SECTION I: THE EURO PROBLEM

Chapter 5

Forgotten Democratic Legitimacy: "Governing by the Rules" and "Ruling by the Numbers"

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INTRODUCTION: 'GOVERNING BY THE RULES' AND 'RULING BY THE NUMBERS'

During the euro's sovereign debt crisis, European leaders have become obsessed with rules, numbers, and pacts. This has reinforced an approach that began with the Maastricht Treaty in 1992, which set out numerical targets for inflation, deficits, and debt for member-states adopting the Single Currency, was formalized by the Stability and Growth Pact (SGP) of 1999, but accelerated during the Eurozone crisis beginning in 2010. In quick succession EU leaders signed up for the so-called 'Six-Pack,' the 'Two-Pack,' and the 'Fiscal Compact,' each more stringent on the nature of the rules, more restrictive with regard to the numbers, and more punitive for member-states that failed to meet the requirements. In the absence of any deeper political integration that could provide greater democratic representation and control over an ever-expanding supranational governance, the EU has ended up with 'governing by the rules' and 'ruling by the numbers' in the Eurozone.

What has become clear as a result of the crisis of the Euro is that the EU is not just missing an economic union and a fiscal union; it is also missing a political union. During the crisis, the EU abandoned any pretense to respecting the long-standing 'democratic settlement' in which Commission, Council, and European Parliament all contributed in their different ways to decision-making via the 'Community Method.' Instead, Eurozone governance combined excessive intergovernmentalism—as EU member-state leaders generated the stability-based rules in the European Council while treating the Commission largely as a secretariat—with increased supranationalism. While the ECB pressed the member-states to engage in austerity and structural reform in a *quid pro quo* for its own more vigorous monetary interventions, the Commission gained enhanced budgetary oversight powers to apply the restrictive numerical targets. In all of this, moreover, the European Parliament was largely sidelined.

The resulting rules-based, numbers-focused governing of the Eurozone has not only generated problems for the European economy; it has also cast doubts on the European Union's democratic legitimacy and its social solidarity. Prior to the Euro Crisis, the debate remained open as to whether the EU suffered from a democratic deficit,[1] while many touted the success of the European 'Social Model.'[2] No more, though diagnoses differ as to the reasons for the deficit and the failure of solidarity. Some fault the deleterious consequences of EU policies of austerity and 'structural reform,' in particular for the political economies of peripheral member-states.[3] Others decry the lack of citizen political engagement in, let alone impact on, EU decision-making, and worry about the concomitant rise in citizen disaffection accompanied by growing political volatility.[4] Yet others blame the poor quality of EU policy processes, with the increase in supranational and intergovernmental rule to the detriment of the 'Community Method' and any significant involvement of the European Parliament (EP).[5]

These concerns about the impact of the Eurozone crisis on the legitimacy of EU policies, processes, and politics readily translate into concepts used by political analysts who explain the EU's democratic legitimacy in systems terms.[6] Questions about the legitimacy of Eurozone responses include those raised about the *output* performance of EU policies, the EU's *input* responsiveness to citizen politics, and the *throughput* quality of EU governance processes. The first two such legitimizing mechanisms are often seen to involve a trade-off in which more of the one can make up for less of the other;[7] there is no such trade-off for the third.

Output legitimacy describes acceptance of the coercive powers of political authorities governing '*for* the people' so long as their exercise is seen to serve the common good of the polity and is constrained by the norms of the community. Input legitimacy represents the exercise of collective self-governing '*by* the people' so as to ensure political authorities' responsiveness to peoples' preferences, as shaped through political debate in a common public space and political competition in political institutions that ensure officials' accountability via general elections.[8] Another way of conceiving of this distinction is as the difference between political authorities engaged in 'responsible' as opposed to 'responsive' governing.[9] Either way, the interrelationship between the two legitimizing mechanisms can involve a trade-off whereby more *output* performance through effective policy outcomes can make up for less *input* responsiveness, i.e. less government attention to citizens' immediate concerns, as expressed in public debates and elections, or vice-versa.

Throughput legitimacy sits between the input and the output, in the 'black box' of governance.[10] It is dependent upon the quality of the policymaking processes, including the efficacy of the decision-making, the accountability of those engaged in making the decisions, the transparency of the information, and the processes' inclusiveness and openness to consultation with the interest groups of 'civil society.'[11] The quality of the governance processes, and not just the effectiveness of the outcomes or the responsiveness to citizen demands and expectations, has long been among the central ways in which EU institutional players have sought to counter claims about the poverty of the EU's input legitimacy and to reinforce claims to its output legitimacy. In so doing, they have operated under the assumption that good throughput may operate as a kind of '*cordon sanitaire'* for the EU, ensuring the legitimacy of EU level output and attention to input. But what they fail to recognize is that throughput quality does not involve the same kind of trade off as between output and input. Whereas little citizen input may be offset by effective policy output, and a lot of citizen input can legitimate a policy even if it is ineffective, better quality throughput does not make up for either bad output or minimal input—however efficacious the rules, accountable the actors, or transparent, open, and accessible the process. But bad throughput—consisting of oppressive, incompetent, corrupt, or biased governance practices—is likely to undermine public perceptions of the legitimacy of EU governance, and it can even throw input and output into question by seeming to skew representative politics or taint policy solutions.[12]

Prior to the Eurozone's sovereign debt crisis, the EU seemed to do comparatively well in terms of Eurozone governance legitimacy. Because the EU seemed to have effective output and quality throughput, the minimal political input by citizens did not appear unduly problematic. But with the onset of the sovereign debt crisis in 2009/2010, all of this changed.[13] Output legitimacy plummeted as policies pushing austerity and structural reform led to recession rather than growth. Input legitimacy has been at risk as citizens have become increasingly disaffected from the EU, if not euro-skeptic, as well as from their national governments as they perceive that policies made at the EU level cannot be changed via national politics. And throughput legitimacy has been compromised by the inefficacy of rescue plans that were too long delayed and only slowly operationalized as well as by the fact that EU institutional actors seemed more focused on reinforcing the restrictive throughput rules and numbers than on producing better policy output or increasing their responsiveness to citizen input.

Only relatively recently has the EU responded in any significant way to the bad output results and the worsening input politics—by reinterpreting the throughput rules. But although such reinterpretations may indeed ameliorate the situation, they at the same time engender a further problem of legitimacy. In a system in which the obsession with 'governing by the rules and ruling by the numbers' has created an increasingly rigid system of packs, pacts, and compacts, any exercise in political or administrative discretion demands rules for stretching or breaking the rules—or at the very least agreement on who has the authority to make or break those rules.[14] This may help explain why Eurozone institutional actors lately have tended to engage in a discourse that denies that they are actually altering the rules even though they are.

