



Completing a Genuine Economic and Monetary Union

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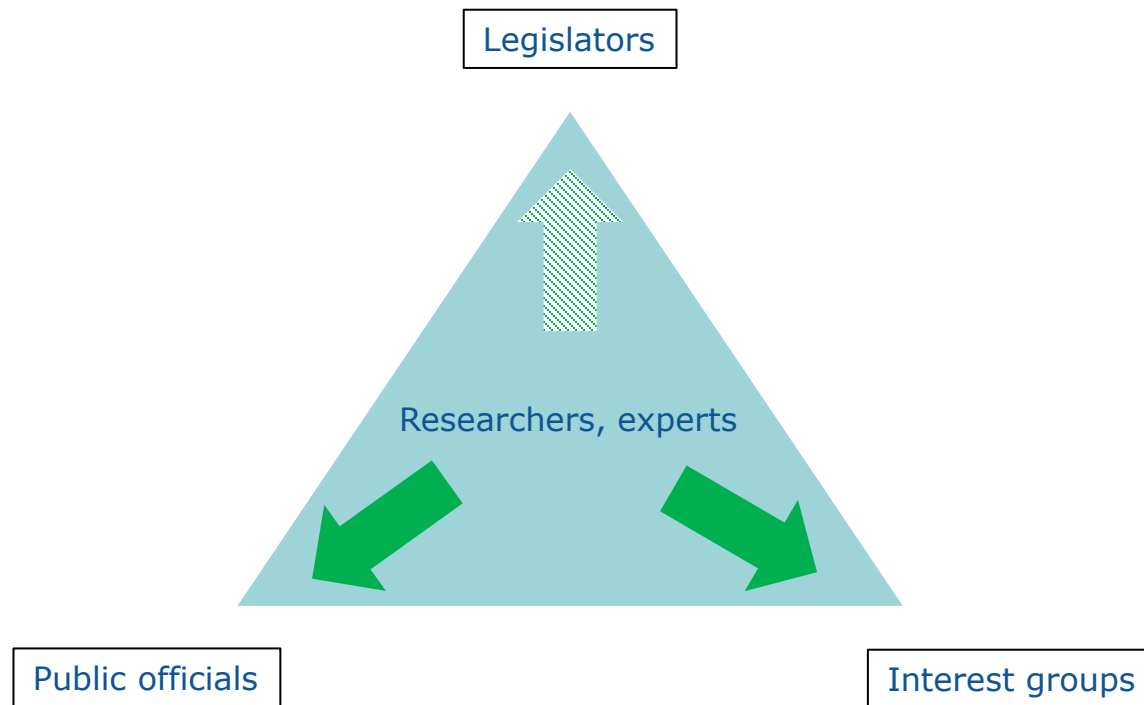
European Fiscal Board, European Commission

SUERF BAFFI Bocconi webinar

18 April 2023

- **Excellent and concise history of EMU**
- **Very clear exposition of optimal EMU**
- **Very structured discussion of the survey results**
- **Very frank assessment of the way forward**

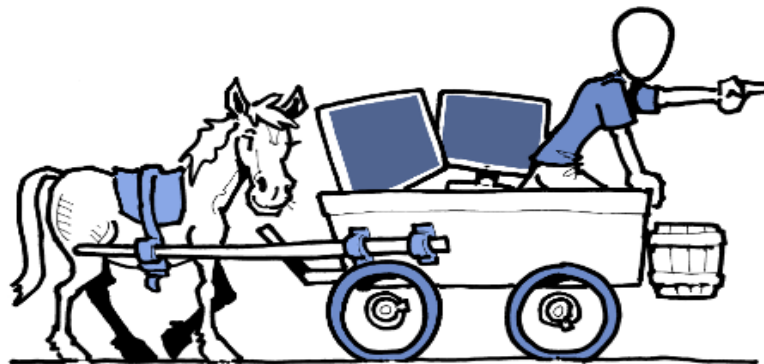
Book is centred on experts' views:
Clear strength but also Achilles' heel.



Advocacy Coalition framework of politics

Status quo: experts' view vs politics

- Gaps in EMU well known since inception
- Book rightly indicates: EMU built on political determination not conclusion that OCA conditions were satisfied
- Hope at the beginning: political leadership would eventually trigger economic and political process supporting progress towards OCA (dynamic OCA)
- Expectations only partially met



