



EU Political Economy Bulletin – Issue 14, Spring 2010

A publication of the EUSA EU Political Economy Interest Section

<http://www.eustudies.org/pesection.html>

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

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Dear Section Members,

We received an excellent response to the call for papers for the research project on the Lisbon decade, and the project is moving forward. The end of the Lisbon decade and the aftermath of the 2008-9 financial crisis mark an ideal time to assess the Lisbon process, from the evolution of

the Lisbon goals to the embedding of particular conceptualizations of the Lisbon objectives in EU institutions as well as in relations between states and markets at the national level.

We were especially pleased to draw a balanced group of contributions from both sides of the Atlantic, and, within Europe, from the UK as well as the continent from north to south. The project and participants have been grouped according to the following themes:

I. Introduction: After the Lisbon Decade

Mitchell P. Smith

II. Lisbon's Impact: Innovation, Structural Reform and Governance

David L. Cleeton and George Zestos (Christopher Newport University), "Evaluating the Performance Record Under the Lisbon Agenda"

Mehmet Ugur (University of Greenwich), "Credibility, Governance and European Economic Performance: Theory and Evidence on the EU's Lisbon Agenda"

Ramunas Vilpisauskas (Vilnius University), "The Lisbon strategy and structural reforms in the EU member states: ships passing by in the sea?"

III. The Lisbon Decade and European Capitalism: Models and Narratives

Richard Deeg (Temple University), "The Lisbon Agenda and Varieties of Capitalism: Complementary or Contradictory?"

Vincent Della Sala (University of Trento), "Telling Stories: Narrating the Lisbon Process in the Member States"

Mitchell P. Smith (University of Oklahoma), "A Decade of Defining the Lisbon Process: The End of the EU's Regulatory State?"

Maurits van der Veen and Christopher Allen (University of Georgia), "European integration, social protection, and the Lisbon agenda"

IV. Lisbon and the Place of the Market: Labor and Social Welfare

Waltraud Schelkle (London School of Economics), Deborah Mabbett (Birkbeck, University of London) and Maximilian Freier (London School of Economics), "Social Democrats Marching to Market: Employment Services and the Lisbon Process"

Georg Menz (Goldsmiths College, University of London), "Lisbon and the Politics of Human Resources Strategies"

Petia Kostadinova (University of Florida), "Reforming social policy to meet Lisbon Strategy goals: comparing 'new' and 'old' Europe"

We hope to present each of these sub-sections as a panel at the 6-8 September 2010 UACES Conference on "Exchanging Ideas on Europe: Europe at the Crossroads," hosted by the College of Europe in Bruges. In addition, we have begun the process of seeking a publication outlet for the project.

This represents the second issue of this publication as the "Political Economy Bulletin." The section co-chairs thank the Bulletin team of Patrick Leblond and David Cleeton, who have done a superb job of designing and managing the new format. Please note the deadline for submissions for the fall 2010 issue, and continue to send them information about your professional news and recent publications.

With best wishes,

Michele Chang

Georg Menz

Mitchell P. Smith



Forum Section

David Cleeton, Forum Editor

The 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.

Who's the Villain in the Greek Debt Drama?

*David L. Cleeton
Christopher Newport University*

Greece's Prime Minister, George Papandreou, has held key meetings with Chancellor Angela Merkel of Germany and President Nicolas Sarkozy of France to seek reassurance that solidarity would prevail in a European solution to his country's sovereign debt crisis. The core decisions being struck involve plans for German and French banks backed by their respective governments to support the continued financing of Greek public debt issues. Under such a solution it will be necessary to engage continued behind-the-scenes policy aid from the ECB. But as a European solution the IMF will not be called to the rescue, except as a reference for the possible development of a newly proposed European Monetary Fund (EMF).

Prime Minister Papandreou has continued his worldwide tour with important stops in other capital cities, including Washington, D.C. where only a few blocks from IMF headquarters he spoke at White House meetings mostly about the attack on the Greek government's sovereign debt by widespread speculation in credit default swaps (CDS). The French and German governments along with leaders of the Eurogroup and the EU Commission have jumped on the bandwagon to drive forward new regulatory bans on this and other perceived predatory financial market practices.

