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Safeguarding the Euro Area: How
Politics of Conditionality and Financial
Markets Affect Crisis Management
Roles of the ECB and the ECJ

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VILNIAUS UNIVERSITETAS

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Gelbėjant euro zoną: kaip sąlygų politika ir finansų rinkos veikė Europos centrinio banko ir Europos teisingumo teismo vaidmenis krizių valdyme

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INTRODUCTION

The incomplete institutional architecture of the euro area, and, in particular, the lack of central fiscal capacity and domestic constraints to pursue political union, put the pressure on the independent institutions to backstop the European project. The resilience of the euro area has been tested during the sovereign debt crisis and the COVID-19 pandemic. The reaction of financial markets is usually swift and uncompromising. At the same time, it takes time to come up with the solutions at the political level, especially considering EU-level decision making processes. In this context, the crisis management role of independent institutions, especially the ECB (Quaglia, Verdun 2022), but also the ECJ, was at the forefront. The concept of the judicial independence and its importance to safeguarding the rule of law, developed before the two world wars, convinced the European policy makers to start the European integration project. Similarly, the concept of the central bank independence and inflation targeting was uncontested at the start of the common European monetary union. The ECJ and the ECB were built when the benefits of independence of these institutions were widely understood and, by and large, accepted by policy makers.

This dissertation shall examine six key decisions of the European Central Bank and the European Court of Justice taken during the debt crisis and the COVID-19 pandemic, and will introduce the new synthetic approach on how to interpret them: 1) the European Central Bank's decision to launch the Outright Monetary Transactions (OMT) program (European Central Bank, 2012b); 2) the European Central Bank's decision not to suspend liquidity provision to the Greek banks (European Central Bank, 2015c); 3) the European Court of Justice's positive ruling on the legality of the European Stability Mechanism (European Court of Justice, 2012); 4) the European Court of Justice's positive ruling on the legality of the ECB's OMT program (European Court of Justice, 2015); 5) the statement by the President of the ECB declaring that there is no need to close the sovereign bond spreads between euro area member states (Lagarde, 2020); and 6) the European Central Bank's decision to launch the Pandemic Emergency Purchase Programme (European Central Bank, 2020).

Two main streams of integration theories, based on functionalism and intergovernmentalism, by and large discuss the role of governments vs. supranational institutions in the integration process. The proposed new synthetic approach would allow coexistence of the main integration theories in the one model analysing the sovereign debt and the COVID-19 crisis responses. The two main independent variables of the new model are

proposed to be the risk of contagion from the sovereign debt markets (financial market pressure), and the indirect political pressure stemming from the Crisis Management Mechanism designed by euro area governments (mostly, creditor countries). The Crisis Management Mechanism is the proposed new term which will be used in this dissertation explaining the crisis management strategy pursued by euro area governments since the sovereign debt crisis. It was underpinned by the fiscal consolidation and structural reform policies ‘in exchange’ for subsidized financial resources from the euro area rescue funds (temporary mechanisms – such as the Greek Loan Facility (GLF), or the European Financial Stability Facility (EFSF) – which were replaced by the permanent institution, i.e. the European Stability Mechanism (ESM)). While the role of the sovereign debt markets has been analysed extensively since the start of the euro area, the second proposed variable could provide fuller picture on how the formally independent supranational institutions have assumed crisis management roles. Despite the apparently different economic policy response to contain the negative economic effects of the COVID-19 pandemic (compared to the sovereign debt crisis), the politics of conditionality (or the Crisis Management Mechanism) remained by and large intact, and the proposed model could be employed to explain why this was a case. The symmetric nature of the pandemic shock reduced the perceived moral hazard risks related to the accommodative monetary policy response, and there was no need to return to fiscal consolidation. However, the general features of the Maastricht economic governance framework were largely preserved; therefore, the role of the politics of conditionality, or the crisis management mechanism, remained crucial to solve the crisis. The durability of this mechanism relied (again) on the active role of the ECB in the sovereign debt markets and its commitment to do ‘whatever it takes’ to preserve the euro.

At the start of the pandemic, the European policy makers were heading for a disaster. Trade barriers for medical equipment started to build up amid significant medical uncertainty and lockdowns. At the same time, while yield spreads started to widen, the ECB President Christine Lagarde doubled down by stating that it was not the ECB’s task to close the spreads (Lagarde, 2020). This caused an even more pronounced panic in the sovereign debt markets and started to look increasingly like a perfect storm: on top of the challenges related to the pandemic, the risk of the repeat of the sovereign debt crisis was increasing. The additional focus of this dissertation is on presenting a coherent explanation as to why the ECB made the so-called ‘U-turn’ in the initial stage of the COVID-19 pandemic: it initially risked a full-blown sovereign debt crisis by disregarding increasing sovereign bond

spreads, but later reversed the position and announced a massive asset purchase program. During the pandemic, the ECB's role was at the forefront, and there was a need for swift policy response. The role of the ECJ in the initial stage of COVID-19 was not that prominent; therefore, the analysis of the policy response related to pandemic will concentrate on the role of the ECB.

The first part of the dissertation discusses the literature and presents a new synthetic approach, research design and methodology. The proposed new synthetic approach employs the classical integration theories and the principal-agent model. The theories of the post-functionalism and new intergovernmentalism, as well as the two-level game framework, will help to explain the inception of one of the independent variables – the politics of conditionality (or the crisis management mechanism). The second part shall concentrate on the unconventional monetary policy and its economic-political impact. The new synthetic approach shall be applied and tested in the third part and discuss the most important episodes during the sovereign debt crisis and the pandemic.

It will be argued that, during the pandemic, the ECB decision making was influenced by remarkably similar independent variables to those experienced during the sovereign debt crisis: pressure from the politics of conditionality, and pressure from the sovereign debt markets (Bernatavičius, 2021). In addition, contrary to some authors (e.g. Camous, Claeys, Bonatti, Fracasso, 2020) claiming that the European institutions were fundamentally transformed, and to some extent others (Auer and Scicluna 2021) suggesting that the European integration was achieved through disintegration of legal system, it will be argued in the dissertation that, during the COVID-19 crisis, the basic features of the Maastricht economic governance framework were preserved, thereby providing a similar political and institutional backdrop for the ECB's interventions (i.e. the impact of the crisis management mechanism remained important). This will be made evident by applying the new synthetic approach where the same independent variables will remain prominent. It shall also be argued in the dissertation that, notwithstanding the opposite claims of some authors (Auer, Scicluna, 2021; Kreuder-Sonnen, White, 2021), arguing that there were no emergency powers at the European level, the euro area developed its implicit emergency powers in the area of economic policy under the auspices of the ECB. The proposed new synthetic approach could better explain and provide a holistic view on the policy positions taken by the independent supranational institutions, especially in the context of potentially large unintended costs, which were not fully explained in other contributions (e.g. the ECJ's ruling on the legality of the

ESM (which was key in preserving the crisis management mechanism); or the ECB's decision not to cut emergency liquidity during the Greek sovereign debt crisis, which could have resulted in the disintegration of the euro area; or the ECB's decision to launch the Pandemic Emergency Purchase Programme, which was key in preventing the sovereign debt crisis during the pandemic). This approach could also be helpful to understand when and why different integration theories could be more useful in explaining these decisions, and how and when their explanatory power changes depending on the circumstances.

The analysis of decisions taken by independent supranational institutions (the ECB and the ECJ) was based on public speeches, interviews, press conferences and systematic analysis of academic literature, thereby developing the new synthetic approach. This approach provides a template of how decisions taken by independent institutions could be explained by using opposing theories and how their explanatory power changes in the context of the role of independent variables.

Accounts based on the liberal intergovernmentalism, neofunctionalism, post-functionalism, new intergovernmentalism, two-level games as well as contributions based on legal transformations, union-level emergency powers or the ECB leadership, all have important gaps in their reasoning. In this dissertation, a new synthetic approach shall put all the main theoretical contributions in one model, and the thesis output is expected to shed a new light on the decisions taken by independent supranational institutions during the sovereign debt and the COVID-19 pandemic crises. This new synthetic approach could contribute to academic debates on why and when the ECB/ECJ (and, potentially, other independent international institutions, such as the International Monetary Fund) assume a proactive leadership role in crisis management in the context of potentially significant financial and political costs related to their (in)action.

1. THEORETICAL FRAMEWORK AND METHODOLOGY

The Eurozone's sovereign debt crisis proved to be one of the most challenging tasks which the European policy makers had to face, as the risks of disintegration increased significantly. Political-ideological, democratic, institutional, and other constraints prevented the euro area governments from putting an abrupt end to the sovereign debt crisis simply by increasing integration into the fiscal area. Instead, they decided, by and large, to 'borrow' a crisis management strategy from the International Monetary Fund (IMF). The standard IMF approach was not sufficient, as it was not possible to support the adjustment programmes by currency depreciation in the context of the currency union. The euro area member states therefore strengthened the IMF's standard strategy by creating additional regional financial firepower with more intrusive conditionality attached in order to support the significant internal devaluation that was the only feasible policy solution in the rigid currency union arrangement.

This strategy could be called the "Crisis Management Mechanism," and it was based on the politics of conditionality: lending to vulnerable euro area countries subject to reform implementation. While some authors (Jones, Kelemen, Meunier, 2021) rightly identified that, during the sovereign debt crisis, "*the integration proceeded through a pattern of 'failing forward'*", their analysis still lacked the explanation what 'allowed' them NOT to fail, but rather to 'fail forward' instead. The concept of 'failing forward' does not fully explain why and how the negative scenarios have been avoided. During the most acute phases of the sovereign debt or the COVID-19 crisis, there was not enough time to rely on only "*lowest common denominator intergovernmental bargains.*" There was a need for a quick and real action in the short term. According to the proposed Crisis Management Mechanism, the short-term policy response was underpinned by the decisions taken by independent supranational institutions – the European Central Bank (ECB) and the European Court of Justice (ECJ). It is widely agreed in popular and academic debates that the ECB was the indispensable player, or even assumed an active leadership role (Brunnermeier et al., 2016). Others noticed that the ECB "*has increasingly considered reasons beyond its narrow policy mandate to legitimise its actions*" (Spielberger, 2022). These explanations are very useful in identifying the changing trend, but they cover only part of the whole story, and there are still ample unanswered questions, e.g. if we think of the ECB as being the most important player, why did it hesitate to start a sovereign bond buying programme (QE) at the early stages of the crisis (say, in 2009, not in 2015),

or why there were stricter ELA collateral requirements established depending on the status of the adjustment programmes? These are important questions which could not be explained by simply claiming that independent institutions deliberately delayed their decisions. More important (political) variables were probably at play. In other words, we may wonder why there was a need for the Crisis Management Mechanism (and the ESM, which was (and, one could say, was controversially) declared legal by the ECJ), if the ECB and the ECJ could have potentially solved all the economic challenges by themselves. Contrary to the opposite claims mentioning the lack of resources (Jones, Kelemen, Meunier, 2021), the ECB possesses had the resources needed to respond (by virtue of being a central bank with the ability to create liquidity). Thus, we ask what actually prevented a more proactive approach, and whether there was the need for a clear (albeit implicit) political guidance from the political level. While, due to its unique institutional architecture, the EU was not able to act as a ‘first responder’ to the crisis, one could still disagree with the claims that “*there was nothing like a ‘federal’ mechanism that allows for the centralization of power in exceptional situations*” (Boin, Rhinard, 2023). At least from the economic policy perspective, the ECB was this federal mechanism, albeit only in short term and with strings attached.

What could explain the ECB’s hesitation? The start of QE was delayed, and the role of the lender of last resort was not eagerly assumed. While the ECB had the most prominent tools to contain the negative reaction in the sovereign debt markets, it used them only after the implicit nod from the political level. In other words, the ECB was influenced by the crisis management mechanism, or the politics of conditionality, which was the preferred crisis solving model taken at the political level. In the context of the ECJ, it was implicitly forced by the crisis management mechanism to adopt a positive ruling on the ESM, as it was the key institution which was needed to keep the euro area’s institutional and political architecture intact.

Similarly, it took time for the ECB to come up with a strong reaction to contain the rising tensions in the sovereign debt markets during the initial stage of the COVID-19 pandemic and launch a significant 750-billion-euro *Pandemic Emergency Purchase Programme*, later expanded in several rounds in the course of 2020, and thus adding up to 1.85 bn euro (on top of the previous active asset purchase programmes. Initially, Ch. Lagarde stated that it is not for the ECB to contain sovereign debt spreads after the regular monetary policy meeting on 12 March 2020, one day after the WHO declared COVID-19 a pandemic. The *Pandemic Emergency Purchase Programme* was only launched the following week, on 18 March 2020, after

the irregular monetary policy meeting. This technical aspect should not be underemphasised, as each day was crucially important at that time.

During the initial phase of the pandemic, the European policy makers were busy with national economic and health policy measures to contain the spread of the virus. In addition, all euro area governments announced massive fiscal packages at the national level to contain the negative economic effects caused by the unprecedented decision to stop contact-intensive economic activity. At the same time, it took more than two months for the French-German proposal on fiscal action at the European Union level (Bayer et al., 2020), and almost half a year after the start of the pandemic to reach an EU-level agreement on joint fiscal measures (Michel, 2020). While the size of the package was limited, the agreement to launch cross-border transfers and joint borrowing was important due to its allegedly symbolic nature. As it was also the case during the sovereign debt crisis, the joint European fiscal response during the pandemic was diluted by conditionality, which remained a key feature aiming to contain the perceived moral hazard risks. It is important to note that, during the pandemic, even the conservative International Monetary Fund (the initial role model for the ESM) relied on rapid financing mechanisms (extended to more than 80 countries) without any traditional conditionality attached (International Monetary Fund, 2021b).

The role of the ECJ was also crucial in the economic policy domain after the sovereign debt crisis. The European Stability Mechanism (ESM), which institutionalised the provision of financial support for struggling members, and the ECB's Outright Monetary Transactions (OMT) programme, were scrutinized by the ECJ. The two landmark enhancements of the euro area's financial architecture during the sovereign debt crisis might have been significantly weakened or even legally banned by rulings of the ECJ. Political and market pressures played a role there, albeit implicitly, as regards the ECJ when it had to decide on the legality of the main pillars of the Crisis Management Mechanism.

The key features of the Crisis Management Mechanism were criticised on legal grounds claiming that the creation of the ESM and the ECB's OMT programme was not legal under EU treaties (Wilkinson 2015, Scicluna 2017). Others claimed that these decisions transformed (Ioannidis 2016), or even created a new European Economic Constitutional constellation (Joerges 2012). However, it is difficult to agree with the claims that market discipline was replaced by bureaucratic discipline (Ioannidis 2016). Quite the opposite: by implementing the politics of conditionality, or the Crisis Management Mechanism, the European policy makers evaded the real transformation of the European Economic Constitution. For a real transformation to happen

there was a need to agree on deeper integration into the fiscal area, which was not politically feasible.

1.1. Classical Integration Theories

The two most prominent classical integration theories – liberal intergovernmentalism and neofunctionalism – are the main theoretical approaches examining the key actors in integration processes. Classical integration theories remain prominent in the context of rapidly evolving theoretical discourse and recent economic-political developments. According to the theory of neofunctionalism, supranational institutions have a greater influence on integration processes, while the theory of liberal intergovernmentalism emphasises that the leverage is always retained by the Member States. On the other hand, classical integration theories do not examine the domestic policy factor. According to them, due to the technocratic nature of the related decisions, the political and economic elite influenced by the interest groups are in the lead (Haas 1958). At the beginning of European integration, this framework was appropriate, as the issues at stake were often of a technical nature; they did not receive wider public attention, and were therefore not politicised. According to the theory of neofunctionalism, integration in one policy area leads to a functional spill-over and the need to deepen integration in another related area: this creates a process of a step-by-step integration to more and more policy areas (Haas 1958). According to the theory of neofunctionalism, the main engine of integration is the supranational interest groups and supranational institutions. On the opposite side of the theoretical spectrum is the theory of liberal intergovernmentalism which claims that integration takes place in a rational way, and that member states pursue their own interests: the most effective are national-level interest groups which operate and influence political actors from within each individual country. The decisions related to the deepening of integration depend crucially on the relative bargaining power of the member states. Decisions taken during the Eurozone debt crisis have also been examined in the light of classical integration theories.

According to some accounts, the decisions taken during the euro area debt crisis could be interpreted as a revenge on the theory of neofunctionalism (Cooper 2011). The debt crisis is said to have revealed the need for integration in other functional areas, and member states reached agreements on deeper integration in the economic policy domain. This was even more prominent during the COVID-19 pandemic, considering common agreements on the fiscal front (the Next Generation EU package). According

to some accounts (Nicoli 2020), “*multiple institutions were strengthened in their supranational capacity during the Euro crisis,*” and generated spillovers by reinterpreting their mandates (e.g. the ECB’s OMT programme was the primary example). While this interpretation may look true in the initial stages of the crisis, the independent supranational institutions were constrained by the decisions taken at the political level: the activation of the OMT programme was conditioned on the decisions taken at the political level (for potential beneficiaries of the OMT, there was a need to have an active ESM programme which could only have been approved unanimously by the member states). Similarly, other authors claimed that, during the sovereign debt crisis, the European leaders delegated the decision-making power to the supranational institutions: “*we argue that elite reactions to the constraining dissensus during the euro crisis attempted to depoliticize highly salient issues by delegating fiscal powers to non-majoritarian supranational institutions without changing the treaties*” (Börzel, Risse 2018, p. 84). Again, the initial short-term response to the COVID-19 and sovereign debt crises could be interpreted as ‘delegation’, but, in the longer term, the member states were ultimately responsible for strategic decisions. The stop-gap solutions from supranational institutions (especially the ECB) were not sustainable in the longer term.

Therefore, other authors claim that the decisions taken during the crisis did not give new powers to supranational institutions: the agreements already adopted were only strengthened, and the mechanism of possible sanctions was tightened (Vilpišauskas 2013). While one might argue that, during the COVID-19 pandemic, union-wide economic policy decisions were even more prominent, the EU Treaty has not been changed, and no new powers have been dedicated to supranational institutions. Therefore, it is also questionable whether the agreements reached during these crises (especially in the area of fiscal policy) could be seen as a manifestation of the theory of neofunctionalism. It was exceptionally challenging to respect stricter fiscal rules which were agreed upon during the sovereign debt crisis. The credibility of tighter fiscal rules was called into question by their weak implementation, especially in the debt reduction provisions (ECB 2015). On top of that, during the COVID-19 pandemic, fiscal rules were suspended amid a massive monetary policy response which created an even more challenging environment of building trust and functional pressure required for meaningful reforms in the area of the fiscal policy.

The establishment of a permanent financial rescue fund, the *European Stability Mechanism* (ESM), is also often seen as one of the most important steps towards deeper integration (Niemann, Ioannou 2015). In some

countries, the move was being widely criticised, and the European Court of Justice was asked to rule on the legality of the ESM. Due to the importance of the issue, the ECJ decided to deal with it under an accelerated procedure with the participation of all judges. Subsequently, the ECJ ruled in favour of the legality of the ESM, but still clarified that the creation of the ESM did not provide the EU with any additional competences at the supranational level that were not previously provided for in the Treaties (ECJ 2012). This ruling confirms the legal reasoning that no new powers in the area of economic governance were conferred, even considering the essential crisis resolution instrument such as the ESM. Although this ECJ ruling was a cornerstone of the crisis resolution model developed by the Member States, its impact on integration processes cannot be compared to that of the ECJ's *Cassis de Dijon* ruling (ECJ 1979) which facilitated the creation of the modern single market.

Despite the widespread criticism of the theory of neofunctionalism discussed above, there are at least two decisions made during the sovereign debt and COVID-19 crises that could be interpreted on that basis (without examining the Banking Union, which remains unfinished). The famous speech delivered by ECB President Draghi in London (Draghi 2012), where he promised to do *“whatever it takes”* to save the euro, as well as his successor President Lagarde's intervention that *“there are no limits to the ECB's commitment to euro”* (Lagarde 2020b), these could be seen as having a functional spill-over effect, as envisaged in the theory of neofunctionalism. A union-wide functional pressure from the implicitly organised supranational interest group – the sovereign debt market – managed to convince a supranational institution (in that case, the ECB) to act. Although it cannot be argued that the main goal of the sovereign debt market participants was to seek deeper euro area integration (as their main goal was actually to get their money back), one could still argue that the ECB has implicitly (not legally) expanded its responsibilities and assumed the role of the last lender to national governments (De Grauwe 2012). As it turned out, Draghi's verbal promise turned into a real ECB bond purchase programme (OMT). However, this programme contained a condition which significantly trimmed the implicit role of the lender of last resort. According to the OMT, the ECB could purchase an unlimited amount of debt securities, but only from those countries that had asked for the ESM programme and met the required conditionality (ECB 2012b). This meant that the ECB could only activate the OMT, if all euro area countries unanimously agreed on the ESM programme. Similarly, Lagarde's promise that *“there are no limits”* was also later diluted, as it was clear that there are technical and legal limits

related to the asset purchase programmes. Thus, although initially Draghi's and Lagarde's verbal interventions could be better explained by the theory of neofunctionalism, the strings-attached, which were published later show nevertheless that the role of the member states remained a prominent factor.

In addition, during the sovereign debt crisis, there was a growing perception that the ECB was a key institution in deepening integration and addressing the economic challenges (Brunnermeier et al., 2016). Other authors (Fabbrini 2013) claimed "*that it was the supranational ECB that induced a reduction of the spread between Italian, Portuguese, and Spanish public bonds and German bonds.*" This interpretation is broadly in line with what the theory of neofunctionalism would have suggested. However, the claim that the ECB assumed a key role in resolving the crisis is questionable for two reasons: 1) why did the ECB not take its key decisions earlier; and 2) why did the ECB look for guidance at the political level? These two questions raise some doubts whether the ECB could be interpreted as the main actor to solve the fundamental issues related to the sovereign debt and the COVID-19 crises. Interestingly, the importance of the decisions taken at the political level was acknowledged by the President of the ECB himself at one of the press conferences (Draghi 2015b). These issues shall be analysed in detail in the analytical part of the dissertation.

