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United in distinctiveness: the institutionalisation of differentiated integration in economic and monetary union during the sovereign debt crisis

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United in Distinctiveness

The Institutionalisation of Differentiated Integration in Economic and Monetary Union

During the Sovereign Debt Crisis

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Abstract

Differentiation has evolved into a systematic feature of European integration. Still, member states of the European Union (EU) have been eager to maintain unity and not let differentiated integration (DI) be reflected in institutions and processes of EU governance. The sovereign debt crisis was a turning point in that regard. The distinction between euro area member states (EAMS) and non-EAMS became accentuated in crisis management and reform processes in Economic and Monetary Union (EMU), particularly through the rise and reinforcement of euro area specific institutions. Few contributions have studied the political and institutional implications of DI in various EU policy areas. Building on sociological institutionalism, this dissertation examines whether and, if so, how and with what implications DI has been institutionalised in structures and processes of EMU governance. It is based on 39 elite interviews, interview transcripts from the Horizon 2020 project *EMU Choices* and other primary and secondary sources. The empirical chapters focus on the organisational inclusiveness of crisis management structures, the evolution of the Eurogroup and Eurogroup Working Group, procedural norms and elite ideas. The findings suggest that the distinction between EAMS and non-EAMS has become embedded in how member state representatives perceive their political reality, determine mutual role expectations and organise deliberation and governance processes. While this institutionalisation of DI in EMU was facilitated by particular circumstances of the sovereign debt crisis, its implications have remained evident in EMU governance and reform processes until today. This dissertation makes theoretical and empirical contributions to enhance our understanding of the institutional implications of DI in the EU. Furthermore, the findings offer a new perspective on institutional and political developments in EMU governance and, thus, aim to enrich institutionalist debates in the EU studies literature.

Keywords: Differentiated Integration, Economic and Monetary Union, Sovereign Debt Crisis, Eurogroup, Sociological Institutionalism

Nederlandse Samenvatting

Differentiatie heeft zich ontwikkeld tot een belangrijk kenmerk van Europese integratie. Desondanks streven de lidstaten van de Europese Unie (EU) er nog steeds naar de eenheid te bewaren en gedifferentieerde integratie niet te laten weerspiegelen in instellingen en processen van EU-governance.. De staatsschuldencrisis vormt in dat opzicht een kentering. Het onderscheid tussen lidstaten binnen en buiten de eurozone beïnvloedt crisisbeheer- en hervormingsprocessen in de Economische en Monetaire Unie (EMU), met name door de opkomst en versterking van specifieke instellingen voor lidstaten binnen de eurozone. Tot nog toe hebben weinig wetenschappelijke bijdragen de politieke en institutionele implicaties van gedifferentieerde integratie op verschillende EU-beleidsterreinen bestudeerd. Dit proefschrift onderzoekt, op basis van sociologisch institutionalisme of, en zo ja, hoe en met welke implicaties gedifferentieerde integratie in structuren en processen van EMU-governance is geïnstitutionaliseerd. Het is gebaseerd op 39 interviews met elites, transcripties van interviews van het Horizon 2020-project *EMU Choices* en andere primaire en secundaire bronnen. De empirische hoofdstukken bestuderen de organisatorische inclusiviteit van structuren voor crisisbeheer, de ontwikkeling van de Eurogroep en Eurogroepwerkgroep, gedragsnormen en ideeën van leiders. De bevindingen tonen aan dat het onderscheid tussen lidstaten binnen en buiten de eurozone was verankerd in de manier waarop afgevaardigden van de lidstaten hun politieke realiteit waarnamen, wederzijdse rolverwachtingen bepaalden en beraadslagings-, besluitvormings- en beheerprocessen organiseerden. Hoewel deze institutionalisering van gedifferentieerde integratie in de EMU was aangedreven door de bijzondere omstandigheden van de staatsschuldencrisis, zijn de implicaties ervan nog steeds evident in EMU-governance en -hervormingsprocessen. Dit proefschrift streeft ernaar theoretische en empirische bijdragen aan een beter begrip van de institutionele implicaties van gedifferentieerde integratie in de EU te hebben gemaakt. Bovendien bieden de bevindingen een nieuw perspectief op institutionele en politieke ontwikkelingen in EMU-governance en dus streven ernaar te verrijken de institutionalistische debatten in de literatuur over Europese integratie.

Sleutelwoorden: Gedifferentieerde Integratie, Economische en Monetaire Unie, Staatsschuldencrisis, Eurogroep, Sociologisch Institutionalisme

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Abbreviations

AFSJ	Area of Freedom, Security and Justice
BoD	Board of Directors (within the European Stability Mechanism)
BoG	Board of Governors (within the European Stability Mechanism)
CFSP	Common Foreign and Security Politics
DI	Differentiated Integration
EAMS	Euro Area Member States
EAP	Economic Adjustment Programme
EBA	European Banking Authority
EBU	European Banking Union
ECB	European Central Bank
ECOFIN	Economic and Financial Configuration of the Council of the EU
EFC	Economic and Financial Committee
EFSF	European Financial Stability Facility
EMU	Economic and Monetary Union
EP	European Parliament
EPC	Economic Policy Committee
ERM II	European Exchange Rate Mechanism
ESM	European Stability Mechanism
EU	European Union
EWG	Eurogroup Working Group
GDP	Gross Domestic Product
GLF	Greek Loan Facility
IMF	International Monetary Fund
JCMS	Journal of Common Market Studies

JHA	Justice and Home Affairs
MIP	Macroeconomic Imbalance Procedure
MoU	Memorandum of Understanding
NGEU	NextGenerationEU
SGP	Stability and Growth Pact
SSM	Single Supervisory Mechanism
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
UK	United Kingdom

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‘... If the EU is a family indeed, then I think the Eurogroup is more like the parents, the brothers, the sisters, the grandparents and so on and the ECOFIN that’s then plus the cousins, plus the uncles, plus the aunts’ (Interview 11)

Chapter One

Introduction

At the end of meetings in the European Council, the heads of state in the European Union (EU) often gather in front of cameras to take a *family photo*. Family members might not always like each other and may even have fundamental disputes. However, eventually, they have a firm commitment to stay united and solve problems together. Particularly in crises, EU state leaders use the *family photo* to assure themselves and their audiences of their unity and commitment to finding joint solutions. For example, after the United Kingdom (UK) decided to leave the EU in a national referendum on 23 June 2016, leaders from the 27 remaining EU member states met for the first time in Bratislava three months later. The *family photo* taken after this meeting was supposed to demonstrate that member states would continue their cooperation without the UK and the EU would not fall apart. When the Ukrainian president, Volodymyr Zelenskyy, visited the European Council on 9 February 2023, EU state leaders invited him to join them when gathering in front of the cameras. This extended *family photo* was interpreted as a symbol of the EU's unity in supporting Ukraine in defending its territory against the Russian invasion.

During the sovereign debt crisis, similar photos were often taken with a smaller fraction of the *family*. Representatives of the euro area member states (EAMS) met in the Euro Summit, Eurogroup or Eurogroup Working Group (EWG). These informal formats are the equivalents of the European Council, the Economic and Financial Configuration of the Council (ECOFIN) and the Economic and Financial Committee (EFC), where EAMS representatives gather to coordinate on issues specific to the single currency area. Often, meetings in these euro area formats were held more frequently and lasted longer than meetings of their EU counterparts. Gathering for the joint photo afterwards, the EAMS representatives assured each other and the public that they would stay united and find common solutions to avoid sovereign defaults.

Member states outside the euro area were not included in this joint effort to demonstrate unity and cohesion. Instead, within the EU reform debate, the EAMS were identified as the ‘core’ (Fabbrini, 2019, p. 291) or the ‘avantgarde’ (Piris, 2012, p. 3) of European integration. This distinction between the inner and broader circle of the EU family was also visible in proposals for institutional reforms in Economic and Monetary Union (EMU). The Five Presidents’ Report proposed that the Eurogroup president acts as an independent finance minister of the euro area (Juncker, 2015). Similarly, scholars discussed whether the European Parliament (EP) should gather in a special composition when debating legislative proposals applicable to EAMS only (Curtin & Fasone, 2017; Heermann & Leuffen, 2020).

The systematic distinction between EAMS and non-EAMS in institutions of EMU governance stands in strong contrast with the long-standing practice in the EU to maintain unity despite differences (Schimmelfennig & Tekin, 2023, p. 103). Deepening their integration, member states had to allow multiple exemptions as not all were willing or capable of participating in all projects (Winzen & Schimmelfennig, 2016). Still, despite differentiated integration (DI) becoming a systematic feature of the EU (Leuffen, Rittberger & Schimmelfennig, 2022, p. 21), member states were careful not to let it undermine their unity and keep it exceptional. Therefore, DI was hardly noticeable in the core institutions and processes of EU governance (other than the Eurogroup and EWG). A few examples illustrate this observation: Denmark and Ireland have an opt-out from the Area of Freedom, Security and Justice (AFSJ). Still, Danish and Irish representatives have the same rights to participate in meetings of the Justice and Home Affairs (JHA) Council as all other EU member states. Their opt-out just prevents them from participating in legislative votes. Irish representatives may participate in legislative votes if their government opts into the respective policy. In EMU, Protocol 14 of the EU Treaties and Article 137 TFEU recognise the Eurogroup as an informal body outside the official structures of the Council. Even if EU member states have different status regarding DI, their representatives were supposed to gather in the same venues. However,

with the sovereign debt crisis, the separation between integration and governance has been discontinued in EMU. DI became reflected in institutions and processes of EMU governance.

These fragmented observations indicate that the sovereign debt crisis might have been a turning point regarding the recognition of DI in EU institutions. This dissertation aims to shed light on how and with what implications DI has shaped EMU governance and reforms. It introduces the theoretical framework of the institutionalisation of DI in the EU. Building on a sociological institutionalist perspective, it argues that the systematic distinction between EAMS and non-EAMS became embedded in practices, processes and structures of EMU governance during the sovereign debt crisis. This process restructured the cognitive and organisational environment of member state representatives in the Council with significant implications for EMU reforms and integration. The four substantial chapters of this dissertation examine how the institutionalisation of DI impacted organisational structures of crisis management and elite interaction, procedural norms and elite ideas constituting EMU governance during the sovereign debt crisis. The findings of this dissertation have theoretical and empirical implications for academic debates on institutions of EMU governance and institutional consequences of DI in the EU.

Conceptualising Differentiated Integration in Economic and Monetary Union

DI is used to describe one particular mode of heterogeneity in the EU. Within the literature, the emphasis is on how, in a given policy area, one group of member states has transferred or pooled more sovereignty to the EU than the other member states. Differentiated integration needs to be distinguished from other forms of differentiation in the EU (Leruth, Trondal, & Gänzle, 2022, p. 10), such as differentiated cooperation (Amadio Viceré & Sus, 2023), differentiated disintegration (Schimmelfennig, 2018) or differentiated implementation (Zbiral, Princen, & Smekal, 2023). Multiple scholars have contributed to the academic debate of categorising and

ordering various types of DI in the EU. Stubb (1996) conceptualises it alongside three dimensions of European integration, i.e. time, space and matter. He distinguishes between three types of DI: *multi-speed (time)*, *territorial (space)* and *multi-menu (matter)*. Andersen and Sitter (2006) complement this categorisation with a separate dimension for informal opt-outs. Leuffen, Rittberger, and Schimmelfennig (2022, p. 9) distinguish between vertical DI, regarding the centralisation, and horizontal DI, regarding the territorial extension of EU policies. To refine the concept of horizontal DI, Schimmelfennig and Winzen (2020, pp. 15-17) offer distinctions alongside four dimensions. First, they distinguish between internal DI, limited to EU member states, and external DI, in which non-EU member states participate in individual EU policies. Regarding internal differentiation, the authors distinguish between de facto differentiation, where DI results from informal arrangements (Hofelich, 2022), and de jure differentiation, where DI is determined in EU law. Regarding de jure differentiation, Schimmelfennig and Winzen (2020) distinguish between DI in primary (treaty) and secondary EU law (legislation). Finally, regarding treaty differentiation, they distinguish between constitutional DI, which results from opt-outs and instrumental DI, which refers to the temporal exclusion of a group of member states from integration (Schimmelfennig & Winzen, 2014).

This dissertation works with an internal and treaty-based definition of DI in EMU, focussing on the distinction between euro area insiders and outsiders in the EU. EMU is a unique case of DI in the EU; in no other policy area more member states have been affected by DI. Furthermore, EMU hosts a complex variety of different forms of DI. Most EU member states were or are affected by *multi-speed* DI in EMU. While adopting the single currency is obligatory, EU member states do not join the euro area automatically. Before they must fulfil, at a minimum, the four convergence criteria: price stability, sustainable public finances, exchange-rate stability and long-term interest rates. In 1999, eleven of the then fifteen EU member states adopted the euro. Greece required additional time to fulfil the convergence criteria and joined the euro area in 2001. Slovenia followed it in 2007, Cyprus and Malta in

2008, Slovakia in 2009, Estonia in 2011, Latvia in 2014, Lithuania in 2015, and Croatia in 2023. Bulgaria, the Czech Republic, Hungary, Poland and Romania have not adopted the euro yet.

Some EU member states intentionally delay fiscal, monetary or economic reforms to stay outside the euro area. Sweden is the most known example of this *de facto differentiation* (Hofelich, 2022). Swedish citizens voted against adopting the euro in 2003 in the context of a national referendum. While Sweden has never requested a formal opt-out of the third stage of EMU and, thus, is still obliged to adopt the euro, the Swedish *krona* has never been integrated into the permanent exchange rate mechanism (ERM II), which is obligatory for euro adoption. Scholars recently demonstrated that the Czech Republic, Hungary and Poland also intentionally delayed reforms to stay outside the euro area (Dandashly & Verdun, 2018).

Denmark and the UK are the cases of *de jure* DI in EMU. While the UK is no longer an EU member state, it has been during the sovereign debt crisis. Thus, the country's opt-outs are still relevant to the research subject of this dissertation. The UK held specific opt-outs from EMU, as noted in Protocol 25 TEU. They determined that the UK's authority in the field of monetary policy remains the same. Furthermore, the UK was exempted from treaty provisions relating to excessive deficits and obligations stemming from the European System of Central Banks, the ECB or regulations and decisions of these institutions. Denmark was granted an opt-out of euro adoption through the Edinburgh Agreement in 1992. The country received this exemption after the majority of Danish voters had rejected adopting the Maastricht Treaty in a national referendum. In 2000, the Danish government initiated a national referendum to revoke the Danish opt-out of euro adoption. Yet, the majority of voters preferred to keep it (Marcussen & Zølner, 2001). While Denmark is no longer obliged to adopt the euro, the country is still involved in monetary and fiscal integration. In 1999, the Danish *kroner* entered the ERM II. Since then, it has been tied to a rate of 7.46 to the euro with a narrow fluctuation band of $\pm 2.25\%$. Furthermore, the Danish National Bank is open about its aspirations to join the

European Banking Union (EBU) through a close cooperation arrangement with the ECB as soon as possible (Danish National Bank, 2015).

Differentiation in EMU Governance and the Context of the Sovereign Debt Crisis

The distinction between EAMS and non-EAMS has been enshrined in EMU governance even before the sovereign debt crisis. The establishment of the Eurogroup in 1998 was the result of French persistence (Puetter, 2006, pp. 54-61). Already during the negotiations on EMU, the French government argued that a common currency could not be established without a *gouvernement économique*, i.e. some form of an economic government which could pursue macroeconomic policies independently and, thus balance the strong role of the ECB (Howarth, 2005, pp. 3-5; Verdun, 2000, p. 82). However, eventually, the Maastricht Treaty featured the German preference, ensuring euro area governance through strict rules of fiscal discipline rather than institutions. The UK and Sweden also opposed the establishment of specific institutions for the euro area. The non-EAMS posited that economic governance was a common task of all EU member states. Yet, France kept insisting on their vision, and eventually, it was agreed to establish the Eurogroup as an informal format in which the euro area Finance ministers could meet among themselves to discuss special affairs. Indeed, it was one purpose of the Eurogroup to exclude Denmark, Sweden and the UK from certain debates and, thus, punish them for their opt-outs (Puetter, 2006, p. 61). In the subsequent years, the Eurogroup became central to the operation of the Stability and Growth Pact (SGP) (Puetter, 2004). Furthermore, it received official acknowledgement in EMU governance, acquiring a separate secretariat, a fixed-term presidency and legal recognition in the Lisbon Treaty (Hodson, 2011, pp. 40-43). Still, the aspiration to govern EMU in a united manner remained dominant, which is why the Eurogroup's competences were vague and its influence on structural reforms limited before the sovereign debt crisis.

Against this background, this dissertation studies whether and how the relevance of DI in EMU governance has changed during the sovereign debt crisis. In EU studies, a crisis can be considered a situation in which ‘the life-sustaining systems or critical infrastructures of multiple member states are acutely threatened’ (Boin, Rhinard & Ekengren, 2014, p. 131). The sovereign debt crisis constitutes a period in which several EU member states were confronted with the threat of sovereign default. For simplification, this dissertation assumes that the crisis started in October 2009 following the surprising announcement of the then Prime Minister of Greece, George Papandreou, that the Greek budgetary deficit was due to exceed twelve percent of the national GDP, which was a major difference compared to the three percent determined in the SGP and much higher than the previous government had reported (Featherstone, 2011, pp. 194-195). Consequently, the Greek state faced difficulties in attaining liquidity at the sovereign bond markets. Eventually, it had to be supported through financial assistance packages realised in the Greek Loan Facility and later the European Stability Mechanism (ESM). Throughout the crisis, numerous other EAMS were also at the edge of sovereign default, and some received financial assistance. While some of the shortcomings in EMU governance causing the crisis persist until today (Howarth & Verdun, 2020), the acute threat of sovereign default was resolved in August 2015 with the agreement on the third economic adjustment programme for Greece. The dissertation assumes that the sovereign debt crisis ended with this event.

The sovereign debt crisis exposed multiple functional dissonances and instances of incomplete integration in EMU (Dyson, 2000, pp. 161-164; Niemann & Ioannou, 2015; Verdun, 1996). First, the single monetary system was introduced without replacing national lender-of-last resort mechanisms with an effective counterpart on the European level (Howarth & Quaglia, 2015b, p. 474). The EU member states even prohibited mutual bailouts to prevent instances of moral hazard. Furthermore, despite the deep integration of the European financial markets, banking supervision was exercised by national supervision authorities only. These two functional dissonances led to the *sovereign banking nexus* in which sovereign debts and debts

within financial institutions reinforced each other in a vicious circle (Howarth & Quaglia, 2016, pp. 44-48). As a consequence, multiple members of the single currency area had to pay higher interest rates at the sovereign bond markets and, thus, faced severe problems in refinancing loans. The potential sovereign default of multiple EAMS between 2010 and 2015 confronted EMU with a threat of disintegration. In a case of non-action, indebted member states faced the prospect of leaving the single currency area so they could depreciate their national currencies and, thus, become more attractive for potential lenders at the sovereign bond markets. Such dynamics would have had severe economic, financial and political consequences for all EAMS and, eventually, could have led to a breakdown of the single currency area (Pisani-Ferry, 2014).

The EAMS introduced three major sets of reforms to fix these endogenous problems and contain the threat of monetary disintegration. First, to compensate for the lack of a credible lender of last resort, the EAMS established the ESM. With a maximum lending capacity of €500 billion¹, the ESM can be used to assist indebted member states with interest-free loans so they can maintain liquidity despite facing high interest rates for recapitalisation in sovereign bond markets. Financial assistance programmes within the ESM come with concrete conditions for economic and fiscal reforms (Zagermann, 2024). Second, to reduce the risks of sovereign default and increase fiscal discipline among member states, the EU reformed its fiscal surveillance regime (Schlosser, 2019, pp. 45-72). The European Semester and the Macroeconomic Imbalance Procedure (MIP) complement the preventive arm of the SGP. In an annual cycle, the Commission offers recommendations on national economic and budgetary policies and reviews their implementation in national reform programmes and budgetary plans. At the same time, the SGP's corrective arm has been strengthened by introducing reverse qualified majority voting for financial sanctions and concrete regulations on reducing debts in excessive deficit procedures (Laffan & Schlosser, 2016). Third, the EBU provides its members

¹ See <https://www.esm.europa.eu/content/what-esm%E2%80%99s-lending-capacity>, Last access: 4 July 2023.

with instruments to supervise and resolve large banks and financial institutions on the European level (Howarth & Quaglia, 2016). The Single Supervisory Mechanism (SSM) allows for joint supervision, providing the EBU members with a single rulebook and supervisory board based within the ECB. At the same time, the Single Resolution Mechanism (SRM) facilitates the preparation, organisation and financial realisation of an orderly resolution of failing banks and financial institutions covered by the SSM. At the time of writing (winter 2023), the EBU remains incomplete as a single deposit guarantee scheme as envisioned in the original proposal of 2012 is missing (Högenauer, Howarth & Quaglia, 2023, pp. 5-6).

Literature Review

Studying the institutional and political implications of DI in EMU during the sovereign debt crisis, this dissertation aims to address multiple research gaps in two strands of the EU studies literature. On the one hand, it seeks to enrich institutionalist debates on EMU governance. While numerous studies focus on the rise of intergovernmental institutions, they cannot explain why in particular euro area specific bodies, i.e. the Euro Summit, the Eurogroup and the EWG, benefitted from the crisis. Furthermore, they hardly go beyond internal conflicts among the EAMS. On the other hand, the dissertation aims to contribute to the literature on DI in the EU. While scholarship has addressed a wide range of normative and explanatory questions, it still lacks the theoretical and empirical tools to study the institutional consequences of DI in the EU. Filling these research gaps, this dissertation aims to enhance our understanding of whether and how the distinction between insiders and outsiders of DI shapes EU institutions.

In the literature on institutions of EMU governance, multiple studies focus on the rise of intergovernmental institutions during the sovereign debt crisis. They are divided on whether the reinforcement of the European Council and the Council constitutes a new type of intergovernmentalism in which integration comes without authority transfers for supranational

institutions (Bickerton, Hodson, & Puetter, 2015; Fabbrini & Puetter, 2016; Puetter, 2012) or another case of liberal intergovernmentalism (Schimmelfennig, 2015b). Other scholars have studied the Commission's increased authority in economic governance, challenging the focus on intergovernmental institutions (Bauer & Becker, 2014; Dehousse, 2016; Savage & Verdun, 2016). In the context of the COVID-19 crisis, several studies have analysed to what extent policy outcomes can be explained by learning processes resulting from the sovereign debt crisis (Ladi & Tsarouhas, 2020; Quaglia & Verdun, 2023; Wolff & Ladi, 2020). Studies on DI during the sovereign debt crisis have focussed primarily on policy outcomes rather than institutional developments. Schimmelfennig (2015a) demonstrated that multiple reforms either apply to EAMS or were negotiated among them only. Yet, studies have hardly analysed the institutional consequences of DI in EMU (Dyson & Marcussen, 2010). Scholarship has a limited understanding of the systematic effects of the distinction between EAMS and non-EAMS in EMU governance.

The first research gap that this dissertation aims to address in the literature on institutions of EMU governance concerns the nature of the intergovernmentalist institutions that benefitted from the sovereign debt crisis. Several studies find that the euro area specific bodies played a critical role in crisis management and EMU reform processes. Schlosser offers a detailed account of the task expansion for the Eurogroup and EWG (2019, pp. 88-95). Puetter even identifies the Eurogroup as 'the centre of crisis management' (2014, p. 163). Yet, mostly, these findings have been interpreted against the context of the strong role of intergovernmental institutions during the sovereign debt crisis more generally. New intergovernmentalist studies analyse the institutional reforms to the Eurogroup and ECOFIN-Council alongside each other without highlighting the special nature of the former euro area specific body (Puetter, 2015, 2016). Abels (2023) stands out in this regard, recognising the Eurogroup as the European economic government filling the vacuum which results from the asymmetry between economic interdependence and political integration in EMU (pp. 71-96). Still, it remains unclear why this

vacuum of economic governance could not have been filled through the ECOFIN Council. Adopting a perspective of DI, this dissertation analyses institutional developments with an explicit focus on the distinction between euro area and EU structures. Thus, it aims to contribute to a more diverse picture of intergovernmental structures in EMU, demonstrating how group-specific governance needs grounded in DI facilitated dynamics of institutional change.

A second gap within the literature on the institutional developments in EMU governance during the sovereign debt crisis relates to the different types of divisions among EU member states. Scholars have found multiple synonyms to characterise divisions inside the euro area, such as North vs South, Core vs Periphery or Creditors vs Debtors (Howarth & Verdun, 2020, p. 288). By contrast, analyses of political conflicts between EAMS and non-EAMS are rare and issue-oriented. For example, reviewing the debate on the EBU, Howarth and Quaglia (2013) allude to non-EAMS interests regarding banking supervision and the strategies they mobilised to exert political influence despite euro outsidership. Puetter (2014, pp. 169-170) reflects on an episode during the Polish Council presidency in 2011 when the Polish Finance Minister, Jacek Rostowski, asked to attend Eurogroup meetings in his function as the ECOFIN chair. While these accounts of individual debates offer valuable insights, scholarship can hardly refer to a more systematic understanding of how the relationship between EAMS and non-EAMS shaped EMU governance processes during the sovereign debt crisis.

This dissertation seeks to address these major gaps in the literature on institutional developments in EMU governance during the sovereign debt crisis. Assessing the relevance of DI over the entire crisis, it offers a systematic analysis of whether and how the distinction between EAMS and non-EAMS shaped institutions, processes and outcomes of EMU governance and crisis management. Thus, this dissertation might enhance our understanding of the particular relevance of euro area specific structures compared to the EU-27 structures. Furthermore, the findings presented in this dissertation aim to impact debates on political influence and power among EU member states. The analytical focus on DI adds another

dimension to the divides inside the euro area, offering a broader understanding of conflicts among EU member states during the sovereign debt crisis.

In the literature on DI in the EU, this dissertation seeks to address research gaps regarding its institutional implications. While DI has evolved into a ‘genuine subfield of EU studies’ (Leruth, Gänzle & Trondal, 2019, p. 1014), so far, scholars have focused primarily on normative or explanatory questions. Normative studies have evaluated DI as a strategy of integration, contrasting it to unitarian integration (Bellamy & Kröger, 2017; Lord, 2015). Over the years, the normative debate shifted from whether to how, as even the EP acknowledged its overarching presence in multiple EU policy areas (European Parliament, 2018). Studies increasingly discussed how DI could be implemented effectively, legitimate and fairly (Fossum, 2015; Heermann & Leuffen, 2020; Kröger, Lorimer & Bellamy, 2021; Schmidt, 2019).

Explanatory studies significantly contributed to our understanding of how and why different types of DI came into place. Typically, they understand DI as the result of multiple choices by member states. Winzen and Schimmelfennig (2016) account for two types of member state choices, eventually leading to DI in the EU. While opt-outs (constitutional DI) are usually motivated by concerns of national sovereignty or specific debates within the respective country, excluding member states from integration (instrumental DI) is often intended to contain the implications of heterogeneity regarding wealth, economic competitiveness or governance capacities. Recently, explanatory studies refined their perspective, characterising DI as a good that different actors can demand if the supply conditions are fulfilled (Schimmelfennig, 2019; Schimmelfennig & Winzen, 2020, pp. 67-82). This analytical perspective is beneficial in explaining DI in crises (Leruth, 2021).

While several studies have discussed the implications and consequences of DI in the EU, there remain significant research gaps regarding institutions, processes or practices of EU governance. Foremost, DI has been studied in the context of subsequent integration choices by member states. Kölliker (2001) distinguishes between centripetal and centrifugal effects. While

DI is likely to have reuniting effects in those policy areas where benefits of integration are excludable (centripetal), it has dividing effects where integration produces common pool resources (centrifugal). Jensen and Slapin (2012) argue that opt-outs can trigger future opt-outs as they change the respective state's preferences and bargaining power. The argument of the self-reinforcing effects of DI has been refined by Schimmelfennig (2016). Building upon the work of Pierson (1996), he argues that DI sets EU member states on diverging integration paths. Due to the increasing interdependence and incomplete integration, insiders constantly run into crises and feel the need to deepen their integration further. Outsiders of integration are not confronted with the same pressures, so they are reluctant to join the insiders in their integration projects. The path-dependence argument offers a plausible explanation as to why DI has intensified in some policy areas. Yet, this mechanism only works if insiders of integration resolve a crisis with more integration (Schimmelfennig & Winzen, 2023).

Scholars have also studied the consequences of opt-outs for the member states who demanded them. Particularly regarding euro area membership, national politicians repeatedly raised concerns that an opt-out might harm their political influence in the Council (Bulmer, 2008; Gidlund & Jerneck, 1996; Marcussen & Zølner, 2001). Yet, scholars have found such apprehensions ill-founded. Analysing the network capital of national officials in the Council, Naurin and Lindahl (2010) find that representatives from Denmark, Sweden and the UK are as well integrated into professional networks as their counterparts from similar-sized member states inside the euro area. Also, Adler-Nissen (2009) finds that national officials can circumvent opt-outs and maintain influence in relevant Council committees and working groups. Her theoretical framework on opt-out management (Adler-Nissen, 2014) offers a unique tool to analyse the strategies member state representatives employ to compensate for their country's opt-out and maintain political influence in key policy debates. Eventually, the political consequences of an opt-out are determined in the daily interactions among national officials in the multiple venues of the Council (Svendsen & Adler-Nissen, 2019).

There have been a few attempts to grasp the institutional implications of DI in the EU. Tekin (2012) offers an extensive account of the implementation of DI in the AFSJ and the Schengen Area. Dyson and Marcussen (2010, pp. 29–32) rank institutions of EMU governance regarding their inclusiveness. The *Routledge Handbook on Differentiation in the EU* contains chapters on how the ECB (Schulz & Verdun, 2022), the Commission (Fromage & Fasone, 2022), the EP (Rosén, 2022) or the Council (Lewis, 2022) deal with DI in the EU. Finally, Schimmelfennig, Leuffen and De Vries (2023) offer reflections on how the institutional effects and merits of DI could be assessed regarding efficiency and legitimacy. Still, the current literature lacks a systematic understanding of the manifestations of DI in EU institutions and their implications for EU governance (Schimmelfennig & Winzen, 2020, p. 194).

The sovereign debt crisis constitutes an excellent case to develop and empirically test theoretical tools for studying systematically whether and how DI is embedded in institutional structures of EU governance. In EMU, the institutional implications of DI are evident. The Euro Summit, Eurogroup and EWG have evolved into the centres of intergovernmental deliberation and decision-making during the sovereign debt crisis (Puetter, 2014, p. 163). These formats systematically distinguish between members and non-members of the euro area. Non-EAMS representatives can only participate in meetings which are held in an inclusive format. Next to euro area specific bodies, the distinction between EAMS and non-EAMS has also been recognised in other institutional reforms, such as the reinforcement of the ECB through the EBU reforms or the establishment of the ESM. Analysing the sovereign debt crisis might enhance our understanding of how and why DI shapes EU governance. It offers insights into how DI is reflected in practices, processes or institutions in the EU and how these institutional implications affect policy outcomes.

An institutionalist perspective on DI in EMU might also help to address research gaps regarding the reinforcement of DI during the sovereign debt crisis. Schimmelfennig adopts a rationalist perspective. He argues that due to the different levels of interdependence, EAMS

and non-EAMS faced different ratios of costs and benefits regarding deepening fiscal and monetary integration. These differences were then reflected in their preferences in the EMU reform debate (Schimmelfennig, 2016). Rather than focusing on actors and preferences, the institutional perspective adopted in this dissertation focuses on contextual aspects. It sheds light on how the distinction between EAMS and non-EAMS structured the organisational, normative, and ideational contexts in which EU policymakers gathered to exchange views and design joint solutions. Thus, the dissertation aims to enhance our understanding of the circumstances under which DI was reinforced during the sovereign debt crisis. Moreover, it may shed light on the perceptions and ideas contributing to the formation of the political preferences among EAMS and non-EAMS, leading to more DI in EMU.

Addressing research gaps regarding institutional developments in EMU governance during the sovereign debt crisis and DI in the EU, this dissertation aims to open an original perspective to the EU studies literature. So far, scholars have hardly considered DI a significant factor in shaping EU governance. Differences between EU member states and their implications in different contexts of EU governance are mostly considered in extreme cases, such as the opt-outs of the UK and Denmark in JHA or EMU (Adler-Nissen, 2009; 2014). Yet, there exist multiple forms of DI in the EU and often, their institutional implications may manifest themselves in non-transparent and complex ways. Even if DI has been discussed in different strands of the EU studies literature, scholarship lacks the theoretical tools and empirical material to reveal how DI manifests itself in EU institutions and assess the consequences of these institutional implications of DI in the EU. Addressing these research gaps, this dissertation aims to pave the way towards a more complex understanding of EU governance. It has the ambition to shed light on the multiple ways in which different levels of integration among EU member states are reflected in practices, processes, and structures of EU governance.

To summarise, this dissertation seeks to address research gaps in the academic debates on institutions of EMU governance and DI in the EU. While scholars have studied the rise of

intergovernmentalist institutions during the sovereign debt crisis extensively, they can hardly explain the particular relevance of euro area specific formats, i.e. the Euro Summit, the Eurogroup and the EWG. Furthermore, so far, scholarship has a limited understanding of whether and how the divide between EAMS and non-EAMS has shaped the design of EMU reforms. In this regard, studying institutional changes during the sovereign debt crisis from the perspective of DI can enrich our understanding of the rise of intergovernmental institutions in EMU and shed light on further conflict dimensions among EU member states. At the same time, the dissertation aims to contribute towards closing research gaps regarding the institutional consequences of DI in the EU and the circumstances that facilitated its reinforcement in EMU during the sovereign debt crisis. Addressing research gaps within these two strands of the EU studies literature, this dissertation aims to enhance our understanding of DI as a significant factor that shapes EU governance.

Research Question

The research question of this dissertation speaks to the theoretical and empirical gaps regarding the institutional implications of DI evident in two different strands of the EU studies literature. This dissertation studies the institutional developments in EMU during the sovereign debt crisis from the perspective of DI. The case of EMU is selected due to the strong role of euro area specific institutions such as the Euro Summit, Eurogroup and EWG during the sovereign debt crisis. These tangible manifestations of the relevance of DI for institutional structures of EMU governance make it an excellent case to attain a better understanding of whether and how DI can become embedded in EU institutions more generally. Furthermore, this dissertation aims to offer a critical perspective on the implications of such a process. It discusses how DI affected the political dynamics of EMU governance, the course and outcomes of EMU reform processes and relationships between EAMS and non-EAMS. Thus, this dissertation aims to enrich our

understanding of the political consequences of DI in the EU. To pursue these ambitions, in the following sections it develops theoretical expectations for how and with what implications DI in the EU might become institutionalised. In the substantial chapters, the resulting theoretical framework is used to study the institutionalisation of DI in EMU during the sovereign debt crisis. This dissertation is guided by the following research question:

Has DI been institutionalised in structures and processes of EMU governance during the sovereign debt crisis, and if so, how and with what implications?

Theoretical Background: Sociological Institutionalism and Institutionalisation

To study this research question, this dissertation builds on institutionalist theories. Within EU studies, institutionalist approaches contributed to broadening the scholarly debate towards analyses of processes and structures of EU governance (Jupille & Caporaso, 1999; Pollack, 2019, p. 109). The four institutionalisms build on different ontological assumptions and analytical perspectives. In rational-choice institutionalism, scholars conceptualise policymakers and EU member states as rational actors who strive to satisfy their preferences within the EU's institutional setting. Building on this assumption, they study how EU institutions shape outcomes of negotiation and decision-making processes (Schneider & Ershova, 2018) or how institutions facilitate EU integration by monitoring and sanctioning compliance with intergovernmental agreements (Moravcsik, 1998; Schimmelfennig, 2015b). Historical institutionalist approaches start from the assumption that existing institutional structures and choices influence subsequent ones. Studies offer insights into how EU institutions evolve along path dependencies (Pierson, 1996), and critical junctures provide opportunities to implement gradual changes (Mahoney & Thelen, 2009) or embark on new paths (Capoccia, 2015). Introducing discursive institutionalism, Schmidt (2008) argues that institutions rest upon ideas

about social reality. Her approach provides scholars with the tools to understand institutional change by analysing elite and public discourses as contexts in which ideas compete and change (Schmidt, 2010). Sociological institutionalism is built on the assumption that institutions provide individuals with resources of social meaning (Olsen, 2010, p. 37). They enable individuals to behave and act according to a *logic of appropriateness* in a social context (March & Olsen, 1989). In EU studies, sociological institutionalist scholars aim to uncover and understand the ideas, identities, norms, and practices that structure EU governance processes and elite interaction (Christiansen, Jørgensen & Wiener, 1999).

For the purpose of this dissertation, sociological institutionalism offers the most suitable approach. This dissertation studies whether and how DI has been institutionalised in structures and processes of EMU governance during the sovereign debt crisis. The scope of this research goes beyond organisational structures. It aims to understand to what extent the distinction between euro area insiders and outsiders structures the way in which member state representatives interpret political realities, determine mutual expectations and form political preferences. Only by adopting this wider perspective, this dissertation can also generate insights on the political implications of DI on EMU governance and reform processes. Furthermore, it can also enhance our understanding of the motivations behind institutional choices for euro area specific structures. Sociological institutionalism offers the theoretical tools to reveal and analyse these cognitional aspects of a possible institutionalisation of DI in EMU. It assumes that institutions structure role-specific perceptions and expectations within a particular political environment. Thus, sociological institutionalism can help to deduct theoretical expectations on whether and how member state representatives referred to DI as a resource of social meaning, structuring how they interpreted and organised EMU politics during the sovereign debt crisis.

