How to Theorize Democratic Legitimacy in the Eurozone Crisis

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Introduction: The Problem and How to Analyze it

The European Union is in the throes not just of an economic crisis but also of a crisis of democratic legitimacy. Public trust in national and EU institutions has been falling together with support for European economic integration while citizen dissatisfaction with national governments and disaffection from the EU has been on the rise (Hobolt 2015; Kriesi and Grande 2015). This has translated into increasingly volatile national politics, with the electoral cycling of incumbent governments and the growth of populism, as extremist parties with anti-euro and anti-EU messages get attention, votes, and even seats in national parliaments and the European Parliament (Bosco and Verney 2012; Mair 2013; Taggart and Szczerbiak 2013). Such toxic politics have been fueled by the poor economic performance of the EU, and in particular of Eurozone members. Growth remains elusive and deflation threatens in a Europe characterized by increasing divergence between the export-rich surplus economies of Northern Europe and the rest, which struggle under the burdens of high debt, rising poverty and inequality, along with continuing high levels of unemployment, in particular of youth (Enderlein et al. 2012; Scharpf 2012).

Eurozone governance processes focused on stability-based macroeconomic policies mandating restrictive numerical targets on deficits and debt, with surveillance and 'structural reform' for countries falling short of the targets, have yet to solve Europe's economic problems even as they have contributed to the political ones. In the absence of any deeper political integration that could provide greater democratic representation and control over an ever expanding supranational governance, and in the face of major divisions among EU actors over what to do and how, the EU ended up 'governing by the rules and ruling by the numbers' in the Eurozone. At the inception of the crisis, the European Central Bank (ECB) continued to follow the 'one size fits none' rules of monetary policy that had exacerbated (rather than reduced) member-states' economic divergences (Enderlein et al., 2012). The Council became dominated by 'one size fits one' rules of intergovernmental negotiation that gave one member-state (i.e., Germany) outsized influence. The EU Commission applied the 'one size fits all' rules of budgetary austerity to very different member-state economies. As for the European Parliament (EP), it had almost 'no size at all' when it came to setting policy.

But as the crisis evolved from 2010 through 2014, and as EU institutional actors became increasingly concerned about continued poor economic performance and growing political volatility, they slowly began to reinterpret the rules and recalibrate the numbers, albeit mostly without admitting it in their communicative discourse to the public. Instead, they mainly continued to insist that they were sticking to the rules even as, behind closed doors in their coordinative discourses of policy construction, they were debating, contesting, and compromising on rules (re)interpretation.

Since the start of the Eurozone crisis in 2010 both what EU institutional actors done and said as well as public perceptions have changed as the crisis has moved from an acute fast-burning phase (2010-2012) to a more settled slow-burning phase (2013 -   ). In 2015, it is too early to say much about how these differential patterns. But what has been clear already over the course of the crisis is that the challenge for EU institutional actors has been how to get beyond the original rules to more workable ones. This has not just been a question of overcoming the institutional logics that make formally changing the rules very difficult so long as there is significant disagreement among the member-states about what to do and how to do it (Scharpf 1999); the political logics that have reinforced the institutional gridlock, given diverging national perceptions of the crisis and political pressures on EU member-state

leaders; or the potential legal constraints that limit what they can do constitutionally (F. Fabbrini 2014). It has also been a question of how to build legitimacy for reinterpreting the rules—no easy task given the complexity of EU institutional and political logics and the potential legal obstacles.

The paper considers the different pathways to legitimacy of the principal EU institutional actors (ECB, Council, Commission, and EP) as they were confronted by rapidly changing events, failing solutions, and constraining institutions from 2010 through 2014. It argues that each of these actors in its own way increasingly sought to retain legitimacy by reinterpreting the (throughput) rules in order to achieve better policy (output) performance and political (input) responsiveness. The paper contends that even though reinterpreting the rules without publicly admitting it—'by stealth'—may arguably have been the only feasible course of action, and did help to improve (output) policy performance, it risked undermining citizens' perceptions of political (input) responsiveness and endangered (throughput) accountability and transparency.

To analyze the reinterpretation of the rules, this think piece turns for definitions to the systems concepts often used in the EU studies literature. These include the 'output' effectiveness of EU policies, the EU's 'input' responsiveness to citizens' political concerns (Scharpf 1999, 2012), and the 'throughput' quality of the EU's policymaking processes (Schmidt 2013). For the ways in which EU institutional actors employ these concepts in the dynamics of legitimation, the paper turns to the analytic framework of discursive institutionalism, which considers the substantive content of ideas and the interactive processes of discourse in institutional context (Schmidt 2008). Most useful for our purposes is the discursive institutionalist analysis of the ways in which EU institutional actors seek to legitimate their reinterpretations with one another in a coordinative discourse of policy construction and with the public in a communicative discourse of political legitimation.

