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**COMPARATIVE ANALYSIS OF
EU CRISIS MANAGEMENT POLICIES:
EUROZONE AND PANDEMIC CRISES**

MASTER'S THESIS

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ISTANBUL, June 2024

DECLARATION

I hereby declare that this thesis is an original work. I also declare that, I have acted in accordance with academic rules and ethical conduct at all stages of the work including preparation, data collection and analysis. I have cited and referenced all the information that is not original to this work.

Ege AKPINAR

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ÖZET

Bu tez, Avro Bölgesi krizi ve COVID-19 salgını sırasında Avrupa Birliği'nin kriz yönetimi stratejilerinin karşılaştırmalı bir analizini sunmaktadır. Bu analizin çerçevesini çoklu kriz dönemi oluşturmaktadır. Uygulama alanı yaklaşımını kullanan çalışma, AB'nin tepkilerini incelemek için teorik perspektifler olarak yeni işlevselcilik ve hükümetlerarasıcılığı uygulamaktadır. Araştırma, krizlerdeki hem benzerlikleri hem de farklılıkları tanımlamaktadır. Özellikle, her iki krizin de dış kökenleri ve ardından gelen iç değişimleri vardır. AB'nin tepkileri yenilikçi kurumsal tedbirleri içermektedir. Çalışma, hükümetlerarasıcılığın başlangıçtaki koalisyon oluşumlarını ve ulusal tercihleri etkili bir şekilde açıkladığını teyit etmektedir. Yeni işlevselcilik ise uluslararası kurumların rolünü ve entegrasyon sonuçlarını açıklığa kavuşturmaktadır. Ancak her iki teori de tek başına kriz çözümünün dinamiklerini tam olarak açıklayamamaktadır. Bu durum birleşik bir hipotezin geliştirilmesine yol açmıştır. Hipotez, üye devletler arasındaki politika tercihi farklılığının derecesinin uluslararası aktivizmin kapsamını etkilediğini ileri sürmektedir. Bulgular, Avro para birimi ve Schengen Bölgesi gibi kilit kazanımların korunmasında birleşik bir AB tepkisinin kritik önemini vurgulamaktadır. Bu araştırma, AB kriz yönetimi ve entegrasyon teorilerinin anlaşılmasına katkıda bulunmaktadır. Karmaşık ve çok yönlü krizler karşısında gelecekteki politika oluşturma süreçleri için pratik bilgiler sunmaktadır.

Anahtar Kelimeler: Avro Bölgesi Krizi, pandemi, AB kriz yönetim, yeni işlevselcilik, hükümetlerarasıcılık

Tarih: 11 Haziran 2024

ABSTRACT

This thesis presents a comparative analysis of the European Union's crisis management strategies during the Eurozone crisis and the COVID-19 pandemic. It frames this analysis within the polycrisis era. Using a domain-of-application approach, the study applies neofunctionalism and intergovernmentalism as theoretical perspectives to examine the EU's responses. The research identifies both similarities and differences in the crises. Notably, both crises have external origins and subsequent internal changes. The EU's responses included innovative institutional measures. The study confirms that intergovernmentalism effectively explains the initial coalition formations and national preferences. Neofunctionalism clarifies the role of supranational institutions and integration outcomes. However, neither theory alone fully captures the dynamics of crisis resolution. This led to the development of a combined hypothesis. The hypothesis posits that the degree of policy preference variance among member states influences the extent of supranational activism. The findings highlight the critical importance of a unified EU response in preserving key achievements, such as the Euro currency and the Schengen Area. This research contributes to the understanding of EU crisis management and integration theories. It offers practical insights for future policy-making in the face of complex, multifaceted crises.

Keywords: Eurozone crisis, pandemic, EU crisis management, neofunctionalism, intergovernmentalism

Date: 14 June 2024

LIST OF ABBREVIATIONS

COVID	Coronavirus Disease
DOA	Domain-of-Application
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council (Council of the EU)
EFSD	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism
EIB	European Investment Bank
ECJ	European Court of Justice
EP	European Parliament
EMU	Economic and Monetary Union
EEAS	European External Action Service
EU	European Union
EUR	Euro (currency)
IMF	International Monetary Fund
IPCR	Integrated Political Crisis Response
MFF	Multiannual Financial Framework
NGEU	Next Generation EU
SSM	Single Supervisory Mechanism

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1. INTRODUCTION

For more than a decade, the European Union (EU) has consistently encountered a series of challenges. Whether Schengen, Brexit, or Eurozone crises, the EU's institutional resilience and its ability to formulate effective responses were tested. In 2016, Juncker would refer to this situation as polycrisis. He claimed that these crises “have not only arrived at the same time, [and] they also feed each other, creating a sense of doubt and uncertainty in the minds of our people”¹. Even after that year, the crisis kept going with the emergence of the pandemic, the resistance of Eurosceptic governments, and the war in Ukraine. Given that, this research focuses on two monumental crises that have significantly shaped the EU's path in recent history: the Sovereign Debt Crisis and the COVID-19 pandemic. This research aims to examine the EU's maneuvers during these times. EU crisis management is observed through the adjustment of policies and the creation of new institutions and instruments. Moreover, the experience of two crises shows the lessons learned by the EU. Furthermore, such analysis illuminates not only the EU's crisis management capacity but also it reflects the broader dynamics of European integration.

European integration is described as “the process of political and economic (and possibly also cultural and social) integration of the states of Europe into a unified bloc”². Theories aim to provide an explanation this process. The literature on EU studies has two main theoretical frameworks which are neo-functionalism and intergovernmentalism³. On one hand, neofunctionalism views integration as “an incremental process, involving the

¹ Jean-Claude Juncker, “Speech by President Jean-Claude Juncker at the Annual General Meeting of the Hellenic Federation of Enterprises (SEV)” (Annual General Meeting of the Hellenic Federation of Enterprises, 2016), https://ec.europa.eu/commission/presscorner/detail/de/SPEECH_16_2293.

² Michelle Cini and Nieves Pérez-Solórzano Borragán, *European Union Politics*, Seventh (Oxford: Oxford University Press, 2022), 461.

³ Simon Hix and Kåre Høyland, eds., *The Political System of the European Union*, Fourth (London: Bloomsbury Academic, 2022), 19.

spillover of integration in one sector to others, ultimately leading to some kind of political community”⁴. On the other hand, intergovernmentalism underlines “the dominant mode of decision making in the EU, even when the EU decides policies through its supranational mechanisms”⁵. Nevertheless, the difference between the two is significant and requires further exploration through various case studies for a deeper comprehension. In this context, the EU's management of the Eurozone Crisis and the COVID-19 pandemic within the framework of EU integration theories serves as the foundational pillar of this analysis.

The aim of this study is to gain a better understanding of the European Union's capacity to deliver in times of crisis. More precisely, it focuses on the Eurozone crisis and the pandemic. In this regard, the main question is to what extent the theories of neofunctionalism and intergovernmentalism can explain the dynamics of the European Union's reception, responses, and actions in the face of its two paramount crises. To illuminate the dynamics of these crises, this research adopts the domain-of-application approach (DOA). This method prioritizes highlighting the key aspects of theories to explain a phenomenon, instead of attempting to comprehensively explain it through a single theory all at once. Following the research design, the research needs a theoretical framework. This part explains two grand theories of EU integration —neofunctionalism and intergovernmentalism, that are used for the research. After that section, the literature review on the EU crisis takes place. This part starts with the broad notion of “crisis”. As it is observed, there is no common definition, and it varies depending on the research. In this regard, the crisis understanding for this research will be contextualized. Moreover, the literature on how the above-mentioned theories are applied during crises is equally given. Furthermore, this part reflects how institutions and actors change during and after crises. After these two parts, the research starts with its focus on the Eurozone Crisis. A historical

⁴ Michelle Cini and Nieves Pérez-Solórzano Borragán, *op. cit.*, 472.

⁵ Simon Hix and Kåre Høyland, *loc. cit.*

overview of the crisis is given. After that, the theories are expected to explain the logic behind EU crisis management. In this regard, the intergovernmental mindset is examined through the creation of various institutions and programs. In this regard, the EU mitigated the crisis through mechanisms such as the establishment of the European Stability Mechanism (ESM) and interventions by affected member states through bailouts or austerity measures. However, there also exist certain limitations. In this logic, the achievement of the Banking Union shows how the dynamics between national and European institutions were shaped. Supranational activism is equally present in the Eurozone as well. The chapter on the pandemic response is analyzed similarly. An overview of the initial EU response is given. Following that, the EU short- and long-term measures are presented. As in the previous case, the reaction to the intergovernmentalist mindset is limited by supranational activism.

2. THEORETICAL FRAMEWORK

This chapter gives an overview of the two theories that are used for the research. The chapter begins with an introduction to neofunctionalism: its definition of integration, key actors, concept of spillovers, and theory revision efforts. Following that section, the intergovernmentalist theory is summarized. It begins with classical intergovernmentalism and its approach to integration as a critique of neofunctionalism. It continues with liberal intergovernmentalism and its three-stage model. Subsequently, this chapter provides a foundation for the following chapters of research design.

2.1. NEO-FUNCTIONALISM

Neofunctionalism considers integration as a gradual process from the initial stage to the end goal⁶. Achievement of such a result is expected through incremental and strategic means rather than the pursuit of rational argument and forward-thinking constitutional design⁷. Key actors of this theory are the elites⁸. As pointed out by Jensen, this notion is not limited to the national level; it also covers transnational interest groups such as BusinessEurope or Greenpeace⁹. These groups put pressure not only on national governments but also on the policymakers in Brussels. The justification for using the elite is made on two bases. Firstly, the elite, as representing the leadership, have a “manipulative role” over the general public¹⁰. Secondly, the elite is more aware to integration.

⁶ Ernst B. Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957* (Stanford University Press, 1968), 16.

⁷ Ben Rosamond, *Theories of European Integration* (Basingstoke: Macmillan, 2000), 51.

⁸ Ernst B. Haas, *op. cit.*, 17.

⁹ Carsten Strøby Jensen, “Neofunctionalism,” in *European Union Politics*, ed. Michelle Cini and Nieves Pérez-Solórzano Borragán, Seventh (Oxford: Oxford University Press, 2022), 61.

¹⁰ Ernst B. Haas, *op. cit.*, 17.

In this context, neofunctionalism puts forward the concept of positive spillovers, which are illustrated by the snowball effect. It is defined by Lindberg as “a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action, and so forth”¹¹. Spillover can be distinguished into three types which are “functional, political, and cultivated”¹². The concept of functional spillover operates on the assumption that economic sectors are closely interconnected, meaning that enhanced integration within one sector will inevitably lead to greater integration in other interconnected sectors¹³. A step forward, the political spillover assumes that as the elite would learn supranational integration would benefit more for their interests, they would prefer integration rather than supporting domestic solutions¹⁴. In this respect, the process of elite socialization would cover even the civil servants representing member states in Brussels, fostering “a more European perspective on how politics should develop”¹⁵. The last one, cultivated spillover, is based on the lowest common denominator position that happens when a group of states are left to bargain¹⁶. Supranational institutions possess the capacity to resolve such conflictual situations by upgrading the common interest¹⁷ with their various instruments such as package deals¹⁸. As pointed out by Lindberg, supranational institutions can equally affect the overall system through conflict resolution and consensus building¹⁹. As pointed out by Rosamond,

¹¹ Leon N Lindberg, *The Political Dynamics of European Economic Integration* (Stanford, Calif.: Stanford University Press, 1963), 6.

¹² Jeppe Tranholm-Mikkelsen, “Neo-Functionalism: Obstinate or Obsolete? A Reappraisal in the Light of the New Dynamism of the EC,” *Millennium: Journal of International Studies* 20, no. 1 (March 1991): 1–22, <https://doi.org/10.1177/03058298910200010201>.

¹³ Mette Sangiovanni, *Debates on European Integration* (Basingstoke: Palgrave Macmillan, 2006), 94.

¹⁴ Tranholm-Mikkelsen, *op. cit.*, 5.

¹⁵ Jensen, *op. cit.*, 59.

¹⁶ Rosamond, *op. cit.*, 61

¹⁷ Sangiovanni, *op. cit.*, 95.

¹⁸ Jensen, *op. cit.*, 61.

¹⁹ Lindberg, *op. cit.*, 9.

cultivated spillover provides “genuinely progressive incursions into the realm of functional spillover”²⁰.

In 1970, Schmitter proposed a revised version of neofunctionalism²¹. The author dismissed the automatic understanding of spillover effects and suggested alternative strategic responses, such as muddle-about, spillback, or retrench²². These strategies depend on the scope and level of regional institutions’ authority. The greater the decisional authority and the greater the coverage of issue areas, the more essential they are to the political community. According to the model, the direct way is through build-up or spillover (see Figure 1). However, Schmitter advocates that, in the long run, other routes may prove to be quicker²³. Niemann has also expanded and enhanced neofunctionalism. The author discards several foundational assumptions of neofunctionalism, including concepts like “the end of ideology” or “unrestricted growth”²⁴. Furthermore, the public can exert influence even as the focus remains primarily on the elites.²⁵ Moreover, the integration process is known to be dialectical instead of dynamical. In line with this, the strategies are dependent on the power of countervailing forces such as sovereignty-consciousness, domestic constraints (and diversities), and a negative integrative climate.

²⁰ Rosamond, *op. cit.*, 61

²¹ Philippe C. Schmitter, “A Revised Theory of Regional Integration,” *International Organization* 24, no. 4 (1970): 836–68, 10.1017/s0020818300017549.

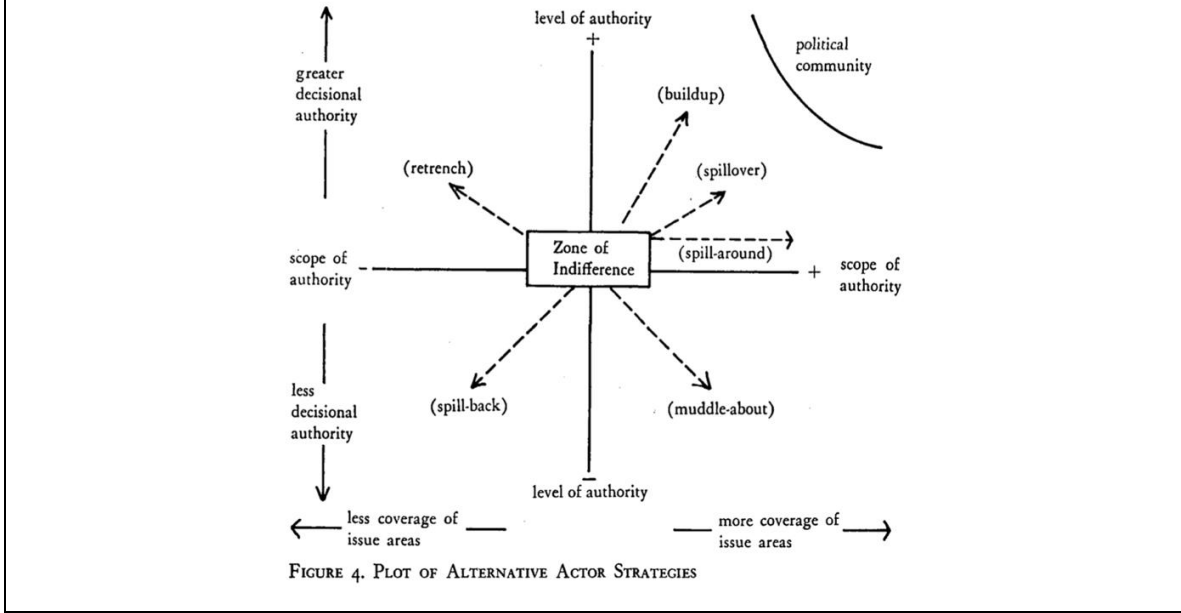
²² Arne Niemann, Zoe Lefkofridi, and Philippe C. Schmitter, “Neofunctionalism,” in *European Integration Theory*, ed. Antje Wiener, Tanja A. Börzel, and Thomas Risse (Oxford: Oxford University Press, 2019), 43–64.

