



The European Financial Crisis

Analysis and a Novel Intervention

The European financial crisis has a complex set of causes and reinforcing dynamics. In order to achieve efficient and lasting impact, it will be critical to intervene at a community level and to engage youth aged 15-24 that are currently politically and economically alienated from the system. Building on Europe's existing small and medium-sized enterprise (SME) grants and educational infrastructure, the rapid deployment of a youth entrepreneurship education program can immediately engage young people to assess and address local problems, while also developing leadership and career skills. We propose a program targeted towards high school, college, and community-based youth that will engage local businesses and focus on maximizing the EU's existing investment in SME development programs. This approach will transform the European economy by fueling economic activity from the bottom up. Additional interventions in media, research, education, and finance will be critical to continue to stabilize the system.

Endorsement from the President of the European Parliament, Martin Schulz



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The President

Professor Mark Esposito
Management S 5012
Harvard University

17 June 2014

Dear Professor Esposito,

A year ago I had the immense privilege of participating in the inauguration of your teaching team as well as embracing the commitment of staff and students alike at Harvard University who, in the context of the Systems Thinking course, undertook the challenge to conduct an analysis of the European financial crisis.

A year later, I have in my hands the outcome of that analysis carried out by you and your students. I was hugely pleased to see that the cornerstone of your proposed solution entails the active involvement of young people in Europe. The innovative approach of your research and your forward-looking recommendations bring new constructive ideas as to how to address the fragile European economic landscape. In this respect, I would like to assure you that the efforts of your research team, as well as the analysis you have provided to the legislators, will be given due consideration in the context of the policy-making challenges that lie ahead. This pioneering joint effort sets an example as to how to bridge effectively the gap between policy makers and educational establishments.

May I therefore warmly congratulate you and the teaching team, namely Professor Terence Tse, Mr Giorgos Dimitriou, Mrs Emily Hanke and Mrs Grace Keeny, for making this mutually enriching experience possible. Moreover, I would like to join the teaching group in congratulating the winning team - Julie Kristian, Jay Snyder, Rieko Akiyoshi, Eswara Balusu and Arianna Valezano - for having carried out state-of-the-art research which demonstrates a novel approach, a forward-looking orientation and an ability to propose pragmatic solutions to these challenging issues.

I do hope that such constructive and mutually beneficial collaboration will occur more often in the future and look forward to seeing you all in Brussels for an in-depth discussion of your findings.

Yours sincerely,

Martin Schulz

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Introduction

The European Union is a group of countries with outstanding natural resources, human resources, and infrastructure. It is also a region of territorial and national diversity, with 550 million people in 28 member states sharing 4.4 million square kilometers. Its economic strengths range from technology and complex manufacturing to agriculture and world-renowned tourism. This diversity in economic strengths is arguably Europe's greatest asset yet is also its greatest challenge. Europe's management of this diversity, and the tension between unity, collaboration, and difference, has driven the current financial crisis.ⁱ

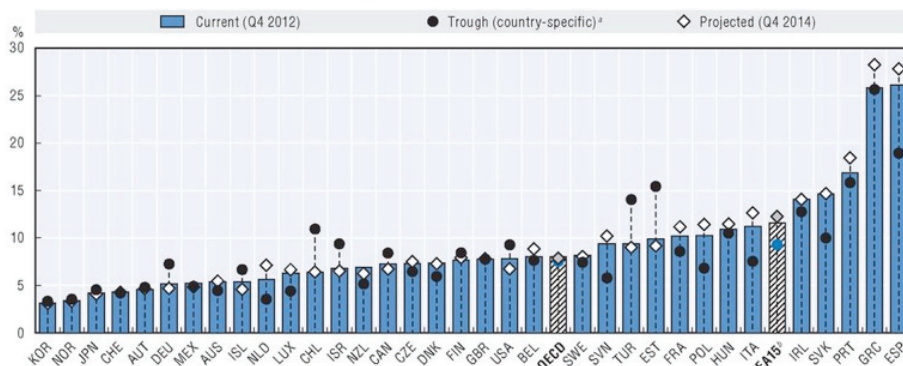
The impacts and threats of the crisis are great. Five of the member states face intense sovereign debt and have been ensconced in cycles of bailouts and austerity since 2009. This has led to intense discord in the region, causing some to question the sustainability of the EU and to suggest the secession of individual member states from the Union.ⁱⁱ Faulty investments and real estate and banking bubbles have cost some citizens their life savings, particularly in hard-hit countries such as Spain.ⁱⁱⁱ Unemployment figures are now at 5% in Germany at the lower end.^{iv} But in Greece and Spain, however, the figures reach 27%.^v For youth, the situation is even more dire, with

Europeans aged 15-24 unemployed at a rate of over 22%.^{vi} Although all of Europe is well aware that there is a problem, there is disagreement as to the causes and solutions. There has been discussion of the possibility of member states going bankrupt, and leaving either the Eurozone or the Union.

In order to look for new insights into the crisis, we have attempted to understand key dynamics and issues within a broader context.^{vii} European unity has included political, economic, and monetary changes for the region. The structure and dynamics of the European Union reflects Europe's strong national identities. Politically, the European Council, the most empowered entity in the EU government, represents the member states and significantly influences the agendas of the Parliament and European Commission.

Meanwhile, the burden of economic change has fallen mostly on the Southern nations. In the past decade, the free market has opened up unprecedented economic opportunities. At the same time, the common currency has shifted the 17 formerly autonomous nations into a united monetary policy under the European Central Bank (ECB). This monetary policy, whose Keynesian

Unemployment rates at the business-cycle trough (in terms of the output gap), in Q4 2012 and Q4 2014, as a percentage of the labour force



Note: Countries shown by ascending order of the current unemployment rate.

a) Country-specific trough is derived in terms of the output gap.

b) Aggregate of 15 OECD countries of the euro area.

Source: OECD calculations based on the OECD Economic Outlook Database (<http://dx.doi.org/10.1787/eo-data-en>).

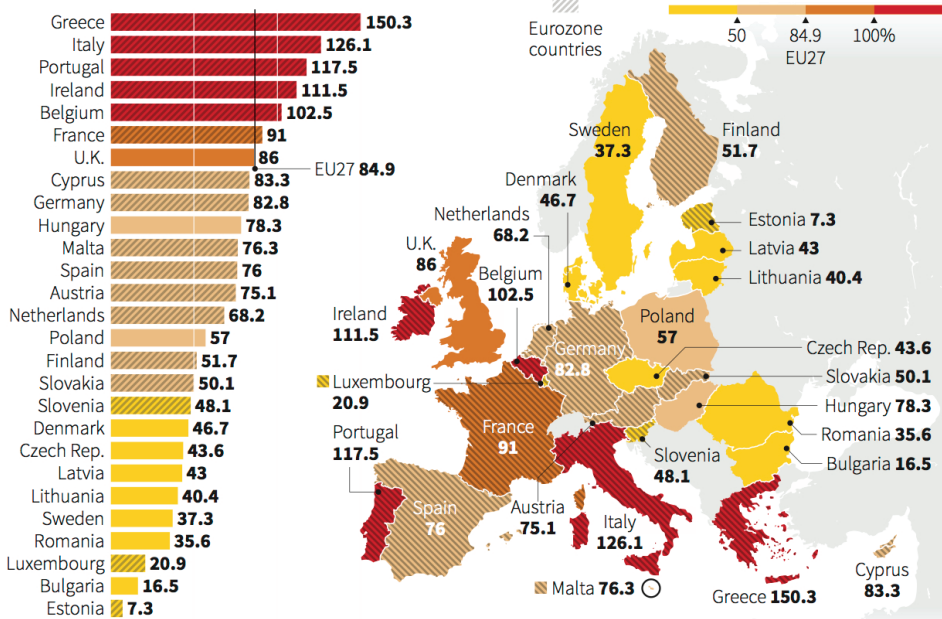
Figure 1:
Unemployment in Europe leads the rest of the world, 2012-2014

Source: OECD
Employment Outlook
2013

European government debt

At the end of the second quarter of 2012, the government debt to GDP ratio in the euro area stood at 90 percent, compared with 88.2 percent at the end of the first quarter of 2012. In the EU27, the ratio increased from 83.5 percent to 84.9 percent.

