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### **Table of Contents**

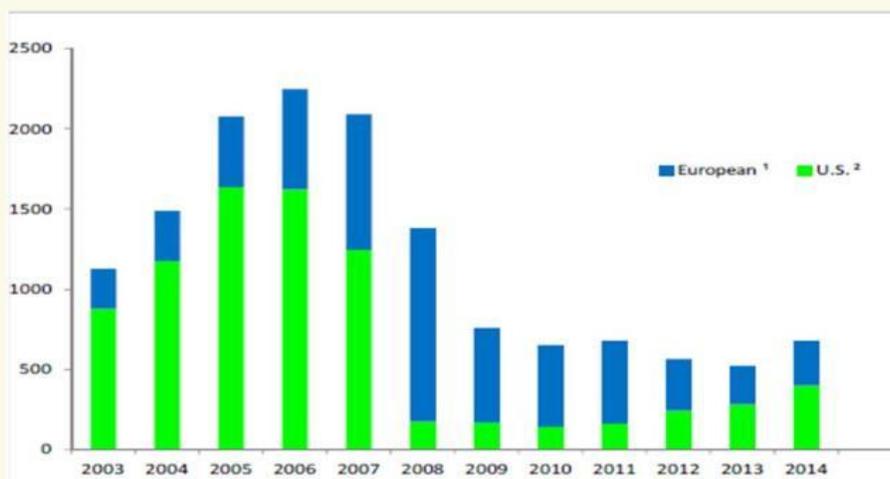
The Capital Markets Union in the Current Context. By <b>David Cleeton</b>	<b>2</b>
<b>Symposium: Lessons from Grexit 2015</b>	<b>6</b>
Introduction to the Symposium. By <b>Miguel Otero-Iglesias</b>	<b>6</b>
The Lesson from Greece? Individuals Matter. By <b>Erik Jones</b>	<b>8</b>
Lessons from Grexit 2015: Gold Standards, Political Bankers, and the Katy Perry Problem. By <b>Mark Blyth</b>	<b>10</b>
Grexit and the Limits of European Political Development. By <b>Kathleen R. McNamara</b>	<b>12</b>
Exit only when the Walls Come Down? The Greeks in the Euro-Trilemma. By <b>Hubert Zimmermann</b>	<b>15</b>
The Unsustainability of the Euro Area's Political System. By <b>Daniela Schwarzer</b>	<b>18</b>
The Grexit Debate: What have we learned? By <b>Amy Verdun</b>	<b>20</b>
<b>External grants and fellowships, Jobs, CfAs</b>	<b>23</b>

## The Capital Markets Union in the Current Context

**By David L. Cleeton (Professor & Chair, Economics Department, Illinois State University; Affiliated Faculty Member, European Union Center, University of Illinois Urbana-Champaign)**

The Capital Markets Union (CMU) project continues to simmer on the back burner as the focus of financial regulation in the European Union clearly remains on resolving the sticking points delaying progress on the eurozone deposit guarantee scheme<sup>1</sup> and the forthcoming implementation of new bank bail-in rules for failed banks<sup>2</sup>. While CMU and Banking Union should prove complementary and eventually work symbiotically to improve the practices within and efficiency of the Monetary Union, the slow progress on both fronts continues to impede the effectiveness of the current paths of ECB monetary policy. A successfully integrated CMU will ultimately prove a primary building block for the long-awaited completion of the Single Market for the EU-28.

### Securitisation Issuance in the US and EU (US\$ billions)



Securitisation issuance in Europe amounted to some €216 billion in 2014 compared to €594 billion in 2007. The issuance level of SME securitisations is only roughly half the amount prior to the crisis (€77 billion in 2007 compared with €36 billion in 2014).

**Source:** International Monetary Fund

A recent example of the complexity of a relatively narrowly defined sector of the CMU is the Securitisation Initiative. On a fast track this initiative is a first-stage policy tool to spur the development of the CMU. It is comprised of two components; a Securitisation Regulation outlining the rules and criteria for Simple, Transparent, and Standardised (STS) Securitisations and an amendment of the Capital Requirements Regulation making capital requirements more

<sup>1</sup> For details see "Brussels defies Germany to unveil plan for bank guarantee fund", *Financial Times*, 24 November 2015. <http://www.ft.com/intl/cms/s/0/7babad28-92a7-11e5-94e6-c5413829caa5.html#axzz3uP8V1Bgy>

<sup>2</sup> For an example of current practice see "Renzi faces political backlash over Italian banks' rescue", *Financial Times*, 10 December 2015. <http://www.ft.com/intl/cms/s/0/cec1f9da-9f4b-11e5-8613-08e211ea5317.html#axzz3uP8V1Bgy>

risk-sensitive and compatible with STS securitisations<sup>3</sup>. Asset-back security issuance has shown at best a mild revival in the post-crisis period, as documented in the graph above.

Here is a clear example of how complex and contradictory policies from banking regulations and capital requirements in particular, procedures governing security issuance and investor protection, and diversification of financing sources produce conflicting priorities. Hark back a decade to the housing crisis which was generated in good part by negligence in understanding basic risk assessments and incentive structures underlying a burgeoning mortgage backed securities market. During the run-up to the collapse of the housing market, access to financing and expansion of the participation of non-credit institutions in funneling financing to the housing sector was not viewed as problematic. In fact, most market participants would have agreed to characterize the ordinary mortgage securitization process as “simple, transparent and standardized”. What lessons have been learned?

The proposal in effect gives an advantage to STS securities issued in the asset-backed securities (ABS) market by freeing up bank capital. But it is unclear whether the magnitude of the subsidy will be sufficient to motivate banks to share the benefits with ABS investors given the need to retain profits in order to boost overall capital. The ABS market may see little net growth or expansion of the shifting of financing from non-credit institutions toward working capital needs of non-financial companies<sup>4</sup>. Furthermore, as pointed out by Nicolas Veron<sup>5</sup>, it is a bad precedent to transform capital requirements built to serve as bank safeguards into a system of economic incentives. Not to mention that efficiently expanding financing opportunities requires maximizing competition, not closing out international financing sources from EU markets.

More recently, the European Commission has released its long-awaited Green Paper on the retail end of the financial services market, entitled “Better products, more choice and greater opportunities for consumers and businesses”. The Green Paper has a primary focus on expanding retail insurance and bank loan options across the Single Market by promoting and expanding cross-border alternatives<sup>6</sup>. Within the Single Market for retail financial services there is much more heterogeneity of products across borders than within a given country. Concerted efforts to expand the opportunities of consumers and businesses to source financial services and products across borders should stimulate more retail competition, information provision, and a larger choice set. Such an environment would also foster greater development of innovative products and technologies and reshuffle the currently static market shares of incumbent financial institutions.

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<sup>3</sup> For a general overview of and supporting documents covering the Securitisation Initiative see:

[http://ec.europa.eu/finance/securities/securitisation/index\\_en.htm#maincontentSec1](http://ec.europa.eu/finance/securities/securitisation/index_en.htm#maincontentSec1)

<sup>4</sup> For additional details of credit expanding opportunities via the ABS market refer to “EU’s Asset-Backed Deb Revival May Stumble on Competing Aims”, *BloombergBusiness*, 1 October 2015. <http://www.bloomberg.com/news/articles/2015-10-01/eu-s-asset-backed-debt-revival-may-stumble-on-competing-aims>

<sup>5</sup> See “U.S. Said to Be Skeptical of EU’s Asset-Backed Securities Drive”, *BloombergBusiness*, 14 December 2015.