²³ Schmitter, *op. cit.*, 846

²⁴ Arne Niemann, *Explaining Decisions in the European Union : Developing and Examining a Revised Neofunctionalist Framework* (Cambridge, UK: Cambridge University Press, 2006), 52

²⁵ *Ibid.*

Figure 1: Plot of Alternative Actor Strategies in Neofunctionalism



Source: Philippe C. Schmitter, "A Revised Theory of Regional Integration," *International Organization* 24, no. 4 (1970): 845 10.1017/s0020818300017549.

2.2 INTERGOVERNMENTALISM

Traditional intergovernmentalism rejects the neofunctionalist perspective. It posits that while "concentrating on the process (...), neo-functionalists had forgotten the context within which it was taking place"²⁶. Intergovernmentalism has its roots in the realism theory of international relations. The initiation of integration can be understood within the dynamics of the balance of power in the post-Second World War context, which repositioned European states as mid-range powers²⁷. Similar to realism, the state is regarded as a single actor²⁸. In that sense, this theory differentiates from neofunctionalism and its pluralist perception for actors such as the interest groups, or the supranational institutions. Equally,

²⁶ Cini and Pérez-Solórzano Borragán, *op. cit.*, 71.

²⁷ Liesbet Hooghe and Gary Marks, "Re-Engaging Grand Theory : European Integration in the 21st Century," *cadmus.eui.eu*, 2018, <https://hdl.handle.net/1814/57204>.

²⁸ Stanley Hoffmann, "Obstinate or Obsolete? The Fate of the Nation State and the Case of Western Europe," *Daedalus* 95, no. 3 (1966): 862–915, <http://www.jstor.org/stable/20027004>.

intergovernmentalism rejects the spillover concept. The assumption is that, as the rational actors, states would oppose any “automatic” integration, which might have unexpected or unforeseen long-term consequences²⁹. Moreover, Haas proposes that “the logic of integration” can be followed only on the matters of low politics. However, the author argues that “the logic of diversity” makes the integration highly challenging for high politics³⁰.

Liberal intergovernmentalism, which was put forward by Moravcsik, is an upgraded version of intergovernmentalism. It provides a framework of analysis to understand integration dynamics by combining elements from liberal theories and intergovernmental theories. National preferences are directly or indirectly shaped by people³¹ within a principal-agent relationship, as governments would listen to the people to ensure their own survival in a democratic society³². Another difference between these two intergovernmentalist theories is based on which domains would be integrated. Unlike the assumptions of classical intergovernmentalism, Moravcsik demonstrates that economic factors consistently hold greater significance than geopolitical factors³³.

Liberal intergovernmentalism puts forward a three-stage model (see Figure 2). On the first stage, the “societal demands” cause the development of “national preferences”. As mentioned earlier, it provides the “liberal aspect” of liberal intergovernmentalism³⁴ by

²⁹ Stanley Hoffmann, “Discord in Community: The North Atlantic Area as a Partial International System,” *International Organization* 17, no. 3 (1963): 521–49, <https://doi.org/10.1017/s0020818300034536>.

³⁰ *Ibid.*, 881-895.

³¹ Andrew Moravcsik, “Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach,” *JCMS: Journal of Common Market Studies* 31, no. 4 (December 1993): 473–524, <https://doi.org/10.1111/j.1468-5965.1993.tb00477.x>.

³² Andrew Moravcsik, “Liberalism and International Relations Theory” (Harvard University, 1992), https://www.princeton.edu/~amoravcs/library/liberalism_working.pdf.

³³ Herman Lelieveldt and Sebastiaan Princen, *The Politics of the European Union* (Cornwall: Cambridge University Press, 2015).

³⁴ Andrew Moravcsik, *Preferences and Power in the European Community*, *loc. cit.*

differentiating from the realist theory that focuses on geopolitical competition³⁵. The second phase that is known as “process of interstate strategic interaction”³⁶, stresses on “relative power and intensity of preferences of each member states” through bargaining³⁷. Three major factors determine governmental preferences: “economic interests of powerful domestic constituents, the relative power of each state in the international system and the role of international institutions in bolstering the credibility of interstate commitments”³⁸. Last stage marks “the possible political responses of the EC political system to pressures from those governments”³⁹. Governments can design the institutional framework by “pooling” or “delegating” sovereignty to a supranational entity. In return, they enhance the credibility of their mutual commitments⁴⁰, and facilitate the mobilization of domestic coalitions⁴¹.

Critics of liberal intergovernmentalism have often pointed out its limitations in clarifying the operational dynamics of the EU on a daily basis. In reaction, Moravcsik and Schimmelfennig underscore the enduring influence of governments to shape EU norms⁴². Another critique highlighted that intergovernmental decisions can sometimes result in unforeseen outcomes. Moravcsik and Schimmelfennig acknowledge that in the short term, liberal intergovernmentalism provides a more coherent explanation for the consequences or results, yet they concede the possibility of significant divergence over time⁴³.

³⁵ Mark A. Pollack, “Theorizing EU Policy-Making,” in *Policy-Making in the European Union*, ed. Hellen Wallace et al. (New York: Oxford University Press, 2020), 17.

³⁶ Moravcsik, *Preferences and Power in the European Community*, *loc. cit.*

³⁷ Pollack, *loc. cit.*

³⁸ Moravcsik, *The Choice for Europe : Social Purpose and State Power from Messina to Maastricht* (London: UCL Press, 1998), 18.

³⁹ Moravcsik, *Preferences and Power in the European Community*, *loc. cit.*

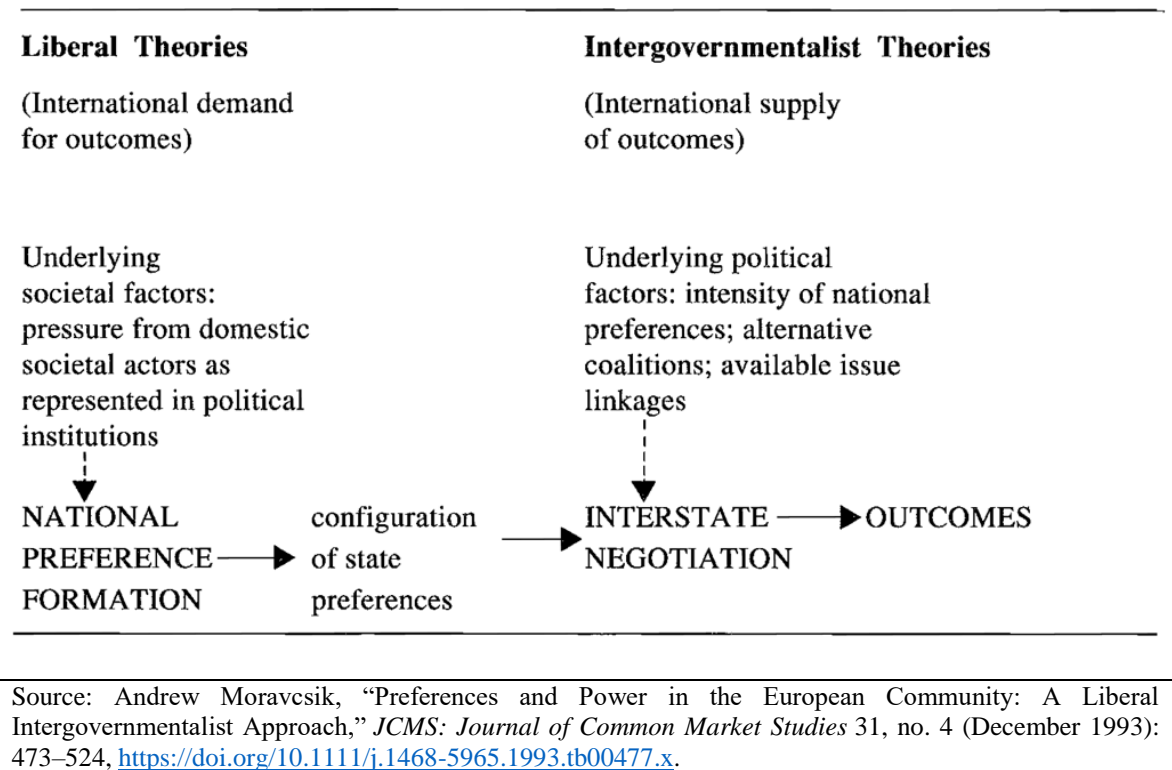
⁴⁰ Pollack, *loc. cit.*

⁴¹ Moravcsik, *Preferences and Power in the European Community*, *loc. cit.*

⁴² Andrew Moravcsik and Frank Schimmelfennig, “Liberal Intergovernmentalism,” in *European Integration Theory*, ed. Antje Wiener, Tanja A. Börzel, and Thomas Risse (Oxford: Oxford University Press, 2019), 64–87.

⁴³ *Ibid.*

Figure 2: The Liberal Intergovernmentalist Framework of Analysis



3. RESEARCH DESIGN

This chapter begins with explaining the DOA method, which is preferred for this research. Moreover, the interaction between the two theories that are used for this research is given. Furthermore, the similarities and differences between two selected crises are highlighted. Equally, other relevant elements for research design, such as the question, hypotheses, and variables, are introduced.

3.1. RESEARCH METHOD

DOA assumes that all theories are limited in the sense that they would need several conditions, and their application is restrained. In this regard, as put forward by Becker and Gehring, DOA aims to further develop the theoretical dialogue by suggesting to “identify ways in which theories may complement each other in explaining larger empirical phenomena”⁴⁴. This approach understands the relationship between theories not as a zero-sum game but rather as a discussion with the intention of connecting ideas and overcoming divides. Moreover, this method serves to synthesize certain arguments that can produce more convincing responses reflecting a better understanding of reality⁴⁵. As pointed out by Hooghe and Marks, each theory can contribute to the explanation of European integration. However, they vary in their perspectives and their approaches to distinct puzzles with different

⁴⁴ Manuel Becker and Thomas Gehring, “Explaining EU Integration Dynamics in the Wake of COVID-19: A Domain of Application Approach,” *Journal of European Public Policy* 30, no. 2 (January 17, 2022): 1–20, <https://doi.org/10.1080/13501763.2022.2027000>.

⁴⁵ James Fearon and Alexander Wendt, “Rationalism v. Constructivism: A Skeptical View,” in *Handbook of International Relations*, ed. Walter Carlsnaes, Thomas Risse, and Beth Simmons (London: SAGE Publications, 2002), 52–72.

considerations”⁴⁶. In this regard, the combination of different theories would enhance our capacity to explain the real world⁴⁷.

In DOA, the theories are not mutually exclusive. Also, the approach does not aim to “mould [theories] in a composite super-theory”⁴⁸ but rather it applies a “minimal synthesis”⁴⁹. Each theory is used by its “home turfs”⁵⁰ which are specific domains with strong “explanatory power”⁵¹. If successful, this approach provides an additive explanatory leverage compared to explanations given by the theories separately⁵². In this context, it is essential to specify “the scope conditions of each theory, what its domain is, and how it relates to other theories”⁵³. To achieve better insights, it is key that explanatory factors should have a minimal “overlap and interaction” across various domains”⁵⁴. Given that, this study is based on two grand theories of integration: neofunctionalism and intergovernmentalism.

Two grand theories of integration are worked on mostly through competitive theory testing. It is noteworthy as this scholar debate serves as an instrument to distinguish the home turfs of theories and provide a ground for reconciliation with DOA. Neofunctionalism and liberal intergovernmentalism are both theories of integration. In this regard, as pointed out

⁴⁶ Liesbet Hooghe and Gary Marks, “Grand Theories of European Integration in the Twenty-First Century,” *Journal of European Public Policy* 26, no. 8 (January 17, 2019): 1113–33, <https://doi.org/10.1080/13501763.2019.1569711>.

⁴⁷ Joseph Jupille, James A. Caporaso, and Jeffrey T. Checkel, “Integrating Institutions,” *Comparative Political Studies* 36, no. 1-2 (February 2003): 7–40, <https://doi.org/10.1177/0010414002239370>.

⁴⁸ Hooghe and Marks, *Grand Theories of European Integration*, *loc. cit.*.

⁴⁹ Jupille, Caporaso, and Checkel, *loc. cit.*

⁵⁰ Berthold Rittberger, “Institutionalizing Representative Democracy in the European Union: The Case of the European Parliament,” *JCMS: Journal of Common Market Studies* 50 (February 9, 2012): 18–37, <https://doi.org/10.1111/j.1468-5965.2011.02225.x>.

⁵¹ Becker and Gehring, *loc. cit.*

⁵² Rittberger, *loc. cit.*

⁵³ Jupille, Caporaso, and Checkel, *loc. cit.*

⁵⁴ Rittberger, *loc. cit.*

by Brack and Gürkan, they do not have “a specific account of crises”⁵⁵. However, Schimmelfennig’s work in “Theorising EU Crisis” shows how they differ to analyze a crisis (see Table 1). A key difference between two theories is based on the origins of the crisis which can be exogenous or endogenous. According to intergovernmentalism, crises are exogenous to integration process. They can be generated by “crises in the international environment of the EU or domestic change in the member states”⁵⁶. However, neofunctionalism does not share this approach. As early as 1970, Schmitter stated that the spillover concept is “best conceived as involving a series of crisis-provoked decisional cycles”⁵⁷. In this regard, neofunctionalism assumes that “crises result from prior steps of integration”⁵⁸ and they are “largely endogenous”⁵⁹. Given this context, neofunctionalist accounts that the crisis is produced by “functional deficiencies within the European project”⁶⁰. Other aspects of crisis analysis by theories are same as previously mentioned assumptions. Intergovernmentalism stresses the hard bargaining as the crisis mechanism. This bargaining results to intergovernmental preference and power constellations. For neofunctionalism, the crisis is inherent to integration process, and it is shaped by path-dependency⁶¹. The crisis outcomes would be determined by “interdependence, supranational autonomy, and capacity”⁶².

⁵⁵ Nathalie Brack and Seda Gürkan, “Introduction: European Integration (Theories) in Crisis?,” in *Theorising the Crises of the European Union*, ed. Nathalie Brack and Seda Gürkan (New York and Oxon: Routledge, 2021), 1–21.

⁵⁶ Desmond Dinan, Neil Nugent, and William E. Paterson, *The European Union in Crisis* (Macmillan Education UK, 2017).

⁵⁷ Schmitter, 1970, <https://doi.org/10.1017/S0020818300017549>

⁵⁸ Dinan, Nugent, and Paterson, *loc. cit.*

⁵⁹ Brack and Gürkan, *loc. cit.*

⁶⁰ *Ibid.*

⁶¹ Dinan, Nugent, and Paterson, *loc. cit.*

⁶² *Ibid.*

<i>Table 1: Integration theories and explanations of crisis</i>		
	Intergovernmentalism	Neofunctionalism
Crisis origins	Exogenous: International challenges, domestic change	Endogenous and international: spillover
Crisis mechanism	Bargaining	Path-dependency
Conditions of crisis outcome	Intergovernmental preference and power constellation	Interdependence, supranational autonomy and capacity
Typical crisis outcome	-	Positive feedback: resilience, integration
Source: Frank Schimmelfennig, “Theorising Crisis in European Integration,” in <i>The European Union in Crisis</i> , ed. Desmond Dinan, Neill Nugent, and William E Paterson (London: Macmillan Education, 2017), 316–35.		

3.2. THEORY SELECTION

Two grand theories of European integration that are intergovernmentalism and neofunctionalism, were chosen for this study. Intergovernmentalism is a key theory in understanding European integration that emphasizes the role of national governments in decision-making processes. Particularly, it is relevant for analyzing the Eurozone crisis and the COVID-19 pandemic, as both crises required significant intergovernmental negotiations and coordination among EU member states. During the Eurozone crisis, critical decisions regarding financial bailouts, austerity measures, and economic reforms were heavily influenced by intergovernmental agreements. The response to the COVID-19 pandemic similarly required extensive cooperation and negotiation between member states to coordinate travel restrictions, and to agree on economic recovery packages. In that sense, intergovernmentalism helps to highlight various aspects of the EU's crisis management such as the importance of national interests, the bargaining power of individual states, and the dynamics of interstate cooperation. The second theory chosen for this study, neofunctionalism, provides a complementary perspective by emphasizing the role of supranational institutions and the concept of spillover. This theory is especially useful

for examining how both crises drove European integration and institutional innovation, deeper. The Eurozone crisis led to the creation of new supranational mechanisms. To illustrate, the Banking Union reflects neofunctionalist dynamics of institutional evolution in response to functional pressures. Likewise, the Recovery and Resilience Facility accelerated integration in economic governance during the COVID-19 pandemic. In this context, neofunctionalism provides insights into the ways of how supranational actors and institutions can drive forward integration processes in times of crisis. The selection of both intergovernmentalism and neofunctionalism allows for a comprehensive analysis of the EU's crisis management by connecting the roles of national governments and supranational institutions without favoring one over the other. The DOA method supports this approach by highlighting the strengths of each theory in their respective areas and connecting their ideas to provide an understanding of the EU's response to crises. While intergovernmentalism explains the negotiations and compromises between member states; neofunctionalism illuminates the institutional developments and spillover effects that furthered European integration. This combined approach avoids the limitations of a single-theory analysis. Moreover, it proposes an integrated perspective on EU crisis management.