But why, one might ask, do EU institutional actors not then just change the rules? The obstacles come not only from the continuing divergence in policy preferences, in particular between core and periphery countries, or from differing philosophical ideas about how to govern the economy, which pits neo-Keynesians against neo-liberals and ordo-liberals. The obstacles also come from the constitutional and legal dimensions of the EU that make changing the (throughput) rules extremely difficult, not to mention building a fuller political union in response to the failures of input responsive politics and output policy performance. Even were member-states' leaders to be in greater agreement, the rules by which the EU governs the economy are extremely difficult to change formally, once agreed. Unanimity rules for treaties makes coordinating agreement on what to do, let alone how to do it, very difficult, while changing the rules, once agreed, is even more difficult as a result of the EU's 'joint decision trap.'[15]

Finally, moving toward any deeper form of economic integration or greater political union has significant implications not only for economic arenas in which the member-states have heretofore retained national sovereignty—such as in fiscal policy, as discussed by Erik Jones in his chapter—but also for political arenas central to the functioning of national democracy. Any further reinforcement of EU level oversight over national macroeconomic policies or budgets, whatever the necessity or appropriateness in light of the Eurozone crisis, reduces even further not only national governmental and parliamentary responsibility for these central policy functions but also their potential responsiveness to the concerns and demands of their national constituencies.

THE OUTPUT LEGITIMACY OF EURO CRISIS POLICIES

Output legitimacy is a performance criterion focused on policy effectiveness. During the Eurozone crisis, by most economic measures, EU institutional actors failed the test of output legitimacy. Although there have been institutional innovations, these have come very slowly, and have done the minimal, with more focus on instilling discipline than on solving the crisis once and for all. As a result, the economic crisis has gone on and on, while unemployment, poverty, and inequality have been on the rise.

Euro-Crisis Policy Content and Rationale

EU institutional actors' main responses to the euro crisis involved setting up loan guarantee mechanisms to shield countries under pressure from the markets, underpinned by intergovernmental agreements (inside or outside the treaties) plus legislative acts that served to reinforce the governance rules first set by the Maastricht Treaty and the SGP. Although many policy solutions to the crisis were proposed—e.g., Eurobonds to mutualize debt, a 'European Debt Agency' to issue bonds for countries in trouble, a European Monetary Fund to rescue countries in trouble—Eurozone governments did the minimum. They agreed to the Greek loan bailout and a temporary loan guarantee fund, the European Financial Stability Facility (EFSF), for countries in danger of contagion from the crisis in May 2010; a more permanent European Stability Mechanism (ESM), first discussed in 2010, which came into operation in 2013; and a half-baked Banking Union, set up during 2013.

In exchange for the minimal 'economic solidarity' embodied by these rescue mechanisms came ever more stringent rules and restrictive numbers for all member-states. First came an intergovernmental agreement that established the 'European Semester,' a framework through which to coordinate member-state budgetary and economic policies, which gave the Commission increasing oversight and sanctioning powers. The first major legislative act was the Six-Pack, which provided stronger fiscal and economic surveillance under a new 'Macroeconomic Imbalance Procedure' (MIP) for all 28 member-states. It more clearly specified how to quantify and operationalize the debt criterion in the 'Excessive Debt Procedure' (EDT) at the same time that it instituted a kind of reverse qualified majority voting (RQMV), whereby a Commission decision would be considered adopted unless it was overturned by a qualified majority of the Council. The 'Fiscal Compact' which followed was an intergovernmental agreement that mandated even stricter budgetary discipline, with member-state signatories expected to enshrine balanced budget rules in national law, preferably constitutional (sometimes called the 'Golden Rule'), to be monitored not only by EU institutions but also 'at the national level by independent institutions.' The subsequent legislative Two-Pack specified further the modalities of surveillance of national governments' budgets by the Commission, along with a timetable that amended that of the European Semester. Moreover, for countries experiencing or threatened with financial difficulties, the Commission would engage in enhanced and on-going surveillance.

The principles underlying these agreements were largely based on the 'Brussels-Frankfurt consensus,' which has three basic tenets for Eurozone economic policy: stable money, to be guaranteed by the ECB's role in fighting inflation and ensuring price stability; sound finances, to be assured by the member-states, which were to eschew 'excessive' deficits and debt; and efficient local labor markets, to be carried out by the member-states, with each country responsible for making its own labor markets and welfare state 'competitive' in whichever way it could.[16] This consensus combines an *ordo*-liberal philosophy focused on the need to impose austerity in order to ensure stable money and sound finance via rules-based governance with a *neo*-liberal philosophy focused on 'structural reform' of labor markets and welfare states as the answer to problems of growth.[17]

EU institutional actors' rationale for instituting the increasingly strict rules-based governance followed from their interpretation of the crisis from the very beginning as a failure to follow the rules of the SGP, which had consecrated the Brussels-Frankfurt consensus on Eurozone economic policy.[18] Seemingly forgotten were the real reasons for the crisis detailed in this volume's contributions, including the massive overstretch of the banks and the accumulation of private debt by households; ECB inflation-targeting, which produced increasing divergence rather than convergence; the weakness of euro-governance institutions that failed to recognize, let alone warn, member-states of the dangers of over-heating real estate markets or to exercise sufficient oversight not just over national finances but also over international banks.

It was as if EU institutional actors had caught a major case of collective amnesia in 2009 and 2010,[19] as they painted the crisis as caused by public profligacy rather than of private debt, in what Mark Blyth has called "the greatest 'bait and switch' in history."[20] The narrative that stuck, in particular in Germany, was about the profligacy of the 'lazy Greeks' versus 'Germans who save,' which was then generalized to all the countries in trouble.[21] The framing of the crisis as one of public debt in the periphery fueled resistance to any form of 'transfer union,' in which Northern Europeans would pay for debts accrued in the South, and closed off remedies such as Eurobonds or a European Monetary Fund.[22] The reality was of course very different, since although Greece had indeed been profligate in terms of its public spending, the private sector was the main culprit in all the other countries, whether in terms of over-leveraged banks or households. This included some of those hardest hit by the crisis, such as Spain and Ireland, the governments of which had been scrupulous before the crisis in maintaining low public deficits and reducing their sovereign debt.

