A flawed Economic and Monetary Union

How Greece became a member of the Eurozone

Nicolai Toft Sode

57281

Supervisor: Michael Friederich Kluth

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Summary

This thesis concerns itself with the creation of the EMU and the Greek membership of it. The thesis is theoretically based in liberal intergovernmentalism, as this theory is advantageous to both the problem area and the methods employed. Liberal intergovernmentalism is uniquely suited to analyze large integrational projects at the treaty level, and the formal, straight-forwardness and structured setup allows for a multitude of sources to be used. It is also a positivist, critical rationalist theory, which allows for a hands-off gathering and use of sources, and to better fit the historical nature of the study.

The thesis uses a systematic review to synthesize the vast existing academic literature into a liberal intergovernmental framework. The systematic review shows a strong bias for Germany in the creation of the EMU, as Germany's preferences of sound money and a strong technical side of the EMU was carried through to the final product. Furthermore, Germany had a leading role in the negotiations, which, along with their much-supported preference of sound monetary and fiscal policies, allowed them to create an EMU, which holds many of the features Germany sought to implement. Ultimately though, diverging preferences also helped create an uneven framework of the EMU, wherein juxtaposed abilities and limitations of the EU were apparent. The framework of the EMU created a centralized monetary policy in the form of the ECB, but left the fiscal policies to be decided and conducted by member-states. It also set up a surveillance system which solely relied on the member-states information.

The unilateral member-state reporting to the surveillance program proved to be a large flaw in the ascension of Greece to the Eurozone. The analysis of the thesis is a liberal intergovernmental analysis of the Greek ascension, and it shed light on a willing Greece that had to overcome economic hurdles to make the convergence criteria for joining the Eurozone. Greece (somewhat) managed to do so, but even then, there were questions of the Greek economy's ability to have membership. These questions were mostly overheard in the negotiations of the Greek membership, and Greece became a member rather easily. This would seem flawed given the Greek reporting of their economic situation was untruthful. Greece had adjusted their reported economic data to reach the convergence criteria, yet it was only disclosed after an audit in 2004.

The thesis concludes the Greek ascension as being emblematic of the problems of the EMU. The dissonance in the framework of both centralized monetary policy and decentralized fiscal policy, and the responsibility of member-states to report to the surveillance program

themselves, provided Greece with an opportunity to become a member, through some creative accounting, when they were not capable to do so.

Finally, I will discuss the problem area from another theoretical perspective; neoliberalism. The discussion will concern future avenues of research. The first proposition is the concept of crisis-led integration, and whether the reason the EMU had not been rectified before the crisis was a lack of incentive, as the flaws were not problematic before the crisis. The crisis would simply create a demand for functional spillover, as the flaws of the EMU became apparent via the crisis.

The second avenue is more speculative and revolves around the idea of a social and cultivated spillover, which could be analyzed by seeing if the elites (here Financial Ministers and Central Banks) had changed loyalty to the European level, and therefore would favor integration of the EMU over the financial stability of the member-states. This would be enticed further by a cultivated spillover by the EU. Both avenues would demand more research to fully create a problem area.

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Abbreviations

EC – European Commission

ECB – European Central Bank

ECOFIN – Economic and Financial Affairs Council configuration

ECSC - European Coal and Steel Community

EEC – European Economic Community

EMS – European Monetary System

EMU – Economic and Monetary Union

ERM – Exchange Rate Mechanism

ERMII – Exchange Rate Mechanism II

SMP – Single Market Program

Introduction

The 15th of September 2008, investment bank Lehman Brothers declares bankruptcy and becomes the biggest bankruptcy in the history of the United States of America (Mamudi, 2008). But the bankruptcy was not only an American problem: The global society was heading into the largest financial crisis since The Great Depression (Duignan, 2019). For Europe and the EU, this meant that the Euro was going to endure through the financial crisis in the 15 (becoming 16 in 2009) member states using the Euro at the time.

The 7th of February 1992, the *Treaty of on European Union* was signed, which made the European Communities become the European Union (*Treaty on European Union*, 1992). The city of Maastricht, where the treaty was signed, was and is no more than a few kilometers from the Belgian border, and with regular city-busses running to the German city of Aachen from the center of Maastricht. The city is sitting snugly in the heart of the northwestern Europe, with the river of Maas running through the middle of it – a river that has been used for transport of coal mined in the region in both Netherlands, Belgium and into France. It is also no more than a few hours drive from the Ruhr region – the area which helped spark the pooling of coal in the genesis of the EU: The European Coal and Steel Community [ECSC]. Symbolically fitting then, for the heads of government to sign the treaty, that turned EC into the EU, in Maastricht. The treaty provided a great leap of integration in the European project; it consolidated decades of thoughts and ideas into a real union, with a strong decision-making apparatus installed, a court of justice – and most importantly what became an economic and monetary union between the member states.

The Economic and Monetary Union [EMU] is a pinnacle of European integration, arguably the largest successful integrational project the European Communities has created outside of the EC and the EU itself (Howarth and Verdun, 2020). The EMU entailed a single currency (the Euro), policies and supervision of financial institutions within the Euro area, and coordination of policies and policy-making, all which existed to make the economic union possible, and to make the Euro a real trans-European currency (What is the Economic and Monetary Union? (EMU), n.d.).
An integration project of this magnitude is not a spur-of-the-moment idea – the idea of an economic and monetary union originated in 1969 at a summit in The Hague. Several key points

of this preliminary concept of the EMU lasted through the final draft of the EMU before its inception into the Maastricht treaty (History of economic and monetary union | Fact Sheets on the European Union | European Parliament, n.d.).

The crowning achievement of the EMU is the Euro. In 1998, the European Central Bank (ECB) became operational, in 1999 the exchange rates between the eurozone-states are fixed irrevocably and the ECB received authority over monetary policy from national banks, and the euro was an 'accounting valuta' next to the national currencies, (THE JOURNEY OF THE EURO, n.d.), and in 2001 Greece entered the Euro. Ultimately, in 2002, the Euro became the physical currency for the now 12 member states (THE JOURNEY OF THE EURO, n.d.).

Fast forwarding in the history from the turn of the century into 2008, the EMU and the Euro were now in deep waters. The financial crisis had hit he globe, and the effects were widespread and unevenly applied. The crowning achievement that is the Euro was no longer a rose-tinted project that joined its member-states into a strong economic bloc. Instead, the collective burden of keeping it upright was being fragmented and its foundation damaged; the crisis had hit all of the EU member-states, but especially a few were hit much harder. And it put the membership of these nations in danger. Greece in particular (and its faulting economic situation) was a sore thumb for the proponents of the EU. In April 2010 - the middle of the crisis for the European states - the renowned American credit rating agency Standard & Poor's changes the creditworthiness of Greece to *"garbage"* and in total from 2009 to 2011 Standard & Poor's changes Greece's creditworthiness four times from A to CCC – the lowest possible grade (Karyotis and Gerodimos, 2015, p 272-).

Greece had also been overly optimistic in its reporting to the EU about its economic situation; the new government in Greece in 2009, had to adjust the projected deficit ratio from 3,7 pct 12,5 pct. of GDP (Karyotis and Gerodimos 2015a). The debt-to-GDP ratio reached a forecasted 198 pct., (ibid., p 3). These facts could serve as the *coup de grace* for what would be known as the European Sovereign Debt Crisis in the EU, as the two overarching rules fiscal responsibility of the Euro are a maximum deficit of 3 pct. and a debt-to-GDP ratio of maximum 60 pct (Nugent, 2010).

The European Sovereign Dept Crisis was a costly affair, and the population of Europe, and especially Germany a *primus motor* of the Euro (Capelos, and Exadaktylos, 2015). Within just about 11 years of their membership, ideas of Greece exiting the Euro were expressed in Europe:

"Chancellor Angela Merkel's conservative Interior Minister became the first member of her centre-right government to openly call for Greece to leave the euro zone in a magazine interview released on Saturday" (Reuters, 2012).

But how did the Euro get to this? The overarching requirements of the entering and being a member demands government deficits to be below 3% of the GDP and government debt to below 60% of the GDP (How the Economic and Monetary Union works, n.d.). Since the crisis hit, the EU has made several remedies to the SGP to strengthen its framework in order to prevent a similar situation, but in its 9 years of existence before the crisis, very few changes were made to the rules of the SGP. Most noticeably within the changes in 2005 the EU fortified its surveillance, coordination and clarification of the excessive deficit procedure (Timeline: The Evolution of EU Economic Governance, n.d.). However, these are the only larger corrections made to the SGP in the period. This leads me to the creation of the EMU. Something was seemingly not up to par, as the much of the original framework was still in power by the time of the crisis.

Now a quick search will show the amount (and the rigorousness) of the literature on the creation of the EMU. Therefore, the first research question will serve as a guiding question for my literature review. The research question in mind, is not a fully-fledged research question – it is more in the vein of a working question, that helps guide the literature review. The second (and fully fledged) research question will be described further on.

The apparent idea of a flawed EMU by the time of creation has let me to this question:

How can the flawed outcome of the EMU creation be understood by European integration theory?

I will approach this research question primarily from a liberal intergovernmental perspective. I choose to do so, in order to explain why the outcome of the initial negotiations in the creation of the EMU lead to the framework it did, with a focus on strong member state preferences, asymmetric relations between the negotiating member states and little influence from an institutional perspective. It also caters to explain the little enforcement of rules by the EU. To operationalize the theory, I will conduct a systematic review of existing literature on the integrational process of the Euro. The framework of the Euro and its role in the European Sovereign

Debt Crisis is a subject that has been analyzed by a multitude of scholars, and my initial research has shown a preference for a liberal intergovernmentalist perspective, which guided me to my choice of theory. The systematic review provides a strong academic foundation for the document analysis of my study of Greece's membership.

Alternative approaches to liberal intergovernmentalism are used by the academia as well. These will be highlighted in the systematic review along with a liberal intergovernmentalist synthesis of existing articles on the creation of the EMU. The choice of theory is further explained in the theory chapter.

The deeper focus of the thesis will be the Greek membership, as the ascension of Greece to a Euro member is a particular case for the Euro. The Greek economy was historically a step behind the leading economies of Europe, and so was the Greek development.

The Greek economy entered the 90's indebted but managed to enter the Euro on the basis of falling interest rates, that helped improve the outlook of its financial statistics (Mcdonald, 2018). Here the first sign of trouble appears, as Greece had a debt-to-GDP ratio of 108,7 pct. and 107,7 pct. in 1997 and 1998, along with a deficit of 4,0 pct. and 2,2 pct. of the GDP (ibid, p 62). The observant reader will notice that this is not within the criteria of the SGP, but both Italy and Belgium had similar numbers (ibid, p 62). What stands out on top of not meeting the criteria was Greece having *"quadruple the inflation and near double the interest of the three best-performing nations and rates well above those of any other nation"* (ibid. p 62). Not only was the Greek admission to the Euro questionable given their economic situation, the economic reports from Greece were also questionable:

"The reliability of Greek deficit and debt statistics has been the object of particular attention by Eurostat in the past. Statistical issues in this field were debated with the Greek statistical authorities far more frequently than with any other Member State. Eurostat was forced to introduce several times (...) footnotes about reservations on the quality of Greek debt and deficit figures" (Eurostat, 2004).

So the inclusion of Greece into the Euro can seem dubious, yet the inclusion was not against the rules of the EMU. There were provisions to deal with indebted member-states, and due to the specific setup when it comes to economical reporting to the EU, the dubious Greek statistics were not troublesome to the EU by the time Greece was admitted into the Eurozone. With the impact of Greece in the crisis, and their less-than-stellar situation by the time of attaining membership in the Eurozone, my second research question will be a study of this:

Was the Greek membership flawed from the beginning and can it be seen as emblematic of the flaws in the creation of the EMU?

To answer the research question, I will conduct a document analysis of EU documents and descriptive media from 1997 to 2003. I will use a deductive liberal intergovernmentalist approach from a historical perspective. Following this analysis, the thesis will then discuss the problem area through the lens of neofunctionalism. As seen in the literature review, the problem area lends itself to the use of liberal intergovernmentalism. But neofunctionalism does help provide explanation as well. The neofunctionalist concept of functional spillover, as an integrational project needs supporting legislation and integration, can be applied to the integrational process of the EMU. Both to explain a flawed integration creating a breeding ground for crisis, like Jones, Keleman and Meunier (2015) has done, but also in reverse: was the lack of efficient and functional spillover before the crisis a sign of lacking incitement? The discussion will revolve around this idea, by discussing the idea of crisis-led integration. Afterwards, the discussion will concern the two other aspects of classical neofunctionalism: The political spillover and the cultivated spillover.
Finally, I will conclude on my findings, and place them in a larger perspective of international cooperation.