<http://www.bloomberg.com/news/articles/2015-12-14/u-s-said-to-be-skeptical-of-eu-s-asset-backed-securities-drive>

<sup>6</sup> For a concise summary of the main points in the European Commission’s green paper on the retail finance market see “Relaunching the European Retail Finance Market” by Sylvain Bouyon and Karel Lannoo (European Credit Research Institute, Commentary No. 20, 15 December 2015). <https://www.ceps.eu/system/files/No%2020%20Retail%20Financial%20Services-0.pdf>

The margin for expanding cross-border retail financial services is very large as demonstrated by the current EU market share of 5% for consumer credit products and 3% for total gross insurance premiums. These captive domestic market positions are ripe for entrants but will rely critically on securing the trust of buyers in understanding the product characteristics, risk exposures, and confidence in the regulatory environment, particularly with respect to disclosures and consumer protection.

It should be pointed out that a successful strategy of expanding cross-border retail financial services would entail increased harmonization of the credit product portfolios across the Single Market to improve the effectiveness of monetary and macro-prudential policies. The increased commonality of credit instrument channels should increase the correlations across the business cycles of Member States, particularly in the eurozone, and improve the ability of the ECB policy instruments to produce more uniform impacts on overall credit markets conditions.

With respect to financial information flows, a significant weakness in the EU's financial regulatory system has been exposed by a new Financial Regulatory Transparency (FRT) Index developed and recently released by Copelovitch, Gandrud, and Hallerberg<sup>7</sup>. The core for the index is constructed around reporting practices of macro-prudential data to major global financial institutions including the International Monetary Fund and the World Bank. The index uses Item Response Theory modeling to estimate a country's latent financial supervisory transparency. Based on a sample of 68 middle and high income nations the index covers the period 1990-2011. Under this methodology nearly all EU Member States record scores near zero: associated with reporting items categorized as easy and simple but failing to report more difficult and complex items. Those who fail even to report easy and simple items obtain negative scores while reporting complex and difficult items results in increasingly more positive scores. The comparative performance of the EU Member States relative to other high income countries is illustrated in the graphs on the following page. Note that no EU nation managed at any point in time to score at or above the level recorded by the United States.

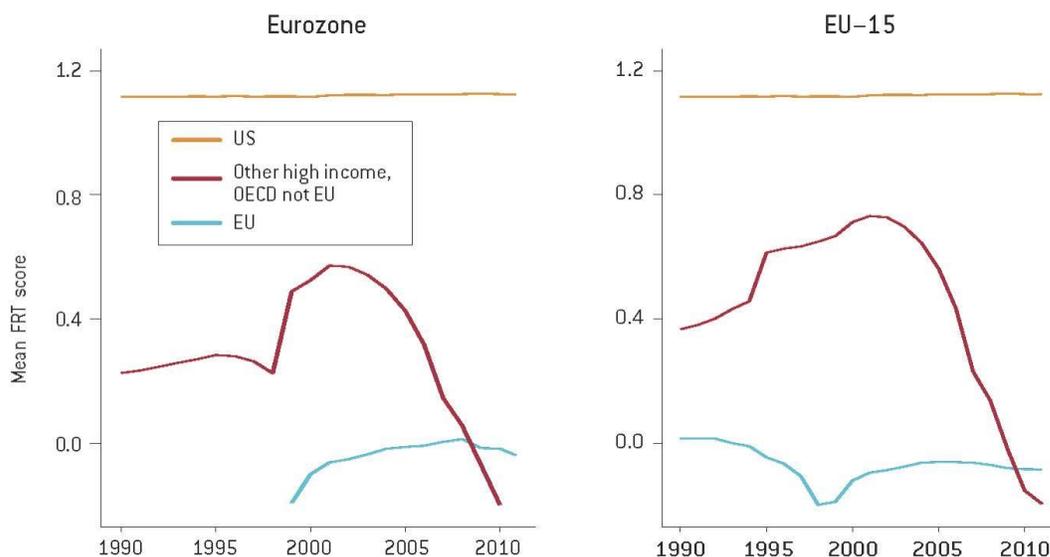
At the European level, combined efforts of the [European Banking Authority](#), the European Central Bank, the [European Insurance and Occupational Pensions Authority](#), and the [European Securities and Markets Authority](#) would be required to significantly improve FRT and thereby aid the development of increased efficiency of financial markets as laid out under required mechanisms of the CMU. Attaining the goal of improved external reporting can stimulate the development of improved internal data gathering systems and methodologies of analysis and distribution. Thus the response to international organizations data requests should inform the future development of informational access for retail financial practices across the Single Market. For a current example of this positive spillover effect see the new European Banking Authority report on cooperation and information sharing between EU and non-EU supervisory authorities<sup>8</sup>.

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<sup>7</sup> See Copelovitch, Gandrud, and Hallerberg (2015). The FRT Index is freely available for download at: <https://github.com/FGCH/FRTIndex>.

<sup>8</sup> See: <https://www.eba.europa.eu/-/eba-identifies-areas-of-improvement-in-the-cooperation-between-eu-and-third-countries>

Mean FRT Scores for EU and Eurozone Members vs. All other High Income Countries



Source: page 6 in Copelovitch, et. al. (2015).

## Conclusion

Slow but steady incremental progress is being made in the outline and direction for the implementation of regulatory changes to lay the foundations for a CMU. Given the complex interactions among the Banking Union, the Single Market in financial services, macro-prudential and monetary policies, and the CMU, there are likely to be many additional future delays and refinements of policy initiatives and regulations. Rather than targeting and reaching a final stage of policy enactment, we should think rather of a continuous process of improvement in which we refine the regulatory system to obtain greater effectiveness for policy tools and more efficient outcomes in the allocation of financial resources across time to better serve the needs of our citizens.

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## Symposium: Lessons from Grexit 2015

### Introduction to the Symposium

**By Miguel Otero-Iglesias (Senior Analyst, Elcano Royal Institute and Senior Research Fellow, EU-Asia Institute at ESSCA School of Management)**

The Grexit Summer of 2015 will be remembered as a key moment in the history of the European monetary union. We were very close, indeed, to see for the first time a member state leave the eurozone. In the run up to the crucial July 12-13 Council meeting, there were three contrasting views on the matter. Those that thought that the eurozone had become robust enough to withstand the exit of a member state, and if anything this exit would deepen the integration of the rest; those that thought that Grexit would be the best option for the Greek people. And then there were those (me included) that believed that if Greece were to leave, the monetary union would immediately become a fixed exchange rate regime that could easily be attacked by speculative forces. In other words, we would soon be in 1992 and the Pound crisis all over again.

Finally, Grexit did not happen. But the experience was intense, frustrating, and for many, traumatic. Thus, with six months of hindsight, I have asked six of my colleagues who have worked on the euro for years (Erik Jones, Mark Blyth, Katherine McNamara, Hubert Zimmermann, Daniela Schwarzer and Amy Verdun) to reflect on these events. There were no precise guidelines for this symposium. My aim was to have gender balance, include scholars based both outside and inside the eurozone, and the only question that we put forward was: What have we learned from the Grexit Summer? Their answers are fascinating, and I will not attempt here to summarize them. Read the texts below. They are all incredibly rich and thought-provoking, and I am grateful to all six (all a source of inspiration in my work) for agreeing to participate.

These are my own reactions. The general view on the future of the euro is perhaps overly pessimistic. Furthermore, as I speculated beforehand, it appears that those that are outside the eurozone (Blyth and McNamara) are more skeptical than those sitting inside the storm (the other four, including Verdun, who has recently been based in the the Netherlands). One wonders why. Does closeness limit the capacity to appreciate the whole picture, or does distance hinder to see the details? Jones, for instance, looks at agency. And this is a very important point. The personalities of Merkel, Tsipras, Draghi and Schäuble were key in the whole process. All four in their own way performed outstandingly. Schäuble pushed the chicken

game between Greece and Germany to the very edge (recklessly considering Grexit as an option), Draghi too (although he was convinced Grexit should be avoided). Tsipras recognized at the end of a big fight that Grexit would be fatal. So did Merkel. I would agree with Jones that the German chancellor was key, and I also doubt whether anyone could have done it better.