Sociological institutionalism posits that institutions enable social interaction as they provide ‘cognitive embeddedness’ (Saurugger, 2018, p. 22). Following a *logic of appropriateness* (March & Olsen, 1989), individuals constantly seek guidelines on how they should behave in a

particular social context and what they can expect of others. Institutions can help individuals to cope with this social uncertainty. They attribute individuals to social roles which come with behavioural rules and practices, interpretations of social reality and values. Only through these cognitive assets can individuals assess social situations, determine their relationship with others and understand what behaviour is considered appropriate (Olsen, 2009; Stone Sweet, Fligstein, & Sandholtz, 2001). Thus, individual preferences and actions result from intersubjective perceptions about appropriateness that individuals adopt through socialisation processes within the respective institutional environment. The focus on cognitive and social implications aligns with a relatively broad conceptualisation of the term *institution* (Finnemore, 1996). Not only organisations but also practices, norms, or ideas can function as institutions (Jepperson, 1991; Scott, 1995). They can structure social interaction and cognition processes, providing individuals with basic assumptions about their world, conceptions about their social roles and reasonable expectations about others.

Within sociological institutionalism, institutionalisation is defined as a process during which organisations, norms, practices or ideas gain social relevance. Individuals start to attribute meaning to these objects, associating them with social roles or categories (Stone Sweet, Fligstein & Sandholtz, 2001). With advancing institutionalisation, role conceptions become more explicitly operationalised. Individuals establish and routinise common understandings of role-specific characteristics and expectations (Olsen, 2009). In organisational contexts, this process can manifest itself in a) an increasing clarity of social rules, b) the emergence of shared vocabulary and criteria to describe, explain and justify social rules, c) the redistribution of resources following the adopted roles and expectations (Olsen, 2010, p. 127). Yet, institutionalisation also involves social acceptance (Searle, 1995). In processes of socialisation (Checkel, 2005) and persuasion (Johnston, 2001), individuals adopt the role conceptions, rules, explanations and justifications valid within a social context. They adapt their social identity and regulate social interaction within the respective social environment. These

remarks do not imply that individuals believe in their appropriateness unconditionally. Rather, they accept the legitimacy and validity of the institutionalising role conceptions in structuring social processes within the respective context. Institutionalisation aligns with a sense of social certainty. Individuals within a particular social space can be sure that if they follow the rules connected to their social role, their behaviour will be received as appropriate. Furthermore, building on intersubjective knowledge, they can make increasingly accurate predictions on how other actors might react to their actions. If, instead, individuals doubt the legitimacy of role conceptions and norms or even contest them (Wiener, 2014), this leads to processes of deinstitutionalisation (Olsen, 2010, p. 128). The respective object loses social relevance as it has a smaller effect in structuring social interaction and cognition. If it is not replaced by another institution, this deinstitutionalisation can lead to social uncertainty and disorientation.

Theoretical Framework: The Institutionalisation of Differentiated Integration in the EU

Drawing on these theoretical assumptions regarding institutions and institutionalisation in sociological institutionalism, this dissertation develops the theoretical framework of the institutionalisation of DI in the EU. It builds on the claim that DI can be institutionalised so that it structures how policymakers perceive political reality, determine role-specific expectations and organise governance processes in the respective EU policy area. DI separates EU member states along the categories of insiders and outsiders of integration. The institutionalisation of DI in the EU describes a process in which this distinction evolves into a key determinant through which policymakers approach deliberation and decision-making. They adopt the belief that whether a member state can be considered an insider or an outsider of integration matters. The status of a member state regarding DI becomes recognised in the role its representatives assume within respective governance processes and the political expectations they have to fulfil. Insiders face different role conceptions and expectations compared to outsiders and vice

versa. The more policymakers become socialised into this intersubjective knowledge about DI and its social implications, the more they determine their actions and expectations under these social categories. The institutionalisation of DI constitutes a process in which the distinction between insiders and outsiders of integration evolves into a system of social and political ordering – thereby structuring EU governance.

The institutionalisation of DI in the EU manifests itself in multiple ways. This dissertation theorises and empirically tests expectations for three specific manifestations (see Table 1.1). While these manifestations cannot account for a comprehensive analysis, they can reveal individual long-term and short-term changes showcasing the relevance of the distinction between insiders and outsiders of integration in the respective EU policy area. First, DI can be institutionalised in organisational structures. Thus, the distinction between insiders and outsiders of integration becomes recognised in how policy design, decision-making and implementation processes are organised in the respective EU policy area. In different organisational structures, representatives from insiders or outsiders of integration might have different rights and resources or must fulfil different obligations. Furthermore, differences between insiders and outsiders might be reflected in privileges regarding access to particular governance frameworks such as committees, boards or agencies. The groups might even establish exclusive organisational structures to which representatives of the other groups have no or limited access. Such group-specific structures might exist parallel to traditional structures of EU governance. These different forms of recognising DI in organisational structures add a new dimension to its institutionalisation. Not only are insiders and outsiders perceived differently, but they are also provided with different opportunities to influence political debates and decision-making processes. In some cases, a strong reflection of DI in organisational structures can contribute to the classification of policy matters as mainly relevant to insiders or outsiders of integration, further highlighting their distinctiveness.

Furthermore, this dissertation expects DI to be institutionalised in norms. Norms are uncodified rules that determine what behaviour is appropriate in a particular social context (Finnemore, 1996). On the micro-sociological level, scholars distinguish between constitutive and procedural norms (Michalski & Danielson, 2020). The former type refers to foundational values determining the identity or basic beliefs of national officials. On the other hand, procedural norms refer to habitual rules and guidelines that national officials follow when interacting within intergovernmental contexts of EU governance. National officials adopt norms in socialisation processes (Johnston, 2001; Checkel, 2005). Yet, studying the socialisation of constitutive norms comes with analytical challenges since one can hardly distinguish whether supranational values have been adopted on the national or European level (Beyers, 2005; Hooghe, 2005). By contrast, the socialisation of procedural norms such as the consultation norm (Juncos & Pomorska, 2011, p. 195) or the norm of consensus-building (Aus, 2008; Lewis, 2005; Maurer & Wright, 2021) has been detected in multiple contexts of EU governance. Based on these findings, it is assumed that the institutionalisation of DI will more clearly manifest itself in procedural norms. This dissertation aims to assess to what extent the substance and socialisation of norms become structured alongside the distinction between insiders and outsiders. It is expected that member state representatives transfer these categories into role conceptions. They develop a detailed set of habitual rules concretising what they expect from members of either group and how to fulfil these role expectations. Thus, the institutionalisation of DI manifests itself in the definition and adoption of group-specific norms for insiders and outsiders of integration. This process can promote further separation as outsiders are only accepted as equal partners among insiders if they adhere to their norms – and vice versa.

Finally, this dissertation expects DI to be institutionalised as an idea. Ideas are defined as intersubjective beliefs or paradigms about reality and the mechanisms through which it is shaped (Schmidt, 2008, p. 306). If member state representatives adopt DI as an idea, they

interpret political circumstances by referring to the distinction between insiders and outsiders of integration. They argue that the two groups of EU member states face different realities or must cope with other problems. With the increasing influence of DI as an idea, member state representatives develop more concrete and detailed beliefs about these group-specific realities or problems and how they differ. The institutionalisation of DI as an idea is also reflected in preferences. Policymakers consider it increasingly necessary to have different policies for insiders and outsiders to acknowledge the differences between these two groups and ensure political effectiveness.

Table 1.1 Expectations and Possible Implications of the Different Manifestations of the Institutionalisation of DI in the EU.

Manifestation	Expectations on How DI Is Institutionalised	Possible Implications for EU Governance
Organisational Structures	<ul style="list-style-type: none"> - EU bodies in which insiders and outsiders have different rights regarding voice or voting - Exclusive bodies for group-specific governance purposes (Agencies, Committees, informal deliberation formats) 	<ul style="list-style-type: none"> - Distinction between group-specific and EU-wide policies - Parallel systems of governance for group-specific and EU-wide purposes
Norms	<ul style="list-style-type: none"> - Representatives develop group-specific role expectations for insiders or outsiders (insider or outsider norms) 	<ul style="list-style-type: none"> - Segregation between representatives through stronger identification with insider or outsider expectations
Ideas	<ul style="list-style-type: none"> - Representatives believe that insiders and outsiders face distinct political realities (DI matters in EU politics) 	<ul style="list-style-type: none"> - Representatives prefer or at least tolerate group-specific policies and governance bodies

The theoretical framework of the institutionalisation of DI in the EU is based on particular perspectives, conceptualisations and focuses. First, it adopts a micro-sociological perspective. It conceptualises DI as an overarching social system structuring micro-level interactions among national officials. Thus, the objects of analysis are member state representatives in the numerous configurations, committees and working groups of the Council. In this context, the

theoretical framework investigates the systematic effects of DI as a system of social categories. It aims to understand whether member state representatives conceptualise mutual roles alongside the categories of insiders and outsiders of integration, the expectations that these role conceptions entail and how these categories structure institutions and processes of governance.

Second, the theoretical framework of the institutionalisation of DI in the EU builds on a sociological conceptualisation of rationality. In general, individuals are considered rational if they choose those options which serve their preferences best. In the literature on DI in the EU, DI and rationality have been studied as two separate entities. Scholars conceptualised DI as one factor that changes the conditions under which member states pursue their equal preferences (e.g. Jensen & Slapin, 2012; Kölliker, 2001; Schimmelfennig, 2016). From a sociological perspective, preferences are entangled with the beliefs and perceptions embedded within the social environment of the respective individual. Hay (2011) argues that preferences are formed intersubjectively and can change due to changing conditions within a social environment. Adopting such a sociological understanding, the theoretical framework of this dissertation aims to investigate whether and how DI determines the social environment in which preferences form. It studies DI and preferences as interdependent and inseparably entangled. If DI is highly institutionalised in a policy area, member state representatives define what is rational for them following their role-specific preferences as insiders or outsiders of integration.

Third, the theoretical framework of the institutionalisation of DI in the EU includes a focus on processes. Several studies analyse how member states decide during particular opportunities of DI and which role earlier instances of DI play in these decisions (e.g. Winzen & Schimmelfennig, 2016). By contrast, studying the institutionalisation of DI requires a focus on periods of time. Particularly, the socialisation processes through which representatives adopt and operationalise DI as a system of social ordering need to be analysed over a longer time horizon. Also, the recognition of DI in organisational structures or policies can only be grasped in their full complexity when considering developments and events at various times.

Furthermore, the process orientation implies that, as long as DI exists in a policy field, its institutionalisation can change. In fact, a strong institutionalisation aligns with the stability of DI. When member state representatives adopt DI as a concept of social ordering, this process has reproductive effects, as the distinction between insiders and outsiders becomes recognised in policies, governance frameworks or organisational structures. The implications of DI for social ordering might even go beyond the respective policy area. For example, during the sovereign debt crisis, several authors identified the EAMS as a special group within the EU as such (Fabbrini, 2019; Piris, 2012). Such attributes highlight the distinctiveness between insiders and outsiders beyond its original scope, further facilitating the dynamics of DI in the EU. Still, instances of contestation or delegitimization can trigger processes of deinstitutionalisation. i.e. reduce the relevance of DI in structuring institutions and processes of governance. Member state representatives consider the distinction between insiders and outsiders less important or irrelevant and, thus, remove or circumvent institutional frameworks that have been established in recognition of this distinction. Such processes are not necessarily related to disintegration. In fact, a deinstitutionalisation of DI can strengthen the Commission or the EP since they are well-equipped to govern the EU in an inclusive manner (Fromage & Fasone, 2022; Rosén, 2022). Again, such processes of institutional change triggered by a deinstitutionalization of DI need to be analysed over longer time horizons.

To summarise, this dissertation relies on the theoretical framework of the institutionalisation of DI in the EU. It theorises whether and how the distinction between insiders and outsiders of integration can be institutionalised into an overarching social system structuring how member state representatives perceive political realities, determine role-specific expectations and organise their interaction. Relying on this theoretical framework, this dissertation adopts a micro-sociological perspective, a constructivist conceptualisation of rationality and a focus on processes.

Structure of the Dissertation

This dissertation studies the institutionalisation of DI in EMU by analysing its manifestations in organisational structures, norms and ideas. These spotlights on the cognitive and institutional implications of DI in EMU might offer conclusions on whether and how the distinction between EAMS and non-EAMS became embedded in structures and processes of EMU governance and which factors might have facilitated this process. The four substantial chapters of this dissertation consider four different contexts of EMU governance to analyse and discuss the manifestations and implications of the institutionalisation of DI in EMU during the sovereign debt crisis. Each of these substantial chapters is guided by a separate sub-research question.

Chapter Two focuses on organisational inclusiveness. It is guided by the research question: *'Has DI been institutionalised in structures of crisis management introduced or reinforced during the sovereign debt crisis and if so, how and with what implications?'* To study this research question, this chapter analyses whether and, if so, to what extent non-EAMS representatives can access the ESM, the EBU and the informal formats of the Euro Summit, the Eurogroup and the EWG. Thus, it offers insights into how the distinction between members and non-members of the euro area is embedded in key structures of (post-)crisis governance in EMU. Moreover, the analysis can help attain a deeper understanding of the role DI played in structuring policy preferences. The examined agencies, boards and informal formats have been established or reinforced to counter the existential threats of the sovereign debt crisis or resolve functional dissonances in EMU. Low inclusiveness to non-EAMS would indicate that policymakers perceive these problems to be mainly related to the euro area. Thus, they highlight the distinction between EAMS and non-EAMS, suggesting that the former face specific issues for which they need exclusive crisis management structures.

Chapter Three focuses on organisational structures. It is guided by the research question: *'Has DI been institutionalised in organisational structures of EMU governance during the*

sovereign debt crisis and if so, how and with what implications?’ To study this research question, this chapter analyses the evolution of the Eurogroup and EWG during the sovereign debt crisis. These two informal bodies have been installed to provide EAMS representatives with a separate venue to coordinate on specific currency area issues. A significant reinforcement and formalisation would contribute to a deeper embeddedness of the distinction between EAMS and non-EAMS in EMU governance structures. Furthermore, this analysis can offer insights into elite perceptions. A stronger role of the Eurogroup and EWG compared to the equivalent EU formats in the Council, i.e. ECOFIN and the EFC, indicates that EAMS find it necessary to install separate bodies. From their perspective, they face specific problems due to their euro area membership. They need exclusive contexts to discuss their issues and find solutions manufactured to their distinct needs.

Chapter Four focuses on procedural norms. It is guided by the research question: *‘Has DI been institutionalised in procedural norms structuring EMU governance during the sovereign debt crisis and if so, how and with what implications?’* To study this research question, the chapter studies the robustness of specific procedural norms within the Eurogroup and EWG. Furthermore, it studies the impact of these norms on patterns of non-EAMS involvement. The formation of specific norms among Eurogroup and EWG members could be interpreted as a manifestation of group identity building. EAMS representatives understand themselves as one coherent group and adopt common behavioural expectations. They operationalise what behaviour they find appropriate for members of their group and, thus, establish a more explicit understanding of what it means to be a euro area insider. Furthermore, studying the relationship between norm compliance of non-EAMS representatives and their involvement in deliberation and decision-making processes among EAMS, this chapter can provide insights regarding the relevance of DI as a concept of social ordering in EMU governance. For non-EAMS representatives, it might no longer be sufficient to refer to their status as EU member states, but they must demonstrate that they can behave as appropriate for euro area insiders.

Chapter Five focuses on elite ideas. It is guided by the research question: *'Has DI been institutionalised in elite ideas structuring EMU governance during the sovereign debt crisis and if so, how and with what implications?'* To study this research question, the chapter theorises and analyses DI as an idea structuring elite perceptions of the sovereign debt and COVID-19 crises. In both crises, policymakers needed to assess the functional dissonances which have caused the threats to which their governments are exposed. If the distinction between EAMS and non-EAMS guides these assessments, this indicates that DI has become embedded into elite ideas. Policymakers believe that insiders and outsiders face different threats and spillovers. They consider distinguishing between the two groups essential to understand the respective crisis adequately and design effective countermeasures. Thus, DI has become an influential idea structuring elite perceptions of political reality. The comparison between the sovereign debt and the COVID-19 crisis also offers an opportunity to learn more about the institutionalisation of DI in EMU as a process. It provides insights into how the relevance of DI as an idea has developed over time and which circumstances have affected its development.

Data Generation and Analysis

Public sources are of limited value for analysing the different manifestations through which this dissertation aims to study the institutionalisation of DI in EMU during the sovereign debt crisis. In particular, public information is only scarcely available for Eurogroup and EWG meetings between 2010 and 2015. It is only since 2016 that the Eurogroup has published annotated agendas, summing up letters and political documents for every session (Eurogroup, 2019). Therefore, in one of the key contexts in which the institutionalisation of DI during the sovereign debt crisis could manifest itself, only a limited amount of data is available. While this lack of data complicates the research on the evolution of the Eurogroup and the EWG (Chapter Three), it also has implications for the study of procedural norms (Chapter Four) and elite ideas

(Chapter Five). Without multiple and diverse insights on how meetings in the Eurogroup and EWG unfold and how significant their role was in the overarching context of EMU governance, it is hardly possible to assess whether EAMS have adopted specific procedural norms or whether DI had a significant effect on how elites perceived the sovereign debt crisis.

For ECOFIN meetings, more information is available. Ministers must meet in public when they discuss, amend or adopt legislative acts. On the Council website, citizens can access minutes from ECOFIN meetings dating back to 1999. Yet, this information is of limited value when studying the relevance of DI in EMU governance. First, the public ECOFIN meetings hardly represent the complete negotiation process. Following a consensus norm, member state representatives are eager to resolve disagreements in informal and confidential meetings where they deliberate on how to accommodate diverging positions through compromises (Aus, 2008; Novak, 2013). In EMU, member state representatives usually negotiate legislative proposals in informal ECOFIN meetings and the respective Council committees or working groups so that, in public gatherings, ministers can approve legislative drafts without further discussion. Member states were particularly eager to solve conflicts behind closed doors during the sovereign debt crisis (Hillebrandt & Novak, 2016, p. 534). They established new informal formats to strengthen deliberation and consensus-building processes in EMU governance (Puetter, 2014). Thus, drawing on minutes of ECOFIN meetings, institutions, processes and practices of EMU governance can be examined to a very limited extent. Furthermore, these meetings show an incomplete picture of the reforms introduced during the sovereign debt crisis. Member states often circumvented legislative processes and implemented reforms through intergovernmental agreements. Those were negotiated among member state representatives in informal working groups or task forces (Schlosser, 2019). For these reasons, meaningful data must be collected outside the public ECOFIN meetings and offer insights into the numerous informal contexts of EMU governance inside and beyond the Council.

Elite interviews can compensate for the lack of public data and serve the objectives of this dissertation. Interview data can provide researchers with deep insights into the subjective truths of policymakers (Adler-Nissen, 2016b; Morris, 2009). They help scholars understand how policymakers perceive their reality, to which concepts they attach meaning, set political priorities, or assess the behaviour of their colleagues. Multiple researchers have used elite interviews to reveal and describe norms among representatives in Council committees and working groups across various EU policy areas (Aus, 2008; Juncos & Pomorska, 2021, 2024; Lewis, 2005; Maurer & Wright, 2021). Scholars have also used interviews to study the role of elite ideas and perceptions in the course of the EU's monetary integration (Marcussen, 2000; McNamara, 1998; Verdun, 2000). In the same manner, elite interviews can help this dissertation to study the implications of DI on norms and ideas in EMU governance. Moreover, interviews can provide valuable insights into the evolution of the Eurogroup and EWG. The studies by Puetter (2014) and Schlosser (2019) are excellent examples of how elite interviews can be used to shed light on political debates in the informal bodies and analyse institutional changes.

This dissertation builds on 39 semi-structured elite interviews with 32 participants (see Appendix One). Some interviewees were interviewed two or three times as new questions came up or other interviewees offered new insights that required validation. The interviews were conducted between November 2020 and February 2021 and in a second round between March and April 2022. Interviewees were selected considering their direct and personal participation in intergovernmental deliberation and negotiation processes in EMU governance during the sovereign debt crisis. The main body of interviews consists of national officials from 14 EU member states who between 2010-2015 acted as members of delegations to the EFC, the Economic Policy Committee (EPC) or ECOFIN. All EAMS interviewees also participated in meetings of the Eurogroup or EWG. To offer a balanced picture of the role of DI in EMU governance, I aimed to include an even number of EAMS and non-EAMS representatives (see Table 1.2). Furthermore, I included interviewees from different geographical regions in the EU

to recognise differences within both groups and avoid biases. Regarding non-EAMS, I also included interviewees from countries with an opt-out from euro adoption and others excluded from the euro area due to multi-speed differentiation. Beyond member state representatives, the selection of interviews includes officials from the Council Secretariat, the Secretariat of the Eurogroup/EWG, the Commission, the ECB, the EP and the Danish National Bank. While these interviewees cannot articulate the exact views of either EAMS or non-EAMS, they participated in multiple meetings within different venues and, thus, can offer insights into what they observed regarding the political actions of and the relationship between EAMS and non-EAMS. Furthermore, their assessments of the overarching relevance of DI in deliberation and decision-making processes during the sovereign debt crisis are valuable.

Table 1.2 Systematic Overview of the Elite Interviews Conducted for this Dissertation

Actor Roles	Affiliations	Number of interviewees
EAMS	Austria (1), France (1), Germany (2), Italy (2), Luxembourg (1), Netherlands (1), Slovakia (1), Spain (1), Portugal (1),	11
Non-EAMS	Denmark (3), Hungary (3), Poland (2), Sweden (2), United Kingdom (2)	12
Secretariats	Council Secretariat (3), Secretariat of the Eurogroup/EWG (1)	4
Central Banks	Denmark (2), ECB (1)	3
Supranational Institutions	Commission (1), European Parliament (1)	2
Total		32

All interviews were conducted by following a similar procedure. Interviewees were contacted via email, either individually or through their organisations. If they accepted the invitation, they were asked to fill out and sign a participant consent form (see Appendix Two). This document informed interviewees about the usage and storage of data obtained through the

interview and asked for their preferences regarding confidentiality as well as direct quotation and attribution. It received human ethics approval from Leiden University. While all questionnaires were generated from a similar set of questions (see Appendix Three), individual questions were modified in accordance with the role of the particular interviewee. In some cases, questions also covered national specificities. For example, Danish, Hungarian, and Polish interviewees were asked to offer insights from their subsequent Council presidencies between 2011 and 2012. The interviews lasted between 30-90 minutes. At the end of each interview, interviewees were asked to recommend further participants, which allowed for snowballing (Richards, 1996, p. 200). All interviewees agreed to having the interviews be recorded.

Since all interviews were conducted in the context of the COVID-19 pandemic, they were held virtually. For a long time, scholars considered face-to-face interviews the ‘gold standard’ of interviewing (McCoyd & Kerson, 2006, p. 390). Even after the rise of video conference tools such as Skype, several scholars remained cautious, highlighting the reduced quality of obtained data due to the limitations in observing non-verbal communication (Cole, 2018; O’Connor & Madge, 2017). Others were more optimistic, praising the higher flexibility of online interviews (Deakin & Wakefield, 2014) and the reduced impact on the personal space of both the interviewee and the researcher (Weller, 2017). During and after the COVID-19 pandemic, assessments of holding interviews virtually became more positive. Thunberg and Arnell (2022) limit doubts about data quality, finding that ‘there seems to be little or no difference between it [virtual interviews] and in-person interviews’ (p. 765). They argue that virtual interviews will be relevant also after the pandemic as they help to overcome difficulties of in-person interaction stemming from multiple causes, such as personal circumstances or the lack of security in the field of research. Furthermore, considering the role of academic travel in the context of the climate crisis (Jäckle, 2022), holding interviews virtually also enables researchers to perform qualitative research with a minimum environmental impact. Finally, focusing on EU studies,

Bolaños Somoano and Thyrard (2022) see the possibility of democratisation, as virtual interviews could open the *Brussels bubble* to less privileged researchers.

Despite their suitability for gathering insights into subjective perceptions, elite interviews also have limitations for the case studied in this dissertation. In particular, due to the considerable time between the sovereign debt crisis and the research project, interviewees might misrepresent their subjective truths during the period of interest. In interviews, interviewees offer a selective collection of memories representing their subjective idea of how they experienced the sovereign debt crisis. Reconstructing their subjective pasts, interviewees might underestimate or overemphasise the relevance of DI in EMU governance and crisis management. In fact, the research design might motivate them to reconsider memories from a new angle. While the focus of this dissertation on DI can offer new insights, it also includes the risk that through the presentation of questions, interviewees develop new perceptions or stereotypes during the interview. Furthermore, interviewees might not remember certain situations or compensate for missing memories with retrospective narratives (Morris, 2009). Such dynamics would bias the representation of their experiences and make their remarks about the relevance of DI in EMU governance during the sovereign debt crisis less reliable.

To triangulate the interview findings, this dissertation considers additional data sources. First, it includes a review of the interview transcripts from the EMU Formation dataset produced within the Horizon 2020 research project *EMU Choices*. Affiliated scholars have conducted 141 standardised interviews with national officials from 28 member states.² While the questions focus on member state positions and intergovernmental negotiations during the sovereign debt crisis, they offer valuable insights into the different perspectives EAMS and non-EAMS had on contested issues of fiscal integration. Furthermore, questionnaires also ask non-EAMS to assess the impact of their non-membership in the euro area. Particularly in

² The EMU Choice Formation dataset can be accessed here: <https://emuchoices.eu/data/emuf/> (Last Access: 9 August 2023)

Chapter Four on procedural norms and their effects on patterns of non-EAMS involvement, these insights are used to validate findings from the self-conducted interviews. Second, this dissertation considers policy documents and statements published by the Commission, the Council and the European Council. This data is used to review institutional reforms, validating and complementing findings on the evolution of the Eurogroup and the EWG (Chapter Three). Third, this dissertation examines media interviews, speeches and position papers from policymakers. In Chapter Five, such data is used to enrich the analysis of elite perceptions of the COVID-19 crisis. Furthermore, similar data is used to validate findings on elite perceptions of the sovereign debt crisis and the evolution of the Eurogroup and EWG. Finally, this dissertation considers memoirs. Different policymakers who have been involved in intergovernmental deliberation and negotiation processes representing EAMS and non-EAMS have published books about the sovereign debt crisis. Even if subjective, their accounts offer useful insights into how policymakers perceived the crisis. They are also closely read to observe whether they highlighted differences between euro area insiders and outsiders and whether they found those relevant.

The analysis of all data has been processed with the *NVivo* software (Version 12). In each substantial chapter, I have relied on an extensive amount of theory to operationalise the studied manifestation of the institutionalisation of DI in EMU and distil observable categories. This process enabled me to develop coding schemes which guided my data analysis for each research question (see Appendix Four). *NVivo* helped me to apply these categories through all data systematically. Reproducing the coding schemes in the software, I could analyse all transcripts and documents with the same codes. At the end of the qualitative data analysis, *NVivo* produced documents gathering all sections coded to the same category. These documents helped me distil empirical findings and study the respective research questions. The substantial chapters share further details on operationalisation and data analysis.

Outline of the Dissertation

This dissertation is composed of four substantial chapters (one handbook chapter and three research articles). They are written as stand-alone scholarly pieces and thus, can also be read independently. Consequently, they may sometimes overlap. All four substantial chapters have been accepted for publication in peer-reviewed outlets. Chapter Two is published in the *Routledge Handbook of Differentiation in the European Union*, edited by Benjamin Leruth, Stefan Gänzle and Jarle Trondal. Chapter Three is published in *Comparative European Politics*. Chapter Four is presented in the *JCMS: Journal of Common Market Studies (JCMS)*. Chapter Five can be accessed in the *Journal of European Integration*.

Chapter Two studies how and with what implications DI in EMU has become reflected in structures of crisis management established or reinforced during the sovereign debt crisis. It starts with a review of the existing literature on how DI has affected patterns of cooperation in the EU. The subsequent analysis of the inclusiveness of the ESM, the EBU and the euro area specific bodies in the European Council and the Council showcases how post-crisis EMU governance structures have become less accessible for non-EAMS. Only in very few cases, non-EAMS representatives are permitted to participate in meetings within the reviewed facilities. This low inclusiveness of crisis management structures highlights the relevance of the distinction between EAMS and non-EAMS in EMU governance. To facilitate future studies of organisational inclusiveness in the EU, the chapter develops an analytical framework building on the dimensions of outsider access and outsider representation.

Chapter Three studies the evolution of the Eurogroup and the EWG during the sovereign debt crisis. Its findings address research gaps which intergovernmental perspectives on EMU governance have left open. They demonstrate that the reinforcement of particular euro area specific institutions resulted from the institutionalisation of DI in EMU. EAMS provided the Eurogroup and the EWG members with the political authority, the normative environment and

the administrative resources to design and implement policies independently. Establishing these autonomous euro area bodies parallel to the EU-27 facilities within the Council, the EAMS highlighted their distinctiveness from non-EAMS. The reinforcement of the Eurogroup and the EWG facilitated the distinction between euro area and EU matters in EMU governance, as EAMS could handle their issues without non-EAMS intervening. After the crisis, the Eurogroup and the EWG became more inclusive to non-EAMS, contributing to DI becoming less embedded in EMU governance structures. Still, they function as euro area bodies until today, providing EAMS representatives with the capacity to act independently from the EU's institutional structures.

Chapter Four studies the procedural norms adopted among Eurogroup and EWG members during the sovereign debt crisis and their implications for patterns of non-EAMS involvement. The findings suggest that deliberation and consensus-building norms were particularly robust among EAMS representatives. The establishment of these insider norms among EAMS highlights the embeddedness of DI in practices and processes of EMU governance. If member state representatives participated in meetings within the euro area specific bodies, they were also expected to behave as appropriate for euro area insiders. The relevance of these procedural norms is reflected in their effects on non-EAMS involvement. Those non-EAMS who behaved constructively in policy debates and helped to facilitate consensus-building could maintain regular involvement in intergovernmental debates among EAMS. Those non-EAMS representatives who violated insider norms experienced systematic exclusion.

Chapter Five studies whether and, if so, how DI has functioned as an idea structuring the elite perceptions of the sovereign debt and COVID-19 crises. Both crises confronted the EAMS with specific threats due to their high economic and financial interdependence. Still, findings suggest that DI had a significant ideational influence only during the sovereign debt crisis. Elite members interpreted the crisis as a currency area crisis with spillovers and threats primarily applying to EAMS. By contrast, the COVID-19 crisis was interpreted as a health emergency

threatening all EU member states. Consequently, the ideological divides which characterised the debates among EAMS during the sovereign debt crisis subsumed to an EU-wide debate during the COVID-19 crisis, with Denmark and Sweden as particularly active participants. Such variations in the ideational influence of DI on elite crisis perceptions can help to understand the different outcomes of the sovereign debt and the COVID-19 crisis regarding DI.

The concluding Chapter Six reviews the findings of each substantial chapter and combines them into an overarching assessment of the institutionalisation of DI in EMU during the sovereign debt crisis and its long-term implications. It also discusses the contributions of these findings to scholarly debates on the institutional implications of DI in the EU and institutions of EMU governance. Finally, the conclusion discusses the limitations of this dissertation and showcases avenues for future research.

Chapter Two

An Ever More Exclusive Union?

On the Opportunities and Pitfalls of Studying Organisational Inclusiveness under the Circumstances of Differentiated

Integration in the EU³

Abstract

This chapter examines how differentiation affects the organisational inclusiveness in EU governance processes. Studying differentiated integration (DI) in the EU, existing scholarship has hardly taken into account the role of institutional designs. This chapter argues that in light of the developments within Economic and Monetary Union (EMU), scholars might study more systematically whether and the ways in which EU governance bodies are inclusive to outsiders of differentiation. It reviews how EU member states outside the euro area are represented within the European Stability Mechanism, the European Banking Union and the restructured euro area formats in the Council of the EU and the European Council. The findings showcase the lack of organisational inclusiveness to euro area outsiders in post-crisis EMU. Only on a few occasions are representatives from EU member states outside the euro area allowed to participate in meetings within the reviewed facilities. The chapter also proposes an operationalisation of the inclusiveness of EU governance bodies to outsiders of differentiation to facilitate a systematic investigation. It is based on two analytical dimensions: outsider representation and outsider access. While the former dimension measures how well outsiders are represented within an EU governance body, the latter is directed towards determining the influence they can exert on decisions made in one EU organisation to their position in other places. The chapter concludes by highlighting two measures which are particularly well suited to ensure organisational inclusiveness within EMU.

³ This chapter is an accepted manuscript published by Taylor & Francis in the *Routledge Handbook on Differentiation in the EU*, available online <https://www.taylorfrancis.com/chapters/edit/10.4324/9780429054136-12/ever-fragmented-union-alexander-schilin>. The publisher has granted permission to reuse this handbook chapter for this dissertation. In comparison to the published manuscript, this chapter includes editorial changes to ensure coherence with the other chapters of the dissertation.

Introduction

With differentiation becoming increasingly relevant to European Union (EU) politics, concerns have grown about the damaging effects this might have on cooperation and cohesion among EU member states in the daily affairs of EU governance (European Parliament, 2018). To study the phenomenon's impact on EU governance, scholars have examined to what extent national representatives could maintain informal contacts with their colleagues after their country decided to opt out of a political project within the EU. In particular, in the Schengen Area (Adam, Berg, Trauner, Tuley & Westerveen, 2016; Adler-Nissen, 2009; 2014) and EMU (Howarth, 2005; Naurin & Lindahl, 2010), scholars have collected empirical evidence suggesting that the consequences of opt-outs for the professional networks of national representatives are almost negligible. Informal contacts and social norms of inclusion are still effective in facilitating deliberation and cooperation between all EU member states despite differentiation. While the consequences of differentiation on professional networks of member state representatives have been discussed extensively, scholarship has fallen short of analysing the institutional structures which come with differentiation.

In this chapter, I study the organisational structures associated with differentiation in EMU and how they affect the relationship between insiders and outsiders of the euro area. I review our knowledge of how outsiders of the euro area are integrated into the crucial gatherings within the European Stability Mechanism (ESM) as well as the European Banking Union (EBU) and in meetings of the EMU formats within the Council of the EU (hereafter the Council) and the European Council. I showcase the unprecedented lack of organisational inclusiveness within the facilities installed or reinforced in the context of the sovereign debt crisis. While in other policy areas such as the Schengen Area, the forerunners in the integration process were careful to systemically include outsiders within the EU into processes of deliberation and governance; in EMU, the euro area outsiders have been excluded from governance boards or informal groups in the Council. This exclusiveness is observable for every euro area outsider in the EU

regardless of whether the state is an accession state or a permanent outsider. So far, scholarship has hardly focussed on the institutional implications of differentiation (Leruth, Gänzle & Trondal, 2022; Schimmelfennig & Winzen, 2022, p. 192). Yet, these recent developments may require a shift in focus. I argue that scholars need to study the inclusiveness of organisational structures to outsiders. Such findings would enhance our understanding of patterns of cooperation among EU member states under the circumstances of differentiation and thus enrich our knowledge of the phenomenon's implications on processes of EU governance. I further propose that in order to analyse the inclusiveness of EU governance structures for differentiation, scholars could consider *outsider representation* and *outsider access*. These analytical dimensions are based on a twofold operationalisation of inclusiveness within EU institutions, which I deduct based on Lijphardt (1999).

The chapter is divided into five sections. In the next section, I review the existing literature on the consequences of differentiation for processes of EU governance. Discussing different approaches of engaging with this topic, I show that, with a few exceptions, scholarship has fallen short of examining the institutional implications of differentiation. In the third section, I analyse how euro area outsiders are represented in the organisational structures which the reform projects of the ESM, the EBU and the reforms to the EMU formats in the two councils have produced. While in other policy fields, outsiders are systematically included (Adler-Nissen, 2009), in EMU, there is a clear departure from the overarching principle of organisational inclusiveness visible. In the fourth section, I propose an operationalisation for organisational inclusiveness in the EU, compiling the dimensions of *outsider representation* and *outsider access*. In the final section, I summarise the main conclusions and make concrete proposals on how inclusiveness to euro area outsiders in EMU could be improved.

Literature Review

Even if differentiation is not a new phenomenon within the process of European integration, scholarship knows little about its implications for governance and decision-making processes in the EU. Studies have focused on exploring the notion of differentiation (Holzinger & Schimmelfennig, 2012; Leruth & Lord, 2015; Stubb, 1996), explaining its emergence (Jensen & Slapin, 2012; Kölliker, 2001; Schimmelfennig, Leuffen & Rittberger, 2015; Schimmelfennig & Winzen, 2020) or discussing its normative aspects (Bellamy & Kröger, 2017; Eriksen, 2018; Lord, 2015). In examining the consequences of differentiation to EU governance, scholars mostly focus on whether governments from countries enjoying opt-outs in specific policy areas would be able to maintain substantive influence on policy proposals. In this regard, scholars analysed how opt-outs affect the social networks of national officials representing their country's interests in the Council. Yet, the way in which institutions and governance bodies are designed in light of differentiation has hardly been studied at this moment (Heermann & Leuffen, 2020, p. 1017; Schimmelfennig & Winzen, 2020, p. 192).

The first empirical studies on the consequences of national opt-outs for representatives of the respective member states in daily EU governance processes were conducted in the context of the public discussion about whether Sweden should join the single currency area. Swedish experts warned that after an opt-out of euro adoption, Sweden's representatives would lose their positions within the relevant networks and thus compromise their political influence (Gidlund & Jarneck, 1996). Other scholars supported this claim (Warleigh, 2002). Campaigning in favour of Sweden's accession to the euro area in the context of the national referendum in 2003, the Swedish deputy finance minister even argued that in case of an opt-out, national diplomats would lose power in various policy fields beyond the immediate matters of fiscal and economic governance (Lund cited after Naurin & Lindahl, 2010). Similar arguments were raised in the context of the Danish referendum in 2000 (Marcussen & Zølner, 2001) and the general election in the United Kingdom (UK) in 1997 (Bulmer, 2008). However, Naurin and Lindahl (2010)

presented data indicating that such apprehensions were largely unfounded (see also Manners, 2008). They conclude that the (de-facto) opt-outs for monetary integration, which Denmark, the UK and Sweden have been granted, did not significantly influence how the national representatives of these countries are embedded into professional networks.