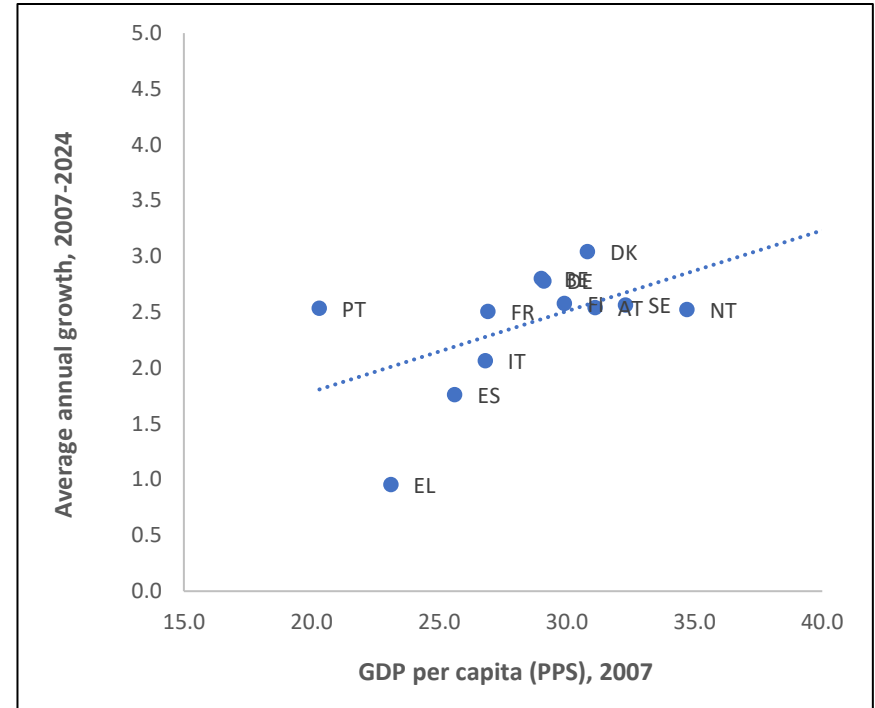
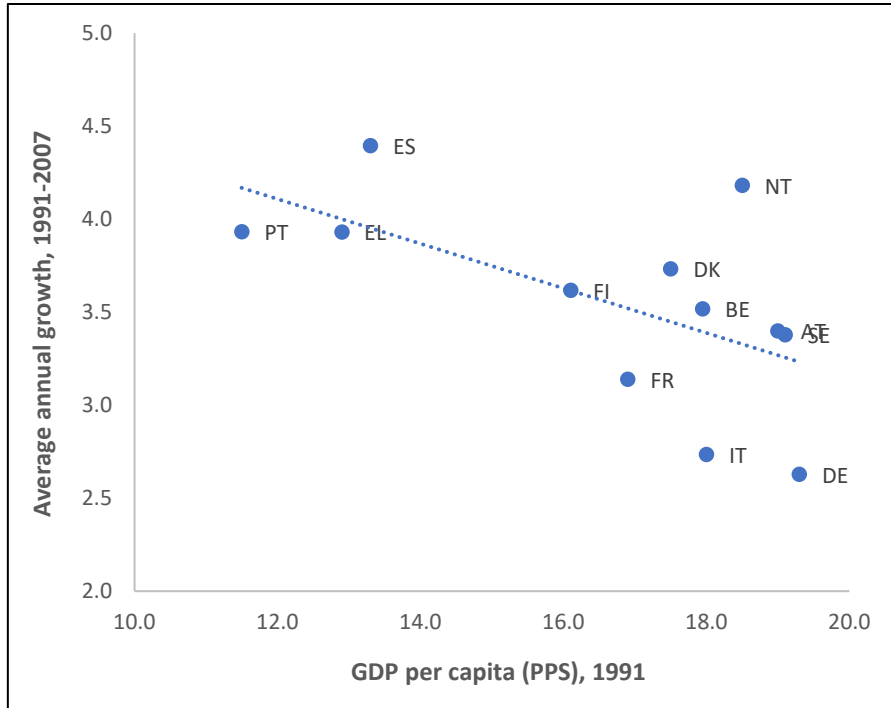
If, then, what has to be done to arrive at a genuine EMU is so well understood, the obvious question is why is it not happening?

(i) Europe's leaders have struggled to agree on the sequencing of reforms

(ii) Lack of trust (frequently associated with moral hazard)

