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Session Sketches

How Can Leadership Save the Eurozone?

Panel: Session 3 **(**Orchid**)**
Date/Time: April 26, 2012 / 08:45-10:00
Organizing Institution: Bertelsmann-Stiftung
Speakers: Andreas Esche, Bertelsmann-Stiftung (Moderator)
Helmut Hauschild, Bertelsmann-Stiftung
Iain Begg, London School of Economics
Ansgar Belke, University of Duisburg-Essen

Panel Short Summary

Huang Xiao, Ewha Womans University
Ellen Kim, Center for Strategic and International Studies

The panel on How Can Leadership Save the Eurozone was moderated by Andreas Esche, Bertelsmann-Stiftung and consisted of three panelists, including Helmut Hauschild, from Bertelsmann-Stiftung, Iain Begg, London School of Economics and Ansgar Belke, University of Duisburg-Essen. Each panelist assessed the current crisis in Europe and discussed how political leadership is facing both challenges and opportunities.

Iain Begg opened his discussion by highlighting that rumors of the Eurozone's risk of demise are greatly exaggerated. He argued that political leadership in Europe is not absent, although it has been portrayed that way because of the general misperception about the Eurozone. He stressed that the Eurozone is not a federal entity like the United States, and that its decision making process is inevitably complex and thus takes time as leaders have to balance their collective common interests and individual national pressures. He said outsiders should understand that those constraints impair the leaders' ability to put forward effective political leadership needed to resolve the current crisis. Over the last few months, euro zone member countries have demonstrated efforts to buttress the euro, to fix fault lines and to establish a credible governance framework for the future. However, Iain noted that there is more work to be done, and that countries will experience a tension between the crisis management, long-term resolution of problems and future crisis prevention until the current crisis comes under control.

Ansgar Belke argued that since the Eurozone only has one currency, it lacks opportunities to depreciate its currency, influence its exchange rate and reduce the public debt. However, if austerity is imposed in the credible fashion, austerity might be beneficial in reducing the detrimental effects of the public debt. He pointed out that since leaders and economists from the EU have very distinct opinions upon the current economy situation in the EU, if they cannot make an agreement quickly, then the EU may probably break up.

The last panelist Helmut Hauschild stated that although European governments and the European Central Bank have finally took appropriate countermeasures to address the current crisis, the situation aggravated because of the delay in coming to that decision by leaders. He highlighted that Germany's leadership and active participation in resolving the crisis is a positive sign. Yet, he also pointed out that instead of implementing strict austerity measures in the euro zone periphery countries, as Germany argues, the Europe has to find the appropriate balance of austerity measures and the stimulation of its economies hit by recession. Besides that, European governments need to take courageous steps forward in creating a true political union as well.

In conclusion, all panelists reiterated the necessity of effective political leadership in resolving the current Eurozone crisis, while acknowledging that the greater challenges for leadership in the EU are yet to come.