The selection of intergovernmentalism and neofunctionalism means the exclusion of other theories such as postfunctionalism, multi-level governance or federalism. Firstly, postfunctionalism emphasizes the role of public opinion, identity, and politicization in the process of European integration⁶³. It was not selected for this study due to its focus on the societal and political dimensions of integration that are more relevant to explaining variations in public trust and support for the EU. While public perception and trust are important factors, the primary focus of this research prioritizes institutional and governmental responses. Secondly, multi-level governance theory, which highlights the complex interactions between

⁶³ Hooghe and Marks, *Grand Theories of European Integration*, *loc. cit.*

state and societal actors or “a system of governance in networks dominated by governmental actors”⁶⁴, was not selected. Although it offers valuable insights into the layered nature of governance within the EU, the research draws the attention to national governments and supranational institutions. Lastly, federalism, which stresses the EU evolving into a federal state with a strong central authority⁶⁵, was excluded. The responses to the Eurozone crisis and the COVID-19 pandemic were characterized by intergovernmental negotiations and incremental supranational integration, rather than center-state bargains. By focusing on intergovernmentalism and neofunctionalism, this research utilizes theories that are directly applicable to the study of crisis management within the EU. These theories provide robust frameworks for understanding the roles and interactions of national governments and supranational institutions during crises. The DOA method connects these ideas effectively and it allows for a comprehensive analysis. Furthermore, it ensures that the research remains focused on the specific mechanisms and responses relevant to the Eurozone crisis and the COVID-19 pandemic.

3.3. CASE SELECTION

There are multiple reasons for selecting the Eurozone and pandemic crises for this study, as they share several similarities. Firstly, both crises fall under the scope of the polycrisis era. Secondly, both crises start outside the EU, and they evolve into the EU, reflecting various problems within the EU. Finally, both crises had considerable effects, and the solutions were the creation of new institutions and/or programs. However, there are also key differences between these two crises. The Eurozone crisis and the COVID-19 pandemic

⁶⁴ Tanja A. Börzel and Karen Heard-Lauréote, “Networks in EU Multi-Level Governance: Concepts and Contributions,” *Journal of Public Policy* 29, no. 2 (July 3, 2009): 135–51, <https://doi.org/10.1017/s0143814x09001044>.

⁶⁵ Jenna Bednar, John Ferejohn, and Geoffrey Garrett, “The Politics of European Federalism,” *International Review of Law and Economics* 16, no. 3 (September 1996): 279–94, [https://doi.org/10.1016/0144-8188\(96\)00020-8](https://doi.org/10.1016/0144-8188(96)00020-8).

differed fundamentally in their nature and immediate causes. Moreover, the policy focus demonstrated significant differences in the EU's crisis management approach.

The Eurozone crisis and the COVID-19 pandemic exemplify the multidimensional nature of crises characteristic of the polycrisis era. Both crises impacted multiple aspects of society, economy, and governance simultaneously. The Eurozone crisis, while primarily financial, had significant social and political dimensions. It led to severe unemployment, social unrest, and political instability in several member states, as well as debates about the future of the EU and the Eurozone. Similarly, the COVID-19 pandemic was fundamentally a public health crisis. Nevertheless, it quickly expanded into an economic and social crisis that disrupted not only the healthcare systems but also economies and daily life. This multidimensional impact underscored the interconnectedness of modern crises and the need for integrated policy approaches. The Eurozone crisis and the COVID-19 pandemic both demonstrated the longevity characteristic of the polycrisis era. The Eurozone crisis began with the global financial turmoil in 2008 and persisted for several years. It required sustained efforts from EU institutions and member states to implement financial stability measures, structural reforms, and economic recovery strategies. The crisis revealed structural weaknesses within the Eurozone that called for long-term reforms to strengthen economic governance and resilience. Equally, the COVID-19 pandemic has proven to be a prolonged crisis with significant long-term effects. Originating in early 2020, the pandemic continued to impact economies, societies, and healthcare systems worldwide for an extended period. The longevity of the COVID-19 crisis highlighted the need for adaptive policies and resilience-building efforts to mitigate its enduring impacts. The Eurozone crisis and the COVID-19 pandemic underscored the significant costs of inaction, a critical aspect of crises within the polycrisis era. In both the Eurozone crisis and the COVID-19 pandemic, the EU's response was critical due to the potential threat to its fundamental achievements. The Eurozone crisis endangered the stability of the Euro currency, a symbol of European integration and economic unity. A failure to address the crisis could have led to a breakup of

the Eurozone, undermining the economic cohesion and credibility of the EU. Equally, the COVID-19 pandemic posed a significant risk to the Schengen Area, which ensures the free movement of people across member states. Prolonged border closures or divergent national responses could have severely disrupted this core achievement, leading to economic and social fragmentation. Thus, decisive and coordinated action was essential not only to manage the immediate impacts of the crises but also to safeguard the EU's foundational principles and long-term stability.

Both crises began as external events that evolved to have significant impacts within the EU, revealing and amplifying various internal weaknesses. The Eurozone crisis was initially triggered by the global financial instability following the 2008 financial crash. It subsequently exposed vulnerabilities in the banking systems and sovereign debt levels of several Eurozone countries. This led to severe economic disruptions and underscored deficiencies in the EU's economic governance framework. Similarly, the pandemic was caused by the spread of a novel coronavirus. Both crises marked those external shocks can have on the internal stability of the Union. This shared characteristic emphasizes the importance of coordinated responses to manage the internal backlash of global crises.

The Eurozone crisis and the COVID-19 pandemic both necessitated the creation of new institutions and programs within the EU. This demonstrated the Union's capacity for institutional innovation in response to major crises. During the Eurozone crisis, the EU established the ESM to provide financial assistance to member states in severe financial distress. This institution played a critical role in stabilizing the Eurozone by offering a safety net. Additionally, the crisis spurred the development of the Banking Union which aimed at strengthening financial regulation and supervision. In response to the COVID-19 pandemic, the EU created the RRF as part of the larger NGEU recovery plan. This program which was designed to support economic recovery, aimed to promote digital and green transitions. Equally, it enhances the resilience of member states to crises. Both crises highlighted the

EU's ability to adapt its institutional framework. Moreover, targeted programs were developed to address the unique challenges posed by different types of crises.

Despite the above-mentioned similarities, there are also two major differences between the Eurozone crisis, and COVID-19 pandemic. Firstly, both crises differed fundamentally in their nature and immediate causes. The Eurozone crisis was primarily a financial and economic crisis rooted in structural weaknesses within the Eurozone. Furthermore, it included high levels of sovereign debt, banking sector vulnerabilities, and economic imbalances between member states. In contrast, the COVID-19 pandemic was a public health crisis. Its immediate cause was a biological event, that escalated into an economic and social crisis. It was marked by lockdowns, travel restrictions, and other containment measures. It disrupted economic activities, strained healthcare systems, and affected the daily lives of millions of people. The differing natures and triggers of these crises point out the diverse challenges the EU face and the need for varied approaches in crisis management. Secondly, the policy focus to both crises showcased significant differences in the EU's crisis management approach. During the Eurozone crisis, the EU's policy response was centered on financial stabilization and economic reform. Measures included austerity policies, structural reforms, and financial bailouts. They were primarily aimed at reducing sovereign debt levels and restoring economic stability. At this point, it is also important to note that these measures were met with considerable public resistance, particularly in the hardest-hit countries like Greece, Spain, and Portugal. Moreover, it was perceived lack of solidarity from wealthier EU member states. In contrast, the policy focus during the COVID-19 pandemic was broader. It encompasses public health measures, economic support, and social protections. The EU implemented a variety of initiatives to mitigate the impact of the pandemic. They included the RRF to support economic recovery, emergency health measures, and social policies to protect jobs and livelihoods. Public reactions to the COVID-19 response were mixed but generally more cooperative compared to the Eurozone crisis. While there were debates and protests over lockdowns, vaccine mandates, and other health

measures, there was also a notable sense of solidarity and collective effort to overcome the health emergency. The pandemic response underscored the EU's ability to address multifaceted crises with comprehensive policy approaches.

In brief, the case selection demonstrates various similarities and differences between the Eurozone crisis and the COVID-19 pandemic. The similarities include polycrisis characteristics, external causes and internal transformations, and crisis resolution innovations. The differences are based on the immediate causes of the crises and the policy focus on managing them.

3.4. HYPHOTHESES

This research aims to analyze to what extent EU crisis management has varied between two crises. In line with the research method, three types of hypotheses are derived from intergovernmentalism, neofunctionalism, and the domain-of-application (DOA) method. Each one-theory-based hypothesis is specific to either the Eurozone crisis or the COVID-19 pandemic and is grounded in either intergovernmentalism or neofunctionalism (see Table 2). Intergovernmentalist hypotheses focus on national preferences and bargaining. Neofunctionalist hypotheses emphasize supranational institutions and spillover effects. The domain-of-application hypothesis integrates elements from both theories to analyze the impact of policy preference variance among member states on supranational activism.

Intergovernmentalist hypotheses focus on national preferences and bargaining. Neofunctionalist hypotheses emphasize supranational institutions and spillover effects. The domain-of-application hypothesis combines elements from both theories. It considers how policy preference variance among member states influences supranational activism. For each theory, there is one hypothesis specific to each crisis, offering tailored insights into the dynamics of the Eurozone crisis and the COVID-19 pandemic. For the Eurozone crisis,

intergovernmentalist accounts would suggest that the more divergent the economic interests between debtor and creditor countries, the more significant the intergovernmental bargaining that will occur (H1a). However, this hypothesis would be unable to explain why supranational integration, as in the case of the Banking Union, has occurred. A neofunctionalist hypothesis would be based on the concept of spillover. In this context, the more interconnected the Eurozone economies are, the greater the supranational intervention will be for coordinated solutions (H2a). Nevertheless, such a hypothesis would be unable to explain how supranational institutions such as the Commission were pushed to the sidelines by member states. For the pandemic, an intergovernmentalist hypothesis would expect that the more varied the economic impacts are, the more intergovernmental bargaining will be influenced (H1b). However, it would not consider the role of supranational institutions. A neofunctionalist hypothesis for the same crisis would propose that the more pan-European the nature of the health crisis is, the stronger the supranational activism will be (H2b). Neofunctionalism put emphasis on the supranational institutions and their role to upgrade the common interest as cultivated spillover. However, it would be unable to explain the dynamics between Eurobond negotiations. It can be observed that each theory is not efficient to explain a crisis from its reception to its resolution.

For the hypothesis derived from DOA, H3 integrates elements from both intergovernmentalism and neofunctionalism. The research takes the degree of policy preference variances among member states as an independent variable which encompasses factors such as economic cooperation, political alignment, and institutional integration. It would capture the negotiations highlighted by intergovernmentalism. Dependent to that is the degree of supranational activism. The hypothesis is that the more member states have strong divergent ideas, the less there is a possibility of supranational activism (H3). The communality of the situation would allow supranational institutions to take action to resolve the problem. However, the presence of a strong asymmetry caused by the exposure to crises leads to strong differences in bargaining. For the Eurozone crisis, the research is limited to

the period between March 2010 and October 2012. It starts with the first reaction of the EU to the Greek bailout until “whatever it takes” speech. For the pandemic, it focuses on a shorter period between February and July 2020. This period is preferred as it reflects the arrival of the pandemic in the EU and is the time when EU leaders decided on programs that governed the EU's response to the COVID crisis.

Table 2: Summary of research hypotheses

Theory/Method	Crisis	Hyphothesis
Intergovernmentalism (H1)	Eurozone	H1a: The more divergent the economic interests between debtor and creditor countries, the more significant the intergovernmental bargaining that will occur
	Pandemic	H1b: The more varied the economic impacts are, the more intergovernmental bargaining will be influenced
Neofunctionalism (H2)	Eurozone	H2a: The more interconnected the Eurozone economies are, the greater the supranational intervention will be for coordinated solutions
	Pandemic	H2b: The more pan-European the nature of the health crisis is, the stronger the supranational activism will be
Domain-of-application (H3)	Eurozone and Pandemic	H3: The more member states have strong divergent ideas, the less there is a possibility of supranational activism
Source: Author's own work		

4. LITERATURE REVIEW

This chapter aims to cover various aspects of literature related to the crisis in the EU. First, it looks at the notion of crisis. In this regard, various definitions are given to distinguish it from similar concepts. Secondly, the notion of crisis is contextualized. The steps and characteristics are given. Moreover, the recent crises are distinguished in line with the polycrisis concept. Lastly, it touches on the role of institutions in times of crisis. Several works that focus on the interinstitutional balance and/or leadership are highlighted.

4.1 THE NOTION OF “CRISIS” IN THE EU LITERATURE

While the literature on explaining the turning points in EU history with theories is well developed, the comprehensive studies on recent EU crises remain limited. However, this area of research keeps developing progressively. In this context, it is possible to mention two recently published books. Published in 2021, “Palgrave Handbook of EU Crises”⁶⁶ is one of the most comprehensive works in the field. The book is divided into five parts: introduction, theoretical approaches, institutions, policy areas, and commentaries. After the introductory part, the consequent part on the theoretical approaches sets a base on research and analyzes both continuity and change in the face of crises. It does not only cover EU integration theories such as neofunctionalism and intergovernmentalism, but it also links other related international relations theories and concepts such as neorealism, institutionalism, organizational theory, cleavage theory, social constructive theory, and deliberative theory. The third part explores the change and/or continuity in the dynamics of competence through the four major institutions (Commission, Council, ECJ, and EP) and field-specific institutions such as ECB, EEAS, and EU agencies. The fourth part examines the influence of crises on different policy domains, covering chapters on the financial crisis, migration crisis, Brexit, foreign and security policy crises, and those linked to EU legitimacy. Furthermore, it delves

⁶⁶ Marianne Riddervold, Jarle Trondal, and Akasemi Newsome, *The Palgrave Handbook of EU Crises* (Cham: Palgrave Macmillan, 2021).

into less-worked-specific topics such as capability-expectations gap, effects of crises on public support, Atlantic relations, or expertization. The part on commentaries provides an overview of implications for how crises shape the EU, providing insights into the nature, functioning, and legitimacy of the EU polity. In alignment with the findings, it concludes with a chapter discussing the EU's responses to the pandemic. Also published in 2021, "Theorising the Crises of the European Union" is equally mentionable as it provides "a comparative overview of classical integration theories for studying and analyzing the current crisis situations the EU faces"⁶⁷. Each of the twelve chapters aims to apply theories to different policy areas. It does not only present the arguments and achievements of theories but also discusses the shortcomings of selected frameworks in explaining the crises. Moreover, it also looks at the big picture and addresses "the transformation of the entire political system as a result of these crises"⁶⁸. This book also covers similar crises of the last decade, but what is interesting is the idea of explaining the findings with the polycrisis concept in the background.

The literature on crises provides various definitions and concepts. Generally speaking, a crisis is "a situation that threatens high-priority goals of the decision-making unit, restricts the amount of time available for response before the decision is transformed, and surprises the members of the decision-making unit by its occurrence"⁶⁹. According to Ikenberry, an international crisis is defined as "an extraordinary moment when the existence and viability of the political order are called into question"⁷⁰. This definition takes the notion of crisis as a historical juncture that put the system in jeopardy. Similarly, the definition given by Brack and Gürkan is "an unexpected, abrupt shock, which compels political actors to take

⁶⁷ Brack and Gürkan, *op. cit.* 16.

