LIBERA UNIVERSITÀ INTERNAZIONALE DEGLI STUDI SOCIALI

~European Political Economy in Times of Crises~

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Title:

Institutional Independence vs Political Influence: Greece's Exclusion from ECB Quantitative Easing and Its Consequences (2015–2018)

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September 2025
Masters in International Relations – Major in Diplomacy

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Abstract:

This thesis aims to explore the exclusion of Greece from the Quantitative Easing (QE) programme enacted by the European Central Bank (ECB) during the worst years since the common currency has been founded, throughout the Euro crisis. While Greece went through severe austerity, acute economic stress, this thesis decided to compare the Hellenic situation with what happened in Portugal, that shares with Greece a similar problem, yet the outcomes for the two countries were diametrically opposite. This thesis employs a process tracing methodology and uses Portugal as the comparative variable. The thesis discerns how the institutional architecture of the ECB, coupled with the influence that powerful member states exercised, prompted discretionary rule enforcement that disadvantaged Greece. The findings and results do in fact reveal that decisions marked as technocratic and solely based on rules, were shaped by political accounts, and power relations among member states. Such outcome seriously derailed and undermined the democratic legitimacy that the ECB enjoyed till that moment but also raised concerns consistency in Eurozone governance. This piece has been written from a highly pro-European perspective, yet it offers critical reflections and insights on how European integration can be ameliorated by improving transparency, accountability and systemic and standardised rule application.

Key words: European Central Bank, Quantitative Easing, Greece, Portugal, Eurozone crisis, central bank independence, political influence, discretionary enforcement, legitimacy, European integration, member states, reform, accountability, checks and balances

Word count: 20814

Chapter 1: Introduction - Research Puzzle & Question over the Exclusion

1.1 Background and Context

The European Central Bank (ECB) was built upon a founding promise to preserve institutional autonomy, aiming at insulating monetary policy from national government interference (Heldt & Muller 2022, 844-845). This principle is codified in European Union (EU) law, guaranteeing that national governments "*shall not seek to influence*" ECB policymakers in carrying out their duties (Treaty on the Functioning of the European Union 2016). Theoretically, this autonomy assures that decisions (such as interest rate adjustments or emergency rescue programmes) are made based on economic considerations and criteria, with the overall aim of Eurozone-wide stability, untouched by national politics and preferences. But the Eurozone sovereign debt crisis of the 2010s challenged this norm in unique ways.

The pivotal case-study example and the focus of this thesis is Greece's exclusion from the ECB's Quantitative Easing (QE) programme from 2015 to 2018, a time in which the ECB bought trillions of government bonds in order to stabilize the Eurozone economy (Canepa & O'Donnell 2015). Greece, which endured one of the deepest depressions in economic history, was largely excluded from these bond purchases by the ECB, it was argued, on the basis that its bonds were "*non-investment grade*" and that its government was under an EU bailout programme (De Grauwe 2016). Meanwhile, other, highly indebted, governments such as Portugal obtained substantial amounts of refinancing relief from QE, compared to the size of economy, as well as cheaper lending. The inconsistency in Portugal's inclusion, yet Greece's exclusion, is a puzzle at the centre of Eurozone governance: if the ECB's mandate is applied impartially, why was one crisis-hit country supported while another was not?

Scholars and observers have proposed a very plausible explanation: political pressure by dominant member states could have framed the ECB's monetary policies to selectively exclude Greece. Powerful states like Germany and France, before the crisis, sustained enormous financial exposure to Greek debt and were closely involved and affected by the outcome of crisis response. Academia and news outlets have, through the years, obtained evidence that these states, motivated by concerns for their internal financial stability and fear of moral hazard, affected ECB decision-making as well as broader Eurozone crisis management in ways that served their interests (Siekmann 2015, 2-6). Germany in particular, which was at the time, and still is by far the Eurozone's largest economy and a longstanding proponent of monetary orthodoxy and frugality, was initially hesitant towards accepting QE, the most influential EU member state was averse to actions which could have been interpreted as a bailout of reckless governments (Odendahl 2014). Some analysts consider that German assent to QE carried conditions attached to it: the design of the programme was limited to address German interests, and to circumvent "*rewarding*" what were considered to have been fiscal sins in the past (Collignon et al. 2013, 2). In this view, Greece's exclusion was not merely a technical outcome of eligibility rules, but a deliberate political choice to maintain pressure on a "*misbehaving*" member state (De Grauwe 2016). France, though less publicly austere than neighbour Germany, also played a crucial role in the crisis and acted together in constructing policies to secure the Eurozone, often in agreement with German insistence on discipline, though remaining silent itself in avoiding penalty for its own overshooting of deficits (Varoufakis 2018, 337-343).

1.2 Problem Significance and Rationale

This research puzzle is relevant as it strikes at the core of the Eurozone's legitimacy and cohesion. The Eurozone is predicated on the idea of a rules-based, collective monetary policy that serves all member states equitably (Majone 2014, 8). If instead policy is applied selectively, whilst benefiting some countries while penalizing others, this process and choice undermine trust in European institutions and the solidarity of the union (Beukers 2014, 346-350). Greece's exclusion from QE coincided with a prolonged economic depression: by 2016, Greece had lost over a quarter of its Gross Domestic Product (GDP), unemployment exceeded 25%, and deflation gripped and dragged the economy to the lowest point in decades (Pagoulatos 2019, 1). These were precisely the conditions that QE was designed to mitigate. Nonetheless, unlike other highly indebted countries such as Portugal, Greece remained mostly excluded from QE purchases on the basis of failing to meet certain eligibility criteria, criteria which, as this thesis explores, were not always rigidly applied elsewhere.

Table 1: Greece Macroeconomic data (2008-2017)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP in current US$ in Billions	351	327	296	283	239	237	234	197	193	200
Inflation (%)	4.2	1.2	4.7	3.3	1.5	-0.9	-1.3	-1.7	-0.8	1.1

Unemployment (%)	7.7	9.5	12.7	18	24.7	27.7	26.7	25	23.5	21.4

Sources: International Monetary Fund (IMF), International Labour Organization, World Bank

The ECB's bond-buying programme was explicitly aimed at fighting deflation and stimulating growth across the Eurozone. Yet, on top of that Greece, arguably the member in most dire need of such stimulus, was left on its own in the bond markets until it completed creditor mandated reforms. The human costs were severe, researchers documented surges in poverty and even rising mortality rates linked to the economic hardship during this period, for reasons that will be elucidated further on throughout this thesis (Stylianidis & Souliotis 2019, 16-18). These outcomes have fuelled public perception in Greece (and beyond) that the country was treated unfairly, and that European "*solidarity*" was a one-way street, with polls estimating that less than 50% of the population viewed favourably the continued membership of Greece to the EU, with similar figures with respect to the benefits that Greece enjoyed thanks to the EU throughout the 2010s (Debomy et al. 2020, 1-2). Understanding why Greece was excluded from QE is therefore not only an economic or legal question, but a profoundly political and ethical one.

While legally shielded from political influence (Treaty on the Functioning of the European Union, 2016), the ECB's actions during the sovereign debt crisis suggest a more intricate truth. Scholars have discussed whether the ECB's formal independence was tested or compromised by political powers, particularly from Germany and France, the Eurozone's largest and most influential member states (Odendahl 2014). The ECB's internal decisions, its interactions with national governments, and the framing of decisions as "*technical necessities*" all merit a degree of scrutiny. Was Greece excluded for failing to meet the criteria, or was this exclusion a form of "*discipline*", meaning a warning to other member states, disguised as procedural neutrality? Furthermore, the ECB decision-making process makes important questions arise about institutional discretion and the bending of rules under exceptional or emergency circumstances. In other crisis episodes, for instance the COVID-19 pandemic, Italian, but also other not-so-trustworthy Eurozone countries eligibility conditions were softened or suspended altogether (Trifonova 2021, 1-7). It happens that several inquiries on the possibility to consider the Eurozone crisis of the previous decade an emergency as well.

Finally, this paper will use the case and context Portugal was facing as a comparative benchmark. Nevertheless, Portugal, like Greece, was under a bailout programme. They have both suffered from high debt and faced EU-imposed reforms. On the other hand, though, unlike Greece, Portugal was granted access to QE. Investigating this divergence would refine the explanatory puzzle: if the rules were identical, why did the results vary? The answer has far-reaching implications, not only for how we understand central bank independence, but for broader questions of democratic legitimacy, distributive justice, and the political economy of European integration. The logic and reasoning to why focusing on Greece is crucial is clear, it is the purest and only outlier in the QE programme and thus an evident case for examining whether deviations from supposedly neutral policy rules occurred.

1.3 Research Question and Argumentative Stance

The research question (RQ) guiding this thesis is:

RQ: How can Greece's exclusion from the ECB's Quantitative Easing programme (2015–2018) be explained, and what were the political and institutional dynamics that differentiated its treatment from other Eurozone countries under financial assistance, such as Portugal?

This question can be considered both descriptive and analytical. The research conducted attempts to uncover the rationale, either formal or informal that the ECB adopted to withhold QE purchases from Greece while admitting other countries to the programme such as Portugal. This question does not try to look for an "easy" answer blaming only side for what happened to the Hellenic republic or by praising Portugal for its law-abiding behaviour adopted while the crisis was unravelling, however the question invites the careful examination and analysis of both institutional criteria, such as the steps to follow to enter the QE programme and its architecture, and political pressures, such as German ruling government attempting to steer the ship in more calm waters for its creditors, to not lose the face with the electorate. Nevertheless, the discretionary practices that may have arose in moments of tangible crisis will be discussed.

In short, the research examines whether ECB policy framework was managed in a consistent manner, or if in case the implementation appeared to seem divergent in a way consistent with selective enforcement. Technically, a country like Greece was excluded from the programme due to low creditworthiness and current membership in an ongoing financial assistance programme, and these justifications might seem cold and technocratic viewed the dire situation in Greece, yet objectively neutral (De Grauwe 2016). Still, while the Greek government saw denied a desperately needed aid, the same conditions were in force in other member states, which were on the contrary included. Portugal, for example, exited a bail-out programme just weeks before being admitted into QE (Hirst 2014). Unfairly, Greece experienced the exclusion even when it concluded consecutive reviews and undertook broad-based structural reforms as Featherstone reports, "*In April 2014, the Troika reported significantly greater progress: reforms were on track to achieve 150,000 fewer government officials in post by the end of 2015; and targets for the mobility scheme and mandatory exits had been achieved*" (Featherson 2014, 21). For reference, the Troika was composed by IMF, European Commission and ECB officials who represented the creditors and institutions with the task of trying to make sure, through recommendations, advises and direct orders, that Greece would repay back its debt. This comparison, which underlines different treatments for these two case studies, the pair having similar commercial distress as well as programme status, allows the paper to delineate basic questions relating to consistency in, as well as legitimacy for, ECB decisions.

This thesis argues that the Greek exclusion was not simply a product of objective rules, but a combination of factors between political calculation and institutional hardness and stubbornness that brought to this result. Germany and France, being the leading creditor states, in nominal terms, in the Eurozone, played a significant role in identifying and outlining the contours of QE. Opposition in the Bundesbank towards communal risk-reducing mechanisms, coupled with domestic political constraints in the German government, made concession towards Greece politically shaky (Spiegel 2014). While in tone slightly kinder and cohesive, France generally followed German preferences during the lowest and harshest moments of the crisis (Varoufakis 2018, 340). In this tense climate, the ECB found itself in a dilemma: either adhere to the neutrality principle and risk antagonizing key member states or bend the rules selectively in order to do justice to prevailing political players. The evidence suggests it chose the former (Lombardi & Moschella 2016, 861-865).

Moreover, the way the ECB governing council communicates and presents its decisions is made in a technocratic language, often concealed by a cloud of vagueness, thereby obscuring the political nature of its choices (European Central Bank 2015). Concerning the clarity and vagueness of the language adopted by the ECB's directors, papers, presentations and most importantly concerning the decisions undertaken by the Governing Council Body, it evidently arises how unclear the jargon adopted is (Glas & Muller 2021, 1). Moreover, the ECB lacks a stenographic record of the meetings between the members of the executive board, nevertheless, the portal of the institution does not provide a space for these stakeholders to publicly dissent or release a personal diary.

From a theoretical standpoint, the Greek case illustrates how central bank independence, even though institutionally enshrined into EU treaties, is significantly compromised in the face of systemic crises. The ECB, created to be protected from the vicissitudes of national politics, was revealed as a remarkably political actor in the sense that it participated in distributive decision-making with tangible implications for national sovereignty and public well-being (Tortola 2020, 503-506). Through the comparison between the treatment received by Greece and Portugal, this thesis highlights the conditional nature of monetary assistance in the Eurozone and the informal norms, praxis and perceptions that allow, or not, the access to the central bank instruments.

In making this claim, the thesis does not suggest the ECB acted illegally or malevolent intent and harmful intent. Rather, it contends that during moments of extreme institutional stress, rule application was debatable, and in such moments the negotiation set Greece at a disproportionate disadvantage. The exclusion from QE despite the sharp macroeconomic contraction in the country and the country's completion of many crucial programme milestones, reflects a broader pattern of crisis governance in which norms, written down in the foundational treaties giving birth to the ECB, of equal treatment were largely undervalued, rather benefitting the strategic outlook of a few players rather than the solidarity promised (Heise 2012; 15). Thus, the Greek case is presentative of a broader paradox in the political economy of the Eurozone: a union of common institutions, legal rules and ideals born from the ashes of World War 2, but in reality, governed by asymmetries of influence and power exercised especially by the German Bundesbank and the rulings of the German highest court (Henning 2015, 11). Understanding how and why Greece was treated in a manner different from Portugal is not only essential to assess the ECB's role it exercises throughout the crisis, but also to interrogate the democratic legitimacy of monetary governance in a union of unequal states.

