



Construction of legitimacy through contestation of norms and ideas
Legitimacy of the European Central Bank's crisis governance

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Political Science: Global Politics
Two-year master
ST631L - 30 credits
Spring 2019
Supervisor: Jon Wittrock
Submitted: 20.05.2019

Abstract:

The purpose of this thesis is to study the social construction of the legitimacy of the European Central Bank (ECB). This research addresses the research gap in literature on the legitimacy of the ECB. The research conceptualizes a constructivist concept of legitimacy as contestation that is shaped by norms and ideas. The theoretical framework is applied in a case study of the ECB's policies during the European sovereign debt crisis. The textual data consists of statements by significant political actors in European economic governance. A quantitative content analysis is applied as a method of analysis. The main findings of the research are that the dominant legitimacy discourse during the European sovereign debt crisis was shaped by ordoliberal norms. Those norms were challenged, due to their moral commitments, by a communitarian democratic discourse. The thesis argues that the dominant legitimacy discourse establishes a wider framework of legitimacy for the EMU as a whole and does not only legitimate the policies of the ECB. In addition, the thesis contributes to the understanding of the role of norms and ideas as constitutive of legitimacy. In relation to the field of Global Politics, this study introduces a case of legitimacy in supranational global governance. [Word count: 19053]

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Introduction

Legitimacy, as a concept, describes the justifiability of the power that a political regime holds over its subordinates. It has gained importance in the studies of Global Politics since the emergence of multilevel and supranational governance has blurred the traditional power relationship between the state and its citizens (Agné, 2018). In the eurozone, the member states have delegated their sovereignty over monetary policies to a common central bank. The European Central Bank (ECB) is the only central bank in the world without a host state. A central bank, as an institution, is at the crossroads of the global financial system and the local economic community. Thus, the ECB represents a supranational power regime which is considerably different from the classical power relation between citizens and the state. The role and policies of the ECB in the European economic governance has become highly politicized since the start of the European sovereign debt crisis in 2009. The public trust on the ECB's diminished and the ECB faced criticism from various societal actors. These developments have raised the question of the legitimacy of the ECB as a supranational actor.

There exists a moderate amount of previous literature about the legitimacy of the ECB. The number of studies has notably increased during and after the European sovereign debt crisis. Most of the studies address the question of democratic legitimacy of the ECB from various perspectives. Moreover, another well-covered field is the liberal institutionalist tradition, which emerges from the larger field of studies about European integration. However, it still remains unclear how the legitimacy of the ECB is actually constructed. Therefore, the question of the ECB's legitimacy is not fully addressed and there exists a gap in the research literature.

The purpose of this thesis is to investigate the social construction of the legitimacy of the European Central Bank. In order to address the aforementioned gap in the research literature on the ECB's legitimacy, the following research question is presented in this thesis: How is the legitimacy of the ECB constructed? This thesis adopts a social constructivist theoretical framework, which is implemented to a case study of the ECB's crisis governance during the European sovereign debt crisis. The theoretical framework defines legitimacy as a social process that is constructed through contestation of different legitimacy discourses, which in their part are constituted of norms and ideas. Thus, the case study seeks to answer the

following sub-questions: Which ideas and norms define the legitimacy discourses in the contestation of the ECB's legitimacy? And: What kind of dynamics are there between these discourses? The research is conducted by analysis of data consisted of the legitimation claims by significant actors in the European economic governance. This data is analyzed with a two-stage qualitative content analysis.

The central argument of this thesis is that, legitimacy is constructed through contestation of norms and ideas. The dominating legitimacy discourse on the ECB does not only seek to legitimate the actions of the ECB, but also establishes a whole framework of legitimacy for the functioning of the Economic and Monetary Union (EMU). This thesis contributes to the research literature on the legitimacy of the ECB and also adds to the research tradition of legitimacy as a social process, by theorizing and demonstrating the relationship between norms, ideas and contestation in construction of legitimacy. In relation to the field of Global Politics, this thesis introduces a case of contestation of legitimacy during the time of crisis in supranational governance. In a broader societal context the thesis enhances the understanding of opposing views on justifiability of power beyond the dominant discourses.

The remainder of the thesis is structured as follows. The first chapter will review the literature on legitimacy as a concept in global politics and previous research on the legitimacy of the ECB. It also motivates the research problem and theoretical framework for the research. The second chapter will introduce the research data, together with the method of analysis. The third and fourth chapters will form the part of analysis in this thesis. The third chapter will identify the legitimacy discourses on the ECB during the European sovereign debt crisis. In the fourth chapter, the dynamics of the discourses will be discussed and further related to the theoretical framework. The final chapter will conclude the thesis and evaluate the findings and their meaning for the field of Global Politics.

1. Literature review

Legitimacy is the core concept of this thesis, and this chapter draws on the wide literature on legitimacy as a theoretical concept. First, in a wider scope to map out how the concept is defined in different approaches in Political Science and, second, by discussing how the legitimacy of the ECB has been approached in previous literature.

Legitimacy refers to the relationship between power and its justification. The main problem that legitimacy as a concept addresses is: what gives a political regime the justification to use its power over subordinates? Approaches to this problem are twofold. The concept of legitimacy is traditionally divided into normative and sociological conceptions of legitimacy. Normative refers to an approach that is typical of political philosophy. Scholars of normative legitimacy are interested in the questions of justice and good governance at a philosophical level. Hence, normative legitimacy describes how power ought to be arranged so it would be just and fair. Sociological legitimacy on its part relates more to the observable empirical reality where the actual power relations take place.

The following sub-chapter of this literature review discusses these different approaches of sociological legitimacy. This literature review focuses on the sociological concept, as the topic of this thesis is empirical in its nature. However, the line between normative and sociological concepts can sometimes be blurred.

1.1. Legitimacy in Political Science

In the research traditions of sociological legitimacy, scholars pay attention to what gives political regimes their justification and how they gain or lose their legitimacy. Theorists of sociological legitimacy tend to draw back to the work of Max Weber as a starting point for their research (e.g. Beetham, 2013; Schmidt, 2013; Agné, 2018; Tallberg, Backstrand and Scholte, 2018). Weber argued that the legitimacy of a given power derives from two sources: from the self-interest of the subordinates, and their belief in legitimacy (Weber, 1978). However, these approaches differ from each other in the ways in which they define legitimacy. In addition, many scholars see it as necessary to make normative claims about legitimacy prior to empirical inquiry, which blurs the boundaries between normative and

sociological concepts of legitimacy. Three different approaches are identified in the following review: normative-sociological, positivist, and constructivist approaches.

1.1.1. Normative-sociological legitimacy

Hans Agné calls approaches that adopt Weber's notion of legitimacy as a belief but require prior criteria for the empirical research, as 'normative-sociological' (Agné, 2018: 21). This kind classification is apparent among theorists of democratic legitimacy.

David Beetham has adjusted Weber's notion by stating that legitimacy is not simply people's belief in legitimacy, but that power can be justified in terms of their belief (ibid: 11).

Beetham's approach seeks to assess the degree of legitimacy in a political system based on their normative underpinnings to explain what makes power legitimate and why power erodes in a given society (ibid: 5, 13-14). However, Beetham notes, there needs to exist criteria for legitimacy. Otherwise, there could be a danger that legitimacy would consider any means to preserve power (ibid: 20,28). Beetham argues that the criteria for a given power to be legitimate consist of three factors: legal validity, rules that are justifiable in terms of shared beliefs, and evidence of consent by the subordinate (ibid: 20). For Beetham, the normative framework for western states derives from the values of constitutional democracy (ibid: 163).

Fritz Scharpf has divided legitimacy into two parts: input legitimacy and output legitimacy (Scharpf, 1999). Scharpf argues that given power must be efficient, effective and liberal to be legitimate (Scharpf, 2012). Input legitimacy for Scharpf means that the governance has an opportunity to affect the decision-making process (Scharpf, 1999). Output legitimacy on its part means the ability of the governance process to produce preferable outcomes (ibid). Scharpf argues that input legitimacy derives from values and output legitimacy from material interests (ibid). Scharpf's notion of output legitimacy is often used in the literature of the EU's legitimacy to explain the gap between legitimacy and the claim of 'democratic deficit' (Olsen, Sbragia and Scharpf, 2000), which is often pointed out by scholars of the EU's democratic legitimacy (e.g. Olsson, 2003; Schmitter, 2012). Vivien Schmidt has complimented Scharpf's division with throughput oriented legitimacy, which refers to the quality of the process between the input and output (Schmidt, 2013).

For Scharpf and Beetham, legitimacy refers to power in a shared political community (Scharpf, 1999; Beetham, 2013). However, this is an aspect that is obscured when legitimacy is discussed in global affairs where political communities are less apparent than in nation states.

1.1.2. Positivist legitimacy

In the behaviorist IR tradition, the question of legitimacy is surrounded by the rational choice theory. In a realist account, where states are the central actors, legitimacy is the consent that states give for one's power. For realists, it is common to emphasize the material factors that affect states' behavior and it is considered that power is legitimated by power (Brooks and Wohlforth, 2005). In liberal institutionalist tradition, the legitimacy of international organizations is a question of the mutual delegation of sovereignty in order to gain an efficient outcome (Moravcsik, 2002). The question of legitimacy in global governance for liberal institutionalists relates to the principal-agent problem where individual states delegate their power to supranational organizations (Torres, 2013: 289). States are the principals that set alignment for policies and supranational institutions act in accordance with that agenda (*ibid*). This approach is often related to legal legitimacy since agendas are often articulated in treaties (Bellamy and Weale, 2015). Thus, the behaviorist theories treat legitimacy not as a question of values and beliefs but as a question of rational actions towards optimal outcomes based on interests. However, some liberal institutionalist scholars argue that focus on legitimacy in Political Science should be separated from empirical inquiries and be solely normative (Buchanan and Keohane, 2006).

1.1.3. Constructivist legitimacy

The constructivist scholars emphasize the role of norms, ideas and discourse in their conceptualizations of legitimacy. In these approaches, legitimacy is discussed as a process of legitimation, which is a continuous part of everyday policies (Seabrooke, 2006). Clark, Hurd, and Reus-Smit argue that political actors seek to legitimate their actions through social norms (Clark, 2005; Hurd, 2007; Reus-Smit, 2007). Ian Clark divides the concept into three parts: legitimacy, legitimation and practice of legitimacy (Clark, 2005: 20-1). Legitimacy is the state that is achieved through legitimation and the practice of legitimacy refers to the process

wherein the social norms are created (ibid). Clark emphasizes the international community between the states, which acts as the sphere wherein the norms are being interpreted and developed (ibid). Ian Hurd argues that norms and actors' behaviors are mutually constitutive. Thus, norms are used by the actors to legitimate their actions, but norms also limit their actions by defining what is appropriate behavior (Hurd, 2007). Hurd also argues that the legitimation is not only top-down, but that the legitimacy of power is also challenged by the subordinates who consider the power unjustified and seek to delegitimize the authority (Hurd, 2018). Hurd and Clark share the understanding that norms exist individually outside of the process of legitimation. However, Christian Reus-Smit argues that the architecture of social norms is constituted and reconstituted through the process of legitimation (Reus-Smit, 2007: 172). Similar to the focus by Hurd, Clark and Reus-Smit on the role of norms, Vivien Schmidt emphasizes the importance of ideas to legitimate power (Schmidt, 2008). Schmidt divides ideas to three categories: philosophical ideas, programmatic ideas and policy ideas (ibid: 306-309). Philosophical ideas refer to large frameworks of thinking that constitute people's world views (ibid). Programmatic ideas refer to paradigms that take place inside the broader philosophical framework (ibid). Policy ideas on their part refer to individual policies (ibid). Schmidt argues that philosophical and programmatic ideas provide the guidelines for public actors on how to legitimate their policies (ibid: 308). The discussion between ideas and norms seems to be overlapping and it is not always easy understand what scholars mean by their references to norms or ideas. However, in the constructivist tradition, it is considered that ideas lead to the construction of social norms, which, in their part, further guide actors' actions (Seabrooke, 2006: 35). Thus, ideas are embodied in norms (Finnemore and Sikkink, 1998: 898).

As the constructivist approach on legitimacy focuses on the legitimation of power as a communicative act, it is also further noted that legitimacy is a discursive phenomenon (Reus-Smit, 2007; Schmidt, 2008; Strange, 2016). Schmidt argues that the discourse that takes place in the political sphere consists of individuals and groups that legitimate political ideas and politics through contestation (Schmidt, 2008: 320). Similarly, Seabrooke argues that legitimacy is a process in which social groups contest social norms within everyday life (Seabrooke, 2006: 42). Reus-Smith adds that legitimacy is established, maintained and torn down through discursive acts, which are dependent on the architecture of social norms which channel forms of rhetoric and argumentation (Reus-Smit, 2007: 163). In a similar manner, Eero Vaara on his part seeks to identify underlying philosophical ideas and discursive

strategies which guide the formation of the legitimacy discourses (Vaara and Tienari, 2008; Vaara, 2014). Where these approaches focus on the role of norms and ideas, some scholars pay strong attention to the role of language and discourses as the power of legitimation. In these approaches, the interest is shifted from norms and ideas as individual entities towards the linguistic mechanisms which constitutes the surrounding social reality (Leeuwen Van and Wodak, 1999; Van Leeuwen, 2007; Ali, Christopher and Nordin, 2016).