Euro-Crisis Policy Performance

With regard to their output performance, the rules-based austerity policies have appeared at best to be ineffective, at worst to have exacerbated the crisis. Most of the economic indicators of performance dropped significantly across the Eurozone while unemployment reached record highs (12.2 percent in 2013), with many countries much higher (e.g., topping 25 percent in Greece and Spain).[23] Moreover, social solidarity has been in increasingly short supply, in particular because conditionality for program countries has for the most part led to across-the-board cuts in pensions, health care, and the social safety net. Close to a quarter of the EU population was at risk of poverty or social exclusion in 2012, while on average 10 percent of the population of the EU was severely materially deprived, with higher numbers in particular in Eastern Europe and in Greece.[24]

A Council of Europe report in late 2013 concluded that austerity programs in response to the crisis had undermined human rights in key areas, largely as a result of public social spending cuts, and especially in countries under international bailout programs. The report in particular condemned increasing homelessness in Southern Europe, Ireland, and the UK; failures to provide adequate safeguards to ensure access to the minimum essential levels of food—as governments limited food subsidies—and even of water in the case of Ireland. The Troika demanded that public spending in these areas in program countries not exceed 6 percent of GDP.[25]

Critics had warned about the likelihood of such outcomes almost from the very start of the Eurozone response to the crisis. First, economic policies focused on financial stability that assume all countries can tighten their belts at the same time to become more 'competitive' ignore the interdependence of surplus and deficit countries and the moving average problem at the heart of such efforts.[26] Second is the very structure of the Eurozone, as a non-optimal currency area in which a monetary policy focused on price stability can only lead to continued divergence rather than convergence,[27] and which would logically push Southern European member-states into a never-ending downward spiral of wage repression accompanied by the suppression of social and political democracy if they were left without the ability to devalue or to run deficits.[28] Third is what Erik Jones in chapter 3 calls the 'forgotten financial union,'[29] and in particular the incompleteness of the risk pool and insurance mechanism that was put in place more by default than design to respond to the pressures of global financial markets and the challenges of global competition.[30]

Only as the economic output results continued to deteriorate, with unemployment skyrocketing and growth plummeting, did calls for changes in policies come to be voiced. Growth finally became a matter of debate among EU leaders beginning in late 2011, when the newly appointed technocratic Italian Prime Minister, Mario Monti, started talking about the need to focus on growth, and was quickly followed by the campaign discourse of French Socialist presidential candidate François Hollande in early 2012. This had the advantage of revealing that the policies presented as apolitical technocratic solutions that would produce optimum output performance were actually political, and conservative, and that politics therefore also exists at the EU level.[31] But it has been EU politics at the mercy – and the calendar – of national politics. And the discourse did nothing to change the ordo- and neoliberal cast of the policies, which were equally implemented by Monti and Hollande.

Not until Spring 2013 was there a clear call to action, in particular with the need to address youth unemployment. Moreover, a report by the IMF in June most significantly admitted that it had made major mistakes in the bailout of Greece, in particular by assuming that severe austerity would lead in short order to growth, in light of the failure to restructure Greek debt.[32] But although by summer 2013 the Commission and EU leaders had all switched to a discourse that focused on growth, it remained mostly empty rhetoric. No measures other than a paltry youth employment scheme had been voted while EU institutional actors for the most part continued to insist that the way to growth was through structural reform. The only new initiatives, moreover, continued to focus on reinforcing the rules.

Most notable was a proposal introduced in the 'Four Presidents' Report' of December 2012,[33] and reinforced by a joint letter from French and German leaders in May 2013 calling for 'contracts' signed between member-state and the Commission.[34] By December 2013, however, the European Council rebuffed Merkel's continued push for such contracts. Moreover, with the arrival of a new Italian Prime Minister Renzi, a more focused discussion of growth returned, along with a push for greater flexibility in the application of the rules. Now, in place of the earlier arguments for increasing EU level capacity to invest so as to jump start growth, came pressure to enable member-states to invest, by easing the rules, both in terms of slowing the pace of deficit reduction and of not counting investment in growth-enhancing areas against the deficit. As of June 2014, however, nothing had been formally changed, nor was it likely to as Merkel in a speech to the Bundestag insisted that there was no need to change the rules since the Stability and Growth Pact already contained all the necessary flexibility. But this at least seemed to open the way to greater informal reinterpretation of the rules.

EURO CRISIS POLITICS AND INPUT LEGITIMACY

Input legitimacy is a criterion focused on citizens' political attitudes and engagement. Much like output legitimacy during the euro crisis, input legitimacy has deteriorated. As the output performance of Eurozone policies has worsened while the hierarchical controls of the EU over national economic governance have tightened, citizens' attitudes towards both their national governments and EU governance have declined dramatically, in lock step with their economies. This has been most evident in the increasing turnover of incumbent governments, the rise of new parties on the extremes, and a growing loss of trust in the EU as well as in national governments. But while citizens tend to see the EU level as the producer of 'responsible' output policies, to the detriment of 'responsive' national level input politics, EU institutional actors nonetheless see themselves as having their own EU level sources of input legitimacy along with their trade-offs with output legitimacy. But these, too, have come in for increasing criticism as a result of the Eurozone crisis.

Euro-Crisis Challenges to EU Input Legitimacy

Of all the EU level institutional actors, the European Council has claimed for itself the greatest input legitimacy during the crisis, and has acted accordingly by increasing its intergovernmental decision-making to the detriment of the Community Method, in which the Commission and the EP would also have had substantial decision-making input. The argument articulated by Council members was that they, as the elected representatives of the citizens, could best represent their constituencies in the process of intergovernmental decision-making in the Council. German Chancellor Merkel, for example, explicitly commended this new "Union Method" in 2010,[35] as did French President Sarkozy in 2011, who defined a more democratic Europe as "a Europe in which its political leaders decide."[36]

But what EU member-state leaders fail to recognize is that leaving the bulk of decision-making to the intergovernmentalism of the European Council and EU Summits – however crucial it may appear in the heat of the crisis – is actually the least input legitimate of processes. For one, indirect input can confer legitimacy only on decisions to which leaders agree for their own citizens, not those that they would impose on other member-states' citizens. But even if it were legitimate for member-states to agree to legally binding austerity measures for everyone, delegating to their agent (i.e., the Commission) the discretionary authority to implement such rules is not similarly legitimate, given the necessarily ad hoc nature of the specific application of those rules to any given country.[37] For two, the Council is not a representative arena as such. Rather, it is more like an international treaty body, in which intergovernmental negotiation gives those leaders with the greatest bargaining power (read Germany) an undemocratic advantage in the closed door negotiating sessions of the Council, as will be elaborated below.

In contrast, the European Parliament, the most legitimate in theory because directly elected by the citizens, suffers in practice from the fact that it remains largely invisible or irrelevant to the majority of EU citizens. This has been borne out in the increasingly high rates of abstention over time from voting in EP elections (going from a 62% participation rate in 1979 to an all-time low in 2009 of 43 percent), in what have long been characterized as 'second order' elections in which national political concerns have dominated political debate and voting behavior.[38] It has also been demonstrated in focus group research,[39] as well as in Eurobarometer polls over the years.

The EP elections in 2014 did not do much to reverse this trend, but they did stop the erosion in participation (the rate was only a half point lower, at 42.54% in 2014) and marginally reduced the second-order nature of the election. Although national political concerns continued to dominate the vote, the debate was more centered on European issues. Moreover, there was a clear politicization of the election campaign—as EP parties ran their separate candidates for Commission President in EU-wide campaigns and held televised debates, even though the results were mixed in terms of citizen interest or awareness. While a majority of voters were aware of the '*Spitzenkandidat*' in core European countries like Germany and France, most in the UK were not.

