

ABSTRACTS

The 30th anniversary of the Maastricht Treaty

The past, present and future
of European integration

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The Netherlands

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Organised by
Prof Mathieu Segers
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SESSION 1

FORMS OF FISCAL GOVERNANCE IN THE EURO AREA WHAT ROLE IS THERE FOR THE DELEGATION APPROACH?

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Key words

fiscal governance, budget institutions, budget balance, Euro Area

JEL codes

E62, H61

ABSTRACT

The Euro Area has relied on a rules-based or contracts approach to instil fiscal discipline among the member states, mainly through the supra-national Stability and Growth Pact, and more recently through the requirement to have fiscal rules also at the national level. On the other hand, the alternative delegation approach, which emphasises strong procedural rules governing the budgetary process, has been largely ignored in the Euro Area's fiscal governance framework. We use composite indices to measure the quality of both the rules-based and delegation approaches in all the 19 Euro Area countries. The results show that despite the common rules-based requirements, there are notable differences in the quality of the national fiscal frameworks among the member states. Furthermore, characteristics of the delegation approach remain important in various countries. Using a two-way fixed effects panel data model, we find empirical evidence for a significant positive impact of both fiscal governance approaches on the budget balance for the EA countries during 2006-2018. At a more disaggregated level, our findings give support to the strengthening of medium-term budgetary frameworks and to more centralised decision-making during the budget approval stage. Moreover, we also find that reforms to budget institutions during the period under review have mainly involved fiscal rules and independent fiscal councils, and being supra-nationally mandated, rather than nationally-driven, this seems to have affected their effectiveness to achieve fiscal discipline. Our findings thus suggest a reconsideration of the centrally-mandated, common EA requirements for national fiscal frameworks, which involve a one-size-fits-all, rules-based approach.

SESSION 1

GOVERNING THE VARIETIES OF SOVEREIGN RISK IN EMU THE RISE OF STATE-CONTINGENT PUBLIC POLICIES

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Key words

Maastricht Treaty, European Monetary Union, Safe and risky sovereigns,
Fiscal discipline, State-contingent public policies

JEL codes

E5, F34, F36, F45, G28, H6

ABSTRACT

The 30-year old Maastricht Treaty on European Union (EU) is based on the political vision that a stable euro requires sound and sustainable public finances in all the participating countries. This paper reviews the evolving supranational framework for governing the varieties of sovereign risk in the European Monetary Union (EMU). The main finding is that a whole body of EU/EMU public policies contingent on the state of national economies, sustainable financial integration and effective monetary transmission, works against fiscal discipline. EU fiscal rules include ample flexibility, making enforcement contingent on a multitude of mitigating relevant factors. EU financial governance provides public entities with a privileged access to private finance contingent on prudential considerations. The European Central Bank accepts sovereign securities as eligible collateral for its credit operations contingent on continued market access for weaker euro area countries and it employs contingent public sector purchase programmes as a standard monetary policy tool for managing the euro area sovereign yield curve as well as national sovereign spreads. EU/EMU fiscal agencies increasingly turn national public spending into supranational contingent liabilities. The European response to the Covid-19 pandemic, which involved all the aforementioned state-contingent public policies, added a fiscal redistribution scheme based on temporary EU debt issuance and has the character of a state-contingent fiscal union. These EU/EMU public policies enable policymakers to suppress the varieties of sovereign risk whenever needed and tend to undermine fiscal discipline. The rise of supranational governance with state-contingent features in fact addresses the omission in the Maastricht Treaty of a central fiscal capacity and a safe sovereign asset as stabilising anchors for the eurozone. The political focus on realising common public goods while safeguarding national economies should therefore lead to a 'Next Generation EMU' with a more complete fiscal architecture to counter both moral hazard and systemic fragility.

SESSION 1

THE IMPACT OF THE EURO IN BOOSTING EU TRADE GRAVITY MODEL

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Key words

Eurozone, export, euro, gravity model, Internal Market

JEL codes

F14, F15, C33

ABSTRACT

The adoption of a common currency introduced by the Treaty on European Union known as the "Maastricht Treaty", was a key step in the establishment of Economic and Monetary Union (EMU). Studies made so far, have shown that Euro boost intra-Eurozone trade by two to ten percent on average although the estimated size of this effect varies (Baldwin et al., 2008; Gunnella, et al., 2021). The gravity model in this paper is applied to estimate the impact of the Euro on bilateral export flows among the EU countries. The model measures the influence of GDP per capita, distance and the Eurozone membership (dummy variable), on the export of the EU member countries as a dependent variable. The analysis includes panel data of bilateral trade flows among 28 EU member countries (including Great Britain) in a period of 22 years (from 1999 to 2020). The results show that the EU's export is directly proportional to trade partners' GDP per capita and inversely proportional to distance. In order to estimate the average benefit due to Eurozone membership, we have estimated subsequent equations with different time periods. The coefficient is positive and confirms the positive effect of the euro on mutual trade, relative to trade between non-euro area countries. But the coefficient decreases as we shorten the time periods, besides the introduction of the Euro to new countries, as well as due to the emergence of international production chains among European countries. This indicates that the average trade advantage due to Eurozone membership diminishes over time. Systematic monitoring of external imbalances and implementing better-coordinated policies to prevent large trade imbalances is advisable for the stability of the Euro and for intensifying the mutual trade among Eurozone countries.

SESSION 1

ESTIMATING CAUSALITY BETWEEN TRADE AND BUDGET BALANCES, FISCAL EXPANSION, AND AUSTERITY

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Key words

Trade-Budget Casualties, Fiscal Rules, Economic Inequality, European Union, Federalism

JEL codes

F15, F13, H6, H77, E62

ABSTRACT

European Integration's proposed regulatory frameworks evolve around the traditional neoclassical scheme of fiscal balance and the Keynesian fiscal expansion. The neoclassical narrative, combining the "Ricardian Equivalence" with the "comparative advantage", ensures cross-country convergence consequential upon the country-specific "human capital" capacities' constraints. Conversely, the Keynesian side regards fiscal expansion as a prerequisite for enhancing growth and promoting convergence. However, the latter comes at a cost. Within such a theoretical setting, fiscal deficits trigger trade deficits requiring mechanisms to balance the position of trade deficit countries in times of crisis. The authors advance a middle position within the current study by accepting that a fiscal multiplier operates in market economies and acknowledging that its effectiveness is limited by adjustments in private balances, i.e., by the profitability of investments. In contrast to the mainstream argument, the authors demonstrate that several European countries suffer causality running from the trade to the fiscal deficits and not the other way around. The findings indicate that structural trade deficits/surpluses prevailing in the different countries are unlikely to balance in a free-trade or common currency environment. This explains why uniform fiscal balance policies dominating the European economic landscape have increased the growth rate and income cross-country schisms. Simultaneously, the existing fiscal rules fail to foster desirable outcomes since the derailing of public debt is a continuous challenge for the deficit countries. The findings point out to the need of a fundamental change in Union's governance consistent with values enshrined within the Maastricht treaty. Integration of independent member states will always encounter problems of inequality and divergence. However, federal institutions, harmonization, and balanced growth policies can provide a viable alternative, especially when the new global divides develop before our eyes.

SESSION 2

'SOFT LAW' AND 'HARD INTEREST' INFORMAL DECISION-MAKING IN THE EUROPEAN COMMUNITY AND THE EU

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Key words

European law, Constitutional history, Council, Decision-making, Veto, Consensus, Single European Act

ABSTRACT

The proposed paper is situated at the crossroads of history, law and political science. In a *longue durée* perspective, it analyses the legal and political implications of informal decision-making in the EC/EU. The specific point of interest is the slow transition of the Community from a culture of unanimity to practices of semi-formal or formal voting. The paper examines how member states mobilised European 'soft law' to resist the expansion of majority voting. More precisely, it scrutinizes the 'eternal rule' of the Luxembourg Compromise of 1966, which allowed member states to control the process of integration and the emergence of European law. While dominant narratives describe the history of the Compromise as a process of gradual de-legitimisation, decline, and subsequent collapse in the SEA and the Maastricht treaty, the paper illustrates that member states and supranational institutions acknowledged the Compromise as a 'fact of life' in the Community and as the 'rule of the game'. The practice of non-voting helped to build trust and solidarity. In its capacity as an 'escape clause' the Compromise was always in the background during the European revival of the 1980s and in the run-up to Maastricht, allowing sceptical member states to follow the path to deeper integration. Its rationale survived Maastricht, and it was subsequently worked into treaty texts and decision-making practices of the European Union.