For purposes of comparison, moreover, the paper differentiates between technical and political actors in terms of timing and manner of response to different phases of the crisis. It hypothesizes that technical actors (ECB and Commission) turn first to expert communities for legitimation of their policy ideas while political actors (Council and EP) instead look first to their national constituencies, and that while technical actors are more likely to innovate in the slow burning phase of the crisis, political actors are in the fast burning one—so long as technical actors have prepared the ground. The paper additionally differentiates both kinds of actors in terms of their relative autonomy, authority, and remit, and considers how this affects their capabilities for action as well as their interactions.

The Puzzle

EU institutional actors have sought to solve the problems of the crisis and at the same time to legitimize the decisions taken. However, in their attempts to fix the economics and calm the politics, under the pressure of material events and failing solutions, EU institutional actors have instead been informally and incrementally reinterpreting the rules without admitting it in the discourse. They have for the most part not been able to do this formally, given the preference based, institution-related and ideationally charged obstacles to change. Engaging in such informal adjustments to the rules has therefore posed problems of legitimation that these actors have sought to solve in their own particular ways, following their differing institutional configurations and frameworks for legitimation:

For example, from 2010 through 2014, the European Central Bank (ECB) slowly moved from the 'one size fits none' rules to 'whatever it takes' (in the famous phrase of the ECB president Mario Draghi in July 2012), all the while insisting that it remained true to its Charter and pressing EU member-states to tighten their belts and reform their economies in exchange for its actions. As a result, the ECB has alternatively been cast either as the 'hero' for monetary policies that repeatedly rescued the euro or as an 'ogre' pushing austerity and structural reform.

Although the Council largely continued to govern by the 'one size fits one' rules, it intermittently agreed to instruments of deeper integration, to the need for growth (by 2012), and then flexibility (by 2014), even as it kept up the discourse of rules-based austerity and structural reform. Public perceptions have been equally at odds here, with the Council's increased intergovernmental rule framed either as a (German) 'dictatorship' imposing *diktats* or as a 'deliberative political body' driven in the crisis by the search for consensus.

Despite the fact that the EU Commission stuck to a harsh discourse of strict and uniform adherence to the 'one size fits all' rules, it gradually allowed for increasing flexibility in applying the rules and calculating the numbers. Stories about the Commission therefore switch between depicting officials as the 'ayatollahs of austerity' intent on imposing austerity and structural reform and as the 'ministers of moderation' who have navigated between the Council and ECB as they (re)interpreted the rules for better results.

Finally, even though the European Parliament (EP) continued to have almost 'no size at all', its increasing critiques along with its successful push to have the appointment of Commission President linked to the winning party in the EP elections in May 2014 ensured it an increasing presence if not yet major influence over Eurozone policy. Hopes and fears therefore hinge on whether the EP remains little more than a 'talking shop' in Eurozone governance or becomes in time more of an 'equal partner' in a renewed and more robust Community Method for the Eurozone.

Power and position naturally matter here. In the case of the Eurozone crisis, the ECB has the greatest autonomy to reinterpret the rules set out in its Charter so long as it can build agreement among its own member-state bankers. The Commission has less margin for maneuver since the rules it devises and administers have been decided by the Council (with the EP in certain instances) and pushed by the ECB. This may help explain its strong rules-based austerity discourse from 2010 through 2014, which hid its increasing flexibility in applying the rules. In contrast, the Council and the EP may be in a better position in principle to change the rules, although in practice the Council is boxed in by differences among member-state leaders' preferences and their concerns with national constituencies while the EP has little remit with regard to Eurozone governance, since it has no powers of initiation and requires supermajorities to block any legislative package that might come its way.

The legitimacy problems EU institutional actors have faced stem not only from the sub-optimal economic policies and citizens' negative political responses but also from the processes themselves. Put into the systems terms used in much of the EU studies literature, these problems can be seen as related not only to the poor performance of the 'output' policies and the lack of responsiveness to citizens' 'input' politics (Scharpf 1999, 2014) that have contributed to increasing political volatility, but also to the inadequate 'throughput' quality of the governance processes, which in many instances lacked efficacy, accountability,

transparency, and/or accessibility (Schmidt 2013).

These problems raise a number of questions regarding how EU institutional actors have adapted their policymaking processes (throughput) in the crisis as they confronted legitimacy problems related to policy performance (output) and political volatility (input). The main question is:

- How have EU institutional actors managed to reinterpret the rules – by bending if not breaking legally binding rules – while at the same time retaining legitimacy during the Eurozone crisis?

