the discussion of conditions for the long-term survival of the Eurozone, as identified by Saleh and Verdun in 2009. However, some first cautious statements can be made. First, the Franco-German axis is only emphasized in a few contributions. After the outbreak of the crisis this seems to be replaced by a larger discussion of a potential North-South divide in the Eurozone, for which Germany and France are representative to some extent (Hansen and Gordon 2014; Bulmer 2014; Hall 2014). Also, more recent publications outside our sample increasingly highlight a division between Northern export-led and Southern demand-driven economies (Matthijs and McNamara 2015).

As far as the belief in ‘sound money’ is concerned, some contributions explicitly address the introduction of Eurobonds (Hild, Herz, and Bauer 2014), the various bailout funds (Maatsch 2014; Closa and Maatsch 2014) or the insufficient compliance with the rules of the SGP (Tsebelis and Hahm 2014). This might indicate that the concept of sound money is discussed more controversially than before the crisis, when it represented the orthodoxy. In this respect, academic engagement in 2014 reflects changes of the political discussions within the Eurozone. Third, the underrepresentation of the so-called ‘losers’ of EMU has not been explicitly addressed in our review.

5. Conclusions

We use a broad brush that cannot do justice to the empirical breadth and depth of the literature. Nonetheless, and despite a limited sample size, our systematic approach enables us to substantiate some of the conventional wisdom on the political science engagement with EMU.
The empirical evidence supports the view that the focus of scientific articles dealing with EMU has shifted with the outbreak of the crisis. Political science has increasingly taken up both financial regulation and issues related to trust in a monetary union, whereas the debate has moved away from fiscal and economic coordination as well as the construction of EMU. This leads us to suspect that just like the economics profession, political science work on EMU has been mainly driven by the unfolding crises.

Second, at present there seems to be no consensus as to why the euro slipped into a severe crisis. Although, for example, fiscal profligacy in some Member States still poses a severe problem, there seems to be less agreement that this is the sole ‘cause’ for the outbreak of the crisis. In short, none of the narratives developed in this paper has been refuted, but all contribute to the explanation of a multifaceted phenomenon.

Third, political scientists did not engage as much as expected with the democratic ramifications of the crisis management, although this might be one of their core fields of activity. There seems to be agreement that further integration – even if economically required – must be accompanied with a reform of decision-making structures that lessen the executive dominance of the current crisis management. But at least in our sample of peer-reviewed journals, there is little discussion of concrete proposals to that end.

Last but not least, in our sample we found only few references to the first condition for the sustainability of EMU specified in the literature review by Sadeh and Verdun (2009), namely the Franco-German tandem. We did find frequent references to a potential North-South divide in the Eurozone since the outbreak of the crisis. One possible interpretation is that the north-south divide has, to some extent, replaced the more narrow focus on France and Germany.
6. References


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7. Appendix

<table>
<thead>
<tr>
<th>Table 1: Overview of crisis narratives</th>
<th>Cause of the crisis</th>
<th>Potential solutions</th>
<th>Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal and Economic</strong></td>
<td>Fiscal profligacy, economic imbalances</td>
<td>Tougher fiscal rules, imposition of sanctions, stronger economic surveillance</td>
<td>Stability and Growth Pact, Six Pack, Two Pack, Fiscal Compact, European Semester, Economic imbalance procedure</td>
</tr>
<tr>
<td>Construction</td>
<td>Construction of EMU not commensurate with MS heterogeneity</td>
<td>Mechanisms to reduce heterogeneity (esp. labour markets), financial transfers, reduction of the size of the Eurozone, dissolution</td>
<td>Exit option, insolvency order, Equalization scheme/EU budget/Euro Bonds</td>
</tr>
<tr>
<td>Trust</td>
<td>No official lender of resort, destructive dynamic within monetary unions</td>
<td>Lender of last resort, ECB or durable rescue mechanisms</td>
<td>ECB policy measures, Reform of Rating Agencies, EFSM/EFSF, ESM, Common Deposit Guarantee Scheme</td>
</tr>
<tr>
<td>Financial Regulation</td>
<td>Lack of financial supervision and regulation</td>
<td>Banking Union with strong oversight component</td>
<td>Harmonization of financial regulation, Financial Transaction Tax, ESFS, Single Supervisory Mechanism, Single Resolution Mechanism</td>
</tr>
<tr>
<td>Democratic Legitimacy</td>
<td>Lack of political structures to adequately respond to the crisis</td>
<td>Further integration in the Eurozone or dissolution</td>
<td>Common EU budget, Eurozone parliament</td>
</tr>
</tbody>
</table>

Source 1: Own presentation.
Table 2: Overview of articles

<table>
<thead>
<tr>
<th>Total number of published articles in journals</th>
<th>Articles potentially dealing with Eurozone issues (% of published articles in journal)</th>
<th>Number of articles analysed (% of published articles in journal)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Journals with European focus (JCMS, JEPP, WEP, EJPR)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005-2014</td>
<td>2,230</td>
<td>189</td>
</tr>
<tr>
<td>JCMS</td>
<td>672</td>
<td>113 (16.8%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>72 (10.7%)</td>
</tr>
<tr>
<td>JEPP</td>
<td>679</td>
<td>41 (6%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30 (4.4%)</td>
</tr>
<tr>
<td>WEP</td>
<td>529</td>
<td>28 (5.3%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13 (2.5%)</td>
</tr>
<tr>
<td>EJPR</td>
<td>350</td>
<td>7 (0.2%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 (0.9%)</td>
</tr>
<tr>
<td>2005-2009(^a)</td>
<td>1,027</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>2010-2014(^a)</td>
<td>1,203</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td></td>
<td>68</td>
</tr>
<tr>
<td><strong>Journals without European focus (PVZ, JoP)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005-2014</td>
<td>978</td>
<td>10 (1.0%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 (0.4%)</td>
</tr>
</tbody>
</table>

Source 2: Own presentation. \(^a\) Five articles in JCMS published in 2009 (issue 5) already addressed the financial crisis. We therefore counted them as belonging to the second phase 2010-2014.
Figure 1: Level of Analysis

Source: Own calculations, N = 104. Journals: JCMS, JEPP, WEP, EJPR.

Figure 2: Conflict line (%), 2005-2014

Source: Own calculations. Journals: JCMS, JEPP, WEP, EJPR.
Source: Own calculations. An article may be coded more than once. Journals: JCMS, JEPP, WEP, EJPR.

Source: Own calculations. An article may be coded more than once. Five articles in 2009 dealt with the crisis and were therefore counted for the 2010-2014 period. Journals: JCMS, JEPP, WEP, EJPR.