Sharp as always, Blyth's metaphor that the Greeks wanted to stay in their marriage while having an affair with Katy Perry (i.e. stay in the euro while getting debt relief) goes straight to the big dilemma that a lot of eurozone member states face. Fittingly, this dilemma becomes a trilemma, in Zimmermann's own simile about the euro marriage. The first option is "a shotgun marriage of partners" which would be some sort of authoritarian federalism. The second option is to respect the will of very divergent national democracies and therefore break up the marriage and the euro (this sounds a bit like Le Pen speech to me). The third option is a happy marriage based on democratic federalism. Alas, that can only happen with the more likeminded and converged core of the eurozone. Yes, indeed, this last option means exits will happen.

Of course, one could think of a fourth more optimistic option. One that involves a European fiscal capacity, democratically legitimized, as suggested by Schwarzer, and with all the eurozone member states involved. Is it possible? It is very difficult to say because the outcome will depend on the social struggles within the eurozone, with France and not Germany as a key player, in my view. Talking about France, I think it is a mistake to look at the eurozone only from a debtor southern vs. creditor northern countries perspective, as done by Blyth, McNamara and Zimmermann. It happens that there are a lot of creditor individuals in the south too, and not only in France. These creditors sitting in Porto, Milan or Sevilla were in favor of Schäuble's hardline with Greece as much as their fellow creditors in Stuttgart or Antwerp. For me, the Grexit Summer showed that there is a pan-European creditor vs. debtor (rightwing vs. left wing, if you want) contest emerging. In this light, the austerity and reform-obliging policies of the Eurogroup, as summarized by Verdun, might just be the democratic reflection of the average European voter, who tends to be mostly conservative *and* a creditor.

This brings me to the question of whether we have gone back to a straightforward intergovernmental eurozone, as suggested by McNamara. When the leaders meet so many times in such short amount of time, and have to take such important decisions jointly, the degree of socialization goes beyond the intergovernmental. Perhaps it is true that the Monet method has reached its limit, but the EU is not the UN. The level of integration is much higher. I agree entirely that, as scholars, we need to make further efforts to conceptually capture the space in between a non-intergovernmental and non-federal eurozone. There is consensus that the current status quo is in the long term unsustainable. The ECB cannot continue to be the "Leader of Last Resort", as Blyth puts it, and Schwarzer laments. The provision of eurozone public goods needs to be done at the European level, by elected politicians.

Ultimately, as McNamara's historically informed work shows, the future of the Euro will be decided by social struggles, and this will be between debtor and creditor countries *and* creditor and debtor individuals. Monetary unions are not constructed on rosy agreements, but rather on

social tension, conflict and violence that ends in more unity – or disunity. The euro will follow the same path. For now, knowing that open conflict around redistribution of resources creates too much tension, the ECB has chosen to solve the conundrum technically and silently. With massive QE the ECB will have one day the option to cancel the sovereign debts in its balance sheet. This is why EMU is not like the gold standard.

In conclusion, for now Blyth can have both a happy marriage and a secret affair with Katy Perry. The big question is what will happen when his wife finds out.



## **The Lesson from Greece? Individuals Matter**

**By Erik Jones (Professor & Director of European and Eurasian Studies, John Hopkins School of Advanced International Studies; Senior Research Fellow, Nuffield College, Oxford)**

European integration is a process that derives from broad social movements. We look for its origins in the terrifying experience of the twenty years' crisis, bookended by two cataclysmic world wars. 'Europe' is not necessarily a rejection of the nation state, but it is an attempt to rescue the nation state from its inherent limitations and vices. It is a forum within which France and Germany can reconcile their differences; Britain can adapt to its relative decline; Southern Europe can find a bulwark for democracy; and Eastern Europe can emerge from communism.

But Europe is made by people and sometimes individuals can play a decisive role. The events of the past summer are a good example. There are many prominent scholars who have tried to cast the Greek crisis as some kind of clash of economic cultures or institutional path dependence gone wrong. Those arguments have merit. But they do not capture the essence of what happened; they fail to explain how Europe came so close to disaster; and they make it harder to anticipate what could still go wrong.

A handful of people made a difference. If we could swap them out and rerun the story, it would probably have a different ending. Consider the role of Mario Draghi, for example. Draghi was not the first choice for European Central Bank (ECB) President. That role went to Bundesbank President Axel Weber. Draghi came into the frame only once Weber indicated that he would not accept the position as ECB President in protest over the ECB's securities markets program. Had Weber made a different choice, European policymakers would not have spent the summer

focusing on Greece because they probably would not have had the long-term refinancing operations or the open monetary transactions that allowed Europe's sovereign debt crisis to drag on past 2012. [And EUSA would have commissioned this forum three years ago with a focus on Italy and Spain rather than Greece.]

We could also swap out Wolfgang Schäuble. Schäuble is important because he has such strong views on moral hazard and the rule-based structure of European macroeconomic policy coordination. We could argue that these are an essential feature of the German economics establishment. Similar views explain why Weber was so opposed to the securities markets program; they explain why ECB Executive Board Member Jürgen Stark resigned his position in 2011 as well. Yet we also know that prominent policymakers close to the SPD have different views. Peer Steinbrück promised not to let the Greeks go bankrupt in February 2009; all Greek Prime Minister George Papandreou wanted twelve months later was for Germany to reassure the markets that commitment remained in place. When it became clear that Schäuble would offer no such support, Papandreou asked for the bailout.

The SPD leaning ECB Executive Board Member who was appointed to replace Stark – Jörg Asmussen – was also more flexible. Asmussen split with Weber's successor, Jens Weidmann, over the legality of outright monetary tractions, for example. Hence it is worth considering whether a German finance minister closer to Steinbrück or Asmussen would have circulated a proposal suggesting that the Greeks be given a 'temporary' exit from the euro.

We could have had different Greeks as well. Imagine if the Syriza victory brought with it a finance minister as bright as Yanis Varoufakis but with better interpersonal and diplomatic skills. Such a person might have won more concessions from the ECB (like and extension of the waiver on eligibility requirements for use of Greek sovereign debt instruments as collateral) or from the Eurogroup as a whole. Life would have been easier for Greece if Eurogroup President Jeroen Dijsselbloem had not felt compelled to threaten the collapse of the Greek banks (as Varoufakis alleges). Even simply not antagonizing Schäuble might have resulted in better conditions. We will never know. A less charismatic and audacious leader than Alexis Tsipras is another plausible counterfactual. A weaker leader would have withdrawn the referendum threat (like Papandreou did) or followed the referendum outcome to its logical (and disastrous) conclusion. I say this not in admiration of Tsipras but rather out of recognition that I never predicted (or could have predicted) that he would successfully navigate the path he has.

A final example is German Chancellor Angela Merkel. It goes almost without saying that she was at the centre of this crisis. It is easy to imagine that things would have evolved differently without her in that role. She managed to hold her coalition together and to rein in her finance minister – all the while winning enough concessions from the Greek government to satisfy other, more recalcitrant, EU member state governments. Her performance was not perfect, but I am not sure who could have done better. I still worry about the consequences had this crisis been allowed to spiral out of control.

This point about individuals is important because all politicians are vulnerable. Merkel managed to hold Europe together during the Greek crisis only to ignite an even larger crisis over migration. She did not create Europe's migration problems – or the war in Syria, the failed stabilization in Libya, etc. – but they did emerge on her watch and how she manages them will make all the difference. The same can be said now for Tsipras in Greece, even with Varoufakis out of the picture. Greece is the point of entry for more than 80 percent of migrants into the Schengen area – roughly 800,000 in the first eleven months of 2015 with even more to follow in the coming year.

