EU Political Economy Newsletter

Newsletter of the EUSA EU Political Economy Interest Section
http://www.eustudies.org/pesection.html

The EU Political Economy Interest Section is an official section of the
European Union Studies Association

Section co-chairs: Tal Sadeh and David Howarth
Managing Editor: Mitchell P. Smith
Database Review Editor: Patrick Leblond
Forum Editor: Dermot Hodson

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Greetings from the co-chairs of the EUSA Political Economy section:

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Dear Section Members,

The Section's project on *The Politics of Market Integration in the European Union* has progressed to its publication stage. Contributions to this project were presented in six panels during the UACES (ECSA-UK) annual conference in Edinburgh in September 2008 (see previous issue of the Newsletter). Following the Edinburgh conference we have selected up to 18 papers for publication. The editorial boards of two leading journals have accepted special editions, subject to peer review. Publication is expected during 2010-2011.

EUSA's eleventh biennial meeting in Los Angeles is drawing closer. We are sponsoring two panels consisting of eight papers from our Single Market project. We are also proud that many other members of the section have either organized independent panels or were accepted to the program as individual paper presenters.

Amy Verdun and Henrik Enderlein's project on *EMU after 10 years* (see previous issue of the Newsletter) is about to be published as a special edition of the *Journal of European Public Policy*. Its content is detailed in the Publications section later in this Newsletter.

Finally, our second term in office as Section co-chairs is drawing to a close. In early January we circulated a Call for two co-chairs (also posted in this issue of the Newsletter). A few members have expressed interest so far. Remember that the Call closes on March 31st. After this deadline we will circulate the CVs and letters of the candidates. Candidates will be appointed in an open vote by the membership of the section at its business meeting in Los Angeles, on Friday, April 24, starting at 12:30.

We would like to take this opportunity to thank Mitchell Smith for being the managing editor of the newsletter for the past four years, Patrick Leblond for his role as database review editor, and the forum editor, Dermot Hodson. The newsletter and its timely publication is a major achievement for our interest section. We also would like to thank Stefanie Walter for her efforts as website editor, and Michelle Egan for her role in coordinating our section's contributions to the *EUSA Review*. Special thanks go to Erik Jones and Amy Verdun, who as the founding co-chairs of this section advised us on numerous issues. And many thanks for the dozens of members, who took part in our various projects in the past four years. You helped develop ours as the leading EUSA interest section!

We wish you all a productive spring term and summer, and look forward to seeing you in Los Angeles!

David and Tal

Also in this issue

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Data Resources Review

Archigos

Patrick Leblond
University of Ottawa

An interesting dataset has recently come to my attention and I thought I would share it with my fellow political economists. The name of the dataset is Archigos, which is taken from the Greek term for ruler, according to the authors (Goemans et al. 2009, 270). Thus, Archigos provides data on political leaders for 188 countries from 1875 to 2004. The data can be accessed online (in Stata format) at the following address: http://mail.rochester.edu/~hgoemans/data.

What is special about this dataset is that it provides coded information about the manner in which the *effective* leader of an independent state enters and exits power.[1] Leaders can enter power in (1) a regular manner; (2) an irregular manner; or (3) a direct imposition by another state. The same categories apply in the case of a leader's exit from power, except that the authors here add a fourth possibility: natural death while in office (illness or suicide). *Regular manner* means that the leader gained/lost power "according to the prevailing rules, provisions, conventions, and norms of the country" (Goemans et al. 2009, 273). *Irregular manner* means that the political leader came to/left power "in contravention of explicit rules and established conventions" (273). For example, a leader removed by a coup would be considered to have left power in an irregular manner while his or her successor would be considered to have gained power in an irregular manner too.

[1] By effective leader, Goemans et al. (2009) "mean the person that de facto exercised power in a country" (p. 271). For instance, in a presidential system, the effective leader is the president. In a parliamentary system, it is the prime minister. In communist states, the chairman of the party is coded as the effective leader. For further information, users can consult the codebook with case descriptions that is available online.