The fact that the Council finally did choose the Commission President from among the winning candidates—against major opposition from British Prime Minister Cameron and initial resistance in other capitals—takes the EU one small step closer to greater input legitimacy, by helping to generate left/right political debates that have greater chance of spurring citizen interest, and thereby to gradually to politicize the EU.[40] The one caveat is in the line of: 'be careful what you wish for.' The greatest interest in the EP elections came from the political extremes, whose voters turned out in much greater numbers than those of mainstream parties, helping to make Marine Le Pen's Front National the party with the largest number of votes in France and Nigel Farage's UKIP the winner in the UK. The question is: How legitimate is a parliament for which 56.9 percent of the electorate have not voted, and for which, among those voting, close to a third went for extremist parties that have little chance in national elections, where citizens see themselves as having a stake in the outcome? The elections have left the EP with a thinning center hemmed in by extremists of the right and left. As a result, the majority will necessarily be made up of a 'grand coalition' of center right, center left, and liberals, under the leadership of a former Luxembourg Prime Minister who was also one of the longest standing members of the European Council. Under these circumstances, the politicization of the EU, which was to give citizens a clear choice among parties on the left and right, is lost. And in the end, therefore, such elections could politicize only to delegitimize the Commission and the EP.[41]

But even if input legitimacy is and remains in short supply, so what? A different kind of argument, equally significant in the legitimation of Eurozone governance, is that the trade-off with output performance, as assured by the EU's supranational institutions like the ECB or the Commission, makes up for any deficiencies in input. As another component of ordo- and neo-liberal thought suggests, isolating the institutions carrying out the policies from input politics is as important for output performance as is instituting the right kinds of policies.[42] But this also assumes that a certain modicum of input legitimacy is retained for such non-majoritarian institutions because they operate in the 'shadow of politics,' as the institutional products of political actors who have the capacity not only to create them and appoint their officials but also to alter them and their decisions if they so choose.[43]

The problem for the EU is that whereas this may apply to non-majoritarian institutions at the national level, it does not as readily to ones at the EU level. Often, such institutions have significant autonomy without any significant or at least sufficient democratic control from the classic 'democratic circuit' of parliamentary oversight.[44] Moreover, the decision rules of the EU, and in particular the unanimity rule for treaties, make the policies of EU non-majoritarian institutions almost impossible to alter once established, given the absence of any kind of political government that could force the issue.[45]

The ECB, as the most independent of central banks, is a case in point. Although the absence of even the shadow of input legitimacy can be seen to pose little problem when the ECB remains within its charter-based remit to guide monetary policy, as a trade-off with output legitimacy, it can be problematic where the ECB goes beyond that remit. The ECB is on thin ice with regard to input legitimacy—or output for that matter—when it pushes more input-legitimate actors like the Council to implement policies focused on austerity and structural reform, or to join with the IMF and the Commission as part of the 'Troika' to impose conditionality on program countries.[46] Most problematic in this regard was the secret letter ECB President Jean-Claude Trichet sent to Spanish Prime Minister Zapatero in August 2011—which Zapatero denied receiving at the time—in which Trichet essentially ordered the Prime Minister of Spain to decentralize the labor markets, break the monopolies of certain professions, and to institute cutbacks 'whatever the circumstances.' The revelation of the contents of the letter in late fall 2013 unleashed a debate in Spain about how much the President of the ECB had overstepped his bounds, whether by violating his own mandate to focus solely on Eurozone monetary policy, by interfering with the democratic control of elected governments, or in taking over the role of the Commission to make radical recommendations even the Commission would not have made.[47]

The Commission, much like the ECB, does not have any input legitimacy *per se*. Commission officials themselves generally see their legitimacy as coming from their accountability to the input legitimate European Parliament, that vets candidates for Commissioner and confirms the Commission as 'fit for purpose,' but can reject individual candidates and/or impeach the Commission as a whole.[48] Notably, in the course of the Eurozone crisis, neither source of input legitimacy has been central to the Commission's remit, since the Commission has been granted quasi-independent powers and discretionary authority to enforce the various oversight functions of the macroeconomic imbalance and excessive deficit procedures and the European Semester. Such powers have arguably most affected member-states' national input legitimacy.

The Commission's power to vet national budgets before governments submit them to national parliaments not only challenges national governments' sovereignty, by diminishing their autonomy with regard to budget development. It also undermines one of the main pillars of national parliaments' representative power—control over national budgets—and thereby principles of representative democracy, in which elected governments are responsible to those who elected them. The fact that the Commission can also sanction governments that do not mend their ways only adds insult to injury. It is therefore not surprising that when Belgium was pressed to further cut its budget for 2013 or face sanctions, Belgian Minister (and EU democracy scholar) Paul Magnette responded 'Who is Olli Rehn?' referring to the Finnish Commissioner for Economic and Monetary Affairs. That the Hungarian PM echoed the thought shows that the spectrum of concern goes from the left through to the (authoritarian) right.

Euro-Crisis Challenges to National Input Legitimacy

The ever-increasing sway the Commission has over member-state economic and budgetary policies, together with the ever-growing number of Eurozone policies and rules agreed by the Council, suggests that the Eurozone Crisis has also significantly affected input legitimacy at the national level. Most importantly, as Peter Mair argues, the EU in the midst of the Eurozone crisis has actually unsettled the balance between the two main functions of national level political parties in their relations with their constituents. The crisis has forced parties to privilege responsibility over representation, by enhancing their governing role to the detriment of their responsiveness to national electorates.[49] This even includes opposition parties that may have campaigned against the very policies that they will be expected to implement when they gain office, even against 'the will of the people.'

Citizens have in consequence been left with the sense that they have little recourse in the face of EU-generated policies of which they may disapprove, other than to punish national politicians. The fragmented nature of EU 'democracy,' in which policies are decided at the EU level but politics – at least as regards to voting for governments – remains at the national level has meant that citizens tend to hold their national politicians accountable for EU policies.[50] The result has been the increasing cycling of incumbent governments, as voters have punished their national politicians with growing frequency and intensity.[51] Such political volatility has become the rule not only in Greece, Spain, or Italy but also in the core, with France being a case in point—President Sarkozy was only the second president in the Fifth Republic not to have won a second term. President Hollande has the lowest popularity rating of any president of the Fifth Republic (17 percent in the latest poll in late spring 2014).

Increasing Euroskepticism or even anti-European—and not just anti-euro—feeling has been seen in all countries. Notably, this has been the case not only in the countries hardest hit by the crisis, in Southern and Eastern Europe, but also in those largely unaffected by the crisis economically, mainly in Northern Europe, as in the case of the True Finns in the 2011 elections in Finland.[52] Moreover, Euroskepticism has been growing not only on the extremes of the right and the left but also in the center. In a May 2012 Eurobarometer survey, among those saying that membership of the EU was a bad thing, respondents in the center outdistanced those on the left in France, Britain, and the Netherlands, and on both the left and the right in Finland.