A more theoretical approach to this question has been provided by Adler-Nissen (2008, 2014). Relying on the work of Bourdieu, she conceptualises the Council as a diplomatic field. When national representatives interact with each other, they refer to a shared system of meanings, behavioural norms and ontological views. This *habitus* includes a collection of unspoken rules determining what is appropriate when acting within the social context of the Council. National representatives learn and incorporate these rules within the regular practice of mutual interaction. With regard to the substance of this *habitus*, Adler-Nissen (2014) considers two things particularly relevant: a commitment towards consensus-seeking and a shared belief that more integration is the appropriate answer to today's challenges of globalisation (integration doxa).

Considering these social circumstances, the decision to opt out of a step of integration puts the officials from the concerned state in an unfortunate situation. They have to abstain from cooperation and, therefore, deviate from the norms established within the Council. Representatives from other member states consider this decision of non-assimilation non-collegial. Therefore, in future interactions with the other member state representatives, the opt-out becomes a stigma for the outsider state. Adler-Nissen (2014, p. 64) defines a stigma as a disparaging emblem that members of one group can impose on others. Representatives whose states are confronted with a stigma suffer from it, both in terms of its content and excluding impact. The relevance of the social stigma, however, is not predetermined. Instead, it is socially negotiated among national representatives in the daily interaction within the committees of the Council (Svendsen & Adler-Nissen, 2019). There exist many strategies to manage a stigma (Adler-Nissen, 2014, pp. 67-69). How effective these strategies are in making the opt-out less

relevant for daily interactions within the Council depends on conceptions of the national government's role, formal opt-out rules and social norms relevant within the particular context (Adler-Nissen, 2009). These factors affect the capability of a country to maintain political influence despite an opt-out.

In assessing the consequences of differentiation on EU governance, scholars are mostly concerned with the questions of how national officials of other countries perceive opt-outs and whether member states subject to an opt-out can maintain their political influence. Detailed analyses of the effects that differentiation has on the set-up of EU institutions or governance processes at the same time are rare. They are published very sporadically and focus on individual policy fields. Tekin (2012, 2017) analyses the implementation of differentiation in the Area of Freedom, Security and Justice (AFSJ) as well as the Schengen Area. She concludes that while in the Schengen Area, the exception rules for the UK and Ireland allow only for limited flexibility, in the AFSJ, the formal opportunities for opt-ins allow for cost-benefit decisions on a case-by-case basis. In the course of the negotiations on Brexit, these structures were reconsidered (see Foteini & Markozani, 2019).

The EMU reforms implemented in the context of the sovereign debt crisis have produced committees, agencies and boards, which, in terms of representation, make a clear distinction between members and non-members of the euro area. Looking into other EU policy areas, providing representatives from countries which have decided for an opt-out with limited rights within bodies of governance and coordination is not a new approach. Yet, in those fields, the deprivation of voting rights based on differentiation is carefully counterbalanced by various mechanisms of systematic inclusion, ensuring that the views of the concerned countries are still incorporated. In post-crisis EMU, however, the euro area outsiders are systematically excluded from processes of deliberation and coordination among the insiders. This exclusiveness is also applied to those EU member states which are still in the process of accessing the currency area in addition to those which officially secured an opt-out from euro adoption. Thus, the degree to

which the governance structures within post-crisis EMU reforms exclude euro area outsiders within the EU is unique. These findings showcase the critical role that organisational structures can play in determining the degree to which outsiders can maintain influence in the respective policy area. Studies analysing how differentiation is reflected within the EU's organisational structures and how this affects the formal opportunities for cooperation between insiders and outsiders are needed. This chapter makes a proposal on how to study organisational inclusiveness in the EU systematically.

A Union within the Union? Reviewing the Inclusiveness of EMU Reforms

Before the sovereign debt crisis, EMU mainly relied on rules and soft coordination mechanisms (Schlosser, 2019). Its main rulebook was laid down in the Stability and Growth Pact (SGP). It compiled a combination of preventive and corrective measures to keep the fiscal balance sheets of all EU member states within explicitly determined margins (Heipertz & Verdun, 2010). Furthermore, the EAMS established the Eurogroup, in which the Finance Ministers of those member states inside the euro area could coordinate on their national policies as well as their positions on policy proposals discussed within the Economic and Financial Configuration of the Council (ECOFIN) (Puetter, 2006). Numerous scholars were concerned that this set of governance instruments would be insufficient (e.g. Verdun, 2007). Indeed, when the crisis erupted, euro area member states (EAMS) found themselves lacking the necessary resources to launch an appropriate response and to maintain the very existence of EMU, they had to agree on far-reaching reforms. In this section, I review those reforms which have significantly restructured EMU governance structures with a particular focus on the structures' inherent inclusiveness to euro area outsiders. I demonstrate that the new mechanisms of governance and coordination within (post-crisis) EMU lack inclusiveness to euro area outsiders. Table 2.1 offers a detailed overview of my findings.

Financial Assistance: The European Stability Mechanism

The lack of inclusiveness inherent to the structures, which have been added to EMU in the context of the sovereign debt crisis, is perhaps best illustrated by the ESM reforms. When the leaders of the EU member states prepared the launch of the single currency area, they included a special clause in the Maastricht Treaty: Article 125 TFEU prohibits sovereign bailouts among EMU member states. The dynamics of the sovereign debt crisis, however, forced EAMS to introduce measures of mutual financial assistance. While the introduction of the Greek Loan Facility (GLF) solved the most immediate problems of the currency union, it was also clear that it would not be sufficient to restore trust in international markets for sovereign bonds on a long-term basis. More permanent measures were needed, and with the GLF, the first precedent of financial resources getting collected for the purpose of mutual financial assistance was created, which opened paths towards more far-reaching policies (Schlosser, 2019, p. 76). In 2010, EAMS agreed to set up the European Financial Stability Facility (EFSF) and put it under the authority of a public limited liability company based in Luxembourg. This legal construction enabled the EAMS to create a financial facility of over €500 billion while at the same time maintaining the authority in their own hands. In 2012, the ESM replaced the EFSF in most of its tasks.

How exclusive the organisational structures of the ESM are to euro area outsiders becomes obvious when looking into its governance structures. The Board of Governors (BoG) is in charge of the most important decisions within the fund. This board is staffed by the same national ministers who also gather in the Eurogroup. The Board of Directors (BoD), whose members are in charge of administration and implementation, is staffed by the members of the Eurogroup Working Group (EWG). So, the new fund that EAMS established for mutual financial assistance is under the exclusive authority of the group's own informal gatherings within the Council (see also Chapter Three). National representatives from non-EAMS have no access to the crucial boards of the ESM. Yet, when it comes to the inclusiveness of the ESM,

two additional facts are worth mentioning. Firstly, with the Commission, a supranational institution is a key actor when it comes to matters of implementing and monitoring the procedures of financial assistance. Liquidity from the ESM only comes in combination with requirements for the countries requesting financial support. They must commit to fiscal and economic reforms (Zagermann, 2024). Here, the Commission plays an important role. It assesses the country's economic as well as fiscal situation, and based on evidence found, it negotiates a Memorandum of Understanding (MoU). This document determines which reforms the indebted country needs to undertake. In cooperation with the European Central Bank (ECB) and the International Monetary Fund (IMF), the Commission also monitors the implementation of this agreement (Bauer & Becker, 2014). Secondly, non-EAMS can join the ESM. Indeed, Article 44 of the ESM Treaty states that the BoG shall accept the application of any state which is already a member of the EU. After the successful completion of the accession process, the new members can request financial assistance from the fund. They can also appoint representatives to the BoG and BoD. Still, as long as they are not a full member, there are no formal channels for euro area outsiders to influence ESM politics.

Banking Supervision and Banking Resolution: The European Banking Union

The organisational structures that emerged in the context of the establishment of the EBU are another manifestation of the departure from the principle of inclusiveness within EMU. While the reforms concerning financial assistance can be understood as incidents of path dependence and incremental change (Salines, Glöckler & Truchlewski, 2012; Verdun, 2015), the creation of the EBU unfolded in a rather abrupt manner (Glöckler, Lindner & Salines, 2017). During a meeting held in June 2012, the European Council decided that the EBU should be based on five components: a single rulebook on banking and liquidity, a single framework for banking supervision, a single framework for the managed resolution of banks and financial institutions, a common deposit guarantee scheme and finally a common backstop for temporary financial

support (Howarth & Quaglia, 2014). At the time of writing (summer 2023), four out of these five goals have been realised. The single rulebook and the single framework for banking supervision have been accomplished through the establishment of the Single Supervisory Mechanism (SSM). The respective legislative package entrusted the ECB with the task of coordinating and overseeing banking supervision in the participating EU member states. For this purpose, the Supervisory Board was established within the ECB. It gathers representatives of the national supervision authorities within the EBU member states and representatives of the ECB. In cooperation with the ECB Governing Council, the members of this board can take numerous decisions on supervision and bank resolution. The Single Resolution Mechanism (SRM), whose main instruments are the Single Resolution Fund (SRF) and the Single Resolution Board (SRB), was established in line with the third goal. The SRB's main task is to create and execute plans for resolving the most crucial banks in the EBU member states. Finally, the fifth goal was accomplished in 2022, since when the ESM functions as the common backstop to the SRF. Still, the EBU remains incomplete, as, until now, the member states could not agree on a common deposit guarantee scheme (Högenauer, Howarth & Quaglia, 2023, pp. 5-6). With all the reforms described, EAMS installed a set of expert boards, funds and agencies, which collectively can supervise and resolve the largest banks in Europe.

Similar to the ESM, in the EBU, the boards at which the new tasks are carried out are inaccessible to euro area outsiders who have not joined the group through an agreement of close cooperation. The very first proposal for the regulation establishing the SSM even refrained from a formal procedure through which non-EAMS could get involved in the EBU. Euro area outsiders were able to obtain such a mechanism only through strong resistance and building an alliance with the European Parliament (EP) (Howarth & Quaglia, 2013, pp. 114–117). Under the current framework, non-EAMS can ask for a close cooperation agreement. Yet, cooperation under this status remains asymmetrical (Schimmelfennig, 2016, p. 490). In fact, under close cooperation, states gain the right to send delegates to the Supervisory Board within the ECB

and the board of the SRB. However, they do not obtain a seat in the Governing Council of the ECB in which only the national central banks from the euro area insiders are represented (see also Schulz & Verdun, 2022). This format has the main authority when it comes to the decision of whether a bank needs to be resolved. This asymmetry could be one reason why, so far, only two (former) euro area outsiders – Bulgaria and Croatia⁴ – have joined the EBU.

Informal Euro Area Formats in the Two Councils – The Eurogroup Working Group, Eurogroup and Euro Summit

As a final example for the non-inclusive character of the organisational structures which have been added to EMU in the context of the sovereign debt crisis, I review the EWG, Eurogroup and Euro Summit. Strengthening and reforming these informal euro area compositions of the Economic and Financial Committee (EFC), ECOFIN and the European Council, the EAMS have established an independent institutional framework functioning as a cohesive machinery of policy design and implementation (see Chapter Three). The reforms included the systematic intensification and formalisation of intergovernmental coordination on all levels of hierarchy.

The Euro Summit – a gathering of the heads of the EAMS – held its first meeting in the context of the financial crisis on 12 October 2008. The format has been formalised through the Fiscal Compact in 2012. Under Title V, it is determined that the leaders of the EAMS come together twice a year. Meetings are chaired by a self-elected president and prepared by the Eurogroup. Through establishing the Euro summit, EAMS provided themselves with a formally acknowledged body with the political power and the bureaucratic support to design and enforce far-reaching decisions. This development was supplemented with various measures reinforcing the position of already existing informal bodies within the Council. The Eurogroup experienced considerable expansions of its tasks, such as overtaking the function of the BoG in the ESM

⁴ Croatia joined the euro area on 1 January 2023.

(see Chapter Three). Furthermore, in the Lisbon Treaty, the Eurogroup has been formally acknowledged as an informal composition of the Council. The EWG also became integral to the euro area's governance machinery (see Chapter Three). In designing their reform packages, euro area governments increasingly relied on the expertise gathered in this informal Council committee (Schlosser, 2019, pp. 93-95). This development not only manifested itself in an increasing number of meetings but also through measures of formalisation: following an earlier decision by the Euro Summit (European Council, 2011), in January 2012, Thomas Wieser became the first full-time president of the EWG, providing him with an office and support staff based in Brussels. With these reform efforts, EAMS established a comprehensive set of structures for informal deliberation and consensus-building (Puetter, 2016), with the help of which they were able to design and execute far-reaching measures of crisis management and EMU reforms independently (see Chapter Three).

The institutions which the EAMS have restructured and established in the course of the crisis are almost exclusively accessible to their own national representatives. Euro area outsiders are only allowed to join the meetings of the Euro summit when their country is a signatory party to the Fiscal Compact. In practice, this requirement has become obsolete as, meanwhile, all EU member states have signed the Fiscal Compact and the UK has left the EU. Furthermore, the agenda of these meetings has to deal with matters related to the competitiveness of the EU as a whole or institutional reforms to EMU governance. This rule has been added to the Fiscal Compact as a concession to Poland, Sweden and the UK. These countries were concerned about EAMS increasingly isolating themselves from the other EU members into their own spheres of governance. The then Polish Minister of Finance, Jacek Rostowski, was especially outspoken in rallying for more inclusion of non-EAMS representatives in euro area formats within the two Councils (Rettmann, 2011). It was also the Polish government which put the issue on the agenda when negotiating the Fiscal Compact (Puetter, 2014, p. 170). Despite this limitation, coordination and deliberation fora within post-

crisis EMU remain exclusive to representatives from those EU member states outside the currency area. For the Eurogroup and EWG, inclusive formats exist, allowing euro area outsiders to participate as observers. Still, there are no written rules determining topics or rhythms in which they need to be summoned.

Table 2.1 Representation of Euro Area Outsiders in New or Reformed Organisations of EMU Governance

Area of Reforms	Organisational Structures Introduced or Reformed	Representation of Euro Area Outsiders
Financial Assistance	<ul style="list-style-type: none"> - European Stability Mechanism (ESM) 	<ul style="list-style-type: none"> - ESM <ul style="list-style-type: none"> - No representation, only if euro area outsiders join ESM
Banking Supervision and Resolution	<ul style="list-style-type: none"> - Single Supervisory Mechanism (SSM) <ul style="list-style-type: none"> - Supervisory Board within the ECB - Single Resolution Mechanism (SRM) <ul style="list-style-type: none"> - Single Resolution Board - ECB Governing Council (provided with new tasks) 	<ul style="list-style-type: none"> - Supervisory Board within the ECB <ul style="list-style-type: none"> - No representation, only under close cooperation - Single Resolution Board <ul style="list-style-type: none"> - No representation, only under close cooperation - ECB Governing Council <ul style="list-style-type: none"> - No representation, also not under close cooperation
Informal Euro area Formats in the Two Councils	<ul style="list-style-type: none"> - Euro Summit (new euro area composition of the European Council) - Eurogroup - Eurogroup Working Group (EWG) 	<ul style="list-style-type: none"> - Euro Summit <ul style="list-style-type: none"> - Occasional representation, if euro area outsiders have signed the Fiscal Compact and the meeting agenda includes specific topics - Eurogroup <ul style="list-style-type: none"> - Inclusive format exists, but meeting rhythm and specific topics remain undetermined - EWG <ul style="list-style-type: none"> - Inclusive format exists, but meeting rhythm and specific topics remain undetermined

Summary

Inclusiveness, and, in particular, ensuring that every member state still has access to institutional channels through which it can make its voice heard, has been a guiding principle in designing governance bodies within policy areas affected by differentiation (Adler-Nissen, 2011). While euro area specific institutions have existed in EMU before (Hodson, 2011, pp. 38-53; Puetter, 2006), the difference between euro area insiders and outsiders has become more emphasised in EMU governance structures. In the context of the sovereign debt crisis, the EAMS governments have established new facilities in which representation is assigned in accordance with the group patterns inherent to differentiation rather than EU membership. Non-EAMS are not represented on the boards of the ESM, the SRB, or the ECB Governing Council and only occasionally in the Euro Summit, Eurogroup, or EWG. These reforms constitute a significant departure from the principle of inclusiveness, which has been applied to other policy fields such as the Schengen Area or the Common Security and Defence Policy, where representatives of all EU member states can attend and, in some cases, also vote in the relevant meetings both within the Council and the relevant agencies' governance boards. Scholars have considered this inclusiveness of organisational structures to all member states crucial in maintaining unity within the EU (Eriksen, 2018). In the following section, I propose an operationalisation of the inclusiveness of EU institutions to outsiders of differentiation, which might facilitate more systematic analyses

How to Analyse the Inclusiveness of EU Governance Bodies in the Context of Differentiation?

To understand the impact differentiation has on processes of EU governance, numerous contributions have examined whether, after opt-out decisions, the national representatives of the respective countries can maintain close relationships with national officials from the other states. Such findings can help to determine whether outsiders can remain involved in relevant

processes of deliberation, governance and decision-making (see above). However, showcasing that many reforms to EMU governance bodies during the sovereign debt crisis have resulted in euro area outsiders being more excluded from crucial processes of governance, the above section has demonstrated that, in this discussion, scholars also need to consider the inclusiveness inherent to organisational set-ups. In this section, I propose an operationalisation of the inclusiveness of EU governance bodies to outsider states of differentiation in the EU (internal differentiation). My conceptual reasoning is based on the work of Lijphart (1999), who compares the institutions within national democracies regarding their inclusiveness to political minorities. Reviewing his conceptual thoughts, I deduct an operationalisation of inclusiveness, which consists of two dimensions: *outsider representation* and *outsider access*. Conceptualising these two analytical dimensions in more detail, I suggest indicators for each. The usefulness of these indicators is illustrated by examples from differentiation in EMU, in some cases complemented by illustrations from the area of Justice and Home Affairs (JHA). It is worth noticing that this operationalisation constitutes a first proposal which needs more discussion before being used in empirical studies.

Before developing an operationalisation of inclusiveness in EU organisations to outsiders of differentiation, defining the term *outsider* is necessary. I consider *outsiders* such EU member states, which are not participating in a political project or a policy within the policy area affected by differentiation. Within the EU, one can further distinguish between two types of outsiders resulting from different types of differentiation, i.e. constitutional and instrumental differentiation (see Table 1.1 in Leruth, Gänzle & Trondal, 2022). EU member states that do not participate in integration due to constitutional differentiation have explicitly asked to be exempted from transferring particular competencies to the EU level. These opt-outs have been determined in the treaties. EU member states that do not participate in projects or policies due to instrumental differentiation are in this position because they do not satisfy specific criteria they must fulfil before joining. For instance, this is the case for the euro area or the Schengen

Area. In these policy areas, outsiders have not chosen to abstain from integration, but to join the other states, they need to fulfil the accession criteria and remain in accession procedures until they have done so.

Lijphart's work is particularly useful to understand the concept of inclusiveness better. He developed an analytical framework which can be used to categorise national democratic systems in terms of their inherent inclusiveness to political minorities (Lijphart, 1999). He distinguishes between two ideal types of democracy. While in the majoritarian system, the set-up of political institutions makes the systematic inclusion of minority parties in decision-making processes rather unlikely, in the consensus-based system, efforts to include several political parties in such processes are almost inevitable. In order to estimate the spatial position of actual democratic systems on a scale between these ideal-type systems, Lijphart relies on two analytical dimensions. The executives-parties dimension works as an estimator for the party-political pluralism, which is observable within the main branches of a political system. Indicators within this dimension analyse the number of one-party governments within a country or the effective number of parties in the national parliament. The federal-unity dimension estimates to which degree political power is distributed among different levels and places. Indicators within this dimension measure the degree to which competences as well as approval rights are shared between the federal and the regional level or determine to what extent different chambers are involved in the decision-making processes.

Looking at the theoretical ideas behind Lijphart's analytical dimensions and indicators, I deduct an operationalisation of inclusiveness within political institutions based on two principles. The first principle is *representation*. When political minorities are represented within those places where key deliberation and decision-making processes occur, they are in a better position to make their voice heard and exert political influence. The other principle that inclusiveness within political institutions relies on is the *decentralisation of power*. If decisions made in a political institution need to be approved within other chambers or competences are

shared between different levels of politics, political minorities do not rely on representation within this particular institution only. To ensure that their interests are taken into account, they can also use their position within the other political institutions which are involved in the particular processes of decision-making. Using these indirect channels, political minorities make it more likely that, eventually, their concerns are incorporated even if they are not represented within the analysed institution. In the following, I will transfer these two principles into the analytical dimensions of *outsider representation* and *outsider access*, which can be used for analysing the inclusiveness of EU institutions to outsiders of internal differentiation. Table 2.2 provides an overview of the proposed dimensions and corresponding indicators.

The relevance of the analytical dimension of *outsider representation* for the analysis of the inclusiveness of EU institutions is quite intuitive. To be included in a governance body's daily business and have their political interests taken into account, outsiders need to have the opportunity to send their representatives to the places where crucial debates take place and important decisions are made. For examining organisations regarding the dimension of outsider representation, I propose the following four indicators. First, I propose to analyse whether and to which gatherings in the examined organisation outsiders may send representatives. For instance, when analysing the ESM regarding inclusiveness, it is relevant to recognise that non-EAMS have no representatives within the facility, neither at the BoG nor at the BoD. In the two Councils, one may analyse whether and under which conditions outsiders representatives may participate in the meetings of the relevant Council configurations or committees. For instance, in the Fiscal Compact, it is determined that, for certain topics, the Euro Summit must convene in an inclusive format in which euro area outsiders can fully participate. The outsider representatives' rights regarding vote and voice within the examined institution may be considered a second factor. As a third indicator, I propose to track the hierarchical position of outsider representatives within their home ministries. For instance, euro area outsiders have a higher capacity to significantly influence the debate in an inclusive meeting of the Eurogroup

if they send the minister instead of the state secretary, as this indicates that they are committed to making meaningful contributions to the debate. Finally, within agencies, it is relevant to consider the position of an outsider's representative within the examined organisation. An example from the AFSJ can illustrate the usefulness of this last indicator. Between 2009 and 2018, Robert Wainwright, a British bureaucrat, was the Executive Director of Europol. This can be interpreted as a manifestation of the important role the UK possessed within this EU agency despite its opt-out from the AFSJ (Carrapiço & Trauner, 2013).

The analytical dimension of *outsider access* is based on the second principle of the inclusiveness of political institutions to minorities: decentralisation of power (see above). Even if the outsiders are not directly represented within the respective boards or committees, there might be other tools and channels through which one can ensure that in the examined EU organisation, political decisions are designed according to their interests. In order to examine organisations with regard to *outsider access*, I propose the following three indicators. The first indicator looks at the opt-in rights which outsiders are provided with through special provisions in the treaty's protocols, the relevant intergovernmental agreements or legislative acts. For instance, the regulation on the SSM foresees that euro area outsiders are allowed to join the EBU through a close cooperation agreement. Croatia and Bulgaria have made use of that option (see above). As a second indicator for determining outsider access, scholars may consider the degree to which supranational institutions are involved in the decision-making processes within the examined organisation. In particular, when it comes to legislative acts, the Commission and EP can be profitable channels for outsiders to get involved in political decisions and compensate for relatively weak positions in the Council. For example, the EP has been a helpful partner for euro area outsiders in the context of the discussions about the set-up of the EBU (Howarth & Quaglia, 2013, pp. 114-117). Third, scholars may examine whether and in which ways outsiders can get involved in the activities of relevant EU agencies. Agencies fulfil a variety of executive tasks within the EU. If outsiders can get involved in individual actions or missions or become

official members of the agencies, this provides them with a voice within these agencies, even if there is a lack of direct representation. As an illustration of the usefulness of this indicator, you might consider an example from Frontex. Despite the UK’s opt-out from the Schengen Agreement, during the times of the country’s EU membership, British border control and police forces could always become involved in individual missions carried out by the agency. The UK made extensive use of this option (Foteini & Markozani, 2019, pp. 98-100). This commitment to Frontex missions provided the UK with a considerable amount of political influence within the agency, even though the British representatives did not have any voting rights at the Frontex management board (ibid.).

Table 2.2 Proposed Dimensions and Indicators for Analysing the Inclusiveness of EU Governance Bodies

Analytical Dimension	Corresponding Principle in Lijphart	Proposed Indicators
Outsider Representation	Representation	<ul style="list-style-type: none"> - Outsider representation in governance boards or Council committees - Outsider rights regarding voice and vote - Hierarchical rank of outsider representatives in the domestic context - Position of the outsider representatives within the examined organisation
Outsider Access	Decentralisation of Power	<ul style="list-style-type: none"> - Outsider rights to become a full member of the examined organisation (opt-in) - Involvement of supranational actors (only relevant if outsiders are EU member states) - Options for becoming involved in individual missions or activities of the examined organisation (mostly relevant to EU agencies)

When analysing the inclusiveness based on this operationalisation, two additional considerations must be taken into account. Firstly, the institutional conditions which determine

the inclusiveness of a governance body might differ among the outsiders themselves. For instance, in the inclusive format of the JHA Council, the accession states to the Schengen Area, Bulgaria, Croatia, Cyprus and Romania, have full voting rights, while the permanent outsiders, Ireland and (before Brexit) the UK, may participate in meetings but have no voting rights whatsoever. Secondly, different dimensions of inclusiveness may compensate for each other. Governance bodies, which score rather low in one dimension, might be very inclusive in the other one. For instance, while the ESM allows no non-EAMS representatives at the BoG and BoD, the ESM treaty determines a procedure through which any EU member states can become full members of this organisation. At the same time, Frontex lacks an equivalent procedure while having a very inclusive policy regarding outsider representation at the agency's management board. Thus, in different organisational contexts, there might exist different mechanisms through which inclusiveness is achieved. It is unclear which one is more effective or whether they are comparable.

Many questions remain open on how to recognise the different factors which can determine the inclusiveness of EU organisations to outsiders, leaving out their individual effects on the actual reintegration of outsiders into decision-making processes. Conceptualising the analytical dimensions of outsider representation and outsider access, this section offered some initial thoughts on how an operationalisation might look like. Yet, before scholars can start with the empirical task of analysing individual organisations within the EU, proposed dimensions and indicators need to be refined.

Conclusion

Examining how differentiation affects patterns of cooperation among member states within the processes of EU governance, scholarship has so far insufficiently considered the role of institutional designs. In this chapter, I argue that, in light of the developments within EMU, scholars may study more systematically whether and in which way organisational structures in

the EU are inclusive to outsiders of differentiation. I have reviewed how EU member states outside the euro area are represented within the ESM, the EBU and the restructured euro area formats within the Council and European Council. The reviewed reform projects showcase the lack of organisational inclusiveness to euro area outsiders within post-crisis EMU. Only on a few occasions, non-EAMS are allowed to send representatives to meetings within the reviewed facilities. These findings highlight the need for systematic studies examining the institutional implications of differentiation in the EU. To facilitate such studies, this chapter proposed an operationalisation of the inclusiveness of EU governance bodies to outsiders of internal differentiation. It is based on two analytical dimensions: outsider representation and outsider access. While the former dimension aims to measure how well outsiders are represented within an EU governance body, the latter is directed towards determining the influence they can exert on decisions made in one EU organisation through their position within another.

Attaining a better understanding of how inclusive EU governance structures are to outsiders and how this factor can be moderated can also be useful for practitioners. Designing organisational structures under the circumstances of differentiation, EU politicians face a dilemma. From a perspective of democratic legitimacy, they need to make sure that, in a policy field affected by differentiation, they give influence to those member states that are also concerned by the political decisions, i.e. insiders of differentiation (Heermann & Leuffen, 2020). On the other hand, EU politicians need to ensure that differentiation does not result in outsiders being totally excluded from political processes, as this might have long-term implications for unity among the EU member states in general. Particularly in EMU, differentiation has developed a self-reinforcing dynamic. Countries that have abstained from joining the currency area in the first place have also declined to participate in the new initiatives that emerged following the sovereign debt crisis, such as the EBU (Schimmelfennig 2016). Contributions studying differentiation in JHA suggest that organisational inclusiveness mitigates such dynamics of path dependence (see above). In this chapter, I have demonstrated

that there are many ways to design governance boards within agencies or informal venues within the Council more inclusively. This collection of measures might make it easier for practitioners to find solutions that accommodate both concerns.

In EMU, practitioners might consider two concrete measures to ensure more inclusiveness. Firstly, the opportunity for euro area outsiders to join individual projects such as the EBU may be supplemented by standards ensuring that outsiders who use this option also have the same say as insiders. Croatia and Bulgaria's decision to join the EBU indicates that openness, in general, can help to disrupt patterns of path dependency in EMU and thus maintain unity among the EU member states despite differentiation. However, countries joining the EBU in a close cooperation agreement should also have an equal say regarding decisions on banking resolution at the ECB Governing Council. Thus, joining the EBU through an agreement of close cooperation might become more appealing to euro area outsiders. Secondly, euro area insiders might create more occasions where outsiders are represented at the informal meetings in the Eurogroup or EWG. Most importantly, they might determine a transparent rhythm or specific topics on which meetings in these two formats must be held in an inclusive format. In the COVID-19 crisis, meetings in the inclusive format of the Eurogroup have been critical to prepare the ground for an EU-wide instrument for economic recovery, the NextGenerationEU fund. Thus, inclusiveness in informal deliberations can disrupt path dependencies, and formalisation might help to make this measure more effective.

Chapter Three

Building Euro Area Bodies

*The Institutionalisation of Differentiated Integration in Economic and Monetary Union*⁵

Abstract

The institutional developments in Economic and Monetary Union (EMU) during the sovereign debt crisis were mostly studied with reference to intergovernmentalist theories. However, they can hardly explain the dominant role of the Eurogroup and Eurogroup Working Group (EWG) compared to the EU-27 formats in the Council, the ECOFIN and the Economic and Financial Committee (EFC). This chapter seeks to address this puzzle. Based on sociological-institutionalist theories, I argue that the distinction between euro area member states (EAMS) and non-EAMS structured how member state representatives organised EMU governance processes during the sovereign debt crisis. The reinforcement of the Eurogroup and EWG is interpreted as an explicit manifestation of this institutionalisation of differentiated integration (DI) in EMU. The empirical findings suggest that the two informal formats were transformed into viable euro area bodies, providing the EAMS with the political authority, normative environment and administrative resources to design and implement policies independently. In this reinforced shape, the Eurogroup and EWG enabled a distinction between EU and euro area matters and provided EAMS with suitable instruments to manage their issues. The institutionalisation of DI has long-term implications for EMU reform processes and governance practices.

⁵ This chapter is a manuscript accepted for publication in *Comparative European Politics*. In comparison to the forthcoming manuscript, this chapter includes editorial changes to ensure coherence with the other chapters of the dissertation.

Introduction

Multiple studies have examined the reinforcement of intergovernmental institutions in Economic and Monetary Union (EMU) during the sovereign debt crisis. Liberal intergovernmentalist studies focus on the European Council and the Council as the main venues hosting the negotiations between creditor and debtor states, which have determined the asymmetric design of institutional reforms (Schimmelfennig, 2015b). New intergovernmentalist studies focus on institutional reforms within the two intergovernmental institutions as they argue that integration no longer aligns with institution-building on the supranational level (Fabbrini & Puetter, 2016). They find that the European Council and the Council were reinforced to facilitate the deliberation and consensus-building processes on which the effectiveness of EMU reforms depends (Bickerton, Hodson & Puetter, 2015, pp. 711-712; Csehi & Puetter, 2021; Puetter, 2015, 2016). However, so far, scholarship has hardly focused on the dominant role of euro area formats in intergovernmental governance. Schlosser (2019) elaborates on the conversion of the Eurogroup and Eurogroup Working Group (EWG) during the sovereign debt crisis (pp. 88-95). Puetter (2014) stresses the role of the Eurogroup as the ‘centre of crisis management’ (p. 163). Still, intergovernmentalist studies cannot explain how and why euro area formats became so important in contrast to EU-27 formats, i.e. the Economic and Fiscal Configuration of the Council (ECOFIN) and the Economic and Financial Committee (EFC). This chapter studies the institutional developments in EMU during the sovereign debt crisis from the perspective of differentiated integration (DI). The findings enhance our understanding of the course, reasons, and implications of the reinforcement of the Eurogroup and EWG.

This chapter makes theoretical and empirical contributions to studying the institutional implications of DI in EMU during the sovereign debt crisis. Theoretically, it conceptualises the institutionalisation of DI in the EU. In this process, the governance processes within an EU

policy area become increasingly structured by distinctions between member states participating in integration and those not. Empirically, the chapter studies how and with what implications the institutionalisation of DI in EMU manifested itself in the evolution of the Eurogroup and EWG during the sovereign debt crisis. The findings suggest that these organisational structures were transformed into the key bodies of euro area governance. Equipped with extensive political authority and administrative resources, they enabled government representatives from euro area member states (EAMS) to design and implement measures of crisis management and EMU reforms independently. Furthermore, consensus-building and deliberation norms helped EAMS reach agreements despite severe political conflicts. This multidimensional reinforcement of the Eurogroup and EWG contributed to embedding the distinction between euro area insiders and outsiders in EMU governance. The institutionalisation of DI has long-term implications for reform outcomes and governance practices in EMU.

This chapter also contributes to the literature on DI in the EU. In the last decades, differentiation has become a systemic feature of European integration (Leuffen, Rittberger & Schimmelfennig, 2022, p. 21; Schmidt, 2019, pp. 301-305; Trondal, Gänzle & Leruth, 2022). Yet, so far, scholarship has neglected the institutional implications of DI in the EU (Schimmelfennig & Winzen, 2020, p. 194). Studies investigating how EU governance changes under the circumstances of DI focus on individual member states rather than institutions. For instance, scholars examined how national officials try to stay involved in deliberation and decision-making processes within the Council despite their countries' opt-outs (Adler-Nissen, 2009; Naurin & Lindahl, 2010). Regarding institutional structures, however, academic debate contains mostly exploratory studies analysing the implementation of DI in Justice and Home Affairs (JHA) (Tekin, 2012) or assessing the inclusiveness of ECOFIN and respective Council committees (Dyson & Marcussen, 2010, pp. 29-32). This chapter offers an innovative theoretical concept and an original dataset to theorise and empirically analyse the institutional implications of DI for EMU governance systematically.

The chapter proceeds as follows. The following section elaborates on the institutionalisation of DI in the EU. Furthermore, building on these theoretical considerations, it develops an analytical framework to study the evolution of the Eurogroup and EWG from the perspective of DI. The third section reviews the empirical findings shedding light on the multidimensional transformation of the Eurogroup and EWG into bodies of euro area governance during the sovereign debt crisis. The fourth section puts these findings into a broader theoretical and empirical context, discussing alternative explanations and implications for EMU governance. The final section summarises the chapter's main conclusions and outlines avenues for future research.

Differentiated Integration and Institutionalisation

The four strands of institutionalism have varying definitions of institutions, which is why they focus on different factors of how and why institutional structures emerge and change (Schmidt, 2010, p. 5). Rational-choice institutionalists understand institutions as incentive structures that influence individual choices. In the EU, member states create norms, rules or supranational organisations that render deviation from integration agreements unattractive and ensure universal compliance (Héritier, 2007; Moravcsik, 1993). In historical institutionalism, scholars define institutions as macro-historical structures that develop along certain paths predetermined through specific choices at *critical junctures* (Capoccia & Kelemen, 2007). Actors are confronted with an increasing number of rules and norms, narrowing the scope of legitimate behaviour in the respective context (Smith, 2004, pp. 26-28; Stone Sweet, Fligstein & Sandholtz., 2001). In discursive institutionalism, scholars understand institutions as meaning structures which stem from specific ideas about reality. Individuals can change institutions by imagining divergent ideas and communicating those successfully within the right discourses (Schmidt, 2008). This chapter studies the evolution of the Eurogroup and EWG to understand

how the distinction between euro area insiders and outsiders has affected institutional developments during the sovereign debt crisis. For this purpose, sociological institutionalism offers the most suitable perspective. It helps to examine why and how social orders such as DI become embedded in institutional structures (see pp. 18-19).

In sociological institutionalism, institutions structure cognitional and social processes within particular institutional contexts (Finnemore, 1996). Scholars assume that individuals need guidelines to make sense of their social environments (March & Olsen, 1989, p. 39; Checkel, 1999). Institutions offer resources of social meaning, i.e. norms, interpretations or universal values, that help individuals structure their social environments (Olsen, 2010, p. 37). Different types of objects can fulfil these social functions, including concepts such as sexism, practices such as the handshake or organisations such as the army. All these institutions structure social contexts by assigning individuals roles and expectations codified in rules, norms or commonly recognised scripts (Jepperson, 1991, pp. 144-145). Institutionalisation is a process in which particular concepts, practices or organisations increasingly structure role conceptions and expectations within a social context. Institutionalisation aligns with social certainty. The more social concepts, practices or organisations are institutionalised, the more actors specify and routinise associated roles, making their contestation more difficult (Olsen, 2009).

I argue that DI can be institutionalised as a concept structuring political roles and expectations among EU member states. In this process, whether a member state participates in an integration step determines its position in governance processes within the respective EU policy area. Other norms and rules apply for member states that go ahead than for those which stay behind. The institutionalisation of DI in the EU constitutes a process in whose course patterns of (non-)participation in sovereignty transfers increasingly reflect in the role conceptions and practices structuring EU governance. The more DI is institutionalised, the more member states assess themselves and others in accordance with the categories of insiders and

outsiders of integration. They increasingly use DI as a yardstick specifying and routinising appropriate behaviour and mutual role expectations.

Organisational structures are one context in which the institutionalisation of DI in the EU can manifest itself. If DI institutionalises in a particular policy domain, those organisational structures that recognise DI gain increasing relevance in respective governance processes. I define organisational structures at the EU level as social spaces (Stone Sweet *et al.*, 2001: 21) in which representatives gather to handle affairs of EU governance. Organisational structures can be formal or informal (Christiansen & Neuhold, 2013; Helmke & Levitsky, 2004). Interaction is regulated by internal rules that assign representatives access, voice and vote. In organisational structures that recognise DI in the EU, internal rules and practices distinguish between member states participating in integration and those not. Representatives of more deeply integrated member states obtain certain rights and obligations, while those of less deeply integrated member states obtain deviating rights and obligations. Yet, deficits of rights in an organisational structure do not necessarily imply less political influence. For instance, in the JHA configuration of the Council, Denmark and Ireland are excluded from voting on certain legislative proposals. Research suggests, however, that the countries maintain political influence despite their limited voting rights (Adler-Nissen, 2009). Still, within organisational structures that recognise DI, member states' opportunities to determine or influence decisions align with their integration status.