GOVERNMENT DEBT TO GDP RATIO — IN PERCENT



Source: Eurostat

W. Foo, 01/11/2012

REUTERS

Figure 2:

European sovereign debt vs. GDP

Source: Thomson Reuters

focus on low inflation most closely aligns with the historical monetary policies of the German Bundesbank^{viii}, has created fiscal issues for southern nations who historically have used inflation as a way to increase the competitiveness of exports and to finance public spending.^{ix} With the loss of monetary autonomy, Southern nations have struggled with the loss of manufacturing jobs to Asia for decades, as well as with increasing pressure to offer the same social protections and benefits as wealthier Northern nations. The imposition of this monetary policy without adequate gains in economic competitiveness has left Southern nations to rely on tourism, other service industries, and bailouts to finance national debt. National debt has also increased vulnerability to outside speculative investment.

Consequently, the common European monetary policy that has aligned with growth in the northern

countries—while removing the historical release-valve in the southern nations used for massive debt bubbles which were financed by the north—created a new cycle of indebtedness in the south.^x (Figure 2 represents relative sovereign debt in Europe compared to GDP in 2012).^{xi} Slow overall growth and market panic has further distressed the European market for southern goods—leading consumers to purchase cheaper, lower-quality imports over European products, and depressing tourism—further driving down southern revenues even as austerity measures are imposed by the north. The north blames the south for overspending, and the south balks at crippling austerity measures and never-ending debt. Financial distress has taken its toll on EU citizens through persistent and massive unemployment, and feelings of powerlessness and disunity.

A Broader View of the Crisis

If you only pay attention to the media, the Eurozone crisis is about the economy. Based on the boundaries of the current conversation, the crisis is about over-leveraged countries and individuals accumulating excessive debt. It is about Southern Europe's easy access to credit when they joined the euro at the lowest interest rates in history.^{xii} In this narrative, the crisis is about the subsequent massive buildup of debt in Spain and Italy by companies and individuals who borrowed more than they could afford and used the money to buy houses and automobiles, as well as to pay for vacations. Debt had become so widespread that by 2011, total debt as a percentage of annual economic output had risen above 300% for France, Italy, and Spain and above 250% for Greece. Even in fiscally conservative Germany, total debt as a percentage of annual economic output was approximately 240%.^{xiii}

However, upon closer analysis, the European financial crisis is about much more than fiscal policy, taxation, liquidity, interest rates and bailouts. There is a human element to the crisis that is too often overlooked, but is potentially more important than the financial elements.^{xiv} The impact of the financial crisis on the people of the European Union can be seen everywhere. The statistics are alarming: current levels of unemployment are not only crippling to the economy, but are breaking the spirit, hope, and optimism of European citizens.^{xv} A March 2013 poll by Pew Charitable Trusts found only 41% support for the European Union among Europeans, with particularly low approval ratings in countries where unemployment is highest.^{xvi} These are all symptoms of an underlying root cause that goes much deeper than fiscal policy. For the European Union to reach its stated goal of developing the "huge resource that

Figure 3: Strikes in Spain over austerity measures

Source: Getty Images/The New York Times



is the EU to ensure Europeans can draw maximum benefit from it,” systemic change that sustainably incorporates both financial and human capital is necessary.^{xvii}

The European Union has the potential to serve as a model of a cooperative economic area, achieving interdependence, cooperation, peace, mutual prosperity and sustainability, and a high quality of life for all. In order to achieve the EU’s true potential—economically and politically, for its communities and citizens—it will be necessary to

shift dynamics to benefit the interests of the whole EU while respecting and leveraging the diverse strengths and needs of all of its members. To be successful, interventions must centrally consider the needs and potential of the EU’s 550 million people, and in particular, its young people, who are currently alienated from the political and economic systems at alarming rates.

Dynamics and Causes

Individual Monetary Policies Become One

Before the euro (the single currency adopted by 17 of the European Union member states), individual countries had unique monetary policies. The Northern countries generally sought low inflation. The Southern countries, in contrast, at times used inflation to pay off debt and/or to devalue the external cost of their exports to jumpstart the economy after sluggish periods. By sharing a common currency, the euro necessitated a common monetary policy, and, on the face of it, the European Parliament was created as a democratic body to address common issues. Uniting the region under a common monetary policy under the ECB and focusing on keeping inflation low rather than unifying the nations under a common economic and fiscal policy fueled unstable trade balances. Inflation was removed as a tool to relieve tension in the system. Since then, there has not been a serious effort to equalize economic competitiveness or to create a sustainable interdependent but diverse economic region. The result has magnified systemic imbalances that have led to the current, polarizing crisis.

In an effort to spur economic growth, low interest

rates set by the ECB were used to finance debt to pay for vacations, homes, cars, and other “stimulus” purchases. This debt was largely an investment vehicle for wealthy countries in the north, with a large amount of spending being done by the smaller economies in the south. In the words of American government professor Stephen A. Hall:

With the advent of the single currency, international financiers treated all the member states as safe markets and flooded them with cheap money. Was it entirely unwise for firms and governments to take advantage of those funds to fuel their growth? Perhaps—but as we know in this country, they were not alone.^{xviii}

Easy access to low-interest rates led to a systemic focus on short-term boosts to GDP through spending, rather than long-term investments that would materially improve economic competitiveness. This occurred in many European countries, but has had the most disastrous effects on those that entered the crisis with less competitive economies

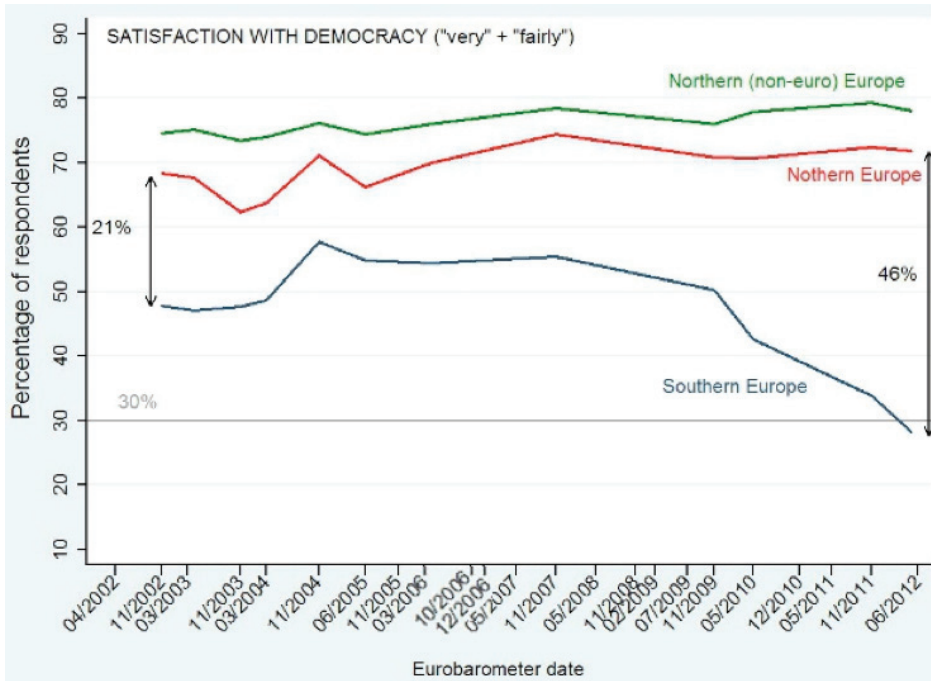
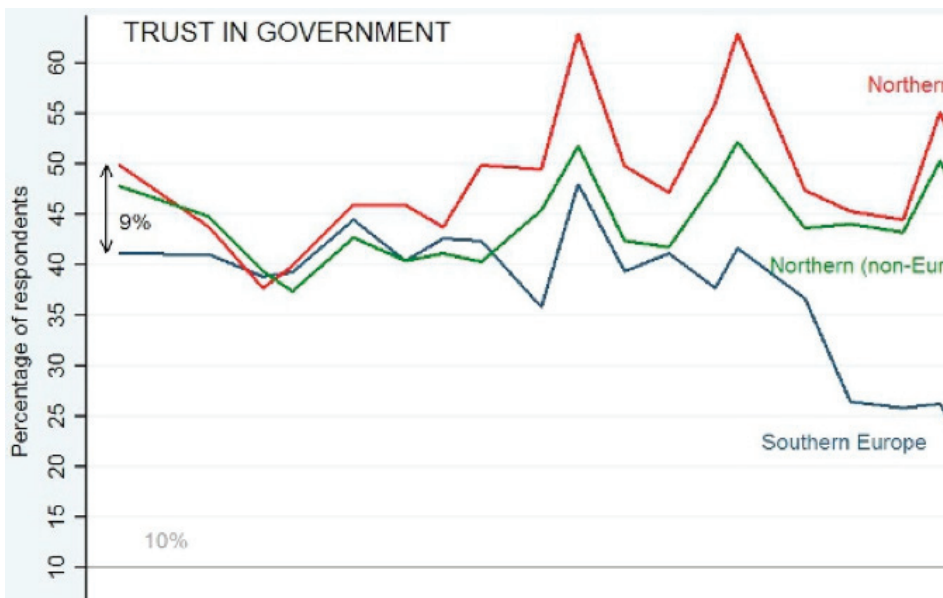


