

Question 4. Take a “story”—this can either be an academic or journalistic account, and can come from either a single source or a composite—that explains some major event in international behavior (for example, the collapse of communism in Eastern Europe; the Asian currency crisis of 1997; the “clash of civilizations”). Identify two or more hypotheses or propositions embedded within this, and outline how you would go about systematically studying these. Your answer should include a discussion of how the study you have proposed satisfies the criteria (or at least some of them) of Gerring and King, Keohane & Verba.

### **Great Britain’s Adoption of the Euro**

One of the most debated political and economic issues in Great Britain today is whether or not Britain should join the rest of Europe and adopt the Euro as their currency. Currently 12 European States are participating in the common currency. Those countries include Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, The Netherlands, Austria, Portugal and Finland (Euro Essentials Participating Member States). Many questions have been raised about what would happen when and if Britain adopted the Euro as their currency. As the director of the Britain in Europe campaign, Simon Buckby makes his case that Britain should adopt the Euro (Buckby). His conclusions are based on the British government’s statement that their decision whether or not to adopt the Euro will be made based on the economic interest of Great Britain (Buckby). He presents two possible economic reasons for adopting the Euro and provides some research to back up his ideas. The first hypothesis embedded in his article is foreign investment in Britain will increase if the country adopts the Euro. His second hypothesis is trade between Britain and other European countries will improve if Britain adopts the single currency. Buckby believes the price of not adopting the Euro, or as he puts it “isolation”, is a far greater price to pay than to accept the Euro (Buckby). This essay will examine the hypotheses and provide a proposed research design for each hypothesis.

The first hypothesis to be studied is foreign investment in Britain will increase if the

country adopts the Euro. Foreign investment has been an important part of “Britain’s economic prosperity for a generation” (Buckby). Since the inception of the Euro as Europe’s single currency on January 1, 1999 Britain’s foreign investment has dropped from an average of 28.9 percent over the past 20 years to 16.7 percent in 2001 and an expected 5.1 percent in 2002 (Buckby). Buckby believes that not adopting the Euro has caused investors “to bear costs and uncertainty of currency volatility” which could be avoided by investing in countries that use their same currency.

The best research design for this case would be a cross-sectional case (Gerring 161). The unit of analysis would be European Union member states. The evidence would be across case because we would want to study the percent of foreign investment before and after each country adopted the Euro. The temporal score would be 1995 to the present. The population would be all European member states. The researcher would then compare the foreign percentage investment of members who have adopted the Euro with those who have not adopted the Euro, paying specific attention to Great Britain. This research design complies with Gerring’s goodness criteria in case selection of plentitude, validity, conceptualization, boundness, comparability, and replicability. Gerring’s general criteria of plentitude are evident in this case because there are enough countries using the Euro to compare with countries not using the Euro (165). Of the European member states, Denmark, Sweden and Great Britain have not adopted the Euro (EU at a glance). This research design would also meet Gerring’s concept criteria of validity because it would measure what the hypothesis is trying to prove, foreign investment percent (48). The hypothesis can be conceptualized because there are foreign investment percent data available before and after adoption of the Euro. The percentages are indicators of what will happen if

Britain adopts the Euro (Gerring 43), thus resulting in operationalization of the concept. In order for this study to meet the boundness criteria the researcher will want to focus on countries that would be more relevant than others (Gerring 173). For example, one might want to choose countries whose economy is similar to Britain's in regards to high foreign investment before 1 January 1999 and a strong currency before adoption of the Euro. Germany might be a good example of a relevant case. This research design is good example of a descriptive research design because the X variable, the adoption of the Euro, and the Y variable, foreign investment are defined the same across cases (Gerring 174). The results of this research design would be easily replicable (193). The data on foreign investment is factual data, which can easily be replicated by researching each individual country's percent of foreign investment. This replicability, along with plentitude, validity, conceptualization, boundness, and comparability would satisfy many criteria proposed by Gerring as good research design criteria.

The second hypothesis embedded in Buckby's article is that trade will increase if Britain adopts the Euro. For this hypothesis I will propose a cross sectional, time-series research design (Gerring 161). The case would include studies of Great Britain's trade over time, specifically shortly before and the after the inception of the Euro as a single currency. Then the study would look at other European countries' trade before and after adoption of the Euro. To be more specific the researcher would want to look at trade over time between countries that use the same currency versus trade between countries that use different currencies. The unit of analysis would be countries. Buckby presents preliminary evidence that Britain's trade with other European Union countries has fallen slightly since 1999, whereas Germany's has increased by 18%. Further study of other European Union countries, those that may or may not use the Euro, would

determine if his hypothesis were valid.

This research design follows King, Kohane, and Verba's goal of inference (7). We are inferring that Britain's, who does not use the Euro, trade has declined since the inception of the Euro, whereas other European countries have seen an increase in trade with countries who use the same currency since they adopted the Euro. The procedures of the research design are public (KKV 8). The data compared across countries is publicly available, explicit data. The conclusions of the research design are uncertain (KKV 8). The results can not be 100 percent certain because we will not know what would really happen if Britain adopts the Euro until they actually do and then we would see if trade would increase. Lastly this research design focuses on the method of the research design not the content (KKV 8). The content of the data is a key component of the study, but developing a valid method for obtaining this data is essential to a successful research design. This according to King, Keohane, and Verba are four characteristics of good scientific research.

Other criteria described by King, Keohane, and Verba are a causal mechanism, little or no selection bias, and more inferences than observations. The proposed research design has a causal mechanism (KKV 87). The hypothesis suggests that adopting the Euro will cause Britain's trade with other European Union member states to increase. Thus the casual mechanism is the X variable, adoption of the Euro, will cause the Y variable, an increase in trade, to occur. The hypothesis is determinate because we have more observations than inferences. We are inferring that trade will increase if Britain adopts the Euro. We can observe the trade patterns of all 15

European Union states, 12 of which have adopted the Euro, with other European states.

Therefore our research design is determinate and will give the research leverage because we have more observations than inferences (KKV 119). By including all European Union communities, the research design does not produce a bias. If we only used a few of the countries, it could be argued that the data collection was bias because of economic factors for or against our hypothesis. However time and money might limit the amount of information the researcher could gather, therefore to avoid selection bias a variety of countries should be chosen. Countries with similar and dissimilar economic characteristics should be included to avoid bias.

John Gerring, Gary King, Robert Keohane, and Sidney Verba have discussed many different criteria that specify good research design, some of which are present above. Research designs may not contain all the criteria these authors present as good criteria, however this does not make the research design bad. The method is much more important than the content; therefore as long as the focus is on the design the scientist will provide a successful analysis. The two hypotheses that Simon Buckby present in his article are valid and probably very important for the future of the British economy. In his eyes foreign investment and trade decline are a major cause of recent British economic difficulties (Buckby), which he believes are caused by Britain's "isolation" from the Euro. Is this "isolation" causing currency volatility and uncertainty for investments and trade with Great Britain (Buckby)? Further investigation of the single currency phenomena would be beneficial not only to Great Britain, but to all European member states. The states that currently use the Euro would benefit also because the results may lead to Britain's

adoption of the Euro and thus another country to invest in and share resources with. Also other countries that have not yet adopted the Euro may opt for adoption after this study has been completed.

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