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Whatever it takes? The European Central Bank's Sovereign Debt Interventions in the Eurozone Crisis

Ali Rıza Güngen*

Abstract

The unprecedented power of the European Central Bank (ECB) in the Eurozone crystallized throughout the crisis. The Bank used its power for enforcing the terms of the sovereign debt contracts in the monetary union and imposing an austerity framework to the debtors of the periphery at the same time. Sovereign debt interventions and the unconventional policy measures by the ECB from 2009 to 2016; their timing, targets and the conditionality, undermine the prevalent perspective in the field of political economy of sovereign debt, attaching a particularity to the sovereign debt contracts because of the lack of enforcement by a third party. In stark contrast, dominant forms of policy making and the pro-cyclicality of the financial markets strengthened the position of the ECB as the enforcer. The impact has been consolidation of the policy levels in the Eurozone - fiscal policy as the bridge between monetary policy on a supranational level and labour reform on national level - and the intermingling of monetary and fiscal policies.

Keywords: *Sovereign Debt, Non-enforceability, European Central Bank, Eurozone Crisis, Sovereign Debt Intervention*

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*Ph. D., Independent Researcher, Political Science

1 Introduction

The Eurozone crisis has provided an interesting case study in terms of both the monetary policy and the fiscal supervision on a supranational level. The policy preferences of the European Central Bank (ECB) as part of the European System of Central Banks (ESCB) have been effective in shaping the policy space for many Southern European countries and most notably Greece. Neoliberal hegemonic point of view scapegoat Greece in its fiscal profligacy and reluctance for public sector reform. International financial institutions endorsed and strived to strengthen this perspective throughout the crisis, despite shifting practical measures to avoid the collapse of the monetary union. The Troika (European Commission, the ECB and the International Monetary Fund - IMF) advocated persistent public sector reform for all the highly indebted countries of the Eurozone as well as imposing drastic policy changes in labor markets and social policy. Local interlocutors, endorsing the perspective acted on behalf of the bondholders and the private sector, suggesting that it is possible to find solutions devoted to competitiveness and decent public services at the same time.

As of early 2016, the ECB was successful in reaffirming the power relations of the Eurozone and taking decisive steps to keep Greece in the lending game. The strategy of the ECB was an oft-used one regarding the international debt crises and is a combination of coercion and conducting, i.e. coercing the debtor to obey the conditions of restructuring while undermining any idea of decoupling. It has been named by (Soederberg, 2005, s. 936) as the "golden noose" of transnational debt:

> *the disciplinary and bargaining power of capital over debtor states must be administered in such a manner as to integrate debtor states into the global financial system so that they become increasingly dependent not only upon loans from private and public creditors and the subsequent rescheduling and refinancing agreements, but also on the overall stability of the global capitalist system.*

Subordination to the stability of the global capitalism relies upon the acceptance of the market power by the policymakers and the states. It also necessitates the subordination of society to the financial discipline, making the debt of the sovereign state public (Gungen, 2015). This role derives from the structural feature of the government debt instrument which symbolizes a claim on the future revenues of the state, which is actually a claim on some part of the surplus value to be produced within the territory over which the state power is exercised. Borrowing on behalf of the nation (as the imagined community) has been a fundamental aspect of the modern state power as important as taxation, printing money and conscription. Sovereign debt management and restructuring of the debt as a result of financial crises, however, have become more puzzling in recent years. In this paper I argue that the ECB interventions into the European sovereign debt market underline that the unprecedented power of the Bank is used not for the resolution of the crisis in the Eurozone but the imposition of an austerity framework. The paper not only provides the chronology of the ECB interventions and its impact upon the sovereign debt market, but it uses the discussion to pinpoint that the third-party enforcement (Das, Papaioannou, and Trebesch, 2012; Eaton and Gersovitz, 1981) took the form of the ECB interventions in the Eurozone crisis and there is a need to question the perspectives prevalent in the political economic analyses of the sovereign debt management. Sovereign debt management is always fused with the power relations within the global credit system and the structural features of the financial markets provide the tools for enforcement to make the debtors pay. I concur with (Bonefeld, 2015) that the transnational debt question pushed the Eurozone for a solution in which the fiscal policy became the hinge between monetary policy on a supranational level and labour market reform on domestic level. I use this perspective to approach to the problem of enforcement in sovereign debt management. Cutting fiscal expenditures, by squeezing the economy, made the dependency of debtor Eurozone states to the funds from the ECB much more notable. Depoliticized forms of policy making and the pro-cyclicality of the financial markets strengthened the leverage that the ECB had, hence the immense power of the Bank and the neoliberal policy makers to make the debtor pay and implement structural reforms.