SESSION 2

THE MAASTRICHT TREATY AND THE END OF INTEGRATION THROUGH LAW

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Key words

Integration through law, Narratives of integration, Bits and Pieces, Teleological assumptions, Legal integration

ABSTRACT

This conference invites us to think about the Maastricht Treaty as a "seminal agreement" which "laid the foundations for the continuation of historically unprecedented peace" in Europe.

Among EU legal scholars, however, the Maastricht Treaty has been perceived rather differently. Maastricht's three pillar structure initiated an era of increased intergovernmental cooperation, which meant the end of 'integration through law' as the primary way of doing integration. This paper argues that 30 years after Maastricht, EU legal scholarship is still coming to terms with the marginalisation of law in the process of integration.

To this end, this paper proposes a rereading of Deirdre Curtin's famous article *A Europe of Bits and Pieces* (1993) in which she lamented the lack of an "overriding and consistent constitutional philosophy" in the Treaty Member States' ignorance of "the unique nature of the Community legal system." Published even before the Maastricht Treaty entered into force, Curtin's paper displayed a strong sense of nostalgia to the 'golden years' of European legal integration, during which the European Court of Justice, tucked away in the fairyland of Luxembourg, constructed the invisible constitution of the European Communities. Based on her analysis, we can see how the Maastricht Treaty marks a point at which not only the empirical reality of integration changed profoundly, but also as the moment in which integration through law as the normative end of integration is no longer self-evident.

It is time for EU legal scholarship to come to terms with the transformations initiated by Maastricht. Rather than clinging on to the old idols such as 'Rechtsgemeinschaft' (Hallstein), *Le Droit de L'integration* (Pescatore) or, indeed, integration through law (Capelletti, Seccombe and Weiler), instead it is necessary to let go of the teleological assumptions and normative underpinnings on which these legal conceptualisations of the integration process rest.

SESSION 2

THE (UN)WILLINGNESS OF NATIONAL COURTS TO REFER PRELIMINARY QUESTIONS TO THE EUROPEAN COURT OF JUSTICE

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Key words

Preliminary ruling procedure, National courts, European Court of Justice, Judicial dialogue, Judicial decision-making

ABSTRACT

The Maastricht Treaty marked a big step in the process of EU integration, clearly moving beyond economic integration. Now, thirty years later, after further expansions of the EU's competences, it seems that the EU integration process has come to a halt. One of the reasons for this is the resistance which the European Court of Justice ('ECJ') faces in the Member States. Most noticeable are the cases in which domestic courts openly challenged judgments of the ECJ. Less visible is the unwillingness of certain domestic courts to cooperate with the ECJ via the preliminary ruling procedure. This procedure has the pivotal task of ensuring the uniform interpretation of EU law, and thereby effectively its equality among the Member States. A lack of participation in this procedure thus bears the risk of divergence of EU law according to each Member State's own interpretations.

Against this backdrop, the aim of this paper is to examine the reasons why domestic courts refrain from cooperating with the ECJ via the preliminary ruling procedure. To that end, it builds on case studies covering four diverging EU policy areas – asylum, consumer, competition and criminal law – in three Member States: the Netherlands, Germany, and Austria. By triangulating between qualitative interviews with judges and structured case law analyses, it is shown that the domestic courts' cooperation in the preliminary ruling procedure, and the reasons behind these practices, vary strongly; not only between Member States, but especially between policy areas. This variance is possible due to the de facto discretion which the domestic courts enjoy. Based on the domestic courts' perceptions, the paper explores opportunities to stimulate the courts' participation in the preliminary ruling procedure.

SESSION 2

THE UNFORTUNATE SUCCESS OF THE MAASTRICHT TREATY

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Key words

Constitutional law, Maastricht treaty, Court of Justice of the European Union, European integration

ABSTRACT

This paper examines the evolution of the constitutional design of the Economic and Monetary Union (EMU) as it was defined in the Maastricht Treaty and rebuts the common assumption that it has proven to be a failure. Indeed, this paper posits that the Maastricht Treaty set both economic and political goals. By embedding the key provisions of EMU in primary law, Member States made sure that they—and not the EU institutions— remained in charge of the process of European integration. Thus, despite the fact that the euro area crisis has led to significant innovations in the day-to-day governance of EMU, the overall constitutional division of responsibilities in EMU has not changed. The Member States remain in control over the process of monetary and economic integration, with a complementary role for the European Central Bank. Hence, the euro-crisis did not prove the failure of the Maastricht Treaty, as its ambition was not restricted to economic goals.

Beyond this evaluation of the Treaty as such, the paper examines several key provisions of the Maastricht Treaty, such as the no-bailout clause, the mandate of the ECB, and the prohibition of excessive deficits. The aim is to show for these provisions how they reflect both the political ambitions of the drafters of the Maastricht Treaty, and certain economic ideas. For example, the purpose of the Excessive Deficit Procedure is not only to achieve a certain economic outcome, but also to protect the Member States against further integration. After showing the mixed background of the Treaty provisions, the paper also criticizes the judgements of the Court of Justice of the European Union on EMU.

The paper concludes with a reflection on the use of treaty revisions to promote European integration. Treaty revision should now be used primarily to de-constitutionalize. Restrictions on EU powers should not come from legal provisions, but result from political processes.

SESSION 3

THE HETEROGENOUS EFFECTS OF FREEDOM OF MOVEMENT AGREEMENTS

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Key words

Migration, Macroeconomics, Freedom of Movement, Common correlated effects, Multilateral resistance

JEL codes

F22, E00, C23

ABSTRACT

We explore the effects of freedom of movement agreements on migration flows through the lens of a gravity model. We document two significant aspects of heterogeneity. First, the elasticities of migration with respect to explanatory variables are not constant across country pairs. Under freedom of movement, the response to many macroeconomic variables is stronger, and the response to distance and historical migrant stocks is weaker. Collectively this implies that determinants of migration are fundamentally different when a freedom of movement agreement is in place. Second, computing the overall marginal effect of freedom of movement for each pair of countries in our sample, we find heterogeneity in the migration boost from a freedom of movement agreement. This suggests that - contrary to the assumption of the earlier literature- the effects of such an agreement are far from uniform.

SESSION 3

30 YEARS AFTER THE TREATY OF MAASTRICHT UNPRECEDENTED CHALLENGES FOR EUROLAND

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Key words

European integration, Exogenous shocks, Convergence, Multifactor productivity, Political union, Federal budget

ABSTRACT

Over the past decades the Euroland was confronted with several challenges, including the Great Recession (the worst global economic and financial crisis since the end of WWII) and the outbreak of two exogenous shocks – the coronavirus pandemic and the geo-political tensions in Ukraine. On the one hand, these shocks had a negative impact for the macro-financial performance of the Eurozone, including the persistence of the gap in terms of GDP/capita compared to United States and of the divergence among the member states. According to World Bank database the GDP/capita as a percentage of US stood at 75% in 2020, compared to 73% in 1992 and 69% in 1999. On the other hand, the shocks determined important transformations in Euroland, including the current transition towards the Green, Digital and Resilient Economy. In this paper, we analyze the structural economic convergence among the member states of the Euroland and of the region compared to the United States for the past decades. For this purpose, the paper applies standard econometric tools (including the production function Cobb-Douglas and the econometric filter Hodrick-Prescott) and uses Eurostat and IMF statistics in order to estimate the contribution of the production factors to the dynamics of the potential GDP. According to the results, the region passed from the acceleration of convergence in the 1990s (under the rules of Treaty of Maastricht) to structural divergence following the introduction of Euro and the outbreak of the Great Recession to convergence after the implementation of the New Economic Governance. At the same time, the results show the need for additional reforms in the Euroland in order to improve the dynamics of the multifactor productivity, including the implementation of the Political Union and of the Federal Budget.

SESSION 3

THE COLOURFUL PATCHWORK OF RELATIONS BETWEEN POST-SOCIALIST EU MEMBER STATES AND THE EURO

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Key words

EU Eastern enlargement, post-socialist EU member states, Eurozone

JEL codes

O52, F02

ABSTRACT

Upon the time of the Eastern enlargement rounds of the EU (2004, 2007, 2013), the opportunity to opt out of the monetary union was not available for the newly acceding countries. At the same time, their levels of economic development were considerably lower than that of the 'old' EU member states, though to different extents. In addition, their attitudes to the single currency have been shaped and influenced by several other, often non-economic issues, ranging from (geo)political considerations to identity aspects. 30 years after the signature of the Maastricht Treaty elevating the commitment of introducing a single currency to primary law in the newly evolved European Union, and 18 years after the largest Eastern enlargement of the EU thus expanding from 15 to 25 members, four reluctant post-socialist EU countries (Poland, Czechia, Hungary, Romania) are still ahead of even joining the exchange rate mechanism (ERM-II). Nevertheless, two Central and Eastern European countries (Slovenia and Slovakia) joined the Eurozone early after EU accession, the three Baltic States in the midst of the Eurozone crisis, while Croatia and Bulgaria entered the ERM-II during the COVID-19 induced economic crisis and the former is introducing the euro in 2023. Certainly, we face a dynamic set of relations and specific individual tracks and stories here, resulting in a gradual-but-steady enlargement of the Eurozone in post-socialist Europe overall. The question how this dynamics, paired with internal and external shocks and crises, is affecting the so-far persistent outsiders can and, in fact, shall be asked.