The Greek fiscal problem, unlike some of its alleged causes, is not imaginary. According to the most recent **OECD Economic Outlook** (19 November 2009) private consumption fell by 1.4% during 2009 while gross fixed capital formation tumbled by 15.5%. In an attempt to stabilize domestic demand, government consumption was boosted by 10.1% producing a 3.6% decline in total domestic demand after accounting for inventory rebalancing. In the sectoral balances an overall general government deficit of 12.7% of GDP was rung up for 2009 along with an 11.1% current account deficit. This pushed the gross level of Greek public debt to 115% of GDP.

In the most recent round of budget-balancing initiatives announced by the Greek Government on 3 March, permanent tax increases and expenditure reductions will close a gap equal to an additional 2% of GDP or 4.8 billion Euros. These are in addition to earlier announcements in the Stability Program adding up to 4% of GDP and measures announced by Prime Minister Papandreou totaling 0.5%. While these plans have encouraged Eurozone leaders and calmed financial markets, the longer term outlook for the Greek economy's revival within the Eurozone is much more problematic. With the route firmly blocked to currency devaluation, a long and painful adjustment period to restore competitiveness will likely descend on Greece. And if other stressed Eurozone economies such as Portugal, Ireland, and Spain come to similar economic turning points as Greece, the stronger economies of the Eurozone will be forced to take up a significant portion of the burden of restructuring, either directly or indirectly.

Greece: Demand, Output and Prices

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-----------------------------|-------|--|-------|-------|-------|
| | Current prices € billion | | Percentage changes, volume (2000 prices) | | | |
| Private consumption | 152.9 | 3.3 | 2.3 | -1.4 | -0.4 | 1.4 |
| Government consumption | 34.3 | 8.4 | 0.6 | 10.1 | -1.4 | -1.4 |
| Gross fixed capital formation | 45.3 | 4.6 | -7.4 | -15.5 | -6.3 | 4.6 |
| Final domestic demand | 232.5 | 4.3 | 0.1 | -2.4 | -1.5 | 1.4 |
| Stockbuilding ^{1,2} | 0.3 | 1.2 | 0.4 | -1.3 | -0.3 | 0.0 |
| Total domestic demand | 232.8 | 5.3 | 0.4 | -3.6 | -1.8 | 1.5 |
| Exports of goods and services | 47.5 | 5.8 | 4.0 | -15.0 | 0.3 | 6.6 |
| Imports of goods and services | 69.8 | 7.1 | 0.2 | -19.0 | -3.7 | 4.7 |
| Net exports ¹ | -22.3 | -1.2 | 0.9 | 3.1 | 1.1 | 0.0 |
| GDP at market prices | 210.5 | 4.5 | 2.0 | -1.1 | -0.7 | 1.6 |
| GDP Deflator | — | 3.0 | 3.5 | 1.7 | 2.4 | 2.1 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | — | 3.0 | 4.2 | 1.2 | 2.0 | 1.6 |
| Private consumption deflator | — | 3.0 | 4.1 | 0.6 | 2.0 | 1.6 |
| Unemployment rate | — | 8.3 | 7.7 | 9.3 | 10.4 | 10.4 |
| General government financial balance ³ | — | -4.0 | -7.8 | -12.7 | -9.8 | -10.0 |
| Current account balance ⁴ | — | -14.4 | -14.6 | -11.1 | -10.0 | -10.1 |

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Including statistical discrepancy.