Rising citizen disaffection from mainstream parties is also part of this, and can be seen in the growing electoral scores of parties not only on the extremes of the right and the left—as in Greece where the neo-nazi Golden Dawn polled 7 percent and the far left Syriza 23 percent in the June 2012 elections—but even in the center—as in Italy with the Beppe Grillo Five Stars phenomenon (with 25 percent of the vote) in the February 2013 election. This in turn makes for greater fragility for governments, with governing majorities on a knife's edge, and greater difficulties for winning mainstream parties to form a government, as in the Italian elections of February 2013—although Italian Prime Minister Matteo Renzi's historical win of 40 percent in the EP elections and Grillo's underperformance relative to his predicted score suggests that Italy, at least for the moment, has managed to reverse the trend. But worse yet in terms of the rise of extremist parties is the possibility that anti-democratic governments will also emerge, as in Hungary. The occasional recourse to technocratic governments, as in the Papademos in Greece in 2010 and the Monti government in Italy in 2011-2012, however legitimate they may be with regard to the (throughput) constitutionality of such appointments or their potential output results, also raises questions of input legitimacy, given that they are not the peoples' choice.

Meanwhile, all the unions have been able to do has been to agree to concessions while gaining nothing in return, as in the Spanish pension agreement and the Irish Croke Park deal, at the same time that the most social movements like the Spanish *indignados* have been able to do is mobilize members for protests and demonstrations that have brought them nothing other than, sometimes, news coverage.[53] Notably, the Council of Europe report in late 2013 condemned governments' side-stepping of regular channels of participation and social dialogue on the pretext of national financial emergency, as well as harsh responses against demonstrators and infringements of freedom of expression and peaceful assembly, as well as reductions in media freedom, in particular in public outlets, such as the closure of the Greek public broadcaster ERT.[54]

THE THROUGHPUT LEGITIMACY OF EURO CRISIS PROCESSES

The challenges arising from the Eurozone crisis do not only involve issues related to the input responsiveness of EU institutional actors or the output performance of EU policies. They also relate to questions of 'throughput' legitimacy, which is a procedural criterion focused on the quality of the governance processes by which EU institutional actors formulate and implement the output policies in response to input politics. These processes have become increasingly intergovernmental and supranational (or technocratic) in the course of the Eurozone crisis, leading Jürgen Habermas to warn against the dangers of 'executive federalism,' in which the tremendous shift of economic and budgetary power to the EU level has occurred without any concomitant increase in citizens' 'input.'[55]

The ECB: From 'One Size Fits None' to 'Whatever It Takes'

As a non-majoritarian institution, the ECB's deliberate insulation from even the shadow of (input) politics makes it not only more in need to succeed in its (output) performance but also more likely to focus on the (throughput) quality of the rules contained in its mandate. The insistence on sticking to the rules came out most clearly in the first ten years of the euro, as the first heads of the ECB – first Wim Duisenberg and then Jean-Claude Trichet – incessantly repeated that to maintain the bank's 'credibility' for the markets they needed to follow the ECB's mandate of inflation-fighting while maintaining its total independence from the political pressures of the member-states. When Mario Draghi was appointed head of the ECB in 2011, he reiterated this commitment and the Brussels-Frankfurt mantra in his first press conference, insisting: "continuity, credibility and consistency are of the essence in the way we carry out our jobs" and resisting any suggestion that the ECB could act as lender of last resort on the grounds that: "the real answer is actually to count on the countries' capacity to reform themselves…first, put your public finance in order and, second, undertake structural reforms. In doing so, competitiveness is enhanced, thereby fostering growth and job creation."[56]

The problem for ECB governance of the euro is that following the throughput rules, at least as they were originally interpreted, was not necessarily good for output. Even during the early to mid 2000s, it was acknowledged that ECB monetary policy fueled inflation in some countries (Ireland) while producing something close to deflation in others (Germany). But more recently, the ECB monetary policy has come to be acknowledged – even by the ECB itself – as a 'one size fits none' system, given that inflation targeting for all member-states, rather than leading to the assumed convergence, actually produces increasing divergence in all domains.[57] "The Single Currency did not play by the rules," as Erik Jones has put it,[58] and the ECB as a result decided to move to a more considered view of how to reinterpret the rules in order to produce effective output.[59]

As the Eurozone crisis continued, the ECB incrementally shifted away from strict adherence to the rules in its charter—or at least the original interpretation of it. Notably, however, the ECB remained true to the ideas of the Frankfurt-Brussels consensus, and its underlying ordo-liberal principles. Thus, even as it seemingly violated the letter of the Maastricht Treaty's 'no bail-out clause' by buying member-state debt beginning in May 2010, claiming that this was within the bounds of its remit because it was only buying bonds on the secondary markets, it remained with the spirit of it, by refusing to do what the Fed and the Bank of England did – act as a real lender of last resort (LOLR). This is also when it first began pushing the member-states to remedy the problems of the euro's governance, as well as to get their own houses in order through structural reforms. Subsequent unorthodox policy shifts, involving low interest loans to the banks via 'long term refinancing operations' (or LTROs), in late 2011 and early 2012, all were legitimated by suggesting that the output benefits justified 'unorthodox' policies (bending the rules).

In July 2012, moreover, as the markets had begun massive attacks against Spanish and Italian sovereign debt, Draghi pledged to go what seemed the last mile, stating that the ECB was ready to do "whatever it takes to preserve the euro," adding, after pausing for effect, "And believe me, it will be enough." To back this up the bank established the 'Outright Monetary Transactions' program (OMT), which promised the potentially unlimited purchase of Eurozone bonds for countries unjustifiably under market attack.[60] The markets took this as a pledge to act as lender of last resort, which it essentially was, with one significant difference from what Central Banks ordinarily do—the ECB made clear in September 2013 that it would use the OMT to stop market attacks on Spanish and Italian bonds only if the Italian and Spanish governments asked, and to agree in exchange for a conditionality program. By insisting on conditionality through structural reform, the ECB seemed to be trying to legitimize the break with one set of rules in the treaties by reinforcing another. This came largely to the satisfaction of German leaders,[61] with the exception of the more orthodox *Bundesbank*.