Table 2: ECB QE purchases for Italy, Greece, Germany, France and Portugal compared to each national GDP

Country:	Total QE Purchases from March 2015 to Sept 2016 in €bns	GDP in €bns in 2016	ECB purchases in % to GDP
Italy	146.2	1705	8.6%

Greece	1.2	193	0.6%
Germany	213.7	3135	6.8%
France	168.4	2229	7.6%
Portugal	20.7	185	11.2%

Source: Statista, IMF, CEICDATA, ISTAT, Statistisches Bundesamt, Instituto Nacional De Estatística Claeys et al.

In terms of consequences, this dissertation argues that selective policy left indelible marks on Greek economic sovereignty and the wellbeing of its citizens. By being left out of QE and subjected to stringent bailout conditions, Greece was externally heavily induced to privatize or lease major national assets (airports, ports, utilities, railways, etc.) at discounted prices to foreign investors, as the crisis was unfolding while the sales were in the process of thereof, restructuring the ownership framework and foundations of its economy (Rankin & Smith 2015). Its major infrastructure and services fell into foreign hands, for instance, German firms acquired regional airports and major Chinese state enterprise took over a majority interest in Piraeus Port, thus raising concerns regarding Greece's sovereignty over strategic areas (Giannacopoulos 2015, 185-186). Many Greeks felt that their country's fate was in effect hijacked by foreign powers during the crisis and that this perception has fuelled continuous grievances and discontent among Hellenic citizens (Blacker 2012, 6). Furthermore, the delay in economic recovery caused by tight monetary and fiscal constraints led to a "*lost decade*" of high unemployment, curtailed and deficient public services, and social unrest (Wolf 2019). In short, the outcome of Greece's exclusion from QE was not just a technocratic decision with temporary effects, but a breakpoint moment that has shaped Greece's long-term development path and its relationship with the rest of Europe (Panke 2019, 46-61).

Having established the research problem, its context, and the core argumentative stance, the remainder of this thesis unfolds as a structured inquiry into the political and economic motives of Greece's exclusion from the ECB's Quantitative Easing programme. Chapter 2 conducts research over the relevant literature on central bank independence, discretionary enforcement, and the legitimacy tensions embedded in Eurozone crisis governance. Chapter 3 lays out the methodological foundation, detailing the process-tracing approach and justifying the case selection of Greece and Portugal. Chapter 4 provides crucial empirical background: it unpacks the architecture of the ECB's QE mechanisms, such as the Public Sector Purchase Programme (PSPP), Assets Purchase Programme (APP or known as CSPP). A close eye to legal eligibility conditions will be posed, while also outlining the political and economic trajectories of Greece and Portugal. Chapter 5 presents the core analysis, bringing past episodes of institutional flexibility into focus, such as the contested legality of Outright Monetary Transactions (OMT), or the political tolerance shown when Germany and France breached the Stability and Growth Pact in the early 2000s. These precedents raise a pressing question: if the rules were negotiable, then, why not for Greece? The chapter explores how technocratic language often concealed politically motivated discretion, how German and French preferences helped set informal boundaries for ECB actions, and why Portugal gained access to QE while Greece remained excluded. Finally, Chapter 6 examines the long-term consequences of exclusion: diminished sovereignty, delayed recovery, growing democratic disillusionment and Euroscepticism. In its entirety, the thesis aims not just to revisit an episode of policy omission, but to expose the deeper institutional flaws that governed and influenced the ECB.

1.4 Research Design & Methodology

This thesis employs a qualitative case study technique, using process tracing to reconstruct the sequence of decisions, institutional conditions, and political influences that culminated in Greece's exclusion from the ECB's Quantitative Easing (QE) programme between 2015 and 2018. Process tracing is a method compatible for studying complex political phenomena where causality cannot be explained simply by statistical analysis. In this case, the method is used to examine how political preferences, particularly of dominant and influential Eurozone member states, and institutional elasticity may have jointly shaped a supposedly rules-based policy decision.

Process tracing is a qualitative case study method that examines causal mechanisms in a single case in detail. Bennett and Checkel have characterized it as "*the analysis of evidence on processes, sequences, and conjunctures of events within a case*" carried out in order to develop or test hypotheses about how an outcome came about (Bennet & Checkel 2012, 10). In practice, the researcher gathers diagnostic evidence of intermediary steps linking independent variables to the outcome in order to assume which causal mechanism is best captured by the case (Bennett 2022, 198-199). Scholars have determined several kinds of process tracing, each targeting a distinct purpose. Theory-testing process tracing employs a deductive approach to determine if a hypothesized causal mechanism from the present theory exists (Beach & Pedersen 2011, 2). Theory-building process tracing, in contrast, is inductive since it constructs a new theoretical explanation out of the empirical details of the case, with the hope that this causal process may potentially generalize to a variety of situations (Ibid, 6). Explaining-outcome process tracing aims to tell a detailed story that explains what happened in one specific case, without trying to apply the explanation to other cases (Ibid, 3). Additionally, there is a diagnostic strategy discussed by certain writers that requires using highly indicative evidence experiments to either rule in or rule out particular causal mechanisms in the case (Bjork 2025, 15).

This thesis applies a theory-building process tracing approach. This is fitting to the research question about Greece's exclusion from ECB QE because the goal of the paper is to come up with a fresh explanation of the role of political preferences and institutional discretion in shaping that policy decision, rather than subjectively test one that is already there. A theory-building process trace facilitates the case evidence through inductively disclosing the causal patterns, potentially providing insights for bettering the theory of Eurozone decision-making. This method does, however, have important limitations. Its strong focus on a single case means outcomes have little generalisability or external validity (Bennett 2022, 199). Process tracing may suggest, under a strong correlation, internal causation to a particular event, but it is not necessary to assume the same process is universal. In addition, scholars must be thorough and cautious regarding alternative explanations, as this thesis will try to do too. In general, although process tracing offers a rich, mechanism-based explanation well suited to the Greek QE case, the results must be treated with caution both in terms of their scope of applicability and in terms of alternative potential causal explanations

The choice of Portugal and Greece as comparison case studies follows a most similar systems logic. Both were heavily affected by the Eurozone crisis, underwent EU/IMF structural adjustment programmes, and were characterized by high debt and limited market access in an almost entirely corresponding time span. Nonetheless, treatment under QE varied between them: Portugal qualified as eligible in 2015 shortly after the Troika deemed them responsible enough to take responsibilities into their own hands, while Greece remained ineligible until after 2018. Greece is a recurrent exception as it is the only Eurozone country not to receive QE as the official reason states it was already undergoing a structural adjustment programme. Portugal is a contrasting real-world example as it successfully joined the ECB bond purchases programme even though its interest rates on debt were, a few years prior, well above 15% and it just exited the adjustment programme by the Troika (Lima 2016).

Tracing decisions through-out time and comparing policy responses between both cases, the thesis will try to identify those factors that are responsible for the stark in outcomes between the two nations. Temporarily wise, Portugal's analysis will centre between 2010 and 2015, and it will allow a deep study on the bailout and QE entry, whilst for Greece the timeframe will focus amid 2015 to 2018, hence taking into account the period of QE implementation and its continued ineligibility. A rather minor reflection will cover the years anticipating 2015 for Greece, as the crisis unravelled years prior.

Empirical data is taken and scrutinized from a range of primary and secondary sources. These consist of official ECB announcements, Governing Council statements, Eurogroup conclusions, central bank press conferences, and legal documents determining QE eligibility. Public statements by decision-makers like Mario Draghi, Wolfgang Schäuble, and Greek finance officials, shed light on policy motives. Additional data are taken from media outlets, reports, academic studies, and institutional assessments international organizations and supranational entities like the IMF or European Commission. The aim is not only to explain Greece's exclusion but to assess what this case reveals about the broader tension between central bank independence and political influence within the Eurozone.

Chapter 2: Theoretical Framework

2.1 Literature review

The following chapter offers a logical analysis of the main literature that set the institutional, political and policy biases for Greece being left out of the ECB's (2015-2018) Quantitative Easing Programme. The intention is to ground the thesis in solid theoretical framework and to explain how the major academic arguments relate to the central research question: why and how did this exclusion occur and what does it demonstrate about the character of monetary governance in the Eurozone?

A foundational principle in Eurozone governance is the independence of the European Central Bank (ECB). In theory, the ECB was deliberately insulated from member-state politics to ensure monetary decisions are made technocratically. As Heldt and Müller observe, EU member states "*intentionally designed a highly independent central bank with weakly developed accountability mechanisms to protect the bank's reputation*" (Heldt & Müller 2022, 839). This design reflects a broad post-war consensus which has been strongly influenced by German monetary approach, underscoring that price stability should not be compromised by short-term political pressures (Ibid). In practice, however, crisis conditions have put under pressure this principle of independence. The ECB's actions during the Eurozone sovereign debt crisis blurred the line between technocratic policy and political intervention. Heldt and Müller note that the ECB came to be perceived as a political (rather than technical) actor when it took unprecedented measures to "*do whatever it takes*" to save the Euro (Ibid, 837-838). This turn proposes that institutional discretion increased under pressure as the ECB exercised extensive judgment in designing rescue programmes and bond-buying schemes, stepping into a leadership role that had clear political ramifications. The work of Heldt and Müller is especially relevant to this thesis because it highlights the tension between formal independence and political reality. Their analysis shows that even one of the world's most independent central banks can adjust its behaviour in response to political expectations and public scrutiny. This creates a set for Greece's QE exclusion: if the ECB's crisis-era decisions were not purely neutral, political influence may have shaped superficially rules-based policies.

The European Central Bank's original framework established a significant level of institutional independence, theoretically shielding it from national political influences. The gap between principle and practice fell into clear relief in literature in the midst of the Euro crisis. Scholars note that the ECB, which has been projected as a rule-oriented, conservative central bank, by taking inspiration from the Bundesbank, was prompted to undertake unprecedented discretionary action in order to save the Euro (Odendhal 2014). Quoting Lombardi and Moschella with regards to the ECB self-portrayed image, "*Although there is controversy over the extent to which fiscal indiscipline by one or more euro area members threatens price stability, the endorsement of stable money as the governing principle of EMU [European Monetary Union], as enshrined in the ECB's legal mandate, has its mirror image in the principle of fiscal rectitude, as enshrined in the Stability and Growth Pact (SGP)".* This assertion already hints at the potential rule-bending cases that the ECB has occasionally looked the other way throughout its lifetime. Nevertheless, the expansion of the ECB's role, which includes debatable participation in the poorly supported Troika, mostly in the countries where it operated. Hence, blurring the line between monetary policy and fiscal/political intervention. Tesche argues that the ECB's unconventional policies and involvement in bailout conditionality "*created three mutually reinforcing threats to its political independence*": an increase in public scepticism towards the Bank, a renewed elite-level discourse on the continued appropriateness of central bank independence, and an "*institutional overburdening*" that ultimately undermined the ECB's output legitimacy (Tesche 2019, 4-12). This was a departure from the pre-crisis prototype of a technocratic, non-political ECB, and meant that even during great crisis one of the world's most independent central banks was unable to escape political pressures and leanings.

In fact, more and more research shows that political pressure from powerful member states affected the ECB's decisions during the crisis. Even though the ECB was supposed to be independent, national politics and preferences still affected it during the debt crisis. Germany is often identified as exerting outsized influence. Odendahl, which wrote tens of academic papers and has been cited before in this thesis, is the chief-economist for the think-tank "Centre for European Reform", he observes that "*Germany is more influential at the ECB than it should be*," arguing that Draghi's submissiveness, whom at the time was the ECB chairman, towards German sensibilities was a strategic mistake (Odendhal 2014).
Well into the ever-evolving crisis, meaning 2013 circa, German officials, at ministry and managerial levels, remained profoundly sceptical of bond-buying plans and cautioned against actions that could be construed as bailing out prodigal nations. Draghi, aiming to keep Germany on board, "*has taken German resistance into account and delayed quantitative easing (QE)*" according to Odendahl (Odendahl 2014). In practice, the 2015 design of the ECB's QE programme carried the hallmark of German austerity thinking, entailing tough eligibility criteria that excluded riskiest bonds ex ante. France, in turn, tended to side with German calls for creditor-centric discipline, even though it must be asserted that France kept a more open and less rigid posture. Recent empirical studies of ECB decision-making sustain this claim: Moschella and Diodati show that domestic factors (such as the governments ideology or exposure of national banks) drastically shaped dissent within the supposedly consensus-driven Governing Council, furthermore the authors report that "[…] *the ECB provides information on its internal deliberations, arguing implicitly that too much information would expose individual policymakers to national pressure and thus weaken their independence. As a result, unlike other domestic and EU institutions, roll-call data are not available for ECB policy decisions*", hence backing the idea that behind closed doors anything might have been said tried to push forward or resist (Moschella & Diodato 2020, 5-8). In short, the ECB's policy settings, which derived from the crisis, were not decided in a political vacuum, they were susceptible to pressure from key member states, especially when those states' support was needed to legitimize unprecedented measures.