The Eurogroup and EWG within the Institutionalisation of Differentiated Integration in EMU

Within EMU, the Euro Summit, Eurogroup and EWG constitute those organisational structures that recognise DI. For matters of comparability, this chapter focuses on the latter two bodies. Protocol 14 of the EU Treaties and Article 137 TFEU recognise the Eurogroup and EWG as

informal bodies to facilitate coordination and dialogue between those EU member states that share a currency. Created in 1997, the Eurogroup gathers the euro area Finance Ministers, the Commissioner for Economic and Financial Affairs, the president and another member of the Executive Board of the European Central Bank (ECB) and the managing director of the European Stability Mechanism (ESM). The EWG consists of those state secretaries and treasurers representing the EAMS to the EFC as well as representatives of the Commission and the ECB. It prepares Eurogroup meetings and facilitates economic policy coordination among EAMS. Often, the EWG fulfils similar functions to the COREPER and is used to bypass the preparatory Council format (Schlosser, 2019, p. 29). Although the Eurogroup and EWG are formally exclusive, a practice has developed to discuss issues relevant to all EU member states in inclusive formats, thereby allowing non-EAMS to participate.

The Eurogroup and EWG play a crucial role in the institutionalisation of DI in EMU. With a stronger role for the two bodies, DI becomes more embedded in EMU governance. The systematic distinction between euro area insiders and outsiders structures the interaction between member state representatives. Some issues are handled only among EAMS and others among all EU member states. Significant reinforcement of the Eurogroup and EWG indicates that there are two groups of EU member states in EMU requiring distinct governance structures. Therefore, such a development might be interpreted as a manifestation of the institutionalisation of DI in EMU.

Analysing the evolution of the Eurogroup and EWG during the sovereign debt crisis, I rely on a framework introduced by Olsen (2009). It offers three indicators to analyse the institutionalisation of organisational structures: structuration, standardisation and reallocation (pp. 10-11). Structuration includes creating and specifying rules determining who has which authority. Furthermore, actors develop and formalise practices regulating how recurring problems are approached and who fulfils which tasks. Standardisation refers to an emerging consensus on mutual behavioural expectations and shared values. This process aligns with a

decreasing need to explain what behaviour is expected within the organisational context. All actors share a common sense of reality and similar expectations about appropriate behaviour in mutual interactions. Finally, reallocation implies the establishment of a particular distribution of administrative resources. Within the organisational context, relevant actors find a collective consensus on how resources should be distributed, considering their role-specific expectations. Acts of contestation or reconsideration become less likely.

In the following, I operationalise the indicators for the analysis of the evolution of the Eurogroup and EWG during the sovereign debt crisis:

1. To study structuration, I examine whether and how the authority assigned to the Eurogroup and EWG has expanded or taken a more specific form. If so, I expect EAMS to meet more often in these venues and fulfil substantial tasks of policy design, governance, or implementation. Such developments align with the emergence of the mutual perception that it is appropriate to distinguish between EAMS and non-EAMS regarding their policy subjects. On the other hand, if the Eurogroup and EWG have not received any new or more explicit authority, this finding indicates that no structuration has occurred.
2. Regarding standardisation, I analyse whether organisational norms within the Eurogroup and EWG were further clarified or operationalised. I distinguish between procedural and constitutive norms. While procedural norms determine habitual rules among member state representatives, constitutive norms refer to fundamental values and ideas (Michalski & Danielson, 2020). Puetter (2006) identified consensus building and deliberation as significant procedural norms effective within the Eurogroup. EAMS representatives expect each other to engage in a constructive debate about the best policy and work towards combining diverse interests into one coherent approach. In this chapter, evidence suggesting that EAMS reinforced consensus building and deliberation

in the Eurogroup and EWG indicates a standardisation of organisational norms. Regarding constitutive norms, this chapter considers elite crisis perceptions. For a standardisation to occur, I expect Eurogroup and EWG members to adopt a shared understanding of the origins of the sovereign debt crisis and the best reforms to address these problems. At the same time, if Eurogroup and EWG members diverge regarding crisis perceptions or consensus building and deliberation norms are constantly violated, these findings indicate that no or only partial standardisation has taken place.

3. Finally, regarding reallocation, I examine the administrative resources attributed to the Eurogroup and EWG during the sovereign debt crisis. I consider the Commission and Council Secretariat personnel dedicated to those units supporting the Eurogroup and EWG. Additionally, I analyse the authority of the two chairs. For substantial reinforcement, I expect the administrative structures and the chairs of the Eurogroup and EWG to be strengthened. This redistribution of administrative resources shall reflect a consensus recognising the Eurogroup and EWG as the legitimate governance bodies of the EAMS with separate administrative resources. On the other hand, if the two bodies and their chairs gain no additional administrative capacities, this finding indicates that no reallocation has taken place.

The Transformation of the Eurogroup and Eurogroup Working Group into Euro Area Bodies

Collecting meaningful data about the Eurogroup and EWG during the sovereign debt crisis is hardly possible through public sources. Only in 2016, the Eurogroup started to publish annotated agendas, summing-up letters and meeting documents for every meeting (Eurogroup, 2019). For earlier meetings, public information is limited to statements of the Eurogroup or its president. Several scholars compensated for this lack of public information through elite

interviews (Abels, 2023; Csehi & Puetter, 2021; Puetter, 2014; Schlosser, 2019). Yet, while these datasets offer valuable insights about governance practices or debates within the two bodies, they hardly consider aspects related to DI.

This chapter builds upon an original dataset of 39 semi-structured elite interviews. They contribute to closing this research gap, offering insights about the transformation of the Eurogroup and EWG into the independent institutional structures of the EAMS. I conducted the interviews between November 2020 and February 2021 and during a second round in March and April 2022.⁶ Interviewees include policymakers who, between 2010 and 2015, served as members of national delegations to ECOFIN and the EFC from EAMS and non-EAMS. I also interviewed officials from the Council Secretariat and the Secretariat of the Eurogroup/EWG. For triangulation, this chapter also consults intergovernmental treaties, EU documents or memoirs from individuals involved in crisis management.

Interviewees described the Eurogroup and EWG meetings before the sovereign debt crisis as ineffective (Interview 1) and lacking concrete political consequences (Interview 23). Often, EWG members gathered during the lunch breaks of EFC meetings and discussed currency area issues without a clear agenda (Interviews 1, 12, 23). Once they had finished their lunch talk, they joined their non-EAMS colleagues again to continue the EFC meeting. The Eurogroup gathered as dinner meetings on the evenings before regular ECOFIN sessions. The euro area ministers discussed broad topics hardly related to explicit decisions, such as the area's economic situation, the euro's global standing or ECB reports (Interviews 1, 25, 32).

The time EAMS representatives spent in the Eurogroup or EWG increased dramatically during the sovereign debt crisis (Interviews 1, 7, 10). Eurogroup members not only gathered before ECOFIN meetings, but they also assembled in ad-hoc meetings. During some periods, they met every two weeks (Puetter, 2015, p. 415). In the EWG, members gathered for three to

⁶ A complete list of all interviews (in chronological order) is available in Appendix One.

four meetings a week, each lasting several hours (Schlosser, 2019, p. 94). The increase of relevance of the two euro area bodies during the crisis is also indicated by how meetings were scheduled. Eurogroup meetings transformed from dinners into informal working sessions lasting from the early afternoon until the evening (Interviews 3, 23). The spontaneous EWG gatherings transformed into proper working sessions, receiving their own time slot and an adequate venue. Regularly, EWG meetings were held the day before EFC meetings and concluded with working dinners (Interviews 1, 7, 10, 12). Interviewees described the meetings held during the crisis as different from those before. The representatives discussed concrete political measures, and meetings in the euro area bodies were considered more important than their EU-27 counterparts (Interviews 1, 23, 32).

Structuration: Providing the Eurogroup and Eurogroup Working Group with Political Authority

The EAMS attributed concrete and substantial authority in crisis management and the design of EMU reforms to the Eurogroup and EWG. Most significantly, Eurogroup and EWG members were in charge of designing and implementing financial assistance programmes during the sovereign debt crisis. Several interviewees indicated that debates on the composition of individual loans or how receiving countries complied with the Economic Adjustment Programmes (EAP) occupied the largest share of time spent in the two informal bodies (Interviews 16, 19). Early in the crisis, the EWG was deeply involved in negotiating each programme's details. For instance, in 2010 and 2011, EWG members held long debates on how to restructure Greek loans and participated in negotiations with individual creditors (Interview 23). Later such details were left to the so-called *Troika*, consisting of representatives from the Commission, the ECB and the International Monetary Fund (IMF). The Eurogroup and EWG only intervened when debates became controversial (Interview 16). The critical role of the two bodies in financial assistance was formalised in the governance structures of the European

Financial Stability Facility (EFSF) and the ESM afterwards. The ESM's Board of Governors (BoG) consists of the same individuals who represent the EAMS within the Eurogroup and is chaired by the Eurogroup president. During the sovereign debt crisis, the BoG was the main body determining whether and under which requirements loans were issued to countries requesting financial assistance (Dijsselbloem, 2018, p. 15). The ESM's Board of Directors consists of the EAMS representatives within the EWG. It supports the BoG and may take decisions on its behalf.

Moreover, EAMS representatives met within the exclusive bodies to determine common approaches and measures in detail. The Eurogroup and EWG became the first place to go for EAMS when confronted with an existential threat to the entire currency area. Several interviewees confirmed that while formal decisions often needed to be finalised in other formats, the Eurogroup served as a venue where ministers could consider potential solutions and 'precook' political deals (Interviews 1, 7, 12). At the same time, meetings among all EU member states in ECOFIN became shorter and less concerned with political discussions (Interviews 5, 6, 13). Yet, this finding does not imply that meetings within the EU-27 formats within the Council became completely obsolete. Several interviewees highlighted that representatives were careful to respect the divisions between euro area and EU-27 matters and ensured that each was discussed in the right format to avoid parallel debates (Interviews 17, 18, 32). Thus, the reinforcement of the Eurogroup and EWG also triggered a constant debate on how to distinguish euro area and EU-27 matters more generally (Interviews 1, 26, 31, 32).

Finally, the Eurogroup and EWG gained a significant role in drafting directives and regulations that applied to EAMS only. Interviewees indicated that those aspects within the six-pack, which referred to the fiscal sanctions, were predominantly negotiated in the Eurogroup and rubber-stamped afterwards in ECOFIN (Interviews 24, 32, 37). Also, in the negotiations on the European Banking Union (EBU), the euro area bodies had a major influence on legislative pieces. Interviewees reported that drafts for relevant directives and regulations were

negotiated among EAMS before they were considered in the EU-27 formats (Interviews 3, 6, 8). There were even instances in which the Eurogroup president acted as the Council representative in negotiations with the European Parliament (EP) (Interviews 1, 3). These findings indicate that the Eurogroup and EWG assumed a significant role in the legislative process. They contradict earlier findings suggesting that the EWG had a limited role in rule-making during the sovereign debt crisis (Schlosser, 2019, p. 94).

Both EAMS and non-EAMS considered it appropriate to handle the issues above in the Eurogroup and EWG instead of the traditional Council formats. The sovereign debt crisis was perceived as a crisis the EAMS should handle (Schilin, 2023). There was the overarching consensus that this crisis was the logical consequence of fundamental shortcomings within the architecture of the currency area (Interviews 9, 12, 23). Against this backdrop, non-EAMS were reluctant to participate in euro area reforms, particularly regarding financial assistance. The case of Ireland was the only occasion in which non-EAMS made financial contributions to a country programme. Otherwise, they argued that while they want the EAMS to resolve their deficits quickly, they do not see it as their task to contribute substantially to those efforts (Interviews 5, 6, 13, 20, 28).⁷ Referring to this perception, interviewees from both sides considered it reasonable that EAMS representatives gather in exclusive bodies to design and execute solutions to what all perceived as primarily their problem.

In conclusion, the EAMS attributed Eurogroup and EWG members with concrete and substantial authority. They managed financial assistance programmes, built political consensus on EMU reforms and even negotiated legislative pieces. These developments indicate a structuration occurred during the sovereign debt crisis within the Eurogroup and EWG.

⁷ The non-EAMS perception of the sovereign debt crisis as a crisis of the EAMS only is also reflected in Simeon Djankov's (Bulgarian Minister of Finance, 2009-2013) personal account (2014).

Standardisation: Ideational Divergence and Normative Convergence

Several studies suggest that EAMS had no common understanding of the origins of and the best responses to the sovereign debt crisis (Abels, 2023, pp. 97-99; Crespy & Schmidt, 2014; Schimmelfennig, 2015b). The evidence collected for this study confirms this analysis. I asked interviewees what they considered the most important reforms introduced during the sovereign debt crisis. The responses rarely highlighted one specific measure. Instead, interviewees stressed that EMU reforms need to be analysed in their entirety as they were designed as a comprehensive reform package to satisfy the two opposing camps among EAMS (Interviews 7, 12, 17, 23). Some states considered the missing lender of last resort and macroeconomic imbalances the major shortcomings in the single currency area, causing its existential crisis. Other EAMS, such as Germany or the Netherlands, considered the lack of fiscal discipline the primary problem. By combining the introduction of unprecedented financial assistance instruments with the reinforcement of fiscal rules and their enforcement mechanisms, the EAMS tried to simultaneously satisfy the different perspectives on the crisis (Interviews 17, 23, 32).

At the same time, interviews highlight the importance of deliberation and consensus-building in the Eurogroup and EWG. Interviewees reported that they could speak openly and directly to one another in these venues. Rather than conflictual bargains, interviewees depict Eurogroup and EWG meetings as featuring honest debates. Every participant was transparent about red lines and eager to combine all preferences into one coherent approach (Interviews 3, 7, 10, 12, 20). The following exemplary quote illustrates the outstanding role of deliberation: ‘Almost all ministers spoke from the heart. [...] So, not from prepared notes. They didn’t read out the notes that the civil servants had prepared. [...]. So, this is the setting in which ministers simply say in their own words what is important and why it is important, what they can or cannot accept [...].’ (Interview 3). The extraordinary focus on policy-related arguments and the

opportunity to speak honestly were considered great advantages of the euro area bodies compared to the EU-27 counterparts (Interviews 10, 29).

The interviews also indicate that consensus-building was an important procedural norm within the Eurogroup and EWG. Among representatives, there was the mutual expectation that despite fundamental disagreements, everyone was eventually committed to finding a solution that would help maintain the single currency area (Interviews 7, 23). The dissolution of the euro area was in no one's interest (Abels, 2023, p. 99). Thus, EAMS representatives expected one another to behave constructively, be open to alternative perspectives and search for feasible solutions to accommodate everyone's concerns (Interviews 12, 17). These findings align with earlier studies highlighting the consensus orientation among Eurogroup members (Puetter, 2016). At the same time, EAMS expected that non-EAMS would not share this commitment and instead stress their exclusive interests. Therefore, EAMS were reluctant to include them in their meetings (Interviews 11, 29).

Finally, Eurogroup and EWG meetings were characterised by insulation. During the crisis, EAMS found themselves in delicate situations. Representatives were concerned that financial markets could respond fiercely to reform measures (Interviews 3, 23). Thus, they were eager to control public communication. They reinforced insulation from public scrutiny in the Eurogroup and EWG. The confidential atmosphere allowed them to think creatively about problems and find the most feasible solutions (Hillebrandt & Novak, 2016). To maintain confidentiality, 'verbal discipline' (Interview 7) was crucial. Communication with the outside was agreed upon beforehand and closely controlled (Interview 32). During Eurogroup meetings, ministers would draft one joint statement, and afterwards, the Eurogroup president would hold the main press conference. To communicate to the non-EAMS, at the beginning of every EFC or ECOFIN meeting, the president of the equivalent euro area body would summarise what EAMS had discussed earlier. This 'debrief' would usually last 10-15 minutes and avoid going beyond a general overview of the meeting's agenda (Interviews 5, 6, 17, 23).

To summarise, empirical evidence regarding organisational norms within the Eurogroup and EWG during the sovereign debt crisis is mixed. While EAMS diverged in their political perceptions of the crisis, shared procedural norms of deliberation, consensus-building, and confidentiality were rarely violated. These findings indicate that a partial standardisation unfolded within the Eurogroup and EWG.

Reallocation: Equipping the Euro Area Bodies with Administrative Resources

When Juncker took office as the first Eurogroup president in 2005, he lacked almost any administrative support from the EU. To find a liaison officer managing his communication and meetings, Juncker had to resort to the staff from his national ministry (Interview 7). Since then, the administrative resources that EU institutions allocated to the Eurogroup and EWG have increased. The two euro area bodies are mainly supported by the Council Secretariat and the *Secretariat of the Eurogroup and EWG* within the Commission. Between these two facilities, there exists a clear working division. While the Council Secretariat mainly handles communication, both between member states and the EU institutions, the Secretariat at the Commission takes care of the content-related work and prepares briefings for each meeting (Interviews 15, 18). During the crisis, the two secretariats did not increase their capacities fundamentally. The Council Secretariat hired a few additional staff members (Interview 18), and the Secretariat within the Commission received some support from the ECB and national ministries (Interviews 15, 27). Yet, interviewees stressed that at the peak of the crisis, the staff of the Economic and Financial Affairs Section within the Council Secretariat was almost completely occupied with supporting the euro area bodies (Interviews 18, 19, 27).⁸

On 27 October 2011, the Euro Summit announced a reform of the EWG presidency. Before, there was the unwritten practice that the EFC chair chaired EWG meetings. However, the Euro

⁸ For further evidence, see also Dijsselbloem (2018, p. 101).

Summit decided that the EWG shall be chaired by an independent full-time president (European Council, 2011). All EWG members elect the president for two years. The Council Secretariat provides the EWG president with a permanent office in Brussels, a personal advisor and a secretary (Interviews 1, 16). Thomas Wieser became the first EWG president between January 2012 and February 2018. Despite the formalisation of the position of the EWG president, the aforementioned practice is still active. Since 2012, all EWG presidents have also chaired the EFC during their terms. Thus, while the reform of the presidency strengthened the EWG, in practice, the link between the euro area bodies and their EU-27 counterparts has been maintained.

EAMS and non-EAMS interviewees considered upgrading the position of the EWG chair a reasonable step. At the peak of the crisis, it became unbearable to fulfil the workloads of both positions, the EWG chair and a high-level bureaucrat in a national ministry (Interviews 1, 10, 12). The decision to transform the position of the EWG chair into a full-time appointment was the recognition that the euro area bodies require separate administrative resources (Interviews 7, 12, 14). The informal working arrangements EAMS relied upon before the crisis became overstrained. The reform of the EWG brought some alleviation. Several interviewees confirmed that the preparation for EWG meetings improved (Interviews 7, 10, 12). Wieser could also take over communication and representation tasks in his new position. He handled communication with national and EU officials, stakeholders in the private economy and journalists (Interview 1). On some occasions, Wieser even represented the EAMS at IMF meetings together with the incumbent Eurogroup president (Interviews 1, 3).

The position of the Eurogroup president was also strengthened during the crisis. There were numerous occasions when the Eurogroup president represented the EAMS at the international level. These included G7 and G20 meetings, IMF meetings or bilateral meetings with third countries (Interviews 1, 3, 23, 32). In contrast to the EWG, the Eurogroup president's role was not formally upgraded. Indeed, several actors made proposals to transform the Eurogroup

president's position into a full-time appointment similar to the EWG president (Interviews 1, 16).⁹ Eventually, initiatives failed due to disagreements between the ministers and the Commission on who should fill this position and what tasks the Eurogroup president should fulfil (Interview 17).

To summarise, the empirical findings indicate that during the sovereign debt crisis, the Council Secretariat and the Commission dedicated a large share of their administrative resources to the Eurogroup and EWG. Furthermore, EAMS leaders expanded the authority, formal roles and administrative resources of the two presidents. These findings suggest that administrative resources were reallocated towards the Eurogroup and EWG.

Discussion: Alternative Explanations and Implications for EMU Governance

The findings of this chapter enhance our understanding of the evolution of the Eurogroup and EWG during the sovereign debt crisis. The two bodies have been transformed into the main structures of euro area governance through a structuration, a partial standardisation, and a reallocation of administrative resources. This multidimensional reinforcement of the Eurogroup and EWG stands in the context of the institutionalisation of DI in EMU. The distinction between EAMS and non-EAMS increasingly shaped EMU governance processes. Policymakers were convinced that due to their deeper monetary integration and the new instruments of financial assistance and risk-sharing, the situation of EAMS was fundamentally different from those of non-EAMS. Correspondingly, they were no longer willing to handle matters in the traditional Council committees, where all EU member states, regardless of euro area membership, are equal. Instead, EAMS representatives designed separate facilities. With the new responsibilities, the stronger role of the chairs and the administrative support from other EU institutions, the Eurogroup and EWG members gained the political authority and bureaucratic

⁹ The Five Presidents' Report also includes such a proposal (Juncker, 2015).

capacities to prepare and implement consequential political measures. Furthermore, reinforcing procedural norms helped them maintain political effectiveness and reach consensus despite ideological divergence (Puetter, 2016). In this strengthened shape, the Eurogroup and EWG enabled EAMS to act as an independent group within EMU, recognising their distinctiveness from non-EAMS.

Studying the institutional developments in EMU during the sovereign debt crisis from the perspective of DI, this chapter can answer questions which other theories leave open. New intergovernmentalist studies cannot explain the strong role of the Eurogroup and EWG in contrast to the equivalent EU-27 structures. Puetter (2015, 2016) argues that the effectiveness of EMU reforms during the sovereign debt crisis depended on the success of deliberation and consensus-building processes. To adapt to these demands, the Eurogroup and ECOFIN went through processes of institutional engineering (Puetter, 2014, pp. 155-170). This chapter corroborates these findings as it highlights multiple measures through which Eurogroup and EWG members tried to increase informal working modes and create an environment where they could speak honestly. However, these reforms were not exceptional to the euro area bodies. Changing the seating order or creating informal breakfast meetings and policy-specific working groups such as the Van Rompuy Task Force are just a few examples of measures by which deliberation and consensus-building were promoted in ECOFIN (Puetter, 2014, p. 162). Thus, both euro area and EU-27 structures were adapted to the requirements of deliberation and consensus-building. The dominant role of the Eurogroup and EWG is understood better through the lens of DI.

As another alternative explanation, one could interpret the reinforcement of the Eurogroup and EWG as a continuation of an institutionalisation process that had started before the sovereign debt crisis. Indeed, earlier reforms have strengthened the administrative capacities and leadership of the Eurogroup, such as extending the presidency's term to 2.5 years in 2005 (Hodson, 2011, p. 42). Also, Puetter (2006) finds evidence for Eurogroup members complying

with deliberation and consensus-building norms. Still, the multidimensional reinforcement of the Eurogroup and EWG during the sovereign debt crisis is an exceptional process which points to the relevance of DI. The new authority in policy design and implementation was adapted to the needs of the EAMS. Furthermore, the new representative tasks of the presidencies in IMF or G20 meetings were a reaction to the EAMS becoming an independent group within the EU with its own interests. Thus, while officially keeping their status as informal formats, de facto, the Eurogroup and EWG had become equivalent to ECOFIN and the EFC regarding political and administrative capacities. The EAMS could use the euro area bodies to fulfil tasks and handle problems which resulted from their status as euro area insiders.

After the sovereign debt crisis, the Eurogroup and EWG have lost their status as exclusive euro area bodies. Several interviewees indicated that Eurogroup and EWG meetings are increasingly held in inclusive formats, allowing the participation of non-EAMS representatives (Interviews 15, 25, 28, 38). Guttenberg, Hemker and Tordoir (2021) report similar findings. While during the sovereign debt crisis, the Eurogroup and EWG were the main venues for EAMS representatives to handle their problems, afterwards, they increasingly functioned as deliberation formats for representatives from all EU member states. During the COVID-19 crisis, the negotiations on the EU's fiscal response to the economic implications of the pandemic were channelled through the inclusive format of the Eurogroup (Krotz & Schramm, 2022). Verdun (2022) even argues that 'effectively it was a small ECOFIN-Council' (p. 317). Eventually, the EU member states agreed on the NextGenerationEU instrument, whose financial resources are available to EAMS and non-EAMS equally. Facilitating processes of intergovernmental governance beyond the euro area, the Eurogroup and EWG increasingly carry out tasks that were originally associated with ECOFIN and the EFC.

The increasing inclusiveness of the Eurogroup and EWG highlights the relevance of the sovereign debt crisis as a context facilitating the institutionalisation of DI in EMU. Under normal circumstances, the institutionalisation of DI in a policy area would contradict the EU's

preference for unitarian integration (Schimmelfennig & Tekin, 2023, p. 103). Thus, such a process required a context in which the relevance of DI for governance processes was undeniable. The sovereign debt crisis was such a context. The possibility of multiple sovereign defaults threatened the single currency area in its very existence. Unprecedented reforms were needed to resolve the shortcomings in EMU governance and avoid disintegration (Howarth & Quaglia, 2016, pp. 44-48; Niemann & Ioannou, 2015). At the same time, policymakers agreed that the responsibility for designing and implementing these reforms was with the EAMS. The sovereign debt crisis was perceived as limited to the EAMS (Schilin, 2023). The transformation of the Eurogroup and EWG into bodies of euro area governance might be interpreted as a result of this elite crisis perception. EAMS provided themselves with the institutional capacities required to accommodate the reform needs exposed by the sovereign debt crisis. By contrast, the COVID-19 crisis was perceived as an exogenous crisis threatening all EU member states equally (Quaglia & Verdun, 2023). In this context, the Eurogroup and EWG became more inclusive to non-EAMS representatives.

However, even if the COVID-19 crisis was handled in a more inclusive manner, these developments did not reverse the institutionalisation of DI. In EMU, the distinction between euro area and EU-27 matters is still influential. The latest *Eurogroup Working Programme* provides an overview of the large variety of euro area specific topics which are still taken care of in the Eurogroup and EWG (Eurogroup, 2023b). Reform projects channelled through the two euro area bodies include the reform of the ESM (Zagermann, 2024, pp. 204-209) or the creation of a digital euro (Eurogroup, 2023a). Furthermore, the two euro area bodies are used to determine and communicate specific euro area preferences within EU-wide reform processes. For example, in preparing the reform proposal for the Stability and Growth Pact, the Commission consulted the EWG regarding specific euro area aspects (European Commission, 2022a). Finally, the long-term appointments enable presidents to gain the trust of EAMS representatives and pursue their own political agenda. The three candidates for the election of

the Eurogroup president in 2020 presented concrete plans for euro area reforms during their terms (Eurogroup, 2020a). Eventually, the Irish Finance Minister, Paschal Donohoe, prevailed against his contenders from Spain and Luxembourg. In December 2022, Donohoe was reelected as Eurogroup president. Given the remaining focus of the Eurogroup and EWG on matters of euro area governance, one could question whether the COVID-19 crisis has long-term implications. The distinction between euro area and EU-27 matters in EMU governance might only dissolve if all EU member states are willing to engage equally in EMU reform processes and the ESM has been integrated into the EU's legal framework.

Conclusion

The sovereign debt crisis constitutes a critical period for the evolution of EMU governance. The academic debate analysing these institutional developments is strongly influenced by intergovernmentalist approaches. Indeed, intergovernmentalism enhances our understanding of the strong role of the European Council and the Council or how institutional choices match the preferences of dominant creditor states. Yet, not all intergovernmental institutions were equally important. While Eurogroup and EWG meetings were held frequently and often lasted long into the night, ECOFIN and the EFC lost political relevance. This asymmetry between the euro area and EU-27 structures of intergovernmentalist governance indicates that the different traditions of intergovernmentalism cannot provide a comprehensive understanding of the institutional developments in EMU during the sovereign debt crisis.

This chapter analysed the evolution of the Eurogroup and EWG from the perspective of DI. It argued that the distinction between euro area insiders and outsiders determined how member state representatives organised crisis management and reform processes during the sovereign debt crisis. The multidimensional reinforcement of the Eurogroup and EWG was one manifestation of this institutionalisation of DI in EMU. The empirical findings illustrate how

by expanding political authority, reinforcing procedural norms and reallocating administrative resources, the EAMS transformed the two informal formats into viable bodies of euro area governance. Together, the Eurogroup and EWG constituted an autonomous institutional system that enabled the EAMS to create and manage new agencies such as the ESM, design and implement separate policies or determine and represent their interests. The rise of independent euro area bodies working parallel to the EU-27 formats in the Council highlights the significant role DI played in structuring EMU governance. After the sovereign debt crisis, the Eurogroup and EWG have become more inclusive to non-EAMS representatives. Still, the bodies fulfil key tasks of euro area governance representing EAMS interests in EU-wide reform processes or preparing and implementing euro area reforms.

The decision to allow for differentiation in the EU requires a trade-off between advancing European integration on the one hand and maintaining unity on the other. In EMU, the EU implemented convergence programmes and euro adoption procedures to contain implications of DI for unity. Yet, the institutionalisation of DI adds a new factor to the cost-benefit analysis. After the sovereign debt crisis, there are two equivalent governance systems in EMU. The EAMS no longer depend on EU institutions as they have gained the institutional capacities to design and execute policies outside the EU's legal procedures and even manage agencies such as the ESM. This independence might hamper aspirations to resolve DI in EMU. Both non-EAMS and the EU's supranational institutions can no longer be sure they are included in EMU reforms. At the same time, the recent inclusiveness of the Eurogroup and EWG indicates that EAMS might not be willing to risk further segregation within the EU. It remains for future research to study the reasons, durability and implications of this inclusiveness for EMU governance.

Chapter Four

Only If You Play by the Norms!

Insider Norms and Outsider Involvement in Eurogroup and Eurogroup Working Group Interaction During the Sovereign Debt Crisis¹⁰

Abstract

Reflections on the sovereign debt crisis often portray the Eurogroup and Eurogroup Working Group (EWG) as inaccessible for euro area outsiders. Yet, common wisdom suggests that Council representatives can circumvent exclusion due to differentiated integration (DI) by complying with insider norms. This chapter studies whether and how compliance with procedural norms socialised amongst representatives from euro area member states (EAMS) determined patterns of non-EAMS involvement in Eurogroup and EWG interaction during the sovereign debt crisis. The argument highlights the role of deliberation and consensus-building norms, suggesting that they gained particular robustness amongst EAMS representatives. Those non-EAMS representatives who consistently complied with these insider norms could secure involvement in intergovernmental debates amongst EAMS. Exclusion was mostly relevant to norm violators. This chapter sheds light on the institutional consequences of DI in Economic and Monetary Union, highlighting its structural effects on governance and decision-making processes during the sovereign debt crisis.

¹⁰ This chapter is an accepted manuscript of an article published by Wiley in *JCMS: Journal of Common Market Studies* on 20 March 2023, available online <https://doi.org/10.1111/jcms.13481>. The publisher has granted permission to reuse this article in this dissertation. In comparison to the published manuscript, this chapter includes editorial changes to ensure coherence with the other chapters of the dissertation.

Introduction

Studying the relationships between member states of the European Union (EU) during the sovereign debt crisis, scholars foremost concentrated on internal divisions and conflicts amongst euro area member states (EAMS) (e.g., Laffan, 2017; Schimmelfennig, 2015b). Yet, the relationship between insiders and outsiders of the euro area is hardly studied. In particular, regarding the involvement of non-EAMS representatives in policy debates and decision-making processes during the crisis, insights are rare and fragmented. This shortcoming in the academic debate adds to the overarching research gap on the institutional consequences of differentiated integration (DI) in the EU (Schilin, 2022; Schimmelfennig & Winzen, 2020, p. 194). The present chapter studies patterns and factors of non-EAMS involvement in Eurogroup and Eurogroup Working Group (EWG) interaction during the sovereign debt crisis. Thus, it contributes to shedding light on how DI reshapes governance processes in respective policy areas, particularly under the circumstances of crises.

The Eurogroup and EWG evolved into the most critical bodies for debates about and decisions on Economic and Monetary Union (EMU) reforms during the sovereign debt crisis (Puetter, 2016; Schlosser, 2019, pp. 88-95). To date, mostly individual stories and anecdotes have fed academic insights on whether and how non-EAMS were involved in these meetings. They suggest that the euro area bodies worked as fortresses with insurmountable walls for all euro area outsiders. During Poland's Council presidency in 2011, the Polish Finance Minister, Jacek Rostowski, asked to attend Eurogroup meetings (Puetter, 2014, p. 170). Eventually, he attended one telephone conference in July 2011 but was excluded from subsequent meetings. In the debate on the Single Supervisory Mechanism (SSM), non-EAMS representatives had to join forces with the EP's Committee on Economic and Monetary Affairs to make their voices heard (Howarth & Quaglia, 2013, p. 114).

Concerns about national representatives being excluded and losing influence due to DI are common. In several cases, political leaders warned against opt-outs, arguing that they would hamper national representatives' influence on both daily affairs of EU governance and the prospect of European integration more generally (Bulmer, 2008; Marcussen, 2005; Wallace, 2000). Adler-Nissen (2014) explains how opt-outs might lead to the exclusion of national representatives from relevant Council committees and working groups. Yet, empirical studies have proven such concerns ill-founded. Adler-Nissen (2009) finds that representatives from Denmark and the United Kingdom (UK) could maintain involvement in the Justice and Home Affairs Council despite their country's opt-out from the policy area. Comparing the professional networks of representatives in committees and working groups of the Economic and Financial Affairs Council (ECOFIN), Naurin and Lindahl (2010) find that Danish, Swedish and UK representatives had higher network capital than counterparts from equivalent EAMS. These studies suggest that involvement in governance processes is not predetermined by a country's status regarding DI but is constantly re-considered amongst Council representatives. Although several factors can help outsider representatives stay involved, compliance with insider norms seems to be the most important. If representatives do not adapt to their country's outsider status but remain acting as an insider, they are more likely to maintain involvement and political influence (Svendsen & Adler-Nissen, 2019).

This chapter aims to resolve the contradiction between insights about non-EAMS exclusion during the sovereign debt crisis and the academic debate on outsider involvement under the circumstances of DI. It studies whether, and if so, when, non-EAMS representatives could ensure involvement in Eurogroup and EWG interaction through compliance with norms adopted amongst EAMS. Before the sovereign debt crisis, Eurogroup members routinised deliberation and consensus-building (Puetter, 2006). Building on Deitelhoff and Zimmermann (2019), this chapter analyses the robustness of these procedural norms during the crisis. It is argued that intensive interaction and uncertainty triggered socialisation processes amongst

EAMS representatives, helping deliberation and consensus-building norms to maintain their robustness. Compliance with these norms evolved into a key expectation EAMS representatives held against themselves. These role-specific expectations also affected patterns of non-EAMS involvement. Those non-EAMS representatives who engaged constructively in policy debates and helped facilitate consensus-building maintained regular involvement in intergovernmental debates amongst EAMS. Exclusion was mostly relevant to those non-EAMS representatives who violated insider norms. The chapter draws on 39 semi-structured elite interviews to test this argument empirically.

This chapter proceeds as follows. The following section reviews the relevant concepts of norm socialisation and explicates the theoretical argument. The third section elaborates on data collection and methods of analysis. The fourth and fifth sections discuss empirical findings on deliberation and consensus-building norms in the Eurogroup and the EWG and their effect on non-EAMS involvement during the sovereign debt crisis. The final section summarises the chapter's main conclusions and discusses implications for future research.

The Relationship Between Insider Norms and Euro Area Outsider Involvement

Earlier research has highlighted the importance of compliance with insider norms for outsiders to maintain involvement in insider interaction despite DI. This chapter argues that deliberation and consensus-building norms stayed robust during the sovereign debt crisis and shaped how EAMS representatives defined a good insider. Thus, compliance with these procedural norms became a significant factor in securing involvement in EAMS interaction.

Constructivist scholars conceptualise negotiations in the Council as 'embedded in a rich framework of formal and informal norms and rules' (Elgström & Smith, 2000, p. 676). These studies suggest that rather than representing pure national preferences, representatives follow a logic of appropriateness (March & Olsen, 1989). This dissertation defines norms as (uncodified)

rules determining what is considered appropriate in a social context and what actors expect from each other (Finnemore & Sikkink, 1998). Moreover, it distinguishes between procedural and constitutive norms (Michalski & Danielson, 2020). The former refers to habitual norms that national officials follow in their daily interaction within Council committees, such as the consensus-building norm (Aus, 2008; Lewis, 2005; Novak, 2013). By contrast, constitutive norms refer to foundational values determining the identity of national officials and their understanding of their shared role vis-à-vis European integration.

National officials internalise norms through socialisation. Socialisation is a process in which individuals become familiarised with and adopt intersubjective understandings of appropriate behaviour, roles, and perceptions within a social environment (Johnston, 2001). This definition abstains from any further distinctions between different types of socialisation (Checkel, 2005), as recent studies indicate that measuring the intensity of these processes is almost impossible (Beyers, 2010). In general, socialisation requires frequent and intensive interaction amongst involved individuals. Particularly, if national officials meet on an almost daily basis within varying formats, including telephone or video conferences, to discuss consequential policies, interaction ‘encourages a dense form of collegiality and collective identity’ (Hayes-Renshaw & Wallace, 2006, p. 46). Furthermore, national officials are more open to socialisation when they experience cognitive uncertainty due to crises or policy failures (Checkel, 2005).

Some studies have questioned the actual relevance of socialisation at the European level. They assessed socialisation processes in national contexts more effectively (Beyers, 2005) or found limited evidence of a European identity, even in the Commission (Hooghe, 2005). Yet, scholarship has gathered broad evidence from different policy areas, suggesting that procedural norms play a significant role in Council committees and working groups (Aus, 2008; Juncos & Reynolds, 2007; Lewis, 2005). In the area of Common Foreign and Security Policy (CFSP), they have proven resilient, withstanding even the latest instances of contestation related to the politicisation of European integration (Juncos & Pomorska, 2021).