This overall question breaks down in a subset of three questions:

- How do EU institutional actors build legitimacy to reinterpret the rules?
- How and with whom do they coordinate and communicate about their reinterpretations of the rules to build and/or receive legitimation?
- How do EU institutional actors use the legitimization mechanisms in slow and fast burning crisis?

The next section conceptualizes democratic legitimacy in the Eurozone crisis and shows how these dynamics can be explained in terms of differing neo-institutional theories, with an emphasis on discursive institutionalism and how it can enhance explanations that come out of rational choice, historical, and sociological institutionalist approaches.

Conceptualizing Democratic Legitimacy in the Eurozone Crisis

These concerns about the impact of the Eurozone crisis on the legitimacy of EU policies, processes, and politics readily translate into concepts used by political analysts who explain the EU's democratic legitimacy in the terms of systems theory. *Output legitimacy* depends on the extent to which policy choices provide for the common good, and is predicated on those policies' effectiveness and performance. *Input legitimacy* depends instead on the extent to which policy choices reflect 'the will of the people,' which is predicated on citizens' engagement in representative processes and government responsiveness to citizens' concerns and demands. *Throughput legitimacy* sits between the input and the output, in the 'black box' of governance, and depends on the quality of the policymaking processes, including the efficacy of the policymaking, the accountability of the actors, the transparency of their actions, and their inclusiveness with regard to civil society. Importantly, the interaction effects of these three legitimizing mechanisms differ. Input and output can involve a trade-off whereby better *output* performance through effective policy outcomes can make up for little *input* via citizen participation or government responsiveness, and failed output can still be legitimated by extensive citizen input. Throughput, in contrast, offers no such trade-offs. If of good quality, throughput disappears from view; if of bad quality, it may taint the output policies or skew the input politics.

Output legitimacy is a performance criterion focused on policy effectiveness. It describes acceptance of the coercive governing powers of political authorities so long as their exercise is seen to serve the common good of the polity and is constrained by the norms of the community. It can be defined and evaluated in three distinct ways: political, substantive and technical (see definitions in Table 1 below). Output legitimacy as judged by technical actors is insufficient on its own for legitimization. Ultimately, output legitimacy is political, since

political actors are generally the final authority on such policies, and substantive, since the ultimate judgment on policies depends upon whether they resonate with citizens' values, including normative principles of distributive justice, fairness or equity.

Modes of legitimacy	Types	Definitions
Output legitimacy	Political (associated with majoritarian institutions)	Political evaluations of policies' output legitimacy depends on the extent to which they fit with States/elites ideas about interests and values
	Substantive (associated with citizen perceptions)	Depends on the extent to which they resonate with citizens' values and community norms, with judgments likely to invoke normative principles of distributive justice, fairness or equity
	Technical (associated with non-majoritarian institutions)	Assessments based on technical knowledge and philosophies, with judgments likely to invoke economic principles such as competitiveness, fiscal balance, growth or social well-being
Input legitimacy	National level (associated with majoritarian institutions)	At the national level, input legitimacy encompasses the wide range of representative modes of government "by the people" as opposed to "output-related government "for the people".
	EU level (associated with majoritarian institutions)	At the EU level, input legitimacy is linked to EU institutional actors' different sources of legitimacy, some of which may be derived from other EU or national level institutions as opposed to inherent in the institutional actor itself via its direct or indirect election 'by the people'
Throughput legitimacy	Efficacy	Efficacy for the most part can be evaluated in terms of the many different forms of EU governance processes
	Accountability (associated mainly with bureaucratic and non-majoritarian institutions)	Accountability is generally taken to mean that EU actors are judged on their responsiveness to participatory input demands and can be held responsible for their output decisions in appropriate forums as well as that policy-making processes meet standards of ethical governance, whether with regard to lobbyists or civil servants
	Transparency of information	Transparency is often seen as a prerequisite of accountability but not as qualifying as accountability on its own because the latter also demands some form of scrutiny by a specific forum, such as EU Commissioners by the European Parliament (EP).
	Inclusiveness and openness to consultations (associated with experts, interest groups, and civil society)	These may be judged on the basis of their institutional qualities regarding the degree of openness, inclusiveness, and trustworthiness as well as in terms of the discursive processes. The latter may involve formal or informal deliberations that are judged in terms of the quality of the deliberative procedures that ensure that citizens' community power is adequately channeled in societal and administrative decision making, thereby also improving accountability

Input legitimacy can be defined and evaluated in two different ways: at the EU level and at the national level (see definitions in table 2). At both levels, input legitimacy focuses on the EU's 'majoritarian' institutions and the representation of citizen demands primarily through elections and party government, although more recently some also consider the circuits of representation of interest groups and networks.