Figure 4a and 4b:

Europeans trust in government has dramatically declined since the onset of the crisis—particularly in the nations that have been hardest-hit. In Southern Europe, the crisis and responses to it have eroded trust in government.

Source: Eurobarometer 2002-2012/EUROPP European Politics and Policy



to begin with. In the post-colonial globalized economy, Northern European economies are generally based in specialized manufacturing, finance, product design, and other capital-based and knowledge-based activities, which make them

less vulnerable to economic downturns. Southern European economies, on the other hand, are generally based more on agriculture, low-skilled manufacturing, and tourism, a group of industries less capable of withstanding an economic crisis.

Common Market, Common Currency

The common Euro further reduced barriers to trade within the free economic area by encouraging more symbiotic trade within the EU. Leading up to the crisis, this led to wealth creation for the capital-based nations, and speculative bubbles and overspending in the Southern nations. The common monetary policy removed the option of inflating the currency to pay off debt, further aggravating the bubbles within a closed loop. For the first time, because the system is more “closed,” the Northern nations were quite directly impacted by the Southern nations’ economic woes because the single currency was directly affected.

Many factors influence this result. Wage controls and other competitiveness improvements in Germany allowed for competitive pricing but not in other countries. Without similar wage-fixing or competitiveness improvements in Southern Europe or the ability to inflate their currencies relative to other countries, Southern products were no longer as competitively-priced in the Eurozone.

The 2008 global financial crisis slowed growth and reduced tax revenues, thus increasing sovereign debt. Moreover, the presence of a central bank as a safety guarantee increased the potential growth of credit expansion, leading to the potential emergence of booms and making high risk investments even more likely. This resulted in a further savings rate decrease, reducing long-term growth prospects. Now, austerity measures are adding additional stress.

The Human and Social Elements

The economic crisis influences—and has also been influenced by—the way in which Europe’s citizens think about the economy. Very often, people are not well-informed regarding basic economic and financial principles. In the aggregate point of view, this triggers many personal financial decisions which lead to the emergence of bubbles and further reinforce the financial crisis. Also, despite widespread travel between the countries and increased mobility of young people to pursue work opportunities, stereotypes about national attitudes

and identities persist and impede communication and collaboration.^{xix} In addition, the population is aging in many countries due to lower birth rates and longer life spans. In a number of countries, young people have been living with high unemployment rates for much of their young adulthood. This has delayed impacts on their employability and leadership skills even if jobs come available. Figure 4a and 4b illustrate the growing divide between the perspectives of the citizens of Northern versus Southern Europe.^{xx}

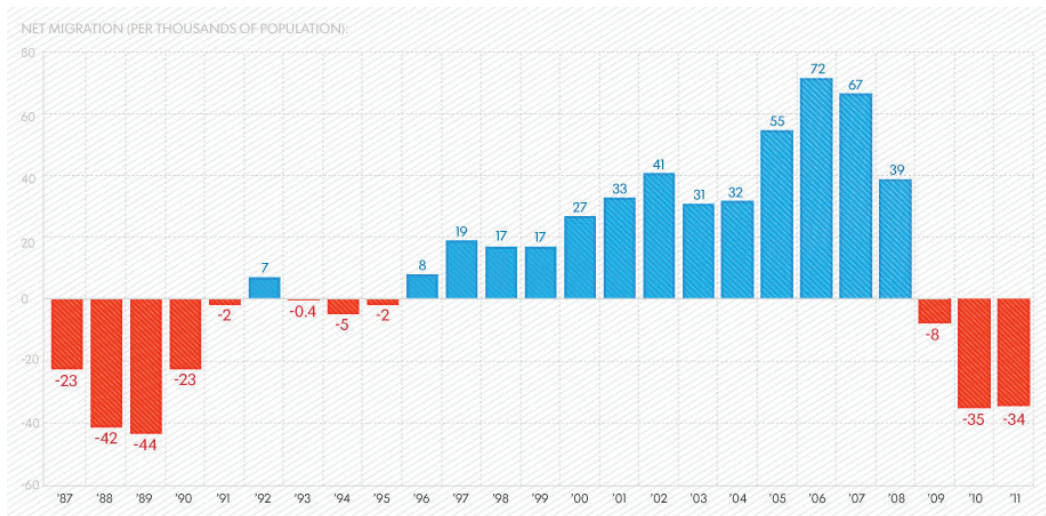


Figure 5: Current immigration from Ireland

Source: Source Republic of Ireland Central Statistics Office (figures for 2007-2011 preliminary)/Janet Loehrke, Karl Gelles and Alejandro Gonzalez, USA Today

Proposed Actions

The Leverage Point

Europe's youth are at a crossroads. Nearly eight million—or one in seven—young Europeans are unemployed and not in school or job training.^{xxi} What began as a financial crisis has become a social crisis, with Europe's youth hit hardest. The current major plan to address this issue is Germany's pledge of eight billion euros for job training programs, which would build upon existing EU initiatives such as the ERASMUS program to encourage international study.^{xxii} While increased education and potential exposure to other countries will provide positive experiences for youth, and help to increase their employability, where will the jobs come from? Will job training address the depth of the problem with youth unemployment?

In addition to training programs, creating local opportunities will be a job creation imperative. To illustrate our point, we will turn to a case study that illustrates the complexity of the crisis, the severity of its impact on communities and individuals, and what we believe is an area of great potential to reverse the acute and ongoing cycles that fuel the crisis over the short, medium, and long-term.

In Ireland, pubs have long been a mainstay of communities both urban and rural. They serve as social hubs, gathering places, and centers to experience and preserve arts, history and culture. They may feature music, dance, and local plays. They are meeting places for entire families, and they help to anchor towns and villages.