Within the context of this study, I refer to the chronology of the interventions and revisit the primary documents of the ECB for a sufficient framing of power relations between the ECB (and the bloc that includes creditors) and debtor states. The unprecedented power of the ECB in the Eurozone crystallized throughout the crisis in various instances; first and most notably in refraining from sovereign debt purchases (2008-09) and denying further purchasing power to the distressed countries. It then extended to tying purchases to economic stability and restructuring programs (2012) and ended up in buying only sovereign debt papers with investment grade (2015). Sovereign debt purchases (with different conditions and timing), from 2008 onwards, might have allowed the debtors to have purchasing power and influence their national economies by various forms of public expenditure. Denying this possibility or blocking such a path, the ECB succeeded in entrenching the design of monetary policy and fiscal policy in the Eurozone already insulated to a great extent from social dissent. Despite the biggest debt swap in 2012, the ECB responses not only made Greece pay bulk of its debt in the long-term but also signaled that breaching the debt contract within the Eurozone by the sovereign authorities will be punished severely in due course.

I develop this argument in three main sections. Section two comprises a discussion on the management of the sovereign debt and pro-cyclicality within financial markets. Section three provides details on the ECB interventions in a chronological order and elaborates the unconventional measures throughout the Eurozone crisis. More importantly, the section refers to the sovereign debt interventions of the ECB to underline that the Bank used pro-cyclicality in the debt market as leverage for imposing austerity. Section four summarizes the impact of the sovereign debt interventions and the ECB's responses. The crisis not only increased the ECB power but also consolidated the framework of policy levels in the Eurozone. The conclusion summarizes the argument and suggests that the ECB interventions provide further strength for a critical political economy position to claim the invalidity of "the lack of enforcement" amidst the neoliberal/financialized contemporary capitalism.

2 Political Economy of the Sovereign Debt: A Critical Approach to Non-Enforceability

The basic assumption in the political economy of sovereign debt literature can be summarized with the key term third party enforcement, which means that the sovereign debt is different from the private debt in structural terms and there is no other party to enforce the terms of the contract in the sovereign debt (Das, Papaioannou, and Trebesch, 2012; Eaton and Gersovitz, 1981; Soederberg, 2014). The lack of third party enforcement exposes the creditor to the goodwill of the borrower. Non-compliance with the terms of debt contract gets widespread in the aftermath of credit crunches and international financial crises. Nevertheless, the ability of the sovereign to pay is indeed never an issue as in the case of private debt, since the domestic product and the revenue streams guarantee the payment over the long-term (Bulow and Rogoff, 1989). There have been attempts to conceptualize the enforcement with reference to trade sanctions and reputational concerns, but the empirical evidence for an analysis of the impact of these mechanisms is mixed (Aguiar and Amador, 2013).

Since the developing South integrated into the global financial markets in the second half of the 20^{th} century in an increasing manner, the holders of the sovereign debt papers have also become global financial players: multinational commercial banks, various financial funds and domestic commercial banks whose shares are partly owned by global financial players. Chunks of sovereign debt, particularly by the countries of the Global South are now issued under either the New York or British Law (Das, Papaioannou, and Trebesch, 2012). Against this background the idea of the lack of third party enforcement falls short of accounting for the power relations within the global credit system. As seen recently, the U.S. court mandate in 2014 in the aftermath of the Argentine default easily led to an effective cut of the credit channels for the country, making the argument for non-enforceability a questionable one (Arora, 2016). It has become more apparent that the lack of access to new credit, in the case of the countries of the Global South as well as the periphery of the Europe, and the interventions by the international financial institutions fill the mentioned void of enforcement in contemporary capitalism. The case for non-enforceability, to put in other words, is not convincing given the enforcement by international financial institutions. From a critical political economy perspective, compensating for the third party enforcement can be explained with reference to the structural features of the capitalist nation state, radicalized amidst financialization. As much important has been the employment of the pro-cyclicality of financial markets by financial institutions and financial market players.

2.1 Isolating Policy from Democratic Control

It is one of the defining elements of the tumultuous transition to modern forms of administration that the debt of the sovereign increasingly implied the debt of the nation, since in theoretical terms the sovereign was becoming the embodiment of the will of the nation itself. The transformation paved the ground for various interactions between the sovereign authority and the newly emerging capitalists during the birth of the capitalist state. As the revenue was extracted from the people (i.e. property owners, up until the formation of deepened debt markets) and the sovereign was indebted on behalf of the nation, various segments of the nation pressed for their demands on the way the state collected taxes and took decisions regarding the public expenditure[1].

Borrowing by the capitalist state provide an opportunity of investment for the capitalist while the indebtedness (methods to pay, borrow afresh and/or rollover) is something to be administered and approved by the nation at large. This creates a dual movement apparent in the power of the global financial capital as creditor and the condemnation of the nation and nation-state to the debtor's position. It also becomes a delicate matter, therefore, to keep the debtor states within the boundaries of the global credit system (Soederberg, 2005). Given this delicacy, the sovereign debt management, particularly in neoliberal finance capitalism, should be kept exempt from popular demands and control.