SESSION 3

CHECKMATE! LOSING WITH BORDERS, WINNING WITH CENTERS THE CASE OF EUROPEAN INTEGRATION

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Key words

CEE countries, European integration, RTEs, Borders, Dissaggregated Synthetic, Controls

JEL codes

F15, F16, F20, R12

ABSTRACT

This paper studies two major stages of European integration, the expansion of the European Union (EU) in 2004 and the Schengen Area in 2008, and their impacts on economic performance in subregions of Central and Eastern European (CEE) countries. Using European regional data at the NUTS3 level and disaggregated synthetic control method, I construct counterfactuals for sub-regions of CEE countries. This approach allows me to assess regional treatment effects (RTEs) and to study the heterogeneous effects of European integration. I find that the benefits of EU and Schengen memberships to annual GDP per capita are approximately 10% less in border regions, relative to interior areas. The results expose regional economic disparities, as border regions lose relative to interior regions since European integration. Furthermore, integration facilitators in border regions such as fewer geographical barriers, more service employment, and positive attitudes toward the EU did not reduce economic disparities. The results show that the gap persists, regardless of some complementarities. Thus, the main implication of this paper is that sub-regions of CEE countries are far from being fully converged, and that European integration instead seems to have spurred sub-regional divergence.

SESSION 4

SUSTAINABLE EUROPEAN HEALTH PROJECT INSIGHTS FROM COVID-19 PANDEMIC AND THE EUROPEAN CROSS-COUNTRY INEQUALITIES

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Key words

COVID-19 Epidemic, Economic Inequality, Public Health Systems, European Union, Solidarity

JEL codes

I14, I18, F15

ABSTRACT

This study's principal purpose is charting the route towards a sustainable European health project through the lessons drawn from the nexus between the cross-country COVID-19 pandemic response effectiveness and the differences in the initial capital endowments and income inequalities. The latter will be achieved through the capital stock disaggregation (private, public, and health system) and accounting for country-level income quintile share ratios. The cross-country performance will be benchmarked against the case-fatality ratios and hospitalization admissions. The central tenet is that COVID-19 renders an ultimate market failure from the viewpoint of public goods, negative externalities, information asymmetries, principal-agent problem, and noncompetitive markets. This puts to the forefront a sizable and straightforward collective action, organized by the central authority, financed via solidary transactions, and achieved through a combination of private and public arrangements. Through the prism of European affairs prism, these conclusions expose the tensions between two types of solidarity, that of national public health systems and that of supranational solidarity, being the core value underlying the European social project. In line with current developments, persisting on this conundrum stemming from vast differences in available resources exerts and will continue to exert an enormous challenge for the European cohesiveness. Consequently, to tackle this crisis in an orderly fashion, policymakers must realize that prioritizing market freedoms ahead of societal necessities renders a disservice to both. The COVID-19 mandates abandoning nation-centered decision-making and demands rethinking of the European solidarity and public health systems in both conceptual and practical sense. In this regard, this research aims to build a compelling framework supporting Ursula von der Leyen's European Health Union's progressive idea by furnishing forward-thinking solutions to the European pressing concerns.

SESSION 4

EU POLITICAL EFFICACY DIFFERENTIALS AND EUROPEAN IDENTITY A QUANTITATIVE ANALYSIS BEFORE AND AFTER COVID-19 OUTBREAK

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Key words

European identity, Political efficacy, COVID-19,
Public opinion, Crisis

ABSTRACT

Ever since the foundation of the European Union (EU), scholars expected that advancing European integration and European identity would foster each other in a virtuous loop. Yet, the trend of this "identification as European" did not follow these predictions, reaching its lowest point after the 2008 financial crisis. As the traditional determinants of this variation in European identity leave part of this trend still unexplained, a few scholars have recognized perceived political efficacy as a key factor of this Europeanness. Thus, this project will firstly address the following question: "To what extent does political efficacy influence European identity?". By relying on De Vries' benchmark theory of public opinion, this study considers the combination of political efficacy measures at the European and national levels through the innovative employment of EU differentials. The latter tackle the effects of individuals' national evaluations on EU-level evaluations, and vice versa, assessing the interplay of the efficacy levels.

This efficacy-identity relationship will secondarily be tested to assess whether its variation tracks real-world events. The research will look at the change of political efficacy influence before and after the outbreak of COVID-19 pandemic. By relying on Eurobarometer data from 2014 to 2021, this study will conduct a time-series logit modelling, inspecting the results in time before and after COVID-19 outbreak (2019). Thus, this project contributes to the existing research on European identity first by proposing political efficacy as a potential key determinant, secondly by advancing a new measure of political efficacy embracing European and national levels, and lastly by analysing this relationship after the insurgence of COVID-19 in Europe. As little scholarly attention has been devoted to measuring the impact of crises on European identity and its causal factors, this research will fill this gap of knowledge by conducting a quantitative study to estimate COVID-19 influence.

SESSION 4

COMMON INSTITUTIONS, DIVERGING IDENTITIES? SUPRANATIONAL INSTITUTION BUILDING, IDENTITY FORMATION, AND THE FUTURE OF EUROPEAN INTEGRATION

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Key words

European integration, Identity, Sovereignty, European institutions, Maastricht treaty

ABSTRACT

The EU has successfully accrued political authority over nearly half a billion citizens, even in policy areas that are intrinsically linked to national sovereignty, such as a common currency. Meanwhile, citizens' political identities are still primarily tied to member states. This mismatch between institution building and identity represents a major challenge to European integration.

European integration theories offer contrasting views on the link between European institution building and collective identity. Neofunctionalism expects a spillover from institution building to mass political loyalties. Intergovernmentalism sees collective identities as tied to the nation and unrelated to supranational institution building. Postfunctionalism argues that collective identity is necessary to facilitate institution building that goes beyond mere regulation.

Integrating insights from these theories, I theorize that the nature of the EU institutions-identity-link varies across policy areas and time. I expect that the integration of Core State Powers (CSP), such as currency or defense, more strongly impacts collective identities. The integration of CSP challenges the status quo in two fundamental issues that citizens care deeply about. First, it undermines national sovereignty as it encroaches upon the 'core business' of member states, with strong symbolic value for the nation. Second, it raises questions of solidarity as it has a greater tendency to result in zero-sum outcomes than market

integration. However, as solidarity is nationally bound, there is a high potential for identity-related conflicts. In contrast, other policy areas such as market integration are more strongly influenced by self-interest than collective identity. Because of the different timing and impact of institution building across policy areas, I expect that the EU institutions-identity link varies across time: In the early days of EU integration, institutions and identities evolve independently from each other, followed by a phase of increased awareness of, and identification with the European project. Since the Maastricht treaty, collective identities have become more polarized, with ever stronger European identities co-existing next to exclusively nationalist identities that reassert themselves against European institution building.

SESSION 4

ON SUPRANATIONAL SOLIDARITY AND NATIONAL IDENTITY

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Key words

Social question, Solidarity, Identity, Transnationalism, Trust, Dignity

ABSTRACT

Many of the most pressing problems that humanity faces today are transnational in nature, from the creation of a market society to the risks of climate change or public health implications of an interconnected world. Arguably, the solution to many of these modern-day challenges is to be found in transnational solidarity. And yet, transnational solidarity remains an anomaly. One explanation for why this is the case is the perceived importance of national identity, which is used as a justification for confining solidarity within the boundaries of the nation state. The aim of this paper is to address the question of whether the link between solidarity and national identity, often invoked by civic nationalists and politicians alike, can be justified conceptually or whether it is conventional in nature and we merely have become used to accepting it. Ultimately, the aim is to develop an alternative narrative to explain solidarity.

SESSION 5

A GLOBAL OR A FORT EUROPA?

