DIRECTORATE GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICIES

ECONOMIC AND MONETARY AFFAIRS

Trichet's ECB Presidency: A True Age of Turbulence

Briefing Note

Abstract

Under Jean-Claude Trichet, the ECB achieved an average rate of price inflation in line with its target. In this sense, Trichet achieved the principle goal that has been set for the ECB, and thus his term has been a success. In addition, Trichet's performances at ECB press conferences and other public events have been incredibly effective in communicating the organisation's independence and commitment to price stability. However, while the ECB's initial response to the global financial crisis was effective, its response to the Euro area debt crisis has been far less impressive. Trichet has been dogmatic and unhelpful on the question of debt defaults and significant questions remain about the long-run impact of the Securities Market Programme on the ECB and the future of euro.

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1. INTRODUCTION

While it is natural to use the period before someone's departure from their position to assess their performance, in the world of central banking reputation often depends crucially on what happens after a departure.

When Alan Greenspan ended his period as Chairman of the Federal Reserve in January 2006, he was widely hailed as a monetary policy maestro. Greenspan's autobiography, published in September 2007, was titled "The Age of Turbulence". One might image that the title was a hint of what was to come for the world economy but, in fact, the title reflected Greenspan's belief that he had presided over an age of unprecedented economic turbulence. The book contains chapters on energy security, corporate governance and long-term pension problems. Sub-prime mortgages, however, are barely mentioned and the only sentence on the negative consequences of the popping of the housing bubble is "More recently, the unwinding of the housing boom has hurt some groups."[1] The verdict on Mr. Greenspan's these days is far less positive than it was on his departure as he is now widely seen as having been negligent in failing to prevent the biggest economic crisis since the Great Depression.

Jean-Claude Trichet has been less fortunate than Alan Greenspan in relation to the economic world he has had to deal with. What Greenspan called "the Age of Turbulence" was also dubbed by many academics "the Great Moderation" because of the low volatility of GDP growth and inflation that prevailed during this period. While the early years of Trichet's reign coincided with this deceptively stable era of low volatility, his later years have involved challenges greater than perhaps any Federal Reserve Chairman has ever faced.

A learned man with a deep historical perspective, Trichet will know that history's judgment on him will depend to a large extent on how the Euro area debt crisis pans out over the next few years. However, he will have the small compensation of knowing that his own book, should he choose to write one, will be more interesting than Greenspan's—certainly he will be more entitled to call it "The Age of Turbulence".

In the rest of this paper, I provide a brief review of the many positive aspects of Trichet's presidency. I then discuss some of the less positive aspects. These largely relate to the way the ECB has reacted to the Euro area debt crisis over the past eighteen months. Of course, the problems largely reflect the wider failure of European governments. However, the ECB's performance during this period has been overly dogmatic at times and weak and indecisive at others. I conclude with a brief discussion of the prospects for Trichet's successor. For all M. Trichet's successes, it cannot be denied that Mister Draghi will be inheriting an extremely difficult set of challenges.

2. TRICHET'S POSITIVE LEGACY

Without denying the serious current problems of the Euro area, Jean-Claude Trichet's stewardship of the ECB has had many positive aspects. Here I focus on the maintenance of price stability, Trichet's strength as a communicator and his response to the global financial crisis in 2008\2009.