In contemporary capitalism, depoliticizing the management of sovereign debt is an aspect of insulating fiscal and monetary policy making from democratic control. This remains, however, always a matter of political conflict. Still, the depoliticization processes support the rise of authoritarianism in both the national and international levels of economic policy making[2]. Indeed, without any input from the large segments of the society, the attempt to isolate the management of the sovereign indebtedness (in a controversial manner) undermines the future chances of objecting by the sovereign itself to the terms in a debt renegotiation and restructuring. Argentine default, later punished by the U.S. court in 2014 and the Greek default in 2012 extending to the referendum in 2015 and punished by the Troika in due course prove the point that neoliberal finance capitalism and prevalent forms of isolated policy making effectively undermine the chances of any sovereign to reject the terms imposed by international financial institutions and/or their representatives. In each case, the policy makers appealed to "the people" to gather support[3], but the exceptional call to stand against the whims of international finance

[1]The relation between sovereign debt markets and the development of representative institutions has long been a notable field of inquiry, though mostly underpinned by the Eurocentric liberal perspectives on history emphasizing an affinity between capitalist development and democratic forms of governance, including sovereign debt management (Cardoso and Lains, 2010; Stasavage, 2003).

[2]It has been the success of neoliberalism to put effective barriers against popular claims. As a result, the transformations in global capitalism during the last four decades have been pictured by many as the rise of authoritarianism in economic policy making (Bruff, 2014; Mann, 2013)

[3]If we add, then Greek prime minister Yorgo Papandreu's attempt to take bailout package to referendum in 2011, resorting to people was used more than once by those policy makers who strived for keeping the negotiation and restructuring away from the eyes of the people (Akçay, 2016). Christina Fernandez Kirchner presented her stance

did not succeed.

2.2 Pro-cyclicality in the Sovereign Debt Market

As emphasized by many critical and heterodox economists, financial markets have pro-cyclicality. In critical political economy tradition this means that credit is extended against future income streams and interest payments (Marx, 2015, ch. 25), pushing the creditor to consider risks and future developments. In heterodox political economy literature liquidity has been a keyword for discussing the features of credit money. While the rising asset prices make the securitized debt claims appear as highly liquid, the end of market optimism leads to cutting the credit lines and evaporates the liquidity (Nesvetailova, 2010). In the form of non-collateralized household debt, the gamble of the financial institution with the future solely rests on the ability of the worker to meet the future payments (Soederberg, 2014; Bonefeld, 1995) . If the credit is extended against collateralized assets, the future value and the income generating capacity of the collateral becomes critical. If the collateral does not exist as in the case of sovereign debt, the liquidity within the debt market and the yield ratio depends on the nation's economic performance.

In the case of sovereign debt, therefore, the future value of the nation's assets and the reputation of the nation state in the financial market gains importance. The present valuation by future estimation is the case for the sovereign debt, which consists of mainly securitized interest-bearing claims in contemporary capitalism. The notion of pro-cyclicality (Palan, 2015) suggests that when financial market sentiments worsen, this leads to further credit squeeze. This can be observed in the sovereign debt markets (without any actual default occurring first) as well:

concerns and pessimism on the future interest payments → credit lines close down or credit is extended against controversial reforms → higher debt/GDP ratio → higher sovereign debt yields → concerns on the future payments?

The basic feature of credit money and the critical role of sovereign debt securities for today's financial market, against the background of this pro-cyclicality, intertwine the monetary policy and fiscal policy responses. For our concern, it implies that the access to credit of a nation state can be cut in a relatively short period of time and it will impact upon the operations of the national capitals and the extensions of the multinational capital groups in that respective territory in a dramatic manner. Pro-cyclicality therefore plays to the hands of the creditors, further undermining the non-enforceability perspective.

3 The ECB's Sovereign Debt Interventions: Acting Whenever Deemed Appropriate

So far, I have mentioned how the policy making in nation states under neoliberal financial capitalism and the pro-cyclicality of sovereign debt strengthened the position of creditors against sovereign authority. To put in a nutshell, the sovereign indebtedness condemns the nation to the debtor's position, but it needs to be closely monitored under neoliberal finance capitalism, to keep the nation within the global credit system. While international financial institutions monitor the economic performance, the pro-cyclicality of the financial markets in general and sovereign debt market in particular provide the leverage needed to impose economic reforms.

