UTMUN

Governing Council of the European Central Bank

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Content Disclaimer

At its core, Model United Nations (MUN) is a simulatory exercise of diplomatically embodying, presenting, hearing, dissecting, and negotiating various perspectives in debate. Such an exercise offers opportunities for delegates to meaningfully explore possibilities for conflict resolution on various issues and their complex, even controversial dimensions—which, we recognize, may be emotionally and intellectually challenging to engage with.

As UTMUN seeks to provide an enriching educational experience that facilitates understanding of the real-world implications of issues, our committees' contents may necessarily involve sensitive or controversial subject matter strictly for academic purposes. We ask for delegates to be respectful, professional, tactful, and diplomatic when engaging with all committee content, representing their assigned country's or character's position, communicating with staff and other delegates, and responding to opposing viewpoints.

The below content warning is meant to warn you of potentially sensitive or triggering topics that are present in the formal content of this background guide, as well as content that may appear in other aspects of committee (e.g., debate, crisis updates, directives), so that you can either prepare yourself before reading this background guide or opt-out of reading it entirely

The historical context of this committee is politically charged and the effects of the crisis, and specifically austerity measures, have impacted millions of people. While this committee has been designed with sensitivity and thoughtfulness, it is nonetheless important for delegates to be aware that potentially controversial subjects will be discussed and as such determine for themselves whether the content is suitable. Therefore, delegates who may have been affected by the Eurozone crisis or any of its corresponding events should be mindful in proceeding with this background guide. That said, in no way does this committee intend to support or oppose any specific movements or viewpoints, rather, it will aim to act as an open forum for delegates to express their positions.

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a) part of a group delegation, please contact your faculty advisor and/or head delegate with your concerns and request.
b) an individual delegate, please email our Director of Academics at academics@utmun.org with a brief explanation of your concerns based on this committee's content warning and your request to switch. You will be contacted shortly regarding your request.

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We ask for your cooperation in maintaining order, both inside and outside of committee session, so that we may provide a professional, safe, inclusive, and educational conference.

Throughout the conference, please note that delegates shall only:

1. Wear Western Business Attire (i.e., no costumes, no casual wear)
2. Embody their assigned country's/character's position, not their mannerisms (e.g., no accents, no props)
3. Opt for diplomatic, respectful, and tactful speech and phrasing of ideas, including notes (e.g., no foul language, suggestive remarks, or obscene body language)
4. Make decisions that contribute to a professional, safe, inclusive, and educational space for debate

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Furthermore, delegates' efforts to contribute to a culture of collaboration, inclusivity, and equity at our conference, both inside and outside of committee session, will be considered by the dais and Secretariat when determining conference scholarships and committee awards.

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UTMUN 2021's Secretariat and Staff are committed to ensuring every attendee has an enjoyable, comfortable, and safe experience and is able to participate fully and positively at our conference.

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Contents

Dear Delegates,

It is my distinct honour and privilege to welcome you to UTMUN 2021 and to the Governing Council of the European Central Bank Specialized Committee. My name is Leo and I will be your director for this committee. I'm from the city of Tianjin, China, grew up in Toronto and I'm currently pursuing a Specialist in Political Science, a Minor in East Asian Studies, and a Minor in Urban Studies here at the University of Toronto.

The European Central Bank, being one of the most powerful financial institutions in Europe and the World, makes decisions that will have a ripple effect throughout your respective countries and the international finance community. As such, the decisions that you, as the Governing Council, make here in this committee should aim to be thoughtful and productive.

In an effort to create a challenging and dynamic experience, the mechanics of this committee will require you to think on your feet, outside the box, and most importantly, critically. As such, in order to succeed in this committee, delegates should consider how they may highlight such skills while working in a collaborative and diplomatic fashion.

This background guide, while thorough and comprehensive, should not be viewed as an exhaustive collection of information but rather a foundation upon which you should expect to conduct your own research. As such, we have provided recommendations for how to further research the covered topics as well as information pertaining to your respective countries specifically.