Both Schäuble and Draghi will play critical roles in responding to the migration crisis as well. Schäuble is critical because this migration crisis creates fissures in the governing coalition in Germany that Merkel cannot handle directly. Migration also places upward pressure on fiscal spending and so raises new questions about how to interpret European rules. Draghi is important because the ECB has run out of room for maneuver to stimulate European macroeconomic performance. The migration crisis is an adverse shock to business confidence; efforts to respond to the crisis are lowering the efficiency of the internal market. A full-blown political crisis around the migration issue will only make matters worse.

The lesson from Greece is that individuals matter. This does not deny the significance of broad social movements. Anyone looking at the masses walking across the western Balkans or the rise of right-wing populist movements can see that there is change afoot that must be managed. If individuals mattered in the Greek crisis, it is reassuring that they avoided disaster. That will not always be the case. We may soon learn that even well-tested political leaders can fail to rise to the challenge.



## **Lessons From The Grexit Summer of 2015: Gold Standards, Political Bankers, and the Katy Perry Problem**

**By Mark Blyth (Professor, Brown University)**

The core driver of the Grexit Summer was what I termed 'the Katy Perry problem.' Just as Greek citizens wanted an end to austerity and to be a part of the Euro, so I wanted to stay married and yet have a relationship with Katy Perry. Choices in both cases were orthogonal, but in the Greek case, they really thought that they could have it both ways. That they could not is the first lesson of the Grexit summer.

Why the Greeks thought this was possible came down to an arcane relic of the mid 20<sup>th</sup> Century – national conceptions of democracy. After all, every single electoral district in Greece said yes to Europe and no to Austerity ([and they ALL did just that](#)) on the presumption that policy was supposed to reflect the will of the people. So if the people said 'no thanks, tried it, it's awful,' then the policy would change.

That proved to be an erroneous assumption. It's not that other peoples' democracy trumps yours in a multi-state union, [as some argued](#). Rather, it's that peoples' opinions don't matter for eurozone governance because the integrity of the currency and the consequent protection of creditors' interests trumps any expression of popular will about the currency. That was lesson two of the summer.

To see why, remember that once a state is a member state of the eurozone, it joins a [self-imposed Gold Standard](#). Devoid of a currency, you can't inflate your way out of trouble, you can't devalue, you don't want to default (you can, but French and German leaders really didn't want that to happen due to their own banks' periphery exposures and absurd leverage ratios), and so internal devaluation via austerity became the only game in town, justified by the twin nostrums of state 'overspending' and 'declining competitiveness,' [neither of which](#) were [true](#).

Greece was the poster child for austerity and indeed they were made to be austere. GDP fell by over a quarter, unemployment rocketed by as much and stayed there, while public debt exploded as GDP contracted – by over 40 percent - in comparison to the mere 4 percent increase in government debt over the period 2000-2007. By 2013 [even the IMF](#) was calling time on these policies as being inherently self-defeating. And yet they continued.

The surprise to me was that it took until 2015 for the Greek people to cry "arketá" and demand a change in policy. But with whom does one negotiate when the 'institutions,' despite the evidence of their own research, continue to insist on repayment despite the evidence? The answer to that question is the third lesson of the summer. Negotiations are irrelevant when the ECB controls your banks.

The [decision by the ECB](#) to freeze Emergency Liquidity Assistance to Greek banks on June 26<sup>th</sup> 2015, which built upon their prior refusal to accept Greek debt for routine liquidity operations four months earlier, stood in complete contradiction to its mandates ([article 127 of the Lisbon Treaty](#), and [Article 3 of the Treaty of European Union](#), for example) to maintain smoothly running payments systems and support economic cohesion. It also had the effect of rationing the cash ordinary Greeks had access to until they agreed to more austerity, not less, as the price of staying in the Euro.

Not only was this a clear example of a supposedly independent and technocratic institution acting as the explicitly political *Leader* of Last Resort as one could get, it also flew in the face of its actual role as the EZ's role as its *Lender* of Last Resort. As [Martin Sandbu](#) in the *Financial Times* put it, since central banks cannot by definition suffer liquidity risk, to force such risk upon a member state's banking system requires definite political choices. So why did the ECB act in

this very political way? Because the specter of redenomination risk and contagion risk raised its head again in the summer of 2015, once again [threatening the Euro](#) and those holding Euro denominated assets. [As I argued at the time](#), since 2010 EZ member states have spent over \$200 billion bailing out their own core banks exposures to Greece, using Greece as a conduit for doing so. And despite putting as much of that private debt into shielded public hands via later debt swaps and restructurings as one could, Greece was once again threatening the integrity of the currency. That had to be stopped, and it was.

There's a bit here that is commonly missed. Back in January 2015 the ECB decided to do a [full-scale QE program](#), which meant buying lots and lots of government bonds. Under QE, the determinant of a bond's yield shifts from the market to the central bank as the buyer of first resort. As such, under QE, the risk of contagion falls away since there is no mechanism to spread risk from bond to bond and from market to market since the ECB can simply decide to buy the lot and compress the yield. But 'buying the lot' was precisely what the ECB didn't want to do for Greece, since that would have been tantamount to debt forgiveness, which is what the Greeks wanted and the Germans, in particular, refused. The result was a standoff fought out via liquidity to the Greek banking system. And since the ECB has unlimited liquidity and the Greeks have no printing press, there was only ever going to be one winner. So democracy failed as the Central Bank ruled. That's the final lesson of the Grexit summer of 2015.

But what about the Katy Perry Problem? Sadly, it's still with us. Greece is not alone in wanting an end to austerity while maintaining membership of the Euro. [Portugal looks likely to make the same demand soon](#). [Italy may be next](#). In March 2015 I argued that Greece would be out of the Euro by the summer of 2015 - and an entire ballroom of Europeanist academics at the EUSA conference gasped in disbelief. Yet by July 2015 they were out. But only briefly, and only after being dangled over the ledge by the ECB until they squealed and were brought back in. Whether such a politics works on the next round of the Katy Perry Problem, and the one after that, remains to be seen.



## **Grexit and the Limits of European Political Development<sup>9</sup>**

**By Kathleen R. McNamara (Professor, Georgetown University)**

Beyond its devastating impact on the people of Greece, the ongoing Greek debt crisis has revealed how the key dynamics that animate the European Union today are fundamentally

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<sup>9</sup> This essay expands on Kathleen R. McNamara, "A Less Perfect Union: Europe After the Greek Debt Crisis," ForeignAffairs.com (19 July 2015).

different from those of the past — and suggests both our theories and the policy prescriptions that flow from them need significant updating. Understanding how the Greek crisis will affect the future of the EU requires first examining the sources of European integration and recognizing how today's Europe is not likely to be able to be sustained under those terms.

Traditionally, the first driver of European integration was what scholars like Stanley Hoffmann conceptualized as intergovernmentalism, the series of high-level negotiations resulting in a half-dozen complex treaties over the EU's first decades.<sup>10</sup> In this intergovernmentalist process, the Franco-German engine of political cooperation, with Germany's chancellor and France's president working hand in hand, was the crucial determinate of the path of European integration. Balancing each other's differing economic and geopolitical positions, Franco-German leadership over the past decades allowed for the effective management of different national preferences and visions for the EU. It was these grand bargains across the EU, managed by France and Germany, that set the blueprint for the EU as a political actor, from the 1958 Treaty of Rome (which established the European Economic Community) to the 1992 Maastricht Treaty (which created the euro) to the 2009 Treaty of Lisbon (which upgraded the EU's foreign policy presence). The treaties extended the EU's policy capacities, reorganized its institutions and actors, and enlarged the union to encompass 28 states beyond the initial core of six. The treaties were negotiated by accountable, elected national leaders and often approved by national parliaments or in public referenda.