The Eurozone crisis and the ECB's conduct of the Greek financial collapse sits along these broad lines and challenges the arguments stressing the futility of third-party enforcement in the case of

as a resistance against vulture funds, but the loss of presidential elections by Kirchnerismo in 2015 sealed the deal between Argentina and the hedge funds in early 2016.

sovereign default (Sotiropoulos, Milios, and Lapatsioras, 2014). Article 127 of the Treaty on the Functioning of the European Union entrusts the ESCB with the tasks of defining and implementing monetary policy, conducting foreign exchange operations, holding and managing the member states' foreign reserves and promoting the smooth operation of the payment systems. The ECB contributes to the governance of the ESCB with its decision making bodies, the Governing Council and the Executive Board. For the ECB representatives, the independent performing of mentioned tasks comes from the power granted in the Statutes of the ESCB and the ECB (Frankfurt, 2011a). Accordingly, since the Eurosystem's main objective has been defined as maintaining price stability, quantitatively determined as "year-on-year increase in the Harmonised Index of Consumer Prices for the Euro area below 2 %" (ibid., p. 20) ECB will use the instruments such as steering short-term interest rates for transmitting monetary policy decisions. In legal terms, however, the power of ESCB and the ECB as its "outer face" is limited with contributing to the "smooth conduct of policies pursued by the authorities to stabilize the financial system" (Seidel, 2012, p. 19).

This relies behind the legal controversies of the interventions by the ECB regarding the financial transactions, since the bank took independent measures concerning the functioning of the system as a whole amidst the Eurozone crisis. Unconventional measures, according to the Monetary Policy of the ECB document (2011b) stem partly from the need to respond in unprecedented terms to the Eurozone crisis for maintaining price stability. The ECB practically defined its power in a similar manner to the sovereign actor determining "the state of exception" (Agamben, 2005), the extraordinary circumstances to take exceptional measures for intensifying the power over subjects. For the Bank since these measures have "built-in and self correcting mechanisms" (Frankfurt, 2011b, p. 92) they will phase out automatically and should not be of concern to financial actors. The ECB in its organizational structure and track record of interventions suggest that the credibility of the Eurosystem depends upon "acting when deemed appropriate" (another cornerstone of the strategy to exit from unconventional measures). It seems viable to suggest that Mario Draghi's "whatever it takes" declaration in Summer 2012 was only an affirmation under the crisis circumstances, of the major objectives, which the ECB acted accordingly and when deemed appropriate not by any other institution but by the Bank itself.

3.1 The Chronology of the ECB Sovereign Debt Measures: Unconventional Conventionality

The stark opposition of the ECB in the first months against buying government securities and the idea of buying sovereign debt with conditions attached to austerity programs or strict conditions determined the course of the Eurozone crisis, and the ECB's ensuing sovereign debt interventions in its three phases. Even at times, when outright purchases seemed the viable option, the ECB used this unconventional measure temporarily as in the Securities Market Program (SMP) (Phase I of sovereign debt interventions). When it was turned into a permanent tool as in Outright Monetary Transactions (OMT), this has been so with the purchases conditioned on cuts and structural reforms (e.g. European Financial Stability Fund - EFSF and European Stability Mechanism - ESM programs) (Phase II) and has never been activated. Finally, in the quantitative easing which started in 2015, the asset purchases are strictly attached to the market discipline, proxy of which has been the investment grade of securities (Phase III) (see Table 1).

Source: ECB website; Bundesbank website
* Sovereign debt interventions
** The ECB conducted long term refinancing operations maturing after six months from April 2008 onwards and maturing after twelve months from May 2009 onwards. Previously LTRO was used to denote monthly repo transactions or refinancing operations maturing in three months. Since 2011 LTRO acronym is generally used to refer to one-year or longer term refinancing throughout the Eurozone crisis.

Table 1: **Summary of the Unconventional ECB Interventions, Mid-2009 to 2016**

Name of the Programme	Time Span	Focus	Volume
Covered Bond Purchase Program (CBPP)	July 2009 - June 2010 / November 2011 - October 2012 / October 2014 - October 2016	Buying covered bonds of banks and asset-backed securities to stimulate credit market	100 billion euros in the first two rounds
Securities Market Programme (SMP)*	May 2010 (relaunched in August 2011) - September 2012	Temporary sovereign debt purchases, targeting bond markets of mostly Southern European countries	218 billion euros in total
Long-term refinancing Operations (LTRO)**	December 2011 and February 2012	Low interest loans to support European banks	489 billion euros in the first round, 529 billion euros in the second round
Outright Monetary Transactions (OMT)*	Announced in September 2012 - not activated	Purchase of sovereign debt with strict conditionality	No *ex ante* quantitative limit (compliance with EFSF / ESM programme required)
Targeted Long-Term Refinancing Operations (TLTRO)	June 2014 - June 2016	Cheap funding for banks in return of funding non-financial private sector	Estimated 400 billion euros in total
Expanded Asset Purchase Programme (APP)*	January 2015 - March 2017	Third round of CBPP and sovereign debt purchases with conditions, targets Eurozone deflation	60 billion euros combined, each month (80 billion euros after March 2016)