The thesis will aim to add to the understanding of international cooperation. By synthesizing knowledge in the systematic review, I hope to show common conceptions of why the EMU was created flawed. This is further developed upon in the document analysis, where a more micro-oriented approach is used, to only focus on the Greek membership. This will be discussed as emblematic of the flaws of the EU – though it will not revolve around the tired tropes within literature that focuses on the democratic deficit or centralized versus decentralized institutions and policies. Instead it will focus on the role given to the EU, which was limited in the creation of the EMU and in the ascension of Greece. Hopefully, the thesis can contribute to a better understanding of large intergovernmental integrational projects and the pitfalls they face.

Problem area

The problem area, as described in this chapter, will concern the Maastricht Treaty and the creation of the EMU within and the convergence criteria, as laid out by the Maastricht Treaty. The Maastricht Treaty – or as it is formally known, the Treaty on European Union (1992), - was a pioneering benchmark of European integration. The treaty formalized and legislated integration in a wide area. This project will, to a large extend, only focus on the Economic and Monetary Union and what it entails for member-states.

The EMU

The Economic and Monetary Union is the evolution of the preceding European Monetary System (EMS). The EMS entailed certain mechanisms that bridged into a common currency. Most noticeable is the Exchange Rate Mechanism (ERM), although more flexible and not stringent as the mechanism employed in the EMU (Nugent, 2010).

The first step of the EMU was made in 1988, when the European Council authorized a committee, chaired by Commission president Jacques Delors, that was to *"study and propose concrete stages leading to this union*" (Economic and Monetary Union, 2021). The concept of an Economic and Monetary Union, however, preceded this. In the period leading up to 1969, tensions grew in the Bretton Woods system, which loomed instability for the new Common Agriculture Policy. Dyson and Featherstone (ibid, p 1) describe this as: *"a widely shared hostility to American power in Europe".* The summit produced an expert group led by the financial and prime minister of Luxembourg Pierre Werner. The function of the group was to create a draft for how to reach an economic and monetary union (Verdun, 2016, p 298). They created the *Werner Plan*, a plan *"by which the EC might achieve EMU based on an approach by stages and involving 'parallelism' between developments in economic policy coordination and monetary policy coordination and progress towards political union.*" (Dyson and Featherstone, 1999, p 1). Regardless of the fact that the negotiations broadened from here, it is important to stress that the EMU was not a spur-of-the-moment idea, nor exclusive from other ventures of integration.

Through the negotiations of the Maastricht Treaty the EMU started to take shape. The 'final' result of the EMU ended up with four core principles (all from: Nugent, 2010):

1. The Eurozone members were not to have national currencies by the time of the adaption of the physical Euro in 2002.
2. A membership of the Eurozone means that member-states no longer can enforce national monetary policies; the monetary policy, including both interest rate and exchange rate.
3. Alignment of macroeconomic policies. This is the budgetary rules of the EMU. It is formalized in the SGP (which I will return to later on here), but the overarching theme is sound fiscal policy and maintaining a sensible national budget.
4. A multilateral surveillance of the economies of EU states. This is not exclusive to Eurozone members; yet, the focus of this thesis will be on Eurozone-members.

Of course, the largest aspect of the EMU is the Euro. The entrance of the Euro happened first in 1999 when it became an accounting currency and the member-states who were qualified to participate irrevocably fixed their exchange rates. The second entrance of the Euro was in 2002, when the currency became the physical currencies used by the population of the participating states (Timeline: The Evolution of EU Economic Governance, n.d.).

The enforcement of the SGP and the institutional role of the EU

In 1997 the SGP was adopted by the member states of the EU as a safeguard for the forthcoming common currency. It has been revised throughout its existence, but due to the scope of this thesis' timeframe, I will only use the SGP as it stood from its inception, since changes post-crisis will not be relevant for analysis.

As briefly mentioned in the introduction, members of the Euro are to submit to a ruleset that ensures a sustainable and sound economy for all member states. The SGP functions as a pact that 'binds' the Euro-members to two major rules that carries through from the convergence criteria (European Council, 1997; Heiperz and Verdun, 2010, p 4-5). The member states shall keep the government deficit within 3% of the GDP, and the debt of member states cannot be above 60% of GDP. However, with the lack of enforcement from the EU's side, some could argue that the binding aspect of the SGP is more figurative and symbolic in its meaning compared to the application of it so far.

Additionally, there are more to the SGP than the above-mentioned rules. Heipertz and Verdun (2010, p 3-4) explains that the SGP consists of:

"two Council regulations that operationalise Articles 99 and 104, respectively, of the EC Treaty, including the Protocol on the EDP (...) They are complemented by texts that are not legally binding but are either of political or procedural value: a resolution of the European Council of 1997,4 a report of the ECOFIN [Economic and Financial Affairs Council] *Council to the European Council of 2005,5 and, finally, a code of conduct"*

The rules outlined herein are as follows (ibid, p 4):

- The aforementioned 3% deficit of GDP, which already existed in the Maastricht Treaty as part of the convergence criteria and as part of the EDP.
- In regards to the deficit criteria, the SGP *"also specifies that Member States should aim for a balanced budget or have budgetary surpluses over the medium term"* (ibid.).
- The afore-mentioned multilateral surveillance system, which is supposed to keep the EU informed of the economies of member-states through annual reports to the Commission.

Here it must be noted that no member-state has yet to be sanctioned for breaking the SGP, even though member-states have passed the 3 pct. rule (Nugent, 2010).

The convergence criteria

The convergence criteria were the criteria EU-states had to meet to be granted membership in the Euro. They are comprised of four 'demands' (all from Nugent, 2010):

- The inflation of the member-state seeking membership in the Euro must not have inflation which exceeds 1,5 pct. points of the inflation of the three best performing member-states in a timespan of at least one year
- The government deficit shall not exceed 3 pct. of the GDP and the government debt must be 60 pct. of GDP or lower. Though, there are provisions for exemptions to this, if the member-state has shown the economy is approaching these values, it can be decided that the member-state fulfills these criteria, in the expectation that the member-state will reach it later on.

- The Exchange Rate Mechanism provides margins for the exchange rate, and the member-state needs fit into these for at least two years.
- The average interest rate cannot exceed the average interest rate of three best performing member-states by more than 2 pct. points for at least a year.

The membership of Greece

The ‘admission’ of Greece – which in EU terms would mean removing the EU’s distinction of Greece having an excessive deficit in the terms of the convergence criteria. In EU terms this is described as “*abrogate the derogation”* (COMMISSION OF THE EUROPEAN COMMUNITIES, 2000, p 2), where the derogation is the notion of excessive deficit. Meaning Greece does not comply with the convergence criteria of the Maastricht Treaty; deficit less than 3 pct. of GDP and government debt of less than 60 pct. of GDP, and if not possible, positive and tangible signs of lessening the deficit in a timely manner, as determined by the Council on a case-to-case basis based upon reporting from the Commission and the ECB.

Theory

In this chapter, I will describe liberal intergovernmentalism, as to use it as the primary theory of the thesis for understanding the problematic framework of the EMU. Afterwards, I will describe the theory of neofunctionalism as aspects of it will be used in the discussion of the thesis. The chapter will start with my reflections on my choice of theory, heavily influenced by my systematic review.

Choice of theory

The choice of theory is due to my initial thoughts about this thesis. I suspected liberal intergovernmentalism could offer a good analysis of the framework of the EMU; the problematic nature of the framework of the EMU is not unknown, and as the EMU was originally created in the Maastricht Treaty, liberal intergovernmentalism would seem more fitting than other integration theories e.g., neofunctionalism. My reasoning was the intergovernmental nature of treaties as opposed to smaller directives or regulations, and especially the Maastricht Treaty, as the institutional part of the European Union played a lesser role in the Maastricht Treaty compared to later treaties (Nugent, 2010). Liberal intergovernmentalism is even treaty-oriented enough for it to be criticized for its ability to comprehend the lower level integration of the directives and regulations: *"[Liberal intergovernmentalism] focuses only on conscious inter-governmental decision-making at treaty-amending moments"* (Moravcsik and Schimmelfen-nig, 2012). My idea of liberal intergovernmentalism being fitting was later confirmed in the systematic review.

Therefore, it fits the subject; the EMU and the Greek ascensions were large decisions (and in the case of the EMU in the Maastricht Treaty – at treaty level), which is why liberal intergov-ernmentalism is well fitting for analyzing both the general EMU and the membership of Greece.

Liberal Intergovernmentalism

The theory of liberal intergovernmentalism was first described by Moravcsik (1993) as a re-sponse to the inability of neofunctionalism to fully explain the integration, due to its lack of clear foundational standing, which, according to Moravcsik (1993), created an ambiguous the-ory incapable of describing and predicting a variety of outcomes. Therefore, the theory has had to continuously develop add-ons to its core idea of spillover effects (Moravcsik, 1993). As an answer, Moravcsik created liberal intergovernmentalism.

Liberal intergovernmetalism is a multi stage, rational theory which uses three distinct parts to form the complete liberal intergovernmental argument. The theory is, as the name suggests, a liberal theory. This entails a couple of predispositions: Actors are rational. In the sense of liberal intergovernmentalism, this means that states are acting accordingly with their preferences (Moravcsik and Schimmelfennig, 2012). But while some preferences are rather rudimentary and logical (like a state's preference for more influence), others may not be. As described below, the preferences of the state are not fixed and stationary, instead they are fluid and flexible and continuously under the effects of the civil society, and therefore the preferences (and subsequently the rational acting of states) are not as economically and practically grounded as more static and classical liberal theories. Liberal intergovernmentalism understands international cooperation as a plus-sum game. it rejects realist notions of international negotiations and cooperation as a zero-sum game. The rationale of the actors also entails a lesser focus on strategic politics in cooperation, and instead focuses on economic and political gains from cooperation. This is especially important in regards to the part of *substantial bargains*, as it assumes nations are positively positioned towards international cooperation vis-à-vis rational behaviour and seeing cooperation as a plus-sum (ibid.). The theory also entails that the role of the institution is limited; it sees international cooperation as intergovernmental, and the role of the institution is reserved to be informative and somewhat enforcing (ibid.).

National Preferences

The nations, according to liberal intergovernmentalism, will navigate international cooperation in the best interest of their preferences. But while the actors are singular entities in liberal intergovernmentalism, the formation of preferences are not. Liberal intergovernmentalism builds upon preferences created within the member-states by the various societal groups. The theory assumes that the "*political bargaining, representation, and diplomacy generate a consistent preference function"* (Schimmelfennig and Moravcsik, 2012, p 69). However, here it must be noted that while it is consistent, it is still subject to change. As the preferences are created by an aggregation of the internal political and societal play in the member-states, the preference change both over time and depending on the given issue (Moravcsik, 1999). Between the different issues, the nature of the preferences is also different. Liberal Intergovernmentalism relies on a multitude of types of preferences – from economic preferences to more dispersed non-economic preferences: "*The key here is the term 'issue-specific'. (…) It is that state preferences are driven by issue-specific preference functions about how to manage globalization, not linkage to general policy concerns"* (Moravcsik and Schimmelfennig, 2012, p 70).
In terms of the issue-specificness, the focus of both the review and the analysis will be governmental oriented in its preference creation. This is due to the governments being the ones to stand the biggest change and the general populations were on board of the Euro (EUROPEAN COMMISSION, 1997).

Substantive bargains

"The model of rational state behavior on the basis of domestically-constrained preferences implies that international conflict and co-operation can be modelled as a process that takes place in two successive stages: governments first define a set of interests, then bargain among themselves in an effort to realize those interests" (Moravcsik, 1993, p 481).

The second part of liberal intergovernmentalism focuses on the intergovernmental negotiations – the forum in which the actors interact and negotiates.

As the national preferences of different states often do not align or even oppose each other, the substantive bargains is the theoretical tool in liberal intergovernmentalism that concerns itself with this. The substantive bargains entail that member-states will choose to cooperate when the cooperation will provide mutual benefits to all parties – albeit this does not mean that the benefits necessarily are evenly distributed: "*States must overcome collectively suboptimal outcomes and achieve coordination or cooperation for mutual benefit, yet at the same time they must decide how the mutual gains of cooperation are distributed among the states*" (Moravcsik and Schimmelfennig, 2012, p 71). The states are also incentivized to cooperate when it can help accomplishing goals that would not have been reachable nationally (Moravcsik, 1999).

The negotiations themselves also carries assumptions. Liberal intergovernmentalism argues that the outcome of a given negotiation is the product of the "*relative bargaining power of the states*" (Moravcsik and Schimmelfennig, 2012, p 71). There are two major parts of the bargaining power: The asymmetrical interdependence and knowledge on preference positions and institutions. Furthermore, the negotiating power is also determined by the benefits to member-states; the states who stands to gain the least out of a given cooperation relative to the situation before cooperation, would hold more negotiating power, via the possibility of non-cooperation to force other member-states to give in to their demands (Moravcsik, 1999; Moravcsik and Schimmelfennig, 2012). Oppositely, the states who stand to gain the most would have less bargaining power. This provides the 'bargaining space' – the fan of possible outcomes that are better than the status quo for the member-states (Moravcsik, 1999).