Our goal at UTMUN is to provide you with the opportunity to tackle contemporary challenges facing our global community and to create an environment conducive to collaboration and equitable discussion. Therefore, we hope that all delegates will carry themselves with excellence and thoughtfulness in how they conduct themselves with other members of the committee.

On behalf of the entire team at UTMUN, we look forward to welcoming you to the conference in February and wish you the best of luck in your research and position papers!

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Introduction to the Governing Council of the European Central Bank

The European Central Bank, established in June 1998 by the Treaty of Amsterdam as a replacement for and successor to the European Monetary Institute.[1] The Central Bank is responsible for the management of European monetary policy, foreign exchange operations, price stability mechanisms, and banking regulation and supervision.[2] Additionally, it holds exclusive jurisdiction over the authorization of banknote issuance and supply and is responsible for providing a consultative role in providing opinions on national or EU legislation pertaining to policies that fall within the Bank's competence.[3] As such, the ultimate aim of the European Central Bank is to implement and oversee prudential policies in order to ensure financial and economic stability.[4]

The Governing Council of the European Central Bank, the primary governing body of the dominant financial institution within the European Union, and specifically the Eurozone, is an organization with an immense amount of influence over the economic future of roughly four-hundred million people.[5] Therefore, navigating the European Central Bank and the Eurozone through the European Debt Crisis beginning in the aftermath of the Great Recession will be the primary purpose of this committee.

With the Eurozone erupting into crisis in late 2009, structural deficits in government budgets, a decrease in foreign lending, and rapidly growing government debt pose existential threats to the organization's continued stability.[6] Therefore, taking into account the European political climate and the Governing Council's decisive role to play in this crisis as well as ability to implement emergency loan schemes and other measures to maintain stability, it is the Council's responsibility to strike a balance between national sovereignty and continental integration.[7] As such, this committee's timeline will start in 2009.

Delegations to the Governing Council will be responsible for advancing the interests of their respective nations, taking into account the fact that continental stability is, doubtlessly, in every country's national interest. Critically, at this moment in time, European economies are integrated to a sufficient degree that a crisis in one or many of those economies would create a ripple of consequences for others. Consequently, your priority should be collective success and consensus decision making rather than unilateral actions which may only worsen the existing crisis and alienate diplomatic partners.

The highly volatile and diverse geopolitical reality of the Eurozone necessitates that delegations react to a rapidly changing environment that will affect their positions and strategies, failing to do so may result in a disadvantageous outcome for the respective country. As such, recognizing which actions to take at what points

1 "European Central Bank," Encyclopædia Britannica, accessed October 12, 2020, https://www.britannica.com/topic/European-Central-Bank.
2 "European Central Bank," Encyclopædia Britannica.
3 "European Central Bank," European Union, accessed October 12, 2020, https://europa.eu/european-union/about-eu/institutions-bodies/european-central-bank_en.
4 "European Central Bank," European Union.
5 "European Central Bank," European Union.
6 "European Central Bank," European Union.
7 "European Central Bank," European Union.

in time, given the mechanisms available, is key to the success of the Governing Council and the Eurozone as a whole.

Lastly, this committee will be divided into two primary topics, delegates will have a choice of which topic they would prefer to prioritize and as such, it is recommended that you prepare and research for both. However, both topics should be addressed in order to form a cohesive solution. Topic A concerns the subject of austerity and what fiscal levers and recommendations may be implemented to rein in government spending and decrease debt levels across Eurozone countries. Concerning Topic A, make sure to keep in mind that the Governing Council of the European Central Bank has no direct jurisdiction over national fiscal policy and as such needs to take into account the considerations of national governments and their priorities throughout the crisis.[8] Topic B concerns direct monetary interventions and actions that may be taken, this may include direct changes to interest rates and refinancing operations as well as other measures to reduce financial volatility, improve liquidity, and restore confidence in financial markets.