The timeline of the interventions imply that the ECB, initially, did not seek to become a lender of last resort for the Eurozone. When the Bank had to do so in the summer of 2012, it did not give up its conventional methods of dealing with the crisis, i.e. supporting financial sector against the sovereign defaults and using its mandate as a tool for imposing austerity upon fiscal deficit countries[4]. The first responses underlined the fact that the ECB interpreted its mandate as generous credit support to financial actors and the use of refinancing operations for maintaining financial stability (Gabor, 2014). In 2009, the ECB started outright purchases of private sector bonds to provide access to funding for banks, since 1 year refinancing operations were insufficient. While Long Term Refinancing Operations

[4]European Financial Stability Fund was the initial rescue fund of €440 billion for Eurozone periphery. The fund was formed in August 2010 and designed as a temporary support mechanism. EFSF bonds were used in Greek debt restructuring of 2012. The fund also extended credit to the Greek government for sovereign debt buyback in December 2012 for easing the pressure upon bond market. As the crisis deepened, with the decision of the EU Council, European Stability Mechanism was found in March 2011. This permanent fund had €400 billion of support capacity as of late 2012 and to receive ESM support was conditional on structural reforms. After the ratification of Fiscal Compact in 2013 and 2014, in a similar manner to the IMF conditionality, complying with the fiscal rules became a prerequisite for using the ESM funds (Akçay, 2016). Benefiting from OMT also required member states signing an ESM program.

(LTROs) with 1 year maturity continued in 2009 with new rounds in October and December, the ECB intervention into the secondary markets also took the form of covered bonds purchase program (CBPP) in July 2009 (to be repeated in November 2011)[5].

In the first phase of the sovereign debt interventions, the ECB started its SMP in May 2010 against the background of rising bond spreads. Although the bonds purchased and the extent of the operation were not announced, it was thought by financial market players that the ECB targeted Greek, Irish and Portuguese debt at that time (Trebesch and Zettelmeyer, 2014, s.4) [6]. The first round of CBPP ended in June 2010 but the SMP continued in 2011, notably between August and December[7]. Since these remained insufficient to tranquilize financial markets, partly as a result of the oncoming biggest debt swap in history, the bank resorted to further refinancing operations with extended maturities.

LTROs with extended 3 year maturities supported commercial bank lending in two rounds in December 2011 (€489 billion) and February 2012 (€529 billion) (Rodriguez, Carrasco, et al., 2014; for European Parliament's Committee on Economic and Affairs, 2012). LTROs with longer maturities and the restructuring of the Greek debt in March 2012 were followed not by a functioning interbank money market but growing concerns with regards to sovereign debt rollover in Southern Europe, notably in Italy and Spain with yields lower (see Graph 1) but having nominally much higher debt than Greece.

The second phase of the sovereign debt interventions started with the ECB announcement of the OMT program in September 2012. The OMT, though it had broader ramifications as an unconventional measure, was a follow up to the SMP. It meant the outright purchase of government securities but turned EFSF and ESM bond-purchase criteria into conditionality within the Eurozone[8]. The interesting thing about the OMT is that the ECB did not buy any government bonds within the framework of the program but only announced that it would do so. The alleged success of the ECB's OMT was limited to declining yields in the sovereign bond markets (Altavilla, Giannone, and Lenza, 2014; de Grauwe, Ji, et al., 2015a). Though such a decline was not mediocre, it was not helpful for debt rollover either in the Greek case. In the third phase, the ECB introduced Expanded Asset Purchase Program (APP also known as the quantitative easing) amidst deflation in the Eurozone and the restart of debt negotiations with Greece in early 2015.

