



European
Commission



COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

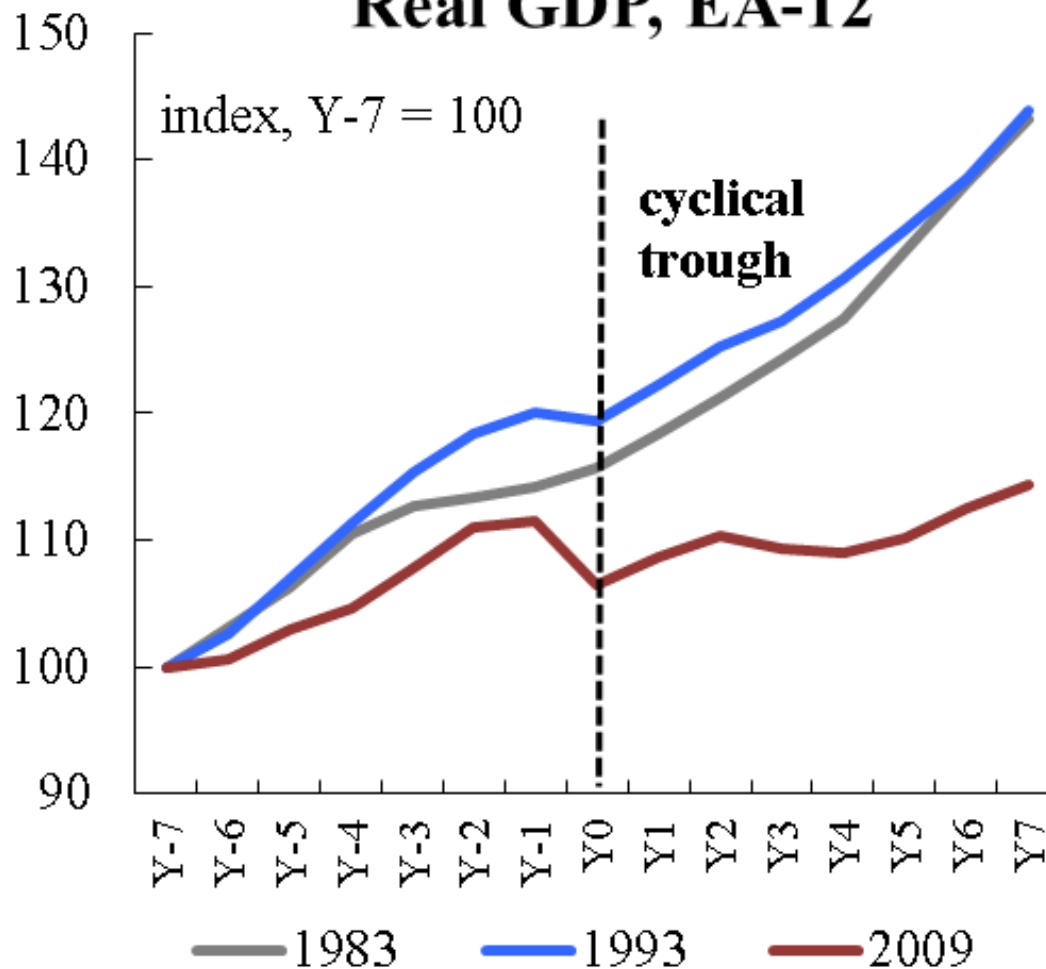
#deepeningEMU

Marco Buti



RESILIENT BUT MODEST GROWTH

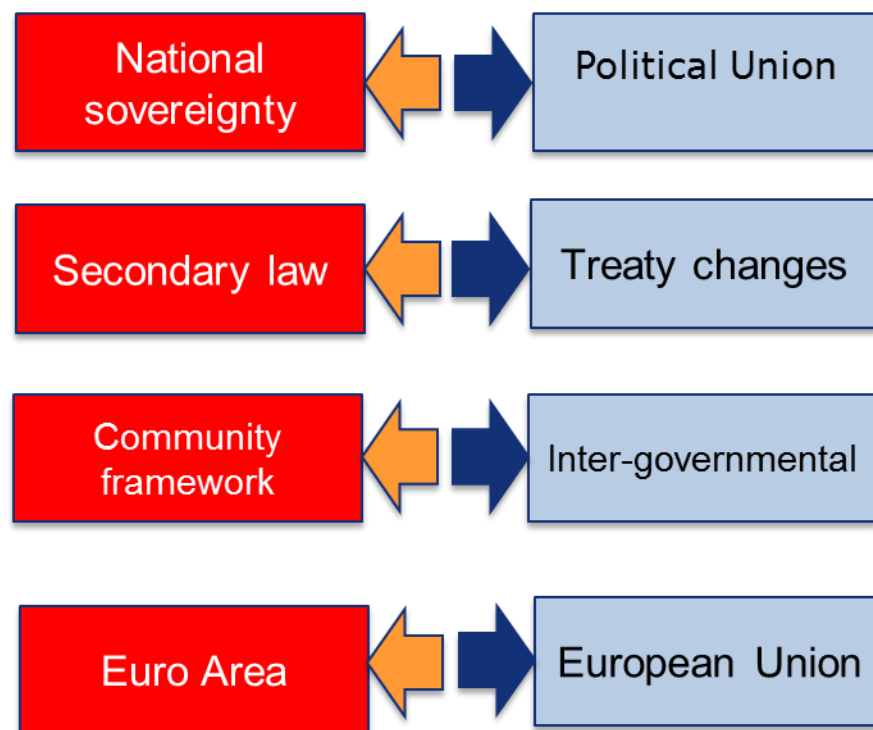
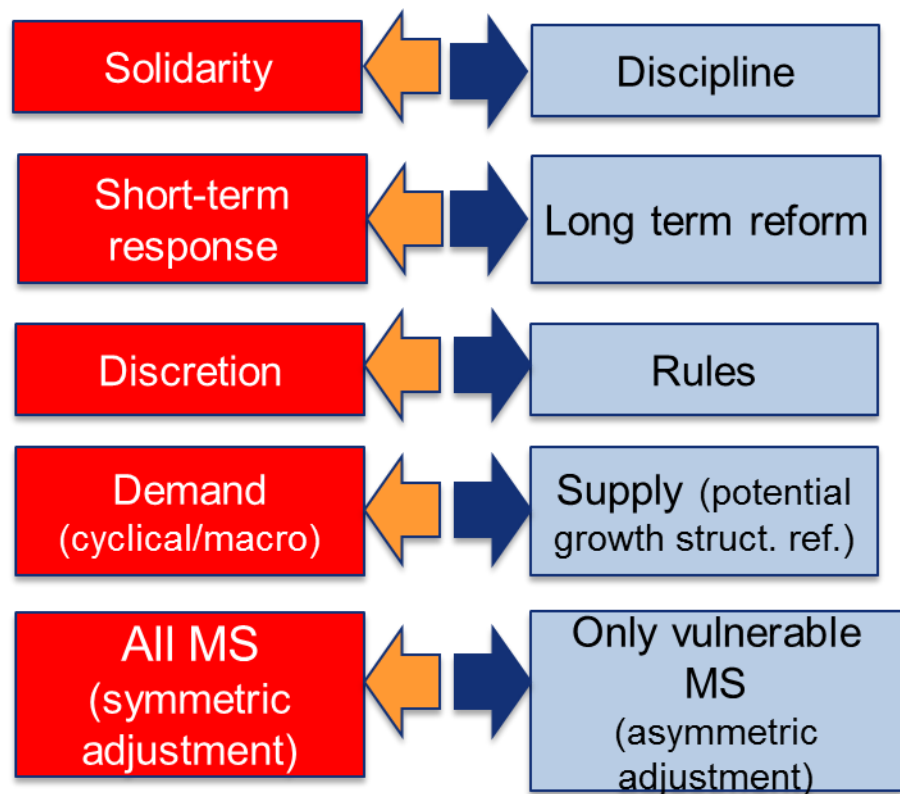
Real GDP, EA-12



WAY FORWARD: DIFFERENT VIEWS

Economic

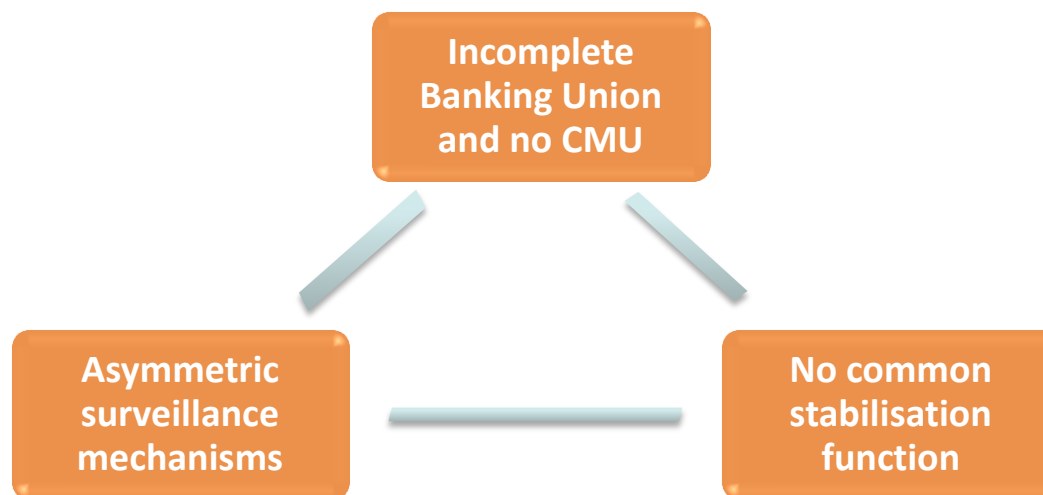
Institutional



THE WHITE PAPER ON THE FUTURE OF EUROPE - EMU IMPLICATIONS



EMU TODAY: AN UNSUSTAINABLE EQUILIBRIUM



- ↳ **Insufficient private and public risk-sharing**
- ↳ **Impossible to achieve simultaneously:**
 - ↳ **an appropriate fiscal stance for the euro area as a whole**
 - ↳ **an optimal distribution of the fiscal effort**
- ↳ **Leads to the overburdening of monetary policy**
- ↳ **Risk of renewed financial instability**
- ↳ **Weak/challenged democratic accountability**