Throughput' legitimacy concentrates on what goes on inside the 'black box' of EU governance, in the space between the performance-oriented legitimacy of policy output and

the participation-oriented legitimacy of political input (see definitions in table 2). It is dependent upon the quality of the policymaking processes, including the efficacy of the decision-making, the accountability of those engaged in making the decisions, the transparency of the information, and the processes' inclusiveness and openness to consultation with the interest groups of 'civil society.

Bringing these legitimizing processes together under one larger conceptual rubric enables us to theorize both their interaction effects within throughput and the interaction effects between throughput and input or output.

Existing Arguments and What has been Explained[1]

EU institutional actors differ with regard to not only which mechanisms serve to establish their legitimacy (i.e. input, output, throughput) but also their pathways to legitimacy (i.e., in substantive content and targeted actors/audiences) as well as the differential timing of the crisis (fast-burning and slow-burning phases).

While the ECB as a non-majoritarian institution tends to conceive of its legitimacy as gained primarily from its *output performance*, the Council and the EP as majoritarian institutions believe that they retain legitimacy mainly through *input representation* (through either direct or indirect election) and the Commission considers that it maintains its legitimacy by the quality of its *throughput process* (through accountability to input legitimate actors, efficacy, transparency, openness and inclusiveness). Although each of these actors tends to assume an overarching legitimation for itself in only one of these mechanisms, the Commission, EP, Council and ECB may claim one, two or all three legitimizing mechanisms for any given action. Their interrelationships and interactions may also affect which of the mechanisms they use to legitimize their actions in any given situation.

At a more immediate level, in particular at the inception of the Eurozone crisis, though, all such actors tended to see the policy solutions to the crisis in terms of *throughput legitimacy*, that is, in "one-size" governing by the rules and ruling by the numbers. EU institutional actors at first seemed to assume that all they needed to do was improve the quality of the throughput processes to ensure legitimacy. Reinforcing the rules and numbers-based approach to governance of the Eurozone was to ensure better output legitimacy, with or without national input.

But EU actors soon found that there were no trade-offs between throughput and input or output. However one assessed the quality of the throughput processes, the policy output was not optimal while the input politics became increasingly problematic. EU institutional actors' response became the incremental reinterpretation of the rules 'by stealth,' in particular by technical actors like the ECB and the Commission, in the absence of more positive action by political actors, including the Council and the EP.

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[1] See Schmidt, V.A, Report on "Political Economy of EMU: Rebuilding trust and support for economic integration" prepared for the Commission, Directorate General of Economics and Finance (DG ECFIN), in partial completion of the DG ECFIN Fellowship Initiative 2014-2015 (May 7, 2015).

Over time, moreover, as they all began to reinterpret the rules, EU institutional actors tended to legitimate their reinterpretations by pointing to problems with the *output performance* of Eurozone policies and/or the need for input responsiveness to citizens – even as they denied that they were doing anything other than following the rules.

Put more specifically, at the outset of the crisis, the **ECB**'s response was largely centered on throughput legitimacy. The ECB's discourse of credibility signaled strict adherence to monetary policy making that concentrated on fighting inflation and to monetary decision-making insulated from political pressures. The discourse along with the process changed slowly, however, as strictly following a narrow interpretation of the ECB's mandate, or the "one size fits none" rules, turned out to be deleterious to output performance, which is at the foundation of the ECB's conceptualization of its legitimacy. Output legitimacy increased as the ECB changed its throughput processes, moving from "non standard' to "unorthodox" and "unconventional" monetary policy as its discourse dropped credibility in favor of stability in the medium term, and as the ECB president coordinated more closely with influential political leaders while communicating more effectively to the markets. But although the ECB was generally seen as a hero in monetary policy, many saw it as an 'ogre' when it came to its pressure on the member-states for austerity and structural reform as a *quid pro quo* for its monetary policies, its hard line for program countries as a member of the 'Troika,' and its secret letters in 2011 threatening withdrawal of Central Bank support for governments in trouble if they did not follow ECB demands on accepting conditionality either directly (Lenihan in Ireland) or implicitly (Zapatero in Spain and Berlusconi in Italy).

The **Council** also slowly modified its interpretation of the rules and its discourse during the Eurozone crisis, but the excessive intergovernmentalism of the 'one size fits one' rules under which the Council governed itself did not change much—nor did the influence of Germany (with coalitional allies). Over time, however, in response to the failing output performance along with the increasing volatility of input politics, the Council agreed to further deepening of economic integration and even added to the stability discourse first a new objective – growth – and then a new approach to rule following—flexibility. In this process, the Council became more politicized, appearing increasingly more like a 'deliberative public body' than any kind of 'dictatorship,' as member-state leaders pushed for change publicly in their communicative discourses as well as behind closed doors in their coordinative negotiations in Council meetings.