1.1.4. Whose belief?

Max Weber's notion of legitimacy as a belief in legitimacy looms in the background in most sociological approaches. However, there are different aspects of legitimacy that scholars are interested in. Scharpf and Beetham consider legitimacy as a social and empirical phenomenon but still require upfront criteria of legitimacy for their inquiries. The problem facing scholars of normative-sociological legitimacy is that they struggle to point out the difference between legitimate and coercive power. In addition, according to Agné, a purely sociological approach would be reductive and limit legitimacy to the actor's individual interest (Agné, 2018), which seems to be the case in the positivist IR.

However, this does not have to be the case. Also, coercive power can be considered legitimate. It is not imperative that all people in a given community share the same beliefs of what just governance is. People who do not agree with the established rules in a given society may face coercion if they do not obey the order. However, the majority of the community may consider the use of power as legitimate as it protects the values of the community. This is why scholars with a more constructivist approach rather asks, 'Whose belief matters?'

The constructivist approach to legitimacy in global politics treats legitimacy as a continuous process of contestation (Seabrooke, 2006). This kind of conceptualization does not seek to give a clear answer to a question 'if a given power is legitimate or not' but, rather, is interested in what constitutes the belief on the legitimacy and if there are competitive beliefs. Thus, measuring legitimacy is not necessarily an important objective. It can, however, be done based on the extent of contestation (Hurd, 2018).

As this section has discussed the variety of approaches to legitimacy existing in the field of Political Science, the next part reviews the previous research in the legitimacy of the ECB.

1.2. The legitimacy of the European Central Bank

In previous research on the ECB's legitimacy, there are three distinct orientations: normative-sociological that includes democratic and legal constitutionalist approaches, liberal institutionalist approach, and a constructivist approach that pays attention to the process of legitimation. For normative-sociological and liberal institutional approaches, legality is a common factor of interest. The legal role of the ECB has been dictated in the Maastricht treaty. The treaty establishes price stability as the primary task of the ECB and guarantees its operational independence (Pisani-Ferry, 2014: 28). In addition, the ECB may not directly fund the member state budget deficits by credit extension or bond purchases from the primary market (ibid). The central bank independence became a dominant feature of contemporary central banking after episodes of high inflation during the 1970s (Claeys, Hallerberg and Tschekassin, 2014). Macroeconomic research showed results on the correlation between levels of central bank independence and low inflation (Mankiw, 2016: 387-399). This paradigm and the process of European integration led to the creation of the ECB as one of the most independent central banks in modern times (Berman and McNamara, 1999; Moravcsik, 2002). The independent role of the ECB is also an obvious subject for scholars of democratic legitimacy.

1.2.1. The ECB's democratic and legal legitimacy

Kathleen McNamara and Sheri Berman have argued that the operational independence of the ECB hurts the European democracy and obstructs the question of who should be the winners and losers in monetary policy (Berman and McNamara, 1999). They claim that the arguments that favor central bank independence do not survive close scrutiny (ibid: 3). The argument that they are making is two-fold: first, the main argument for central bank independence is that monetary policy is considered highly complicated and too confusing for politicians and the public to decide (ibid). However, Berman and McNamara note that all fields of policy are similarly complicated and there is no reason why monetary policy should be treated differently than e.g. health care policies (ibid). Secondly, Berman and McNamara state that there is no common consensus among scholars about the link between stable inflation and central bank independence. Further research has argued that the link instead occurs by the

common culture in a given economic community, where the market actors tend to believe that low inflation is a desirable goal for monetary policy (ibid: 4). McNamara (McNamara, 2012) has revisited the point of central bank independence and the ECB during the euro crisis. In her view, the ECB's political independence can be seen as the reason for the ECB becoming highly politicized during the crisis. Matthias Matthijs (2017) has also addressed a democratic approach to ECB's legitimacy. Matthijs states that the ECB's role as part of the 'troika' during the sovereign debt crisis revealed the problems of the democratic deficit in the EU (ibid). He argues that, while the 'troika' forced austerity measures to Greece, despite the fact that the Greek citizens showed a strong opposition against those policies through national elections, this undermined tremendously the democratic legitimacy of the EU's economic governance (ibid). Democratic legitimacy is also essential for legal constitutional approaches. Nicole Scicluna discusses the ECB's legitimacy according to its legal accountability and argues that, as the ECB started its bond-buying programs, it stepped over its mandate, which makes those policies illegitimate (Scicluna, 2018).

Approaches of McNamara and Matthijs consider democratic legitimacy in terms of how people may affect the decision-making process in politics. However, as mentioned, Fritz Scharpf has divided democratic legitimacy to input- and output-spheres (Scharpf, 1999). Scharpf argues that the output-sphere of legitimacy may replace the deficit that occurs in the input-sphere (Scharpf, 2012). According to Scharpf, since the ECB has an independent role through the law, it does not meet any criteria for input-legitimacy (ibid: 20). Thus, the ECB's legitimacy must be related to the output-sphere (ibid). Scharpf further notes that, as legitimacy derives from the belief of what makes the powerful legitimate, there must be a belief of the benefits of technocratic governance (ibid: 21). Erik Jones has also applied Scharpf's concept of democratic legitimacy to the case of the ECB and agrees that the ECB's legitimacy must derive from the output-sphere (Jones, 2009: 1093). For Jones, the output legitimacy of the ECB means successful inflation targeting (ibid). Jones states that the ECB's ability to govern the uncertainty of the financial market determines the outcome of the ECB's monetary policy (ibid: 1098). Scharpf, on his part, states that the ECB's monetary policies are dictated by the monetarist theory (Scharpf, 2012: 20-23). He claims that, as financial stability drifted in problems during the crisis, this was a sign of failure of the monetarist policies (ibid). Thus, Scharpf argues that, in order to fix what he calls as "monetarist fallacy", the further economic integration of the Eurozone was mandatory (ibid). Similar to Scharpf and Jones, Jens Van't Klooster argues that if the ECB is not legitimate in democratic terms, there needs to be

another source of legitimacy, as the institution is up and running. Van't Klooster states that the ECB's democratic legitimacy derives from its legal mandate (Van't Klooster, 2018). However, as that mandate was violated during the Euro Crisis, the ECB lost its democratic legitimacy (ibid). The legitimacy of the crisis governance is instead covered by Carl Smith's concept of the state of emergency that allows the ECB to do whatever it takes to reach its goals (ibid).

As seen above, democratic decision-making and legality are addressed in various ways in relation to ECB's legitimacy. Those two factors are also essential in the Liberal Institutional approach, which departs from the material-interest-based behavior of actors.

1.2.2. The ECB's liberal institutionalist legitimacy

In the liberal institutionalist tradition, the democratic legitimacy of the ECB is explained by the rational decision of the member states to delegate policies to supranational actors (Moravcsik, 2002; Torres, 2013). The EU governance is a two-level game where national governments get their legitimacy from the national elections. By having legitimacy in their own country, they also appear legitimate in the eyes of other governments (Bellamy and Weale, 2015). This makes the supranational delegation of powers legitimate also in democratic principles. In these accounts, the mechanism of legitimacy derives from the actor principle problem that is based on rational choice theory (Torres, 2013). Francisco Torres has applied Scharpf's input- and output-spheres and also Schmidt's throughput-sphere together with the Liberal Institutional approach (ibid). For Torres, the throughput legitimacy is exercised through strategic communication that the ECB uses to steer the monetary policy (ibid: 291-5). Output legitimacy, on its part, is defined by price stability and also by acting as a guardian of the Eurozone (ibid: 297). However, Torres does not take into consideration if the ECB has exceeded its legal mandate during the Euro Crisis. Bellamy and Weale, who share the same theoretical underpinnings, do bring forth the problematic nature of the ECB's crisis governance (Bellamy and Weale, 2015). They argue that the neoliberal economic governance and the normative (democratic) order of the EU have collided in the ECB's crisis governance (ibid). The ECB's political decisions to support the Eurozone with legal expense have diminished its legitimacy (ibid). The liberal institutionalist approach to legitimacy has a lot of similarity with a legal constitutionalist approach in understanding the mechanism that defines legitimacy

The previous research of the ECB's legitimacy discussed so far in this chapter has approached legitimacy in the so called normative sociological framework. However, as those approaches set the criteria for legitimacy prior to the research, they do not say much how legitimacy is constructed in everyday politics of the ECB.

1.2.3. Legitimation of the ECB's policies

Vivien Schmidt has discussed the democratic legitimacy of the EU and the ECB (Schmidt, 2013, 2015), but she has also paid attention to the ways that political actors seek to legitimate their actions (Schmidt, 2016; Carstensen and Schmidt, 2018). In her introduction of the throughput-sphere, as an addition to Scharpf's conceptualization of democratic legitimacy, Schmidt states that the purpose is to establish new evaluative normative standards for legitimacy (Schmidt, 2013: 3). However, she has later also stated that the input-, throughput-, and output-spheres are also applicable as categories to analyze how political regimes seek to legitimate their actions (Carstensen and Schmidt, 2018). Schmidt has analyzed the attempts of the ECB to legitimate its bond-buying programs during the sovereign debt crisis (Schmidt, 2016). The ECB's mandate includes that it cannot bail out individual member states from their financial problems. However, during the crisis the ECB first started to buy Greek government bonds from the secondary market with the Securities Market Program (SMP) and, later, more extensively with the Outright Monetary Transaction (OMT) program. Schmidt has analyzed the official statements of the presidents of the ECB, Jean-Claude Trichet and Mario Draghi, and concludes that the ECB changed its narrative and interpretation of its mandate to match their policies (ibid). In a similar manner, Tobias Tesche has analyzed Mario Draghi's speeches to national parliaments in the Eurozone (Tesche, 2018). Tesche and Schmidt operationalize a quantitative content analysis in their studies. Also, Benjamin Braun (Braun, 2016) has discussed central bank communication as part of central bank legitimacy. Braun offers 'Money Trust' as the fourth pillar of central bank legitimacy, together with input-, throughput, and output-spheres (ibid: 1065). According to Braun, people's trust on money is an important function of central banks' credibility. Braun shows that the way in which central bank frames the credit creation theory in their narrative for the wider public varies between different central banks, according to the kind of monetary policies the banks are conducting (ibid: 1084). However, rather than considering money trust as the fourth pillar of legitimacy, it is merely related to output-, and throughput spheres of legitimacy. As the central bank seeks to

provide a credible currency by its policies, the communication to the wider public can be seen as the central bank attempts to create money trust by creating a sense of transparency and accountability between current policies and narratives to the wider public. Thus, the communication would be part of throughput legitimacy in that conceptualization.

Apart from the aforementioned studies, there is no research that would approach the legitimation and delegitimation process of the ECB's policies. A constructivist approach to legitimacy is concerned with how legitimacy is constructed through contestation that is constituted by norms and ideas, and that question has not been fully approached. Thus, there is a gap in the research literature on the ECB's legitimacy. However, as the legitimation process is constituted by the ideas and norms that relate to the given context, it is important to review the philosophical ideas that surround the European economic governance.

1.3. Ideas in European economic governance

This sub-chapter of the literature review discusses the relationship between different politico-economic philosophical ideas, which have influenced the European models of governance. The discussion departs from democratic philosophy and continues to its relationship with macroeconomic philosophical ideas and the historical context of European integration. The economic philosophical ideas that are introduced here are referred as 'liberal economic philosophies' as they all derive from the same tradition of liberalism (O'Brien and Penna, 1998).

1.3.1. Collectivist and individualist democratic values

Democracy has evolved into a dominant model of governance in the most European countries. The core values of democratic philosophy are liberty and equality. However, there are different interpretations of these values. Jacques Thomassen identifies two main branches of democratic philosophy: collectivist and individualist (Thomassen, 2007).

Thomassen tracks the collectivist tradition back to Jean-Jacques Rousseau and his interpretation of liberty (*ibid*). According to Thomassen, in Rousseau's philosophy, liberty means a process where free citizens take actively part in the process of legislation (*ibid*).

Thus, liberty is freedom to be included in the decision-making process (ibid). The individualist notion of liberty is related to an Anglo-American political philosophy (Scharpf, 2012). In this school of thought, liberty is freedom from constraints by other human beings and particularly freedom of constraints by state (Thomassen, 2007).