2.1 The Prime Directive: Price Stability

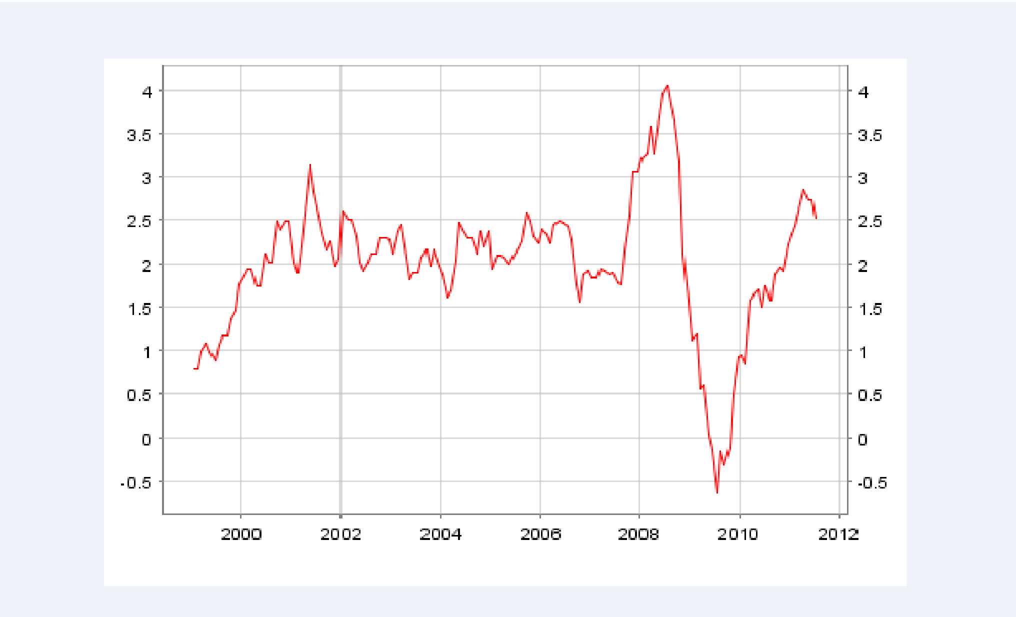
I have little doubt that when Jean-Claude Trichet provides his own assessment of his term as ECB chief, he will point to his achievement in fulfilling the ECB's principal goal of price stability. While the statute governing the ECB does not define price stability, the ECB

[1] Page 232 of Greenspan (2007).

interprets it as a rate of price inflation for the Harmonised Index of Consumer Prices (HICP) of just below 2 percent. By my calculations, the average rate of year-over-year HICP inflation since Jean-Claude Trichet assumed the presidency of the ECB in November 2003 has been 2.03%. Effectively, Trichet's ECB has hit the bullseye with regard to meeting their principal objective.

Figure 1: Euro Area Year-over-Year HICP Inflation

(Source: ECB Statistical Data Warehouse)

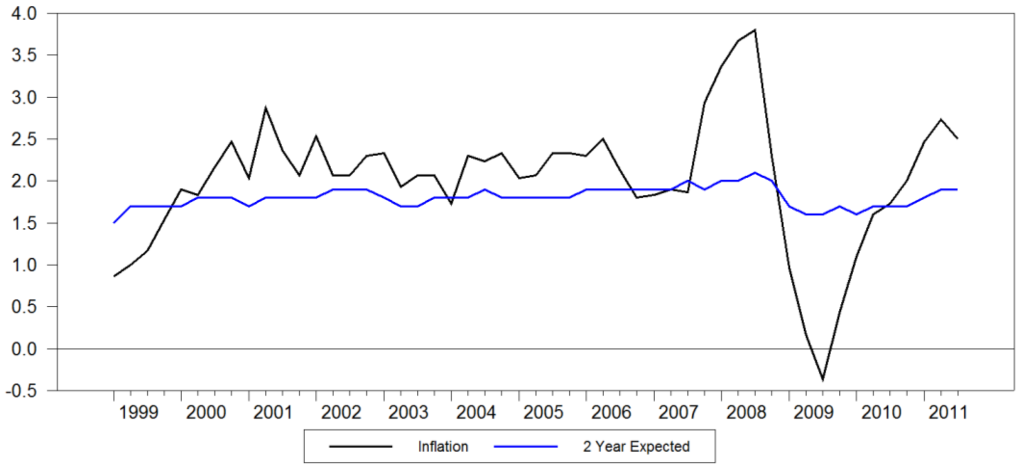


This ex post achievement of the target level of inflation is impressive enough. However, every central banker knows that they have little control over short-term movements in headline inflation: the Trichet era saw inflation rate as high as four percent as well as a short period of outright deflation. What is perhaps more important has been the ability of the ECB to keep inflation expectations closely aligned with its target level.

It is well known that long-term inflation expectations have remained anchored at 2 percent. However, it appears that the public has generally expected deviations from the target level to be relatively short-lived. Figure 2 compares actual HICP inflation with the average rate expected two years later by members of the ECB's panel of independent professional forecasters. At no point during the ECB history, including the turbulent later years of Trichet's presidency, have the swings in observed inflation translated into a loss of confidence that the ECB will get back towards its price stability target.

At this point, one could quibble that perhaps the ECB's "inflation first" constitution restricts its flexibility to deal with financial stability problems or that its inflation target is perhaps too low and risks regular flirtation with the dangers associated with deflation and liquidity traps. Indeed, I am sympathetic to both of those arguments. However, Trichet did not design the ECB's institutional framework. His job was to meet the organisation's stated goals and to a significant extent the ECB has met those goals under his leadership.

