It's time to introduce another word to the lexicon of EU commentary: "Gretention"

by Blog Admin

Greece's exit from the Eurozone, widely predicted earlier this year as being almost inevitable, has not come to pass. **Edward Price** *argues that "Grexit" has largely been avoided by the friction of the EU's institutions, and that the slow decision making that has characterised the eurozone crisis has given countries time to form new governments and adopt new positions on the future of the single currency. Now, he writes, we must explain "Gretention", or why Greece did not leave the euro in 2012.*

Who's talking about Grexit now? This summer's expectation of Greece's imminent exit from the Eurozone was wrong. Leading commentators are now backtracking on the likelihood of a Greek eurozone exit altogether. The FT's Alphaville blog recently reported Citigroup's forecast for a 60% probability of Grexit over the next 12 to 18 months, scaling back its previous prediction for a 90% chance of departure on January 1, 2013. The Economist went further, proclaiming "No More Grexit" in its October 13 edition.

All this is good news for anyone who bet Greece would stay in the European single currency this year. Many would also say it's also good news for Europe. The Bertelsmann Foundation, a respected German think tank, said in October: "Greek exit from the euro carries the risk of a European and even international conflagration and could trigger a global economic crisis." Just what we don't need.

"Grexit" was always an odd word, and while Greece may yet leave the euro, efforts such as the European Central Bank's bond-buying program, or "Outright Monetary Transactions," have cut policymakers some time. Perhaps another silly, but more appropriate word, should be introduced to the European crisis before 2013: "Gretention," in which Greece stays within the European monetary union. While Europe lacks the ties that bind nation-states together, in 2012, the EU did not throw Greece onto the tracks.

Credit: Emmanuel Eragne (Creative Commons BY)

Explaining this "Gretention" is the lack of clear EU power centres. Henry Kissinger's apocryphal quote sums up the oddity of the pan-European state: "Who do I call when I want to speak to Europe?" During the crisis, frustration at the bloc's diffuse power structure has grown. At a recent lecture on Europe's currency at the London School of Economics, Dr Thomas Mayer, Senior Advisor to Deutsche Bank said:

> *"We [in Europe] had a lot of back and forth in creating a mechanism to deal with this crisis and the lack of leadership is a serious issue when you have 17 countries that are, on paper, equally sovereign and have to agree on something. That created a lot of friction and made the reaction of the system relatively slow."*

The list of players dealing with the crisis is certainly long: EU member states, the European Council, European Commission, European Parliament, and the European Central Bank, which are all are closely connected. The "friction" Dr Mayer identified, however, helped avoid the disaster of Grexit. The EU's unique institutional sprawl has averted imminent Grexit, replacing it with Gretention, and highlighting the advantages to Europe's lack of coherent power structures.

Diffuse decision making may have lengthened the Eurozone crisis, but it has also avoided a hasty, disastrous end to Europe's single currency. It has allowed the time for key countries to elect different leadership, most notably in France, and adopt new positions on the crisis. It has allowed for Germany to reconsider the possibility of a Greek exit. The slow, dispersed powers of the EU have come into their own, albeit accidentally.

This state of affairs will not last. The crisis will likely continue for some time, during which Europe will move towards greater political and economic cohesion. Commentators are already looking to how this Europe will develop, most recently Uwe Puetter's piece for EUROPP on European intergovernmentalism. Yet for now, one thing is clear. While a lot of scorn was poured on the EU winning the Nobel Peace Prize last month, the point of that award was simple: things could be a whole lot worse. Europe's lack of clear power structures is to account, avoiding Grexit in 2012 and producing, instead, Gretention.

Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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Edward Price has a background as a manager in the European Parliament. Currently writing about the global maritime market for Lloyd's List from Paris and London. He offers analysis of international trade, energy markets and shipping finance, as well as the economics of the Eurozone crisis. Previously working for the European Commission's Europe Direct, Edward is also a graduate of both the London School of Economics and University College London.

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