These notions have also influence to the other core value, equality. In the collectivist philosophy, equality means equality of condition (ibid). This requires a strong distributive role of the state to make sure that all the people may have equally good conditions to live (ibid). However, in the individualist thinking, the strong role of the state violates the individualist notion of freedom (ibid). Thus, the equality for an individualist means equality of opportunity, which emphasizes non-discrimination and individual rights which are protected by a strong constitution (Bellamy, 1994). In the collectivist tradition, the constitutionalist notion is less important, as it emphasizes the creation of laws through the deliberative process. The differences between these two democratic philosophies show how different philosophical ideas lead to different world views and promote different kinds of norms. In Europe the collectivist tradition seems to be more dominant which is embodied in the tradition of European welfare states and the notion of economic equality (O'Brien and Penna, 1998).

The discussion about democratic values is naturally broader and more problematic but here it has been important to define the core values of democracy and the main difference in their interpretations. Democratic values are also fundamental norms of European governance that function in close relation to macroeconomic policies and the distribution of wealth. French and German economic philosophies have had a strong influence in the process of European integration. Those traditions, together with other global trends, have shaped the creation of the European economic governance and the creation of the single currency. The remainder of this subchapter discusses these macroeconomic ideas and their relation to democratic values.

1.3.2. French dirigisme and the start of the European integration

After WWII, France wanted to be sure that Germany would not rise again to be stronger than France itself and threaten the peace (Parsons, 2002). Thus, the French needed to have some kind of oversight to German heavy industry (ibid). However, the Marshall Plan included a condition that recipient states needed to collaborate in their recovery from the war (ibid).

These factors led to the establishment of the European Coal and Steel Community (ECSC), which is generally considered as a starting point for the development into the European Union (ibid). The plan for the ECSC was generated by French politician Jean Monnet. The rationale behind the ECSC relates to the so-called functionalist theory (ibid). According to functionalism, the collective governance and material interdependence between states develops an internal dynamic which benefits to peace and prosperity (ibid). Monet's formulation of this economic collaboration included a notion of a high authority, which would act as a coordinator of the economic integration (Featherstone, 1994). Monet's idea derives from the French tradition of economic governance, known as dirigisme (ibid). Dirigisme emphasizes the role of the state in intervening and planning the economy by leaning on Keynesian macroeconomic policies (Brunnermeier, James and Landau, 2018: 70-72). Keynesian economic doctrine suggests that capitalist economic governance should be under the state control, which would enhance the production of wealth and social stability (O'Brien and Penna, 1998: 35). Keynes' macroeconomic thinking emphasizes the role of the aggregate demand that is maintained by stimulating the consumption by the state (Mankiw, 2016: 257). Thus, the Keynesian model reflects communitarian democratic values, as it emphasizes the role of the state which gives a platform for planning of social welfare systems (O'Brien and Penna, 1998: 36). The French idea was that the French economic model could act as a guide for the rest of the European states to arrange the economic governance (ibid).

However, during the 1970s, the global economic system faced existential problems, and it seemed that the Keynesian macroeconomic doctrine was not able to solve those challenges. This led to a neoliberal turn in macroeconomic policies. The neoliberal trend affected, also, the French economic culture that transferred to "post-dirigisme" from the 1980's onwards, which included more dominant neoliberal characters (Gualmini and Schmidt, 2013: 369). The French economic philosophy, however, still lives in the modern French consensus that economists and presidents share (Brunnermeier, James and Landau, 2018: 74). This consensus has been summarized as follows: Economic rules and institutional frameworks should be subject to the political process and open for renegotiation (ibid). Crisis management should include flexible responses because giving constraints to government actions (e.g. fiscal disciplines) could be undemocratic (ibid). Also, monetary policies should serve a wider selection of goals (including economic growth) than price stability alone (ibid). The characters of French economic philosophy reflect communitarian democratic norms, as they see law as a subject of deliberation, and state as a strong actor in economic governance.

However, after the neo-liberal turn in global economy, the French model has been less influential, also the European project has been more inclined towards different neoliberal ideas.

1.3.3. Neoliberal turn in global economy

It is a dangerous game to try to define neo-liberalism in a few paragraphs. However, in order to lay the background for the ideas that surround the tradition of the European economic governance, it needs to be discussed. Neo-liberalism is a problematic term due to the large variety and popularity of its use. On one hand, neo-liberalism is a hypernym for a wide set of different branches that have redefined liberalism in the 20th century (Miettinen, 2018). On the other hand, it is often used as a pejorative term for the global economic shift since the 1970s. Neo-liberalism, as a philosophical tradition, started in Europe in the early 19th century (ibid). The movement spread to the U.S. where, especially, the so-called Chicago school of economics is strongly related to neo-liberalism (ibid). However, neo-liberalism has various schools of thought in Europe and in the U.S., among them the German ordoliberalism which has been constitutive for the design of the Euro (Nedergaard, 2013).

During the 1970s, the global economy faced turbulence as inflation hiked in many industrial states and sudden capital flows between countries caused problems in managing the public economy. The Keynesian macroeconomic paradigm, which had dominated public economic policy since the end of the Second World War, seemed incapable to answer to these problems. For Keynesian economic policy, inflation is seen as a minor issue for macroeconomy, as it focuses on full employment. However, inflation was the issue that seemed to threaten the economic stability in the 1970's. Keynesianism was replaced by the so-called monetarist economic thought, which emerged in Chicago with Milton Friedman being one of the main ideologists. The Monetarist school emphasized lower regulation and a more neutral state role in economic governance, as well as giving price stability a central role in monetary policies. (Helleiner, 1996)

Neo-liberalism is often equated with monetarist and neo-classical economic policies (Miettinen, 2018). Both schools of thought have had a lot of influence in the global economy since the 1970s. Anglo-American neoliberalism as a wider social philosophy emphasizes the individualist notion of liberty and the small role of state through a strong constitution

(Bellamy, 1994). At the same it considers that, even though the free market may produce social inequality, intervening in the market would hurt the individualist notion of liberty (Scharpf, 2012). This has led to fierce criticism of neo-liberalism as an economic system which passes through the whole society. Neo-liberalism has been portrayed as a political project which promotes the restoring of a capitalist class power (Apeldoorn, Horn and Drahokopouil, 2009). In addition, neo-liberalism is also seen as a way for a global elite to establish a world order which favors multinational corporations and spreads during times of crisis through “Shock Doctrine” (Klein, 2014).

In general, neo-liberalism is related to a wide set of policy recommendations which emphasize free market competition and a limited state role (Schmidt and Thatcher, 2013: 1). In the history of European economic governance, German ordoliberalism has been the dominant idea behind the establishment of the Euro. The global shift to neo-classical, monetarist and neo-liberal socio-economic policies supported ordoliberalism’s role in European integration (Nedergaard, 2013: 20).

1.3.4. German ordoliberalism and the birth of the Euro

Ordoliberalism has its roots in 1920s Germany, and it consolidated its place as a dominant economic philosophy in German political culture long before the global shift away from Keynesian economics took place (Nedergaard, 2013: 20). After the 1970s turbulence in monetary policies, the German economic model became a guide for the rest of Europe due to its success in providing economic stability (Helleiner, 1996). The Euro was designed to bind member states into further integration and to provide monetary stability in the single market area (James, 2012). German ordoliberalism has been discussed as the main idea that has shaped the creation of the EMU (Blyth, 2013; Nedergaard, 2013; Bibow, 2018).

Ordoliberalism has its roots in German Ordnungspolitik and Protestant ethics.

Ordnungspolitik refers to a strong institutional framework for economic activities that provide a competitive market and prevent monopolies and cartels breaking out (Vanberg, 2011).

Competitiveness, as a source of growth, is a core factor in the ordoliberal market economy.

The purpose is to create a solid and predictable economic environment that is tied to all politico-economic policy planning (Nedergaard, 2013: 6). Competitiveness is something that can be achieved through budget discipline and flexible labor prices (Blyth, 2013: 137). Unlike

Anglo-American neoliberalism, ordoliberalism does not consider laissez-faire economy as a natural state of affairs, but as a human-made institutional frame (ibid). With monetarist economics, Ordoliberalism shares the primary target of price stability. This has its roots in the legacy of the German stability culture that emerged after the hyperinflation of the 1920's (ibid: 4).

Ordoliberalism includes a notion of solidarity that derives from German protestant ethics (Hien, 2017). This leads to a state that has a responsibility to take care of those with weaker living conditions (ibid). However, those who benefit from the help do have a responsibility themselves to improve their living conditions (ibid). This ethical notion is related to the idea of a moral hazard. Simplified, moral hazard proposes that if there is a chance that economic actors will be bailed out from insolvency, they have an incentive to take greater risks and to evade an unpleasant tightening of their economy (Dullien and Guerôt, 2012). Thus, economic actors need to know that if they take exaggerated risks they will not be helped. In addition, help always comes with conditions of self-improvement (Hien, 2017). As ordoliberal philosophy requires a strong economic constitution, it reflects individualist democratic liberty. However, ordoliberalism commits to communitarian equality through protestant solidarity.

Ordoliberal policy recommendations include: strictly regulated and sanctioned public deficits, inflation targeting, independent central banks and long-term horizons in decision making (Nedergaard, 2013: 4). These aspects are evident in the constitution of the EMU in the Maastricht treaty (The European Union, 1992). Two factors are at the core of the establishment of the EMU: the ECB as an independent central bank and the Stability and Growth Pact (SGP). At the same time, the treaty also lays the framework for the legal legitimacy of the ECB. According to the treaty, the ECB enjoys an operational independence and its primary task is to strive for price stability which means low and stable inflation. This composition is secured by strict legal framework which restricts the ECB from financing the member states by purchasing their bonds from the primary market. At the same time, the SGP seeks to control member state budgets and limits government deficits to 3 % of GDP and public debt levels to 60 %. Thus, the economy is laid on an ordoliberal framework that seeks to provide a competitive economic environment and binds governments to budget rules, as well as preventing the ECB from financing budget deficits in order to prevent the moral hazard.

1.3.5. Hierarchy of norms and ideas

The purpose of this subchapter has been to review the main philosophical ideas which exist in the European economic governance. It also works as a good example of how different philosophical ideas lead to norms that are based on ideas as larger entities. Democratic philosophy promotes democratic norms as liberty, equality and constitutionalism. These take different forms in different traditions. Economic philosophies promote economic norms as budget discipline, conditionality, central bank independence, state interventionism etc. The hierarchy between ideas and norms is illustrated in the Figure 1 in the end of this chapter. Drawing back Schmidt's (2008) categorization of ideas to philosophical, programmatic and policy ideas, democracy and economic liberalism as larger-entities refers to philosophical ideas. Communitarianism, individualism, Keynesianism, ordo- and neoliberalism on their part refer to programmatic ideas. Policy ideas on their part are equivalent to norms. However, norms refer also to moral norms as equality and liberty. The dynamics between different ideas will be further discussed in the empirical part of this thesis as the ideas and norms introduced here will also act as thematic guidelines in the analysis of the case study.

1.4. Research problem and theoretical framework

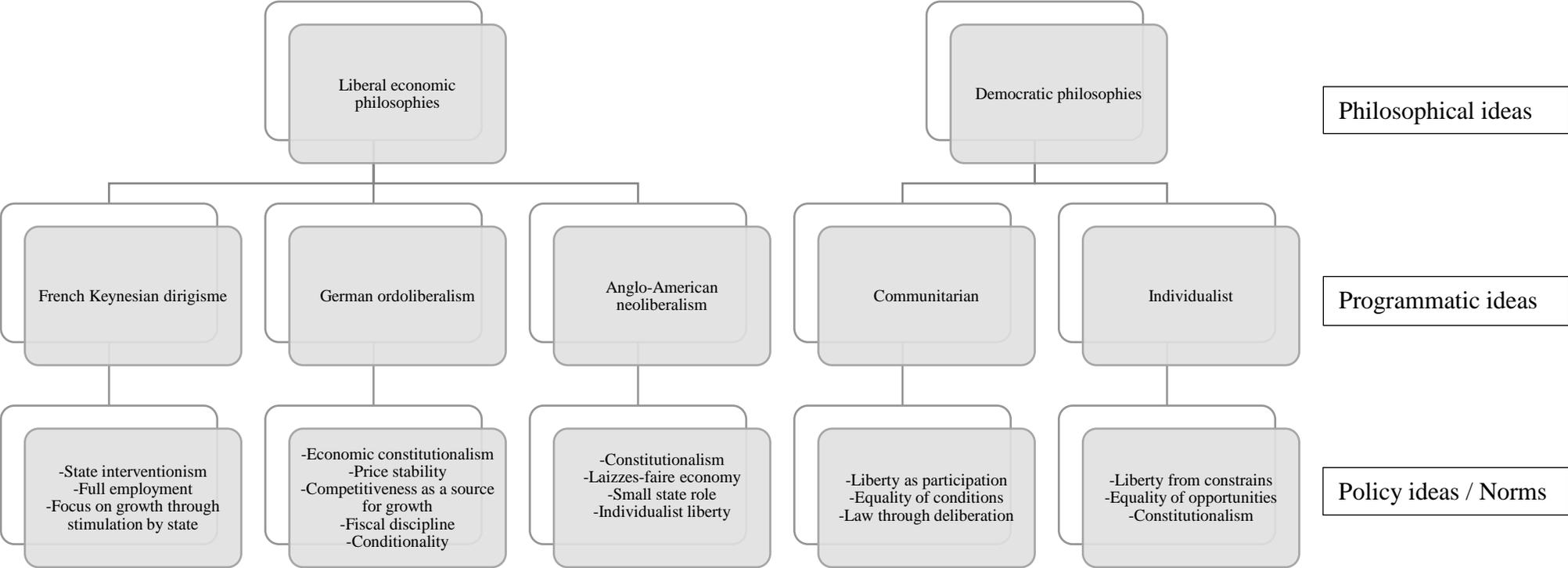
This chapter has discussed legitimacy as a theoretical concept and the previous literature on the legitimacy of the ECB. The review of the research on the ECB's legitimacy identifies a research gap in that literature. The questions of how the ECB's legitimacy is constructed through contestation and which ideas and norms define that contestation, has not been fully addressed. This research problem defines the purpose of this thesis and motivates the research question: How is the legitimacy of the ECB constructed?

