



# Contemporary Europe

iCES Annual Review 08/09

Edited by Michael Scriven

Institute of Contemporary European Studies



EUROPEAN BUSINESS  
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LONDON

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Editorial  
Crisis and Change: Europe 2008-2009  
Michael Scriven

'People only accept change when they are faced with necessity, and only recognise necessity when a crisis is upon them', noted Jean Monnet in his *Memoirs*.<sup>1</sup> 2008-2009 has been a year of global crisis, initially financial and economic, progressively social and political. The ramifications for Europe are profound. The significance of Monnet's words could not be more striking at a time when the need for change is increasingly recognised as the only viable exit strategy from a situation in which the old European and world order is generally perceived as economically, socially and morally bankrupt.

More recently at the 2008 Global Jean Monnet Conference, Jose Manuel Barroso highlighted the transformational potential of the global financial crisis: 'What was impossible several months ago', he noted, '(is) now possible because crisis has opened the minds and has triggered the need for more cooperative solutions globally...we must be bold. This is no time for "business as usual"'.<sup>2</sup>

The Institute of Contemporary European Studies (ICES) was established on 1 August 2008 a month or so prior to the moment when the global economic crisis began to capture the attention of the business world and the world media during September 2008 with the unprecedented US government bailout of the mortgage lenders Fannie Mae and Freddie Mac, the bankruptcy and demise of Lehman Brothers, a Bank of America rescue package of \$50 billion for Merrill Lynch, Ireland becoming the first state in the Eurozone to fall into recession, the partial nationalisation of the European banking and insurance giant Fortis, and the British government stepping in to nationalise the mortgage lender Bradford & Bingley in the context of a plummeting London stock market.<sup>3</sup> Although purely contingent and arbitrary in itself, this moment of emergence of the ICES project had by chance paradoxically coincided with a seismic shift in the global economic landscape that has inevitably led to a necessary reassessment of the overall nature of the European project within a completely redefined economic, social and political environment. This

far-reaching reappraisal has naturally impacted significantly on the activities of iCES.

The ambitions of iCES at the outset were to build on the expertise and networks of the existing group of European Business Schools (EBSI) by creating an organisational space that would promote debate on Europe and the process of Europeanisation in the new millennium. Debate has unquestionably occurred but within a context that could not have been predicted or even conceived a year or so previously.

The chronology of iCES activities listed in the appendix to this editorial commentary records the trace of an Institute setting an agenda around pre-established themes, yet subsequently and progressively being driven to contemplate and react to an all-encompassing economic maelstrom that simply refused to be kept at a distance from any aspect of the European agenda.

The iCES inaugural lecture, delivered on 26 September 2008 by Gabriella Battaini-Dragoni (Director General of Education, Culture & Heritage, Youth & Sport, Council of Europe), approached inter-cultural dialogue from an ambitious multicultural perspective that in the published COE report of the time was unchallenged by the crisis. All subsequent activities from the October lecture on the Airbus-Boeing Conflict (Professor Philip Lawrence) to the annual iCES Europe in the World Lecture devoted predictably enough to the global economic crisis (Sir John Gieve, Johnny Akerholm, Mike Clack, Hugh Pym), to the geopolitics of energy supply (Arve Thorvik) to the Eurozone economies (Wolfgang Munchau), to European television broadcasting (Jean-Claude Sergeant), to European monetary policy and bank liquidity (Wolfgang Munchau, Francesco Cesarini, Valerio Vacca, Gianfranco Vento), to defence and diplomacy (Jean-Dominique Giuliani, Brian Crowe, John Peet, Martyn Bond), to the re-branding of a country: Portugal (Bernardo Ivo Cruz), had to a greater or lesser extent one underlying theme, one overriding preoccupation: the impact of the global economic crisis and the changes necessitated by the crisis. Crisis and Change: the twin themes addressed by Jean Monnet in a different historical epoch but retaining a startlingly poignant relevance to the issues of today's Europe.

*Contemporary Europe, iCES Annual Review 08/09*, is the first expression of the activities of a European research institute at a

moment of global crisis and change. It emerges at a time of profound and deep-rooted turbulence in Europe and throughout the world. The economic and financial disturbance that continues to send shock waves across the globe necessitates fundamental reappraisals not only for countries within the Eurozone and within the EU, but also for all European nation states. The far-reaching impact of recent and on-going economic events has inevitably shaped the structure, tone and content of the Review. Focused on the topical and the current in European affairs, *Contemporary Europe* is conceived as a publication that offers a snapshot of the main issues impacting on Europe today, and critically reviews Europe as perceived by business, government, higher education, think tanks and the media.

*Contemporary Europe* is situated in the space between a Newsletter (such as the EBS London Newsletter) and a conventional academic journal publication. It is published both in print form and online ([www.ebslondon.ac.uk/ices](http://www.ebslondon.ac.uk/ices)). The key aspects of the Review will be its focus on the one hand on Europe and on the other on the topical. The aim is to produce a readable and thought-provoking publication that will contribute to raising the level of debate on European affairs.

Envisaged as a topical intervention in European affairs, *Contemporary Europe* contains four key sections: (i) an editorial introduction outlining origin, aims, purpose and content whilst offering an overview of iCES activities during 2008-2009 (ii) a substantive section on European economic, social, political and business issues, comprising an initial extensive essay on a financial and economic situation of crisis followed by a series of shorter pieces on a variety of political, institutional, social and business challenges confronting Europe. Written by specialists and practitioners from differing disciplinary and working backgrounds, these essays provide both a contextual frame of reference to Europe in 2008-2009 (Wolfgang Munchau, Martyn Bond, Daniel Guéguen, John Drew), insights from specific commercial perspectives (Arve Thorvik, Martina Bianchini, Pyramyth Liu) and prospective and retrospective thoughts on the European project (Tim Cowen, Philip Lawrence) (iii) a section on iCES partnership links such as the Association Jean Monnet, the Fondation Robert Schuman, the European Government Business Relations Council, the Senior Experts group and the European Business Schools International (EBSI) network and (iv) a concluding section containing review essays written from a variety of ideological and disciplinary perspectives. These essays produced by iCES

academic staff and iCES Research Associates, aim at combining reviews of recently published books on European themes (ethnography, nationalisms, internet technologies and the media) with individual research profiles that over time will combine to form the basis of a coordinated iCES multidisciplinary European research project.

*Contemporary Europe* needs to be understood as the written transcription of the work of the Institute of Contemporary European studies (iCES) during 2008-2009. As such its form and content embody the concept of an intellectual space traversed by a series of professional, commercial, academic and educational tendencies. The iCES space is therefore naturally multi-layered since it exists to facilitate a dialogue of difference, not with the intention of reaching some form of synthesis but with the express ambition of displaying through comparison and contrast the fundamental unevenness of Europe today. The views and opinions expressed in the contributions to the Review are consequently those of individual authors and do not necessarily represent the standpoint of iCES other than the global view of encouraging a robust debate on Europe itself.

\*\*\*\*\*

The current moment of crisis, although potentially a catalyst for constructive change, is also fraught with difficulties and potential dangers for Europe in 2009. At one level, the enlargement process, undoubtedly a success when viewed from the perspective of economic liberalisation and democratisation, can be judged negatively in terms of foreign policy cohesion, the differing interests of 27 Member States ultimately weakening the resolve of the EU to act in a coordinated and proactive manner. Differences, for example, over approaches to the Balkans and to the desirability of the accession of Turkey and the Ukraine are symptomatic; incoherence of relations towards China and notably Russia, motivated by differing economic and political agendas, is perhaps more strikingly problematical.<sup>4</sup>

At another level, the on-going issue of the Lisbon Treaty, subject not only to ratification in the re-run of the Irish referendum in October 2009 and to the critical attitude of the Czech leadership, but also to the endemic hostility of a British conservative party are issues of concern.<sup>5</sup> Assuming that the next UK general election does not take place until after the ratification of the Treaty following the Irish, Czech, Polish and

German processes,<sup>6</sup> the actions of an incoming Conservative government are far from predictable. With Conservative MEPs no longer aligned with the centre-right bloc (EPP), their new alliance with a more unstable eurosceptic European Conservative Group (European Conservatives and Reformist Group – ECR) ensures the continuing problematic nature of UK membership of the EU. And Conservative hostility remains underscored as ever by a UK electorate deeply suspicious of Brussels and increasingly antagonistic towards ‘unaccountable’ EU technocrats and to the British and European political class in general in the aftermath of the MPs expenses scandal.

At a party political level, the recent election of Jerzy Buzek as President of the European Parliament, the first politician from a former communist state to become the Head of a major EU institution, may also be the catalyst for change, possibly with greater emphasis on the central and east European agenda. Equally, newly elected MEPs appear keen to take advantage of the powers attributed to them by the Lisbon Treaty, the leaders of the various parliamentary political groupings having decided to delay until September the vote on Jose Manuel Barroso’s second term at the EU Commission despite the unanimous support of the EU Heads of State and Government.

The nature of change is consequently far from predictable, but change there undoubtedly will be...

Monnet’s reflections on crisis and change as outlined in his writings of the post-war period are pointedly relevant to this 21st century crisis aftermath situation; aftermath both in terms of the global economic crisis and of a European election campaign in June 2009 that has demonstrated through an increasingly low turnout and general public disaffection with the European political class that change and renewal are unquestionably needed.

At times of economic downturn there is a natural tendency to seek refuge in the protectionism of national interests and in the marginalisation of projects and ideas that do not resolve short term financial and economic needs. Monnet himself was acutely aware of the natural propensity for governments and for the population at large to resist change while hope of retaining the comfort and reassuring familiarity of the *status quo* remained:

- 'Governments always find it difficult, and very often impossible, to change the existing state of affairs which it is their duty to administer (...) change can only come from outside, under the pressure of necessity'.<sup>7</sup>
- 'When people find themselves in a new situation, they adapt to it and they change. But so long as they hope that things may stay as they are or be the subject of compromise, they are unwilling to listen to new ideas'.<sup>8</sup>

Monnet's *Memoirs* testify to a growing awareness that change processes inevitably occur under the pressures of severe infrastructural dislocations and within the inevitable constraints of nationalistic self interest. His early involvement in the League of Nations had taught him that abstract international legislation could not deliver constructive international development and renewal. Over time, he discovered that in order to achieve change not only was it important to maximise opportunities emerging from moments of structural crisis but also that in order to make progress nationalistic and protectionist tendencies needed to be redefined within a more global perspective that re-invented notions of self interest, recasting them within a broader framework supportive of collective multi-national endeavours.

Given the extent and depth of the current global financial downturn and of the public disenchantment with the political class, there is perhaps a certain inevitability that previous material structures and ways of thinking will be modified and changed. The aim of *Contemporary Europe* is to capture and comment on both the potential for change and the reality of change in the evolving economic, social and political environment of Europe. The editorial ambition of the *iCES Annual Review* will be to track this evolving European route map as the global economic downturn ushers in a period of transformation. As Monnet astutely remarked, 'There are no premature ideas: there are only opportunities for which one must learn to wait'.<sup>9</sup>

### Notes and References

1. Monnet, J., (1978) *Memoirs*, Doubleday & Company, New York, p.109.

2. Barroso, J.-M., (2008) 'A Europe of Achievements in a Changing World', Global Jean Monnet Conference/ECSA-World Conference, Brussels, 24-25 November 2008, pp. 5-6.
3. Hinton, P., (2009) 'The Start of the Global Financial Crisis (2008) – Timeline of Events in September 2008 Causing the Global Recession', suite101.com, 4 January 2009; & Guillen, M. F., 'The Global Economic & Financial Crisis: A Timeline', The Lauder Institute, Wharton Arts & Sciences, University of Pennsylvania.
4. Grant, C., (July 2009) 'The Unravelling of the EU', *Prospect*, pp.48-53.
5. Pis, M., (July 2009) 'Brussels Diary', *Prospect*, p.29.
6. The re-run of the Irish referendum is scheduled for 2 October 2009; in the Czech Republic and Poland, the respective Presidents have yet to sign the instrument of ratification; in Germany the Federal Constitutional Court ruled the Treaty compatible with the German constitution but required a modification of domestic legislation on parliamentary rights of participation before the deposit of the instrument of ratification. The vote on the legislation is scheduled for autumn 2009. See: [http://europa.eu/lisbon\\_treaty/countries/index\\_en.htm](http://europa.eu/lisbon_treaty/countries/index_en.htm)
7. Monnet, J., (1978) *Memoirs*, Doubleday & Company, New York, p. 286.
8. *Ibid*, p. 345.
9. *Ibid*, p. 428.

## APPENDIX

### CHRONOLOGY OF ICES EVENTS 2008-2009

26 September 2008

**The Council of Europe White Paper on Intercultural Dialogue: the role of Higher Education**

iCES Inaugural Lecture by Gabriella Battaini-Draconi, Director General of Education, Culture & Heritage, Youth & Sport and Coordinator for Intercultural Dialogue, Council of Europe.

29 October 2008

**Aerial Warfare: Airbus versus Boeing as a Metaphor for EU/US Conflict**

Guest Lecture by Professor Philip Lawrence, Director of the Aerospace Research Centre at the University of the West of England Bristol.

19 November 2008

**Europe and the Global Financial Crisis**

Annual iCES Europe in the World Lecture: Keynote Address by Sir John Gieve (Deputy Governor Financial Stability, Bank of England); panel members: Johnny Akerholm (President and CEO, Nordic Investment Bank), Mike Clack (Executive Director, J.P. Morgan), Hugh Pym (Economics Editor, BBC News), Professor John Drew (Moderator, Jean Monnet Professor of European Business and Management).

24 November 2008

**Climate Change and the Geopolitics of Energy Supply in Europe**

Guest Lecture by Arve Thorvik, former Vice President European Affairs, StatoilHydro, iCES Distinguished Visiting Fellow.

17 February 2009

**The Eurozone and the Global Economic Crisis**

iCES/Regent's College Student Union Guest Lecture by Wolfgang Munchau, Director of Eurointelligence and Associate Editor, *The Financial Times*.

11 March 2009

### The Future of Television Broadcasting in Europe

Guest Lecture by Professor Jean-Claude Sergeant, Université de la Sorbonne nouvelle Paris 3, former Director of the Maison Française in Oxford.

18 March 2009

### European Monetary Policy and Bank Liquidity: Crisis Management

iCES/MSc Global Banking and Finance Research Cluster Half Day Conference: Guest Speakers: Wolfgang Munchau (Director of Eurointelligence and Associate Editor, *The Financial Times*), Professor Francesco Cesarini (Professor of Banking and Finance, President of the e-Mid, former President of the Italian Stock Exchange), Valero Vacca (Senior Manager, Bank of Italy, former Monetary Policy Operation Division Leader), Dr Gianfranco Vento (Director MSc Research Cluster, former Senior Financial Analyst, Bank of Italy).

22 April 2009

### Defence and Diplomacy: What Next For Europe?

Annual iCES Jean Monnet Memorial Lecture: Keynote Address by Jean-Dominique Giuliani (Chairman of the Board of the Robert Schuman Foundation); panel members: Sir Brian Crowe (Deputy Chairman of Chatham House), John Peet (Europe Editor, *The Economist*), Professor Martyn Bond (former Director of the UK Office of the European Parliament), Professor John Drew (Moderator, Jean Monnet Professor of European Business and Management).

14 May 2009

### Rebranding a Country: The Case of Portugal

Guest Lecture by Professor Bernardo Ivo Cruz, Director of the Portuguese Trade and Investment Office in the UK, former Under Secretary of State for Foreign Affairs of Portugal and Secretary General of the Portuguese Council of the European Movement.



# Contemporary Europe



# The Financial and Economic Situation in Europe

## Wolfgang Munchau

### Introduction

The purpose of this essay is to explain why the nature of the financial crisis, the unique characteristics of the European economies, their institutional setup, and the policy responses adopted ensure continued vulnerability in the post-crisis economy. While this was not a European crisis in its origins, it has brutally exposed Europe's weaknesses.

### 1. Europe Before the Crisis

If you compared the economic development of Europe to a horror movie, the time before the crisis is similar to the eerie and calm setting before the postman rings, or some other misfortune arrives. A calm before the storm is a frequently used metaphor, but in this case it does not capture fully the pre-crisis world. To understand what happened in Europe during the economic crisis, it is worth recalling the situation in the years 2005 until 2007.