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Key words

European security, EU CSDP, NATO, collective defence

JEL codes

AB12, CD34

ABSTRACT

After the end of the Cold War the Maastricht Treaty has been perceived as a revolutionary instrument to end the European divide by integrating countries in order to secure stability. Even more, the EU organisation as an institutional model has been an example to secure stability and peace worldwide. The Maastricht Treaty also established a foreign and security policy, which in time could lead to a common defense, established in articles J1 and J4. Ever since, EU's CSDP was deepened and broadened from there and EU's Security Strategy from 2003 declared that Europe has never been so prosperous, so secure, nor so free. However, the political landscape of the EU changed, and EU's Global Strategy of 2016 stated that 'the purpose, even existence, of our Union is being questioned', (...) Our Union is under threat' (EU Global Strategy, 2016). In response to the annexation of Crimea by Russia in 2014 it could be argued that the EU changed from an ambitious organisation aiming at worldwide peace to isolationism. And, although EU's CSDP strengthened because of the Russian war in Ukraine, exemplified by supporting the Ukrainian armed forces via the European Peace Facility, the question is if the 'D' of EU's CSDP will end the legacy of the Maastricht Treaty to preserve peace and strengthen international security and cooperation worldwide as set in article J.1.2. of the Maastricht Treaty. Therefore, the following question could be raised: Does the adoption of the mutual defense clause, article 42.7 of the Treaty of Lisbon in 2009, and EU's CSDP developments ever since contradict the provisions set in the Maastricht Treaty?

SESSION 5

PROTECTING FROM WHOM AND WHAT EXACTLY? EU HANDLING OF OFFICIAL MISCONDUCT

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Key words

Institutional evolution, Democratic legitimacy, Rule of law, European integration, Regulatory approaches

ABSTRACT

This paper addresses the institutional evolution, democratic legitimacy, and rule of law themes of the conference. It argues that, despite the advent of EU regulatory bodies to challenge misconduct by official/state actors after 1999, such efforts remain insufficient. This is demonstrated using one example at the EU level, involving Frontex, and one example at the point between the EU and member state level, concerning misuse of EU funds within the Irish national police agency. The paper contends that these examples necessitate reflection on the EU capacity and willingness to hold officials/states to account and the impact for outsiders, such as migrants and private citizens. Here the regulatory roles of the European Public Prosecutor's Office, the Investigation and Disciplinary Office of the Commission, and the European Anti-Fraud Office will be principally examined. The paper concludes with considerations for the evolution of each of these bodies and their implications for the renewal of the European project. It does so mindful of the commitment to accountability in the final plenary of the Conference on the Future of Europe in April 2022 but also the theoretical and empirical vulnerabilities of regulatory approaches.

SESSION 5

LOOKING BACKWARDS, MOVING FORWARD LIMITS AND BORDERS OF THE EUROPEAN INTEGRATION

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Key words

European unification, Border conflicts, Territorial issues, Uneven integration, European union

ABSTRACT

The process of European unification is an uneven one, taking simultaneously place on several levels. Its effects are equally diverse. As historical-comparative social research has amply shown, border construction and border control are at the core of center formation. This includes strengthening the control mechanisms of outside borders and the dismantling and differentiation of borders within a polity.

I contend that the European integration project is no different. In contrast to national state building, however, the European Union has only limited means of social membership construction at its disposal. Building on Stein Rokkan's seminal work on social and territorial membership, I will try to offer a historical-institutional account for Europe's post Maastricht uncertainties. The focus of my presentation is on internal and external border issue conflicts.

External border issues and asylum policies of the European Union and its member states have been controversial from the beginning, exacerbated by the undetermined border finality of the EU. Territorial issues have come even more to the forefront with the Russian attack on the Ukraine.

Internally, the inclusion of internal migrants is among the most contentious issues. The entitlement of EU migrants to social benefits is of particular importance in view of large and persistent social and economic differences between the member states.

In view of the mutually reinforcing nature of internal and external border issue conflicts, the European Union needs to develop alternatives to the principle of uniformity of integration and to find better ways to give critics a voice within the community system. If not, crisis resilience could paradoxically prove to be the Achilles' heel of European integration.

SESSION 5

ORGANISING CROSS-BORDER CRIME CONTROL POLICIES, PRACTICES, AND PARTNERSHIPS

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Key words

Transnational Crime-Control, Euregion Meuse-Rhine, Organizing, Law, Politics

ABSTRACT

The official abolishment of border controls in most of the EU member states in 1995 created an unprecedented opportunity for transnational organized criminal entrepreneurs. Almost 30 years later, the EU is still struggling with regulating and harmonizing crime control and law enforcement. Fostering 'police and judicial cooperation in criminal matters' seems to be a cumbersome process in an area where member states cling to their traditional mandates in policing and law enforcement. Initiatives like the recent proposal for a Directive on information exchange between law enforcement authorities of Member States and a proposal for a Council Recommendation reinforcing operational cross-border police cooperation, lack in many respects the policy innovation that is needed to counter the most subversive, organised crimes. In this paper, we take the Euregion Meuse-Rhine as the geographical cross-border space where EU legislation, national policies and local practices to control crime, meet. Questioning whether such EU initiatives (1) reflect the need for a more differentiated border region oriented policy as proposed by Spapens and Fijnaut (2005), (2) properly recognize developments in organised crime and integrated crime control (Bruinsma et al, 2001) and (3) appreciate the role of the private sector in decentred and multi-layered EU security governance are at the core of this analysis of 30 years of EU crime control.

The analysis is based on the combined disciplinary insights of law, political science and organisational anthropology, and applies such approaches as multi-level governance and critical realism as the theoretical/analytical concepts that best explain the complexities of cooperation and tensions in crime control across national and organisational boundaries.

SESSION 5

RUSSIAN INFLUENCE IN SERBIA RISKS AND OPPORTUNITIES FOR THE REGION

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Key words

Western Balkans, Serbia, Russia, Geopolitics, European integration

ABSTRACT

In recent years the EU perspective for the Western Balkans has almost entirely disappeared. As a result of current events such as the covid pandemic and the war in Ukraine, growing influence of Russia and China in the region has become more evident. The weakening of EU presence including growing foreign influence represent a security threat for the region as well as for Europe.

This research examines Russian influence in Serbia, the risks and opportunities in the region and recommendations for the EU. Serbia has taken steps towards European integration since 2003 and was officially granted candidate country status for EU membership in 2012. Despite the country's commitment to the EU, it is more uncertain than ever. For the first time in years a majority of its citizens are against joining the EU. Although Serbia supports the territorial integrity of Ukraine, it has not imposed sanctions on Russia. Being surrounded by NATO countries, it has no intention to become a NATO member. In the meantime, its military cooperation with Russia has intensified and while the EU is attempting to cut off Russian gas supplies, the Vučić government recently secured a new 3-year gas deal with Gazprom.

Even though the EU has been the largest economic partner in the region, its EU enlargement policy in the Western Balkans and in particular Serbia has failed. Will the EU be able to re-establish itself as a relevant actor in Serbia and the region?

SESSION 6

PROMOTING INCLUSIVE AND SUSTAINABLE COMPETITIVENESS? A LONG-TERM PERSPECTIVE ON THE INFLUENCE OF NEOLIBERALISM ON "SOCIAL EUROPE"

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Key words

Social Europe, Neoliberalism, Social policy, Inclusion, Sustainability

ABSTRACT

This paper interrogates – from a theoretical and historical viewpoint – the relationship between the process of social integration within the European Union and neoliberalism, showing that the main features of "Social Europe" can be understood against this background. Following Foucault, we first distinguish two main varieties of neoliberalism: German Ordoliberalism and American neoliberalism. The former focuses on promoting competitive markets through an institutional order and assigns a significant role to social policy as a precondition for a well-functioning and competitive market economy. American neoliberalism is centered instead on economization, i.e. the extension of the economic analysis to non-economic areas (e.g. with the theory of "human capital") so that society as a whole is reframed in economic terms and all kinds of public interventions are assessed using economic criteria (e.g. cost-benefit analysis). Thus, albeit with different means, both the German and the American versions of neoliberalism tend to subordinate the "social" to the "economic": the social is promoted through and for the market rather than in opposition to it.

This paper then traces the most important neoliberal elements in their German and American variants that have shaped the process of European social integration since its beginning (Treaty of Rome, 1957) and explains, why Social Europe has developed on the basis of key principles such as undistorted competition and non-discrimination, mobility of workers as well as social inclusion. The main steps of social integration from the treaty of Rome until today will be reviewed. In this context, we point out the key role played by the Social Protocol annexed to the Maastricht Treaty in consolidating the market-enhancing approach through the division of competences between the European Union and the Member States in the social field. Finally, we discuss the austerity-oriented responses to the Euro crisis as well as the "social investment" agenda and we ask whether more recent initiatives – the European Pillar of Social Rights, "Next Generation" and the "Green Deal" – mark a departure from this neoliberal path.

