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How Europe's Political Leaders Made Sense of the Euro Crisis: The Influence of Pressure and Personality

FEMKE VAN ESCH and MARIJ SWINKELS

The Greek announcement of its excessive debts led to one of the most severe crises the EU has faced since its inception. The crisis soon evolved into a full leadership crisis as European political leaders struggled to come up with a common solution to the challenges they faced. Theories of leadership and crisis management identify several factors that may contribute to these differences. This article examines to what extent leaders' personal traits and external pressure influenced how six political leaders made sense of the situation. The study finds that a leader's belief that they can control events, their self-confidence, as well as economic pressure provide a partial explanation of how European leaders make sense of the crisis. The traits of cognitive complexity and openness to information do not exert an influence in the cases discussed here. These findings indicate that any comprehensive understanding of how leaders make sense of crises should take note of specific individual as well as contextual factors.

In November 2009, the new Greek Socialist Prime Minister George Papandreou announced that the Greek public deficit would border on 12.7 per cent rather than the 6 per cent of GDP communicated by the previous government. Immediately, credit rating agencies downgraded the credit status of Greece. This was the start of what evolved into one of the most urgent crises Europe has ever faced. The economic crisis soon developed into an EU-wide leadership crisis as its leaders differed substantially in their diagnosis of the problems and proper solutions to the crisis.

Theories of crisis leadership identify several factors that may contribute to differences in sense-making. A leader's institutional context and the pressure they are under may affect their ability to identify and understand the proper nature of a crisis. Moreover, effective sense-making may also be dependent on leaders' personal capacities and traits (Ansell *et al.* 2010: 204; Hermann 1980;

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Kaarbo 1997; Post 2003; Sundelius 2009; Walker *et al.* 1999). Irrespective of the context, one may easily imagine that a contemplative leader like Angela Merkel will respond very differently to a crisis situation than the headstrong Silvio Berlusconi.

In this article, we examine the hypothesis that incorporating political leaders' personality traits will increase our understanding of the way European leaders made sense of the Euro crisis. To do this, an 'at-a-distance assessment' of six European heads of state and government dealing with different levels of economic pressure is undertaken: the Dutch Prime Minister (PM) Jan Peter Balkenende, the Belgian PM Yves Leterme, the German Chancellor Angela Merkel, the Greek PM Andreas Papandreu, the French President Nicolas Sarkozy and the Spanish PM José Luis Rodríguez Zapatero.

The article starts by conceptualising the leadership task of crisis sense-making. We then introduce the theoretical framework and derive the hypotheses that will be tested. Subsequently, the methodological section elaborates on the selection of the cases and methods used to establish the main variables. The final section presents the results of the study.

Sense-Making in the European Context

'Why didn't we see this coming?' is one of the most salient questions in times of crisis (Boin *et al.* 2005). This question is central to crisis sense-making, a key leadership task in the first phase of crisis management in which leaders identify a crisis as such, and contemplate its nature and causes. The concept 'sense-making' stems from organisational theory and involves the interpretation of circumstances into a story that is understandable for all parties involved (Weick *et al.* 2005). In crisis management literature, sense-making is the first, and most pivotal, phase of the management of crises (Boin *et al.* 2005). It is the phase when leaders question, consider and label events, and make sure that 'they get a firm grasp on what is going on and what might happen next' (Boin *et al.* 2005: 140; Sundelius 2009: 324).

Crises 'create a high sense of uncertainty and urgency to core values and structures', but often do not start off with a big bang (Boin *et al.* 2005: 2). The onset of a crisis often is accompanied by vague, incremental and ambiguous signals, which makes diagnosing it a confusing, contested and time-pressured task (Boin *et al.* 2005; Boin *et al.* 2012; 't Hart and Tindall 2009; Hermann and Dayton 2009; Stern 1999). At the same time, sense-making is one of the core tasks of leadership in crisis management: in order to proceed to the decision-making stage, leaders first need to recognise a crisis.

Crisis sense-making in a European context is even harder. Firstly, assigning leadership responsibility is more difficult. As Kissinger already indicated in the early 1970s, the institutional rules and strong role of the member states in EU decision-making create a strongly fragmented governance structure. In this structure, many may claim leadership on various but equally reasonable grounds (Dayton *et al.* 2004). In fact, van Middelaar (2013) argues that this is

exactly the reason why the EU has been constructed this way: to make it impossible for 'one' leader to take charge. In addition, the European heads of state and government suffer from a 'dual hat' syndrome, having to handle their national and European responsibilities at the same time (Ansell *et al.* 2010). Finally, the fact that EU institutions were not designed for short-term crisis management leaves the EU essentially unequipped for crisis management (Ekengren and Groenleer 2006).

In case of a transboundary crisis like the Euro crisis, sense-making is even more difficult (Sundelius 2009). Crisis sense-making requires leaders to answer questions concerning the *threat* and *urgency* of the situation and provides answers while *uncertainty* reigns (Hermann and Dayton 2009; Holsti 1972). Moreover, during transboundary crises, *ownership* of the problems and responsibility for solutions are more disputed than in national crises. The transnational nature of the Euro crisis thus adds additional questions of *ownership* to the task of sense-making. In this study, we will therefore focus on leaders' sense-making in terms of the threat, urgency, uncertainty and ownership of the Euro crisis.