Nowhere did political interference and policy converge as with selective application of rules of QE with reference to Greece. The ECB declared that to be eligible for purchases under QE, a member's bond had to be of investment grade or, if not, then the country would need to be under a formally approved programme of aid in good standing. Greece was the only Eurozone country not to qualify under these terms between 2015 and 2018. Officially, Greek government bonds had junk status with reference to credit, meanwhile, the ongoing Greek situation where the government was beneficiary of bailouts were cited as insuperable barriers. But few believed that such obstacles were anything other than self-imposed and political convenient.
Paul De Grauwe, who is a Belgian professor at London School of Economics and has been a member of the Belgian House of Representatives and Senate throughout the 1990s and early 2000s has analysed the topic thoroughly. In addition, he is a former member of the Group of Economic Policy Analysis advising the European Commission during Barroso's term (London School of Economics and Political Science 2025). De Grauwe points out, "*[the] reason given for excluding Greece from the QE programme, the 'quality' of its government bonds, can easily be overcome if the political will exists to do so*" (De Grauwe 2016). The decision to exclude was hence read by critics as a deliberate action rather than a technocratic inevitability. In Panageotou's paper, the Eurozone authorities were less interested in stabilizing the Greek theatre and more interested in schooling a recalcitrant Greece. The Troika's crisis management strategy "*engendered an unprecedented wave of discipline, surveillance, and control [...] In effect, power is increasingly wielded by unelected international political and financial institutions, which not only temper the sovereignty Greece, but also undermine the functioning of democratic processes*" (Panageotou 2017, 1). In this view, narrow QE eligibility criteria were a lever to exert pressures: Athens would remain excluded from ECB liquidity bazooka until it followed step-by-step all the reforms demanded by Troika were adopted silently and obediently. In sum, the uneven application of QE, which is described as generous debt-buying for Italy or Portugal, zero for Greece, reflected how apparently neutral monetary rules were inclined to fit with political judgments of deserving and undeserving states.

From a legal-constitutional perspective, the actions and programmes adopted by the ECB also tested the boundaries of its mandate conferred by the treaties. The European Court of Justice ultimately allowed practices like OMT and QE, but only through creative reinterpretations of the treaties, stretching the price stability mandate to encompass financial stability (Feld et al. 2016, 29). Such rulings avoided derailing and sinking ECB policies, yet it hinted that the

Bank's actions were pushing the limits of its input legitimacy (Ibid, 16-21). Finally, scholars have increasingly focused on how the Euro crisis, which sparked initially in Greece and then caught up in the rest of Southern Europe and Ireland, and the ECB's politicization have altered the banks output and throughput legitimacy. Sebastian Diessner states in his paper that in the post-crisis era the ECB's legitimacy mainly on procedural accountability, as he describes a "*thin and contingent 'legitimacy as-accountability' gives rise to a tension post-crisis: on the one hand, the ECB's enlarged monetary policy role requires ever-wider scrutiny and parliamentary debate; on the other hand, the quality of accountability hinges on the specialization of those involved* " (Diessner 2022, 402).

The ECB has undeniably boosted transparency and engages in frequent hearings at European and national Parliaments as officials attended plenary or commission hearings, seeking to reassure audiences that it is accountable for its actions. These efforts are meant to compensate for the fact that, as Tesche documents, the crisis response left the Bank facing "*a rising level of public distrust*" and even elite questioning of the independence doctrine (Tesche 2019, 447). In other words, the selective enforcement seen with Greece became a tale for exemplifying caution as it pinpointed a central bank that had surrendered to political strategy, which then obliged the bank to defend itself within political and public forums to remain credible. The literature backs the idea that disciplining a member state for a short-term gain, came at the detriment of long-term credibility and trust in the ECB. Thus, with Greek exclusion from QE, which has been cited as a sort of cornerstone in debates regarding the ECB's constitutional status, elucidates the tension between independence and responsibility, and between technocratic policy and equity, within the European Monetary Union's governance.

Building on the above, recent studies further describe in more detail the way through which ideology and politics pervade technocratic ECB decision-making. Mugnai, Honorary Research Fellow at University of Warwick, investigates by adopting a constructivist institutionalist approach the ECB's "*internal politics of ideas*" and finds that ECB policy positions have relied on shifts in leadership and ideational entrepreneurship and proactivity by the staff within the institution (Mugnai 2022, 52-53). That is, even in a formally independent central bank, prevailing economic ideas are contested and can change over time. Mugnai argues that new policy hypotheses were the outcome of "*the interplay between changes in ECB's leadership and internal policy discussion*" as exemplified in the debates about fiscal policy rules and structural reforms, which, according to the author, "*played a pivotal role in enabling new ideas to emerge*" (Ibid, 76-77). Significantly, he concludes that constructing the ECB's credible authority is "*an ongoing political struggle over the ideas underpinning*" its everyday practices (Ibid, 52). This finding reinforces the thesis stance and arguments: what might appear as neutral policy measures often reflect whichever economic ideology has happened to be the prevailing one among the ECB's leadership at any given moment. In brief, the autonomy of the ECB is undermined by an intra-institutional conflict of ideals and ideas, in such a way that policy decisions (such as who is worthy of QE and who has not been following the rules closely enough) are influenced to some extent by ideational currents rather than by rules as such (Ibid, 77).

Quaglia et al. extend this vision by situating the ECB in the international political economy and showing how its evolution is a response to internal institutional forces as well as more general geopolitical powers. They argue that the ECB has become an "*overstretched multi-tasking technocracy*" which has moved far from its original Bundesbank-inspired mandate of price stability (Quaglia et al. 2025, 4-8). Over successive crises, the Bank expanded its competences into banking supervision, crisis management, and even climate-related policies, a trajectory that raises profound legitimacy questions because such tasks carry distributive consequences and therefore have clear political implications (Ibid, 6-8). Furthermore, the authors highlight that the ECB operates increasingly in a multipolar world geopolitically speaking, where monetary and financial policy is strongly connected with state power and conflicts (Ibid, 9). This wider context highlights the fact that ECB choices and conclusions cannot be viewed as merely technocratic responses, but rather as decisions confined by global pressure, fiscal fragmentation in the Eurozone, and the absence of a single unified political counterpart at the EU level (Ibid, 4). Consequently, the ECB's discretion in programmes such as QE becomes a matter of balancing its autonomy against both structural Eurozone asymmetries and political pressures from member states (Ibid, 8-14). Finally, the article supports the thesis in two ways: firstly, Greece's exclusion was not merely a struggle between institutional principles and secondly that the ECB's constantly evolving role as a political institution was trying to navigate through competing ideologies and geopolitical realities.
This thesis wants to underline the importance and credibility of the authors mentioned lastly by providing a small summary of their academic background. They are leading researchers in international and European political economy. Lucia Quaglia (University of Bologna) is widely recognized for her extensive research on EU financial regulation and governance, while Amy Verdun (University of Victoria and Leiden University) has written influential research on European integration and political economy. Erik Jones (European University Institute) is one

of the chief authorities on European politics and international political economy, while Eric Helleiner (University of Waterloo) is globally recognized for his foundational work on global financial governance and the political economy of money. Completing these perspectives, Benjamin J. Cohen (UC Santa Barbara) is among the most distinguished scholars in international political economy, particularly in international monetary relations.

Chapter 3 – Background: The QE Programme and Crisis Governance

3.1 QE Architecture: Legal Basis, Rules, and Conditions

The ECB launched and initiated an unprecedented quantitative easing (QE) programme in 2015 to address deflationary risks and weakened monetary transmission in the Euro area. This took the form of an Asset Purchase Programme (APP)**,** under which the Eurosystem, which comprised the ECB and national central banks that conducted large-scale purchases of various assets. The Public Sector Purchase Programme (PSPP) was the largest component of the APP, concerning primarily purchases of Euro-area government bonds and of certain companies (mostly state-owned or state-controlled) (European Central Bank 2021). Purchases were carried out only on secondary markets, which solely involve selling and exchanging financial products among privates, in line with EU Treaty constraints against direct government financing (Consolidated Version of the Treaty on the Functioning of the European Union 2012, art. 123). APP design replicated monetary policy objectives within legal constraints in an attempt to lower yields and support inflation without contravening the prohibition on monetary financing (Cour-Thimann and Winkler 2012, 772).

Under the PSPP, each national central bank predominantly bought its own central government's bonds in percentage to the ECB's capital key (guaranteeing that the purchases mirror each state's economic size). The ECB also capped purchases per issue and issuer (initially 25% and 33% respectively) to avoid dominating a specific bond issue or being able to block any debt restructuring, these measures are safeguards implemented to preserve market functioning and compliance with Article 123 TFEU (Claeys *et al.* 2015, 4). Eligible bonds would be only those with remaining maturities ranging between 2–30 years and with yields over the ECB's deposit facility rate. Significantly, the ECB maintained strict credit-quality eligibility criteria on government debt: in order to be purchased, the bonds must be of investment grade (e.g. BBB-

/Baa3) from the Eurosystem's renowned authoritative agencies (Viterbo 2020, 676). This condition was intended to ensure the ECB only bought relatively healthy debt and to mitigate risk-sharing concerns and moral hazard (Lombardi & Moschella 2016, 854-855).

A partial waiver was developed for countries undergoing an EU/IMF adjustment programme. If a member state lacked investment-grade scores but was following an agreed upon economic adjustment programme, such as a European Stability Mechanism (ESM) bailout, and was deemed to be satisfactorily meeting its terms, the Governing Council could give a waiver from the ratings requirement (European Central Bank 2020). Practically this meant that a country under a programme would qualify for PSPP if it was passing routine reviews with evidence of policy compliance. This condition was designed to balance conditionality with prudence, allowing inclusion of programme countries' debt only when they were adhering to reform obligations (Lombardi & Moschella 2016, 860-861). For example, Cyprus's government bonds, though below the minimum investment grade, were included once Cyprus was under an EU supported programme with positive reviews, receiving a waiver to permit PSPP purchases (Koranyi 2016).

3.2 Greece Under Bailout: Economic and Political Landscape

The Greek debt crisis originated in 2010–2012 exemplifying a history of fiscal indiscipline, high deficits and debt, and a sudden halt of foreign lending. The country required two EU-IMF bailout packages (2010 and 2012) but suffered a depression-like downward spiral: by 2014 the economy was 26% lower the 2008 data (Harari 2015, 3). There were catastrophic social costs and losses, among which unemployment peaked at 27.5% by 2013, and even in 2018 remained around 20% indicating that roughly one-third of Greeks fell below the poverty line, and some 400,000 people emigrated during the crisis (Pagoulatos 2019, 1). Amidst general outcry, the left-wing Syriza took power in January 2015 after general elections were held, on an anti-austerity platform (Harari 2015, 6-7). Prime Minister Alexis Tsipras's government first campaigned to renegotiate bailout terms, setting itself up for a showdown with Eurozone creditors (Euractiv/Reuters 2015).

From 2015 to 2018, Greece navigated into turbulent waters after submitting to the third bailout under the ESM. In mid-2015, hard and stubborn negotiations with the EU, ECB and IMF led to a point of no return: Tsipras called a referendum in July 2015 on creditor austerity proposals, which were rejected by 61% of Greek voters (Traynor et al. 2015). In the meantime, the standoff forced Greece to impose capital controls and temporarily close banks in June 2015 as the ECB capped and drained the liquidity support line for Greek financial institutions. Faced with economic free-fall and potential "Grexit," the government altered the course proclaimed during the elections and by August 2015 Tsipras had committed to a new €86 billion ESM programme with stringent reform conditions (Allen 2015). The third bailout (2015–2018) required fiscal consolidation (e.g. VAT hikes, pension cuts, public layoffs, internal devaluation) and structural reforms (e.g. pension system renovation and overhaul, privatizations of national assets and liberalization of protected sectors) (Pagoulatos 2019, 7 & 11-15). Tsipras won re-election in September 2015 and, despite Syriza's anti-austerity rhetoric, largely implemented the required measures. By the programme's conclusion in August 2018, Greece had restored a primary budget surplus and corrected external imbalances (Psalidopoulos 2018). However, the recovery came at a high cost: as already mentioned above, the data regarding unemployment and general economic productivity loss were grim, prolonged and negatively impacted most of the Greek society. Deflationary pressures persisted for years as consumer prices fell by 1–2% in 2013–2016 yearly (World Bank 2024). Protracted austerity also worsened poverty and social upheaval.

Greece desperately needed monetary support lines, which were vital in the interests of keeping society stable, tranquil and afloat. The ECB's QE programme, which began in in 2015, was supposed to be a boon for inflation and to ease bond yields across the Eurozone, something particularly indispensable for the Hellenic debt-ridden economy stuck in a depression. Yet Greece was excluded from QE initially due to not meeting the ECB's credit-rating criteria and being under a bailout review. Greek authorities argued that inclusion in QE would have facilitated financial conditions: the central bank estimated that QE purchases of Greek bonds could generate substantial benefits, according to former Greek Central Bank president Yannis Stournas, "*adding €400–500 million to bank profits and improving market confidence*" (Stournaras 2016, 1). Overall, during 2015–2018 Greece struggled through painful reforms and a promising recovery, without the benefit of the large-scale bond-buying stimulus enjoyed by other Eurozone economies. This anomaly, an economy in greatest need of stimulus seeing denied the oxygen-like QE, underscored the political and institutional complexities of Greece's exclusion.

3.3 Portugal’s Inclusion: Conditions Met or Politics Aligned?

Portugal’s crisis was somewhat divergent in nature if confronted with the Greek one. Hit with excessive deficits, low competitiveness, increasing labour costs, misallocation of capital and the Eurozone unrest, Portugal requested and obtained an EU-IMF bailout in April 2011 (Weise 2020, 1-2). A €78 billion Troika syllabus, which lasted between 2011 till 2014, was negotiated under the centre-right government, headed by Pedro Passos Coelho as Prime Minister. The programme required drastic austerity and reforms to correct structural imbalances, moreover, the situation was so dire, that Portugal lost financial market access and could not borrow anymore, the catastrophe and the requested for external aid all occurred during the same year, 2011 (Ibid). The adjustment plans required swift fiscal consolidation, such as tax hikes and spending cuts. Nonetheless the Troika could not stop there and expected financial sector stabilization, and measures to boost by increasing the flexibility in the job market and by postponing the retirement age (Ibid). Following up, the economy entered a double-dip recession: GDP dropped sharply in 2011–2013 (over 4% fall in 2012 alone) and unemployment pitched to approximatively 16% by 2013 (Ibid). Nevertheless, with social unrest and tensions that kept rising, while in the meantime some court rulings limited austerity measures, Portugal largely complied with Troika requirements, and by mid-2014 it had achieved a “*clean exit*” from the bailout programme (Deutsche Welle 2014). Ensuing the departure from the programme, economic expansion was timid but steady and confirmed, therefore, the government had recaptured some investor confidence. This confidence and trust were the key evidence that eventually led to lower bond yields and open market access.