The Eurogroup and EWG have experienced continuous formalisation since their establishment. Starting as an informal dinner format where Finance Ministers could discuss currency area issues insulated from the public, the Eurogroup evolved into the critical format hosting deliberation and decision-making processes amongst EAMS (Hodson, 2011, pp. 39-53). The establishment of the Eurogroup presidency in 2004 and the Eurogroup's official recognition in the EU treaties in 2009¹¹ might be the most significant steps in this process. The EWG serves as the Eurogroup's preparational body and gathers on the evenings before the meetings of the Economic and Financial Committee (EFC). It consists of those state secretaries and treasurers representing the EAMS to the EFC and is chaired by a permanent president.

Puetter (2006) finds that EAMS representatives routinised two norms during their interaction in the Eurogroup: deliberation and consensus-building. They can be classified as procedural norms. Although deliberation and consensus-building are often discussed as two sides of the same coin, the two norms must be distinguished in their definitions. Deliberation refers to the type of arguments that Council representatives mobilise in negotiations. Notably, studies have demonstrated that communication styles highlighting purely strategic considerations are not well perceived within Council committees. Instead, representatives expect each other to use policy-related arguments and honestly work towards effective policies (Lewis, 2005). At the same time, consensus-building refers to the more general attitude within negotiations. It asks participants to abstain from forceful measures in negotiations, such as blockade or majority voting (Juncos & Pomorska, 2011, p. 1105). Instead, they carefully consider all positions and strive to find an agreement that satisfies everyone's concerns (Aus, 2008; Lewis, 2005).

This chapter argues that deliberation and consensus-building norms amongst EAMS representatives have maintained their robustness during the sovereign debt crisis. Two factors

¹¹ Protocol 14 of the Treaty of the EU

have facilitated this development. First, EAMS representatives interacted almost daily during the most critical period between February 2010 and July 2012, gathering in telephone conferences, video calls or in-person meetings. They negotiated the details of EMU reforms on all levels, and often meetings lasted long into the night (Puetter, 2014, pp. 155-161; Schlosser, 2019, pp. 88-95). This frequent and intensive interaction in the insulated Eurogroup and EWG contributed to accelerating socialisation processes, strengthening the deliberation and consensus-building norms.

Second, uncertainty and urgency further facilitated the socialisation of consensus-building and deliberation norms. Although there were several warnings about the inherent problems of the euro area governance system (Verdun, 2010), the crisis was still a shock for policymakers. EAMS representatives needed to revamp essential components of EMU governance urgently to avoid economic losses and disintegration (Schimmelfennig, 2015b, Niemann & Ioannou, 2015). They introduced unprecedented instruments without certainty whether their measures would ease the pressures from the international bond markets. Furthermore, representatives made decisions under immense time pressure. For producing effective and quick solutions within this insecure context, the EAMS were required to reliably produce quick and unanimous agreements amongst all parties involved (Puetter, 2016). Thus, intensive interaction and uncertainty strengthened the deliberation and consensus-building norms. EAMS representatives integrated the procedural norms into their understanding of appropriateness and expected everyone involved in EMU reform negotiations to comply.

The robustness of the deliberation and consensus-building norms amongst EAMS representatives directly affected patterns of non-EAMS involvement in Eurogroup and EWG interaction. EAMS representatives started considering compliance with these procedural norms as an essential asset of the ideal euro area insider. Thus, when EAMS representatives assessed whether non-EAMS representatives were similar to them and, therefore, qualified to be involved in their informal interaction, they considered their compliance with deliberation and

consensus-building norms. If non-EAMS representatives wished to gain insights or be involved in the intergovernmental debate, they needed to demonstrate that they do not disrupt deliberation and consensus-building processes. Only then would EAMS representatives consider them similar to themselves and trustworthy. Thus, norm compliance was a significant factor for non-EAMS to secure involvement in intergovernmental debates amongst EAMS during the sovereign debt crisis. Non-EAMS representatives who complied with deliberation and consensus-building were better involved than those who violated these norms.

Measuring Insider Norm Robustness and Euro Area Outsider Involvement

Several studies have demonstrated that elite interviews are an effective method to study norms amongst Council representatives (Adler-Nissen, 2014; Aus, 2008; Juncos & Pomorska, 2011; Juncos & Reynolds, 2007; Lewis, 2005). Through interviews, researchers can gain insights into policymakers' personal perceptions, which is crucial to understanding their logic of appropriateness (Adler-Nissen, 2016b). This chapter presents findings from data collected in 39 semi-structured elite interviews conducted with participants who served in EAMS and non-EAMS delegations to ECOFIN and the EFC between 2010 and 2015. Interviewees also include officials within the Council Secretariat and the Commission. Because the empirical data were collected during the COVID-19 pandemic, all interviews were conducted online. For triangulation, the analysis also considers data collected in the Horizon 2020 'EMU Choices' project. Affiliated scholars have produced the EMU Formation dataset, including transcripts of 141 interviews with national officials from 28 EU member states.¹² Interview questions mostly focus on the formation and interaction of member states' positions in contested issues of fiscal integration. Still, the EMU Choices interviews allow validating findings from the self-conducted interviews, particularly regarding the cooperative behaviour amongst EAMS

¹² The EMU Choice Formation dataset can be accessed here: <https://emuchoices.eu/data/emuf/> (Last Access: 9 August 2023)

representatives and the impact of non-membership in the euro area. Finally, memoirs published by policymakers involved in EMU reform negotiations during the sovereign debt crisis and evidence from other studies contribute to triangulating the findings.

The interviews are analysed in two steps. First, the robustness of deliberation and consensus-building norms in the Eurogroup and EWG during the sovereign debt crisis is assessed. Following Deitelhoff and Zimmermann (2019), assessing a norm's robustness requires considering two perspectives. From a practice perspective, norms are strengthened through facticity. They can be classified as relevant only if actors comply with norms and let them guide their behaviour. On the contrary, when actors excessively violate a norm, it has no significant relevance in the social environment. At the same time, a discourse perspective stresses validity. A norm is strengthened if it enjoys 'widespread verbal acceptance' (p. 6) and its claims are taken for granted. To combine facticity and validity, Deitelhoff and Zimmermann propose a four-dimensional framework analysing norm robustness through the practice-based dimensions of compliance (Dimension 1) and implementation (Dimension 2) as well as the discourse-based dimensions of concordance (Dimension 3) and third-party reactions to norm violations (Dimension 4). Juncos and Pomorska (2021) have demonstrated the usefulness of this framework when assessing the robustness of procedural norms within negotiations on CFSP cooperation in the Council.

The four analytical dimensions of compliance, implementation, concordance and third-party reactions to norm violations are operationalised as follows. First, assessing compliance with deliberation and consensus-building norms, the chapter analyses interviewees' reflections on Eurogroup and EWG meetings during the sovereign debt crisis. If the norms are robust, interviewees report that EAMS representatives expected each other to mobilise policy-related arguments and take into consideration the concerns of others. Second, regarding norm implementation, EAMS representatives are expected to enforce new practices and measures in Eurogroup and EWG meetings to facilitate deliberation and consensus-building. For example,

Puetter (2014, p. 163) finds that in ECOFIN, presidencies expanded informal breakfast formats to facilitate informal talks amongst ministers. Third, assessing concordance it is analysed whether interviewees believe in the legitimacy of these procedural norms and why they ask colleagues to comply. If the norms are robust, interviewees express a strong belief in the necessity to behave cooperatively, particularly considering the specific situation they faced during the sovereign debt crisis. Fourth, regarding third-party reactions to norm violations, it is investigated whether and how consistently EAMS representatives sanctioned behaviour hampering deliberation or consensus-building. Relevant sanctions can include withholding essential information or the replacement of norm-violating individuals.

In the second step, the chapter analyses whether and how compliance with deliberation and consensus-building norms helped non-EAMS representatives to become involved in EAMS interaction. Evidence corroborating the theoretical expectations includes responses from EAMS interviewees praising individual non-EAMS colleagues for constructive contributions to policy debates. Furthermore, EAMS interviewees are expected to express a high willingness to keep norm-compliant colleagues from non-EAMS updated about ongoing debates, engage in regular exchanges or even invite them to individual Eurogroup and EWG meetings. At the same time, EAMS interviewees will express explicit disappointment about non-EAMS representatives delaying or disrupting consensus-building. Non-EAMS interviewees are expected to report higher involvement in EAMS interactions if they share the deliberation and consensus-building norms and explicitly highlight their relevance. By contrast, non-EAMS interviewees who highlight national interests will experience lower involvement and report incidents of exclusion. The theoretical expectations are falsified if interviews indicate that patterns of non-EAMS involvement in EAMS interaction worked independently of compliance with deliberation and consensus-building norms. For example, norm-violating representatives could be regularly invited to Eurogroup and EWG meetings for political reasons. Moreover, non-EAMS representatives could experience universal exclusion independently of their norm compliance.

Deliberation and Consensus-Building in the Eurogroup and Eurogroup Working Group

The interviews suggest that EAMS representatives showed high compliance (Dimension 1) with the deliberation and consensus-building norms during the sovereign debt crisis. Even though they hardly stated the expectation explicitly, Eurogroup and EWG attendees were committed to finding common positions (Interviews 3, 10). Therefore, instead of insisting on their national perspectives, they tried to be open to different positions and show flexibility in their views. This explicit openness particularly manifested itself in the practice of attending meetings without a manuscript (Interviews 1, 3, 15). Instead of reading out prepared statements, EAMS representatives were careful to speak frankly, respond to each other's concerns directly and refer to economic arguments (Interviews 1, 7, 12, 23). Sometimes, representatives used the informal meetings for emotional statements beyond diplomatic etiquette (Interviews 10, 12). The open and direct interaction did not undermine the critical role of national interests. In fact, the new quality of reforms implemented during the crisis and the public attention motivated national ministries to provide their delegates with concrete and strict instructions (Interview 23). However, these tighter reins were compatible with cooperative bargaining and consensus-building. Some interviewees even defined the tasks of a good representative as communicating national positions precisely, listening carefully to other perspectives, and eventually working constructively towards combining the positions into one coherent approach (Interviews 12, 17). The EMU Choices dataset provides similar evidence, indicating that EAMS representatives communicated national positions constructively and were careful to protect consensus-building processes (EMU Choices Interviews STO02, STO13). Finally, the high compliance to the consensus-building norm manifested itself in the extensive length of Eurogroup and EWG meetings. No participant left the room until an agreement was found, even if negotiations lasted until late into the night (Interviews 18, 32).

Several measures and practices facilitated the implementation (Dimension 2) of deliberation and consensus-building norms during the sovereign debt crisis. When describing why the working atmosphere in the Eurogroup and the EWG was constructive, interviewees consistently highlighted the relatively low number of participants. In both formats, representatives could not bring more than one assistant (Interviews 3, 14, 15, 16). No assistants were allowed at the EWG dinners, where state secretaries discussed particularly sensitive issues (Interviews 17, 18). Interviewees indicated that this limitation of participants facilitated personal relationships and helped ensure honest debates (Interviews 1, 7). Another important factor was the expectation to adhere to ‘verbal discipline’ (Interview 7). In any public communication, Eurogroup and EWG attendees were supposed to reveal as few details as possible regarding the positions of individual member states, the content of discussions or who made which concessions on which issues (Interviews 7, 17, 32). Furthermore, representatives expected each other to avoid sharing any information on possible outcomes that could disrupt ongoing negotiations. This complementary confidentiality norm further contributed to the insulation of Eurogroup and EWG meetings from national audiences, providing representatives with the freedom to speak honestly and credibly, identifying room for concessions (Interviews 7, 12). Finally, the common language facilitated deliberation and consensus-building. Several interviewees confirmed that EAMS representatives spoke English only during Eurogroup and EWG meetings (Interviews 1, 10, 12). Thus, they could express themselves in their words and get immediate responses without disruptions from translation. Furthermore, it allowed EAMS representatives to hold meetings without interpreters, further reducing the effective number of participants (Interviews 10, 18).

Regarding concordance (Dimension 3), EAMS representatives considered compliance with deliberation and consensus-building norms indispensable to cope with the peculiar situation they faced during the sovereign debt crisis. Interviewees agreed that the crisis threatened the currency area in its very existence (Interviews 3, 7, 17, 23). Without radical reforms, they feared

it would not withhold the market pressure and eventually dissolve. Under these circumstances, EAMS representatives expected everyone to show political flexibility and act cooperatively, only committed to ensuring the euro's survival. Particularly considering the unprecedented scope and complexity of reforms in financial assistance or banking supervision (Interviews 7, 12, 23), representatives expected each other to negotiate with a problem-solving attitude. Insisting on national positions was considered inappropriate (Interviews 10, 32). Interviewees considered compliance with deliberation and consensus-building norms necessary to accelerate decision-making processes (Interview 23). This effect further added to the norms' legitimacy as EAMS felt immense pressure to keep up with the speed of international bond markets (Interview 3).

Regarding third-party reactions (Dimension 4), the interviews suggest that violations or undermining acts to the deliberation and consensus-building norms were rare. EAMS representatives internalised a strong sense of community, making them careful not to disappoint their colleagues' expectations (Interviews 7, 16, 18). In the few cases in which individuals disrupted deliberation or delayed consensus-building, norm violators were confronted with consequential discursive sanctions. Colleagues became more hesitant to talk openly about their red lines and reduced interaction to the bare minimum (Interviews 1, 10). EAMS had to replace norm-violating representatives as soon as possible to maintain influence and contain political damages to the euro area formats in general. These severe implications became evident in the probably most prominent case of norm violation during the sovereign debt crisis. In 2015, the then Greek Minister of Finance, Yanis Varoufakis, participated in Eurogroup negotiations on the third bailout package for Greece. He undermined the consensus-building norm by openly supporting the 'No' campaign in the Greek national referendum on the bailout package and challenged the confidentiality in the Eurogroup by recording meetings.¹³ Other ministers

¹³ The audio files and transcripts of the meetings Varoufakis recorded are available online at <https://euroleaks.diem25.org/> (Last Access: 9 August 2023).

condemned his behaviour strongly, and eventually, the Greek prime minister, Alexis Tsipras, removed him (Puetter, 2016, p. 609).

To summarise, interviews suggest that deliberation and consensus-building norms were robust in Eurogroup and EWG meetings during the sovereign debt crisis. Not only did EAMS representatives demonstrate high compliance, but they also introduced specific practices and measures facilitating the norms' implementation. A clear commitment to deliberation and consensus-building was considered indispensable to cope with the existential threat the crisis exposed to the single currency area. Norm violations were considered a threat to the shared mission and, thus, consistently followed by rapid and consequential sanctions.

Norm Compliance and Euro Area Outsider Involvement During the Sovereign Debt Crisis

How has the robustness of deliberation and consensus-building norms affected non-EAMS involvement in intergovernmental debates amongst EAMS during the sovereign debt crisis? The interviews from both the dissertation and the EMU Choices project suggest that non-membership in the euro area generally worked as a systematic impediment to involvement. All non-EAMS interviewees reported that they faced major problems staying informed about debates and decisions in the Eurogroup and the EWG, let alone making their voices heard. These troubles significantly affected the political influence non-EAMS representatives could exert on EMU reforms. In Eurogroup and EWG meetings, EAMS representatives not only designed and managed financial assistance packages but also created reform agendas for EMU governance more generally. Several interviewees indicated that EAMS representatives used the informal formats to strike political agreements and relied on the consensus amongst EAMS when working on legislative pieces within the EFC or ECOFIN (Interviews 1, 3, 16). Thus,

lacking formal access to Eurogroup and EWG meetings, non-EAMS representatives were excluded from significant deliberations (Interviews 7, 23).

To respond to Polish and UK appeals for more inclusion (Interviews 5, 13), the Eurogroup and EWG presidents introduced information mechanisms to keep non-EAMS representatives updated. ECOFIN and EFC gatherings usually started with a debrief carried out by the chair of the equivalent euro area body. On average, they lasted 10–15 min and consisted of a quick overview of agreements reached amongst EAMS representatives the evening before (Interviews 1, 5, 7, 32). Non-EAMS representatives could ask any questions. Yet, in correspondence with the confidentiality norm, they rarely received additional information to what EAMS representatives reported at press conferences (Interviews 6, 20, 26, 30). Moreover, the Eurogroup and EWG presidents were careful to contact and be available for non-EAMS officials (Interviews 1, 3, 16). The former Eurogroup president, Jeroen Dijsselbloem, even claims he travelled to all countries outside the euro area to speak with government officials (2018, p. 18). Moreover, several non-EAMS interviewees reported that they could rely on the EWG president to provide extensive information on current debates and listen to their thoughts (Interviews 5, 8, 31). These reports align with the reflections of the former Bulgarian Finance Minister, Simeon Djankov, whose book on the sovereign debt crisis (2014) contains numerous references to personal interactions with the then Eurogroup president Jean-Claude Juncker.

Despite the openness of the Eurogroup and EWG presidents, non-EAMS representatives had limited insights, and they needed to exploit additional informal channels. Foremost, they used personal contacts with EAMS colleagues involved in Eurogroup and EWG delegations. One non-EAMS interviewee compared their situation with that of lobbyists because they had to ask other policymakers for information and insights (Interview 4). In these bilateral interactions, geographical proximity was a significant factor. Non-EAMS representatives often contacted their counterparts in neighbouring countries as the first points of contact (Interviews 6, 8, 19, 30, 32).

Furthermore, they established collective formats to share and consolidate information. Several interviewees confirmed that all non-EAMS ministers participated in regular dinner meetings on the evenings before ECOFIN meetings. If the ministers could not participate, they were substituted by the respective state secretaries. Although the present study and the EMU Choices dataset contain contradicting evidence about the initiators (Interviews 5, 8, 13; EMU Choices Interview BUD07), interviews consistently indicate that the non-EAMS permanent representations took turns in organising the dinners. Usually, dinners were held without a specific agenda and due to the significant ideological differences, political coordination was rare (Interviews 5, 20, 30). Their primary purpose was to provide the ministers with an informal setting where they could exchange views and information about the discussions among their EAMS colleagues (Interview 6).

The separation of non-EAMS representatives from policy debates amongst EAMS aligned with a particular crisis perception amongst elites. National officials perceived the sovereign debt crisis foremost as a euro area crisis (see also Chapter Five). Interviewees consistently reproduced narratives highlighting deviations of the euro area from an ideal currency area. They suggested that the sovereign debt crisis resulted from shortcomings in the euro area's governance architecture. Thus, it was the EAMS' task to provide solutions and reform proposals (Interviews 3, 7, 17, 23). Non-EAMS interviewees also reproduced such narratives stressing the role of EAMS in crisis management (Interviews 4, 8, 9, 28). Other arguments highlighting the higher financial commitments (Interviews 6, 20) added to the elite perception. If EMU reforms failed, this would mostly hurt the EAMS. Non-EAMS would not face severe consequences because they either did not face the same difficulties or have abstained from heavy financial commitments. Considering these differences, interviewees from both groups recognised the need of EAMS for exclusive formats to handle their affairs without non-EAMS interfering (Interviews 1, 6, 10, 31; EMU Choices Interview STO24).

There are also examples of non-EAMS representatives circumventing the opaque walls around the euro area formats. The interviews suggest that, in particular, Danish and Swedish officials could regularly secure involvement in policy debates amongst EAMS despite lacking formal access to the Eurogroup and EWG. They raised their concerns and interests through special channels, and they could be sure that EAMS would take them into account. Furthermore, there are several instances in which they could join individual EWG meetings.

A good example illustrating the special involvement of Danish and Swedish representatives in EAMS interaction is the deliberations on the European Banking Union (EBU) after the Commission published its first proposal for the SSM (European Commission, 2012) in September 2012.¹⁴ Denmark and Sweden criticised the proposal for limiting membership to EAMS and providing a central role to the European Central Bank (ECB) (Howarth & Quaglia, 2013, p. 114). Furthermore, they were concerned about losing influence in other contexts of European banking regulation as EBU members might act as a block (Interview 8). Whereas EAMS discussed the legislative drafts in Eurogroup and EWG meetings, Danish and Swedish state secretaries participated in the intergovernmental debate from the beginning (Interviews 1, 10, 11, 16). They raised their demands in weekly consultation meetings with dedicated delegations of EWG representatives (Interviews 1, 8, 28, 31). Furthermore, Danish and Swedish officials actively used their close ties to individual EAMS representatives, particularly from Germany, the Netherlands or Finland (Interviews 3, 8, 10, 31). EAMS were willing to accommodate Danish and Swedish concerns and made significant concessions, such as providing non-EAMS with veto power in the European Banking Authority (EBA) (Interviews 8, 12) or an option to join the EBU (Interviews 7, 28, 31). Finally, several interviewees confirmed that officials from the Swedish Ministry of Finance and the Swedish banking supervision authority were regularly invited to EWG meetings. They advised EAMS

¹⁴ The respective regulations on the SSM and the Single Resolution Mechanism have been adopted in the ECOFIN meetings on 15 October 2013 and 9 December 2013.

policymakers on banking supervision and resolution, sharing the expertise they gained during the Swedish financial crisis in the 1990s (Interviews 1, 7, 10, 27).

Indeed, interviews indicate that the deep involvement of Swedish and Danish officials in policy debates amongst EAMS was related to their high and consistent compliance with the deliberation and consensus-building norms. Referring to the Danish membership in the fixed exchange rate mechanism (ERM II), interviewees from Denmark consistently described their country as ‘the secret member of the euro area’ (Interview 30). From this perception, they concluded they must behave constructively and contribute to all debates on EMU reforms (Interviews 28, 31). Furthermore, Danish interviewees stressed that their country was keen to participate in EMU reforms wherever it could and, if necessary, explicitly asked for mechanisms enabling participation (Interview 30). This finding aligns with the evidence presented by Adler-Nissen (2014, pp. 105-107), suggesting that Danish representatives are keen to compensate for euro area non-membership through cooperative behaviour. Regarding the EBU, Denmark considered participation from the start (Interviews 22, 31). Therefore, Danish officials could make a credible claim that they are interested in the policy debates and strive for a good outcome.

Sweden was more hesitant to commit to participation in the EBU. Yet, Swedish representatives felt they could not rule out the policy under any conditions. Similar to the five economic tests the UK treasury presented in 1997 to evaluate the UK’s readiness to join the euro area, the Swedish Ministry of Finance defined five criteria to be fulfilled for Sweden to join the EBU (Interview 8). Next to the EBA voting modalities, these criteria included accountability mechanisms to national parliaments in the SSM or equal representation at the ECB’s Supervisory Board. Swedish officials engaged in intensive negotiations with their EAMS colleagues to work on an honest assessment of whether there was room for fulfilling these criteria. When Sweden eventually decided against participation in the EBU, Swedish representatives stressed that they gave it a real chance.

EAMS representatives appreciated Danish and Swedish efforts to make valuable contributions to policy debates and perceived representatives from these countries as credible allies in building better EMU governance structures. Given this perception, they saw no problem involving Danish and Swedish colleagues in their debates. EAMS representatives were confident they would behave as well as themselves and play by the rules. Involvement, thanks to norm compliance, was not exclusive to these two countries. Also, a Hungarian interviewee reported that during the country's presidency in 2011, Hungarian representatives were involved in EAMS interaction through regular informal meetings with the Eurogroup and EWG presidents after establishing themselves as an honest broker seriously interested in achieving good EMU reforms (Interview 24). The following quote illustrates how norm compliance affected EAMS attitudes on non-EAMS involvement (Interview 11): '[...] if everybody has the same motivations and tries to work towards the same objectives, you know if there comes a new person and says: "Hey guys. I find it really interesting what you're doing and I want to contribute to solving that problem too." you say: "Okay. Well, you know, you're welcome to join." So if other countries with other approaches – even if they have not been a member of the family for a long time – say: "Okay. I want to help you guys" you welcome them in.'

Further evidence for the critical role of norm compliance in facilitating non-EAMS involvement in EAMS interaction can be acquired by looking into negative examples. In particular, interviewees from the UK and Poland reported isolation. Although they participated in the ECOFIN and EFC meetings, they felt that the real debate about EMU reforms took place in venues to which they had no access (Interviews 5, 26). Indeed, EAMS interviewees confirmed that they avoided involving representatives from these countries in their intergovernmental debates and shared insights only on request or when necessary due to legislative processes. The interviews suggest that the isolation of representatives from these countries from intergovernmental debates amongst EAMS was related to their unconstructive and disruptive behaviour. Spontaneously and in rich detail, interviewees described episodes in

which the uncooperative behaviour of UK representatives delayed urgent reforms and actions. Memorised events include the UK's veto to the Fiscal Compact or the request for political guarantees that non-EAMS would not be held accountable for money transferred to Greece from the European Financial Stability Mechanism in 2015 (Interviews 1, 3, 23, 27). Also, in the ECOFIN and EFC negotiations on the EBU, UK representatives were perceived as focusing on their national interests and protecting the British banks rather than genuinely contributing to the policy debate (Interviews 1, 7). These findings align with the conclusions presented by Adler-Nissen (2016a), suggesting that the UK's approach to the euro outsidership was particularly confrontative. Polish representatives were confronted with similar allegations. Several EAMS interviewees expressed frustration that in the negotiations on the six-pack, Polish representatives significantly delayed consensus-building by insisting on particular issues resulting from the unique architecture of the Polish pension system (Interviews 10, 11).¹⁵ These negative experiences impeded the involvement of the UK or Polish representatives in policy debates amongst EAMS. EAMS representatives noticed that representatives from these states had no problem breaching their internal norms. Given their already controversial debates, they wished to avoid extra hurdles, especially as they came from actors who were not even part of the euro area (Interviews 10, 11, 23).

Finally, the relevance of norm compliance for non-EAMS involvement is supported by efforts amongst non-EAMS to challenge stereotypes and distance from norm violators. As the member state with the largest economy and the most political weight, EAMS representatives often perceived the UK as the non-EAMS leader. Several EAMS interviewees expressed the perception that in ECOFIN and EFC meetings, non-EAMS representatives hid behind the UK (Interviews 1, 7, 10). However, as EAMS representatives increasingly perceived UK representatives as openly undermining deliberation and consensus-building norms and reduced

¹⁵ The regulations and directives relevant to the six-pack have been discussed in multiple ECOFIN meetings between Fall 2010 and Spring 2011.

the UK's involvement in intergovernmental debates, other non-EAMS representatives became concerned about contagion. They started to distance themselves from their UK colleagues. Again, primarily Danish and Swedish representatives made an effort to define independent positions during ECOFIN meetings, highlighting their dedication to constructive debates on feasible solutions and their openness towards participation in EMU reforms despite euro outsidership (Interviews 20, 31). Danish interviewees also reported concerns about whether their ministers should participate in the non-EAMS dinner meetings (see above). Whilst eventually, they decided to participate, they feared it might undermine Denmark's reputation as a cooperative country (Interview 30). Interviewees from the UK also noticed that other non-EAMS representatives were eager to avoid association (Interview 5).

As an alternative explanation for the deep involvement of Danish and Swedish in EAMS interaction, one could consider the interests these countries share, particularly with creditor countries. Interviewees from both countries consistently stressed their governments' political proximity to German, Dutch and Finnish positions on various political issues, ranging from fiscal discipline to banking regulation (Interviews 8, 28, 31). They perceived themselves as part of a Northern European network of EAMS and non-EAMS united by similar ideas on economic and fiscal governance. Although Dutch and German interviewees were hesitant to validate the existence of such a network, they confirmed the close relationships (Interviews 3, 10, 25). However, although these ideological connections to powerful creditor countries might have facilitated Danish and Swedish access to EAMS interactions, they cannot be the dominant factor. Given their contradictory stance on fiscal policies, Danish and Swedish participation in the intergovernmental debate was not in the interest of France, Italy and Spain. Still, interviewees from these countries approved the deep involvement of Danish and Swedish representatives and expressed explicit appreciation for their contributions (Interviews 12, 23, 29). This approval contrasts the usual reluctance of particularly France and Italy to allow non-EAMS participation in Eurogroup and EWG meetings (Interviews 10, 17, 29).

Another alternative explanation might be found in the capabilities of individual officials to build and nurture professional networks. Naurin and Lindahl argued that high network capital and reputation amongst EAMS colleagues in the Council helped Danish and Swedish officials to stay involved in policy debates before the sovereign debt crisis (see above). Indeed, the interviews confirm these findings. On several occasions, EAMS interviewees praised Danish and Swedish officials for their extraordinary expertise, high communication skills and large professional networks (Interviews 1, 7, 12). Yet, if these assets were the main factors providing Denmark and Sweden with access to policy debates amongst EAMS, it would raise the question of why they did not have the same effect for UK officials. Several interviewees expressed high regard for their UK colleagues, describing them as highly knowledgeable, well trained and deeply embedded within the relevant networks. Still, interviewees from the UK treasury reported that they felt increasingly isolated from intergovernmental debates amongst EAMS (see above).

To summarise, the interviews indicate that compliance with the deliberation and consensus-building norms significantly affected non-EAMS involvement during the sovereign debt crisis. Gaining insights from Eurogroup and EWG meetings became increasingly difficult for all non-EAMS representatives. Yet, norm compliance made a difference. Danish and Swedish representatives could secure regular involvement in EAMS interaction by behaving like an insider and making significant contributions to policy debates. At the same time, representatives who disrupted deliberation or delayed consensus-building were isolated.

Conclusion

Academic insights regarding non-EAMS involvement in Eurogroup and EWG interaction during the sovereign debt crisis are fragmented. Individual anecdotes paint a fuzzy picture, suggesting that EAMS were isolated in their special facilities and that non-EAMS

representatives could not avoid exclusion from EMU reform debates. Such insights contradict the common assumption within the academic debate that outsiders of DI in the EU can maintain involvement in ongoing policy debates if their representatives comply with insider norms. This chapter contributed to resolving this contradiction, offering a more nuanced picture of non-EAMS involvement during the sovereign debt crisis and highlighting the relevance of insider norm compliance. Due to intensive interaction under the circumstances of uncertainty, the deliberation and consensus-building norms could maintain their robustness in the Eurogroup and EWG. EAMS representatives expected good euro area insiders to justify their positions through economic arguments and combine the representation of national interests with an openness towards diverging views and a strong desire to find common approaches. This formation of deliberation and consensus-building as insider norms amongst EAMS representatives reflects in patterns of non-EAMS involvement. Those non-EAMS representatives who consistently complied with these procedural norms and, thus, demonstrated insider similarity could secure involvement in EAMS interaction. Danish and Swedish representatives were eager to contribute to ongoing debates and facilitate consensus-building even if their countries did not participate in the respective policy. This norm compliance helped them get involved in deliberations regularly, and sometimes, they could even influence individual policies. By contrast, Polish and UK representatives were regarded as disrupting constructive debates and insisting on their needs even if it delayed agreements. These norm violations caused EAMS to limit these countries' involvement in policy debates to the bare minimum.

The findings of this chapter shed light on the institutional consequences of DI in EMU. During the sovereign debt, DI not only described the conditions of monetary integration in the EU but also structured EMU governance and decision-making processes. Through the interaction in exclusive bodies, EAMS representatives developed their own norms of deliberation and consensus-building. The distinction between insiders and outsiders of

monetary integration in the EU resulted in the formation of insider norms. As a consequence, EMU governance and decision-making were strongly shaped by what EAMS considered right and appropriate behaviour. Because no formal rules regulate when and how non-EAMS representatives need to be involved in Eurogroup and EWG meetings, EAMS representatives found themselves in a gatekeeper position where they could select whom to include in which policy debate. Although this chapter finds that EAMS representatives did not exclude non-EAMS systematically but consistently granted involvement according to norm compliance, these criteria still reflect the powerful position of EAMS. These power imbalances and their implications might have added to the divisions between EAMS and non-EAMS, transforming differences in monetary integration into differences within EMU governance and decision-making, thus, making DI in EMU more durable.

This chapter provides several avenues for further research on EMU and beyond. Recent developments in EMU governance suggest that the observed patterns of non-EAMS involvement have not been sustainable. Eurogroup meetings are increasingly held in an inclusive format, allowing formal participation from all non-EAMS without any distinction. Future studies might investigate the scope of and reasons for this new inclusiveness. One explanation might be that with the lower urgency and uncertainty, EAMS representatives see no necessity anymore to execute their gatekeeper position strictly. Furthermore, after the UK left the EU, the most prominent violators of procedural norms in EMU governance disappeared, reducing the need to discriminate between norm-complying and norm-violating euro area outsiders. This chapter also carries relevance beyond EMU. The finding that procedural norms in the Eurogroup and EWG remained robust even during an existential crisis aligns with findings from CFSP Council committees on the high resilience of procedural norms (Juncos & Pomorska, 2021). Future studies might search for similar or contradicting evidence from other policy areas. Moreover, they might examine why and the conditions under which procedural

norms in Council committees remain robust against tendencies of contestation and politicisation.

Chapter Five

EU or Euro Area Crisis?

Studying Differentiated Integration as an Idea Structuring

Elite Perceptions of the Sovereign Debt and the COVID-19

*Crisis*¹⁶

Abstract

After the sovereign debt crisis, scholars concluded that euro area member states (EAMS) and non-EAMS embarked on diverging paths of integration. Yet, their united response countering the economic consequences of the COVID-19 crisis contradicts the path-dependency argument. This chapter takes an ideational approach. It demonstrates that the different crisis outcomes regarding differentiated integration (DI) in Economic and Monetary Union (EMU) coincide with variations of how DI influenced elite crisis perceptions as an idea. While policymakers perceived the sovereign debt crisis as a currency area crisis with threats and spillovers applying to EAMS, they interpreted the COVID-19 crisis as a health emergency threatening all EU member states. These differences in elite crisis perceptions facilitated different outcomes regarding DI despite unchanged economic and fiscal circumstances among EAMS and non-EAMS. The findings challenge deterministic assumptions on the self-reinforcing nature of DI in EMU and establish DI as an idea structuring elite perceptions.

¹⁶ This chapter is an accepted manuscript of an article published by Taylor & Francis in *the Journal of European Integration* on 9 June 2023, available online <https://doi.org/10.1080/07036337.2023.2220894>. The publisher has granted permission to reuse this article in this dissertation. In comparison to the published manuscript, this chapter includes editorial changes to ensure coherence with the other chapters of the dissertation.

Introduction

When European Union (EU) leaders presented NextGenerationEU (NGEU), the Commission president stressed that ‘all 27 member states stand jointly behind NGEU’ (Von der Leyen, 2020b). This apparent unity among EU member states in taking this major step in fiscal integration (Fabbrini, 2022) presents scholars with a puzzle. Common wisdom suggests that differentiated integration (DI) in Economic and Monetary Union (EMU) is self-reinforcing: differentiated integration pressures and spillovers would draw euro area member states (EAMS) and non-EAMS on diverging integration paths and united EMU reforms would become unlikely (Schimmelfennig, 2016). The sovereign debt crisis is considered a prime example of this mechanism. While EAMS adopted extensive reforms, for non-EAMS integration stopped short of any transfer of sovereignty or fiscal autonomy (Schimmelfennig & Winzen, 2020, pp. 127-131). The outcome of the COVID-19 crisis, however, contradicts this argument. While euro area specific instruments exist, such as the Pandemic Crisis Support programme within the European Stability Mechanism (ESM), NGEU provides the main financial resources for economic recovery. The loans and grants are available to all EU member states without any distinction between EAMS and non-EAMS. This deviation from path dependency regarding DI in EMU becomes even more puzzling when considering the differentiated circumstances during the crisis. Strict rules on fiscal spending and a lack of monetary sovereignty left EAMS with fewer fiscal options to adopt countermeasures against the pandemic’s economic consequences. Furthermore, following the path-dependency argument, one would have expected EAMS to expand the insider structures established during the sovereign debt crisis, further reinforcing DI rather than creating new EU-wide instruments. Why did the two crises still have different outcomes regarding DI?

This chapter studies elite ideas to understand better the different outcomes of the sovereign debt and the COVID-19 crisis regarding DI. The path-dependency argument has inherited a deterministic perspective from its historical institutionalist and neofunctionalist origins. Building upon constructivist criticisms of these theoretical perspectives, I argue that the deviation from path dependency in EMU was facilitated by variations in the influence that DI had as an idea structuring elite crisis perceptions. During the sovereign debt crisis, elite perceptions of threats and spillovers were structured by the distinction between EAMS and non-EAMS. Policymakers perceived the crisis as an endogenous currency area crisis whose impact was limited to EAMS. This influence of DI as an idea on elite crisis perceptions facilitated the implementation of euro area specific reforms even if economic assessments did not necessarily suggest such outcomes. At the same time, DI had a minor ideational influence on elite perceptions during the COVID-19 crisis. While economists predicted a new sovereign debt crisis for the euro area, policymakers perceived the pandemic as a symmetric health shock for all EU member states. Correspondingly, the debate about the EU's fiscal response took place on an EU-wide level, with EAMS and non-EAMS involved on both sides of the ideological conflict between frugality and fiscal solidarity.

This chapter makes two major contributions to the literature. First, it contributes to the debate on the evolution of DI during crises. Schimmelfennig and Winzen (2022) refined the path dependency argument, demonstrating that DI is perpetuated during a crisis only if EU leaders can agree on treaty reforms or laws in response. The present chapter highlights the role of elite ideas. It argues that a firm belief among policymakers in the political relevance of DI is a main requirement for its reinforcement during a crisis. Second, this chapter establishes DI as an ideational framework shaping EMU governance processes. Several studies have investigated the effect of economic ideas during the sovereign debt crisis, such as Ordoliberalism or Keynesianism (Brunnermeier, James & Landau, 2016, pp. 58-76; Matthijs, 2018; Van Esch, 2014). This chapter demonstrates how the distinction between EAMS and non-EAMS worked

as a paradigm structuring elite beliefs about political necessities and responsibilities. Thus, it contributes to a better understanding of how DI affected EMU reform debates and outcomes during the sovereign debt crisis.

This chapter proceeds as follows. The next section elaborates on the chapter's theoretical argument. It highlights the added value of considering elite ideas and perceptions and theorises their relationship to DI during a crisis. The third section describes the empirical data considered in this chapter and the methods of analysis. The fourth and fifth sections report the findings on how DI as an idea influenced elite crisis perceptions during the sovereign debt and the COVID-19 crisis and how this shaped reform outcomes regarding DI. The conclusion summarises the chapter's main findings and discusses implications for the academic debate.