Due to effects of the crisis, Irish pubs are currently closing at a rate of one per day, and as many as 1,500 have already closed.^{xxiii} These are social and cultural institutions that have existed for decades or centuries. When they vanish, communities lose a critical source of public connection, support and history during an already difficult time. On top of pub closures, austerity measures have led the government to close post offices and even police stations. At the same time, many local businesses have shuttered, leaving rural communities in increasing isolation.^{xxiv} After thirteen years of net increases in immigration for Ireland during the boom, the country has returned to three years of net emigration. As many as three thousand young Irish are leaving per month.^{xxv}

The factors that impact pub closures are complex: falling wages, rising costs of beer, and perhaps a decreasing willingness to spend gas on the trip. Additional impacts include a national crackdown on drunk driving, a new smoking ban in pubs, and new legislation allowing for discount liquor stores.

The Potential

As local institutions, pubs create jobs and stabilize communities. A shuttered pub symbolizes hopelessness and endings at a time when Ireland is already dealing with severe unemployment, austerity cutbacks, increased suicide rates, loss of young people, a decrease in quality of life, and difficulty imagining a positive future. Looking alone at the array and complexity of factors impacting pub closures can be daunting and does not yield an obvious solution.

However, despite this complexity and potential to overwhelm, a pub in the rural town of Kilfynn developed a solution that has kept them open. The owner, Mike Parker, at the suggestion of his father, started offering free rides home to patrons.^{xxvi} This has allowed his rural patrons to avoid drunk driving

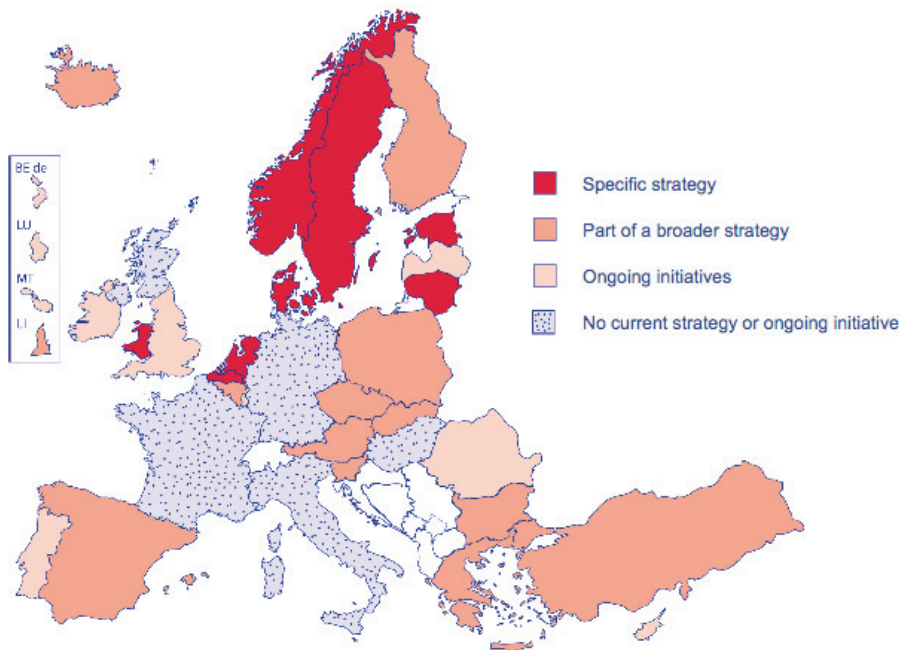
while also reducing their cost of a trip to the pub.

This is a uniquely local solution that responds to the community's unique needs and issues during a critical time. The result is people working together at a community level to respond to the issue and to build locally.

In isolation, Mike Parker's intervention will not turn the Irish economy around. However, the engagement of thousands of young people in similar local problem-solving—engaging with the community, preserving and creating opportunity, responding to local needs, and staying in their country with a sense of future and possibility—can stabilize the freefall, improve individual lives, and, over time, turn the Irish economy around.

Figure 6: National strategies for entrepreneurship education across Europe

Source: Eurydice/European Commission



Innovation-driven Entrepreneurship

A second example of local opportunity, focused on innovative and technology-driven entrepreneurship, can be seen in BugSense. BugSense is a company founded in Greece in 2011 on \$100,000 in startup support. It provides analytics on how efficiently mobile phone apps are running. In only two years, BugSense built a client base that includes Fortune 500 clients—that list includes Yahoo!, Trulia, and Skype. BugSense is currently being acquired by Splunk, a U.S.-based multinational corporation that delivers tools to mine big data.^{xxvii}

This example demonstrates that, even in a nation plagued by a debt crisis and social unrest, entrepreneurs were able to develop a valuable

product that meets a specific and current need, and to build a successful company to launch that product. They achieved this quickly and under un-ideal conditions. Igniting this kind of vision and energy can help spur growth, provide job opportunities, and meet real needs. Europe's educated workforce, relatively strong R&D infrastructure within universities, and multivalent view of the global economy, could provide a massive incubator for new ideas and businesses.

For this reason, we propose taking a potential "lost generation" and turning it instead into a generation of local, committed, creative problem-solvers.



The Goal

Stabilizing Europe in the short and long-term will require the investment and engagement of young people. Right now, local communities have an abundance of problems to solve. We believe that the best solution is a top-down investment in a bottom-up approach.

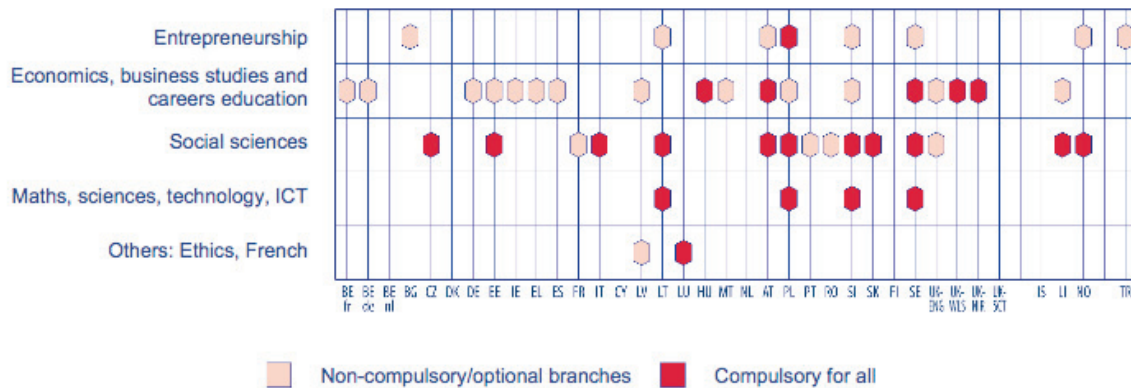
The aim of entrepreneurial education will be to engage young people to solve local problems, and to engage them in a way that will keep them as contributors to their home communities. Key elements will be: educating for empowerment;

teaching skills that they know will last a lifetime; direct engagement with local businesses; engagement with EU grant opportunities and an increased awareness of EU citizenship; and an incubator model and ongoing support to ensure that education is translated into action with the best chances of success.

Our mission is to take the downward spiral of joblessness, youth disengagement, and departure, to a positive spiral of engagement, opportunity, local investment, and growth.

Figure 7: Integration of entrepreneurship education in European high schools. The economies currently in greatest crisis in Europe generally have lower rates of compulsory entrepreneurship education

Source: Eurydice/European Commission



The Plan

We propose a low-cost, easily implementable program that builds on existing national education infrastructures and European grant programs. The proposed program will provide immediate relief as well as long-term rewards. In addition to entrepreneurship programs, our proposal includes four key supporting components with short- and long-term benefits: research and development, media, short-term financial and economic interventions, and long-term sustainability.