The Personality of Sense-Making

Researchers of foreign policy-making have long argued that, in addition to contextual and institutional factors, leaders' personal dispositions may exert a significant mediating effect between the crises leaders face and the decisions they make (Greenstein 1967). Leaders' personalities affect their leadership style, how they make sense of the world and thereby the decisions they take: they determine whether leaders are inclined to seek advice or information, change their minds, and even whether they are likely to use their powers (Dyson 2006; Hermann 1980; Hermann and Dayton 2009; Kaarbo 1997; Kaarbo and Hermann 1998; Schafer 2000; Thies 2004). Incorporating both contextual and personal factors may therefore help increase our understanding of how crises are managed.

Studies of leadership traits often concern the foreign policy domain; however, more and more political economists are incorporating the idea of contextualised leadership into their analyses. Moreover, rather than asking the basic question of whether personality matters, the state of the art has advanced to the more intricate and interesting question of how, when and to what extent personality matters (Thies 2004, 2009; van Esch 2015; cf. Greenstein 1967; Schafer 2000). Thies (2004, 2009), for instance, hypothesises that in addition to institutional features, the quality of leadership may influence the factual level of independence of central bankers' policy-making. More specifically, conceptually complex central bankers working within legally independent central banks are most capable of limiting inflation. In addition, van Esch (2015) finds that during the Euro crisis high levels of cognitive complexity and openness to information were conducive to belief change in political leaders. These changes fostered the convergence in worldviews needed for collective EU decision-making.

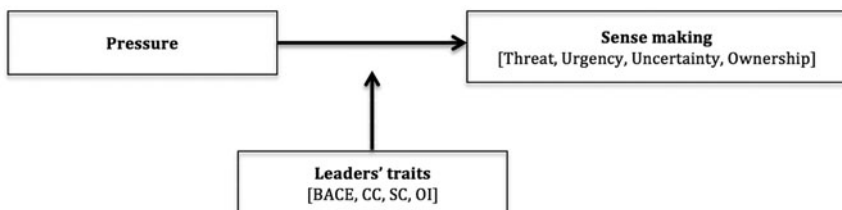
Of the many contextual factors, the one that dominated leaders' predicament during the Euro crisis surely was the economic pressure they faced: the exploding bond yields, insolvency threats and possible contagion of the entire EU. However, due to their different long-term economic performances, reputations and credit ratings, the pressures states faced differed widely. Theoretical models resting on the assumption that external economic pressure is the overarching determinant of how leaders make sense of the world would lead to the hypothesis that *the greater the pressure leaders are under, the higher their perception of threat, urgency and uncertainty* (Lindgren 2003: 44–55; Stern 1999: 80). Moreover, assuming rationality of markets, the poorer its economic fundamentals, *the more pressure a state will be under and the more it will be perceived to be responsible for causing the crisis*. At the same time, *the greater the pressure, the less a leader will be able to contribute to the solution of the crisis*.

In leadership and crisis management studies, however, several personality traits have been identified that may exert an intervening effect between pressure and how leaders make sense of the crisis (see Figure 1). One framework to examine personality traits of political leaders is the Leadership Trait Analysis (LTA) developed by Margaret Hermann (1980, 2002). LTA distinguishes seven traits: belief in the ability to control events (BACE), need for power (PWR), conceptual complexity (CC), self-confidence (SC), in-group bias (IGB), task-relation focus (TASK) and distrust of others (DIS). The traits are established using an at-a-distance assessment tool that automatically codes for words or phrases that correspond to the traits. Due to the fully automated process of coding, the procedure is highly reliable.

In this article, we explore the effects of three traits: BACE, SC and CC. In addition, we explore the effect of leaders' openness to information (OI), a trait that is informed by specific combinations of leaders' scores on CC and SC. In the literature, these traits are most frequently associated with crisis sense-making (Ansell *et al.* 2010; Boin *et al.* 2005; Hermann 1980; Kaarbo 1997; Post 2003; Sundelius 2009: 325; Walker *et al.* 1999). As indicated previously, the task of sense-making is divided into four key aspects of crisis sense-making: leaders' sense of threat, urgency, uncertainty and ownership (see Figure 1).

The belief in one's ability to control events refers to the extent leaders believe they have control over external events, and can influence what happens

FIGURE 1
THE INTERVENING EFFECT OF PERSONAL TRAITS ON THE SENSE-MAKING PROCESS



(Boin *et al.* 2010; Hermann 2002). The stronger this belief, the more likely it is that they will place themselves at the heart of decision-making during crises. As leaders with a high BACE are convinced that they 'know what should happen' (Hermann 2002), to refrain from intervening implies an increased chance that things will go wrong (Boin *et al.* 2010; Hermann 2002). Conversely, leaders with low scores on this trait will react more reticently to a crisis. They are more likely to wait and see how the situation evolves, involve others and let them take the initiative rather than jumping into action themselves (Hermann 2002). In other words, *the higher a leader's belief in their ability to control events, the lower their sense of threat and uncertainty and the more they will claim a role for themselves in the resolution of the crisis* (cf. Dyson 2006).

Conceptual complexity refers to the intricacies of the cognitive structure of leaders' belief systems. Conceptually complex individuals distinguish a wider variety of beliefs and more relationships between those beliefs. Moreover, the categorisations they use are more diversified, integrative and ambiguous. In contrast, conceptually less complex individuals distinguish fewer beliefs and fewer connections between beliefs. In addition, the classifications and frames they use are more unequivocal and they are more likely to make judgements based on the consideration of few alternatives (Kaarbo 1997; Kaarbo and Hermann 1998; Suedfeld *et al.* 2003; Thies 2009). Since in times of crisis leaders need to process a vast amount of information in a short period of time, high cognitive complexity could cause uncertainty. While the more dichotomous ideas of less conceptually complex leaders may lead them to make objectively deficient decisions, they may decide more swiftly and actually have a greater sense of certainty about their judgements.¹ We therefore hypothesise that *the higher a leader's cognitive complexity, the more uncertain they are about identifying the nature of and possible solutions to a crisis*.