In Western Europe - UK, Spain, and Ireland - these were the years when the property market peaked. Spain and Ireland were celebrated as part of a new vibrant Europe. The main driver of prosperity in both cases was the property market, which brought strong increases in house prices, especially to the large cities. Average Spanish home prices increased threefold during the previous ten years. The rise in Dublin was even higher. These property booms were in large part driven by generous availability of loans. In the case of Spain, it was easier for immigrants without a credit history to obtain a mortgage than to be able to rent an apartment. Most of these immigrants were employed in the construction sector, which made them and their banks doubly exposed to a generalised housing downturn.

The UK economy was by then in its 13th, 14th and 15th years of uninterrupted economic growth. The UK benefited from two factors at the time – the property market, which was a driver of growth as it was in Ireland and Spain, and the financial sector. London was the world's largest centre of global finance, and one of the biggest producers of

securitised products. London, along with New York, was also the largest producer of credit default swaps, a credit derivative, which within a period of five years grew from obscurity to a market size of \$62,000bn.<sup>1</sup>

In the latter part of the boom years, the economic growth rate of the western European tigers was already lower than in preceding years. According to the European Commission (2009, p 135), per capita growth rates for the years 2005, 2006 and 2007 were 4.1%, 3.1%, and 3.5% for Ireland, 1.9%, 2.3% and 1.8% for Spain, and 1.4%, 2.2%, and 2.7% for the UK.

The biggest boom regions during the 2006 and 2007 period in Europe were Germany and Eastern Europe. Germany emerged from a long period of economic recession and stagnation in early 2006 with a strong economic rebound. The earlier stagnation was in part due to a localised credit crunch, as German banks adjusted their balance sheets following the successive unification and dotcom bubbles. After a per capita economic growth rate of only 0.8% in 2005, growth jumped to 3.1% in 2006 and to 2.6% in 2007. Impressed with this rebound in economic growth, Germany turned from the 'sick man of Europe' epithet in the earlier phase of this decade to a country that enjoyed a 'second economic miracle', according to the *Financial Times* (2007).

Michael Burda (2007), a labour market economist, teaching at Humboldt University in Berlin, represented that spirit of optimism that prevailed at the time when he argued that it was mistaken to believe that Germany was simply free-riding on the global economic recovery. Instead, he argued, the main contributor to the German economic performance was labour market supply side reforms, notably the Hartz IV reforms, instigated by the government of Gerhard Schröder in 2003.

Central and East European (CEE) countries benefited hugely from capital inflows, as well as from strong global economic growth. Per capita growth in the CEE countries were typically between 6% and 10% during that period. Russia also expanded at a similar rate of growth, benefiting strongly from the increase in the global market prices for oil and natural gas. Russian growth peaked at 8.1% in 2007.

These were clearly the golden years of the current, outgoing decade for the whole of Europe. But as in a horror movie, there were warning signs on the horizon. The clearest of those was the rise in imbalances. The following table lists the net lending and net borrowing (the equivalent of the current account) of various European countries.

In % of GDP	2005	2006	2007
Germany	5.3	6.3	7.6
Spain	-6.5	-8.4	-9.7
Greece	-9.3	-9.1	-12.1
Euro Area	0.4	0.4	0.4
UK	-2.5	-3.3	-2.7
Latvia	-11.2	-21.3	-20.6

*Source: European Commission (2009, p 158)*

These data give a glimpse of the global imbalance problem in Europe. While Germany was running huge current account surpluses, Spain ran large current account deficits. The result was a relatively balanced overall position of the euro area as a whole, but its moderate surplus 0.4% belies the huge tensions inside. Outside the euro area, current account deficits were unsustainably high in many CEE countries, especially in Latvia, but also in the Ukraine. The UK's current account deficit of close to 3% seemed relatively modest by comparison, but was also judged at the time to be unsustainable.

During that period, the banks in the surplus countries had to channel excess savings into foreign securities markets. It is no surprise therefore that German banks were among those most affected by the crisis, as they were large net buyers of foreign-made securitised products, including subprime mortgages and some of their derivative credit products. It was during that period that the seeds for the subsequent financial crisis were produced. The large surplus and deficits produced massive global capital streams, which were channelled into ever more innovative – and as it turned out, dangerous – financial products.

## 2. Europe in the Early Stages of the Crisis

The beginning of the first wave of the financial crisis was 9 August 2007, when in Europe the money market suddenly dried up, forcing the ECB to intervene with immediate liquidity operations. The money market contagion spread to the rest of the world on the same day, forcing other central banks, notably the Federal Reserve and the Bank of England to follow suit.

At the time, this crisis was widely seen as an isolated financial market crisis with little spillover to the real economy. Some economists, including Nouriel Roubini, Raghuram Rajan, and William White had given early warning of the crisis, but these warnings were at the time not taken seriously by the academic and policy establishment. Roubini, in particular, warned that the crisis would spread to the real economy through a variety of negative feedback loops between the financial sector and the non-financial sector, but this forecast was also not widely accepted even as the crisis broke out.

The early phase of the crisis, from August until March, was characterised by policy action confined to the central banks. In the US, the Federal Reserve began cutting the Fed Funds Rate from 5.25% in successive steps to 2% by April 2008. The European Central Bank left its key securities repurchase rate unchanged at 4%. There were no generalised fiscal policy responses in any of the large industrialised countries, although several European countries were forced to bail out faltering banks, notably Northern Rock in the UK, and IKB in Germany. This phase of the crisis took place mostly within the banks, who were suddenly in doubt about the market values of the securitised assets they owned, and in the financial markets themselves, where several segments completely dried up: the inter-banking market, the commercial paper market, especially the asset-backed commercial paper market, as well as the entire market for securitised products, including the market for covered bonds, hitherto thought of as secure. During that period, the news media reported on the crisis, but most of the coverage was at the back end of the financial pages. In January 2008, the International Monetary Fund shocked the world with an estimate according to which the total losses from the securitisation crisis would be \$1000bn.

The central banks, meanwhile, reacted to the crisis by lowering interest rates (in the US and the UK), and by injecting liquidity into the system. In the US, the Fed introduced new types of liquidity operations, as a result of which its own balance sheet grew from a level of around \$700bn to over \$2000bn by the end of 2008. The ECB also injected liquidity into the market, boosting its own balance sheet by accepting a wider range of securities than before.

But it is fair to say that up until March, the crisis took place mostly in the markets, in policy circles, in specialised conferences, and in internet news blogs.

In March 2008, the Federal Reserve essentially bailed out Bear Stearns, by giving guarantees for a deal in which Bear Stearns was sold to JP Morgan. The high point of the crisis was subsequently seen to be over. Bear Stearns was considered the most vulnerable bank on Wall Street, and its rescue appeared to have put a floor underneath the damage.

At the time the oil price continued to rise, as the financial markets remained optimistic about the more general economic outlook. The oil price peaked on 11 July, when the price for Western Texas Intermediate reached \$147.25 per barrel. The European Central Bank, at the time not worried about a fall in economic output growth, became increasingly concerned about the second-round price effects of higher oil prices, and raised interest rates in July to 4.25%. This move was widely condemned, as many forecasts were either expecting a fall in economic growth, or even a recession.

By August 2008, oil prices were beginning to come down. It was in many respects the second calm before the storm. Many expected the crisis to be over, or at least to be in its dying phase.

### **3. The Post-Lehman Policy Response**

We will not give a full account here of the events of September, during which the US administration effectively nationalised the two mortgage corporations, Fannie Mae and Freddy Mac, saved the insurer AIG from bankruptcy, and allowed Lehman Brothers to file for chapter 11 bankruptcy. This was one of the most tumultuous periods in the history

of financial markets, and it triggered a number of violent market reactions, including the biggest one-week fall in the stock market in history, a complete dry-up in the inter-banking market, when Libor and Euribor money market rates spiked to extreme levels, presenting a clear and present danger to the banking system and the global economy at large. European policy makers produced three categories of responses. The first was an immediate relief to the banking situation. The second was a stimulus. And the third was a cut in official interest rates.

**a. Bank rescue**

The European response to the immediate banking crisis in September 2008 was swift, only minimally co-ordinated, and not comprehensive. After several banks got into trouble, including Fortis in Belgium, the EU agreed a joint scheme and joint rules, as part of which governments issued blanket guarantees on all lending, and a commitment to improve deposit insurance schemes to prevent bank runs. The measures were essentially designed not to resolve the banking crisis, but to prevent panic in the population, and in the interbanking market. The idea was to signal to the market that every transaction would be honoured, even if a bank were to fail. It is fair to say that the programmes managed to achieve that goal, though not much more. One of the consequences of the programmes was a number of reported breaches of competition policies, as governments seemed to abuse the hastily arranged new rights to improve the competitive position of their domestic banks. We will not focus on those in this essay. The main purpose of those packages was to stave off an immediate financial meltdown. It succeeded on those narrow terms, but it succeeded on little else.

**b. An un-coordinated stimulus**

At the time, given the steep fall in the stock market, and the seizure of credit flows, policy makers were concerned about the impact of the crisis on the global economy. A consensus was emerging that industrial countries should introduce stimulus packages. In Europe, several governments announced unilateral packages including Germany. Later the EU produced its own, small stimulus. In early 2009,

European governments produced new stimulus packages, which would take effect in July 2009.

There has been much disagreement about the size of the stimulus as governments included already existing schemes into their stimulus headline count. One of the best independent estimates is that from Saha and Weizsäcker (2009), who produce the following estimate for the effect of stimulus packages in 2009.

	% of GDP
Belgium	0.4
Denmark	0
Germany	1.5
Ireland	0
Greece	0
Spain	1.1
France	0.9
Italy	0
Netherlands	1.0
Austria	1.4
Poland	0.5
Sweden	0.4
UK	1.4

*Source: Saha, Weizsäcker, Bruegel*

Mark Horton and Anna Ivanova (2009) of the IMF have also produced a similar estimate, with only small deviations. The table suggests that the overall size of the discretionary stimulus is moderate, but the distribution among countries is quite large. While Italy and some other countries have had zero effective discretionary stimulus, Germany and the UK stimulated the most.

Several aspects are important in assessing stimulus, including qualitative aspects, i.e. what the money is spent on, and also the extent of a country's automatic stabilisers. Several commentators, including Horton and Ivanova (2009), have noted that the discretionary stimulus may be smaller in Europe compared with the US, but the large automatic stabilisers, social and unemployment insurance - would lead

to a much larger total stimulus. Some commentators have even taken the rise in the deficit as a metric to evaluate the true stimulus, but I would urge caution in this respect, as this also measures the short-fall in tax revenues (which was what the automatic stabilisers mostly consisted of in the early phase, when unemployment was still low). A more valid metric would be the sum of discretionary stimulus, and those parts of the automatic stabilisers that are attributed to government spending. On that basis, the European and the US stimulus packages were broadly in line.

### c. The monetary policy response

After the increase in policy interest rates to 4.25% in July, the ECB successively cut the repo rate to 1%. Under normal times, overnight money market rates are close to the repo rate, but the ECB's funding mechanism allows for some flexibility. In the summer of 2009 money market rates went close to zero.

Through its three interest rates – the deposit rate, the repo rate, and the emergency lending rate – the ECB provides an effective upper and lower ceiling for money market rates. Normally money market rates closely track the repo rate, but through its funding policy the ECB can – and did – fine tune the system so that real-world money market rates could either approach the higher emergency lending rate, or the lower deposit rate, which was 0.25% in June 2009. As the ECB made unlimited amounts of funds available, banks hoarded the cash, and deposited much of it with the ECB. Whatever was left to trade on the money market attracted marginally higher interest rates. The ECB has thus in effect cut interest rates to close to zero, while official policy rates became increasingly less important. In late June, the ECB injected a record €442bn of fresh liquidity through a 12-month tender, widely judged to be the cheapest source of 1-year cash banks could obtain. The immediate effect of this operation was another fall in the money market rate, which came very close to the 0.25% deposit rate floor. So despite the fact that the repo rate is still 1%, the real-world money market rates is closer to 0 than to 1%.

Interest rate policy became subject to public dispute among members of the ECB's governing council, some of whom said that the repo rate should be lowered, while others opposed such a move. There was a similar dispute about whether the ECB should buy market

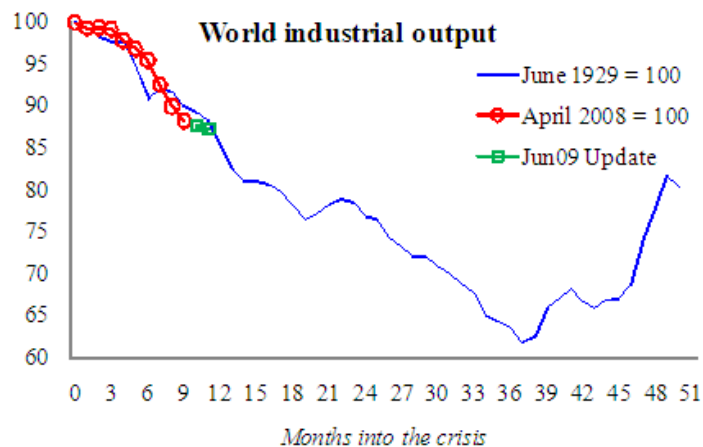
securities as part of a programme of quantitative easing. The ECB eventually decided to buy €60bn in covered bonds, which is one of the most secure categories of fixed interest securities, to rekindle a market, which is important for the provision of mortgages in several European countries, including Spain and Germany. But as the FT reported (23 June 2009), the announcement itself had an immediate positive effect on the covered bonds market, which started to revive strongly even before the ECB bought its first security.

By the summer of 2009, all the world's largest central banks had cut interest rates to close to zero, and initiated programmes of quantitative easing. Moreover, they all signalled to the financial markets that interest rates would stay low for a considerable period of time.

#### 4. The Post-Lehman Real Economy Response

##### a. The fall in global trade

Perhaps the single most surprising aspect of the current financial crisis is the immediate effect on the global economy. The most graphic representation is the following comparison between this crisis and the Great Depression. The graphs are from Eichengreen and O'Rourke (2009).





So by the spring of 2009, the downturn in the manufacturing economy and global trade was approximately as bad as it was during the Great Depression. There were some signs that the fall in trade and manufacturing output stabilised in April and May, but the indicators

remained mixed. By end-June 2009, there were certainly no indicators that suggested that the economy was recovering. Second derivatives of output were slowly stabilising, which meant that the economy continued to contract, albeit no longer at an accelerating speed. The latest economic data were still consistent with the scenario of a long U-shaped recession, an L-shaped recession (similar to Japan's in the 1990s), or a recovery with global growth rates below those that prevailed earlier. Yet, newspapers and some commentators spoke in terms of green shoots.

#### **b. The East European crisis**

Within Europe, the countries most vulnerable to the financial crisis are those with immature financial systems, most notably the CEE countries, as well as countries like Ukraine.

As risk aversion grew, financial investors have repatriated funds during this crisis, which caused sudden liquidity outflows from CEE countries. The same is true of the banks, which have subsidiaries in CEE countries. They have also withdrawn credit from the region.

Several East European countries were highly susceptible to a financial crisis because of large amounts of foreign currency borrowing. In Hungary, almost all mortgages in recent years were denominated in foreign currency, mostly in Swiss francs because of the low interest rates there. While mortgage payers benefited hugely from those mortgages, as long as the exchange rate was stable, an exchange rate depreciation could produce a severe shock to household incomes. As foreign investors repatriated funds, the exchange rate in several CEE countries came under pressure, and central banks were forced to intervene in support of their currencies.

The IMF, together with the European Bank for Reconstruction and Development, and the European Commission set up some emergency funding to help CEE countries weather the crisis, but both the European institutions and governments flatly rejected any notion of fast-Euroisation.

By the late spring, the acute crisis that hit Hungary and other central European countries appeared to have been contained, except in

Latvia. There was intense speculation about a devaluation of the Latvian currency, the Lat, after the government was forced to accept an austerity package, which included draconian public sector wages cuts, amid rising popular unrest. We have been told by a senior source in the IMF that the Latvian austerity package was too severe, and that the IMF was only supporting the policy reluctantly, at the behest of the EU, which wanted to avoid a devaluation of the Lat at all costs. By end-June it was not clear whether the Lat would devalue, but most observers at the time concluded that it was only a matter of time.