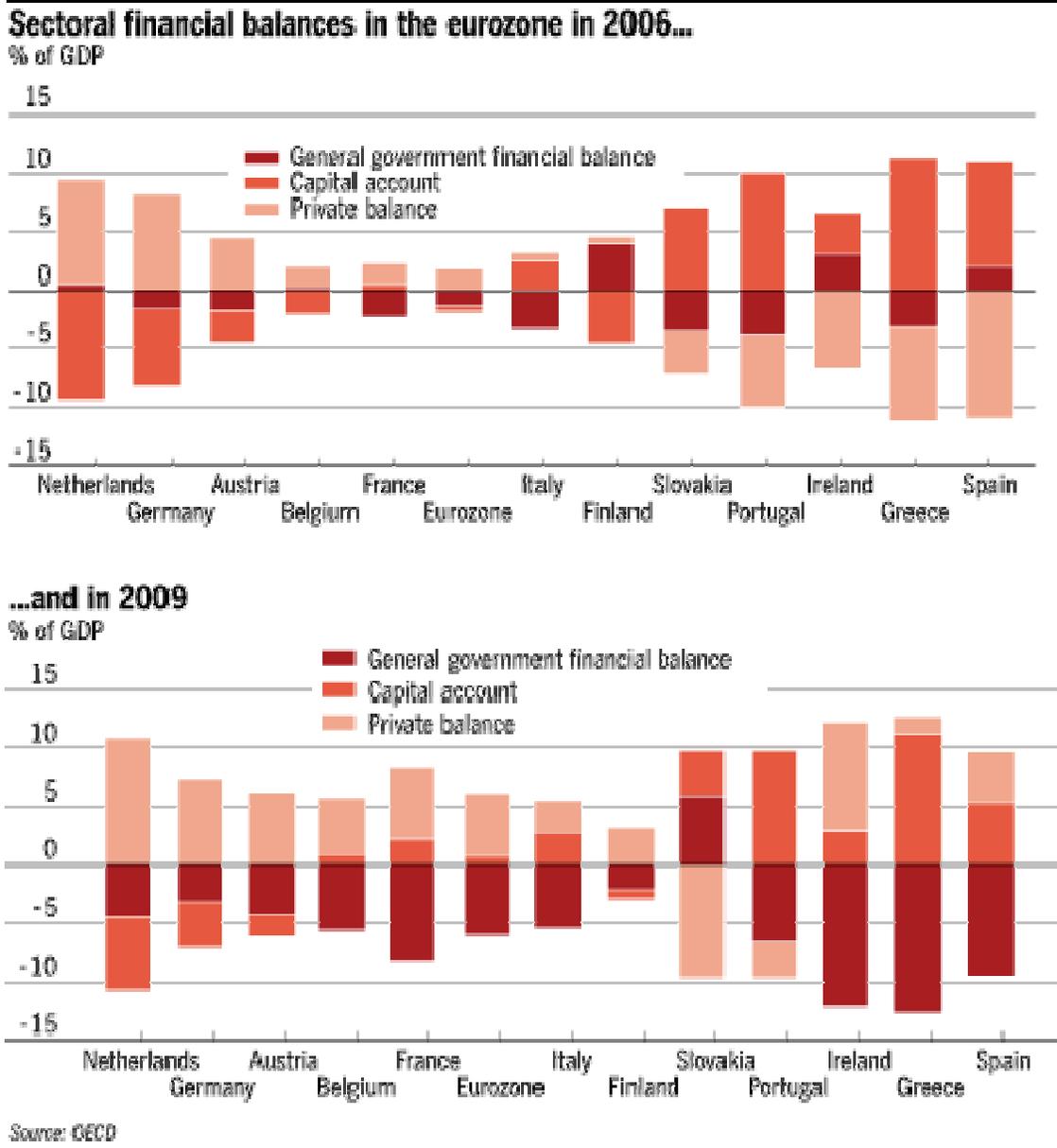
3. National Accounts basis, as a percentage of GDP.

4. On settlement basis, as a percentage of GDP.

Source: OECD Economic Outlook 86 database.

While Greece clearly has been profligate and guileful in its approaches to honoring the Maastricht entry criteria and the spirit of the Stability and Growth Pact, it should also be noted

that not all Eurozone countries can follow the role model portrayed by Germany. Inspection of the changed sectoral balances of the Eurozone from 2006 to 2009 serves to graphically illustrate the fundamental issue. Via the accounting identity, the sum of a country's private, government, and foreign sectors must balance out to zero. The Netherlands, Germany and Austria produced very large private sector surpluses in 2006 while large private deficits were the rule in Portugal, Ireland, Greece and Spain (PIGS). Governmental fiscal balances were in general reasonably under control across the Eurozone. For example, in 2006 both Ireland and Spain were producing government fiscal surpluses.