The third trait, self-confidence, refers to leaders' feelings of self-importance, sense of self and purpose. When leaders score low on this trait, they tend to look for information from their environment without a clear pre-existing sense of what they are after. By contrast, leaders with high scores on self-confidence have a strong sense of self-importance and confidence in their own stature and ability to cope with people and events (Hermann 1980: 20). As a result, they rely on their own worldviews and are less threatened by external events or rival opinions. They are more determined and trust their own instincts. This leads us to expect that *the higher a leader's self-confidence, the lower their threat perception and the less they blame themselves for the crisis*. Moreover, *the higher their self-confidence, the more confident they are in their own ability to solve the crisis and the more likely they are to seek to play a role in solving it*.

Finally, previous studies have shown that, in combination, leaders' conceptual complexity and self-confidence determine their openness to information (Hermann 1980, 2002; Kaarbo and Hermann 1998). Leaders who score higher on conceptual complexity than on self-confidence are inclined to see more sides to a story, are less secure in their convictions and therefore are relatively open to information. Conversely, if leaders are less conceptually complex but

have strong confidence in their own views, they are more closed to information (Kaarbo and Hermann 1998). High scores on both traits lead to openness to information, while low scores on both CC and SC lead to more closed-mindedness (Hermann 2002; see Table 1).

Openness to information is associated most directly with a leader's sense of uncertainty: the amount of conflicting information and interpretations that accompany a crisis is likely to cause confusion in leaders who are open to it. As a result, we expect that *the more open to information they are, the higher will be a leader's uncertainty about the causes, nature and proper solution to the crisis.*

In sum, the following hypotheses will be examined:

Economic Pressure:

- The more pressure leaders are under, the higher their perception of threat, urgency and uncertainty.
- The more pressure leaders are under, the more they are perceived to be responsible for causing the crisis.
- The more pressure leaders are under, the less they can contribute to the solution of the crisis.

Belief in the Ability to Control Events:

- The higher a leader's BACE, the lower their sense of threat and uncertainty, and the more they will claim a role for themselves in the resolution of the crisis.

Cognitive Complexity:

- The higher a leader's CC, the more uncertain they are in identifying the nature of and possible solutions to the crisis.

Self-Confidence:

- The higher a leader's SC, the lower their threat perception, and the less they blame themselves for the crisis.

TABLE 1
OPENNESS TO INFORMATION

Scores on self-confidence and conceptual complexity	Openness to information
CC > SC	Open
SC > CC	Closed
CC = SC both high	Open
CC = SC both low	Closed

Openness to Information:

- The more their OI, the higher a leader's uncertainty about the causes, nature and proper solution to the crisis.

Methods

To examine the empirical value of these hypotheses, this article focuses on the case of the Euro crisis. This crisis provides a highly relevant case and is urgent enough to expect leaders to be affected. As such, it contains the necessary conditions to test our hypotheses. As sense-making is one of the first stages of crisis management, this study focuses on the period from the Greek announcements in November 2009 until the decision by the European Council to set up an emergency fund in May 2010.

We have chosen to focus on six heads of state or government, as much of the crisis management was centralised in their hands. Case comparisons of these leaders allow us to examine the effects of personality on sense-making. The six European leaders are: the Dutch PM Balkenende, the Belgian PM Leterme, the German Chancellor Merkel, the Greek PM Papandreou, the French President Sarkozy and the Spanish PM Zapatero.

TABLE 2
CASES RANGING FROM HIGH TO LOW PRESSURE

Pressure	Size	
	Small	Big
High	1. Greece	2. Spain
Medium	3. Belgium	4. France
Low	5. The Netherlands	6. Germany

These leaders were chosen because they differ widely in the economic pressure their countries faced during the crisis. The selection therefore allows us to scrutinise the model of contextualised leadership introduced above. As indicated, we are concerned predominantly with the economic pressures leaders were under as a result of real and perceived problems with national economic fundamentals, like public and private debts and deficits and unemployment that resulted in pressures from financial markets and peers to revise economic policies. Few Eurozone states were able to live up to the European Economic and Monetary Union (EMU) requirements of a maximum public debt of 60 per cent and deficit of 3 per cent of GDP during the crisis. However, due to their different long-term economic performances, reputations and credit ratings, the pressures they faced differed widely and forced some leaders to seek financial assistance (Greece, Spain) while other states with problems did not (Belgium, France), and still others became regarded as safe havens and even saw their bond yields decline (Netherlands, Germany). In addition, larger member states

(Germany, France, Spain) enjoy more leverage to resist pressures to adapt their policies or to negotiate more favourable conditions for financial support than small states.² On the basis of this, we ranked leaders from highly pressured (Papandreou) to hardly pressured (Merkel) (see Table 2).³

Measuring Leaders' Personality Traits

To establish their personality traits, ideally, we would bring the leaders under study into a controlled laboratory environment. However, since we are dealing with high-level political figures this 'method is highly unfeasible' (Young and Schafer 1998: 67). Instead, in this study, an 'at-a-distance' technique for assessing leaders' personalities was used. Such studies rely on the premise that thought processes are reflected in leaders' spoken or written communications (Suedfeld *et al.* 2003: 246; Thies 2009: 453). The Leadership Trait Analysis we use is based on the assumption that frequent use of certain words and phrases indicate the presence of certain personality traits. The technique essentially consists of an automatic content analysis of leaders' spontaneous speech acts based on extensive coding schemes.