Current State

The European Union has existing grant and loan programs for SMEs. The goals of these programs are to develop competitiveness and dynamism in the European economy, to spur growth, and to promote entrepreneurship and improve the business environment for small businesses. The EU recognizes that small, European-based businesses are more responsive to local strengths and needs,

and can fortify the region against the dominance of large multinational corporations that contribute less to the tax base and local economy. SMEs can help create a sustainable and vibrant economy within Europe.^{xxviii}

In its March 2012 report, “Entrepreneurship Education at School in Europe: National Strategies, Curricula, and Learning Outcomes,” Euridyce, an EU Commission network that manages data on education, conducted a comprehensive assessment of individual national programs for entrepreneurship education, summarizing the current-state and future plans for each member country. The report documents a wide disparity in program planning and implementation across member states. For example, in Italy, while some general learning objectives have been defined, currently “there is no specific national strategy for entrepreneurship education except for technical and vocational pathways.”^{xxix} Figures 6 and 7 summarize the uneven

Table 1: Composition of European enterprises, employment, and gross value (2012 estimates)—99% of Europe’s businesses are SMEs

Source: Eurostat/National Statistics Offices of Member States/Cambridge Econometrics/Ecorys/European Commission

	Micro	Small	Medium	SMEs	Large	Total
Number of enterprises						
Number	19,143,521	1,357,533	226,573	20,727,627	43,654	20,771,281
%	92.2	6.5	1.1	99.8	0.2	100
Employment						
Number	38395819	26771287	22310205	87477311	42318854	129796165
%	29.6	20.6	17.2	67.4	32.6	100
Gross value added						
EUR Millions	1307360,7	1143935,7	1136243,5	3587540	2591731,5	6179271,4
%	21,2	18,5	18,4	58,1	41,9	100

state of European entrepreneurship planning and execution. The nations with the greatest debt crises and joblessness all lack a specific strategy for youth entrepreneurship training.

In light of this gap, we propose a high-quality and results-focused entrepreneurial training program for all of the EU to ensure every country is positioned to engage its young people and realize value from innovation.

Employment by size class, EU-27, 2005-2012 (in million persons)

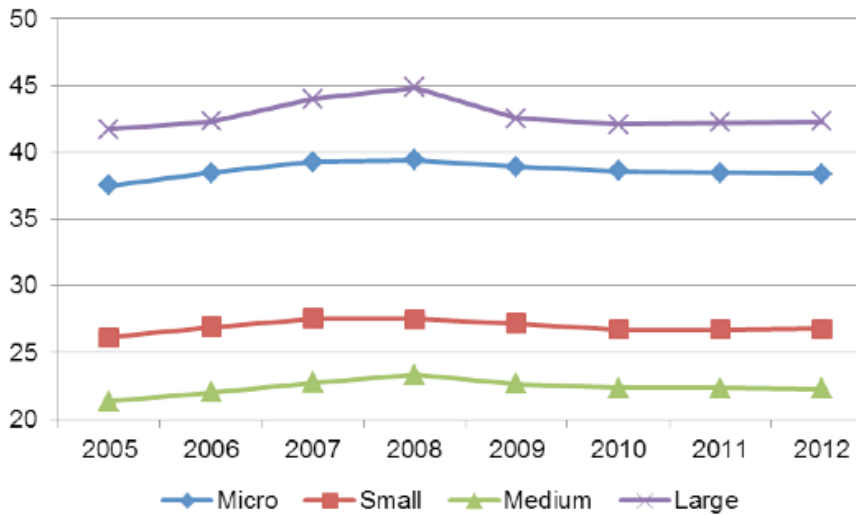
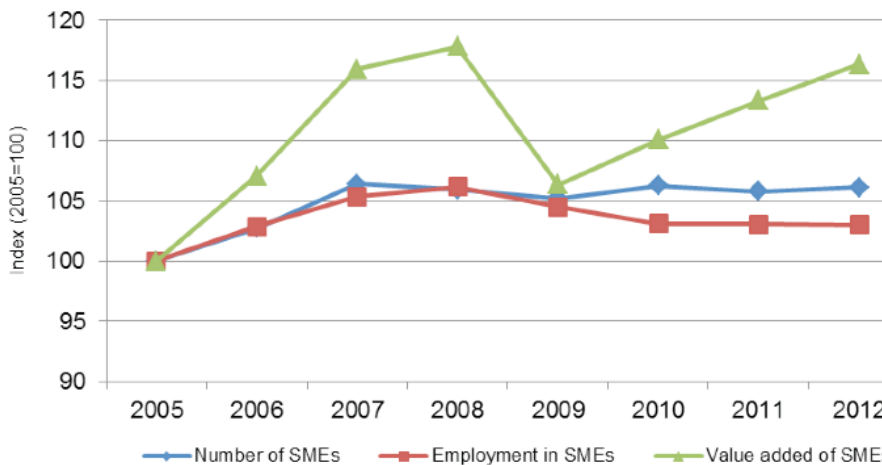


Figure 8a and 8b: Employment and SME trends since 2005 (2011 and 2012 figures are estimates)

Source: Eurostat/National Statistics Offices of Member States/Cambridge Econometrics/Ecorys/European Commission

Number of SMEs, employment in SMEs and value added of SMEs



Leveraging Current Systems

To successfully target youth hit hardest by the crisis—ages 15-24^{xxx}—and spur community-level innovation with tangible short and long-term outcomes, we propose a three-tiered intervention: entrepreneurship training in the second and third years of high school; entrepreneurship training and labs for college students; and community-based entrepreneurship labs. The goals of each of these programs will be to empower youth to solve local problems and create local opportunity; to provide immediate funding to distressed areas; to teach young people to look at opportunities presented by the local real economy; to strengthen Europe's SMEs; to create a generation of innovators for Europe; and to create a stronger sense of European identity and collective problem-solving. The program is an immediate and long-term investment in Europe's people, communities, and economy. SMEs employ more Europeans than large entities, and are more dynamic and responsive to their communities.

Critical components of the program at all levels will be: 1) experiential education; 2) creating community partnerships; 3) providing support for success through labs and advisors; and 4) driving robust competition for EU grants.

The High School Program

Our intervention for high schools regards an innovative program that is based on creative and problem-based learning, rather than traditional didactic instruction.

It will be divided across two years and its aim is to get young students much more involved in what they learn, and to give them a chance to put into practice what they learn. It will be critical to have tangible outcomes for youth to remain engaged in the programs. Young people will need to have enough confidence in the program to engage in it meaningfully. They will need to see that it responds to their concerns and needs, and offers a true opportunity.

YEAR ONE: Getting Involved

Everyone faces challenges and problems in life. Whether one starts a business career or not, learning problem-solving skills is important to be successful in every field. Moreover, wherever there is a problem to solve, there is a great opportunity and potential for improvement.

Decision-Making Skills

Whenever you have to face a problem, you have to make a choice between different alternatives. The challenge is to recognize the optimal one. Decision-making is the process of selecting the best choice among the different alternatives. Before making decisions, all the alternatives should be evaluated according to the related advantages and disadvantages. This process is sometimes not very immediate and our unconscious is likely to select just a satisfying alternative and not the best one. This is the reason why decision-making skills should be taught during class with exercises and case studies.

Finding Creative and Effective Solutions

Creative thinking is the ability to break out of set rules or patterns to bring meaningful concepts or problem-solving skills into existence. The use of imagination and thoughts that do not necessarily conform to the normal way of thinking allows for better problem-solving and creative skills.

Being creative helps us to think differently, to come up with new ways and methods of looking at situations, to solve problems or to meet needs, while giving us a sense of satisfaction and increasing our self-confidence and our self worth. It is also a way of relieving stress and avoiding stagnation. This is why it is essential to integrate projects that develop creativity into school programs.

Facing Everyday Challenges

Students should learn the most effective ways to face everyday challenges. Problem-solving techniques, decision-making strategies, and taking responsibility, are crucial in order to face the problems of the future workplace.

Even with the best ideas, entrepreneurs need a team to execute them. Successful businesses have made teamwork one of their key success factors. The advantages of teamwork are vast, including more efficient organization of work, effective risk management, a confident environment in the workplace, and many others.