Throughout the crisis, three of the four major credit rating agencies rated the sovereign debt of Portugal below investment grade: Fitch, Moody’s, and Standard & Poor’s. Notably, Canadas DBRS kept an investment-grade rating (Moore 2016). This distinction mattered because participation in the quantitative-easing programmes of the European Central Bank required at least one such rating from these agencies (Weise 2020, 10). Consequently, DBRS’s policy and judgement kept Portugal continuously eligible and hence facilitated continuous access to ECB purchases (Ibid). Along the way, such support stabilized financing conditions and market confidence.

Right after the programme ended, the economy in Portugal bounced back robustly. GDP growth accelerated since 2015, reaching 2.7% in 2017, the fastest since the year 2000 whilst investments and exports led towards a much-desired stabilization and rebalancing of the economy (International Monetary Fund 2018). Unemployment fell steadily, considering it peaked at 17% and declined to 7% by 2018, one of the largest labour market recoveries in Europe (Weise 2020, 4). This recovery was matched by considerable political shifts. A Socialist minority government headed by António Costa rose to power in November 2015, supported by left-wing parties that opposed several austerity measures imposed from above, more precisely from the Troika (Ames 2016). Costa's administration softened some of the cuts, including rolling back public wage reductions and pension freezes albeit still adhering to EU fiscal targets (Ibid). Notably, Portugal kept its budget deficit under control, the deficit decreased to 2.0% of GDP in 2016, exiting the EU's Excessive Deficit Procedure by 2017 which if prolonged, it would have struck Portugal with an EU infringement procedure, causing Portugal further trouble (Weise 2020, 5-7). Remarkably though, Portugal gained and maintained investor and European trust, especially from larger member states like France and Germany. Portugal even achieved a small budget surplus in 2019 (Ibid, 5-6). The IMF pointed to this single-rating dependence as a threat considering the simple and logic factor that if DBRS would lower its rating, bank funding and purchases of Portugal's bonds by the ECB could have been cut off suddenly (Ranasinghe & Ireland, 2016). DBRS upheld the rating of Portugal throughout the stormy years, and the ECB continued to buy Portuguese bonds, which helped maintain bond yields low (10-year yields fell below 3%, from highs of 13% in 2012) and helped support the recovery (Weise 2020, 10).

A question arises in this paper, whether Portugal's inclusion in QE was purely a matter of formal and predetermined criteria or did politics and credibility play a role? Formally, Portugal met the eligibility rules for example post-programme status and an investment-grade rating. But subtle factors likely contributed as well. Compared to Greece's proudly confrontational and combative stance in 2015, Portugal's government led by the centre-right or the subsequent Socialists have worked constructively with EU institutions and markets. This cultivated a level of confidence and goodwill unmatched in Greece. Eurozone authorities may have viewed Portugal as a compliant partner on the so called "right track" (indeed, the country was repeatedly praised by EU officials), perhaps facilitating its entry into QE. That is, Portugal not only benefited from box-ticking, but from a perception of policy credibility and adherence to Eurozone norms. As one study noted, continued ECB support for Portugal was contingent upon its "*hard-won policy credibility*" and refrainment from reversing reforms and policies already enshrined into law (International Monetary Fund 2018, 5-6). Conversely, the extremely different treatment of Greece indicates political judgments were having a major role. Portugal's case would suggest that qualitative factors, and this paper argues that these factors are trust in the government's intentions and performance which then reinforced the formal rules to access ECB support. The next chapters will discuss further how such political alignment, discretion, boundaries, and reputational issues can influence seemingly rule-based monetary decisions.

3.4 Timeline of ECB Decisions on Greek Bond Purchases

QE Launch and Initial Greek Exclusion in January 2015: The European Central Bank's expanded asset purchase programme, the above-mentioned QE, was unveiled on 22 January 2015. The Greek government bonds were de facto excluded from the start due to their sub-investment-grade credit rating, even though the ECB announcement mentioned "*the possibility of a waiver*" for countries under EU/IMF adjustment programmes (Bird & Pozzebon 2015). In other words, Greek bonds could only qualify if Greece stayed on track with the bailout imposed by the biggest financial and political organizations. However, right after QE launch was launched, the Greek political landscape shifted dramatically as the anti-austerity Syriza government took office and the ongoing bailout review came to a grinding halt. Citing the failure to conclude the bailout review, the ECB suspended a waiver that had allowed Greek bonds as collateral on 4 February 2015 (European Central Bank 2015). By late March 2015, ECB President Mario Draghi explained why Greek bonds were not being purchased: *"QE does not buy Greek bonds […] The first [reason] is that it doesn't buy bonds of countries that are in a program… when the review of this program has not been completed… [second,] their credit rating [is] too low"* (Fonte et al. 2015). A third constraint was that the ECB's limited itself by self-imposing the principle to avoid becoming Greece's largest creditor (Ibid). These technological justifications coincided with tense talks because in June 2015, after the referendum announcement by Prime Minister Tsipras on creditor conditions, the ECB capped emergency liquidity assistance, and therefore forced Athens to impose capital controls as banks shut their doors (Wyplosz 2015). The July 2015 Greek referendum rejecting bailout terms but was soon followed by a sort of paradoxical policy reversal, stressing the political drama behind these decisions and delegation of responsibility to the voters.

Third Bailout and Continued ECB Caution in August 2015: In the weeks after the referendum, Greece agreed to a third bailout programme which put reforms back on track (Stewart 2015). This paved the way for the ECB to revive its waiver on Greek bonds as collateral in June 2016, after Greece got over its first programme review. The ECB Governing Council announced that the institution "*acknowledges the commitment of the Greek government to implementing the*

ESM macroeconomic adjustment programme and, therefore, expects continued compliance with its conditionality" when restoring this waiver (European Central Bank 2016). Even so, Greek bonds were still not included in QE. The ECB stressed that any future Greek bond purchases under QE would be "*examined at a later stage […] taking into account the progress in the analysis and reinforcement of Greece's debt sustainability*" (Ibid). In essence, debt sustainability was made a prerequisite for Greek inclusion in QE. Throughout 2016, as the reforms were being implemented within Greece, the ECB held off, waiting for clearer evidence that Greek debt was on a stable path.

Debt Relief Promises and Draghi's Justifications: In mid-2017, Greece fulfilled a second bailout review and Eurozone finance ministers (the so called Eurogroup) suggested an agenda for possible future debt relief. However, the measures suggested by the Eurogroup were deemed too vague for the ECB's purposes. Draghi reiterated during June 2017 that Greece could not be included in QE until there was a clearer debt outlook. In a letter to the European Parliament, he warned that "*until sufficient details are given on debt-related measures, serious concerns remain about the sustainability of Greek government debt*" (Newsroom 2017). He noted that the experts at the ECB's disposal "*are not currently in a position to complete a fully-fledged DSA (debt sustainability analysis) of Greece's public debt*" (Ibid).
This meant that the Governing Council still refused to buy Greek bonds. Politically, this stance pushed Greece's creditors to finalize debt relief, hence demonstrating how politics and technical requirements were intertwined (Ibid). Draghi himself, often accused by MEPs of blackmailing Greece, insisted the ECB was simply applying rules: the waiver for Greece had been lifted because programme conditions "*were no longer met*" after February 2015, not due to political favouritism (European Parliament 2015).

Programme Exit Without QE & Comparison with Portugal: By 2018, Greece's fortunes had slowly begun to revive reflecting the final bailout review was completed and in June 2018 the Eurogroup approved significant debt-relief measures, like loan maturity extensions, to ensure Greek debt's future sustainability (Council of the European Union 2018). Greece exited its bailout in August 2018, officially ending eight years of financial assistance (Pagoulatos 2019, 1). Even then, the ECB did not include Greek bonds in QE. In part, it was a timing issue, as always according to the central bank, QE's net buying was fading in late 2018, and above all, the ECB could not exempt itself from abiding by rules without a programme (Kotidis et al. 2022, 3). Draghi made clear that the Greek state bonds were not eligible for QE and ultimately that the waiver for Greek bonds would have expired upon the end of the programme (Kourtali 2018). Thus, when Greece left its bailout programme, it lost the waiver and remained outside of QE, reflecting the hard rule-based framework.

Holding back Greece from being admitted to QE in 2018 was, therefore, a policy mistake. Firstly, the programme continued because net buying was still in place until December 2018 and reinvestments persisted thereafter (Carvalho et al. 2018). A simple waiver could have allowed Greece to enjoy a miniscule fraction of QE, completing a purchase of a single emission of Greek bonds, and make the Hellenic country enjoy the reinvestments after, all of this could have been allowed by a simple governing council vote. Therefore, even a late admission would have had major stock and signalling implications, thereby reducing Greek yields, improving secondary-market liquidity, and easing bank funding conditions (Papaioannou et al. 2016). APP reinvestments continued into mid-2023 and on 15 June 2023 the Governing Council confirmed they would be discontinued as of July 2023 (European Central Bank 2023). Second, macroeconomic fundamentals in Greece continued to be incredibly weak. Output remained far below its pre-crisis trend according to the Pagoulatos, losing a quarter of its GDP compared to 2008 in the year 2018 (Pagoulatos 2019, 1). Unemployment was painfully elevated, with a figure hovering around 19.5% in 2018 (OECD 2020, 17). Inflation was below target, with a percentage of approximatively 1% (Eurostat 2018). The marginal effectiveness of asset purchases in Greece would therefore have been greater in core economies precisely because financial frictions and expectations were more binding. Third, issuer and issue limits were well short of binding in the Greek case: the tiny size of eligible outstanding debt meant small purchases could have had disproportionately beneficial effects without jeopardizing risk limits or market conditions. Fourth, inclusion would have given a clear signal of normalization at programme exit, fixing expectations, and cementing hard-won credibility.

Above all, the crisis was not over in 2018 for Greece. The economy remained at a very depressed level, a very large share of its youngsters had already emigrated, and unemployment remained structurally high, social distress continued and still does. In those circumstances, ending QE assistance took away from Greece a means that would have fostered convergence, supported the banking channel, and fixed expectations during a delicate transition. In short, Greece's exclusion from QE cannot be justified by the programme coming to a near-term close but neglected clear macro-financial benefits and the common objective of an integrated monetary union.

A comparison with Portugal highlights the intertwining between technical and credibility factors. Portugal itself had emerged from its bailout in 2014 and luckily managed to retain the investment-grade rating from DBRS. In effect, Portugal passed the quality test of the ECB and was never suspended from QE, although the nation underwent similar political changes and anti-austerity rhetoric. The key was the country's compliance with EU fiscal targets and the DBRS rating, which gave its bonds continuous eligibility.

Greece, on the other hand, did not have an investment-grade rating and was in the position of being dangerously reliant on a directly linked programme-compliance waiver. The insistence by the ECB that Greece must receive a positive debt sustainability assessment regarding all the programmes the Hellenic republic carried out can be seen on a technical basis as prudent caution but also had a broader political objective. One of the motives was that Greece would follow meticulously the agreed reforms and that other Eurozone governments would deliver on debt relief before Greece could enjoy QE's benefits.

To conclude this chapter, the ECB availed itself of the rules and treaties pre-existent to the crisis during the 2015-to-2018-time range, the rules and treaties comprised positive credit rating by at least one of the big four agencies, programme conditionality abidance and portfolio risk limits. Casually these rules followed scrupulously the line declared and pushed forward by the most powerful member state. The chronologically evolving rollercoaster from the 2015 waiver suspension and Draghi's "it's not blackmail" argument, passing by the careful 2016 waiver reinstatement without QE, to Draghi's 2017 admonition and the final 2018 refusal elucidates marvellously how technical criteria and political reliability were tightly interlinked in the management by the ECB of Greece's bond eligibility. Ultimately stressing that technical eligibility accession to ECB programmes was at the same time a financial test and a measure of each country's policy credibility.

Chapter 4 – Analysis: Discretion Behind the Rules

4.1 Formal Criteria vs. Discretionary Enforcement

The ECB's post-crisis QE programme reportedly followed formal eligibility criteria strictly, but the application showed quite significant discretionary enforcement. In the PSPP, purchases were limited to sovereign bonds that had at least one investment grade credit rating, however, there were narrow exceptions to this rule for countries undertaking EU-IMF support (Viterbo 2020, 681-684). Theoretically, this regulation was technocratic and neutral but practically, it created divergent effects for Greece and Portugal between 2015 and 2018. Junk-rated Greek bonds did not qualify under the ECB's quality standard and combined with Greece seeing its status as an IMF–EU programme country unaltered they were thus excluded from QE entirely. ECB officials maintained that Greek debt could not be bought until programme requirements were met as much as debt sustainability was boosted (European Central Bank, 2016). By contrast, Portugal, which had recently exited its bailout and whose bonds clung to a BBB- rating from DBRS, the least known among the top 4 rating agencies, was included in the QE purchases (Ibid). Implicitly, however, Portugal's inclusion also aligned with both perceived policy credibility and political acceptance of the bailout programmes. The accommodative stance of the Portuguese government towards Eurozone fiscal rules and reforms (though it had a left-leaning administration) reassured creditors and the ECB, whereas the combative stance of the SYRIZA government in Greece which featured stretched and strained negotiations with Eurozone authorities undermined confidence. Indeed, as one analysis performed by De Grauwe, the ECB's invocation of "quality" criteria for Greek bonds masked a political judgment: *"These technical problems can easily be overcome when the political will exists… The exclusion of Greece is the result of a political decision that aims at punishing a country that has misbehaved"* (De Grauwe 2016). In the case of Portugal, political will firmly skewed towards leniency, aided by its more traditional trajectory and support from EU partners, all seemingly in contrast with what happened to Greece.