The sixteen countries presently represented on the Governing Council as of 2010, in order of nominal GDP, are as follows:[9]

» Germany
» France
» Italy
» Spain
» The Netherlands
» Belgium
» Austria
» Greece
» Finland
» Portugal
» Ireland
» Slovakia
» Luxembourg
» Slovenia
» Cyprus
» Malta

8 "Tasks," European Central Bank Eurosystem, accessed October 12, 2020, https://www.ecb.europa.eu/ecb/tasks/html/index.en.html.

9 "Governing Council - Archive," European Central Bank Eurosystem, accessed October 12, 2020, https://www.ecb.europa.eu/ecb/orga/decisions/govc/html/index.en.html.

Topic A: Structural Debt and a Framework for Austerity

Introduction

The European debt crisis, while partially sparked by the global financial crisis of 2008, was caused primarily by structural issues in several Eurozone countries and the Eurozone as a whole.[10] In terms of fiscal issues, several Eurozone countries, including but not limited to Greece, Portugal, Spain, Ireland, and Italy, were unable to maintain previous high levels of spending due to unsustainable debt levels caused by prior severe imbalances between spending and revenue.[11]

Under the Maastricht Treaty of 1992, members of the European Union had originally pledged to limit deficit spending and debt levels to amounts deemed acceptable to all members, therefore, ceding some nominal control of fiscal policy to a supranational body.[12] However, through a series of quasi-legal mechanisms including off-balance-sheet transactions and credit derivative structures, several member states circumvented these regulations and as such allowed deficit spending and government debt levels to far surpass the levels previously deemed permissible under the Maastricht Treaty.[13]

Furthermore, this government spending was encouraged by the low interest rate environment created by the unified European Central Bank interest rate policy which meant that countries which lenders would typically be more averse to such as Greece were able to borrow at the same rates as stable economic leaders such as Germany.[14] This created an "implicit Germany guarantee" on loans made to less stable economies as it was expected that Germany would be able to repay the debts of these governments in the event that they are unable to and have to default.[15]

Within this environment, several primarily southern European countries embarked on large deficit spending programs, spurring economic growth, under the assumption that this debt would be repaid at the same low interest rate that had been guaranteed to them, even though this debt could not have reasonably been expected to be paid back.[16] Therefore, when the flow of foreign capital dried up in these countries that had grown dependent on foreign lending, these debt and deficit levels suddenly became unsustainable.

Understanding this, it is your responsibility as the Governing Council of the European Central Bank to create a solution to the problems caused by rampant debt, deficit spending, and importantly, a sudden decline of foreign lenders. Although southern European countries' actions concerning excessive borrowing were partially responsible for driving this debt, underlying structural issues contributed significantly and therefore necessitates a collective solution that not only confronts the short-term crisis of looming debt defaults but also

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10 "Euro-zone Debt Crisis," Encyclopædia Britannica, accessed October 12, 2020, https://www.britannica.com/topic/euro-zone-debt-crisis.

11 "Euro-zone Debt Crisis," Encyclopædia Britannica.

12 "European Union - The Maastricht Treaty," Encyclopædia Britannica, accessed October 12, 2020, https://www.britannica.com/topic/European-Union/The-Maastricht-Treaty.

13 Mark Brown, "How Europe's Governments Have Enronized Their Debts," *Euromoney,* September 01, 2005, https://www.euromoney.com/article/b1320xqtkmh28n/how-europes-governments-have-enronized-their-debts.

14 Michael Lewis, "How the Financial Crisis Created a New Third World," *NPR,* September 30, 2011, https://www.npr.org/transcripts/140948138.

15 Michael Lewis, "How the Financial Crisis Created a New Third World".

16 "Euro-zone Debt Crisis," Encyclopædia Britannica.

long-term macroeconomic considerations to prevent the crisis from recurring.