Theoretical Argument

DI in the EU describes the phenomenon that different groups of EU member states have transferred different authorities or competences to the EU level. There exist two major logics of DI in the EU. Constitutional differentiation results from opt-outs of individual member states from selected integration projects. On the other hand, instrumental differentiation results from the temporal exclusion of EU member states from political integration (Schimmelfennig & Winzen, 2014). In the latter type of DI, EU member states must fulfil certain criteria or implement certain policies before they can fully participate in integration. Furthermore, DI in the EU results from projects of enhanced cooperation where minimum nine EU member states can advance integration in any EU policy area (Art. 20 TEU and Title III TFEU). While DI is relevant to multiple EU policy areas, most cases of ongoing differentiation can be found in interior and monetary policies (Schimmelfennig & Winzen, 2020, p. 61). This chapter focuses on DI in EMU. In this area, DI results from the Danish opt-out and the Swedish de facto opt-out from euro adoption. Furthermore, Bulgaria, the Czech Republic, Hungary, Poland and

Romania must fulfil the convergence criteria before they can join the euro area. Between the sovereign debt and the COVID-19 crisis, the United Kingdom (UK), which opted out of euro adoption, has left the EU. Furthermore, Latvia and Lithuania joined the euro area in 2014 and 2015, respectively. Croatia adopted the euro after the COVID-19 crisis in 2023.

While instances of DI are usually rather short-lived (Schimmelfennig & Winzen, 2020, pp. 52-56), in EMU, it develops in a self-reinforcing manner. Building on historical institutionalism, Schimmelfennig (2016) argues that the decision to allow DI in EMU worked as a critical juncture, putting EAMS and non-EAMS on diverging integration paths. EAMS experience pressures to deepen their coordination and broaden the scope of integration. These result from functional interdependencies, changes in perceptions or the actions of supranational actors (Haas, 1958, pp. 11-19; Schmitter, 1969). Also, changes in preferences, projected costs of disintegration and institutional barriers (Pierson, 1996, pp. 131-148) motivate EAMS to stick on their path towards more integration and overcome deficits in EMU governance. Non-EAMS are not confronted with similar pressures, which makes them reluctant towards initiatives deepening economic and fiscal integration. This difference in rationalities leads to a self-reinforcing divergence in which EAMS engage in ever deeper integration while non-EAMS become daunted by the scope of reforms and focus on protecting sovereignty (Jensen & Slapin, 2012).

To understand better why the path dependency argument did not hold for the COVID-19 crisis, this chapter considers elite ideas and perceptions. In historical institutionalism and neofunctionalism, scholars referred to elite ideas and perceptions to overcome the focus on continuity and sticky paths. Schmidt (2010, pp. 11-13) criticises historical institutionalism for its inability to explain institutional change and deviations from path dependencies outside external shocks. In her discursive institutionalism, she proposes considering the elite ideas to 'unstick institutions and unfix preferences and norms' (Schmidt, 2008, p. 316). Hay and Wincott (1998) argue that historical institutionalism also needs to consider what agents perceive

as ‘feasible, legitimate, possible and desirable’ (p. 956) to understand better the interaction between structure and agency shaping institutional change. In particular, constructivist scholars agree that studying intersubjective perceptions and ideas grants historical institutionalism the flexibility to understand deviations from expected paths (Bell, 2011). In his modification of neofunctionalism, Niemann (2006, p. 31) refers to elite perceptions to overcome the mechanical and determinist nature of functional spillovers. Functional linkages or interdependencies are not sufficient to trigger integration. Policymakers also need to consider integration as an effective solution to perceived threats. Therefore, scholars may study the ideas and narratives shaping elite perceptions of functional dissonances, interdependencies and spillovers to understand EU integration dynamics better.

Studying elite ideas and perceptions is also beneficial for understanding reform outcomes of the EU crises. Such sociological perspectives start from the assumption that ‘all crises are constructions’ (Hay, 2016, p. 531). Whether a problem poses an existential threat and triggers reactions depends on how political elites perceive it (Hay, 1999, pp. 323-327). Elites identify and interpret crises through intersubjective ideas, providing them with the narratives and paradigms to overcome ambiguities. In particular, economic ideas such as Ordoliberalism and Keynesianism determined what EU leaders identified as causes of the sovereign debt crisis and which reforms they considered effective (Matthijs, 2018; Van Esch, 2014). If intersubjective ideas shift, this changes elite crisis perceptions and reform preferences (Hay, 2016, pp. 528-529). For example, the introduction of the European Banking Union (EBU) was preceded by a shift of leaders’ intersubjective ideas about the main causes of the euro area’s existential crisis. Changing their focus from sovereign debts to the sovereign banking nexus, several governments supported a more rapid introduction of the Single Supervisory Mechanism (Glöckler, Lindner, & Salines, 2017; Swinkels & Van Esch, 2022). Similarly, elite perceptions interpreting the asylum crisis as related to the interdependency between free movement and the protection of

external borders facilitated the establishment of the European Border and Coast Guard (Niemann & Speyer 2017, p. 30).

Theorising the Relationship Between Elite Ideas, Crisis Perceptions and the Evolution of Differentiated Integration in the EU

Ideas are defined as intersubjective beliefs and paradigms on how reality works and what mechanisms determine relevant factors (Schmidt, 2008, p. 306). For policymakers, ideas work as interpretive frameworks, enabling them to assess political, economic or social situations or problems, understand why things happen and define the responsibilities of involved actors (Hay, 2016, p. 527). Thus, ideas determine how policymakers perceive the very nature of a problem and what they consider desirable or feasible measures (Hall, 1993). While there exist different traditions to conceptualise ideas (Swinkels, 2020), I distinguish three types based on their levels of abstraction (Schmidt, 2008, p. 306): (1) policy ideas as solutions or frames for individual problems, (2) programmatic ideas on overarching conditions or causal mechanisms and (3) philosophical ideas shaping worldviews, values and principles. Furthermore, I distinguish between normative ideas on how the world should work and cognitive ideas on how the world actually works (Schmidt, 2008, p. 307).

This chapter argues that DI is not just a phenomenon of EU integration but contains paradigms and assumptions structuring how policymakers interpret political reality. Thus, DI can function as a programmatic cognitive idea. As an ideational framework, DI divides EU member states into insiders and outsiders of integration in a particular policy domain. The more DI is influential as an idea, the more policymakers stress this distinction. It shapes how they interpret political problems, see themselves and others in debates and, finally, what policies they consider appropriate or effective. Political elites consider the categories of insiders and outsiders as politically significant. They assume that members of these two groups experience different realities and face different consequences in a given situation. Thus, they attribute them with different political responsibilities.

If DI carries ideational influence among policymakers, this has implications for elite crisis perceptions. Following the neofunctionalist assumptions of the path-dependency argument (see above), I conceptualise crises as threats to European integration resulting from dysfunctionalities and incompleteness in earlier integration steps and as amplifiers of integration pressures by spillovers (Niemann, 2021, pp. 123-124). If policymakers use DI as an ideational framework, they consider a distinction between insiders and outsiders indispensable to describing threats. They will perceive a crisis as confronting insiders and outsiders of integration with different threats. Such an analysis will lead them to perceive spillovers in a differentiated manner. Those member states perceived to be significantly threatened will debate potential areas of incomplete integration or functional interdependencies. Furthermore, they deliberate on how to fix identified shortcomings and eventually deepen their integration. At the same time, those states perceived to be less threatened by the crisis will avoid getting involved in the debates and reforms. Differentiated threat perceptions align with differentiated spillover perceptions, and thus, policymakers consider differentiated reforms as appropriate and effective solutions.

If DI is non-influential as an idea, policymakers will not emphasise the distinction between insiders and outsiders. They will perceive both sides as equally exposed to threats to EU integration. The reduced influence of DI on threat perceptions does not imply its replacement by unity as a new idea. Political elites might still perceive crises affecting different EU member states differently. However, these distinctions will no longer be shaped by the status of countries regarding DI. In line with this non-differentiated threat perception, DI is not reflected in policymakers' spillover perceptions. Policymakers will discuss potential deficits and interdependencies in EU-wide formats and search for common responses. Such EU-wide deliberations and decision-making processes will result in non-differentiated reform outcomes, not further reinforcing the divergence between insiders and outsiders of DI.

The influence of DI as an idea varies with different factors. Schmidt (2008, pp. 309-313) highlights the role of discursive actors. Ideas compete for influence in elite discourses. In this discursive competition, actors play an entrepreneurial role in constructing myths, narratives or paradigms (Carstensen, 2011). Eventually, the success of individual ideas depends on the discursive abilities of their supporters to persuade others (Schmidt, 2008, p. 312). Therefore, the influence of an idea changes if supporters with large discursive abilities join or exit relevant elite discourses. Thus, the ideational influence of DI depends on actors stressing the distinction between insiders and outsiders and their influence within EU institutions. Another factor determining the influence of ideas is socialisation. Socialisation is the process through which actors internalise intersubjective norms or ideas within a particular social context (Checkel 2005, 804). Mostly, this happens in regular and intensive interaction within a small group of actors. Thus, policymakers adopt DI as an idea if they interact in a context in which the distinction between insiders and outsiders is recognised as a significant paradigm structuring governance processes. Finally, the influence of ideas is affected by mechanisms of learning. Learning can be defined as the ‘updating of beliefs’ (Dunlop & Radaelli, 2013, p. 600). It is facilitated by challenging circumstances such as discrepant events, external pressures or policy failures (Swinkels, 2020, p. 289). From this perspective, the ideational influence of DI depends on the experiences policymakers make and how those shape their assessments of DI as a credible framework to interpret reality.

Elite Ideas, Crisis Perceptions and Differentiated Integration in EMU During the Two Crises

From the theoretical considerations above, I draw expectations on the interaction between the ideational influence of DI on elite crisis perceptions and the evolution of DI in EMU during the sovereign debt and the COVID-19 crisis. I argue that the divergence between EAMS and non-EAMS during the sovereign debt crisis was facilitated through the influential role of DI as an idea shaping elite crisis perceptions. Policymakers shared an intersubjective consensus that they

must distinguish between euro area insiders and outsiders to interpret political reality accurately. They agreed that the sovereign debt crisis exposed EAMS and non-EAMS to different threats. Thus, they considered the need for reforms in fiscal discipline, financial assistance or banking supervision as applying mainly to EAMS. By contrast, DI was non-influential as an idea during the COVID-19 crisis. Policymakers considered EAMS and non-EAMS equally exposed to the pandemic’s economic implications. Therefore, the responsibility to find a fiscal response was perceived to apply to all EU member states. Correspondingly, policymakers designed and implemented policies which do not distinguish between EAMS and non-EAMS and, thus, had no impact on DI in EMU. The different outcomes of the sovereign debt and the COVID-19 crisis regarding the evolution of DI in EMU are reflected in variations in the ideational influence of DI on elite crisis perceptions (see Table 5.1).

Table 5.1 Expected Interactions Between Elite Ideas, Crisis Perceptions and the Evolution of Differentiated Integration During the Sovereign Debt and the COVID-19 Crisis.

Crisis	Ideational Influence of DI	Elite Crisis Perception		Evolution of DI in EMU
		Threat Perception	Spillover Perception	
Sovereign Debt Crisis	Influential	Differentiated	Differentiated	Reinforced
COVID-19 Crisis	Non-influential	Non-differentiated	Non-differentiated	Remained at the same level

Three factors make a reduced influence of DI as an idea structuring elite crisis perceptions during the COVID-19 crisis plausible. First, after Brexit, a vocal euro area outsider disappeared from the EU. While most non-EAMS demonstrate cooperativeness to maintain political influence, the UK never hesitated to put national interests first, even if that required blocking EMU reforms. For instance, during the sovereign debt crisis, the UK government blocked the incorporation of the Fiscal Compact into the EU treaties (Adler-Nissen, 2016a, p. 239). Through

such actions highlighting the country's euro area outsider status, the UK significantly contributed to reinforcing DI as an influential idea structuring EMU governance and reform processes. The UK left the EU on 31 January 2020. A few weeks later, the COVID-19 virus hit the European surface, and the EU member states created NGEU to counter the pandemic's economic implications. While counterfactual analyses have their difficulties, it is plausible to assume that the UK's absence from the negotiations was a major factor reducing the influence of DI as an idea.

Another factor that makes a decreasing influence of DI on elite crisis perception plausible is the Commission's reinforcement as a political actor. In principle, the Commission aims to prevent any tendencies of DI. Even if the Commission has often acted pragmatically in the past, it opposes differentiated policies and Commissioners make alternative proposals for united integration (Fromage & Fasone, 2022). The Commission is usually considered a weak actor during the sovereign debt crisis (Da Conceição-Heldt, 2016; Hodson, 2013). New intergovernmentalist studies suggest that the Commission had lost its role as policy initiator and concentrated on implementing the decisions which heads of state had agreed on in the European Council (Bickerton, Hodson & Puetter, 2015, pp. 712-713; Puetter & Fabbrini, 2016, p. 636). During the COVID-19 crisis, however, the supranational actor could increase its influence again. Strategically using its resources and instruments to launch policy proposals proactively, the Commission took a leadership role in designing the EU's multifold responses to the pandemic (Kassim, 2023). Thus, it gained new competences and authority in different policy areas.

Finally, the higher inclusiveness of meetings in the Euro Summit, the Eurogroup and Eurogroup Working Group (EWG) make a decrease in the ideational influence of DI on elite crisis perceptions plausible. During the sovereign debt crisis, EAMS representatives met in these euro area bodies to deliberate on euro area matters and create solutions for their problems. Their exclusivity recognised the EAMS as an independent group within the EU and highlighted

the importance of DI for EMU governance (see Chapter Three). While the inclusive format of the Euro Summit is already determined in the Fiscal Compact, after the sovereign debt crisis, all three bodies established regular meeting formats allowing the participation of non-EAMS representatives. This new inclusiveness changes the conditions for socialisation among policymakers. The categories of EAMS and non-EAMS become less present in EMU governance processes, and thus, DI loses its relevance for understanding political realities. Under these circumstances, policymakers were less likely to interpret the COVID-19 crisis in a differentiated manner.

Data and Methods

Scholars have used various methods to study elite perceptions and ideas. Niemann identifies elite interviews as the most important method to study how policymakers perceive spillovers and what conclusions they draw from crises for political reforms (2006, p. 63). Also, Adler-Nissen (2016b) highlights the value of interviews in revealing ‘particular truths’ and understanding political reality from the view of policymakers. A discourse analysis considering speeches, position articles, memoranda, etc., is also effective in investigating how policymakers perceive crises and what measures they consider effective (Niemann and Ioannou, 2015; Niemann & Speyer, 2017). Even if this data might not necessarily represent true elite perceptions, it still provides insights into the arguments and narratives policymakers consider relevant to describe a crisis accurately (Niemann, 2006, p. 63). Finally, elite perceptions are studied through cognitive mapping (Van Esch, 2014). Cognitive maps are particularly useful for analysing and comparing individual policymakers’ ideational belief systems.

This chapter relies on elite interviews and discourse analysis to study the influence of DI as an idea shaping elite perceptions of threats and spillovers during the sovereign debt and the COVID-19 crisis. Regarding the sovereign debt crisis, data was collected in 39 semi-structured

elite interviews¹⁷ conducted by the author between November 2020 and February 2021 and in March 2022. Interviewees include policymakers who, between 2010 and 2015, served as members of national delegations to ECOFIN and the Economic and Financial Committee (EFC) from both EAMS and non-EAMS. I also interviewed officials from the Council Secretariat, the Commission and the European Parliament. The interviews are complemented with data from public sources. I analysed media interviews with and statements of relevant policymakers, national government documents and conclusions of relevant meetings at the EU level between the start of the debate about the EU's economic response to the COVID-19 crisis in February and the agreement on the NGEU package during the European Council meeting on 17-21 July 2020.

For both crises, I analyse the influence of DI as an idea on elite crisis perceptions and reform outcomes in three steps. First, I analyse how DI shapes elite threat perceptions during the crisis. I examine whether and how, in describing the crisis and its threats, policymakers systematically distinguish between EAMS and non-EAMS. If they stress the distinctiveness, arguing that the two groups face different realities and problems, this indicates a significant ideational influence of DI and a differentiated threat perception. Second, I examine how DI manifests itself in policymakers' views regarding areas of incomplete integration and functional linkages. If policymakers locate the main deficits in an area with high differences between EAMS and non-EAMS and attribute the main responsibility for causing the crisis to one particular group, this indicates a high influence of DI on elite spillover perceptions. Finally, in the third step, I scrutinise whether and how reform debates have been affected by the distinction between EAMS and non-EAMS. If policymakers consider different measures for the two groups or argue that one group has a higher necessity to implement reforms than the other, this indicates a significant influence of DI as an idea.

¹⁷ A complete list of all interviews conducted for this dissertation is available in Appendix I.

The Sovereign Debt Crisis as a Currency Area Crisis Threatening Euro Insiders

DI played a significant role as an idea structuring elite threat perceptions during the sovereign debt crisis. Interviewees consistently stressed that the possibility of sovereign default would expose an existential threat to EAMS. If a country within the euro area could no longer finance its loans, this would have harmed other EAMS. Policymakers shared the understanding that the large financial and economic interdependence among euro area insiders would cause a domino effect (Interviews 1, 7, 23). Several EAMS would not be able to attain liquidity simultaneously, threatening not only the economic stability within but the very existence of the currency area. Thus, the ‘euro area was fighting for its livelihood’ (Interview 10). For countries outside the euro area, possible consequences were not seen as severe. Interviewees consistently argued that while their economies would suffer from significant losses, they did not face any existential threats (Interviews 6, 8, 24). This differentiated threat perception reflects in the following quote: ‘So, of course, it’s a euro area problem. Would it have been economically as catastrophic to the UK, Sweden and Denmark? No! [...] There would have been exchange rate volatility, a loss of growth, etc. But a really violent impact would have been felt by the member states of the euro area’ (Interview 1).

Also, the elite perception of the areas of incomplete integration and spillovers was significantly influenced by DI as an idea. Interviewees agreed this crisis was a logical consequence of fundamental shortcomings in the setup of the currency area. While the EAMS abandoned their national currencies, they neglected to implement the necessary measures to ensure financial and economic stability (Interviews 3, 14, 17, 32). Policymakers described the crisis as endogenous, arguing that the ignorance of the economic and financial interdependencies of monetary integration now backfired (Interviews 1, 10, 23, 27). This explicit focus on the functional spillovers of monetary integration targeted the EAMS. A non-

EAMS interviewee put it this way: ‘We appreciated the attempts to fix the shortcomings of the currency area. However, as euro area outsiders, we were not ready to join these efforts’ (Interview 9). Also, policymakers from the EAMS and the supranational institutions stressed the distinction between euro insiders and outsiders. The then German chancellor, Angela Merkel, argued that the EAMS must solve their problems and establish a *stability union* (Merkel, 2011). The Five Presidents Report (Juncker, 2015) explicitly distinguishes between euro area countries and EU member states, stressing the need for the former to ‘take steps [...] to compensate for the national adjustment tools they gave up on entry [in the monetary union]’ (p. 4).

One concrete example of the ideational influence of DI on elite spillover perceptions is the debate about the sovereign banking loop. Several interviewees argued that the reinforcing dynamic between the debts of banks and states could arise only in the euro area. The lack of an institution serving as a credible lender of last resort and the prohibition of mutual bailouts would leave the euro area stripped of effective instruments to disrupt the harmful loop (Interviews 1, 6, 12). Furthermore, interviewees identified the poor harmonization of banking supervision practices across Europe and the absence of an instrument to counter macroeconomic imbalances as problems further facilitating the loop (see also Howarth & Quaglia, 2016, pp. 44–48). Policymakers attributed these problems to the euro area and its members. When asked whether the sovereign debt crisis was a crisis of the euro area or the EU, an interviewee from the Polish Ministry of Finance responded: ‘Did we have a sovereign banking loop?’ (Interview 9). This debate reflects the elite perception locating the crisis’ main causes in the currency area’s incomplete architecture. Policymakers perceived the sovereign debt crisis as a euro area crisis in its origin.

The reform outcomes reflected this differentiated perception of the causes and consequences of the sovereign debt crisis. It was seen as the responsibility of the EAMS to deal with the threats and resolve the currency area’s deficits (Interviews 6, 27, 32). In the area of

financial assistance, differentiation is most visible. While EAMS designed and implemented multiple financial packages to help indebted countries, non-EAMS only participated in the programme for Ireland. In other programs, non-EAMS were careful to avoid any financial involvement, even including their contributions to the EU budget (Interviews 1, 3, 18). Justifying this reluctance, non-EAMS interviewees explicitly referred to DI, arguing that nobody could expect euro area outsiders to make financial contributions to assistance packages for indebted euro area insiders (Interviews 5, 6, 20, 28). One interviewee from the UK embraced the distinction between EAMS and non-EAMS, further asking me: ‘When did they [the EAMS] ever help us in rescuing our banks?’ (Interview 26).

Regarding the reforms of the Stability and Growth Pact (SGP), the role of DI is fuzzier. While non-EAMS are involved in mechanisms strengthening the coordination of economic policies, sanctions for breaches of the fiscal rules only apply to EAMS. Interviews indicate that policymakers shared the perception that EAMS should handle these reforms. Reflecting on the negotiations in the Van Rompuy Task Force, an interviewee stated: ‘My recollection is that there was a big difference because the whole thing was about the euro area. The newer member states were there because the legal basis did not allow for a specific euro area thing, but there was a vague perception that the whole thing was about the euro area.’ (Interview 37). The differentiated threat and spillover perceptions are eminent in the justifications for this euro area focus. Several interviewees argued that for non-EAMS unsustainable fiscal policies would not be a problem since they could compensate for those by depreciating their national currencies (Interviews 3, 34, 35). Furthermore, interviewees hinted at crisis events, assessing that cases of sovereign default mostly applied to EAMS. Referring to these arguments, non-EAMS interviewees wondered why their countries should give up fiscal sovereignty to solve a problem that did not apply to them (Interviews 4, 5, 6, 20). Danish interviewees expressed a special perception on this issue. Referring to their country’s membership in the European Exchange Rate Mechanism (ERM II), they labelled Denmark the ‘secret euro area member’ (Interviews

21, 31). Therefore, they considered it self-evident that Denmark would fully participate in the reforms to the SGP. Still, this justification did not depart from general perceptions attributing the responsibility for SGP reforms to EAMS or associated states. Finally, differentiated reforms were facilitated by the elite perception that more fiscal discipline was needed among EAMS due to their financial assistance instruments (Interviews 23, 34).

The EBU is also differentiated. While non-EAMS can join the EBU under an agreement of close cooperation, they denied immediate participation, either adopting a wait-and-see approach or excluding any involvement in advance (Schimmelfennig, 2016, p. 491). Justifying their non-involvement, non-EAMS interviewees stressed the stability of their banking sectors and the proper functioning of domestic banking supervision systems (Interviews 6, 8, 23). In particular, interviewees from the UK stressed their distinctiveness: ‘We accepted the necessity of banking union to put the Eurozone on a more sustainable basis [...], but we didn’t necessarily think it was appropriate for the UK.’ (Interview 5). Furthermore, EAMS and non-EAMS interviewees indicated that the EBU was introduced to accommodate other EAMS policies countering the sovereign banking loop. The then German Minister of Finance, Wolfgang Schäuble, saw the joint banking supervision as a requirement to allow the recapitalisation of banks through the ESM (Interviews 1, 3, 17). This finding confirms earlier observations by Howarth and Quaglia (2016, p. 49). Again, Denmark was the exception among non-EAMS. Danish interviewees consistently indicated that their government was willing to join the EBU from the beginning. However, particularly among Danish parliamentarians, there was the sense that Danish membership in the EBU would fundamentally question the country’s opt-out from euro adoption. Therefore, it had to be approved by a referendum (Interviews 21, 28, 31).

The focus among political elites on the currency area and the political responsibility of EAMS did not necessarily align with economic assessments. Discussing whether non-EAMS should join the EBU, Darvas and Wolff (2013) conclude ‘the European Banking Union project makes sense irrespective of the euro crisis’. Several interviewees agreed that from an economic

perspective, non-EAMS should have joined the EBU (Interviews 1, 3, 7, 21, 28). In this perception, the EBU does not serve single currency but single market purposes as it responds to financial integration among all EU member states. One interviewee argued: ‘If you have a single competition policy for banks, then you need a single supervisor.’ (Interview 34). Other arguments highlight the deep integration of Danish and Swedish banks into EAMS economies and the domination of banks from the EAMS in Central and Eastern Europe. Recently, non-EAMS have changed their stance on membership in the EBU. Bulgaria joined the EBU in 2020. In Romania and Denmark, leading actors within the national central banks have argued that their countries should join as well (Danish National Bank, 2015; Isărescu, 2019). These indications suggest that the distinction between EAMS and non-EAMS in the reforms implemented during the sovereign debt crisis did not necessarily result from economic necessities. The plausibility of a non-differentiated EBU supports conclusions on the influence of DI as an idea shaping elite crisis perceptions and reform outcomes.

To summarise, elite perceptions of the sovereign debt crisis were heavily influenced by DI as an idea. Policymakers interpreted the crisis as a currency area crisis, attributing the main exposure to threats and responsibility for its causes to EAMS. This elite perception put EAMS at the centre of the reform debate, facilitating differentiation in the reform outcomes even if economic analyses did not stress the distinction between EAMS and non-EAMS.

The COVID-19 Crisis as a Health Emergency Threatening all EU Member States

Several economists argued that the COVID-19 crisis could become another sovereign debt crisis for the euro area (Beck, 2020; Bofinger et al., 2020; Wolff & Claeys, 2020). In financing the national recovery packages, there revealed large asymmetries among the EAMS regarding their capabilities to acquire liquidity at the sovereign bond markets. While some countries experienced temporary increases in 10-year government bond interest rates, others, such as

Italy, Greece or Spain, faced large and long-lasting increases (Carnazza & Liberati, 2021). Such increases in interest rates for sovereign debt led to large divergence among EAMS regarding their ability to counter the pandemic's economic consequences with potentially severe implications for the entire euro area (Muggenthaler, Schroth, & Sun, 2021). In the worst case, most affected countries had to leave the single currency area so they could acquire liquidity by depreciating their national currencies. Beyond the economic consequences, the exit of individual countries from the euro area could have had severe political consequences threatening the euro's existence (Beck, 2020). Again, the internal fiscal imbalances and the lack of an effective financial support instrument brought the EAMS to the brink of disintegration. For non-EAMS, the consequences of such a scenario would have been less severe due to lower financial, economic and political interdependencies. Thus, from the fiscal perspective, one could interpret the COVID-19 crisis as another sovereign debt crisis harming mostly the EAMS.

In the debate about fiscal countermeasures to the economic consequences of the COVID-19 crisis, however, the influence of DI as an idea shaping elite threat perceptions was limited. Policymakers interpreted the COVID-19 crisis as a health crisis (Michel, 2020) or a health emergency (Von der Leyen, 2020a). They focused on the virus and its symmetric spreading over all EU member states rather than the asymmetric fiscal capabilities among EAMS (Smith, 2020). The economic losses resulting from lockdowns were seen as inevitable for all EU member states to react to the symmetric health threat and contain the number of infections and deaths (Eurogroup, 2020b; Von der Leyen, 2020a). Supporting each other in covering these costs was framed as a question of solidarity among all EU member states (Centeno, 2020; Di Maio, 2020). The Commission Vice President, Frans Timmermans, even described fiscal solidarity as essential for the EU to survive the health crisis (2020). This focus on the costs of the virus made distinguishing between EAMS and non-EAMS irrelevant. Policymakers argued that 'COVID-19 affected the euro area as much as it affected the outs' (Interview 38).

The elite perception of spillovers and incomplete integration was also hardly affected by DI during the COVID-19 crisis. Again, the major focus on the health emergency reduced the ideational influence of the distinction between EAMS and non-EAMS. Due to the global spread of the COVID-19 virus, policymakers perceived the major cause for the crisis to lie outside Europe, putting an equal burden on all EU member states to cope with its consequences (Centeno, 2020; Von der Leyen, 2020a). Statements or political actions suggesting groups or individual countries were responsible for their fiscal situation were perceived as inappropriate. When the Dutch Finance Minister, Wopke Hoekstra, asked the Commission for a report on why some countries have large fiscal buffers and others do not, this question was received as insulting, considering the health emergency Southern European countries were facing (Peepkorn, 2020; Von der Burchard & Schaart, 2020). The major discussion revolved around how the EU member states could support each other to cope with a health threat that came from the outside without anyone's fault (Adler & Roos, 2020; Centeno, 2020).

The limited influence of DI as an idea structuring how elites perceived the spillovers and threats of the COVID-19 crisis was reflected in the venues they gathered. Most intergovernmental deliberations and negotiations took place in EU-wide venues. Until the agreement on the NGEU package on 21 July 2020, heads of state had gathered in the Euro Summit only once. The main debates took place within the European Council. On the level of ministers, the Eurogroup maintained the high relevance it assumed during the sovereign debt crisis. Ministers gathered in the informal venue almost every two weeks. Yet, during the COVID-19 crisis, the Eurogroup hardly functioned as a euro area body. All Eurogroup meetings during which ministers discussed the EU's fiscal response to the pandemic took place in the inclusive format with non-EAMS representatives participating as equal actors. Furthermore, most of the measures on which ministers agreed in Eurogroup meetings were EU-wide (Eurogroup, 2020b). Given these circumstances, Verdun argues that the Eurogroup can effectively be considered an ECOFIN Council (2022, p. 317).

Furthermore, the low relevance of DI as an idea was reflected in the ideological fronts in the debate about the fiscal response. The divide between those member states fostering proposals for common debt issuance and the others insisting on fiscal responsibility, which characterized the debate among EAMS during the sovereign debt crisis, expanded to an EU-wide conflict during the COVID-19 crisis. In particular, Denmark and Sweden participated actively and vocally in the intergovernmental deliberations. While the euro area outsiders abstained from participating in multiple EMU reforms implemented during the sovereign debt crisis (Schimmelfennig & Winzen 2020, pp. 128-129), they were strongly committed to supporting those countries with lower fiscal capacities in countering the economic consequences of the COVID-19 pandemic. Without the UK as a big economy and an influential member state on their side, the two Nordic countries feared that they would isolate themselves if they excluded themselves from joint policies again (Interview 17). Some interviewees even argued that after Brexit, the Danish and Swedish approaches of being friendly euro area outsiders inside the EU were no longer feasible (Interviews 8, 25).

Denmark and Sweden were eager to build coalitions with states inside the euro area. Initially, they cooperated closely with Austria, Germany, Finland, and the Netherlands. Together, the fiscally conservative countries from inside and outside the euro area countered different initiatives to mobilise financial resources through debt mutualisation on the EU level. After the Franco-German proposal, the two Nordic countries were active members of the Frugal Four. Together with their colleagues from Austria and the Netherlands, they opposed the Franco-German proposal. Christian Rabjerg Madsen, a member of the Danish parliament representing the incumbent government party of the Social Democrats, stated that Denmark wishes to support Southern European countries in coping with the economic difficulties they face through the COVID-19 pandemic, but they oppose distributing financial resources through grants (Bremer & Kallestrup, 2020). A few days later, the Frugal Four presented a non-paper proposing a loan-based alternative to the Franco-German proposal. In the subsequent

negotiations about the Commission's NGEU proposal, the German Council Presidency aimed for a quick deal (Government of Germany, 2020, p. 4). Yet, the Frugal Four showed resilience, and eventually, they achieved a significant change in the ratio between grants and loans in NGEU. Thus, the debate about the fiscal response to the COVID-19 pandemic remained EU-wide, with member states from inside and outside the euro area involved.

The Commission was a key actor in raising the debate about the fiscal response to the COVID-19 crisis to an EU-wide level. The proposals which member states circulated at the early stage of the debate would have strengthened DI in EMU. The 'Coronabonds' proposed by Italy would have enabled the EAMS to issue common debts at the financial markets. On the other side, the Dutch and German governments preferred mobilising the ESM's financial resources for national recovery packages. Both sides could not accept the proposal of the respective other due to ongoing antagonisms from the sovereign debt crisis. Referring to the ESM's mechanisms for fiscal oversight, the Italian Prime Minister, Giuseppe Conte, called it an 'inadequate and inappropriate instrument' (Barigazzi, 2020). At the same time, the Dutch government refused to accept Eurobonds in any form. In particular, the Dutch Finance Minister, Wopke Hoekstra, had taken a clear position, stating, 'Eurobonds is a thing I wasn't OK with, I am not OK with, and I will never be OK with' (Walker & Schaart, 2020).

The Commission tried to resolve this conflict by drawing the debate towards the EU-wide level. During the European Council meeting on 23 April 2020, the Commission president, Ursula von der Leyen, proposed that additional financial resources for recovery packages could be mobilized through the Commission at the sovereign bond markets using the EU budget as a guarantee (Kassim, 2023, p. 624). Putting this EU-wide instrument on the table, von der Leyen allowed both sides to distance themselves from their long-term positions and consider new options. In particular, the German government received a resort option to show solidarity with the Southern EU member states without having to accept Eurobonds, which met strong scepticism not only among the Christian Democrats but also the Finance Minister, Olaf Scholz

(Maas & Scholz, 2020). Von der Leyen further substantiated her proposal, and eventually, it became the foundation for the Franco-German proposal and NGEU. Thus, the Commission president dissolved the gridlock between Northern and Southern EAMS by raising the debate to the EU level and, thus, avoided a reinforcement of DI in EMU.

The commitment of the Commission to avoid DI in the EU's responses to the COVID-19 crisis was also reflected in its actions regarding the immunization campaign. In the first months after the outbreak of the pandemic, the EU member states struggled to find a joint approach regarding the purchase of vaccine doses. EU governments were concerned they would fall behind the United States of America and the UK, which were spending large sums of money to reserve doses worldwide (Deutsch & Wheaton, 2021). Against this background, France, Germany, Italy and the Netherlands took the initiative. In the inclusive vaccine alliance (IVA) they coordinated their resources and entered into joint negotiations with pharmaceutical companies in Europe (De Jonge, 2020). On 13 June 2020, the IVA secured 400 billion vaccine doses from Astra Zeneca (Astra Zeneca, 2020). While representatives of the IVA highlighted that the vaccines would be distributed among all EU citizens and they would be willing to integrate their efforts in a joint action coordinated by the Commission, their initiative was not well received. The Belgian Minister of Health, Maggie de Block, argued that this initiative harms the Belgian and the EU's overall position (Le Soir, 2020).

The Commission was eager to contain these tendencies of DI and ensure the EU would find a united approach to the immunization campaign. Only a few days after the IVA had announced the deal, it presented the EU vaccines strategy (European Commission, 2020). The document determined that the Commission would negotiate with the pharmaceutical companies on behalf of all EU member states intending to sign advanced purchase agreements. Yet, the national governments were reluctant to give up their selective efforts and centralize all negotiations with the Commission. Deters and Zardo (2022, pp. 10-11) find that the German Minister of Health, Jens Spahn, only agreed to the joint approach after the German Chancellor, Angela Merkel,

overturned him in anticipation of the German Council Presidency. Yet, despite adopting the EU Vaccines Strategy, selective approaches were not off the table. When supply shortages delayed the rollout of the German vaccination campaign in January 2021, the Social Democratic Party asked Spahn in a public letter whether these problems could have been avoided by purchasing additional vaccine doses outside the Commission's agreements (German Ministry of Health, 2021). Also, in other EU member states, politicians questioned the EU-wide approach publicly. Again, the Commission was determined to ensure unity. Achieving another deal with BioNTech about 300 billion additional doses in February 2021 it could calm down the criticism.

To summarise, despite different fiscal circumstances among EAMS and non-EAMS regarding the pandemic's economic consequences, DI had a minor influence as an idea shaping elite crisis perceptions during the COVID-19 crisis. Policymakers interpreted the spread of the virus as a symmetric health emergency threatening all EU member states. Correspondingly, the debate about the fiscal response to the pandemic took place on an EU-wide level, with EAMS and non-EAMS involved on both sides of the ideological conflict. The Commission facilitated this EU-wide debate by countering any tendencies of DI with alternative proposals, ensuring the EU would pursue united approaches in all responses to the COVID-19 pandemic.

Conclusion

The united fiscal response of all 27 EU member states to the economic consequences of the COVID-19 crisis constitutes a puzzle to the path dependency argument on DI in EMU. While the expectation that EAMS and non-EAMS constantly diverge holds for the sovereign debt crisis, the creation of NGEU constitutes a major deviation. In this chapter, I argued that variations in how DI influenced elite crisis perceptions as an idea facilitated the different outcomes of the sovereign debt and the COVID-19 crisis regarding DI in EMU. While policymakers perceived the sovereign debt crisis as a currency area crisis with threats and

spillovers mainly applying to EAMS, they interpreted the COVID-19 crisis as a health emergency applying symmetrically to all EU member states. These differences in how DI shaped elite perceptions during the two crises also affected reform debates. During the sovereign debt crisis, policymakers saw the main responsibility for countermeasures with the EAMS facilitating euro area specific reforms. By contrast, during the COVID-19 crisis, the elite focus on the EU-wide health emergency facilitated the adoption of EU-wide measures, leaving DI in EMU at the same level.

The chapter's findings challenge assumptions on the self-reinforcing nature of DI in EMU. Thus, the chapter aligns with recent contributions by other scholars, adding nuance to the deterministic path dependency argument (Migliorati & Genschel, 2022; Schimmelfennig & Winzen, 2022). While the division of EU member states into EAMS and non-EAMS has set an initial momentum defining insiders and outsiders of monetary integration, this distinction is insufficient to facilitate differentiated policies at all times. Additional conditions must be fulfilled so that euro area insiders and outsiders drift further apart in subsequent crises. This chapter demonstrates that not only DI needs to shape objective but also intersubjective realities. While differentiation might be relevant to earlier integration patterns, the divergence between insiders and outsiders in the respective policy area won't reinforce if relevant policymakers consider DI outdated or inappropriate. Only if the distinction between insiders and outsiders evolves into an influential idea shaping how policymakers perceive political reality, DI remains relevant after its initial implementation. Thus, this chapter demonstrated that ideas also matter for the reinforcement of DI.