According to the theory of liberal intergovernmentalism, the decisions taken during the sovereign debt crisis could be analysed on the basis of the asymmetry of financial relations between the member states and the rational protection of their national interests. At the end of 2007, the financial exposure of the French and German commercial banks to peripheral countries (Portugal, Greece, Spain and Ireland) amounted to 493 billion and 465 billion USD, respectively (Bank of International Settlements 2010). Such financial links could explain why euro area creditor countries agreed to provide fiscal support to peripheral countries via economic adjustment programs. While, in the short term, the euro area member states managed to deal with the sovereign debt crisis, the fundamental architectural challenges such as the lack of an optimal currency area, the growing differences between the member states' competitiveness, and the different principles of economic policy are thought to raise questions about the future sustainability of the euro area. At the same time, the future of the euro area will be decided by the governments of the member states, and not by supranational institutions (Moravcsik 2012). Others (e.g. Schimmelfenning 2015) agreed that the decisions taken during the sovereign debt crisis were driven by the relative bargaining power of the member states and their national interests. While it was claimed that the ECB had played an important role, it was not

decisive: it helped governments to ‘buy’ time to find an agreement – but it did not seem to have had a noteworthy agenda-setting role in the institutional reform. However, there is a gap in this reasoning: while it was claimed that the ECB was not able to take such a significant decision as the launch of the OMT program without having the support of the member states, the evidence to support this claim was not provided. It was only briefly mentioned that the German Chancellor ‘tacitly’ endorsed this ECB’s decision (e.g. Schimmelfenning 2015).

Following the signing of the Maastricht Treaty, it was expected to gradually regulate more and more areas at the EU level, such as the social security, labour, and the fiscal policy. However, even the sovereign debt and the COVID-19 crises did not lead to faster integration in those areas, although there was a great deal of functional need and a popular belief that *“Europe would be built through crises, and that it would be the sum of their solutions”* (Monnet 1978). It is also true that, during such deep economic-political crises, countries can sometimes take protectionist measures and opt for disintegration, as happened during the Great Depression. Fortunately, this did not happen on the macroeconomically significant scale during the sovereign debt and the COVID-19 crises. The member states continued to adhere to key EU commitments, while it is also worth adding that this was in-line with their national interests.

According to the neofunctionalist account, due to the incomplete euro area institutional architecture and the lack of union-wide instruments to deal with the crisis, there was a widespread fear that the crisis could spread from one vulnerable euro area country to the other (the so-called ‘contagion’ effect). As a result, financial markets (as a union-wide interest group) implicitly requested a union-wide solution by creating functional pressure for the spill-over effect (Vilpišauskas 2013). Instead of establishing a genuine fiscal union (functional spill-over) which would have fully vindicated the theory of neofunctionalism, the member states chose to apply a mixed approach instead, and, in effect, decided to defend the main economic principles agreed in Maastricht. The market discipline remained intact despite some temporary fixes, and contagion effects in the sovereign debt markets remained a major risk. In contrast to the claims that the European Economic Constitution was transformed (Ioannidis 2016) or recreated (Joerges 2012), paradoxically, its main feature – market discipline – was preserved, which allowed the creditor member states to keep their leverage in applying the politics of conditionality.

As there was no support for deeper integration in the fiscal area, the European policy makers agreed to pursue the politics of conditionality,

which was largely copied from the IMF and based on loans from the euro area's rescue funds with strings attached. By doing this, they also exerted indirect pressure on independent supranational institutions not to undermine this strategy, because it was the only politically feasible crisis management response.

As mentioned above, some authors argue that the ECB does not seem to have had a noteworthy agenda-setting role in an institutional reform (Schimmelfenning 2015). However, other authors claim that the opposite was true: the ECB was the only game in town during the sovereign debt crisis (El-Erian, 2016), or that *“Trichet and Draghi displayed leadership traits that enabled them to lead and to entice followers”* (Verdun 2017, p. 217). According to Brunnermeier et al. *“As the only truly federal institution in the euro area, the ECB felt an ultimate, if never explicit, responsibility for keeping the monetary union intact and working”* (p. 320) There is no doubt that the ECB was highly important and visible, but there are some caveats in this line of reasoning. Even Mario Draghi confessed that the decisions taken at the political level were particularly important for the ECB: *“Now you asked the question to what extent our decisions depend on what happens in the Eurogroup. The answer is, to an enormous extent. If there is an agreement – called contract, call it whatever you want – our underlying, our background changes completely, and we would be much better in place to take favourable, more favourable, decisions for Greece”* (Draghi 2015). These caveats show that, in most cases, the ECB was not in a comfortable position to take the lead. It is still widely believed that Draghi's personality helped him to pursue a more accommodative monetary policy stance. Yet even he hesitated to start a meaningful asset purchase programme (QE) and waited for almost a half of his 8-year term – until the beginning of 2015, when the QE was finally launched.

The ECJ's role was also crucial during the debt crisis. The legitimisation of the ECB's OMT programme, and the ESM as the financial rescue mechanism, were allegedly the two most significant decisions in the economic policy area taken by the ECJ. Without them, the whole crisis management mechanism would have been unravelled. The main institutional difference between the ECB and the ECJ was the ECB's ability to initiate its own policies. The ECJ could work on cases that were externally brought before it. Nevertheless, the ECJ did have the possibility to take a proactive role by applying the accelerated decision-making procedure, which significantly shortens the time needed to come to a decision in a case (ECJ 2010). In addition to this, there was the possibility to refer cases to the full Court, when all judges must decide on the ruling, which significantly

strengthens the prominence and the importance of the ruling. Under the regular procedures, the ECJ works in chambers of three or five judges.

Discussions on the ECJ's political role started back in the 1990s. Burley and Mattli (1993) applied the neofunctionalist theory to analyse decisions taken by the ECJ and concluded that the ECJ was instrumental in laying the *"legal foundation for an integrated European economy and polity."* On the other hand, the ECJ's decisions on the legality of the OMT and the ESM did not spur integration, as did the famous *Cassis de Dijon* ruling. In the ruling on the ESM, the ECJ clearly stated that the ESM *"...does not increase the competences conferred on the EU in the Treaties"* (ECJ 2012).

Another approach, which was based mostly on the theory of liberal intergovernmentalism, claimed the opposite (Garret 1995). According to this approach, *"the trajectory of legal integration in Europe can be explained in rational choice terms, without recourse to Burley and Mattli's critical assumptions about the ignorance of governments and the innate power of 'the law'."* The ability to implicitly influence the ECJ by potentially threatening not to implement its rulings was the main source of influence. In a sense, this meant that the EU Treaty has legal power insofar as it retains political backing by the governments.

During the sovereign debt crisis and the pandemic, the debate on the limits of the ECB's power intensified. According to one former member of the ECB's Executive Board responsible for legal issues, the ECB identified three key principles that may limit the ECB's actions: 1) the free market principle: the ECB's actions cannot restrict the functioning of the free market; 2) the principle of proportionality: the costs of the ECB's actions must not outweigh its benefits; 3) prohibition of monetary financing of the governments: the ECB and the national central banks cannot 'print' money to directly finance member states' budget deficits (Mersch 2016).

According to Mersch, the principle of proportionality means that the expected benefits of the measure taken by the independent supranational institution should outweigh the expected costs. To avoid misinterpretation, it is worth mentioning that, in legal literature, the proportionality principle has a different meaning and is based on the 'means versus ends' rationality. In this dissertation it is suggested that the proportionality principle should be applied by using an implicit cost vs. benefit rationality considering constraints on independent supranational institutions imposed by the Crisis Management Mechanism.

The principle of proportionality is a fundamental principle that is central to the assessment of decisions taken during the sovereign debt crisis and the pandemic. It is enshrined in Article 5 of the Lisbon Treaty: *"the limits of the*

Union's competences are governed by the principle of conferral. The use of Union competences is governed by the principles of subsidiarity and proportionality." When it comes to addressing the existential questions of the euro area, it is very difficult for independent supranational institutions to take decisions or adopt rulings which could result in the collapse of the whole polity. It could also be ultimately 'lethal' to the institution itself. The two best examples could be the ECB's decision not to suspend liquidity for Greek banks in 2015 (which could have resulted in the Greek exit from the euro area) and the ECJ's ruling on the legality of the ESM. The rejection of the ESM could have undermined all the principles of the crisis management mechanism that had been developed by the member states. Similarly, the ECB's decision on Greece could have led to uncontrollable disintegration processes. Thus, one could argue that the ECB and the ECJ gave the priority to the principle of proportionality.

Unsurprisingly, such crucial decisions led to various interpretations and analyses, even in the academic literature. It was argued that the ECB's decisions have reshaped the entire legal framework for economic governance in the EU: "...through its words and deeds, the Bank [ECB] has significantly reshaped the EU's 'economic constitution' [...] it encapsulates a broader constitutional transformation of the post-Lisbon Treaty EU" (Joerges 2015). The ECB has also been criticized for allegedly violating the rules of prohibition of monetary financing of governments by launching its large-scale asset purchase programs. "*Restricted by the rules set up by the Treaty of Maastricht, the ECB's objective is to ensure price stability alone – to avoid inflation, and in order to promote fiscal discipline it is prohibited from monetary financing of national budgets (Article 123 TFEU)*" (Wilkinson 2015). However, one could also argue that the criticism related to the alleged breach of the prohibition of monetary financing of governments is not entirely justified. According to the ECJ decision, the ECB did not participate in the primary sovereign debt markets, which would be a direct monetary financing and would indeed be prohibited. The option to participate in the secondary sovereign debt markets for the ECB is legal under the provisions of the Statute of the European System of Central Banks and of the ECB (ECJ 2015). With its various major asset purchase programs, the ECB participated in the secondary markets only.

According to some authors (e.g. Scicluna 2017), the ECB and the ECJ spurred integration during the sovereign debt crisis through the disintegration of law: "*The ECB, in particular, acted decisively to prop up the euro in the face of dithering by the EU's political institutions. However, these actions have come at a cost to the coherence and credibility of EU*

constitutionalism.” Nevertheless, the criticism that member states (the Council of the EU) dithered during the sovereign debt crisis needs more explanation. The task of coming up with a swift solution is usually complicated at the EU and euro area level because, normally, decisions should be reached unanimously. Despite the slower-than-needed crisis response, the euro area governments had reached an agreement on a strategy for solving the crisis, or the crisis management mechanism, based on loans from rescue funds (EFSF/ESM) with strict conditionality. This agreement also remained relatively robust during the COVID-19 crisis, despite the turbulent political environment.

The criticism of sidestepping legal rules was also applied to the decisions taken by the ECJ: “*Court deploys legal reasoning in a manner that supports the political preferences of EU institutions and national governments ‘almost irrespective of, and perhaps entirely unconstrained by, what the Treaties say’*” (Beck 2013). In its ruling on the OMT, the ECJ clearly stated that the ECB acted within its mandate and the Statute. At that time, there was no immediate pressure on the ECJ to decide in OMT’s favour: contagion effects in the sovereign debt markets were not present, and the crisis management mechanism was fully operational, underpinned by the ECB’s asset purchase programme (QE) which was launched at the beginning of 2015. After the ECB’s decision to launch the QE programme, which was based on actual purchases of sovereign debt, market conditions in the euro area changed significantly and implicitly made the OMT programme merely a second line of defence. On the other hand, one could also claim that a positive ruling on the OMT was needed to safeguard Greece (at the time of publication of the ruling on 16 June 2015, it was clear that Greece was heading for a serious wrangle with its creditors, and Greece was not included in the QE programme due to its low sovereign credit rating). However, the ECJ operated ‘under standard regime’ as the risks related to the possible break-up of the euro were contained. The pressure from the German Constitutional Court lacked credibility since it had always complied with the ECJ’s rulings in the past. Considering these circumstances, the ECJ’s ruling on the OMT programme shall be further analysed in more detail in the analytical part of the dissertation.

Considering the ECJ’s other ruling (on the ESM), the Court decided to activate the accelerated procedure instead. This decision could be interpreted as a proactive move having in mind the tensions in the sovereign debt markets at the time of the decision. The positive ruling on the ESM safeguarded the eurozone from disintegration because there were no politically feasible alternative solutions to solve the eurozone crisis. The

ESM was the main instrument in solidifying the fledgling crisis management mechanism which was based on loans with strong conditionality for countries having lost market access. During the sovereign debt crisis, there was no political consensus for deeper integration in the fiscal area, partly also due to the entrenched ordoliberal tradition cherished mostly by Germany and other smaller northern euro area members. The sovereign debt crisis could have been ended abruptly by simply issuing Eurobonds or creating a separate unconditional budget for the euro area to deal with asymmetric economic shocks. The scepticism towards embarking on deeper integration in the fiscal domain was based on concerns related to the moral hazard and on the fear of mitigating the market discipline. For these reasons, the member states opted for a mechanism that significantly strengthened the importance of reforms and fiscal consolidation at the national level. One could argue that this was not the optimal strategy, and that this caused unnecessary additional economic pain for some member states. Nevertheless, the Crisis Management Mechanism remained politically intact, as the threat of a veto became a very exceptional practice: borrowers were not able to resist the politics of conditionality (Bickerton et al., 2015).

The proportionality principle prevailed, when the potential negative ruling or decision could have threatened the integrity of the euro area. The independent supranational institutions shied away from the decisions that could have led to a disintegration of the common currency area. The abrupt need to introduce a national currency in that case would have incurred significant economic costs due to the inevitable devaluation or appreciation of national currency, depending on the state member state economies. So far, member states have demonstrated their commitment to safeguarding the euro area, albeit sometimes hesitated to act until the very last minute. Unfortunately, this political commitment cannot be taken for granted in the future, and the decisions taken by the independent supranational institutions might also therefore be different.

1.2. Recent Accounts on European Integration

In the context of the rapidly changing political and institutional environment, the classical integration theories were readapted, and new strands developed: the new intergovernmentalism and post-functionalism. As the EU-related policy issues have increasingly been gaining more public attention, classical integration theories have been criticized for failing to address the domestic policy challenges. Suggestions to revise the

functionalist approach by adding the analysis of the domestic politics variable became more prominent. It was noticed that integration processes were being driven not only by the influence of interest groups, but also by the public opinion at the national level (Hooghe, Marks 2008). A new approach was proposed which was called the post-functionalism. Interestingly, the related research was published even before the euro area sovereign debt crisis. Not surprisingly, the proposed new approach has received increasingly more attention as the decisions being taken at the EU-level have become more and more politicized. The domestic policy factor has become increasingly important in both creditor and debtor countries during the sovereign debt crisis. Residents of the euro area's creditor countries hesitated to back the financial support which was needed for the euro area's periphery. The suggestion that Germans were not supposed to assume debts of the southerners gained in popularity. While the financial support was extended in the form of loans rather than direct transfers, the misleading narrative on allegedly direct transfers from north to south was very influential in the creditor countries. On the other side of the debate, politicians in the debtor countries felt the similar political pressure, as the fiscal consolidation measures and structural reform policies, which were required as conditions to get financing from other euro area countries, were highly unpopular.

Despite the advantages compared to the original classical integration theories, the theory of post-functionalism was also criticized. According to an alternative explanation, public dissatisfaction did not have a decisive impact for union-wide policies during the sovereign debt crisis, as politicians managed to avoid referendums which were doomed to fail. All the necessary decisions were implemented, and the integration took place despite public dissatisfaction (Schimmelfennig 2014). This line of reasoning was based on the alleged incremental transfer of the economic policy decision making power to supranational institutions during the sovereign debt crisis. On the other hand, this alternative theoretical approach also had some important gaps. First, if domestic policies were not a constraining factor, the euro area politicians would have tackled the challenges posed by the sovereign debt crisis much faster and much more decisively. For example, the euro area leaders could have agreed on joint borrowing (e.g. euro bond), or on the creation of a genuine euro area budget with a meaningful redistribution mechanism and union-level taxation powers (a functional spillover to fiscal policy). These measures would have been very effective and quick in resolving the economic challenges caused by the sovereign debt crisis and the pandemic. While one could argue that politicians managed to overcome

the lack of popular support in some episodes, it still inevitably slowed down the integration processes (Schimmelfennig 2014). That could partly explain why the euro area governments were slow and hesitant in tackling the root causes of the sovereign debt crisis: public opinion was a very important constraining factor. This could also explain why the role of independent supranational institutions was so important. Had the euro area politicians taken more aggressive decisions toward deeper integration, the resulting wave of euroscepticism would have been much stronger. Meanwhile, during the pandemic, the European policy makers also hesitated to take meaningful joint economic policy decisions during the initial phase of the crisis, yet, the strong monetary policy response helped to cover the weakness of the euro area's institutional architecture.

In this context, it is important to discuss the theory of the new intergovernmentalism. According to it, the independent institutions were side-lined at the macro level in the strategic decision-making process and acted as 'de novo' bodies with narrow and relatively simple issue-specific mandates (Bickerton et al., 2015). This line of reasoning could be true in some episodes, but it still fails to explain why the ECB took the lead despite its "*issue-specific and narrow*" mandate when its former President Mario Draghi pledged to do "*whatever it takes*" to save the euro, or when the incumbent President Christine Lagarde declared that there are no limits to the ECB's commitment to safeguard the euro. These interventions were the turning points in the crisis management, even though the context changed later in line with the implicit hurdles imposed by the Crisis Management Mechanism; this shall be discussed in more detail in the analytical part of this dissertation. Another important aspect according to the theory of new intergovernmentalism was the threat of a member state veto in the European Council which had become a very exceptional practice (Bickerton et al., 2015). It could be one of the main reasons why the Crisis Management Mechanism remained politically robust.

When analysing challenges related to the domestic policy constraints at the national level, it would be fair to clarify that these constraints were more binding in the debtor countries, compared to the lenders, as the debtors had no access to adequate alternative financing. In this context, the Greek sovereign debt crisis could reveal a lot of useful information when analysing the negotiation strategies used by the creditor and debtor countries (Tsebelis 2015). The reason why the debtor countries finally accepted the financing terms and implemented the required reforms, despite the pressure stemming from their domestic policy, could be explained by the model of two-level games.

1.3. The Model of Two-level Games

Why domestic policy factors were more important in one country, compared to the others, and how the eventual deal was being reached could be explained by the model of two-level games (Putnam 1988). The logic used in this model takes into account both domestic pressure and international pressures when examining the decision-making process. According to this theory, an overlapping space for a possible agreement is formed when overlapping positions are found between and within countries at both levels. In addition to the policy position of the majority, the less-favored policy positions that may receive at least some support at the national level are also analysed because these could receive support from the international level and create an overlapping area of possible compromise agreement despite the lack of majority support.

A two-level game model has also been applied to interpret the decisions taken during the euro area debt crisis (Bellamy et al., 2015). The example chosen by the authors was the fiscal consolidation during the debt crisis by tightening the EU fiscal rules. It was argued that, during the discussion to strengthen the fiscal rules, the parties were involved in a two-level game: in order to ensure the credibility of compliance at the international level, it was agreed to transfer the provisions of the Fiscal Compact to the constitutional laws. At the same time, there was a need to ensure support for these agreements within the member states: the importance of the domestic politics was also emphasised in this approach. However, the tightening of the fiscal rules did not have a meaningful impact on containing the pressure in the sovereign debt markets. This may have happened due to the fact that the continuous tightening of the rules and the introduction of additional dimensions of control may have made the rules difficult to understand even for experts.

The rules set out in the Fiscal Compact were based on unobservable variables, such as the potential growth or structural budget deficits. The rule was based on the economic theory: to ensure a balanced budget over the economic cycle. In times of an economic upturn, the structural budget balance could be negative, even if there is a fiscal surplus in the nominal terms. This may happen when the potential economic growth is much slower than the actual growth. Although, theoretically, rules which are based on economic cycles could be very useful, it is very difficult to accurately estimate the potential growth, which leaves some political space for different interpretation of such rules. Therefore, the two-level game proposed by the authors (Bellamy et al., 2015) could not be interpreted as having two levels

because the above-mentioned commitments on the international level are difficult to observe due to their immeasurability. To solve this problem, the credible commitments were ensured via the debtor and lender dependence and the conditionality. If the debtor country has not implemented the agreed policy reforms, it does not receive the next tranche of the loan. The reluctance of the debtor countries to comply with the terms of the rescue programs (due to domestic politics) was not significant in a two-level game because it was incompatible with the preference to stay in the euro area. Therefore, conditionality will continue to prevail as long as the support for the euro membership in debtor countries remains strong, as it was during the euro area sovereign debt crisis. The theory of the two-level games could also help to explain how the Crisis Management mechanism was created and remained robust despite its unpopularity in the debtor countries.

Germany, as the main creditor country, has had a more effective strategy for participating in a two-level game and had a good sense of the overlapping space for a possible agreement. This may be one of the reasons why Eurosceptic parties never gained as much popularity in Germany as in the other EU countries (especially at the beginning of the crisis). Greece could be another extreme example of a country failing to adapt to the two-level game environment. The failure to reconcile Greece's positions at different levels and the poor interpretation of a possible overlapping space for potential agreement resulted in frequent governmental changes in Greece (Smith 2011). Therefore, the support for the Eurosceptic parties in the country grew. It could also be argued that the most prominent Greek far-left party *Syriza* which assumed office at the most intense period of the crisis in early 2015 also lacked good skills needed to play in the European 'two-level' game. Before the election, it was campaigning on a politically unfeasible program (to abandon fiscal consolidation measures, to suspend fundamental structural reforms, and to discontinue the Greek participation in the European financial support programs). This could reveal that an excessive concentration on the domestic level complicated the international-level discussions and prevented a faster and more effective solution to the crisis. After the elections, the Greek government had to perform a political U-turn when it had to accept conditionality, which was against the popular vote in Greece.