This incongruity has thicker implications for the governance of the Eurozone. It implies that allegedly neutral monetary rules had been executed with a high level of political judgment and discretion, challenging the ECB frequently asserted technocratic non-partisanship. Researchers have noted, and this thesis paraphrases, that during the crisis the ECB's image of a technocratic agent changed into that of an institution motivated by political objectives (Lombardi & Moschella 2016, 860). The handling of Greece and Portugal exemplified such elusive politicisation: the ECB bent its own regulations under pressure from powerful member states, especially Germany, which was the hardliner benchmark against Greek debt relief. While the ECB vigorously refuted the allegations of acting politically Draghi insisted that the ECB did not create rules for Greece, but they just applied them (European Parliament 2015). The discretionary imposition of QE conditions conceals a form of political pragmatism masked in technocratic reasoning. Heldt and Müller argue that the ECB's newfound role as a de facto political actor during the crisis, with high autonomy but low accountability, risked eroding its authority and legitimacy (Heldt & Muller 2019, 1-4). Indeed, the veto of Greece from QE, even as other governments had debt-buying breaks, on an unparalleled scale, can be universally deemed as politicized favour disbursement duelling with one-way-only sanctions, slowly rusting the neutrality of the ECB (De Grauwe 2016).

Coming from a pro-European, the paper poses a critical evaluation. The paper pushes forward that such optional application saw the European establishment be moderate towards Portugal and, on the contrary, be distant from Greece, which came through as an unsettling and unmatched precedent. It blurred the line between monetary policy, solely concentrating on price stability, and political bias. It all came to the detriment of the unity of the Eurozone, causing agitations among the crisis-hit populations, which saw this conduct as unequal treatment. The politically motivated behaviour of the ECB, controlled by pressures from powerful states like Germany, thus demonstrating the danger that selective application of objective criteria on the part of official authorities can cause harm to the legitimacy and integrity of the Eurozone as it seeks to stabilise the common currency.

4.2 German and French Roles in Shaping the ECB's Boundaries

France and Germany were actively involved and influential in shaping the European Central Bank at its creation, stamping its institutional DNA with their respective national central banking philosophies. The ECB was deliberately modelled on the German Bundesbank, making it one of the most independent central banks in the world with price stability as sole mandate (Odendahl 2014). This was a manifestation of post-war German anti-inflationary orthodoxy which implied unbending independence of the Bundesbank, long terms for central bankers, prohibition on monetary financing directly to member states, and legal priority of price stability were all brought into the ECB statutes (Buch 2021).

On the other hand, France had a more dirigiste tradition of central banking as in the past, the Banque de France was far less independent, hence more politicized, and closer to government objectives and directives (van Esch & de Jong 2012, 634). During the Maastricht negotiations, Paris accepted the Bundesbank approach as the price of monetary union, even legislating in 1993 to grant the Banque de France some independence (Banque de France 2024). French presence was still evident in ECB governance structures pondering that every central bank governor from each member state had a single Governing Council vote to prevent weighted voting according to economic size, which would have put Germany in a position of absolute

and undisputed strength, all of this though lasted until 2015, due to the EU treaties provisions establishing a change in voting mechanism once the Eurozone member states would have been more than 18 (European Central Bank 2023). After such landmark date, the Governing Council of the ECB is restricted to a maximum of 21 voting rights (Ibid). Six are reserved on a permanent basis by the Executive Board members, and the remaining 15 are allocated to the national central bank governors on a rotating basis, with each having one monthly right to vote (Ibid).
The secondary objective of the ECB, which involves supporting the EU's overall economic policies, was a successful bargain that winked towards French growth priorities (Lenihan 2008, 24-25). Significantly, Germany insisted on strict budgetary rules as the Stability and Growth Pact (SGP) to guarantee the stability of the Euro. Ironically, when Paris and Berlin broke the SGP 3% deficit limit in 2003, no fine was levied on them because EU finance ministers, headed by Berlin and Paris, vetoed any fines (Tran 2003). Instead of being penalized, the two largest states were given more time to bring their deficits into a balance, essentially getting away with it (Ibid). This allowance of extra time tattered the credibility and belief that the SGP shall be pursued by everybody equally and consequences cannot be evaded due to sheer economic size (Ibid). This early episode, where influential member states twisted the rules they originally came up with but later broke, gave an early hint about the double standards that would eventually surface in the handling of smaller nations like Greece.

During the Eurozone sovereign debt crisis, Germany and France employed their reciprocal political influence to set the boundaries of the ECB in the field of crisis management, more precisely in Greece's nightmare. In early 2010, as Greece was plunging into insolvency, Berlin and Paris were initially at odds, with Germany, together with like-minded allies, opposed to any bailout, citing the EU's no-bailout legal clause, while France and southern countries demanded immediate financial support in solidarity (Degner & Leuffen 2019, 95). This impasse was only broken after angry Franco-German negotiations. Brought down to earth by pressure from France, the ECB, and even German banks fearing losses, Chancellor Merkel agreed to a rescue but solely on German terms of conditionality (Ibid). The Franco-German agreement placed rigid conditionality into Greece's bailout as France and others took the loans necessary to stabilise the euro and banking system, and while Germany made certain that Athens would be forced into painful reforms and austerity as quid pro quo, and to reassure lenders that the Eurozone was responsible as a whole system, hence that countries were doing their "*homework*" by slashing public spending to assure the sustainability of the Euro (Ibid).

In effect, German political interests, heavily lobbied by German bank highly exposed to Greek debt, overlapped with French interests in the avoidance of a Euro collapse, resulting in an ECB-backed crisis regime that imposed Greek compliance with stringent bailout terms. Crucially, neither France nor Germany, and this paper reminds that both countries banks stood to lose heavily from a hypothetical gigantic default by Greece, was ready to give Greece an easy and free ride (Pagoulatos 2019, 6). France was inclined to play the "good" cop calling for compromise in a bid to keep Greece within the Euro, while Germany was playing the "strict" or "bad" cop, calling for fiscal rectitude and structural reform. But both in fact called for an ECB that would impose conditionality on bailouts rather than cooperating with Greece as equal peers. Indeed, France was generally predisposed to support Greek calls for assistance, as contrasted with Germany's more stringent policy of austerity, nevertheless, Paris also accepted the principle that aid must come attached with strings of reform (Papadimas & Pineau 2015).

Nowhere was Franco-German pressure on the ECB's conduct more visible than in the Greek crisis marathon of 2015. When the new Greek government resisted austerity and tried to renegotiate it, the ECB, under President Mario Draghi, took an uncompromising stance that converged with German and French creditors interests. In February 2015, the ECB denied Greece its habitual refinancing, refusing to accept Greek government bonds as collateral during the stalled bailout review. Greek banks were forced onto emergency liquidity assistance (ELA), essentially allowing the ECB's governing council steer the Greek banking and societal ship according to its benevolence or wrath.

Bundesbank president Jens Weidmann, the so-called German hawk par-excellence, loudly and vehemently suggested that lending to Greece was "*less than ever*" the Eurosystem's responsibility, but straight-on left it to the elected governments to decide on aid (Carrel & Sheahan 2015). He swept aside Greek allegations of ECB asphyxiation towards innocent Greek citizens, contending that it was not the bank's fault that Athens had "*no access to markets*" and that Greece largely lost investors' confidence (Ibid). Behind the scenes, and sometimes publicly, German politicians upheld this hard line. Finance Minister Wolfgang Schäuble, one of the protagonists and chief negotiators throughout the whole odyssey of the Euro crisis, warned that free-spending monetary aid (such as the purchase of large quantities of bonds) would "*take away the incentive for reforms*" in debtor countries (Mcbride et al. 2019). This was a core German belief that the ECB ought not to bail out governments or alleviate the pressure for fiscal restraint. Draghi, for his part, contended that the ECB was simply applying rules in a neutral way. He noted, for example, that Greek bonds were not included under the

ECB QE scheme because the review of the Greek performance of its EU/IMF bailout programme remained pending and its bonds were rated below investment grade (Wearden & Fletcher 2015). These were nominally technocratic standards, de facto with a political aim of refusing money to Greece unless it bended to a new reform package and became totally submissive to external requests from the Troika. When the ECB initiated QE in 2015 to fight deflation, it deliberately structured the programme to alleviate German anxieties, such as limits on purchases by country and exclusion of Greek bonds because of their quality (eKathimerini 2015). These limits, imposed on themselves, appealed to "German philosophy" prudence in that the central bank should not be rewarding a nation that is failing to deliver agreed conditions, or even worse, contesting these conditions (Odendahl 2014).

In 2015, the ECB hard line of limiting ELA to Greek banks and withholding QE stimulus, had the impact of placing incredible pressure on Athens. It catalysed a liquidity crisis that arguably forced Prime Minister Alexis Tsipras to switch direction and consent, with a heavy heart, to a third bailout in July 2015 (Wearden & Rankin 2015).

Franch then-minister of finance Michel Sapin even scolded Berlin for appearing to politicize ECB moves: "*The Germans have taught us to respect the ECB's independence. They must remember that themselves*" he angrily said in January 2015 when there were irritations of some German voices regarding QE (ABC News 2015). Sapin's remark underscored that Germany was effectively trying to make the ECB fully embrace the German perspective during the crisis yet again demonstrating that more powerful member states tilted officially independent institutions towards their own preferences regarding which country must be punished, and which ones are worthy of forgiveness. The ECB internal dynamics represented this external political pressure. German-dominated "hawks" on the Governing Council frequently opposed policies like Greek bond buying or loose collateral terms. When QE was approved, a coalition of fiscally conservative central bankers from Germany, the Netherlands, and other Northern states formally voted against it (Ibid). Although they lacked a veto (ECB decisions are by majority vote), Draghi took care to secure broad support, knowing the risk of backlash in Germany's courts and media (Odendahl 2014). The result was an ECB policy framework that, even during the crisis, was within Franco-German political boundaries. The institution was pushed to the limit to rescue the Euro, but not to the point of helping profligate members without stringent conditions.

4.3 Decision-Making Inside the ECB: Technocratic Language, Political Outcomes

The European Central Bank has long encouraged an image of technocratic decision-making for itself, presenting its policies in the neutral language of economics and law. In the ECB's Governing Council, arguments and justifications are immersed in expert jargon, models and mandate-based reasoning. This paper confirms that the use of such technocratic language is not accidental, but rather a conscious attempt to portray the Bank as an apolitical, rules-based organisation, as required by the founding treaty. Research from the "*Journal of Danubian Studies and Research*" finds that the official ECB discourse emphasizes technical analysis and even strategic vagueness in order to provide flexibility in policy communication with the media and public (Oanca 2022, 360). By postponing decisions as strictly evidence-based requirements for price stability or financial stability, the ECB is trying to improve its reputation as a respected authority, that can manage delicate situations even when the noise of politics surpasses the threshold (Ibid). In other words, decisions are presented as the inevitable outcome of data and expert judgement, rather than political choice.

Beneath such technocratic mask lies intense political implications when the ECB pronounces its decisions. Monetary policy can be crafted in depoliticised terms, but its effect necessarily picks winners and losers in the economy and between states. Interest rate changes or bond-buying programmes redistribute resources and risks. Large asset purchases under programmes like QE and PEPP were justified on technical grounds to counter deflation, but they also shielded governments with large debt burdens by keeping their low borrowing expenses against them, like the case of Portugal and Italy (Viterbo 2020, 672-674). Such measures, while stabilising the Eurozone on one side, carried de facto political weight on the other. Academics observe that during a crisis period the ECB acquired considerable political power over national governments, pointing towards a democratic deficit (Högenauer & Howarth 2019, 2 & 12-14). Even within the Governing Council's ostensibly technocratic deliberations, national political leanings sink in. Empirical studies show that central bank governors' conflicting views tend to align along the ideological partialities of their respective national governments (Moschella & Diodati 2020, 3 & 25). In short, neutral monetary supervision and decisions may actually reveal hostile political preferences beneath the surface, and these quarrels only come to light when a member of the governing council decides to reveal them to the press.

The political consequences of ECB policy choices are far from superfluous. Policies entrenched in dry and sterile economic terms can stir boiling political protest and indignation in member states. A striking example was in Germany in 2016, where Wolfgang Schaeuble attacked the low interest rates of the ECB as an "*attack on savers*", blaming them for lowering pension value and even backing support toward a new right-wing party (Martin & Russell 2016). Wolfgang Schäuble told ECB President Mario Draghi that the rise of the Eurosceptic Alternative for Germany (AFD) was "*50 percent attributable to the Bank's monetary policy*" (Ibid). This episode highlighted the paradox of technocratic decisions, sometimes they are designed to be purely economic but occasionally they can have clear electoral and social effects. Similarly, the methods and decisions taken by the ECB during the crises, such as conditional lending and bond acquisitions, sparked legal and political debates on whether it was transgressing its fiscal policymaking mandate (Sinn 2018, 1406). Domestic courts and politicians questioned whether the Bank stayed within its narrow mandate or enacted political choices in disguise (Viterbo 2016, 528-531).