The dataset also provides additional details regarding leaders' irregular exits from office after 1918.[2] The authors of the dataset offer 12 categories to describe how a leader left power irregularly:

- Leader lost power as a result of domestic popular protest with foreign support
- Leader lost power as a result of domestic popular protest without foreign support
- Leader removed by domestic rebel forces with foreign support
- Leader removed by domestic rebel forces without foreign support
- Leader removed by domestic military actors with foreign support
- Leader removed by domestic military actors without foreign support
- Leader removed by other domestic government actors with foreign support
- Leader removed by other domestic government actors without foreign support
- Leader removed through the threat or use of foreign force
- Leader removed through assassination by unsupported individual
- Leader removed in a power struggle within military, short of coup, i.e. without changing institutional features such as a military council or junta
- Leader removed in an irregular manner through other means or processes

Archigos also provides data on what happens to political leaders after they have left power: the leader suffered no punishment, the leader was exiled, the leader was imprisoned or the leader was killed. Finally, it provides the following additional information: the leader's gender, whether the leader was leader previously, the dates when the leader gained and lost power, the years when he or she was born and died.

Goemans et al. (2009) provide several examples of how Archigos can be useful to scholars. Unsurprisingly, these examples mostly pertain to security and conflict rather than the economy. They only make one reference to the role that Archigos can play in terms of analysing economic matters: studying the effect of political instability on economic growth. But one could think of other possibilities. For example, it would be interesting to examine whether there is a link between the way in which leaders enter and exit power (as well as the duration of the exercise of power) and the state's macroeconomic performance in terms of inflation, unemployment and growth. Similarly, it would also be interesting to see if monetary and fiscal policies are in any way influenced by the manner in which leaders came to and left power. It could also be productive to look at a leader's economic management when he or she comes back to power, when compared to the first instance of political leadership.

In sum, this is a neat dataset that students of political economy should be aware of. The tendency among PE scholars is often to ignore the systematic role that political leaders play in economic policy-making, focusing our attention on parties instead. Although more data on political leaders (e.g., their economic ideology, education and social background) would be welcome, Archigos is definitely a good place to start for those scholars interested in political leaders as independent or dependent variables.

2 The authors have plans to extend the dataset for years prior to 1918.

Reference

Goemans, Henk E., Kristian Skrede Gleditsch and Giacomo Chiozza (2009) "Introducing Archigos: A Datatset of Political Leaders", *Journal of Peace Research* 46 (2): 269-283.

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Forum Section

Dermot Hodson, Forum Editor

The Review Forum is open to all members of the EUSA Political Economy Interest Section who wish to share their views on empirical, theoretical and policy questions relating to EU Political Economy.

The Current Economic Crisis in the EU: Prospects for Policy Coordination

David L. Cleeton and George K. Zestos

The authors are respectively Dean and Professor of Economics and Finance at the Luter School of Business and Leadership, Christopher Newport University. Dean Cleeton has held the Fulbright Professorship of EU-US Relations at the College of Europe and is a Fellow of the European Area Business Cycle Network.

The response of EU leaders to the financial crisis has raised serious concerns about disjointed policy, but also holds promise of facilitating broader cooperation. On the upside of the run-up to the G-20 meeting in London at the beginning of April, EU leaders agreed at the recent Berlin summit to support the doubling of the financial resources of the IMF. Given the magnitude of the current international financial crisis, the IMF's resources are insufficient to undertake the full range of appropriate rescue programs. Chancellor Angela Merkel stated that the proposed plan will enable the IMF to bail out countries quickly. On a different front, the European Commission taskforce, chaired by Jacques de Larosiere, has outlined a wide array of financial products and activities that have significantly contributed to systemic risk. Tax havens and hedge funds are at the top of the list. The proposed plans for addressing these problem areas will be presented in the upcoming April meeting of the G-20 countries. Employing these approaches to deal with the severe international financial crisis should speed the recovery of the global economy and safeguard it from future financial crises.