Effective teamwork is crucial to reach a high quality outcome; but the problem is that it is not taught during high school. This fact leads to many conflicts in the workplace, and this is the reason why we want to include teamwork as a critical component of our high school program.

Learning from Each Other through Educational Games

The teaching method that we want to propose is very different from the traditional one. This method has been used in some private school institutes in California and has been proven to be very successful.

Instead of asking to the students to learn passively, sitting still for hours, the program encourages students to be active. Instead of classic lectures, students have a chance to play educational games with their classmates. In this way, they have a chance to compare themselves and to learn new skills from each other.

“

A sense of initiative and entrepreneurship refers to an individual's ability to turn ideas into action. It includes creativity, innovation and risk-taking, as well as the ability to plan and manage projects in order to achieve objectives. This supports individuals in their everyday lives at home and in society, and in the workplace. It alerts them to the context they operate in, and makes them more ready to seize opportunities.

”

-- The European Union's Youth in Action Programme

Improving Communication Skills

Effective communication helps us better understand a person or situation, and enables us to resolve differences, to build trust and respect, and to create environments where creative ideas, problem solving, affection, and caring, can flourish.

However, effective communication skills cannot be learned during classic passive lectures. This is why, as simple as communication seems, much of what we try to communicate to others gets misunderstood. These misunderstandings can cause conflict and frustration in personal and professional relationships. Students need to discuss their ideas and have a chance to talk during the class. The only solution to this is teamwork.

Managing a Common Goal

Teamwork-based projects will help students to learn how to manage common goals. Sharing a common vision, despite individual differences, will enable students to understand how to trust each other and how to reach a high quality outcome. Focusing different energies in the same direction is not as easy as it seems: only by practicing teamwork over and over can we expect the best results from young students in the workplace as well.

Entrepreneurship Education and Proposal Development

According to our research, youth entrepreneurship education is fundamental to boosting the real economy in order to lower the youth unemployment rate.

This is the main reason why the last critical component of the first year high school program will be classroom-based education on entrepreneurship.

Business Case Studies

Students will be provided with a range of different business case studies to analyze and discuss during class. Instead of traditional teachers, business

owners who have truly started their own businesses will hold the lectures so that they can share their direct experiences.

Moreover, to ensure excellence in teaching, the EU's existing Entrepreneurship Summer Academies can be leveraged and expanded from the current 320 higher education professors to include high school teachers. Some additional investment in specialized teachers may be valuable—particularly to recruit teachers who have a true passion for entrepreneurship and mentoring. Regional Entrepreneurship Advisors could train and support teachers in a given area. Effective teachers might be recruited from the local community, or from recent business school graduates. Their roles as role models and mentors will be of great importance and potential impact.

Developing Critical Reasoning and Proposals

Students should learn how to develop critical reasoning skills in order to look at situations and problems from different perspectives. It means not taking what they hear or read at face value, but to use their critical faculties to weigh up the evidence and consider the implications and conclusions of what a writer is saying. Moreover, this will help students to learn how to write tangible and deliverable proposals, such as a proposal to the EU.

Discovering EU Opportunities

It will be very important for students to learn how to take advantage of the opportunities offered by the EU, and, for instance, how to compete for EU seed funding. This will help students to get more involved in the idea of being part of the same system, to share a feeling of European citizenship, and to overcome emotions related to individual nationalism.

YEAR TWO: Putting it into Practice

High school courses can also be enhanced through service learning, internships, and community engagement projects. Partnering with an established business can strengthen students' eventual proposals to the EU. Local businesses can also engage students to consult on problems and help devise solutions. Such partnerships with local businesses might open up new opportunities. Additionally, service learning is a method of teaching that combines classroom instruction with meaningful community service. Service learning components add enormous value and could, for little to no cost, use the neighborhood as a laboratory. This will normalize a culture of internships—providing youth with occupational experience while also providing a benefit to the community.

1. A Deeper Sense of Community

Service learning offers students immediate

opportunities to apply classroom learning to support or enhance the work of local agencies that already exist to effect positive change in the community. This form of learning emphasizes critical thinking and personal reflection while encouraging a heightened sense of community, civic engagement, and personal responsibility.

Improve Civic Engagement

Civic engagement means working to make a difference in the civic life of our communities and developing the combination of knowledge, skills, values and motivation necessary to make that difference. It means promoting the quality of life in a community.

Boost Motivation and Responsibility

A morally and civically responsible individual recognizes himself or herself as a member of a larger social system and therefore considers social problems to be at least partly his or her own. As a consequence, students are willing to see the moral and civic dimensions of issues, to make and justify informed moral and civic judgments, and to take action when appropriate.



Figure 9: Illustration of the motto “United in Diversity” drawn for Europe Day 2012

Source: Young European Peers

2. Part-time Entrepreneurship Placement

A Firsthand Experience of Entrepreneurship

Involving students in internships and projects with local businesses is crucial for future success. By casting a wide net, the chances of identifying and cultivating diverse entrepreneurial leaders are maximized. Even a small percentage of the youth population who will eventually become successful entrepreneurs can have an outsized impact on their generation and communities. EU research has identified that between 15% and 20% of students who participate in a mini-company program in secondary school will later start their own company. This is a threefold to sixfold increase in entrepreneurship activity compared to not having local entrepreneurial experiences during high school.

Innovative Ideas for Local Business

Taking the time to define and explore current problems, and including energetic young people with fresh ideas, can strengthen existing businesses. Active and talented students can contribute to improvement of local business performance by bringing new and creative solutions to the problems, and by showing a different perspective of the reality.

Real Business Models

Every human, from the very first years of his or her life, learns by example. Students can build their knowledge much better if they are provided with real examples and case studies of successful businesses. Furthermore, the opportunity to work with talented entrepreneurs can boost their motivation and engagement.

Learning from Failure

One of the main problems with encouraging entrepreneurship in Europe is that people do not take failure lightly. However, as Winston Churchill said, “success consists of going from failure to failure without loss of enthusiasm.” This is why students need to successfully learn to fail.

Learning from Mistakes

In traditional didactic education, and in our society in general, people are punished for their mistakes. As a consequence, there is too much inaction due to the fear of failing. However, it is clear that humans learn by trial and error. Always looking for the right answer before action is very likely to cause ‘analysis paralysis.’ Students need to be encouraged to do their best despite the final result. Mistakes are a basic phase of the learning experience. This extends to business and the economy as well as to individual lives—without risk, learning and growth are stifled.

Complexity Management

Life and reality are not simple, they are complex. They are unpredictable, always changing, and not entirely controllable. As a consequence, failures and mistakes are inevitable. However, if students learn how to face them, and how to avoid them in the future, they can at least learn to partly manage this complexity. Students should learn to take the risk to act and experience the consequences of their decisions, without being afraid to be judged on the results.

Gaining Knowledge from Experience

Failure is not the end of the overall learning process, it is just a necessary phase of it. Every time we fail, we suffer and we feel frustrated without thinking about the fact that in childhood we had to fall many

times before learning how to walk. Students should start looking at mistakes not as defeats, but as precious experiences from which they can learn something new.

Conclusions of the High School Program

While not every individual will become an entrepreneur, these skills and opportunities can serve all students. Business and economic literacy help to inform good financial and consumer habits over a lifetime.

Being a member of a team, and designing and leading a project, are skills that translate into effective personal, community, and work endeavors. Involving all students in projects to learn these skills will help to build trust and engagement locally while improving the sense of European citizenship. Some students may be strongly motivated by the opportunity for self-employment or financial success, while others may be more motivated by community improvement through social entrepreneurship.