These dynamics are referring to a deeper contradiction between technocratic logic and political effect. The ECB's autonomous decision-making and obscure technical language defend its independence and market credibility. On the other hand, the ambition of ECB choices, especially in the recent years, has broadened into areas that have a straight effect on governments, taxpayers and voters. Indeed, analysts argue that the classic technocratic model of legitimacy is no longer tenable now that the ECB must make deep decisions that have distributional repercussions (Argyroulis & Vagdoutis 2025, 15). The Bank itself has recognized a necessity to reinforce its legitimacy through enhanced transparency, this was simply solved with the publication of "meeting accounts", and it undertook accountability rounds like parliaments dialogues, both at the European and at the member state level. Still, this thesis affirms that the ECBs communications remain unnecessarily sophisticated and away from public discussion, potentially undermining comprehension and democratic oversight (Oanca 2022, 360).

In conclusion, the ECB uses a technocratic approach to decision-making, focussing on rules and expertise to keep politics out of policy. However, the results are pervaded by politics. Although the language may be technocratic, the practical effects of ECB policies are clearly political when they relieve pressure on some countries while putting strain on others or when they change public opinion. The issue has sparked continuous discussions on how to balance the technical mandate of an independent central bank with the democratic accountability and legitimacy required in a Europe where monetary policy has political weight.

4.4 Why Portugal, Not Greece? A Comparative Reading

The ECB's official rationale for the selective treatment centred on the basis of formal eligibility rules rather than on the basis of some explicit political motivation. One of the central requirements was credit quality: bonds had to at least have one investment-grade ranking from a reputable rating body or alternatively benefit from a special waiver in the case of a country under an EU/IMF adjustment programme (European Central Bank 2015). Portugal met that condition with the Canadian rating agency DBRS, that left Portuguese debt under an investment grade umbrella (BBB low), while other large agencies did not do the same. With that, Portugal qualified for the ECB QE programme. In comparison, Greece's sovereign rating continued to be sub-investment grade by all the 4 ECB-recognised agencies at that time. In the rules-based setting of the ECB, this was the key reason which banded Greek government bonds from the PSPP.

Programme compliance was also an official requirement. Portugal had already withdrawn from its programme in 2014, and Greece still subject to successive financial assistance programmes. The ECB policy was that bond purchases in a programme country would be suspended during any ongoing programme review and resume only after the outcome of the review was positive (European Central Bank 2015). This rule, developed from earlier crisis, looked to avoid interfering with or undermining the conditionality of reforms. In practice, it meant that from 2015 to 2018 Greece was left out of QE whenever it had a review pending, which became the norm as that situation persisted for much of the period. By the time Greece programme reviews actually being completed in mid-2018 the PSPP was nearing completion (Ibid). Portugal, for which the programme had been fulfilled, and an eligible rating was kept, was not subject to such breaks. The ECB justification of these calls was formalistic, with President Draghi insisting that the Bank "*is a rule-based institution [...] not a political institution*" (Ibid). According to the narrative exposed in this paragraph, the exclusion of Portugal and the non-inclusion of Greece were simply neutral results of applying the same rules, in an attempt to protect the ECB's credibility and respect for the mandate.

Fundamental issues of trust and credibility nonetheless permeate the explanation. The varied outcomes reflected varying degrees of faith that the ECB (and markets) had in the economic management of the two countries. Portugal's adherence to its adjustment programme and reversion to moderate growth allowed a certain amount of faith in its creditworthiness. notably, the investment-grade rating by DBRS served as an external validation of the economic and fiscal trajectory of Portugal and allowed the ECB to grant Portugal entry without breaching its self-imposed risk criteria (Kirkegaard 2015). It becomes obvious to state that Portugal stayed in the ECB credit quality requirement primarily because of that one positive rating, which came from the least known rating agency among the four. Greece struggled to be believed by creditors of its policy intent and content in the very same years. The ECB signalled that Greece first had to rebuild the foundation of credibility, prior to the issue of Greek bonds being taken into account by the ECB. Radically, Draghi declared that Greece first had to be under a programme "*to comply with and show strong ownership [of reforms] as well as consistent and significant implementation*" before being able to regain the ECB's regular waiver of funds (Koranyi & Canepa 2016). Only after the hypothetical QE eligibility may be considered. Furthermore, an additional condition applied in the case of Greece, where the Governing Council would conduct a special DSA of Greek debt before making QE purchases, but the same did not apply to Portugal (Giakoumis 2015). Such an odd condition, applied to none of the other countries, signalled to the public and markets that Greece long-term solvency issues were dwindling and there would have been reputational risk for the ECB. In a nutshell, the Bank did not want to be seen to finance a sovereign nation that might subsequently default or need debt relief. By making the demand for a credible DSA and completed reviews, the ECB tried to safeguard itself against being seen to finance an unsustainable debt or to reward lack of compliance, just like the hawks desired in the first place, first and foremost Germany. It was an exercise of institutional self-protection from the bank and as Kirkegaard put it on the "Peterson Institute for International Economics" blog, the ECB was determined to have "*someone else [a credit rating agency] pull the public trigger*" if a country's situation deteriorated rather than expose itself to accusations of clemency and leniency (Kirkegaard 2015).

Through this time, the ECB continued the narration of the neutral line, meaning that the exclusion of Portugal and the inclusion of Greece resulted from institutional criteria (rating and programme status) applied uniformly throughout the Eurozone. Rule compliance in this narrative ran parallel with that of credibility. The ECB's credibility rests on consistent adherence to its framework, which in turn reinforces market trust in its actions. Any deviation to accommodate Greece in, without the criteria being met, could, according to this narrative, have breached that faith and trust would have in turn collapsed under the allegations and accusations (Chang 2019, 153). Undeniably, President Draghi and partners stressed that the PSPP had been designed with self-imposed restrictions and safeguards to avoid red lines from being crossed and Greece at the time simply did not fit the parameters at the time (Bibow 2020, 39).

Nonetheless, many observers have argued that these technical justifications concealed inherently political choices. That QE given to many but not to Greece in the Euro area was not a lost detail by London School of Economics professor De Grauwe (De Grauwe 2016). The senior economist cynically remarked upon the paradox that bonds of a country with a "quality" rating were being bought (and de facto financed interest-free), whereas Greek bonds, which were rated "junk" were excluded, even though QE could have lightened Greece of some of the debt burden (Ibid). From this perspective, the insistence on ratings and programme approvals can be seen as a mean for trust or, as the thesis insists, the lack thereof. This paper argues that Greece's exclusion was not due to some insurmountable technicality but because it constituted a judgment that Greece had "misbehaved" and could not be rewarded so swiftly. In conclusion, credibility was a two-way street: the ECB safeguarded its own credibility through being stringent on eligibility and simultaneously doubted the trustworthiness of Greek intentions, enhancing its position as an independent and blind referee, according to them (Ibid). By contrast, Portugal post-programme conduct, marked by submission and passive acceptance of all conditions, instilled enough faith to pass the ECB thresholds, illustrating how reputational factors influenced the ostensibly apolitical rules.

Chapter 5 – Consequences and Contestation

5.1 Sovereignty and Structural Subordination

Greece's post-2015 experience of the Eurozone crisis is a bitter example of national sovereignty being structurally subordinated under the external pressure of economic constraint. During the third bailout, Greece literally surrendered control of basic fiscal, regulatory and political decisions when power was shifted to the creditors' institutions (Varoufakis 2018, 91-94 & 296-298). Radical conditionalities was imposed by the Troika, and the Greek government found itself implementing policies it did not fully control (Ibid, 823). Pressure by the creditors and by the ECB of severing Greek banks' liquidity, which eventually happened nonetheless, left Athens with little choice other than to come back to the terms agreed with Brussels and Frankfurt (Withers 2015).

Under the Memorandum of Understanding (MoU) of August 2015 , Greece was forced to agree to unprecedented external intervention in domestic policy. A 29-page checklist of terms and conditions transferred effective control of much of Greek economic and social policy-making to the creditors (Traynor & Henley 2015). An excerpt of the MoU demonstrates the control the Troika had over the nation: "[*The government] commits to consult and agree with the European Commission, the European Central Bank and the IMF on all actions relevant for the achievement of the [bailout] objectives before these are finalised and legally adopted"* (Ibid). Quarterly Troika reviews ensued, with the creditors taking effective control of structural reforms in areas such as taxation, pension reform, and banking. Effectively, regular democratic legislative law-making was reversed by external supranational control, such that domestic measures were conditional on prior authorization from external institutions (Ibid). This instilled a profound limitation of sovereignty and raised democratic legitimacy concerns.

One of the astonishing manifestations of this loss of national sovereignty was the forced privatisation of Greek public assets. Athens was coerced by the third bailout programme to sell a basket of high-value public assets to an independent fund designed to raise €50 billion to pay for debt (Rankin & Smith 2015). Ports, airports, utilities and other strategic assets were being sold to meet Troika-directed fiscal targets (Kadritzke 2016). For instance, Alexis Tsipras government, which had promised at the start of its mandate to stop privatisations, was forced to ratify the concession of 14 regional airports to Germany's Fraport AG in 2015 as a precondition for receiving bailout loans (Associated Press 2015). Moreover, the national port of Piraeus was denationalised to a Chinese state-owned company based on creditors' instructions (Koutantou 2016). These foreign-imposed privatisations were implemented within Greek law, to suit lenders demands, often despite Greek elected leaders' objections. These instances denoted the way economic sovereignty was constrained, creditor priorities came first rather than domestic democratic will.

July 2015 referendum and its immediate aftermath reflected the erosion of democratic governance under conditionality. In that 2015 bailout programme referendum, 61% of Greek citizens voted decisively against the terms of the creditors' austerity (Varoufakis 2018, 806-813). Within a few days of it, the government shifted course and agreed on an even harsher bailout deal than the one rejected by voters (Ibid). This abrupt subversion of a direct democratic mandate, by the threat of banking collapse and ejection from the Euro, was very harmful to the credibility of Greece's democratic institutions. That nullification of the referendum meant that clear popular votes were subject to overturning by external economic pressure and further solidified Greece's subservient status. Notably, philosopher Jürgen Habermas warned at the time, via an interview to The Guardian that the deal's imposition essentially relegated one of the EU's members to "*the status of a protectorate*", in contravention of fundamental democratic principles (Oltermann 2015). Additionally, then-Finance Minister Yanis Varoufakis condemned the ultimatum threat of the creditors as a "new Versailles Treaty", considering it a surrender imposed on Greece against its democratic will. Criticisms of this kind reveal the extent to which national autonomy and democratic choice compromised under the imperatives of the Euro crisis framework.

Over the subsequent years, Greek governments across the political spectrum remained trapped within the very same externally prescribed configuration, with minimal space of freedom of policy regardless of election outcomes. That agreement of 2015 forged a structural subordination whereas miniscule manoeuvre for budgetary allocation, reform commitments and monitoring processes still bound Greece even when the programme was completed. From a theoretical perspective, commentators have invoked the argument of the "state of exception" deployed by Giorgio Agamben, where regular democratic life was suspended on the pretext of a state of emergency, as explained by Suntrup (Suntrup 2018, 375 & 392). The Troika's special powers during the crisis represented financial dictatorship. A technocratic regime without direct democratic mandate that promulgated rules and imposed obedience across the periphery of the Eurozone (Traverso 2018).

This externally-imposed conditionality raises lasting questions of democratic legitimacy and sovereignty in the context of the Eurozone. The Greek example exemplifies the manner in which, within intense financial duress, the sovereign decision-making of a member state can fall under the influence of external control, where democratic governance is subjugated beneath the leg of creditors' demands and expectation. This subversion of the 2015 referendum and permanent privatisations and limits imposed by the austerity reveal structural power disproportions within Europe that have dissolved the parity and solidarity principle of the states codified in the EU treaties, hence relegating nations like Greece to a minor league, which in turn had to operate following rules that the country itself did not vote for.

5.2 Public Welfare and the Cost of Exclusion

Exclusion from QE programmes of the ECB and the stringent austerity conditions that came with its bailout loans inflicted unprecedented harm on public welfare. Greek government bonds were not worthy for the ECB's bond-buying agenda in 2015. Without this aid, Greece remained reliant on bailout loans that demanded draconian fiscal reforms. A long depression thus ravaged the Greek economy while society slipped into a humanitarian crisis of poverty and social turmoil (Pagoulatos 2019, 1).

To satisfy the demands of the bailout programmes, round after round of austerity policy was implemented by successive Greek governments, independently from the political colour. Between 2010 and 2016, the state introduced no fewer than a dozen different packages increasing taxes and reducing expenditure (Atlantic Council 2015). Public wages were reduced by roughly thirty percent, and approximatively 150,000 state posts were to be scrapped by about the mid-2010s (Ibid). Pensions were continuously reduced, monthly pensions above €1,000 were decreased by between twenty and forty percent, exposing pensioners livelihoods to extreme poverty (BBC 2011). At the same time, a wide range of taxes were raised, including value-added tax increases that affected common goods and services (Ibid). Most basic public services were severely reduced, for context, healthcare spending was reduced by some twenty five percent in the period between 2009 and 2012 (Stylianidis & Souliotis 2019, 16). School funding was cut, and many schools were closed or merged, and unemployment benefits and other social protection schemes were reduced (Butrymowicz 2012). The overall effect was a rapid erosion of the Greek welfare state.

The macroeconomic effects of these policies were catastrophic. GDP declined by about a quarter during the crisis years, a decline no smaller than during the Great Depression of the 1930s (Thomsen 2019). This meltdown devastated the tax base and crippled debt sustainability. Although the nominal stock of public debt did not rise exponentially, the debt-to-GDP ratio surged from about 127 percent in 2009 to 179 percent in 2016, the cause lies in the fact that, as mentioned above, the denominator saw its figure reduced (Papadimitriou & Nikiforos 2018).

An entire generation was left out of the labour market, and highly qualified professionals left in large numbers to seek a better future elsewhere (Varvitsioti 2025). Job losses were widespread, including the mass sacking of 25,000 state officials in 2013, while pay cuts only managed to escalate poverty (Carassava 2013). Poverty and social exclusion spikes threatened nearly a third of Greeks at the crisis's height (Hellenic Statistical Authority 2020).