On the downside, there has been much bickering in Brussels focused on reassessing the economic situation in Central Eastern Europe (CEE) economies. An initial compromise was reached outlining a commitment to aid embattled states on a case-by-case basis for the sake of efficiency since structural differences exist among these economies. Even CEE countries themselves disagreed about the need for a common aid package to the region. For example, Poland and the

Czech Republic insisted that they presently do not need any aid. But Czech politicians obviously differ sharply in their views as evidenced by the loss of a vote of confidence in the current government.

As the world economy shrinks, CEE exports and imports have drastically declined. For years subsidiaries of Western European foreign banks liberally lent to CEE governments and enterprises. Starting last year, lending to CEE began to dry up, exacerbating the present crisis and making the outlook for large scale future scheduled refinancing nearly impossible. Moody's recent report on declining economic conditions in CEE economies had immediate financial contagion effects on both equity and foreign exchange markets in most of these economies and the ripple effects extended throughout Europe and to the other side of the Atlantic. Depreciating CEE currencies have significantly increased the burden of servicing foreign-denominated debt, thus raising the probability of default.

Today's EU economies continue to be highly interdependent and will be able to take advantage of the large single market relationship to accelerate the way out of the crisis by adopting joint stimuli plans and coordinated programs.
Fundamentally, EU countries understand they cannot hope to find their way out of the crisis through beggar-thy-neighbor policies. Lessons should have been learned from the European currency crisis of the early 90's and more recently by the manner in which housing bubbles bursting in Spain and Britain along with export declines in Germany have been transmitted via financial markets and the real economy. The more clearly these lessons are learned in policy circles, the more that can be done to effectively stabilize the European economy and return it to a pattern of growth. Integration can also be further pursued in many areas. Expansion of the Euro Area in a more timely fashion will help to mitigate future crises. A careful reexamination of the Maastricht convergence criteria for new membership would add flexibility without jeopardizing the stability of the Economic and Monetary Union (EMU). However EU finance ministers in their March 9th meeting decided that "the time is not ripe yet" to amend the exchange rate Maastricht criterion or to reduce the prescribed time period countries' currencies must remain in the ERM without devaluation.

On March 11th EU Finance Ministers announced that the EU-27 nations were not going to undertake additional stimuli plans beyond those that already had been adopted. EU leaders agreed that what was needed was an increased emphasis on improving financial regulatory structures to prevent future crisis situations. The single hold-out was the UK which, although it signed the joint statement, hinted at favoring a second round stimulus package.

If EU-27 leaders had stood firm on this position it would have widened the rift with the US regarding a coordinated global fiscal approach to combat the international financial crisis. Such an EU position would most likely delay the overall recovery of the European economy and diminish the probability of building a successful consensus among the G-20 countries in London.
However, the finance ministers and central bank governors of the G-20 countries met in Horsham, England, over the weekend of March 14th and 15th for the purpose of closing the gap in their differences on how to fight the global recession and lead their economies back toward economic growth. The ministers agreed to "take whatever action is necessary until growth is restored." This was interpreted to mean that they would double the IMF's resources and adopt additional regulatory policies to combat the continuing crisis. In the meanwhile, negotiations for

governance reforms of the IMF are to be undertaken in order to reflect changes in the global economy related to shifting of economic importance of countries such as China, Brazil, Russia, India and other emerging economies.

The EU's hesitancy to match the US initiative for a 2% fiscal stimulus by all G-20 countries raised concerns of the EU's ability and determination to pull their own weight in solving the crisis. A major critic of the current EU position has emerged in the former German Foreign Minister, Joschka Fischer, who has expressed serious doubts about the EU's ability to pull its way out of the present situation. His major criticism refers to the lack of common economic and financial policies to cope with the crisis. Fischer and many others point out that although national governments continue to confront the crisis separately, very little has been done at the EU level to sensibly coordinate these disparate policy initiatives. Such an uncoordinated approach limits the effectiveness of policy initiatives and even brings to risk the unraveling of many of the most important integrative economic and political achievements of Europe during the postwar period.