By this time, only the Bundesbank and its head, Jens Weidmann, plus a large number of German economists, were opposed to the ECB's reinterpretation of the rules on the grounds that they violated the charter, and risked long-term inflation. The question of the ECB's right to institute OMT was even taken up by the German Constitutional Court. It pitted Weidmann, who vehemently opposed ECB intervention on the grounds that its remit was to control inflation, and that only the politicians had the legitimacy to deal with the rest, against the ECB's executive board member Jörg Asmussen, who justified the unorthodox monetary policy measures as a response to unusual circumstances, insisting that: "We are in a situation of one size fits none, that is why we have extended these non-standard instruments."[62] Significantly, the Constitutional Court's decision, which sided with the Bundesbank's analysis of the illegality of the ECB's never-instituted OMT program, nonetheless referred the case to the ECJ. Subsequently, however, and quite amazingly given its recent stance with regard to the court case, the Bundesbank itself reversed its position, with Weidman stating in an interview that, in light of a strong currency and the dangers of deflation, the ECB could in fact buy Eurozone member bonds or top-rated private sector assets, thereby opening the door to quantitative easing.[63]

The Council's Governing by 'One Size Fits One' Rules

By prioritizing intergovernmental decision-making during the Eurozone crisis, EU member-state leaders have shifted the institutional balance increasingly toward the intergovernmental to the detriment of the joint-decision making process that includes the EP and the Commission. As noted above, to some member-state leaders, this posed little input legitimacy problems because they touted the Council as the most legitimate body in the EU. But in so thinking, they fail to acknowledge the fact that rather than being in a representative forum, they are in a bargaining arena in which one country has outsize power. Although academic scholarship on the Council has suggested that even where qualified majority voting occurs, the deliberative mode prevails over hard-bargaining because of the focus on consensus,[64] the argument here is that in the Eurozone crisis, where Germany has held all the cards, even where there is deliberation, it occurs in its shadow, such that the Council has ended up with 'one size fits one' governing by the rules.

Germany's 'power of one' has manifested itself in a range of ways. First of all, the focus on EU economic governance through rules and numbers in successive pacts has largely been due to Germany.[65] Its insistence on governing not just by legislated rules but by their constitutionalization via treaty was evident in such cases as the demand that the EFSF be followed by a constitutionalized mechanism with the ESM, and that legislative agreements such as the Six-Pack (which could be revised through normal EU legislative procedures), be followed by the treaty on the Fiscal Compact (which could not be).[66]

Secondly, Germany's power of one has undermined the traditional balance in the 'power of two' relationship of the Franco-Germany couple. Although the relationship between Germany and France went from one of bilateral leadership to a bilateral *directoire* between 2009 and mid 2012, as Sergio Fabbrini has noted, it was a *directoire* dominated by Germany, with Merkel the major partner in the 'Merkozy' leadership duo.[67] This can be seen not only in the content of the policies, with the German preference for financial stability having replaced France's focus on solidarity, but also on the processes, as German ideas came to dominate France's concept of '*gouvernement économique'* — with Commission-administered rules replacing the euro-group discretion that the French had wanted.[68] This was apparent even in Sarkozy's communicative discourse from 2010 to 2012, as he gradually shifted from an emphasis on the importance of 'solidarity' for the bailouts to Merkel's consistent talk of 'stability.'[69]

Thirdly, German leaders, by way of the German Constitutional Court, have largely imposed their country's own rules of input legitimacy on the rest of the EU. Instances include leaders' frequent invocation of the Constitutional Court to delay decisions, most notably with regard to bailing out Greece; the German Constitutional Court's own rulings on democratic oversight of decisions; and the Constitutional Court's hearing on the ECB's various unorthodox programs to save the euro, despite its lack of jurisdiction. The point here is not that member states should do away with the national democratic processes they consider necessary to input legitimacy but that this can cause serious problems for the efficacy of European decision-making if these kinds of national democratic exigencies were to be multiplied across EU member states.[70]

Finally, Germany has largely imposed its own interests on the rest of the EU.[71] These can be variously understood as the narrow electoral self-interest of the Chancellor and her governing coalition, who calculated that a delay in any agreement would enable them to win a major subnational electoral contest (in Nord Rhine-Westphalia) on May 9, 2010; as financial self-interest with concerns about a 'transfer union' and the size of German liability in any bailout; or even, more generously, as the German conviction that 'living by the rules' was in Europe's best interest

To be sure, Germany has also changed its position in response to changing circumstances and pressures from fellow member-states and other EU institutional actors as well as from internal German political actors, in particular the opposition Social Democrats.[72] And naturally, Germany was not the only member-state promoting this set of ideas, nor appealing only to its own electoral constituencies in so doing. Germany's main cheerleaders in Council meetings were the Finns and the Dutch, but there were also the Slovakians and other CEECs who saw Greece not so much as the profligate cousin as the richer one. Among other EU institutional actors, the ECB as noted earlier put very strong pressures on the member-states for rules-based solutions, while it is no coincidence that the Commission has been a strong supporter as well (see below). In the development of many of the rules, moreover, the Council President has been equally important in developing a consensus on Eurozone governance by setting up a working group that included the main EU institutional leaders in monetary and economic policy. Germany's power of one, in other words, also lies in the political coalitions constructed with it and around it, to push forward its agenda. And that agenda has changed marginally over time, as the Council's discourse shifted from an exclusive focus on maintaining stability and strict adherence to the rules to one that admitted that by 2012 'growth' was important and, by early summer 2014, that even 'flexibility' was acceptable, but only insofar as this stayed within the pre-established stability rules.

The EU Commission's 'One Size Fits All'

As befits a bureaucracy, the EU Commission's democratic legitimacy rests less on its Council and EP-derived input legitimacy than on the quality of its throughput processes of governance. In the Eurozone crisis, however, the Commission has seemed to eschew the transparency, openness, or accessibility that characterizes its general approach to formulation processes to focus primarily on its efficacy. The euro crisis has largely turned the Commission into a secretariat charged with the technocratic application of rules and numbers. The nature of the rules, moreover—consisting of more and more stringent pacts for 'one size fits all' fiscal consolidation—has straight-jacketed the Commission, limiting its flexibility with regard to applying the rules in a manner adapted to changing economic circumstances and the often very different needs of the country in question. Ironically, however, it is the Commission itself that designed the straight-jacket, since it has been key in drafting the Six-Pack and Two-Pack legislation and in preparing the 'Fiscal Compact.' Moreover, while these rules essentially tied its own hands, it also tied the hands of the Council through the RQMV, and the hands of the member-states through the European Semester. In so doing, at the same time that the Commission has limited its own room for maneuver, it has massively increased its own rules-based oversight and enforcement powers.