SESSION 6

HEALTH IMPLICATIONS OF HOUSING PROGRAMS EVIDENCE FROM A POPULATION-WIDE WEATHERIZATION PROGRAM

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Key words

Housing projects, Public investments, Weatherization programs,
German Socio-Economic household Panel, Health implications

ABSTRACT

Can better housing protect us from extreme weather conditions? Although economists and policymakers are certain about the health implications of housing upgrades, empirical evidence is largely missing or based on small-scale experiments in developing countries. This study provides population-representative quasi-experimental estimates based on the renovation program which renovated half of the East German housing portfolio in the aftermath of the German reunification. During the 1990s, the German government devoted significant financial resources to upgrade the insulation and heating systems of over 3.6 million dwellings in East Germany. We link the renovations to individual demand for health care of occupants using the German Socio-Economic household Panel (SOEP), as well as administrative records from the German hospital statistic. Relying on a fixed effect strategy, exploiting the staggered roll-out of the renovation program, our results show that an improvement in housing quality enhances the health of vulnerable age groups. Evidence from hospital records suggests that the reduction in hospitalization is driven by lowering the risk of cardiovascular problems for older individuals (45 years or older), and mainly driven by days with extremely high and low ambient temperatures. Our findings have strong policy implications and can enrich cost-benefit analysis of public investments in weatherization programs.

SESSION 6

ANALYZING THE LOGIC OF NEW EUROPEAN TRADE POLICY IS THERE A PARADIGM SHIFT?

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Key words

European Union trade policy, Institutional analysis, European economic integration

JEL codes

B52; E14; F13; F15; O24

ABSTRACT

Aggressive trade unilateralism, Doha trade round failure, the emergence of regional trade blocs and covid-19 disastrous economic effects, complicate international trade politics and regime complexity. Being influenced by these trends, EU trade policy develops new tools to accommodate economic uncertainty and transaction cost, conducting an active trade policy and negotiating a multitude of bilateral trade agreements in parallel to WTO membership. Research on EU trade policy highlights the impact of companies, trade unions, and the heterogeneity of trade preferences. It further examines the different scope of issues in several agreements, the depth of concluded agreements and their flexibility. Some actors within EU prefer full liberalization of EU trade while others (such as export oriented and import dependent groups) favor bilateralism. EU trade policy seeks to accommodate divergent views on the scope and content of trade balancing different national initiatives taking place in parallel to EU trade policy. Taking into account the literature review, is there a truly paradigm shift in European trade policy or a policy continuity with different means? How the dense network of bilateral trade linkages and interactions alters the nature and scope of EU trade policy? Can institutional approach explain the rationale of the new EU-trade policy? The article examines the new EU trade policy from an institutional perspective arguing that it tries to balance the target of mutually beneficial agreements with third countries with collective EU norms and values.

SESSION 6

NON-TARIFF MEASURES IN GEORGIA-EU TRADE INSTITUTIONAL HARMONISATION AND CHALLENGES

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Key words Trade policy, Non-tariff barriers, Institutional harmonization, Regional integration, EU-Georgia trade

JEL codes F13, F14, F15, O43

ABSTRACT

The most of the world countries upon application of the foreign trade policy, often refer to the protectionist remedies. It became particularly evident in post 2008 financial-economic crisis period, when the drastic growth of non-tariff measures took place. Reduction of tariff barriers in foreign trade was generally accompanied by the increase in non-tariff barriers. This paper aims to answer the main research question by discussing the Georgia-EU trade case: What role do institutional harmonization play for Georgian exports to enter the EU market and what are the challenges today? Do non-tariff measures facilitate trade or restrict trade? Representatives of the main export sector participated in our research. We mainly interviewed exporters of the following products: grape and wine products, fruit and vegetable processing, pharmaceutical products, metals, non-alcoholic and alcoholic beverages, tea, production of spices and seasonings and others. The study revealed that there is positive progress in meeting sanitary and phytosanitary measures. Despite a number of reforms and the simplification of procedural standards, 47% of exporters (according to the 2016 survey - 65%) cannot meet any international or EU standards, nor do they possess relevant certificates. 18% of exporters have ISO 22000 (food product safety), and 20% have HACCP system (sanitary and phytosanitary norms). 99% of respondents benefited from state programs, exporters' guides and/or various measures designed to bring them closer to the European Union. Based on the analysis of the preliminary results of the research, we can formulate following conclusions: Non-tariff measures lead to trade restrictions, but their impact depends on the level of institutional development; measures to introduce the best international practices lead to an increase in the level of harmonization and contribute to the development of trade; Deep and Comprehensive Free Trade Agreement is an additional tool for trade promotion; Full access to the EU market is possible through the harmonization of non-tariff regulatory instruments, but compared to tariffs, their change is gradual, which suggests that trade policy reform is still an unfinished process; On the one hand, institutional differences in the business environment are reduced, which should reduce informational asymmetries and transaction costs for economic agents, and on the other hand, have a positive effect on the quality and awareness of export goods.

This work is useful for further development of the theoretical study of the trade policy – on the junction of non-tariff barriers and institutional harmonization, as well as to study enlargement challenges of regional integration. The established recommendations will render assistant to the foreign trade policymakers for development of the policy respective to the latest challenges and for seeking the facilitation ways of new opportunities of development.

Session 6 - Social and Trade Affaires

SESSION 7

PAST EXPOSURE TO MACROECONOMIC SHOCKS, POPULIST ATTITUDES IN EUROPE, AND THEIR LONG-RUN PERSISTENCE ON EUROPEAN IDENTITY.

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Key words

Macroeconomic shocks, European identity, Populism, Trust, Attitudes

JEL codes

D70, E60, H70, P16, Z10 D72, E60, F68

ABSTRACT

This paper explores the interplay between past exposure to macroeconomic shocks and populist attitudes. We document that individuals who experienced a macroeconomic shock during their impressionable years (between 18 and 25 years of age), are currently more prone to voting for populist parties, and manifest lower trust both in national and European institutions. We use data from the European Social Survey (ESS) to construct the differential individual exposure to macroeconomic shocks during impressionable years. Our findings suggest that it is not only current exposure to shocks that matters (see e.g., Guiso et al. (2020)) but also past exposure to economic recessions, which has a persistent positive effect on the rise of populism. Interestingly, the interplay between the two, i.e., past and current exposure to economic shocks, has a mitigating effect on the rise of populism. Individuals who were exposed to economic shocks in the past are less likely to manifest populist attitudes when faced with a current crisis, as suggested by the experience-based learning literature. Apart from the voting for populist parties, we find that the exposure to macroeconomic shocks when the countries participated in European Union, lead the individuals nowadays to mistrust the European Union, they are not in favor of European Union enlargement and they do not feel attached to Europe. More generally speaking, past exposure to shocks lead to populist parties, anti-immigrant attitudes and this exposure affects the European Identity. This is true when we use a source of demanding specifications and a wide range of controls as well as several robustness and placebo exercises.

Session 7 - Democracy, Populism, and Authoritarianism

SESSION 7

CALLING AT THE MAASTRICHT TREATY LEARNING FROM THE OPPOSITION

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Key words

Maastricht treaty, European Union, Populism, Politicization, Political parties

JEL codes

H77, I31, I38, N44, P16

ABSTRACT

Throughout the years, the social contract underpinning the European Union (EU) institutional design has been scrutinized by national governments, political parties and the public, its efficacy and ability to safeguard values and interests of all EU Member States (MS) put under the question. In this sense, the Maastricht Treaty acted as a watershed moment, stimulating a start of increased critical public engagement with the EU integration, and debates regarding its democratic nature. Contestations surrounding the treaty meant that Maastricht closed the era of radical innovation through treaty change. With further reading of the treaty's legacy, we might suggest that it brought about not only an increased public alienation from the EU, but also subsequent negative referendum results and a series of national 'opt-outs' in some of the key policy areas. Moreover, over the last decade, the EU has been shaken by the rise of populist parties and movements, Euroscepticism and increased politicization of the process of European integration. With all of this, conceptualizing a revised and rejuvenated framework for EU governance has to include a rethinking and broad assessment of diverse stances towards the Maastricht Treaty – direct references to it and the impact it had on the subsequent political developments. Geary et al. (2012) , wrote that the Maastricht Treaty is a "stark reminder that the past is always contingent upon the present". Hence, analyzing contestations surrounding the Maastricht Treaty may breed differing results when looking at varying historical contexts. In this sense, this article addresses old grievances as well as contemporary challenges which this treaty has brought about, and analyzes how they have evolved over the last thirty years. We order our empirical research accordingly: we look at populist political parties, as crucial factors of the politicization process (in the context of the alleged "pro-integration bias" and "permissive consensus" of the mainstream political forces), and assess their response to the Maastricht Treaty throughout the years. The key research puzzle is to detect in which way populist parties directly reference the Maastricht Treaty as part of their discourse. In particular, we analyze which elements of the Treaty attracted the most attention, and in which context? Moreover, article aims to detect how have these trends changed over time and across ideological lines, providing a scheme for understanding how narratives on Maastricht can be systemized and how they relate to each other. The analysis is done by employing the toolbox of the discourse-theoretical approach and qualitative-interpretive coding procedures and elements of qualitative content analysis. Article corpus combines political parties' manifestos (35) and press releases (5). Manifesto material is supplemented with speeches and interviews of parties' leaders (5), when relevant.