Figure 2: HICP Inflation and Expected Inflation in Two Year's Time from the ECB's Survey of Professional Forecasters (Source: ECB Statistical Data Warehouse)



2.2 The Man as the Message

Trichet would probably be the first to stress that meeting the price stability goal represents an achievement of the whole team of Governing Council representatives. However, we know little about how the team arrives at its decisions. The Governing Council does not release minutes and, with rare exceptions, its decisions are said to be taken with unanimity. This means that, much more so than most other central banks, the ECB relies heavily on its "captain of the team" to explain its actions to the public, most importantly in the monthly press conferences that follow the Governing Council's monetary policy meetings.

Press conferences of this sort are a risky proposition for central bankers. In contrast to a carefully thought out post-meeting statement, a press conference carries the risk that the intended message about policy will get muddled or that unintended signals about future policy will be given. Given these difficulties, I believe Trichet's performance at ECB press conferences to have been incredibly effective. Always articulate and energetic, he has used these appearances to consistently emphasise key themes such as the Governing Council's commitment to price stability and its independence. He is patient with journalists (and allows questions on all sorts of issues) despite just emerging from an intense Governing Council meeting. However, he is far too wily to get dragged into discussing area that he sees as beyond his remit or for which he is not yet prepared to discuss the agreed position of the Council.

Jean-Claude Trichet has consistently emphasised the importance of the ECB's independence from political interference in its monetary policy decisions. One of my favourite moments of the Trichet era came in September 2007, when Nicolas Sarkozy claimed while the ECB Governing Council press conference was still in progress that a decision to hold rates steady showed that his public lobbying had some impact. When asked about these comments, an unusually truculent M. Trichet told the watching journalists firmly and very slowly that "we are in-de-pen-dent" before delivering a stinging response.[2] A cynic might argue that Sarkozy has been just the sort of pantomime political villain that Trichet has been happy to use to make his point about ECB independence, but the point has been made well all the same.

Unfortunately, as I discuss below, the economic crisis afflicting the Euro area at present has provoked complex problems which have meant that the ECB is now deeply intertwined with a process in which political decisions affect the Bank and Bank's decisions have political implications. Through little fault of Trichet's, the ECB will end his era with its independence more in question than it was at the start of his presidency.

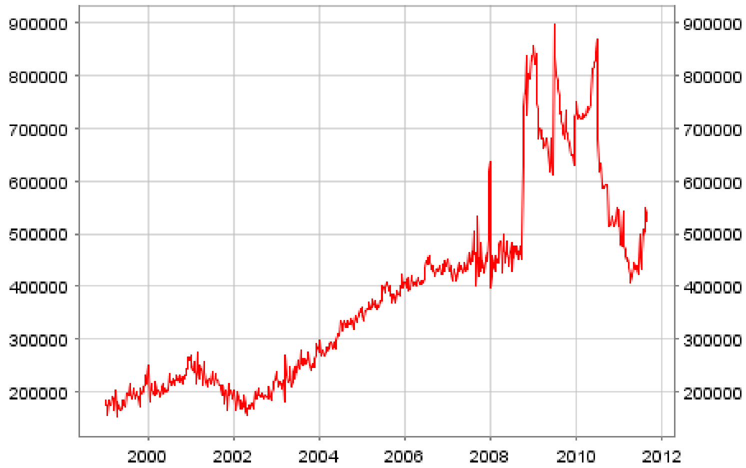
2.3 Crisis Response: Autumn 2008 to Spring 2010

While the ECB has often been criticised for various actions (or lack of actions) during the Euro area debt crisis over the past two years, it is worth remembering that Trichet's ECB took decisive and significant steps to address the impact on the European economy of the global economic crisis that went into overdrive with the failure of Lehman Brothers in September 2008. The key policy rate was cut from 4.25 percent in October 2008 to 2 percent in January 2009 and then down to 1 percent in May 2009, where it remained for two years.

Perhaps more important than the rate cuts was the willingness of the ECB to be flexible in its operational procedures. The Bank moved from auctioning off fixed amounts of credit to fixed rate tenders in which banks could borrow as much as they wished, provided they had sufficient eligible collateral. Rules in relation to collateral were also eased. The result was a rapid increase in ECB lending, with the ECB stepping in to provide necessary liquidity as interbank markets seized up. While these measures did not avoid a severe recession, they undoubtedly helped to limit the size of the dip in activity and have helped to coax the Euro area economy out of recession. For these decisions, Trichet deserves significant credit.