Austerity and Fiscal Interventions

As of 2009, the beginning of the crisis, government deficit levels in several Eurozone countries had already reached unsustainable levels.[17] In Greece, Portugal, Spain, and Ireland, deficit spending in relation to GDP had already reached 15.6%, 10.2%, 11.2%, and 13.9% respectively, far beyond the 3% limit set out by the Stability and Growth Pact of the Treaty on the Functioning of the European Union.[18] Furthermore, public debt in relation to GDP in Greece, Portugal, Italy, and Belgium had spiked to 130%, 83%, 116%, and 96% respectively, dramatically surpassing the 60% limit defined by the aforementioned Stability and Growth Pact (hereafter referred to as the SGP).[19]

Therefore, it is the responsibility of this Council, which acts as the creditor for a plurality of this debt in most countries, to restore confidence and financial stability in these economies. One way of doing this is reducing debt levels, reducing budget deficits, and strengthening government tax revenue streams.[20] In doing this, the Council should keep in mind that while it does not directly control the fiscal policies of each respective country, it does have significant powers to put pressure on national governments to implement sweeping policy recommendations (eg. conditional loan packages).[21] However, individual delegations from their respective countries will face significant pushback from their governments or people if they fail to sufficiently advocate for their country's unique circumstances and as such it is recommended that the Council achieves consensus decisions rather than recommending policy changes which may be divisive or seen as punitive in nature.

In doing this, the Council should consider two things: firstly, austerity measures, defined as "a set of political-economic policies that aim to reduce government budget deficits through spending cuts, tax increases, or a combination of both", are often blamed for causing economic contractions due to sectors reliant on government spending being unable to sustain themselves without a constant public flow of funds.[22] Princeton University Professor and Nobel Laureate, Paul Krugman, has argued that cuts in government spending are a form of deflationary policy and will not only prolong recessions by failing to decrease debt but also deepen them by causing a real value increase in debt due to deflation.[23] Secondly, austerity measures have been historically unpopular due to the popularity and, in some cases, necessity of certain government spending programs.[24] In this case, cuts that have a direct impact on standards of living such as public sector jobs, retirement benefits and pensions, and healthcare tend to be the most controversial.[25][26] Additionally, growth of revenue streams, put plainly, tax increases, can be even more controversial as they may be seen as pouring salt on the wound

17 "European Debt Crisis," Wikipedia, accessed October 12, 2020, https://en.wikipedia.org/wiki/European_debt_crisis.
18 "European Debt Crisis," Wikipedia.
19 "European Debt Crisis," Wikipedia.
20 "European Debt Crisis," Wikipedia.
21 "European Debt Crisis," Wikipedia.
22 "Austerity," Wikipedia, accessed October 12, 2020, https://en.wikipedia.org/wiki/Austerity.
23 Paul Krugman, "The Case for Cuts was a Lie. Why does Britain Still Believe it? The Austerity Delusion," *The Guardian*, April 29, 2015, https://www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion.
24 "Austerity," Wikipedia.
25 "Austerity," Wikipedia.
26 Patrick Butler, "Austerity: 'Unprecedented Erosion' in Living Standards," *The Guardian*, n.d, https://www.theguardian.com/society/patrick-butler-cuts-blog/2013/jun/28/austerity-unprecedented-erosion-living-standards-poverty.

of people who are already struggling to get by during an economic crisis.[27][28][29] Further, in several southern European countries, notably Greece, debt evasion and corruption in revenue agencies remains a large obstacle to the raising of government revenue.[30] Therefore, any measures to grow revenue must also take into account these institutionalized barriers to tax collection and efficiency.