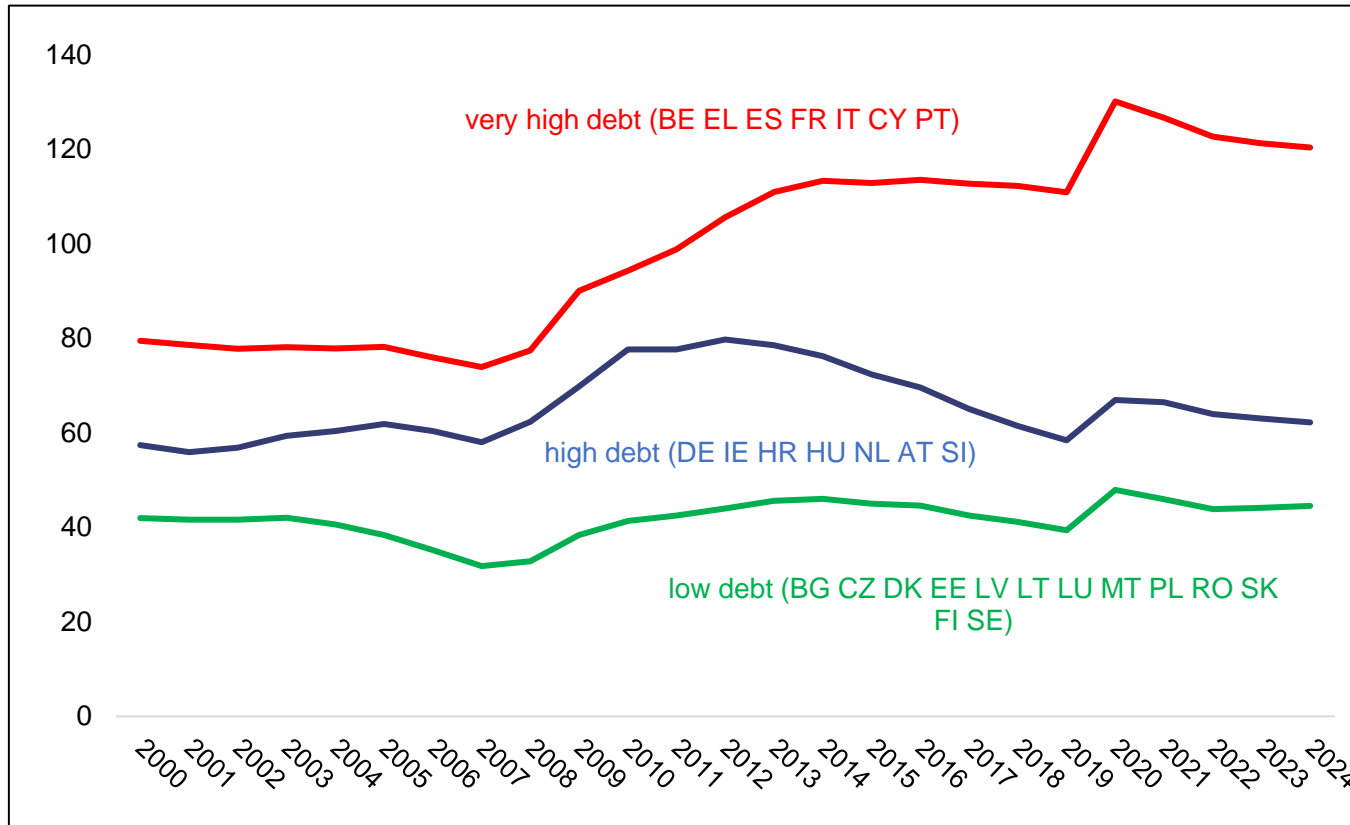
(iii) [...], more fundamental explanation is the continuing ambiguity about whether further economic integration is what is wanted.

The road ahead: experts' view vs politics



The road ahead: experts' view vs politics

Gross government debt (in % of GDP)