The University Program

Many elements of the high school program can be continued at the university level. We advocate for one mandatory—or highly encouraged—class that teaches entrepreneurship, social entrepreneurship, and/or public-private partnership collaboration to every student. We argue that the skills and perspective learned from such a class are valuable in any field or profession—and could inspire unlikely future entrepreneurs.

The university program is built on and expanded from the high school program. The university program will focus on ‘learning by doing’ and overcoming the cultural barrier of ‘fear of failure’ while also building partnerships.

The program will also support students in developing their own business plans and writing venture capital and funding proposals. Additionally, it will also provide access to available resources for new entrepreneurs.

Fear of Failure

The program focuses on overcoming the cultural barrier of ‘fear of failure’ by inculcating the ‘learning from failure’ principle through engaging students in lectures from current entrepreneurs and case studies. By providing real-life examples of unsuccessful attempts followed by ultimate success, it will seek to normalize learning by taking risks. It will also emphasize that persistence following failure is key to successful entrepreneurial environments. The program also focuses on public/private partnerships to translate research results, and consulting on local business issues.

Learning by Doing

We also advocate for an expanded business partnership initiative at the university level. A model to consider is the Harvard Innovation Lab (i-lab). The Innovation Lab is designed to incubate potential business ideas. It provides meeting space and work space, computing resources, and business advisors, as well as networking opportunities to find partners or a team to help move an idea forward. In the future, i-lab plans to create an incubator for students to take risks and learn from failure.

At the i-lab, there is a particular focus on local partnerships in the Allston neighborhood of Boston, although projects can also draw on Boston’s strengths in research, healthcare, and financial services industries. More highly-developed, and

perhaps mandatory, consulting projects with local businesses and/or internships can also be very effective with university students.

The Community Program

Europe has been continuously inhabited for thousands of years. While political, economic, technological, and social changes have driven change over time, at the base level, the European population has very old and deep relationships with the land and natural resources. Long-existing trade patterns reflect these relationships. Moreover, communities have long histories and traditions. As a result, Europe can benefit from a balance of innovation and local knowledge and practices.

The community program will be designed to identify local problems and local potential, in order to produce the best possible plans, business cases, and proposals for EU funding. The program is geared toward meeting local needs and opportunities. We propose the creation of Community Business Development (CBD) roles that can serve as connectors and supporters in this endeavor by creating informal Chamber of Commerce types of relationships between local businesses. CBDs can also identify opportunities, and help produce high quality business initiatives and proposals. CBDs may work largely on a commission basis, with a small base salary but higher earning potential based in part on metrics, such as the number of quality proposals sent to the EU, and in part on outcomes, such as successful businesses initiated with their help. A consulting model might also be considered, where local businesses assume part of the costs to engage the CBD for a specific project or advice. The CBD would also be a natural liaison for students and teachers from the high school and college entrepreneurship programs.

European Centers of Innovation and Competitive Excellence

Finally, we propose establishing European Centers of Innovation and Competitive Excellence (CICE) across the EU to provide a link between entrepreneurs, government resources, private investment, and business leaders. CICEs will identify areas of opportunity within respective countries as well as specific needs (such as expertise or capital) that may be available in other member-states. CICEs will highlight achievements, offer internship and exchange opportunities to students, and distribute potential opportunities to intranational programs. CICEs can also organize meetings among entrepreneurs and new businesses, and advocate for government policies that promote SMEs. Special focus should be placed on opportunities in energy (renewables and efficiency), technology (engineering and software development), health (medical and genetics), and social needs (food, water, and education). To further promote entrepreneurship, CICEs can include Innovation Incubation Labs (IIL) consisting of facilities using advanced social collaboration capabilities and technologies.

Through the use of these labs, participants can gain inspiration by being surrounded by innovative products from around the world; share their ideas and test their hypothesis with fellow participants, business leaders, and government officials; gain access to capital to pilot and potentially market their innovations; and gain access to successful start-up entrepreneurs from around the globe for advice and guidance.

Ultimately, the goal of our proposal is to develop generations of entrepreneurs and innovators by leveraging European capital to foster innovation, solve local problems, generate new opportunities, and build new businesses that can help improve the lives of European citizens.

Supporting Action Areas

In order to fully leverage this investment in youth entrepreneurship and to support the goals of increased engagement, hope for the future, and a collective sense of European citizenship—we propose additional supporting actions.

Education

EU Education Curriculum

To realize the EU motto “United in Diversity,”^{xxxi} a common program that fosters EU citizenship and identity needs to be implemented in all schools throughout the region. Its focus should include knowledge and understanding of the EU, the unique cultures of its member-states, and appreciation of diversity. The program needs to be designed for every grade in a coherent manner so that students build understanding of the importance of the political context in which they live. This program will help them balance national pride with collective problem-solving. To decrease prejudice, students from every country in the EU will learn more about other member-states and that every country has its own value and is necessary for EU to stay strong. The important value of understanding that the entire system is bigger than the sum of its single elements will be shared among all people in the EU.

Economic Education in High School

In addition to entrepreneurship training, economics should be a mandatory subject in high school in order to develop economic thinking and compassionate consumerism. In this way, students will have an increased awareness of regional and global economic dynamics. They will be able to make better personal financial and business decisions that will decrease the likelihood of an emergence of financial bubbles and lead to more informed citizens.

Increase investments in education and research. The global economy is driven by technology, and this requires research. The development of a new generation of entrepreneurs poised to build fresh partnerships and to translate research into business and social improvement opportunities will further help unlock the potential of Europe’s research base. The proposed entrepreneurship program can develop a generation ready to create new social and economic benefits.

Media and Communications

In today’s society, the media has massive influence on human psychology and profoundly affects economic choices made by individuals in our system. At the moment, European media are focused overwhelmingly on the negative aspects of the economic situation and we read only about the bad news. Media focus their attention on the political instability of the system, on the increasing rate of failures in business (especially large businesses), and on the increasing rate of suicides. This overwhelmingly negative focus leads people to lose hope and to increase a sense of helplessness and pessimism about the future. Aidan White, General Secretary of International Federation of Journalists argues, “If Europe is to join the global market it must do so on its own terms, by ensuring that exploitation of the media economy does not mean we have to abandon notions of pluralism, local diversity, and respect for the social rights of people working within the sector—all of which are key elements in the European economic and social model.”^{xxxii} A shift is needed to refocus Europeans on a constructive vision of the future—where the potential exists, and how they can contribute. The EU should play a more active role in defining the media agenda, and also strengthen media literacy in its people.

EU Social Media Team

We propose that the EU should initiate a social media team to help frame accurate and constructive communications within the Union. Members in this team can dedicate their time and abilities to send out positive messages about the EU, its communities, its institutions, and its offices directly, by using various social media. By working outside of the lenses of corporate-owned mass media, this team can leverage the EU's massive efforts at data collection and reporting to share messages and knowledge with citizens in an effective, accessible way. The social media team can also aim to present different perspectives on a fact or event so that people can interpret information or news more objectively and without bias. The social media team can have the capacity to create a 'sounding board' where different national, regional, and social perspectives are discussed openly, thereby creating a model that is sorely needed in today's climate. Moreover, the team can assume the responsibility of looking for positive information, facts, and evidences to report to the population.

In this way, people will feel more motivated despite the financial crisis, and will see that they have a concrete possibility to recover and to improve the situation. In recent years we have seen the increasing popularity of social networks that have developed incredibly fast. We can use this situation to our advantage by increasing the popularity of Europe on social networks and by broadcasting positive news about the EU. If people can understand the real value of this unique and rich reality in which they are living, they will be more willing to support the entire process, and more inspired to take positive action on a local level.

School Newspapers

It will be highly valuable to ensure coverage of the entrepreneurship classes and outcomes in school newspapers. The EU social media team can also conduct direct outreach to high school journalists to

talk about current events and to connect the events back to the local community and the interests of students. This can broaden students' perspective on the world by allowing perspectives from different countries, and by giving students insights outside of their local media outlets.