SESSION 7

WHAT IS TO BE DONE? BURNING QUESTIONS OF THE UNFINISHED JOURNEY OF THE EUROPEAN (CONSTITUTIONAL) DEMOCRACY

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Key words

European democracy, Constitutionalism, Constitutional identity, CJEU, Rule of law

ABSTRACT

The Maastricht Treaty was the beginning of the EU as we know it now: it was 30 years ago that concepts such as the co-decision procedure, the European Citizenship, the national identity, and democracy appeared in the European dictionary. This qualitative leap, however, paved the way for the 'democratic deficit'. Moreover, the recent case law of the CJEU has introduced the concept of 'European constitutional identity', the scope of which is still unexplored, but with high potential effects for the EU. I intend to develop this perspective outside the original rule of law issue, focusing on another value enshrined in Article 2 and specified in Title II(TEU): the 'principle of democracy'. This principle is part of the very European identity, but without a precise development. The political genesis of the rule of law conditionality mechanism shows how the democratic principle is not only structurally downgraded in the European treaties, but has been further restricted by the European institutions. Moreover, there is no ECJ's jurisprudence/case-law that could explain how it can be a legally binding obligation for the MSs. The unresolved question of the principle of democracy at the European level is the basis for two problems: a) the "Europa-Streit", the dispute over what the EU is: 'an advanced species of the genus international law' or a 'sui generis political community'; b) this burning issue is addressed by the Bundesverfassungsgericht with its famous decisions. They underline that the EU is in democratic terms a derivative of the MSs and see it as an international organization whose further democratization/constitutionalization would damage the nationally-based democracy. Trying to address the principle of democracy is to answer the challenge of the future European Integration, namely:

(1) What democracy for the EU?

(2) What will be the relationship between European democracy and national democracies?

SESSION 7

NATURE VS. NURTURE **PUBLIC SUPPORT FOR AUTHORITARIANISM IN EUROPE**

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Key words

Authoritarianism, Threat, Public opinion, Survey research, Europe

ABSTRACT

Over the past decade, Europe has confronted the unprecedented rise of populist right-wing parties characterized by non-democratic rhetoric and agendas. While populism has attracted robust attention in the scholarly literature, the authoritarian aspect of populism, that is, the citizens' support for a strong leader, has only received limited coverage in European political science. Political psychologists generally tend to agree that authoritarianism is a product of individual- and society-level factors (threats) that interact in producing illiberal attitudes and behaviors, including support for authoritarian systems and leaders. However, the extent to which each of these factors is dominant in conditioning authoritarian support has been widely contested. By using panel data from the World Values Survey and pooled data from other public sources, this article explores and contrasts the role of individual and society-level factors in citizens' support for authoritarian leaders and systems in Europe. This research will conclude by reflecting upon the implications of findings for Europe 30 years after the Maastricht Treaty.

SESSION 8

A COMMUNITY IN SEARCH OF CITIZENS **EUROPEAN INTEGRATION BETWEEN DEMOCRATIZATION AND POLITICIZATION, 1950s-1990s**

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Key words

European citizenship, Democratic legitimacy, Political representation, Consumer policy, Politicization

ABSTRACT

The origins of today's public discontentment with the EU are often traced back to the Treaty of Maastricht. One recurrent explanation for this development is that member states have failed to foster political debate on European integration. In the absence of substantive policy contestation, so this account goes, polity contestation could fall on fertile ground. This lack of overt politicisation of diverging views on European integration was not just characteristic for the member states. The supranational institutions of the European Community (EC), too, were unable and/or unwilling to foster a European political arena. Regardless, the European Commission and European Parliament were bent on bolstering their democratic legitimacy by strengthening their connection with European citizens. The central argument of this paper is that this search resulted in a depoliticized conception of European citizenship. This paper will trace the ideas and practices which fed into this depoliticized conception of European citizenship in the decades preceding the Treaty of Maastricht, from two perspectives. From a policy perspective, EC institutions attempted to foster a kind of common market citizenship which was largely restricted to the realm of consumption. From a polity perspective, EC institutions persisted in attempts to organise and popularise elections for the European Parliament, even though it lacked many of the powers that characterise a parliamentary democracy. As a result of these two developments, EC institutions failed to foster an arena where citizens could engage and identify with European integration on substance, thus inadvertently contributing to a political climate in Europe where popular attitudes to European integration are split between those who support and oppose it. This paper will draw on research conducted for my PhD as well as my postdoc and seek to integrate results from both projects in a broad analysis of the democratic aspirations of European integration and their repercussions up to and beyond the Treaty of Maastricht.

SESSION 8

THE CULTURAL DETERMINANTS OF COVID-19, FUNDED BY THE HELLENIC FOUNDATION FOR RESEARCH AND INNOVATION

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Key words

COVID-19, Trust, Religiosity, Gender norms, Risk aversion, Family ties

JEL codes

I10, O4, Z12

ABSTRACT

In this paper, we theoretically highlight and empirically explore a novel topic, i.e., the implications of culture on the spread of the virus. Our analysis focuses on the following set of cultural traits that we consider to be relevant for the spread. Trust towards other people or institutions may have ambiguous effects on the pandemic's diffusion. If trust levels towards institutions are low, they may induce citizens to be very careful and respect social distances. It is well known that trust attitudes around the world show substantial time-persistent cross-country heterogeneity. As counter-intuitive as the latter hypothesis may appear, there are countries such as Greece, where political trust is very low, thus compliance to distancing measures is remarkably low. Gender norms can also crucially affect virus diffusion. As is well established in the empirical literature, women have a lower degree of risk aversion. It follows that countries with norms favoring gender equality can normally show lower rates of diffusion. Differently said, women may be respecting social distancing more and may help their families to do the same. The rate of socialization could be another source of heterogeneous diffusion across countries. Compliance attitudes give that the genuine respect of the lockdown is strictly related to the compliance behaviors directly affecting spread. While the virus can have severe implications for young, healthy people, yet the majority of the victims are either older adults or people with underlying health conditions. We explore the degree of socialization of the elderly and their involvement in family affairs as crucial for exposure to the virus. Last, particular religious denomination and the degree of religiosity played a specific role in the spread of the virus as well as in the successful or not implementation of the lockdown measures. Our outcome variables are multiple, including the number of cases reported and the number of deaths (also separated by age group) in an attempt to mitigate concerns driven by differences in reporting of the cases across NUTS 1 regions and countries. From an empirical perspective we collect and systematize several new datasets at the macro country and regional level, as well as existing surveys to study the research hypothesis derived from the theoretical analysis. We extend the existing empirical models, and we employ various layers of analysis, such as regional and individual-level to properly address each of the research questions defined in our study. Last, we find that the mistrust in political and interpersonal trust, the extreme level of religiosity, the gender inequality and the high-risk aversion attitudes lead to an increasing number of deaths and confirmed cases from the COVID-19.

SESSION 8

DEMOCRATIC LEGITIMACY OF EUROPEAN DECISION-MAKING AND THE FUTURE OF EUROPEAN INTEGRATION EAST-CENTRAL EUROPEAN PERSPECTIVES

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Key words

European Union, Treaty of Maastricht, European polity, Federalisation, East-Central Europe

ABSTRACT

Having brought the European Union (EU) as an organization into life, the Treaty of Maastricht has been among the building blocks of future integration. However, the EU has been challenged recently in terms of rule of law and the legitimacy of European decision-making by (not only) its East-Central European (ECE) members. Some of this criticism is directed at the very fundamentals of European integration, such as the competencies of the institutions and their legitimacy in relation to the role of the national governments, showing a rejection of even elemental supranational integration, which had been made possible, among others, by the Treaty of Maastricht.

