“The Eurozone Crisis: Turning the Corner or a Bend in the Road?”

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On September 27 2012, the Center for European and Transatlantic Studies (CETS) in the Sam Nunn School of International Affairs at the Georgia Institute of Technology hosted a round-table discussion on the “Eurozone Crisis: Turning the Corner or a Bend in the Road?” with European member of the Atlanta consular corps. The roundtable was sponsored by Georgia Tech’s Office of International Education, Vice Provost for International Initiatives and the Nunn School. The panel was moderated by CETS co-director Dr. Alasdair Young, who stressed the economic importance of the European Union to the United States during brief opening remarks.

The Center’s other co-director Dr. Vicki Birchfield provided the context for the panel, making it very clear from the beginning that the Eurozone Crisis is not simply an economic issue, but a political one. Moreover, she identified three dimensions to the crisis:

1. financial markets are global;
2. the policy instruments for addressing the crisis are regional; and
3. The politics are national

She urged the audience not to underestimate the political will in the EU to make the project work.

Mr. Paul Gleeson, the Irish Consul General, stressed the different origins of the crises in the Eurozone countries. He pointed out that Ireland had a budget surplus prior to the Global financial crisis bursting the real estate property bubble in Ireland and contributing to a banking crisis. Mr. Gleeson expressed a notable amount of optimism, noting that Ireland is one of the fastest growing economies in the Eurozone and contending that Ireland has made about 70% of the adjustment needed to reach a budget deficit of 3 percent of GDP by 2015.

Dr. Vassilios Gouloussis, the Greek Consul, stressed that while the crisis might have manifest itself in different ways in different countries – a housing bubble in Ireland, commercial property in Spain and government debt in Greece – the underlying cause in each case was “reckless” over lending to weak borrowers, although he conceded that mistakes had been made by the Greek government. He thinks that the “correction” in Greece will be long and painful, but he stated “I do believe we will make it, because we have no other choice.”

Mr. David Kibler, the French Cultural Attaché, focused on the development of EU-level policy instruments, including the European Commission’s proposal for a banking union. He stressed that the EU was very capable of recovering and had great strength in its institutions. He concluded that the debate between more growth or more austerity may miss the issue, with policy reform perhaps offering better way forward.

Mr. Christoph Sander, the German Consul General, also stressed the political nature of the European project. He focused on explaining Germany’s position. He noted that Germany’s economy was strong now because of difficult structural reforms that had been adopted in the past. He stressed that Germany is aware that some of its European partners are facing tough decisions, but he insisted that there could be ‘no blank check.’ He explained the German government is constrained. The spending of German tax payer money requires the approval of parliament, which was underlined by the Constitutional Court when finding the European Stability Mechanism consistent with the German constitution. In addition, public opinion is strongly opposed to debate and very sensitive to the threat of inflation. He, thereby, illustrated Dr. Birchfield’s point about the tension between regional policies and national politics. Mr. Sander stressed that Germany will do it’s best to be a part of the recovery and that “if the Euro fails, Europe will collapse.” He noted, however, that Europeans have “turned the corner and are walking ahead.”

Summing up the participants’ cautious optimism for the medium term, Dr. Young, borrowing from Winston Churchill, suggested that perhaps the events of the summer and early fall of 2012 do not represent the beginning of the end, but at least the end of the beginning.