The preference for the euro currency, as opposed to the reintroduction of the national one, could only be ensured in conjunction with fiscal consolidation measures in order not to contradict the crisis management strategy based on the politics of conditionality. Paradoxically, to maintain their popularity, Greek governments had to implement fiscal consolidation

measures, as this was the only way to ensure Greece's continued membership in the euro area. The two-level game model is useful to examine the policy dilemmas faced by the creditor and debtor countries during the sovereign debt crisis. It is also helpful in explaining how the Crisis Management Mechanism is functioning.

However, without the active monetary policy support of the ECB, it would not be possible for the member states to ensure the functioning of the Crisis Management Mechanism, at least in the initial stages of the sovereign debt crisis and the pandemic. This mechanism alone (with often slow decision-making process because of the required unanimity) was not always able to contain the pressure of the financial markets. On the other hand, one could also argue that the pro-active monetary policy interventions reduced the number of bailouts during the sovereign debt crisis and the pandemic. Despite that, the euro area creditor countries had no other choice but to rely on some initial support from the ECB in order to get some time for developing solutions and finding compromises at the European level.

The ECB's unconventional monetary policy (the Outright Monetary Transactions Program (OMT), the Securities Markets Program (SMP), the Longer-Term Refinancing Operations (LTRO), the Targeted Longer-Term Refinancing Operations (TLTRO), the Expanded Asset Purchase Program (EAPP), the Pandemic Emergency Purchase Program (PEPP)) eased pressures in the sovereign debt markets, and ensured the conditional emergency funding to commercial banks (the Emergency Liquidity Assistance (ELA)), which contributed to the stabilization of the banking sector. One could also argue that the ECB restricted the access to liquidity for the commercial banks in the peripheral euro area member states thus aiming to encourage them to accept the conditions proposed by creditors and expand the overlapping area of the potential compromise as suggested in the model of two-level games. In this context, one could consider whether a principal-agent type of link existed between independent institutions such as ECB and ECJ and the euro area creditor countries.

1.4. The Principal-agent Model

As the political consensus on the need to respect and preserve the independence of common supranational institutions, such as the ECB or the ECJ, in the EU was strong, applying the principal-agent model analysing their actions may be not so straightforward. The ECB is one of the most independent central banks in the world, which raises reasonable doubts as to whether it could really act as an agent. The same scepticism could be

expressed regarding the ECJ. However, some of the ECB's and the ECJ's decisions and rulings were criticized for alleged non-compliance with the EU rules. The ECB was accused of violating the prohibition of monetary financing of member states budgets by launching its asset purchase programs (Wilkinson 2015), and the ECJ's ruling declaring the legality of the OMT program was allegedly not in line with the EU treaties. It was also argued that the creation of the ESM violated the so-called 'no bailout clause' enshrined in the Maastricht Treaty which prohibited the member states to finance or assume other member states' debts (Sciocluna 2017). This legal clause was adopted in order to strengthen the indirect control of the public finances by employing the discipline of the market: for those who do not comply with the fiscal rules would feel the pressure from the rising financing costs. According to the ECJ's ruling, the creation of the ESM was also legally sound.

Some authors argue (e.g. Schimmelfennig 2014) that the European Central Bank managed to take some crucial monetary policy decisions without the pressure from the euro area governments: *"bond-buying operations and the provision of cheap liquidity by the ECB, only required a majority in the ECB Council without any involvement of domestic political actors."* However, with the exception of some very bold verbal interventions by President Draghi and his successor President Lagarde, ECB's monetary policy interventions, which were related to the crisis management strategy, appeared not to be possible without at least the implicit political support and preferences of the member states. The President of the ECB also publicly acknowledged that the decisions taken at the political level have a huge impact on the decisions of the ECB (Draghi 2015b). Thus, the application of the principal-agent model might prove to be helpful in trying to better explain why this was the case and how the mechanisms of control functioned. In this regard, there is a need to broaden the definition of control mechanisms identified by Pollack (2007), and suggest one additional type: the 'implicit control mechanism'. This mechanism emerges when the decision taken by an independent institution could have significant unintended costs, and therefore could breach the principle of proportionality.

With the implicit endorsement of the euro area governments, the ECB tried to sustain the overlapping space for a potential agreement in the two-level games. Without the ECB's interventions, the overlapping space of the potential agreement would have disappeared, or not even existed, due to the lack of time to come up with the union-wide response at the political level. One could argue that the ECB's decisions gave time for the member states to find compromises. It was the only politically feasible path in the short term

to save the euro area from disintegration. If the ECB had acted without paying attention to the developments at the political level, the whole crisis management mechanism would have collapsed.

The ECB has been an important actor during the sovereign debt crisis and the pandemic. Asset purchase programs were designed to ease pressures in the sovereign debt markets. On the other hand, the ability to cancel the Emergency Liquidity Support (ELA), not to provide liquidity, or to discontinue asset purchases allowed the ECB to exert indirect influence on the euro area governments to speed up the so-called ‘bailouts’ during the sovereign debt crisis (Ireland, Cyprus, and the extension of the Greek program) (Eurogroup 2015). The ECB therefore ensured a more stable environment in the markets for negotiations at the political level.

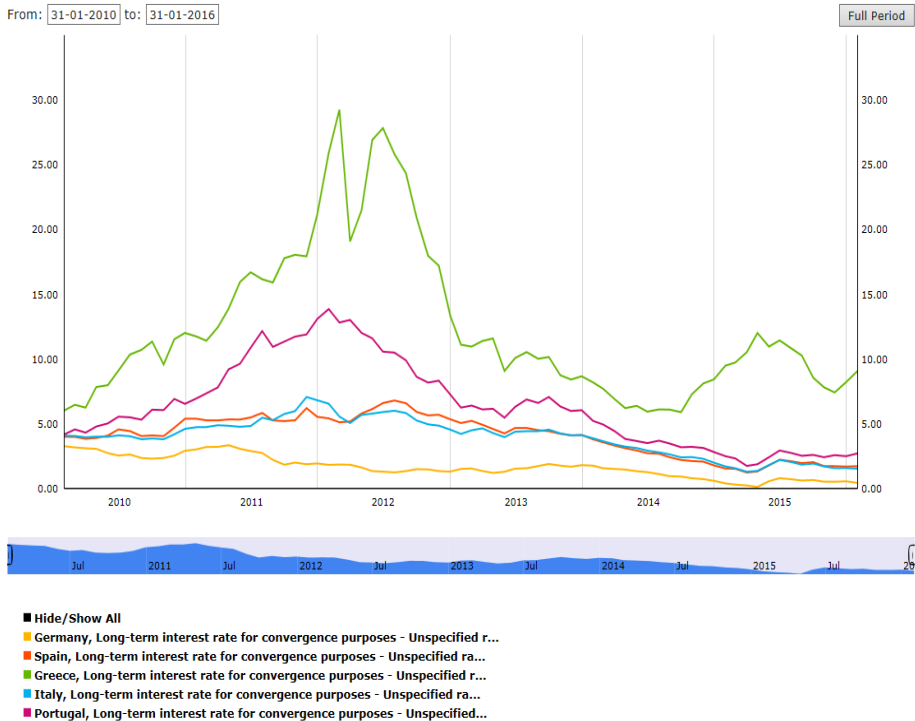
1.5. The New Synthetic Approach

The main objectives of the dissertation are: a) to discuss the policy dilemmas faced by the euro area countries and the ECB/ECJ during the sovereign debt crisis and the pandemic; b) to analyse the changes in the institutional and financial architecture of the Economic and Monetary Union during the sovereign debt crisis and the pandemic by using the new synthetic approach; (c) to analyse and evaluate the ECB’s non-traditional monetary policy; (d) to analyse the impact of sovereign debt markets and the crisis management mechanism developed by the euro area member states for the roles assumed by the independent supranational institutions; e) to examine the public communication of the ECB; and f) to examine the functioning of the control mechanisms.

The implementation of the research objectives would help to test the hypotheses. It would also contribute to constructing the new synthetic approach to apply the most prominent integration theories. The model would help to better explain the decisions taken during the COVID-19 pandemic and the sovereign debt crisis. Ideally, it could also be useful in analysing scenarios in the future and in attempting to predict the most likely policy actions of independent supranational institutions going forward. The proposed new synthetic approach would help to determine how different roles were chosen by the ECB and the ECJ during the sovereign debt and the COVID-19 pandemic crises.

By employing the new approach, the six crucial decisions taken by independent institutions during the sovereign debt crisis and the COVID-19 pandemic shall be analysed. These decisions were selected based on their role in preventing the collapse of the euro area. While mostly technocratic,

most of these decisions helped to entrench the crisis management strategy preferred by the member states. The two main independent variables in this approach are the pressure from the crisis management mechanism, or the politics of conditionality, and the union-wide pressure in the sovereign debt markets. The variable “*pressure from the crisis management mechanism (conditionality)*” helps to determine whether the decision taken by an independent supranational institution was instrumental to the functioning of the crisis management mechanism controlled by the euro area member states (or, in other words, whether the decision was needed to safeguard the preferred crisis management strategy). By employing this variable, the purpose is not to show that independent supranational institutions were simply politicised, but rather to argue that, at some points during the sovereign debt and the COVID-19 crises, the ECB and the ECJ had to be mindful of the need to preserve the functioning of the crisis management mechanism in order to prevent the collapse of the euro area. When a decision of an independent supranational institution was of high importance to the functioning of the crisis management mechanism, the principle of proportionality was also being applied (Table 1). The involved institutions also acted while having in mind whatever was necessary for safeguarding the currency union, based on the implicit cost-benefits analysis. If the importance was not high, the actions taken by the independent institutions were not based on the needs to prop up the crisis management strategy. It is of importance to mention that the crisis management mechanism was developed by the euro area member states, and this variable could also be described as the political strategy chosen by the member states to safeguard the union.



Graph 1. Long-term interest rates (Germany, Spain, Greece, Italy and Portugal 2010–2016)

Source: ECB’s Statistical Data Warehouse:

[https://www.ecb.europa.eu/stats/financial markets and interest rates/long term interest rates/html/index.en.html](https://www.ecb.europa.eu/stats/financial%20markets%20and%20interest%20rates/long-term%20interest%20rates/html/index.en.html)

The other independent variable “*pressure in the sovereign debt markets*” could also be associated with the contagion effect and a potential break-up of the euro area. During the most acute moments of the sovereign debt crisis, the bond yields for such troubled countries as Italy, Greece, Spain or Portugal were hit simultaneously, which is a circumstance that could be called the *contagion effect* (Graph 1). When the contagion effect was visible throughout the union, independent supranational institutions had to assume a proactive stance in solving the sovereign debt crisis either by being a proactive independent leader, or a proactive ‘agent’ of the principal at the political level, with the implicit urge to support the functioning of the crisis management mechanism (Table 1). When the risk of contagion was low, independent supranational institutions assumed the ‘passive stance’ in solving the crisis, which, in effect, meant that when their position was significant for the crisis management mechanism, they simply ‘copied’ the

policy strategies taken by the member states and applied (i.e. rubber-stamped) them in their area of responsibility. The difference between the ‘rubber-stamping’ and ‘business as usual’ roles is significant: in the case of ‘rubber-stamping’, the independent institution does not have a discretion to disagree, since it could potentially be detrimental to the whole institutional setup (the ultimate result could be the end of the institution itself, as would be the case in a potential euro area break-up). When the pressure from the crisis management mechanism and the risk of contagion were low, then the institutions were reluctant to intervene proactively, and they were operating under the ‘business as usual’ conditions (Table 1). The *Proactive leader* box could also be associated with the theory of neofunctionalism: the union-wide interest group of sovereign debt markets exerted the pressure to act on a supranational institution (the union-wide pressure in the sovereign debt markets is high in this case, according to the model). The *Rubber-stamper* box could be associated with the theory of liberal intergovernmentalism: sovereign debt market participants exerted pressure only on one particular sovereign debt market (e.g. Greece), with no contagion effect (the union-wide pressure in the sovereign debt market is low), whereas the other member states were successful in getting their way due to the substantially stronger negotiating position (the independent supranational institution assumes a passive stance in order not to undermine the crisis management mechanism, and it rubber-stamps the political strategy preferred at the political level). The *Implicit agent of the principal* box could be associated with the Principal-Agent framework (the union-wide pressure from the sovereign debt markets remains high, as well as the pressure from the crisis management mechanism: the independent supranational institution needs to maintain the ‘proactive stance’, but it should be in line with the crisis management mechanism and not undermine the principle of proportionality).

Table 1. Crisis management roles assumed by independent institutions and independent variables

		Risk of contagion (pressure in the sovereign debt markets)		Principle of proportionality
		<i>low</i>	<i>high</i>	
Pressure from the crisis management mechanism	<i>low</i>	<i>Business as usual</i>	Proactive leader	
	<i>high</i>	Rubber-stamper	Implicit agent of the principal	
		Passive stance	Proactive stance	

1.6. Methodology

In this dissertation, the method of abductive inference (the best explanation reasoning) shall be employed to analyse the currently available theoretical explanations of the most important decisions taken during the sovereign debt crisis and the COVID-19 pandemic (Josephson, 1994). According to the original author, the “*abductive reasoning involves inferring the best or most plausible explanation from a given set of facts or data.*” As there are many competing integration theories, there are occasions when similar events were interpreted differently by different integration theories, or were not explained fully due to the multifaceted dimensions of the decision-making process. The aim is to construct a model which could allow a coexistence of competing integration theories so that to present a coherent explanation on the roles assumed by independent supranational institutions and the related constraints at the union-wide and domestic political level. The theoretical model shall be based on the synthesised approach employing the classical integration theories and the principal-agent model, as well as the other theories presented in the previous section in order to explain the formation of the independent variables. The in-depth interviews with the heads of those institutions and the euro area heads of state or governments would be the most effective direct way to find out the reasons for the strategic decisions taken during the sovereign debt crisis and the pandemic.

However, due to confidentiality, other (political) constraints, and a relatively short distance of time, it would not be realistic to expect getting objective interviews of this type. The leaders' availability is additional significant constraint. The same concerns related to the objectivity of information could also be applied to their closest aides and political teams. With these limitations in mind, the decision-making logic will be deconstructed by applying rigorous analysis of the publicly available information from both levels: political and technocratic (taken by independent institutions). When applying this approach, the timing and the sequence of the events were very important.

The analysis of the decisions taken by the independent institutions (the ECB and the ECJ) shall be based on public speeches, interviews and press conferences, as well as on direct experience in dealing with related issues while working at the *Bank of Lithuania* (Eurosystem) and the *International Monetary Fund*. The starting point is the classical theories of integration – neofunctionalism and liberal intergovernmentalism – which shall be complemented and synthesised with other related theories, such as post-functionalism and the new intergovernmentalism. Although the inclusion of the factor of domestic politics (as was proposed in the theory of postfunctionalism) contributes to a better understanding of the decision-making process, it is worth clarifying that, in the creditor countries, the domestic politics factor was stronger, while, in the debtor countries, it was weaker. This could be explained by employing the theory of two-level games, as the parties involved into the negotiations must take into account not only the factor of domestic politics, but also the international dimension and the preferences of the foreign actors. Although there were protests against the fiscal consolidation policies in the debtor countries, the alternative path was incompatible with the desire to keep the euro as the national currency, thus leaving the creditor countries with stronger bargaining power. This dynamic changed during the COVID-19 pandemic: the EU managed to agree on the creation of the NGEU with a more significant element of grant financing (due to the size and importance of Italy in the euro area, it had more leverage on the creditor countries compared to smaller member states affected during the sovereign debt crisis). At the same time, the conditionality element was still preserved, and the ECB mostly followed the informal rules of the crisis management mechanism despite its more proactive role exercised in the sovereign debt markets during the pandemic. The example of the ECJ will also be useful to present the broader picture of the role of the independent supranational institutions during the crisis. The ECJ took a number of key decisions to

ensure that the crisis management mechanism would not be undermined. Such assistance from independent supranational institutions to the member states may raise legitimate questions about their independence and the flexible interpretation of the EU legal framework. It also provoked discussions claiming that the EU integration took place through legal disintegration. However, one could also argue that the independent institutions applied the principle of proportionality. Nevertheless, these arguments shall be examined in the analytical part of the dissertation.

One of the most important parts of the dissertation is the analysis of the non-traditional monetary policy conducted by the ECB: asset purchasing programs, liquidity provision to banks, and long-term refinancing operations. As the ECB/ECJ support was indispensable during the sovereign debt and the pandemic crises, one might ask: “were the ECB/ECJ the agents of the euro area creditors?”. This question by itself might be interpreted as controversial, as it calls into question the independence of the ECB and the ECJ which are regarded as some of the most independent institutions in the world. The concept of independence is enshrined in the EU Treaties: “*In accordance with Article 130 of the Treaty on the Functioning of the European Union, when exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and this Statute, neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body*” (European Central Bank 2012a, Chapter 3, Article 7). It should be clarified that the dissertation does *not* seek to prove that the ECB violated the EU Treaty by giving in to political influence and following instructions from other institutions. The independence of the ECB in pursuing its primary objective of price stability is not questioned in this dissertation in any way. The main emphasis will be on the independence of the ECB and the ECJ in the context of the existential moments for the euro area during the sovereign debt crisis and the pandemic: without the ECB’s interventions, Greece, Cyprus, Ireland (and, possibly, other weaker euro area countries, such as Italy) would most probably have not remained the euro area members due to the significant contagion effects in the sovereign debt markets and the lack of a credible backstop.

Hypotheses:

1. The ECJ was under implicit political pressure to safeguard the politics of conditionality and take a positive ruling on the legality of the ESM in the context of financial market pressures.

2. Due to the pressure in the sovereign debt markets, the ECB assumed the proactive leadership role during the third Greek bailout negotiations in 2015.
3. Due to the pressure from the sovereign debt markets as a union-wide interest group, the ECB's promise to do 'whatever it takes' created a functional spill-over and the expansion of its mandate.
4. The ECJ ruling on the legality of the OMT was crucially important to contain pressure in the sovereign debt markets.
5. Due to the pressure from the sovereign debt markets as a union-wide interest group, the ECB assumed the new responsibility of closing the sovereign bond spreads during the COVID-19 crisis (a functional spill-over was created).

2. UNCONVENTIONAL MONETARY POLICY

The Maastricht economic governance framework had the so-called ‘no bailout’ clause and left the fiscal policy to be governed at the national level, underpinned by fiscal rules. Joint borrowing and a common budget were not envisaged at that time. Despite this half-built institutional structure, during the start of the euro area, markets still remained confident that the risks in the sovereign debt markets of the currency union members were the same, despite the different economic fundamentals. However, this implicit fiscal shield provided by the euro area membership proved to be elusive during the Global Financial Crisis. While the ‘no-bailout’ clause was never abandoned, the European policy makers created the European Stability Mechanism including the so-called ‘lender of last resort’ function for the euro area governments. Similarly, the ECB had to take a more pro-active monetary policy response, and such easier liquidity provision to commercial banks and big asset purchase programs was also perceived as an unconventional monetary policy. In this part of the dissertation and its subsections, the most important policy interventions by the ECB during the sovereign debt crisis and the COVID-19 pandemic shall be discussed, as well as the limits to the central bank powers.

It was argued that the fact that ECB and its leadership took the main role in tackling the euro area sovereign debt crisis was the most important instance in finding solutions to the crisis (Verdun 2017). Furthermore, in the opinion of Verdun, the ECB took the most significant decisions during the time when no one else wanted to (or could) take the lead. Others (e.g. Mody 2018; Tooze 2018) disagreed and argued that the ECB’s decisions were needed, but they came too late and were insufficient. If the ECB had acted as a ‘classical’ central bank (e.g. like the US Federal Reserve, or the Bank of England), there would not have been a sovereign debt crisis at all (Tooze 2018). These seemingly inconsistent positions can be explained by the new synthetic approach proposed in this dissertation. It would clarify that the ECB’s political leadership was merely the tip of the iceberg which was underpinned by the crisis management mechanism developed by the euro area countries. Decisions that would not comply with the crisis management mechanism were avoided (e.g. Greece was not expelled from the euro area by the ECB, and the ESM was not declared illegal by the ECJ).

2.1. ECB during the Sovereign Debt Crisis: Proactive Leader or a Hesitant Actor?

It was argued that, due to inability of euro area leaders to find acceptable compromises at the political level, the leadership vacuum was filled by the ECB (Verdun 2017). However, considering the international context, one could also find that the ECB was highly hesitant to assume a proactive role, and sometimes even deliberately avoided taking the lead. Verdun provides two cases in her paper to justify the ECB's leadership claim during the sovereign debt crisis: the ECB's decision to purchase peripheral debt securities under the Securities Markets Program and the promise to do 'whatever it takes' to safeguard the euro area: "*The ECB has also been a bold move by taking forceful action when the European Council was unable to come to a clear decision in a timely fashion (for example its actions in May 2010 or the 'whatever it takes speech' by Draghi),*" (Verdun 2017, p. 216). In both cases, however, the ECB's leadership is questionable.

The ECB's decision to buy sovereign bonds of the euro area's peripheral countries was announced only after the European Council had committed to a package of financial support to Greece in exchange for fiscal consolidation and structural reforms. The ECB could have stepped up earlier to close Greece's financial gaps through its monetary policy instruments. However, it has chosen to wait for a commitment to be made at the political level. "*...on Sunday May 9 Trichet put the proposal to the vote and won majority approval. He then waited to make any public announcement until the early morning of May 10, when Europe's governments were finally ready to present their ramshackle bailout fund. The ECB would not move first*" (Tooze 2018, p. 343). The ECB President Trichet was reluctant to commit to rescuing Greece by using the central bank resources also partly because of the strong opposition from German representatives (which later led to their resignation). The main argument which was used to explain the ECB's hesitation was the prohibition of the monetary financing of the euro area governments enshrined in the EU treaties. According to the monetary policy conservatives, even participation in the secondary markets could blur the line between the fiscal and the monetary policies. Thus, the ECB's hesitation in 2010 could also be seen as evasion of the leadership role.