With regard to the **Commission,** the initial responses to the crisis best reflect the story about the "Ayatollahs of Austerity," especially from 2010 and 2012 as Commission officials appeared to rigidly implement the increasingly restrictive 'one size fits all' rules that they had a large role in designing. The narrative of the "Ministers of Moderation" increasingly came to define following years, as these officials slowly re-interpreted the rules with greater moderation in order to promote output performance, albeit mostly without admitting it in their Ayatollah-sounding discourses. Unlike the ECB, which has the autonomy to reinterpret its own rules, and therefore communicated that its reinterpretations remained true to its cardinal rules, the Commission was caught between a rock and a hard place, meaning Northern member-states pushing strict adherence to the rules and Southern member-states seeking a respite. As a result, the Commission largely sought to hide its increasing flexibility with a harsh discourse. Only in the case of the program countries under Troika rule did the Commission's discourse match its actions, with the push for austerity continuing unabated, without moderation.

During the crisis the **EP** has largely been excluded from most decisions on the Eurozone crisis. This has to do with its lack of legal and institutional "weight" with regard to Eurozone governance as a result of the treaties. The EP also played a role in its own marginalization in the sense that where MEPs did have a say, they voted in favor of austerity and fiscal tightening – indeed pushed for more stringent measures than were on the table (Euractiv March 14, 2014)—without demanding any greater oversight role for themselves. Over time, however, the EP stepped up its criticism of the Troika in terms of its throughput processes and its output effects on the bailout countries. But given its lack of formal role, it remains largely a 'talking shop.' Whether it becomes more of an 'equal partner' in Eurozone governance depends on how much the Commission—now more directly linked to the EP through the appointment of the leader of the winning majority in EP elections as Commission President—decides to listen to the EP as well as if the EP gains new powers of oversight either formally or informally.

Table 2 shows variation in the fast and slow-burning phases of the Eurozone Crisis

		ECB	Council	Commission	EP
Pathways to legitimacy	**Fast burning Crisis (2010-12)**	"One size fits none" rules of monetary policy	"One size fits one" rules of intergovernmental negotiations	"One size fits all" rules of budgetary austerity	"No size at all"
	Slow burning Crisis (2013 -)	"Whatever it takes" slows crisis, enables banking union, QE	"One size fits one" but also growth and flexibility	Increasing flexibility in applying rules and calculating numbers	"Talking shop" or "equal partner"?

The Next Frontier: Explaining EU Institutional Change and Outcomes via Neo-Institutional Theory

Any answer to how EU institutional actors may have sought to build legitimacy for their reinterpretations of the rules 'by stealth' must be examined in light of those actors' very different institutional configurations, rules-based mandates and frameworks for legitimation. But if actors deny that they do what they do, do we need to examine discourse at all? Isn't this just 'cheap talk', as rationalists might argue?

No talk is 'cheap,' even if actors deny, manipulate, or lie about what they do. Actions have consequences but so do words (as in 'speech acts'—Searle 1969). In the case of the Eurozone crisis, denying that they are reinterpreting the formal rules even as they do so informally may be the only way for EU institutional actors to move forward—in particular because any formalized change in the rules is unlikely where there is little agreement on how to proceed and where formal rules (e.g., the unanimity rule) make Treaty change difficult if not impossible. But not acknowledging up front that the rules don't work means that institutional actors continue to operate under rules that are sub-optimal, and that constrain the range of possible solutions. Moreover, it leaves their actions open at any time to challenge and to de-legitimization.

By the same token, however, not saying what they are doing may give EU institutional actors the space necessary to reinterpret the rules incrementally—until such a time as those actors gain agreement to legitimate changing the rules formally (assuming that their informal changes have proven successful).

One could therefore additionally think of this exercise in discursive institutionalist terms as lending insight into the ideas and discursive interactions underlying the 'interstitial' processes of institutional change that occur between two formal rule revisions, as theorized in rational choice institutionalist terms (e.g., Héritier and Karagiannis 2013). For the reinterpretations of the rules, moreover, a discursive institutionalist approach could add another level of analysis to historical institutionalist descriptions of rules change through drift, layering, conversion, or reinterpretation (Streeck and Thelen 2005). This would result from focusing in on the ideational and discursive processes of transformation through rule generation and legitimization (Schmidt 2008, 2010)—whether through 'drift,' where actors decide to change the rules by failing to update them; 'layering,' where they add one set of rules to another; 'conversion,' where they use one set of rules for other purposes; or 'reinterpretation,' as discussed herein. Discursive institutionalism requires investigation into the interactive processes of discourse that can offer insights into the dynamics of change.