In the European Semester, for example, the Commission has the responsibility to monitor developments in each member state using a scorecard, with in-depth country analyses that would enable them to decide whether to place a Eurozone member in a macroeconomic imbalance or excessive deficit procedure, with detailed recommendations, mandatory reporting requirements, and even monetary sanctions. The way in which this is carried out is problematic not only with regard to throughput efficacy, given the rigidity with which the rules are applied, but also with regard to other throughput criteria, such as openness or accountability. For example, the Commission altered its own rules of 'collegiality' with regard to the euro crisis, when Commission President Barroso granted autonomy of decision to the Vice-President and Commissioner for Economic and Monetary Affairs, Olli Rehn. This has led to a process in which

DG ECFIN works out the numbers on its own, largely in secret, makes its decisions and then informs the Commission, often sending word out to the other members of the Commission on a Monday night for a Wednesday meeting, with little or no explanation of those decisions, no possibility to overturn them, and sometimes making them public even before informing the other Commissioners, thereby potentially putting them in an embarrassing position vis-à-vis their own member-state governments, which might expect to be forewarned.[73]

Equally importantly, the rigidity with which the Commission has interpreted the rules and applied the numbers, in particular with the Troika for member-states under 'conditionality,' may stem more from its own ideologically driven choice of strict enforcement, and belief in the ordo-liberal output ideas, than Council control or the influence of Germany. We should not forget that already in 2008, with the loan bailout programs for the CEECs, it was the Commission that had pushed for the strictest conditionality, against the wishes of the IMF, making this the "European rescue of the Washington consensus."[74] Thus, even in 2013, when tacit acknowledgement of the failure of fiscal consolidation policies led to agreement to ease the policy on rapid deficit reduction, the Commission stuck to a discourse that claimed that it was prior success, not failure, which allowed for a more flexible policy. Rehn, for example, claimed that things were getting slightly better only because the crisis response offered "a policy mix where building a stability culture and pursuing structural reforms supportive of growth and jobs go hand in hand."[75]

Notably, belief that structural reform produces growth meant not just that the Commission had done little to promote such growth in its own initiatives—including violating the Europe 2020 agenda that sought to create the conditions for growth by promoting employment, improving education, and reducing poverty and social exclusion. It also entailed keeping an inflexible approach to the remaining rules. Thus, Rehn continued to maintain that countries in trouble because of high deficits and debt could not increase their deficits in order to propel growth. Only if they had posted a primary surplus could they do so. In the case of Spain, however, the Commission agreed to change the calculation of the 'structural deficit' as proposed by the Spanish government (on the grounds that it underestimated the impact of unemployment) so that it would also have a primary surplus, and thereby could escape applying austerity measures for yet another year. But although the Commission's 'Output Gap Working Group' agreed to make an ad hoc methodology change for Spain because the normal calculation appeared so improbable, it did not for others out of 'concern in some capitals' about the implications of using better estimates—which might ease up the pressures on program countries.[76]

The most damning criticism of the Commission, however, comes from the IMF, whose recent evaluation of the Greek bailout found that "the Commission, with the focus of its reforms more on compliance with EU norms than on growth impact, was not able to contribute much to identifying growth enhancing structural reforms."[77] The Commission's single-minded focus on the throughput rules may be explained by its assumption that this would serve as a *cordon sanitaire* ensuring the trustworthiness of the processes and, thereby, their legitimacy. The danger, however, is that the legitimacy of the EU's input and output will be questioned if the Commission's implementation of the rules appears oppressive, as it has to the Southern European countries, and in particular Greece; biased, because it seems to benefit export-oriented Northern European countries; or playing favorites, by treating countries differently, as in recalculating the structural deficit for Spain, but not for other countries in similar circumstances.

The European Parliament's 'No Size at All?'

If during the euro crisis the ECB started with 'one size fits none' rules and the Council continues with 'one size fits one' governing while the Commission remains 'one size fits all' ruling by numbers, then the European Parliament must be seen as having 'no size at all.' The EP has largely been excluded from most decisions on the euro by EU treaties as well as in cases where international institutions have been involved—meaning all the loan bailouts and guarantees, with governance by the 'Troika' of the IMF, EU Commission, and ECB. The EP's exclusion has thereby also precluded in most instances the parliamentary debates that could serve to amend and/or legitimize policies negotiated behind closed doors by the Council. Moreover, where the EP did have a say, in the Six-Pack and Two-Pack, it largely voted to give the Commission exclusive power to apply the rules, denying itself the ability to oversee the Commission's decision even as it limited Commission discretion by specifying numerical targets for intervention. Here, the heightened sense of crisis together with the discourse of 'no alternative' was such that most MEPs voted in favor of austerity and fiscal tightening—indeed, pushed for more stringent measures than were on the table.[78]

Until the EP gains more say over Eurozone decision-making, it will not have any robust input into current intergovernmental politics, nor can it affect output policies. Notably, the Council has no plans to significantly increase the EP's role in Eurozone crisis governance. Even in the various documents proposing a future 'blueprint' for the EU, or in the Four Presidents Report, the EP is afforded only a 'monitoring' role, to debate perhaps, and to provide 'accountability,' but little more. The only way in which things may change for the EP is as a result of the election of the Commission President via the EP 2014 elections. Ideally, this alternative would help rebalance the EU system not only by ensuring the Parliament greater oversight over the Commission but also by putting the Commission in the shadow of European politics. For the moment, however, the increased input legitimacy of the Commission resulting from the designation of the Commission President via EP elections may not do much to improve the quality of the throughput processes with regard to governance of the Eurozone. Much depends upon the extent to which the EP is able to play upon differences in the Council, say, to push for increased flexibility in Commission oversight of the member-states' budgets. But this assumes that the grand coalition of major parties in the EP will be able to reach agreement on a coherent orientation for the Commission, and that this would prevail even over and against Council preferences. Given the EP's limited mandate in Eurozone governance, this is unlikely to happen very soon.

CONCLUSION

Considering the challenges to democratic legitimacy during the crisis of the Euro suggests that the EU needs 'output' policies that are more effective, 'input' politics that are more responsive to citizens, and 'throughput' processes that are more balanced and carried out with greater efficacy and accountability. The question for the EU is therefore not only whether it can get the economics right – by generating economic growth and social solidarity, not endless austerity and destructive structural reform. It is also whether it can get the politics right – by enabling citizens greater say over decision-making in ways that serve to rebuild trust while countering the rise of the extremes – and whether it will be able to develop processes that are less intergovernmental and technocratic, with less slavish attention to rigid numerical targets. For any of this to happen, much depends on how EU institutional actors respond to the continuing crisis, and whether they alter the rules and numbers to promote better policy performance as well as to accommodate citizen concerns while opening up decision-making processes to EU and national parliamentary representation. But what is the likelihood that such progressive changes in policies, politics, and processes will come to pass? Is a more balanced political union, in which concerns of all three kinds of legitimacy mechanisms are addressed, at all possible?

For the moment, although EU institutional actors have themselves become increasingly aware of the legitimacy problems, and have taken small steps toward their amelioration, these are by no means enough. As we have seen, the ECB has already moved from its initial 'one size fits none' rules of inflation targeting to doing 'whatever it takes' for policy results in order to 'save' the euro. In exchange, however, the ECB has demanded greater commitment to austerity and structural reform, which may save the euro but only at the expense of peripheral member-state economies. The Council has largely followed the ECB's demands, mainly because the bargaining of EU member-state leaders in the European Council has produced a 'one size fits one' governing mode, in which the most powerful – read Germany and its coalitional allies – have largely been able to impose their preferences. And yet, even Germany's position has changed, as it went from a focus on stability above all to one that included a discourse concerned with growth – even though so far little has actually been done to ensure it—and most recently flexibility. As for the European Commission, in response to ECB and Council requests it has devised the 'one size fits all' numerical targets by which it has zealously enforced member-state compliance to the rules. That said, lately it has begun to soften the rules in response to negative results. Finally, in all of this, the European Parliament has had almost 'no size at all,' with little role in Eurozone governance. But the appointment of the winning candidate in the EP elections as Commission President may not only confer greater legitimacy – and therefore potential to exercise discretion – to the Commission. It will also provide some opening to citizens, even if it has initially only increased the presence of Euroskeptics and resulted in a Grand Coalition in the EP rather than a more progressive majority.

