Greek Tragedy, European Odyssey: The Politics and Economics of the Eurozone Crisis
Acknowledgements .................................................................. 11

Chapter I: Introduction to the Eurozone Crisis: Where there’s smoke, there’s fire ....................................................... 13

The European Union: A Model for the World? ................................................................. 15
Understanding the Eurozone Crisis: Layout of Book .......................................................... 20

Chapter II: European Integration: The Road to the EU and the Euro ............................................................................. 25

The Origins of European Integration ....................................................................... 25
How the EU Works ............................................................................................................. 29
   The EU’s Governance Structure .................................................................................. 30
The Euro as a Symbol: Creating the Currency of a(n) EUtopia ............................................. 33
   The Symbolism of the Euro’s Design ......................................................................... 35
Rationale for the Euro: An Economic House of Cards? ..................................................... 38
Evolution of Monetary Union ............................................................................................ 39
Conclusions ...................................................................................................................... 42

Chapter III: The Flawed Economic and Political Architecture of the Eurozone .......... 45

Why Have a Common Currency at All? ........................................................................ 46
   The Structure of Europe’s Monetary Union – An Optimal Currency Area? .................... 49
The EU’s Monetary System: The Eurosystem .................................................................... 59
   Banking Instability and Sovereign Risk in the Eurosystem ............................................. 63
Why Is There No Political Solution for Economic Integration? ....................................... 66
   Rodrik’s Trilemma ......................................................................................................... 67
Conclusions: The Effects of Europe’s Governmental, Economic, and Sociopolitical Flaws ......................................................................................... 71
Chapter IV: Of ‘PIIGS’ and ‘GIPSls’: Pre-Crisis Structural Imbalances

The Ant and the Grasshopper?: A Narrative of the Eurozone Crisis ........................................... 76
The ‘Ants’: Why Does German Policy Often Seem at Odds with Much of Europe’s? ...................... 78
  Cultural Differences ...................................................... 79
  National Self-Interest ................................................ 80
  Economic Ideology .................................................... 81
The ‘Grasshoppers’: Why Have They Fared So Much Worse in the Eurozone? ......................... 82
  Hours worked: Laziness or Poor Productivity? .......................... 84
  The Role of Corruption and Effective Governance .................. 84
EU Compliance: Did ‘Good’ Europeans Fare Better than ‘Bad’ Europeans? ................................. 85
  Business Friendliness: Did Red Tape Hurt or Help? .................. 86
  A Culture of Credit ..................................................... 87
Flight of the Bumblebee: Pre-crisis Structural Imbalances and Their Influence in the Eurozone ........ 91
  Structural Imbalances: Trade Imbalances, Productivity Levels and their Influence on the Credit Crisis .......................................................... 91
Private and Public Debt-GDP .................................................................................................. 103
  Country Specific Structural Imbalances .................................. 104
    Greece ..................................................................... 104
    Ireland ....................................................................... 108
    Portugal ....................................................................... 111
    Spain .......................................................................... 112
    Italy ............................................................................. 114
    Cyprus ......................................................................... 116
Conclusions .......................................................................................................................... 118

Chapter V: Misperception of European Risk, Market Reactions and Policy Response – A Timeline of the Eurozone Crisis ........................................................................................................ 121

Introduction .................................................................................................................................. 121
Timeline of the Crisis .................................................................................................................. 125
  October 2009 to July 2011 – A Period of Denial, Anger, Credit Guarantees, and Bailouts ........ 126
July to December 2011: A Period of Bargaining and Depression as the Economic Crisis evolves into a Political One .....131
December 2011 to March 2013: A Period of Acceptance – Recognizing the Need for Structural Reforms .................................................140
From Financial Crisis to Political Crisis ..................................................151
A Greek Popular Revolt: The 2015 Referendum ......................................154
Conclusions ................................................................................................164

**Chapter VI: Counterfactuals, Costs, and Conclusions .....167**

Where are We Now? Economic and Political Costs ......................................168
  Economic costs .....................................................................................169
  Austerity versus Stimulus .....................................................................176
  Political Costs .......................................................................................182
Public Attitudes Towards the Euro ............................................................184
  Public Attitudes During the Eurozone Crisis ........................................188
  The Rise of Euro-Scepticism ..................................................................191
  The Eurozone Crisis and Anti-Semitism ...............................................193
Reforming The Eurozone’s Economic Architecture ....................................195
  The Banking System ............................................................................195
  How Would the Banking Union Work? ...............................................196
  Fiscal Union .........................................................................................198
Conclusions: Economically, the EU needs political union; Politically,
  EU leaders cannot afford it. ..................................................................200

**Index .....................................................................................................207**