Local Media

The EU social media team should contact local media to ensure coverage of the entrepreneurship activities in local schools and communities. The social media team can also engage the press and news stations to consider a more international perspective on news, and to cover important European initiatives. This can help internationalize European perspectives, and contribute to a sense of collective problem-solving.

Short-term Financial and Economic Interventions

Due to the severity of the crisis, it is critical to intervene in areas that will provide the greatest opportunity for growth and quickly help to cultivate a more positive business climate in the short term. To do so, invest in 'fast-expanding' markets. One of the biggest problems of the European economy is that important business opportunities and trends are often missed, in large part because they are not the focus of media attention. There are some small companies that are not in the stock market, even if their performance is above average and they are growing quickly. As a consequence, such companies often remain unknown by most of the population. The EU should be aware of these fast-expanding markets, and it can invest in these new realities in order to create new job opportunities and decrease the unemployment rate.

Incorporate the Social Progress Index Alongside Economic Growth Measures

It is clear that GDP and other major indices do not always reflect a whole picture of an area's eco-

conomic and social status. The EU can create and implement a new measurement that reflects its own values and goals. Key goals might include public health, opportunity, social equality, political stability, education quality, and economic sustainability. Such a measurement can help focus on collective problem-solving and further re-center the public dialogue on areas of success and potential. It can also provide a critical counterpoint to financial bad news, as European countries are world leaders in enjoying high levels of social progress.

Banking Regulations

The global financial crisis that began in 2008 revealed major international issues with the banking industry. In order to avoid future financial bubbles, debt crisis, and consequential bailout, governments should reinforce regulations to ensure that banks hold a higher level of reserves. In this way, depositors are more protected, and Europeans can avoid bubbles and increasing artificial value of assets.

Long-term Investments for Energy Independence

A core principle of the EU is in its pursuit of peace. In this fast-changing and interdependent world, it is crucial to manage dependency and independency. By utilizing resources within the area, the EU can become more independent in its energy needs, which will enable EU to maintain more balanced relationships with other countries. Energy dependency is a massive and growing problem—while also being an area for potential.

Currently, Europe imports most of its energy from Russia, its main gas supplier, and the Middle East, its main oil suppliers. At the same time, the price of non-renewable energy is growing considerably. Energy already represents a huge cost for Europe that is bound to increase even more if interventions are not implemented. Such ambient costs and debt are often forgotten issues because we pay more attention to the financial market. Yet we cannot get rid of

these liabilities with even the strictest austerity measures. The cost of energy can only be reduced by achieving independence through reduction of emissions and increased usage of green energy such as solar, wind, or water-powered farms. Additionally, while efforts to use shale gas may provide a different non-renewable substitute for oil, a diversified approach to this critical issue is advisable. This is a long-term problem and the solution will take time, but the time to start acting is now.

Invest More in Research and Development

The EU can invest more in research and development and in startups, especially as the threat of energy scarcity continues to become an inescapable problem. If Europe can manage this issue strategically, it will have multiple benefits. Firstly, providing opportunities for young graduates to pursue innovative ideas will prevent the so-called 'Brain Drain' that we are facing now. Secondly, these long-term investments will make the EU more competitive than other states when facing scarcity issues of non-renewable sources of energy. Such investments can potentially provide Europe with an opportunity to export surplus energy. Thirdly, investing in renewable energy will create new job opportunities and help decrease the unemployment rate. Using energy efficiently and developing renewable energy technology can contribute to decreasing the debt of European countries in the long run.

Lastly, these energy improvements can help Europe save a considerable amount of money that can be invested in other fields. Moreover, if investors are aware of such proactive steps toward new technology and energy independence, they may be more willing to invest in the European economy.

Complete Unfinished Infrastructure Projects

Another problem that needs to be addressed by the EU is the number of infrastructure projects that have been started but not completed. The EU can form a group to track each infrastructure project until each

one has been completed. In this way, there will be an increased efficiency in the system, and, once again, create more job opportunities. Moreover, in consideration of the goal to adopt a more sustainable and eco-friendly economy in Europe, minimizing waste will also be an important step to take.

Conclusion

Europe is a region of deep and rich history, diversity, resources, infrastructure, and human capital. The global financial crisis of 2008 has taken a particular hold of Europe due to a complex set of local factors and dynamics. This crisis has been exacerbated by a lack of unity within political and fiscal policy, and by a failure to understand and incorporate the region's economic and political diversity into the ECB's policy choices. Additionally, the current lack of communication further aggravates existing cycles of indebtedness. Currently, the situation is acute on a European, national, and local level.

What is needed on a systemic level is a focus on Europe's existing strengths and on capacity-building for collaborative problem-solving at the local, national, and EU level. The EU has a solid but under-utilized structure to do this. Because Europe's future depends on the ability of younger generations to solve current challenges, and because youth aged 15-24 are currently at the highest risk for unemployment and political disengagement, we propose to immediately support, include, and invest in young people via an EU-wide youth

entrepreneurship training program targeting high school, college, and post-college young people. Teaching them to identify community-level problems, to partner with local businesses, and to found or build upon existing SMEs, will create a new generation of entrepreneurial leaders and revitalize European businesses quickly and efficiently. This investment will also return rewards for decades to come through leadership skills and social engagement as well as business development. A top-down investment in a bottom-up and people-centered approach will quickly leverage Europe's greatest strengths and potential, and continue to build on the goals from the Treaty of Maastricht: to strengthen democracy, improve efficiency of nations, establish economic and financial unification in the region, to develop community, and to establish security.

The European Union has the potential to build a sustainable and cooperative regional economy that can be a model for the rest of the world. This would only add to its achievements in peace, democracy, and social progress. The most important force to achieve this potential lies within Europe's people.

Appendix: Overview of Our Map and Analysis

European institutions are at the center of EU monetary policy creation and governance. Even though they are part of the EU, there is a strong sense of identity within each individual country as opposed to a strong sense of identity with the EU. This leads to the lack of a European identity and a lack of commitment to the EU by individual countries. As a result, there is often tension between the EU concept and country-specific policies and decisions.

In addition to a lack of common fiscal policy between countries, there is also growing inequality between rich countries and poor countries. In rich countries (especially Northern Europe), wages are higher and taxes are lower, resulting in less private debt, lower unemployment, and a higher degree of competitiveness. This difference leads the wealthier countries of the north to feel less solidarity and less concern about the poorer countries of the south, which in turn leads to a reinforcement of social, political, and financial inequality between the rich and poor countries. In the poor countries of the south, this perpetuates cycles of non-competitiveness, low wages, and unemployment, which then reinforce social problems, lack of motivation, and feelings of hopelessness for the future. In turn, these social issues underpin political instability, especially as a result of high unemployment among the young. These social issues affect both the individual and country's feeling of self-worth. Furthermore, the media focus on bad news also causes people to feel overwhelmingly uncertain about the future.

This uncertainty creates another set of social problems. When people are uncertain about the future, they want to protect themselves by saving as much as possible. In an attempt to save, they spend less and keep the economy suppressed. More importantly, people choose to hold off on having children, which affects the country's birth rate and yields a heavily aging population. They also tend to choose the cheapest products from abroad, rather than purchasing higher-quality European products -- which affects the country's competitiveness.

With an aging population and lack of competitiveness, the country cannot support its pension system or the retirement of its workers. This leads to new crises as the country is viewed as being a bad investment and at risk of bankruptcy. Investors are not willing to buy sovereign bonds because of social, political, and fiscal issues, and ultimately makes borrowing more expensive. This in turn leads to more debt. More debt means countries must spend more of its budget to pay down debts and cannot invest in infrastructure, education or R&D for new products and industries. This again reinforces problems in southern countries: a lack of competitiveness, increasing debt, poor investment choices, short-term thinking, energy dependence, and a lack of European representation, influence, and identity.

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