The scores that emerge from the LTA indicate the percentage of text (ranging from 0 to 1) representative of a high or low score on a particular trait. The scores of the leaders in this study are compared to the mean results of a dataset of 53 West European leaders which has been analysed with the same software and coding scheme (see Table 3; Derksen 2012).⁴ When a leader's score is more than one standard deviation (SD) higher or lower than average, the leader is classified respectively as high or low on that trait. To establish the traits, we followed the manual developed by Hermann (2002) and collected a minimum of 50 unprepared interview responses for each leader of between 100 and 250 words that varied in terms of topic and audience.⁵ Although several scholars have criticised the LTA framework, several studies have indicated its validity and relevance for understanding decision-making (Dyson 2008; Schafer 2000; Thies 2009). Moreover, previous studies show that individual LTA scores generally are relatively stable over time and context. However, the scores of some specific leaders appear to be more variable (Dyson 2008). To increase the validity of the study, the majority of responses therefore date from the years in the run-up to and during the crisis.

Unravelling Sense-Making from a Distance

To determine the nature of leaders' crisis sense-making, a qualitative analysis was conducted of two to four key public speeches dealing with the Euro crisis per leader. As sense-making is not principally a private or individual process, the use of public sources should not endanger the validity of this study and makes analysis of recent crises possible. Moreover, previous studies have shown that the patterns of ideas found in public assertions generally are in line with those found in private sources (Marfleet 2000; Renshon 2009).

To further enhance the reliability of our findings, a coding tree was constructed which included the four main concepts of crisis identified in the literature: threat, urgency, uncertainty and ownership (cf. Hermann *et al.* 2008). Secondly, all speeches were analysed in conjunction by the authors using the qualitative analysis software NVivo and discussed until agreement on the categorisation of statements was reached. In addition, as a final check of our interpretation of leaders' sense-making, the qualitative analysis was compared to the percentage of the texts assigned to each category. Finally, the qualitative analysis was conducted prior to the final calculation of the LTA outcomes (Seale and Silverman 1997).

Personality and Pressure: Expectations

The six leaders under study differ widely in their belief that they can control events (BACE). Balkenende and especially Papandreou have a high score of more than one SD above average (see Tables 3 and 4), which means they would be expected to have a low sense of threat and uncertainty, and see a distinct role for themselves in the resolution of the crisis. Leterme, Sarkozy, Zapatero and Merkel have an average BACE and are thus likely to have a medium sense of threat and uncertainty, and see a prominent role for themselves and others in the resolution of the crisis (see Table 5).

Moreover, Balkenende, Leterme, Merkel and Papandreou score highly on cognitive complexity (see Figure 2, vertical axis). This means that they are expected to be relatively uncertain, and ambiguous in their sense of ownership. Sarkozy and Zapatero have an average score on cognitive complexity, and are

TABLE 3
LTA NORMS FOR WEST EUROPEAN LEADERS

Trait	Mean	Standard deviation
Belief in ability to control events	0.33	0.07
Conceptual complexity	0.57	0.06
Self-confidence	0.32	0.13

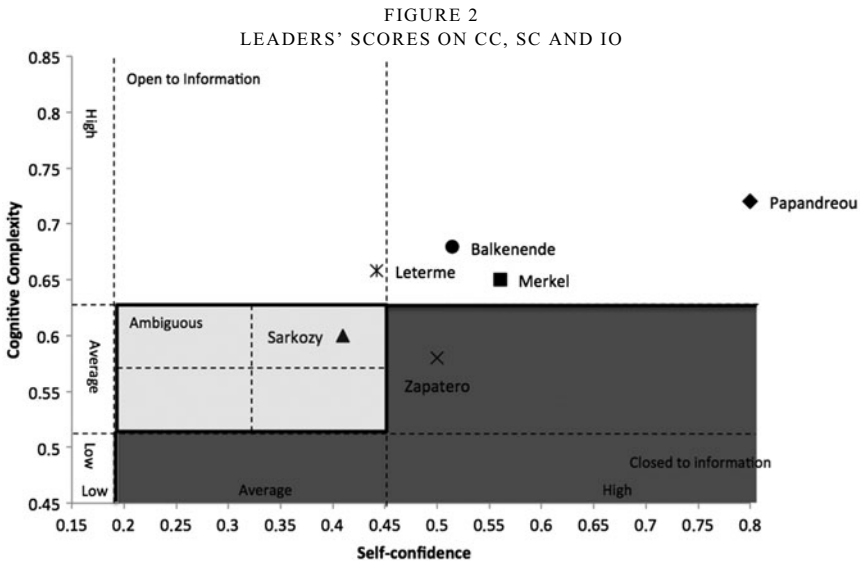
Source: Derksen (2012).

TABLE 4
LEADERS' SCORE ON BACE

BACE	Score	Category
Balkenende	0.40	High
Leterme	0.32	Average
Merkel	0.27	Average
Papandreou	0.45	High
Sarkozy	0.39	Average
Zapatero	0.39	Average

expected to be less uncertain and clear in their perception of responsibility for the crisis.

In addition, Balkenende, Merkel, Papandreou and Zapatero score highly on self-confidence (see Figure 2, horizontal axis). This leads to the expectation that they have a low threat perception and self-blame for the crisis, but do perceive their nation as a key player in the resolution of the crisis. Leterme and Sarkozy have an average level of self-confidence and are therefore likely to have a higher threat perception and acknowledgement of their role in the outbreak of the crisis. However, they are less likely to take on a strong role in solving the crisis (see Table 5).



Notes: Dark shaded area = closed to information; light shaded area = ambiguous; unshaded area = open to information.