If we were instead to think of this process of reinterpretation of the rules in the more micro-foundational terms developed in sociology, this exercise is akin to the 'sense-making' of social agents whose *'bricolage'* enables them to draw from the 'tool-kit' of their cultural repertoires in order to innovate (Carstensen 2011), and who construct specific narratives and broader ideas in order to understand what is happening in a situation of 'disruptive ambiguity' (Borrás and Seabrooke 2014). Such an approach enables us to look more closely into the construction of policy ideas through the coordinative discourse of the policy sphere and the communicative discourse of the political sphere.

In the policy sphere, agents may organize themselves in many different ways as discursive communities in order to influence the generation, shaping, and adoption of policies, often activated by entrepreneurial or mediating actors and informed by experts.
- The coordinative discourse may be the domain of "epistemic communities" in which experts in transnational settings are loosely connected on the basis of shared cognitive and normative ideas around a common policy enterprise (Haas 1992);
- in 'thought collectives' of elite academics, government officials, and businesspeople even more loosely joined by a common philosophy or ideology (Mirowski and Plehwe 2009);
- in 'advocacy coalitions' of more closely connected individuals who share both ideas and access to policy making (Sabatier 1993) or in similarly constructed "discourse coalitions" in national settings across extended time periods (Lehmbruch 2001);
- in "advocacy networks" of activists in international politics (Keck and Sikkink 1998);
- or in 'clubs' of elite public and private actors united by common goals, technical expertise, with a direct link to policymaking in technically specialized areas such as finance (Tsingou 2014).

In the communicative discourse, the agents of change consist not only of the usual suspects: political leaders, elected officials, party members, policymakers, spin-doctors, and the like who act as "political entrepreneurs" as they attempt to form mass public opinion (Zaller 1992), engage the public in debates about the policies they favor (Mutz, Sniderman, and

Brody 1996), and win elections. They also include the media, interest groups acting in the specialized "policy forums" of organized interests (e.g., Rein and Schön 1994), public intellectuals, opinion makers, social movements, and even ordinary people through their 'everyday practices' (Seabrooke 2007) and everyday talk and argumentation, which can play an important role not just in the forum of "opinion-formation" but also in that of "will-formation" (Mansbridge 2009).

The final neo-institutionalist question is about power. This is not only about the forces of coercion, the structures of control, or the institutionalized rules and relationships, important as they may be. It is also about ideas, involving power *through* ideas via persuasion, power *over* ideas through control over the meaning of ideas, and power *in* ideas via structuring thought or institutionalizing certain ideas at the expense of others (Carstensen and Schmidt n/a). In the Eurozone crisis, power *through* ideas was exercised by technical actors battling for control using their graphs and charts to convince others of the validity of their interpretations and by political actors making normative appeals to constituents through public debates and contestation. ECB President Draghi is a good example of the exercise of both of these, as he sought to persuade other EU actors and the public that the ECB's reinterpretations of its Charter were not only necessary because of the dangers facing the Eurozone but also appropriate because they remained within the established rules. In contrast, power *over* ideas was exercised both directly, by elite actors' coercive power to impose their ideas—as in Germany's ability to impose its own framing, diagnosis, and remedies for the crisis on other member-states —and indirectly, by technical experts resisting alternative interpretations—as in the power of neo-liberal economists to shut out neo-Keynesian alternatives. Finally, power *in* ideas certainly describes the hold of ordo-liberal thought in Germany and how it contributed to the turn to pro-cyclical austerity policies in Europe, in great contrast to the US' more pragmatic counter-cyclical policies.

Hypotheses for Moving Forward

This paper hypothesizes differential outcomes (**dependent variable**) in the midst of fast-burning or slow-burning crisis (**independent variable 1**), with technical actors more likely to innovate in the slow-burning phase, political actors in the fast-burning ones – so long as technical actors have prepared the ground (**independent variable 2**). EU institutional actors strengthen the legitimizing mechanisms by generating a persuasive communicative discourse to the public and by opening up their coordinative discourse to other actors in the search for innovative ideas and legitimation (**independent variable 3**).

Independent variable 1 (IV1): Time/context matters and determines the nature of differential outcomes (i.e. legitimizing mechanisms; modes of governance etc)

The nature of the crisis matters greatly, as do the policy areas in which the crisis plays itself out. EU institutional actors have begun to change the rules in response not only to perceptions of worsening economic outcomes and deteriorating politics but also to concerns about democratic legitimacy regarding the effectiveness of their 'output' policies, their responsiveness to the 'input' politics, and the quality of their 'throughput' processes. Such responses also differ depending upon whether EU institutional actors are confronted with fast-burning crises as opposed to slow-burning crises.