⁶⁸ *Ibid.*

⁶⁹ Uriel Rosenthal, Michael T Charles, and Paul 't Hart, *Coping with Crises* (Charles C. Thomas Publisher, 1989), 10.

⁷⁰ G. John Ikenberry, "Explaining Crisis and Change in Atlantic Relations," in *The End of the West? : Crisis and Change in the Atlantic Order* (Ithaca and London: Cornell University Press, 2008), 1–28.

a new set of decisions with a sense of urgency”⁷¹. In line with these, the history of European integration is understood as having a series of turning points at which political action is needed, and the cost of non-action is very high. Likewise, Boin et al. distinguish three key components of a crisis: threat, urgency, and uncertainty⁷². Likewise, a distinction should be made between two similar notions: crisis and turbulence. Turbulence is defined by Ansell and Trondal as “a situation where events, demands, and support interact and change in highly variable, inconsistent, unexpected, or unpredictable ways”⁷³. While turbulence may seem related to the crisis, the turbulence reflects the difference between normal and abnormal. However, a crisis has other distinctive elements.

4.2 CONTEXTUALIZING THE CRISIS

As pointed out by Brack and Gürkan, a crisis can be understood as “a point in time”⁷⁴. Given definition for this is by Hooghe and Marks: “an event of intense danger that required an extraordinary response”⁷⁵. It reflects more of the intergovernmentalist approach. However, it is also possible to understand crisis as “a process.” Again, Brack and Gürkan state that “since this abnormal point in time or the non-response impinges subsequent modes of governance or ‘ways of doing’ in the EU”⁷⁶. Such understanding leads to thinking about how crises emerge, develop, and terminate. On the pre-crisis to crisis stages, it is possible to distinguish common problems that lead to a crisis for the EU. Dinan, Nugent, and Paterson identify three general sources. The first source is the lack of “clear, accountable, and treaty-based EU leadership”⁷⁷. This factor leads to a weak foundation for the EU in core policy

⁷¹ Brack and Gürkan, *op. cit.*, 3.

⁷² Christopher Ansell and Jarle Trondal, “Governing Turbulence: An Organizational- Institutional Agenda,” *Perspectives on Public Management and Governance* 1, no. 1 (November 11, 2017): 43–57, <https://doi.org/10.1093/ppmgov/gvx013>.

⁷³ *Ibid.*

⁷⁴ Brack and Gürkan, *op. cit.*, 3.

⁷⁵ Hooghe and Marks, *Grand Theories of European Integration*, *op. cit.*, 1118.

⁷⁶ Brack and Gürkan, *op. cit.*, 3.

⁷⁷ Desmond Dinan, Neil Nugent, and William E. Paterson, “A Multi-Dimensional Crisis,” in *The European Union in Crisis*, ed. Desmond Dinan, Neil Nugent, and William E. Paterson (London: Palgrave, 2017), 1–16.

areas such as EMU and Schengen, which resulted in the Eurozone and the Schengen crises. Second is the divergence among member states' needs and preferences. It is easier to find common ground with a smaller number of member states. Lastly, the EU is susceptible to external factors. As the EU is part of the interconnected global system, it gets more and more open to being affected by developments around the world.

The next is to analyze a crisis as a series of events in the EU. In this context, Davis Cross puts forward the five stages of a crisis⁷⁸. Firstly, there should be a trigger event as a crisis. As noted by the author it depends on the societal perceptions and reaction. Secondly, a sense of crisis emerges. It would be perceived as severe situation leading to an integrational panic. Following that, the crisis reaches to its peak resulting in various other events such as social breakdown, economic turmoil, or political gridlock. The crisis subsides and there is a period of catharsis⁷⁹. At last stage, there would be renewed will for consensus. However, this cycle is not enough as crises also differ depending on their duration. T' Hart and Boin coins the terms of fast-burning and slow-burning crises⁸⁰. It suggests that fast-burning crises are instant, whereas slow-burning ones creep over time. Moreover, the authors distinguish four types of crises based on the stages of their development and termination. Seabrooke and Tsingou adopt this concept and claims that bank bailouts are part of a crisis with high intensity and a fast tempo⁸¹.

⁷⁸ Mai'a K Davis Cross, "A Europe of Crises," in *The Politics of Crisis in Europe* (Cambridge: Cambridge University Press, 2017), 1–21, <https://doi.org/10.1017/9781316556498.001>.

⁷⁹ *Ibid.*

⁸⁰ Paul t' Hart and Arjen Boin, "Between Crisis and Normalcy: The Long Shadow of Post-Crisis Politics," in *Managing Crises: Threats, Dilemmas, Opportunities*, ed. Uriel Rosenthal, Arjen Boin, and Louise Comfort (Springfield, Ill: Charles C Thomas, 2001), 28–46.

⁸¹ Leonard Seabrooke and Eleni Tsingou, "Europe's Fast- and Slow-Burning Crises," *Journal of European Public Policy* 26, no. 3 (March 13, 2018): 468–81, <https://doi.org/10.1080/13501763.2018.1446456>.

Juncker used the term polycrisis in 2016 to describe the situation. Authors also use the terms such as age of crisis⁸² or decade of crisis⁸³. In this regard, it is important to conceptualize the distinctive elements of the recent crises. In his book, Webber argues that there are three traits of contemporary crises. These are, namely, the multidimensional character of crises, longevity (or duration), and the cost of inaction⁸⁴. On the first character, there has always been a period of crisis in EU history, while the EU has never confronted “as many simultaneous crises as in the period since 2009”⁸⁵. This also affects the other two characters. Even though it is subjective to decide when a crisis starts and ends, the recent crises have become blurry. To illustrate, while some put an end to the Eurozone crisis with Mario Draghi’s “whatever it takes,” for others it’s the election of an anti-austerity government in Greece in 2015. Similarly, as pointed out by Brack and Gürkan, the consequences of the crises keep lasting even though the main crises are over⁸⁶. Lastly, past crises, except the Empty Chair and the European Monetary System, were not able to cause an existential threat to the Union. However, contemporary crises are “unique and unprecedented in [their] gravity”⁸⁷ and they touch upon the core sectors of EU⁸⁸. Adding to the points raised by Weber, Brack and Gürkan also observes that, as the core issues are involved, the costs of inaction are “particularly high and could lead to disintegration”⁸⁹. Interestingly, the authors also asserted that polycrisis is “triggered by both endogenous and exogenous shocks”⁹⁰. Equally, the recent crises include a distinctive element of

⁸² Desmond Dinan, Neil Nugent, and William E. Paterson, *The European Union in Crisis* (Macmillan Education UK, 2017).

⁸³ Frank Schimmelfennig, “European Integration (Theory) in Times of Crisis. A Comparison of the Euro and Schengen Crises,” *Journal of European Public Policy* 25, no. 7 (March 29, 2018): 969–89, <https://doi.org/10.1080/13501763.2017.1421252>.

⁸⁴ Douglas Webber, *European Disintegration? The Politics of Crisis in the European Union*, 1st ed. (London: Springer, 2019).

⁸⁵ Webber, *op. cit.*, 10.

⁸⁶ Brack and Gürkan, *loc. cit.*

⁸⁷ Webber, *op. cit.*, 12.

⁸⁸ Brack and Gürkan, *loc. cit.*

⁸⁹ *Ibid.*

⁹⁰ *Ibid.*

“contagion”⁹¹. The given example is the refugee crisis evolving into the Schengen crisis, resulting in the rise of populism. The authors put emphasis on the post-Maastricht environment of mass politization and restraining dissensus.

4.3 INSTITUTIONS IN TIMES OF CRISIS

The crisis does not only affect relations between the member states and the EU. It also generally results in a change in interinstitutional dynamics, which deserves special attention. In this regard, several works can be mentioned. “EU Political System After the 2019 European Elections” which was edited by Costa and Van Hecke, gives an overview of how the EU was affected by the pandemic. It covers various aspects of the EU, such as politics, institutions, and policies. Chang, Glöckler, and Pierret deal with the evolution of central banking in Europe, and it shows how the ECB supposedly learns from the Sovereign Debt Crisis⁹². Vitrey and Mesdag analyze the MFF and NGEU debates in line with interinstitutional power dynamics⁹³. Van Hecke, Paulissen, and Vande Walle recall how the EU’s capacities were tested during the pandemic. The chapter questions the role of the EU as a crisis manager⁹⁴.

⁹¹ *Ibid.*

⁹² Michele Chang, Gabriel Glöckler, and Laura Pierret, “Fighting Fires from Crisis to Crisis: The Evolution of Central Banking in Europe,” in *The EU Political System after the 2019 European Elections*, ed. Olivier Costa and Steven Van Hecke, 1 online resource (xxvi, 519 pages). vols. (Cham: Palgrave Macmillan, 2022), 309–34, <https://doi.org/10.1007/9783031123382>.

⁹³ Anne Vitrey and Frederik Mesdag, “The EU Budget and Recovery Plan: A Chance for EU Ambition?,” in *The EU Political System after the 2019 European Elections*, ed. Steven Van Hecke, 1 online resource (xxvi, 519 pages). vols. (Cham: Palgrave Macmillan, 2022), 335–60, <https://doi.org/10.1007/9783031123382>.

⁹⁴ Steven Van Hecke, Toine Paulissen, and Britt Vande Walle, “How Covid-19 Hit Brussels and Beyond: The EU’s Crisis Management Tested by a Pandemic,” in *The EU Political System after the 2019 European Elections*, ed. Steven Van Hecke, 1 online resource (xxvi, 519 pages). vols. (Cham: Palgrave Macmillan, 2022), 381–99, <https://doi.org/10.1007/9783031123382>.

There are works on specific institutions in times of crisis. Wessels, Schramm, and Kunstein analyzes the European Council as a crisis manager⁹⁵. More specifically, this work deals with the EU's fiscal response to the pandemic. It gives a summary of the first impact of the pandemic and its reception by the EU. Then, it focuses on the July 2020 meeting of the Council, which was crucial for tackling the crisis. Moreover, the governance of the RRF, which relates to the post-pandemic period, is given. The reason why this work is essential is that it also shows the place of the Council within the EU's institutional architecture as a key actor, especially in times of crisis, and it bridges its assumptions with theoretical approaches. The research on the Commission centralizes on the institutional balance and/or the leadership. Chang's work focuses on the construction of the Six-Pack proposal⁹⁶ and Paul questions the effectiveness of the idea of leadership for the Commission with a case study on the EU Cohesion Policy⁹⁷. Gomez et al. analyze the shift in the balance of power between the European Parliament and the Council⁹⁸. Firstly, the research distinguishes three interinstitutional models, which are Union of Sovereign States, Federal, and Cooperation. These models are important as they reflect the intergovernmental method, parliamentarism, and horizontal fusion. Then, in search of patterns, the models are tested through Euro Crisis Management. Also on the Parliament, Chang and Hudson's work dives into the Monetary

⁹⁵ Wolfgang Wessels, Lucas Schramm, and Tobias Kunstein, *The European Council as a Crisis Manager : The EU's Fiscal Response to the COVID19 Pandemic*, 1 online resource (160 pages) vols. (BadenBaden Germany: Nomos Verlagsgesellschaft, 2022).

⁹⁶ Michele Chang, "Constructing the Commission's SixPack Proposals: Political Leadership Thwarted," in *The European Commission in the Post-Lisbon Era of Crises: Between Political Leadership and Policy Management*, ed. Michele Chang and Jörg Monar (Brussels: College of Europe, 2013), 147–70.

⁹⁷ Alexandra Paul, "The Commission in Times of Economic Crisis: An Effective Leadership? A Case Study on EU Cohesion Policy & the Governance of Structural Funds," in *The European Commission in the Post-Lisbon Era of Crises: Between Political Leadership and Policy Management*, ed. Michele Chang and Jörg Monar (Brussels: College of Europe, 2013), 171–202.

⁹⁸ Müller Gómez, Johannes, Wolfgang Wessels, and Johannes Wolters, "The European Parliament and the European Council: A Shift in the Balance of Power?," in *The European Parliament in Times of EU Crisis: Dynamics and Transformations*, ed. Olivier Costa (Cham: Springer International Publishing, 2019), 53–76, https://doi.org/10.1007/9783319973913_3.

and Economic Dialogue through the Euro Area Oversight Subcommittee⁹⁹. There the main concern is on the question of accountability. However, it gives insights on the Euro crisis.

Overall, this chapter summarizes the literature on the EU crises. The notion of crisis and various definitions are introduced. Moreover, it is distinguished from similar concepts. Furthermore, the features of EU crises and the characteristics of polycrisis were highlighted. Lastly, the interinstitutional dynamics were also given.

⁹⁹ Michele Chang and Dermot Hodson, “Reforming the European Parliament’s Monetary and Economic Dialogues: Creating Accountability through a Euro Area Oversight Subcommittee,” in *The European Parliament in Times of EU Crisis: Dynamics and Transformations*, ed. Olivier Costa (Cham: Springer International Publishing, 2019), 343–64, https://doi.org/10.1007/9783319973913_16.

5. THE EURO AREA CRISIS

This chapter focuses on the Euro Area crisis. Firstly, it starts with a timeline of events to give an overview of the crisis. It continues with the initial intergovernmentalist logic of the European leaders, which was demonstrated during the establishment of EFSF and ESM. Further, the case of the Banking Union demonstrates the formation of two different coalitions and the balance between these two groups.

5.1 EURO AREA CRISIS TIMELINE

This section covers the events from March 2010 to October 2012. On March 25, 2010, leaders of Europe reaffirmed their willingness to save financial stability in the euro area. In this regard, they have announced that they want to prepare a financial assistance package. However, it would be complementary to the measures of the International Monetary Fund and would be in the form of coordinated bilateral loans. This measure was the *ultima ratio*, indicating specifically that market financing became insufficient¹⁰⁰. Moreover, the strong conditionality that would be assessed by the Commission and the ECB was stressed¹⁰¹. While this measure was a quick response, the leaders also called for the creation of a task force by the Council to work with the Commission on strengthening economic governance. This measure was not sufficient, as the crisis kept aggravating.

A turning point was the May 7–9, 2010 meetings. On May 7, the leaders of the euro area reaffirmed their commitment to deploy all available means to guarantee the stability of

¹⁰⁰ European Council, “Statement by the Heads of State and Government of the Euro Area” (Brussels: European Council, March 25, 2010), <https://www.consilium.europa.eu/media/21429/20100325-statement-of-the-heads-of-state-or-government-of-the-euro-area-en.pdf>.

¹⁰¹ *Ibid.*

the eurozone¹⁰². These meetings had three important outcomes. Firstly, on May 9th, the European Financial Stability Facility (EFSF) was introduced. EFSF was created as a temporary measure for three years. Its main goal was to financially assist the countries in need. However, even its creation started with controversies. It was initially established by Eurogroup as a private company in Luxembourg with a public service mandate. Rather than a new treaty that establishes an institution, it was formulated as an executive agreement¹⁰³. It would have a total volume up to EUR 500 billion¹⁰⁴. Moreover, the European Financial Stabilisation Mechanism (EFSM) was announced, and it was formally established by a Council regulation on the 11th of May¹⁰⁵. This mechanism allocated EUR 60 billion of EFSF funds. Both EFSF and EFSM were subject to strict conditionality in line with IMF measures¹⁰⁶. Lastly, the ECB also introduced a new temporary program called Securities Market Programme¹⁰⁷ which would exceptionally buy secondary market sovereign debt to target Greek sovereign bonds. Spain and Portugal were called by ECOFIN called also to take additional measures¹⁰⁸ and shortly after Spain have accepted them¹⁰⁹. On May 12, the

¹⁰² European Council, “Statement by the Heads of State and Government of the Euro Area” (Brussels: European Council, May 7, 2010), <https://www.consilium.europa.eu/media/27818/114296.pdf>.

¹⁰³ Fabbrini SOG Working papers p12

¹⁰⁴ Council of the European Union, “Press Release: Economic and Financial Affairs Extraordinary Council Meeting ” (Brussels: Council of the European Union, May 10, 2010), https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114324.pdf.

¹⁰⁵ Council of the European Union, “Council Regulation (EU) No 407/2010 of 11 May 2010 Establishing a European Financial Stabilisation Mechanism,” May 12, 2010, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32010R0407>.