The second track for the EU's evolution has been the low-level, incremental institutional development first theorized by scholar Ernest Haas's "neofunctionalism."<sup>11</sup> Here, the slow Europeanization of national rules and programs gradually transformed what was previously national governance into EU governance. In this track, governments were not the primary actors; instead, the so-called eurocrats, in partnership with national bureaucracies and societal groups, generated the specific rules and programs to carry out the overall objectives of the treaties, creating a web of institutions and practices across Europe. From traffic laws to food safety, from healthcare rights to Internet privacy, the EU increasingly and intrusively has come to shape public and private life in its 28 member states and beyond, in no large part because of the dynamics of neofunctionalism. The democratic legitimacy of this driver of integration rested on the notion of technocratic expertise and the neutrality of law, which in its ideal form treats all Europeans the same.

But, as the EU has taken on even more ambitious projects such as the single currency and been challenged in profound ways by the refugee crisis, it has become clear that these two tracks offer too shaky a foundation for the current and future European project. The eurozone crisis in particular has highlighted the limits of both intergovernmentalism and functionalism as ways of governing (and of theorizing). It also showcases what I have argued is better understood as the

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<sup>10</sup> Stanley Hoffmann, 'Obstinate or obsolete? The Fate of the Nation State and the case of Western Europe'. *Daedalus*. Vol 95/3 (1966): pp 862-915.

<sup>11</sup> Ernest Haas, *The Uniting of Europe: Political, Social and Economic Forces, 1950-1957* (Stanford University Press, Stanford, CA, 1958).

'incomplete political development' of the union.<sup>12</sup> Simply put, the endless summitry involved in trying to resolve the Greek crisis is necessary, governance through intergovernmental bargaining is no longer sufficient as a legitimate basis given the deep and intrusive nature of EU governance today. The eurozone crises and the refugee crisis have both exposed the shaky institutional and social foundations for initiatives such as the euro, or Schengen, where pooling of sovereignty has not been fully matched by the political development to support it.

We can see this in how the eurozone negotiations on such issues as redistribution and the collectivization of debt form a striking contrast to the way such policymaking occurs in a national setting. The one-off, intergovernmental negotiations over the terms of financing of the eurozone crisis have produced a highly politicized debate over whether the rich northern European states should help out the "profligate" southern ones.<sup>13</sup> In contrast, in the United States for example, when one region or state is suffering, there is a collective social safety net that will automatically, without debate, provide a shield from the harshest effects of the crisis, whether in the form of food stamps, Social Security, Medicaid, or other entitlement programs. Debt is mutualized in the U.S. Treasury bills. The EU has no equivalent EU-wide eurobond. When the funds were distributed from the massive American Recovery and Reinvestment Act of 2009 to stimulate a broken U.S. economy, they were apportioned according to a formula that was hidden from the average voter. Public infrastructure projects, energy and education funds, the unemployed, and the elderly all got stimulus money, but the public debate centered on whether the United States should spend the money as a whole, not on how it was to be distributed. The historical development of the EU, with high-level intergovernmental negotiations on the one hand and low-level incremental functionalism on the other, has not produced the institutional mechanisms and 'imagined community' to support a political community seeking to navigate through hard times.

The dream of a post-national, cosmopolitan political community, once arguably the goal of the EU, is now at stake. It has been seriously damaged by the perfect storm of a devastating transatlantic financial crisis, an inadequately designed eurozone, a clientelistic Greek political economy, a Germany unwilling to bend to keep the eurozone together, and a France unable to play its historic role balancing Germany. When added to the humanitarian disaster of the refugee crisis, the events of the past months have turned the EU away from its role as a political entity with a shared collective purpose and back into its role as a straightforwardly intergovernmental negotiating body, with fears of moral hazard and financial contagion trumping European ideals.

Yet the EU is not collapsing, and, no matter what happens to Greece and the eurozone, the EU's institutions, laws, and policies will remain in place for the foreseeable future. But the perception that Germany made a brute power play to force Greece to accept devastating bailout

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<sup>12</sup> Kathleen R. McNamara, "Forgotten Embeddedness: History Lessons for the Euro" in Matthias Matthijs and Mark Blyth eds, *The Future of the Euro* (Oxford University Press, 2015).

<sup>13</sup> Matthias Matthijs and Kathleen R. McNamara, "The Euro Crisis' Theory Effect: Northern Saints, Southern Sinners, and the Demise of the Eurobond," *Journal of European Integration* 37/2 (2015): 229-245.

terms in exchange for euro membership has unleashed a backlash against that country and deepened cleavages between northern and southern Europe. In the process, the Greek negotiations have unwound the willingness of many EU citizens to join their political fates together, a commitment that constituted the heart and soul of the European project. The result is a less cohesive Europe, one that is unwilling to act in the world as a single unit and thus less able to address the continent's key challenges: economic stagnation and unemployment, the influx of political refugees, and political instability outside its borders. More broadly, the Greek debt crisis has demonstrated once and for all the fragility of a polity that does not rest on robust institutions and norms of legitimate democratic governance.

What I have called 'Everyday Europe'—the layering of laws and institutions that profoundly shape the cultural life of EU citizens and those beyond—will persist.<sup>14</sup> The deep roots of the EU have reshaped Europe's terrain irrevocably. But the events of the past months have made a mockery of the EU's innovative community. For a time, it seemed that an almost unimaginable Kantian "zone of perpetual peace" had been established in Europe, as national power politics gave way to the spirit of collective governance. No longer. For the millions that have lived under a free, stable, prosperous, and ever-expanding Europe, the divisions exposed during the Greek crisis represent a devastating turn of events. The question is whether the EU's political community can once again reinvent itself to face these demands. Our ability to parse out answers will be strengthened if we draw from the comparative historical study of political development and state formation.<sup>15</sup> Only then can we fully appreciate the institutional, cultural, and political deficits facing the EU today—and how to fix them.



## Exit only when the Walls Come Down? The Greeks in the Euro-Trilemma

By Hubert Zimmermann, Professor, Philipps University Marburg

Membership in the Euro has an uncanny similarity to marriage. It is quite easy to walk down the aisle if you are able to present a solid economic background and utter a credible vow of commitment. But it is fiendishly hard, and possibly ruinously expensive, to get out of it. That is one of the most striking lessons of the drama that engulfed the eurozone since late 2009, and

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<sup>14</sup> Kathleen R. McNamara, *The Politics of Everyday Europe: Constructing Authority in the European Union* (Oxford University Press, 2015); Kathleen R. McNamara, "Imagining Europe: The Cultural Foundations of EU Governance," *Journal of Common Market Studies* 53 (2015):1-18.

<sup>15</sup> Stefanie Börner and Monika Eig Müller, eds. *European Integration, Processes of Change and the National Experience* (Palgrave Macmillan, 2015); Kathleen R. McNamara, "Constructing the EU: Insights from Historical Sociology," *Comparative European Politics* 8 (2010).

that escalated to unheard of levels after the 2014 general elections in Greece produced the first far-left government ever in a euro country.

After a campaign based on the rejection of austerity policies and the regaining of economic sovereignty for Greece, the Syriza government of Prime Minister Alexis Tsipras evoked enthusiasm among the many progressive critics of the euro rescue measures. Their hope was that a coalition of dissatisfied states would now be able to reverse the strict programs of fiscal consolidation and supply-side reforms that dominated the European response to the crisis and that had led to wide-spread economic distress. Secretly, some conservative euro-sceptics might have welcomed the Syriza victory, too. It conjured up a tantalizing prospect: in order to carry through his rebellion against a mighty die-hard coalition of fiscally orthodox Northern governments, Tsipras would eventually not only have to credibly threaten exit but also follow through on it. And thus this core group of euro states that the fathers of monetary union had imagined as the normal outcome since the first debates on a common currency and that Germany's finance minister had propagated in a famous paper two years after Maastricht would have come one step closer.

