2 Added-Value and Methodology

Scholarly literature has extensively treated the topic of the European sovereign debt crisis over the course of the last decade, analysing its causes, developments, and legacies to abundance. However, most academic work focuses on one actor in the crisis at a time, developing either on specific member states or on the crisis governance by the EMU. To the knowledge of the author, few works exist that concentrate on the interrelation between the member states and the European level on the specific issue of reform. Therefore, the present paper contributes two points of added value to the scholarly work: first, by analysing the interdependences between the member state level and the European level in the crisis, and second, by focussing this research on the aspect of reform. Combined, these two points of focus create a paper that treats the mostly disregarded topic of reform mechanisms in the eurozone crisis *in an interdependent relation* between the member state and the supranational level.

The findings of this paper are of course not independent of existing work, with this paper's claims of an upward spiral of mutually perpetuated reform taking into account existing literature on the topic as well as important theoretical works on European integration in times of crisis by Schimmelfennig, Jones et al., and Ojala. This paper combines the claims of these extant works to an own line of argument that aims to give a better understanding of how reform can be introduced in difficult times in as complex a construction as the EU. The conclusions of this paper contribute to scholarly research on future implications for reform to the Union in times of crisis by outlining both the weaknesses of continuous dependence between the member states and the supranational level and the strengths of mutually incentivised reform.

It is thus of importance to analyse both the member state and the European level in this paper. For reasons of spatial constraints, not all failing member states of the eurozone crisis (commonly defined as the periphery states including the Southern European countries and Ireland) can be regarded in this paper. Ireland and Spain have been selected as the case studies due to their similar, yet different set-up and development in the crisis. The high economic performance of both Ireland and Spain in the years prior to the crisis and their nevertheless severe struggles during the crisis years indicate that the national struggles had not only domestic origins, but were also connected to the countries' adherence to the eurozone and the subsequent interdependences. This is an aspect that renders Ireland and Spain interesting in their points of analysis.

An additional aspect of similarity is the fact that Ireland and Spain both suffered from *national* weaknesses and thus received *supranationally* provided bail-outs, representing the two-level scope of the crisis that this paper aims to analyse. Furthermore, Ireland presents the first case of a banking crisis in the eurozone[16], giving it special relevance.

At the same time, Ireland and Spain showed sufficient differences in their crisis response and reform developments to allow for a representative comparison: the timing of the crisis was different for Ireland and Spain respectively, with diverging national circumstances such as openness to reform versus domestic adjustment constraints allowing for a differentiated analysis. Furthermore, the types of reform implemented in Ireland and Spain differed, with Ireland's adjustments imposed in a range of areas, while the Spanish reforms as demanded by the European Stability Mechanism (ESM) concentrated on the banking sector. As Ireland and Spain thus both showed mechanisms of dependence on the European level in their reform processes although their national starting positions and circumstances differed, this allows for a differentiated comparison.

16 Barry Eichengreen, "The Irish Crisis and the EU from a Distance", in IMF European Department, *Ireland: Lessons from Its Recovery from the Bank-Sovereign Doom Loop* (2015), 109.

These two countries represent sufficiently diverging cases due to the fact that Ireland formed one of the smaller countries also of the eurozone while Spain was the fourth-largest economy of the EU, and Ireland represents a culturally and geographically different case from the other failing member states that all adhere to the Southern European area.

The methodology applied in this paper can be described as a comparative analysis, focussing on the two relevant levels of the crisis – member states and the EMU – with a concentration on the cases of Ireland and Spain. Process tracing is also used to understand the respective crisis evolutions and reform developments in the respective areas[17].

The paper makes use of existing scholarly literature for its analysis and also consults contemporary official documents such as International Monetary Fund (IMF) files, government and bank reports, and the Memoranda of Understanding between the European authorities and Ireland and Spain respectively. To enhance the research and provide inside information, six semi-structured interviews have been conducted with representatives of the (central) banks of Ireland and Spain and the ECB as well as with two academics in European political economy. The identities of the interviewees are known to the author but shall remain anonymous when quoted in this paper.

17 Pascal Vennesson, "Case Studies and Process Tracing: Theories and Practices" in *Approaches and Methodologies in the Social Sciences: A Pluralist Perspective*, eds. Donatella Della Porta and Michael Keating (Cambridge: CUP, 2008), 223–239.