

Narratives and Processes of Austerity

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The financial and sovereign debt crisis that erupted in 2008 in Europe is the first real economic stress-test faced after a decade of mostly continuous growth for the European Monetary Union (EMU). The crisis is the first time that a major restructuring of the EMU was needed and it is also the first time that a reversing of the integration process was even considered. Despite media, political and academic coverage forecasting some form of breakup of the EU, the result is reinforced European institutions. Despite more than enough empirical evidence that it does not work, austerity politics quickly became the only game in town. How did these two things happen? What were the specific processes at work? Is it possible to relate the substantive changes and the way they shaped or created new institutions?

In order, to make sense of these two intertwined questions I explore the events starting on the collapse of Lehman Brothers on September 15th 2008, up until the adoption of the European Financial Stability Facility (EFSF) on June 10th 2010. I engage in an inductive process-tracing of the events with a comparative politics and international relations perspective in mind to explain the various institutional and substantive outcomes. I will trace the events by using a variety of newspapers articles, conference transcripts, and official documents from the ECB, the European Commission and the European Council. Finally, this paper is also an attempt to test the validity of different institutional change theories.