3.2 ECB's Monetary Dominance: Implementation Confirms Reason

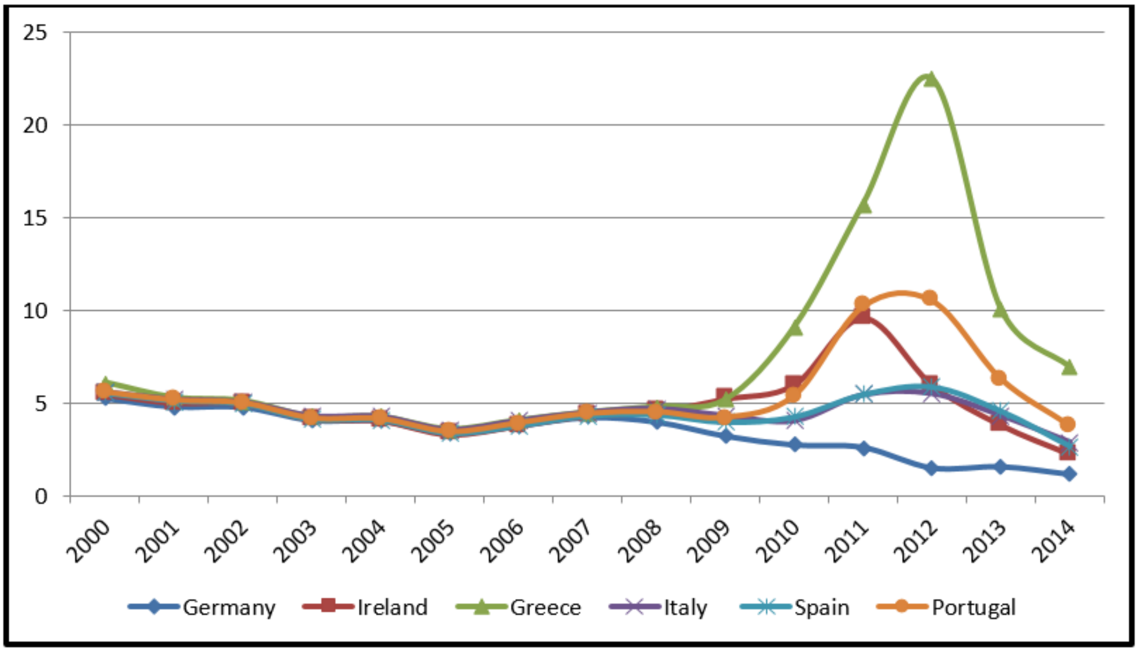
At the dawn of expanded APP in the Eurozone, Peter Praet, a member of the ECB Executive Board delivered a speech at the Conference, the ECB and Its Watchers XVI. (Praet, 2015) suggested that monetary dominance is not about the assets that central banks buy, but the reason they buy those assets. He maintained that to keep control of the monetary policy in a monetary union without a

[5]Covered bonds are issued by banks as long-term securities and covered by mortgages and public sector loans (Gabor, 2014). The first round of CBPP included 422 different bonds, which were mostly (73 %) bought in the secondary markets from July 2009 to end of June 2010. The nominal value of the purchases reached to €60 billion with ECB declaring the intention to hold the securities until maturity (Beirne, Dalitz, Ejsing, Grothe, Manganelli, Monar, Sahel, Susec, Tapking, and Vong, 2011). According to a briefing paper prepared for European Parliament (for European Parliament's Committee on Economic and Affairs, 2012), the total amount in CBPP reached to €100 billion in two rounds. CBPP3 started in October 2014.

[6]It has also become possible to analyze the Greek bond purchase retrospectively, since these particular bonds have been held exempt from the 2012 Greek debt restructuring. Accordingly, €42.7 billion worth of Greek bonds were bought in the first round of SMP by the ECB in 2010, leading to a considerable decline in the yield of Greek bonds, albeit temporarily (Trebesch and Zettelmeyer, 2014).

[7]This time round, the ECB bought Spanish and Italian bonds (Gabor, 2014) and the nominal value of the purchases far exceeded the first round, increasing the ECB stock of holdings from €70 billion to €200 billion (Trebesch and Zettelmeyer, 2014).

[8]The ECB can buy unlimited amount of government securities maturing in 1-3 years if the country in turbulence satisfies the conditions of EFSF/ESM. Bonds will be purchased on secondary markets as a result of the ECB rules and the Bank will sterilize the bonds in due course, stating that the purchases will not lead to changes in the Bank's balance sheet in the long term. Within this framework, the ECB decides on the duration and the end of purchases (Hu, 2014).



Source: OECD Statistics, Federal Reserve Bank of St Louis Database

Figure 1: 10 Year Government Bond Yields in Selected Eurozone Countries (Annual Average, 2000-2014)

fiscal union, the ECB needed a system of checks such as consolidated fiscal framework (as in Fiscal Compact) and new resolution mechanism (as in Single Supervision and Resolution Mechanisms) and strict conditions for bailing out a particular country (as can be found in the requirement of an ESM program for the outright purchases). These remarks summarize the whole logic behind the ECB's unconventional measures. The ECB's institutional independence not only enables but also demands from the Bank to impose austerity measures for maintaining price stability. The good news according to Praet (ibid), is that the ECB is "unconstrained" in its ability to meet the mandate.

With the loss-sharing limits of 20 % in APP, national central banks will assume most of the burden in the case of losses from sovereign bond purchases. APP also has built-in purchase limits and explicit rules for the purchase of only investment grade government securities (hence excluding the Greek junk bonds). In brief terms, due to the rule-based nature of APP, the quantitative easing which started in 2015 has been an extension of the project of austerity that the ECB pursued in full disclosure from its foundation onwards. Having dramatic consequences for the working classes in the Eurozone, the unconventional measures and sovereign debt interventions are carefully designed to abridge the political maneuvering that national governments have in the face of fiscal crises. The chronology of the ECB measures from 2009 onwards underlined that the Bank interpreted the price stability mandate as providing support to the financial institutions in general and the commercial banks in particular while delimiting the other and more radical options.