The contagion effect of a Latvian devaluation could be quite severe. The Swedish Riksbank already withdrew €2bn from a standing swap agreement with the ECB, to have sufficient euro funds available, in case this needs to be injected into the Swedish banking sector, which would be highly vulnerable to a Latvian devaluation, given their exposure to the country. It is also expected that an Argentinian-style default by Latvia would immediately spill over into the other Baltic Republics, and even other CEE countries.

The consensus by the summer was that the first wave of the crisis was over, but that the region was not yet out of the woods, as more waves could still bring significant damage.

## 5. Criticism of the European Response

A financial crisis of such scale constitutes a problem for any country, but particularly for Europe. The Member States of the euro area were protected, and it is reasonable to assume that Ireland would have suffered even larger difficulties, had it not been for its membership of the euro. For the UK, by contrast, membership of the euro would have proved very difficult, as the ability to devalue in a crisis turned out to be an important exit value that released some of the pressure that would have otherwise built up. East European countries were highly vulnerable, partly because of an overreliance on foreign banks, and because of the practice of foreign currency borrowing. And the euro area itself has its own economic and institutional challenges.

In the following subsections, we will discuss the three most important policy areas in turn, monetary policy, fiscal policy, and bank resolution policy.

### a. Monetary policy

It is always easier to judge monetary policy, or any other policy for that matter, with hindsight. With hindsight, the ECB would probably not repeat the decision in July 2008 to raise interest rate to 4.25%. We find it is not very plausible, however, to attribute too much of the economic difficulties to that decision. The subsequent recession was triggered by a generalised credit crunch, which led to a collapse in industrial production and global trade. The bottleneck was not the price of available credit, and certainly not a quarter point, but the quantity supplied, or rather not supplied.

When the scale of the crisis became apparent, the ECB, like other central banks, cut interest rates aggressively, and supplied the market with plenty of liquidity. By mid-2009, money market rates were as close to zero as they would be able to get.

A more valid question refers to the ECB's generous liquidity policies, notably its 12-month tender in June 2009, through which it supplied the banking sector with €442bn in new funds. Willem Buiter (28 June 2009) argued that this policy is quasi fiscal in nature, as the ECB was indirectly trying to fix the banking sector through an indirect form of subsidy. Solving the banking sector's problem through cheap money, he argued, is unjust and inefficient. Fixing the banks is the job of a government, not of a central bank. We agree with that criticism. But it might also reflect a justified scepticism by the monetary authority of the lack of action of governments. Trying to solve the problem of the banking sector through a policy of cheap money could take up to a decade, would represent a bail-out by stealth. But in the absence of government action, what else could a central bank do?

### b. Fiscal stimulus policies

During a normal business cycle, the case for a fiscal policy stimulus is limited, provided that countries operate automatic stabilisers in the form of unemployment insurance or other measures. The case for a fiscal stimulus during a slump is to prevent a downward spiral of economic activity, after monetary policy has fallen into a liquidity trap. A liquidity trap is a situation that arises when interest rates approach zero and it is impossible (or ineffective) to cut interest rates further. All

industrial economies have arguably reached a liquidity trap during this crisis (as the fall in interest rates had no effect on demand, given the quantity constraints). As a result, fiscal policy had to take up the slack. Economic theory suggests that fiscal policy, under a situation of a liquidity trap, is highly effective in stimulating demand. (That would not be the case in a normal situation, in which an increase in fiscal spending might merely crowd out private spending).

But for fiscal policy to have that positive demand effect, it is essential that a stimulus is subject to the three 't's. A stimulus should be timely, temporary, and targeted. What sounds fine in theory, is complicated to implement in government, as spending decisions often require complicated negotiations. Infrastructure projects may be temporary, but they are rarely timely, given the lags it takes until such projects are 'shovel-ready'. We have seen this problem in Germany as many of the funds earmarked for infrastructure investments were not even applied for in mid-2009. Temporary tax rebates fulfil at least two out of the three 't's. They are temporary by definition, and can be implemented even retroactively. There is a question, though, whether they are targeted, whether people might not end up saving the money instead of spending it. One measure that appeared successful in Europe, despite many theoretical objections, has been the car scrapping premium. It led to a steady continuation of car purchases in the middle of the recession. Most experts agree that this will subtract from future car sales, but the purpose of this exercise was never to lead to increase in overall sales, but to smooth consumption.

Overall, the stimulus policies sounded more impressive on paper than in reality in almost all countries. They contributed to the mid-year economic stabilisation after the extraordinary economic collapse during the fourth quarter 2008 and the first quarter 2009, but they all came far too late to prevent that collapse. That would have taken large immediate tax cuts and consumption vouchers back in October 2008.

The biggest criticism of fiscal policy in Europe is the lack of coordination. In the US, which is a relatively closed economy, a stimulus that is heavily weighted towards infrastructure spending is almost certainly going to have a bigger impact than asymmetric stimulus spending in European countries, much of it in industrial subsidies. What matters is not the gross discretionary stimulus,

expressed by some headline number, but its economic impact – gross stimulus times the multiplier.

Paul Krugman (2008) has produced a beguilingly simple model, which tries to calculate the effect of a stimulus on GDP – the multiplier – and what he calls ‘the bang for the buck’, the effect of extra deficit spending on output. This is not the kind of model you would use to calculate the precise impact of a stimulus package in your country, but it shows superbly why co-ordinated policies are so much more effective than uncoordinated ones. Under co-ordination the multiplier is about twice as high as under a scenario without co-ordination – 2.23 as opposed to 1.18. His model makes a series of simplifications, but none too unrealistic, such as a 40 per cent import share (meaning purchasing from other euro area countries as well as ex euro area countries), the same import share for private and government purchases (somewhat idealised, but not too unrealistic since we live in a single market with common government procurement rules), a marginal tax rate of 40 per cent, a marginal propensity to consume of 50 per cent. The important point is that the results are fairly invariant to most of the assumptions, except the strong intra-European trade component. The logic is the more you trade with one another, the more you benefit from co-ordination. If Germany had spent only 0.8% of GDP instead of 1.5%, and if the other countries had done the same, Germany would have done better than under a larger unilateral stimulus.

Given that global trade nowadays constitutes some two thirds of world GDP, one could easily extend the same argument to the world economy. A moderately co-ordinated response would be a lot more effective than a few large uncoordinated stimulus packages here and there. Given the strong trade linkages within Asia, there is certainly a case for close co-ordination among the Asean countries, and a moderately strong case for co-ordination between the three large industrial blocks, the Americas, Europe and Asia.

We are not sure that the US needs to double the size of the stimulus, as the consensus of US economists appeared to suggest, following some much publicised calculations of Martin Feldstein, who has calculated that the US faced an annual \$750bn demand gap. This

calculation assumes that the US was still on the same growth trajectory as it was before the crisis. We doubt this.

But we certainly believe that the euro area as a whole should have increased the size of the stimulus, given the sharply deteriorating economic prospects the economy faced in the early part of 2009. More important is that any additional measures be co-ordinated.

### c. Bank resolution

The lack of effective bank resolution policies is by far the biggest shortcoming of the European policy response. The IMF's Global Financial Stability Report (April 2009) presented the shocking news that the total in bad assets globally has swollen to \$4,100bn. Of that, the global banking system accounts for \$2,800bn. Of that, European banks account for \$1,426bn. European banks and insurance companies have only written off little more than \$100bn. The IMF estimated that it would take about \$500bn in new funds to recapitalise the European banking system.

In its annual financial stability review, the European Central Bank (June 2009) produced a somewhat smaller estimate of the expected write-offs, at \$283bn for this year and next, compared to an equivalent estimate by the IMF of over \$550bn. These estimates make different assumptions about loan performance. But no matter which of the two different assumptions you choose, the EU faces a massive banking problem of a scale at least as large as that of the US.

For Germany alone, one estimate suggests that banks are sitting on foul assets totalling some €800bn, according to a report by *Süddeutsche Zeitung* (24 April 2009), which includes securitised assets, but also non-performing loans, and bad investments by the banking sector. The estimate was leaked from the German banking supervisory, and thus constitutes a credible calculation of a worst-case scenario for Germany, which has the lion's share of potential losses in the euro area.

The German government responded to the crisis through a bad bank law, which is cost-free to the tax payer, and which essentially relies on an accounting trick. The banks that participated in the scheme can offload toxic assets at 90% of book value to a bad bank in return for

government-guaranteed bonds issued by the bad bank. The bad bank, in the meantime, will try to liquidate the bonds, for which it has 20 years. The existing shareholders of the bad bank are responsible for any losses.

The problem with the scheme is that it does not resolve anything, but only postpones the day of reckoning into the future. It puts the bad assets into a freezer, and it is not clear at all why new shareholders should inject new capital into the bank, given the potential losses that this bank might face in the future. Many critics, including Posen (4 June 2009), have argued that schemes such as these were also employed by the Japanese government during the 1990s, with disastrous effect. At the present rate, Germany and other European countries are en route to repeat the Japanese experience, precisely because they failed to sort out the banking system. Without a supply of credit, it is inconceivable that the European economy could return to the same level of growth as before.

#### d. Export dependence

The crisis raises a number of structural issues for various countries, for example an over-reliance on finance and property for the UK and Spain, an over-reliance on gas and oil for Russia and an over-reliance on hot foreign capital in many CEE countries. In this short section, we want to address an issue of importance for both Germany and Italy, and thus indirectly for the euro area as well: the reliance on exports for domestic growth.

The exported-oriented model has been successful in the past, but it increasingly relied on global imbalances to be sustainable in a world in which emerging economies grab an increasingly bigger share of exports.

As Munchau (9 June 2009) explains, Germany relied on a large trade surplus to generate moderately high levels of economic growth for only two years during this decade. Once the US household sector returns to positive savings rates for good, which is to be expected given the losses they face on property, it will be impossible for the classical exporters - Germany, China and Japan - to maintain large surpluses. This is possible at the moment, as the US government compensates

for the increased savings by US households through dissaving, i.e. through deficits. But once the US deficit shrinks, so will the US current account deficit, and by extension the current account surplus of the classic exporters. So the three countries will need to find other sources of growth as their current account surpluses shrink.

Through its exchange rate policies, and a largely under-developed domestic economy, China still has significant potential to develop an alternative source of growth, but both Germany and Japan, with their floating exchange rates and ageing populations, may find it harder to shift from an export model. The result may well be that the two economies settle on a much lower equilibrium, and reach much lower growth rates in the future.

## 6. Outlook for the European Economy

I am not presenting any forecasts, especially since most recent forecasts were in need of revision shortly after they were published. But we can pull the various strands of this analysis together to arrive at a plausible post-crisis scenario.

For the euro area, the situation is not very encouraging. No country is pursuing ambitious bank resolution policies, not for lack of recognition of its importance, but due to political resistance. The federal government in Berlin is in a weak position to force the merger of the Landesbanken, and the outcome of current negotiations in this respect remains unclear. Spain has a similar problem with its local savings banks, which also require consolidation. The UK has gone a step closer to full-scale nationalisation, but the need for recapitalisation will surely test the country's limits of fiscal policy, as the annual deficit is approaching a level of 14% of GDP. In the US, it remains to be seen whether the Geithner plan, with its various plans for asset purchases and bank recapitalisation will be sufficient. I fear that it may not be, as it relies on highly optimistic assumptions of an economic recovery. So do the European plans. The basic idea is that through low interest rates, and an economic recovery, the problems will disappear automatically. Once the securitisation markets are back in action, it will become possible once again to value the toxic assets, so the theory goes. So the basis strategy, if one may call it that, is to wait for better times to sort out the problem, rather than to sort out the problem to ensure that those better times arrive. Maybe Europe will get lucky, and those better

times will arrive on their own. Perhaps Europe will, once more, be able to piggy-back on someone else's economic recovery.

On the basis of the analysis presented in this essay, this seems unlikely. Europe will need to sort out its financial problems as a precondition for a recovery. It is not clear when this will happen, but the adjustment might take many years, and possibly a whole decade.

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## European Elections Create a UK Problem

Martyn Bond

*Vox populi, vox dei:* the people have spoken and we have a new European Parliament. In the midst of a financial crisis voters across Europe have rallied to centre-right parties, seeking security and stability. In a time of economic upheaval they have - in most cases - confirmed the leading role of their national governments, making the Christian Democratic European People's Party (EPP) again the largest group in the European Parliament. It will have close to 270 members in a House of 736 MEPs.

There were a few exceptions. In some smaller countries – Greece and Slovakia, for example – the Social Democrats did well, bucking the general trend because of local circumstances. But in the bigger countries, where the numbers really matter, they fared badly. In Spain the Social Democratic government of Jose Zapatero took a hammering. In France the Socialists lost even more heavily. In Germany, even as members of the ruling coalition, they lost several seats. In the UK Gordon Brown's Labour government, mired in a sleaze scandal about MPs' expenses and with a serious cabinet split, fell to its worst performance ever in the European elections, gaining just 16% of the popular vote. Overall the Party of European Socialists (now renamed the Progressive Alliance of Socialists and Democrats) in the European Parliament has been seriously weakened.

Alongside the gains made by centre-right parties there were gains for eurosceptic parties as well. The UK Independence Party built on its previous score of ten seats, displacing Labour as the next strongest party behind the Conservatives. A more extreme challenger, the British National Party with an overtly xenophobic programme, gained two seats. It was a similar story in the Netherlands, in Austria and in the Baltic states and elsewhere with extreme nationalist parties - in some cases clearly anti-Islamic and anti-immigrant – making gains.

When the election dust settled and the Parliament reassembled in Strasbourg in July, party leaders negotiated the finishing touches to the new Political Groups. They decided exactly who will sit down with whom, what pre-election alliances would stick, and which would fall

apart. The strength of the Political Groups determines the day-to-day functioning of Parliament as well as the overall political line that it is likely to take. *The Financial Times* commented shortly after the results were announced: 'Voters have returned a parliament that is economically liberal, but whose majority favours more centralised financial regulation. In the coming far-reaching economic reforms, Europe will be guided by the right'.

To the victor the spoils. First the MEPs elected a President for the new Parliament: Jerzy Buzek, a Pole from the European People's Party. Then they allocated other senior jobs. The size of the Political Groups is broadly reflected in the composition of Committees following a complex arrangement known as the D'Hondt system. Larger Groups – and inside them larger national delegations - have a stronger claim to key posts such as Co-ordinators on key issues, and on Committee Chairmanships and Rapporteurs' posts, leading on key pieces of legislation.

The only upset in the pre-negotiated elections of senior posts was a backbench revolt that denied the eurosceptic British Conservatives one of the fourteen Vice-Presidencies of the Parliament, electing a pro-European Conservative, Edward MacMillan-Scott, on an independent ticket. A similar sympathy move unexpectedly gave the Liberal Group a British Quaestor, Bill Newton Dunn, letting some greater light into the obscure workings of these political supervisors of the administrative arrangements affecting MEPs in Parliament – including their expenses.

The presidential election – and the deal that underlies it - was the first big test of coherence inside each of the Political Groups. Usually this is settled between the European People's Party and the Socialists and Democrats. But with little more than 150 seats or so, the Socialists and Democrats cannot assume that the EPP must turn to them to make a majority. The ALDE Group, which can muster 85 members, may play a role as an alternative partner for the EPP from time to time. Alternatively the Socialists and Democrats may try – with some difficulty – to maintain tactical alliances with the Greens and even with Groups further to the Left to frustrate the EPP on certain key issues.

The small numbers of British Labour MEPs will not have much leverage in the Socialist and Democratic Group, especially given the prospect of a change of government in the UK in the near future. And

the UK Conservative MEPs, who together with eurosceptic members from the Czech Republic, right-wingers from Poland, Latvia, Lithuania and assorted oddments from elsewhere have formed a new European Conservative Group with 54 members, still are not big enough to play a major role in parliamentary alliances. UKIP - if it can maintain greater unity in the new Parliament than the old where its members split across three different Groups – has formed a Group of about 40 eurosceptic MEPs headed by Nigel Farage, an outspoken critic of the EU. They too will not be big enough to exert meaningful influence in Parliament, acting rather as spoilers, or simply using the platform of the Parliament to air their 'outsider' views.