TWO COMPETING MODELS FOR EMU

"Back-to-Maastricht"

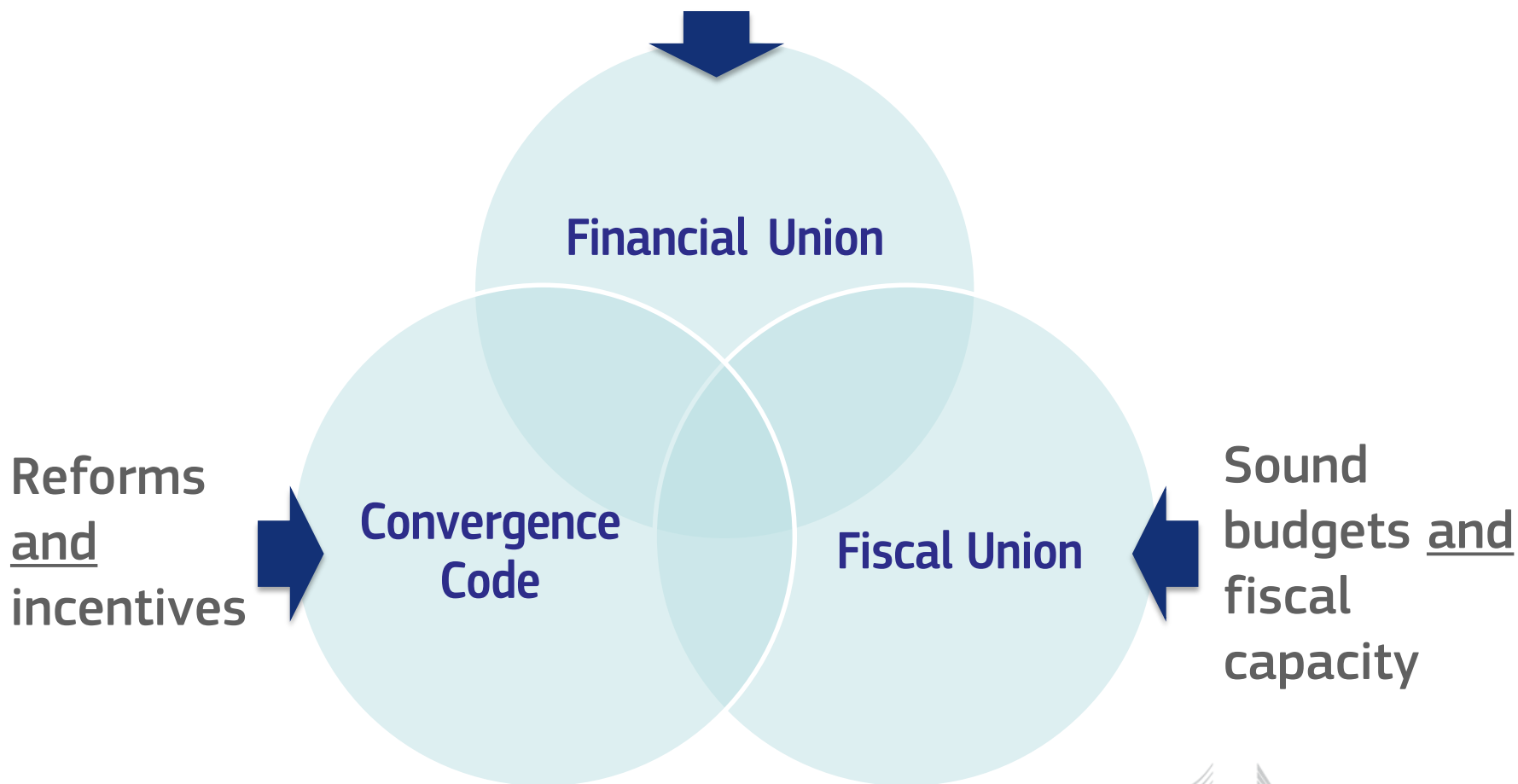
- Stronger enforcement of EU fiscal rules to rein debt and deficits
- MIP focused on competitiveness of lagging countries
- Banking Union does not need common deposit insurance
- End to the risk-free status for sovereign debt and establish sovereign debt restructuring mechanism
- More market discipline

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





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