7 Conclusion

This paper has established a framework that explains how reforms were enabled during the eurozone crisis in a mechanism of interdependence between the member state and the European level. Each level being dependent on the other's reliable functioning created an upward spiral of mutually perpetuated reform and thus a process of deepening integration. The paper has shown that this high degree of interconnectedness was induced by weaknesses on both levels and a simultaneous inability of each level to single-handedly introduce changes to strengthen its architecture due to internal constraints. Thus, the intervention by the respective other level became necessary to achieve the outstanding reforms. Only in the situational circumstance of simultaneous weaknesses and dependencies was reform thus established, as the national level required a reformed EMU to survive domestic failure while in turn the European level relied on reformed member states to guarantee the survival of the common currency and of the entire eurozone.

These claims have been tested in three hypotheses that each focus on one relevant aspect of the spiral: H1, arguing that only the interdependent nature of the eurozone allowed for profound reforms during the eurozone crisis, has formed the main argument of the paper. It has shown that weaknesses of the national levels, here Ireland and Spain, were perpetuated by bad internal policy choices, failed national reform attempts, and domestic opposition to adjustments. Thus, the increasingly struggling member states became dependent on external intervention by the EMU to provide financial assistance, which in turn was linked to strict conditionality to reform the national systems. Only when the European

level intervened, reforms to the Irish and Spanish banking sectors, public spending, labour market, and public administration became possible. At the same time, the EMU experienced similar weaknesses due to its lacking supervision and coordination instruments pre-crisis and a thus incomplete nature that rendered the European level vulnerable to crisis. Constrained by diverging member state preferences and restrictive treaty clauses, substantial reforms to the EMU's policy-making and architecture remained impossible until the urgency of the eurocrisis with the threat of contagion and ultimate euro collapse provided the EMU with a sufficient impulse to finally introduce change. By imposing but also enabling reform respectively, the national and the European level both pressured and facilitated reform on the other level.

The second and third hypotheses focused on the individual levels separately. H2 argued that national reform was enabled only due to intervention by the European level. As both Ireland and Spain suffered from massive economic collapses after huge growth in the years prior to the crisis, they came unprepared to the weaknesses that their banking sectors and structural systems exposed. While both countries tried to introduce national reforms, they failed due to policy errors and, especially in Spain, domestic opposition. Both Ireland and Spain thus required financial assistance from the EMU and faced conditionality which finally implemented the long-necessary reforms: in Ireland, it was mainly the restructuring and recapitalisation of the banking sector, the reduction of public spending, an increase in surveillance and regulation, and a broadened tax base that constituted change, whereas the Spanish reforms consisted in a complete restructuring of the banking system, the establishment of a bad bank, labour market adjustments and changes to the public administration. While the conditions set by the EMU imposed austerity and short-term constraining effects, both Ireland and Spain exited the crisis strengthened by the European interference and hence benefitted from the reforms imposed.

H3 concentrated on the parallel EMU-level reforms, showing that its lacking surveillance and harmonisation instruments had rendered the EMU incomplete and thus fragile. German opposition to increased fiscal and economic integration, a lacking cohesiveness between the eurozone

member states, and an anti-monetary financing attitude of the supranational level hindered reforms in the years prior to the crisis. It was only when the member states started to struggle to an extent that endangered the very existence of the euro and proved their financial dependence on the EMU that the European level was able to implement change: the need for a strong and resilient EMU equipped with better monitoring and coordination capacities enabled the establishment of new institutions such as ESM, SSM, and the banking union, surveillance mechanisms, legislative packages in the fiscal and economic area including the Six-Pack, the Two-Pack, the Fiscal Compact, and the European Semester, as well as unconventional measures of the ECB such as OMT, SMP, and the new role of the ECB as a lender of last resort. Thus, the crisis circumstances created a window of opportunity for the EMU to introduce substantial changes to its architecture that had been previously impossible to establish and that finally rendered it better furnished in terms of surveillance, coordination, and regulation instruments, creating a more, if not wholly, complete political union.

Thus, by carefully analysing all factors that constrained and enabled reform on each level separately and combining these aspects to a multilevel analysis of the reforms introduced in the eurozone during the crisis, this paper has provided a holistic explanation of how reform becomes possible in such a complex and interconnected symbiosis as the eurozone. With the help of its three hypotheses, the paper has shown that national and European factors create an interplay of elements that both limit and facilitate reform, and only a situational exception such as the European sovereign debt crisis allows for the simultaneous and shortly timed implementation of substantial reforms.

While these changes rendered the eurozone as a whole, on the level of the individual member states and of the supranational governance, more resilient to ensuing crises, including Covid19, it remains to be seen in what way the instruments implemented in the eurozone crisis shall be further reformed now, as recently proposed by the European Commission, and in the future. The path towards a complete and full-fledged monetary, financial, fiscal, economic, and political European union remains long and rocky, but the changes made to the system during the eurozone cri-

sis with their positive impacts on its durability have proven that the very defining element of the European Union, its interconnection of 27 individual member states to one complex symbiosis, enables its improvement and development. The reforms made in the eurozone crisis have shown that only the interplay of the national and the European level enables the union's growth and strengthening, and the complexity of this multi-level interconnection thus remains its foremost asset: United, and strengthened, in diversity.