Finally, Balkenende, Leterme, Merkel and Papandreou are open to information (Figure 2, unshaded area). This means that they are expected to have a higher sense of urgency and uncertainty. Sarkozy, whose openness to information is indeterminate (Figure 2, light shaded area), will score lower on these characteristics. Zapatero is classified as closed to information and will therefore have the lowest sense of urgency and uncertainty (Figure 2, dark shaded area). In order to scrutinise the idea that leaders' sense-making is steered by their personality, these expectations are juxtaposed with the expected patterns of sense-making based on the pressure leaders were under as discussed above (see Table 5).

TABLE 5
EXPECTED EFFECTS OF PRESSURE AND PERSONALITY ON SENSE-MAKING

Leader	Pressure						BACE			SC			CC		OI	
	1. Threat	2. Urgency	3. Uncertainty	4. Ownership of Resolution	5. Ownership of Cause	6. Threat	7. Uncertainty	8. Ownership of Resolution	9. Threat	10. Ownership of Cause	11. Ownership of Resolution	12. Uncertainty	13. Uncertainty	14. Urgency		
Balkenende	Low	Low	Low	Other	Self	Low	Low	Self	Low	Shared/Other	Self	High	High	High		
Leterme	Med	Med	Med	Self/Shared	Shared/Self	Med	Med	Shared	Med	Shared/Self	Shared/Other	High	High	High		
Merkel	Very Low	Very Low	Very Low	Other	Self	Med	Med	Shared	Low	Shared/Other	Self	High	High	High		
Papandreou	Very High	Very High	Very High	Highly Self	Shared/Other	Low	Low	Self	Low	Shared/Other	Self	High	High	High		
Sarkozy	Med	Med	Med	Shared/Self	Shared/Self	Med	Med	Shared	Med	Shared/Self	Shared/Other	Low	Med	Med		
Zapatero	High	High	High	Self	Shared/Other	Med	Med	Shared	Low	Shared/Other	Self	Low	Low	Low		

One Day It Will All Make Sense

In this section, an overview is provided of leaders' sense-making in the first months of the crisis in terms of their sense of threat, urgency, uncertainty and ownership. The outcomes are summarised in Table 6.

Balkenende

The Dutch PM Balkenende does not perceive the first months of the Euro crisis as very *threatening*. In fact, he devotes few words to the issue, fewer than any other leader in this study. In his view, the crisis poses the biggest threat to businesses and taxpayers who need to make every effort to weather the storm (Balkende 2010a). In April 2010, however, Balkenende starts to argue that the worst is over and Europe can emerge stronger from the crisis. Balkenende's low threat perception is in line with his low sense of *urgency* (see Table 6). In his speeches, he advocates only very general measures like strengthening civil society and feels above all that 'a fundamental change is needed in the global financial system, but also a moral turnaround in the way people think and behave' (Balkenende 2009). More importantly, Balkenende takes a long-term perspective, talking about measures to be implemented over a period of four years.

The Dutch PM has relatively clear ideas on what the crisis is about. The Euro crisis is a moral crisis of western culture caused by a disjunction between increased global economic integration and a weak international moral framework. As such, the crisis results from 'reckless behavior, motivated by pure self-interest, a fixation on profit, unhealthy incentives and the pursuit of short-term success' (Balkenende 2010c). He is less clear on how to resolve the crisis. He advocates a restoration of trust and morality and a return to healthy public finances, but remains unclear how to reach these goals (Balkenende 2010b). Nonetheless, the conclusion seems warranted that the Dutch PM ranks low in terms of *uncertainty*.

Finally, Balkenende addresses the issue of crisis *ownership* only a few times. When he does, he consistently argues that public, private, national, European and international actors are mutually responsible for the emergence of the crisis as well as its resolution. In his view, everyone bears some responsibility for the negative cultural tendencies in the financial sector that caused the crisis. Resolution of the crisis may therefore only be achieved internationally through the combined efforts of government, business and society. Or, as the PM argues: 'we have to restore the trinity of morality, the market and government at the international level' (Balkenende 2010c).

Leterme

Despite the fact that Belgium's public debt reached 100.2 per cent of GDP during the first year of the crisis, the Belgium PM Leterme displays a low sense of *threat* and *urgency* (see Table 6). He acknowledges that the European Union

TABLE 6
FINDINGS: EFFECTS OF PRESSURE AND PERSONALITY ON SENSE-MAKING

Leader	Pressure			BACE			SC		CC	OI				
	1. Threat	2. Urgency	3. Uncertainty	4. Ownership of Cause	5. Ownership of Resolution	6. Threat	7. Uncertainty	8. Ownership of Resolution		9. Threat	10. Ownership of Cause	11. Ownership of Resolution	12. Uncertainty	13. Uncertainty
Balkenende	Low	Med/ Low	Med/ Low	Shared	Shared	Low	Med Low	Shared	Low	Shared	Med Low	Med Low	Med Low	Med Low
Leternre	Low	Med/ Low	Med/ Low	-	Shared/ Self	Low	Med/ Low	Shared Self	Low	-	Shared Self	Med Low	Med Low	Med Low
Merkel	High	Med	Med/ Low	Other	Shared	High	Med Low	Shared	High	Other	Shared	Med Low	Med Low	Med
Papandreou	Med/ Low	Med	Low	Shared/ Other	Self	Med Low	Low	Self	Med Low	Shared Other	Self	Low	Low	Med
Sarkozy	Med	Med	Low	-	Self	Med	Low	Self	Med	-	Self	Low	Low	Med
Zapatero	High	Med/ Low	Med/ Low	-	Self/ Shared	High	Med/ Low	Self Shared	High	-	Self Shared	Med Low	Med Low	Med Low

Notes: ■ = corresponds to expectations; - = issue not addressed.

has been hit hard and Belgium was affected, but declares that ‘most of our citizens still enjoy ... the modest miracle of a normal life’ (Leterme 2010b). In fact, in his eyes, many EU countries are weathering this crisis without too much hardship for their citizens.