This contribution examines the post-Maastricht status quo from the perspective of some notable stakeholders in East-Central Europe against the background of the reasons the ECE Member States joined the Union, their expectations for the membership and their vision for the future of European integration. This is done by means of political party policy analysis, speech analysis of prominent political (and other) figures, as well as by means of public opinion surveys. It is argued that the current rule of law challenges and institutional criticism coming, among others, from Hungary's and Poland's government parties Fidesz and PiS respectively, which are, however, otherwise prominent across the region, is a logical consequence of a long-term development that has its roots in the post-Maastricht setup of the EU and the eastward enlargement of 2004. This contribution thus sheds light on the reasoning behind some of the critical stances towards European integration in ECE and explains the vision of prominent ECE stakeholders for the EU's future.

SESSION 8

THE POLITICAL CONSTRUCTION AND GENEALOGY OF THE "CITIZEN" TURN IN THE EU (DIS)INTERMEDIATION AND (DE)POLITICISATION IN THE CONFERENCE ON THE FUTURE OF EUROPE

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Key words

Participation, Democracy, Politicisation,
Citizen participation

ABSTRACT

The paper analyses the 'citizen' turn taken by the European Union in terms of democracy and participation. This turn breaks away partially from the 'participatory turn' described by Saurugger (2010) in that it decouples 'citizen participation' from civil society and the idea of a European public sphere, both in discursive terms as well as in the ensuing political practices. The paper departs from the shift by the European Commission post-Brexit in order to describe the citizen dialogues, the European Citizen Consultations (ECCs) and the Conference on the Future of Europe (CoFoE). The latter initiative consolidates the EU's 'citizen' turn through an experimental exercise in which (a few hundred) 'everyday citizens' are situated at the centre through the European citizen panels. While there are innovative elements, the paper argues that the 'citizen turn' does not meaningfully contribute to the emergence of an agonistic European public sphere, as it follows an alternative legitimacy logic that fundamentally deviates from the traditional conceptualisation of the public sphere. The paper concludes with a wider conceptualisation of what the citizen turn means for EU democracy.

SESSION 9

WHAT SHAPES THE POTENTIAL OF A DIGITAL EURO? SEIZING OPPORTUNITIES AND MITIGATING RISKS

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Key words

Digitalization, Digital euro, Monetary policymaking

ABSTRACT

Technological change and digitalization are permeating all aspects of economy and society, and monetary policymaking is no exception. Digital currencies issued by central banks have been gaining more and more momentum in discussion around the world, and in the euro area debates around a potential digital euro are underway. A digital euro, in the retail form, would be an alternative to cash, powered through digital means that would be widely available to the general public. The paper aims to identify possible scenarios to understand how the digital euro project may develop, by applying foresight methodologies. In particular, we first focus on the rationale behind the digital euro project and its complexity, considering the multiple stakeholders and their key interests. Second, we identify drivers of change that are bound to shape how the digital euro project evolves and organize them around political, economic, societal, technological, legislative, and environmental factors. Third, based on expert consultation as well as an extensive review of the literature and data-based evidence, we classify the drivers of change based on their relevance and likelihood to occur in order to craft compelling and diverse scenarios for the potential implementation of the digital euro and its subsequent success. Preliminary results suggest that a digital euro should focus on enhancing competitiveness and innovation in the field of digital payments but will face significant risks if it does not foster trust across stakeholders and sufficiently increase awareness of its advantages and role in the market. It would also be faced with risks from the presence of non-EU big tech companies in the market for digital payment solutions. This research aims to support ongoing policy discussions by providing a critical assessment of the potential ways in which a digital euro could take shape and what implications it would have on key stakeholders.

SESSION 9

PAST LESSONS AND FUTURE TECHNOLOGIES TOWARDS A CRISES-PRONE EURO CURRENCY SYSTEM

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Key words

Fractional reserve banking, Euro, Financial-monetary systems, Federative governance, Programmable currency

JEL codes

B50, E17, F30, G01

ABSTRACT

The establishment of the euro has been a great collaborative political achievement. Yet, the euro's underlying fractional reserve banking system introduces challenges that undermine the currency and the currency union's interests. Essentially, money in fractional reserve banking systems consists of credits from commercial and central banks. While only a small fraction of these credits is fully backed by non-credit based reserve assets, like vaulted gold, the vast majority of credits (read money) is created in pairs with debits (read debt), practically rendering a "(total) credits equals (total) debits" system. This systemic foundation induces member states to behave competitively, as one can only obtain more wealth if "credits minus debits" increase. Such event can only occur if the remainder of the system experiences a deteriorating wealth event in which "credits minus debits" decrease. In "credits equal debits systems", net-debtors pay more interest to net-creditors than the other way around. Such money-flows are not circular and therefore systemically untenable. The associated perpetual reduction in net-debtors' credit holdings induces monetary policy responses that create inflation and debt spirals, which are consequential of the system's intrinsic coupling of money to debt with interest dynamics. The Dutch applied a financial-monetary system with money that was decoupled from debt and interest dynamics from 1609 till the 1770s. Empirical evidence confirms the absence of long-term inflation and debt spirals for this period. Programmable digital currencies could decouple money from debt and interest, effectively making money value-integer and crises-prone with superior characteristics in price stability, risks and real returns. Socioeconomically, value-integrity transforms current predominantly competitive and opportunistic-driven incentive structures into more collaborative, purpose driven behavior. New balance sheet policy instruments can facilitate a smooth transition from a fractional reserve to a value-integer system, without systemic melt-down risks.

SESSION 9

EUROPEAN UNION AS A UNION OF DIGITAL INNOVATION

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Key words

Competition law, Digital single market, Digital union, European integration

ABSTRACT

Competition law has been the heart of European integration from the European Coal and Steel Community (ECSC) Treaty to the 2009 Lisbon Treaty. The weaving thread of the Union of people is 'peaceful cooperation' and 'competition rules'. In other words, "co-opetition". To maximize "efficiency and vitalize the economy of the Member States", the Treaty of Rome articulated a stated preference for competition over regulation – a promise that has maintained its resonance in the European Economic Community (EEC), then the European Community (EC) and the present-day European Union (EU). The ideal of competition and innovation does not exist in a vacuum. It is enveloped and guided by the larger policy goals as articulated in the Treaty for the Functioning of the European Union (TFEU) and the Treaty on European Union (TEU). In other words, the need is to see the Treaty articles as a collective whole, rather than the sum of its parts, to create a coherent foundation for the future of European integration. What is that binding thread for the purpose of innovation laws (competition and intellectual property laws)? Competition law, while more receptive to institutional evolution, can it also serve as an example for copyright and related rights, that to this day remains a territorial bundle of rights? The question is not just philosophical, it also is relevant if we really want to have a Union of innovation. In the digital context, copyright can be a key enabler of competition. Here, the question is not just of a common legal framework, the question also is one of common institutional framework, for the design of a truly creative and competitive digital single market. This paper, and the presentation, will contemplate and make some normative recommendations along these lines.

SESSION 10

UNDERSTANDING THE GAINS FROM WAGE FLEXIBILITY IN A CURRENCY UNION THE FISCAL POLICY CONNECTION

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Key words

Sticky wages, Nominal rigidities, Monetary and fiscal policy, Currency union, Bohn rule

JEL codes

E32, E52; E60; F41; F47

ABSTRACT

I investigate two findings in Gali and Monacelli (2016, American Economic Review) which are (i) the effectiveness of labor cost adjustments on employment is much smaller in a currency union and (ii) an increase in wage flexibility often reduces welfare, more likely so in an economy that is part of a currency union. First, I introduce a distorted steady state in the small open economy model of GM, in which employment subsidies to make the steady state efficient are not available, and replicate their two findings. Second, I introduce an endogenous fiscal policy rule similar to the Bohn rule with a government budget constraint into the model.

The results suggest that while the first finding of Gali and Monacelli is still applicable, their second finding is not necessarily applicable. It is, therefore, possible that an increase in wage flexibility reduces welfare loss in an economy that is part of a currency union as long as wage rigidity is high enough. Thus, there is still scope to discuss how wage flexibility is beneficial in a currency union.

SESSION 10

WAGE-PRICE DYNAMICS AND THE ENERGY CRISIS A VAR ANALYSIS FOR BELGIUM AND A COMPARISON WITH GERMANY, FRANCE AND THE NETHERLANDS

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Key words

Energy crisis, Price shock, Wages, VAR analysis

ABSTRACT

The current energy crisis, due to the war in Ukraine and the high uncertainty resulting from it, confront both the Belgian and European economy with a massive negative supply shock. There is a risk that the energy price shock causes prolonged inflation and a wage-price spiral. The objective of this paper is to analyze the wage-price interactions of the Belgian economy in the current situation of a strong energy price shock and to outline the related policy questions. To understand the dynamics of prices and wages, we use a VAR model based on quarterly data on wages, consumer prices, producer prices, energy prices, production and employment. With this model we can gain insight on the transmission of an energy price shock, the persistence of prices and wages and the wage-price spiral. Afterwards, we make a comparison with the neighboring countries Germany, France and the Netherlands.