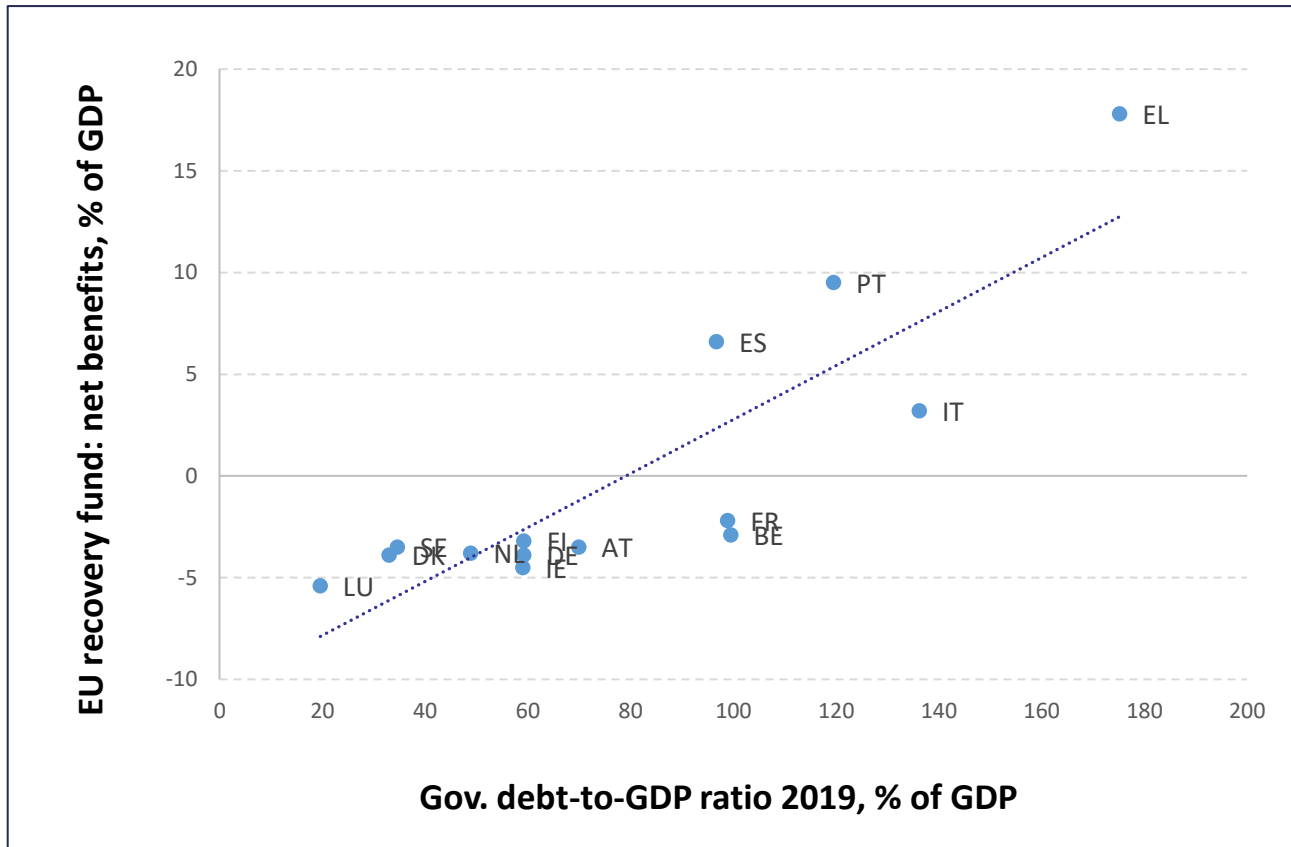


Note: Countries are grouped based on their average debt levels in 2011-2019. Low debt = EU countries with government debt $\leq 60\%$ of GDP (in 2011-2019 on average). High debt: EU countries with 60% of GDP $>$ government debt $\geq 90\%$ of GDP. Very high debt: EU countries with government debt $> 90\%$ of GDP.

Source: European Fiscal Board

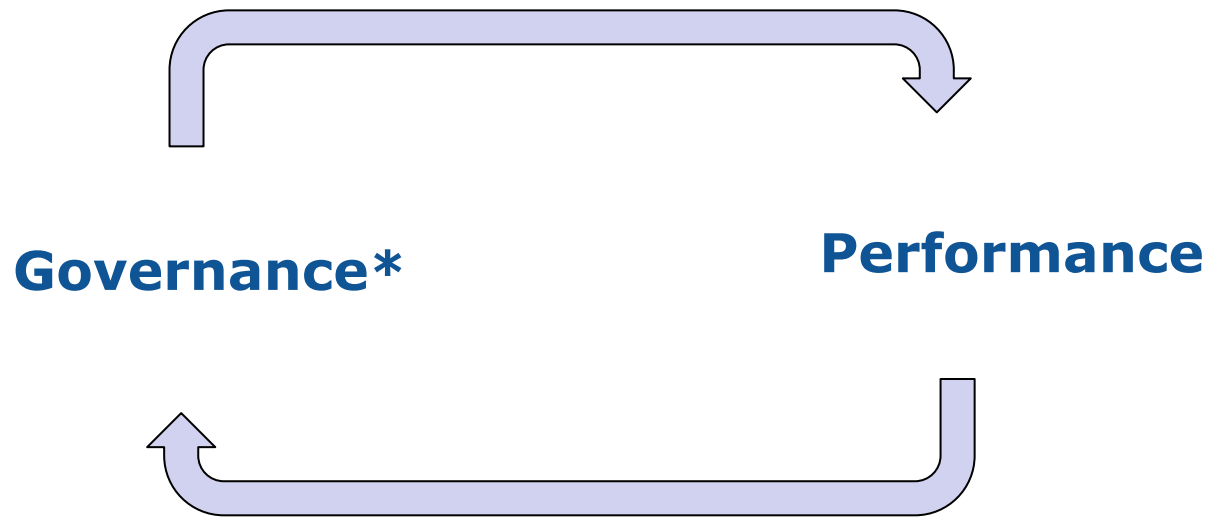
The road ahead: experts' view vs politics

Euro area 12 countries + DK and SE



The road ahead: very difficult and bumpy road

Stuck in vicious circle?



* Democratic legitimation? Unanimity vs majority?

Thanks for your time!

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