In order to address this question, this thesis draws on the theoretical tradition of social constructivism that has been introduced earlier in this chapter. In that framework, legitimacy is understood as a product of a continuous contestation between competing legitimacy discourses. These discourses are constituted by social norms and ideas. However, there is a hierarchy between ideas and norms. Norms need to emerge from a wider framework of thought to have meaning. Following the categorization of Schmidt (2008), there are philosophical ideas which constitute world views, and programmatic ideas which represent

different traditions inside those larger philosophical entities. In addition, Schmidt identified policy ideas as a category. However, policy ideas can also be seen as norms, that different philosophical and paradigmatic ideas promote, as seen in the review of the ideas of European economic governance. Norms are not, however, limited to policy ideas but also refer to moral norms which emerge from the way in which philosophical and programmatic ideas define or affect to issues such as liberty, equality and solidarity. The review of the ideas of European economic governance also shows that different philosophical ideas overlap each other in models of governance. Thus, it is presumable that ideas may also overlap in legitimacy discourses, which leads to different dynamics between ideas, embodied in various strategies of legitimation (Van Leeuwen, 2007; Vaara and Tienari, 2008; Vaara, 2014).

Hence, the purpose of this thesis is to describe how the legitimacy of the ECB is constructed. This problem is addressed by answering sub questions: Which ideas and norms define the legitimacy discourses in the contestation of the ECB's legitimacy? And: What kind of dynamics are there between these discourses? The following chapter introduces the research design of this thesis.

Figure 1. – Hierachy between ideas and norms.



2. Methodology – Two-stage qualitative content analysis and a case study

In order to address the research problem and to answer the research questions introduced in the previous chapter, this thesis operationalizes a constructivist theoretical framework in a case study, which analyzes textual data with a qualitative content analysis in two stages. This chapter discusses, first, the ontological and epistemological underpinnings of the proposed theoretical framework. In the second section, the ECB's crisis governance during the European sovereign debt crisis between years 2009-2013 is introduced as a case of contestation of legitimacy during a time of crisis. The third section introduces the relevant data that is gathered and defines the method of analysis.

2.1. Ontology and epistemology of legitimacy as a social process

This thesis seeks to address the question of the ECB's legitimacy from a constructivist framework described at the end of the previous chapter. This is an ontologically interpretive approach, which means that human behavior can be understood through the interpretation of meanings that give reasons for humans to behave (Halperin and Heath, 2017: 5). Further, that includes that the social world does not exist independently outside of our interpretation of it (ibid: 9). Vice versa, the ideas constructed through human consciousness shape our understanding of the material and immaterial objects surrounding us (Searle, 1996). This interpretation of social ontology leads to what John Searle calls epistemological subjectivity (ibid: 9). It means that, as the existence of the social world is dependent on human consciousness, the meaning is fluid and it is constructing the reality in ways that can be captured by using interpretive methods (Halperin and Heath, 2017: 356).

Thus, this thesis interprets the meaning that ideas give to the social world. In addition, as mentioned, ideas also promote norms that signal for proper behavior (Schmidt, 2008: 308). Therefore norms are also signals for ideas. However, ideas do overlap, and behavior can be guided by a wide set of ideas and norms from which some are followed unconsciously due to a habit, and some are followed consciously in order to prevent sanctions from inappropriate behavior (Wendt, 1999: 165). Thus, ideas and norms constitute human behavior but may also be used manipulatively in order to legitimate actions (ibid). This represents the so-called

'dialectic approach' to the structure-agent problem in the philosophy of social science, wherein structure and agents determine and get determined by each other (Halperin and Heath, 2017: 93). Thus, as the actors make legitimating claims, there are large philosophical ideas which constitute a world view that is expressed in those claims, but the actors may also refer to popular norms and ideas in order just to get their actions legitimated.

Hence, this thesis operationalizes an interpretive theory with an interpretivist methodology with a focus on significant actors' roles as constructors of legitimacy discourses. However, in order to further motivate the data collection, the ECB's crisis policy in the European sovereign debt crisis is introduced as the case to study.

2.2. The Case – The European sovereign debt crisis and the ECB's crisis policy

Political institutions usually come under pressure during a time of crisis (Seabrooke, 2006: 39). This seems to apply also to monetary policies. Pisani-Ferry notes that during the first ten years of its existence the Euro was boring for the wider academic and public audiences (Pisani-Ferry, 2014: 3). However, by drawing back to the literature review, it can be detected how the crisis governance of the ECB has been challenged by academic authorities. In addition, across Europe, there have been solidarity movements for Southern European states that have faced the austerity measures pressured on by the 'Troika'. The ECB's policies during the euro crisis have been criticized by influential journalists (Sandbu, 2017), politicians (Martin, 2016), and ECB's economists themselves (Papadia and Välimäki, 2018). Thus, the euro crisis offers a fruitful case for analyzing how the ECB's legitimacy has been contested and which ideas frame and dominate the debate.

The euro crisis brought up structural problems in the governance of the single currency. During what started as a banking crisis, and was later labeled as a sovereign debt crisis, the logic of the market actors towards sovereign debt reliability shifted. The government bonds in the euro area were previously considered as equally risky but, after the announcement of Greece's actual debt levels and deficit figures, investors started to pay attention to the economic figures of the single member states. This created a situation wherein sovereign bond rates started to hike and those banks which were holding the bonds of the crisis states lost their credibility in the eyes of the other market actors. Despite the efforts made by the

member states and the ECB, the market trust did not recover until the ECB announced that it would act as the final guarantor of the Eurozone. This included an announcement of the government bond-buying program from the secondary market. The fact that the ECB started to finance crisis states borrowing meant that the ECB was also acting within a grey area according to its mandate. (Pisani-Ferry, 2014)

Thus, there has been a lot of controversy surrounding the ECB's bond-buying programs. The first of these programs, the Securities Markets Program, was launched in May 2010 under the presidency of Jean-Claude Trichet. The second program, Outright Monetary Transactions, was announced in August 2012 under the presidency of Mario Draghi. The sovereign bond crisis also brought up the question of the role of the ECB, which led to a small debate between the French and German governments. In addition, the ECB acted as a part of the 'troika' which was responsible for implementing and monitoring the rescue programs of Greece, Ireland, Portugal, Spain, and Cyprus. The case chosen is limited between the years 2009 and 2013. This period includes the movement from prior crisis ECB policies to crisis policies and covers the launch of both of the government bond-buying programs and also rescue programs to the crisis states. The period of analysis could also go further to the ECB's quantitative easing measures that started in 2015, and the events of Greece's renegotiation attempts of its programs during the same year. However, the period is limited to the aforementioned years due to the limitations of this thesis by time and length.

This thesis seeks to track down the contestation around the legitimacy of the ECB's crisis policy. This particular case is chosen because it represents a case of contestation of legitimacy during a time of crisis and offers an opportunity to track down a variety of norms and ideas that shaped the construction of the ECB's legitimacy. The remainder of this chapter introduces the data gathered for this research and the method of analysis of the data.

2.3. Data collection and Qualitative Content Analysis

This thesis seeks to study the legitimacy discourses on the ECB. In this thesis, discourse is defined as a particular perspective on a phenomenon that is expressed at a particular time (Bergström, Ekström and Boréus, 2018: 209). In addition, as various discourses are discussed in this thesis, then this means that there are more than one, and possibly contradictory discourses on same phenomenon (ibid). This is an important notion as, in many instances,

discourse is defined as constitutive of the whole social reality or a linguistic practice which relates to a wider framework of where the discourse is produced (ibid: 224). Legitimacy discourse seeks to argue how actors consider themselves as competent and morally acceptable members of the given social order (Rojo and Dijk, 1997: 532). Delegitimizing discourse, on the other hand, contains an accusation of violation of the cultural and social norms in a given social order (ibid.). Legitimacy discourses are constituted by legitimating and delegitimizing claims. The claims are produced in statements, writings, speeches, and answers to questions or other communicative acts. Thus, the analysis in this study is focused on texts that represent the building parts of the legitimacy discourses.

2.3.1. Data collection

This thesis analyses a corpus of text that includes communicative acts by significant actors in the Eurozone. There are two main sources of data. The first main source is the ECB's press conferences. This include transcripts of introductory statements and the Q&A between the media and the ECB's Governing Council. The second main source is the hearings of the ECB's president in European Parliament plenary debates, considering the ECB's annual reports. The sources of both texts come from a deliberative event where the official spokespersons of the ECB are questioned about their actions. In addition, the EP is the legally appointed supervisor of the ECB. The debates around the Annual Reports of the ECB always include questioning over the current policies of the ECB, thus it is a forum wherein the ECB's legitimacy comes under question. In addition, the MEP's represent the European population, as they are elected in their home constituencies. Thus, MEP's, at least to some extent, reflect the popular opinion in the European Union. The reason to focus on rather high-level political elites is because the ECB as an institution is often distanced from lower level actors. Focusing on political elites might give a wider sample of more clear sets of ideas which define the contestation. While reading through these transcripts, additional material has been added according to the issues that have come up in the discussions. The main focus is on statements by politicians and ECB's officials. However, additional material is included according to an individual issue. Additional material is gathered mainly by the Access World News Research database which is accessible through the Malmö University library. An important source of speeches by central bank officials is the Bank of International Settlements speech bank on

their websites¹. Data is gathered from the years 2009-2013. This includes the monthly press conferences by the ECB and four different hearings of the ECB's president by the EP Plenary. In addition, the corpus includes newspaper articles, speech transcripts and interview transcripts. Because the focus is on communicative acts by the significant actors, the data consists of straight citations of actors' statements. If a complete official transcript has not been available, straight citations printed in news articles are used instead.

2.3.2. Two-stage Qualitative Content Analysis

The analysis of the data is done through a two-stage analysis that consists of the analysis of ideas and norms as constitutive of discourses and the analysis of legitimation strategies. Qualitative content analysis is chosen because it best suits the needs of the research questions asked in this study. The following discussion motivates the choice of qualitative content analysis

Textual analysis comes in quantitative and qualitative forms (Halperin and Heath, 2017: 335). Quantitative content analysis seeks to address a large amount of text in order to reveal patterns and interpret their meaning in context of a larger phenomenon (Boréus and Bergström, 2017: 26). The analysis is done by calculating units of analysis from the material and observing the quantitative results of the analysis (Halperin and Heath, 2017: 345-346). However, in quantitative research, the room for interpretation is tight, and the units of analysis are fixed and predetermined (Boréus and Bergström, 2017: 23). The analysis of this thesis seeks to reveal ideas and norms which are inbuilt in discourses, thus the interpretation is more complex as the norms and ideas are not necessarily apparently visible. In addition, the questions that are asked are not 'how much?' but rather 'in which way?'. Thus, there is need for a qualitative method which provides more space for interpretation. Halperin and Heath argue that discourse analysis explores the ways in which discourses give meaning and legitimacy to social practices and institutions (Halperin and Heath, 2017: 335). They even add that discourses consist of an ensemble of ideas, concepts and categories (ibid). This sounds like a proper method for the purposes of this study, as legitimacy and ideas are at the core of the research. However, discourse analysis is often more interested in the specific uses of language, linguistic aspects and orders of signs (Bergström, Ekström and Boréus, 2017). In

¹ See: BIS: Central bankers' speeches: <https://www.bis.org/list/cbspeeches/index.htm>.

these approaches, discourse is understood more broadly as constitutive of social life, and the focus is more on large structures that produce power than in societal actors (ibid). Conversely, this study is more focused on ideas and norms which constitute the discourses, and the study also pays attention to the actors that produce those discourses. Thus, the analysis in this thesis is more interested in the different categories or patterns that exists in the material. This is why the analysis is conducted with a qualitative content analysis, which seeks to interpret the content, to organize it to different thematic categories, and to explore the ways in which those categories create meaning (Halperin and Heath, 2017: 336).