The social and human effects were no less extreme. With taxes going up and disposable incomes going down, living expenses skyrocketed beyond the grasp of a majority of families. Out-of-pocket healthcare costs increased while public coverage diminished, and a significant portion of the population was left without any health insurance coverage (Chantzaras & Yfantopoulos 2018, 339). By 2015, only 86 percent of Greeks were still within public health insurance coverage compared to full coverage in 2008, and a majority of the long-term unemployed could not access any medical facilities (Stylianidis & Souliotis 2019, 16). Hospitals faced constant shortages in personnel, drugs, and supplies, accumulating unmet medical needs (Ibid). Mental condition plummeted drastically, and figures say that suicides rose by thirty five percent during austerity years, and major depression rates rose from 3.3 percent in 2008 to above 12 percent in 2013 (Ibid, 17). Fertility rates declined as families postponed or abandoned plans to have children, and hundreds of thousands of young professionals emigrated further solidifying demographic crisis in the nation (Ibid, 16).

Meanwhile, Portugal endured too an EU/IMF bailout and punitive austerity but survived with less radical welfare impacts. Portuguese unemployment reached around 17% at the height of its crisis, and poverty increased in reaction to pension and healthcare slicing (Pedroso 2014, 11). et Portugal's earlier return to growth and inclusion in the ECB's asset-buying programmes spared it from sharing with Greece the dephts of collapse, where the cost of monetary exclusion and burdensome conditionality was a prolonged erosion of public welfare.

5.3 Democratic Erosion and Euroscepticism

The tumult of the Eurozone crisis heavily taxed Greek democratic forces and trust in society. The externally imposed Troika bailout programmes that were compounded by Greece's exclusion from the European Central Bank's QE bond purchases and thus created a massive legitimacy crisis. Policy decisions that had been dictated from outside (many of them contrary to Athens' election mandate) fuelled to the perceptions that democratic Greece was being overridden at the national level. Even while other heavily indebted nations were bailed out, Greek bonds were barred from being purchased by the ECB, with many seeing it in Greece to be a penal exclusion and not a level playing field of a rule. Economists of that era held that ECB's move to bar Greece from QE was actually a *"decision that aims at punishing a country that has misbehaved"* (De Grauwe 2016). Nobel laureate Joseph Stiglitz also advanced the position that the Greek standoff was *"about power and democracy much more than money and economics"* (Stiglitz 2015). Such explanations depict how outside interventions in the crisis facilitated delegitimization of domestic governance as well as European institutions, providing rich ground for democratic decline.

Domestically, this legitimacy crisis translated into increased backing for extremist and radical forces that had previously been marginal and sidelined (Samaras 2025, 1-3). For the sake of clarity, corruption and clientelism were also endemic and fostered the downfall of the mainstream parties (Ibid, 3). Populist parties stepped into the vacuum instead. To the left, SYRIZA (Coalition of the Radical Left) moved from being marginal to taking power in 2015 on an anti-austerity ticket. SYRIZA under Alexis Tsipras came to power on the electoral desperation of voters and on the promise to reassert sovereignty from the diktat of the Troika (Ibid, 2). Far right, the neo-fascist Golden Dawn surfed on popular indignation and social desperation, entering Parliament for the first time in 2012 and establishing a 7% vote base in 2015 as Greece's third-largest party (Ibid, 3). Golden Dawn leaders criticized EU-IMF memorandum as national *"ethnocide"*, claiming foreign-imposed austerity was destroying the nation (Smith 2015). This extremist party exploited crisis complaints, which were plentiful such as record joblessness among them, all with the aim to pursue an ultranationalist, anti-immigrant programme while presenting itself as the only force *"against the bailouts"* (Ibid). In the meantime, new left entrants like MeRA25 (led by former finance minister Yanis Varoufakis) jumped up to keep the anti-austerity pressure going after SYRIZA moderated while in office. In the 2019 election, Varoufakis's MeRA25 won 3.4% of the vote, gaining nine seats, on a platform of *"realistic disobedience"* to EU budget rules (Deloy 2019). The electoral fortunes of these numerous challengers, from the ultra-nationalism of Golden Dawn to the radical left Euroscepticism of SYRIZA and MeRA25, were profoundly reflective of an alienation so overwhelming with the status quo and the search for alternatives outside the traditional pro-EU establishment.

Evidence of cynicism and political disillusionment mounted as the crisis escalated. Voter turnout in Greece reached record lows, an indication of growing pessimism and apathy. Voter turnout in the September 2015 general election, a couple of weeks after the surrender to a new bailout, fell to 56.6%, a new post-democracy low since the passing of dictatorship in 1974 (Artelaris et al. 2024, 3). Samaras explains how this historical absence was a lack of democratic lack of legitimacy, since the majority of Greeks did not think elections would result in meaningful change (Samaras 2025, 2). Turnout remained low in subsequent years (approximately 57.9% in 2019) and was especially low among young voters, who were many of them disappointed with "business as usual" (Ibid, 3). The trust in the European institutions also collapsed. In 2018, a survey found that 70% of the Greeks lacked trust in the EU and it was the most suspicious level of distrust in the EU Union, and nearly 80% of them felt their voice would not be heard in Brussels (European Commission 2019, 1-3 & 13-14). These figures were staggering, ten years previously there had been huge support in Greece for the European endeavour. The long-standing social distress and sense of national shame under the bailout years bred a deep suspicion of both EU and home authority. Greeks increasingly found themselves more likely to see the EU as ever more not a community of equals and ever more a diktat that had stolen their popular sovereignty. This deep-seated disillusion was expressed through abstentionism, protest voting and political fragmentation as far into the late 2010s.

Most especially, Greece's democratic grievances throughout the crisis influenced and reflected larger pan-European Eurosceptic tendencies. Greece was used as a benchmark in discussions about the EU's democratic deficit across the continent. The sentiments of other countries were also shifting in contemporary to the Greek one, for example, at the height of the crisis, Italy and Spain both had broad majorities of citizens agreeing with Greeks that their voice did not count in the EU's decision-making (Ford 2014). Trust in EU institutions fell to historic lows in a number of Southern European nations, strengthening anti-establishment sentiments (Stokes & Oates 2014). The tale of a country overwhelmed by Brussels resonated deep beyond Greece. For instance, Spain's Podemos party hailed the election of SYRIZA in 2015 as *"the first plank of an anti-austerity movement sweeping across Europe"* (Kassam 2015). In Italy, political parties campaigned on never enabling an Italian memorandum situation, feeding fears sparked by Greece's trauma. Even in creditor nations such as Germany, the Greek crisis encouraged Eurosceptics considering that the newly established AFD party, which opposed bailouts of the Eurozone, gained popular strength in 2014-2015 by using the resentment at Greek rescue deals as a political weapon (Martin 2015). AFD leaders openly thanked Greece's rebellious stance for exposing the flaws of the Euro project, claiming Athens' turmoil proved that *"the euro zone doesn't work"* (Ibid). Similarly, pre-Brexit British Eurosceptics quoted Greece as evidence of

Brussels disregard for a nation's democracy. In these ways, Greece's trajectory during the crisis was both cause for warning and rallying cry. It demonstrated the democratic cost of Eurozone governance and galvanized a broader tide of Euroscepticism and doubt about the European Union's future. Each shock in Athens created political repercussions across the continent, illustrating how deeply sovereignty, democracy and economic hardship in a member state may echo across the European polity (Algan et al. 2017, 310-312).

Chapter 6: Conclusion – Rethinking ECB Neutrality in a Political Union

6.1 Summary of Findings

The analysis conducted in this thesis indicates that the exclusion of Greece from the European Central Bank's QE programme was the result of a complex relationship, or struggle, between institutional processes and political forces. Using the process-tracing method, the research recreated how decision-makers at the ECB and the EU arrived at this extraordinary outcome. The evidence indicates that it was not a predetermined necessity based purely on rules, but a contingent event decided by the ECB's institutional structure, the power of dominant member states (most notably Germany and France), discretionary application of the rules, and the constraints of crisis management. In essence, Greek experience illustrates the manner in which the ECB's policy application varies between member states where official criteria intersect with informal power relations.

The institutional mandate and design of the ECB provided the foundation for the exclusion of Greece from QE. The ECB is bound by treaty to price stability and forbidden from monetary financing of member state debt, which has been interpreted into stringent eligibility criteria for its asset purchase programmes. In launching sovereign bond purchases under QE in early 2015, established in the EU Decision 2015/774, the ECB established principles that only bonds with a minimum credit-quality threshold would be bought, with exceptions for countries under an EU adjustment programme if they were compliant with programme conditionality (Monokroussos 2016, 1). Greek government bonds were subsequently rated as sub-investment grade while the country was mid-way through a ruinous bailout crisis. Official criteria had put QE purchases of Greece on hold until a positive debt sustainability analysis and successful completion of programme reviews (Ibid). These institutional limitations formally explained

Greece's exclusion including excessive debt and volatile access to markets, which made Greek bonds ineligible under the ECB's risk management rules. In other words, the Bank's independent, rule-governed institutional framework provided a coherent explanation, only in theory, for the differentiating treatment and aid provided between Greece and other Eurozone member states.

Nonetheless, these rules did not operate while regional superpowers just watched the story unfold. The thesis finds that the agenda and power of leading member states, especially Germany, and to a lesser extent, France, played a decisive role in how the ECB's rules were interpreted and executed. Germany's shadow appeared over the crisis since German policymakers and the Bundesbank were especially cautious about QE in general, reflecting domestic anxiety regarding inflation, moral hazard, and legal challenges which regarded the legality of the actions undertaken by the ECB to spark up inflation. As a side note, the German Supreme court was the only Eurozone court to investigate into this, leading to widespread anxiety across the continent as the ruling of a court in a single country, being Germany, could halt the whole mechanism. The disdain shown by German authorities translated into pressure for stringent terms on any bailout that included countries judged as being fiscally lavish. Undeniably, it did not go unnoticed by observers that the Eurozone nation most opposed to debt relief for Greece, namely Germany, was also the largest recipient of the ECB's bond-buying debt relief in nominal value (De Grauwe 2016). Paradoxes of this kind reveal the manner in which informal power relations create a basis for formal decisions. France itself was inclined to interventionist expansionary monetary policies and had a sense of identification with the need to stabilise the Eurozone periphery but found itself operating within a consensus dominated overall by the northern commitment to fiscal discipline. The result was a political climate in which QE to Greece lacked proper high-level backing. While the ECB proudly proclaimed independence, scholarship shows that national politics can and do influence its policymaking. This thesis has demonstrated that the ECB Governing Council disputes tend to correlate with member governments ideological leanings and colours. In 2015, the newly installed anti-austerity Greek government was at odds with prevailing Eurozone orthodoxy regarding aid to fellow member states, and this conflict further made the ECB cautious about its position and stance. Political influence, especially from the largest European economies, thus formed the tragic setting against which the ECB decided to apply its rules to the letter in Greece.

Perhaps the most significant finding of this research is that ECB crisis rule-making was discretionary and adaptable, generally through real-time risk-reward assessments. The design of QE programme did allow for exceptional judgments to be made, but with regard to Greece, discretion was applied to exclude them. While others were assisted, Greece was simply dismissed, which had the effect of emphasizing that this was not a rules-neutral application but a political choice. Process-tracing evidence corroborates such tipping point as this paper argues that the ECB's action in early 2015 to cancel its waiver on Greek collateral bonds was actually an institutional tool exercised as leverage during confrontational bailout negotiations. The ECB was facing a crisis of unprecedented proportions and was rightfully keen to defend its credibility and avoid setting precedents that could be seen as injecting liquidity directly to governments, inciting the idea that reckless spending and moral hazard would always be protected by the lender of last resort, the ECB. However, the severity imposed on Greece appears to have been greater than that imposed on others, suggesting an element of selectivity. The comparison between Portugal and Greece, conducted in this thesis was useful since both nations were subjected to the EU/IMF adjustment programmes and faced gigantic public debt. Portugal, however, was finally included in the ECB's QE purchases while Greece was completely ignored, ultimately allowing the Portuguese nation and its people to heal from the crisis with a faster pace. One of the differences was that Portugal managed to have at least one investment-grade sovereign credit rating throughout the entire Euro crisis period, which made its bonds eligible for ECB purchase (Koijen et al. 2018, 8). On the other hand, Greece had no such rating and had to depend on frequent bailouts and thereby failed to fulfil the formal quality standard of QE. Equally telling, Portugal's interaction with European institutions had relatively smoother experiences because it adhered to programme conditions and regained market confidence, earning a reputation as a "model pupil" of austerity. Greece, though, had a very aggressive experience in 2015 and was portrayed frequently as a difficult outlier to deal with. This political break from the situation, at the time of the initial crisis, ensured that there was far less temptation in Europe to bend rules towards Greece. Indeed, De Grauwe asserted that the formal rationale put forward for Greece's omission, its bonds not being of quality, was merely a segment of the story (De Grauwe 2016). In the commentary delineated by the Belgian LSE professor, the technical obstacles could have been easily overcome "*if there is political will*", while Greece's continued isolation was eventually *"the result of a political decision aimed at punishing a country"* that had behaved poorly (Ibid). This type of evidence substantiates the thesis's conclusion that informal power battles and normative judgments or consuetudinary norms filled the void between the ECB official criteria and the final policy outcome.