What will British interests do when they find Labour cut out of the corridors of power as they move into opposition, the Conservatives increasingly sceptical and marginalised, UKIP outside the mainstream still, and the Liberals only junior partners with the EPP?

Economic actors and NGOs will have to find new avenues of influence, possibly working more through the pan-European interest groups that proliferate in Brussels. The downside here, however, is that these interest groups make their own internal compromises before they approach the political arena with a common position. Once you have compromised at the pre-political level you rarely regain your original points without powerful national backers in Parliament or Council. Business Europe, the pan-european alliance of big business interests, has shown this on several occasions, when the British CBI has found its peers from other European countries less than sympathetic to the Anglo-Saxon vision of the economic future that UK industry works to. British interests will find it difficult to get their voices heard seriously in Strasbourg over the next five years. Few British MEPs are now well enough plugged in to count; their numbers and the structure of the Groups are against them.

Those interests that traditionally look to the Social Democrats will find the situation even more difficult. With reduced strength in Parliament they will exert little influence on policies at European level. With a new and largely right-of-centre Commission and major states of the EU maintaining or gaining right-of-centre governments over the next few years, the nature of the European social model may well be challenged.

European elections act as a political weather vane. Party leaders can see which way the wind is blowing, and it is clearly filling the sails of the Right. That Right – including the Centre Right – is increasingly sceptical about traditional EU solutions to contemporary problems. When the Lisbon Treaty comes into force – courtesy of the Irish referendum and sundry legal hurdles in the Czech Republic, Germany and Poland – the new Parliament will exercise considerably more influence on EU legislation and the budget. But UK economic actors are unlikely to secure much help in the European Parliament. They will find it very hard to ensure that their interests are preserved or promoted in the important EU legislative programme over the coming years. Courtesy of these European elections, the next five years will be an uphill struggle for Britain in the EU.

## The EU Institutions: Growing Distortion and Uncertainty

Daniel Guéguen

The EU institutions are the guardians and guarantors of democracy in the Union. Yet, distorted practices are numerous at all levels of the institutions. Distrust in the European Union is not surprising when there is no respect for the letter or the spirit of the Treaties.

This is especially true for the highest level of our Community architecture: the European Council of Heads of State and Government. Remember the mastery with which the French Presidency of the EU transformed the Commission – the engine of the Community – into a simple 'secretariat' for the Council of Ministers. With a neutralized Commission, nothing was easier than adopting the Energy and Climate Change Package with a unanimous Council vote without any right of amendment for the European Parliament. Indeed, a direct violation of the co-decision procedure.

### Endemic distorted practices at the top level

With such examples at the highest level, the deterioration of the EU institutions is not surprising. The latest example refers to the unanimous consensus among the Member States to choose the future Commission's President under the Treaty of Nice, while appointing the Commissioners under the Lisbon Treaty.

This manipulation of the Treaties entails killing two birds with one stone. Since the Treaty of Nice gives little powers to the European Parliament, Member States have schemed a way to designate the Commission President amongst themselves. They will then seek refuge under the Lisbon Treaty, which guarantees one Commissioner per Member State until 2014. Fine political manipulation, but what a betrayal of European citizens, and voters!

Such levity, not to say cynicism, also prevails in the race for high political positions. For them, Europe does not embody a noble public service mission, but is rather a springboard for personal career advancement.

One can only wonder how, in the midst of a grave financial crisis, five Commissioners leave their posts to run for the European Parliament elections, mainly seeking a return to national politics. The same is true for those parliamentary candidates who, like the Italian President of the Council, once elected, never set foot in Strasbourg again. And what about those EU parliamentarians who desire a commissioner's seat? We should also not forget those who were sent to the European Parliament only because they were inconvenient at the national level.

The European citizen, albeit unaware of the details, is not a fool. He recognises that his right to exercise democracy is no longer guaranteed by the EU institutions. His disappointment is at the core of low electoral turnouts and mounting public euroscepticism. All these disastrous developments are taking place as the crisis hits hard, calling for a more, and definitely not less, united Europe.

### **Comitology: another stumbling block for democracy**

Distorted practices penetrate EU bureaucracy right down to the technical level. Although the Council of Ministers and the European Parliament adopt nearly thirty directives a year, in the same twelve months over 3,000 implementing measures pass through Comitology.

Comitology is the kingdom of the EU administration. In theory, the adoption of these 3,000 regulations, which condition the life and prosperity of EU citizens and businesses, is in the hands of the Commission. In practice, their adoption depends on mid- to low-level technocrats.

The Commission makes a proposal. This proposal is then submitted to an Expert Committee composed of one national civil servant per country. In 98% of cases the Expert Committee accepts the Commission's proposal. If this is not the case, the dossier is submitted to the Council of Ministers who need to reach unanimous agreement if they want to demand that the Commission modify the proposal.

According to some interpretations of the Treaties, a majority of the Member States is enough to prompt the Commission to revise the Comitology proposal. But the Commission is free to ignore their request, if it so pleases. And when we speak of the Commission, we

mean technocrats and not the College of Commissioners. Is it not a striking example of imbalance of power?

Moreover, if it is deemed inconsistent to entrust technical matters to the Council of Ministers, why should the Commission have a quasi-non-limited power to decide on important subjects, such as nutrition legislation, rosé wine mixes, new phytosanitary products, GMOs, waste, the Emission Trading System... ? This is obviously a rhetorical question.

The Comitology reform of 2006 granted the Council of Ministers and the European Parliament the right of veto over one third of measures adopted through the Comitology system. This is a very effective rule, which constitutes an example of democratic checks and balances for a technocratic power. Should we not expand this principle to the adoption of all Comitology regulations?

### Uncertainty on the new Commission

Sometimes the 'best' political agreements happen by chance to be challenged by the strength of democracy and public opinion. The re-appointment of Mr. Barroso, which appeared assured only a few weeks ago, is now postponed until mid-October under strong pressure from the European Parliament.

Can Mr. Barroso, the very symbol of ultra-liberal Europe, and its policies of deregulation, now be appointed to stand for an opposite policy which advocates public policies, financial regulations and more?

This is the question now on the table and nobody knows who will emerge the winner. But the fact is that the European Parliament, and by extension public opinion, is challenging the support from Member States on Mr. Barroso's candidature, which might be strong in appearance but is weak in reality.

And this indeed is an encouraging signal of the role and place of civil society in the European Union.

## European Business Responses to the Global Financial and Economic Crisis

John Drew

With few exceptions companies in the European Union (EU) have been challenged by the most serious financial and economic global crisis for decades. How did they respond? Did size, industry sector or the countries in which they were operating make a difference? What now for companies doing business in Europe? <sup>1</sup>

As responses to the crisis were reviewed, it became clear that what mattered for companies, irrespective of size, was not so much their own actions which they understood well, but rather direct and indirect actions specifically targeted towards them by both national governments and European and international organisations. The larger companies such as Rover, Fiat and Siemens often hit the headlines with their actions, but 99% of all enterprises in the EU are small and medium size businesses and 91% of these are micro-firms with less than 10 workers. <sup>2</sup>

The role of companies in our European capitalist society is to innovate and create wealth. They rise and sometimes fall. Crises are not unusual. Each year some lose revenue and profits. The main difference between one year and another is the size of their success or failure. After some decades of considerable economic growth across the EU, the global crisis has curtailed growth, profitability and investment to an unprecedented extent.

When a crisis looms companies first cut unnecessary costs. They stop travel, freeze wages, put off investments, review borrowings and mark down departmental budgets especially those not actively involved in selling their goods and services. They stop recruitment, lay people off, sell assets, go into liquidation or go bankrupt.

Across the EU during the last year, our research shows that these are the actions which companies have been taking and in greatly increased numbers than in previous years. That is what companies do. Whether they are multi-national, national champions, small or medium size businesses, one man or woman shops, their actions are very

similar. 'Batten down the hatches' is the cry. Their task is to survive if they can and hope for more favourable waters once the storm has passed. The stress on those managing this crisis is considerable. They too are threatened and may still lose their jobs. Those millions across Europe who have become unemployed make the crisis not just financial and economic but social too. Further millions are affected who were dependent on wages and salaries no longer available.

While many firms responded to the crisis effectively, there are a good number which have not had this experience before and which have grown perhaps too optimistic, too fat or too quickly. Their managers and owners are learning hard lessons. Even those still profitable are not as successful as they were. There is constant pressure from society, from governments, from different stakeholders to take the crisis very seriously in all its aspects.

If companies in the EU are all responding with the same tools to dig themselves out of the current hole, what is being done by governments to help them? Many solutions are proposed by different EU nations. They fill our media daily. Unlike company responses which are nearly all similar, government actions often vary from country to country across Europe. The current crisis and the reaction of companies to it lead to the conclusion that it is governments, not industry which must find the rescue strategies. It is governments that provide and fine tune the frameworks within which industry and commerce operate, whether at a national or an EU level. But who provides governments with the necessary expertise? Not many politicians have experience of business and it is mainly companies that provide the energy, innovation, creativity and entrepreneurship to refuel national economies.

German Chancellor, Angela Merkel told a television programme in July 2009 that she was concerned about the lack of lending by German banks and signalled she would put additional pressure on banks to prevent a credit crunch. 'If loans don't increase', she said, 'the government will invite them back and have a serious word'.<sup>3</sup> Almost every day during the crisis, in each of the EU 27 nations, politicians have been having 'serious words' with companies, either directly or through the hundreds of trade associations that represent them.

EU governments have been changing the frameworks. Their actions in the larger countries, France, Germany and the UK are complex, targeted at different vital industries and affect different stakeholders. They lack any overarching European strategic objective. The Balkan countries, Estonia, Latvia and Lithuania have had bank failures and depreciating currencies, but their responses and those of international organisations helping them are not consistent. Ireland is attempting to solve its problems in one way, Spain in another.

European coordination of government support activities is proving difficult. This is understandable as all EU nations are busy fire fighting, hoping that their often uncoordinated actions will prove sufficient to allow companies based in their backyard to get on with the job of creating wealth again. Governments do things in different ways. There is not much coordination between them as they seek to support companies based in their territory directly or indirectly. Only when necessary or clearly advantageous do they subscribe to actions at an EU level on issues such as competition, regulation and state aid. The European Commission is relatively powerless. It can suggest activities, seek coordination of policies and use its expertise and limited funds to help build European responses. But the money is in the hands of Member States and it is they who call the tune at national levels.

The conclusions then are:

- 1) Companies are doing mostly the same things across the EU to respond to the crisis.
- 2) Governments are helping companies through fine tuning the framework in which they operate, but are not coordinating many of their activities at the EU level.

One of the lessons of the crisis would seem to be the need for better understanding by Europeans of the relationship between companies which create wealth and governments which develop the operating framework. Most politicians have little experience of company affairs. Most business people have little experience of how difficult it is for politicians to balance often contradictory pressures. Politicians listen to business people, companies, trade associations, consultants, think tanks and a wide range of stakeholders including the general public before taking actions to help companies. As governments provide the

frameworks and business provides the creativity to make profitable businesses, both partners need to understand more the opportunities and constraints of their actions.

The solution will not be found in governments 'having a serious word' with companies. It lies deeper in the need for managers at all levels in government organisations and private companies to have wider experience 'of the other side'. This experience could come through teaching in Business Schools and other academic institutions becoming broader based; by managers working for much long periods of their careers in both the public and private sector; by a better understanding at all levels of society of the interaction of business and government and by the realisation they are both jointly part of the cause of the crisis and jointly part of the solution. Jean Monnet a founding father of the EU said: 'L'Europe se fait par petits pas'.<sup>4</sup> Perhaps one small step for Europe could now be serious consideration of a fundamental improvement in government-business relations.

### Notes

- 1.The Institute of Contemporary European Studies (iCES) has collected examples of companies' actions across the European Union. The results were unexpected and will lead to proposals for further investigation. A list of websites across the EU relevant to this article, together with some research material based on them and other sources is available at: [www.ebslondon.ac.uk/ices](http://www.ebslondon.ac.uk/ices). I would like to thank Elena Smirnova, iCES Intern, for her assistance in carrying out research for this article.
- 2.OECD 2009 Impact of the Global Crisis on SME and Entrepreneurship Financing and Responses.
- 3.Merkel, A., (20 July 2009); 'Germany Considers Forced Capitalisation of Banks', *Der Spiegel* [spiegel.de/international/germany/](http://spiegel.de/international/germany/), 1518,637064.00.
- 4.The Jean Monnet Method was to achieve an integrated Europe 'by small steps'. Gerbet, P., (23 January 2004), Paris. <http://www.ena.lu>

## European Energy Policy in the Midst of an Economic Backlash

Arve Thorvik

The 'Barroso 1' Commission is about to clear their desks and leave town. Some of them will reappear in the New Year in 'Barroso 2' in a new format – provided the Irish pass the Lisbon Treaty, and no new crises appear.

This is how President Barroso recently summarised the top three achievements of his team: how the financial crisis was handled, and how the energy and climate change packages came together and were adopted. While commentators will differ in their view on the first item, there is little doubt among policy-shapers and -makers around Europe that the energy and climate targets for 2020 that were developed, presented and adopted over a couple of years reached far beyond most expectations. The next big challenge is of course, first, translating those ambitious goals into actionable and binding obligations on each of the Member States – and second, to make sure the rest of the world wants to move in the same direction, notably at the Copenhagen Climate Summit in November 2009.

What are the main challenges in reaching the so-called 20/20 goals? I believe there are five complicated and partly conflicting challenges which the new Commissioner for Energy and Climate (that is the rumoured change in the structure) will have to focus on:

### Energy Supply

While Europe certainly would like to become more self-sufficient in energy supply, the trend goes towards higher imports. Year by year imports will increase in absolute and relative terms. There is no way to escape this fact in the short term. There are no big oil and gas discoveries in sight, the pace of renewables is far too slow to have an impact before 2020, and coal is the ugly guy on the climate block. Therefore, the EU is bound to import more, not less, gas – the low-carbon fossil alternative. This will necessitate getting more gas from Russia, building new pipelines to access resources in the Caspian, sorting out the politics around imports from Iran and Iraq, and getting a workable relationship with Turkey. In addition, the EU will have to

compete with India and China for LNG (Liquefied Natural Gas) supplies in a global market, when the EU industries are struggling to pay their bills.

### Reducing CO2 Emissions

The overriding targets are self-evident: To reduce CO2 emissions far faster than anyone believed necessary a few years ago, and changing to a low-carbon energy diet for all of Europe. This will be very costly to both taxpayers and consumers (and they happen to be the same guys, normally). As Google ([www.google.org](http://www.google.org)) expresses it: RE<C – the price of renewable energy has to become lower than the price of coal. As long as wind, solar, and bio fuel remain expensive, infant technologies when applied on a large scale, this means heavy subsidies to renewables; or an extremely high CO2 penalty for coal in the form of quota pricing or CO2 taxes. With economics being what they are, it is going to take a very significant economic recovery for this process to be speeded up significantly enough to reach the 2020 targets.

### Energy Efficiency

I would be far more optimistic on the issue of energy efficiency. This is an area where technologies exist, where the EU has clear legislative powers, and where there are few counter forces. The potential for reducing both energy consumption and import needs through improving the energy performance in buildings, in electric and electronic products, and in transport is enormous. Judging by the legislative initiatives now on the table, and likely to be proposed, there could be significant progress in this area. Market based initiatives like WalMart's Sustainability Index (<http://walmartstores.com/Sustainability>) are likely to play a key role in this development.

Here is one area where the financial crisis might actually help by changing the daily habits of each and every one of us: stop wasting energy by not leaving PCs and TVs on standby, driving less – walking more, videoconferencing rather than travelling, lower indoor temperature, etc. at a time when individual freedom has gone to the top of the charts (just look at all the ads for energy intensive luxury products saying things like 'you deserve it').