Long-Term Structural Considerations

As previously mentioned, the Eurozone debt crisis was ultimately caused by a number of long-term structural problems which, to some extent, made the crisis inevitable. Critically, the Eurozone was designed with debt and deficit considerations specifically outlined in the Maastricht Treaty of 1992 and the Stability and Growth Pact of the Treaty on the Functioning of the European Union.[31] These treaties established limits to debt and deficit levels for all Eurozone countries and had they been adhered to, it is probable that the European debt crisis would not have been as severe as it was, although, it is doubtful that it would have prevented the crisis altogether. [32]

However, as described in the introduction, several Eurozone members skirted these regulations and limits by utilizing a series of quasi-legal mechanisms and policies. These mechanisms include but are not limited to: inconsistent or outright fraudulent accounting methods, off-balance-sheet transactions, credit derivative structures, and the use of complex currency.[33] Furthermore, several European countries have been accused of falsifying deficit and debt projections in a way which delayed the discovery of these systemic problems and therefore deepened the crisis.[34]

The Governing Council should consider tools and methods to combat shady practices such as these in order to prevent a recurrence of the same crisis. This may take the form of an independent oversight body with direct jurisdiction or access over the review of sovereign government budgets. Alternatively, it has been noted that many of these disreputable practices were put into motion by US banks and institutions which European governments consulted independently with the express intent of skirting the limits outlined by the Treaties on the European Union.[35] As such, the Council should also consider what mechanisms may be implemented in order to prevent foreign and domestic interference from the private sector, especially given that the conflict of interest present in many of these instances may present a direct violation of international and European law.[36] It is at this point that the Council should also note its power to present recommendations concerning these subjects to the three legislative bodies of the European Union: the European Commission, European Parliament, and Council

27 “Austerity,” Wikipedia.
28 “European Debt Crisis,” Wikipedia.
29 “Euro-zone Debt Crisis,” Encyclopædia Britannica.
30 Matthew Johnston, “Understanding the Downfall of Greece’s Economy,” *Investopedia,* March 12, 2020, https://www.investopedia.com/articles/investing/070115/understanding-downfall-greeces-economy.asp.
31 “European Debt Crisis,” Wikipedia.
32 “European Debt Crisis,” Wikipedia.
33 Mark Brown, “How Europe’s Governments Have Enronized Their Debts”.
34 Jan Strupczewski, “Greek 2009 Deficit Revised Higher, Euro Falls,” *Reuters,* April 22, 2010, https://ca.reuters.com/article/idUSTRE63L1G420100422.
35 Louise Story, Landon Thomas Jr., and Neil D. Schwartz, “Wall St. Helped to Mask Debt Fueling Europe’s Crisis,” *The New York Times,* February 13, 2010, https://www.nytimes.com/2010/02/14/business/global/14debt.html?pagewanted=all.
36 Louise Story, Landon Thomas Jr., and Neil D. Schwartz, “Wall St. Helped to Mask Debt Fueling Europe’s Crisis”.

of the European Union.[37,38]

Additionally, it may be necessary to consider the potential pitfalls inherent in a monetary union without direct fiscal control over any sovereign national budgets. In ordinary circumstances in other countries, governments struggling with debt may be able to implement quantitative easing and other measures to refinance debt.[39,40] However, as the issuance and supply of the Euro is under the sole jurisdiction of the European Central Bank, Eurozone members do not have access to quantitative easing measures in times of crisis, which is to say that discrepancies between monetary and fiscal policies may be partially to blame.[41,42]

Questions to Consider

1. What made specific southern European countries more susceptible to deficit spending and what structural issues differentiate their economies and budgets from northern European economies such as Germany?
2. How should recommendations and changes be made while taking into account potentially negative economic impacts, public backlash, and what methods could be used to mitigate some of the potential negative consequences of austerity measures such as economic contraction and decreases in standards of living?
3. Should a fiscal union within the Eurozone be considered as a potential remedy for some of the region's economic woes? If so, how should the fiscal union be enacted while still taking into account and protecting national sovereignty which many will be hesitant to cede?
4. How should the north-south divide in Europe be remedied and how may wealthier northern European economies arrive at a consensus decision with poorer, more indebted, primarily southern European economies?
5. What policy levers could be used to combat the quasi-legal loopholes that were used to skirt debt and deficit limits? How may those levers be used without being viewed as punitive?