Institutional Choice

The institutional choice is, as the name suggests, the institutional aspect of liberal intergovernmentalism. While the institutions are not regarded as majorly impactful in the negotiations (Moravcsik, 1999), they do serve a purpose in the theory. The institutions are perceived by liberal intergovernmentalism as forums for negotiations. The choice of using the institutions falls upon their ability to lessen uncertainty about the other member-states – their preferences, strategies and behavior (Moravcsik, 1999). This helps reduce the transaction costs of the negotiations and outcome, and is therefore the choice of the member-states (ibid.). The institution is also capable of reducing transaction costs by setting the norms and principles of the discussion, leading to more efficient bargaining (Moravcsik and Schimmelfennig, 2012).

The states also use the institutions as a security blanket in the outcomes of the negotiations. The institution will be mandated to monitor the states within the agreement, burden the costs of coordination and enforce compliancy of the rules of the cooperation with member-states (through sanctioning) (ibid.).

Lastly, member-states can decide to transfer decision-making power to the institution, when it is advantageous to the member-states. This would be in situations where the decisions are *"standard-setting"* (ibid. p 72), and thereby increasing the bargaining efficiency, and lowering transaction costs. The member-states can also decide to delegate larger and more inclusive decision-making, like the monetary policy in the ECB, when it can aid by circumventing policy issues between member-states, and let the decision become neutral from the perspective of societal groups having impacts on policies through the national preferences (ibid.).

<u>Operationalization</u>

The theory will be used to describe the preferences behind, the impact of the preferences in the negotiations and the institutional outcome. The historical nature of the problem area and the deterministic relation between the creation of the EMU and the Greek membership of it, has caused the thesis to be quite descriptive and explanatory. Therefore, the use of liberal intergovernmentalism is similarly descriptive. The theory will provide a theoretical based opportunity to link member-state preferences with the institutional outcome of the EMU for the systematic review.

The creation of the EMU, or rather what was created, was the legal basis for the ascension of Greece. As the EMU prescribed, the ascension of Greece followed a laid-down process in which Greece had to adhere to the convergence criteria, and afterwards it would be accepted by both the ECOFIN council and the Council of Europe. Therefore, the negotiations and member-state preferences are not as relevant as in the systematic review.

The use of liberal intergovernmentalism in the document analysis will therefore be more focused on the contradicting national preferences versus Greece's somewhat unconvincing economic situation at the time of the ascension. The negotiation of the membership will be descriptive of the process and the negotiations will focus on the easiness by which Greece attained membership. Lastly, the institutional choice will focus on the role of the EU in the Greek ascension in perspective to the perceived role of the institution, as stipulated by liberal intergovernmentalism.

The theory will act as a measuring stick for the Greek ascension. It will help articulate dissonances and problems of the Greek membership. The rational assumptions of liberal intergovernmentalism provides a point of departure from which criticizing outcomes is more easily formulated.

While it is arguable that the document analysis can be considered an attempt to falsify liberal intergovernmentalism - as the theory does not completely line up with the proceedings - a counterargument can be made for the Greek ascension to be a result of flaws in the EMU. As the theory is based upon rational assumptions and a logical inherent step-by-step structure, the misalignment of the proceedings versus the expected, help prove the argument that the membership of Greece can be emblematic of the problems of the EMU; an incoherency within the framework, which greatly affects the procedures of the EMU, and preferences were the integration of the EMU weight heavily.

Neofunctionalism

Neofunctionalism as an integration theory has had a challenging existence. It was created by Ernst B. Haas in 1958 as a response to the emerging regional cooperation that occurred in the aftermath of World War II, as an academic explanation to the ECSC, and as a theory to explain regional cooperation in other geographical areas as well (Nugent 2010). From here on through the beginning of the 60's it presided as a grand theory of European integration (ibid.; Niemann and Schmitter, 2012).

However, as the European integration slowed up in the following decades, so did the interest in Neofunctionalism as a major integration theory. Charles de Gaulle's 'empty chair' crisis of 1965-1966 was symptomatic for the growing criticisms of the theory, and while scholars modified it in the beginning of the 70's, it was deemed obsolete by Haas himself in the mid-70's (Niemann and Schmitter 2009, p 45).

As European integration picked up in pace and ambition in the 80's, so did the academic interest in Neofunctionalism as a theory. It was revised to fit the contemporary integration of the time in the 90's (ibid.), and the modern version has been of use to explain integration since then.

The main concept of Neofunctionalism is the spillover effect. The concept is *"the basis for the initial neofunctionalist explanation of the integration process in Europe"* (Niemann and Schmitter, 2009, p 49). It carries its own inherent logic of a snowballing effect in which integration drives further integration. Niemann and Schmitter (2009) describes the infant conceptualization of spillover as: *"where the integration in one sector leads to 'technical' pressures pushing states to integrate in other sectors. The idea is that some sectors are so interdependent that it is impossible to isolate them from the rest. Thus, the integration of one task can only be solved by integrating yet more tasks."* (p 49). This concept is the backbone of the spillover effect.

As the EU evolved from the early beginnings, so did the understanding of it and theories about its integration. According to Niemann and Schmitter (2009, p 49), neofunctionalism has three distinct spillover effects. The *functional spillover* has the same economic and functional logics as the general idea behind spillover, described above (ibid). The *political spillover* denotes a spillover effect in the aim and mindset of the actors in integration – or national elites as Niemann and Schmitter (2009) describes them. As integration unfolded, the national elites would come to realize, *"that problems of substantial interest could not be effectively addressed at the domestic level, not least because of the above-mentioned functional-economic logic"* (ibid, p 49). This then, would lead to a gradual progression wherein focus of the elites would transfer towards the regional institution. Moreover, this would create a snowballing effect, where this newfound allegiance to the regional level would further integration through adding a *"political stimulus to the [integration] process"* (ibid. p 49).

This, according to Niemann and Schmitter (2012), provided a foundation that challenged the intergovernmental point of view; the decisions were not only made by member-states, but were also impacted by a process in which problems were attempted to be solved through negotiations which reached beyond the current issue. Niemann and Schmitter (2012) also describe a logic in which the negotiations would become consensus-seeking through the political spillover that then would lead to more integrational-oriented agreements, as opposed to the intergovernmental school, which would have seen the negotiations as purely *"national strategic bargaining"* (ibid., p 50). Continuing along these lines, this also provides the theories (neofunctionalism and liberal intergovernmentalism) with two different sets of expectations; the political spillover and its socialization as a process. While it can analyze individual events, it is still dependent on previous events to understand if and how there is a spillover involved.

The last of the 'classical' (only classical in the light of neo-neofunctionalism and revised editions of neofunctionalism) spillover effect is the *cultivated spillover.* Haas first described this to the High Authority of the ECSC, which later became the commission of the EU, as the solely institutional aspect of the spillover. The role of this actor is to facilitate the negotiations towards *"integrative outcomes"* (Niemann and Schmitter, 2012, p 50), which falls in line with the political spillover.; Haas described the High Authority's role to be the mediator that helped negotiations reach understanding of shared interests and holding to these interests where a consensus existed (ibid.). Niemann and Schmitter describes this as: *"The participants in such negotiations tend to swap concessions in related fields under the auspices of an institutionalized mediator such as the Commission. Governments do not feel as if they are bullied. Common interests are upgraded to the extent that each participant feels that, by conceding something, it has gained something else"* (ibid. p. 50). Haas also predicted a growth of the institutional mandate corresponding with the integration as broadened through the sectors, giving the spillover effect more power (Haas 1961, p 369). Niemann and Schmitter (2009, p 50), also describes Lindberg's focus on the Commission and its ability to heighten relations with the national elites. The Commission's weight and placement within the integrative institution enables *"it not only to direct the dynamics of relations among states but also the relations of interest groups within each state."* (ibid. p 50).

These are the basis of the spillover effects, and the definition outlined above will provide the theoretical basis for the part of the discussion that focuses on neofunctionalism in relation to the EMU and the Greek membership.

Methodology

This thesis will be a study of a state-led integration vis-à-vis the Euro and EMU. A question a researcher often face, is how to aptly describe the research design of one's study. In the case of this thesis, one could argue it suits descriptions of a case study: *"[Conducting a study] by monitoring the phenomenon during a certain period or, alternatively, by collecting information afterwards with respect to the development of the phenomenon…."* (Schwandt and Gates, 2018, p 602). This description, however, does not present a full picture of a case study research design. In comparison, Hesse-Biber and Leavy (2011, p 255) writes: *"One of the problems in defining a case study is that the term is not used in a consistent way across the literature as there are no agreed-on definitions."*

Hesse-Biber and Leavy (2011) describe a case study as a broad research design in which one attempts to do an *"In-depth exploration from multiple perspectives of the complexity and uniqueness of a particular project, policy, institution (...) It is research-based, inclusive of different methods and is evidence-led"* (ibid., p 256). While this is descriptive of most academic work and encompasses a general sound approach to conducting academic work, it must be noted that it does not fully represent the approach of this thesis.

As this thesis applies a funnel-like method of first describing the general problem area (the creation of the EMU), via a systematic review of the literature, and then afterwards applies some of the elements learned in the systematic review to the document analysis, I do not constitute my research as a case study. While the similarities continue, as I attempt to draw conclusive lines between the analysis and the review, I do not believe the analysis encompasses a wide enough range of either theory or methods to be a fully-fledged case study.

Synthesizing the literature – systematic review

The literature review has been an important part of the methodological approach for this thesis. As the problem area of the thesis has been in the academic searchlight for some time now, and as the EU is a well-researched area, the literature review provided guidance to uncovering an approach to the subject that has yet to be researched. This is not a unique feature of the literature review exclusive to this thesis, but it stands to reason that it must be noted, given the vast research within the area already existing. Given my inclusion of some academic work as important sources for my document analysis, it also helped uncover the major themes in my document gathering.

My initial literature search showed that the literature on the EMU integration is quite vast. This is not surprising given the scale of the project and its 21 years existence, but it does provide a challenge to a researcher: finding the space for new research.

Therefore, I chose to employ a systematic review as my first part of the analysis, aiding in my second. The systematic review is somewhat of a newcomer to the research strategies for international relations (Dacombe, 2017), but it can help provide a more rigid methodological basis than a regular literature review through systematization with set rules and a clear aim: *"Indeed, it is this structured and transparent approach to the entire process which marks synthesis in systematic reviews as distinct from less rigorous meta-analytical approaches."* (ibid. p 151). Another important part of selecting the right aim and scope of a systematic review is a concise and focused research into the literature concerning the subject (ibid.). With this in mind, the research question of this thesis may seem to cast an overly wide net; to combat the wide aim, I implemented a guiding ruleset for my literature query. First, the theoretical approach of the paper should be within the scope of integration theory. Second, it has to have a focus on the structure of the EMU; while it is impossible to draw a hard line between the two, the literature tends to focus on either the handling of the crisis or the structure of the EMU. While this binary distinction could appear clear, literature analyzing the crisis-handling often includes a description of the problematic framework. Unsurprising, as to understand a problem, an understanding of the foundation is often relevant. Nonetheless, the systematic review will attempt to primarily include literature oriented towards analyzing the framework of the EMU (though in certain cases the crisis-handling literature provides sound descriptions of the events leading up to the crisis). Third, as noted by Dacombe (ibid), a systematic review is dependent on an accurate and focused approach, which is why I used my initial literature search to narrow my search to liberal intergovernmentalism literature.

The focus of the systematic review has been sources describing the Euro and EMU integration from the 1993 up until now, with a lesser focus on the immediate post-crisis years (as functional limitations such as research time had a limiting factor). First, a general search has been conducted on available, well-known search engines such as Google Scholar, The Royal Danish Library and similar. Afterwards, a more methodical approach has been used, focusing on academic journals in the period 2002-2012. The period chosen is due to the historical sensitivity of the problem area. In the initial literature search the academic work produced later than 2012 mostly focuses on the crisis or the aftermath of the crisis.

Here it must be noted that some of the literature that does not comply with the criteria above has been included. As all aspects of the literature are relevant to appreciate the full academic picture of the problem area, examples of the major views of the post-crisis literature are included. Likewise, some articles provide exclusive knowledge or insight, and have thus been included.