## Carbon Capture and Storage (CCS)

Given that coal will not go away, and that nuclear is at the very least slow in making a political comeback, there is one technological solution which will have to make up a big part of the picture: Carbon Capture and Storage (CCS). The technology is no longer new, but needs dramatic development. First, the capture technology needs to become much less energy consuming at power plants or industrial plants. Second, there is a need to identify storage options which are not only safe, but also politically acceptable to the population. These first generation storage facilities will probably be offshore in the North Sea. Therefore, the third element – a large-scale and wide transport solution needs to be found. This entails a gas pipeline grid in reverse, bringing CO<sub>2</sub> from industrial centres like the Ruhr in Germany to the storage areas offshore. There is no basis for industrial products (electricity, steel, cement, etc) to pay for this today. That means, once again, either subsidies from the taxpayers, or quota prices or CO<sub>2</sub> taxes to be passed on to the consumers. The economic crisis has made it very challenging to reach such targets in just a decade.

## Energy Pricing

The last challenge follows from this: energy pricing. Many industries in Europe are being drawn towards China and other locations where not only labour is cheaper and more productive, but where also energy prices are substantially lower – through government controlled or subsidised prices. These countries are at the same time – and for largely understandable reasons – less than eager to accept limitations on emissions of CO<sub>2</sub> in order not to slow down or halt their economic development. Meanwhile, in Europe, the ambitious climate targets will have to be reflected in higher energy prices. It will be for political and industrial leaders in Europe to improve price competitiveness, to be more innovative, and to adapt to the changing competence basis of the European population in order to stay in the global competition.

These are huge challenges, which will take unusual political ingenuity and courage to face and to solve. Let there be no doubt that the targets set are absolutely necessary. They are bold and they are correct. None of the five challenges listed above is insurmountable, but it will take leadership in Europe on a higher and different level than what we have seen in recent years from the presidencies of the Union.

## The European Manufacturing Sector and Sustainable Growth – A Chemical Industry Perspective

Martina Bianchini

The Chemical Industry is 'the Industry of the Industries' as it underpins virtually all sectors of the economy and its strategies impact directly on the downstream users of chemicals. Europe is a leading chemicals production platform with 29.5% of world chemicals production (2007) by 29,000 companies, 96 % of which have less than 250 employees. The sector shows direct employment of nearly 1.2 million people and indirect employment of around 2.4 million people (2007). With sales of €537 billion and a trade surplus of €35.4 billion in 2007, the industry is still a competitive industry.

The impact of the global financial crisis on competitiveness and innovation in the chemical industry has been felt dramatically. In December 2008, there was huge demand destruction and many corporations became vulnerable in the worst economic meltdown since the great depression. For many corporations, 2008 ended up as a disappointing financial year. Whilst the European Union's economic recovery plan and the national stimulus packages aim to counteract some of these adverse developments, the current global recession continues to create uncertainties that need to be faced by all of us. The continuing economic and financial uncertainties around the world necessitate that all stakeholders, whether business, government or academia take a fresh look at the various future possibilities of our common challenges. Creating a strong future requires confronting these challenges directly.

In extended recessions, manufacturing companies are rationalising their portfolios and trimming underperforming parts out of the system. Such rationalisation can address production lines that are not sustainable and speed up innovative thinking. Crises can therefore be seen as an opportunity. The most forward looking corporations are starting to act with a renewed sense of urgency. A crisis situation that necessitates asking the right questions may present hidden opportunities for business. Using innovation as a driver of competitiveness may contribute to 'sustainable growth' which is the

shared goal of the European Union and its stakeholders. This need to combine opportunity and innovation with sustainable growth is a key policy driver in Europe.

As a globalised industry, the chemical industry is innovation-driven and knowledge-intensive and one of its key strengths is the integration along the value chain into its downstream industries and ultimately to consumers.

Innovation should be viewed as more than new products, technology or processes. Innovation encompasses selling knowledge and services besides the products and the technology. An example is an innovative business model by SafeChem, a Dow Chemical Company subsidiary, which promotes the concept of chemical product services and 'chemical leasing' as best practice. There is a growing importance of non technical innovation in both manufacturing and service. Innovation does not only equal invention and the changing nature of innovation must be recognized.

The European Market is a sophisticated market with a high demand orientation and customer driven innovation. It is this market that stimulates the Research and Development of manufacturing corporations. To further innovate in Europe, the concept of creativity needs to be integrated in the value chain where customers and suppliers need to work together to bring about solutions to shared problems. The EU is a unique place in this value chain as it has not only significant technology leadership, which is not found in this form everywhere in the world, but also a highly trained (although ageing) workforce which has the capacity to work on innovation that provides solutions to global issues. Therefore, Europe remains one of the prime places where we should continue to innovate.

However, a solid and sustainable manufacturing base in Europe is a necessary prerequisite for this innovation to bear fruit. A level playing field is needed for European business to retain its competitiveness in the global market place. Europe needs to maintain its solid manufacturing base today in order to build into the future. To stay globally competitive on a long term basis, it should be noted that the assets of the chemical industry are long term assets with a life time of 25-40 years and thus, they form the basis for long term competitiveness. The challenge is to combine the short term need for

economic competitiveness with the long term need for sustainable growth. However, without the short term, there is no long term.

The crisis that we are facing today is financial and economic but also a crisis of sustainability. The real sustainability crisis is attributed to the failure of the market to deal with externalities. An integrated approach is needed, yet the level of uncertainty and complexity in the current economy is so overwhelming that a truly integrated approach is extraordinarily challenging. Society is currently standing at a crossroads as it needs to take energy and sustainability issues in a new direction. All these issues are closely connected and this highly complex space needs to be better understood before action can take place. Certain policy inequities and large global trade imbalances call for better and more integrated regulation towards ecological economics. Only a fundamental crisis can bring about fundamental change and more needs to be done to strengthen the greening of the economy. The hidden opportunities in this crisis can only come to fruition if the needed systemic changes are also addressed. No government or country can do this alone and global coordination is necessary.

The financial crisis is forcing a rebalancing of the economies. Industry, public authorities at all levels and academia should strengthen our collective innovation capacity by facilitating co-operation across sectors and across national borders. The European Union should increase the quantity and the effectiveness of Research and Development in order to support innovations.

There is both a short term and a long term need to enhance innovation in Europe, also in the context of the EU Economic Stimulus Packages at both the EU and national levels. The interconnected space between economic, environmental and societal development is the fundamental basis for all decisions to be taken in the future. This interdependence needs to be better understood and taken into consideration in decision making.

Corporations need to develop even closer ties with universities and research institutes to address these challenges. More can be done to partner on education and skills and build on our complementary knowledge to foster entrepreneurship. Universities should also reach out to business, not just business to universities.

There needs to be more leadership and collaboration from all sectors  
- government, civil society and the private sector.

## European Solar Photovoltaic (PV) Market – Leading the World

Pyramyth Liu

2008 was an exceptional year for the European solar photovoltaic (Photovoltaic [PV]) market with European solar PV installations leading the world in installation volume. Solar photovoltaic is a solar power technology that uses solar cells or solar photovoltaic arrays to convert light from the sun directly into electricity. Three EU Member States occupied the top five solar PV markets worldwide. Most significant were the German and Spanish markets. The PV business momentum established by the Spanish and German Feed-in-Tariff (FIT) schedules propelled the manufacture and supply of PV modules in excess of 4GW in 2008.<sup>1</sup>

The EU photovoltaic market has consistently grown at a faster pace compared with other regions of the world. This growth is principally driven by the dynamism of the German market, which boasts major government long term support, wide availability of high skilled workers, and a plentiful supply of R&D and manufacturing jobs. The meteoric rise of the Spanish PV market in 2007 and 2008 was also due to its policy driven FIT program. While growth has been exceptional in Europe in the past few years it slowed in the first quarter of 2009 due to changes in government policy and the overall economic downturn.

Beginning in the 4th quarter of 2008 the global financial crisis constrained corporations, banks, and key financial institutions from providing the much needed project financing dollars. These funds are critical for moving forward many renewable energy projects, including large solar power plant deals. Even before the dampening effect of the global financial crisis, Germany and Spain had already taken steps to rein in the hyper-growth of 2007 and early 2008. Specifically, Germany revised their Renewable Energy Law, the EEG (FIT - 31.94 to 43.01 cent Euro/kWhpv) in January 2009 driving feed-in-tariff declines from 8-10% depending on system size and type. In Spain, the government capped its 2009 FIT volume to only 375MW.

The credit crunch and the global recession resulting from the global financial crisis, added to the delays and cancellations of current

renewable energy projects in the pipeline, further slowing PV growth in 2009. Six countries – Germany, Spain, Italy, Greece, France, and Portugal make up the majority of EU PV market activity today. Other governments in the Czech Republic, Bulgaria, and Switzerland are also in various stages of putting in place more generous feed-in tariffs policies to promote clean energy. However, the single biggest impact on the pace of the EU's PV market development is the lack of credit facilities resulting from the global financial crisis and how each government adapts to this new condition.

### **Feed-in Tariff: A Key Success Factor**

There are many contributing factors to the success of the European PV market: investor security, a highly skilled labour force, quicker system installation processes, increased standardisation of cell and module manufacturing, and effective supply chain management. The most important factor has been the successful continuous implementation of the FIT system, and its adoption by many EU countries. In comparison, the Renewable Portfolio Standard (RPS – a market-friendly approach of ensuring that a minimum amount of renewable energy deployment will be achieved by the initiating state) system which the United States operates today at the state level, has not provided similar momentum for renewable or PV adoptions in the US.

The success of the FIT systems in Europe has gained significant attention worldwide, including among many states in the United States. For example, Gainesville, Florida established its first feed-in tariff system in February 2009, with a 20 year \$0.32/kWh rebate and net metering scheme. Fourteen other states are also in various stages of legislative and regulatory initiatives to move the FIT system forward in the US. This policy support has spurred demand and innovation in large-scale industrialization of PV manufacturing. It has also provided a consistent guaranteed long-term payment to investors in exchange for solar electricity production, which greatly reduces the project's financial risk for investors. This in turn results in significantly reduced production costs and drives the long-term goal of grid parity (the price for photovoltaic electricity equal to power-outlet electricity).

## Changing the Solar Culture

PV technology has many positive aspects, but most important is that it is a clean and fuel free technology. PV electric production is noise free, without polluting gases or harmful emissions. The PV system requires minimal maintenance and the system design can be modular and quickly installed almost anywhere, on the ground, in the parking lot, or on rooftops, big and small. The modular design can also be linked to build large solar farms for utility scale production.

Yet, in many countries outside Germany and Spain, there are still many challenges to expanding photovoltaic. These challenges include the typical technical improvements, but also other non-technical hurdles. Utility companies may resist solar because they cannot control power production. Local authorities may raise bureaucratic obstacles through permit processes, application procedures, authorisation processes, and licence and approval. These phenomena are particularly true in emerging markets where the potential for growth is high. Realising those market opportunities will depend on more progressive legislation. There is still much work to be done to change the mindset toward a less obstructive approach toward PV power production.

## Grid Parity: the Future Roadmap

It is widely expected that PV energy will provide up to 12% of European electricity demand by 2020. Evolution of the solar photovoltaic industry chain will also progress toward meeting the ultimate goal of grid parity. This goal will be met gradually. Southern Member States with better solar irradiation (1,800kWh/m<sup>2</sup>year) plus higher electricity prices will be first, while Northern Member States with lower irradiation (800-1,000kWh/m<sup>2</sup>year) will achieve grid parity later.

Along the way, events such as the current global financial crisis may delay or sidetrack progress, yet in the long term it is clear that the solar industry will be a key element of the global renewable solution. That said, the majority of EU Member States will need a continued focus on consistent support policies that provide strong incentives for continued growth, to retain their current status as a market leader in PV technology. Without a doubt the PV solar electricity industry is one of

the highest long-term potential energy sources in the renewable energy sphere, and is likely to remain a strong area for growth in the years to come.

### References

1. European Photovoltaic Association (2009), *Global Market Outlook For Photovoltaics Until 2013*, Brussels Belgium.

## Lessons for the Future of the European Project

### Tim Cowen

The following anecdote is instructive:

Sherlock Holmes and Dr Watson go camping. They pitch their tent and go to sleep. Some time in the middle of the night Holmes wakes up Watson and says 'Look up at the night sky and tell me what you deduce'.

Watson says, 'I look up at the night sky and see millions of stars that have millions of planets and I deduce that somewhere up there on some tiny planet will be someone else staring at the sky just like me'.

Holmes is silent for a moment and then responds: 'You are an idiot Watson. Someone has stolen our tent!'

The parallels between this story and the state we are in Europe may not be immediately obvious but at least a partial explanation is attempted below.

Whether on the TV, in the newspapers or magazines it has been impossible to get away from the 'Financial Crisis' or 'Credit Crunch' stories this year. We now know the primary cause was lending mortgages to people with very low incomes, in some cases allowing them to 'self certify' their incomes and in many cases without sufficient checks and oversight to ensure that such risky contracts stood a reasonable chance of providing a profitable pay-back. What gave rise to the crisis is that the banks did not know which of them was holding serious levels of such bad debts, and lending to each other slowed as they circled each other waiting for disclosures and write downs to be published; not knowing whether they could trust each other was the crunch point. Loss of confidence is at the heart of the credit crunch.

What has been done in the short term is that governments have stepped in and bailed out or bought the banks to restore confidence in the system. This is because the system of financial regulation that was in place failed. It was supposed to protect us against bad financial weather, it was a protection against the elements; the problem is that a

whole host of financial regulators, being the Holmes and Watsons of that world, appear to have gone to sleep on the job, and secondly, when they woke up to the predicament, the tent appears to have been useless, if not necessarily stolen.

What happens now is critical. At least 3 factors are in play and will affect the outcome for all of us:

- 1) The impact of the euro and 'Euroland' monetary policy on European domestic inflation, employment and the prospects for economic growth.
- 2) Political change: 2009 will be a year of political change across the EU.
- 3) Financial regulation and the European 'idea'.

### The Euro

The debate about whether the UK should join the euro has resurfaced recently. Aside from emotional responses in some quarters that are either pro- or anti-anything European, what have been the benefits or problems associated with euro membership?

One thing that economics teaches us is that at times when the economy is in recession, one way in which the system stabilises itself is for currencies to devalue, products, goods and services becoming cheaper relative to their competitors. Such devaluation stimulates demand by reducing the relative prices of goods and services and more demand in turn stimulates more supply. In the old Europe with its francs, deutschmarks, schillings and lire, this devaluation option was possible on a national basis. With the euro this is now not possible. The UK continues to benefit from a separate currency and the weak pound has the effect of lowering UK wage costs relative to those of non-UK workers, improving the relative competitiveness of firms that make things that are traded across borders. As anyone earning pounds will have seen when buying goods or services from abroad, the weak currency makes things such as foreign goods, trips or holidays more expensive. The 'Staycation' (or the stay-at-home holiday) has become a fashionable and cheaper alternative.

In other European countries the effects depend to a significant extent on the national system's ability to reduce real wage costs; this may be through a process of successive waves of unemployment and employment of people on lower wages. In turn this depends on job protection and 'labour flexibility', which essentially means the ease with which firms can hire and fire and people can move from job to job. As an example, from 1999, it took many years of very low wage growth and rising productivity before Germany regained its cost competitiveness. In part this was due to significant German employment protections. In Spain and Italy the spread of fixed term contracts has helped make employment more responsive to business needs and has helped to allow more jobs to be created.

The growth of temporary work is to be expected as firms hire but while their confidence in the long term remains weak, longer term employment contracts may be held back; perhaps one way to secure a good job in the future is to start with a short term contract...

For those states that have the euro, the lack of the 'devaluation option' means a reduction of wages by proxy is on the menu. This is not to say that the euro is a bad idea; it helps those firms in states that have it to ensure that firms can predict prices of goods and services on a more certain basis; their cross border trade is not subject to wild currency fluctuations in the prices of the things they buy and sell. As intra-EU trade increases, then a single currency increases both predictability of input costs and purchases as well as sales; and predictability increases confidence.

### **Political change**

We have seen a significant shift to the political right in the make up of the European Parliament in the recent elections. Governments on the left in Britain, Hungary, Portugal and Spain suffered setbacks and centre left coalitions in Germany, Netherlands and Austria were also reduced. The European People's Party (EPP), which is the main centre right party, has increased its share of the vote.