37 "European Central Bank," Encyclopædia Britannica.
38 "European Central Bank," Wikipedia.
39 "Causes of the European Debt Crisis," Wikipedia, accessed Oct 12, 2020, https://en.wikipedia.org/wiki/Causes_of_the_European_debt_crisis
40 "European Central Bank," Encyclopædia Britannica.
41 "European Central Bank," Encyclopædia Britannica.
42 Causes of the European Debt Crisis," Wikipedia.

Topic B: The Euro, Monetary Interventions, and European Integration

Introduction

The Euro, established by the provisions in the 1992 Maastricht Treaty and fully introduced in 1999, acts as the official currency of all Eurozone countries and is under the direct control of the European Central Bank.[43] As such, the issuance and supply of the Euro are under the exclusive jurisdiction of the Governing Council of the European Central Bank and national governments have little to no control.[44]

As previously mentioned, the causes of the European debt crisis are both fiscal and monetary in nature, and so the solutions to the crisis must also contain monetary elements. Due to the centralized control of the Euro, national governments are unable to utilize monetary policy as a lever to deal with economic crises. Therefore, rather than acting in a mostly unilateral fashion, Eurozone countries must arrive at consensus decisions concerning interventions that will have an impact on each of their respective countries.

The deficit government spending of some countries was encouraged by the low interest rate environment created by the unified European Central Bank interest rate policy which meant that countries to which lenders would typically be more averse such as Italy and Greece were able to borrow at precisely the same rates as stable economic leaders such as Germany.[45] This created an "implicit Germany guarantee" on loans which provided lenders with the confidence that, in the event of a less stable economy's default, Germany and countries similar to it would assist in the repayment of those debts. [46]

Therefore, it is the responsibility of this Governing Council to utilize the monetary policy levers it has as its disposal to deal with the crisis. These levers may include providing cheap direct loans in order to maintain money flows and lowering interest rates. The ultimate goal of these measures should be to reduce volatility in European financial markets while also improving liquidity.[47]

Furthermore, given the problems created by the lack of a fiscal union in Europe, delegates should consider the possibility of further European integration as a potential remedy to the Eurozone's structural economic and financial problems. That said, efforts to further integrate the Eurozone should be made with tact as they can be controversial, specifically in several Eurozone countries where Euroscepticism is already a rising political force.[48]

Monetary Interventions

Due to an overall decrease in foreign lending, many European countries are unable to settle their

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43 "Euro," Encyclopædia Britannica, accessed October 17, 2020, https://www.britannica.com/topic/euro
44 "European Central Bank," Encyclopædia Britannica.
45 Michael Lewis, "How the Financial Crisis Created a New Third World".
46 Michael Lewis, "How the Financial Crisis Created a New Third World".
47 "ECB Decides on Measures to Address Severe Tensions in Financial Markets," European Central Bank Eurosystem, May 10, 2010, https://www.ecb.europa.eu/press/pr/date/2010/html/pr100510.en.html.
48 "Euroskepticism," Encyclopædia Britannica, accessed October 17, 2020, https://www.britannica.com/topic/Euroskepticism

outstanding debts and sustain the same levels of deficit spending that had been commonplace in prior years.[49] Therefore, in order to maintain confidence and financial stability, the European Central Bank and this Council have a number of monetary levers and policy mechanisms at their disposal.

Firstly, purchasing government bonds as a way of financing national governments places the European Central Bank in the role of a "lender of last resort", and allows the Bank to directly assist governments in fulfilling their budget expenditures and other obligations while maintaining financial stability.[50] Specifically, in the event that, long-term, lenders remain averse to lending to countries such as Greece and Italy, the European Central Bank can play an important role in financing these governments via large-scale bond purchases.[51] However, this approach can be seen as unorthodox and, to a degree, "outside of [the European Central Bank's] traditional role", and therefore should be approached with caution especially considering the Conservative nature of specific incumbent governments such as Germany's.[52]