¹⁰⁶ Council of the European Union, *Economic and Financial Affairs Extraordinary Council Meeting, loc. cit.*

¹⁰⁷ European Central Bank, “Decision of the European Central Bank of 14 May 2010 Establishing a Securities Markets Programme (ECB/2010/5) (2010/281/EU),” May 14, 2010, [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010D0005\(01\)&from=SL](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010D0005(01)&from=SL).

¹⁰⁸ Council of the European Union, *Economic and Financial Affairs Extraordinary Council Meeting, loc. cit.*

¹⁰⁹ Giles Tremlett, “Spanish PM Makes Debt Crisis U-Turn with Emergency Cuts,” *The Guardian*, May 12, 2010, sec. Business, <https://www.theguardian.com/business/2010/may/12/spanish-pm-debt-crisis-emergency-cuts>.

Commission shared its proposals for reinforcing economic policy coordination, mainly by reforming fiscal surveillance¹¹⁰.

On June 30, the Commission outlined its reform ideas. The European Commission President José Manuel Barroso stated that "although the EU has several instruments for the coordination of economic policy, the crisis has put in evidence that these have not been fully used and that there are certain gaps in the current system of governance¹¹¹". Barroso also stressed the role of the newly introduced European Semester concept to monitor the developments. On September 29, 2010, the Commission would announce its final version of "Six-Pack" which consists of legislative proposals on various domains of economic governance¹¹². On October 18, Sarkozy and Merkel met in Deauville and agreed on various issues, such as the automatic penalties and the creation of the European Stability Mechanism (ESM). Following this meeting, the European Council decided to establish "a permanent crisis mechanism to safeguard the financial stability"¹¹³ which marked temporary measure of EFSF transforming into a permanent institution of ESM¹¹⁴. Meanwhile, Ireland had to request financial assistance¹¹⁵.

¹¹⁰ European Commission, "Reinforcing Economic Policy Coordination" (Brussels: European Commission, May 12, 2010), [https://ec.europa.eu/economy_finance/articles/euro/documents/2010-05-12-com\(2010\)250_final.pdf](https://ec.europa.eu/economy_finance/articles/euro/documents/2010-05-12-com(2010)250_final.pdf).

¹¹¹ European Council, "EU Economic Governance: The Commission Proposes a Reinforced Macro-Economic, Budgetary and Structural Surveillance" (Brussels: European Council, June 30, 2010), https://ec.europa.eu/commission/presscorner/detail/en/IP_10_859.

¹¹² European Council, "EU Economic Governance: The Commission Delivers a Comprehensive Package of Legislative Measures" (Brussels: European Council, September 29, 2010), https://ec.europa.eu/commission/presscorner/detail/en/IP_10_1199.

¹¹³ European Council, "Conclusions of the European Council (28-29 October 2010)" (Brussels: European Council, October 29, 2010), <https://data.consilium.europa.eu/doc/document/ST-25-2010-INIT/en/pdf>.

¹¹⁴ Eurogroup, "Statement by the Eurogroup," November 28, 2010, https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/118050.PDF.

¹¹⁵ European Stability Mechanism, "Testing the EFSF: The Case of Ireland," European Stability Mechanism, August 4, 2019, <https://www.esm.europa.eu/publications/safeguarding-euro/testing-efsf-case-ireland>.

On 23rd of March 2011, the Franco-German proposal called the Euro Plus Pact was signed. Two days later, the European Council highlighted the Pact's four guidelines. Firstly, the Pact was aimed at enhancing the existing economic governance in the EU¹¹⁶. Secondly, competitiveness was stressed. Thirdly, annual national commitments were foreseen. Lastly, it was emphasized that the Pact will uphold the integrity of the Single Market¹¹⁷. On July 21st, the leaders of the Euro area decided on several key measures. For Greece, there was the introduction of a new program that would amount to EUR 109 billion. It would be designed mainly through “lower interest rates and extended maturities, to decisively improve the debt sustainability and refinancing profile of Greece”¹¹⁸. Moreover, it was decided to lengthen the maturity of future EFSF loans to Greece from 7.5 years to a minimum 15 and maximum 30 years. Furthermore, it called upon EU funds and institutions, such as the EIB, to develop a comprehensive strategy for growth and investment in Greece. By the private sector, a net contribution is estimated at EUR 37 billion¹¹⁹. On the same day, the EFSF and the ESM were extended. It was done to increase their effectiveness by increasing their flexibility¹²⁰.

On 17th of August, Merkel and Sarkozy discussed the future of economic governance. According to Sarkozy, they share the same opinion on euro: “We want to express our absolute will to defend the euro”¹²¹. It was also same for the idea of Eurobond, he said:

¹¹⁶ European Council, “Conclusions of the European Council (24/25 March 2011)” (Brussels: European Council, March 25, 2011), <https://data.consilium.europa.eu/doc/document/ST-10-2011-INIT/en/pdf>.

¹¹⁷ *Ibid.*

¹¹⁸ <https://www.consilium.europa.eu/media/21426/20110721-statement-by-the-heads-of-state-or-government-of-the-euro-area-and-eu-institutions-en.pdf>

¹¹⁹ *Ibid.*

¹²⁰ *Ibid.*

¹²¹ Larry Elliott and Graeme Wearden, “Merkel and Sarkozy Push for Greater European Co-Operation,” *The Guardian*, August 17, 2011, sec. Business, <https://www.theguardian.com/business/2011/aug/17/angela-merkel-nicolas-sarkozy-summit>.

“Euro bonds can be imagined one day, but at the end of the European integration process, not at the beginning”¹²².

By the end of September 2011, a deal was reached on "six-pack" of economic governance legislation by the Commission, the Council, and the Parliament. Shortly after, October 2011 was marked by several developments. As stated by Olli Rehn, the Vice-President of the Commission at the time, Italy started to be monitored by the Commission¹²³. The situation would get worse in the following days, and that is why Italy had chosen to implement the plan. On October 26th, upon the request of the Greek government, the monitoring of program implementation was strengthened, and it was agreed to develop a voluntary bond exchange on notional Greek debt¹²⁴. On side of the EFSF, the goal was to maximize the available resources¹²⁵. In this given context, the Commission came up with two regulation proposals which would be called as “Two-Pack”, complementing the initial Six-Pack. Equally, the Commission started working on a Green Paper for the feasibility of introducing Stability Bonds. These bonds would mean “common issuance of sovereign bonds among the Member States of the euro area”¹²⁶. On 20 February 2013, an agreement would be reach by the Parliament, the Council and the Commission agrees on the Two Pack after long months of discussions.

¹²² Euractiv, “Sarkozy, Merkel Want van Rompuy as ‘Mr Euro,’” www.euractiv.com (EURACTIV, August 17, 2011), <https://www.euractiv.com/section/euro-finance/news/sarkozy-merkel-want-van-rompuy-as-mr-euro/>.

¹²³ Olli Rehn, “Press Points Vice President Olli Rehn,” https://ec.europa.eu/commission/presscorner/detail/en/MEMO_11_769.

¹²⁴ European Council, “Euro Summit Statement” (European Council, October 26, 2011), https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/125644.pdf.

¹²⁵ *Ibid.*

¹²⁶ European Commission, “European Commission Green Paper on the Feasibility of Introducing Stability Bonds” (Brussels: European Commission, November 23, 2011), https://ec.europa.eu/commission/presscorner/detail/en/MEMO_11_820.

On December 1, 2011, Draghi, the ECB's President at the time, made a speech in the European Parliament plenary session. During his speech, he called for a new fiscal compact, which would be “the most important signal from euro area governments for embarking on a path of comprehensive deepening of economic integration”¹²⁷. The idea was equally discussed at the December 8–9 meeting of the European Council. The key elements were strengthening the budgets by developing a automaticity for correction, defining new rules at treaty-level, introducing automatic mechanism for correction and bringing reverse QMV in the Council to decide on Commission proposals¹²⁸. During the first half of 2012, the EFSF/ESM overall ceiling was increased again, and the Commission published the in-depth reviews, which are part of the Macroeconomic Imbalance Procedure. It was concluded that 12 countries were “experiencing imbalances, which are not excessive”¹²⁹. As the crisis has already reached its peak, the Commission also introduced the idea of building the Banking Union, which would be another long-term solution¹³⁰. This project was welcomed at the Euro Area Summit on June 29, 2012, and the rapid conclusion of the project was asked¹³¹. In this given context, Draghi pointed out the necessity of the Banking Union and delivered his famous speech: “Within our mandate, the ECB is ready to do whatever it takes to preserve the euro [...] and believe me, it will be enough”¹³². On 2nd of August, he stated that ECB

¹²⁷ Mario Draghi, “Hearing before the Plenary of the European Parliament on the Occasion of the Adoption of the Resolution on the ECB’s 2010 Annual Report,” <https://www.ecb.europa.eu/press/key/date/2011/html/sp111201.en.html>.

¹²⁸ Herman Van Rompuy, “Remarks by President of the European Council Herman van Rompuy at the European Parliament” (December 13, 2011), <https://www.consilium.europa.eu/media/26521/126848.pdf>.

¹²⁹ European Commission, “Following In-Depth Reviews, Commission Calls on Member States to Tackle Macroeconomic Imbalances” (European Commission, May 30, 2012), https://ec.europa.eu/commission/presscorner/detail/en/memo_12_388.

¹³⁰ European Commission, “Bank Recovery and Resolution Proposal” (European Commission, June 6, 2012), https://ec.europa.eu/commission/presscorner/detail/en/MEMO_12_416.

¹³¹ European Council, “Euro Area Statement” (Brussels: European Council, June 29, 2011), https://www.bankingsupervision.europa.eu/about/milestones/shared/pdf/2012-06-29_euro_area_summit_statement_en.pdf.

¹³² Mario Draghi, “Speech by Mario Draghi, President of the European Central Bank at the Global Investment Conference in London” (Global Investment Conference, July 26, 2012), <https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html>.

can undertake “outright open market operations of a size adequate to reach its objective”¹³³. This would be decided as “Outright Monetary Transactions” in September.

During the European Council meeting of October 18–19, leaders of Europe discussed short-term and long-term policies. Short-term measures include completing the European Monetary Union. In this regard, the legislative proposal on the Single Supervisory Mechanism (SSM) is a matter of priority. Moreover, there is a call for rapid adoption of “the provisions relating to the harmonization of national resolution and deposit guarantee frameworks”¹³⁴. It is also stressed that once SSM starts, then ESM can fully operate the bank recapitulation processes. Long-term solutions are given in the context of Europe2020 strategy. The key areas vary from boosting employment to promoting research.

5.2 HIGH INTEGRATION EFFORTS CONSTRAINED BY INTERGOVERNMENTALISM

5.2.1 Intergovernmentalist mindset as in case of EFSF/ESM

The initial approach of the governments of Europe was to follow an intergovernmentalist logic. This was equally expressed by President Sarkozy. It was pointed out that the “the reform of Europe is not a march towards supra-nationality”¹³⁵. Instead, he claimed that as the heads of state and government have the democratic legitimacy to take decisions, the crisis compelled them to shoulder greater responsibility. In this regard, the

¹³³ Mario Draghi, “Introductory Statement to the Press Conference (with Q&A)” (August 2, 2012), https://www.ecb.europa.eu/press/press_conference/monetary-policy-statement/2012/html/is120802.en.html.

¹³⁴ European Council, “Conclusions of the European Council (18-19 October 2012)” (Brussels: European Council, October 19, 2010), https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/133004.pdf.

¹³⁵ Sergio Fabbrini, “Intergovernmentalism and Its Outcomes: The Implications of the Euro Crisis on the European Union,” *SOG*, 2013, https://sog.luiss.it/sites/sog.luiss.it/files/SOG%20Working%20Papers%20Fabbrini%20ISSN_0.pdf.

integration would go towards more intergovernmentalism as “Europe needs to make strategic political choices”¹³⁶. This logic was expressed by the 7-9 May 2010 meetings which led to the creation of EFSF and ESM. As already mentioned above, EFSF was created as a temporary measure. By the end of the crisis, it transformed into permanent measures/institutions through “ESM for crisis management and the Fiscal Compact for crisis prevention”¹³⁷. Given the work of Nicoli, these two elements (EFSF and ESM) fall in to the intergovernmentalist crisis outcomes both in legislation survey and experts survey. In this regard, the research shows how leaders’ shaped the crisis in an intergovernmentalist mindset. The main goal of creation of the EFSF was to financially assist the countries in need. However, even its creation started with controversies. It was initially established by Eurogroup as a private company in Luxemburg with a public service mandate. It was “an executive agreement [and] not a new formal treaty”¹³⁸. The initial model remained outside of the scope of EU. Moreover, it was a “special purpose vehicle under international law”¹³⁹. In this regard, it is a result of interstate negotiations in line with intergovernmentalism. This choice led to questions about its democratic legitimacy, EU related competences and personal liability¹⁴⁰. Later, the conditions attached to assistance raised questions. Moreover, the prolongation of the crisis in different countries show the need for a comprehensive strategy balancing fiscal responsibility and economic growth within the EU. It is possible to distinguish other elements of intergovernmentalism as well. Some member states’ participation in EFSF-led bailouts highlighted the delicate balance between national sovereignty and collective responsibility. A great example is the case of Finland, in which EFSF was questioned because of its nature on the grounds of constitutionality and EU

¹³⁶ *Ibid.*

¹³⁷ Sergio Fabbrini, “Intergovernmentalism and Its Limits,” *Comparative Political Studies* 46, no. 9 (June 17, 2013): 1003–29, <https://doi.org/10.1177/0010414013489502>.

¹³⁸ Fabbrini, *Intergovernmentalism and Its Outcomes*, *loc. cit.*

¹³⁹ Sandrino Smeets and Derek Beach, “Intergovernmentalism and Its Implications – New Institutional Leadership in Major EU Reforms,” *Journal of European Public Policy* 27, no. 8 (December 10, 2019): 1–20, <https://doi.org/10.1080/13501763.2019.1699940>.

¹⁴⁰ ESM p

competences¹⁴¹. Moreover, the government demanded collateral as a strict condition, mainly for Greece but also for other countries¹⁴². Another example is Slovakia's Parliament rejecting participation in the loan that was set for Greece. The Commissioner for Economic and Monetary Affairs of the time, Olli Rehn, would call it a “breach of solidarity within the Euro Area”¹⁴³. A different illustration of this argument is the Pringle case, which marked the acceptance of conditionality by the ECJ. As pointed out by Van Malleghem, the decision of the Court became the basis for the rules of the game of political bargaining in beneficiary states¹⁴⁴. Furthermore, it created a democratic deficit as the conditions were being imposed externally, leading the model to appear as a pure intergovernmental deal among Eurogroup states.

5.2.2 Establishment of the Banking Union and the bargaining phase

While the previous section stressed the dominance of intergovernmentalist approach, this section demonstrates that this logic remained limited in case of Banking Union. However, intergovernmentalism can help us explaining the dynamics behind the deal. Intergovernmentalism emphasizes the domestic preferences. In this regard, we can mention several reasons which shaped different starting positions such as different macroeconomic traditions; level of exposure to the crisis; “the different financial and debt backgrounds of the nation states [...];the engagement in the Eurozone and EMU”¹⁴⁵. Such reasons led to differences in domestic preferences. After, the country grouping was formed by countries

¹⁴¹ Päivi Leino and Janne Salminen, “The Euro Crisis and Its Constitutional Consequences for Finland: Is There Room for National Politics in EU Decision-Making?,” *European Constitutional Law Review* 9, no. 3 (November 5, 2013): 451–79, <https://doi.org/10.1017/s1574019612001241>.

¹⁴² Johan Henry Grönfors, “Crucial Decisions in the Eurogroup the Case of Collateral Agreement and Two-Level Games,” 2012, <https://www.lu.se/lup/publication/2275589>.

¹⁴³ Olli Rehn, “Statement by Commissioner Olli Rehn on Today’s Vote by Slovakia’s Parliament Rejecting the Participation in the Loan for Greece,” https://ec.europa.eu/commission/presscorner/detail/en/MEMO_10_368.

¹⁴⁴ Pieter-Augustijn Van Malleghem, “Pringle: A Paradigm Shift in the European Union’s Monetary Constitution,” *German Law Journal* 14, no. 1 (January 1, 2013): 141–68, <https://doi.org/10.1017/s2071832200001747>.

