The other side of GPAC2

In the column "The other side of GPAC²" I will, depending on events and activities ongoing in the world, introduce GPAC² fellows to the rest of the fellows. Main idea is to share a bit more the variety of work experiences you as fellows have, in addition to the research experience you all jointly share here in Maastricht.

Greetings
Mindel van de Laar

October 2011: Philip Drauz

Philip Drauz started the GPAC² programme in March 2011, and he is not in the process of writing his research proposal. In his PhD research Philip plans to investigate to which extent the Euro area has managed the sovereign debt crisis and in particular what role the institutional set-up played in this. The thesis will be more political science, less economic oriented.

The interest in a European policy topic is directly linked to the work Philip does. He works in the European Parliament for the Alliance of Liberals and Democrats Group as an adviser on economic and monetary affairs. His main responsibility is to advise Members of the European Parliament on legislation in the area of financial services, financial markets and financial supervision as well as institutional aspects of Economic and Monetary Union. This involves a wide variety of tasks such as drafting legislative reports and amendments, briefings, policy papers but also negotiations within the Parliament and with the Council, the representation of Member States and Parliament's counterpart in the co-decision procedure. The last two years have been very busy due to a huge amount of legislation going through Parliament to reform the financial sector and make it more resilient to future crisis - we are not there yet though. But the dossier which has kept him most busy since September 2010 is the so-called economic governance package. This is the reform of the Stability and Growth Pact, the fundament on which Europe's Economic and Monetary Union is built. When this is being published the negotiations with the Member States will be concluded and a much improved stability framework is adopted.

Of course, currently the bankruptcy of Greece is daily in the news. Philip is not too positive on the performance of Greece over the last few years. He does not think the Greek case has much to do with the financial crisis in itself, which is what makes it different from Ireland or Spain. . Greece has been running reckless deficits and debts for a decade while at the same time tremendously loosing competitiveness compared to its peers. Greece actually never met the criteria for Euro membership and breached the rules every year. Greece continuously disregarded any recommendation from the Commission to reform its economy and used the cheap money which came with Euro membership for spending and not investment. Thus, it is not the financial crisis that brought Greece in this situation but political mismanagement on the national and European level. This statement alone shows why Philip enrolled at the School of Governance, and not the finance department of the economics faculty.

As said, in his PhD research Philip looks at the Euro area management of the sovereign debt crisis and in particular the role of the institutional set-up. What becomes clear right from the outset are the parallels between the response to the financial crisis hitting now and the response to the sovereign debt crisis he is researching. It is the institutional set-up of the Euro area which not only is insufficient in preventing crisis but also hampers an effective and timely crisis response. In both cases, the financial crisis and the sovereign debt crisis, the EU simply lacked the institutions and mechanisms to effectively deal with the crises. Financial supervision in an integrated financial market remained with national regulators, fiscal policy within a monetary union remained with national governments, this couldn't work. In both crises prevention failed due to an inefficient institutional set-up, and in both cases mitigation encounters severe problems as there is neither a

European crisis management framework for financial institutions nor for sovereigns. This somehow explains why policy makers have such difficulties in finding the right recipe for the current turmoil.

It is evident, that the current timing to start a PhD is well chosen, with all the dynamics ongoing. At the same time, the increased workload leaves little time for other things, including the PhD. But due to the experience at work, Philip is really enthusiastic about the topic, the relevance of the topic is evident, and we look forward starting the actual research.