

Special Lecture 2



The Euro Area Sovereign Debt Crisis a critical analysis



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ABSTRACT

The global financial and economic crisis, quite paradoxically, quickly moved away from the financial markets of the United States, where it originated in 2007-08, and started affecting the Southern members of the Euro area, transforming itself into a crisis of public finances. In this paper I review the main events, discuss the main possible reasons and interpretations of the crisis in the different Euro area countries, and analyze the main responses given by European institutions, on the fiscal, monetary and institutional side. I consider, then, two of the theoretical approaches that have been playing a substantial role in analyzing the evolution of the process of monetary integration in Europe over the last decades, namely credibility theory and speculative attacks theory, to understand if and up to which point they can still be useful to explain and interpret the current Euro area crisis.