In line with this, Leterme’s sense of *urgency* is low. Unlike other leaders, Leterme does not make a clear distinction between the Euro and banking crises and focuses on the latter. Only in July 2010 does he start discussing the Eurozone’s problems with public deficits, economic growth and lack of competitiveness. At that time, he declares that the EU ‘needs economic governance more than ever’. However, he continues to discuss the EU 2020 strategy, a long-term measure not principally designed for the problems at hand.

As for the Euro crisis, the Belgian PM is very clear that its roots lay in the financial crisis: ‘after saving our banks, we had to confront the loss of confidence that led to an economic recession. Now we are grappling with the third wave of the crisis, the loss of jobs and rising unemployment’ (Leterme 2010b). When in July his focus turns to the problems of the Eurozone, Leterme also puts the fault on the fundamentals of EMU and notes: ‘a monetary union without any real economic coordination is wobbly’ (Leterme 2010c). With regard to the solutions, Leterme is ambiguous. In his eyes, financial market regulation and public finances should be improved and economic growth and social cohesion increased, but he does not clarify how these goals should be achieved beyond a reference to political will and leadership, and the EU 2020 strategy. All in all, the Belgium PM scores medium to low on *uncertainty*.

Regarding the *ownership* of the crisis, Leterme does not attribute responsibility for the outbreak of the crisis to any actor or nation in particular but only vaguely points in the direction of ‘globalisation’. However, he does voice the need for a shared international solution. In his eyes, ‘political leaders need to assume their responsibility, nationally and collectively to maintain and create the momentum for change for the good’ (Leterme 2010a). In addition, the Belgian PM also occasionally calls upon Belgium itself to take charge.

*Merkel*⁶

Of the leaders under study, Chancellor Merkel is most aware of the *threat* the Euro crisis poses and the least confident that a solution is imminent. She notes Germany is doing slightly better than other countries (Merkel 2010c), but ‘a negative economic growth in the amount of 5 per cent is something that the Federal Republic of Germany has not yet seen’ (Merkel 2010b). Moreover, she is ‘firmly convinced that ... we are going through a period that will leave its mark for a long time to come’ (Merkel 2010b), and warns that although ‘we want to emerge stronger from this crisis’, that cannot be taken for granted (Merkel 2010c). This does not mean that the Chancellor wants to act hastily. While she stresses the need for change, the time frame remains unclear. When advocating sound fiscal policy and other reforms, she seems to aim at the medium term. This suggests an average sense of *urgency* (see Table 6).

As for the nature of the crisis, it is clear that Merkel worries about the instability of the euro, the unity of the Eurozone and interprets the Euro crisis predominantly as a sovereign debt crisis. In addition, she relates the crisis directly to the financial crisis:

What we have experienced in the last three years is a series of crises: first a collapse of the banks, which has necessitated government intervention; then a slump in the world economy, in turn, has made government intervention in the form of economic stimulus programmes necessary; finally the indebtedness of states. (Merkel 2010c)

However, this does not cover the 'full scope of the factors that triggered the international financial and economic crisis' (Merkel 2010a). She remains unclear, however, on the nature of those other triggers. With regard to the resolution of the crisis, Merkel advocates the strengthening of the Stability and Growth Pact (Merkel 2010c). In addition, she outlines abstract policy goals like increased competitiveness, social market economy and 'investing in the future' (Merkel 2010a, 2010c), and explicitly calls for more expertise and information to help steer the way out of the crisis. All in all, her sense of *uncertainty* is average to low in comparison to other leaders.

As to the *ownership* of the crisis, the Chancellor refers once to the role of Greece in the emergence of the crisis, but refrains from discussing explicitly who is responsible for the crisis. She does, however, speak out clearly for the need to find a common solution. In her eyes, EMU as well as economic policy-making in general are issues that 'no country can handle on its own' and resolution of the crisis must rest on international solidarity and support of EU institutions and Germany for the Greek efforts to solve their problems (Merkel 2010b).

Papandreou

Of all leaders Papandreou speaks most elaborately about the crisis. This does not mean, however, that his sense of *urgency* and *threat* is very high (see Table 6). The main *threat* he identifies is the rise cost of borrowing, 'which undermines the growth potential of our economies' (Papandreou 2010a). As these problems may spill over into other countries, they may be equally at risk (Papandreou 2010b). In addition, the Greek leader is remarkably optimistic about the possibility of resolving the crisis. He outlines the positive effects of the Greek budgetary measures and international support and declares that 'we know we have the strength and potential to deal with it. The message is very clear: Yes, we can' (Papandreou 2010b). In fact, in his eyes the crisis constitutes 'an opportunity for change ... for making this world a better world' (Papandreou 2010a).

In line with this optimistic tone, Papandreou has a mild sense of *urgency* and outlines the need for change without referring to any time frame (Papandreou

2010a). In fact, he places the need for change in a party political rather than a crisis-induced framework, identifying himself as a ‘progressive’ leader who was ‘voted in ... on a mandate of change’ (Papandreou 2010a). In line with this he not only proposes to ‘re-evaluate financial tools, attack speculation, or rethink the role and accountability of credit-rating agencies’, but also perceives the crisis as a window of opportunity to foster action on climate change, increase social security and fight corruption (Papandreou 2010a, 2010b).