Similarly, one could question the ECB's leadership assumed in 2012 after the famous President Draghi's 'whatever it takes' speech. This intervention was largely driven by the increased pressure in the sovereign debt markets. According to some high-level officials, the ECB did not have a specific plan for what to do after the speech and what monetary policy

measures to take: *“Draghi had made a promise, but Geithner later noted that the ECB and European authorities had no clear idea what they were ‘actually prepared to do’ ”* (Mody 2018. p. 311). Later on, as more details about the ECB’s plans became public, it became clear that the ECB was – again – *not* going to take the lead. The main condition for activating the announced ‘unlimited’ short-term asset purchase program (OMT) for any euro area member country was the need to have an active ESM monitored program with economic policy conditionality (mostly related to fiscal consolidation and structural reforms). For example, the Greek government had to implement wide-ranging reforms restoring the sustainability of public finances and the soundness of the financial sector (all major banks were recapitalized; the size of the public sector was reduced by 25 percent between 2009 and 2017, pensions were cut by an average of 27 percent between 2010–2014 and by 50 percent for the highest earners). Wide-ranging institutional reforms were implemented to increase the efficiency of the judicial system, labour, and product markets (ESM; Papadimas 2015). Without an active ESM program, the ECB was not able to buy any sovereign debt (the OMT has never been activated so far). However, there is a need to clarify that the announcement of OMT itself has significantly reduced the cost of borrowing for the euro area governments. However, without the backing of the euro area governments, the ECB was not prepared to use its innovative monetary policy instruments, such as the above-mentioned unlimited asset purchase program (OMT). Such hesitation was at odds with claims about the ECB’s leadership: *“Similarly, Draghi’s plan to embark on OMT, basically to do anything that it takes to secure the euro, is an example of leadership whereby someone is willing to take decisions (responsibility) when an organization or a nation faces a high-stakes decision that no one is willing or able to take”* (Verdun, 2018 p. 214). In this case, the ECB’s promise to buy sovereign bonds was enough to calm the markets, even without the actual purchases. However, the OMT programme remains to be tested, as the ECB will only be able to buy short term sovereign debt for countries which have an active ESM programme with policy conditionality. However, such a scenario is unlikely for larger euro area countries, like Italy, as the ESM may not have enough resources to bail it out, therefore, the OMT programme might not be feasible in practice for the larger euro area members. Under the proposed new synthetic approach, the ECB’s promise to do ‘whatever it takes’ may be explained by the immediate need to react to the pressures on financial markets in the short term, but, in the long term, the ECB had to respect the implicit limits imposed by the crisis management

mechanism to preserve its independence and avoid politicisation of the monetary policy.

The EU economic governance framework was receiving a lot of criticism during the sovereign debt crisis. While it is difficult to disagree that this framework contributed to suboptimal economic policy decisions, one should be careful not to overemphasise the ECB's potential to cover all the loopholes: *"ECB recognized that the euro was at risk, and that the EU governance structure was unable to respond to the accumulation of crises in a timely fashion"* (Verdun 2018, p. 215). It would also be an overstretch to assume that the ECB alone was able to solve this fundamental challenge. As the ECB hesitated to step into the markets, its role was limited only to verbal interventions. The effectiveness of such a strategy by and large depended on the ECB's credibility and a response from the sovereign debt markets. The ECB could not do real purchases under the OMT in the market without the consent of the euro area governments, as the activation of the OMT programme required the involvement of the ESM. The claim that the ECB has become a major player is not fully convincing: *"[Draghi] had said 'Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough'. Until that time the ECB was focusing on price stability; but with this sentence, the ECB put itself in the shoes of a powerful actor. The remarkable thing is that it seems to have worked"* (Verdun 2018, p. 215). Such a strategy could only be effective as long as the ECB's promises are credible. The successful outcome of Draghi's verbal intervention does not mean that this strategy is sustainable.

The unsustainability of this strategy came to the fore in 2015 just as the conflict of Greece with the euro area creditors was resuming. Thus, the logic behind the adoption of the ECB's OMT program can be better explained by the proposed new synthetic approach as the main independent variables were the pressure from the sovereign debt markets and the pressure from the crisis management mechanism constructed by the euro area governments. The ECB could assume the proactive leadership role, but this was possible only at an early stage of the process so that to allow time for the euro area governments to respond with political-level solutions. It would therefore be difficult to agree with the claims that the ECB presidents (Trichet and Draghi) transformed the decision-making process in the euro area: *"Trichet, and in particular Draghi, seemed to have adopted leadership characteristics that can be considered 'transformative'. Using policies such as SMP and by promising to do whatever it takes (such as OMT), they supported the euro area as it was facing an unprecedented crisis. They motivated their staff as well as the member states to make steps that were fundamentally different*

from before and they broke new ground with their policies and procedures. More remarkably is that the rest of the Governing Council as well as the EU member states have followed them” (Verdun 2018, p. 217). Although Presidents Draghi and Trichet succeeded in adopting new unconventional instruments, their activation depended on the decisions taken by the euro area governments, and therefore was limited. Without various limits and safeguards to ECB’s interventions, which shall be discussed in more detail below, the crisis management mechanism developed by the member states would be redundant due to some moral hazard concerns: instead of undertaking difficult fiscal consolidation and implementing structural reforms, member states would have looked for the help from the ECB.

2.2. Limits of Central Bank Powers

As there are technically no limits to central bank interventions (as long as inflation is under control), it could prevent sovereign debt crises by acting as a lender of last resort for sovereigns. In a context of the rising debt servicing costs, the central bank could launch debt purchase programs and provide the commercial banks with liquidity. Such programs as the so-called Quantitative Easing (QE) can reduce the cost of borrowing for public budgets, and can also have a positive effect on the economic growth and support the liquidity of commercial banks. Such policies may not be effective in countries where the central bank is not independent or where central bank interventions are used irresponsibly. Such economies usually suffer from persistently higher inflation, lower economic growth, and recurrent currency crises. These negative examples and challenges related to irresponsible central banking convinced euro area governments to include a clause into the EU treaties which would prohibit the European Central Bank from providing direct monetary financing for the governments. In this context, there is a need to clarify that the ECB is not legally prohibited from buying sovereign debt on the secondary market. However, even this policy has been criticized in some member states for alleged violation of the prohibition of monetary financing.

The ECB may also provide liquidity to commercial banks in the euro area, but this is also subject to some restrictions and safeguards: if the bank does not have the adequate collateral, liquidity could be provided only through the national central bank of the euro area (not the ECB). The ECB may reject such a decision if it could pose risks to the euro area as a whole. These legal and political circumstances limited the ECB’s room for manoeuvre during the sovereign debt crisis and the COVID-19 pandemic.

Without the political commitment of the euro area governments to provide financial assistance to peripheral countries, the ECB actions would also be limited. However, a more accommodative monetary policy could have significantly mitigated the negative effects of the euro area debt crisis. If the ECB had taken the same decisions as the US Federal Reserve or the Bank of England, the Eurozone debt crisis could have been avoided: *“If the ECB was a central bank like the FED or the BoE, there was no need to be a sovereign debt crisis at all. All the ECB had to do to stop the destabilizing surge in Greek interest rates was to do what central banks do all over the world: buy sovereign bonds. If the ECB did not intervene it was a matter not of economics but of politics”* (Tooze 2018, p. 334). While the author claims that the main arguments for the ECB’s inaction were ‘political’ rather than economic, he did not elaborate further on this, nor did he explain why this was the case. One interpretation could be that the ECB closely analysed the implications of its possible decisions on the crisis management mechanism: undermining it and risking euro area disintegration could have resulted in a breach of another crucial legal principle embedded into the EU Treaties – proportionality. When comparing the ECB policy with that of other central banks of the major jurisdictions, one should also consider all institutional-legal constraints in the euro area, its unique institutional architecture, and decision-making processes.

As discussed above, contrary to the claims that the ECB assumed the leadership role during the sovereign debt crisis (e.g. Verdun 2017), other authors (e.g. Tooze 2018) emphasised that the ECB’s hesitation was a key missing element for a more effective management of the crisis: *“As in Greece, bad sovereign debts would pull down the banks. Or as in Ireland, failed banks would pull down the state’s credit. Only the ECB could break this loop. It was the ‘missing ingredient’ in all European crisis management efforts to date”* (Tooze 2018, p. 415). However, the ECB’s unrestricted provision of liquidity to euro area countries and their commercial banks could have led to a moral hazard which would have significantly reduced the willingness and incentives of the involved countries to pursue reforms so that to address the long-term structural problems. The lack of structural reforms was one of the main factors behind the idea to create the crisis management mechanism to solve the underlying economic imbalances in the context of the common currency area. Therefore, the ECB’s proactive liquidity assistance could have undermined the crisis management mechanism developed by the euro area governments.

Although the ECB eventually started non-traditional monetary policy programs, it did so without undermining the politics of conditionality

developed by the creditor countries and hesitated to take more significant decisions ahead of the euro area governments. Nevertheless, and as mentioned in previous paragraphs, even this cautious approach did not convince some most conservative members on the ECB's Executive Board, and some even resigned in protest against unconventional monetary policy measures. Nevertheless, Tooze rightly acknowledges that the ECB's unconventional monetary policy significantly strengthened the crisis management mechanism and was necessary to ensure its sustainability: *"...though German hard-liners opposed all activism by Europe's central bank, for Merkel the ECB had been a useful tool from the start. She had done it quietly, but on several occasions, she had effectively distanced herself from the Bundesbank, recognizing that ECB intervention was necessary complement to the decade-long process of transferring Germany's vision of „reform" to the rest of Europe"* (Tooze 2018, p. 419). Although fiscal consolidation and structural reform policies are said to have been 'imposed' by the German government, the policy took hold across the euro area: the fiscal deficits were contained, and new more-binding fiscal agreements, such as the conservative Fiscal Compact, were agreed upon. The member states (not only Germany) realised that, without the ECB's liquidity support and without fiscal consolidation, the borrowing costs would remain elevated. This policy was increasingly becoming the norm, and even hesitant member states were under pressure of sovereign debt markets to comply. Therefore, the crisis management mechanism was supported not only by Germany, but also by other member states, as it was in line with their interests (despite the emergence of some critical political voices from time to time). A good illustration of this situation could be the Greek government's 'resistance' in 2015: *"The growth agenda, which had been so crucial to the political maneuvering following Hollande's election, had made precious little headway. Now the new government in Rome headed by the popular centrist Renzi was tempted in similar direction. That made it the more important to hold the line against Syriza. Germany was the anchor, but in the most crucial negotiations, Finance minister Schäuble barely needed to speak"* (Tooze 2018, p. 518). The fears that anti-austerity governments could gain political advantage in the European-level negotiations forced other member states to take an even stronger political stance to protect the crisis management mechanism. Therefore, the crisis management mechanism had a wide political support from the euro area governments throughout the crisis. Similarly, the politics of conditionality became so entrenched that it was a crucial part of the main joint fiscal initiative NGEU to contain pandemic-related economic challenges.

The launch of the major ECB's asset purchase program (QE) in 2015 to address the risk of deflation in the euro area (the ECB's monetary policy target is to seek 2% inflation) had some important side effects on the crisis management mechanism. The borrowing costs in the euro area have declined significantly since the start of the program. There is a need to clarify that not all euro area member states have been able to reap all the benefits of this program: in order to manage the risks, the ECB has decided to purchase only investment-grade assets. Greek sovereign bonds had a lower rating at that time because of a high risk of insolvency. Therefore, the price of its bonds was not directly affected by the ECB's program, and the cost of borrowing still remained high. In other countries, however, the cost of borrowing has fallen significantly. The risk of contagion from Greece to other weaker euro area countries became limited at that time. This could explain why the Greek negotiations with the euro area creditors became significantly more difficult at the beginning of 2015. Paradoxically, the ECB's unconventional monetary policy, opposed by conservative central bankers, strengthened the bargaining power of the euro area creditor countries: *"ECB's bond-buying, long opposed by European conservatives, that freed them to fight the battle for political containment by any means necessary"* (Tooze 2018, p. 520).

2.3. ECB – a Tool to Strengthen the Crisis Management Mechanism?

It was argued that the ECB's decisions during the sovereign debt crisis were taken too late and were not ambitious enough (Mody 2018). Initially, the sceptical northern euro area member states tacitly endorsed the ECB stance in order to avoid potential losses: *"In July 2012, Draghi famously announced that the ECB would do 'whatever it takes' to save the Eurozone. For political support, Draghi needed Merkel's tacit approval to follow through on his announcement. Merkel had no wish to lay out German money to save Italy and Spain, but she was not ready to see the euro zone melt down. The ECB's promise of 'unlimited' financial help relieved pressure on Italian and Spanish bonds. Thus, Merkel held political control of Europe, but at this critical moment, she needed the ECB's deep pockets to achieve her objectives"* (Mody 2018, p. 17). Mody argues that the ECB's active policy was intended only to strengthen Germany's position (and not to undermine the crisis management mechanism), but not to mitigate the negative economic effects of the crisis. However, it is difficult to fully agree with the author that only the German interests were protected in this way, without analysing the counterfactual: what would have happened in the event of the euro area's disintegration? The author also contradicts himself

in the book by arguing that the ECB's unconventional monetary policy did not protect the member states from financial losses: "...hence, if the ECB ended up losing money on nearly worthless bonds of bankrupt governments, then other Eurozone governments would have to pay to top up the ECB's capital" (Mody 2018, p. 312). It is worth highlighting that, technically, central banks could also operate with a negative capital.

The argument that the ECB indirectly compensated the potential losses of euro area's taxpayers' money by launching the OMT program is not fully convincing: "*Merkel had a good reason to lend her support to Draghi. She did not have the funds to quell the out-of-control Eurozone crisis. With OMT support, the need for German taxpayers' support for Europe would greatly diminish. Merkel could keep pushing member states to tighten budgets and implement reforms*" (Mody 2018, p. 314). If this were true, the whole strategy of resolving the euro area debt crisis would be based on the ECB's unlimited funding. However, this was not politically acceptable as it did not guarantee the implementation of reforms in the financially vulnerable countries and the solution to the fundamental problem of low competitiveness. Therefore, it was decided to 'bail out' the financially weaker member states by offering them loans with conditionality (the crisis management mechanism). The first quasi-institution – the Greek Loan Facility – was created in 2010 by the euro area governments. Later, in the same year, the temporary European Financial Stability Facility was agreed on, which was needed to accommodate potential requests from other vulnerable euro area member states. Finally, a more permanent European Stability Mechanism (ESM) was established in 2012. During the crisis, 5 countries received bailouts: Greece (in 2010, 2012 and 2015), Ireland (in 2010); Portugal (in 2011); Spain (in 2012) and Cyprus (in 2012). Subsequently, many major ECB decisions related to the debt crisis management were influenced by the politics of conditionality. The ECB's OMT program would not be possible without reform commitments by the member states. The political pressure to the ECB was felt indirectly through the crisis management mechanism developed by the member states.

The impact of the crisis management mechanism on the ECB's decisions is best illustrated by two very similar but inconsistent ECB decisions. The new Greek government, which took office in early 2015, announced that it would not continue the policy of fiscal consolidation. Under the ECB's rules, it can only provide liquidity against high quality collateral. As the Greek sovereign bonds had lost their investment (safe) rating, the ECB granted an exemption to Greece, which was based on the fact that the ongoing economic restructuring program of Greece would allow

Greece to restore investor confidence. When it became clear that the new Greek government did not want to continue with the program, the ECB decided to lift the exemption for Greek sovereign bonds because the assumption that Greece would restore economic sustainability was no longer valid: *“on February 4, the ECB decided Greece’s fate. In an aggressive move that took everyone by surprise, the ECB cut off funding to Greek banks preemptively immobilizing the Greek government before it could begin negotiations with its creditors”* (Mody 2018, p. 416). According to the author, the ECB’s decision was crucial to the fate of Greece and significantly benefited the creditor countries by increasing their bargaining power: *“with their February 4 decision, unelected ECB official stepped into the political arena and determined Greece’s economic and political trajectory”* (Mody 2018, p. 417). However, one could disagree with such analysis, since the provision of liquidity to the Greek banks was not interrupted: it was still provided through the Central Bank of Greece, but there was a need to get the ECB’s approval. When a country’s commercial banks do not have enough collateral, they can obtain liquidity from the national central bank under the Emergency Liquidity Facility (ELA). The refusal to provide liquidity through ELA to the Greek banks would have been fatal, but not the above-mentioned decision of February 4 to restrict the collateral rules. The refusal to extend ELA liquidity would be significant not only for the bargaining power of Greece, but, crucially, it would have created the need to recapitalize the Greek banks. Without additional funding, the only way to do that was by reintroducing the national currency. Such a radical path would be very risky, as the currency created in the context of a deep crisis would depreciate sharply, while liabilities would remain denominated in euros: this would have had a significantly negative impact on the national debt profile and the overall economic situation. This was the situation that the ECB was facing in 2015.

As Greece skipped debt repayments to the IMF, the country became officially bankrupt, and its sovereign bonds lost any economic value at that time. The ECB could have refused to support the provision of ELA to Greek banks through the Central Bank of Greece by using similar arguments to justify the move as it did in February. However, the ECB chose to be inconsistent and was reluctant to take such a drastic decision that could have led to Grexit. Instead, the ECB decided to ‘freeze’ the provision of liquidity to the Greek banks, while more liquidity was needed at that time to accommodate a significant demand, as Greek citizens started to massively withdraw their savings from commercial bank accounts. The ECB’s decision could be explained by employing the new synthetic approach: the ECB felt

the pressure from the crisis management mechanism and “*was sitting on a fence*” until the euro area countries had finally decided not to expel Greece from the euro area. The ECB was reluctant to take this decision by itself and opted to bend its liquidity provision rules instead.

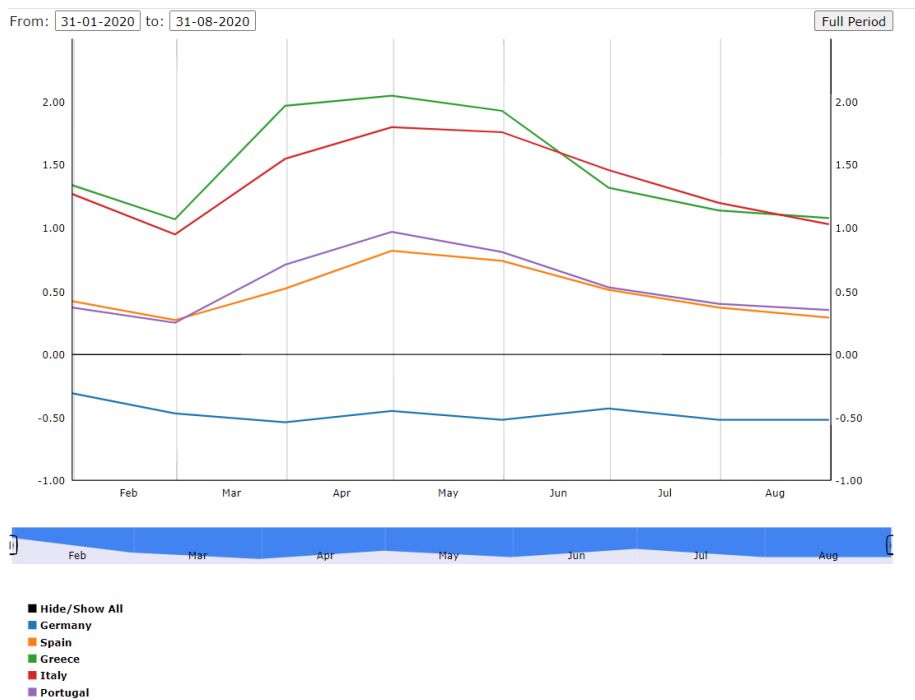
2.4. COVID-19 Pandemic: Lagarde’s Corona Blunder or Brutal Manifestation of Maastricht Institutional Reality?

When the COVID-19 pandemic struck Europe, there was an urgent need to react and contain its negative economic effects, as was also a case in other major monetary jurisdictions at that time. On 12 March 2020, a day after the *World Health Organization* (WHO) declared the COVID-19 outbreak a pandemic (WHO, 2020), the ECB Governing Council approved a solid monetary policy package of additional liquidity for banks and a new envelope of additional net asset purchases of €120 billion until the end of the year (Lagarde, 2020). However, during the press conference explaining those decisions, the ECB President also mentioned that “*we are not here to close spreads. This is not the function or the mission of the ECB. There are other tools for that, and there are other actors to actually deal with those issues*” (Lagarde, 2020).

The sovereign debt markets reacted very negatively, by pushing the southern European bond spreads higher. This episode ended in an unprecedented decision to organise an additional interview by the President after the conference to clarify her previous comments (Clinch, 2020). In addition, the ECB launched its Blog the following day, in which its chief economist Philip Lane further clarified the analytical framework of the monetary policy decisions (Lane, 2020). This episode received very negative coverage in the media; journalists called it ‘Lagarde’s corona blunder’ (Taylor, 2020), or ‘a gaffe’ (Stirling, 2020). Reportedly, she even apologised in a private meeting with her colleagues from the rest of the ECB Governing Council (Arnold, 2020). However, taking into account the institutional setup of the euro area, one could also argue that this episode was just a manifestation of the architectural weakness and the lack of union-wide instruments to deal with shocks of this type.

While the President’s comments caused a spike in bond yields, she did not factually provide any incorrect information. The ECB has indeed no responsibility for closing the bond spreads. Its main task is to maintain price stability in the euro area. While the initial market reaction was contained, the long-term interest rates remained elevated in the subsequent months (Graph 2). When the economic and monetary union was created, financial markets

stopped differentiating between euro area member states, and bond yields started to converge, thus forming a unified euro area yield curve. The situation changed during the sovereign debt crisis, as markets realised that there was a lack of political consensus among member states to build a more solid institutional architecture.



Graph 2. Long-term interest rates (Germany, Spain, Greece, Italy, Portugal, January 2020 – August 2020).

