Position Taking in the Euro Crisis

Klaus Armingeon, Universität Bern
Skyler Cranmer, The Ohio State University

Geneva, October 12, 2016

Coalitions in the European Council
Picture: European Council, Dec 2012

EU Treaty

Article 15

1.   The European Council shall provide the Union with the necessary impetus for its development and shall define the general political directions and priorities thereof. It shall not exercise legislative functions.

2.   The European Council shall consist of the Heads of State or Government of the Member States, together with its President and the President of the Commission. The High Representative of the Union for Foreign Affairs and Security Policy shall take part in its work.

3.   The European Council shall meet twice every six months, convened by its President. When the agenda so requires, the members of the European Council may decide each to be assisted by a minister and, in the case of the President of the Commission, by a member of the Commission. When the situation so requires, the President shall convene a special meeting of the European Council.

4.   Except where the Treaties provide otherwise, decisions of the European Council shall be taken by consensus.

Five critical decisions

1. Shall we bail out Greece?
2. Shall we have Eurobonds (2010)?
3. Shall we have Eurobonds now (2014)?
4. Shall we have the Fiscal Compact?
5. Shall there be a government of the Eurozone with a single treasury?

The German position of austerity in an intergovernmental setting:
1. No (but if the alternative is the breakdown of the Euro: yes, with rigid conditions)
2. No
3. No
4. Yes
5. No

Research question & theory

Who sided why with Germany?

Our argument based on traditional intergouvernmentalism: States pursue their self-interest. If you are competitive you opt for austerity for others and fiscal discipline. If you are not competitive, you opt for demand-side measures and unconditional fiscal transfers. If you are in between, you are silent – you don't know where you will end up.

This is non-trivial:

Neofunctionalists/constructivists: a European project. The search for the best argument. Compromise after arguing.

Liberal intergouvernmentalists: Governments care for their national banks (costs of Greek default).

Democratic theory/electoral politics: governments represent the median voter.

Research design / analysis

Expert survey / documents

Measures:

    Follow Germany (from 0 to 5)

    Oppose Germany (from 0 to 5)

    Take no position (from 0 to 5)

    Agreement (Follow-oppose Germany)

    Rank order (Closeness to Germany. Top: NL, S; bottom: I)

    Bayesian regressions.

    DV: Follow Germany

    DV: Take a clear position vs. no position

    DV: Single items

    IV: Fiscal position (debt*interest), current account, support for austerity, exposure to bad debt.

Results

	Follow DE		Oppose DE		No Position	Agreement	Rank order
	no	yes	no	yes			
Austria	2	3	5	0	2	3	20.5
Belgium	5	0	2	3	2	-3	2.5
Cyprus	5	0	4	1	4	-1	7
Czech Republic	4	1	4	1	3	0	11
Denmark	4	1	5	0	4	1	18
Estonia	4	1	5	0	4	1	18
Finland	2	3	5	0	2	3	20.5
France	4	1	5	0	4	1	18
Greece	5	0	2	3	2	-3	2.5
Hungary	5	0	5	0	5	0	15
Ireland	4	1	4	1	3	0	11
Italy	4	1	1	4	0	-3	1
Latvia	3	2	2	3	0	-1	4.5
Lithuania	5	0	5	0	5	0	15
Luxembourg	3	2	2	3	0	-1	4.5
Netherlands	1	4	5	0	1	4	22.5
Poland	5	0	5	0	5	0	15
Portugal	3	2	3	2	1	0	8
Romania	4	1	4	1	3	0	11
Slovenia	4	1	4	1	3	0	11
Spain	4	1	3	2	1	-1	6
Sweden	1	4	5	0	1	4	22.5
United Kingdom	4	1	4	1	3	0	11
Total	85	30	89	26	58		

Table 1. *Support of and opposition to the German position, as well as instances of states taking no clear position. The agreement measure is coded as the difference between Follow DE and Oppose DE. The rank order measure uses instances of states not taking clear positions to break ties in the agreement measure.*