¹⁴⁵ Lena Kern, “Europe towards Banking Union an Explanation of the Decision-Making Process” (Thesis, 2013).

which have similar domestic preferences. These groupings turned into two constellations: Northern and Southern coalitions.

Northern coalition was formed mainly by the Scandinavian countries, Germany, Netherlands and Luxembourg. First, the countries are generally creditors of the European Union. Second, these countries were less exposed to the crisis thanks to their already competitive economies. Third, there was reluctance of these creditors countries to pay for debtor countries. These are the reasons why they were in favor of national measures or the Council, instead of supranationalization by institutions such as ECB. In this regard, German Finance Minister Wolfgang Schäuble stressed that:

“Only if there are sound fiscal and macroeconomic policies in all countries can firms prosper and compete effectively. And only if all countries can maintain a sustainable position can there be closer euro area integration.[...] EMU was not set up for some members to be permanent creditors and others to be permanent debtors.”¹⁴⁶

Germany’s position was shaped by various domestic actors. As the resolution of banks would have an impact on national budgets and negative effects on taxpayers¹⁴⁷, Germany demanded for more active supervision. In this regard, the approach can be summarized as “mutualization of risks could not go without the mutualization of responsibilities”¹⁴⁸. Otherwise, the Constitutional court would challenge the legality of the

¹⁴⁶ Louise Armitstead, “Mario Draghi Risks Row with Germany over Bank Plan,” *The Telegraph*, September 16, 2013, <https://www.telegraph.co.uk/finance/newsbysector/banksandfinance/10313959/Mario-Draghi-risks-row-with-Germany-over-bank-plan.html/>.

¹⁴⁷ Elena Ríos Camacho, “The Final Leg of an Ambitious Project: Who Decides? Resolving Cross-Border Failed Banks in the European Union Analysis of the Establishment of the Single Resolution Mechanism (SRM) through a Neofunctionalist and Liberal Intergovernmentalist Lens” (2014).

¹⁴⁸ Elroy Adelaar, “Breaking the ‘Vicious Circle between Banks and Sovereigns’: Neofunctionalism and Liberal Intergovernmentalism as Explanations for the Establishment of the Single Supervisory Mechanism (SSM)” (Thesis, 2013).

solution¹⁴⁹. Moreover, some of the Merkel's coalition partners were equally skeptical on the idea of a Banking Union¹⁵⁰. To illustrate, Free Democratic Party member Christian Lindner who would become German Finance Minister after Merkel, stated that at the time that "every eurozone country has to take responsibility for its own banks"¹⁵¹. Bundesbank also had concerns as well. Vice-president Sabine Lautenschläger also stated that "the extremely important discipline of the market would be partially lost"¹⁵².

Germany played a prominent role in the bargaining phase as part of this coalition. The main argument of Germany was that supranationalization of bank resolution is not the only option. Instead, Schäuble called for focusing on the competitiveness because "since 2008, countries that are more competitive have, on average, seen higher business margins, lower public debt levels, higher growth, and higher employment"¹⁵³. Germany also defended that such solution was legally questionable, and it would need a treaty change. To illustrate, Angela Merkel expressed this on 28 June 2013 by saying "under the current treaties the Commission does not have the competence to run such a central authority or act as a resolution body. If we want new competencies, then they must be linked to treaty changes"¹⁵⁴. Moreover, Germany pushed for a decentralized solution based on national measures of resolution by arguing that it proves better at "safely applying these laws"¹⁵⁵. He also stressed that a partial treaty change would be useful for supervision. It is equally important to mention that the opposition of Germany was more on the resolution rather than the supervision of

¹⁴⁹ Camacho, *loc. cit.*

¹⁵⁰ Adelaar, *loc. cit.*

¹⁵¹ EU Business, "Merkel Allies Attack European 'Banking Union' Plan — EUBusiness.com | EU News, Business and Politics," *Www.eubusiness.com*, June 6, 2012, <https://www.eubusiness.com/news-eu/finance-public-debt.gwf>.

¹⁵² James Wilson, "Bundesbank Warns on EU Banking Union," *www.ft.com* (Financial Times, June 2012), <https://www.ft.com/content/79c17794-b467-11e1-bb68-00144feabdc0>.

¹⁵³ Armitstead, *loc. cit.*

¹⁵⁴ Reuters, "Merkel Insists EU Bank Resolution Body Needs Treaty Change," *Reuters*, June 28, 2013, <https://www.reuters.com/article/eurozone-banks-merkel/merkel-insists-eu-bank-resolution-body-needs-treaty-change-idUSL5N0F41WI20130628/>.

¹⁵⁵ Wilson, *loc. cit.*

banks. Even though Schäuble argued that a partial treaty change is necessary for such solution, he also stressed that it would be useful for the legal questions related to impartiality of the ECB. The main argument there is to create “a better separation between supervision and monetary functions in the ECB”¹⁵⁶. The concern was that the supervision of almost 6000 banks to the ECB would be too much. Moreover, the ECB could use the supervisory powers to complement its monetary policy instruments¹⁵⁷. Moreover, if supervision could start, a two-step approach could equally start by “a network of national authorities [...], the resolution directive and the Basel III capital requirements are in place”¹⁵⁸. Sweden’s approach was more straightforward. Sweden's Minister of Finance Anders Borg said that “there is an understanding that these proposals that we should submit our banks to a supervision that we ourselves wouldn't have influence on, that that isn't really sustainable”¹⁵⁹. Sweden also suggested treaty change and each country should have equal saying: “Either you must change the treaty so it's clear that every member is treated equitably, or you need to move it [supervision] outside of the ECB”¹⁶⁰.

Southern coalition was formed by France, Spain, Italy, Portugal and Greece. Except France, these countries were heavily exposed to crisis. To illustrate, these countries had the high levels of domestic government debt in banks' total government debt portfolios. Moreover, they argued for “a European authority that would provide increased security to the nation state and possible resolution measures and funds that can be accrued from the EU”¹⁶¹. In this regard, their proposal was the centralization of European financial regulation

¹⁵⁶ *Ibid.*

¹⁵⁷ Adelaar, *loc. cit.*

¹⁵⁸ Wilson, *loc. cit.*

¹⁵⁹ Reuters, “Sweden’s Borg Sees Willingness to Compromise on EU Bank Union,” *Reuters*, October 13, 2012, <https://www.reuters.com/article/uk-sweden-europe-bankunion-idUKBRE89C0AY20121013/>.

¹⁶⁰ Euractiv, “Finance Ministers Divided over Banking Union Plans,” *www.euractiv.com* (EURACTIV, October 2012), <https://www.euractiv.com/section/euro-finance/news/finance-ministers-divided-over-banking-union-plans/>.

¹⁶¹ Kern, *loc. cit.*

with the creation of a single EU-wide rescue fund¹⁶². France is an interesting case because compared to other Southern coalition countries, France had to accept German position earlier and it had to make a compromise. Broadly, France favored Franco-German tandem instead of Southern coalition. More specifically, French SMEs would reach to banking credit with better interest rates like Germany and unlike other Southern coalition states¹⁶³. The relation between the two coalitions and France-German tandem reflects the intergovernmentalist assumption that crisis mechanism is hard bargaining. On the question of supervision, which was the first step of the Banking Union, it became clear that the different approaches make it difficult to reach an agreement and attaining the target which was set by leaders¹⁶⁴. In this regard, debates were shaped by hard bargaining between two constellations led by Germany and France. Moreover, Howarth and Quaglia stresses that the debates were also marked by non-Euro Member states especially by the UK¹⁶⁵. In this giving context, intergovernmentalist assumptions are useful to understand the Banking Union.

5.2.3 Role of supranational institutions

At that stage, neofunctionalism would assume a key role for supranational institutions to upgrade their interests in decision-making. However, through the process of ESM's establishment, the role of the Commission remained very limited or even "counterproductive," as argued by Smeets et al.¹⁶⁶. Similarly, the Commission pushed for "a Community-based stabilization fund" even though it was heavily opposed by Merkel¹⁶⁷. The institutional defeat of the Commission would continue even after an unwillingness to

¹⁶² Camacho, *loc. cit.*

¹⁶³ *Ibid.*

¹⁶⁴ *Ibid.*

¹⁶⁵ David Howarth and Lucia Quaglia, "Banking Union as Holy Grail: Rebuilding the Single Market in Financial Services, Stabilizing Europe's Banks and 'Completing' Economic and Monetary Union," *JCMS: Journal of Common Market Studies* 51 (August 13, 2013): 103–23, <https://doi.org/10.1111/jcms.12054>.

¹⁶⁶ Sandrino Smeets, Alenka Jaschke, and Derek Beach, "The Role of the EU Institutions in Establishing the European Stability Mechanism: Institutional Leadership under a Veil of Intergovernmentalism," *JCMS: Journal of Common Market Studies* 57, no. 4 (March 7, 2019): 675–91, <https://doi.org/10.1111/jcms.12842>.

¹⁶⁷ *Ibid.*

participate in a more powerful manner in the application of the program. Scheidt argues that the outcome of ESM gave a Commission more of “an administrative, than an executive”¹⁶⁸ role. Moreover, the Commission’s initial approach of backing Greece with the support of other EMU member states was in contradiction to that of decisive states, namely Germany¹⁶⁹. Nevertheless, the Commission was successful for raising the paid-in capital and guarantees pool¹⁷⁰. In this regard, even though the neofunctionalist assumption is not completely filled in terms of affecting the decision-making process, the Commission was important to implement decisions agreed by the European leaders. Similarly, increased role of the Commission with Six-Pack, Two-Pack and European Semester was framed by the member states with a purpose to stabilize the fiscal policy through automatic and stricter conditions. On the positive feedback leading to spillover as a typical crisis outcome, Tesche points out that the inclusion of ESM as “a common backstop to the Single Resolution Fund”¹⁷¹, which was decided in 2018, is a good illustration. Moreover, the Juncker Commission aimed “to transform ESM into a European Monetary Fund and to the Fiscal Compact into Community law”¹⁷². However, these efforts remain a debate topic. In this regard, in case of ESM, neofunctionalism assumptions remained limited to prove.

With the establishment of the Banking Union which was requested to the Commission by the European Council¹⁷³, the already existing institutions such as the ECB have increased its role and new mechanisms were created. On the first pillar, SSM, the ECB oversees all significant euro area banks in close cooperation with national supervisory authorities. In that

¹⁶⁸ Holger Scheidt, “Neofunctionalism vs Liberal Intergovernmentalism; the Creation of the European Stability Mechanism and the Limits of Political Theory” (2011).

¹⁶⁹ *Ibid.*

¹⁷⁰ *Ibid.*

¹⁷¹ Tobias Tesche, “Supranational Agency and Indirect Governance after the Euro Crisis: ESM, ECB, EMEF and EFB,” *Journal of Contemporary European Studies* 28, no. 1 (October 16, 2019): 1–14, <https://doi.org/10.1080/14782804.2019.1677575>.

¹⁷² [https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/635556/EPRS_BRI\(2019\)635556_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/635556/EPRS_BRI(2019)635556_EN.pdf)

¹⁷³ Kollárik Ferenc, “Eurozone Crisis Management in Neofunctionalist Approach” (2022), https://phd.lib.uni-corvinus.hu/1261/1/Kollarik_Ferenc_den.pdf.

respect, the ECB is included to direct supervision of banks. However, for the rest of the banks, the ECB is indirectly involved as National Supervisory Authorities are still competent on the matter. On the second pillar, Single Resolution Mechanism, the supranational board deals with the failing banks and uses the Single Resolution Fund which 1% of the amount of covered deposits of credit institutions¹⁷⁴. Still, there is a lack of a European Deposit Insurance Scheme that would complete the Banking Union¹⁷⁵. While the Commission has proposed it almost a decade ago, there are no recent progress on the matter¹⁷⁶.

To sum up this chapter, the Eurozone crisis which lasted over several years was marked by high interinstitutional interaction that resulted in shifting dynamics. The initial mindset of the leaders favored intergovernmentalism. In that respect, EFSF and ESM retained from integrating supranational institutions as minimal as possible and preferred establishing *de novo* bodies. However, as in the case of the Banking Union debates, the various national preferences affected.

¹⁷⁴ Single Resolution Board, “Single Resolution Fund,” Single Resolution Board, April 29, 2021, <https://www.srb.europa.eu/en/single-resolution-fund>.

¹⁷⁵ Ferenc, *loc. cit.*

¹⁷⁶ European Commission, “Proposal for a REGULATION of the EUROPEAN PARLIAMENT and of the COUNCIL Amending Regulation (EU) 806/2014 in Order to Establish a European Deposit Insurance Scheme,” 2015, https://finance.ec.europa.eu/publications/commission-proposal-european-deposit-insurance-scheme-edis_en.

6. EU'S PANDEMIC CRISIS MANAGEMENT POLICY

This chapter aims to unravel the complex policy landscape that the EU navigated during the COVID pandemic period. In this regard, it starts by tracing the immediate challenges posed for EU member states and the contextual foundation upon which EU pandemic crisis management policies were formulated. Unlike the Eurozone crisis, the pandemic affected member states more symmetrically giving possibility to certain activism of supranational institutions. However, long-term solution discussions again demonstrated formation of two coalitions.

6.1 EMERGENCE OF COVID-19 AS A PANDEMIC AND INITIAL RECEPTION OF THE EU

In December 2019, the COVID-19 outbreak was first identified in Wuhan, China, and started spreading rapidly. On January 24, 2020, France confirmed its first case of COVID-19, marking the virus's arrival in Europe. Together with the EU Civil Protection Mechanism, Member States started repatriation operations to bring their citizens back. Meanwhile, the EU started to send medical equipment to China to help with their effort to fight with the COVID virus. Moreover, the Croatian Presidency has activated the EU's Integrated Political Crisis Response (IPCR) mechanism in information-sharing mode.

On February 24, the Commission announced a global aid package worth EUR 232 million. The European Commission President, Ursula von der Leyen, outlined the objective of boosting preparedness and placing public health as the top concern¹⁷⁷. This initial aid

¹⁷⁷ European Commission, "COVID-19: EU Working on All Fronts, €232 Million for Global Efforts to Tackle Outbreak," February 24, 2020, https://ec.europa.eu/commission/presscorner/detail/%5Beuropa_tokens:europa_interface_language%5D/ip_20_316.

package was quite comprehensive, as it was planned to be allocated mainly to the World Health Organization, various institutions in Africa, initiatives between the EU and the pharmaceutical industry, and the EU Civil Protection Mechanism. The Competitiveness Council meeting of February 27–28, 2020, provided an opportunity for the Commission and the Council to assess the potential impact of the COVID-19 outbreak on EU industry. The Commission emphasized that the associated uncertainty could have substantial consequences for EU industry. It was also stressed that the coordination of immediate measures at both EU and national levels was critical. Soon after, the IPCR was changed to full activation mode, which would implement roundtable sessions with the participation of affected member states, the Commission, EEAS, the office of the President of the European Council and relevant EU agencies¹⁷⁸. In order to adequately inform political decision-making, the roundtables are designed with the purpose of comprehending and analyzing the crisis situation¹⁷⁹. On March 10, the European Council held a meeting in the presence of the President of the Commission, the President of the ECB, the President of the Eurogroup, and the High Representative. During the meeting, Member States stressed the need for “a joint European approach and close coordination with the European Commission”¹⁸⁰.

The Commission asked Member States to cooperate to guarantee that state aid is available to companies that require it and to make the most of the flexibility provided by the Stability and Growth Pact¹⁸¹. Furthermore, the Commission introduced a “Corona Response

¹⁷⁸ Council of the European Union, “Council Implementing Decision (Eu) 2018/1993 of 11 December 2018 on the Eu Integrated Political Crisis Response Arrangements,” December 17, 2018, <https://eur-lex.europa.eu/legal-content/en/TXT/PDF/?uri=CELEX:32018D1993&from=EN#:~:text=7.,the%20European%20Council%20with%20delay.>

¹⁷⁹ *Ibid.*

¹⁸⁰ European Council, “Video Conference of the Members of the European Council, 10 March 2020,” www.consilium.europa.eu, March 10, 2020, <https://www.consilium.europa.eu/en/meetings/european-council/2020/03/10/>.