- (*IV1.1*) In the fast-burning phase, both the causes and the outcomes are temporarily contiguous and rapidly unfolding (see also Pierson 2003). In this case, actors often have little time for reflection, and tend to formulate ideas about their interests and form interest-based coalitions very quickly, with ideational and resource battles ensuing over problem definitions and policy initiatives, with action swift when a crisis peak is hit. *As Tsingou (2014b, p. 418) argues in the case of the global financial crisis, these are times when "knowledge is 'hot' in addressing problems, where policy-makers seek clear ideas that can put out the flames." But where clear ideas are lacking, they are often likely to go back to old fixes, which may have worked in the past but are generally inadequate to respond to the new challenges.* This helps explain why during the fast-burning phase of the Eurozone crisis, EU institutional actors focused more on ensuring throughput legitimacy (efficacy) as they administered the rules rather than on developing and instituting new ideas to enhance output performance.

- (*IV1.2*) In the slow-burning phase, the causes and outcomes are farther apart and the formulation of ideas and the formation of interest-based coalitions, thereby, more "slow moving" (Pierson 2003 : 179). This gives EU actors time to reflect and consult more widely, such that battles may be fought not only over problem definitions and policies but also over programmatic redefinitions and philosophies, with interest-based coalitions shifting as a result of deliberation and persuasion as well as, of course, altered circumstances and unexpected events. *In such cases, as Tsingou (2014b, p. 319) suggests, the "knowledge is 'cold' and reflection is deeper," while experts themselves are less tied to the limited options imposed by the fast-burning crisis, and are open to "more reflection and, potentially, more radicalism" as they "engage in discussions of new 'good science,' (and) the formation of consensus around new ideas."* This means that, as the crisis slowed, the EU institutional actors were able to reflect more on the output performance and to consider how to reinterpret the rules so as to enhance performance. Such reflections, and the subsequent innovations, are generated in processes that are more like the 'sense-making' or bricolage exercises mentioned earlier—in contrast to the rationalist calculations that may characterize the fast-burning phases of the crisis.

Independent variable 2 (IV2): Narratives, perceptions and ideas
More Europe? Less Europe? Too much? Too little, too late?

Not all the actors agree on what constitutes a "problem" and an appropriate "solution" to fix the Eurozone crisis. This explains the rise of a plethora of ideas and policy solutions. Different perceptions follow from different normative choices and calculations and have important implications for what comes to be seen to constitute an appropriate policy solution. In the Eurozone crisis, European publics have tended to divide between Northern and Southern Europe, and winners and losers, while the experts have split between supporters of Eurozone policies and critics who variously blame the framing of the crisis as one of public rather than private debt, its diagnosis as behavioral (not following the rules) rather than structural, the chosen remedies (in favor of pro-cyclical rather than counter-cyclical policies), and the lack of overall solutions (such as Eurobonds, a European Monetary fund, a cyclical adjustment fund, etc.).

Such ideas/discourses/narratives involve not only *cognitive arguments* that translate the technical assessment into language accessible to the general public but also *normative* ones that seek to show how the policies resonate with social values - whether long-standing or newly emerging. In addition to the cognitive arguments that seek to ensure that policies are comprehensible or "taken-for-granted" and the normative, that they are morally acceptable and appropriate, technical actors also promote *pragmatic arguments.*

- (IV2.1) In the fast-burning phase, the EU institutional actors – technical or political - privilege *feasible legal* solutions and *pragmatic* arguments.
- (IV2.2) In the slow-burning phase, the EU institutional actors are looking for cognitive, normative and instrumental arguments (see Pierre Muller) that translate into *feasible political* solutions that also meet technical standards and needs.

Table 3 combines Hypotheses 1 and 2 into a basic taxonomy of change by mode and speed
(adapted from Howlett and Cashore 2009)

Ideas/narratives	Tempo/speed of change of the outcome of interests	
Degree of change	*Fast-burning phase*	*Slow-burning phase*
Layering Conversion Replacement Drift	Many small but fast steps	Many small and slow moving steps
Paradigmatic	One large step	One large step but a slow moving one

Independent variable 3 (IV3): The coordinative/communicative process of policy construction and legitimation

Discursive legitimation can come through elites narratives, media discourses, public debates, social contestation or other "communicative" actions of elites and citizens in the public sphere. EU institutional actors strengthen the legitimizing mechanisms by generating a persuasive communicative discourse to the public and by opening up their coordinative discourse to other actors in search for ideas. Perceptions/narratives owe a great deal to the communicative discourse of political actors to legitimate the policies to the public via discussion, deliberation, contestation, argumentation and persuasion.