We find that price and wage changes are very persistent and that there exist strong linkages between prices and wages which contribute to the fall-out of the oil price shock. We find that if the energy prices increase to double its size, wages and consumer prices will increase by 10-15%. Producer prices will even increase by 30%. This large increase in producer prices will deteriorate Belgium's competitive position with its main trading partners (the Netherlands, Germany and France). The relative production price of Belgium with its main trading partners drops by approx. 15 percentage points. The reason behind this is that the Netherlands, Germany and France experience a lower increase in production prices. Policymakers are confronted with a strong general price rise and have no silver bullet but a series of instruments to steer the dynamics, each of which has only limited effectiveness. Moreover, the possibilities are either politically charged, generic in nature and financially costly.

SESSION 10

WHY DO RETAILERS CHARGE DIFFERENT PRICES FOR IDENTICAL PRODUCTS ACROSS COUNTRIES?

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Key words

Pricing-to-market, Cross-country price gap, Multinational retailers

ABSTRACT

Identical products sold by the same retailer in different countries (e.g. Mediamarkt, Decathlon, Lidl) often have different prices. Using web-scraped data across multiple retailers and EU countries, we examine (i) to what extent prices for identical products at the same retailer differ across countries and (ii) if prices differ, which factors drive this cross-country price gap? Within the marketing domain, important insights have already been gained on overall retail price drivers (e.g. Nijs, Srinivasan, Pauwels 2007; Li, Gordon, Netzer, 2018). The focus, however, has been on within country pricing practices. Within the domain of economics, cross-border retail prices have been studied and decomposed (e.g., Cavallo, Neiman, Rigobon 2014; Witte & Williams 2014). However, the focus has mostly been to establish the widespread nature of cross-country price differences, not to identify its drivers. We propose that the cross-country price gap of a specific SKU depends on asymmetry between countries in demand, both at the brand and category level. Also, we examine the role of differences in the competitive playing field across countries. Finally, the importance of these drivers will differ for private label products, that are unique to the retail chain and offer higher retailer margins, versus national brands that are likely to be also sold at local competitors. As consumers take advantage, large cross-country price differences could create substantial border effects for certain products and categories. Also, as global giants like Amazon are entering the European landscape, betting on consumers' lack of awareness of price differences does not seem like a sustainable strategy for retailers.

SESSION 10

HOW EU MEMBERSHIP AFFECTS FOREIGN DIRECT INVESTMENT DIFFERENCES BETWEEN EU15 AND CEE COUNTRIES

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Key words

EU integration, Foreign direct investments, Structural gravity model

JEL codes

C33, F21, F36, O52

ABSTRACT

This paper examines the impact of the European Union (EU) membership on foreign direct investment (FDI) focusing on differences between EU15 and CEE countries. In contrast to existing studies, the overall effect of EU membership on FDI is disaggregated into four intra-EU effects, to highlight differences between countries that joined the EU at distinct points in time.

I construct a novel dataset combining OECD and wiiw FDI data of 50 countries for the period 1985 to 2017. Using the structural gravity model, heterogeneous effects of EU membership on FDI are observed. Comparing the four intra-EU effects, I find by far the largest increase in FDI stocks from CEE to EU15 countries, implying that the European Union has played a key role in enhancing the FDI stocks of CEE countries.

SESSION 11

THE ENDOGENEITY OF OPTIMUM CURRENCY AREAS IN LIGHT OF EUROPEAN INTRA-INDUSTRY TRADE PATTERNS AND BUSINESS CYCLE SYNCHRONICITY

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Key words

Common currency, Optimum currency area, Intra-industry trade, Business cycle, European integration

ABSTRACT

The creation of a common European currency has been scrutinized in the context of optimum currency area theory since its origin in Mundell (1961). The debate gained particular prominence in light of the 'endogeneity' theorem (Frankel et al. (1998)), which argues that, once two countries establish a common currency, their economic structures and cycles increasingly align if intra-industry trade intensifies. Similar to Duvall (2016), I establish several indices of bilateral trade intensity across EU members using input-output data, measuring gross and so-called 'value-added' trade, that also considers contribution of intermediary goods in the production of final exports. The regression results of the fixed effect panel framework indicate a strong and robust empirical relationship between business cycle synchronicity and intra-industry trade, much in line with both Mundell's and Frankel and Rose's theories. However, I cannot establish a similarly robust and significant relationship between total trade intensity and business cycle synchronicity for the EU-28.

SESSION 11

REASSESSMENT OF THE 'OPTIMUM CURRENCY AREA' THEORY IN THE EUROPEAN UNION

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Key words

Optimum currency area, Balance of payments, Exchange rate, Adjustment policy, International economy, Fiscal policy, Monetary policy

JEL codes

F45

ABSTRACT

A reassessment of the 'optimum currency area' in the European Union and its perspectives for the expansion in the modern economic conditions has been conducted in the research paper. Assessment of the optimum currency area has been made on the example of the countries from Central and Eastern Europe, which joined the Eurozone in recent years. The aim of the research paper was to compare the performance of the countries in the Eurozone with the performance of the countries with their single currencies. The aim has been reached by the analysis of the macroeconomic conditions, including balance of payments, of two groups of countries from Central and Eastern Europe.

The research question was whether a single currency and centralized monetary policy can protect national economies from external shocks (balance of payments crises) or whether a single currency and independent monetary policy are a better option. It has helped to answer the question of whether an optimum currency area still exists in the European Union and whether it has potential for expansion and bringing benefits to future members. It has been proven that the Eurozone still remains an optimum currency area in the given borders with potential for further expansion. The expansion will be possible if certain criteria are followed.

The Eurozone as an optimum currency area definitely has a potential for expansion. Such expansion must be favorable for both potential members and the Eurozone itself. As the lessons of South European countries have shown fiscal discipline is the most important Maastricht criterion before entrance to the currency union. The Maastricht criteria, in general, are not followed even by the current members of the union. It will be more difficult to do in the nearest future. Probably, they should be revised, accounting new conditions in international economy. Finally, it is vitally important to form proper expectations among national economic agents to make conducted monetary and fiscal policies more effective.

SESSION 11

DO HIGHWAYS PROMOTE EUROPEAN REGIONAL COHESION?

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Key words

Regional growth, Motorways, Agglomerations, New economic geography, Core-periphery development

JEL codes

H54, O18, O47, R11, R12

ABSTRACT

This paper analyses the impact of highways on income convergence between agglomerations and adjacent peripheries in the European Union. Expansion of highway network can affect the patterns of geographic concentration, stimulating or diminishing core-periphery income convergence. My empirical strategy is based on comparative growth accounting, employing 1 to 4 years lagged fatalities in road accidents to address the endogeneity problem. For this paper, I build a new unbalanced panel using yearly disaggregated data compiled from Eurostat and covering the period 2000-2017. The findings suggest that highways stimulate convergence between agglomerations and peripheries, although not substantially.

SESSION 11

COMPARING TRAJECTORIES THE EVOLUTION OF EUROPEAN JUDICIAL DIALOGUE PRACTICES BETWEEN THE CORTE COSTITUZIONALE, BVERFGE AND CJEU

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Key words

EU law, Constitutional courts, Judicial dialogue, Constitutional identity, Court of Justice of the European Union

ABSTRACT

The present article is the product of an inter-disciplinary research collaboration on the contemporary challenges and best practices of judicial dialogue amongst EU high courts, within the broader context of institutional evolution and the future of European integration. Firstly, it maps the overall trajectory of the ICC and the BVerfGE as high domestic courts in speaking to the CJEU via instruments enshrined in the Treaties (using publicly available CJEU statistics). Secondly, it analyses selected differences and similarities in judicial dialogue practices underpinning article 267 TFEU. Thirdly, the inherent tension in judicial dialogue between European and national legal orders is analysed by means of the constituent power doctrine. This additional framework is used with a view to better identifying potential solutions and best practices for the future of judicial dialogue amongst European high courts. Lastly, this article concludes that when reviewing past case law and best practices of reference procedures of the ICC, the BVerfGE and the CJEU to date, a clear trend can be inferred that could help predict the way forward in future judicial dialogue practices. Explicitly, that any effective unravelling of future Kompetenz-Kompetenz questions faced by high domestic courts within the EU legal order, and in particular, by the Consulta and the BVerfGE, will augment the need for an increasingly innovative use of the EU judicial dialogue instruments. Whether the latter will include preliminary references under article 267 TFEU, unofficial channels of judicial communication, or even a so-called 'Mixed Chamber', only time will tell.



Venue and travel information

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