To summarize: since the SMP was a temporary support to distressed bonds and benefiting from outright purchases necessitated following the reform program of the Troika, it was neoliberal conditionality at the forefront of the ECB measures. The new programme in 2015 as the ultimate unconventional measure expanded the assets to be bought by the ECB but did not let loose of the Bank's monetary policy control. The Bank practically kept "holding onto the rope that is around our [Greek government] necks" in the words of Tsipras (2015), the Greek Prime Minister. With its golden noose, The

ECB keeps the rope for other Eurozone governments as well with its unlimited purchasing power in the financial markets and the revised framework of conditionality. The pro-cyclicality of the financial markets is used as leverage by the ECB and the sovereign debt interventions are designed in such a way that the states with debt rollover problems are subjected to a set of conditions for staying in the debt market.

4 The Impact: Removing Accountability Further and Consolidating Policy Levels

The Bundesbank and the ECB are perfect examples of technocratic, autonomous institutions and symbols of authoritarianism embedded in liberal economic policy making[9]. Authoritarianism needed the full-fledged Eurozone debt crisis to reveal itself in its condensed form. By relying on the critical perspectives on the power of the ECB, one can analyze the sovereign debt interventions of the bank muddling through the crisis (Aizenman, 2015; Gabor, 2014), shifting from one unconventional measure to the other and finally starting quantitative easing in 2015. The critical point here is not the choice of a particular measure by the ECB in its interventions to the sovereign debt market; but rather, its persistence in maintaining the price stability in Europe with no input from political conflicts and national governments.

As I made clear above, this attempt for depoliticisation is to keep popular pressures away and it has been a feature of Economic and Monetary Union and an aspect of the neoliberal European governance (Gill, 1998). The interesting case for the ECB is the attempt in its institutional design to remove any accountability whatsoever to either national or federal European institutions (Baimbridge and Whyman, 2016, p. 106). This has been succeeded to a great extent throughout the Eurozone crisis. The ECB interventions also served suppressing the search for alternatives within the Eurozone. Nowhere has been this animosity more evident than the case of Greece, where the pro-cyclicality in the debt market was used by the Eurocrats for tightening the golden noose.

The ECB determines the monetary and exchange rate policy of the monetary union and is responsible for stabilizing the Eurozone economy, while it remains in theory completely independent from national governments. In practice this may work to the benefit of particular member states with trade surpluses or more disciplined working classes. It may also strengthen the positions of commercial banks within the Eurozone, seeking to recover the most they can from the troubled bond markets. The independence par excellence has worked in favor of German banks notably in 2010-2011 (Thompson, 2015). In other examples, however, the ECB made it more expensive for Cypriot Banks (March 2013) and Greek Banks (February 2015) to borrow by restricting their access to direct liquidity lines. Every move of the ECB during the crisis served to maintain the independence and delimited the political room of the countries with distressed bond markets. The ECB reintroduced the purchases of sovereign debt with strict conditions only after further strengthening of the ECB surveillance over European banks in 2014 and the park of most of the sovereign debt in the domestic banks of the Eurozone peripheral economies.

The pro-cyclicality of the financial markets should be added to an account of depoliticization accompanied by the rise of authoritarianism in economic policy making. The case for Greek debt and the ECB interventions despite a temporary relief provided by rescue packages, reveal that the

[9]For this reason, a related current of research dealt with the approach and principles of Ordoliberalism, the idea of social market economy roots of which can be found in interwar Freiburg School (Berghahn and Young, 2013; Bonefeld, 2012) and is thought to provide the bedrock of authoritarian liberalism which presupposes a strong state limiting the contest of social forces and depoliticizes social relations for the constitution of free economy. Ordoliberal thought and arguments emphasizing the authoritarianism in the strong state idea and the construction of market order by the state are important to grasp the governmentality in the Eurozone (Bonefeld, 2015).

international or supranational authority, which assumes the role of lender for rescue can effectively enforce the terms of debt contracts and impose a path for adjustment by resorting to the "power" and demands of financial markets. After the announcement of the OMT in 2012, the ECB was hailed as the savior of the Eurozone. With the yields declining in the government bonds of the European periphery, relief if not euphoria has become the dominant feeling for financial actors and sovereign policy makers in the following months (Altavilla, Giannone, and Lenza, 2014; de Grauwe, Ji, et al., 2015a). In less than 24 months, however, it has become clearer that the crisis and the discussions on both unconventional monetary policies of the ECB as well as sovereign debt restructuring in the Eurozone were not over. The Greek crisis deepened and turned into a more severe humanitarian crisis, while the ECB pointed out the political uncertainty in Greece (read as the will of the Greek people) as the major factor threatening the financial stability in the monetary union (Frankfurt, 2015, p. 12).