The thematic categories are known as coding frames, which create a basis for the analysis (Boréus and Bergström, 2017: 24). Coding is done to systematically break down and describe the content of text (ibid). The material is then coded by marking the coding units in the text by their designated category (ibid: 27-30). Hence, the coding unit is a theme that is identified in the material, and the theme in this analysis refers to the ideas that define the framework for appropriate governance. The categories for this analysis are derived from the review of ideas in European economic governance. In these categories, the wider framework of ideas act as the main categories and norms that they promote as the coding unit that refers to those main categories. The themes are identified by the references to the norms that different philosophical and programmatic ideas promote. These are presented in the Figure 1.

As mentioned in chapter one, philosophical and programmatic ideas may overlap in legitimacy discourses. Thus, it is important to analyze the dynamics of those ideas, and how they relate to different legitimation strategies. This is the second stage of the analysis. After the coding and categorization of the different legitimacy discourses, the legitimation strategies of those discourses are analyzed. This implies a second set of coding and, in that coding, the thematic categories are the different legitimation strategies. Theo Van Leeuwen identifies four strategies of legitimation in discourse and communication (Van Leeuwen, 2007: 92): authorization, which is legitimation with reference to authority, tradition, custom or law; moral evaluation, which means legitimation by reference to moral norms; rationalization, which includes a reference to the institutionalized system of knowledge; Mythopoesis, that is, legitimation built through narratives.

This is the composition that the analysis in this thesis applies to the introduced set of data, in order to answer the research questions that consider the ideas and norms that constitute the

legitimacy discourses of the ECB's crisis governance and the dynamics between those discourses.

2.4. Validity and reliability

Validity means correspondence between the theory, method of analysis and the data (Boréus and Bergström, 2017: 46). As this thesis operationalizes an interpretivist approach to political science, the aim is to gain a deeper understanding of phenomena which may have several interpretations (Halperin and Heath, 2017: 41-44). Thus, the aim is not to achieve generalizable results, as is common in positivist research tradition (*ibid*). Thus, there is no way to show the validity of the result through testing, as is done in positivist inquiries. This means that the research procedure is more vulnerable against bias, as interpretation is affected by the researchers' own framework of thinking and experience.

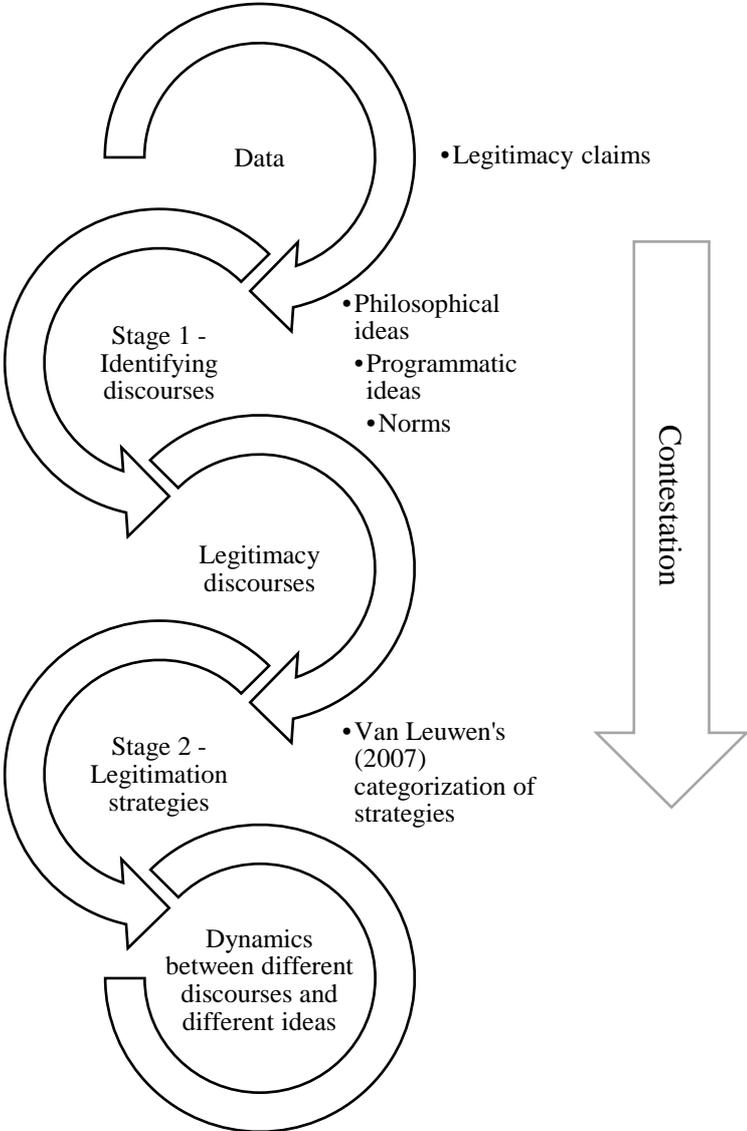
The validity in an interpretivist study is enhanced by strengthening the reliability of the research. This is achieved by widening the transparency of the process (Boréus and Bergström, 2017: 46-48), meaning a clear definition of the method and the data, as has been evidenced in this chapter. In addition, the transparency is improved by introducing the process of analysis with straight quotations and how those units of analysis are interpreted in relation to their categories (*ibid*). This also makes it possible for anyone to repeat the study and get the same results. The research process is also illustrated in Figure 2.

The following two chapters consist of the analysis of this thesis. The third chapter introduces the first stage of analysis by categorizing the discourses. This is done by reading through the communicative acts by actors who represent a larger group of actors, as board of governors of the ECB or members of a particular group in the EP or a state. As these texts are read and coded, according to the coding frames, they are categorized into groups (discourses) by the dominant main category. The fourth chapter introduces the analysis of the legitimation strategies that address the overlapping ideas in the discourses. The contestation of the ECB's legitimacy is presented in chronological order in two main spheres of contestation: first, the bond-buying programs and the role of the ECB, and second, the ECB's role in the troika. This is done to emphasize the process of contestation in order to point out any change in the discourses. The disadvantage of the chosen research design relates to the sphere of the contestation process. The qualitative content analysis does not address the extent of the

contestation. Thus, it is impossible to say what kind of weight different discourses have. In addition, the data selection may leave out some aspects as it focuses on the elite discussions. Also, the influence of the different discourses on the wider public sphere is left out of the scope of this study. However, these aspects would be a possible starting point for a whole new research which would not be possible without setting the framework within this study.

The remainder of this thesis includes two chapters of an empirical analysis of the contestation of the legitimacy of the ECB’s crisis governance during the euro crisis. The final section draws together the main arguments and findings, and concludes this thesis.

Figure 2. – Two-stage qualitative content analysis



3. Case study – Discourses of legitimacy on the ECB's crisis governance

This analysis departs from the year 2009, when the effects of the Global Financial Crisis influenced the policies of the ECB, but the European sovereign debt crisis had not yet started. The discussion then continues to the contestation of the ECB's government bond purchasing programs, including the debate between French and German governments over the role of the ECB, and ends at the contestation in the European Parliament over the role of the ECB as part of the troika. The discussion departs from the year 2009 to set a background for the ECB's legitimacy discourse, which follows the guidelines of the ECB's legal legitimacy deriving from the Maastricht treaty - discussed in the chapter one.

3.1. The ECB's legitimacy discourse before the euro crisis

During the autumn of 2008, after the collapse of the Lehman Brothers in the U.S., the ECB implemented unconventional measures to its monetary policy (Pisani-Ferry: 2014). The ECB was offering extended refinancing to creditors that were suffering from stagnation in the financial market (ibid). European states, on their part, had applied stimulus measures to revive the European economy (ibid). In press conferences, the president of the ECB, Jean Claude Trichet, was constantly asked if the ECB would start similar quantitative easing as the Federal Reserve (FED) and Bank of England (BoE) were conducting. In July 2009, the ECB started a Covered Bond Purchase Program² that aimed to add liquidity and confidence to credit market³. During the same month, in a conference in Berlin, the German Chancellor Angela Merkel criticized the expansionary policies of the FED and the BoE and also reminded the ECB about its policy objectives:

"Even the European Central Bank has somewhat bowed to international pressure with its purchase of covered bonds... We must return to independent and sensible monetary policies, otherwise, we will be back to where we are now in 10 years' time"⁴.

² Not one of the mentioned government bond-buying programs, but relevant due the comment that is made by Merkel.

³ (The ECB, 2009a; The ECB 2009b)

⁴ (Financial Times, 2009)

Merkel's statement reflects her worry that the expansionary policies might trigger rapid inflation, which refers to price stability, the main norm of ordoliberal monetary policies. Thus, she showed her concern that policy measures of the ECB might relocate the objective of price stability, which delivers the legitimate outcome of the ECB's policies in terms of the ordoliberal doctrine. Trichet was questioned over Merkel's statement in the next press conference. Trichet said that he and Merkel had discussed the issue and Merkel had shown her respect for the ECB's independence:

“And I told her that we were very strongly determined to both, taking the appropriate decision in the current exceptional circumstances and being absolutely crystal clear on the exit strategy. This is something we consider to be necessary because it is what our primary mandate given by the Treaty calls for”⁵.

In his comment, Trichet assures his commitment to price stability and appeals to the mandate given in the treaty. The Maastricht treaty represents the ordoliberal norm of a strong economic constitution. In addition, Trichet emphasizes the temporal nature of the unconventional measures, so they will not trigger inflation. This refers to the monetarist economic theory, which is shared in ordoliberal economics, and which proposes that an expanded money supply leads to rising prices.

In October 2009, Greek Prime Minister George Papandreou announced that the Greek economic situation was more concerning than was earlier communicated to the public (Pisani-Ferry: 2014). This led to an increase in Greek sovereign debt interest rates (ibid). The Greek government, together with the IMF and the EU, discussed solutions to the problematic situation, and the Greek government published plans to reduce the public deficit, which had scared the investors in the first place (ibid).

President Trichet faced questions about the Greek situation continuously in press conferences. While asked about the ECB's role in the crisis, Trichet answered:

“No government, no state can expect any special treatment from us. We have our own rules, and we will apply our own rules without special treatment of any kind. We know that some governments – one in particular, but not only one – that several governments have very tough and very difficult

⁵ (The ECB, 2009c)

decisions to take. But the problem of "help" is not the real problem. By belonging to the euro area, you are already helped because in particular, you have an easy means of financing your current account deficit. You share a currency that is credible, so that you have a quality of financing that corresponds to that of a credible currency. The problem is thus not one of "help". The problem is one of doing the job, of taking the appropriate decisions. That is what is at stake"⁶.

Trichet makes it very clear that the ECB will not go against its treaty. Trichet also continued to further explain what he meant by 'appropriate decisions':

"Moreover, high levels of public deficit and debt would place an additional burden on monetary policy and undermine the credibility of the provisions of both the Treaty on European Union and the Stability and Growth Pact as a key pillar of Economic and Monetary Union. The Governing Council therefore calls upon governments to decide and implement in a timely fashion ambitious fiscal exit and consolidation strategies based on realistic growth assumptions, with a strong focus on expenditure reforms"⁷.

Trichet does not directly make a legitimating claim about the ECB's policies, but he states that the EMU, as a whole, is dependent on certain economic policies that each actor is committed to. As Trichet refers to states' deficits and spending as being crucial issues for the economic union, he refers to ordoliberal norms, where competitiveness and budget discipline are in the heart of the idea. Hence, Trichet refers to the policy-making of the whole EMU, including the ECB, and stresses that the actual policy-making process should lean to these principles that can be traced back to ordoliberal economic thought.

This subchapter has discussed the legitimacy discourse of the ECB prior to the European sovereign debt crisis. The legitimacy discourse follows the same ideas as the principles established in the Maastricht treaty, including that policies are legitimated by leaning on constitutional legitimacy. It seems that there was not really any challenging of the ECB's legitimacy before the escalating of the euro crisis, except for the subtle remainder from Chancellor Merkel.

⁶ (The ECB, 2010a)

⁷ *ibid.*

The remainder of this chapter focuses on the contestation of the ECB's legitimacy during the European sovereign debt crisis.