Understanding the Greek ascension – a qualitative document analysis and the choice of sources

As mentioned above, the thesis will be singular in its methodological approach. Due to the historical nature of the subject, the empiric evidence will be official documents, news articles and previous academic work. These sources provides both advantages and disadvantages for the validity of the work presented in this thesis. First, the use of academia as sources to analyze upon, provide a claim for credibility; by using peer-reviewed material, the validity of the sources is quite high, given their academic nature. In general, the validity and nature of the sources are important aspects of a qualitative document analysis. As Bowen (2009, p 33) describes:

"It is important that the documents be assessed for completeness, in the sense of being comprehensive (covering the topic completely or broadly) or selective (covering only some aspects of the topic). The researcher should determine, too, whether the documents are even (balanced) or uneven (containing great detail on some aspects of the subject and little or nothing on other aspects)."

The thesis will implement a qualitative document analysis to dissect and present the integrational processes of the development of the Euro and the EMU. The choice of method has several reasons behind it and reflects the problem area: *"As a research method, document analysis is particularly applicable to qualitative case studies – intensive studies producing rich descriptions of a single phenomenon, event, organization, or program"* (Bowen, 2009, p 29). But it is also a reliable way of procuring empiric data historically (ibid, p 30.): *"Bearing witness to past events, documents provide background information as well as historical insight."*

The qualitative document analysis entails a few things; first, the empiric evidence has been collected unobtrusively, and therefore it exists outside of this study, providing credibility and objectivity to the study, as it has not been created with this study in mind, it provides a less subjective evidence regarding the subject of this thesis. Conversely, by having to gather the evidence from an inconceivably large mass of existing documents, one faces the subjectivity

of the collection of data. With the systematic review in mind, the search for documents for this thesis has been thorough. It is important to remember the purpose of the literature – why was it made and who was it aimed at (ibid.)
The research was conducted by first finding descriptive literature (including previous academic work) that can uncover the main themes of the available documents. Afterwards, a more in-depth search within the themes has been conducted, with an aim of gathering as broad of an array of sources as possible – including critical descriptions and analyses of events, news articles and official documents. Some of these have distinct biases; from articles from EU-critical (or EU-pro) newspapers, to official documents meant to convey information in which a researcher is not the target. To gain clarity into the validity of these, a part of the selection process for this thesis has been cross-referencing the documents with each other, to see if they provide a uniform description of the theme. Literature that does not fall into this uniformity, will still be included, albeit the source is reputable (a renowned newspaper as an example) and the information has not been disputed. Lastly, the documents not chosen have been reevaluated to see if they provide alternative points of view or information that would be relevant to include.

Afterwards, the documents will be analyzed through the lens of liberal intergovernmentalism. The structure and aim of the analysis will be the internal mechanics of the stepwise framework of liberal intergovernmentalism.
A question that arises, when conducting a qualitative document analysis, is how to gauge the number of sources included. Bowen (2009, p 33) argues that:

"the concern should not be about 'how many'; rather, it should be about the quality of the documents and the evidence they contain, given the purpose and design of the study. It is generally better to have access to a wide array of documents providing a preponderance of evidence, especially when the study is relying heavily or solely on documents. When documents are being used for verification or support, however, even a few can provide an effective means of completing the research."

With this in mind, and as described above, I have attempted to cover the topic as broadly as possible when choosing empiric data, though constrains of time and formalities does limit this.

Ontology and Epistemology of literal intergovernmentalism

Liberal intergovernmentalism is part of a rationalist tradition within social sciences. It regards the actors scrutinized – in this case nation states – as rational entities, meaning that they will make the choices that will be the most beneficial to them (Egholm, 2014, p 226). In other words, *"actors calculate the utility of alternative courses of action and choose the one that maximizes (or satisfies) their utility under the circumstances"* (Moravcsik and Schimmelfennig, 2012, p 68). Even though liberal intergovernmentalism methodologically can be argued to be within the scope of critical rationalism, the theory differs from the scientific tradition's idea of individual reduction (Egholm, 2014, p 71). Rather than viewing society or, as in the case of this study, governmental or political institutions as collective unities, critical rationalism understands *"all collective phenomena and social conditions … through individual actions"* (ibid. p 83). Liberal intergovernmentalism regards nation states as actors despite them being collective phenomena and not individuals (Moravcsik and Schimmelfennig, 2012, p 68). That said, Moravcsik argues that studying EU integration means reviewing the rational actions taken by state leaders (ibid. p 69).

As I am doing my study within the critical rationalist tradition, this will be reflected in the ontological and epistemological positions of this thesis. The critical rationalist tradition takes a rational ontological position, meaning that phenomena are regarded universal and exists regardless of being researched or not. In other words, the existence of things, phenomena and science goes beyond the work of the researcher (Egholm, 2014, p 226). A similar ontological position is implemented in my study due to my use of liberal intergovernmentalism. The events and political procedures investigated in this thesis exist regardless of me analyzing them or not. As for epistemology, the critical rational tradition regard knowledge as something gained via hypothesis testing through a deductive approach. The researcher's task is to create knowledge by testing pre-set hypotheses about the investigated phenomena. Knowledge is thus gained *a priori*. Furthermore, hypotheses are tested through falsification rather than verification, as an extended version of the former makes for a strong researched statement (Egholm, 2014, p 227; Popper, 2003, p 44-46) and, as stated by Egholm (2014, p 80), *"Each time that we try and fail to falsify a statement, it becomes stronger, because it becomes valid for a larger area."* Empirical data is used to falsify in critical rationalism. The empirical data of my study counts official political documents and statements, which I use to investigate my research question.

Karl Popper heavily called on the use of falsification in the mid-1900. General statements, he argued, could not possibly be extracted from inductive studies. Instead, the researcher should take a deductive approach, as phenomena should be investigated through theories and theories should be tested and perhaps validated via empirical data: *"Theories are nets cast to catch what we call 'the world': to rationalize, explain and master it"* (ibid. p 79). Popper's idea that theories are tools to encounter the world can be seen as a more general component of critical rationalism. Critical rationalist studies tend to create hypotheses out of curiosity from an already existing theory, and the empirical data used to falsify it is carefully collected (ibid. p 85). In my case this tends to be very true. I have built my research question on the already existing theory of liberal intergovernmentalism, and I have sought to be as thorough a possible when collecting empirical data. In order to do so, I have used a systematic review rather than a literature review. This has given me the opportunity to collect my empirical data as carefully as possible.

In my research I have used liberal intergovernmentalism as my working theory, meaning that I have used the analytical steps of the theory to investigate and analyze my case. I have not been able to falsify my research question from the case of Greece, which, if we follow the above-mentioned statement of Egholm, means that my stated hypothesis is strong. Should I have made an even stronger statement, I should have investigated other cases in comparison to see if the integral framework of the Euro is flawed. However, this would have been a rather complex matter due to the different nature of each EU member state. This means that a study of another EU member state would turn out fairly different. Furthermore, this would have called for more time and length for this thesis.

Systematic review of the literature on the creation of the EMU

In this chapter, I will review the literature on the flawed integration of the EMU via integrational theory. I do so by conducting a systematic review. The review will provide a baseline understanding of the use of liberal intergovernmentalism in regards to the problem area and - given both the age and the amount of literature that uses analytical aspects which are similar to and compatible with liberal intergovernmentalism - synthesize the existing literature together into a larger perspective of the creation of the EMU and the years leading up to its first appearance in 2000.

The structure of the systematic review is as follows: First, I will provide an overview of the literature that concerns itself with the framework of the EMU. I will structure it from the theoretical perspectives used by the literature. This will not represent a complete mapping of all the literature, but instead I will highlight the major approaches and exemplify the respective approaches through selected articles.

Afterwards, I will provide a descriptive analysis of the literature through the lens of liberal intergovernmentalism. Much of the literature (and not just the liberal intergovernmentalist literature) provide insightful analyses and concepts, that are easily applicable in the framework of liberal intergovernmentalism. Much of the non-liberal intergovernmentalist academia have a strong focus on areas well within the scope of liberal intergovernmentalism: contradicting national preferences creating suboptimal outcomes from negotiations, leading to a flawed or incomplete integration and framework, which created a foundation for the strong impact of the crisis.

Lastly, I will sum up the findings of the systematic review. Following this, I will conclude on the liberal intergovernmentalism synthesis. Hereby, I will create a starting position for the document analysis, by both providing a general conception of the EMU in a liberal intergovernmentalism understanding, an outline of the general focus of previous studies of the EMU, and highlight what I believe is an overlooked aspect of liberal intergovernmentalism, namely the little focus on the role of EU institutions, conferring their limited mandate. The latter will be relevant in the document analysis of the Greek ascension as well.

Finally, to bridge the systematic review with the content analysis, I will provide a quick run-through of the literature on Greece in EMU pre-crisis. This will serve as an overview of the current understanding of Greece and the EMU within academia, and be the foundational understanding of the situation from which I will depart in the content analysis.

The general trends of the literature

The literature that concerns itself with the framework of the Euro is both varied and plentiful. As I have described, the thesis will primarily be focused on literature with a liberal intergovernmentalist approach, but before that, I will shortly describe the other theoretical trends in the

literature. To begin with, I will describe the larger pieces of the literature that both seem relevant to the specific problem area of this thesis, and/or provide integral knowledge in terms of a liberal intergovernmentalism synthesis. These pieces - books concerning the EMU – will serve as a basis of the review of the literature.
Skal der være underoverskrifter for de forskellige inddelinger, du beskrev ovenfor?
The book *Endgame for the Euro* (Lucarelli, 2013) provides a thorough historical rundown of the EMU. The book takes a critical approach to the economic history of the EMU by highlighting economic flaws in the creation and function of the EMU. The book has a strong opinion on Germany's role in the creation process, providing quantitative economic evidence for German preferences in the creation of the EMU. It attributes the crisis to three major problems of no common fiscal framework at regional level, the imbalance in the national labor policies and wages and the need for a European *"social space"* (Lucarelli, 2013, p 83), and lastly a paradox of the need for stronger and restricting legislation in a neoliberal ideology.
Dyson and Featherstone's *The Road to Maastricht: Negotiating Economic and Monetary Union* (1999) provide an in-depth description of the negotiations of the Maastricht Treaty. The book centers on the levels of negotiations, the negotiation tactics used and the preferences that lay behind the different tactics. It approaches this from a historical perspective, analyzing preferences back to 1981. I will delve into the preferences later on in this systematic review. The book describes the negotiations to be a 'core-executive' endeavor, meaning the negotiations were kept at the level of the Ministers of Finance and central banks (Dyson and Featherstone, 1999). This, coupled with a political 'fight' in which the negotiating ministers and the central banks were adamant to keep the EMU out of the political union as much as possible, to keep the EMU out of the realms of foreign ministers' and governments' discussions (ibid.). According to Dyson and Featherstone, this led to the creation of an EMU lacking democratic legitimacy vis-à-vis the democratically independent role of the ECB, and the lessened role of the European Parliament and Commission (Dyson and Featherstone, 1999).
Moravcsik's *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (1999) is an academic litmus test of Moravcsik's own liberal intergovernmentalism. The book applies the theory to five cases of large-scale integration – among these the EMU. Moravcsik describes Germany and France to be the leading states in the negotiations and in the outcome of the negotiations. There is a strong reliance on the German wishes for sound fiscal policy, whereas the French preferences are more diverse; from improving the French standing

in the EU to the aspirations of the president at the time, the French preferences account for it all (Moravcsik, 1998).

The approaches of *new institutionalism* is, unlike the name suggests, not quite recent entries into integrational theory. While originally not created with European integration in mind, the new approaches in institutionalism found their way onto the European integration scene. What is called *new institutionalism* here, is actually an umbrella term for institutionally focused studies originating in different disciplines and counts amongst others, rational choice-, principal-agent-, and historical institutionalism (Pollack, 2012.).
The argument for using a new institutionalist' perspective is plentiful, and especially historical institutionalism has been applied to the EU numerous times (e.g. Howarth & Quaglia, 2020; Jones et al., 2015). The focus is often on the path dependency of suboptimal decisions on the framework of the EMU.
In some instances, the foundation of the new institutionalism is grounded in liberal intergovernmentalism. Maior (2007) argues for a historical institutionalist understanding of the EMU, based upon converging preferences of member-states and their realization of the interdependences of the economies, which proves to be a grand reason for integration as well, as: *"member states sought to tie their hands in order to enforce painful reforms at home"* (Maior, 2007, p 8).

The literature's approach to neofunctionalism is often used in connection with another theory. Howarth and Quaglia (2020) uses neofunctionalism's functional spillover to explain needs in high-importance sectors that necessitates further integration and creation of new institutions. This takes decision making power away from member-states, and changes to the decision-making process becomes costly. Additionally, it creates a path dependency and may even turn member-states to pursue further integration through rectification of the legal framework. Furthermore, it sees a differentiated integration vis-à-vis the EMU and core/periphery member-states. A similar neofunctionalist-historical institutionalism is used by Jones et al. (2015), which also includes the liberal intergovernmentalism notion of reaching the lowest common denominator when there are contradictory preferences amongst the member-states. It argues for circular mechanism, where the lowest common denominator creates an incomplete framework, which, in turn, creates the foundation for a flawed functional spillover *"that perpetuate the crises"* (Jones et al. 2015, p 1017).