The Greek case and the use of pro-cyclicality by the ECB as leverage is concomitant with the positioning of labor market reform in the national policy space and locating the fiscal policy in between the member states and the EU level. As (Bonefeld, 2015, s. 13) aptly put:

> The positioning of fiscal policy as a national policy instrument within a supranational framework of balanced budget rules was meant to contain the ?risk' of fiscal free-riding by weak member states. Indeed, the fiscal rules of EMU [European Monetary Union] remove anti-cyclical fiscal policy responses to economic downturn as a means of economic adjustment. Instead, at a time of crisis, fiscal retrenchment is a requirement as budgets have to balance on the basis of receding tax bases. The EU's fiscal rules thus entail not only a huge redistribution of wealth from labour to capital, but also a robust framework for labour market reform.

The inability to monetize debt and devalue currency by its own condemns the member state to abide by the supranational rules and press for labor market reform to achieve competitiveness. The design of monetary union positioned labor reform on national policy level, monetary policy on supranational level and fiscal policy in between (ibid.). The sovereign debt crisis helped the ECB maintain and consolidate this framework, while intertwining the monetary policy with fiscal measures. The ECB's political agenda was reminiscent of the conditionality principle in the IMF structural adjustment programs imposed upon many countries of the global South in the aftermath of the international debt crisis of the 1980s.

5 Conclusion

Scholars from different camps have proposed innovative solutions for the resolution of Greek debt problem in particular and the Eurozone crisis in general. Paris and Wyplosz (2014) in their Politically Acceptable Debt Restructuring in the Eurozone proposed that the ECB should start intervening without designated limits, purchase sovereign debt and swap these with zero-interest securities. (Sotiropoulos, Milios, and Lapatsioras, 2014) suggested that the ECB should act as a guarantor for overcoming the sovereign debt crisis and purchase a considerable amount of sovereign debt (the percentage differs in various scenarios) of member countries and convert these into zero-coupon bonds. A similar proposal for the resolution of the Eurozone crisis came from De Grauwe and Ji (2015b) who stated that it is possible to perform quantitative easing without fiscal transfers in the monetary union.

The problem with these proposals stems from the fact that the ECB is designed and works for imposing a framework of austerity to and for enforcing the terms of debt contracts in the Eurozone members. Accordingly, the ECB's "whatever it takes" approach and the ensuing interventions such as the OMT and quantitative easing should be questioned with a special emphasis on the Eurozone governmentality. Neither the OMT in 2012, nor the quantitative easing from 2015 onwards revealed a settlement with the opposing political factions (see Kannakulam and Fabian, 2014) and the social movements and groups critical of the Bank's position. The ECB did muddle through in deciding the extent and timing of the interventions but it was not confusion in terms of the targets. On the contrary, the interventions were cautious measures for maintaining the authority of the ECB and its institutional independence, hence making the debtors pay and maintaining the ideas of austerity.

The issue of the lack of enforcement, underlined in the literature on the political economy of sovereign debt implies that there is little that the private investors can do when faced with sovereign default, relative to the cases in which the borrower is a firm or a household. Nevertheless, there are many conditions and policy changes imposed upon defaulting countries, sometimes explicitly on behalf of bondholders, as seen in the recent examples of Greece and Argentina. Indeed, the initiated reforms for boosting the state revenues, the increased premiums demanded in times of financial volatility and the need to bailout financial system in times of crisis all leave little space for a highly indebted or defaulting sovereign state to maneuver. I have underlined that both the policy making in isolation from large segments of society and the pro-cyclicality of the financial markets help the creditors in the constant renegotiations of sovereign debt. The golden noose of the global credit system is at work here and employed efficiently by the institutions such as the ECB. The conditions for returning to the international debt market, which are a combination of private sector demands imbibed by the international financial institutions and turned into policy proposals, may provide effective, depending upon the circumstances and the debt sustainability of the respective country.

In the case of the Eurozone crisis, there was overabundance of enforcement thanks to the unconventional measures of the ECB as well as the conditionality attached. The refurbished fiscal rules of the EU and the strength of the neoliberal ideal of market freedom as well as the new supervision mechanisms of the ECB, helped polishing the rule-based policy making and keeping the enforcement in its pace. The irony is that the austerity measures may likely result in further capital losses for the investors, drowning the economic performance of the debtor nation and pushing the policy makers to buy time and renegotiate the terms. Against the background of financialisation and in the absence of alternative economic policies and a comprehensive plan, it is almost impossible, however, for a sovereign authority to breach the terms of the sovereign debt contract to the benefit of its people, without risking long term economic stagnation.

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