Issues such as immigration and unemployment were very much centre stage. Although the turnout was relatively low, the pattern could be an early indicator or political signal for national elections that are on

the horizon in some countries in the relatively near future. When coupled with the financial crisis, the foreseeable economic and political cocktail raises worrying questions about increased nationalism and protectionism in the future.

### **Future financial regulation: the need for a European perspective**

Policy makers in the EU are currently discussing what the new system of regulation needs to be to address the problems and causes of the current crisis. This looks like an arcane subject, dealt with by high priests of financial regulation clothed in impenetrable language, the mystery of the initiated. There are many different ways in which this can be done. Regulation of any type has to address the issue it is created for; one thing that financial regulation appears to have overlooked as it evolved over the years is the need to act as an effective protector against the elements in financial markets. It needs to act as a type of tent if not a security blanket for those that will need to be sheltered from financial storms.

Obvious lessons have been learned about monitoring and control; it is important to stay awake when dealing with financial markets and to have the people who are knowledgeable and expert in the regulatory system. Having enough of them is an issue. It is also well understood that some sort of structural or preferably quasi-structural change may be needed in the public interest; mortgage taking is something that has public interest characteristics and which could be regulated as a public utility. Many leading commentators and policy makers, including Vince Cable and the Governor of the Bank of England have canvassed the option of breaking up those banks that are 'too big to fail' (though how this works in practice given the smaller 'bits of banks' would then be available to be eaten up by other banks creating an even bigger set of problems is difficult to see unless such mergers could be prohibited on novel grounds).

That said, the scandal of public sector pay has bled into the scandal of bankers' bonuses and the glare of public scrutiny is unlikely to allow things to be left as they are.

## A European perspective

When looking forward one part of the vision that needs constant reinforcement is the European if not global nature of the problems and the European if not global nature of the solutions that are needed. We are more interdependent economically, financially and culturally than at any time in history. Now would be a good time to build a truly weatherproof structure for the future. But again, in the world of Sherlock Holmes that would be 'Elementary, Dr Watson'.

## Trans-Atlantic Relations and the New Keynesianism: a Strange Inversion? Philip Lawrence

After the Second World War the victorious allies began to build a New World Order founded on a strong and united Western Alliance. Contrary to some accounts this happened neither rapidly nor smoothly, with the original stumbling block the problem of how to treat Germany. But another problem also worked against harmonious trans-Atlantic relations. As Alfred Grosser pointed out in his seminal book *The Western Alliance*,<sup>1</sup> the different states in the alliance had quite different social and political philosophies. In particular the economic and social philosophy of the alliance leader, the USA, was quite distinct from that of its Continental partners, especially France.

The specific difference that concerns the author here is the idea of the free-market and *laissez-faire*. In the late 1940s, despite a broadly Keynesian blueprint for managing the global economy through the IMF, GATT and the World Bank, the US was clearly committed to a liberal, free market view of economy and society. In comparison European states were very comfortable with a more statist and *dirigiste* model for economic management. And this had a political correlate as parties of the left were legitimate political actors in Europe, in a manner that would have been impossible in the USA.

How were these contradictions resolved? The short answer is through pragmatics. In the USA the predilection for *laissez faire* was tempered by two key facts. First, Europe's economy was collapsing and secondly, far left groups were the clear beneficiaries of the ensuing chaos. Hence the need for the Economic Co-operation Act (Marshall Plan) and the transfer of billions of dollars in aid to the Europeans. So the allies became united around a Keynesian style aid package that engendered both co-operation and respect for US leadership. Only in France were thanks grudging and half hearted. With the formation of NATO in 1949 the agenda became fixated with security and the different European countries fell more readily under US direction. *Real politik* had triumphed over political ideology.

## Tensions and contradictions

The long post war boom ended at the end of the 1960s and with it harmony in the Western alliance. The 1970s, as Samuel Huntington argued, were distinctly disharmonious and détente undermined the need for US leadership.<sup>2</sup> Philosophical disputes in Atlantic relations became more evident, especially in areas such as trade relations. To take a significant example the US began to attack Europe over the success of the pan-European aircraft company Airbus. The US insisted that its own aircraft industry was utterly 'stand alone' and free market, while Airbus was construed as a subsidised European job creation scheme. The Airbus conflict has been the most serious trans-Atlantic spat over trade, but in the ensuing years serious rifts also occurred over hormone treated beef, bananas, poultry, IT, anti-dumping and steel. Some of the sectors may seem insignificant and the issues trivial, but the problem with these disputes is that they occupy significant amounts of time during summits and they focus attention on what divides, rather than what unites the West. President Clinton was known to complain to his advisers, 'Do I really have to talk about bananas again?'.<sup>3</sup> In terms of divisions the disputes re-enforced the stereotypical dichotomy of Anglo-Saxon *laissez faire* versus Continental *etatism*.

## The Financial crisis and the recession

Over the last 25 years or so there is no doubt that the Anglo-Saxon, neo liberal view of economic affairs has dominated both world opinion and the Western alliance as a whole. From the Reagan-Thatcher era of the early 1980s the world economy was run on neo-liberal, free market principles with capital markets subject to little or no regulation. Keynesianism was out of fashion and the key economic message was simple; the private sector should be allowed to function with minimal government involvement. De-regulation was the order of the day. The Anglo-Saxons believed that public investment distorted the free-market; the holy grail of economic liberalism.

But what a difference a year makes. In the last 12 months, instead of the free market and *laissez faire*, we have seen the US and British governments pumping billions of dollars into banks to prevent their collapse; we have witnessed the US effectively nationalising General Motors and the Anglo-Saxons now believe in huge fiscal stimuli to

revive the world economy. Keynes seems to be back with a vengeance and neo-liberalism is dead. Ironically, it is the supposedly *dirigiste* Continentals who have been the more cautious about this Keynesian pump-priming, with the German government particularly concerned about succumbing to huge levels of public debt. So how can we explain this seeming inversion? Why is Keynes more popular in the former bastions of neo-liberalism?

We can begin by fine-tuning the dichotomy of *etatism* versus the free market. Certainly it is true that in Europe parties of the right have not normally been anti-government. Broadly speaking there has been a consensus that government has a legitimate role in shaping and co-ordinating economy and society. Further, after World War II, European leaders were highly sensitive to the dynamics of the relationship between economic and political stability. Economic failure had brought Europe political disaster and war and Europeans were keen to implement policies that sought to control the extremes of the business cycle. However, despite this the US stereotype was overblown. With the exception perhaps of Italy, fiscal imprudence and excessive borrowing were not characteristics of post-1945 European states. In Germany, a country whose national ideology had been banished, a strong dose of liberal ideology was administered by the USA.

Looking at the USA the current use of government instruments and funds to prop up ailing banks and failing companies may not be such a surprise after all. Throughout the Cold War the US government ran an industrial policy for its defence and aerospace firms, which allowed state ownership of industrial assets, bailing out of failing firms and procurement just to raise cash for companies. So in 2009 massive Anglo-Saxon public spending to prop up capitalism and Franco-German reticence over fiscal pump-priming may be less a revolution and more a correction of a dubious and misplaced stereotype.

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iCES Partnerships

## Association Jean Monnet

### Arnaud Pinon

'Although Jean Monnet was never elected to any political position, few men played as decisive a role as he did during the 20th century' (*Jean Monnet*, J. Gascard, (2004) Editions Mémorial de Caen). Charles de Gaulle called him 'the Inspirer', Kennedy called him 'the first World Statesman', others called him 'the first Statesman of Interdependence'.

Jean Monnet was born on 9 November 1888 in Cognac, into a family of cognac merchants. At the age of 26, he played a major role in World War I with the creation of the pool of Franco-British ships that helped the allies counter the intense submarine warfare undertaken by Germany. In 1919, he was appointed by French President Clémenceau, President Wilson and Lord Balfour to the post of Deputy Secretary General of the new League of Nations. He resigned in 1923 to help the cognac family business. He then became an investment banker, and worked in France, the US, and helped stabilise the economies of Poland, Romania, China.

During World War II he was appointed President of the Committee of Franco-British Cooperation and Vice-President of the British Supply Council. On 16 June 1940, Jean Monnet convinced De Gaulle, Plevin and Churchill to adopt a Declaration of 'total Franco-British Union' (common citizenship, customs union, a single currency, a single army, a single cabinet, a single Parliament!). But Pétain became the Head of the French Government and signed the armistice on 22 June. So, Monnet was sent by Churchill to Washington to negotiate the purchase of American weapons for the UK, which resulted in the launch of the 'Victory Program'. Back in Europe in 1943, Monnet became the weapons and supplies commissioner in the French Committee of National Liberation.

In 1946, he was appointed Plan Commissioner and launched the 'Monnet Plan'. Between 16 April and 6 May 1950, in his house in Houjarray (see below), Monnet and a few colleagues drafted the document that was to become the 'Schuman Declaration' on the European Coal and Steel Community, the birth certificate of the European Union. In 1951, Jean Monnet was appointed Chairman of

the newly created High Authority of the ECSC. He resigned in 1955 at the age of 67, and created the Action Committee for the United States of Europe. Between 1955 and 1975, the Committee gathered together prominent European politicians, trade unionists, industrialists. The Committee acted as a think-tank and a lobby in order to influence European construction.

On 16 March 1979, Jean Monnet died in his house in Houjarray. In 1982, the European Parliament purchased 'the house where a united Europe was born' and opened it to the public as the common heritage of all Europeans. A few years later, the European Parliament entrusted the Association Jean Monnet with the management and the development of all its activities and programmes.

### The House of Jean Monnet

Jean Monnet purchased this house from a Swedish family in 1945 upon his return to France after the Liberation. An old farmhouse situated in Houjarray (45 kms west of Paris), its charm and setting were perfectly suited to Monnet's custom of reflecting in the outdoors and talking early-morning walks in the nearby woods.

In this house, he discussed the future of Europe and of the world with the most prominent dignitaries of his time, including Dwight D. Eisenhower and Edward Heath. During the last days of his life, he wrote: 'I have returned to the house with the thatched roof and the blue shutters, which looks out upon a magnificent garden... I seldom leave; those who wish to see me come here. They discuss the events by which they are deeply troubled. I can understand them, but they must also realise that the construction of Europe represents a significant change that will demand a great deal of time'.

A modern conference room, symbolically inaugurated on 9 May 2000, which accommodates 80 people, makes it possible to welcome the public for conferences, seminars and debates. Currently, the Association Jean Monnet organises about 250 events per year on the past, the present and the future of the European Union and its relations with the rest of the world. More than 200,000 students, professors, CEOs, national and European civil servants, journalists and diplomats have participated in our programmes (for example seminars on 'The Monnet method applied to management' [see: [www.jean-monnet.net](http://www.jean-monnet.net)]).

2008-2009 has been an exceptional year at the Maison de Jean Monnet, with the visits of Margot Wallström, Vice-President of the European Commission, Hans-Gert Pöttering, President of the European Parliament, Prince Philippe of Belgium and the Belgian Minister of European Affairs, as well as the launch of a new cycle of 'Future of Europe' Jean Monnet seminars for high-level European civil servants from the European Commission and from the European Parliament.

## Fondation Robert Schuman

### Pascale Joannin

The Robert Schuman Foundation which was established in 1991 after the fall of the Berlin Wall and was recognised by State decree in 1992 works to promote the construction of Europe. The Foundation which is a reference research centre develops studies on the European Union and its policies promoting the content of these in France, Europe and elsewhere in the world. It encourages, contributes to and stimulates European debate evidenced by the wealth of its research, publications and the organisation of conferences. The Robert Schuman Foundation has centres in Paris and Brussels and is a venue for research in an open, multinational network.

The Foundation produces many European policy studies and provides extensive and detailed information for all of those who seek to understand contemporary European issues. They are available on the Foundation's website: [www.robert-schuman.eu](http://www.robert-schuman.eu).

The weekly electronic newsletter, addressed to over 200,000 subscribers in 5 languages (French, English, German, Spanish and Polish), is a unique source of information on European events. *European Issues*, the Foundation's policy papers that are distributed with the *Letter*, explore in greater depth a specific issue linked to topical events or offer comparative studies.

The European Elections Monitor (French and English) is a unique electronic publication and presents a real time analysis of the results and the issues at stake in each election in all the countries of the European continent.

*The State of the Union, Schuman Report on Europe*, an annual reference book, provides detailed analysis of key European issues, comprehensive statistical data and informative maps and charts.

The Foundation's independence enables it to address all topical European issues in depth and with objectivity. Its studies and analyses provide European decision-makers with information, arguments and ideas which are appreciated for their empirical and scientific quality.

Through its publications the Foundation offers a European dimension to all the main issues of public interest through extensive comparative analyses. The 'Notes' address topical themes or issues in public life from a European perspective. It has created partnerships with the main French publishing houses to orient debate more towards Europe. A study of 'European opinion' is published annually.

The Foundation organises and participates in numerous European and international meetings and conferences, develops research programmes in co-operation with university centres and think-tanks. Its presence in Brussels and its network of partners in the Member States allow it to provide venues for discussion, for the exchange of ideas and debate on the future of Europe.

The Foundation has increased its initiatives in the field to promote the development of the European democratic model. It works in the new Union countries as well as in candidate and 'neighbouring' States. Training sessions are organised regularly for young European decision-makers.

The Board comprises 11 members and is presided over by Jean-Dominique Giuliani. The multinational Scientific Committee, chaired by Alain Lancelot, evaluates the work of the Foundation.

On 22 April 2009, Jean-Dominique Giuliani gave the keynote address for the iCES annual Jean Monnet Memorial Lecture entitled: 'Defence and Diplomacy: What Next for Europe?'. This keynote address is to be published as *iCES Occasional Paper 02*.

## European Government Business Relation Council

### John Drew

The European Government Business Relations Council, better known as the Ad Hoc Council, has been meeting informally in Capitals across Europe with members of European governments and European institutions for over thirty years. Established in 1976, its aim is to help improve understanding between representatives of European governments and the European Union on the one hand and European business and industry leaders on the other. It provides a unique opportunity for an international group of senior managers doing business in Europe to meet together at regular intervals to discuss issues of common interest with Ministers of European countries and senior officials of the European Institutions.

Members of the Council are typically senior directors and managers responsible for government relations in their companies. They are a small group of some 40 members who benefit from their informal discussions with one another and from off the record meetings with senior politicians, government officials and top business people in different European countries.

Member companies represent many branches of commerce and industry across Europe and come from many different European countries. Their interests are Europe-wide as they are often responsible for European government operations.

Over the last thirty-three years the Council has met with government ministers and senior industrialists in France, Germany, the United Kingdom, Ireland, Italy (Rome and Milan), Luxembourg, Spain (Madrid and Barcelona), Portugal, The Netherlands, Denmark, Sweden, Finland, Austria, Hungary, Poland, the Czech Republic, Romania, Turkey, Malta, Croatia and the Russian Federation. There have also been annual meetings with the European Union Institutions in Brussels and a number with the European Parliament in Strasbourg.

The Council convenes three times a year in different European Capitals in March, June and October. Meetings are informal and off the record to allow an open exchange of views. There is no media coverage and the Chatham House rule applies. During a meeting there

are about 12 different speakers who contribute to the chosen theme. Members believe that the meetings provide a unique forum for informal and open exchanges between ministers, civil servants and business people and an opportunity to develop useful European insights and contacts for their companies.

In addition to the three annual meetings, there is also a members only meeting once a year, held at the end of January, in London. This is designed for members to share the wealth of European experience they have of operating in the European business-government environment.

Its most recent meetings during 2008 and 2009 have been in Bucharest, Rome, London, Brussels and Zagreb.

The Bucharest theme was 'Romania in the European Union' and covered discussions on politics, business, economic and social affairs. In Rome, Italian approaches to the EU were discussed including regional and economic issues in the light of the global financial crisis. The London meeting, hosted by iCES, gave members the opportunity to share their views on the financial, economic and social issues of 2008 and their likely effects on European business and governments. In Brussels there was an opportunity to meet with senior members of the Commission to discuss the global financial and economic crisis and also with the Prime Minister of Belgium to understand the effect on Belgium of the current economic and social situation. Zagreb provided an opportunity to assess the current state of Croatia's application to join the European Union and to consider the Western Balkans and the European Union in terms of economic, political, social and government relations.