In addition, Papandreou voices several clear and consistent ideas on the nature and proper solution to the crisis and does not seem to be daunted by the complexities of the situation. In his eyes, the Euro crisis is directly linked to the inadequate regulation of the financial system and lack of credibility brought to light by the financial crisis. The Greek situation is just a ‘small fire’ in the context of these global problems. Moreover, in his mind the problems are political rather than technical or financial and touch upon issues like good governance, transparency and equality. To restore trust, financial stability and equality and to stop global warming the Prime Minister outlines detailed budgetary and environmental measures and advocates domestic institutional changes (Papandreou 2010b). This leads to the conclusion that Papandreou’s sense of *uncertainty* is low.

Finally, Papandreou devotes many words to the *ownership* of the crisis and its solution. As for the causes of the crisis, Papandreou presents a mixed perspective, concluding firstly that ‘in Greece, our problem is our problem, our responsibility’ and blaming the previous ‘reckless’ conservative Greek government (Papandreou 2010a). Overall, he sees the crisis as a collective problem and holds others – credit-rating agencies and hedge funds – accountable for the problems. As for the solution to the crisis, Papandreou predominantly focuses on measures to be taken by Greece itself, but argues that ultimately the problems can only be solved internationally by unified action of ‘progressive European leaders’ that ‘know how to deal with the market in a much better way than the conservatives’ (Papandreou 2010a). However, he never explicitly calls for more European unity or cooperation as other leaders do.

Sarkozy

The French President experiences a moderate level of *threat* (see Table 6). Sarkozy feels the crisis has a strong impact but emphasises that other countries have bigger problems. He notes for example that for ‘our German friends, it is very simple, the recession is two times higher than in France’ and Spain and Britain have higher levels of unemployment (Sarkozy 2009). In mid-2010, the President does note that the ‘Euro area is experiencing the worst crisis in its history’, but trusts that a resolution will be found and feels that the ‘measures we have taken have been effective’ (Sarkozy 2010b). However, he states that ‘we must now return to the path of the balancing of our public finances’ (Sarkozy 2010a, 2010b). Sarkozy also does not perceive the situation as *urgent*. In December 2009 he notes that ‘the crisis can be an encouragement to

pursue reforms', while in January 2010 he states that 'we cannot look at world in the same way' as we did 'before the crisis'. However, he does not specify any time frame for reforms to take place.

Most of Sarkozy's assertions concern his sense of *uncertainty* about the nature, cause and solution to the crisis. He distinguishes between the financial and Eurozone crisis as early as December 2009, but feels both crises are the result of 'the denaturing of capitalism' and a 'loss of the values and references that have always been the foundation of capitalism' (Sarkozy 2010a). The roots of the Euro crisis thus lie in the international 'imbalances in the world economy which fed the growth of global finance' (Sarkozy 2010a). Moreover, Sarkozy acknowledges that France's budgetary policies are causing problems. With regard to resolving the crisis, the President advocates restoring the 'moral dimension' of capitalism, the 'reform of our systems of social protection' and cleaning up 'our public finances' (Sarkozy 2010a). Moreover, in all of his speeches he outlines very specific crisis measures like '34,000 civil service jobs will continue to be cut on average each year' (Sarkozy 2010b). Overall, the President thus seems to experience a medium sense of uncertainty.

Sarkozy's statements with regard to *scope of ownership* are limited to the resolution of the crisis and he clearly identifies a key role for France in this. He outlines France's efforts to solve the Euro crisis extensively and argues that 'without government action' the situation would have been worse (Sarkozy 2010b; and see 2009). In addition, he stresses the need for a more unified approach to crisis management (Sarkozy 2010a). However, overall Sarkozy is very self-oriented when it comes to finding a solution to the crisis.

Zapatero

The Spanish leader Zapatero seems to experience the crisis as relatively *threatening* (see Table 6). On the one hand, he stresses the serious consequences of the crisis, like the 'severe contraction of European GDP', the 'intense increase in unemployment' and 'excessive debt' (Zapatero 2010b). However, he also feels Spain 'is in the position to make the necessary efforts to control the public debt' (Zapatero 2010a). He seems to be continuously balancing between optimism and a strong sense of threat, stating for instance that 'although we are on the verge of recovery, before our eyes we have all the damage wrought by the crisis' (Zapatero 2010a). At the same time, Zapatero only experiences a mild sense of *urgency*. On several counts he stresses the need for an urgent response, but proposes measures to be implemented in the 'four years to come' or 'in the medium term' (Zapatero 2010a).

As for the nature of the crisis, the Spanish leader does not make a distinction between the financial and the Euro crisis, and speaks of problems in the banking sector and economic fundamentals in the Eurozone in the same sentence. However, he is relatively clear on what he perceives to be the root of the problems: 'Along with unemployment', he identifies three causes: 'the extraordinary and deliberate public investment effort we have made to contain the recession ... the

no less extraordinary and deliberate effort made in the area of social expenditure' and 'the greater than expected drop in revenues' (Zapatero 2010a). With regard to the solution of the crisis, Zapatero only refers to the crisis measures already taken at the European level, like the Stability and Growth Pact, and the 2020 strategy for growth and employment. He adds few additional measures apart from the Spanish austerity plans already in place (Zapatero 2009). This leads us to believe that Zapatero faces medium to low *uncertainty*.

