


Course: GV251

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LT Week 7: Economic and Monetary Union

PART I) The establishment of Economic and Monetary Union

(a) Why did EU member-states agree to establish the Economic and Monetary Union with the Treaty of Maastricht in 1992?



PART II) Managing the Eurozone crisis

(a) **Causes of the crisis:** (i) Please match the terms in column A below with some phrases they are commonly associated with from column B:

Column A:

Causes of the crisis in Greece

Structural weaknesses of EMU/
incomplete economic union

Structural weaknesses of EMU/
incomplete political union

Causes of the crisis in Spain and
Ireland

Column B:

Excessive private-sector borrowing
(especially in the property sector)

Weak enforcement mechanisms
against states breaching the
common fiscal rules

Lack of capacity to take major
decisions centrally in a speedy and
democratically legitimate way

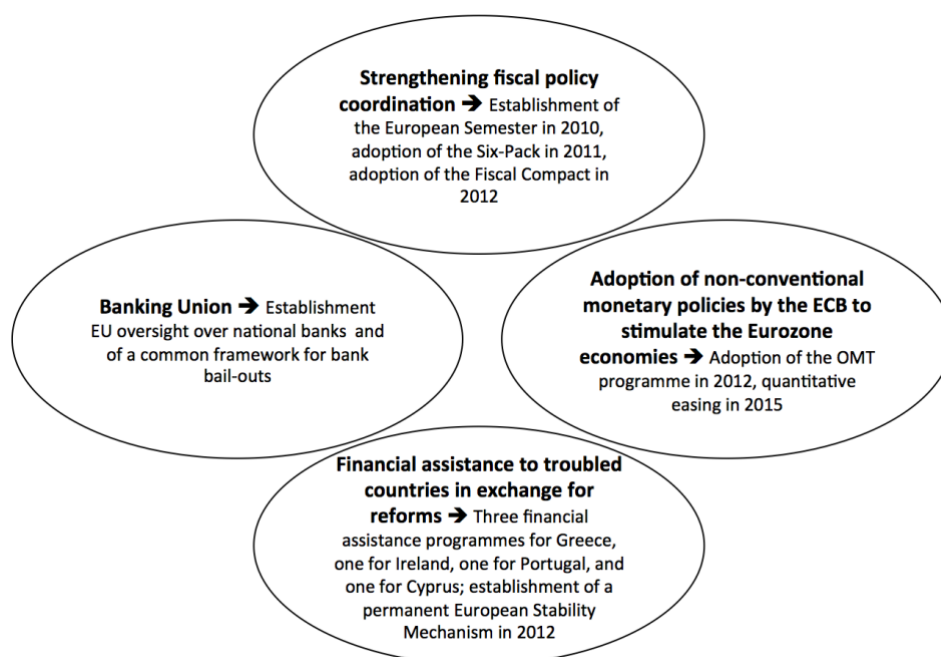
Excessive public-sector borrowing

Weak ability of the EU to prevent
national banks from over-lending

No capacity for substantial counter-
cyclical fiscal transfers across the
EU

(ii) During your own time, please think further about the following questions: **What is meant by the term “structural weaknesses of EMU?” To what extent was the Eurozone crisis caused by such “structural weaknesses” (or “design flaws”) in the EMU’s institutional architecture?**

(b) **Aspects of the EU’s response to the Eurozone crisis:**



(c) **Effectiveness of the EU's response to the crisis:** *Please discuss the following questions with a partner, and write down some important points from your discussion:*

(i) **To what extent did EU decision-makers address the Eurozone crisis in an effective way?**

(ii) **Why did EU decision-makers not adopt more effective policies to overcome the crisis?**

(d) **Democratic legitimacy of the EU's response to the crisis:** *Please discuss the following questions with a partner, and write on the board a couple of important points that came out of the discussion:*

(i) **To what extent were the policies adopted by EU decision-makers in response to the Eurozone crisis democratically legitimate?**

(ii) **Why did EU decision-makers not adopt more democratically legitimate policies to overcome the crisis?**



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The Greek Prime Minister Papandreou (washing his hands) tells the Finance Minister Papakonstantinou (in the toilet): “Papakonstantinou, this close supervision by the Commission has begun to get on my nerves!” - Papakonstantinou: “On mine too!” (Kathimerini 15/11/09)