Source: ECB's Statistical Data Warehouse:

[https://www.ecb.europa.eu/stats/financial markets and interest rates/long term interest rates/html/index.en.html](https://www.ecb.europa.eu/stats/financial%20markets%20and%20interest%20rates/long_term_interest_rates/html/index.en.html)

The Global Financial Crisis and the ensuing European sovereign debt crisis clearly demonstrated that sovereign risks within the euro area are different, and that the contagion risk is real. The spread between German and Italian bond yields remains, despite policy innovations, verbal interventions, and an exceptionally accommodative monetary policy. The positive impulse from the asset purchase programmes started to dissipate before the pandemic, and the ECB had to react to mounting inflationary pressures and normalise the monetary policy after the pandemic. The role of the markets will return with its disciplinary role, as was originally envisaged in the

Maastricht framework. In this context, one could disagree with some authors arguing that the EU economic constitution was changed (Ioannidis, 2016).

Another view was that the most fundamental change during the sovereign debt crisis was that the ECB assumed a (*de facto*) lender of last resort function for sovereigns (De Grauwe, 2013). The first most obvious criticism of this claim would be the example of the creation of the ESM which had basically the same function. However, as the experience during the pandemic showed, the ESM was too small to help larger member states, and the very intrusive conditionality during the sovereign debt crisis created a ‘stigma’ which was particularly prominent in Italy. ‘Stigma’ means that some member states were reluctant to ask for the ESM’s help, due to fearing that it would be counterproductive because of the potentially negative signalling to markets. This could indicate that the ESM was a lender of last resort only for smaller member states (at best). In this context, the ECB’s role was again in the spotlight during the pandemic.

While the ECB’s policy actions during the pandemic contained tensions in the markets before it was too late, it would not be an exaggeration to claim that the ECB still lacked the genuine function of a lender of last resort. From the normative perspective, the ECB managed (again) to successfully convince markets that it ‘had’ this function. However, more detailed analysis shows that the ECB’s actions implicitly depended on decisions taken at the political level, as was the case with the prominent Outright Monetary Transactions Programme, which, according to its technical features (ECB, 2012b), could only have been activated together with an active ESM programme.

Similarly, during the pandemic, it was not possible for the ECB to drop the limits to bond purchases, such as the limit to the overall envelope of purchases, and the commitment to respect the ECB’s capital key with regards to each member state share in the stock of asset purchases. The aim of avoiding moral hazard was one of the most important economic governance principles enshrined in the Maastricht Treaty. The theoretical possibility for the ECB to buy all the outstanding sovereign debt of any member state (and, in effect, to neuter the disciplinary role of the markets) was ruled out despite public communication that there would be ‘no limits’ to the ECB’s commitment to euro. At the same time, some media commentators and market participants probably over-interpreted the ECB’s commitment to flexibility in its asset purchase programmes (European Central Bank, 2020b) by declaring that the ECB had dropped limits to asset purchase programmes (Arnold, Stubbington, 2020). Interestingly, despite its fundamental significance, this issue received little attention during the

President's regular press conferences after the ECB Governing Council's monetary policy meetings: from the start of the pandemic up until January 2023, it was mentioned only three times by journalists. The most recent comment by President Lagarde on this topic was that "*the asset purchase programme can stand on its feet very well, and it's a programme that has played a key role, that continues to play a key role, and that there was no need to actually modify in any shape or form*" (Lagarde, 2021). This statement implied that, since the start of the pandemic emergency asset purchase programme, there had been no need to change the self-imposed limits and, thereby, to undermine the fundamental economic governance principles of the common currency area.

The incomplete Maastricht framework has received multiple attacks from the markets. Sovereign debt markets, which acted as a union-wide interest group, created clear functional pressure for a spill-over effect into the fiscal policy. In this context, constraints related to national politics created a 'political spill-back' (Vilpišauskas, 2013), which limited the political feasibility of finishing the institutional architecture. These constraints related to national politics remained in place during the pandemic, despite such policy innovations as the NGEU package, which was agreed and presented as a one-off measure. While one could argue that this package created an important precedent for the future, it has not changed the basic principles of the Maastricht framework in the long term. In addition, as also discussed in the previous section, the key feature of the NGEU programme was conditionality: all countries had to prepare their reform plans, and the disbursement was made only after the European Commission's approval and assessment of the progress achieved.

When the COVID-19 pandemic struck, economic scars from the sovereign debt crisis were still prominent. Policy buffers had not been fully rebuilt, and the euro area governments found themselves in different fiscal positions. In Germany, after a strong growth in the 2010s, policy makers managed to reduce their public debt levels below the Maastricht 60 percent criterion, while most southern European countries accumulated their debts further, as they were hovering at around 100 percent of GDP. It was clear at that time that lockdowns would cause unprecedented economic recessions and an unprecedented rise in the sovereign debt levels. The unprecedented uncertainty also resulted in significant negative revisions of the economic outlook (International Monetary Fund, 2020; European Commission, 2020). It was only a matter of time before financial markets started to incorporate this information into the pricing of sovereign bonds. ECB President Lagarde's intervention on spreads at the start of the pandemic was a trigger,

but it was by no means the main cause of the spike in the bond yields. Considering the incomplete euro area institutional architecture, pandemic related lockdowns, and the lack of political consensus to seek a joint fiscal response at an early stage, the European policy makers had just a few union-wide policy options left. As it was the case during the sovereign debt crisis, the ECB increasingly looked like the “only game in town” (El-Erian, 2016), at least during the initial phase of the crisis.

2.5. ‘Whatever it takes’ 2.0?

As it was argued in the previous section, the pandemic shock demonstrated that the euro area’s institutional architecture remained too weak to address the magnitude of the challenge. As the pressure from the sovereign debt markets intensified, the ECB was forced to use its first line of defence, or in some cases even the ultimate tool – communication. On 18 March 2020, just before midnight, after lengthy discussions at the Governing Council, the ECB announced an additional monetary policy measure: a new Pandemic Emergency Purchase Programme (PEPP), under which the ECB committed to buying 750 billion euros of public and private sector securities (ECB, 2020). While the announcement of the new programme was important in itself, ECB President Lagarde added in a public statement that “*there are no limits to our commitment to the euro*” (Lagarde, 2020b). After this announcement, the euro area bond spreads normalised at an elevated level and remained contained in the upcoming months (Graph 2). Despite the initial criticism to the pandemic crisis response and communication of Lagarde, as discussed in the previous section (which was implicitly related to the incomplete institutional architecture), this episode (Lagarde’s comment that “*there are no limits*”) could be interpreted as Lagarde’s ‘whatever it takes’ moment. According to elite interviews with senior ECB officials and their counterparts, the decisions taken by the ECB bought time for member states to act and find a longer-term response to the crisis (Quaglia, Verdun, 2022). The ECB actions were so successful that they provoked a discussion on what could explain this success, as it was argued that the ECB moved slower during the sovereign debt crisis (Quaglia, Verdun, 2022).

The comparison with Mario Draghi’s famous intervention is not an exaggeration. A few days before the second ‘whatever it takes’ moment, Lagarde was humble about her potential role: “*I don’t have a claim to history for being whatever-it-takes number two. I really would like all of us to join forces, and I very much hope that the fiscal authorities will*

appreciate that we will only deal with the shock if we come together” (Lagarde, 2020). In the context of the unfinished institutional architecture, the ECB’s interventions could be credible only in the short term. As history shows, Draghi’s ‘whatever it takes’ intervention was so successful because it created the illusion that it was up to the ECB to solve the fiscal crisis: later, the ECB conditioned its potentially unlimited intervention in the sovereign bond market of any member state on the need to have an active ESM programme. Similarly, the second ‘whatever it takes’ announcement came with an illusion, namely, that there are no limits to potential ECB interventions. This worked initially, but as the time went by, it became clear that the fundamental limits embedded in the ECB’s asset purchase programmes would remain in place. The second ‘whatever it takes’ moment, like its predecessor, only bought time for the policy makers to find a political way out of the crisis.

As it was the case during the sovereign debt crisis, the Maastricht economic governance framework was not fundamentally changed during the pandemic. The role of the markets was further reinforced, despite the tighter spreads, as the euro area leaders failed to finish the institutional foundation of the common currency area. The so-called ‘Hamiltonian’ moment was not reached (Camous, Claeys, 2020), as there was no agreement on either the mutualisation of the outstanding debt, or permanent transfers from supranational institutions with substantial taxation powers. After the ECB’s intervention, it took almost half a year to reach an agreement on a joint European fiscal response. While the cumulated subsidy part of the NGEU package (a genuine cross-border transfer) might look impressive by the European standards, for the biggest beneficiaries – Italy and Spain – it constituted only around 1 and 2 percent of their cumulative GDP over the plan’s operational period (IMF WEO database, 2021). The significant part of the deal was the agreement to add conditionality for accessing those funds (cross-border transfers and loans). Whether this will be a successful policy endeavour will depend on its implementation. So far, there has been no major political backlash against the NGEU reform commitments in the euro area. For the time being, one could argue that the ECB’s ‘whatever it takes’ medicine has been working again.

3. THE APPLICATIONS OF THE NEW SYNTHETIC APPROACH

During the six key episodes in the course of the sovereign debt crisis and the COVID-19 pandemic, as identified previously, the same independent variables were at play: the pressure from the sovereign debt crisis, and the pressure from the crisis management mechanism. Depending on the prominence of those variables, the independent institutions assumed four different crisis management roles: the ‘business as usual’ role, the role of the rubber stamper, the pro-active leadership role, and the agent of the principal role. As the sudden COVID-19 crisis and the ensuing lockdowns required a strong and forceful response, the role of the ECB was evolving relatively fast at that time. As the last part of this section shows, the new synthetic approach could also be applied in a dynamic manner and provide explanations as to how and why the most important ECB decisions were being taken during the COVID-19 pandemic. A very similar episode, albeit stretched in time, also occurred during the sovereign debt crisis in 2012, when the ECB President declared that the ECB would do ‘whatever it takes’ to save the euro. The ECB also moved at that time from one role to another in a relatively short period of time, but not as fast as during the COVID-19 pandemic. In the first subsection, the ECJ’s ruling on the legality of the ESM shall be discussed; in the second subsection, the ECB’s decision not to cancel liquidity provision to Greek banks shall be explored; in the third subsection, the ECB’s promise to do ‘whatever it takes’ to safeguard the euro area and the introduction of the innovative asset purchase program – OMT – shall be investigated; in the fourth subsection, the ECJ’s ruling on the legality of the OMT program shall be elaborated upon; and, in the final subsection, the ECB’s promise that ‘there are no limits’ to the ECB’s commitment to euro, and the ECB’s Pandemic Emergency Purchase Programme shall be debated.

3.1. The European Court of Justice – an Implicit Agent of the Principal?

The first significant enhancement of the euro area financial architecture was the creation of the permanent bailout mechanism – the ESM. Its predecessor, the European Financial Stability Facility (EFSF), was just a temporary solution. The ESM came into force on 27 September 2012, with the last ratification by the German government. Nevertheless, even before that, on 3 August 2012, the ECJ received a request from the Supreme Court of Ireland for a ruling on the legality of the ESM. The President of the ECJ decided to deal with the case under the accelerated procedure in a full Court

composition. It was claimed that the case was “*of exceptional importance.*” The positive judgment on the legality of the ESM was released astonishingly quickly on 27 November 2012, (ECJ 2012). In this section, the first hypothesis claiming that “*The ECJ was under the implicit political pressure to safeguard the politics of conditionality and to take a positive ruling on the legality of the ESM in the context of financial market pressures*” shall be tested.

While it might be a puzzle to understand why the ECJ acted proactively by invoking the accelerated procedure, the proposed new synthetic approach could help to explain what happened at that time, as the case was lodged at the most acute moment of the euro area sovereign debt crisis (see Graph 1). The ECJ assumed a proactive stance and sought not to create additional pressure in the sovereign debt markets. The principles of proportionality and implicit cost-benefits considerations were clearly at play.

The negative ECJ’s ruling on the ESM could have caused additional pressure in the sovereign debt markets. In the absence of political will to create a genuine fiscal union, the ESM was the main and only instrument constructed by the member states to control contagion and contain excessive pressure in the sovereign debt markets. By issuing a negative opinion on the legality of the ESM, the ECJ could have unraveled the only politically feasible way at that time to solve the crisis. The ECJ’s actions were compatible with the main principles presented in the Principal-Agent framework. It was nevertheless clear that the ECJ was not a ‘typical’ agent: it would be very difficult to identify the direct control mechanisms of the ECJ. First of all, the possibility of outlawing the ESM could have jeopardised the whole crisis management mechanism. The huge cost associated with the ensuing disintegration could be defined as the implicit control mechanism. According to the ECJ’s ruling, “*The ‘no bail-out’ clause, which provides that neither the EU nor a Member State are to be liable for the commitments of another Member State or assume those commitments, is not intended to prohibit either the EU or the Member States from granting any form of financial assistance to another Member State*” (ECJ, 2012). The ECJ’s ruling on the legality of the ESM could thus match *the implicit agent of the principal* box in the matrix of the new synthetic framework. Therefore, the proposed model would imply that the ECJ was under the implicit political pressure in this case, and the first hypothesis could thus be accepted.

3.2. “Rubber-stamping”: the Decision not to Expel Greece from the Euro Area

One of the most important tasks in times of crisis for the ECB was to be the lender of last resort for commercial banks in the euro area. The provision of the Emergency Liquidity Assistance (ELA) lies with the national central bank where a troubled credit institution is registered. At the same time, the ECB’s Governing Council could object to the provision of the ELA if it decides that these operations could “*interfere with the objectives and tasks of the whole Eurosystem*” (ECB 2014). According to global supervisory standards, sovereign bonds are deemed as risk-free, and no haircuts are applied, so it is very popular for commercial banks to invest heavily in the sovereign bond market (ESRB, 2015, p. 72–75). Due to informal and indirect pressures from their own governments and better knowledge of the local market, banks usually invest more in bonds of their own jurisdiction. This is one of the main asset classes used as collateral to get liquidity from the ECB, and also through the ELA. All other domestic asset classes also depend heavily on the value of sovereign bonds, which usually acts like a benchmark. If a country does not have market access, the value of its bonds becomes questionable (the only way to regain market trust and restore the value of the bonds is to seek external financial assistance e.g. the ESM program). Without a market access and a financial assistance program, the value of the bonds of a bailed-out country converges towards zero. The value of the collateral necessary to get liquidity from the central bank also becomes less valuable. This was exactly the situation in which Greece found itself when the second bailout agreement expired, and the Prime Minister of Greece decided to call for a referendum on the conditionality of the third bailout at the end of June 2015. From June 30 to July 12, 2015, Greece had neither a bailout agreement nor market access. At that time, all main Greek credit institutions were dependent on ELA liquidity assistance. The ECB could have objected to the provision of ELA liquidity for the Greek banks because of the poor quality of their collateral. The loss of ELA liquidity would have entailed the complete collapse of the Greek banking system and the immediate need to reintroduce a national currency. The ECB decided instead to freeze the ELA liquidity and to wait for decisions and implicit guidance from the Eurozone member states. In this section, the second hypothesis claiming that “*Due to the pressure in the sovereign debt markets, the ECB assumed the proactive leadership role during the third Greek bailout negotiations in 2015*” shall be tested.

It could be argued that member states of the Eurozone did not initially assume leadership, and that they left the ECB to act during the last Greek bailout discussions. Without the ESM programme, the only way forward in this situation would have been the creation of a national currency to finance a collapsing national banking sector. Germany put forward the idea of suspending Greece's membership, but this proposal did not gain sufficient traction from the rest of the membership. The ECB therefore decided to freeze the ELA financing instead of cancelling it completely, which, in effect, would have meant the exit of Greece from the euro area. Mario Draghi's famous quote: "*it's not up to the ECB to decide who's a member, who's not*" (Draghi 2015a) nicely captures the situation in which the principle of proportionality was at play, as the benefits of keeping Greece 'in' clearly offset the expected costs from pushing it out without prior political consent from the member states. Thus, the ECB assumed a passive stance and acted under the assumption that the decision on any actual Greece exit from the euro area had not yet been made, and it was not for the ECB to make that decision by cancelling a vitally important emergency liquidity provision for Greek banks, despite the 'junk' status of their collateral. That position was also important for the crisis management mechanism because, without additional liquidity and the ESM program, Greece would have had to introduce capital control measures. If the ECB had decided to increase liquidity to Greek banks, that would have had negative consequences for the crisis management mechanism due to a moral hazard, and the ECB felt implicit pressure from it. Unconditional liquidity from the ECB would have mitigated incentives for member states to ask for the ESM program and conform to its conditionality. In this case, the ECB was just a *rubber-stamper* of the decisions and the strategy taken by the euro area member states. The second hypothesis is therefore rejected.

3.3. ECB: "whatever it takes," or "whatever is needed for the crisis management mechanism"?

The speech delivered by Mario Draghi in which he pledged to do "*whatever it takes to preserve the euro*" was the first step towards the OMT programme (Draghi 2012). But, before all the details of the new OMT programme were even known, it looked like the ECB assumed the role of a genuine lender of last resort for sovereign states, despite the caveat that the ECB would act within its mandate. In this section, the third hypothesis shall be tested by claiming that "*Due to the pressure from the sovereign debt*

markets as a union-wide interest group, the ECB's promise to do 'whatever it takes' created a functional spill-over and the expansion of its mandate."

Mario Draghi's pledge could be interpreted as a genuine example when an independent supranational institution assumes the proactive leadership role. According to four in-depth interviews with key informants connected to the ECB in various capacities (Verdun, 2017), the ECB (Mario Draghi) *did* exert political leadership over the process. At that time, the union-wide pressure in the sovereign debt market was high, and contagion was spreading to other peripheral Eurozone countries. The pledge to do "*whatever it takes*" was initially not related to the crisis management mechanism. Despite the claims by some authors (e.g. Brunnermeier et al., 2016; Schimmelfenning 2015) that the German government tacitly agreed with the new ECB's role, they do not provide evidence that this was really the case. Nevertheless, later on, when the concrete technical features of the OMT programme became clear (ECB 2012b), the 'lender of the last resort' function became conditional on the ESM program with strict conditionality. By introducing the link to the ESM program, the ECB became dependent on the crisis management mechanism (as a matter of fact, there was no functional spill-over because the ultimate decision-making power was not at the ECB), and the proactive leadership role changed to that of an *Agent of the principal*. Therefore, the third hypothesis is rejected.

3.4. The European Court of Justice and the Business-as-usual Role: the most Important Policy Innovation until it was not

The first ECB's bond buying programme – the SMP – lacked credibility because of its features. The main enhancement of the OMT programme was that there were no limits for a possible intervention in the bond market. This feature especially frustrated the German members on the ECB Governing Council and was unacceptable to the *Bundesbank* President Jens Weidmann (Wagstyl, 2016). The OMT programme was challenged at the ECJ at the beginning of 2014, and the ruling came down on 16 June 2015. The decision was taken in the Grand Chamber of the Court, but the accelerated procedure was not applied. The ECJ decided that the OMT programme was compatible with the EU legal framework. In this section, the fourth hypothesis claiming that "*The ECJ ruling on the legality of the OMT was crucially important to contain pressure in the sovereign debt markets*" shall be tested.

The "*business as usual*" role in the proposed matrix would imply that the pressure from the crisis management mechanism and the sovereign debt markets was low. When the OMT case was lodged with the ECJ, the

sovereign debt markets were relatively calm, and contagion effects were not visible. The ECJ's decision to apply the standard case procedure was not surprising. There could be two explanations why one of the most cherished innovations of the ECB unconventional policy became so sidelined. One of them could be the previously mentioned technical features of the OMT programme which necessitated the ESM participation with an adjustment programme. The other reason could be another ECB unconventional monetary policy tool: the asset purchase programme, or QE, which had been launched before the ruling on the OMT was published. Unlike the OMT programme, the QE was activated, and a significant part of the sovereign debt had already been purchased under this programme.



The launch of the QE, according to the suggested framework, could also be interpreted as a *business-as-usual* act (it was introduced as a necessary, albeit unconventional, monetary policy tool to offset deflationary pressures). The significant amount of sovereign debt on the ECB balance sheet may exert a significant pressure on the sovereign bond yields and reduce debt servicing costs. Paradoxically, one of the most significant rulings of the ECJ (on the legality of OMT) could be interpreted under the *business-as-usual* role: it was no longer significant for the crisis management mechanism after the introduction of the QE, and the sovereign debt markets were relatively calm. Therefore, the fourth hypothesis is rejected.

3.5. From Pro-active Leadership to Agent of the Principal

As discussed in previous sections, due to the unique institutional architecture of the euro area, there is no lack of 'competition' between different integration theories in academic debates trying to explain the main drivers of integration. In the unified approach (Table 2), the two main independent variables determining the crisis management roles of independent European supranational institutions remained the same during the pandemic: the union-wide pressure from the sovereign debt markets, and the pressure from the crisis management mechanism. While the decisions taken during the pandemic were interpreted as significant, or even 'Hamiltonian' (Barron's, 2020), one could also argue that the underlying institutional architecture (the Maastricht framework underpinned by the national-level fiscal policy, fiscal rules, and the disciplinary role of the markets) was not changed during the pandemic, nor were there any changes in the crisis management mechanism. This was also the case during the pandemic: the ECB intervened to buy some time for policy makers to find yet another 'historic' solution leaving the fundamental principles embedded

in the Maastricht framework unchanged. In this section, the fifth hypothesis claiming that “Due to the pressure from the sovereign debt markets as a union-wide interest group, the ECB assumed the new responsibility of closing the sovereign bond spreads during the COVID-19 crisis (a functional spill-over has been created)” shall be tested.