Secondly, quantitative easing, another form of unorthodox monetary policy, involves the European Central Bank conducting large-scale asset purchases in order to increase the money supply and therefore encourage lending and investment by improving overall liquidity in the economy.[53] This quantitative easing pushes interest rates down, decreasing financing costs and as such stimulates economic growth.[54]

Additionally, the Council should consider the possibility of implementing Long Term Refinancing Operations (LTROs) as a method for infusing credit into the European financial sector and European banks.[55] Long Term Refinancing Operations and Very Long Term Refinancing Operations (VLTROs) lend large amounts of credit to banks in the Eurozone in order to improve bank liquidity and lower sovereign debt yields, therefore, encouraging economic growth.[56]

However, it should be mentioned that these monetary solutions and fiscal solutions should be combined in order to be effective. This Governing Council should consider laying out conditions to be met (eg. austerity measures and mandatory budget requirements) in exchange for loans and support programs.

European Integration

As mentioned in previous sections, the presence of a monetary union and unified currency without a central body in charge of fiscal policy has created a number of structural difficulties for the Eurozone. Therefore, it has been proposed that, in order to further integrate the Eurozone, members adopt a unified fiscal policy combined with consensus decision-making mechanisms concerning budget issues in order to resolve

49 "Causes of the European Debt Crisis," Wikipedia.

50 James McBride, Andrew Chatzky, and Christopher Alessi, "The Role of the European Central Bank," *Council on Foreign Relations*, October 3, 2019, https://www.cfr.org/backgrounder/role-european-central-bank

51 James McBride, Andrew Chatzky, and Christopher Alessi, "The Role of the European Central Bank".

52 James McBride, Andrew Chatzky, and Christopher Alessi, "The Role of the European Central Bank".

53 James McBride, Andrew Chatzky, and Christopher Alessi, "The Role of the European Central Bank".

54 "Quantitative Easing," Encyclopædia Britannica, accessed October 17, 2020, https://www.britannica.com/topic/quantitative-easing

55 Justin Kuepper, "Long-Term Refinancing Operations," *The Balance*, September 25, 2018, https://www.thebalance.com/what-is-a-ltro-or-long-term-refinancing-operation-1979094

56 Justin Kuepper, "Long-Term Refinancing Operations".

deep-rooted divisions across the continent.[57]

A more integrated Europe in the form of a fiscal union could remedy some of the structural issues that made the crisis, to some degree, inevitable. Conventionally, governments struggling with debt or financial difficulties may be able to implement quantitative easing on a national level and conduct debt refinancing operations.[58] However, due to the integrated monetary policy of the Eurozone, the issuance and supply of the Euro is under the sole jurisdiction of the European Central Bank and therefore, this council.[59] As such, Eurozone members do not have access to monetary levers during times of crisis, which is to say that discrepancies between monetary and fiscal policies and unions may be at the root of this crisis and should be addressed with urgency.

Concerning the possibility of further European integration, the terms "risk-sharing" and "pooled-sovereignty" are frequently mentioned as potential effects of a fiscal union which could result in a greater sense of economic and financial solidarity between Eurozone members.[60] Were the fiscal union to include a centralized budget responsible for revenue and expenditures, member states would be obliged to arrive at consensus conclusions due to their "pooled-sovereignty", this could include the standardization of certain taxes and social welfare programs as well as the standardisation of regulations beyond what presently exists in the Eurozone.[61]

However, on the subject of sovereignty, the Governing Council should be aware that Eurozone countries may be unlikely to give up national sovereignty without clear benefits for their respective countries.[62] As such, the Governing Council should weigh the benefits and negatives of further Eurozone integration and decide if it is a feasible solution for the future. While this action may result in enhanced financial and economic stability, it may act as a destabilizing factor politically, agitating nationalist movements and political parties who may be unwilling to give up any degree of sovereignty to a supranational body that can be viewed as distant and unaccountable. [63]