Zapatero does not explicitly hold anybody accountable for the crisis. The issue of *ownership* does, however, come up regularly when he talks about the resolution of the crisis. In his mind, a unified European and Spanish response is needed to resolve the crisis. These efforts should be coordinated, for, as Zapatero declares, 'there are no national paths. There are national contributions and efforts and duties at the heart of a single European path' (Zapatero 2010b). His statements, however, may have been affected by the fact that Spain held the Presidency of the Council during the first half of 2010.

Overview

The analysis shows that the threat perceptions of the European leaders under study varied wildly in the first six months of the Euro crisis (see Table 6). In contrast, all of them experienced only a medium to low level of urgency. At a conceptual level, this difference may indicate that – as crisis management theory suggests – threat and urgency are distinct qualities in the eyes of these leaders. In addition, the sense of uncertainty these six leaders experienced is also relatively low in light of the highly complex issues involved in the Euro crisis. Moreover, rather than delving into the roots of the crisis, leaders predominantly discussed possible resolutions and the role they and others must play in them. Finally, only half of the leaders voiced any thoughts on who was to blame for the crisis, and those that did varied widely in their diagnosis. At the same time all leaders saw some role for their own state in solving the crisis, but differed in whether they felt this should be shared with others.

Living Up to Expectations?

The analysis above uncovered several interesting similarities and differences in both leaders' personality traits and sense-making. However, the question remains as to what extent sense-making is influenced by leaders' personality traits and by economic pressure.

As is indicated by the shading in Table 6, our findings suggest that in itself the contextual factor, economic pressure, has only a mild and partial influence on leaders' sense-making of the Euro crisis. While no effect is seen on leaders' level of uncertainty or sense of ownership (columns 3–5), in half of the cases the leaders' sense of threat and urgency conform to the level of pressure they were under (Table 6, columns 1–2). However, in complete contrast to the expectations, the most pressured leader, Papandreou, had a low sense of threat

while the least pressured leader, Merkel, perceived the situation to be very threatening. These findings provide a first indication that there is more to the story of how leaders made sense of the Euro crisis than merely the economic pressure they were under.

Leaders' personality traits in themselves, however, also provide only a partial explanation. No evidence is found for the hypothesis that the higher their cognitive complexity or openness to information, the higher a leader's uncertainty or sense of urgency. Nor is there any evidence to suggest that self-confidence is positively related to leaders' sense of ownership of the crisis resolution (Table 6, columns 11–14).

Self-confidence and leaders' 'belief they can control events' do appear to have some influence on the nature of leaders' sense-making efforts. In three out of six cases the findings support the hypothesis that the higher a leader's BACE, the lower their sense of threat (Table 6, column 6). Moreover, in three cases the expectation rings true that the higher a leader's self-confidence, the lower their threat perception (column 9). Even more convincingly, in five out of six cases the findings suggest that the higher a leader's BACE, the lower their sense of uncertainty (column 7). In our study, BACE thus seems to provide a superior explanation for leaders' uncertainty perceptions than self-confidence. Finally, in all three cases where leaders made references to ownership of the cause of the crisis, the evidence supports the hypothesis that the higher a leader's self-confidence, the less they blame themselves for the crisis (column 10).

Remarkably, the patterns of sense-making displayed by the Greek PM Papandreou – who has the highest score on both BACE and SC – match all expectations regarding these traits (Table 6, columns 6–11). Moreover, so do the expectations concerning the effect of BACE on leaders' uncertainty perceptions and ownership resolution for the lowest scoring leader, Merkel (columns 7, 8). In addition, it is exactly in these extreme cases that we found no evidence that the pressure these leaders were under influenced their perception of the crisis. This suggests that especially in the case of leaders with an extreme personality in terms of BACE or self-confidence, the effects of personal traits may trump the effects of pressure on threat perception and sense of ownership.

Naturally, this study only contains a limited set of leaders making sense of one particular crisis. To determine whether the findings in this study represent broader patterns, more cases would need to be studied. Moreover, the operationalisation of pressure used in this study is quite narrow. Future research should include other contextual or institutional factors in order to capture the external drivers of sense-making more adequately. However, all in all, the conclusions of this study indicate that pressure, self-confidence and belief in their ability to control events may have significantly influenced leaders' sense-making of the Euro crisis. While BACE and self-confidence have a slightly higher explanatory value than pressure, each of the factors provides a partial explanation of only certain aspects of leaders' sense-making of the crisis. Pressure provides the best

explanation of leaders' sense of urgency, while high self-confidence makes leaders more likely to blame others for the problems. Finally, leaders with a high belief in their ability to control events are less likely to perceive crises as a threat or feel uncertainty, and they see a greater role for themselves in finding a solution to the crisis. All in all, this study suggests that any comprehensive understanding of how leaders make sense of a crisis should take note of both key contextual factors and specific individual personality traits, especially when dealing with leaders with strong personalities.

Disclosure Statement

No potential conflict of interest was reported by the authors.

Notes

1. Thies (2009) argues that highly cognitively complex leaders have better decision-making skills. Our hypotheses, however, are not concerned with the quality of the choices but with how leaders subjectively make sense of the world in situations where they have little time to rationally evaluate their options.
2. Voting power of a state in the EU Council of Ministers is largely determined by number of inhabitants.
3. As market pressure differed wildly between Eurozone and non-Eurozone countries we have limited our study to Eurozone countries. In addition, our selection was determined by the availability of sources in a language the authors have mastered.
4. For OI, see Table 1.
5. To collect the interview responses we conducted a random search of online media sources, governmental and leaders' personal websites and LexisNexis, all suitable fragments were included irrespective of the subject until enough were collected.
6. The quotes from Merkel 2010b, 2010b and Sarkozy 2009, 2010b were translated by the authors.

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