¹⁸¹ European Commission, “COVID-19: EU Working on All Fronts, €232 Million for Global Efforts to Tackle Outbreak,” February 24, 2020, https://ec.europa.eu/commission/presscorner/detail/%5Beuropa_tokens:europa_interface_language%5D/ip_20_316.

Investment Initiative” directed at the health care systems, SMEs, and labor markets. In this regard, the Commission planned to mobilize unspent cash reserves – worth EUR 25 billion, in the European Structural and Investment Funds. To achieve its goal, the Commission proposed to the European Parliament and the Council to release about EUR 7.5 billion of investment liquidity¹⁸². In this mindset of flexibility, the Commission adopted the “Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak” based on the article 107 TFEU. Moreover, the Commission qualified the pandemic as an unusual event outside the control of the government. For the European Fiscal Framework, it would mean the allowance of exceptional spending to contain the COVID-19 outbreak¹⁸³. Similarly, the Commission announced its readiness to recommend adjusting Member States’ fiscal obligations in response to economic downturns and activating the general escape clause for broader fiscal support¹⁸⁴. The official proposal was made on March 20, and it would be accepted by the Council three days later¹⁸⁵. On March 24, the ECB launched the Pandemic Emergency Purchase Programme (PEPP). It was set up as a temporary asset purchase program for both private and public sector securities¹⁸⁶. At the beginning, this measure was envisaged as EUR 750 billion until its increase to EUR 1350 billion and then to EUR 1850 billion.

¹⁸² *Ibid.*

¹⁸³ European Commission, “COVID-19: Commission Sets out European Coordinated Response to Counter the Economic Impact of the Coronavirus,” March 13, 2020, https://ec.europa.eu/commission/presscorner/detail/%5Beuropa_tokens:europa_interface_language%5D/ip_20_459.

¹⁸⁴ *Ibid.*

¹⁸⁵ European Council, “Statement of EU Ministers of Finance on the Stability and Growth Pact in Light of the COVID-19 Crisis,” www.consilium.europa.eu, March 20, 2020, <https://www.consilium.europa.eu/en/press/press-releases/2020/03/23/statement-of-eu-ministers-of-finance-on-the-stability-and-growth-pact-in-light-of-the-covid-19-crisis/>.

¹⁸⁶ European Central Bank, “ECB Announces €750 Billion Pandemic Emergency Purchase Programme (PEPP),” March 18, 2020, https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html.

Like the Eurozone crisis, the initial reaction of member states to the pandemic was also intergovernmentalist. An illustration of this situation was the temporary closure of borders by several member states¹⁸⁷. However, shortly after it became clear that a common solution was needed, and the European leaders issued a joint statement¹⁸⁸. This document gave an overview of the situation and more importantly, it invited the President of the Commission and the President of the Council to work together to find a common European strategy to resolve the crisis with consultation to other EU institutions. In this context, the preferences of the countries were more common compared to the Eurozone crisis. Moreover, it was not possible to blame several member states causing the crisis as in the case of Eurozone crisis. Furthermore, the pandemic has overwhelmed broader policy domains from socio-economy to health. With regards to this, the member states were less powerful to push for their agenda and they were more in favor of supranational institutions providing solutions. The Commission's early reaction to suspend state aid rules¹⁸⁹ and the ECB's PEPP program reflected this relation between the European Council and other supranational institutions.

From a macro-economic point of view, the early Spring 2020 Economic Forecast published by the Commission showed the great recession in numbers. At the initial reception of the crisis, the Commission and the Council were already working together to mitigate the effects of the pandemic. However, it was obvious that the pandemic would last longer and that large economic response packages were necessary. In this given context, the Eurogroup meeting of April 9 was held in videoconference format, and an economic policy response

¹⁸⁷ European Commission, "The Effects of COVID-19 Induced Border Closures on Cross-Border Regions: An Empirical Report Covering the Period March to June 2020" (European Commission, 2021), <https://op.europa.eu/en/publication-detail/-/publication/46250564-669a-11eb-aeb5-01aa75ed71a1/language-en>.

¹⁸⁸ European Council, "Joint Statement of the Members of the European Council" (Brussels: European Council, March 26, 2020), <https://www.consilium.europa.eu/media/43076/26-vc-euco-statement-en.pdf>.

¹⁸⁹ Federico Fabbrini, "The EU Economic Constitution after COVID-19 and 'next Generation EU,'" *REBUILD Centre Working Paper*, no. No. 1 (2022) (April 1, 2022): 1–27, <https://dx.doi.org/10.2139/ssrn.4101979>.

package of more than EUR 500 billion was announced¹⁹⁰. Moreover, the importance of long-term solutions such as the MFF and the Roadmap for Recovery were stressed.

6.2 SHORT TERM ECONOMIC POLICY RESPONSE WITH THREE LINES OF DEFENSE

Following the Eurogroup meeting on April 9, an economic policy package was unveiled, marking the EU's inaugural, all-encompassing strategy to mitigate the pandemic. Nevertheless, this initiative primarily comprised short-term measures channeled towards crisis management. Consequently, the EU sought enduring measures to sustain economic recuperation by focusing on member states, businesses, and workers. In this section, we delve deeper into the components of EUR 500 billion package with its three lines of defense: Pandemic Crisis Support, Pan-European Guarantee Fund and SURE Programme.

Pandemic Crisis Support was decided at the above-mentioned meeting of Eurogroup. The main purpose of this mechanism was to help the member states with the purpose of directly or indirectly supporting domestic costs of “healthcare, cure, and prevention-related costs due to the COVID-19 crisis”¹⁹¹. There were conditionalities as well. This mechanism is short-term response as the requests could be made until the end of 2022, and the foreseen limit was 2% of gross domestic product ¹⁹². However, it is also important to note that the loans could have a maximum average maturity of 10 years¹⁹³. While none of the Member States availed themselves of the facility, the Pandemic Crisis Support mechanism still played

¹⁹⁰ Eurogroup, “Report on the Comprehensive Economic Policy Response to the COVID-19 Pandemic,” www.consilium.europa.eu, March 9, 2020, <https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-covid-19-pandemic/>.

¹⁹¹ Eurogroup, *loc. cit.*

¹⁹² *Ibid.*

¹⁹³ European Stability Mechanism, “Term Sheet: ESM Pandemic Crisis Support,” May 8, 2020, https://www.esm.europa.eu/sites/default/files/migration_files/20200508-pcs-term-sheet-final.pdf.

a crucial and constructive role during the pandemic crisis. It served as a stabilizing force, instilling confidence in financial markets by demonstrating that euro area countries had a swift and accessible route to emergency financing should the need arise¹⁹⁴. By merely being available and operational, this support mechanism provided reassurance to both the financial markets and the public. It underscored the European Union's commitment to maintaining economic stability and its readiness to act decisively in times of crisis. This psychological reassurance alone can have a significant impact on market sentiment and the overall resilience of the euro area countries, contributing to a more stable and predictable financial landscape during uncertain times.

The EIB and the new pan-European guarantee fund provided a safety net for businesses. This fund has been established with a total contribution of up to EUR 25 billion from the Member States, which can be further leveraged up to a total impact of EUR 200 billion. The primary focus is to support various beneficiaries, with an emphasis on aiding small and medium-sized businesses (at least 65% of financing). Larger companies with up to 23% employment restrictions and public sector entities related to health can also benefit¹⁹⁵. Additionally, venture capital and growth capital ventures can receive up to 7% of the fund. Contributions to the fund come from EU Member States based on their shares in the EIB. These Member States provide irrevocable guarantees to the EIB Group for eligible operations. The initial contribution agreement would specify the requirements that contributing Member States would agree upon. Then, the Contributors Committee would authorize certain operations respecting these criteria and report on the matter¹⁹⁶. The fund primarily provides guarantees for operations carried out by the EIB and the European

¹⁹⁴ European Stability Mechanism, “ESM’s Role in the European Response to Covid-19,” 2020, <https://www.esm.europa.eu/content/europe-response-corona-crisis>.

¹⁹⁵ European Investment Bank, “Fact Sheet: The Pan-European Guarantee Fund in Response to COVID-19,” 2020, <https://www.eib.org/attachments/press/covid19-paneuropean-guarantee-fund-factsheet-en.pdf>.

¹⁹⁶ *Ibid.*

Investment Fund (EIF). Approximately 75% of the fund is allocated for risk-sharing, both funded and unfunded, while the remaining 25% supports equity and equity-type investments. Geographic coverage is comprehensive, with eligibility tied to contributing Member States, avoiding specific country quotas. The initial investment period was until December 31, 2021.

The Temporary Support to mitigate Unemployment Risks in an Emergency (SURE) programme was proposed by the Commission on 2 April 2020. On 15 May, the Council reached an agreement, and the programme was launched in September 2020. In the form of favorable loans, this program amounts to a substantial EUR 100 billion, with the aim of aiding Member States in tackling the sudden surge in public expenditure brought about by the need to safeguard employment in the wake of unforeseen challenges. The total distributed amount reached EUR 98.4 billion. These loans played a crucial role in helping Member States cover the costs directly associated with the establishment or expansion of their national short-time work programs. Additionally, they supported other similar measures aimed at assisting self-employed individuals, all in response to the crisis. The underlying principle was to prevent unnecessary redundancies. By doing so, short-time work schemes can act as a buffer, preventing a temporary economic shock from causing more severe and long-lasting negative consequences on Member States' economies and labor markets. This approach not only helps to maintain the financial stability of families during these trying times but also serves to safeguard the productive capacity and human capital of enterprises, thereby contributing to the overall resilience and stability of the economy as a whole. In essence, it was a proactive step toward mitigating the socio-economic impact of the crisis and ensuring the well-being of both individuals and businesses across the European Union.

6.3 NEXT GENERATION EU AS A LONG-TERM RESPONSE TO THE PANDEMIC

Today is the time to write our generation's chapter to the story and take another courageous step towards a stronger Union. – Ursula von der Leyen¹⁹⁷

On 27 May 2020, Ursula von der Leyen introduced the NGEU programme. The initial provision for this new recovery instrument would be worth EUR 750 billion and it would work in line with the next MFF of EUR 1.1 trillion. When the short-term measures are added, the sum of the EU's recovery effort amounts to a total of EUR 2.4 trillion. This historic amount highlights the EU's commitment to addressing the economic and social consequences of the COVID-19 pandemic with determination. The mobilization of financial resources on an unprecedented scale has an ambition to create a solid ground for EU's future competitiveness and sustainability. It emphasizes the important role of green and digital priorities as central elements of the recovery. In this regard, it aligns with the broader EU transformation goals. To achieve this, the NGEU also stresses the importance of economic resilience of Member States. As it is a long-term measure, it plans to fortify the Union's economic foundation by equipping member states with the tools and resources to better withstand future shocks and crises while also addressing immediate economic challenges. For the financing of NGEU, the plan is “innovative” in a sense that it marks a departure from traditional approaches by allowing the EU to borrow funds at the collective level. Additionally, it creates new sources of revenue, demonstrating the EU's adaptability and creativity in the face of extraordinary circumstances. At its core, NGEU embodies the principles of solidarity and cohesion among EU member states. It reflects a collective resolve to stand together in times of crisis, ensuring that no member state is left isolated or struggling without support. Meanwhile, member states must commit to implementing structural reforms

¹⁹⁷ Ursula von der Leyen , “Speech by President von Der Leyen at the European Parliament Plenary on the EU Recovery Package” (May 27, 2020), https://ec.europa.eu/commission/presscorner/detail/en/speech_20_941.

and investments that align with EU policy objectives to access the funds. This conditionality promotes responsible use of the funds and encourages progress toward shared goals. NGEU was planned by the Commission to be distributed “500 billion in grants and EUR 250 billion in loans passed on to Member States”¹⁹⁸. After tough negotiations, the Council adopted NGEU at the end of its Special Meeting of 17-21 July 2020. The final version consisted of EUR 750 billion while EUR 360 billion being loans. NGEU consists of seven individual programmes.

As the intergovernmentalism presumes, the negotiations of the NGEU especially for the RFF, were marked by hard bargaining. As in the case of the Banking Union discussion, there were two different coalitions. On side side, leaders of nine member states¹⁹⁹ wanted “a common debt instrument issued by a European institution”²⁰⁰. Similar to the idea of Eurobond during the Eurozone crisis, these member states pushed for a corona-bond. On the other side, the Frugal Four was already pushing for “more responsibility” for the EU budget discussions²⁰¹. This group consisted of Austria Denmark, Netherlands and Sweden. During the NGEU negotiations, Germany also joined this camp. However, after a meeting between Macron and Merkel, two leaders have launched a French-German initiative. Their proposal included giving allowance to the Commission to “borrowing on the markets on behalf of the EU” . A week after, the Frugals published a non-paper which stated that they would be

¹⁹⁸ Ursula von der Leyen , “Speech by President von Der Leyen at the European Parliament Plenary on the New MFF, Own Resources and the Recovery Plan” (May 13, 2020), https://ec.europa.eu/commission/presscorner/detail/en/speech_20_877.

¹⁹⁹ Italy, France, Belgium, Greece, Portugal, Spain, Ireland, Slovenia and Luxembourg

²⁰⁰ Government of Slovenia, “Nine European Leaders Including Prime Minister Janez Janša Call for Joint Action in the Fight against the Coronavirus | GOV.SI,” March 2020, <https://www.gov.si/en/news/2020-03-25-nine-european-leaders-including-prime-minister-janez-jansa-call-for-joint-action-in-the-fight-against-the-coronavirus/>.

²⁰¹ Sebastian Kurz, “The ‘Frugal Four’ Advocate a Responsible EU Budget,” [www.ft.com](https://www.ft.com/content/7faae690-4e65-11ea-95a0-43d18ec715f5) (Financial Times, February 16, 2020), <https://www.ft.com/content/7faae690-4e65-11ea-95a0-43d18ec715f5>.

against a common debt instrument²⁰². Nevertheless, a middle ground was found and the RRF consisted half in grants and half in loans.

²⁰² Government of the Netherlands, “Non-Paper EU Support for Efficient and Sustainable COVID-19 Recovery,” 2020, <https://open.overheid.nl/documenten/ronl-55348776-b546-488d-adb5-f49c78712e1d/pdf>.

7. ANALYSIS

This analysis chapter examines the European Union's crisis management strategies during the Eurozone crisis and the COVID-19 pandemic. By focusing on these two significant crises, the aim was to understand the EU's response mechanisms and the role of supranational and intergovernmental dynamics in addressing crises. First, the research design is outlined. Next, the hypotheses are presented and their validity against the empirical data from the two crises are analyzed (see Table 3). The research design of this study is centered around the DOA method. It is a comparative approach that connects theoretical frameworks to empirical cases without creating a new overarching theory. This method allows for a nuanced examination of how different theoretical perspectives can illuminate various aspects of the same phenomenon. In this case, it is the EU's crisis management strategies. The DOA method is particularly suitable for this research as it focuses on leveraging the strengths of neofunctionalism and intergovernmentalism. Rather than pitting these theories against each other in a zero-sum competition, the DOA approach facilitates a more integrative analysis. Consequently, it highlights how each theory contributes to our understanding of crisis management in different contexts. The Eurozone crisis and the COVID-19 pandemic were selected as case studies due to their profound impact on the EU and their illustrative nature of the polycrisis era. Both crises originated externally and evolved into significant internal challenges, revealing various structural and policy weaknesses within the EU. Their selection allows for a comparative analysis of how the EU's crisis management mechanisms operate under different types of pressures and constraints. Neofunctionalism and intergovernmentalism were chosen for their explanatory power in understanding EU integration and crisis management. Neofunctionalism provides insights into the role of supranational institutions and the process of spillover effects. In contrast, intergovernmentalism emphasizes the importance of national preferences and interstate bargaining. Together, these theories offer a comprehensive framework for analyzing the multifaceted nature of the EU's responses to both crises. By employing the DOA method and focusing on these two theories, this research aims to provide a balanced and in-depth analysis

of the EU's crisis management strategies, contributing to a more robust understanding of the dynamics at play in the polycrisis era.