Figure 3: ECB's Lending From Monetary Policy Operations (in millions of euros)

(Source: ECB Statistical Data Warehouse)



[2] See http://www.ft.com/cms/s/0/6f6f6af6-5c99-11dc-9cc9-0000779fd2ac.html

3. TRICHET AND THE EURO AREA DEBT CRISIS

While the Trichet era has seen many things go right, it cannot be denied that it is ending in the middle of a severe crisis, one that may at some point lead to the end of the Euro project for which Trichet has been such a passionate advocate.

I believe there are a number of areas where Trichet's ECB can be fairly criticised to one degree or another. Here I focus on the failure to diagnose the upcoming crisis, an overly-dogmatic approach to the question of sovereign and bank defaults, and uncertainty in relation to the ECB's role in the sovereign debt crisis.

3.1 He Didn't See It Coming (But Then Not Many Did)

A number of Euro area countries are currently suffering from severe debt crises. Greece, Portugal and Ireland are all receiving funds through formal EU-IMF programmes and Spain and Italy are under severe pressure, with the ECB currently (and controversially) intervening to purchase their sovereign bonds in the secondary market.

These crises did not stem from any single source. Neither Ireland nor Spain were running large deficits prior to the global financial crisis. Their current difficulties are a result of the bursting of large housing bubbles and their associated construction booms. Greece and Italy, on the other hand, have long had poor debt records. Given the extent to which fiscal problems have plagued the later years of Trichet's reign, it is fair to ask whether he played a sufficiently strong role in preventing these problems emerging.

A look at the historical record shows that Trichet began his presidency with a strong interest in fiscal issues. During this period, there had been a number of violations of the three percent deficit limit and in November 2003, Trichet's first month in the job, the ECOFIN Council decided to put on hold the excessive deficit procedures for France and Germany. In his opening press conference, Trichet was extremely critical of this decision, arguing "the proposals of the Commission push the room for interpretation of the rules and procedures to the limit."[3] However, his warnings on fiscal policy eased somewhat in subsequent years. By September 2007, with the global financial crisis looming into view, Trichet was issuing weak warnings such as "structural fiscal consolidation remains slow and there are risks that some countries will pursue expansionary pro-cyclical fiscal policies."[4]

In relation to the housing bubbles that proved so ruinous for Ireland and, to a lesser extent, Spain, again there is little sign that Trichet had any idea of the risks that were being run. At a May 2007 Governing Council press conference in Dublin, when asked a question about the Irish economy's over-reliance on the property sector, Trichet responded that "very often, I and my colleagues of the Governing Council are mentioning the Irish economy as a role model in many respects for the euro area." There is also little evidence that Trichet's ECB saw the risks to the European banking system stemming from the huge investments of European banks in US subprime mortgage backed securities.

Taken together, I think there is an argument that Trichet's Governing Council underestimated the fragility of the Euro area construct. The ECB could have benefitted from a leadership that gave fewer speeches about the remarkable success of the Euro and how its critics have been proved wrong and that focused a little more on the weaknesses identified by those critics.

[3] http://www.ecb.int/press/pressconf/2003/html/is031106.en.html
[4] http://www.ecb.int/press/pressconf/2007/html/is070906.en.html

That said, these substantive failures largely reflect deficiencies in the Euro area's economic governance structures rather than problems with Trichet's leadership. Responsibility for fiscal policy lay with national governments and oversight lay with the European Commission. Even if Trichet's warnings on fiscal policy had been stronger and more insistent, it's not at all clear that they would have been heeded. Similarly, responsibility for banking regulation lay with national authorities and while the ECB did focus on European financial stability issues, the truth is that very few people understood the fragilities in the global financial system that were exposed during 2008.

The lesson from the failures to see the fiscal and financial frailties that now dominate debate about the Euro area is that Europe needs new structures to better monitor these areas. Some progress is being made in the area of enhancing the Stability and Growth Pact. It remains to be seen whether the new European Systemic Risk Board can have more influence on financial stability issues than the ECB has had up to now.