Table 2. Roles assumed by independent institutions during the COVID-19 pandemic

		Risk of contagion (pressure in the sovereign debt markets)	
		<i>Low</i>	<i>high</i>
Pressure from the crisis management mechanism/Concerns related to moral hazard	<i>Low/high</i>	Business as usual	Proactive leader 
	<i>High/low</i>	<i>Rubber- stamper</i>	Implicit agent of the principal 
		Passive stance	Proactive stance

Source: Bernatavičius, M. 2021. “Independence of the ECB and the ECJ during the Sovereign Debt Crisis: From Active Leadership to Rubber-Stamping?”, *Journal of Common Market Studies*, Volume 59, Issue 3: 483–496, with additions proposed by the author. At the start of the COVID-19-related economic crisis, the ECB moved from the ‘business as usual’ role towards the ‘proactive leader’ role (the black arrow pointing to the right), as the risk of economic contagion and the pressure in the sovereign debt markets became more prominent (it moved from ‘low’ to ‘high’). Later on, when the initial pandemic-related economic uncertainty stabilised, the initial concerns-related moral hazard within the currency union had to be contained (the black arrow pointing downward), and the safeguards (limits/constraints) towards the ECB’s policy action became more prominent in order not to undermine the crisis management mechanism developed by

the governments of the euro area member states (the pressure from the crisis management mechanism moved from 'low' to 'high', the same black arrow pointing downward). During the COVID-19 crisis, the ECB did not assume the 'rubber-stamper' role (blurred) as proposed in the original paper.

The so-called German U-turn on cross-border transfers (grants) underpinned by joint borrowing was interpreted as an important, or 'historic', step towards deeper integration (and a vindication of neofunctionalism). Some authors even argued that the EU "*will never be the same again*" (Bonatti, Fracasso, 2020). However, the size of the approved package was macroeconomically limited. One could also argue that it was not unprecedented or 'historic': as ESM/EFSF financing was also based on joint borrowing, together with an implicit grant component via lower interest rates compared to the conditions in the. The main principle, which helped to legitimise those transactions, was the conditionality: loans could only be extended subject to the effective implementation of reforms and fiscal consolidation.

On the other hand, during the pandemic, the European policy makers took one unusual step compared to their sovereign debt crisis response (without undermining the overarching conditionality principle) and agreed to extend not only loans, but also a grant component in exchange for reforms. This happened after realisation that the size of the ESM and its conditionality might not be the best solution for bigger euro area member states, such as Italy. While the ESM was also active during the pandemic and expanded its lending toolkit by introducing a pandemic credit line with basically no conditionality attached (European Stability Mechanism, 2020), its pitch was not successful. As of January 2023, no country had asked for financial assistance: the stigma associated with the potential ESM programme might also have played some role here. In this context, another important point worth noting is the low interest rate environment, which is largely an outcome of the ECB decisions discussed above that significantly expanded the fiscal space in all euro area member states and reduced the need to look for alternative sources of financing. The suspension of the *Stability and Growth Pact* (SGP) rules created an environment allowing the member states to utilise this additional fiscal space without the need to respect the stringent fiscal rules. Paradoxically, this suspension reinforced Maastricht's institutional *status quo* by allowing more fiscal action at the national level without undermining the fiscal framework. The prospect of a radical reform of the SGP rules after its reactivation does not seem a very likely outcome going forward, as the need to change the rules had been

discussed many times before without any meaningful result due to diverging political preferences.

Interestingly, the euro area was not alone in tweaking its approach during the pandemic. The *International Monetary Fund* (IMF), which was a pioneer of the ‘loans for reforms’ principle and the primary example for Europeans in their creation of the sovereign debt crisis management architecture, also changed its operational model during the pandemic. In a very short period of time, the IMF extended loans under the pandemic window to more than 80 countries without applying its standard conditionality (International Monetary Fund, 2021b). While, during the pandemic, the European model retained the ‘conditionality’ part of the bargain, a symbolic ‘grant’ component was also added to the package (the IMF also extended grants to lower income countries via various debt relief initiatives).

Since the European crisis management mechanism remained fundamentally unchanged despite the tweaks described above, the new synthetic approach could still be very helpful in trying to provide a better explanation of the ECB’s role during the pandemic. One could argue that the ECB was again the indispensable institution in addressing the pandemic-related economic challenges. Its proactive role was still at odds with the theory of new intergovernmentalism (Bickerton et al., 2015) which claims that the independent institutions of the EU should be interpreted as ‘de novo bodies’ with issue-specific and relatively narrow mandates. While the ECB was again not alone in solving the crisis, it was indispensable in having tools at its disposal to react in a very short time.

As the crisis management mechanism was slightly modified during the pandemic, the underlying feature of the Maastricht framework – the containment of moral hazard – becomes even more prominent. The basic logic of its features is to avoid any incentives that could encourage member states to offload risks from their policies to the union level. This could happen during periods of a highly accommodative monetary policy, which could blur disciplining signals from the sovereign debt markets. In the proposed model, when an independent institution assumes a proactive role in a period of high pressure from the sovereign debt markets, moral hazard concerns could be created. In the medium term, the member states step in with their own actions, and independent supranational institutions could start working on safeguards to their proactive leadership role: reducing concerns related to moral hazard, and becoming the implicit agents of the principals.

During the initial phase of the pandemic, while presenting the measures of a more accommodative monetary policy, ECB President Lagarde added

that it is not the task of the ECB to close the spreads. At that time, pressure from the markets and the crisis management mechanism was low. The ECB decided to ease its monetary policy as the pandemic increased risks of lower inflation. In addition, a stronger reaction would have strengthened moral hazard concerns. Therefore, the ECB assumed the ‘business-as-usual’ role at that time despite the widespread criticism in the media and the negative reactions in the markets. This was also the case during the sovereign debt crisis when the ECB hesitated to assume a more proactive role in the initial stage of the crisis. In this context, it is difficult to agree with some authors who argue that the ECB was the only institution able to take the decisions needed for keeping the union intact (Brunnermeier et al., 2016). Without political support from the member states (sometimes implicit), it would not be possible for the ECB to act.

While there is no doubt that the ECB carries in principle unlimited financial firepower, the unfinished institutional framework and the concerns related to moral hazard act as an important constraint on the ECB’s actions. When the union-wide pressure in the sovereign debt markets intensifies, the euro area governments need time to find politically feasible means to contain the crisis; thus the ECB steps in and reluctantly assumes a proactive leadership role in the short term. This does not unconditionally suggest that the ECB was ‘the only game in town’ during the crisis (El-Erian, 2016). A better explanation is that the ECB needs to step in to contain the pressure in the sovereign debt markets in the short term in order to give the euro area governments time to find consensus at the political level, which is in line with the new synthetic approach. The ECB’s pro-active leadership role is not sustainable due to the concerns related to moral hazard. Another important argument in this context is related to the proportionality of the ECB’s actions (Mersch, 2016). The ECB could only use its emergency powers after applying the proportionality principle: an implicit cost vs. benefit rationality. In this context, one may disagree with some authors claiming that there are no emergency powers at the EU level (Auer, Scicluna, 2021; Kreuder-Sonnen, White, 2021). At least in the economic governance area, there are clear emergency powers at the ECB’s disposal with an implicit control mechanism processed by the euro area member states.

Even before the announcement of the ECB’s *Pandemic Emergency Purchase Programme*, limits to asset purchase programmes were an important monetary policy feature, as the previous asset purchase programmes still remained active at that time. One could argue that no matter how big the overall amount of the new asset purchase programme is, markets would start to question at what point the self-imposed limits would

begin to be bidding to contain tensions in the sovereign debt markets. In this context, without discussing the limits explicitly, the ECB decided to tackle this issue by applying a policy of deliberate ambiguity. The same method was used in 2012 when Mario Draghi delivered his most famous ‘whatever it takes’ speech. After the announcement of the *Pandemic Emergency Purchase Programme*, ECB President Lagarde published an additional post on her social media claiming that there were no limits to the ECB’s commitment to the euro. Without providing any further details, it created the illusion that, if need be, the ECB could drop its self-imposed constraints and intervene in the sovereign debt markets without any limits.

In the context of deliberate ambiguity, it is prominently important to analyse the simultaneous decisions taken at the political level. While, according to some contributions (Bonatti, Fracasso, 2020), Merkel’s so-called U-turn (May 18, 2020) on cross-border transfers with joint borrowing was taken in the context of a negative decision by the German Constitutional Court on the ECB asset purchase programme (May 5, 2020), this reasoning is not fully convincing. Firstly, no legal challenge related to the ECB’s policies from the German Constitutional Court had been fully successful in the past, and there was no immediate risk to the ECB’s role. Secondly, the European leaders realised that, despite the positive effect of the ECB’s ‘whatever it takes 2.0’ in the bond markets, the stability provided by deliberate ambiguity could not be a long-term solution, and there was a need to act on the fiscal front as well (as it was evident in the still elevated long term interest rates; see Graph 2). While ECB President Lagarde claimed that there were “*no limits to our commitment to the euro*”, that statement was intentionally ambiguous because the limits related to the *Pandemic Emergency Purchase Programme* remained in place. The cancelation of these limits would have been a clear breach of the spirit of the Maastricht economic governance framework. Paradoxically, the need to safeguard the main Maastricht principles was the fundamental reason for the Merkel-Macron symbolic agreement on cross-border grants and joint borrowing in May 2020.

As it is shown in the model (Table 2), the ECB’s starting position was the ‘business as usual’ role, as there was no union-wide pressure either from the sovereign debt markets, or from the crisis management mechanism, so there was no need to activate the emergency powers. After President Lagarde’s first intervention on the spreads, the union-wide pressure in the sovereign debt markets started to build up, thus pushing the ECB to activate its emergency measures and assume the ‘pro-active leadership’ role (the black arrow heading east in the model (Table 2)). The same logic was

applied in 2012, during the first ‘whatever it takes’ intervention. However, the ‘pro-active leadership’ role for an independent supranational institution, such as the ECB, is not a sustainable choice, since the risks related to moral hazard become more and more prominent. This additional clarifying feature (i.e. concerns related to moral hazard) is activated during the union-wide pressure in the sovereign debt markets, and it is applicable to the second column in the model. The time between the start of the emergency intervention and the reaction from the political level (the black arrow heading south) is the time ‘bought’ by the ECB to find a more sustainable political solution to the crisis. Without such a solution, any positive effect from the ‘pro-active leadership’ role dissipates, thus pushing the independent supranational institution to assume the ‘implicit agent of the principal’ role, as concerns related to some moral hazard become more prominent. Based on the principal-agent framework, the agent should be constrained and controlled by its principal. While the ECB is a legally independent institution, the agent (in this case, the ECB) cannot be directly and legally controlled by anyone. The power of ‘control’ in this case could only be exercised implicitly: as the ECB was not able to take political decisions in the long run, it had to develop the constraints/safeguards to its policies based on the decisions taken at the political level. This transition was apparent after the first ‘whatever it takes’ moment, when the ECB had to clarify that one of the main conditions for its intervention was the active ESM programme with effective implementation of policy conditionality. During the second ‘whatever it takes’ moment, the ECB had to clarify that there was no need to change the limits to the asset purchase programmes.

The independent institutions of the euro area, such as the ECB, could be interpreted as implicit agents during the second stage of emergency. This demonstrates that the role of the ECB during emergencies should not be exaggerated: although it could act as the first backstop, the institutional architecture does not allow it to continue emergency interventions effectively in the medium-to-long term. Therefore, the fifth hypothesis is rejected.

While, in this section, the role of the ‘rubber stamper’ proposed in the model was not discussed and still remains blurred (Table 2), it might prove to be very important going forward when the monetary policy stance is being recalibrated to contain inflationary pressures after the unprecedented pandemic and Russia’s war in Ukraine. The spreads could start widening again, and there might be a need for measures at the national level rather than union-wide actions. Whatever further modifications to the crisis management mechanism might be needed, the ECB could again find itself in

the spotlight, as there might be a need to support the strategy taken at the political level and assume the ‘rubber stamper role’ seen in 2015 when the ECB did not object to extending emergency liquidity provision for the Greek banks (Bernatavičius, 2021). Another option could be to modify the currently existing monetary policy instruments in line with the constraints at the political level.

CONCLUSIONS

According to the new synthetic approach proposed in this dissertation, there were four main roles assumed by independent supranational institutions during the sovereign debt crisis and the COVID-19 pandemic: the *business-as-usual* role, *proactive leadership*, *rubber-stamper*, and *implicit agent of the principal*. The six most significant decisions analysed in this dissertation were two rulings delivered by the ECJ (on the legality of the ESM and the OMT), the decision by the ECB not to object to emergency liquidity provision for the Greek banks, and the pledge delivered by the ECB President Mario Draghi to do ‘whatever it takes’ to save the euro, the launch of the OMT programme, ECB President Lagarde’s intervention claiming that it was not the ECB’s task to close the bond spreads, and another intervention by Lagarde claiming that there are ‘no limits’ to the ECB’s commitment to the euro.

In this dissertation, it is suggested that the two main independent variables determining the roles by the ECB and the ECJ were the pressure from the crisis management mechanism, and the union-wide pressure from the sovereign debt markets. Contributions based on the classical integration theories could only partly explain the decisions taken by independent supranational institutions during the sovereign debt crisis and the pandemic. A new synthetic approach provides a better framework for evaluating decisions taken by the ECB and the ECJ during the sovereign debt crisis and their evolution explaining the change of the crisis management roles of the supranational institutions depending on the strength of the independent variables.

The contributions which analysed the so-called ‘transformations’ of the European Economic Constitution are not fully convincing, as the main economic governance, or the Maastricht principles, as well as the role of the market discipline were largely preserved without deeper integration into the fiscal area. The other contributions that put a lot of emphasis on the indispensable leadership of the ECB did not fully explain why the ECB hesitated so many times to act earlier. While the European policy makers managed to reach an agreement on symbolic cross-border transfers and a joint borrowing during the pandemic, the Maastricht institutional framework was not fundamentally changed, and the disciplinary role of the markets was still preserved.

The European policy makers kept conditionality as the main tool to ensure and control the effective use of common funds, while a symbolic grant component was also added. Further normalisation of the economic

policies could result in significantly higher bond yields, especially for the high-debt countries, if they struggle to increase their productivity growth to escape the debt spiral. This potentially negative economic equilibrium could further increase the functional pressure for a fundamental reform of the Maastricht framework. At the same time, if the progress with reforms under the NGEU proves to be slow, it will be even more challenging to build a political consensus on fundamental reforms.

The ECB assumed the *pro-active leadership* role when the ECB President pledged to do ‘whatever it takes’ to save the euro. On the other hand, later, when all the technical aspects became clear, the ECB assumed the *agent of the principal* role. This role was also assumed by the ECJ when it took its decision on the legality of the ESM. Furthermore, the ECB assumed the role of the *rubber-stamper* when it decided not to object to emergency liquidity provision to the Greek banks, and the ECJ, paradoxically, acted under the *business-as-usual* mode when it decided on the legality of the OMT. The ECB was in the ‘business as usual’ role when it declared that it was not its business to close the bond spreads: there was no significant pressure from either the sovereign debt market, or from governments via the crisis management mechanism, and the statement was in line with the Maastricht principles. Afterwards, when tensions in the markets started to build up, the ECB took the very bold decision to launch the *Pandemic Emergency Purchase Programme*, which came with a prominently strong public intervention by President Lagarde. This could be interpreted as the second ‘whatever it takes’ moment, with the ECB managing to convince markets with a deliberate ambiguity that its interventions are limitless. Later, when the short-term positive effect started to dissipate, and concerns related to the moral hazard started to bite, the ECB acknowledged that there was no need to modify limits to its purchase programmes, thus implicitly taking on the ‘agent of the principal’ role.

This new synthetic approach could be useful going forward as the ECB continues to wind down the *Quantitative Easing* (QE) asset purchase programme. This programme was started on purely monetary policy grounds, but, because of the slow adjustment process of the fiscal policy in several systemically important member states, the QE could become the only game in town for solving any future economic downturn. The significant reduction in the borrowing costs during the pandemic diminished incentives to proceed with fiscal consolidation and to accumulate adequate buffers. The lack of adequate space for fiscal stimuli could result in deeper recession and an additional pressure on the ECB to adjust its monetary policy during the upcoming economic downturns. This broad framework, or the new synthetic

approach, with some adaptations could also be used for the analysis of crisis management implemented by the IMF and the roles assumed by national independent institutions when the country already has or is still negotiating the financial support program. In addition, the questions on how and why the crisis management mechanism was developed could be a subject for further research with a view to developing a better understanding of its functioning and its effects on independent institutions moving ahead. As the European policy makers have not yet reached the ‘Hamiltonian moment’, the factors that might lead to a real institutional reform of the monetary union (instead of relying once again on the crisis management mechanism) merit further research.

ANNEX: UNCONVENTIONAL MONETARY POLICY TOOLS

Securities Markets Programme

It was the first sovereign debt purchase programme implemented by the ECB at the beginning of the sovereign debt crisis. Under it, the ECB made irregular purchases of sovereign bonds from the euro area's peripheral countries to mitigate the contagion effect. Italian bonds were also purchased under this programme. The programme was announced immediately after the first Greek 'bailout' in 2010. The delay to start action could also show that the ECB was reluctant to commit to an unconventional policy without full clarity at the political level. Also, purchases under the program were not pre-announced, and they were not regular, and the ECB assumed a preferential creditor status, which meant that the ECB would not incur losses in the event of potential insolvency (bankruptcy). This program was not highly effective. In addition, it was definitely controversial, as the activation of this programme resulted in the resignation of several German representatives at the ECB's Executive Board. The irregularity of the programme's purchases meant that the ECB could have resumed it at any time, and this technical feature was thought to ease the pressure from the sovereign debt markets. There was an expectation that this aspect of the program (ambiguity related to purchases) could act as an indirect incentive for peripheral countries to accelerate reforms. This strategy taken by the ECB became public when a letter signed by the President of the ECB and the Governor of the Italian Central Bank to the Italian Prime Minister was leaked in the Italian press. It called for more fiscal consolidation and structural reforms. This strategy was being widely criticized (e.g. by Scicluna) as the ECB allegedly gained too much power and interfered in the economic policies of the member states. However, this criticism is not fully convincing. If the ECB *did* in fact accumulate too much power at that time, it would have begun to make regular purchases of sovereign bonds without any additional conditions, just as other major central banks were doing at the time. The ECB avoided such a policy by complying with the crisis management mechanism, and it also supported the strategy to incentivise the implementation of structural reforms. Through its decisions, the ECB only sought to support the economic policy objectives of the euro area countries, which was in line with the ECB mandate.

(Targeted) Longer Term Refinancing Operations

This policy tool was extremely important to support liquidity in the euro area's banking sector during the sovereign debt crisis. Long-term refinancing programmes provided cheap and long-term funding to commercial banks in the euro area (normally, the central bank funding is relatively expensive, and it is provided only for a short term). Due to these measures, taken by the ECB, the financing costs for the euro area banks decreased substantially. By using 'cheap' central bank money, the euro area banks (mainly from the periphery) began to buy more of their domestic sovereign bonds whose yields were elevated at the time due to increased risks. In this way, the ECB's long-term refinancing programs made a significant (albeit indirect) contribution to reducing the countries' borrowing costs. This had a significant impact on the Italian commercial banking system as the balance sheets of Italian commercial banks were relatively weak following the sovereign debt crisis. An additional headwind for the Italian banks at that time was the significant tightening of capital requirements (Basel 2/3) that were introduced after the financial crisis. If the ECB's longer-term financing programs had not been activated, the Italian commercial banks would have faced serious problems in complying with the capital requirements.

As commercial banks in the euro area have historically invested more of their capital in their domestic bonds, the deterioration in the country's fiscal position had an immediate negative impact on the country's commercial banking system. During the sovereign debt crisis, Italy's fiscal position was questioned by the investors, and commercial banks felt an increasing pressure. Without the central bank's liquidity, the Italian commercial banks would have faced an even greater pressure from the markets, as they would have had to seek alternative sources of funding, which was relatively expensive at that time. It can be argued that the weak Italian fiscal position contributed to a weaker assessment of the euro area economy as a whole, and that the ECB had monetary (economic) arguments to loosen its monetary policy. However, if a smaller country had faced similar challenges, it would hardly have been able to contribute to changing the course of the common monetary policy.

Outright Monetary Transactions

The *Outright Monetary Transactions* programme was announced after the famous president Draghi's pledge to do "whatever it takes" which was

made in a speech delivered in 2012. Following this promise, the sovereign bond yields of peripheral euro area countries, including Italy, fell sharply. However, one could argue that this promise merely legitimised a practice that was implicitly used in the SMP program. The new OMT programme replaced the SMP programme which was immediately terminated. Under the OMT, the ECB committed to unlimited purchases of short-term sovereign bonds, but the potential beneficiaries had to agree on the ESM programme and implement its conditionality. In essence, the ECB thus relinquished its leadership role and handed over the button to the member states. Although the programme has never been activated so far, the announcement itself significantly eased tensions in the sovereign debt markets. Contrary to the SMP program, the OMT was more transparent, as all the technical features were explicitly presented, and the uncertainty associated with the SMP programme was removed. The program also meant that the ECB would no longer had to send ‘secret’ letters to the euro area governments, as the OMT programme clearly set out all the conditions. Italian bond yields also declined significantly since the start of the OMT, although many believed that Italy would be too big to bail it out by using the ESM resources. A positive market response could indicate that the financial markets were also convinced about the effectiveness of the crisis management mechanism: not only for small, but also for systemically important countries of the euro area. This could indicate that the euro area member states followed the same strategy for both large and smaller countries.

Extended Asset Purchase Programme (QE)

The ECB’s *Extended Asset Purchase Programme* (QE), launched in 2015, largely eliminated the need for the OMT. Under the QE programme, the ECB launched regular purchases of the euro area sovereign debt, thus following the example of other central banks in major jurisdictions. The main argument for launching the programme was the need to ‘fight’ deflation in the euro area. Following this decision, the cost of borrowing in the euro area fell further. This situation should further reduce the pressure from sovereign debt markets and reduce the contagion effect to other euro area countries. The ECB’s active presence in the sovereign debt markets may partly explain why the deteriorating fiscal positions in the euro area’s periphery have not yet had any significant contagion effect to other countries of the euro area.