Finally, this chapter offers insights on the transformation of EU governance that took place between the sovereign debt and the COVID-19 crisis. Ladi and Wolff (2021) argue that the coercive approach in which EU institutions focussed on monitoring member states became replaced by a coordinative one in which member state governments gather under the leadership of the Commission to determine joint policies. The findings of this chapter suggest that this

transformation might have been facilitated by a shift of ideas and the legitimacy they provide to EU institutions in governance processes (Schmidt, 2022). The structures of the Commission are designed to coordinate governance processes among all EU member states, promoting equality rather than distinctiveness (Fromage & Fasone, 2022). Therefore, under the conditions of a strong influence of DI as an idea during the sovereign debt crisis, the Commission had a hard time claiming legitimacy for political leadership. Instead, member states preferred to meet among themselves in the Council or even outside the EU frameworks, allowing them to gather in different formations and, thus, recognise the distinction between insiders and outsiders. The Commission was left with implementing and monitoring compliance with the rules that member states had determined. At the same time, the non-influential role of DI as an idea might have helped the Commission reclaim a leading role in coordinating EU governance processes during the COVID-19 crisis. Future research might explore this connection between ideational and institutional dynamics further, examining whether and how actors use the idea of DI strategically to influence EU governance processes and how different EU institutions react to changes in its relevance.

Chapter Six

Conclusion

While the European Union (EU) has evolved into ‘a system of differentiated integration’ (Leuffen, Rittberger & Schimmelfennig, 2022, p. 21), unity has remained one of its core values. This dissertation started with a reflection on *family photos* taken with EU state leaders after European Council meetings. They are supposed to stress the unity among all EU member states and their firm commitment to finding common solutions no matter how strong the disagreements are. During the sovereign debt crisis, this EU-wide unity was disrupted. While the EU faced an existential crisis, most times, a particular fraction of EU member states gathered for emergency meetings. Family photos in this period often included leaders from the euro area member states (EAMS) only. In Economic and Monetary Union (EMU), EU member states were separated into an inner circle of EAMS and an outer circle, which also included the non-EAMS. While differentiated integration (DI) was supposed to remain under the surface, it evolved into an omnipresent reality of EMU governance during the sovereign debt crisis.

This dissertation aimed to contribute to a better understanding of whether and, if so, how and with what implications DI has become embedded in processes and structures of EMU governance during the sovereign debt crisis. For this purpose, I introduced the theoretical framework of the institutionalisation of DI in the EU. Building on sociological institutionalism, I argued that DI can have cognitive and sociological implications for EU governance. The institutionalisation of DI in the EU is a process in which the distinction between insiders and outsiders of integration increasingly structures how government representatives interpret reality, determine mutual role expectations, and organise governance processes. Whether they represent an insider or outsider country shapes which political problems they deem relevant,

what behaviour they consider appropriate and in which deliberation and decision-making processes they participate. Studying the institutionalisation of DI in EMU during the sovereign debt crisis, this dissertation considered multiple manifestations of this process. The substantial chapters analysed whether and, if so, how the distinction between euro area insiders and outsiders has become embedded in organisational structures, norms and ideas. Furthermore, they discussed the implications of these developments on EMU reform processes and institutions of EMU governance from short- and long-term perspectives.

This conclusion proceeds with a short review of the findings of each substantial chapter. Afterwards, it discusses what we learned about the institutionalisation of DI in EMU during the sovereign debt crisis more generally. This discussion covers the main characteristics of this process, facilitating circumstances and long-term implications. The following section discusses the academic contributions of this dissertation, both for the literature on EMU institutions and the institutional implications of DI in the EU. Finally, the conclusion highlights methodological, theoretical, and empirical limitations and discusses avenues for future research before ending with some closing remarks.

Chapter Two: The Exclusiveness of Crisis Management Structures

The second chapter of this dissertation studied whether and, if so, how and with what implications DI has been institutionalised in organisational structures of crisis management. It analysed the inclusiveness of the European Stability Mechanism (ESM), the European Banking Union (EBU) and the euro area specific groups within the European Council and the Council, i.e. the Euro Summit, the Eurogroup and the Eurogroup Working Group (EWG). The reforms establishing or reinforcing the respective agencies and informal groups were supposed to help EAMS to react to immediate threats, such as instances of sovereign default, compensate for long-term deficits of EMU integration and facilitate intergovernmental deliberation. Thus, an

analysis of their inclusiveness to non-EAMS representatives contributes to an understanding of whether and how DI has been institutionalised in (post-)crisis EMU governance.

The findings show that the analysed agencies and informal venues are hardly accessible to non-EAMS. The ESM is located outside the EU legal framework. Therefore, non-EAMS are not represented in the fund's main management boards. Representation happens only indirectly through the Commission, which has an observer status in both boards and assumes a critical role in implementing economic adjustment programmes (EAP). While the EBU is based on EU law, non-EAMS remain isolated from supervisory committees and management boards within the European Central Bank (ECB) or the Single Resolution Board (SRB). This lack of representation is also not resolved if non-EAMS join the EBU through a close cooperation agreement between their national banks and the ECB. They do not gain a seat at the ECB Governing Council, which assumes a key role in the decision about the resolution of individual banks. Regarding the euro area specific venues in the two Councils, non-EAMS representatives must be invited to Euro Summit meetings if the agenda includes topics related to the EU's competitiveness or the reform of EMU governance structures. While Eurogroup and EWG gather in inclusive formats regularly, no formal rules determine in which cases meetings need to permit non-EAMS participation. These findings indicate that DI has been institutionalised in crisis management structures in EMU.

The low inclusiveness of the ESM, the EBU, and the euro area specific groups in the two Councils to non-EAMS representatives have two major implications. First, non-EAMS representatives faced severe difficulties making their voices heard during the sovereign debt crisis. In intergovernmental deliberations, EAMS representatives concentrated on finding political agreements among themselves, and initial reform proposals rarely reflected non-EAMS interests. For example, non-EAMS expressed strong criticism against the Commission's initial proposal for the Single Supervisory Mechanism (SSM) (Howarth & Quaglia, 2013, p. 115). However, only after they joined forces with the European Parliament (EP) could they gain

political influence and achieve significant changes in a revised proposal. Findings from this dissertation indicate that non-EAMS had similar experiences in the reform debates about the Stability and Growth Pact (SGP) or the ESM. The power to control non-EAMS access to major structures of intergovernmental deliberation and crisis management gave EAMS a dominant position in EMU reform debates.

Second, the exclusiveness of the analysed facilities hampered subsequent efforts to integrate them into EU law or make them more attractive to non-EAMS. In December 2017, the Commission proposed transferring the ESM into a European Monetary Fund fully integrated into the EU legal framework (European Commission, 2017b). Yet, the subsequent debates in the Council ended in political gridlock. In the recent reform, the Eurogroup abstained from integrating the ESM into EU law and maintained its intergovernmental governance structures (Zagermann, 2024, p. 208). Regarding the EBU, non-EAMS remained reluctant to engage in close cooperation agreements with the ECB. Bulgaria and Croatia joined the EBU as the first non-EAMS, although only in 2020. Representatives of the national banks in Denmark and Romania also expressed interest in EBU membership (Danish National Bank, 2015; Isărescu, 2019). Still, other countries remain discouraged through the exclusive setup of the EBU structures. In particular, Swedish interviewees mentioned that their country should not join the SSM, given the lack of representation in the ECB Governing Council (Interview 8). The Eurogroup and EWG did not determine formal rules to ensure better integration of non-EAMS representatives. Yet, the findings of this dissertation indicate that they have become more inclusive after the sovereign debt crisis.

Chapter Three: The Formation of Euro Area Bodies

The third chapter of this dissertation studied whether and, if so, how and with what implications DI has been institutionalised in organisational structures of EMU governance during the

sovereign debt crisis. For this purpose, it analysed the evolution of the Eurogroup and EWG. The two informal bodies have been established outside the Council to provide EAMS with venues where they can coordinate on topics directly related to the currency area and find solutions for their problems. Against this background, a reinforcement of these euro area specific bodies indicates a higher embeddedness of DI in EMU governance. The chapter analysed the evolution of the Eurogroup and EWG regarding three dimensions. First, regarding the dimension of structuration, I reviewed the new authorities EAMS transferred to the two informal bodies. Second, regarding standardisation, I examined the formation of constitutional and procedural norms in the Eurogroup and the EWG. Third, to analyse the dimension of reallocation, I investigated whether and how EAMS reinforced the administrative resources and structures of the two bodies during the sovereign debt crisis.

The findings offer detailed insights into the multidimensional reinforcement of the Eurogroup and EWG during the sovereign debt crisis. The two informal bodies were granted explicit and significant authority in crisis management, such as the design and implementation of financial assistance programmes or the development of common approaches to immediate threats. They even gained de facto legislative authority as representatives assumed key roles in legislative procedures on euro-specific directives and regulations. Furthermore, the analysis found evidence of a partial standardisation in the Eurogroup and the EWG. While EAMS could not agree on a common perspective regarding the causes and the consequences of the sovereign debt crisis, representatives shared norms of deliberation, consensus-building and confidentiality. Finally, regarding reallocation, findings suggest that a large share of the administrative resources in the Council Secretariat were rechannelled towards the Eurogroup and EWG. Furthermore, the EWG presidency was transformed into a permanent appointment and received office space and staff within the Council Secretariat. While EAMS representatives could not agree on similar reforms for the Eurogroup, its presidency was also strengthened by expanding tasks and administrative support.

The multidimensional reinforcement of the Eurogroup and EWG contributed to a stronger embeddedness of DI in structures and processes of EMU governance. During the sovereign debt crisis, EAMS faced special problems due to their single currency and could not rely on non-EAMS to cooperate in envisaged reform projects. Transforming the Eurogroup and EWG into separate structures of intergovernmental governance, EAMS put themselves in the position to design and implement measures of fiscal and financial integration independently. In particular, regarding financial assistance Eurogroup and EWG members not only introduced new policy tools, but in their roles as governors and directors of the ESM, they also performed executive tasks such as negotiating memoranda of understanding or monitoring the progress of EAPs. The transformation of the Eurogroup and the EWG into independent governance structures also posed the general question of which issues should be handled among EAMS representatives only. This distinction between euro area and EU-27 matters brought the relevance of DI to the policy level, further contributing to its embeddedness in EMU governance.

After the sovereign debt crisis, the reinforced Eurogroup and EWG have gained relevance in EMU governance on an EU-wide level. This development is facilitated by a higher inclusiveness to non-EAMS. While during the sovereign debt crisis, the Eurogroup and EWG constituted a ‘safe space’ for EAMS representatives, recently, the two informal bodies have increasingly been hosting meetings among representatives from all EU member states. During the COVID-19 crisis, EU Finance Ministers gathered in the inclusive format of the Eurogroup every two weeks to negotiate a joint fiscal response to the economic consequences of the pandemic. These meetings facilitated the agreement on NextGenerationEU (NGEU). Thus, the strong role of the Eurogroup and the EWG no longer corresponds with a high embeddedness of DI in EMU governance, and the distinction between euro area and EU-27 matters became fuzzier. Still, Eurogroup and EWG meetings are also used to coordinate and represent euro area specific interests as visible in the ongoing debate on the SGP reforms.

Chapter Four: Insider Norms and Their Consequences for Euro Area Outsiders

Chapter Four studied whether and if so, how and with what implications DI has been institutionalised in procedural norms. Puetter (2006) finds that deliberation and consensus-building guided the interaction among Eurogroup members. This chapter examined the robustness of these norms in the Eurogroup and EWG and their effect on patterns of non-EAMS involvement during the sovereign debt crisis. Thus, it contributes to an enhanced understanding of how daily processes of EMU governance became structured along the categories of DI. Furthermore, assessing the socialisation of shared norms among EAMS representatives, the chapter offers valuable insights into dynamics of identity formation among euro area insiders. The empirical analysis followed two steps. First, I evaluated the robustness of deliberation and consensus-building norms among Eurogroup and EWG members by analysing the compliance, implementation, concordance and third-party reactions to violations (Deitelhoff & Zimmermann, 2019). In the second step, I examined whether compliance with these norms helped non-EAMS representatives to secure involvement in Eurogroup and EWG interaction.

The findings indicate that deliberation and consensus-building norms have been robust within the Eurogroup and EWG, with significant implications for patterns of non-EAMS involvement. EAMS representatives were committed to attending meetings with a constructive attitude and finding solutions accommodating everyone's concerns (compliance). To facilitate deliberation and consensus-building, EAMS representatives introduced informal working formats such as working dinners and enforced complementary norms such as confidentiality or speaking English as their only language (implementation). EAMS representatives were convinced these norms were indispensable given the existential threats they faced through the sovereign debt crisis (concordance). Correspondingly, norm violations were rare and sanctioned with strong measures, including the isolation or removal of violating individuals (third-party reactions). Regarding non-EAMS involvement, empirical findings suggest that

compliance with deliberation and consensus-building norms helped non-EAMS representatives to get included in Eurogroup and EWG interaction. Danish and Swedish representatives gained the trust of their EAMS colleagues by demonstrating constructiveness in political debates and sharing their expertise even if their countries did not participate in the respective policies. Thus, they were integrated into intergovernmental debates among EAMS, got invited to some EWG meetings and could even influence individual policies. At the same time, representatives from Poland and the United Kingdom (UK) were systematically excluded from Eurogroup and EWG interaction as EAMS representatives considered them norm violators.

The stabilisation of deliberation and consensus-building as insider norms among EAMS is another manifestation of the deep embeddedness of DI in EMU governance. During the sovereign debt crisis, EAMS representatives perceived the single currency area as facing severe challenges threatening its existence. Therefore, they expected each other to put national interests aside and work constructively towards quick and effective responses. Deliberation and consensus-building evolved into mutual expectations to which responsible EAMS should adhere. Thus, the categories of DI gained relevance in daily processes of EMU governance as they became associated with specific behavioural expectations. EAMS representatives shared procedural norms that were different from those of their non-EAMS counterparts.

This differentiation of procedural norms alongside the categories of DI also stabilised power imbalances between euro area insiders and outsiders during the sovereign debt crisis. To gain equal access to EMU reform debates, non-EAMS representatives had to comply with insider norms. EAMS representatives set the standards of what is appropriate and who is trustworthy to be involved in deliberation and decision-making processes. Chapter Four highlights the intergovernmental deliberations on the EBU as a key example showcasing how compliance with insider norms determined patterns of non-EAMS involvement. After the crisis, it became a standard practice to discuss EBU reforms in the inclusive format of the Eurogroup, allowing the participation of representatives from all non-EAMS irrespective of norm compliance.

Chapter Five: Differentiated Integration as an Idea Structuring Elite Crisis Perceptions

Chapter Five studied whether and, if so, how and with what implications DI has been institutionalised in elite ideas during the sovereign debt crisis. Ideas are defined as intersubjective beliefs and paradigms which policymakers use as interpretive frameworks to interpret reality and form political preferences (Schmidt, 2008, p. 306). Chapter Five compared the ideational influence of DI during the sovereign debt and the COVID-19 crisis. For both crises, it analysed whether and, if so, how the distinction between insiders and outsiders of the euro area structured elite crisis perceptions and reform debates. Thus, the chapter offers valuable insights into whether DI shaped the way in which elites interpreted their political reality and their political preferences. Furthermore, through the comparison to the COVID-19 crisis, it can determine whether the ideational influence of DI on elite crisis perceptions may have been exceptional during the sovereign debt crisis. The empirical analysis was executed in three steps. First, I analysed how policymakers referred to the distinction between euro area insiders and outsiders when describing the main threats of the sovereign debt and the COVID-19 crisis. Second, I analysed the influence of DI on their views regarding spillover and areas of incomplete integration in EMU. Third, I examined how DI influenced the reform debates during the two crises.

The findings indicate that the influence of DI as an idea structuring elite perceptions varied significantly between the two crises. Policymakers interpreted the sovereign debt crisis as an endogenous crisis caused by shortcomings in the setup of the single currency area. Furthermore, they perceived main threats such as sovereign defaults or the sovereign-banking nexus applying to EAMS. Correspondingly, the main responsibility for designing and implementing reforms was attributed to EAMS facilitating a reinforcement of DI in EMU. The COVID-19 crisis could also have been interpreted as a crisis of the EAMS as its economic consequences revealed large asymmetries regarding fiscal capacities inside the single currency area. Still, the ideational

influence of DI remained insignificant in the debate about the EU's fiscal response to the economic consequences of the COVID-19 pandemic. Policymakers interpreted the crisis as a health emergency caused by an external threat coming over the EU member states without anyone's fault. The low influence of DI on elite crisis perceptions was further facilitated through the exit of the UK from the EU, the stronger role of the Commission and the inclusiveness of Eurogroup meetings. The responsibility for demonstrating fiscal solidarity was attributed to all EU member states and NGEU offered resources for economic recovery irrespective of euro area membership.

The strong influence of DI as an idea facilitated its reinforcement in institutional structures and reforms during the sovereign debt crisis. The recurrent distinction between euro area insiders and outsiders regarding affectedness and reform responsibility legitimised the establishment of exclusive euro area institutions. Policymakers from both sides agreed that EAMS representatives need separate facilities in which they can deal with their specific problems without non-EAMS interfering. The findings of this dissertation even indicate that non-EAMS representatives accepted exclusion from intergovernmental deliberations in the Eurogroup and EWG to some extent, considering the specific threats EAMS faced. Regarding reforms, the strong ideational influence of DI changed elite perceptions about policy design and effectiveness. Before the sovereign debt crisis, stronger coordination of banking supervision was discussed on an EU-wide level in reference to the lack of harmonisation in the European financial market (Glöckler, Lindner & Salines, 2017). Yet, with the reinterpretation of common banking supervision as a solution to the sovereign banking nexus, the EBU could be realised for EAMS only. Several economists emphasised that 'the EBU makes sense irrespective of the euro crisis' (Darvas & Wolff, 2013). The comparison with the COVID-19 crisis highlights the relevance of ideas. The reinforcement of DI in EMU is not an automatic process, as suggested by the path dependency argument (Schimmelfennig, 2016). Policymakers must also perceive DI as the logical consequence of a given economic crisis.

Discussion: What Did We Learn about the Institutionalisation of Differentiated Integration in EMU During the Sovereign Debt Crisis?

This section combines the findings of the substantial chapters of this dissertation to draw overarching conclusions about how and with what implications DI has been institutionalised in EMU during the sovereign debt crisis. I argue that the institutionalisation of DI in EMU was a (1) multidimensional process (2) facilitated by particular circumstances of the sovereign debt crisis, which had (3) long-term implications for EMU reforms and governance structures.

A Multidimensional Process

The findings of this dissertation highlight that the institutionalisation of DI during the sovereign debt crisis happened simultaneously on multiple dimensions of EMU governance. First, the distinction between euro area insiders and outsiders structured interactions among member state representatives on an intersubjective level. EAMS representatives were socialised into deliberation and consensus-building as procedural norms shaping individual behaviour and mutual role expectations within the Eurogroup and EWG. If non-EAMS aimed to be involved in insider interactions, they were expected to comply with these insider norms. DI also shaped intersubjective realities. Member state representatives considered the distinction between euro area insiders and outsiders crucial to interpreting the sovereign debt crisis and determining their appropriate role in EMU reform processes. Second, the institutionalisation of DI manifested itself on an organisational level. Chapter Three demonstrated that the Eurogroup and EWG were reinforced to build viable euro area bodies. Thus, in EMU governance, there exist two parallel systems of intergovernmental deliberation and decision-making, one for EU-27 and one for euro area matters. Both have significant political authority, normative resources and administrative capacities to design and implement policies independently. Thirdly, the distinction between euro area insiders and outsiders became embedded in agencies inside and

outside the EU legal framework. With the ESM and the EBU, EAMS have established exclusive structures and resources for performing acts of financial assistance and banking supervision independently.

In the introduction, this dissertation focused on processes, arguing that the institutionalisation of DI in EMU would develop over time and be subject to constant change. This processual logic became evident in all dimensions studied throughout the dissertation. On the intersubjective level, EAMS representatives went through socialisation processes in which they adopted deliberation and consensus-building norms. The formation of insider norms was accelerated through memorable events of norm violation by non-EAMS, such as the UK's veto to implement the Fiscal Compact through a treaty change. Also, the establishment of DI as an idea did not happen immediately. While the first negotiations on the Greek debt crisis or the consultations in the Van Rompuy Task Force were still held among all EU member states, over time, representatives increasingly interpreted the sovereign debt crisis in a differentiated manner. This change of perception led to a separation of the two groups in EMU governance processes. At the same time, the weaker influence of DI as an idea during the COVID-19 crisis highlights that the institutionalisation of DI in EMU is a process that underlies constant change. Finally, the reinforcement of the Eurogroup and EWG during the sovereign debt crisis happened through consecutive reforms and often, informal arrangements preceded them. For example, before Eurogroup and EWG members assumed their roles as Governors or Directors of the ESM, they had designed and implemented the financial assistance instrument of the Greek Loan Facility.

The multidimensional processes contributing to the institutionalisation of DI in EMU during the sovereign debt crisis were intertwined and mutually reinforcing. For example, the strong influence of DI as an idea facilitated the reinforcement of the Eurogroup and EWG. Representatives from both sides agreed that EAMS faced existential threats and carried the major responsibility of resolving the deficits of the single currency area. Therefore, it was

considered legitimate that EAMS representatives transformed the Eurogroup and EWG into viable euro area bodies independent of the EU-27 structures in the Council. The perception of the sovereign debt crisis as a crisis that mostly affected the EAMS also enabled them to design the ESM and the EBU in an exclusive manner. Most non-EAMS accepted their exclusion as a logical consequence of their reduced affectedness and even tried to avoid indirect involvement. The establishment of agencies and deliberative venues for euro area-specific purposes facilitated the stabilisation of insider norms. EAMS representatives spent most of their time among themselves in exclusive venues. Together, they designed and implemented unprecedented reforms under extreme urgency and political pressure. Thus, they adopted the shared feeling that they were in this crisis together and could only solve it when they behaved constructively and built consensus quickly. This attitude also highlighted the distinctiveness between euro area insiders and outsiders, reinforcing DI as an idea. While the entanglement of these processes is evident, there is no clear sequence or causal direction. Rather, the institutionalisation of DI in EMU developed through the multidirectional and complex interactions of its subprocesses.

Facilitating Circumstances During the Sovereign Debt Crisis

The findings of this dissertation indicate that the institutionalisation of DI in EMU during the sovereign debt crisis was facilitated through specific circumstances of the sovereign debt crisis. First, there was the crisis itself. The sovereign debt crisis confronted the single currency area with the unprecedented and existential threat of disintegration. Furthermore, the EU's incapability to respond to immediate threats such as sovereign defaults or the sovereign-banking nexus highlighted the incompleteness of EMU. EAMS introduced a single currency without taking the necessary steps of fiscal and financial integration, such as a common fiscal backstop or a single system of banking supervision (Howarth & Quaglia, 2016, pp. 25-49). During the

sovereign debt crisis, EAMS had to resolve these deficits under enormous urgency and political pressure. If they had not agreed on mechanisms for financial assistance, indebted countries faced the prospect of leaving the single currency area. This disintegration would have come with severe economic and political repercussions. Therefore, the sovereign debt crisis set the political context in which the EAMS felt pressured to realise unprecedented reforms and transfer additional sovereignty to the European level to protect existing integration (Niemann & Ioannou, 2015)

Yet, the threats of disintegration posed by the sovereign debt crisis were insufficient to trigger the institutionalisation of DI in EMU. The necessary reforms and integration steps could have been realised through the EU's standard organisations and procedures without any implications for DI. This dissertation finds that the behaviour and political actions of individual member states and their representatives contributed to a stronger embeddedness of the distinction between euro area insiders and outsiders in EMU reforms and governance structures.

First of all, these findings relate to the UK. Facing strong scepticism towards European integration in the domestic context, UK representatives actively referenced DI to avoid involvement in integration steps. They constantly highlighted that euro area insiders and outsiders face different problems, and integration steps should apply to EAMS only. Chapter Four finds they even undermined reform debates by systematically violating deliberation and consensus-building norms. The UK's emphasis on DI in EMU also provoked the other non-EAMS to perceive themselves as euro area outsiders. This perception becomes evident in their reluctance to participate in EMU reforms and the rise of non-EAMS formats such as the dinner meetings held parallel to Eurogroup meetings (Chapter Four). Thus, while the sovereign debt crisis imposed enormous reform pressure on EMU structures, non-EAMS indicated they did not consider themselves responsible for these problems. EAMS representatives also emphasised the distinctiveness between euro area insiders and outsiders. Findings presented in Chapter Four suggest that especially French and Italian representatives insisted on keeping Eurogroup and

EWG exclusive for EAMS. Also, interviewees from other EAMS argued that non-EAMS should enter the euro area if they wished to join their meetings. This attitude also facilitated the formation of the EAMS as a distinct group in EMU governance.

Another factor facilitating the institutionalisation of DI in EMU was the lack of trust among EAMS governments towards the Commission. The interviews conducted for this dissertation indicate that EAMS were concerned that the Commission would rather pursue its own political ambitions than serve their needs. This finding corroborates intergovernmentalist studies demonstrating that EU member states were reluctant to empower supranational institutions and preferred to keep political authority in their hands (Fabbrini & Puetter, 2016; Schimmelfennig, 2015b). This focus on intergovernmentalist control went along with a stronger embeddedness of DI in EMU governance structures. For example, by providing the Eurogroup and the EWG with the key management tasks in the ESM, EAMS could maintain control over the design and implementation of financial assistance packages. At the same time, by transferring these competences to the euro area bodies instead of the Commission, the EAMS highlighted their distinctiveness within EMU governance. Also, regarding the EBU, the ambition to avoid an empowerment of the Commission (Howarth & Quaglia, 2015a) led to a stronger role of euro area specific structures. The ECB received major competences in banking supervision, and for banking resolution, they installed a new agency under the full control of EAMS. The intertwinedness between the institutionalisation of DI in EMU and the lack of trust among EAMS governments towards the Commission became particularly evident in the debate about the Eurogroup presidency. The EAMS finance ministers vehemently rejected the Commission's proposal to make the Commissioner for Economic and Financial Affairs the Eurogroup president. They did not trust a Commissioner to represent their specific interests as euro area insiders (Chapter Three).

Long-Term Implications for EMU Reforms and Governance

This conclusion has discussed multiple short-term implications of the institutionalisation of DI in EMU, such as the formation of parallel governance structures for euro area and EU-27 matters or the exclusivity of EMU reforms. After the sovereign debt crisis, EMU reform debates became more inclusive, and policies focused on all EU member states. Still, the institutional developments discussed in this dissertation have major implications for EMU governance until today. Most importantly, the Eurogroup and the EWG still play a major role after the sovereign debt crisis. Their large administrative capacities, high normative density and insulation from domestic audiences might be some reasons why they have become attractive venues to host intergovernmental deliberations among all EU member states (Lewis, 2010). The Eurogroup and EWG evolved from euro area to EU-27 bodies directly competing with the Economic and Financial Configuration of the Council (ECOFIN) and the Economic and Financial Committee (EFC). The division of competences between the intergovernmental formats becomes increasingly fuzzy. For example, in the debate about the EU's fiscal response to the economic implications of the COVID-19 crisis, the Eurogroup effectively worked as an informal ECOFIN (Verdun, 2022, p. 317). Also, the then Eurogroup president, Mario Centeno, had multiple meetings with the presidents of the European Council and the Commission, representing the joint position of all EU Finance Ministers. The inclusiveness of the Eurogroup and EWG also helped to maintain the political competences they gained during the sovereign debt crisis. For example, the future of the EBU is still negotiated in the Eurogroup within an inclusive Banking Union format permitting the participation of non-EAMS representatives.

Despite these recent developments towards more inclusiveness, DI remains embedded in EMU governance. The Eurogroup and the EWG still host intergovernmental deliberations on euro area specific issues such as the reform of the ESM (Zagermann, 2024, pp. 204-209) or the possible issuance of a digital euro (Eurogroup, 2023a). Also, EAMS representatives meet in

informal formats to coordinate common positions in ongoing reform debates. For example, in preparing the proposal for the SGP reform, the Commission consulted the Eurogroup on the euro area-specific aspects (European Commission, 2022b). Thus, the idea that there are euro area-specific matters in EMU integration is still influential and the Eurogroup and EWG remain important formats to satisfy the resulting needs for governance. The multiple processes of institutionalisation during the sovereign debt crisis have enshrined the distinction between euro area insiders and outsiders in elites' intersubjective realities, daily governance practices and organisational structures. As long as integration in EMU is differentiated, there is no reason to dissolve the resulting institutional structures.

Academic Contributions

Combining an institutionalist approach with insights from the literature on DI in the EU, this dissertation aimed to enhance our understanding of DI as a factor that shapes processes and structures of EU governance. Institutional perspectives are very influential in the EU studies literature. Yet, so far, they have rarely been used to study the differentiated nature of the EU. Thus, while scholars have built up extensive knowledge about how EU institutions develop and structure processes of EU governance, we know little about the institutional implications of DI. This research gap becomes pressing when considering that DI has evolved into a systematic feature of the EU (Leuffen, Rittberger & Schimmelfennig, 2022, p. 22). This dissertation aimed to develop the theoretical tools as well as gather and analyse the empirical material to understand whether and how DI matters for EU institutions. It shed light on the numerous manifestations and discussed the implications of the institutionalisation of DI in EMU during the sovereign debt crisis.

The findings of this dissertation make significant contributions to academic debates on the institutions of EMU governance and DI in the EU more generally. In both debates, the sovereign

debt crisis is often called the euro area or the Eurozone crisis. The omnipresence of these labels shows how much the relevance of DI in EMU is taken for granted. Only a few studies explicitly discuss the consequences of DI or consider non-EAMS perspectives in EMU reform debates (e.g. Howarth & Quaglia, 2013, pp. 114-117; Puetter, 2014, pp. 167-170). In the literature on EMU institutions, there is hardly an awareness of how deeply the distinction between euro area insiders and outsiders has become embedded in EMU governance structures and, thus, shaped reform processes during the sovereign debt crisis. Shedding light on these aspects, this dissertation can enhance our understanding of the strong role of intergovernmental institutions and de novo bodies in EMU. Furthermore, it points to the conflicts between euro area insiders and outsiders, which have been covered by the divisions between Northern and Southern or creditor and debtor states. In the literature on DI in the EU, scholars have paid little attention to how DI matters for EU governance processes or institutions (Dyson & Marcussen, 2010; Schimmelfennig, Leuffen & De Vries, 2023; Tekin, 2012). Here, the dissertation can offer the theoretical tools and empirical findings. In particular, this dissertation sheds light on the strong role of intergovernmental institutions and raises questions about accountability and transparency in the governance of DI in EMU. Furthermore, this dissertation contributes to debates on the impact of DI on outsiders, the evolution of DI during EU crises and its relationship to recent dynamics of the contestation of European integration.

The first contribution of this dissertation to the literature on institutions of EMU governance concerns the reinforcement of intergovernmental institutions. Several studies have highlighted the key role of the Eurogroup and EWG in crisis management and EMU reform processes during the sovereign debt crisis (Puetter, 2012, 2016; Schlosser, 2019, pp. 88-95). This dissertation demonstrated that DI also facilitated this institutional development. Political elites perceived the crisis' major threats as mostly applying to the EAMS. Against this background, the Eurogroup and EWG became the venues in which EAMS representatives could search for and implement solutions for their problems without non-EAMS intervening. The emphasis on

the distinction between euro area insiders and outsiders triggered new needs for governance and through reinforcing the two euro area bodies, EAMS could accommodate those.

Second, the findings also offer a new perspective on the design of the ESM and the EBU as de-novo bodies (Bickerton, Hodson & Puetter, 2015, pp. 713-714; Howarth & Quaglia, 2015a). While insights of this dissertation confirm the reluctance to empower the Commission, they also hint at DI as an additional factor. The creation of new instruments for financial assistance and common banking supervision was considered the main responsibility of the EAMS. Most non-EAMS even actively tried to minimise their involvement in the related reform projects. Thus, transferring new competencies to new or existing institutions under the exclusive control of EAMS officials was also a way to recognise distinctiveness in EMU and keep out non-EAMS of the governance of euro area matters. In this regard, the realisation of the EFSF and ESM outside the EU structures resembles earlier practices to operationalise DI in the EU, such as the Schengen Agreement (Verdun, 2015, p. 226).

Third, the findings of this dissertation shed light on neglected conflict structures during the sovereign debt crisis. The concepts of core and periphery or creditor and debtors are regularly used to stress asymmetric relationships between member states inside the euro area (e.g. Howarth & Verdun, 2020, p. 288; Laffan, 2017; Schimmelfennig, 2015b). Considering the perspective of DI, this dissertation revealed asymmetries between EAMS and non-EAMS. Building up independent structures of intergovernmental deliberation and crisis management, EAMS put themselves into the position to regulate non-EAMS involvement in EMU reform debates and decision-making processes. While EAMS did not use their gatekeeper powers to exclude non-EAMS systematically, they granted access according to perceived compliance with their own norms. Thus, without playing down the asymmetries inside the euro area, one could argue that the emphasis on DI in institutional structures put EAMS at the core of the EMU reform processes while non-EAMS found themselves as spectators in the periphery who could participate only if core members considered them trustworthy.

Regarding DI in the EU, the first contribution of this dissertation relates to our understanding of its consequences for EU governance. In the literature, DI is often discussed as a pure phenomenon of EU integration. This focus motivates scholars to study the demand and supply of DI (Schimmelfennig & Winzen, 2020, pp. 67-82) or discuss its normative desirability and fairness (Bellamy & Kröger, 2023; Lord, 2021). However, once it is implemented, DI comes with structural implications for daily processes of EU governance, and so far, scholarship has rarely engaged with those. This dissertation has developed a theoretical framework to uncover and analyse the multiple ways DI can become embedded in the EU's institutional structures. I argue that the institutionalisation of DI in a particular EU policy area can be studied by analysing how and with which implications the distinction between insiders and outsiders shapes processes and structures of daily governance systematically. Furthermore, this dissertation has used this theoretical framework to produce an empirical account of the institutionalisation of DI in EMU during the sovereign debt crisis. The findings demonstrate that the distinction between euro area insiders and outsiders was embedded in multiple dimensions of EMU governance, including intersubjective realities as well as organisational structures of intergovernmental governance and crisis management.

The second contribution of this dissertation on the consequences of DI for EU governance relates to the role of supranational institutions. During the sovereign debt crisis, EAMS satisfied their needs for euro area-specific governance through intergovernmental structures circumventing the standard structures and procedures of EU governance. More supranational alternatives, such as a Euro Finance Minister (Enderlein & Haas, 2015) or a euro area configuration of the EP (Curtin & Fasone, 2017; Heermann & Leuffen, 2020), were not realised. Acting under political pressure and urgency, the EAMS governments opted for ad-hoc solutions through which they could gain new governance capacities without losing political control (Fabbrini & Puetter, 2016). They formed a parallel system of euro area governance in which the two supranational institutions in the EU have a limited influence. After the sovereign debt

crisis, the Commission (2017a) and the EP (2018) presented strategies for dealing with DI in the EU. Still, statements from Commissioners and members of the EP (MEP) suggest that they are more eager to prevent DI than help to accommodate the resulting governance needs (Fromage & Fasone, 2022; Rosen, 2022). Thus, intergovernmental institutions are likely to maintain a dominant role in the governance of DI in the EU.

The third contribution of this dissertation regarding the institutional consequences of DI in the EU is related to its effect on accountability and transparency in EU governance. During the sovereign debt crisis, EAMS depended on consensus-building to find and implement joint measures most effectively (Puetter, 2012, 2016). To facilitate consensus-building, it became a key priority to ensure insulation and offer member state representatives a ‘space to think’ (Hillebrandt & Novak, 2016). This dissertation has shown how insulation in the Eurogroup and EWG was increased by reducing the effective number of participants or determining common lines of communication (Chapter Three). While after the sovereign debt crisis, the Eurogroup implemented measures to increase transparency (Eurogroup, 2019), confidentiality and secrecy remain at the core of the euro area body. Thus, until today, it has remained difficult to hold Finance Ministers and state secretaries of the EAMS accountable for their political actions in the Eurogroup and EWG as well as the ESM (Akbik, 2022, pp. 133-175; Howarth & Spendzharova, 2019). Due to its informal character, the EP has no formal control over the Eurogroup. Even if Eurogroup presidents are highly responsive to the questions of MEPs within the Economic Dialogue (Akbik, 2022, p. 172), it has become evident that the governance of DI has posed democratic challenges to the EU. The intergovernmental structures of euro area governance remain outside the reach of parliamentary oversight, both on the European and national levels. This finding feeds into the debate on the democratic implications of DI in the EU (Fossum, 2015; Kröger, Lorimer & Bellamy, 2021).

Despite these rather negative implications for democratic legitimacy in EU governance, this dissertation does not conclude that DI is undesirable for the EU. In fact, DI has multiple benefits

for the EU and its member states. Most importantly, it allows them to accommodate differences regarding administrative and economic capabilities as well as political preferences (Winzen & Schimmelfennig, 2016). This dissertation does also not reject the institutionalisation of DI as such. Rather, its findings highlight the need for group-specific institutions to satisfy the governance demands resulting from DI. Still, based on the findings of this dissertation, it is evident that the EU needs to find better institutions to govern DI. Rather than adding another proposal for institutional design, I argue that those questions should be answered in a fair process, bringing together representatives from EU member states and institutions. All actors need to go beyond individual debates about exceptions and consider DI as a systemic condition of the EU as a polity (Leuffen, Rittberger & Schimmelfennig, 2022). While a perfect *veil of ignorance* (Rawls, 1999, p. 11) is illusionary, especially insiders should distance themselves from their role-specific interests and, together with outsiders, determine a common standard of how DI should be governed applicable to all EU policy areas. Based on the findings of this dissertation, institutional designs should address the legitimate interest of insiders in handling specific affairs among themselves while avoiding negative implications through inclusiveness and transparency. In particular, involuntary outsiders should get equal access to policy debates by which they are affected and have a fair chance to become insiders themselves.