3.2 Default Dogma

If the ECB gets high marks for its initial response to the global crisis, it has been less impressive in dealing with the Euro area debt crisis that has emerged over the past two years. It has also been less impressive in its approach to the problems associated with weakly capitalised or insolvent banks.

This performance is perhaps not too surprising when one considers the usual patterns associated with financial crises. Typically, the intense stage of a financial crises starts with a liquidity squeeze. Participants in financial markets are unsure which institutions are safe to lend to and which are not. In this situation, a central bank is typically relied on to play its role as lender of last resort and the ECB's switch to supplying unlimited liquidity helped avoid bank failures throughout Europe.

However, as Carmen Reinhart and Ken Rogoff (2009) have documented, once the panic phase of a financial crisis is over, economies often emerge with governments and banks facing serious solvency problems. These solvency problems are harder to deal with than liquidity crises as they are generally resolved via one of a number of uncomfortable options: default, inflation or financial repression.

In my opinion, Trichet's response to solvency problems in the Euro area has been inadequate. For both banks and sovereigns, ECB officials have generally tended towards denial, clinging dogmatically to the idea that defaults by banks or sovereigns are unthinkable.

Bank Debt

In relation to banks, the ECB's liquidity policy is supposed to conform to the old adage of lending only to solvent institutions against sound collateral. However, after the initial panic phase of the crisis, the ECB continued lending to institutions that were pretty clearly insolvent.

In particular, I would highlight the ECB's policy in relation to Irish banks, particularly Anglo Irish Bank and Irish Nationwide Building Society (INBS). Well after it was clear that these institutions were insolvent, the ECB continued to lend them huge amounts of money. And when they ran out of ECB-eligible collateral, the Governing Council approved massive emergency liquidity assistance loans (where the risk upon default lay with the Irish government rather than the Eurosystem).

The result of this ECB policy was that private creditors of wildly insolvent banks were paid back in full. In contrast, once the scale of the insolvency of these banks was revealed, the burden for repaying the enormous debts to the ECB (as well as repaying the emergency liquidity assistance) lay firmly on the Irish taxpayer. The cost of recapitalising Anglo and INBS (now dead banks whose principal raison d'etre is the repayment of ECB and ELA loans) has added debt of over 20 percent of Irish GDP, a burden that ultimately lead to Ireland being shut out of the sovereign debt market and into an EU-IMF programme.

Without doubt, the Irish government lead by Brian Cowen should take most of the blame for their ruinous policy of supporting insolvent banks. However, Trichet's ECB were a key "partner in crime". Rather than encourage the Irish government to place these banks in a resolution regime, the ECB continued to prop up insolvent institutions.

The motivation for this policy appeared to be a belief on the part of Trichet and other senior ECB staff that any defaults on senior bank bonds would trigger a further financial crisis along the lines of the chaos provoked by the Lehmans bankruptcy. I suspect that the ECB have learned the wrong lesson from Lehmans. Rather than proving that all senior bank debt must be repaid in full at all times, the Lehmans incident showed the need for clear rules about when financial institutions are wound up and how this process works. The damage of the Lehmans bankruptcy, in my opinion, stemmed from the uncertainty about which institutions would be saved and which would not.

Three years after the Lehmans incident, Europe still does not have a common agreed framework for winding down insolvent banks and avoiding all costs falling on the taxpayer. With the EU's bank stress tests largely discredited and significant risks related to sovereign debt exposures, the state of the European banks represents a major risk factor for the global economy.

No less an authority than Christine Lagarde, managing director of the IMF and until recently the French finance minister, has said that European "banks need urgent recapitalization. They must be strong enough to withstand the risks of sovereigns and weak growth. This is key to cutting the chains of contagion."[5] However, the predictable response from EU politicians and senior ECB officials has been to say they don't know what Madam Lagarde is talking about.

This cycle of insistence that no financial institutions can fail, lack of preparation for any failure, and yet refusal to recapitalise them to defend against failure, threatens to blow up in the faces of European taxpayers. The ECB under Trichet has not been the only player in this unsatisfactory process but they deserve a fair share of blame.

Sovereign Debt

Prior to his ECB presidency, Jean-Claude Trichet spent a number of years as chairman of the Paris club, which is responsible for rescheduling official loans to developing countries with unsustainable debt burdens. One might have imagined that from this experience, Trichet would have a comparative advantage over other European leaders in spotting unsustainable debt burdens and in working on coming up with debt restructuring solutions that maintained financial stability.

