

Economics 341
Fall 2012
Euro Crisis Policy Simulation

The European debt crisis and the future of the monetary and fiscal rules for the Euro Zone promise to be an issue of continuing interest throughout the semester. We will address this topic by means of a policy simulation in which small groups of students will interact as representatives of prominent countries and institutions to propose and perhaps enact policies. The simulation will consist of three main phases: research, policy proposals, and a process of debate and decision-making. Teams of students will represent some or all of the following countries and institutions: Germany, France, Netherlands, Greece, Italy, Spain, Portugal, Ireland, Finland, Estonia, Belgium, Austria, the United Kingdom, the European Central Bank, and the International Monetary Fund.

The International Monetary Fund will act as the organizer of the process and of the economic summit conference at which the representatives will debate and adopt policy measures. The goal of the policies is to stabilize the monetary and fiscal organization of the Euro Zone both in the short run and in the long run.

Your research will examine the current situation of your country and you should try to keep abreast of changes in the situation over the next few weeks.

Phase I (September 24 – October 26)

In the first phase, each team will research the economic and political situation in their country or institution, emphasizing how the country is involved in the euro crisis and what kinds of domestic political pressures might limit their actions. The results of this research will be summarized in a document that will be shared with other countries and institutions. Phase I will not require any class time or inter-group interaction.

Phase II (October 29 – November 5)

In the second phase of the simulation, each country/institution will prepare policy recommendations for resolution of the crisis and/or reform of the Euro Area institutions. This phase also will be done individually by the groups without any full-class interaction. The outcome of Phase II will be a set of policy proposals by individual countries/institutions (or groups of them). These proposals will be circulated among all participants. There will then be a period of time before the summit conference when teams may communicate independently in order to build support for their proposals or develop compromise proposals, which will then be circulated to the entire class. The deadline for new or revised proposals will be a week before the beginning of the summit conference.

Phase III (November 11 and 17)

Phase III of the simulation will be a two-stage summit conference of all participants, moderated by the IMF. At the first session, on the evening of November 11, each country will have an opportunity to present a case for its proposals. The follow-up session will take place on Saturday, November 17. At this session, countries will meet collectively to try to achieve a consensus policy for stabilization and reform. The consensus could be agreement to adopt one of the proposals or agreement on a new proposal that incorporates elements from more than one (or even something completely new!).