Pandemic Emergency Purchase Programme

The *Pandemic Emergency Purchase Programme* (PEPP) was started in response to the pandemic uncertainty which caused an initial panic in the sovereign debt markets. While it was basically the same programme as QE, under the PEPP, the ECB had more flexibility to react to shocks. It was possible to deviate from the ECB capital key in the short term, which was one of the most crucial safeguards of the QE programme. In addition, issue and issuance limits were applied flexibly to allow the possibility to buy more sovereign debt, should such a need arise. It is also important to highlight that PEPP had more flexible requirements related to credit ratings. For example, Greece, which was excluded from the QE programme due to its low credit rating (below investment grade), was nevertheless allowed to participate in PEPP. The commitment to reinvest matured bonds even after the end of net purchases and until 2024 means that the ECB will remain a significant market player in the sovereign debt markets for a long time.

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SANTRAUKA

ĮVADAS

Nebaigta euro zonos institucinė architektūra, ypač bendrų fiskalinių pajėgumų trūkumas, darė spaudimą nepriklausomoms institucijoms veikti greitai ir užkirsti kelią dezintegracijai. Euro zonos institucinis ir ekonominis atsparumas buvo išbandytas per euro zonos šalių skolų krizę ir COVID-19 pandemiją. Finansų rinkų reakcija paprastai būna greita ir bekompromisė, o priimti sprendimus politiniame lygmenyje (ypač turint omenyje lėtą Europos Sąjungos sprendimų priėmimo procesą) užtrunka. Šiame kontekste trumpuoju laikotarpiu labai svarbus buvo nepriklausomų institucijų, ypač Europos centrinio banko (ECB), vaidmuo (Quaglia, Verdun, 2022) krizių valdymo srityje. Ne mažiau svarbų vaidmenį suvaidino ir Europos Teisingumo Teismas (ETT). Europoje įsitvirtinusi teismų nepriklausomumo samprata ir pagarba teisinės valstybės principui prisidėjo įtikinant Europos politikos formuotojus pradėti Europos integracijos projektą. Panašiai ir centrinio banko nepriklausomumo bei infliacijos tikslo užtikrinimo koncepcija buvo neginčijama Europos ekonominės ir pinigų sąjungos kūrimo pradžioje. ETT ir ECB buvo sukurti tada, kai šių institucijų nepriklausomumo naudą plačiai suprato ir priėmė politikos formuotojai.

Disertacijoje bus nagrinėjami šeši pagrindiniai Europos centrinio banko ir Europos Teisingumo Teismo sprendimai, priimti per skolų krizę ir COVID-19 pandemiją, ir pristatomas naujas sintetinis požiūris, kaip paaiškinti nepriklausomų institucijų prisiimtus vaidmenis valdant krizes: 1) Europos centrinio banko sprendimas pradėti vienkrypčių piniginių sandorių (OMT) programą (Europos centrinis bankas, 2012b); 2) Europos centrinio banko sprendimas nestabdyti likvidumo teikimo Graikijos bankams (Europos centrinis bankas, 2015c); 3) Europos Teisingumo Teismo teigiamas sprendimas dėl Europos stabilumo mechanizmo teisėtumo (Europos Teisingumo Teismas, 2012); 4) Europos Teisingumo Teismo teigiamas sprendimas dėl ECB OMT programos teisėtumo (Europos Teisingumo Teismas, 2015); 5) ECB pirmininkės pareiškimas, kad ECB negali mažinti euro zonos valstybių narių skirtumo tarp skolinimosi kainų (Lagarde, 2020); 6) Europos centrinio banko sprendimas pradėti Specialiąją pandeminę pirkimo programą (Europos centrinis bankas, 2020).

Dvi pagrindinės integracijos teorijų kryptys, pagrįstos funkcionalizmu ir liberaliu tarpvyriausybiškumu, analizuoja vyriausybių ir viršvalstybinių institucijų vaidmenį integracijos procesuose. Siūlomas naujas sintetinis modelis sujungtų pagrindinių integracijos teorijų aiškinimus į vieną modelį.

Siūdomi du nepriklausomi kintamieji: finansų rinkos spaudimas ir netiesioginis politinis spaudimas, atsirandantis dėl euro zonos vyriausybės sukurto krizių valdymo mechanizmo. Krizių valdymo mechanizmas – siūlomas naujas terminas, paaiškinantis krizių valdymo strategiją, kurią euro zonos vyriausybės taikė nuo valstybių skolų krizės pradžios. Jo pagrindas yra sąlygų politika, kuri turi būti įgyvendinama norint gauti prieigą prie subsidijuojamų finansinių išteklių iš euro zonos gelbėjimo fondų.

Nepriklausomų viršnacionalinių institucijų (ECB ir ETT) priimtų sprendimų analizė buvo pagrįsta viešais pasisakymais, interviu, spaudos konferencijų medžiaga ir sisteminė akademinės literatūros analize. Naujas sintetinis modelis leidžia geriau suprasti, kaip nepriklausomų institucijų priimtus sprendimus aiškina konkuruojančios teorijos ir kaip keičiasi jų aiškinamoji galia kintant nepriklausomiems kintamiesiems.

Tyrimai, kuriuose remiamasi viena ar kita konkuruojančia integracijos teorija, turi svarbių spragų. Šioje disertacijoje naujas sintetinis modelis sujungs pagrindinius teorinius aiškinimus į vieną modelį ir padės nustatyti nepriklausomų viršnacionalinių institucijų vaidmenis valdant krizes valstybių skolų krizės ir COVID-19 pandemijos metu. Šis naujas sintetinis požiūris galėtų prisidėti prie akademių diskusijų apie tai, kodėl ir kada ECB / ETT (ir galbūt kitos nepriklausomos tarptautinės institucijos, pvz., Tarptautinis valiutos fondas) prisiima aktyvios lyderystės ir kitus vaidmenis valdant krizes.

1. TEORINIS MODELIS

Pagrindiniai disertacijos tikslai: a) aptarti politikos dilemas, su kuriomis susidūrė euro zonos šalys ir ECB / ETT valstybių skolų krizės ir pandemijos metu; b) išanalizuoti Ekonominės ir pinigų sąjungos institucinę ir finansinę architektūrą ir jos pokyčius nuo skolų krizės pradžios; c) išanalizuoti ir įvertinti netradicinę ECB pinigų politiką; d) išanalizuoti finansų rinkų ir krizių valdymo mechanizmo poveikį nepriklausomų institucijų vaidmenims valdant krizes; e) išanalizuoti viešą ECB komunikaciją valstybių skolų krizės ir pandemijos metu.

Disertacijoje siūlomas naujas sintetinis modelis sistemiškiau paaiškina viršnacionalinių institucijų vaidmenis valdant krizes COVID-19 pandemijos ir valstybių skolų krizės metu. Siūlomas naujas sintetinis modelis padeda lengviau nustatyti, kaip ECB ir ETT pasirinko skirtingus vaidmenis per valstybės skolos ir COVID-19 pandemijos krizes. Pagal siūlomą galimų rezultatų matricą, veikiant dviem nepriklausomiems kintamiesiems viršnacionalinės institucijos pasirinkdavo 4 vaidmenis.

Taikant naują modelį, analizuojami šeši esminiai nepriklausomų institucijų sprendimai valstybių skolų krizės ir COVID-19 pandemijos metu. Šie sprendimai buvo atrinkti remiantis jų vaidmeniu epizoduose, kuriuose reikėjo užkirsti kelią euro zonos žlugimui. Nors dažniausiai šie sprendimai buvo technokratiški, jie priklausė nuo krizių valdymo strategijos, kurią pasirinko euro zonos šalys narės. Du pagrindiniai nepriklausomi kintamieji yra spaudimas iš krizių valdymo mechanizmo (sąlygų politikos) ir spaudimas iš obligacijų rinkų. Kintamasis „spaudimas iš krizių valdymo mechanizmo“ nesuponuoja, kad nepriklausomos viršnacionalinės institucijos buvo politizuotos. Tai rodo, kad kai kuriais epizodais ECB ir ETT turėjo atsižvelgti į būtinybę išsaugoti krizių valdymo mechanizmą kartu apsaugant euro zoną nuo dezintegracijos. Kai nepriklausomų viršnacionalinių institucijų sprendimai būtų turėję didelę reikšmę krizių valdymo mechanizmo funkcionavimui, buvo pritaikomas proporcingumo principas priimant tokius sprendimus, kurie buvo būtini valiutų sąjungai išsaugoti. Svarbu paminėti, kad krizių valdymo mechanizmo funkcionavimą palaikė euro zonos valstybės narės, todėl ši kintamąjį būtų galima apibūdinti ir kaip valstybių narių pasirinktą politinę strategiją krizėms spręsti ir sąjungai apsaugoti.

Kitas nepriklausomas kintamasis – „spaudimas valstybių skolų rinkose“ gali būti siejamas su užkrato efektu ir galimu euro zonos skilimu. Ūmiausiais valstybių skolų krizės momentais probleminių šalių, tokių kaip Italija, Graikija, Ispanija ar Portugalija, obligacijų pajamingumas augo tuo pačiu metu – tokią situaciją, kai vienoje šalyje esančios ekonominės problemos sukelia papildomą spaudimą kitoms pažeidžiamoms narėms, galima traktuoti kaip užkrato efektą. Kai užkrato efekto poveikis buvo juntamas visoje sąjungoje, nepriklausomos viršnacionalinės institucijos turėjo imtis proaktyvios lyderystės valdant neigiamų efektų poveikį ekonomikoms. Kai užkrato rizika buvo maža, nepriklausomos viršvalstybinės institucijos, spręsdamos krizę, laikėsi „pasyvios pozicijos“, o tai iš esmės reiškė, kad kai jų sprendimai buvo reikšmingi krizės valdymo mechanizmui, jos tiesiog kopijuodavo valstybių narių politines pozicijas ir taikydavo („štampuodavo“) juos savo atsakomybės srityse. Skirtumas tarp „štampanimo“ ir įprastos veiklos vaidmenų yra ryškus: „štampanimo“ atveju nepriklausoma institucija neturi teisės nesutikti, nes tai gali pakenkti visai krizės valdymo strategijai (galutinis rezultatas galėtų būti ir pačios sprendimą priimančios institucijos pabaiga, jeigu euro zona dėl kraštutinio sprendimo turėtų iširti).

Kai reikšmė krizių valdymo mechanizmui ir užkrato rizika buvo maža, institucijos nenorėjo aktyviai kištis ir veikė „įprastos veiklos“ sąlygomis (1 lentelė). Proaktyvi lyderystė gali būti siejama su neofunkcionalizmu

teorija: kai valstybių skolų rinka (kaip visoje euro zonoje veikianti interesų grupė) daro spaudimą viršnacionalinei institucijai priimti greitus sprendimus. „Štampavimo“ vaidmuo gali būti siejamas su liberalaus tarpvyriausybės kumo teorija: kai obligacijų rinkoje spaudimą jautė tik viena konkreči valstybė (pvz., Graikija), kitos valstybės narės turėjo žymiai tvirtesnes derybines pozicijas veikti pačios (spaudimas iš krizės valdymo mechanizmo tokiomis atvejais buvo stiprus). Tokiu atveju nepriklausoma viršnacionalinė institucija laikosi pasyvios pozicijos, kad nepakenktų krizių valdymo mechanizmui, ir „štampuoja“ sprendimus pagal šalių narių pasirinktą strategiją. Kai spaudimas tiek iš valstybių skolos rinkų, tiek iš krizių valdymo mechanizmo yra stiprus: nepriklausoma viršnacionalinė institucija turi išlaikyti proaktyvią poziciją, tačiau ji turi nepažeisti proporcingumo principo, t. y. jeigu tokioje situacijoje viršnacionalinė institucija nuspręstų nekreipti dėmesio į spaudimą iš krizės valdymo mechanizmo, ji rizikuotų euro zonos dezintegracija.

1 lentelė. Nepriklausomų institucijų krizių valdymo vaidmenys ir nepriklausomi kintamieji

		Užkrato rizika (spaudimas valstybių skolų rinkose)	
		<i>žemas</i>	<i>aukštas</i>
Krizės valdymo mechanizmo spaudimas	<i>žemas</i>	<i>Įprasta veikla</i>	Proaktyvi lyderystė
	<i>aukštas</i>	Sprendimų „štampavimas“	Netiesioginis patikėtinis
		Pasyvi pozicija	Proaktyvi pozicija

2. METODOLOGIJA IR HIPOTEZĖS

Šioje disertacijoje bus taikomas abdukcinių inferencijų (geriausio paaiškinimo suradimo) metodas. Bus analizuojami svarbiausių sprendimų, priimtų per valstybės skolų krizę ir COVID-19 pandemiją, teoriniai aiškinimai (Josephson, 1994). Kadangi yra daug konkuruojančių integracijos teorijų, pasitaiko atvejų, kai panašūs įvykiai skirtingų integracijos teorijų buvo interpretuojami skirtingai, todėl, nepaisant kiekvienos teorijos privalumų, sprendimų aiškinimai turėjo reikšmingų trūkumų. Disertacijoje

pristatomas modelis, kuris leistų konkuruojančių integracijos teorijų koegzistavimą pateikiant nuoseklesnį nepriklausomų viršnacionalinių institucijų vaidmenų aiškinimą. Siekiant patikrinti disertacijoje keliamas hipotezes, išsamūs interviu su tų institucijų vadovais ir euro zonos valstybių ar vyriausybės vadovais būtų veiksmingiausias tiesioginis būdas išsiaiškinti valstybės skolų krizės ir pandemijos metu priimtų sprendimų priežastis. Tačiau dėl konfidencialumo, kitų (politinių) suvaržymų ir gana trumpo laiko atstumo nebūtų realu tikėtis gauti objektyvių atsakymų naudojant tokio tipo interviu. Lyderių prieinamumas yra papildomas reikšmingas apribojimas. Tie patys iššūkiai, susiję su informacijos objektyvumu, galėtų iškilti ir kalbinant jų politines komandas. Atsižvelgiant į šiuos apribojimus, sprendimų priėmimo logika bus dekonstruojama taikant išsamią viešai prieinamos informacijos analizę. Šiame kontekste ypač svarbus įvykių sekos atkūrimas.

Nepriklausomų institucijų (ECB ir ETT) priimtų sprendimų analizė bus grindžiama viešais pasisakymais, interviu ir spaudos konferencijomis, taip pat tiesiogine disertanto patirtimi dirbant Lietuvos banke (Europos centrinių bankų sistemoje) ir Tarptautiniame valiutos fonde. Disertacijos teorinis atspirties taškas yra klasikinės integracijos teorijos – neofunkcionalizmas ir liberalusis tarpvyriausybiskumas, kurios bus papildytos ir sintezuojamos su kitomis susijusiomis teorijomis, tokiomis kaip postfunkcionalizmas ir naujasis tarpvyriausybiskumas. Nors vidaus politikos veiksnio įtraukimas (kaip buvo pasiūlyta postfunkcionalizmo teorijoje) prisideda prie geresnio sprendimų priėmimo proceso supratimo, verta patikslinti, kad kreditorių šalyse vidaus politikos veiksnys buvo stipresnis. Tai galima paaiškinti pasitelkiant dviejų lygmenų žaidimų teoriją, nes derybose dalyvaujančios šalys turėjo atsižvelgti ne tik į vidaus politikos veiksnius, bet ir į tarptautinio lygmens žaidėjų preferencijas. Nors valstybėse skolininkėse buvo protestuojama prieš fiskalinio konsolidavimo politiką, alternatyvus kelias buvo nesuderinamas su siekiu išlaikyti eurą kaip nacionalinę valiutą, todėl šalys kreditorės turėjo stipresnę derybinę galią. Nors išliko panaši, ši dinamika kiek pasikeitė per COVID-19 pandemiją: ES pavyko susitarti dėl vadinamojo Naujosios kartos ES fondo, kuris turėjo ir dotacijų finansavimo elementą. Visgi buvo išsaugota ir sąlygų politika. Nepaisant kiek aktyvesnio vaidmens, ECB stengėsi paisyti krizės valdymo mechanizmo spaudimo ir atitinkamai koregavo savo veiksmus. ETT taip pat priėmė keletą sprendimų, siekdamas užtikrinti, kad krizės valdymo mechanizmas nebūtų pažeistas. Tokia krizės valdymo mechanizmo įtaka gali kelti pagrįstų klausimų dėl viršnacionalinių institucijų nepriklausomumo ir lankstaus ES teisinės bazės aiškinimo bei taikymo. Tokia situacija išprovokavo kritiką, kad ekonominė

integracija euro zonoje buvo pasiekta paminant egzistuojančią teisinę bazę. Visgi, taip pat galima teigti, kad nepriklausomos institucijos taikė proporcingumo principą: vengė priimti sprendimus, kurie neatitiktų euro zonos šalių narių pasirinktos krizės valdymo strategijos.

Antroji disertacijos dalis – ECB vykdomos netradicinės pinigų politikos analizė: turto pirkimo programos, likvidumo užtikrinimas bankams ir ilgalaikės refinansavimo operacijos. Kadangi ECB / ETT parama euro zonos vyriausybėms buvo būtina valstybių skolų ir pandemijos krizių metu, kyla klausimas, ar nepriklausomos institucijos nebuvo euro zonos vyriausybių patikėtinės. Toks klausimas gali būti interpretuojamas priešaringai, nes verčia suabejoti ECB ir ETT nepriklausomumu, kuris yra įtvirtintas ES sutartyse. Pagal Sutarties dėl Europos Sąjungos veikimo 130 straipsnį, „<...> nei Europos centrinis bankas, nei nacionalinis centrinis bankas, nei bet kuris jų sprendimus priimančių organų narys nesiekia gauti ar nepriima jokių Sąjungos institucijų, įstaigų ar organų, valstybių narių vyriausybių ar bet kurio kito subjekto nurodymų“ (Europos centrinis bankas, 2012a, 3 skyrius, 7 straipsnis). Paašškintina, kad disertacija nesiekia įrodyti, kad ECB pasidavė politinei įtakai ir, vykdydamas kitų institucijų nurodymus, pažeidė ES sutartį. Šioje disertacijoje nekvestionuojamas ECB nepriklausomumas siekiant savo pagrindinio tikslo – kainų stabilumo. Pagrindinis dėmesys bus skiriamas ECB ir ETT priimtiems krizių valdymo vaidmenims valstybių skolų krizės ir pandemijos metu: be ECB įsikišimo Graikija, Kipras, Airija (ir galbūt kitos silpnesnės euro zonos šalys, pvz., Italija) greičiausiai jau nebūtų euro zonos narėmis.

Hipotezės:

1. ETT buvo daromas implicitinis politinis spaudimas apsaugoti sąlygiškumo politiką ir priimti teigiamą sprendimą dėl ESM teisėtumo finansų rinkų spaudimo kontekste.
2. Dėl spaudimo valstybių skolų rinkose ECB ėmėsi proaktyvios lyderystės per trečiojo Graikijos gelbėjimo paketo derybas 2015 m.
3. Dėl valstybių skolų rinkų spaudimo, kaip visos sąjungos interesų grupės, ECB pažadas daryti „viską, ko reikia siekiant apsaugoti euro zoną“, sukėlė funkcinį persiliejamą ir išplėtė jo įgaliojimus.
4. ETT sprendimas dėl OMT programos teisėtumo buvo itin svarbus siekiant suvaldyti spaudimą valstybių skolų rinkose.
5. Dėl valstybių skolų rinkų spaudimo, kaip visos sąjungos interesų grupės, ECB prisiėmė naują atsakomybę kontroliuoti euro zonos šalių skolinimosi kainų skirtumus COVID-19 krizės metu (įvyko funkcinis persiliejimas).

3. NETRADICINĖ PINIGŲ POLITIKA

Mastrichto euro zonos ekonomikos valdysenos sistema turėjo vadinamąją „šalių narių negelbėjimo“ nuostatą ir paliko fiskalinę politiką valdyti nacionaliniu lygmeniu. Ši nuostata buvo paremta nacionalinio lygmens fiskalinėmis taisyklėmis. Bendras skolinimasis ir bendras biudžetas tuo metu nebuvo numatyti. Nepaisant šios neišbaigtos institucinės architektūros, rinkos išliko įsitikinusios, kad rizika valiutų sąjungos narių obligacijų rinkose visoms šalims yra tokia pati, nepaisant skirtingų ekonomikos pagrindų. Tačiau šis fiskalinis skydas, kurį suteikė narystė euro zonoje, per pasaulinę finansų krizę pasirodė trapus. Nors „šalių narių negelbėjimo“ nuostatos niekada nebuvo atsisakyta, Europos politikos formuotojai sukūrė Europos stabilumo mechanizmą, kuris euro zonos vyriausybėms suteikė „paskutinės išeities skolinčiojo“ funkciją. ECB taip pat turėjo imtis aktyvesnių pinigų politikos veiksmų, pvz., suteikti lankstesnes priegas prie likvidumo ir pradėti masines turto pirkimo programas, dar vadinamas netradicinėmis pinigų politikos priemonėmis.

Kai kurių autorių teigimu, ECB ėmėsi lyderystės sprendžiant euro zonos skolų krizę (Verdun, 2017). Teigiama, kad ECB vaidmuo buvo svarbiausias ieškant krizės sprendimų. Be to, jis priėmė svarbiausius sprendimus tuo metu, kai niekas kitas nenorėjo (negalėjo) imtis iniciatyvos. Kiti (pvz., Mody, 2018; Tooze, 2018) nesutiko ir teigė, kad ECB sprendimai buvo reikalingi, tačiau priimti per vėlai ir buvo nepakankami. Jei ECB būtų elgęsis kaip tikras arba „klasikinis“ centrinis bankas (pvz., kaip JAV federalinis rezervų bankas ar Anglijos bankas), valstybių skolų krizės tiesiog nebūtų buvę (Tooze, 2018). Šios iš pažiūros nesuderinamos pozicijos gali būti paaiškintos taikant šioje disertacijoje pasiūlytą naują sintetinį modelį. Tariama ECB lyderystė buvo tik ledkalnio viršūnė, matoma viešai. Ši „lyderystė“ priklausė nuo euro zonos šalių sukurto krizės valdymo mechanizmo ir situacijos finansų rinkose. ECB vengė priimti sprendimus, kurie galėjo neatitikti krizės valdymo mechanizmo principų (pvz., ECB nusprendė neišmesti Graikijos iš euro zonos, o ETT nepripažino ESM įkūrimo neteisėtu).