In truth, from the first moment that it became clear that Greece's public debt problem may be unsustainable to the final moment in July when an official restructuring deal for Greek debt was agreed, Trichet and other ECB officials remained adamantly opposed to the idea of any sovereign debt restructuring. As late as the July 2011 Governing Council press

[5] http://www.imf.org/external/np/speeches/2011/082711.htm

conference, Trichet was repeating his mantra "our message is "no credit event, no selective default – no default!" It is as simple as that!"

Trichet's strategy to avoid a Greek debt restructuring involved threatening to end ECB lending to Greek banks on the grounds that "we can no longer accept as normal eligible collateral defaulted bonds issued by the government of that country."[6] In the end, the collateral issue was solved via an agreement by Eurozone countries to support Greek banks in a way that allowed them to continue accessing ECB funding. However, the threat to pull funding was neither realistic (as it would have triggered an even bigger crisis) nor well-founded, since the outcome of a debt restructuring would have seen Greek banks holding new debt instruments that were less likely to be subject to default.

Overall, I believe that Trichet's handling of the Greek sovereign debt crisis has been misguided. His approach denied the reality of the severity of Greek public debt problem and his threats to pull funding from the Greek banking system (threats that his officials have also directed at the Irish banking system) risked destabilising an already precarious situation.

3.3 Stop-Go: The Securities Market Programme

The Securities Market Programme has been the most controversial of all the issues faced by Jean-Claude Trichet during his presidency.

From the earliest discussions of the design of economic and monetary union, the interaction between monetary and fiscal policy was a major issue. High debt levels can often lead to pressure on central banks to intervene to purchase sovereign debt. While the link between central bank purchases of sovereign debt and inflation is not as mechanical as many think (concerns about the inflationary effect of the Federal Reserve's purchases of Treasury bonds have proved to be unfounded) there is little doubt that regular monetary financing of deficits will ultimately lead to high inflation. For this reason, the Maastricht Treaty included a so-called "no bailout" clause, aimed at preventing monetary financing of deficits.

However, the "no bailout" clause was weaker than many had thought. It prevents the ECB from purchasing sovereign debt at primary auctions but does not prevent them purchasing sovereign bonds in secondary markets. As pressure on Greece and Ireland mounted during May 2010, Euro area member states agreed to set up the European Financial Stability Facility (EFSF) to provide funding to member states that were being shut out of sovereign debt markets. However, the EFSF required legal authorisation by each member state before it could be brought into action, a process that took a number of months. Thus, pressure was put on the ECB to intervene in the secondary bond markets of those countries that were under pressure.

Ultimately, Trichet agreed to this request and started the Securities Market Programme (SMP), most likely sensing that a full scale financial market meltdown would occur if the ECB did not attempt to stabilise the situation. However, the decision was controversial within the Governing Council (with the German members voting against) and for good reasons.

Officially, Trichet has stuck to the argument that this is a "monetary policy operation" related to the "transmission mechanism", that interest rates on sovereign debt taking on higher values than the ECB believes are reasonable interferes with its control over the Euro area economy. Trichet also stresses that the interventions do not make it easier for countries to run budget deficits ("The purchases made on the secondary market cannot be

[6] http://www.ecb.int/press/key/date/2011/html/sp110718.en.html

used to circumvent the fundamental principle of budgetary discipline. The Securities Markets Programme strictly aims at correcting malfunctioning of markets.")[7]

Neither of these arguments are strong ones. The high interest rates on the sovereign bonds of various European markets reflect the market's perception of default risk. Central banks around the world generally have to accept movements in risk spreads on bonds of various types—targeting these spreads is not part of the normal monetary policy activity. It is also pretty clear that there is a strong relationship between activity in the primary and secondary markets for debt. If a potential purchaser of government debt knows that there is no functioning secondary market for this debt, then they will be unlikely to want to buy the debt in a primary issue, since they may end up being required to hold the bond to maturity no matter what happens. The existence of a buyer with "deep pockets" in the secondary market will be a significant factor in keeping primary markets open.

It seems likely that Trichet is aware that his public statements about the SMP have limited credibility and it is clear that he and other Governing Council members are uncomfortable with the programme. Thus, once EFSF was put in place by Autumn 2010, they were not willing to scale up the SMP to assist Ireland. By early 2011, many believed that the SMP was being permanently wound down.