Beyond shedding light on institutional consequences, this dissertation also contributes to debates on the implications of DI for actors and dynamics of European integration more generally. First, the findings enrich our knowledge about the implications of DI for outsiders. Several studies focus on single-country cases of EU member states excluded from EU governance processes after voluntary opt-outs (Adler-Nissen, 2009; Marcussen, 2005; Naurin & Lindahl, 2010). Yet, this dissertation demonstrated that DI has implications for all outsiders regardless of whether they are subject to constitutional or instrumental DI. The distinction between euro area insiders and outsiders became increasingly salient during the sovereign debt crisis. This dichotomy facilitated the reinforcement of the Eurogroup and EWG as separate

structures of euro area governance. Facing the existential threat posed by the crisis, EAMS built up separate governance structures so they could design and implement countermeasures without depending on non-EAMS cooperation. At the same time, the findings also indicate that despite this systematic exclusion of non-EAMS representatives, ‘the boundary between sitting inside and outside is not clear cut’ (Svendsen & Adler-Nissen, 2019, p. 1428). Earlier findings about different strategies to manage outsiders and their possible outcomes (Adler-Nissen, 2014, p. 111) were still relevant during the sovereign debt crisis. Yet, they needed to be applied to all euro area outsiders equally.

Second, this dissertation offers insights into the conditions which might facilitate the reinforcement of DI in the context of EU crises. Several studies suggest that DI might produce the conditions for further divergence between insiders and outsiders and, thus, develop in a self-reinforcing manner (Jensen & Slapin, 2012; Kölliker, 2001). The introduction of euro area specific reforms during the sovereign debt crisis has been interpreted as the result of such a path dependence of DI in EMU (Schimmelfennig, 2016; Schimmelfennig & Winzen, 2023). Studying the relevance of DI in daily processes and structures of EMU governance, this dissertation went beyond the analysis of reforms and integration steps. Thus, it could show that the reinforcement of DI in EMU was facilitated by a high salience of the distinction between euro area insiders and outsiders among political elites and its recognition in institutional structures of EMU governance. For other contexts of DI in the EU, these findings stress the relevance of institutional and cognitive factors. In a particular crisis, DI will only reinforce if elites consider the distinction between insiders and outsiders of integration as politically relevant and distil group-specific governance needs. Such a perception needs to be complemented by the establishment or reinforcement of group-specific governance structures so that elites are in charge of the political and administrative capacities to design and implement initiatives of group-specific integration. In EMU, the transformation of the Eurogroup and

EWG into viable structures of euro area governance allowed the establishment of the ESM and the EBU as independent structures under the exclusive authorities of the EAMS.

Third, this dissertation offers insights on the relationship between DI and the politicisation of European integration. Originally, DI was considered an effective instrument to silence sovereignty concerns in national discourses about European integration, particularly regarding core state powers such as migration or monetary politics (Schimmelfennig & Winzen, 2020, pp. 61-65). The UK was the champion of DI in the EU. By providing the UK with opt-outs in multiple policy areas, it was hoped to accommodate concerns about national sovereignty and, thus, counter the politicisation of European integration in the country's national discourse. However, in the context of the national referendum on the UK's membership in the EU, Eurosceptic voices gained traction and eventually, the British citizens voted in favour of leaving the EU. Some scholars have argued that DI has contributed to facilitating Brexit rather than avoiding it (Cini & Verdun, 2018; Leruth, Gänzle & Trondal, 2019). The findings of this dissertation regarding the institutionalisation of DI in EMU point in a similar direction. Already during the establishment of the Eurogroup in 1998, UK representatives expressed concerns that they would be excluded from important decisions in EMU politics. The reinforcement of the euro area bodies (Chapter Three), accompanied by an even more consequent exclusion of non-EAMS representatives (Chapter Four), further accelerated these concerns. Multiple interviewees indicated that UK representatives were suspicious of Eurogroup and EWG meetings. They argued that agreements among EAMS regarding fiscal bailouts or the EBU would have implications for the UK's political sovereignty without them having a proper voice in the decision-making process. Thus, the institutionalisation of DI strengthened Eurosceptic voices, feeding into existing concerns about the consequences of European integration for national sovereignty. These concerns could also not be silenced by the deal the UK government negotiated with the EU prior to the Brexit referendum, which included a statement confirming that all EMU reforms would be voluntary for member states outside the euro area.

To summarise, this dissertation makes multiple contributions to the academic debates on institutions of EMU governance and DI in the EU. Regarding the former stream of the EU studies literature, it explains the special role of the Eurogroup and EWG in comparison to their EU-27 counterparts, i.e. ECOFIN and the EFC, offers a new perspective on why the ESM and the EBU have been designed as de-novo bodies and sheds light on the neglected between EAMS and non-EAMS during the sovereign debt crisis. Regarding DI in the EU, the findings of this dissertation enrich our understanding of the institutional implications of DI in the EU. They shed light on the institutional designs to govern DI in the EU and the implications of DI for accountability and transparency in EU governance. Furthermore, this dissertation offers original insights on the implications of DI for outsiders, the reinforcement of DI in the context of EU crises and the relationship between DI and the politicisation of European integration.

Limitations and Suggestions for Future Research

Despite its contributions, this dissertation faces limitations resulting from the study design, its theoretical and empirical focus as well as its temporal fixation on the sovereign debt crisis. These limitations provide opportunities for further research.

This dissertation is designed as a single case study focussing on DI in EMU. Therefore, it has limitations regarding the generalisability of its findings. In other EU policy areas, the institutionalisation of DI might have different manifestations or implications. In Justice and Home Affairs (JHA), the management of DI seems to be more inclusive and integrated into EU-27 structures. Usually, legislative proposals concerning the Schengen Area are discussed among all EU member states plus the non-EU Schengen members within the mixed committee format of the JHA Council. Furthermore, the Schengen outsiders are fully integrated into the management boards of relevant agencies such as the European Border and Coast Guard Agency or the European Union Agency for Asylum. At the same time, the rise of the Schengen Council

might undermine this inclusiveness. Since May 2022, the interior ministers of those countries inside the Schengen Area have met regularly in the informal group to coordinate on issues of daily governance and possible reforms (Council of the EU, 2023). Studies examining the format's inclusiveness, its relevance within governance and reform processes and long-term stability might help assess whether and how the Schengen Council contributes to institutionalising DI in JHA. These remarks highlight that institutional developments regarding DI vary among EU policy areas. Comparative studies might enhance our understanding of how and with what implications DI is embedded in processes and structures of EU governance more generally. They might also shed light on different practices in EU policy areas to accommodate governance needs due to DI.

As another consequence of the single case research design, the findings of this dissertation can hardly be generalised beyond the context of EU governance. In the European context, there is a formal distinction between members and non-members of the EU. While the enlargement procedure is supposed to blur this distinction opening a pathway into the EU, recently, it has lost its effectiveness due to rebordering processes within and the politicisation of EU enlargement discourses (Schimmelfennig & Bélanger, 2021). At the same time, new formats have been established to bring European states together outside the EU framework. Since October 2022, the 47 member states of the European Political Community have met twice a year to discuss common threats and agree on joint countermeasures. Building upon theoretical and methodological considerations in this dissertation, future studies might analyse the effectiveness of such formats to facilitate cooperation between insiders and outsiders of the EU and, thus, reduce the distinctiveness between these two groups in practice. Yet, the relevance of DI reaches beyond Europe. Gänzle and Wunderlich (2022) have demonstrated that examples of differentiated (dis-)integration can be found in regional organisations around the entire globe. It would be insightful to compare whether and how the resulting differences among the member states manifest themselves in institutional structures. Next to the empirical insights, such studies

might also help to refine theoretical assumptions. Regional organisations vary regarding their depth of integration and the level to which cooperation between their member states is institutionalised (Hettne & Söderbaum, 2000). Thus, comparative studies might enhance our understanding of how institutional structures of cooperation predetermine manifestations of the institutionalisation of DI within the respective regional organisation.

Another set of limitations relates to the ability to determine the effect of crises on the institutionalisation of DI in the EU. The comparison between the sovereign debt and the COVID-19 crisis shows that the effect of crises is moderated by the influence of DI as an idea structuring elite crisis perceptions. Yet, what about the relationship between crisis outcomes and the institutional embeddedness of DI? Schimmelfennig and Winzen (2023) find that DI in JHA has remained stable due to the lack of significant integration steps in response to the migration crisis. Similar findings might be made regarding the crisis' effects on the institutionalisation of DI in JHA. Theoretically, one could argue that without differentiated reforms, there is no demand for new structures or resources of differentiated governance. At the same time, the institutionalisation of DI in the EU might not require explicit reforms. Already, the sheer confrontation with an existential crisis might motivate representatives from either insiders or outsiders to gather frequently or even initiate new meeting formats, thus facilitating an institutionalisation of DI in the respective policy area. Future studies might integrate the concept of crisis into the theoretical framework of the institutionalisation of DI in the EU and conduct comparative research on the institutional consequences of crises within differentiated policy areas to shed light on this and similar questions.

Finally, since the main temporal focus of this dissertation is on the sovereign debt crisis, it cannot address the new questions raised by the inclusiveness of the Eurogroup and EWG after the crisis. One could argue that this institutional development is a manifestation of an ongoing deinstitutionalisation of DI in EMU. This dissertation demonstrated that meetings in the inclusive formats of the Eurogroup and EWG contributed to a reduced ideational influence of

DI during the COVID-19 crisis. Future studies might determine whether and how such findings are embedded in an advancing dissolution of the distinctiveness between EAMS and non-EAMS in EMU governance. If studies can find a deinstitutionalisation of DI in EMU, it would raise questions about possible explanations. For example, it might be related to a learning process triggered by Brexit. While differentiation was often seen as a convenient tool to realise EU integration despite heterogeneity among member states, the decision of the UK to leave the EU highlighted the downsides of DI, such as fragmentation or alienation (Chopin & Lequesne, 2016; Cini & Verdun, 2018, pp. 68-69; Leruth, Trondal & Gänzle, 2019). Therefore, policymakers might have become more eager to reduce the distinctiveness between insiders and outsiders and, thus, prevent further instances of disintegration. Finally, one could ask whether deinstitutionalisation also leads to a reduction of DI in EMU. Several euro area outsiders have joined the single currency area after the sovereign debt crisis. Future research might assess whether and how a higher inclusiveness in EMU governance processes might have facilitated these developments.

Closing Remarks

Recognising the distinction between different groups of EU member states in EU institutions is taboo until today. In the EU, unitarian integration is still considered the ideal option (Schimmelfennig & Tekin, 2023, p. 103). DI is only accepted as a compromise when unitarian integration is impossible due to the heterogeneity of member state preferences or capacity (European Parliament, 2018, p. 4). Furthermore, it is often designed as a temporary solution (Schimmelfennig & Winzen, 2020, pp. 52-56). Outsiders of integration should follow insiders once they built up the necessary capacities, fulfilled certain criteria or integration has become less controversial in their domestic debates. Therefore, establishing distinctive structures or processes of EU governance as a consequence of DI was not considered necessary. By contrast,

there is a concern that the systematic distinction between insiders and outsiders in EU institutions might contribute to fragmentation and, thus, hamper the dissolution of DI in the EU (Chopin & Lequesne, 2016, pp. 533-536). All EU member states should be included in governance and reform processes so that, eventually, unity can be restored.

During the sovereign debt crisis, however, this taboo regarding the institutional recognition of DI in the EU was broken. Within structures and processes of EMU governance and crisis management, a systematic distinction was made between euro area insiders and outsiders. This dissertation has demonstrated how DI in EMU became institutionalised in organisational structures, norms and ideas. It became evident that the two groups of EU member states could not continue with a unitarian set of governance structures. The sovereign debt crisis revealed severe shortcomings in the economic, fiscal and monetary integration of the EU, and it was perceived as the sole responsibility of the EAMS to counter immediate threats to the single currency area and make EMU more resilient. Therefore, EAMS built up parallel structures of euro area governance, enabling them to design and implement measures of crisis management and EMU reforms independently. Furthermore, EAMS representatives were socialised into insider norms of deliberation and consensus-building. The results of this multidimensional process of the institutionalisation of DI in EMU have major implications for EMU reforms and institutions of EMU governance until today.

This dissertation contributes to a broader shift of focus within the academic debate on DI in the EU. In EU studies, the rise of institutionalist approaches constituted a turning point: While previous studies were concerned with explaining EU integration, institutionalist scholars started to analyse the structures and processes of EU governance (Jupille & Caporaso, 1999; Pollack, 2019, p. 109). They showed that for a comprehensive understanding of the EU, scholars must engage with the EU's institutional system and its politics. Institutional perspectives played a negligible role in the early literature on DI in the EU. Just as in the early European integration literature, scholars focused on explaining DI in the EU rather than examining its institutional

implications. Recently, however, studies focusing on structures and processes of EU governance seem to have gained momentum. Recent contributions offer proposals for how DI might be operationalised in EU institutions (Fabbrini, 2019; Heermann & Leuffen, 2020; Schmidt, 2019) or determine criteria to evaluate the effects and merits of DI on EU governance (Schimmelfennig, Leuffen, De Vries, 2023). The *Routledge Handbook of Differentiation in the EU* (Leruth, Gänzle & Trondal, 2022) even contains an entire section on how EU institutions deal with DI. This dissertation has studied whether and how DI in EMU has become embedded in structures and processes of EMU governance. The hope is that such studies contribute to a genuine understanding of the institutional implications of DI in the EU. Moreover, these recent contributions to the literature and this dissertation should spill over into a public debate about whether and how group-specific governance needs in the EU can be addressed.

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Appendix One

Complete List of Interviews¹⁸

- Interview 1: Author interview with Thomas Wieser (Chair of the EFC, 2009-2011 and President of the EWG, 2012-2018), 5 November 2020.
- Interview 2: Author interview with Lorenzo Codogno (Chair of the Economic Policy Committee (EPC), 2010-2011, Representative of Italy to the EPC, 2012-2014), 16 November 2020.
- Interview 3: Author interview with Jeroen Dijsselbloem (Dutch Minister of Finance, 2012-2017; President of the Eurogroup, 2013-2018), 18 November 2020.
- Interview 4: Author interview with an official from the Permanent Representation of Hungary to the EU, 19 November 2020.
- Interview 5: Author interview with an official from the UK Treasury, 24 November 2020.
- Interview 6: Author interview with Ludwik Kotecki (Representative of Poland to the EFC, 2008-2012), 25 November 2020.
- Interview 7: Author interview with Georges Heinrich (Representative of Luxembourg to the EFC, 2009-2014), 25 November 2020.
- Interview 8: Author interview with an official from the Swedish Finance Ministry, 26 November 2020.
- Interview 9: Author interview with an official from the Polish Finance Ministry, 27 November 2020.
- Interview 10: Author interview with an official from the German Finance Ministry, 30 November 2020.

¹⁸ All interviewees were asked to sign consent forms. In these documents they could make choices regarding anonymity and direct attribution of quotes. This list reflects these choices.

- Interview 11: Second author interview with Georges Heinrich (see Interview 7 on 25 November 2020), 1 December 2020.
- Interview 12: Author interview with an official from the Spanish Finance Ministry, 3 December 2020.
- Interview 13: Second author interview with an official from the Polish Finance Ministry (see Interview on 27 November 2020), 4 December 2020.
- Interview 14: Author interview with an EU official, 8 December 2020.
- Interview 15: Author interview with Stefan Pflüger (Director of the Secretariat of the Eurogroup/EWG, since 2010), 9 December 2020.
- Interview 16: Author interview with an official from the Council Secretariat, 11 December 2020.
- Interview 17: Second author interview with Thomas Wieser (see Interview 1 on 5 November 2020), 11 December 2020.
- Interview 18: Author interview with an official from the Council Secretariat, 15 December 2020.
- Interview 19: Author interview with an official from the Council Secretariat, 16 December 2020.
- Interview 20: Author interview with an official from the Swedish Finance Ministry, 17 December 2020.
- Interview 21: Author interview with Jesper Ulriksen Thuessen (Principal Counsellor for European Relations at the Danish National Bank, 1993-current), 5 January 2021.
- Interview 22: Author interview with Per Callesen (Chair of the Danish National Bank and Representative of the Danish National Bank to the EFC, 2011-current), 8 January 2021.

- Interview 23: Author interview with Vittorio Maria Grilli (Representative of Italy to the EFC, 2005-2011, Chair of the EFC, 2011 and Italian Minister of Finance, 2012-2013), 12 January 2021.
- Interview 24: Author interview with an official from the Hungarian Finance Ministry, 15 January 2021.
- Interview 25: Author interview with an official from the German Finance Ministry, 19 January 2021.
- Interview 26: Author interview with an official from the UK Treasury, 20 January 2021.
- Interview 27: Author interview with an EU official, 22 January 2021.
- Interview 28: Author interview with an official from the Danish Finance Ministry, 22 January 2021.
- Interview 29: Author interview with an official from the French Ministry of Finance, 27 January 2021
- Interview 30: Author interview with an official from the Permanent Representation of Denmark to the EU, 29 January 2021
- Interview 31: Author interview with Steen Lohmann Poulsen (Representative of Denmark to the EFC, 2011-2014), 10 February 2021.
- Interview 32: Author interview with an official from the Slovakian Finance Ministry, 18 February 2021.
- Interview 33: Second author interview with Ludwik Kotecki (see Interview 6 on 25 November 2020), 21 March 2022.
- Interview 34: Third author interview with Thomas Wieser (see Interview 1 on 5 November 2020 and Interview 17 on 11 December 2020), 22 March 2022.
- Interview 35: Third author interview with Georges Heinrich (see Interview 7 on 25 November 2020 and Interview 11 on 1 December 2020), 4 April 2022.

Interview 36: Author interview with an official from the Hungarian Ministry of Finance, 5 April 2022.

Interview 37: Author interview with an official from the Permanent Representation of Portugal to the EU, 5 April 2022.

Interview 38: Author interview with an official from the European Parliament, 22 April 2022.

Interview 39: Author interview with an official from the Council Secretariat, 22 April 2022.

Appendix Two

Participant Consent Form



Participant Consent Form

United in Distinctiveness-

The institutionalisation of differentiated integration in EMU during the sovereign debt crisis

You are invited to participate in the PhD research project entitled **Institutionalised Diversity: Studying the institutionalisation of differentiated integration in EMU in the context of the sovereign debt crisis**, for which Alexander Schilin is the Principal Investigator.

Alexander Schilin is a PhD Researcher at the Institute of Political Science, Leiden University, Netherlands. You may contact him via mail, a.schilin@fsw.leidenuniv.nl. He is supervised by Prof Dr Amy Verdun, University of Victoria, Canada and Leiden University, Netherlands (a.c.verdun@fsw.leidenuniv.nl). This research is conducted as a PhD research project funded by the Institute of Political Science at Leiden University, Netherlands.

Purpose and Objectives This PhD research project studies the role that differentiated integration (DI) in Economic and Monetary Union (EMU) has played during the sovereign-debt crisis. I focus explicitly on institutional structures. In the existing literature the implications of DI have mostly been investigated from an agency-centred perspective which has led to a rather limited understanding structural implications of DI in the EU. We lack an understanding about whether and how in the EU's institutional structures DI systemically reshapes the way how member states' interactions are organised. In my dissertation project, I analyse organisations, rules and norms that were introduced or reinforced during the sovereign debt crisis and recognise the distinction between euro area and non-euro area member states in EMU governance. Thus, I aim to close the research gap and enhance our understanding of how DI has structured interaction and mutual perceptions between member states' representatives in the Council of the EU and outcomes of negotiations on EMU reforms.

Participants Selection You are asked to participate in this study because between 2009 and 2014 you have been involved in the negotiations that have taken place in the context of the sovereign debt crisis either on behalf of a EU member state or as a representative/employee of an EU institution.

What is involved? If you agree voluntarily to participate in this research, your participation will involve answering questions during an interview, which will take approximately one hour (list of questions attached). The interviews would normally be audio taped, unless you indicate that you do not want that. The interview will be conducted online. With regard to the online video platform via the interview is conducted, you have the final say.

Inconvenience Participation in this study takes approximately one hour of your time for the purpose of the interview, as well as any preparations you might want to make before the interview takes place.

Risks The Ethics Review Committee of Social Science at the Faculty of Behavioural and Social Sciences of Leiden University, requires that at any time I do everything possible to protect you from facing any harm from participating in my research project. Especially this applies to any type of misuse of the information that you are going to provide me with during the interview that might have harmful implications to either your work or your private life, e.g. the loss of reputation within or outside your organization. Should you, at any moment, choose not to take part in the research project, please inform me about your decision. In that case, I will not include insights obtained through you in the final publications.

Benefits As a result of this study, I plan to produce academic articles published in high-ranking journals within the field of European Union studies. If you are interested, you may obtain copies of all articles once they are published. This study may have potential benefits to society, as it will provide a better understanding what impacts differentiated integration does have on the EU's institutions and how that affects the way the EU member states interact with each other as well as their relationship.

Compensation There is no monetary compensation for participating in the research.

Appendix Three

Standard Interview Questions

Questions for Interviewees from Euro Area Insiders

1. From your own perspective, what has been the most critical reform (package) to the structures of euro area governance that the EU member states have agreed on in the context of the sovereign debt crisis?
 - a. What role did meetings in the Eurogroup Working Group (EWG) have when negotiating this reform (package)?
 - b. To what extent have non-euro area members been involved in the negotiations?
2. Considering your experiences during the crisis, could you compare meetings in exclusive euro member formats within the two Councils, such as the Eurogroup or the EWG, to the equivalent EU formats, i.e. ECOFIN Council or Economic and Financial Committee (EFC)?
 - a. How did the two types of meetings differ from each other in terms of length, content and style of interaction?
 - b. Which type of meetings has been more impactful for then ongoing negotiations?
3. During the time of the sovereign debt crisis, you participated in numerous meetings of the Eurogroup/EWG. Could you tell me more about this group/committee and how it developed during the crisis?
 - a. How did the Eurogroup/EWG meetings evolve throughout the course of the crisis regarding the issues which have been discussed and the frequency of meetings?
 - b. How would you assess the impact of the reforms that have been applied to the Eurogroup/EWG in October 2011?
 - c. How did these developments impact the relationship between euro area member states and non-euro area member states?
4. What other institutions/informal meeting formats do you find important to understand EU member states' interaction during the sovereign debt crisis that we have not discussed so far?
5. From your own perspective, what role has euro membership played in the context of the crisis?
6. In the context of the crisis, exclusive euro area member formats such as the Eurogroup or the Eurogroup Working Group gained a major relevance in the daily processes of coping with the crisis. How do you assess this development from the perspective of the euro area member states?
 - a. From the perspective of INSERT COUNTRY.
 - b. From the perspective of euro area member states in general.
 - c. How do you see the recent increase of inclusive formats within the Eurogroup meetings and the Euro Summit?

7. Do you have anything else to add to this conversation in light of my research project?
8. Could you perhaps name other persons that you find relevant to my research? Could you perhaps connect me to these people?

Questions for Interviewees from Euro Area Outsiders

1. From your own perspective, what has been the most critical reform (package) that the EU member states have agreed on in the context of the sovereign debt crisis?
 - a. Could you tell me more about the process of negotiating this reform (package)?
 - b. To what extent has INSERT COUNTRY been involved in the relevant meetings?
 - c. To what extent have non-euro area member states in general been involved in the relevant meetings?
2. Considering the process of negotiating the most critical reforms to euro area governance, could you reflect on the differences between meetings in exclusive euro area formats such as the Eurogroup or the Eurogroup Working Group (EWG) and the equivalent EU formats, i.e. the ECOFIN Council or the Economic and Financial Committee (EFC)?
 - a. What do you know about topics or issues which have been discussed in the exclusive euro area formats?
 - b. How have INSERT COUNTRY representatives been involved in debates which also touched upon INSERT COUNTRY interests or needed the INSERT COUNTRY approval in the ECOFIN-Council?
 - c. Has the degree to which non-euro area member states were involved in the main negotiations been appropriate?
3. In the context of the crisis, exclusive euro area member formats such as the Eurogroup or the Eurogroup Working Group gained a major relevance in the daily processes of coping with the crisis. What do you think has been the impact of that?
 - a. From the perspective of INSERT COUNTRY
 - b. From the perspective of the non-euro area member states in general
 - c. How did you try to ensure that the INSERT COUNTRY perspective was still taken into account?
4. During the crisis, the non-euro area member states have established their own dinner meeting format. Could you tell me more about that?
 - a. Why has the dinner format been established?
 - b. What have been the main topics discussed?
 - c. How important was the format to INSERT COUNTRY?
5. Do you think that euro membership played a significant role in the context of the crisis?
6. In the context of the crisis, have the euro area member states established their own institutional system, reinforcing existing formats such as the Eurogroup or the Eurogroup Working Group and establishing new formats such as the Euro Summit? How do you assess this development?
 - a. From the perspective of INSERT COUNTRY.
 - b. From the perspective of non-euro area member states in general.

- c. How do you see the recent increase of inclusive formats within the Eurogroup meetings and the Euro Summit?
7. Do you have anything else to add to this conversation in light of my research project?
 8. Could you perhaps name other persons that you find relevant to my research? Could you perhaps connect me to these people?

Appendix Four

Coding Schemes

The empirical data gathered for this dissertation in semi-structured elite interviews was analysed through design-based coding schemes. The main findings are presented in the Chapters Three, Four and Five. Each chapter focusses on one manifestation of the institutionalisation of differentiated integration (DI) in Economic and Monetary Union (EMU) during the sovereign debt crisis. In the theoretical and methodological sections of the corresponding chapters, I presented analytical categories to determine whether and, if so, how and with what implications DI has become embedded in organisational structures, norms and elite ideas. The analytical categories helped me to develop codes through which I analysed the interview transcripts systematically. This appendix provides an overview of the main codes I relied on throughout the empirical analysis.

Chapter Three: Analysing Euro Area Organisations

Chapter Three studied whether and if so, how and with what implications the institutionalisation of DI in EMU manifests itself in organisational structures. For this purpose, it analysed the evolution of the Eurogroup and Eurogroup Working Group (EWG) during the sovereign debt crisis. In the empirical analysis, I relied on a framework developed by Olsen (2009, pp. 10-11). He argues that the institutionalisation of organisational structures in the context of the EU can be analysed through the dimensions of structuration, standardisation and reallocation. I used these analytical dimensions as categories so I could develop codes through which I analysed the interview transcripts systematically (pp. 86-87).

Table A4.1 Analytical Categories and Codes Guiding the Empirical Analysis in Chapter Three

Analytical Categories and Codes	Code Description	Example
Structuration – Political Authority Transferred to the Eurogroup/EWG		
Political Competences and Tasks	Interviewees identify explicit and substantial governance tasks that were transferred to the Eurogroup or EWG.	‘The Eurogroup and the EWG had the biggest impact in setting up the EFSF and ESM and then signing off the disbursements.’ (Interview 16)
Standardisation – Norms and Values within the Eurogroup/EWG		
Organisational Norms	Interviewees identify behavioural norms and expectations shared among Eurogroup or EWG members.	‘So, the expectation for an ideal colleague is to be a good economist. Don't chatter awake, be precise, know exactly what your minister is thinking[...], know exactly what the red lines are, explain the will and ideally have a polite understanding that your point of view is possibly correct from a national point of view, but that there is a high degree of legitimacy to the point of view of others who disagree with you.’ (Interview 17)
Crisis Perception	Interviewees indicate how they or others understood the main reasons of and solutions for the sovereign debt crisis.	‘The focus on fiscal rigour and budget restriction in the long term was counterproductive, frankly and I think we are learning it now. You know it is right to be sure that the country and especially mine, are rigorous and disciplined in the way you use public money. But I think Europe as a whole should have been much more concerned about the impact of the fiscal deficit on the area of growth potential.’ (Interview 23)
Reallocation – Administrative Resources Allocated to the Eurogroup/EWG		
Resources of the Secretariats	Interviewees report on administrative support that the Council Secretariat or European Commission dedicated to the Eurogroup or EWG.	‘On the Eurogroup: Yes, I'm sometimes tempted to think I'm the secretary, but I'm not. There is no secretary to the Eurogroup, but the secretariat function for the Eurogroup is split. I would still say 80% is done in my Secretariat, 20% is done in the General Secretariat of the Council, Carsten Pillath, Olaf Pr�ußmann, these people.’ (Interview 15)

<p>Eurogroup/EWG Chairs</p>	<p>Interviewees reflect on to what extent the authority of and the administrative support to the chairs of the Eurogroup or EWG have been reformed.</p>	<p>My role was much more centred on explaining to the media in Brussels and everybody in Brussels what we were doing and I tried to travel around, give a speech here and there [...]. So, I was maybe three or four times with Jeroen in Athens, once or twice in Cyprus, and a couple of times in Portugal. We obviously went to G7 and G20 meetings together.’ (Interview 17)</p>
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Chapter Four: Analysing Insider Norms

Chapter Four studied whether and if so, how and with what implications the institutionalisation of DI in EMU during the sovereign debt crisis has manifested itself in norms. For this purpose, I examined whether Eurogroup and EWG members shared a common set of procedural norms and to what extent such insider norms affected their interactions with non-EAMS representatives. In the empirical analysis, I focussed on deliberation and consensus-building norms. I analysed their relevance as euro area insider norms during the sovereign debt crisis in two steps. First, I tested the robustness of the deliberation and consensus-building norms among EAMS representatives. Building on the four dimensions of compliance, implementation, concordance and third-party reactions proposed by Deitelhoff and Zimmermann (2019), I operationalised codes for the systematic analysis of the interview transcripts (see pp. 117-118). Second, I analysed the role of deliberation and consensus-building norms in structuring the relationship between EAMS and non-EAMS representatives. I assessed reports of non-EAMS interviewees about their involvement in intergovernmental debates among EAMS and tested whether there is a significant difference between norm-complying and norm-violating representatives. Furthermore, I analysed whether EAMS representatives recognised instances of norm compliance or norm violations by non-EAMS and to what extent they considered these instances when determining whether individual non-EAMS representatives may get involved in their debates.

Table A4.2 Analytical Codes and Categories Guiding the Empirical Analysis in Chapter Four

Analytical Categories or Codes	Code Description	Example
Robustness of Deliberation and Consensus Building as Insider Norms		
Compliance	EAMS-Interviewees report instances of deliberation and consensus-building within the Eurogroup or EWG.	‘So one aspect is very interesting, and it has to do with speaking notes and language in the Eurogroup. Almost all ministers spoke by heart. [...]. So, not from prepared notes. They didn't read out the notes that the civil servants had prepared. It just didn't happen. It really was, in that sense, a more informal setting.’ (Interview 3)
Implementation	EAMS-Interviewees identify measures that have been implemented in the Eurogroup or EWG to facilitate deliberation and consensus-building.	‘And I also remember that at some point... I mean, there was a confidentiality issue. It was really extremely sensitive. So then they started meeting in a restricted format, which meant only one member per country for dinner. The dinner is not the relevant thing, but the relevant thing is that it was then more restricted than in our normal meetings. So that was one instance. And then let's say from 2010 onwards, this EWG dinner became the focal point of the policy decisions to be taken.’ (Interview 18)
Concordance	EAMS-Interviewees identify reasons why it is important to comply with deliberation and consensus-building norms.	‘So if a minister just comes in: "I am the representative of my country. Here are my prepared speaking notes. This is what our official position is." It doesn't allow for a lot of negotiating room. If a minister comes in and says: "Well, I'm responsible for this. I have a mandate - which is very important - I have a mandate at home to discuss this with you and, if possible, reach an agreement with you, and I am aware there will have to be compromises." That's a completely different attitude. And the Eurogroup created the atmosphere in which ministers could find joint solutions’ (Interview 3)
Third-Party Reaction to Norm Violations	EAMS interviewees report incidents of norm violations and their respective consequences.	‘[...] it is much easier to control that flow of information when there's only a handful of people in the room because depending on what kind of information circulated, you knew: Okay, there are only six or seven people who had it. So one of those six or seven had leaked it. So you had to be very careful with these persons.’ (Interview 10).

Influence of Insider Norms on Non-EAMS Inclusion		
Non-EAMS involvement	Non-EAMS representatives assess their involvement in intergovernmental debates among EAMS.	‘The important political issues in the EU became about the eurozone and how to save the eurozone and how to, you know, step forward with further integration. It’s certainly true that the UK became much less influential because we were much less part of those debates.’ (Interview 5)
Norm Complying Non-EAMS	EAMS-Interviewees describe incidents in which non-EAMS representatives complied with deliberation and consensus-building norms.	‘[...] if everybody has the same motivations and tries to work towards the same objectives, you know, if there comes a new person and says: “Hey guys. I find it really interesting what you’re doing, and I want to contribute to solving that problem” you say: “Okay. Well, you know, you’re welcome to join.” So if other countries with other approaches – even if they have not been a member of the family for a long time – say: “Okay. I want to help you guys” you welcome them in.’ (Interview 11)
Norm Violating Non-EAMS	EAMS-Interviewees describe incidents in which non-EAMS representatives violated deliberation and consensus-building norms.	And I think there were not so many interventions, but the minister at that time, the Polish Minister for Finance, had very harsh things on pension liabilities. [...]. They only make a contribution when their country is deeply affected. Because the Finance Minister, for example, wanted a pension reform deducted from the deficit. This is only a pure national thing made, but he didn’t concede on this. It was for them certainly a good one to be there as a member, but they worked not so constructively in this field’ (Interview 10)
Other Criteria	Interviewees identify other factors through which non-EAMS representatives got involved in EAMS interaction.	So basically, if you’re an out and you want to know what’s happened in the Eurogroup, you get yourself somebody from the inside that you can trust. So the Swedes had the Fins, and for sure, the Brits had the Irish. This is how they were getting their information informally. (Interview 19)

Chapter Five: Analysing Differentiated Integration as an Idea Structuring Elite Crisis Perceptions

Chapter Five studied whether and if so, how and with what implication the institutionalisation of DI in EMU manifests itself in elite ideas. Ideas are defined as intersubjective beliefs and paradigms on how reality works and what mechanisms determine relevant factors. Individuals use ideas as interpretative frameworks to assess their reality, understand why things happen and determine appropriate actions. In the chapter, I examined to what extent DI functioned as an idea structuring elite perceptions of the sovereign debt and the COVID-19 crisis. Building upon neofunctionalism, I operationalised elite crisis perceptions through the categories of threat and spillover perceptions. For both crises, I analysed whether and how interviewees systematically referred to the distinction between euro area insiders and outsiders when describing the threats member states face or assessing deficits of integration that caused the crisis.

Table A4.3 Analytical Categories and Codes Guiding the Empirical Analysis in Chapter Five

Analytical Categories and Codes	Code Description	Example
Threat Perception including DI	Interviewees argue that insiders and outsiders of the euro area face different threats.	‘So, of course, it’s a euro area problem. Would it have been economically as catastrophic to the UK, Sweden and Denmark? No! [...] There would have been exchange rate volatility, a loss of growth, etc. But a really violent impact would have been felt by the member states of the euro area.’ (Interview 1)
Threat Perception excluding DI	Interviewees describe threats of a crisis without mentioning differences between insiders and outsiders of the euro area or stressing that both groups face the same threats.	‘Because, given the status of Denmark, we have always, I think it’s been brought acknowledgement in this country that what happens in the euro area, from a lot of perspectives, is also affecting the Danish economy and the way in which we are able to conduct our economic policies in a broad sense.’ (Interview 31)

<p>Spill-Over Perception including DI</p>	<p>Interviewees argue that the crisis results from integration deficits that are specific to either EAMS or non-EAMS.</p>	<p>‘The major lesson from this crisis was that the euro area is a construct, which is not finished. We have built the euro area, but there are some problems with this building. The reform of the SGP and additional procedures for macroeconomic imbalances which are not covered by the SGP, was something which was directed to improve these buildings. I mean to improve euro area construction, not non-EAMS, not external surroundings of the euro area.’ (Interview 6)</p>
<p>Spill-Over Perception excluding DI</p>	<p>Interviewees argue that crises result from integration deficits that apply to all EU member states equally.</p>	<p>‘And in the pandemic, there was not an inbuilt underlying problem. It came from outside. So, it made sense to activate the general escape clause in the SGP because it protected us and so, it was not a euro area issue in that sense.’ (Interview 38)</p>

Curriculum Vitae

Alexander Schilin was born in Lahnstein, Germany, on 10 July 1992. In 2011, he obtained his Allgemeine Hochschulreife at the Wilhelm Hofmann Gymnasium in St. Goarhausen, Germany. He started studying Economics at the University of Mannheim. Yet, he decided to stop this study after one year. Instead, in 2012, he enrolled at the Zeppelin University in Friedrichshafen to pursue a B.A. in “Politics, Administration and International Relations”, which he completed in 2016. Afterwards, he started an M.A. in “Democracy and Governance in Europe” at the Eberhard-Karls University of Tübingen. During these studies, he also completed an exchange semester at the Sciences Po in Paris. He graduated in 2018 with the best grade possible (1.0). In Tübingen, he worked as a research assistant to Prof. Dr. Gabriele Abels, Jean Monnet Professor for Comparative Politics and European Integration. Furthermore, he volunteered as the chair of the local section of Pulse of Europe e.V. and was a founding member of Laute Europäer e.V., a student-led blog about European politics.

In January 2019, Alexander Schilin began his doctoral research at the Institute of Political Science, Leiden University, under the supervision of Prof. Dr. Amy Verdun, Dr. Karolina Pomorska and Dr. Nikoleta Yordanova. In 2023, he completed a postdoctoral fellowship at the University of Victoria, Canada. He published in the *Routledge Handbook of Differentiation in the EU*, the *Journal of Common Market Studies*, the *Journal of European Integration* and *Comparative European Politics*. Alexander Schilin presented his work at multiple academic conferences. He organised two panels at the Conference of the ECPR Standing Group on the European Union in 2020 and the ECPR General Conference in 2022. Furthermore, he co-directed the workshop “Differentiation in the EU: Bridging Theoretical, Empirical and Normative Perspectives”, which took place in conjunction with the 2022 Conference of the ECPR Standing Group on the EU in Rome.