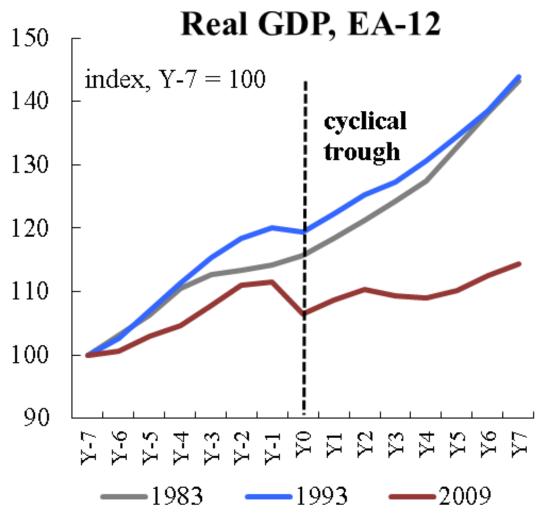


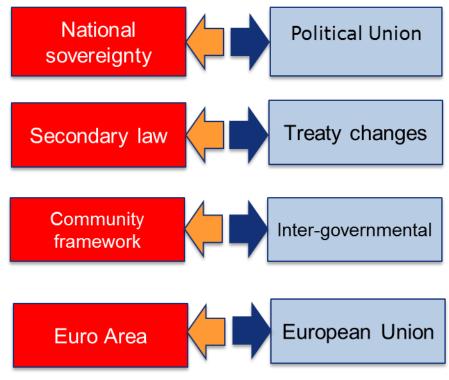
## **RESILIENT BUT MODEST GROWTH**



#### WAY FORWARD: DIFFERENT VIEWS

## **Economic** Solidarity Discipline Short-term Long term reform response Discretion Rules Demand Supply (potential growth struct. ref.) (cyclical/macro) Only vulnerable All MS MS (symmetric (asymmetric adjustment) adjustment)

## Institutional





#### THE WHITE PAPER ON THE FUTURE OF EUROPE - EMU IMPLICATIONS



Carrying on



Nothing but the single market



Those who want more do more



Doing less more efficiently



Doing much more together



Steps to drive growth and prevent shocks

- financial supervision
- sustainability of public finances
  - capital marketsdevelopment



The integrity of the euro and the capacity to respond to a new financial crisis is at risk



Deepened cooperation on

- taxation
  - social standards



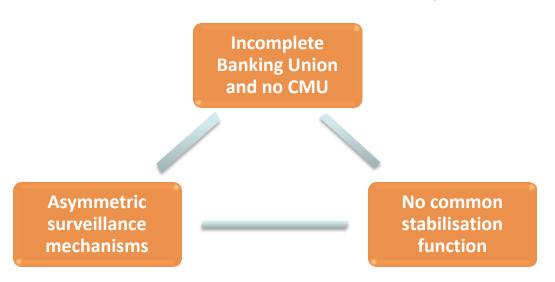
Several steps
taken to
consolidate the
Euro area and
ensure its
stability



Economic,
financial and
fiscal union
achieved as
envisioned in the
Five Presidents
Report



## **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



Reforms and incentives

Convergence Code

**Fiscal Union** 



Sound budgets and fiscal capacity