The functional spillover is also described as a preference for the member-states in the creation of the EMU (Dyson and Featherstone, 1999). According to Dyson and Featherstone (1999), member-states saw the necessity in a monetary union, as a functional spillover effect to complete the Single Market. Furthermore, Dyson and Featherstone (1999) also implicitly attribute a cultivated spillover effect to the European Commission in the negotiations of the EMU – namely Jacques Delors, president of the European Commission – as a leading role alongside France and Germany in shaping the negotiations.

Zimmermann (2016) also uses a dual theoretical approach, like Jones et al. (2015) and Howarth and Quaglia (2020), with a main focus on neofunctionalism and integral parts of comparative political economy. Zimmermann takes a neofunctionalism macro approach to the EMU. He argues that the usually positive effects of spillover is reversed, as it pushes for *"the unholy trinity or the incompatibility of the three objectives of flexible exchange rates, open capital markets, and national policy autonomy"* (Zimmerman, 2016, p 426). Applying the two theories, the article finds a triangular paradox with the integration of the EMU vis-à-vis a neofunctional understanding. A large Eurozone would be in the need of abilities to short-cut lengthy democratic processes and *"impose technocratic solutions"* (ibid., p 435) onto member-states, while a preference for preserving national sovereignty and will have to lessen the depths of integration. Lastly, the idea of a large Eurozone is counterintuitive to the possibilities of governing it, as to achieve a deep integration the states have to have similar economic profiles and a population open to the smaller regulatory rule changes.

These exemplify the general neofunctionalist approach; a reliance on secondary theory (and sometimes tertiary as seen in Jones et al. 2015) to fully provide an explanation of how and why the framework of the EMU is problematic.

National Preferences

The literature on the national preferences in play in the creation of the Maastricht Treaty, and subsequently the EMU, is first and foremost focused on the aligning preferences of Germany and France (Baun, 1995; Sadeh and Verdun, 2009). The preferences for the EMU of the two nations had distinctively different focuses and reasons, but they were similar in their aim.

Germany was economically interested in the stability a common currency could provide against outside effects and they also saw opportunity to attain help for and disperse the costs of its unification (Dyson and Featherstone, 1999; Sadeh and Verdun, 2009; Moravcsik, 1998). Agreeing to the EMU may even have been a way to garner support for the unification of Germany (Garrett, 1993). The German focus on sound fiscal and financial policy were shared by both the British and the Dutch (Dyson and Featherstone, 1999). These nations had the same interest, yet the British were initially reluctant of the project, and only in the face of exclusion did they show more positive traits towards the EMU (Moravcsik, 1999).

France, on the other hand, had interest in the EMU as an opportunity to gain influence over the German monetary policy, which had been a subject of hindrance to French policies in the prequal system to the EMU – the European Monetary System (EMS) (Featherstone, 1999: Baun, 1995). France's interest in more integration vis-à-vis influence on German monetary policy also led them to the proposal of a European Central Bank, which Germany reluctantly agreed to, under protests from the Bundesbank (Baun, 1995). Moravcsik (1998) rejects a European ideological preference for the EMU. As talks of the EMU preceded the unification of Germany, Moravcsik argues that it cannot have been a driving preference, as it was non-existing when the dialogue first started. Though it is admitted that Germany later on finds additional preferences in this ideology (Moravcsik, 1999). Internally in the leading nations of France and Germany, there was a strong support for the EMU from prominent business groups. Though the support waivered a little in Germany as negotiations went along (ibid.)

The preferences of France were very positive of the EMU. France has always been a proponent of the European Project(s) and the EMU was no exception (Dyson and Featherstone, 1999; Moravcsik, 1998). From a political perspective, the French president at the time, François Mitterrand, was a strong supporter for a leading role for France in the then-new European Union. François Mitterrand himself became enamored by the prospect of him having a leading role in the international project – including the EMU (Moravcsik, 1998).

According to Dyson and Featherstone (1999), there was also a collective economic preference derived from the instability of the 70's: *"the primacy of 'sound' money and public finances began to emerge across the EC"* (Dyson and Featherstone, 1999, p 752). The preference would politically take the shape of the most 'sound' of the member-states, namely Germany (ibid.). Germany was also seen as the strongest proponent for a strong monetary- and fiscal policy area

(Moravcsik, 1998). Furthermore, the incentive to create the EMU of the periphery states (like Greece) were seen as the importing of sound external financial discipline and having a say at the table (Dyson and Featherstone, 1999). The preference of the periphery member-states may seem like it contradicts the liberal intergovernmental idea of preferences of integration does not include broad ideas like European ideals (Schimmelfennig and Moravcsik, 2012). Yet as also stipulated by Schimmelfennig and Moravcsik (2012), it is a preference of member-states to gain power in cooperation: "*Governments pursued integration [due to] (...) the macro-economic preferences of ruling governmental coalitions*" (ibid., p 70). A similar preference is observed in the preferences of France, as they are described to have wanted influence over the German monetary policy – which ended up being the model for the EMU's monetary policy (Dyson and Featherstone, 1999). A similar overarching preference between the member-states was the functionality of the EMU. It was collectively seen as necessary to fully integrate the Single Market (ibid.).

There are proponents of a strong ideological preference in all member-states, and sees this as a leading cause for the creation of the EMU and especially the autonomous and non-political role of the ECB, which entails giving up ever-precious sovereignty (Maior, 2007).

There was clearly amble existing preferences for the creation of the EMU, but when it came to the design of the EMU, the member-states were not equally aligned. The British were adamant of keeping their sovereignty, whereas the French and the Germans were less skeptical of supranational legislation (ibid.)

Substantive bargains

Unlike the national preferences, there is not a prevailing consensus in describing the negotiations behind the EMU. As described by the theory of liberal intergovernmentalism, the actor with the most to lose from change in negotiations would prove to be the hardest bargain, which is surely reflected in the literature

Dyson and Featherstone (1999), furthermore, provide a 'functional' aspect of the negotiations. They see the ECB and ECOFIN as administrative possessive of the EMU negotiations as to keep the EMU within their political reach, and leave as little as possible decision-making to the Council of Europe and other council formations.

The German-Franco discussions also proved to have a leading role in the shape of the negotiations (ibid.). As the French and German discussions had more autonomy and Delors played a bigger role in these discussions, the two member-states had an upper hand in the bargaining process. They had the intricate knowledge of the institution, as stipulated by liberal governmentalism, and furthermore they had the ability to shape the discussions, creating an asymmetrical relation of bargaining power with the other member-states (ibid.).

The bargaining space of the EMU was somewhat tightly defined by strong member-state preferences (Moravcsik, 1998). Due to the opposition of a strong supranational institutional role, the preferences for sound monetary and fiscal policies and the one-trackness of the ECOFIN and ECB preferences of keeping the discussions primarily in those forums, the available outcomes were somewhat slim. The EMU should not overstep sovereignty boundaries of national policies, yet maintaining strong monetary and fiscal policies, all while having as little diverse political input from other sectors than the ECOFIN and ECB (Dyson and Featherstone, 1999). The role of the German and French leadership in negotiations is also to be at cause for the outcome of the negotiations (Degner and Leuffen, 2021). Opposing preferences for the framework and the role of the EU in the EMU led to an incomplete EMU, according to Degner and Leuffen (2021).

Institutional choice

Dyson and Featherstone (1999) describe an uneven framework of the EMU as a consequence of the singularness of the ECOFIN's aim to keep the EMU discussions within its council formation. By keeping the discussions within the ECOFIN and the Central Banks of member-states, the EMU became sound when it came to the 'technical' side, but lacked democratic legitimacy, both as the Central Banks and the ECOFIN council shaped much of it, but also as the primary institutions in power, the democratic aspect was questionable. Furthermore, the detachedness of the EMU from the population in general has since proved to be a thorn in the eye of the EU (reference).

The outcome of the negotiations was seen as a victory for Germany and a loss for France (Moravcsik, 1999), since Germany had to stray very little from its preference of sound fiscal and monetary policy, and managed to keep the ECB autonomous (Dyson and Featherstone, 1999). Ultimately, the outcome of the EMU negotiations led to an EMU of two tracks of integration. The monetary side which is strongly integrated under supranational governance, and the economic which is more intergovernmental and reliant on member-states (Howarth and Verdun, 2020). To be more concise, the asymmetricity of the EMU can be split into three 'themes': The economic versus monetary asymmetry; The centralized monetary union opposite a lacking centralized supervision of economy and finance (this will prove important in the analysis of the Greek membership); and lastly, the lack of a leader of the EMU (Pagulatos, 2020; Howarth and Verdun, 2020).

These are not the only flaws of the EMU. The (in)ability to deal with sudden financial instability, and the autonomous of the ECB does not entice much transparency for the population (Giavazzi, and Wyplosz, 2015).

Several authors are very explicit of the lack of instruments to deal with sudden financial instability (Pagulatos, 2020; Howarth and Verdun, 2020; Jones et al. 2016), though it is most prominent in literature post-crisis. Not surprising, given the seriousness of the crisis, yet notable none the less.

Conclusion

As shown in the review above, there are several approaches used in the literature to explain the shaping of the EMU during the Maastricht negotiations. This thesis focuses on the liberal intergovernmental understanding.

The negotiations were strongly impacted by prominent member-states, namely France and Germany, who both were positive towards the creation of the EMU. Germany had the more tangible preferences (at least for other member-states to subscribe to), and the German preferences for a sound monetary and fiscal policy was supported widely. Importing these was a preference even for the periphery-states.

Like the preferences, the negotiations were driven primarily by France and Germany on the member-states side. From the EU, Jacques Delors played a similarly large role. By being in a leading position, the French and the German were able to shape the negotiations, and ultimately, Germany appeared to be the state whom had to have the least concessions, as the stringent monetary policy was shaped after the former German policy.

Furthermore, the discussions were attempted to be kept within the ECOFIN and Central Banks. This led to an EMU that had little impact from politics, which in turn, became one of the criticisms: namely the undemocratic nature of especially the ECB.

The outcome was suboptimal in other areas as well. There is general dissonance between the centralized monetary union, but a decentralized economic union, where member-states had the decision-making power to implement their own economic policies – of course within the limits of the SGP, as described in the problem area. But as also noted there, any true enforcement of the SGP is yet to be seen.

The Greek ascension into the Eurozone – a document analysis

This analysis will examine the Greek entrance into the Eurozone in 2001. I argue that the Greek membership can be seen as emblematic for the flaws of the framework of the Euro, as the main point of critique is the underdeveloped/uneven institutional aspect of the cooperation. To conduct this research, I will use liberal intergovernmentalism to analyze the Greek ascension. Lastly, I will attempt to draw comparisons of the two instances of the framework of the EU and the Greek ascension. Here, a similar theoretical approach is advantageous as well.

The sources for my document analysis will primarily consist of official documents and news articles. These provide two different types of information; the news articles provide insight into negotiations, public opinions and similar knowledge that would be hard to acquire – especially considering the age of the Greek member-ship – and while the official documents provide insight into the national preferences, they also provide a formal communication alley and are a key communication tool from the EU.

The analysis will consist of three subchapters, each being a step in liberal intergovernmentalism, namely *national preferences, substantive bargains* and *institutional choice.* After the three points of analysis, I will conclude on my findings, and compare the Greek ascension with the general framework of the EMU.

While the structure and outlook of the analysis is somewhat simple and easily approachable, the Greek ascension is not as straightforward. Greece had already accepted the EMU through the Maastricht Treaty but were economically not ready to join by the Euro's inception in 1999. The ascension was first and foremost subject to the convergence criteria and the economy of Greece. The ascension would not be possible before it was determined that Greece would satisfy the convergence criteria. Therefore, the analysis will not only focus on the instance of Greece's inception into the eurozone in 2001, but also include relevant preferences, negotiations and institutional choices made during the Maastricht Treaty. This adds a historical dimension, akin to path dependency, as the decisions made in the Maastricht Treaty laid out a path to the Eurozone for Greece. As noted in the systematic review, a study encompassing a timeframe like this is often supported by a historical theory as well as an integrational theory. I will not conduct an additional historical institutionalism analysis, yet the historical aspect is important to keep in mind.

For the sake of this particular analysis, I will bridge the historical-perspective gap, including the relevant information from the Maastricht treaty, by implying the path dependence of decisions made in the Maastricht Treaty to be deterministic for the ascension of Greece in this analysis. This choice is also in response to the formality of liberal intergovernmentalism. As the theory focuses primarily on observable instances (the preferences of a nation, the negotiations at the EU level, conducted in a formal setting, and the outcome of the institutional choice) little room is left for latent causal mechanics. To add, the most prominent path dependency is a legislative; the creation of the convergence criteria provides a quite visible and shallow path dependency to the ascension of Greece. But analyzing this would not provide much in-depth knowledge; it is only natural and logical that the EU would follow their own legislation (which I argue is not all that interesting as it is expected for the EU to do so), and furthermore the time period between the creation of the EMU and the ascension of Greece is rather short and without noticeable events that would help an argument for a larger path dependency.