3.2. Contestation over the role of the ECB

During 2010-2012, states in the Eurozone were faced by increasing interest rates for their sovereign debt (Pisani-Ferry, 2014). As the member states were not able to find a solution for the problem, the ECB had to intervene in the sovereign debt markets: firstly by the SMP-framework in May 2010, and - the measures taken in that framework being not enough - again in 2012 the ECB's president Mario Draghi assured that the ECB would not let any government in the Eurozone face insolvency (ibid). These policy decisions triggered a contestation over the role of the ECB in European economic governance. The following subchapter describes this debate, starting with the debate over the SMP, continuing with the Franco-German debate and ending with the controversy over the OMT-program.

3.2.1. Securities Market Programme

During the beginning of 2010, the Euro group, Commission and the IMF were seeking a solution for the Greek problem (Pisani-Ferry, 2014). On the second weekend of May, they came up with a solution of a support package for Greece (ibid). The next day, the ECB announced that it would start purchasing government debt from the secondary market, within the framework of the SMP (ibid). Purchases mainly focused on Greek government bonds (ibid).

This was possible to interpret as contradictory to Trichet's earlier statements, as it looked like the ECB would intervene in Greece's ability to refinance its fiscal policies. In his introductory statements, Trichet adopted a stance that lasted for the rest of his tenure: "...the Securities Markets Programme, are fully consistent with our mandate and, by construction, temporary in nature"⁸. Trichet added the SMP to his earlier discourse of legitimacy by emphasizing it as a temporary measure that does not collide with price stability. However, the SMP framework caused turbulence inside the ECB and also outside of it, especially in Germany.

⁸ (The ECB, 2010b)

The German members of the Governing Council raised their concerns over the problem. The Bundesbank president Axel Weber, stated his worries shortly after the launch of the program:

“The purchase of government bonds entails considerable stability-policy risks, and so I see this part of the Governing Council's decision as critical even in this extraordinary situation. It is now crucial to minimize these risks. Therefore, these purchases are narrowly limited: they are solely aimed at restoring the functioning of the bond markets and the monetary policy transmission process, and the liquidity supplied is being sterilized through absorption measures. We are determined not to undermine the current direction of monetary policy by buying bonds. The German population can count on us to be especially vigilant here. The Bundesbank and the entire Eurosystem stand for price stability in the monetary union - so far and also in the future”⁹.

Here, Weber stresses that the primary role of the ECB is to maintain price stability and the SMP-programme cannot undermine that role. Also, the ECB's chief economist Jürgen Stark expressed these worries, saying in an interview that he shared Weber's concern¹⁰. Later in October Weber restated his worries in a speech given at a conference in New York:

“There is no evidence that asset purchases have had any significant impact on average euro-area sovereign bond yields on which euro-area monetary policy must exclusively focus as its main transmission channel. But the SMP risks blurring the different responsibilities between fiscal and monetary policy. As the risks associated with the SMP outweigh its benefits, these securities purchases should now be phased out permanently as part of our non-standard policy measures”¹¹.

However, as the SMP continued to be a policy measure for the ECB, Weber announced his resignation in February 2011. In a speech that he delivered at the Federal Reserve Bank of St Louis in April the same year, Weber brought forth, further, his views about what the ECB should look like:

“Purchases of government bonds for monetary policy purposes, for example, harbour the risk of blurring the boundaries between monetary and fiscal policy, particularly given high government deficits and debt levels. This might harm the credibility of monetary policy. A little earlier I said that

⁹ (Börsen-Zeitung, 2010)

¹⁰ (Atkins, 2010)

¹¹ (Weber, 2010)

monetary policy must remain focused on price stability and should not be overburdened with other objectives. This principle applies not only with respect to financial stability, but also fiscal policy”¹².

In his statements, Weber stresses the importance of ordoliberal norms. First of all, of price stability as the main priority that cannot be risked. Secondly, of the ECB staying away from fiscal policies, as governments cannot be eased out of their problems of creditworthiness, because that might result to moral hazard. Weber’s resignation did not remain as a single event. Also, Stark announced that he was leaving his position, as the SMP framework was later in autumn also applied to Portugal and Spain. The same worries that Weber had were reflected in Stark’s column, published in the German paper *Handelsblatt*, a day after his resignation:

“Independence from politics is an outstanding feature of the European Central Bank. If the currency watchers now print money to buy government bonds, they blur this actually clear separation of fiscal and monetary policy... After all, the ECB finances the public debt of those who have violated the Stability Pact with their overly lax fiscal policies. This could have a negative effect on the discipline of fiscal policymakers - even in other countries, economists fear. The ECB rejects this. They should only ensure the monetary policy with the program”¹³.

Statements by Weber and Stark highlight the same ordoliberal discourse that Trichet emphasized prior to the euro crisis. They stress independence and focus on price stability, which is ensured by member states sticking to the common budgetary framework. However, they argue that the ECB has strayed from these objectives and moved to the field of fiscal policy, which strengthens the risk of moral hazard.

As mentioned, this interpretation was not limited to those Germans in the ECB but was apparent in German political culture more widely. In August 2011, the German Bundespräsident, Christian Wulff, expressed his concern over the same issues:

“It gives me cause for thought when governments wait until the very last minute before showing any willingness to give up benefits and privileges and introduce necessary reforms. Especially when the supreme guardians of the currency go way beyond the bounds of their mandate and buy up government bonds on a massive scale...I regard the huge buy-up of government bonds of individual

¹² (Weber, 2011b)

¹³ (Stark, 2011)

states by the European Central Bank as politically and legally questionable. Article 123 of the Treaty on the Functioning of the European Union prohibits the ECB from directly purchasing debt instruments, in order to safeguard its independence. This prohibition only makes sense if those responsible do not get around it by making substantial purchases on the secondary market”¹⁴.

Wulff argues for the same issues as Weber and Stark. In addition, he refers to the constitutional reason for the illegitimacy of the ECB's policies. Thus, the Germans were seeking to reproduce the same discourse of legitimacy as Trichet was engaging with before the euro crisis, which is based on ordoliberal economic doctrine with a strong economic constitution.

Trichet, and the rest of the ECB's Governing Council, did not depart from that discourse; the only difference was that the risk of the SMP and its function was interpreted differently.

Trichet referred to the issue in a press conference in January 2011:

“Our independence is inflexible...If we embarked on the Securities Markets Programme for monetary policy reasons and to help restore a better transmission of our interest rate decision, it was because the governments in question, despite everything that we had said to them, did not behave properly and did not monitor things as they should have done”¹⁵.

Thus, the general discourse remained. The constitutional issue was tackled by paying attention to details, as the treaty only prohibits bond purchases from the primary market. The governor of the Bank of Finland, Erkki Liikanen, assured in an interview in September 2011, that the ECB was not breaking any rules: "These purchases are no doubt legitimate, because they occur in the secondary market at market prices"¹⁶.

Thus, the line between the legitimating discourses between the ECB and the German block was fine indeed. The contestation was about the ordoliberal norm of central bank independence and ‘orthodoxy’ on a leeway with price stability. For the Germans, independence meant strictly staying away from any state business, and there was no leeway on the objective of price stability. However, Trichet took a more ‘unorthodox’ stance on price stability and interpreted independence to mean that the ECB could act in its own

¹⁴ (Wulff, 2011)

¹⁵ (The ECB, 2011a)

¹⁶ (Tiilikainen, 2011)

consideration. Thus, as both discourses were shaped by ordoliberal norms, it was an inter-programmatic contestation over the norms constituting of the legitimacy of the ECB's policies.

However, the gap between the orthodox ordoliberal monetary doctrine and the ECB's policies was about to get wider. Although, before the situation started to further escalate, there was a dispute between the German and French governments about the role of the ECB.

3.2.2. German ordoliberalism vs. French interventionism

During autumn 2011, the ECB's president Jean Claude Trichet's tenure came to an end and the governor of the Bank of Italy, Mario Draghi, started his term as the head of the ECB (Pisani-Ferry: 2014). Euro member states were still seeking solutions for the intensifying debt crisis. During the turbulence of sovereign debt interest rates, German and French governments took opposite stances concerning the role of the ECB in European economic governance.

As part of the solution, the Euro states were establishing a stability mechanism that could, in the future, help single member states running into problems while seeking financing from the markets. In November 2011, the spokesperson for the Sarkozy government said for the media that: "The ECB's role is to ensure the stability of the euro, but also the financial stability of Europe. We trust that the ECB will take the necessary measures to ensure financial stability in Europe"¹⁷. French Finance Minister Francois Baroin added that the upcoming facility mechanism should have a banking license, so it could borrow straight from the ECB¹⁸. Here the French opinions represent a view that the ECB should be used as a tool to finance the crisis states, which is prohibited by the treaty. Later the same day, Angela Merkel opposed the French views in a press conference: "The way we see the treaties, the ECB doesn't have the possibility of solving these problems"¹⁹. Thus, Merkel tackled the idea of reshaping the mandate of the ECB.

Sarkozy returned to the issue during his presidential campaign in April 2012: "On the question of the ECB's role in boosting growth, we French are going to open the debate...If

¹⁷ (MacKenzie and Vincour, 2011)

¹⁸ Ibid.

¹⁹ Ibid.

Europe is not going to sink in the international economy, it must renew with growth”²⁰. He further stated that: “If the central bank does not support growth, there will not be enough growth . . . I know the difficulties that surround this subject but we have the duty to reflect on it because it is a major problem for the future of Europe”²¹. The German government's spokesperson made a statement referring to Sarkozy's speech: "The German position on the ECB and its independent role is known and is also known in Paris and has been unchanged for a long time"²². Sarkozy was not the only one to argue for a more interventionist role of the ECB, as this was also supported by the Irish president Michael Higgins, and by Barack Obama's government²³. The issue was also brought up by MEPs of Greens–European Free Alliance (Greens–EFA) and Progressive Alliance of Socialists and Democrats (S&D) - parties²⁴.

French and German discourses are shaped by norms from two different programmatic ideas under liberal economic philosophies. The French discourse refers to norms that, in this thesis, have been identified as products of the French tradition of Keynesianism and dirigisme. In general, the French refer to the negotiability of the legal mandate of the ECB. Changes in the mandate would consider the ECB's role as supporting growth and taking a more intervening role in the whole economy. These are norms that derive from French economic philosophy. In the contestation of the role of the ECB, these norms collide with the ones apparent in the German discourse. Germans emphasize the economic constitution and the independence of the ECB, and the independence here refers to the ECB staying away from any state-related business. Thus, the contestation is contestation between two programmatic ideas.

It seems that the debate over the role of the ECB faded away after Sarkozy lost the elections to Francois Hollande. Hollande in his part did also argue to focus on growth on European economic policies, but he was emphasizing the easing of the austerity measures and left the ECB out of the discussion, as these decisions were made among the governments. However, even as the discussion around the ECB's role evaded, and member states were trying to find solutions on the crisis, the pressure on the Eurozone did not ease before the ECB stepped in further with its bond-buying programs and reinterpreted its mandate.

²⁰ (Newsmax, 2012)

²¹ (Boxell and Carnegie, 2012)

²² (Breidhardt, 2012)

²³ (Smyth, 2013; Overtveldt, 2011: 122)

²⁴ (The European Parliament, 2010; The European Parliament, 2011; The European Parliament, 2013)

3.2.3. The Outright Monetary Transaction program

As Mario Draghi started his term as the president of the ECB, he continued to produce the same discourse about the ECB's legitimacy as his predecessor Trichet had done. Discourse included references to the treaty as the source of the primary mandate. Similar to Trichet, Draghi also stressed the legitimacy of the SMP framework, due to its temporary nature. However, Draghi referred more directly to the German tradition of monetary policies:

“As I said before, we have a Treaty and the Treaty states what our primary mandate is, namely to maintain price stability. Also, the Treaty prohibits monetary financing. I am old enough to remember that, when this Treaty was written in the early 1990s, some of the countries around that table were actually doing what you suggest doing now, namely some of the central banks of these countries were financing the government expenditure of their governments through money creation, and the consequences were there for all of us to see. That is why, in a sense, this Treaty embodies the best tradition of the Deutsche Bundesbank, whereby monetary financing has always been prohibited”²⁵.

Jens Weidmann who replaced Axel Weber as the president of the Bundesbank, continued to represent the strict interpretation of the ECB's role and the importance of the focus on rigorous inflation management. The German distrust of the ECB's unconventional policy measures remained.

Throughout the first half 2012, the euro states continued to struggle to come up with a common consensus for the crisis solution. During the spring, Cyprus became the fifth country to request financial assistance to prevent insolvency²⁶. Despite the financial assistance programs and the ECB's efforts to provide long-term lending for the banks, the uncertainty over the government solvency was not relieved. There was speculation as to whether Greece would end up to a situation where it had to exit the euro, which could have led to the deconstruction of the whole Eurozone (Pisani-Ferry, 2014). During the summer of 2012, the bond spreads were increasing strongly. The situation did not ease until Mario Draghi held his famous speech at an investment conference in London 26th of July.