The global economic crisis has highlighted the need for improved communication and understanding between government and business in Europe. The developing partnership between the Ad Hoc Council and iCES will seek to facilitate this process.

## Senior Experts Group

### Michael Butler

The Senior Experts group was set up 10 years ago to provide high quality briefing papers on the European Union to opinion-formers within the UK. The members of the group are all people who have dealt actively with EU affairs, including five former British Permanent Representatives to the EU in Brussels.

The subjects chosen by the group often deal with controversial or complicated issues of the day, both internal to the EU, such as the CAP, and external such as trade and aid. Our aim is to explain these issues briefly in terms which avoid using too much jargon but which do not over-simplify often complex issues.

The uniqueness of the Senior Experts group derives from its emphasis on factual accuracy. The drafting of papers is carefully checked and each paper agreed by the group at their monthly meeting. The quality of the briefings in an area where much disinformation circulates is one of the reasons the recipients tell us they value them highly.

In 2009 we have begun a new partnership with the Institute of Contemporary European Studies at the European Business School (London) which is an excellent opportunity to add a new dimension to our work. It will enable us to benefit from the interchange of ideas with a wider group and to share our work with a greater number of people interested in EU affairs.

Inevitably in 2008/09 the financial and economic crisis has occupied much of our attention. The role of the EU in these crises has been much discussed and several of our papers have touched on this point.

In *The EU & the Financial Crisis* we noted that expectations of what the EU could do in the face of these momentous events were often higher than was realistic. Yet the EU's interventions were not without effect; the support of the EU for the recapitalisation of the banks, for example, encouraged others, notably the United States, to follow the same path, averting a potentially even greater crisis.

In *Ten Years of the Euro*, the group looked at the performance of the euro since its launch and the growing problem of national deficits in defiance of the stability and growth pact. We concluded that whilst the deficit issue posed a very considerable problem for some eurozone countries, it was unlikely that any would abandon the euro because of the flight of capital it would trigger from their countries and the political repercussions.

*Ensuring Financial Stability in the EU* noted the scale of the shock experienced by Central and Eastern Europe Member States in the financial crisis but also the limited capacity of the EU to intervene when compared to the International Monetary Fund (IMF). The IMF, unlike the EU, has both the resources and the experience to work with countries on conditional packages of support to enable them to reduce deficits and restore equilibrium to their economies.

The implications of the financial crisis for regulation will form a significant part of our work as we look forward to 2009-2010.

## European Business School Paris

### Bruno Neil

For the European Business School Paris, 2008 – 2009 was the year for redefining its educational blueprint. After becoming a graduate business school in 2007 and obtaining the equivalent of a French Masters degree state diploma (Baccalaureate + 5 years), the School embarked upon obtaining the Masters degree.

Given that the EBS mission consists in training international, multicultural and responsible trilingual managers, the School has strengthened its professional corps by recruiting 3 additional researchers/lecturers and an Academic Director, Eric-Jean Garcia, PhD in Higher Education, in support of the faculty's qualifications portfolio. The number of permanent researchers/lecturers is now 22.

To produce high-quality research, EBS Paris has set up its own dedicated research centre (IREBS – Institut de Recherche EBS) on new premises at Boulogne, close to the original campus. Lecturers have excellent working conditions, offices, a data room, media library and meeting rooms, etc.

The School has also redefined the quality process of its educational blueprint by enhancing its course model and catalogue and by offering new specialisms such as human resource management, entrepreneurialism and communications management. Two additional committees have also been set up to monitor quality processes: the Academic Committee and the Education Committee.

The Academic Committee handles all matters relating to lecturing at EBS Paris in accordance with the legal stipulations governing this field. The Academic Committee reviews the rules for preparing, monitoring and developing lecturers' workloads, work abatement and leave procedures, arrangements for holding annual appraisal meetings and methods relating to the indicator-based classification of teachers. The Education Committee handles all matters concerning the implementation of the school's educational blueprint: development of programme education models, rules for drawing up syllabuses, appraisal methods, international educational partnerships, associations, courses, etc.

Both these Committees support the school's two governance committees, the Scientific Committee, which sets and evaluates research objectives, and the Strategic Direction Committee, which provides the Education Committee with information on changes to business areas and expertise.

In 2008-2009 the School embarked upon the path of Masters double diplomas or joint programmes, and was pleased to sign a Masters 2 joint programme with EBS London. It has also been in discussions concerning double, even triple, diplomas with its international partners (University of North Florida, Pace New York University, Bond University Australia), which should be concluded by the start of the next academic year.

During this year, the School was ranked in the top 5 of post-Baccalaureate business schools in France and was ranked top of the Baccalaureate + 5 years schools in the latest rankings of *Le Point* magazine (12 February 2009). The ultimate accolade was EBS Paris's award-winning international ranking in the league table produced by the Ecole des Mines Paris (September 2008), giving EBS a global ranking of 89.

EBS Paris continues to consolidate and enhance its reputation and maintain its leading position in European management schools in France. In Europe, it is participating in developing and expanding the reputation of the EBS International group by collaborating with other European business schools in the fields of education, research and communication, a process facilitated by the entry of EBS London to the EBS International group in 2008-2009.

## European Business School Madrid

### Lorenzo Bermejo Muñoz

In 2008-2009 EBS Madrid was chosen by 207 students from the EBSI group (comprising 20 different nationalities) to attend a semester in Spain. Their presence and contribution to activities add a genuine international and intercultural character to our centre in Madrid.

Not surprisingly, the 2008-2009 academic year was characterised by continual analysis and tracking of the global financial crisis. In this respect, lecturers from the Finance Department joined efforts with students in their last year to form a 'Crisis Observatory' which has enabled them to follow the development of the most relevant macroeconomic variables, as well as studying the different approaches and policies adopted by the main protagonists and decision-makers in economic matters (including G20, regulatory bodies, central banks, senior executives of major businesses and economists).

Looking at the wide range of activities developed at Madrid, one of the most remarkable was having the honour of hosting the 2nd EBS International Forum at our EBS Madrid premises. The title of this year's forum was *Current Issues in Business and Management* and brought together lecturers from different schools – Eric-Jean García (EBS Paris), Alan Sitkin (EBS London), Sebastian Theopold (Munich Business School), Timothy McNulty (Dublin Business School) and Alfredo Rodriguez (EBS Madrid). These lectures significantly contributed to the high academic level of the forum, thus attaining and consolidating the original academic ambition to exchange experience and research within the community of lecturers that comprises the EBSI group.

EBS Madrid also organised for the tenth consecutive year a panel of experts on 'Orientation and Professional Development'. The purpose of this panel is to provide students who are about to join the labour market with a closer look at the most requested profiles, as well as presenting the major needs that leading businesses have to meet in the Spanish labour market. The main goal was finding opportunities and generating strategies for the labour market in times of crisis.

In April 2009 EBS Madrid invited well known professionals from different sectors to take part in the 2nd Marketing Day. Topics

discussed included new trends in marketing and sales, and the potential use of the Internet as a tool to persuade and to reduce costs. Lecturers who took part in the forum included Mr. Ignacio López Suances (Country Manager MindShare Digital), Mr. Jaime Lobera (Marketing Director of Campofrío), Mr. Miguel Zarzuelo (Pelayo Insurance Marketing and Solutions Director), Mr. Joaquín Darvila (Director General of Novanca) and Mrs. Margarita Alvarez (Coca-Cola Marketing Platforms Director).

A wide range of topics have also been discussed through conferences and workshops, some of the most outstanding of which were: 'Negotiating and persuading, executives' work', 'Coaching as a personal development tool', and 'The challenge of setting up a business in Spain'. Our students have also had the chance to visit numerous companies and share experiences and *modus operandi* with their executives.

EBS Madrid aims to offer a broad and integrated training. Accordingly, lectures and seminars are organized weekly to consider general current national and international affairs (further information on 'Actualidad Villanueva' at [www.villanueva.edu](http://www.villanueva.edu)). Some of the most prominent topics discussed throughout this academic year included climate change, the American election and immigration. EBS Madrid also endeavours to promote and organize cultural events involving teachers and students: a cinema forum, a book forum, theatre groups, guided tours of pinacoteques and monuments in Madrid and other emblematic cities (such as Toledo, Salamanca or Seville).

Regarding activities specifically designed for academic staff, there is a monthly 'Seminar for teachers', in which teachers and visiting professionals present their latest research on different specialist areas. This activity functions at the same time as an exchange forum where a wide range of experiences in the development and implementation of new teaching methods are discussed.

Another notable activity is the growing participation of our students in 'Villanueva Solidaria', solidarity projects to help disadvantaged people (such as elderly or sick people, and minorities). This initiative encompasses specific campaigns (Christmas), regular work during the week and week-ends, and includes solidarity projects developed at

work camps in Eastern Europe, Africa and Latin America during the summer.

## European Business School London

### Michael Scriven

2008-2009 was significant from both an internal and external perspective for the European Business School London.

Internally, the School became an integral part of a broad-based Faculty of Business and Management at Regent's College, facilitating the establishment of greater critical mass of academic staff in key subject disciplines and research synergies, and supporting new programme initiatives such as the new undergraduate degree in International Events Management that commenced in September 2008. This new degree, entirely consistent with the EBS philosophy of combining business, management, languages and study period abroad, offers a concrete example of the continuing vitality and attractiveness of the EBS programme offer both to prospective students and to companies throughout the world seeking talented multilingual graduates.

Externally, a context of global financial and economic recession was the backdrop to renewed engagement with the European Business Schools International (EBSI) network, the development of collaborative EBSI projects such as the establishment of joint Masters degree possibilities (specifically between EBS Paris and EBS London), enhanced staff and student mobility, and the commencement of specific project initiatives such as a new EBSI website and a joint alumni directory. In addition, the establishment in August 2008 of the Institute of Contemporary European Studies (iCES), closely linked to the European Business School London, created an added dimension to the activities of the School.

Acting as a broadly based multidisciplinary research centre in the field of contemporary European Studies, iCES has established a forum of activities that bring together specialists from outside the School with a variety of disciplinary and professional backgrounds and staff and students from within the School interested in the development of contemporary Europe. Specifically, a key strategic purpose of iCES is to promote research collaboration between the different EBS Schools as a means of strengthening the overall profile and brand of EBSI. The

potential for collaborative research between iCES and IREBS (Institut de Recherche EBS) in Paris, for example, is currently being explored.

In a rapidly evolving internal and external environment, the future strategic direction of EBS London is clear: on the one hand internally the School will seek to enhance its position as the prestige Business School on the Regent's College campus developing its profile through a specialist programme offer, international partnerships, student and staff mobility and focused research collaboration, and presenting itself as the destination of choice for students and staff seeking a genuine international educational experience in a British location. On the other hand and externally EBS London will aim not only at contributing positively and proactively to the enhancement of the European Business Schools International group through innovative multi-site programme development, through enhanced student and staff mobility and through collaborative research projects, but also at strengthening the EBSI group itself as a dynamically evolving European-wide higher education project that is uniquely placed to respond to the demands of the learning, teaching and research needs of the 21st century.

Review Essays  
and  
iCES Research Profiles



## The Cultural Politics of Borders and Kinship

### Àngels Trias i Valls

Diez, T, Albert, M and Stetter, S (Eds) (2008) *The European Union and Border Conflicts, The Power of Integration and Association*. Cambridge University Press, New York.

Edwards, J and Salazar, C (Eds) (2009) *European Kinship in the Age of Biotechnology*. Berghahn Books, New York, Oxford.

*The European Union and Border Conflicts* is an edited volume that looks at the impact of European integration and border conflicts in Europe. Using seven case studies the book challenges the idea that EU integration is a route to peace and considers it instead as a source of new conflicts in border regions.

The book's major contribution is in resolving this tension by arguing that European cooperation and success has not always depended on the EU *per se*, but on the way in which 'local actors make use of the integration processes in ways that are conflict-diminishing' (p.3) whilst recognising the 'subtle power' of the EU (p.236) simultaneously.

Hayward and Wiener's analysis of institutional border practices in Northern Ireland examines new approaches to cooperation through the EU, albeit mediated by the nature of the internal conflict in Northern Ireland itself, whilst Demetriou produces a good discursive analysis of the notion of 'identity conflict' in Cyprus. He also discusses the Greek and Cypriot notion of the EU as the 'conceptual north', linking this with their historical denial of the power of the EU in its capacity to resolve 'internal' understandings of border negotiation. Rumelli's Turkish/Greek case provides a historical account of the perception of the European versus the non-European nature of Turkish relations of their border with Greece. Joenniemi's article is richer in a theorised history of Europe's north, producing a genuine analysis of how understandings of 'identity' and 'territory' are crucial to the characterisation of security issues in the Russian borders, in relation to the EU. Yacobi and Newman's discussion of the Israel-Palestine border examines the dichotomy between the EU as government building institution, and the USA as the peacekeeper in the region. Pace's interesting chapter looks directly at

the culture of policy in Brussels and produces a balanced theory on the EU as a 'force for good'.

The book illustrates well how 'the story of integration is a story about the partial domestication of politics' (p.31) although, editorially, the case-studies are slightly over-directed, limiting how far they can question the 'historical determinacy' of the EU in peace-making.

As an anthropologist interested in exchange and cultural politics amongst people who come together in transnational and virtual spaces in Europe, borders are crucial spaces in my research. I therefore resonate with the book's assertion that borders are social spaces and political orders in themselves. As the book illustrates, they become spaces where peace and conflict are meaningfully constituted. Of the two strands of my research, one in Catalonia on family exchange, and one on the cultural politics of parenting and embodiment amongst LGBT groups in UK/London and Europe, the notions of relatedness and borders are important as they define new ways of thinking about our contemporary sense of mutuality and re-invention of individual's stories across borders.

European ideas of belonging, however, require Janette Edwards's beautifully argued theory in *European Kinship in the Age of Biotechnology* that ties are broken and created and it is kinship that encourages the basic political principles for social mobilisation and contestation (p.2). Indeed, *European Kinship* is possibly one of the best anthropological publications to have come out in the last fifty years. It critically contextualises the complexity of 'new kinship studies' through biotechnology and through discourses about relational entities.

Bestard's account of IVF in Catalonia shows how memories and biological inheritance suggest that assisted reproduction leads to a reassessment of how biology establishes social links. Cepaitine's narratives of biotechnical reproduction in Lithuania reinforce kinship as a 'kind of closeness and belonging' that is passed through persons and constitutes relations of one to another. Degnen, in North England, looks at 'transgenic' identities in food and body and how these are about decision-making processes on the boundaries between kin and one's own people. Bestard and Marre examine how Catalan people look at 'resemblances' in cases of adoption and how bodies are naturalised identities beyond biological inheritance. Furthermore, Cadoret in France

examines genetic discourses in homoparental families presenting the idea that 'our parents do not originate in our genes' (p.92) thus providing new biographical truths where biology only plays a part of one's identity. Manrique's ethnography of Granadian gypsies accounts for how kinship is constructed through a narrative on closeness and gendered difference between married gypsy men and women.

Beyond this, Porqueres and Wilgaux's examination of incest in Europe argues for a discussion on European pre-genetic and genetic discourses on blood recognition whilst Demeney's case of fostering children in Hungary beautifully shows how mothers have to keep re-interpreting 'the cultural meanings linked to motherhood in order to define their own identity' (p.133) and fight for their acceptance. Howell and Melhus's chapter on adoption and assisted conception in Norway powerfully argue for unnatural procreation to be treated as a valid discursive practice through which societies learn to naturalise other individuals within. Finally, Campbell's discussion of post-human kinship argues for creative technologies as the makers of 'relations of solidarity, desire and exchange' (p.175). Biology in Europe has shifted and it is now in confluence with governance, social movements and the global economy (ibid.) bringing the issue of kinship and cultural politics of defining boundaries between groups to the fore of the discussion.