Kadangi techniškai centrinio banko intervencijoms apribojimų nėra (tol, kol yra užtikrinamas infliacijos tikslas), centrinis bankas techniškai galėtų užkirsti kelią valstybės skolos krizei, veikdamas kaip paskutinės vilties skolintojas. Didėjant skolos aptarnavimo kaštams, centrinis bankas galėtų pradėti skolų pirkimo programas ir šalies komerciniams bankams suteikti likvidumo. Tokios programos, dar vadinamos kiekybiniu skatinimu (QE), gali sumažinti skolinimosi išlaidas valstybių biudžetams, taip pat gali turėti

teigiamos įtakos ekonomikos augimui ir komercinių bankų likvidumui. Tokia politika gali būti neveiksminga šalyse, kuriose centrinis bankas nėra nepriklausomas arba kuriose centrinio banko intervencijomis naudojamosi neatsakingai. Tokios šalys dažniausiai kenčia nuo didesnės infliacijos, mažesnio ekonomikos augimo ir pasikartojančių valiutų krizių. Šie neigiami pavyzdžiai ir iššūkiai, susiję su neatsakinga centrinės bankininkystės veikla, įtikino euro zonos vyriausybes įtraukti į ES sutartis sąlygą, draudžiančią Europos centriniam bankui teikti tiesioginį piniginių finansavimą vyriausybėms. Šiame kontekste reikia paaiškinti, kad ECB nėra teisiškai uždrausta pirkti obligacijų antrinėje rinkoje (QE). Tačiau net ir ši politika kai kuriose valstybėse narėse buvo kritikuojama dėl tariamo piniginių finansavimo draudimo pažeidimo.

4. NAUJO SINTETINIO MODELIO TAIKYMAS

Disertacijoje nagrinėjami šeši epizodai valstybių skolų krizės ir COVID-19 pandemijos metu, kuriuose dalyvavo ECB arba ETT. Šių institucijų vaidmenis veikė tie patys nepriklausomi kintamieji: spaudimas obligacijų rinkose ir krizių valdymo mechanizmo spaudimas. Priklausomai nuo tų kintamųjų poveikio, nepriklausomos institucijos prisiėmė keturis skirtingus vaidmenis: įprastinės veiklos, „štampuotojo“, proaktyvios lyderystės ir patikėtinio. Kadangi staigi COVID-19 krizė ir po jos prasidėjęs karantinas pareikalavo stipraus ir ryžtingo atsako, ECB vaidmuo kito gana greitai. Naujasis sintetinis modelis puikiai tinka ieškant atsakymų, kaip ir kodėl COVID-19 pandemijos metu buvo priimti svarbiausi ECB sprendimai. Labai panašus epizodas įvyko ir 2012 m. valstybių skolų krizės metu, kai ECB pirmininkas pareiškė, kad ECB padarys „viską, ko reikės“, kad euro zona būtų apsaugota. Tuo metu ECB taip pat per gana trumpą laiką perėjo iš vieno vaidmens į kitą (iš proaktyvios lyderystės į patikėtinio), bet ne taip greitai kaip per COVID-19 pandemiją.

4.1. Europos Teisingumo Teismas – netiesioginis patikėtinis?

Pirmasis reikšmingas euro zonos finansinės architektūros patobulinimas buvo nuolatinio gelbėjimo mechanizmo – ESM – sukūrimas. Jo pirmtakas – Europos finansinio stabilumo fondas (EFSF) – buvo tik laikinas sprendimas. ESM įsigaliojo 2012 m. rugsėjo 27 d., kai paskutinė jį ratifikavo Vokietijos vyriausybė. Nepaisant to, dar prieš tai, 2012 m. rugpjūčio 3 d., ETT gavo Airijos Aukščiausiojo Teismo prašymą priimti sprendimą dėl ESM teisėtumo. ETT pirmininkas nusprendė bylą nagrinėti pagreitinoto proceso

tvarka visa Teismo sudėtimi. Buvo teigiama, kad byla buvo „išskirtinės svarbos“. Teigiamas sprendimas dėl ESM teisėtumo buvo paskelbtas stebėtinais greitai, t. y. 2012 m. lapkričio 27 d. (ETT, 2012).

Gali kilti klausimas, kodėl ETT ėmėsi proaktyvių veiksmų, taikydamas pagreintą procedūrą. Disertacijoje pristatomas naujasis sintetinis metodas paaiškina, kas tuo metu atsitiko, nes byla buvo iškelta vienu iš sudėtingiausių euro zonos skolų krizės momentų. ETT laikėsi proaktyvių veiksmų ir siekė nesudaryti papildomo spaudimo valstybių skolų rinkose. Akivaizdu, kad buvo laikomasi proporcingumo principo.

Neigiamas ETT sprendimas dėl ESM galėjo sukelti papildomą neigiamą spaudimą valstybių skolų rinkose. Nesant politinės valios sukurti tikrą fiskalinę sąjungą, ESM buvo pagrindinė ir vienintelė valstybių narių sukurta priemonė, skirta kontroliuoti galimam užkrato efektui ir suvaldyti pernelyg dideliame spaudime valstybių skolų rinkose. Pateikdamas neigiamą nuomonę dėl ESM teisėtumo, ETT būtų galėjęs sunaikinti vienintelį tuo metu politiškai įmanomą būdą išspręsti krizę. ETT prisiėmė netiesioginio patikėtinio vaidmenį. Akivaizdu, kad ETT negalėjo būti „tipinis“ patikėtinis: visų pirma, būtų labai sunku nustatyti, kokie tiesioginiai mechanizmai ir kaip galėjo kontroliuoti ETT. Svarbu paminėti, kad sprendimas paskelbti ESM kaip nelegalų instrumentą galėjo kelti pavojų visam krizės valdymo mechanizmui bei reikšti dezintegraciją. Didžiulės išlaidos, kurios būtų reikalingos tokio scenarijaus kontekste, gali būti traktuojamos kaip numanomas (implicitinis) kontrolės mechanizmas. Remiantis ETT sprendimu, „šalių narių negelbėjimo“ nuostata nereiškia, kad vienos šalys narės negali suteikti bet kokios formos finansinės pagalbos kitai valstybei narei (ETT, 2012). ETT priimdamas sprendimą dėl ESM teisėtumo prisiėmė numanomo patikėtinio vaidmenį. ETT šiuo atveju patyrė netiesioginį politinį spaudimą, taigi pirmajai hipotezei galima pritarti.

4.2. „Štampavimas“: sprendimas neišmesti Graikijos iš euro zonos

Galima teigti, kad euro zonos valstybės narės iš pradžių neprisiėmė lyderystės ir paliko ECB veikti diskusijų dėl trečiojo Graikijos gelbėjimo paketo kontekste. Be aktyvios ESM programos ir ECB likvidumo paramos Graikijai vienintelis kelias į priekį būtų buvęs nacionalinės valiutos sukūrimas griūvančiam bankininkystės sektoriui finansuoti. Vokietija iškėlė idėją sustabdyti Graikijos narystę euro zonoje, tačiau šis pasiūlymas nesulaukė pakankamo palaikymo iš likusių narių. Todėl ECB nusprendė įšaldyti likvidumo teikimą Graikijos bankams, o ne visiškai jį atšaukti, nes tai būtų reiškę Graikijos pasitraukimą iš euro zonos. Garsioji M. Draghi

citata, kad „ne ECB turi nuspręsti, kas narys, o kas ne“ (Draghi, 2015a), puikiai atspindi situaciją, kurioje veikė proporcingumo principas. Graikijos išmetimas be išankstinio politinio valstybių narių sutikimo būtų reiškęs reikšmingus kaštus tiek euro zonai, tiek Graikijai, tiek ECB kaip institucijai. Taigi, ECB laikėsi pasyvios pozicijos ir veikė darydamas prielaidą, kad sprendimas dėl Graikijos pasitraukimo iš euro zonos tuo metu dar nebuvo priimtas. ECB galėjo atšaukti likvidumo teikimą Graikijos bankams dėl techninių priežasčių: tuo metu Graikija buvo pradėlus savo skolos mokėjimus, todėl ir užstato vertė likvidumo teikimui buvo abejotina. Tokia pozicija buvo svarbi ir krizių valdymo mechanizmui, nes, be papildomo likvidumo ir ESM programos, Graikijai reikėjo įvesti kapitalo kontrolės priemones. Jei ECB būtų nusprendęs padidinti likvidumo teikimą Graikijos bankams, tai būtų turėję neigiamų pasekmių krizių valdymo mechanizmui dėl moralinės rizikos. ECB jautė netiesioginį jo spaudimą. Besąlygiškas ECB likvidumas būtų sumažinęs paskatas valstybėms narėms prašyti ESM programų ir atitikti sudėtingas jų sąlygas. Šiuo atveju ECB tebuvo euro zonos valstybių narių sprendimų ir strategijos „štampuotojas“. Todėl antroji hipotezė atmetama.

4.3. ECB: „padarys viską, ko reikia“, ar „tik tiek, kiek užtenka užtikrinti krizės valdymo mechanizmo veikimą“

ECB prezidento M. Draghi pažadas „padaryti viską, ko reikia siekiant apsaugoti euro zoną“, gali būti interpretuojamas kaip geras pavyzdys, kai nepriklausoma viršnacionalinė institucija prisiima proaktyvios lyderystės vaidmenį. Remiantis keturiais išsamiais interviu su aukštas pareigas einančiais ECB atstovais (Verdun, 2017), galima teigti, kad M. Draghi prisiėmė lyderystę. Tuo metu užkrato efektas valstybių skolų rinkose buvo didelis, jis plito į kitas periferines euro zonos šalis. Įsipareigojimas daryti „viską, ko reikia“, iš pradžių buvo nepriklausomas nuo krizių valdymo mechanizmo. Nepaisant kai kurių autorių teiginių (pvz., Brunnermeier et al., 2016; Schimmelfenning, 2015), kad Vokietijos vyriausybė tyliai sutiko su naujuoju ECB vaidmeniu, jie nepateikia įrodymų, kad taip iš tikrųjų buvo. Tačiau vėliau, paaiškėjus konkrečioms techninėms OMT programos ypatybėms (ECB, 2012b), M. Draghi pažadas tapo sąlyginis. Bet kuri šalis, norinti pasinaudoti OMT programa, turėjo susitarti dėl ESM programos su griežtomis sąlygomis (bet kuriai ESM programai patvirtinti reikia vienbalsio euro zonos šalių pritarimo). Įvedus sąsają su ESM programa, ECB tapo priklausomas nuo krizių valdymo mechanizmo (nebuvo jokio funkcinio išsiliejimo, nes galutinė sprendimų priėmimo galia nebuvo ECB), o

proaktyvios lyderystės vaidmuo pamažu tapo netiesioginio patikėtinio vaidmeniu. Todėl trečioji hipotezė atmetama.

4.4. Europos Teisingumo Teismas ir (ne)svarbiausias krizės valdymo instrumentas

Įprastos veiklos vaidmuo siūlomoje matricoje reikštų, kad krizių valdymo mechanizmo ir valstybių skolų rinkų spaudimas buvo mažas. Kai ETT buvo pateikta nagrinėti OMT byla, valstybių skolų rinkos buvo gana ramios, o užkrato efektas nebuvo stebimas. ETT priėmė sprendimą taikyti standartinę bylos svarstymo procedūrą. Gali būti du paaiškinimai, kodėl viena iš labiausiai branginamų ECB netradicinės politikos naujovių – OMT buvo taip nustumta į šalį. Viena priežastis gali būti anksčiau minėtos techninės OMT programos ypatybės, dėl kurių reikėjo ESM išitraukimo. Antroji priežastis gali būti kita netradicinė ECB pinigų politikos priemonė – turto pirkimo programa, arba QE, kuri buvo pradėta prieš paskelbiant sprendimą dėl OMT. Skirtingai nei OMT programa, kuri vis dar nebuvo aktyvi, pagal QE jau buvo nupirkta nemaža dalis valstybių skolų.

Sprendimą pradėti QE pagal siūlomą modelį taip pat galima būtų interpretuoti kaip „įprastą veiklą“ (jis buvo įvestas kaip būtina, nors ir netradicinė, pinigų politikos priemonė reaguoti į defliacinį spaudimą). Šios aplinkybės reiškia, kad paradoksalu, bet viena iš reikšmingiausių ETT nutarčių (OMT byla) buvo priimta veikiant įprastos veiklos vaidmeniui: sprendimas jau nebebuvo reikšmingas krizių valdymo mechanizmui (dėl QE) ir valstybių skolų rinkos buvo gana ramios. Todėl ketvirtoji hipotezė atmetama.

4.5. Nuo proaktyvios lyderystės iki patikėtinio

Kaip parodyta modelyje (2 lentelė), ECB pradinis vaidmuo pandemijos pradžioje buvo „įprasta veikla“, nes nebuvo jokio spaudimo nei iš finansų rinkų, nei iš krizės valdymo mechanizmo. Prezidentei Ch. Lagarde pakomentavus, kad ECB neturi užtikrinti panašios skolinimosi kainos euro zonos šalims, spaudimas finansų rinkose pradėjo didėti. ECB ėmėsi skubių priemonių ir prisiėmė „poaktyvaus lyderio“ vaidmenį. Panaši veiksmų seka buvo ir 2012 m., kai buvęs ECB prezidentas pažadėjo padaryti „viską, ko reikia“ siekiant apsaugoti eurą. Tačiau nepriklausomos viršvalstybinės institucijos, tokios kaip ECB, proaktyvios lyderystės vaidmuo nėra tvarus pasirinkimas, nes su moraline žala susijusi rizika tampa vis ryškesnė bėgant laikui. ECB galėjo tik „nupirkti“ laiko, kad euro zonos šalių vadovai rastų

tvaresnį politinį krizės sprendimą. Be tokio sprendimo bet koks teigiamas proaktyvios lyderystės vaidmens poveikis išsisklaidytų, o susirūpinimas dėl moralinės rizikos stiprėtų. Ir pandemijos metu, ir 2012 m. skolų krizės metu tiek Ch. Lagarde, tiek M. Draghi turėjo ieškoti, kaip „pridengti“ drąsius ECB sprendimus per politinę paramą.

Nepriklausomos euro zonos institucijos, pvz., ECB, ekstremaliųjų situacijų metu galėtų prisiimti proaktyvią lyderystę trumpuoju laikotarpiu. Tačiau nereikėtų perdėti ECB vaidmens ekstremaliųjų situacijų metu: nors jis galėtų veikti kaip pirmoji apsaugos priemonė, institucinė struktūra neleidžia jam veiksmingai tęsti skubių intervencijų vidutinės trukmės ir ilguoju laikotarpiu. Todėl penktoji hipotezė atmetama.

IŠVADOS

Remiantis šioje disertacijoje pasiūlytu nauju sintetiniu modeliu, galima teigti, kad valstybių skolų krizės ir COVID-19 pandemijos metu nepriklausomos viršvalstybinės institucijos prisiėmė keturis pagrindinius vaidmenis: įprastos veiklos, proaktyvios lyderystės, „štampos“ ir numanomo patikėtinio. Šeši svarbiausi sprendimai, nagrinėti šioje disertacijoje: du ETT priimti sprendimai (dėl ESM ir OMT programų teisėtumo), ECB sprendimas neprieštarauti skubiam likvidumo skyrimui Graikijos bankams ir ECB OMT programos pradėjimas bei du svarbūs dviejų ECB prezidentų Draghi ir Lagarde pažadai dėl „neribotų“ ECB veiksmų siekiant apsaugoti euro zoną. Nagrinėtas ir daug negatyvaus dėmesio sulaukęs Lagarde pareiškimas, kuriame teigiama, kad ECB užduotis nebuvo apriboti obligacijų pajamingumų skirtumų tarp skirtingų euro zonos šalių.

Šioje disertacijoje du pagrindiniai nepriklausomi kintamieji, nulemiantys ECB ir ETT vaidmenis, buvo krizių valdymo mechanizmo spaudimas ir spaudimas iš valstybių skolų rinkų. Tyrimai, pagrįsti klasikinėmis integracijos teorijomis, galėjo tik iš dalies paaiškinti nepriklausomų viršnacionalinių institucijų priimtus vaidmenis ir sprendimus, priimtus per euro zonos valstybių skolų krizę ir pandemiją. Naujas sintetinis modelis suteikia geresnį atspirties tašką vertinti ECB ir ETT sprendimus, priimtus valstybių skolų bei pandemijos krizių metu, bei tų sprendimų kontekstą ir kaitą priklausomai nuo nepriklausomų kintamųjų įtakos pobūdžio.

ECB ėmėsi proaktyvios lyderystės vaidmens, kai ECB pirmininkas įsipareigojo padaryti „viską, ko reikia“, kad būtų išsaugotas euras. Kita vertus, vėliau, kai paaiškėjo visi techniniai aspektai, pagrindinį vaidmenį

perėmė valstybės narės, nes reikėjo jų įsitraukimo siekiant aktyvuoti inovatyvius ECB instrumentus, tokius kaip OMT. Proaktyvios lyderystės vaidmenį taip pat prisiėmė ETT, priimdamas teigiamą sprendimą dėl ESM teisėtumo. Be to, ECB prisiėmė „štampuotojo“ vaidmenį, kai nusprendė neprieštarauti skubiam likvidumo suteikimui Graikijos bankams, o ETT, paradoksalu, elgėsi pagal įprastos veiklos vaidmenį, kai priėmė teigiamą sprendimą dėl OMT teisėtumo. ECB veikė pagal įprastos veiklos vaidmenį, kai paskelbė, kad ECB negali sumažinti euro zonos šalių narių skolinimosi kainos rinkose: tuo metu nebuvo didelio spaudimo nei iš obligacijų rinkos, nei iš krizių valdymo mechanizmo. Vėliau, kai po pareiškimo rinkose ėmė didėti įtampa, praėjus kelioms dienoms ECB priėmė labai drąsų sprendimą pradėti Specialiąją pandemijos pirkimo programą. Tai buvo antrasis atvejis, kai ECB pavyko sukurti gana įtikinamą iliuziją arba sąmoningą dviprasmiškumą, kad jo intervencijos yra neribotos. Vėliau, kai ėmė sklaidytis trumpalaikis teigiamas poveikis ir ėmė ryškėti susirūpinimas dėl moralinės rizikos, ECB pripažino, kad jam nereikia keisti savo pirkimo programų limitų, taip netiesiogiai prisiimant netiesioginio patikėtinio vaidmenį.

Šis naujasis sintetinis modelis galėtų būti naudingas ir ateityje, ECB toliau mažinant pagal kiekybinio skatinimo programą nusipirktų vertybinių popierių kiekį savo balanse. Ši programa buvo pradėta pinigų politikos tikslais, tačiau dėl lėto fiskalinės politikos koregavimo proceso keliose sistemiškai svarbiose valstybėse narėse, pvz., Italijoje, tapo svarbi ir kontroliuojant skolinimosi kainą. Didelis palūkanų normų sumažėjimas (taip pat iš dalies ir dėl QE programos) sumažino paskatas tęsti fiskalinę konsolidaciją ir kaupti rezervus. Naujasis sintetinis modelis, atlikus tam tikrus pritaikymus, taip pat galėtų būti naudojamas ir analizuojant TVF vykdomą krizių valdymą ir nacionalinių nepriklausomų institucijų vaidmenis, kai šalis turi aktyvią finansinės paramos programą arba derasi dėl jos. Be to, klausimai, kaip ir kodėl buvo sukurtas krizių valdymo mechanizmas, galėtų būti tolesnio tyrimo objektas, siekiant geriau suprasti jo veikimą ir poveikį nepriklausomoms institucijoms. Kadangi Europos politikos formuotojai dar nepasiekė „Hamiltono momento“, toliau reikia tirti veiksnius, galinčius paskatinti realią pinigų sąjungos institucinę reformą, užuot dar kartą pasikliočius krizių valdymo mechanizmu.

TRUMPOS ŽINIOS APIE DISERTANTĄ

Marijus Bernatavičius 2008 m. baigė Druskininkų „Atgimimo“ vidurinę mokyklą. 2012 m. įgijo ekonomikos bakalauro, o 2014 m. – politikos mokslų magistro laipsnį Vilniaus universitete. 2016–2022 m. Vilniaus universiteto Tarptautinių santykių ir politikos mokslų instituto doktorantas, 2016–2021 m. to paties instituto lektorius (dėstyti Ekonomikos pagrindų, Viešojo sektoriaus ekonomikos, Viešosios ekonomikos kursai bakalaurantams ir magistrantams). 2021 m. Marijaus akademinis straipsnis „*Independence of the ECB and the ECJ during the Sovereign Debt Crisis: From Active Leadership to Rubber-Stamping?*“ išspausdintas JCMS akademiniam žurnale (tuo metu žurnalo cituojamumo rodiklis – 3,990).

Nuo 2014 m. Marijus dirba Lietuvos banke, ėjo įvairias pareigas Ekonomikos ir Tarptautinių ryšių departamentuose, vadovavo Ekonominės politikos analizės skyriui. Stažavosi Šveicarijos, Prancūzijos, Europos, Anglijos centriniuose bankuose, taip pat Tarptautinio valiutos fondo mokymų centre Vienoje (Austrija). 2016–2018 m. Europos centrinio banko Tarptautinių ryšių komiteto narys. 2018–2021 m. ėjo Tarptautinio valiutos fondo valdybos nario patarėjo pareigas Vašingtone (JAV). Nuo 2023 m. pradžios – Švedijos, Norvegijos, Danijos, Suomijos, Islandijos ir Baltijos šalių Tarptautinio valiutos fondo politikos koordinatorių grupės pirmininkas. Turi šeimą, du vaikus, šiuo metu gyvena Vilniuje.

PUBLIKACIJŲ SĄRAŠAS

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