²⁵ (The ECB, 2011c)

²⁶ Together with Greece, Ireland, Spain and Portugal (Pisani-Ferry, 2014)

“And so we view this, and I do not think we are unbiased observers, we think the euro is irreversible. And it’s not an empty word now, because I preceded saying exactly what actions have been made, are being made to make it irreversible. But there is another message I want to tell you. Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough.”²⁷

What is interesting is the fact that Draghi stresses the mandate but while also preserving the euro as an ultimate object. Draghi's statement was not left without attention in the next press conference of the ECB's Governing Council. Journalists asked about what it meant in relation to the ECB's mandate, that had been strictly interpreted earlier to mean only price stability. Draghi responded: “We will act within our mandate of maintaining price stability over the medium term. But certainly, it is within our mandate to do whatever is in our power to preserve the euro as a stable currency”²⁸. Soon after, the ECB announced its plan for an unlimited government bond-buying program, OMT. Draghi saw no problem with the justifiability of these measures: “It will basically be carried out in the secondary market. And, as I have said, it does not violate the prohibition of monetary financing in any way. It falls squarely amongst the instruments of monetary policy”²⁹. Draghi further clarified his arguments for the legitimacy of the OMT-program:

“We will do whatever it takes within our mandate – within our mandate – to have a single monetary policy in the euro area, to maintain price stability in the euro area and to preserve the euro. And we say that the euro is irreversible. So unfounded fears of reversibility are just what they are: unfounded fears. And we think this falls squarely within our mandate”³⁰.

Draghi shifted in his and the ECB’s earlier interpretation of the mandate to consider not only price stability but also to guarantee the existence of the Euro as well. Thus, Draghi introduced another norm to constitute the legitimacy discourse. This norm was related to the Euro as part of the European project. It is hard to pinpoint the actual philosophical origin of that norm, but it could be tracked back to the ideas of European unity and economic integration as a provider of stability.

²⁷ (Draghi, 2012)

²⁸ (The ECB, 2012a)

²⁹ Ibid.

³⁰ (The ECB, 2012b)

Draghi moved to a more unorthodox interpretation of ordoliberalism, as the orthodox interpretation defines independence as staying away from state affairs. However, other features of ordoliberalism remained as part of the justification of the OMT-program. The states that would be the subject for the program were expected to adapt to structural reforms. This conditionality reflects that, even though the ECB's moved more towards the model of French Interventionism with its extensive bond purchases, the rest of the policies remained the same. This is apparent in Draghi's statement in October 2012:

“We view conditionality as an essential part of the activation of the OMT. I have made this point since the very beginning. Conditionality will actually have several roles. First of all it will reduce the moral hazard by governments. The second role it will have is that it protects the independence of the ECB”³¹.

Bundesbank president Weidmann posited himself to oppose the bond-buying program. He presented his concerns in an interview for the German paper, Spiegel:

“The framework (mandate) has been stretched and, in some cases, disregarded... I was already critical of the sovereign bond purchases that have been made to date...Such a policy is too close to state financing via the money press for me. The central bank cannot fundamentally solve the problems this way. It runs the risk of creating new problems... I also see no immediate threat of inflation. But if monetary policy allows itself to be used as a comprehensive political problem solver, its real objective threatens to recede increasingly into the background”³².

Weidmann further reproduces the discourse of the ECB's legitimacy, which was earlier adopted by Weber, Merkel, and Stark. However, it seems that Merkel had made a U-turn in her stance on the ECB's interventionism on the bond market. Merkel commented on the issue in a press conference:

"What he said is something we repeated time and again since the beginning of the Greek difficulties more than two years ago. We feel committed to do everything we can to maintain the common currency. The European Central Bank, although it is of course independent, is completely in line with what we have said all along”³³.

³¹ (The ECB, 2012c)

³² (Spiegel, 2012)

³³ (Business Insider, 2012)

Where Merkel earlier aligned with the orthodox ordoliberal doctrine, she now stated that, all along, the maintaining of a common currency had been a crucial object. The German political community did not, however, fully stand behind Merkel's line. In June 2013, the German constitutional court started a discussion about the legality of the OMT-program. These discussions led to a request for a preliminary ruling by the European Court of Justice (ECJ) about the legality of the OMT-program. In June 2015, the ECJ ruled that the TFEU articles over the European Central Bank must be interpreted as permitting the European System of Central Banks to adopt a programme for the purchase of government bonds on secondary markets³⁴. This should be seen as an important factor in the legitimization process of the ECB's crisis governance, as the constitutional issues have shown a significant role in all discourses. The ECJ resolution institutionalized the new interpretation of the mandate.

The contestation of the OMT-program was continuum for the inter-programmatic contestation that started with the SMP-framework. As a result, the ordoliberal norms were reinterpreted in the ECB's legitimacy discourse, accompanied with norms from the ideas of European integration. The contestation over the role of the ECB and the meaning of its mandate was not, however, the only controversy that arose around the ECB's crisis governance. A whole other dimension of legitimacy was contested around the discussions if the policy measures were eroding the European democracy.

3.3. Democracy and ordoliberalism

At the beginning of the year 2010, when the Greek state was running into problems, and the leaders of the Eurozone were trying to come up with a solution to help Greece move away from the brink of insolvency, worries about the effects of the crisis for the EU's democracy came up. Economics Nobel laureate Joseph Stiglitz expressed his worries over the effects that a lack of solidarity in the Greek question could lead to:

“For the sake of European solidarity and democracy, Europe should support Papandreou's efforts in every way they can, not turn their back on the people of Greece who must be convinced that supporting the government's austerity measures is in everyone's best interest”³⁵.

³⁴ (The European Court of Justice, 2012)

³⁵ (Stiglitz, 2010)

Another popular economist, Dani Rodrik, argued in an opinion piece that was published in newspapers around the world, that the crisis was an example of the globalization dilemma³⁶. According to the dilemma, a state needs to choose two of the following: democracy, sovereignty or globalization. Democracy also entered the discourse of the ECB president. Trichet had earlier referred to member states as national governments but now Trichet shifted, referring to them as “our democracies³⁷”. Trichet had been legitimating the ECB’s independence by referring to the treaty. However, as the Greek crisis escalated, Trichet included a mention of democracy to his discourse:

"We have delivered to our 330 million fellow citizens the best result that has been observed for 50 years in the countries of the euro area. I say that with emphasis because it is the mandate that we have received from our fellow citizens and from our democracies. We have a primary mandate and we fulfill this primary mandate at the level of an entire continent"³⁸.

In the European Parliament, the largest parties at the time³⁹ gave their consent to the ECB’s policies in the hearings of the ECB’s president during the 2010⁴⁰. ALDE and EPP representatives showed their full support, whereas more leftist Green Party and Social Democrats expressed worries about the austerity policies that were posited on Greece and Ireland. More vocal criticism came from conservative and nationalist parties, such as the Europe of Freedom and Democracy Group (EFD) and the European Conservatives and Reformists (ECR), who were focusing on that the idea that the Euro was a mistake and a problem from the very beginning that should be reversed. Also, the left-wing political group European United Left/Nordic Green Left (GUE/NGL) placed harsh criticism on the ECB president. Irish MEP Joe Higgins protested against the crisis policy in Ireland:

“Private speculators and bondholders gamble tens of billions in private deals with private developers and private bankers in Ireland for private profit, and when the gamble fails, you support the pathetic government in Ireland to saddle working people, pensioners and the poor with the cost of this gamble. Now you have sent in the IMF as the shock troops for neoliberal capitalism to make the Irish people

³⁶ (Rodrik, 2010)

³⁷ (The ECB, 2010a)

³⁸ (The ECB, 2010c)

³⁹ European People’s Party (EPP), Alliance of Liberals and Democrats for Europe (ALDE), Progressive Alliance of Socialists and Democrats (S&D), The Greens–European Free Alliance (Greens-EFA) (The European Parliament, 2019).

⁴⁰ (The European Parliament, 2010a; The European Parliament, 2010b)

pay. Morally, and in every other way, they should not pay and they must resist this disastrous attack on their services, living standards and democracy”⁴¹.

Portuguese MEP Miguel Portas from the same party continued:

"The neoliberal ideology that is dominant in the European Central Bank (ECB), which means that there is an ever-lurking threat of inflation, even when there is considerable untapped productive capacity, is making the euro area a hostage to the financial markets. This ideology has returned to remind us that austerity is not enough and that there needs to be a nominal reduction in wages and further deregulation of the labor market. Since the drop in aggregate demand will affect the implementation of the budget by Greece and Ireland in 2011, the ECB will then come and tell us that the austerity policy was right, but that it did not go far enough or deep enough”⁴².

The statements by the GUE/NGL representatives are not targeted on any single action of the ECB but rather on the whole establishment of the EU’s economic governance. In this setting is “...the basic pillar of the anti-grassroots policy being exercised by the European Union and the governments of the Member States is the ECB”⁴³. Thus, the ECB and the EU's economic governance is delegitimated, due its fundamental construction on neoliberal doctrine. The way the MEPs refer to neo-liberalism resembles the critique that is introduced in chapter one, as it straightly mentions the ‘shock troops’. In this sense, the MEPs of the GUE/NGL seek to delegitimize the whole programmatic ideas that the economic governance is built on. This model of governance is seen as unjustified, as it leads to the weakening norms of communitarian democracy by limiting liberty of participation and violates equality by hurting people in lower income classes.

Jean-Claude Trichet, the president of the ECB, attempted to distance the ECB from what was considered a political decision but at the same time promote the fiscal reforms in the crisis states in a press conference in February 2011:

“I usually do not comment on the functioning of our democracies. We have 27 exemplary democracies in Europe and 17 exemplary democracies in the euro area. Let me only say that Ireland has a medium-term plan approved by the international community, namely the IMF, and by the European Union,

⁴¹ (The European Parliament, 2010b).

⁴² Ibid.

⁴³ Charalampos Angourakis in: (The European Parliament, 2010a)

with the positive judgement of the Commission in liaison with the ECB. The implementation of the plan is absolutely essential, in the opinion of the ECB, for the credibility of the country”⁴⁴.

Democracy, in Trichet’s claim, does not seem to match with norms of communitarian democracy. Trichet’s statements are dominated by references to the ordoliberal norms of competitiveness and budget constraints. In this sense, Trichet’s reference to democracy seems more like pointing to a ‘common norm’ in a more manipulative sense to legitimate the policies, although Trichet’s reference would meet the norms of individualist democracy as the ordoliberal doctrine is what defines constitution of the European economic governance.

In August 2011, president Trichet and the governor of the Italian Central Bank, Mario Draghi, sent a letter to the Italian president, Silvio Berlusconi. In the letter they demanded that Italy start a fiscal reform process to make sure that Italian government bonds continued to be included in the ECB’s SMP framework. As Trichet was asked about the letter in the next ECB press conference, he replied by highlighting the ordoliberal constitution of European economic governance:

“As regards Italy, as I said, these are messages: we are not dictating or imposing anything. We considered it our duty – exactly as it was our duty to tell all governments to respect the Stability and Growth Pact – to tell governments, individually and collectively, that they will be better off if they have better governance. We are on record as having launched a large number of messages. We would prefer not to launch those messages and it is not what the Treaty is calling on us to do. The Treaty calls on us to deliver price stability”⁴⁵.

Irish MEP Paul Murphy from the GUE/NGL brought the issue up in the hearing of the ECB’s president in the EP.

“Mr President, I have here a ransom note that was sent to the Italian Government on 5 August and sets forth a detailed prescription of austerity measures that had to be implemented. Every one of these measures involves attacks on the rights and living standards of working class people. The note is signed off by you, Mr Draghi, as well as by Jean-Claude Trichet, and comes from the European Central Bank. It finishes with a line that is fairly ominous: ‘We trust that the government will take all the appropriate actions’ ... Could you now please drop the pretence that has been repeated here today,

⁴⁴ (The ECB, 2011a)

⁴⁵ (The ECB, 2011b)

that the ECB is in some way independent? It is independent only of any democratic checks and any accountability to ordinary people. It is subservient to the interests of the capitalist classes, the rich in the core euro countries, and it has acted as their shock troops throughout this crisis”⁴⁶.

Murphy’s statement continues the discourse of his party, where the delegitimizing claims relate to the totality of the neo-liberal governance which collides with the communitarian democratic values.

3.3.1. A shift in attitudes

In general, during 2011, the attitudes of the MEPs seemed to follow the path that they were on already. However, from late 2011 to early 2013, attitudes among MEPs had become more anxious towards the European economic governance.

Those mainstream leftist parties that had earlier expressed their concerns about the austerity policies were now more serious in their statements. A French member of the S&D group, Liem Hoang Ngoc, questioned the ECB’s accountability to democratic values:

“I would say that the problem today is not monetary policy, which is relatively pragmatic, but rather fiscal policy, which is excessively restrictive. The other problem is democracy, and both are linked. Democracy, not only because money is a public good, but also because the Central Bank belongs to a troika that demands the application of the austerity policies that are now debated in Europe as a whole. Democracy is also today necessary because the Central Bank makes huge profits on the basis of capital gains and interest income from the debts it now holds on a massive scale”⁴⁷.