Table 3: Overview of comparative crises analysis

Crisis	Initial response	Development		Initiative
		Intergovernmental Tools	Supranational Tools	
Eurozone	Intergovernmentalist approach and asymmetrical exposure	Hard bargaining	Constrained efforts to upgrade interests of member states	Supranational autonomy
Example	Conditionality and EFSF/ESM debates	Northern versus Southern states	Establishment of EFSF/ESM	Establishment of Banking Union
Pandemic	Intergovernmentalist approach and symmetrical exposure	Bargaining	Larger room to manouver for supranational institutions and path dependency	Broader supranational autonomy
Example	Temporary closure of intra-Schengen borders	Frugals versus Eurobond supporting states	Short-term economic policy response	Establishment of NGEU
Source: Author's own work				

7.1 HYPHOTHESES DERIVED FROM INTERGOVERNMENTALISM (H1A AND H1B)

Intergovernmentalism emphasizes the importance of national preferences and interstate bargaining in EU integration processes. This theory is grounded in the idea that national governments are the primary actors in international politics, and integration progresses through negotiations among these states based on their individual interests. During the Eurozone crisis, the hypothesis derived from intergovernmentalism (H1a) was confirmed in the early stages. National preferences dominated the response mechanisms, leading to the formation of distinct coalition groups. On one side were the debtor countries, notably Greece, Spain, and Italy. They faced severe economic instability and sought substantial financial assistance. These countries advocated for collective measures such as Eurobonds, which would mutualize debt across the Eurozone and provide much-needed relief to the economies under strain. On the other side were the creditor countries, including Germany, Finland, and the Netherlands. These nations prioritized fiscal discipline and national sovereignty. As a result, they opposed measures that would increase their financial liabilities. They favored strict conditionality and austerity measures in exchange for financial assistance. This division highlighted the core principle of intergovernmentalism: national governments act based on their domestic preferences and political constraints. Moreover, the integration occurs through hard bargaining and compromise. The establishment of EFSF and ESM were a direct result of this intergovernmental bargaining. They provided financial assistance to struggling Eurozone countries. Furthermore, they were designed with strict conditionality attached to ensure that recipient countries adhered to stringent economic reforms. This outcome reflected the creditor countries' influence and showcased their ability to shape the crisis response according to their preferences. During the COVID-19 pandemic, the intergovernmentalist hypothesis (H1b) again found validation in the initial stages of the crisis response. The emergence of coalition groups was evident as countries aligned themselves based on their national interests and policy preferences. The "Frugals" (Austria, Denmark, the Netherlands, and Sweden) resisted the idea of collective debt instruments and favored loans with strict

conditions. In contrast, the "Eurobond supporters" (France, Italy, and Spain) pushed for grants and more substantial financial aid without stringent conditions to support economic recovery. The early phase of the pandemic saw countries taking unilateral actions to protect their national interests such as the border closures. These actions affirmed the importance of national sovereignty and immediate domestic priorities over collective EU measures.

However, while intergovernmentalism effectively explained the initial responses and the formation of coalition groups, it struggled to account for the eventual outcomes of the crises. As a result, the hypotheses did not fully capture the dynamics that led to significant steps towards supranational integration, such as the creation of NGEU. The NGEU marked a substantial shift towards a more integrated and collective approach, with the European Commission playing a central role in raising funds and distributing them among member states. In the context of the Eurozone crisis, despite the initial dominance of intergovernmental bargaining, the eventual establishment of the Banking Union indicated a move towards deeper integration. This included mechanisms like SSM and SRM which aimed at ensuring financial stability across the Eurozone. These steps highlighted the limitations of intergovernmentalism in explaining the full scope of integration dynamics.

In summary, intergovernmentalism provides a framework for understanding the initial stages of crisis response in the EU, characterized by national preferences and coalition formation. However, it falls short in explaining the subsequent moves towards supranational integration and collective EU actions. Both crises demonstrated that while national governments are pivotal in shaping initial responses, the resolution of such crises often requires a more integrated and supranational approach, challenging the core tenets of intergovernmentalism.

7.2 HYPHOTHESES DERIVED FROM NEOFUNCTIONALISM (H1A AND H1B)

Neofunctionalism is another grand theory in EU integration studies that emphasizes the role of supranational institutions and the process of spillover. During the Eurozone crisis, the hypothesis (H2a) derived from neofunctionalism was partly validated. The interconnectedness of the financial sector with other areas of the economy highlighted the necessity for deeper integration to manage the crisis effectively. The establishment of the Banking Union, particularly SSM and SRM strengthened the spillover effect from financial instability to broader economic and regulatory integration. The Commission's stance illustrated the role of a supranational institution in crisis management, aligning with neofunctionalist expectations. However, neofunctionalism also encountered limitations in explaining the Eurozone crisis. To illustrate, the initial responses were heavily influenced by intergovernmental negotiations and national preferences. Similarly, the creation of EFSF and ESM were results of intense bargaining among member states and they reflected intergovernmental dynamics rather than purely supranational initiatives.

In the context of the COVID-19 pandemic, neofunctionalist hypothesis (H2b) gained more traction. The pandemic's global nature and the interconnectedness of sectors created strong pressures for collective action. Supranational institutions, particularly the Commission, took center stage in coordinating the response. The Commission's central role in proposing and implementing NGEU exemplified supranational leadership. The NGEU marked a significant step towards fiscal integration, with the Commission borrowing funds on behalf of the EU to finance recovery efforts across member states. This initiative represented a clear case of spillover, where the interconnected economic fallout of the pandemic necessitated deeper financial integration. The NGEU's design included grants and loans to member states, aimed to ensure a balanced recovery and prevent economic divergence within the EU. The centrality of the Commission in this process aligned with neofunctionalist predictions about the role of supranational institutions.

Despite these advances, neofunctionalism faced challenges in explaining certain aspects of the crisis responses. The initial phase of both the Eurozone crisis and the COVID-19 pandemic saw significant national actions and intergovernmental negotiations. Member states were initially reluctant to cede more powers to supranational institutions. The creation of EFSF and ESM or the temporary closure of borders, reflected a tension between national sovereignty and collective EU action. In essence, neofunctionalism provides valuable insights into the role of supranational institutions and the process of spillover in EU integration, particularly during crises. The theory is effective in explaining the momentum towards deeper integration and the proactive roles of supranational actors. However, it also encounters limitations in fully capturing the complexities of intergovernmental dynamics and resistance. Both crises demonstrated that while supranational institutions are crucial in managing crises and advancing integration, their actions are often constrained by member states' preferences and intergovernmental negotiations.

7.3 HYPHOTHESIS DERIVED FROM DOMAIN-OF-APPLICATION METHOD (H3)

The study reveals the limitations of relying on only one theory to explain the complexities and dynamics of crises. To address these limitations, a combined hypothesis (H3) was formulated. It integrates elements from both theories to provide a more comprehensive understanding of crisis responses. This combined approach focuses on the interplay between national preferences and supranational activism. It proposes that the degree of policy preference variance among member states influences the level of supranational involvement. During the Eurozone crisis, the divergence in policy preferences was significant. Debtor and creditor countries had starkly different views on how to manage the crisis. While creditor nations emphasizing austerity and financial stability, debtor nations sought financial support and economic growth. This divergence led to intense

intergovernmental negotiations and limited the scope for supranational institutions to take proactive measures. The creation of the EFSF and ESM, with their conditionalities, exemplified the dominance of intergovernmental bargaining. However, as the crisis progressed, the need for deeper integration became apparent. The establishment of the Banking Union demonstrated a shift towards supranational solutions driven by the interconnectedness of the financial sector and the necessity of a coordinated response. This shift aligns with the combined hypothesis. It posits that when national preferences converge on the need for collective action, supranational institutions can play a more active role. The COVID-19 crisis presented a different scenario. The global nature of the pandemic and its symmetrical impact on member states reduced the divergence in national preferences. The shared understanding of threats posed by the pandemic facilitated a more coordinated response. The Commission's role in NGEU highlighted the increased willingness of member states to support supranational initiatives. The NGEU marked a significant step towards fiscal integration, with the Commission borrowing funds on behalf of the EU and distributing them through grants and loans to member states. The combined hypothesis was further supported by the actions of the ECB. Its PEPP demonstrated the ability of supranational institutions to take decisive action when member states' preferences align. Compared to the contentious debates during the Eurozone crisis, the resistance to the ECB's measures were relatively lower. It reaffirmed the importance of policy preference convergence in enabling supranational activism. However, the combined hypothesis also acknowledges the ongoing challenges and limitations of supranational integration. Despite the progress made during the COVID-19 crisis, there were still instances of national resistance and intergovernmental bargaining. The debates over the distribution of NGEU funds, showcased the persistent influence of national preferences. Moreover, the combined hypothesis emphasizes that the effectiveness of supranational institutions is not only determined by the degree of preference convergence but also by the institutional design and capacity of these entities. The success of the ECB and the Commission during the COVID-19 crisis can also be credited to institutional frameworks and resources at their disposal.

In closing, the combined hypothesis (H3) provides a nuanced understanding of EU crisis management by integrating key elements of intergovernmentalism and neofunctionalism. It highlights the importance of policy preference convergence among member states in enabling supranational activism. It also recognizes the ongoing challenges posed by national preferences and intergovernmental negotiations. The responses to the Eurozone and COVID-19 crises demonstrate the validity of this combined approach, showing that the interplay between national and supranational dynamics is crucial for effective crisis management and deeper integration in the European Union.

8. CONCLUSION

This research has delved into EU crisis management during the polycrisis era, focusing on the Euro Area Crisis and the COVID-19 pandemic. The primary objective was to understand how the European Union has navigated these complex crises using different theoretical lenses—neofunctionalism and intergovernmentalism. By employing the domain-of-application approach, this study has aimed to connect these theories to provide a comprehensive analysis without creating a new overarching theory. This method allowed for an in-depth exploration of how the EU's responses were shaped by various internal and external pressures. Moreover, it demonstrated how they aligned with or deviated from theoretical expectations. The significance of this study lies in its comparative analysis of two distinct yet interconnected crises. The Euro Area Crisis and the COVID-19 pandemic have profoundly impacted the EU. This concluding chapter begins with a summary of the research design to emphasize the rationale behind the chosen methodology and theoretical frameworks. It follows by a brief summary of the literature review. It continues with the main analytical findings. Subsequently, there is a discussion on the theoretical contributions and practical implications of the research. Finally, we will reflect on the future aspects of this study, suggesting potential directions for further research and acknowledging the limitations of this work. Through this structured approach, this conclusion aims to capture the essence of the research and underscore its contributions to the field of EU studies.

The research design for this study was chosen to effectively analyze EU crisis management during the polycrisis era. The domain-of-application (DOA) methodology was selected due to its strength in connecting multiple theoretical perspectives without necessarily synthesizing them into a single theory. This approach was particularly apt for examining the complex and multifaceted nature of crises. The selection of neofunctionalism and intergovernmentalism as the primary theoretical frameworks was driven by their established relevance in EU integration studies. Neofunctionalism emphasizes on the role of

supranational institutions and the process of spillover. Intergovernmentalism, on the other hand, offered a perspective focused on national preferences of member states. They are crucial for understanding the bargaining processes during crisis management. The research method involved a comparative case study analysis, focusing on the Euro Area Crisis and the COVID-19 pandemic. These cases have similarities such as reflecting the polycrisis era characteristics, external causes to internal transformation and crisis resolution innovations. The hypotheses were formulated to test the applicability and explanatory power of neofunctionalism and intergovernmentalism in the context of these crises. The independent variable of the combined hypothesis was the degree of policy preference variance among member states. The dependent variable was the degree of supranational activism of institutions.

Literature on EU crises is well developed to explain certain events. However, comprehensive studies on recent crises remain limited. While there is no single definition of a crisis, it is possible to point out several contextual works and distinguish a crisis from similar concepts. In this regard, a crisis can be understood as a specific point in time when significant change occurs. Linking with the theories, intergovernmentalism is closer to this approach. Nevertheless, neofunctionalism views crises as a process. This approach gives possibility to distinguish stages of a crisis. By doing so, crises can be understood as a cycle of events. In addition, the speed at which a crisis unfolds is a distinguishing element to analyze crises. Recent crises are part of a polycrisis era. This refers to a period characterized by the multidimensional nature of crises, their longevity, and the cost of inaction. Multiple crises happen simultaneously, interacting with and worsening each other. These interconnected crises create a complex and challenging environment. On the institutional side, crises can significantly shift pre-crisis inter-institutional dynamics. Furthermore, institutions might either be empowered or lose their power because of a crisis. It would depend on how they respond and adapt. In this regard, institutions would have active and/or

passive roles during the crisis. This dynamic nature of crises makes understanding and studying them particularly important for developing effective responses.

This research contributes to the understanding of EU crisis management by using neofunctionalism and intergovernmentalism. These two theories have provided a framework for analyzing the complexities of both crises. Firstly, this study has highlighted the applicability of intergovernmentalism in explaining the initial stages of crisis management. The emphasis on national preferences and the bargaining processes among member states has proven valuable in understanding how EU decisions are made during the crises. However, this research also exposed its limitations in explaining policy outcomes that involve significant supranational integration. While intergovernmentalism adeptly describes the initial reception and development of crises, it falls short in accounting for the eventual role of supranational institutions and the resulting policy drifts. This gap is where neofunctionalism becomes crucial. Its focus on spillover effects and the activism of supranational institutions provided essential insights into the later stages of crisis resolution. This study has confirmed neofunctionalism's strength in explaining the processes and outcomes of supranational integration during crises. Furthermore, by integrating both theories through the domain-of-application approach, this research has demonstrated the value of combining theoretical perspectives to capture the full spectrum of crisis management dynamics. The findings suggest that while intergovernmentalism and neofunctionalism individually offer valuable insights, their combined application provides a more comprehensive understanding of EU crisis management. This approach underscores the importance of considering both national and supranational factors. In brief, this research contributes to the theoretical discourse by affirming the relevance of neofunctionalism and intergovernmentalism in crisis studies, while also advocating for a more integrated approach to theory application. By bridging these theories, the study enhances our understanding of the multifaceted nature of EU crisis management, offering a richer perspective that can inform future research and policy development.

One promising direction for future research is the examination of how different types of crises impact EU integration and institutional responses. For instance, a comparative analysis of the economic-driven Euro Area Crisis and the politically charged Brexit could reveal how the nature of a crisis influences the effectiveness and type of EU response. Moreover, integrating other European integration theories, such as postfunctionalism and multi-level governance, could provide an important understanding of the EU's crisis management capabilities and limitations. Lastly, the impact of public perception and trust in the EU during crises is a crucial aspect that merits further exploration. Understanding how citizens' attitudes towards the EU evolve in response to crisis management efforts can provide valuable feedback for policymakers. This could involve longitudinal studies tracking public opinion over time and identifying factors that enhance or undermine trust in the EU.

By examining the responses to both crises, this study offers actionable insights that can enhance the effectiveness of future EU crisis responses. Firstly, the research underscores the importance of early and coordinated action in crisis management. The initial intergovernmental responses in both crises highlighted the necessity of quick, decisive action to mitigate immediate impacts. It is shown that the policymakers prioritize establishing mechanisms for rapid response and coordination among member states to ensure timely interventions. This includes enhancing the capabilities of existing institutions and potentially creating new ones designed specifically for crisis management. Secondly, the study highlights the critical role of supranational institutions in driving effective crisis resolution. Moreover, the research indicates the value of flexibility and adaptability in crisis management. The varying nature and progression of both crises show that one-size-fits-all approaches are ineffective. Another implication is the importance of fostering solidarity and cooperation among member states. The study found that divergent national preferences and coalitions often complicated crisis responses.

Overall, the research focused on two crises of the polycrisis era. It aimed to explain the reception, development, and resolution of the Eurozone and pandemic crises in Europe. It has used the DOA approach. Rather than competing two theories, they can be linked together by taking their most powerful aspects. In that sense, intergovernmentalism is useful to explain the initial reception and development of a crisis with its three-stage model. Similarly, neo-functionalism is useful to analyze the development and resolution of a crisis, with its emphasis on supranational institutions. The Eurozone crisis demonstrated a limited role for supranational institutions, with a predominance of bargaining among member states. However, the pandemic demonstrated the broader activism of supranational institutions with efforts to upgrade member state interests. The future aspect of this research would focus on using the same theory and hypothesis for relevant recent crises such as Schengen or Brexit.

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