European leaders present a range of arguments and evidence in defense of EU policy to fight against the recession. The EU adopted a recovery plan of €200 billion, €170 billion of which comes from the member countries. EU countries do not have to fund the same degree of discretionary spending as the US because automatic stabilizers in the EU are much stronger. Other programs to fight the recession are bank guarantees amounting to €2,500 billion and €300 billion for recapitalizing banks. A €25 billion Euros facility for aid to CEE economies is also in place and the EU has accelerated disbursements of regional aid to CEE. During the Brussels' summit of March 20-21, EU leaders agreed to a €75 billion contribution to the IMF. They also reiterated their determination to double the size of the EU balance of payments facility fund to €50 billion. These commitments bring the EU countries closer to the US position. Considering Japan's previous offer to contribute $100 billion, the aim of doubling the IMF's resources seems imminently feasible. The outlook for a breakthrough at the London G-20 meeting now looks much brighter.

The EU's long-term record in promoting democracy, peace, stability, and economic growth is unchallenged over the past century. Integration has proved the means by which countries have become wealthy and competitive in the global economy. Certainly setbacks will occur, but the unity and strength to move forward in terms of fiscal and monetary integration will serve Europe well into the far distant future.

Members' Recent Publications

Alter, Karen and Sophie Meunier, "The Politics of International Regime Complexity" *Perspectives on Politics*, March 2009, Vol. 7, No. 1, pp. 13-24.

Faber, Gerrit & Orbie, Jan. *Beyond Market Access for Economic Development: EU-Africa Relations in Transition*. Routledge, forthcoming 2009.

Menz, Georg. *The Political Economy of Managed Migration: Nonstate Actors, Europeanization, and the Politics of Designing Migration Policies*. Oxford University Press, 2008.

Orbie, Jan & Tortell, Lisa. *The European Union and the Social Dimension of Globalization: How the EU Influences the World*. Routledge, 2008.

Posner, Elliot. *The Origins of Europe's New Stock Markets*. Harvard University Press, 2009.

Talani, Simona. *Between Growth and Stability: The demise and Reform of the Stability and Growth Pact* (Edward Elgar, 2008).

Stefania Baroncelli, Carlo Spagnolo and Leila Simona Talani, eds. *Back to Maastricht: Obstacles to Constitutional Reform within the EU Treaty, 1991-2007*. Cambridge Scholars Publishing, 2008.

Ten Years of EMU: What have we learned in Political Science?

Special Issue of *Journal of European Public Policy*, Vol 16.3
Edited by Henrik Enderlein and Amy Verdun

Henrik Enderlein and Amy Verdun. "EMU's Teenage Challenge: What have we learned and can we predict from Political Science?"

Dermot Hodson. "EMU and political union: What, if anything, have we learned from the euro's first decade?"

H. Tolga Bolukbasi. "On Consensus, Constraint and Choice: Economic and Monetary Integration and Europe's Welfare States"

Tal Sadeh. "EMU's Diverging Micro Foundation: A Study of Governments' Preferences and the Sustainability of EMU"

Susan A. Banducci, Jeffrey A. Karp, Peter H. Loedel. "Economic Interests and Public Support for the Euro"

David H. Bearce. "EMU: the Last Stand for the Policy Convergence Hypothesis?"

Alison Johnston and Bob Hancké. "Wage inflation and labour unions in EMU"

Lucia Quaglia. "Political Science and the 'Cinderellas' of Economic and Monetary Union: Payment Services and Clearing and Settlement"

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Deadline

For submissions to the Fall 2009 issue

Tuesday, 15 September 2009

The current editors will forward all submissions to the new editorial team that will take over following the Eleventh Biennial International Conference of EUSA, April 23-26, 2009.

Please direct all correspondence concerning the Forum and the Data Resources Review to the appropriate editor. All other correspondence to the Managing editor.

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Dermot Hodson (Forum Editor): **d.hodson@bbk.ac.uk**

Mitchell P. Smith (Managing Editor): **mps@ou.edu**

In particular we are looking for
◊ Members' recent publications (since this issue)
◊ Members' news (since this issue)
◊ Calls for papers (due dates prior to 15 March 2010)
◊ Notice of forthcoming events (taking place prior to 15 March 2010)