In the immediate future, therefore, little is likely to change radically, since we cannot expect EU institutional actors to reverse financial stability rules and numerical targets that have become embedded in their practice as well as touted in their discourse – even in the unlikely event that there were to be a shift in the political orientation of the Council following member-state elections. But, in a positive take on the future, this does not rule out the incremental reinterpretation of the rules and recalculation of the numbers over the medium term by a Commission with the legitimacy to exercise greater discretion in its economic governance so as to enhance the growth potential of member-states' political economies. Such incremental change would also depend upon whether the decision-making system as a whole had reached a new 'democratic settlement' in which the Commission President was elected via EP elections, the EP was brought into Eurozone governance alongside the Council, while the ECB was returned to its more limited original responsibility for monetary and banking policy alone. As for the political economic ideas embodied in those evolving rules, one can probably not expect a paradigm shift back to neo-Keynesian expansionism. As for the political economic ideas embodied in those evolving rules, although one cannot expect a paradigm shift back to neo-Keynesian expansionism, we could hope for the emergence of a new set of ideas in which, in place of today's 'expansionary consolidation' (Schäuble's term—*Financial Times,* June 24, 2010) or, more accurately, 'expansionary contraction,' given the results of austerity and structural reforms, why not a new paradigm of 'expansionary stability'—or 'stable expansionism'—in which the stability rules are made compatible with growth-enhancing policies? If this were the outcome, then the Euro crisis would have done what past crises have been touted to do: after an initial period of delayed or failed responses, the EU muddles through to a more positive set of results while deepening its own integration. But this is not inevitable, as Craig Parsons and Matthias Matthijs make clear in chapter 10 of this volume. It requires leadership from the EU's institutional actors, and vision. And currently, at least, these remain in short supply.

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Endnotes

[1] E.g., Caporaso, and Tarrow 2008; Majone 1998; Moravcsik 2002 vs. Follesdal 2006; Mair 2006; Hix 2008, and even Majone 2009.
[2] See, e.g., Barbier 2008.
[3] Scharpf 2012b, 2013, 2014; Blyth 2013; Höpner, and Schäfer 2007; Baccaro, and Armingeon 2013.
[4] See, e.g., Kriesi et al. 2008; Mair 2006; Franklin, and van der Eijk 2007; Hooghe, and Marks 2009.
[5] Scharpf 2012b; Fabbrini 2013; Schmidt 2013.
[6] The systems approach largely built on that of David Easton (1965).
[7] E.g., Scharpf 1999; Majone 1998.
[8] Scharpf 1999, 2014.
[9] Mair 2013; Mair, and Thomassen 2010.
[10] Schmidt 2013a; see also Zürn 2000; Benz and Papadopoulos 2006. Note that Easton (1965) uses the term throughput, but limits it to administrative processes.
[11] See, e.g., Heritier and Lehmkuhl 2011; Dehousse 2011; Smismans 2003—and see discussion in Schmidt 2013a.
[12] Schmidt 2013a.
[13] Schmidt 2013c
[14] Thanks to André Sapir for this comment, made in the wrap-up session of the Conference on "Europe in a Post Crisis World," Center for European Studies, Harvard University (Oct. 31-Nov. 1, 2013).
[15] Scharpf 1999, 2012, 2014.
[16] Jones 2013a.
[17] On Ordo-liberalism, see: Ptak 2009; Dullien, and Guérot 2012; Blyth 2013; Schmidt and Thatcher 2013.
[18] See discussion in Nicolas Jabko, chapter 4 in this volume.
[19] See Barbier 2012.
[20] Blyth 2013.
[21] See Newman, this volume.
[22] Schmidt 2013b.
[23] See Hopkin, this volume.
[24] Eurostat 2013.
[25] Council of Europe 2013.
[26] See, e.g., Skidelsky 2013; Matthijs and Blyth 2011; Wolf 2013.
[27] Enderlein et al. 2012.
[28] Scharpf 2013, 2014.
[29] See also chapter 2 by Kathleen McNamara in this volume.
[30] Schelkle 2014.
[31] Matthijs 2014b.
[32] IMF 2013.
[33] Van Rompuy et al., 2012.
[34] Those contracts pledged even more binding adherence to the rules as well as structural reform where deemed necessary.

[35] Speech at the College of Europe in Bruges (November 2, 2010)
[36] Speech in Toulon on the Eurozone crisis (December 1, 2011)
[37] Scharpf 2013b, pp. 138-9.
[38] Franklin, and van der Eijk 2007; Mair 2006; Hix 2008.
[39] Duchesne et al. 2012
[40] See Hix 2008.
[41] Schmidt 2013a.
[42] See, e.g., Majone 1998; see also discussion in Schmidt and Thatcher 2013.
[43] Scharpf 2012b; Schmidt 2013a.
[44] Héritier and Lehmkuhl 2011, pp. 138-9.
[45] Scharpf 2012b; see also Schmidt 2013a.
[46] Eichengreen 2013.
[47] Peréz 2013.
[48] View expressed by a senior Commission official, September 26, 2013.
[49] Mair 2013; see also discussion in Laffan 2014.
[50] This is what I have elsewhere described as 'policy without politics' at the EU level, 'politics without policy' at the national. See Schmidt 2006.
[51] Bosco et al. 2012.
[52] Taggart, and Szczerbiak 2013; Usherwood, and Startin 2013.
[53] Armingeon, and Baccaro 2013.
[54] Council of Europe 2013.
[55] Habermas 2011.
[56] Draghi 2011a.
[57] Enderlein et al, 2012.
[58] Jones 2013a.
[59] See Jones, this volume.
[60] See discussion in Jones, this volume.
[61] Braun 2013, p. 6. See also Newman, this volume.
[62] Asmussen testimony, FT June 12, 2013.
[63] Euractiv 2014b.
[64] Novak 2010, Puetter 2012.
[65] See Newman and Jacoby this volume.
[66] Laffan 2014.
[67] Fabbrini 2013.
[68] For more detail, see Boyer, and Dehove 2011; and Vail, and Jabko, this volume.
[69] Crespy, and Schmidt 2013.
[70] Dehousse 2011.
[71] See Newman, this volume.
[72] See Jacoby, this volume.
[73] View expressed by a senior Commission official, September 5, 2013.
[74] Lutz, and Kranke 2011.
[75] Rehn 2013.
[76] Dalton 2013.
[77] IMF 2013, p. 31.
[78] Barbier 2012.