With this in mind, some aspects are interesting: The EU's slight disregard of convergence criteria for Greece, a continuous 'battle' with Greek economic reporting and the impact of these later on in the EMU cooperation.

<u>The preferences of ascension</u>

This section will analyze the national preferences in play in the Greek ascension to the Euro. Describing the preferences of all nations engaged in the decision would be a tall and lengthy order, which forces me to prioritize and select. The most essential are of course the national preferences of Greece.

As noted in the theory chapter, the national preferences are not to be seen as a static black box, but instead they are impacted and to a certain degree determined by the national society and societal groups. The surveyed public opinion of Greece was very pro-Euro before their ascension: In 2000, the Greek public scored second highest in a Eurobarometer survey on the citizens' interest in having the Euro (Directorate-General Health and Consumer Protection Directorate A – Consumer Policy Financial Services Unit, 2000). This positive attitude towards the Euro was not a new outlook: In 1995, 52 pct. of the surveyed Greek population was for a European currency, compared to only 20 pct. against. In 1997, 66,6 pct. of surveyed Greece was pro monetary union (EUROPEAN COMMISSION, 1997), which continued onwards after their inclusion, as 70 pct. of the surveyed Greek population was for the Euro in 2001 (EUROBAROMETER, 2001). The Eurobarometer proves the point of the public preference in Greece, as the public was quite pro-Euro both before and after their inception into the Euro. From a purely Greek perspective the public had the right idea too, as the Euro membership was expected to bring a slew of economic benefits. There was expected an improvement in production and trade due to the decline in transaction cost, the transfer of Greek monetary policy to the EU could stabilize prices, as the policy would no longer be impacted from domestic pressures, which would incline investments (Herz and Kotios, 2000; Kotios et al., 2011). This economic benefit was not only an expectation either. The Greek economy had already seen improvements as their interest rate dropped off through the late 1990's (Macdonald, 2018). Then-Finance Minister Yannos Papandoniou described it as: "*In the long-term,* (membership) *will mean prosperity because Greece is about to have higher growth within the EMU, low inflation and ... a strengthening of* (our) *international role ... in the Balkans and in Europe in general"* (Gaunt, 2000).

The Greek interest in a Euro membership is perhaps no clearer than the policy hoops Greece had to jump through to meet the convergence criteria. In a conference paper advising the Bank of Albania, then-Director Adviser at the Bank of Greece, George Tavlas, and Theodoros Papaspyrou (2003) describes the Greek measures to meet the Convergence Criteria. Greece entered 1994 with an inflation rate of 11 pct. compared to the average of 3 pct. in the EU. According to the two advisers, Greece created a basis for disinflation through a stringent monetary policy. Devaluation of the Drachma was needed as well, but through a *"re-orientation of economic and monetary policy specified in a revised convergence programme of Greece"* (ibid. p 2). This convergence program was a rather large handful for the political leadership in Greece, and the aim of the program was ambitious: *"Greece committed itself to an ambitious macroeconomic stabilization policy in order to reduce inflation from 10.8% (1993) to 3.3% (1999), to restrict the budget deficit from 13.2% of GDP (1994) to 2.1% of GDP (1999) and public debt from 112% of GDP (1994) to 103% (1999). Greece was determined to comply with the exchangerate criteria by 1997 and to reduce long-term interest rates from 19.5% (1994) to 2.1% (1999)"* (Herz and Kotios, 2000, p 171). Though it must be mentioned that the validity of the Greek numbers are somewhere between wrong and questionable, vis-à-vis the reports of

Greece's dubious statistical reporting (Macdonald, 2018, p 57; Eurostat, 2004), but this will be discussed further later on in the analysis, as this information were not readily available before the decision to admit Greece into the Eurozone.
While the government had the necessary support in the sense of 'acquiring' the Euro, some of the necessary changes it brought along was not as popular as the end goal itself: A pension-reform, that would help alleviate the pension systems' large fiscal burden to the Greek finances, became a political drama, as it was met with strong sectorial preferences that "*sought to defend their accumulated privileges*" (Featherstone et al., 2000, p 475) from being reformed away in Greece's attempt at changing an inefficient and financially troublesome pension system. Ultimately, Greece could not find the political clout to reform their pension system. This is one example of the dilemma of the preferences of Greece; a strong support for a Eurozone membership, but internal barriers to reform in preparation for the needs and demands of said membership.

While Greece was not a singular actor in the ascension, the general attitude towards the EMU - as outlined in the systematic review - was split in its creation. Especially Germany had a strong preference for sound fiscal policies (Dyson and Featherstone, 1999; Schoeller and Karlsson, 2021). This did, of course, not mix well with the Greek economy that barely made the convergence criteria. A council member of the German Bundesbank, Hans Reckers, was outspoken against the ascension set to happen in 2001 and wanted it delayed a year, as he saw the Greek disinflation as unsustainable: *"The temporary decline in the Greek inflation rate to two percent has been 'considerabley influenced by one-off measures,' Reckers added. The current inflation rate in March is already back up to 2.8 percent with a rising tendency"* (Gould, 2000).
As seen in the systematic review, Germany had a strong effect on the strictness of the fiscal side of the EMU, and as noted by Schweickert (1997), the leading German attitude was one of more monetary stability akin to the former D-mark and less one of potential economic gains.
The comment of Hans Reckers then, was perhaps not surprising, given the German interest in a strong and stabile monetary union. However, the outcries were few and far in between. Though the Christian Democratic Union of Germany (CDU) voiced doubts in the European Parliament when the parliament decided upon Greece's application to the Euro, though ultimately approving, and according CDU member Karl von Wogau, the majority of the CDU were in favor of the membership (Antonovics, 2000).

The ascension of Greece was rather uneventful in regard to the other member-states. Their membership was officialized during a European Council summit in medio June 2000 (European Council, 2000).

The substantive bargains among friends

The automation of the ascension, as Greece primarily just had to clear the convergence criteria and apply to have their designation as a "*Member States with a derogation*" abrogated (meaning they are decided by the EU to be having an excessive deficit) removed. Based upon reports from the ECB and the Commission, the Council then decides whether or not it should be removed, and the nation admitted into the Eurozone. This rather straight-forward process makes the substantive bargains part of the analysis less focused on the actual negotiations, and more on the factual background of the ascension.

The ascension was rather painless from a negotiation perspective. Greece was admitted membership on the basis of fulfilling (almost) all of the convergence criteria (Macdonald, 2018; Herz and Kotios, 2000), and their economic situation was indeed steadily improving in the time leading to up to the acceptance into the Eurozone (Macdonald 2018). The support for the Greek ascension was widespread, and the application passed through the European Parliament quite easily. The European Parliament was in favor of making Greece the 12th member of the Eurozone (Antonovics, 2000). While there were the doubts voiced by CDU in the European Parliament about the Greek membership, the majority of the parliament had mostly positive attitudes, and received guaranteeing words from both the socialist and liberal sides of the parliament (ibid.). The European Parliament, in the economic and monetary affairs committee, also voted in favor 26 to 1 with 10 abstained votes to admit Greece into the Euro (Reuters, 2000).

Additionally, the European Parliament was not the only EU institution to give their acceptance of the ascension. The European Council showed a similar willingness to allow Greece membership in the Eurozone. Of course, the EU first demoted Greece to be unfit in 1994. The European Council first adopted a decision the 26th of September 1994, stating Greece had an *"excessive deficit"*, and thus making them unfit for the Euro (European Union, 1999).

From 1994 until 1999, Greece completed three out of four convergence criteria: Greece managed to stabilize its price and had an inflation of 2,0 pct. in 1999 – 0,4 pct. less than the criteria, and the average Greek interest rate was 6,4 pct. – 0,8 pct. less than the criterion value of 7,2 pct., and lastly the Drachma managed to stay within the plus/minus 15 pct. exchange rate limit

in their two year participation in the EMS and the EMRII, though it is noted that it fluctuated a lot within the limits in this period (Herz and Kotios, 2000). Reaching the criteria also demanded quite the finishing spurt; Greece improved significantly from 1998 to 1999, lowering their inflation from 5,2 pct. and the average interest rate from 9,8 pct, both above the convergence criteria (ibid.). Furthermore, the Greek policies were deemed to be compatible with the Maastricht Treaty, from 1998 and onwards: "*In its 1998 convergence report the Commission concluded that legislation in Greece was compatible with the requirements of the Treaty and the ESCB Statute.*" (COMMISSION OF THE EUROPEAN COMMUNITIES, 2000a, p 13).
The only criterion Greece could not fulfill was concerning the excessive deficit. However, in the Maastricht Treaty the excessive deficit denomination can be revoked by the council, of the given member-state has made significant progress in lessening the deficit: "*The Council shall abrogate some or all of its decisions referred to in paragraphs 6 to 9 and 11 to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected"* (Treaty on European Union, 1992, p 29). The Council revoked the excessive deficit of Greece in December 1999, as Greece had succeeded in lowering their deficit to 2,5 pct. of the GDP in 1998, only 0,1 pct. above the Council's recommended target (European Union, 2000). In comparison the deficit was 13,9 pct. in 1993 and 4 pct. in 1997. The only thing missing was the government debt, which was at 106,3 pct. of the GDP in 1998 according to the European Council (ibid.), and a debt of 107,7 pct. of GDP according to Macdonald (2018). This, of course, is much higher than the 60 pct. limit stipulated in the Maastricht Treaty (Treaty on European Union, 1992), but this abrogated by the Council as well.
The EU looking past the government debt criteria is not unique for Greece, as both Italy and Belgium had similar debt levels as Greece in 1998 (coincidently, both nations had a government debt of 118,1 pct. of the GDP) (Macdonald, 2018). What is remarkable about the Greek situation compared to the other would-be member states, where an inflation that was much larger than the others and comparatively worse interest rate: "*It is only when inflation and interest rates are taken into account that Greece stands apart, with quadruple the inflation and near double the interest of the three best-performing nations and rates well above those of any other nation"* (ibid., p. 62).
From the outlook it seemed apparent that Greece was not a particular case in their ascension, their economy was still not up to par with other 'excessively' indebted states (by excessively I mean breaching the 60 pct. government debt criterion). It would be only natural that this *could*

be a problematic situation for the other member states, but as seen by the relative easiness of the Greek ascension, it proved not to be as a big of a problem as one might have thought.
The easiness of which Greece attained membership could also be attributed to liberal intergovernmentalism's concept of reaching the lowest common denominator. As the status-quo was allowing Greece in, when it had proven fit to join, this would be the starting point of negotiations. While there were lingering doubts of their membership, the culmination of these were only really visible by the time of the crisis. Therefore, the negotiations are arguably consistent with the theory.

The institutional … choice?

Like the substantive bargains, the institutional choice of the Greek ascension was made in the creation of the Maastricht Treaty. Though a historical connection is needed here; the institutional choice constitutes that when choosing an international institution, it is done with a rational interest from member-states, and where the institution alleviates risks and doubts in a cooperation, and enforcement of the rules of the cooperation (Moravcsik and Schimmelfennig, 2012; Moravcsik, 1993).
In terms of the Greek Euro-ascension as a point of analysis, I will argue that the institutional choice of liberal intergovernmentalism should be defined by the informative and enforcing role it places on the institution. As the institutional choice - of exactly what this entails in terms of the ascension - was defined in the Maastricht Treaty negotiations, this part of the analysis will analyze, and subsequently critique, the EU's information of member-states and the enforcement of the convergence criteria and the participation rules of the Euro.

As shown above, Greece was accepted into the Eurozone in 2000, and officially a member the 1st of January 2001. Several of the nations that had joined by that point had not been capable of lowering their government debt to the agreed-upon 60 pct. of their GDP (Macdonald, 2018). As described, this was not against the rules per se, as the Council could determine that the member state had sufficiently lowered their debt, and therefore would be economically fit to join the Eurozone.
However, as noted by Macdonald (2018) the economic situation between the indebted member states was not quite comparable. Greece had a significantly higher inflation and interest rate than other indebted member-states yet was still admitted. With the crisis and the subsequent

political and economic fallout concentrated on Greece (and other cash-strapped states) in mind, the role of the EU in the ascension can be seen as dubious. Obviously, a question of the chicken and the egg (or rather the EU or the framework) is appropriate: Did the EU misplay their part, or were they just limited by the mandate in the framework? Or was the bad framework partly to blame on the EU and their role as informateur during the negotiations? Like the children's paradox of hens and their roe, a clear answer is hard to come by and is arguably dependent on the perspective.

