What reforms to enable Europe to grow together?

A couple of comments

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A <insert adjective> recovery with persistent economic divergences
Longer-term convergence and divergence patterns in the EA

\[ y = -2.131 \ln(x) + 22.609 \]
\[ R^2 = 0.7022 \]

Source: DG ECFIN, 2016
TWO COMPETING MODELS FOR EMU

"Back-to-Maastricht"

- Stronger enforcement of EU fiscal rules to rein debt and deficits
- MIP focused on competitiveness of lagging countries
- Banking Union does not need common deposit insurance
- End to the risk-free status for sovereign debt and establish sovereign debt restructuring mechanism
- More market discipline

Fast forward to federalist EMU

- Distribution of fiscal efforts to achieve an appropriate aggregate fiscal stance
- Symmetric adjustment to help weak countries and reduce Euro area current account surplus
- Full Banking Union to ensure financial stability and private risk sharing
- Fiscal capacity for public risk sharing and eventually sovereign debt mutualisation
- Euro area Treasury
A NEW POLITICAL SYNTHESIS IS NEEDED

Risk Sharing and risk reduction

Financial Union

Stability

Convergence Concord

Fiscal Union

Reforms and incentives

Sound budgets and fiscal capacity
A NEW POLITICAL SYNTHESIS IS NEEDED

Risk Sharing and risk reduction

Financial Union

Efficiency

Convergence Concord

Fiscal Union

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A NEW POLITICAL SYNTHESIS IS NEEDED

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Fiscal Union

Fairness

Reforms and incentives

Sound budgets and fiscal capacity
A NEW POLITICAL SYNTHESIS IS NEEDED

Risk Sharing and risk reduction

Financial Union

Prosperity reloaded

Convergence Concord

Fiscal Union

Sound budgets and fiscal capacity

Reforms and incentives
Thank you very much for your attention!