Source: OECD Economic Outlook 86 database

Now turn to 2009 and governments across the Eurozone are struggling with the collapse of the private sector balance. As the private domestic sectors struggled to rebuild balance sheets, those countries without strong trade surpluses were forced to transfer weak domestic demand into governmental deficits on a major scale. The public sector reversals in Ireland and Spain have been most dramatic, but Portugal and Greece have seen the biggest impacts in terms of continual financing via the capital account balance.

The idea that the German model is transferable and troubled countries can quickly shrink their government deficit is an illusion. Such an adjustment would by necessity require a dramatic turnaround in the current account balance or by a further decline of the private sector surplus. A revival of private-sector spending is unlikely in an age of balance-sheet retrenchment by both households and businesses. If the current account is to ride to the rescue, trading partners' current accounts must deteriorate and the trading partners of PIGS are mostly other Eurozone members like Germany and France. Certainly the ability of PIGS to restore their competitiveness vis-à-vis France and Germany will be a long and difficult road without the aid of currency adjustments. The only bit of light on the horizon is that the euro itself has seen some modest devaluation in international markets and this should produce an overall positive effect on the aggregate Eurozone current account balance. The outlook at this point is not good.



Members' Recent Publications

Dür, Andreas, *Protection for Exporters: Discrimination and Liberalization in Transatlantic Trade Relations, 1930-2010*, Cornell University Press, 2010.

Hardie, Iain and David Howarth, "Die Krise but not La Crise? The Financial Crisis and the Transformation of German and French Banking Systems", *Journal of Common Market Studies*, vol. 47, no. 5, 2009, pp. 1017-1039.

Hodson, Dermot and Deborah Mabbett, "UK Economic Policy and the Global Financial Crisis: Paradigm Lost?", *Journal of Common Market Studies*, vol. 47, no. 5, 2009, pp. 1041-1061.

Hodson, Dermot and Lucia Quaglia, "European Perspectives on the Global Financial Crisis: Introduction", *Journal of Common Market Studies*, vol. 47, no. 5, 2009, pp. 939-953.

Jacoby, Wade and Sophie Meunier, "Europe and Globalization". In Michelle Egan, Neill Nugent, and William Paterson (eds.), *Research Agendas in European Union Studies: Stalking the Elephant*, Palgrave MacMillan, January 2010.

Jones, Erik, "Output Legitimacy and the Global Financial Crisis: Perceptions Matter", *Journal of Common Market Studies*, vol. 47, no. 5, 2009, pp. 1085-1105.

Nedergaard, Peter, *Business and Politics in the European Union: Cases in Services, Agriculture and Textiles*, DJØF Forlag, 2009.

Posner, Elliot, "Making Rules for Global Finance: Transatlantic Regulatory Cooperation at the Turn of the Millennium", *International Organization*, vol. 63, no. 4, 2009, pp. 665-699.

Quaglia, Lucia, "The 'British Plan' as a Pace-Setter: The Europeanization of Banking Rescue Plans in the EU?", *Journal of Common Market Studies*, vol. 47, no. 5, 2009, pp. 1063-1083.

Members' Recent News

Judith Clifton has been nominated as executive member of the COST Committee (European Cooperation in Science and Technology) for the Domain Individuals, Societies, Health and Cultures, which covers all the social science and humanities disciplines for Spain 2009-2012. COST provides funding on a competitive basis for groups to network in order to pursue a European and international research agenda, and can be a useful step towards the European Framework Programme. For more details, please see <http://www.cost.esf.org/>.

Tal Sadeh has been promoted to Senior Lecturer and is now tenured at Tel Aviv University. He also won an Erasmus Mundus Visiting Scholarship (a program of the European Union),

which he spent at Institut Barcelona d'Estudis Internacionals (IBEI) during October and November 2009.