In the case of Greece, the answer is situated somewhere in the middle. The ECB did inform the member-states of the economy of Greece, even right up until Greece was admitted into the Euro, in a curious instance where the ECB, whom are not required to formally recommend ascension and only gauge the member states ability to enter the Eurozone, voiced concerns of the Greek debt versus government deficit in its convergence report from 2000: *"there must be an ongoing concern that significant deficit-debt adjustments are continuing to affect debt developments adversely, with the result that Greece's public debt is falling only slowly, despite high primary surpluses and privatisation receipts"* (European Central Bank, 2000, pp. 20-21). The ECB was somewhat bullish about the potential Greek membership, but the notion of the debt was a key issue for the ECB, and warned of potential long-term effects for the Euro:

"Stressing the need for substantial improvement in the deficit ratio and for sustained consolidation over an extended period of time is indeed critical in the case of Greece. Additional and lasting retrenchment efforts on the expenditure side are needed to ensure that the debt ratio will diminish sufficiently and approach the reference value at a satisfactory pace. The current high level of debt would otherwise impose a continuous burden on fiscal policy and the economy as a whole" (ibid. p 21).

As mentioned, the ECB did not have to approve the Greek membership, and while the ECB convergence report of 2000 was generally positive of the Greek economy, the quote paints a stark picture of the troubles that could arise if Greece was admitted at the time. Just about the same time as the ECB convergence report, the European Commission (whom, in short terms, are obligated to recommend a decision to the Council, based upon both the ECB convergence report and the Commission's own convergence report) published their own convergence report and subsequently its recommendation to admit Greece into the Eurozone. The convergence report by the Commission was, in short terms, encouraging of the Greek ascension. It underlined the positive economic trends of Greece and proved it to be the background for being positive towards a Greek membership: *"During the last two years Greece has achieved striking progress towards convergence and the assessment in this report is positive*"

The report noted the high government debt, but unlike the ECB, it did not project it to be problematic, and it did not show the same concerns over the need for Greek policies to further lower the debt ratio. Instead, it projected a continuously lowering of the debt with expectance of getting below 100 pct. in 2001 (COMMISSION OF THE EUROPEAN COMMUNITIES, 2000a).

Following the Commissions convergence report came the Commission's *Proposal for a COUNCIL DECISION in accordance with article 122(2) of the Treaty for the adoption by Greece of the single currency on 1.1.2001 (presented by the Commission)* (COMMISSION OF THE EUROPEAN COMMUNITIES, 2000), in which the Commission officially proposed a council decision of admittance of Greece. The reasoning is the same as the convergence report by the same Commission.

The EU, then, had a slightly diverging attitude towards the membership; the Commission and the Council had little concerns about the Greek debt as the nation had proved to be a capable member through positive signs of lowering the debt. The ECB proved to be more skeptical of Greece's ability to lowering the debt efficiently and in a timely manner vis-à-vis contra productive deficit-managing legislation. Ultimately, the Commission and the Council had the last word, and decided to admit Greece into the Eurozone (European Union, 2000).

The up-front tangible evidence of excessive debt and comparatively high inflation and interest rate, however, does not tell the full story of the ascension in regard to the role of the EU. As mentioned earlier in this thesis, the Greek economical reporting has been questioned by Eurostat (Eurostat, 2004), and especially in the period up to the crisis culminating in heavily revised deficit numbers when the peak of the crisis was beginning (Macdonald, 2018). Macdonald (2018) also notes a curious instance, wherein government spending did not increase in 1996 – an election year in Greece, and the only time public expenditures did *not* rise in a Greek election year – and Macdonald questions whether or not this is actually factual, or a ploy to get closer to the goal of becoming a Eurozone member (ibid.).

Furthermore, Eurostat is not the only official institution to question and revise the Greek reporting. In OECD's Economic Surveys for Greece from 2005, the reported Greek economic data was revised due to activities of Eurostat and the new conservative government of Greece from 2004, that replaced the social-democratic party PASOK that had been in power for over a decade (BBC, 2019), who called for a fiscal audit after coming into power (OECD, 2005).
The revised numbers show a different reality than the immediate factual background for the Greek ascension. According to OECD (2005), the debt and deficit of Greece was never within the convergence criteria. Furthermore, the data was revised twice, where the second revision accounted for legislation which concerned repayment of hospital debt (ibid.). It is not unusual for nations to revise their data, but as noted by Eurostat (2004), the Greek revision was extraordinary: "*After the publication of the first outcomes in March by the national statistical institutes, data are often revised because new information comes available, or because errors are detected. However, the recent revision of the Greek budgetary data is exceptional*" (Eurostat, 2004, p 2).
Now it is not surprising that Greece never got under the debt criteria (for reference, see table 2) given they did not make it before the revision. What is more concerning is the deficit. As seen in table 1, the revised numbers of deficit are continuously above the convergence criteria (and the SGP) of the Euro.

Table 1: Originally reported general government deficit versus revised general government deficit, as percentage of GDP, according to OECD

	1997	1998	1999	2000	2001	2002	2003
Original data	4,0 pct.	2,5 pct.	1,8 pct.	2,0 pct.	1,4 pct	1,4 pct	1,7 pct.
Revised data 2004	6,6 pct.	4,3 pct.	3,4 pct.	4,1 pct.	3,7 pct.	3,7 pct.	4,6 pct.
Revised data 2005	6,6 pct.	4,3 pct.	3,4 pct.	4,1 pct.	3,6 pct.	4,1 pct.	5,2 pct.

Source: OECD, 2005

Table 2: Originally reported general government debt versus revised general government debt, as ratio of GDP, according to OECD

	1997	1998	1999	2000	2001	2002	2003
Original data	108,2	105,8	105,2	106,1	106,6	104,6	102,6
Revised data 2004	114,0	112,4	112,3	114,0	114,7	112,5	109,9
Revised data 2005	114,0	112,4	112,3	114,0	114,8	112,2	109,3

Source: OECD, 2005 – Note the revised data from 2005 includes intergovernmental debt of "bond holdings of social security funds through mutual funds" (OECD, 2005, p 48)

Eurostat (2004) describes a troublesome relation with the Greek reporting. In an 'Information Note' to the Council, it is stated that Eurostat has previously voiced concerns of the Greek reporting, yet this is not reflected in the basis for admitting Greece into the Euro. The damning evidence is Greece (or rather the then-recently elected Greek Minister of Finance, George Alogoskoufis) admitting in 2004 to have fudged the data provided to the EU, with an Eurozone-membership in mind, as reported by The New York Times: *"Greece confessed Wednesday to having repeatedly misrepresented significant economic data before it joined the European currency union, prompting suggestions that it might not have qualified had the true figures been known."* (Carrasava, 2004).

As described, the quote is damning evidence for the Greek ascension. While it speculates that Greece may not have been inducted into the Euro, and any other speculations would be just that – speculations – Greece would have been an even more dubious entrance, given it would not have lived up to the 3 pct. deficit criteria *and* still would not have a debt close to the 60 pct. criteria.

The intent of Greece is further described in 2012, by Greek economic analyst Miranda Xafa, in a BBC article, wherein the head of the statistical agency were commonly known as the "*the Magician"* for his ability to make government debt and deficit disappear through creative accounting methods (Little, 2012).

The evidence shows a clear sign of malicious intent from Greece. They were adamant on entering the Euro, and seemingly no means were too low to stoop to.

How the Greek ascension can be seen emblematic

As stipulated by liberal intergovernmentalism (and sound reasoning), the EU was to be informative to the Council of the situation in Greece, in regard to the decision to remove the excessive deficit and admit Greece into the Eurozone. This was to a certain degree done through the different convergence reports, where especially the ECB report showed concerns of the Greek situation, particularly when taking the future prospects of the Greek economy into count. Yet, the EU (including the ECB and Commission) did not mention or comment on the Greek reporting, that afterwards showed itself to be unreliable. One could argue whether or not the EU would have been able to discover and disclose these inaccuracies, even if Eurostat had the mandate, given it took an initiative by the Greek government itself to rectify the data. However, the matter of the fact is that the Greek economy did not live up to the convergence criteria of government deficit and debt. And while this effort in 2004 by the Greek government uncovered these inaccuracies, the story continued into the crisis, with the significantly larger miscalculations disclosed in 2009, with the revised numbers ballooning to upwards of 12,5 pct. deficit of GDP (Karyotis and Gerodimos, 2015).

The problems for the EU also lie in their mandate in regards to the accounting of the member-states. Eurostat are not mandated of auditing member-states' reports: "*Eurostat has no power to audit the data provided by the Member States. Therefore, the quality of statistical data for the excessive deficit procedure depends to a large extent on the administrative ability, good will, good faith and co-operative spirit of Member States*" (Eurostat, 2004, p 11).

It would seem somewhat optimistic to completely be solely reliant on the reports from member-states, as this puts much of their Euro-faith into their own hands. In addition, Greece is not the only member-state to use 'creative' accounting. BBC notes that even Germany has been 'creative' with their reporting of numbers, but not to the extent of Greece (Little, 2012).

The EU's role was limited and ambiguous it seems. The institutional parts of it followed the prescribed actions to the letter and the only real blemish was the Greek troublesome accounting.

This only enhances the argument of an incomplete role for the EU in the EMU. As described in the systematic review, a major point of criticism of the EMU framework is the centralized monetary policy, but a decentralized fiscal policy. This asymmetric role provides the EU with a hard hand to play; without the ability to enforce the fiscal policy, the EU can only be reactive and cannot adjust bad national economies. In the case of the Greek, the EU also showed a dissonance in its framework. The convergence was reliant on member-state produced data and the ECB's concerns were overheard. Eurostat had voiced concerns as well, yet the formal admittance was rather painless from the moment when Greece was capable of showing it had met the convergence criteria and the government debt was declining.

This dissonance between capabilities and mandate, I argue, is similar (in perspective) to the centralized/decentralized problem of the EMU. There appears to be a disjoint between what the member-states would like the EU to be capable of doing, and the unwillingness to give up the necessary sovereignty to provide the EU with powers to do so.

Conclusion

This analysis provides a liberal intergovernmentalist understanding of the Greek ascension. The analysis provides an overview of willing preferences for the Greek membership, and more significantly, the document analysis also shows little opposition from other member-states to the Greek membership. Only a few outspoken experts seemed to believe the ascension was not a good idea at the time – but also with a later ascension in mind (Gould, 2000). These overarching preferences, and lack of opposing preferences, for a Greek membership can be interpreted as a preference for the European cooperation, in the mold of the French preferences for the creation of the EMU.

In this vein it can seem remarkable that Germany (outside of Mr. Reckers from the Bundesbank) did not voice any qualms of Greece's membership. Afterall, Germany has shown preferences of a strong Euro, ensuing strong fiscal policies. They also proved to be a driving force in the convergence criteria focused on debt and deficit (Dyson and Featherstone, 1999).

With this in mind, its noteworthy to acknowledge Germany's own trouble with the rules of the EMU; in 2012 Germany themselves took advantage of creative accounting methods (Little, 2012), and later on in the EMU cooperation. In 2004, both France and Germany broke the 3 pct. deficit cap (Tran, 2003). This is, of course, outside of the timeframe for the Greek ascension, and would be a retroactive argument for national preferences. However, it does help convey the argument of diverging national preferences vis-à-vis a strong common currency versus giving up sovereignty to provide institutional power to enforce, and furthermore a lesser importance for a need for upholding the fiscal rules of the EMU, for the prospect of expanding the Euro and the European integration.

The theme of an easy ascension is carried through the negotiations of the Greek membership. Questions surrounding Greece and their fit into the convergence criteria were not a hindrance, and from the Greek application until admission, there were seemingly no doubt about their ability to enter, even with their high debt, inflation and interest rate relative to other member-states looming. Concerns of the Greek membership were downplayed, exemplified by then-European monetary affairs commissioner Pedro Solbes, who did not see the criticisms facing Greece as substantial enough to postpone the membership:

"Sometimes concerns expressed about Greece are excessive," Solbes told the assembly. He noted that Greek inflation in April at 2.1 percent was lower than in euro zone members Ireland, Spain, Luxembourg, Italy, Belgium and Finland. Solbes said he had no doubt the Greek government was "telling the truth" when it said it was committed to continuing with economic reforms which would help to reduce inflationary pressures and to tightening its fiscal policy" (Antonovics, 2000).

It must be included here, that while Greece's fit into the convergence criteria was relatively weak compared to other member-states, it was within the limits and not exclusive to Greece, as both Belgium and Italy had a similar debt at the time of inclusion – notwithstanding the rectified data from 2004.