The hopes of both the anti-austerity crusaders and the sceptics of a large eurozone foundered. Although an exit of Greece seemed close in the weeks after July 5, 2015, when the Greek population, encouraged by the Tsipras government, delivered a resounding "Oxi (No!)" to the latest bailout terms, it did not happen. Instead a bargain was struck that left nobody happy. Obviously, there is something in the euro that resists the unsentimental calculations of economists wedded to OCA theory or political scientists drawing up the contours of incompatible varieties of capitalism. It is quite easy to find explanations for that. First, taking the political gamble to take a country out of the euro requires politicians with a penchant for political suicide. Everybody agrees that, whatever scenario unfolds in case of an exit, there will be temporary chaos before things might take a positive turn. This temporary chaos would be weathered by mobile capital much better than by the typical clientele of a leftist party and by most ordinary citizens. Second, the euro has always been a powerful symbol of successful participation in a European Union which, despite everything, represents one of the most attractive socio-economic models in the world. Popular opinion in Greece never favored a Grexit, reflecting this fact. Third, uncertainty is a powerful deterrent in politics. Greece as well as its partners shied back from the incalculable.

Does that mean that a Grexit (or Cyprexit, Porexit, Itexit, etc.) is well nigh impossible? Not at all, in my opinion. The major reason is that the democratic nation-state is not yet finished in Europe, not even close. But that is exactly what a truly working euro requires. The common currency results in incessant functional pressures towards integration. Enthusiasts of the euro had exactly this hope; most others sought (and still seek) to prevent the inherent automaticity of negative integration in monetary and fiscal policies. The renunciation of political union at and since Maastricht, the no-bailout clause, the flexible growth and stability pact, the super-independent, no-state-financing ECB were all devices to preserve the autonomy of those who wanted to avoid a transfer union and those who wanted to avoid a teutonic eurozone. All these defensive mechanisms crumbled during the crisis and led to further, though not yet sufficient, integration.

What this amounted to was, to stay metaphorically in the realm of human liaisons, a kind of shot-gun marriage of partners that had originally planned to keep it rather non-committal. In

the past five years, the “remorseless logic of the euro” (George Osborne) unmasked this relationship in which all options were kept open as the illusion it always was. Instead of becoming alike, the partners diverged. Changes to their political economies that had been on path-dependent trajectory since centuries turned out to be extremely hard to achieve. But they were stuck together forced by their child, the euro, which, short of rekindling and perpetuating their love led to nasty conflicts about the responsibility to change the diapers and bear the cost of feeding it and cleaning up the mess.

The problem is that the eurozone finds itself in a trilemma of large membership, convergence and legitimacy in which it can satisfy only two of these objectives. One of them has to be sacrificed in each of the following constellations:

1) A sufficiently large eurozone (which would be most effective and logical if it encompassed the whole common market) can achieve the necessary high and speedy degree of convergence only if it short-cuts democratic procedures and imposes technocratic solutions through common institutions that are capable of forcing radical changes in political economies characterized by change-resistant historical equilibria in state-market relations. Redistribution might also be unavoidable. The legitimacy of these policies, however, is very dubious, as taxpayers in creditor states have not been (and will not be) asked whether they agree to this, and citizens in debtor states have been asked only once whether they want the required radical reform of their political economy, and when they said NO, their government went ahead anyway.

2) A large eurozone which places emphasis on legitimate governance **and** on the preservation of national autonomy (i.e. allowing policies that are incompatible with the euro, if these are desired by national populations, parliaments or governments) has to give up on deep integration and it has to sacrifice forced convergence. The euro will not work in that case, as member states can pursue a wide range of different policies.

3) A eurozone with strong convergence as required by a common currency **and** sufficient legitimacy needs to give up on enlargement. The Union has to be limited to a small, coherent group of countries in which most parts of the population are ready to accept the relatively small changes that are necessary. The more similar the core patterns of the political economies of participating countries are, the less intrusion from the outside will be necessary to fine-tune them for the sake of convergence.

In the end it might be this option that is the most painless. The eurozone needs to find ways to manage an orderly exit. In fact, experienced spouses will tell you that it is imperative to write such clauses into the marital contract right away.



## The Unsustainability of the Euro Area's Political System

**By Daniela Schwarzer (Senior Director for Research, German Marshall Fund, Director of the Europe Program and the Berlin office)**

While the Greek case bears many learnings for economic and fiscal policy and the timing and design of financial aid, it also provides insights into the malfunctioning of the current decision-making in the euro area. In particular, the political developments in Greece of the year 2014/15 have demonstrated that the political system of the euro area is not sustainable.

First of all, one can observe an alienation of voters with their government's policy choices and with the European Union, both in donor and recipient countries. Critics in Greece blame the euro and the interference of European institutions or other governments for their suffering. Difficult economic and social conditions have generated resentment between EU countries and against the EU. Likewise, national tax payers in Germany struggle to understand why they should agree to new rescue packages and a debt relief if another country is not playing by the rules everyone agreed to. These perceptions are part of the reasons why right-wing populists and nationalist left-wing parties in several member states advocate an exit from the euro, and more broadly a repatriation of competencies from the European to the national level. The claim is also being made that national parliaments are the true sources of legitimacy and the best venue for democratic decision making.

If one believes that giving up the euro and dismembering the European Union is the right way forward, then renationalization and repatriation may be a good answer. If one thinks, however, that global interdependencies, global economic, financial and political power shifts, and limited resources mean that member states have lost the capacity to meaningfully determine their fate alone, then the EU actually needs to be stronger. In this case, democratic decision-making on the European level may need to be strengthened to stop the erosion of legitimacy in European policymaking.

The EU system was built on a system of negotiations between national democracies, leading to compromise, which is often the lowest common denominator. Only determined political leadership from national capitals and often supranational institutions can bring about more ambitious European decisions. For decades, this has worked. Today, there is growing evidence that this may no longer be the case – and one of the reasons is the euro and the constraints and needs for joint action which a single currency imposes, in particular in times of crises.

With the single market and the euro, decision-makers have created public goods that affect all European citizens. They go far beyond the four liberties of the single market and the single currency. Today, not only inflation, but also financial stability, growth, and, as a consequence, employment are public goods in the euro area. With a single currency and monetary policy, these public goods can best be provided by joint decisions on the EU level which are taken by

policy-makers with a keen interest to improve overall euro area developments. If this is not the case and a number of national decisions, in addition to some European decision making, accumulate to a de facto policy stance, then the provision of European public goods is a side effect of national decisions that may follow logics that do not help optimize the situation for the euro area. There are strong arguments that, if public goods exist in a monetary union, European citizens together should be able to determine the large orientation of policies that affect them all.

One example is financial stability. The Greek liquidity or banking crisis destabilized other member states, as well as the euro area altogether. Under this pressure, a mechanism was designed that provides liquidity to governments and banks, based on national contributions and guarantees. National taxpayers' money has been used to help other member states. Although this financial aid also considerably helped banks of the major donor countries, it has proven difficult to communicate to the public that this not only benefits the recipient country, but the euro area as a whole – and with it the donor country.

At various points in the crisis with Greece, it was not entirely sure which volume and timing of financial aid donor governments, and with them national Parliaments, would consent to. These moments, and the assessment that not extending financial aid could lead to a very serious destabilization of the whole currency zone, showed that it is no longer sustainable for national parliaments or referenda to act as veto players and endanger the existence of European public goods. The current system has encouraged political polarization and a loss of trust, and hurt overall economic prosperity. The existing rescue mechanisms require European resources and European decision-making on how to spend them.

Another example is a country in an internal market that also shares a single currency. For this government, it is hardly possible to implement an expansionist macro-economic policy. If such a policy is chosen, the costs (in terms of deficits and debt) lie with the government, while the effects spread across borders and stimulate demand in neighboring countries. At the same time, the introduction of the single currency and the integration of markets means that the externalities of one government's irresponsible decision are felt by the others. This is why a complex system of rules and surveillance mechanisms has been devised. These are not only supposed to limit negative spill-over effects, but also to contain negative impact on public goods. While this part of the euro areas governance structure may need some adjustment in terms of objectives and process, the more fundamental issue is the lack of it being grounded in democratically legitimate structures.