Calls for Papers

INTERDISCIPLINARY WORKSHOP ON COMMUNICATIONS POLICY AND REGULATION

“COMMUNICATIONS AND COMPETITION LAW AND POLICY – CHALLENGES OF THE NEW DECADE”

JUNE 17, 2010

Deadline for submission of abstracts: April 9th, 2010

THE COMMUNICATIONS POLICY AND REGULATION SCHOLARS FORUM (CPRSF), THE UNIVERSITY OF GLASGOW AND THE INTERNATIONAL JOURNAL OF COMMUNICATIONS LAW AND POLICY (IJCLP) are pleased to announce a joint call for interdisciplinary papers for the First Interdisciplinary Workshop on Communications Policy and Regulation. It will take place on June 17, 2010 at the University of Glasgow, UK. We invite scholars, postgraduate students, policy-makers, technologists, practitioners and industry representatives to submit papers on issues related to the topic, analyzed from a legal, political, economic and/or technological perspective.

CONFERENCE DESCRIPTION

Communications policy is subject to constant modifications as a result of innovation and requires continuous research in order to solve emerging challenges. Since the liberalisation of the sector, the current context of globalisation calls international solutions and interdisciplinary analysis. This is the intention behind the creation of the CPRSF, an interdisciplinary forum seeking to bring together leading academics, regulators, researchers and any other stakeholders to discuss current issues of communications policy and regulation.

The first workshop of the CPRSF will focus on ‘Communications and Competition Law and Policy – Challenges of the New Decade’. The discussion will be centred on key developments that will affect the communications industry around the world. Submissions are encouraged on issues within the framework of the workshop, both from an international perspective or focusing on specific problems in the UK and Scotland. These would include, but are not limited to:

- Next generation networks
- Technological convergence

- Spectrum management
- Interrelation between regulatory institutions/competition authorities
- Intellectual property
- State aid in communications
- Control of abusive practices and merger control
- Net neutrality
- Media concentration
- Interrelation between media and competition law and policy

We encourage creative approaches and welcome the submission of theoretical contributions, case studies, empirical researches or surveys offering insights into the current and forthcoming challenges for competition law and policy in the broad field of communications.

A full conference description, including a dedicated bibliography and speakers' abstracts, will be made available at the CPRSF website, <http://www.cprsf.org>. Selected papers will be offered the possibility of being published in a dedicated printed volume of the IJCLP, as well as made available under the open access policy at the IJCLP's website at <http://www.ijclp.net/>.

Authors are required to submit abstracts of up to 1,000 words by the deadline of April 9th, 2010. Submissions should be emailed simultaneously to Simone Francesco Bonetti, Chief editor of the IJCLP (simo.bonetti@tiscali.it) and Sandra Marco Colino, Director of Communications Policy and Regulation Scholars Forum and organiser of the workshop (s.marcocolino@law.gla.ac.uk).

WRITING COMPETITION: ADAM SMITH PRIZES FOR BEST PAPERS

Two prizes will be awarded to the best papers submitted to the conference. The recipients of the Adam Smith Prizes will be invited to present their work at a panel during the conference and their travel and accommodation expenses will be covered. The final decision will be announced by May 21st, 2010. The authors of the award-winning papers will be automatically invited to publish their work in a special volume of the International Journal of Communications Law & Policy devoted to the theme of the workshop.

Submissions for the writing competition must be received by noon GMT, May 14th 2010.

JOURNAL PUBLICATION

Submissions for publication must be received by noon GMT, September 17th, 2010. The selection committee, composed of representatives of the University of Glasgow and the Board of Editors of the IJCLP, will review and consider all submissions for publication in the special volume of the journal, including submissions for the writing competition. Authors will be notified of acceptance by November 17th, 2010.

Submissions for publication should be written in English and submitted in .doc, .docx, .rtf, .odt, or .pdf format. They should conform to academic citation standards (for more information, please see <http://www.ijclp.net/submissions.html>) and be no longer than 15,000 words (footnotes included). An abstract of 300 words is also required.

For any queries, please contact the workshop organiser:

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Deadline

for submissions to the Fall 2010 issue:

- **Friday, 15 September 2010**

Please direct all correspondence to the appropriate editor:

- Patrick Leblond, Chief Editor: pleblond@uottawa.ca
- David Cleeton, Forum Editor: Cleeton@cnu.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 2011)
- Notice of forthcoming events (taking place prior to 15 March 2011)