Results

	Model 1			Model 2			Model 3		
	Mean (SD)	Pr > 0	Pr < 0	Mean (SD)	Pr > 0	Pr < 0	Mean (SD)	Pr > 0	Pr < 0
Current account balance	0.24 (0.07)	1.00	0.00				0.20 (0.08)	0.99	0.01
Fiscal position				-0.002 (0.00)	0.00	1.00	-0.001 (0.00)	0.22	0.78
Support for austerity	0.08 (0.04)	0.98	0.02	0.01 (0.03)	0.64	0.36	0.07 (0.04)	0.96	0.04
Log(Exposure)	-0.06 (0.17)	0.37	0.63	0.10 (0.16)	0.74	0.26	-0.03 (0.17)	0.42	0.58
(Intercept)	-0.24 (2.23)	0.46	0.54	0.30 (2.24)	0.56	0.44	0.07 (2.30)	0.51	0.49
γ_2	0.87 (0.31)	1.00	0.00	0.79 (0.26)	1.00	0.00	0.92 (0.27)	1.00	0.00
γ_3	2.23 (0.52)	1.00	0.00	1.88 (0.28)	1.00	0.00	2.26 (0.26)	1.00	0.00
γ_4	2.82 (0.58)	1.00	0.00	2.44 (0.32)	1.00	0.00	2.90 (0.36)	1.00	0.00
γ_5	3.57 (0.65)	1.00	0.00	3.02 (0.41)	1.00	0.00	3.50 (0.43)	1.00	0.00

N=23

Table 2: *Bayesian ordered probit analysis of support for the German position. The posterior means and standard deviations correspond approximately to coefficients and standard errors for generalized linear models. The two probabilities shown in the tables correspond to the probability that the effect is greater than or less than zero respectively.*

Results

	Mean (SD)	Prob > 0	Prob < 0
Current account balance	0.06 (0.06)	0.88	0.12
Current account balance^2	0.02 (0.01)	1.00	0.00
Support for austerity	0.02 (0.04)	0.75	0.25
Exposure to bad debt	0.25 (0.16)	0.96	0.04
(Intercept)	-4.97 (2.37)	0.01	0.99
factor(issue)2	0.50 (0.68)	0.77	0.23
factor(issue)3	0.52 (0.70)	0.78	0.22
factor(issue)4	2.31 (0.75)	1.00	0.00
factor(issue)5	0.51 (0.67)	0.77	0.23

N=24

Table 3: *Bayesian logistic regression models of clear position taking on the Eurocrisis issues under consideration. The posterior means and standard deviations correspond approximately to coefficients and standard errors for generalized linear models. The two probabilities shown in the tables correspond to the probability that the effect is greater than or less than zero*

Greek Bailout (N=24)	Mean (SD)	Prob > 0	Prob < 0
Current account balance	-0.51 (0.26)	0.01	1.00
Support for austerity	-0.08 (0.10)	0.20	0.81
Exposure to bad debt	-0.20 (0.47)	0.34	0.66
(Intercept)	2.79 (6.43)	0.66	0.34

Eurobonds, Initial (N=24)	Mean (SD)	Prob > 0	Prob < 0
Current account balance	-0.31 (0.18)	0.02	0.98
Support for austerity	-0.06 (0.09)	0.23	0.77
Exposure to bad debt	0.16 (0.43)	0.64	0.36
(Intercept)	-1.59 (5.75)	0.38	0.62

Eurobonds, Now (N=24)	Mean (SD)	Prob > 0	Prob < 0
Current account balance	-0.29 (0.17)	0.03	0.97
Support for austerity	-0.24 (0.11)	0.00	1.00
Exposure to bad debt	0.44 (0.48)	0.82	0.18
(Intercept)	1.23 (6.35)	0.57	0.43

Fiscal Pact (N=24)	Mean (SD)	Prob > 0	Prob < 0
Current account balance	0.41 (0.20)	1.00	0.01
Support for austerity	0.05 (0.08)	0.74	0.26
Exposure to bad debt	0.02 (0.40)	0.52	0.48
(Intercept)	-0.49 (5.38)	0.47	0.54

Commission Proposition (N=24)	Mean (SD)	Prob > 0	Prob < 0
Current account balance	0.05 (0.16)	0.63	0.37
Support for austerity	-0.04 (0.10)	0.36	0.64
Exposure to bad debt	-0.16 (0.49)	0.37	0.63
(Intercept)	1.10 (6.79)	0.56	0.44

Table 4: *Bayesian logistic regression models of the support for a given Eurocrisis issue/initiative. The posterior means and standard deviations correspond approximately to coefficients and standard errors for generalized linear models. The two probabilities shown in the tables correspond to the probability that the effect is greater than or less than zero respectively*

Conclusion

Tell me your fiscal position and your current account balance and I tell you your position in the European Council on austerity measures.

Very little evidence that median voters, powerful economic interests, normative support of European integration matter more.

Most worrying: Most governments said nothing and followed the crowd. No discussion on the national level on major decisions which directly affect welfare state and economic governance.