A Dutch MEP of the Greens/EFA Bas Eickhout also questioned the president of the ECB, Mario Draghi, over the political commitments of the ECB:

“One of the major problems could be the independence of the ECB and that is very important. That is what I want to talk to you about, that independence, because you sometimes put that independence at risk if you make political choices in your statements... You are only talking about reducing the crisis

⁴⁶ (European Parliament, 2011)

⁴⁷ (European Parliament, 2013)

by reducing spending. That is a political choice that you make. And that threatens the independence of the ECB”⁴⁸.

Eickhout and couple of other MEPs from leftist and nationalist groups stated that there should be greater democratic control over the ECB, due to its highly political role as part of the European economic governance⁴⁹. The legitimacy discourse produced by these MEPs refer to the norm of communitarian liberty, as they criticize the ECB from diminishing people’s possibilities in having a say in policy making. Thus, they see that the ECB violating its independence by taking part in policy measures.

Mario Draghi’s answer to the comments remained in the ordoliberal doctrine of fiscal reforms and improvement of competitiveness as the way out of the crisis:

“How has the ECB done within its mandate? Its mandate is to keep price stability and, through this, to support the economy, maintain confidence and protect the poor. The ECB throughout its existence has delivered on price stability in a remarkable fashion. It is quite clear here that other actors – namely the national governments, the EIB and even national central banks – must play their role, as Vice-President Rehn has reminded us. Let me be very clear: growth is essential. Without growth, there is no price stability that is sustainable in the long term; without growth, there is no financial stability that is sustainable in the long term. So the message here is as follows: do not unravel the progress that many countries have made, because it has been truly remarkable in this period. There has also been a very strong improvement in structural primary balances since 2009. Problem countries are benefiting from a significant improvement in their cost competitiveness, but that is the other secondary consideration”⁵⁰.

What reflects the view of the ordoliberal economy governance in the previous statement is where every institution, including the governments, play their part. The part of the governments, in this context, is to take care of the rigorous fiscal policies in their nation-states, which gives the legitimacy for the austerity measures that have been promoted by the troika.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

In his statements, Mario Draghi did not address democracy similarly to Trichet. In Draghi's discourse, the treaty and the mandate were self-explanatory since they were based on the economic "reality" that derives from the ordoliberal economic framework. However, Draghi was asked whether the claims of undemocratic actions during ECB's intervention on Cypriote banks during spring 2013 did 'touch' him anyway'. Draghi replied that: "The answer is an emphatic "no""⁵¹, and stressed the importance of the treaty.

The contestation over the ECB's policies and democracy is a contestation between two different philosophical ideas that seem to be incompatible, because they promote different norms of democratic liberty. The delegitimizing claims that were made by the leftwing MEPs in the EP stressed the communitarian norm of liberty that is based on people's right to take part in the process of governance. However, the model of governance that the ECB stressed is based on the strong economic constitution that rather resembles the individualist liberty.

3.4. Legitimacy discourses

The data that has been analyzed reveals several discourses of legitimacy on the ECB's crisis governance. The ordoliberal discourse that is divided into the orthodox and unorthodox discourses, the French interventionist discourse and the democratic communitarian discourse. In the claims of the MEPs from the GUE/NGL, there were also elements which are typical for the criticism of neoliberalism. The dynamics and meaning of these discourses are further discussed in the following chapter, which introduces the second stage of the analysis and also discusses the findings in relation to the theoretical framework.

⁵¹ (The ECB, 2013)

4. Legitimation strategies and the constitutive role of ideas and norms

Reflecting to the Van Leeuwen's (2007) classification of strategies of legitimation, there are three different strategies that can be identified in the research material: authorization, moral evaluation, and rationalization. Rationalization and authorization are evident in ordoliberal and French interventionist discourses. Moral evaluation is the main strategy of legitimation in democratic discourse.

In the ordoliberal discourses, the ECB's policies are legitimated by referring to the ordoliberal norms of rational actions. These norms are based on the assumptions of how economic actors tend to act, and thus it offers guidelines for the optimal design of economic governance. This becomes evident in the points where Trichet and Draghi refer to the implementation of fiscal reforms as the only way to achieve growth through an increase in competitiveness. Policies are legitimated by referring to the ordoliberal economic thought as a form of knowledge, that is constructed by society and has societal cognitive validity (Van Leeuwen, 2007: 92).

Similarly, the French interventionist discourse appeals to the 'common sense' while emphasizing the role of the ECB to achieve growth in the Eurozone. However, the ECB's policies have also been subject to delegitimizing claims within the ordoliberal discourse. The German "block" that challenged the ECB's bond-buying programs referred to the legality of those measures. This should be seen as a strategy of authorization, which means (de)legitimation by referring to a tradition or law (ibid). However, the same strategy was used in the official ECB communication as they also referred to constitutionalist values. This emphasizes that the contestation was about the interpretation of the meaning of the mandate, where the broad interpretation dominated in the end. In addition, the ECB's presidents' attempts to distance the ECB from the political process could be seen as a legitimation strategy that however, falls outside the Van Leeuwen's categorization.

The democratic discourse, produced by the Social Democrats and Greens in the European Parliament, delegitimated the ECB's crisis policy by referring to democratic values in governance. The delegitimizing claims resembled the communitarian concepts of liberty and equality. The center of criticism for Social Democrats and Greens was that the austerity policies that the ECB was promoting and implementing, together with the Commission and the IMF. The claim was that the policies were undemocratic, as they were implemented in a

supranational order, where the actual citizens in those states did not have an opportunity to take part in the decision making. Thus, as the idea of democratic governance includes a value system, and those values were at the heart of the delegitimizing claims, the strategy was a moral evaluation (Van Leeuwen, 2007: 92). The same strategy is used in the delegitimizing discourse by the socialist party in the EP. However, in their discourse, they refer to the dominating ideology in the European economic governance as neoliberalism, which is claimed to be incompatible with the possibility to accomplish democratic values in governance. In this discourse, communitarian notion equality is emphasized, as they argue that the austerity measures hurt most the people who are already in lower socio-economic positions. However, the moral evaluation is also a character of the ordoliberal discourse. In their statements, Draghi and Trichet emphasize the responsibility of the of the member states to implement the structural reforms. The responsibility emerges from the ordoliberal norm of economic constitution.

Tracking the different discourses around the legitimacy of the ECB's crisis policy shows how the contestation of legitimacy is a contestation between different ideas on different levels. These ideas underpin the individual understanding of society, as they form world views that define what is rational and what is morally appropriate behavior (Schmidt, 2014: 194). Hence, these ideas also define the legitimacy beliefs of the people. The contestation is not only contestation on different norms but also contestation over meaning on certain norms. Central bank independence is a good example of a norm that was highly contested during the sovereign debt crisis. The discourses by the ECB, German politicians and leftwing MEPs all departed from a different ideational framework and gave a different meaning for independence. This also illustrates how contestation alters the 'norm hierarchy'. As the definition of independence that was promoted by the ECB's presidents dominated in the end, the old dominant definition that followed the orthodox ordoliberal doctrine lost its influence. At the same time, the idea of a common currency and economic integration turned out to be more important than the ECB's stance to stay far away as possible from state affairs. Thus, the legitimacy discourses overlap between different ideas.

In general, the ordoliberal discourse seems to be one that dominates the contestation of the legitimacy of the ECB's crisis governance. In a case in which one of the other discourses would override ordoliberal discourse, this would probably be manifested in more concrete political actions. As the democratic discourses by the socialist parliament groups show, the

legitimacy discourse addresses the European economic governance more broadly than only the ECB. This is an important notion as it describes the role of ideas in norms in establishing a wider framework for legitimacy.

4.1. Legitimacy and the two-level game of the European governance

In the literature of the legitimacy of the ECB, the legitimacy is usually considered as the central bank's accountability to the member states, or the legitimacy is represented as two-level game where governments need to gain legitimacy on their home field but also among other member states. However, in the theoretical framework of this research, it seems that the ideological underpinnings of the governance establish a wider framework of legitimacy for all of the partaking actors. As mentioned, the dominant idea appears to be the ordoliberal one.

As seen in the statements by Trichet and Draghi, they turn the question of legitimacy upside down and make it concern every institution that is part of the Eurozone. Every actor has their own role that they need to fulfil. Thus, for the Eurozone to function, each actor must meet a certain criterion in their decision making; otherwise, they might lose their legitimacy in the eyes of the rest of the Eurozone. This logic is evident in the cases where Italian and Greek leaders stepped down from their roles as they faced strong pressure from the core leaders of the Eurozone (Ronkainen, 2019: 157). Thus, the ordoliberal discourse of the legitimacy of the ECB's crisis policy is not only about the legitimacy of the ECB, but also about the legitimacy of national governments, which need to design their policies in accordance with ordoliberal norms. In this sense, the wider philosophical worldview that is turned into the legitimacy discourse concerns the whole political community of the Eurozone. The legitimacy discourse is not only for the means of the ECB to legitimate its policies, as Vivian Schmidt shows in her article (Schmidt, 2016), but it also defines what is appropriate governance for all actors in the Eurozone. This also emphasizes the role of the wider ideological frameworks in the collusion of legitimacy beliefs.

This chapter has discussed the main findings that emerge from the analysis of the case study of the legitimacy of the ECB's crisis policies. The final part concludes the main purpose, argument, and findings of this thesis.

Conclusion

The purpose of this thesis has been to theorize and analyze the legitimacy of the European Central Bank. This study has been motivated by a research gap on earlier literature on the ECB's legitimacy. The previous research has not fully answered the question of: How is the ECB's legitimacy constructed? This thesis has operationalized a constructivist approach which proposes that legitimacy is constructed through the contestation of competing legitimacy beliefs, that are constituted by norms and ideas. The framework is then applied to the contestation of the legitimacy of the ECB's crisis governance during the European sovereign debt crisis by identifying different legitimacy discourses and the norms and ideas which constitute them. This thesis contributes towards two fields of research: the literature on legitimacy of the ECB, and literature on the role of norms and ideas constituting the legitimacy beliefs.

On the legitimacy of the ECB, during the euro crisis the study reveals that there were three levels of contestation: an inter-programmatic contestation over the norms of ordoliberalism, a contestation between programmatic ideas of liberal economic philosophy (German ordoliberalism and French interventionism), and a contestation between philosophical ideas (communitarian democracy and ordoliberalism). The ordoliberal norms were the main ones that constructed the dominant discourse on the legitimacy of the ECB. However, the study does not make any claims about the extent to which the different discourses gained publicity and represented the attitudes of the wider public. Neither does this research answer the question of 'why a certain discourse prevails'. Thus, there is need for a further study about the spread of the different discourse throughout the process. This would require a more quantitative approach and a conceptualization of power and a theory that would allow causal claims to be made. In addition, as seen in the analysis, the ECB's legitimacy discourse seemed to shift only in accordance to the demands of the financial markets. Therefore, another shortcoming of this thesis is that, it does not address the role of the financial market actors in the analysis, but rather takes the actions of the financial markets as a fixed factor. In a further study also the financial market actors could be included to the analysis.

While this thesis contributes to the research literature on the legitimacy of the ECB, it further contributes to the research of the role of norms and ideas constructing legitimacy by illustrating the relationship and hierarchy between norms and different levels of ideas. The

empirical study conducted in this study demonstrates how wider programmatic and philosophical ideas do not only constitute the legitimacy discourses but also establish a wider framework for legitimacy, which considers the whole political community. The dynamics between the different ideas come up in the ways that they promote a worldview. Economic ideas rather shape the world in rational terms as shaping the actions to appeal to common sense, whereas democratic ideas have focus on moral evaluation. However, the way in which these ideas collide highlights, also, the moral commitments of the economic ideas. Thus, there is a demand for research that addresses the legitimacy of the European economic governance as a whole, and focuses on the moral commitments and overlaps between different identifiable ideas that shape the legitimation and delegitimation and how they change through a process of contestation. That could also serve as a case for further theorizing the role of norms and ideas in the construction of legitimacy through contestation.

In relation to a wider field of research, this thesis has contributed to the field of Global Politics by introducing a framework of analysis for the legitimacy of supranational institutions in global governance. Even though this thesis does not seek to make any generalizable claims about the functioning of legitimacy, it shows that legitimacy as a concept, that focuses on the cognitive factors as belief, ideas, and norms, is a useful tool to gain deeper understanding in what gives justification for the power of the supranational political regimes. The focus on the contestation of norms and ideas also emphasizes that the moral, legal and economic norms are not fixed, but open for debate and can serve as subjects for a wider societal discussion beyond the dominating definitions.

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