This process of policy construction and legitimation takes place *within* institutions and *between institutions*, involving – at different moments in time - a wide constellation of actors. These different moments represent successive stages of interaction which may occur in both fast and slow burning crises, since they map how, when, and why actors interact in efforts to reach collective agreements and to take collective action.

*The first stage aims to build **internal agreement**.* This stage reflects internal fights and disagreements between different categories of actors (i.e. technical vs. political; academics vs. senior officials…).
- For example, within the Commission the internal coordinative discourse is both a horizontal and vertical process. It involves commissioners, members of the cabinet, senior officials, officials.
- *Technical actors* such as the ECB or the Commission do better with "output" legitimacy. Seeking to legitimize their reinterpretations, they are most likely to privilege coordinative discursive interactions with expert academic communities and

networks, building internal agreements before communicating to the markets and the people.

- In the EP and the Council, *political actors* privilege communication with national constituencies to build legitimacy. Political actors are naturally well versed in the communicative discourse involved in establishing "output" legitimacy. But they are also naturally highly concerned with "input" legitimacy, which also affects their chances for re-election either positively—if they are perceived as input responsive to their constituencies—or negatively—if they act output responsibly (with output determined by EU level decisions), but thereby ignore responsiveness to their constituencies (especially if there are poor output results).

*The second stage is to build **inter-institutional agreement**.* Inter-institutional coordinative discourse reflects tensions and conflicts between institutions.

- *Political actors* reframe the issues in coordination and communication with other institutional actors.
- *Technical actors* tend to focus on building public understanding and trust in their work in order to reinforce their authority. Technical actors seek to come up with innovative policies in coordination with expert communities (more like in slow-burning phases of the crisis). They also seek to persuade political actors informally of the necessity and appropriateness of their policy ideas.
- *Technical and political actors* engage with expert communities to develop new ideas as well as to legitimate their own ideas building internal agreement. In recent years, technical actors have become increasingly aware of the need to legitimate their policies externally with the more general public and not just internally to the "principals" to whom they are accountable as "agents". As a result, they have sought to ensure that their judgments not only serve to inform political actors but they also feed into public communication and help to influence public attitudes and debates – whether indirectly, though their use by political actors, or directly, as technical actors themselves join in the political debate.

In the third stage EU institutional actors construct and legitimate policies via external communicative discourse vis-à-vis the markets and vis-à-vis EU citizens. Complicating matters, however, is the fact that even as EU institutional actors coordinate policy construction, they must communicate about it with the people and the markets through processes of political communication and public persuasion.

- Technical actors' attempts to establish "political output" legitimacy tend to be focused on building public understanding and trust in their work in order to reinforce their authority, to achieve "credible commitments" and to ensure that the policy is accepted by the public as appropriate and justified.
- For *political actors*, communication about new policy initiatives that might calm the global markets can easily inflame the national publics of Northern Europe while comforting Southern Europe, or vice-versa. Agreements within the coordinative discourse among EU institutional actors may be difficult not only because hard to 'sell' to national publics but also because EU leaders bring their national publics' concerns to the table. Such agreements (or lack thereof) may be communicated through the media to the markets, possibility increasing their panic, and to the people, possibly reinforcing their resistance to any proposed solutions.
- At the same time, the markets themselves may respond directly to the coordinative discourse when it is communicated by the specialized press or in online venues by

experts and think-tanks, as well as to EU leaders' actions or, more likely, non-action (Schmidt 2014). In the Eurozone crisis, discursive processes may involve denying in the communicative discourse to the public that layering, conversion, and/or reinterpretation are going on, even as this is being worked out incrementally through a coordinative discourse among key policy actors and discursive communities.

Conclusions

As the crisis worsened, EU institutional actors who started out legitimizing their rule-based actions with discourses that emphasized the need to follow if not reinforce the established interpretations of the (throughput) rules began slowly reinterpreting those very rules to ensure better (output) policy performance and more (input) responsive politics, without admitting this in their communicative discourses to the markets and the people. The explanation for the disconnect between discourse and action can be found in the interplay of rigid formal institutional rules that are legally binding and institutionally embedded (following historical institutionalist analysis), which the players have only made more and more inflexible as a result of their bargaining games (following rational choice institutionalist analysis), but which the players themselves recognize demand greater flexibility in interpretation, meaning bending or even breaking the rules in order to achieve the ultimate goals and objectives for which the rules were devised. In other words, rather than remaining constrained by institutional path dependencies, bound by rationalist logics, or even 'trapped' by their past pronouncements, EU institutional players have been informally and pragmatically engaged in on-going processes of ideational innovation and discursive legitimation, as they have slowly been reinterpreting the rules without admitting it.

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