But with the monitoring and controlling of decisions of national governments which affect citizens in other member states, the problem is question of the provision of public goods is still not solved. Whether and what more needs to be done is reflected in the intensifying academic and political debate on whether the euro area needs the capacity to actually provide the public

goods that come with the creation of the single currency in a more efficient and democratic fashion. A euro area fiscal capacity with various possible functions is hence considered.

Today, budgetary policy remains under the control of national governments, but these only represent partial interests and can never speak on behalf of the whole euro area. If we were to move ahead with the creation of a fiscal capacity for the euro area, we would also need to install democratic decision-making structures on the European level.

But this does not equal the creation of a full European federation. Only where European public goods are affected would the geographical spread and the decision-making level need to be aligned. In other areas, compromising between national positions can continue to be the norm. In some areas, a repatriation of certain competencies may be an option. But either way, the Greek case has shown the limits of leaving the authority for European public goods to national governments alongside the European Central Bank.



## **The Grexit Debate: What have we Learned?**

**By Amy Verdun (Professor, Jean Monnet Chair Ad Personam, and Director of the Jean Monnet Center of Excellence, University of Victoria)**

It is a real privilege to contribute to this special issue of the European Union Studies Association (EUSA) newsletter of the Political Economy Section, which Erik Jones and myself set up in September 2000 and presided over until spring 2005. This group has typically been very keen to learn all about the interaction between economic and politics of the European Union (EU). Surely there can hardly have been a more timely issue in the past few years than the whole Grexit question. Let's have a look at what caused the situation, the unfolding of the crisis, its solution, and what we learnt about it.

Willem Buiters, of Citi bank, coins the term in February 2012 when he uses it to describe the possible phenomenon that Greece would have to leave the euro. At this time he estimates the chance of a Grexit at 50-50. This situation emerges because of ongoing difficulties in Greece in refinancing its sovereign debt and the increasing duration of the negotiations in the EU to decide whether or not to assist Greece in either refinancing or bailing it out, and if so, under what conditions. The situation was further aggravated when German Chancellor Angela Merkel indicated that Greece could leave the euro. Changing domestic politics with rogue politicians in Greece coming to power also added to the difficulties.

This past summer the prospect of Grexit hits another climax when negotiations took place for the third bailout for Greece. Up until 13 July 2015 it seemed that a deal was difficult to find, once again increasing the perception that Greece might have to leave the euro if no solution was found. Why was this situation so difficult, and has Grexit been avoided?

When a new Greek government comes into power, in October 2009, and announces that the budgetary deficit is twelve percent instead of close to six percent, as the previous government had reported, the world is in for a rocky ride. The phenomenon was surprising because the credit ratings had not picked up on it and the deficit was so much higher than previously announced. The credit ratings took their time to respond and also financial markets initially did not penalize Greece. Subsequently, as is well-known, the Greek economy has gone on a rollercoaster ride and the situation ended up in nightly meetings of the EU heads of states or governments needing to find ways to assist Greece.

Why was the Greek crisis so difficult? First of all, during the run up to the third stage of Economic and Monetary Union (EMU) in the late 1990s, the convergence criteria were used to determine which countries were ready to join the euro area. Even during the 1990s it was clear that divergence would remain among member states' performance on public debt. Member states with higher-than-average debt were supposed to be working towards reducing their debt and doing so consistently over the period. However, the accumulated debt was seen as something that individual governments had less control over, and thus the agreement in practice was to concentrate in particular on the deficit criterion. Yet even then there had been suspicions that some member states had massaged their public finances so that they seemed to be meeting the convergence criteria. If there was an appearance of imperfect national statistics – they were not checked. At this time it seemed there was a sense that national statistics were a matter of national sovereignty and not a matter of the rule of law or clear European rules. Back in the late 1990s the EU did not yet have the authority to check the statistics of participating EMU countries (something which has since changed). In fact, many countries initially might have thought that EMU would take off with a much smaller base. So allowing member states to be creative in meeting the convergence criteria damaged the reputation of EMU but also some member states, notably Germany, may have had reservations about various member states' readiness for EMU – in particular Greece.

We now review the period that Greece started to indicate its extensively higher percentage of budgetary deficit. Why was it a problem that the Greek government reported a budgetary deficit of more than 12 % (and later Eurostat found it more than 15%) and that its public debt crept up, too? The answer is twofold. On the one hand, Greece was blatantly violating the budgetary deficit rules spelled out in the Stability and Growth Pact (SGP) and by a much larger margin than anything that had happened before and also would probably not be able to refinance its debt and thus needed the support from the EU and its member states. On the other hand, as mentioned, the EU member states, and in particular Germany, had been concerned all along that EMU might have started with too many countries, and that not all of them were ready to meet the rules. Suspicion had been cast on Greece (and a few other

countries) back in the 1990s. And it only seemed reasonable, from a German perspective, that not assisting right away would be one way to deal with any free-rider (or moral hazard) problems. Furthermore, given the way Greece dealt with its public finances, but also what was known about Greek government and bureaucracy, few leaders were keen to assist Greece right away. Especially the German Chancellor, Angela Merkel, felt unable to commit support to Greece without first demanding structural changes internally to Greece, mostly in how it administers taxing and spending. It was felt that the Greek government was too bureaucratic, clientelistic, that too many people were receiving funds from the state and that too few were paying into the system (i.e. paying taxes). There was little understanding about how this hesitation to assist Greece could aggravate the problem. The result was a big stalemate. In the midst of it all Greece had elections that led to a big win for the left-wing party, Syriza, which led to a rogue government that sought to negotiate hard with the European partners.

Over time, with the various bailout packages and emergency funds made available to Greece, there were demands for structural reforms. The outcome of the whole situation was that unemployment skyrocketed, with youth and long-term unemployment particularly high, and the economy collapsed, leaving the Greek economy contracting severely during this time. The political parties in government played up the difficulty, and often played out a two-level game whereby they put the situation to their people and asked them for another mandate by calling for either elections or a referendum. The result was that the government was pretty clever during most of this period. The EU's conundrum is that it did not have enough solidarity or governmental or institutional capacity to deal with the Greek crisis; and although there was a strong feeling of needing Greece to stay in the euro area, the other EU heads of states or government did not want to feel as if they were taken hostage by any member state (such as, here, Greece).

Has Grexit been avoided? It may be too soon to say. The package of mid July 2015 definitely stopped the widespread speculation of Grexit. Clearly it might still come up when there is another crisis in Greece to refinance their sovereign debt. More concerning is probably the very big difference between rich and poor; but also the fact that the calls by the Commission, European Central Bank (ECB) and Member States with a view to restructuring seems not to have had much success in cutting youth or long-term unemployment or increase economic growth. For now, the Grexit winds have blown over. But they might not have fully died down.



## External Grants & Fellowships

### Visiting Scholars Program, Minda de Gunzburg Center for European Studies, Harvard University

Every year, the Center is pleased to host a number of Visiting Scholars from the US and abroad. The Center welcomes applications from post-doctoral social scientists and historians who are working on modern Europe. **Application deadline: 15 January 2016.** More info: [https://ces.fas.harvard.edu/#/visiting\\_scholars](https://ces.fas.harvard.edu/#/visiting_scholars).

### Guggenheim Foundation Dissertation Fellowships

In addition to the foundation's program of support for postdoctoral research, ten or more dissertation fellowships are awarded each year to graduate students who can complete the writing of a dissertation within the award year. These fellowships of \$ 20,000 each are designed to contribute to the support of the doctoral candidate to enable him or her to complete the thesis in a timely manner and are only appropriate for students approaching the final year of their Ph.D. work. **Application deadline: February 1, 2016.** More info: <http://www.hfg.org/df/guidelines.htm>.