Identifying the thread running through these chapters, Salazar's conclusion argues that genetic knowledge is not about genetic truth but knowledge about human relatedness. In his study, motherhood becomes an 'uncertain quality' and it allows us to question 'the places' people use to 'bond' with others. The book's theoretical direction is attractive because it makes a strong case for how individuals across Europe define kinship in different ways, sometimes through genetics; sometimes through motherhood - and in most cases, through personhood rather than through bodies and substances. I agree with Salazar that the complexity of Europe can only be apprehended through ethnographic encounters. In my research, I would argue that 'political' relational entities mobilise ideas about the increasing visibility of 'new' kinship (the embodiment and personalisation of kinship) as a discursive practice across borders. There is a need for an increased visibility of such kinship practices in order to promote an understanding of the importance of the re-telling of relatedness amongst Europeans.

## Political Ideologies and Sub-State Nationalisms

### Alan Sandry

Hanley, D., (2008) *Beyond the State: Parties in an Era of European Integration*. Palgrave, Macmillan.

When, once every five years, political attention is turned to matters European, the general public, in the UK at least, inevitably want to focus on issues – such as the ratification of the Lisbon Treaty or the efficacy of the Common Agricultural Policy – rather than the parties or political blocs that operate within the European polity. Greater access to, and understanding of, the role of the parties is therefore required. By uncovering where the political parties in each member country fit in to the party blocs within the European Parliament, and through unearthing more information about their ideological and policy driven agendas, David Hanley's latest book *Beyond the Nation-State: Politics in the Era of European Integration* (Basingstoke: Palgrave Macmillan, 2008) offers a lucid and insightful assessment. Furthermore, it opens up the transnational arena and, in so doing, does not spatially restrict the individual parties. Hanley, therefore, allows the *European* nature of the parties to shine through and this acts successfully as a leitmotif.

Commencing with chapters on the history and setting of the political parties under consideration, Hanley offers the parties' international and European perspectives, without ever succumbing to favour any one ideological or strategic position. Indeed, the attractions of cross-border cooperation and bloc allegiances are counter-measured against both structural difficulties and how to offset the temptation 'in an era of globalisation to write off the meso level as insignificant' (p.57). This argument does not merely apply to political parties as it crosses the bridge and enters in to the arena of the public's questioning regarding 'what is Europe (EU) for?'

The Socialists' instigation of transnationalism is duly acknowledged as it is they who launch the chapters focusing on the party groupings and their political philosophies. Whilst the book runs through the individual blocs with a high degree of detail and analysis, the most interesting foray in to contemporary European political thinking – arguably mainstream opinion after the recent European Elections – appears in the chapter entitled 'Sovereignists, Sceptics and Populists:

As Transnational as the Rest?' Hanley borrows Michael Minkenburg and Pascal Perrineau's phrase that 'there is nothing harder to set up than a "nationalist" International' (p.179) to kick-start the debate on the diversity of opinion within Europe that stands outside of what Hanley terms 'the classic cleavages' (p.179); namely individuals and parties of an *anti* mindset who may embrace a degree of cooperation amongst themselves, but for whom consensus, in a broader sense, is an ugly avenue. As the make-up of the European Parliament has recently taken on a more rightist facade, Hanley's investigation of the far right's transnational structure appears more pertinent than ever before. The far right are rapidly developing, and they are learning how to play the EU game. It is noticeable how some populist and ultra-nationalist concerns overlap and voters appear comfortable in skipping from one party to another. Whilst Hanley sees the continuation of a diffuse and 'untidy right' (p.199) within European politics, it is nevertheless the case that eurosceptic and ethnic nationalist forces within the European Parliament are evolving into more serious political players than ever before, and allied to this they present an evolving and fairly coherent threat to progressive European voices.

With all of this in mind, *Beyond the Nation State* is a timely work that should find a niche on undergraduate and postgraduate shelves. However, if greater understanding of the European political process is to become ingrained in the years ahead then every school library should also be encouraged to contain copies of David Hanley's book.

My own research interests are focused on nationalisms and sub-nationalisms within Europe. In 2007 I published *Devolution in the United Kingdom*, an introductory essay on devolution based on my research interest in devolved politics and in the gradualist movement across European societies from 1945 onwards towards decentralised political systems. The book drew on the principal parties, politicians and organisations which have forged the path to devolution and decentralised politics within the UK and revealed in its findings that the process of devolution will continue, and that England's reluctance to embrace devolution will diminish over time. More recently, my research has centred on an in-depth account of one specific nation state within Europe, Wales. *Plaid Cymru: An Ideological Analysis* is soon to be published. The methodology adopted in this monograph makes use of Michael Freedman's ideological paradigm applied to the foremost

advocates of Welsh nationalism, Plaid Cymru. My belief had always been that Plaid Cymru's ideology was complex in nature, that the label of nationalism was too loosely, and at times unthinkingly, attached to it, and that Plaid Cymru's ideology could be more accurately described as being socialist in content and internationalist in outlook.

My current, and future, research plans and interests revolve around the role played by political ideologies, and ideological waves, in shaping the political environment within Europe. To these ends, and with colleagues from within iCES, as well as with external partners, I intend to conduct a research project based upon what I perceive to be three interwoven themes. The project will assess how Europe's future ideological direction – be it primarily on the left, in the centre, or on the right – could progress, and to what effect this progression will have upon the players, parties and theorists of sub-state nationalisms. Specific sub-state nationalisms within Wales and Catalonia will be used as exemplars, and the ways in which ideological re-alignments could impact on these sub-state nationalist attitudes towards any supra-nationalist European discourse, or teleology, will be examined. Allied to this, the notion of subsidiarity, as a tool for political decentralisation, will be explored to see whether subsidiarity in contemporary Europe is essentially more rhetoric than reality. Crucial to this project will be an understanding of how decentralised we can actually become, in practical and theoretical terms, without the emergence of fragmentation, and animosity towards a common European polity.

## Oppositional Media and Internet Technologies

Veronica Barassi

Della Porta, D, and Piazza, G., (2008) *Voices of the Valley, Voices of the Straits: How Protest Creates Communities*, Berghahn.

Social protest that emerges within local contexts and suddenly acquires a global dimension has become a common characteristic in contemporary Europe, especially in the wake of the recent economic crisis. Today, social conflicts develop on multiple networks of communication and action and are often defined by the interaction of both national and international patterns, local and global discourses. Della Porta's and Piazza's (2008) book, *Voices of the Valley, Voices of the Straits: How Protest Creates Communities*, offers an empirical, thorough and engaging description of the complexities embedded in contemporary forms of social protest.

Their work is the first volume of the new series *Protest, Culture and Society* published by Berghahn Books and looks at the rise of two different but networked campaigns against large scale public works in Italy. The first campaign is the one that opposes the building of a new high-speed railway (TAV) in Val di Susa, a valley very close to the French border. The second is the one against the construction of a bridge on the Messina Straits, in Southern Italy. *Voices of the Valley, Voices of the Straits* explores the different phases of these movements, their networks of communication and action, their discourses and experiences. It does so by combining the oral testimonies of different social and political actors with the discourses emerging from the textual analysis of mainstream and oppositional media. The result is an insightful exploration of the way in which social conflicts can move beyond local concerns and discourses to become part of the networked communities constructed within the contemporary movements for global justice.

By highlighting the global dimension of local conflicts, Della Porta and Piazza's book is an important contribution to the study of contemporary social protests and cultures of dissent. This is because it challenges assumptions prevalent in some sociological literature, that see the emergence of local conflicts and the opposition to large scale

development works as the result of a conservative behavior labelled by some as the 'not in my back yard' (Nimby) syndrome, (Buso,1996; Bobbio,1999). On the contrary the scholars trace the multiple levels and discourses of local forms of dissent, and examine the influence of wider processes of social and historical transformation, that are affecting Europe as a whole.

Some may criticize the work for its descriptive tendency, and for not engaging in a thorough theoretical discussion of concepts that emerge within the data. In particular some scholars might feel uncomfortable in front of Della Porta and Piazza's application of concepts such as 'community' or 'collective identity'. This is because their analysis excludes a critical reflection on some recent theory on the subject, which argues that within the movements for global justice the understanding of political identity has often been replaced by anti-hegemonic and autonomous discourses (Agamben, 1993, Graeber, 2002; Day, 2005). However, scholars who wish to criticize the book for its lack of critical involvement with theory - not only should remember Della Porta's many and important contributions to the field of social movements – but should also recognize that theory is often placed on a side, within the book, to let the data speak for itself. In this way, *Voices of the Valley, Voices of the Straits* is exactly what the title suggests; it is a beautiful, rich and engaging exploration of the voices of those involved in contemporary forms of social conflict.

Perhaps the most fascinating aspect of Della Porta and Piazza's work is the fact that their book shows how contemporary cultures of dissent - despite being multiple and heterogeneous - are in fact grounded on shared understandings of economic development that put the people and the environment first. As it emerges within the context of the Italian campaigns, oppositional media practices and technologies are often used by activists to promote their ideas and are therefore becoming new terrains in which economics is discussed, understood and re-imagined.

My own research interests are grounded in the belief that it is of crucial importance for social researchers to turn their attention towards these oppositional media and discourses, especially at a time of economic and environmental crisis. My doctorate research explored the connection between political imaginations, media technologies and social movements in Britain, by looking at the ethnographic context of

international campaigning organisations and the trade unions. The relationship between media and dominant ideologies is a central issue of academic debate, but the role of alternative media in the construction of oppositional political discourses is largely under-investigated. My research project analysed this relationship by relying on the theories and methodologies of both anthropology and media studies to provide an original and cross-disciplinary reflection on alternative media and political identity; on internet technologies and new forms of political imaginations; and on the possibilities and challenges people encounter in the everyday construction of mediated political action.

My future research plans are to further investigate the relationship between alternative media and oppositional groups in Britain, and then to compare my findings with research undertaken in Italy. The idea is to carry out ethnographic fieldwork among grassroots organisations of activists in each country, and study their discourses and media strategies. The result would be a comparative analysis on oppositional voices and information technologies in Europe; departing from a common terrain of struggle: economics. Following the election of Berlusconi's government, the freedom of the press in Italy is a right that today is no longer guaranteed; research in this area is particularly important at the moment. The aim of my future research project is to highlight and compare the different challenges people encounter in the two countries when trying to promote alternative messages. The main methods for data collection will be participant observation, semi-structured interviews and internet research. This methodological approach is particularly appropriate to fill in important details concerning the relation between internet networks, social solidarity and the new creative ways in which people are re-imagining economics. Most importantly, by comparing the British and Italian contexts, my project aims at offering important reflections on the state of democracy in Europe at a time of crisis.

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## Democracy, Citizenship and the Media

Michael Scriven

Bondberg, I. and Madsen P., (Eds), (2008) *Media, Democracy and European Culture*, Intellect.

Charles, A., (Ed), (2009) *Media in the Enlarged Europe, Politics, Policy and Industry*, Intellect.

Terzis, G, (Ed), (2008) *European Media Governance: The Brussels Dimension*, Intellect.

Three recently published books on the European media demonstrate the extent, depth and range of the impact of the mass media in its various forms on the daily lives of the citizens of Europe.

*Media, Democracy and European Culture*, edited by Ib Bondebjerg and Peter Madsen (Intellect, 2008), provides an instructive overview of the manner in which the media are located at the very heart of cultural transformational processes in the contemporary world. Media activity within Europe is viewed as a perpetual process of identity construction and cultural intervention with the consequence that issues of power, democracy, freedom of expression and media pluralism are of central concern. Numerous and wide ranging topics are debated in four key sections: the democratic deficit in the EU, journalistic ethics, regulation of media markets, commercialisation of the media (with a pertinent case study of the Berlusconi media empire), digital technology and the access to a European-wide public, national versus trans-national viewing audiences, national versus European news reporting, cultural interventions in the public sphere (specifically European television fictions and films), identity formation through European journals, intellectuals and the media, the political construction of citizenship within Europe, citizen engagement with the European Union, the regulation of public service online broadcasting, the impact of EU media policies on EU applicant countries with specific reference to Turkey, and citizenship rights arising from issues of supranational democratic legitimacy. The breadth and scope of the topics reviewed is testimony quite simply to the non-negotiable position of the media in

contemporary living. The media are all pervasive and have an impact on the life of each and every European.

*Media in the Enlarged Europe, Politics, Policy and Industry*, edited by Alec Charles (Intellect, 2009), reviews media developments initially across Europe as a whole, subsequently within individual European states. There is inevitably some degree of overlap with the analyses in Bondebjerg and Madsen. What this book does illustrate graphically, however, is what is referred to as the 'transitionality' of media developments and of the European Union itself. Written for the most part in the immediate aftermath of the signing of the Treaty of Lisbon, more recent developments have inevitably called into doubt initial conclusions drawn. The underlying theme that unifies the various contributions is the 'relationship between European media industries and their social, economic, political, and legislative contexts'. The first half reviews from a macro perspective the broad European audiovisual landscape focusing on topics such as television programming, pluralism versus profit, legislation for electronic communications, the press in the EU, the media and the enlargement process, the communications deficit and pan European identity. The second half, centred on the specificities of nation states, analyses media developments in countries such as Britain, Belgium, the Czech Republic, Turkey and Estonia. The overall impression is one of a ceaseless and complex oscillation between on the one hand the media constrained by national and supranational policy frameworks and ownership interests and on the other the media intervening in and influencing the socio-political environments in which they operate.

*European Media Governance: The Brussels Dimension* (Intellect, 2008) provides a very different perspective on media developments viewed from the vantage point of Brussels. Edited by Georgios Terzios, the publication is the product of the European Journalism Centre whose role is 'to monitor, research (and) reflect...present and future challenges facing the media in Europe'. As the title indicates, the focus of analysis is governance. The central thesis is that there is a shift occurring in media governance away from 'national government policies to local, regional, national, multinational and international' policy arenas, a shift to civil society embodied in the market and in professional and public interest/pressure groups. The presence of twenty or so such media-related civil society organisations in Brussels provides the platform for the analysis in the book. Through a presentation of the

work of ten of these organisations the evolving nature of media governance is explored in a variety of media sectors: audiovisual broadcasting, film production, newspapers, magazines and books, advertising, journalism, scriptwriting. Consecutive reviews of the work of the European Commission, the European Parliament, the European Broadcasting Union (EBU), the Association of European Radios (AER), the Federation of European Film Directors (FERA), the European Newspaper Publishers' Association (ENPA), the European Federation of Magazine Publishers (FAEP), the Federation of European Publishers (FEP), the European Association of Communications Agencies (EACA), the Association of Television and Radio Sales Houses (egta), the European Federation of Journalists (EFJ), the Federation of Screenwriters in Europe (FSE) and the European Consumers' Organisation (BEUC) enable instructive comparisons and contrasts to be drawn. An Annex to the chapters, 'Inventory of EU Measures Affecting the Media', additionally provides a useful overview of the legislative framework within which the media operate in Europe.

These three edited books illustrate the centrality of the media to the social, political and cultural development of Europe (both within the EU and without). In their different ways, they emphasise not only the key position of the media in reflecting and influencing the pace and nature of change within an evolving European political space, but also the difficulties of coming to terms with a European media landscape that is in a state of constant flux as a consequence of social and technological change. There are inevitably tensions and contradictions embodied in the various aspects of EU media policy in which the market and cultural/democratic pressures vie one with another. Although the market almost certainly remains dominant at the present, the combination of crises (both financial and institutional post-Lisbon) may very well lead to a growing emphasis on more democratic impulses in which the views and interest of citizens and consumers are taken more fully into account.

This tension between market impulses and democratic aspirations has been at the centre of my previous research on the media: *Television Broadcasting in Contemporary France and Britain* (Berghahn, 1999), *Group Identities on French and British Television* (Berghahn, 2003 and 2004). My aim is to broaden the scope of earlier research both geographically and conceptually to include analysis of media

transformations in three nation states (Britain, France and Italy) paying specific attention to issues of identity, democracy and citizenship within the context not only of the political cultures of these three countries but also of the policy framework and governance regulations of the EU.

## Notes on Contributors

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# Learning from the Financial Crisis: Global Imbalances and Lessons for Europe

## iCES Occasional Paper 01

Sir John Gieve

The Institute of Contemporary European Studies (ICES) Occasional Paper Series features the ideas of key opinion formers in contemporary European affairs.

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Sir John Gieve was Deputy Governor of the Bank of England from January 2006 to February 2009. In addition to his membership of the Monetary Policy Committee, he had specific responsibility for the Bank of England's Financial Stability work and was a member of the FSA.

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## Contemporary Europe

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