However, after the July 21st announcement (of the Greek restructuring combined with an increased size and increased powers for the EFSF) failed to calm market attitudes towards Italy and Spain, the process of May 2010 was repeated again. While the July agreement meant that EFSF was to have the power to purchase bonds on the secondary market, this requires a process of legal approval by member states. So, once again, the ECB was leaned upon to intervene in the secondary debt markets.

On August 7, Trichet announced a reactivation of the SMP and the ECB has been active since purchasing Spanish and Italian bonds. Thus far, the intervention has been relatively successful, with Spanish and Italian bond yields down over a percentage point from their peaks prior to the ECB's intervention. Again, however, it seems likely that the ECB will look to stop these purchases as soon as possible, leaving an expanded and more powerful EFSF to deal with any future market tensions.

I find it harder to criticise M. Trichet in relation to the Securities Market Programme than in relation to his approach to the sovereign debt problem. Each decision along the way could certainly be justified as the best compromise between various objectives. However, it's hard to escape the feeling that he is leaving an ECB that is in a very muddled position.

By giving in to political pressure to purchase bonds, Trichet undermined the ECB's reputation for independence that he had done so much to build up. On the other hand, having given in, the SMP has hardly been a resounding success. It did not stop Ireland and Portugal requiring bailouts and the current interventions have a temporary "sticking plaster" feel about them. One can argue that the limited benefit brought by the programme up to now is outweighed by the damage done by the decision to start the programme in the first place.

[7] http://www.ecb.int/press/key/date/2011/html/sp110829.en.html

4. DRAGHI'S POISENED CHALICE?

Mario Draghi faces an exceptionally difficult set of challenges. Even if one sets aside the sovereign debt crisis, there are many tricky calls to be made.

- In relation to monetary policy decisions, there are severe tensions between the core of the Euro area, which has been undergoing a modest recovery, and the periphery, which is still struggling with recession. Draghi will have a harder time keeping everyone on the same page than did Trichet.
- Despite his extensive qualifications, Draghi will face the same problem that Trichet did in convincing a sceptical German public that he is the right man for the job. Indeed, as an Italian, Draghi will face greater scepticism. It is important that Draghi resist the urge to be seen as particularly "hawkish" purely to allay these German fears.
- The ECB has embarked on a rate-hiking cycle at a time when many believe the world economy is heading for a double-dip recession. With the Federal Reserve essentially announcing that rates are on hold near zero until 2013, Draghi may soon be under pressure to reverse course.
- Trichet has handed over to Draghi the problem of "addict banks" that are reliant on ECB liquidity. Draghi has publicly noted his concern about this problem. In December 2010, he told the Financial Times "Sooner or later the ECB will have to go back to variable rate auctions. And by the time we do this, we want to make absolutely sure that our monetary policy is not going to be polluted by the addicted banks' demands."[8] With bank funding tensions on the rise again, the ECB is again moving away from talk about its "exit strategy" but the time will come when the job of liquidity provision will need to be normalised. Working out when and how will be a difficult task for Mister Draghi.

But, of course, Draghi will not be able to set aside the sovereign debt crisis. On the face of it, the ECB's position is clear. Its officials view the SMP interventions as temporary and Draghi's public comments on the SMP would appear to place him on the more critical end of Governing Council opinion on this programme. So Draghi would like to end the programme once the EFSF's new powers come into force.

It is not clear, however, that the EFSF is big enough to backstop Spain and Italy for the next few years. And the most recent Merkel-Sarkozy meeting pointed against there being any further enlargement of the EFSF in the coming months and also against any alternative funding solution such as Eurobonds being put in place without time-consuming and controversial changes to fiscal rules across member states.

The time may come again when the ECB, this time lead by Mario Draghi, will be called upon to prevent Spain and Italy from financial crisis. It is possible that such a programme would require much larger ECB bond purchases than has been seen up to now. This will place Draghi, as an Italian, under extraordinary pressure.

My opinion is that, if Europe's leaders fail to hammer out a fiscal solution to the debt crisis, then a large bond buying programme may well be required. I also suspect that such a programme would have more limited inflationary effects than its opponents would believe. However, my opinions don't matter. If such an outcome comes to pass, it will be down to Mario Draghi to figure out if he can prevent a massive sovereign debt crisis without taking

[8] http://www.ft.com/cms/s/0/658b982c-03ab-11e0-9636-00144feabdc0.html

decisions that threaten the participation in the euro of Germany and other "hard money" Northern European states.

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