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The Maastricht Treaty at Twenty: A Greco-European Tragedy?

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Pages 769-789 | Published online: 29 Oct 2012

Cite this article <https://doi.org/10.1080/07036337.2012.726014>

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environment of structural interdependence and full capital mobility, address how policy coordination can improve the results, explain how the euro-zone crisis developed, and explore a number of possible solutions.

Key words: Euro-zone crisis fiscal deficits market spillovers policy externalities
Stability and Growth Pact

Notes

1. We use the acronym GIIPS.
2. For example, see Robert O. Keohane's *After hegemony* (1984) for a seminal treatment of the role of cooperation in international relations theory. For theories of coordination, see Richard N. Cooper, *The economics of interdependence* (1968) and *Economic policy in an interdependent world* (1986). In this piece, we use the terms cooperation and coordination interchangeably. The first term is prominent in political science; the second in economics.
3. We hasten to add an important qualification, namely that cooperative behavior may not be n... unlikely,
that unil... and much
more lik... country while
harming... not Pareto
superior
4. For ex... patent laws
will not e... ak pollution
and
5. Coope... of risk in
games o... particular
event is
6. Article... fflation rate
of partic... rage of the
three EU... rates should



be no more than 2 per cent of the three countries with the lowest interest rates. Third, the national currency's exchange rate would have to be kept within the normal fluctuation margin of ERM II (plus or minus 15 per cent) of the EMS. Fourth, the national budget deficit must be lower than 3 per cent of GDP. Fifth, the national debt must not exceed 60 per cent of GDP.

7. See Figure 3, 'Credit growth to the private sector and average current account levels', in Wolff ([2011](#), 3).

8. The Socialist Party won general elections in October of 2009. Soon after that, Papandreou admitted that Greek debt was substantially higher than reported earlier. In January 2010, the EU revised upward estimates of Greek debt from 3.7 per cent of GDP to 12.7 per cent.

9. For example, if one looks at nominal compensation per employee relative to a sample of 15 other EU countries, Ireland score is very high. However, we readily admit to being puzzled by the Irish case.

10. Austria's performance is just behind Finland's by a small margin but Finland is slightly behind Austria in terms of the competitiveness indicator. See Marzinotto, Pisani-Ferry, and Sapir (2010, 7).

11. The area included below 0.5 per cent of GDP exceed the overridden by a quarter mit their budgets will remain active un I enter into force up to 500 billion euros in the form of 2012. Conclud and sustaina the Council to move decide that no



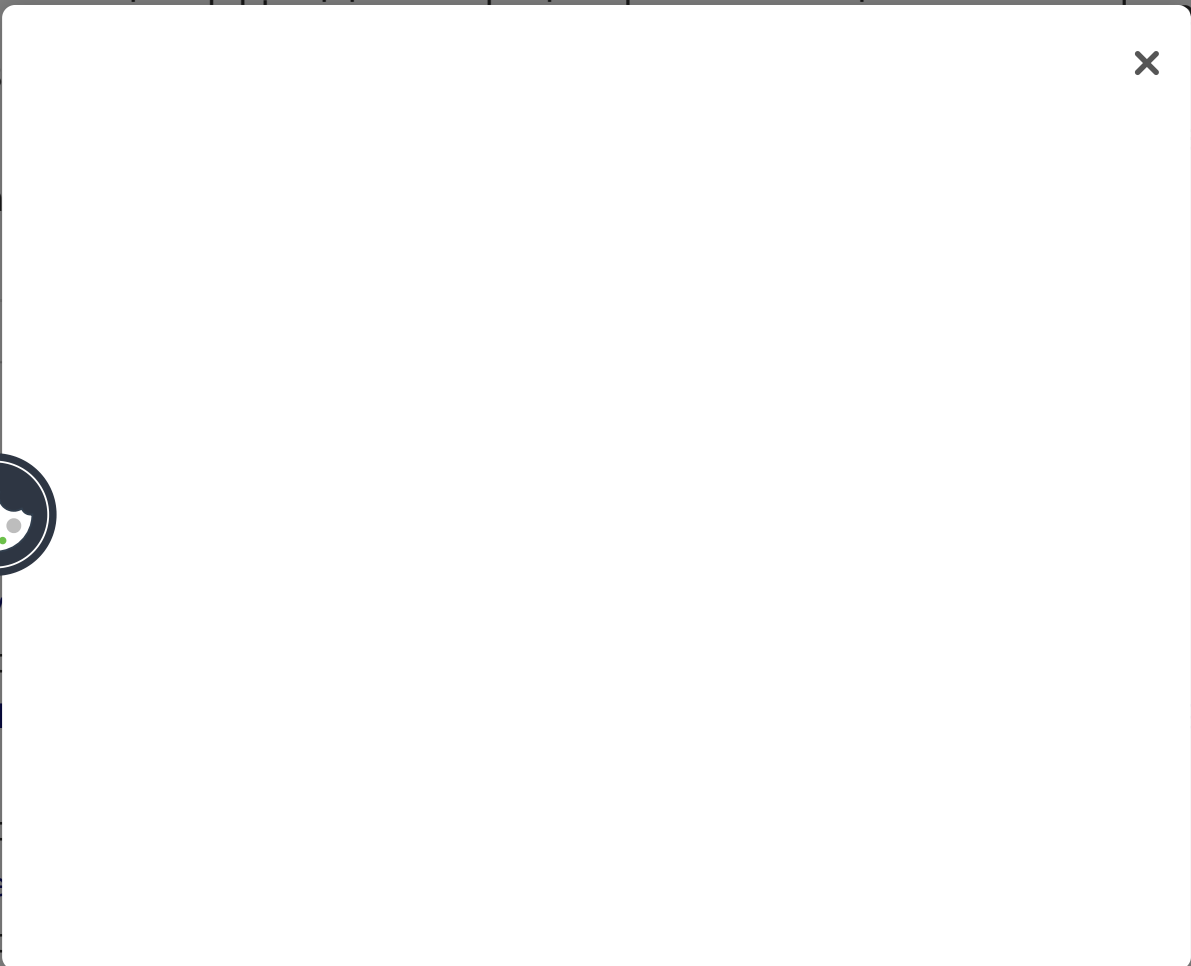
effective action had been taken to bring the deficit below 3 per cent of GDP in a sustainable manner.

13. The TSCG will enter into force once it is ratified by at least 12 euro area member states. Its target date is 1 January 2013. Since it is not a regular revision of the EU Treaty, the so-called 'repatriation clause' commits the EU to take steps to incorporate its substance into Union law five years after its entry into force.

14. Ireland is of course not a 'southern' country but it is generally included among the countries on Europe's periphery.

15. According to the Eurostat (the EU's statistics office) news release on 2 July 2012, euro-zone unemployment has risen to its highest level (11.1 per cent in May 2012) since the euro was introduced. The seasonally adjusted unemployment rates for GIIPS and Germany in May 2012 are as follows: Greece (21.9 per cent in March 2012), Ireland (14.6 per cent), Portugal (15.2 per cent), Spain (24.6 per cent), Italy (10.1 per cent), and Germany (5.6 per cent).

16. In this regard, the decision on 29 June 2012 at the European Council meeting on a 'Compact for Growth and Jobs' is a welcome progress, since it indicates European leaders' recognition that persistent low growth and macroeconomic imbalances, along with the... creating risks for the s... measures need to... and to strength...




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