### Fritz Thyssen Foundation Scholarship

The scholarships are intended for junior researchers, generally one to two years after they have received their doctorate. No scholarships are awarded for doctoral dissertations or postdoctoral theses. **Application deadline: mid-February 2016.** More info: <http://www.fritz-thyssen-stiftung.de/funding/types-of-support/?L=1>

### BA/Leverhulme Small Research Grants

Grants are available to support primary research in the humanities and social sciences. The first recourse for funding should be to your own institution (where applicable). Applications will not be considered for less than £500. The maximum grant is £10,000 over two years. Applications for collaborative or individual projects are equally welcome under this scheme. Applications from international groups of scholars are welcome, provided there is a UK-based scholar as lead applicant. **Application deadline: May 2016.** More info: <http://www.britac.ac.uk/funding/guide/srg.cfm>.

### Humboldt Research Fellowship for Experienced Researchers

Submit an application if you are a researcher from abroad (not from Germany) with above average qualifications, completed your doctorate less than twelve years ago, already have your own research profile and are working at least at the level of Assistant Professor or Junior Research Group Leader or have a record of several years of independent academic work. A Humboldt Research Fellowship for experienced researchers allows you to carry out long-term research (6-18 months) in Germany. Applicants choose their own topic of research and their academic host. The fellowship is flexible and can be divided up into as many as three stays within three years. The fellowship is worth €2,450 per month. **Application deadline: rolling.** More info: <http://www.humboldt-foundation.de/web/1710.html>.

**ERC Starting Grants**

These grants aim to support up-and-coming research leaders who are about to establish a proper research team and to start conducting independent research in Europe. The scheme targets promising researchers who have the proven potential of becoming independent research leaders. Funding per grant: up to € 1.5 million (in some circumstances up to € 2 million). More info: <http://erc.europa.eu/starting-grants>.

**North American Guest Lecturers hosted at German Universities**

This program serves to strengthen the internationalization of the educational experience for scholars, host institutions, and students by welcoming educators from North America to university campuses in Germany for guest lectureships. The advent of international degree programs, as well as the distinguished traditional curricula at German universities, *Fachhochschulen*, and arts colleges, provide myriad opportunities for professors from Canada and the United States to contribute their topical expertise and teaching methods. The lack of restrictions on disciplines and subject matter makes this one of DAAD's most dynamic programs; and it follows that courses may be taught in English, French, or German.

**Application deadline: 15 July 2016.** More info: <https://www.daad.org/visitingprofessor>.

The **Bremen International Graduate School of Social Sciences (BIGSSS)** invites applications to its Ph.D. program. BIGSSS is an inter-university institute of the University of Bremen and Jacobs University Bremen and is funded by the German Excellence Initiative. The program provides close supervision of dissertation work in a demand-tailored education and research framework. Fellows are expected to choose Bremen as their place of residence. BIGSSS is part of an international network of highly acknowledged graduate programs. It supports doctoral fellows in achieving early scientific independence and provides funds for the conduct, presentation, and publishing of their research. The language of instruction is English. Applications must be submitted online under "Admissions" at [www.bigsss-bremen.de](http://www.bigsss-bremen.de).

**Application deadline: February 15, 2016.**

**Jobs****MacEwan University**

The Department of Anthropology, Economics and Political Science in the Faculty of Arts and Science at MacEwan University invites applications for a full-time probationary appointment in political science at the rank of Assistant Professor, commencing July 1, 2016, subject to final budgetary approval. Candidates must have expertise in comparative politics. A focus on European politics and/or public policy would be an asset. Only applications received electronically will be considered. **Application deadline: February 1, 2016.** To apply, go to <http://www.macewan.ca/careers> and select the job posting.

**Universidad Carlos III de Madrid**

Two positions for full-time tenure track Assistant Professors in Political Science. We invite junior candidates with a PhD degree from 2010 up to 2016 and have verifiable research experience in Political Science (preferably Comparative Politics, International Relations, or International Political Economy). They should be able to teach introductory and advanced Political Science courses in English during their contract period. In addition, the ability to teach quantitative

methods related courses will be valued positively. The candidates may be requested to teach in Spanish after the third year of the contract. Interested candidates should send the following documents (cover letter, cv, two letters of reference, one publication) by email to the Secretary of the Department, Esperanza Castro ([ecalonso@pa.uc3m.es](mailto:ecalonso@pa.uc3m.es)). **Application deadline: January 10, 2016.**

### University of Zurich

Assistant Professorship with Tenure Track in Comparative Politics and Democratization. The position is located in the Department of Political Science. The position should be filled by February 1, 2017. After two temporary three-year contracts the position will become tenured on the condition that the candidate passes the evaluation process. Candidates should demonstrate the potential to develop an internationally recognized research track record in comparative politics, with a specialization in one of the following subfields: democratization of autocratic states, consolidation of new democracies, democratization of nation states, democratization beyond nation states, measurement and analysis of the quality of democracy. **Application deadline: January 24, 2016.** Details on the application procedure are available on [www.phil.uzh.ch/jobs.html](http://www.phil.uzh.ch/jobs.html).

## Calls for Papers

### University of Bern (Switzerland)

This two-day workshop, to be held Wednesday, 27 April and Thursday, 28 April 2016 at University of Bern (Switzerland), looks for presentations of papers that are in various stages of development to a group of scholars, practitioners, policy-makers and advanced PhD students on themes broadly related to multilayered migration governance. Paper proposals of maximum 800 words are invited for submission. Proposals should be simultaneously sent to Marion Panizzon ([marion.panizzon@oefre.unibe.ch](mailto:marion.panizzon@oefre.unibe.ch)) and Philipp Hanke ([philip.hanke@oefre.unibe.ch](mailto:philip.hanke@oefre.unibe.ch)) no later than **23 December 2015**. Please note that there will be no registration fee for this workshop. Applications from PhD students and early career researchers are encouraged. Speakers will be expected to pay their own travel expenses to Bern but the host will partially cover accommodation as far as possible, and most meals during the conference. Link to the call for papers: <http://nccr-onthemove.ch/events/multilayered-governance-more-coherence-for-the-international-migration-regime/>.

### Queen Mary University of London

Join us in London for a three-day interdisciplinary conference ( 5-7 September 2016) covering all aspects of contemporary European studies. We welcome both panel and paper proposals from across academic disciplines including law, economics, geography, history, sociology, public policy and politics. We accept submissions from established academics, practitioners and well-prepared doctoral students. For guidelines on how to submit a proposal visit: <http://www.uaces.org/events/call/guidelines.php>. To find out more about the conference visit: [www.uaces.org/london](http://www.uaces.org/london). **Submission deadline: January 22, 2016.**

**Queen Mary University of London**

Addition to CfA above: Prof. David Cleeton would like to help organize panels on the following topics: (1) Banking and capital market union and (2) TTIP. Those interested in presenting a paper in a panel on either of those topics, please send an email to Prof. David Cleeton at [dcleeton@maastrichtuniversity.nl](mailto:dcleeton@maastrichtuniversity.nl), with the following information: full name, affiliation, email address, names of any co-authors, paper title, keywords, research discipline, 250 word abstract. **Deadline: Friday, 15 January 2016.**

**Deadline**

for submissions to the summer 2016 issue:

- **18 May 2015**

Please direct all correspondence to the editor:

- Alexandra Hennessy, email: [alexandra.hennessy@shu.edu](mailto:alexandra.hennessy@shu.edu)

In particular we are looking for:

- Members' recent or forthcoming publications (since this issue)
  - Members' news (since this issue)
  - Contributions to the Forum section
    - Calls for papers
    - Book Reviews
  - Notice of forthcoming events