These conclusions have significant normative implications for the legitimacy, sovereignty, and democratic accountability of the Eurozone. For example, Greece's being left out of QE illustrates circumstances under which supranational organisations, and countries that are member states of such organisation have no formal process to even contribute to scrutinising the decision. National autonomy and agency were limited de facto as a monetary policy instrument, conditioned on satisfying externally-designed and monitored terms of conditions that were filtered and approved by the ECB's Governing Council. On one hand the ECB was acting in accordance with its powers and laws set forth in the founding treaties, on the other, the effects of this differing treatment that the Hellenic state, discredited and in isolation, had to suffer, threatened to undermine the equity and acceptability of government in the Eurozone altogether. The analysis discovered a systemic democratic deficit problem in the Eurozone.
Interventions during crises have moved power from national democratic authorities and transferred it to technocratically based institutions such as the ECB. While this centralisation brought some stabilisation to market actors, it also disadvantaged many of the historical checks and balances in domestic politics. In Greece we have seen an unelected central bank make decisions that affect millions of Greeks socially and economically, and behind closed doors, those decisions were shaped in line with the interests of other governments and financial actors. There is also the issue of accountability, for example, to whom does the ECB answer when its policy affects the distribution of benefits to one state at the expense of another? Scholars have argued, as outlined in this thesis, that the Euro crisis policies created a clash between technocratic decision making and democratic legitimacy. The evidence presented in this thesis affirms those concerns and shows that without reform, no improvements to those tensions can be counted on. In conclusion, Greece's QE experience not only exposes the mixture of politics and rules at the heart of European monetary integration but also demands for better accountability and transparency in eurozone governance. They provide the basis for the discussion that will follow on how the economic and monetary union might better balance technocratic policy effectiveness with democratic accountability and equity concerns among member states.

6.2 Contributions to Theory and Debate

This thesis responds to some of the most prominent debates in European political economy by relating its case evidence to some of the broader ECB independence, policy discretion, institutional legitimacy, and European integration issues. By examining Greece's exclusion from the ECB QE programme, the research detects how institutional and political factors can affect markedly neutral monetary policy decisions. Along the way, it touches on the theme of selective policy enforcement by a supranational institution during times of crises, presenting empirical data on the uneven application of rules in practice. The conclusions drawn have implications for democratic legitimacy more generally, technocracy, and the future of the EMU.

First, the thesis contributes to the central bank independence literature by unveiling the constraints of ECB autonomy in practice. Even if the ECB enjoys legal protection with regards to direct political pressure, the case of the Greek crisis shows that inter-governmental bargaining and national political pressure may influence indirectly supposedly technocratic decisions (Wyplosz 2015). The reality is that major member states were reticent regarding the design and timing of QE, that is, initial reluctance by major creditor governments delayed the initiation of bond-buying programmes and established limiting criteria (Ibid). These findings suggest that the Bank engaged in widespread discretion in the implementation and interpretation of policy directives, essentially contrary to the status of a strictly disinterested party. This runs contrary to the classical view of apolitical central banking and supports scholarship evidence that measures taken during the Euro crisis justified the ECB to expand its policy space widely beyond the initial limiting mandate (Argyroulis & Vagdoutis 2025, 14). By documenting how discretion was applied unevenly (with Greece as the deviant case), the study offers empirical contribution to the long-existing "rules versus discretion" debate on European monetary governance.

Secondly, the analysis looks at issues of legitimacy, as well as technocratic governance in the Eurozone. Greece's selective exclusion from an important monetary support programme revealed conflict between output-oriented justification and input-oriented democratic legitimacy. While the ECB defended its decision on the grounds of seemingly technical criteria, such as, the sub-investment-grade credit rating of Greece and its current bailout status, the outcome was widely perceived as unjust and politically driven, undermining the aura of neutrality (Wyplosz 2015). This dissertation alludes to the fact that since the application of policy is discriminatory and thus implies that policy favoured some countries while penalizing others, this destroys the trust in the European institutions and the credibility of the ECB's crisis management. The research's findings support the wider critique that the technocracy of the central banking model, which relies on legitimacy in the sense of policy effectiveness, disappears when a choice has future distributive effects and unclear responsibilities (Argyroulis & Vagdoutis 2025, 10-11, 15).

By highlighting the implicit power asymmetries and underlying political calculations behind formal rules, the research also contributes to the ongoing debate about how to balance central bank discretion and democratic accountability in the governance architecture of the EMU (Ibid, 14). Thus, the non-elected central bankers essentially ended up overseeing a situation where they sought to impose economic conditionalities on Greece throughout the period of crisis that would otherwise be a role that ordinarily would require a democratic mandate (Wyplosz 2015). These cases illustrate the need to re-evaluate the technocratic leadership and political legitimacy trade-off in the monetary union of the Eurozone.

Finally, the thesis's findings carry important implications for the trajectory of European integration and the future of EMU governance. By turning on the lights on the asymmetrical policy enforcement during a crisis, the study has raised the alarm on ignored EU principles, which shaped the minds and politics of generations on our continent, just to name a few: solidarity and cohesion. A monetary union, which premises included the fact that rules must be shared, and the treatment received must be as uniform as possible, seriously risks breaking apart and shatter. This catastrophist ending might be delivered in our reality if the people inhabiting our continent perceive there's a selective application of rules, and some more powerful countries can just get away with it thanks to their size and importance. The Greek case study shows that highly-considered values and often spoken about, which are at the heart of the European Project such as solidarity, fairness, and mutual aid among member states, can be abandoned when crisis decisions are driven by strategic interests of a set of member states. The point that this thesis does remarks a broader paradox of European integration, where institutions and rules exist as a mean to attach and pin member states altogether, yet, when crisis arise and the status-quo is shaken, irregularities in the rules arise, especially concerning who yields the power to make decisions, straining once more the legitimacy of the Eurozone. The Greek exclusion from QE requires to be contextualized not as a single anomaly, but as a major pointer, that should indicate the extent to which European crisis authority is prone to failure, and this thesis attempts to make a contribution to academic considerations that rotate around and touch the possibility whether the current status quo achieved by the EMU can be considered sustainable, if not for how long, at least to whom. The thesis reiterates that in order to strengthen the input legitimacy that the ECB is heavily lacking, it should enhance transparency possibly by streaming the sessions or by releasing all of the Governing Council personal accounts at the end of each meeting. The accountability aspect must be reviewed, together with the double-edged sword of political oversight, all with the ideal that technocratic policy decisions must not undermine democratic values but rather strengthen democratic procedures (Argyroulis & Vagdoutis 2025, 15). In sum, the research does not try to solve everything with a simple policy key but it provides an added critical understanding of the manner in which the Eurozone approaches economic crises, and how discipline based-rules must be harmonized with legitimacy and solidarity in the current project of European integration.

6.3 Implications for Policy and Reform

This thesis proposes that in order to prevent such disparities and in the meantime support the ECB's legitimacy, several reforms to the governance of the central bank institution are deemed as vital. These reforms focus on augmenting the transparency, improving the accountability that can oversee the decisions taken without being an obstacle though, and limiting unchecked discretion in monetary policy matters.

The first policy implication that this paper brings forward is the need for clear ex ante criteria for programmes like QE and a more uniform application within member countries. The case of Greece demonstrates vividly how unspecific and vague selective application rules can undermine the trust for an institution, hence crafting inconsistent outcomes. What is meant by this is that if enhanced transparency measures, coupled with unequivocable rule-based eligibility criteria in asset purchases (like the PSPP) would trim the possibility for member states to see the eventual exclusion as a political revenge. This means, in simple terms, that programme eligibility criteria must be decided beforehand and it must be applied and followed consistently throughout the whole extension of the programme to all countries. Scholars pertaining to the legal realm have hinted that making conditions known ex ante and based on standard indisputable criteria removes the roots of doubt, discretion and selectivity, thereby arguably increasing equal treatment throughout the EMU (Viterbo 2016, 505). For example, during the QE programme denominated PSPP, which was one of the many branches of QE as explained in the chapters above, the ECB tied bond purchases for countries under adjustment programmes to a positive review outcome (Ibid). Codifying in a publicly available, easily accessible site, would make it clear whether which countries meet or not the criteria, cancelling out the room for subjective interpretations. Clear rules, in a word, would aim to *"treat [every] country struggling under debt in the same way as other Eurozone countries"* eliminating perceptions of unfairness (De Grauwe 2016).

Secondly, in addition to boosted rules clarity, greater transparency in ECB decisions is the perfect and most desired outcome. The Euro crisis has unveiled that opaque procedures and disappointing explanations erode trust and dominate the scene. Crucial decisions like halting Greek bonds eligibility criteria or better, freezing the ELA support to Greek commercial banks were taken away from public scrutiny with a marked absence of justifications, especially for the former decision. Continuing, the ECB must institutionalise clearer communication processes. This would involve the full publication of so-called "minutes" or "accounts" of the Governing Council meetings, including a full summary of how the voting went, by making known who voted in favour or against what, and if there were opposing sides pushing for different solutions to be adopted. The publication of dissenting opinions must be rigorously upheld and incentivized. Externally, the ECB has been urged for a while to publish Governing Council voting records and more informative minutes, aligning it with other major central banks like the American Federal Reserve, the Bank of England or the Swedish Riksbank, and these central banks are globally known for their independence and credibility (De La Dehesa 2009, 3-7). Regular and standardised communications, aside from the technical press releases, would improve the understanding of decisions made at such high levels. The ECB must also consider committing to swiftly explaining any divergencies arising from standard rules or extraordinary measures in order to keep the public, being the people, informed as governors of the ECB are serving the mandate in the interest of all the citizens inhabiting the Eurozone. Nevertheless, opinions must be routinely published, with exceptions that can only be explained to the European Parliament, the sole formal representational organ of the EU with a direct mandate. By making its processes transparent, the ECB can dismiss the suspicion that gravitates around and demonstrate that its decisions are founded upon consistent policy rationale rather than powerful interests'.

Another area that necessitates critical reform is strengthening democratic accountability without undermining the ECB's operational independence. Nowadays, accountability is largely ensured by the European Parliament's "Monetary Dialogue" which is, briefly, a partial and inadequate hearing where the ECB President must answer questions. Nevertheless, with the role and decisions of the ECB becoming constantly more central in Eurozone countries, see what happened in Greece, strengthening the oversight process would make justice as the ECB institution is by far the less scrutinized. A proposal could be to transform the "Monetary Dialogue" into a more vigorous "Monetary Hearing" with greater range to scrutinise ECB decisions (Ibid, 3-4). The "Monetary Hearing" proposal involves increasing the frequency of the sessions that involve questions and better follow-through of the commitment promised by the questioned person. Moreover, providing the European Parliament with higher levels of appointment authority and scrutiny of ECB personnel would heighten accountability. In particular, it's the belief of this thesis, that by providing the European Parliament (EP) with a confirmation hearing, and thus a potential veto power for new Executive Board members can ensure that appointees demonstrate competence and in contemporary impartiality. An alternative idea is that the ECB should formally report and account for its policy decisions and any conditionality thereof to elected bodies. A reform bid, such as co-signing ECB letters comprising policy conditions with the Eurogroup and parliamentary representatives from all political parties represented inside the EP would subject discretionary decisions to broader political awareness and debate. Furthermore, the impartiality of the ECB must be shielded at all costs, respecting the independence regarding monetary policy constructive oversight can serve as a check on abuses of discretion. After all, accountability is the salt of democracy, and this paper asserts that it is a necessary counterbalancing factor to independence. The tool of accountability safeguards that exceptional measures adopted by the ECB, just like the unconventional bond-buying programmes were, remain within agreed mandates and serve the common European interest.

The implementation of these governance reforms demands meaningful political and institutional input, which might face tough internal and external resistance. The current ECB's independence and regime of accountability make faith to the EU founding and subsequent treaties, which makes formal changes and amendments arduous, but not impossible. As the policy paper written by Guillermo de la Dehesa in 2009, commissioned by the EP, puts it, the accountability mechanisms and rules are anchored to the treaties, which in the last 18 years there have not been a single case of revision and amelioration (Ibid, 2). Amending a treaty implies that all member states, unanimously, concur on the matter and proceed to ratify it, this can be considered as highly challenging due to continuous disagreements between member states over a different range of topics. Still, some ECB governors, or governments, might severely oppose the reform, viewing it as a mean to censor ECB's independence, autonomy and discard how internal secrecy and decisions are taken. Within the current Eurozone arrangement and structure, there is a lack of consensus with regards to how far should oversight extend to, understandably finding the appropriate balance between shielding the ECB's independence and increasing the accountability is a matter that requires further debate. Conversely, while amending a treaty does not happen overnight, there is a simple proposal that can, in the immediate, improve the situation within the current framework. The proposal is the following: the European Parliament and ECB should be able to agree new inter-institutional practice (such as better hearings) without legislation or amendments. These are simple incremental steps, that can help build a stronger accountability in the eyes of the public. Throughout time, by demonstrating with results that greater openness or oversight does not correlate with obstructing effective policy could mitigate fears and build support for deeper reforms.

In conclusion, to remedy the shortcomings exposed through the omission of Greece from QE, a reset of the ECB's governance must be taken into consideration, and it must be oriented towards accountability, transparency and consistency. By listing in a clearer fashion the criteria that require reform, including transparent eligibility criteria, rule-enforcement standardisation, open and comprehensible communication and limited yet substantial parliamentary control, the Eurozone will see the dangers of discretionary policy bias almost entirely demolished.

The reforms listed above are not simple modifications, and the research is well aware of it, as well of the fact they are not technically simple. Yet, they would enhance the credibility of the ECB as a rule-based, impartial guardian of the euro and, therefore, help restore confidence in European institutions. There certainly are limits to the pace with which change in the Eurozone governance, however, this research has attempted to push forward some ideas, and these ideas are an effort to ensure no member state will ever again be treated differently during future crises as a result of politicised or uncertain decision-making. The future and cohesion of the Union largely depend on the trust that the citizens have towards the central bank, history has proven it since the Roman times, where the erosion of trust towards the currency proved to be fatal, therefore the ECB's governance should better balance better central bank independence with the needs of democratic accountability.

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