The institutional choice is the most interesting aspect of the Greek membership. The institutional choice builds on an intergovernmental understanding of international institutions, wherein the institution is to be informative, lessen transaction costs, provide clearance of preferences and the situation in the negotiating partners and lastly enforce the decided rules of the given cooperation. In the case of Greece, the EU were, according to the theory, to be informative of the Greek situation and enforce the rules agreed to in the Maastricht Treaty. Whether this role was fulfilled in the case of the Greek admission is debatable; given its mandate, the EU were in no position to fully object the Greek ascension, as Greece had met the convergence criteria – or at least shown enough to have its derogation recalled. But it is noteworthy that the

ECB, whom had no real power to intervene outside of its convergence reports, had a cautious outlook on the Greek economy at the time of the decision of inception. Similarly, Eurostat had qualms about the Greek reporting, yet they did not have the mandate to audit member-states themselves, thus leaving the door open to the 'creative' accounting.

Ultimately, the decision to admit Greece laid in the hands of the intergovernmental council, who decided that Greece was fit to join. But the cracks of the criticisms of EMU did show itself as well. The EU seemingly did not have the requisite tools (not independently being able to verify the Greek reporting) and power (the ECB's qualms about the Greek economic situation, and this not being taken into account) to have conducted the necessary preparatory work accordingly. One can only guess to whether or not Greece would have been inducted if the right numbers were shown. However, with the crisis of 2008 in mind, the hindsight would probably have decided differently than the Council in 2000.

This then seems emblematic of the general integration of the EMU; an ambitious project, with a large buy-in from the member-states that fell short due to an intergovernmental decision-making, wherein the role of the EU was too limited to have full conspectus of the entire project, and thus the project ended up as flawed or incomplete.

Discussion

This chapter will discuss a possible further academic avenue in relation to the problem area of the thesis and reflect upon the thesis itself. The discussion for further studies will carry a theoretical theme throughout, focusing on the grand theory snubbed in this thesis; neofunctionalism. The discussion will touch upon two areas of interest. First, I will discuss the idea of crisis-led integration, both from a speculative perspective of the findings in this thesis, and afterwards I will discuss a possible future area of study.

The second discussion in relation to the findings will concern itself with a particular aspect of neofunctionalism: The social spillover-effect and possible signs of it during the Greek ascension. Lastly, the discussion will reflect on the thesis. It will touch upon the findings in a larger setting of the global world and following this, it will reflect on the limitations and drawbacks of the particular method and choice of theory.

Describing the EMU as 'incomplete' is seen throughout the literature (e.g. Jones et al., 2015; Niemann, Ioannou, 2015), and the notion implies that something – integration – is missing. That said, the Euro faired fairly well from its inception and up until the crisis. While there were a few political hiccups during the 00's (as, for example, seen in *Eurozone countries not complying with [Growth and Stability] Pact rules* - Spiteri, S., 2003), the period was otherwise rather quiet for the EMU. It would seem the incompleteness of the EMU had not been a major hindrance to the prosperity of the cooperation. Yet when the crisis hit, the holes of the framework reared their ugly heads.

Nicoli (2020) outlines the idea of crisis-led integration. Nicoli describes the integration in the period 2011-2016 as crisis-led integration, from a (neo-)neofunctionalist perspective. While the article analyses a different timespan, the core idea of crisis-led integration seems relevant to discuss in relation to the incompleteness seen in play in regards to Greece. Jones et al. (2015) also touch upon crisis-led integration, though not explicitly. They describe the evolution of the EMU through a need to rectify incomplete framework in times of crisis, as the incompleteness would enforce the effects of the crisis. The crisis would then demand more integration, leading to an inexplicit crisis-led integration.

The general idea of crisis-led integration would appear logical – first of all, some sort of pressure test is a sound idea. Not just for integrational projects, but as a rule of thumb for most things created. Now back to the EMU, the relative quietness of the naughts suggests that the EMU had not faced any true obstacles. While there were political problems, the economic aspects of the EMU had not been tried and tested before the crisis.

While there exists amble literature – both academic and more easily-digested newspaper analyses - that had a cautious, if not outright concerned, attitude towards the integration of the EMU (e.g. Schweickert, 2002; The Economist, 2006), these problems were not a hindrance for the Euro. Conversely, the crisis provided problems for the Euro that were unsurmountable without further integration – which amounted to the European Semester, which, amongst other things, strengthens the monitoring of nations, streamlines coordination between member-states, and the EU and lastly, *"the possibility of swifter response ahead or in case of problems"* (The European Semester explained, n.d.). The response of the EU seems to be squarely aimed at the deficiencies that first showed up at the Greek ascension.

This leads me to entertain the idea of the crisis-led integration, particularly with Greece in mind. To bring some stronger academic relevancy into this, it also lends itself to a neofunctional understanding.

The crisis showed significant deficiencies and nigh demanded integration in multiple areas. A theoretical approach could then be the functional spillover of neoliberalism. As described in the theory chapter, the functional spillover comes from a given integrational project needing further integration in different sectors to function as efficiently as possible, which the European Semester arguably was. The crisis then was a political reagent and catalyst to highlight the missing integration

Furthermore, it could be argued for a broader neofunctionalism understanding. The survival of the Euro had great significance to Germany, amongst others, and the EU – as seen in *Angela Merkel sweeps in to save the euro zone* (Wolf, 2020). This broader use of neofunctionalism would include both social and cultivated spillover, which in terms of the crisis-led integration, would be seen in the member-states' willingness to save the Euro (though this would demand a deeper analysis, given its importance to each member-state) as the social spillover, though further research is needed to fully flesh out the argument. The last aspect of classical neofunctionalism is the cultivated spillover – spillover initiated by the institutions. Inherently, the EU has a say in large integrational projects like these, but neither them nor the member-states (in the council) are solely the instigators of the EMU integration. To delve into this, further research will be needed.

The second part I would like to discuss is quite speculative, but none the less I believe it to be an interesting trail to follow. As noted several times before, the EU did not mismanage the Greek ascension per se, as they followed the procedure to the letter. But at the same time there were notable criticisms of the Greek ascension at that moment. Lingering doubts of whether or not Greece truly was capable of entering the Euro flourished (Gould, 2000; European Central Bank, 2000). However, these doubts were overheard or dismissed by the deciding parts of the EU, as seen in the document analysis.

Here the concept of social spillover could provide a somewhat speculative cause for the EU. The changing focus and loyalty of the societal elites to the European level could be partly causal for the easiness by which Greece took membership. This is more speculative than the idea of the crisis-led integration, but I believe it carries academic value none the less.

A study in the mold of what is described above would probably also demand a very different methodological approach. Drawing any conclusions would possibly demand a strong inside knowledge, as it otherwise would be very speculative to draw conclusions upon loyalty. Though I do believe there could be some interesting studies done on this particular subject, given one had the necessary sources to draw from.

Reflection on the thesis

The approach I have used in this thesis has both advantages and disadvantages. The systematic review has provided a strong academic background to conduct my document analysis on. But the systematic review does not entail new knowledge per se. While I have attempted to synthesize existing knowledge into a broad liberal intergovernmentalist understanding of the problem, it is not revolutionary. Liberal intergovernmentalism is a rather approachable theory and the three elements of it are not innovatory within international relations. Rational preferences of nations are a stable in most intergovernmental analyses, and the same goes for the negotiational aspect of substantive bargains. Negotiations are a natural part of any international cooperation, and therefore is the existing literature extensive and easily applicable to liberal intergovernmentalism. The institutional aspect is less broadly available, and I believe that this is where the systematic review shines, since it provides an understanding of the institutional problems on a broad academic foundation.
But all in all, the systematic review has drawbacks of limited creation of new knowledge. Conversely, it provides a strong foundation and reference point for the document analysis. The document analysis provides a historical in-depth understanding of the Greek ascension. By using the liberal intergovernmentalism, the sources I have used are close to the mechanisms of the analysis. As described above, the closeness of liberal intergovernmentalism to stables of international relations makes drawing conclusion from sources easier – both in academia, but also in media and official documents.

The systematic review is does have its limitations in the thesis – both methodologically and in content. The sheer amount of literature (and especially books) made synthesizing the knowledge a tough task. While I attempted to narrow down my working question to a more tangible one, I do believe it was too wide in the end. This is, of course, a methodological limitation, yet I do believe the review still carries the core findings.

Content wise, the number of books in the literature made it somewhat favor these types of sources. First and foremost, by having more pages, they can comprise more knowledge. While the sources are all uniform in their conclusions on their analyses, with varying outcomes on the role of the EU, it must be noted that a one-sidedness, like the one in my review, is less than optimal.

Conversely, the document analysis has a strong and broad foundation of sources. The sources used in the analysis are primarily informative ones – either news briefs or official documents. These sources are – in general – less biased and provide clear information and suits the positivist nature of liberal intergovernmentalism well. Therefore, I believe the analysis to be somewhat positivistic as well, and informative of the ascension of Greece to the EMU.

Conclusion

My initial ideas for this thesis revolved around the often-maligned framework on which the EMU stands. The problems of the EMU, and subsequently the Euro, are no secret. This led me to conduct a systematic review of the existing literature. My aim for the systematic review was encapsuled in my preliminary research question:

How can the flawed outcome of the EMU creation be understood by European integration theory?

The systematic review showed a broad variety of approaches, but with most carried a distinct focus on the theoretical stables of liberal intergovernmentalism: The preferences of the negotiating states, an uneven negotiation where distinct member-states had a leading role, and an outcome shaped by the preferences of mostly one member-state.

The preferences of Germany to have sound monetary and fiscal policies carried through from the preferences to the outcome, and so did the preference of an autonomous ECB. Furthermore, the collective preference of keeping the negotiations within the ECOFIN and Central Banks setting meant that the EMU had a distinct lack of politics; this, along with the autonomous ECB helped create a monetary union which was lacking a democratic counterweight to the technical side of the ECB. Furthermore, the EMU was ‘incomplete’, ‘uneven’, ‘asymmetrical’ – the adjectives to describe the EMU were plentiful in the literature, but the conclusion was similar; the EMU ended up being centralized in its monetary policy vis-à-vis the common currency for all participating member-states, yet the economic policies were left to the be decided on a national level. The same goes for the surveillance of the member-states economies: The EU were to monitor these, but only based upon the member-states own reporting. These flaws proved to be damning for the EMU later on in the financial crisis of 2008.

Which leads me to my second, and primary, research question. My interest of the EMU was also specific on the Greek membership. As described in the introduction, the crisis hit hard in Greece, and it created waves throughout the EU, with talks of Greece leaving the Euro. Therefore, I wanted to investigate the Greek ascension to the EMU, which is reflected in the research question:

Was the Greek membership flawed from the beginning and can it be seen as emblematic of the flaws in the creation of the EMU?

The Greek membership was first of all delayed in contrast to the other member-states at the time. Greece did not have an economy that gave entrance into the Eurozone, as they could not live up to the convergence criteria. The willingness in the Greek society was (mostly) there, but the economy was not. Greece managed to improve their economy enough to gain membership in 2001, though it did need the Council to abrogate their excessive government debt – which was close to double of the convergence criteria of 60 pct. of GDP. This debt and a general wavering economy, though within the convergence criteria – at least initially, did not prove to major obstacle in the negotiations of the membership. Greece had a somewhat quiet ascension into the Eurozone, though concerns of the debt was voiced both from the German Bundesbank, the European Parliament and the ECB. But these concerns were overheard – even by fragile member-states like Germany, and Greece was formally admitted in 2000, with entrance in 2001.
The more questionable side of the Greek membership was their history of 'creative' accounting. Greece had to rectify their reporting of their economy in 2004, and this showed a different picture than the one at the time of its inception into the Eurozone. Greece had not managed to meet the convergence criteria of government deficit, and their debt was even higher than first reported.

This is the main reason for why I believe the Greek membership can be seen as emblematic for the EMU. While it does concern the often-criticized centralized monetary policy and the de-centralized fiscal policies – as Greece did have trouble with their fiscal policies (as seen by the need to adjust their reported numbers), the emblematic nature is most clearly seen in the surveillance of member-state economies. The EU were to monitor member-state economies, but never really had the opportunity to fully do so, as this relied on reporting from the same member-state their mandated to survey. This, I believe, is the real problem of the EMU; the EU were mandated several roles, yet the framework never allowed the EU to fully complete these – whether it be monetary policy without fiscal policies, or surveying member-state economies solely based upon the reports of said member-states.

To conclude on the thesis in a larger scale, the thesis will add an in-depth analysis of how the most prominent state in Europe during the crisis of 2008 became a member of the Euro. The crisis had large scale effects on the entire continent of Europe, and it threw the Euro into a time of uncertainty and political fallout. Yet the strong effects of the crisis on Greece, should perhaps not have been unexpected – after all, Greece's ascension to the Euro was flawed, both due to the convergence criteria, which they snug under, but also due to the incomplete framework of the EMU, which allowed Greece to conduct some interesting accounting and suboptimal fiscal policies.

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