Questions to Consider

1. Concerning all of the available monetary interventions, how should the Governing Council ensure that these measures are only temporary and do not result in the long-term dependency of national governments on long-term loan schemes and quantitative easing measures?
2. What conditions should be laid out for national governments in exchange for providing loans and other forms of assistance? Should austerity measures be considered as the primary requirement for assistance or could the ECB pursue less stringent and controversial requirements such as enhanced budget screenings and financial health checks?
3. In light of the controversial nature of further Eurozone integration and specifically the formation of a fiscal union in Europe, how should the Governing Council craft and frame the proposal in a way

57 Oliver Murphy, "Our Economy - In the Face of a Crumbling Europe, a Fiscal Union can Maintain Unity," *openDemocracy*, January 17, 2020, https://www.opendemocracy.net/en/oureconomy/face-crumbling-europe-fiscal-union-can-maintain-unity/.
58 "Causes of the European Debt Crisis," Wikipedia.
59 "European Central Bank," European Union.
60 Oliver Murphy, "Our Economy - In the Face of a Crumbling Europe, a Fiscal Union can Maintain Unity".
61 Oliver Murphy, "Our Economy - In the Face of a Crumbling Europe, a Fiscal Union can Maintain Unity".
62 "Euroskepticism," Encyclopædia Britannica
63 "Euroskepticism," Encyclopædia Britannica.

which could address some of the concerns of national governments?

4. Due to the controversial nature of further Eurozone integration, any proposals for a fiscal union or strengthened supranational institutions will likely face strong opposition in various countries. As such, how should the Eurozone prepare for opposition to potential proposals and craft solutions which, from a consensus decision-making formula, will satisfy opposition figures?

Mechanics

As this will be UTMUN's first fully online conference, we have developed a series of mechanics which will assist in enhancing your experience.

Quarterly Economic Outlook Updates

In order to assist delegates in assessing the success of their decisions or lack thereof, quarterly economic outlook updates will be provided for the Eurozone at-large and individual countries and will include Debt to GDP ratio, unemployment rate, etc. Accordingly, decisions that delegates make should take into account the evolving situations in their respective countries and the Eurozone at-large. Poor national performance or poor Eurozone performance will be an indicator that more needs to be done, the Chair will provide specifics on the causes of various changes in order to steer delegates in the correct direction.

The metrics will be determined by decisions made by the committee and assessments of those decisions by committee staff, if the committee opts for inaction and does not act in any meaningful way, indicators will naturally trend broadly downwards in accordance with the economic climate of the time. Therefore, delegates should make sure that they are acting in the most efficient way possible.

These updates will be provided through a live Twitter feed on a rolling basis at fixed time intervals and will also be announced through the chair.

Global Affairs Updates

Due to the inherently global nature of the financial system, delegates need to make sure that they're also keeping in mind what is going on around them outside the Eurozone. In order to facilitate this, global affairs and decisions occurring outside the committee which may impact the geopolitical reality in which delegates act will be reported on. For example, US-based credit rating agencies (eg. Moody's, Standard & Poor's, and Fitch) may contribute to market speculation while the International Monetary Fund may create its own interventions for the crisis if the European Central Bank is not doing enough.

These global affairs updates will be based on historical occurrences but will also be driven by actions or inaction coming from the committee. Therefore, delegates should be mindful of these updates as they will impact the decisions that you make and will also be a reflection of your actions.

Additionally, these updates may have a direct impact on the status of metrics in your quarterly economic updates. For example, if US-based credit rating agencies downgrade the status of a country's debt, this will have a direct impact on their economic outlook which will be reflected in the update.

These updates will be provided through a live Twitter feed and may occur at any point in time, delegates should therefore check the feed regularly for updates, if there are any global affairs updates at the time of the quarterly economic outlook update, they will be announced through the Chair as well.

Advice for Research and Preparation

Delegates are welcome to email leo.teng@mail.utoronto.ca for any content or research related questions. The list of resources below is by no means exhaustive and delegates are strongly encouraged to conduct their own research and explore alternative viewpoints. For the purposes of this specific committee, encyclopædias and news media sources are strongly recommended, no scholarly or academic research should be necessary.

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