Emerging Markets Forum

The World in 2050: Striving for a more just, prosperous, & harmonious global community

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The Challenge of an Efficient European Economic Governance as a Contribution to a Prosperous Global Community

François Villeroy de Galhau
Cost of crises

Euro area underperformance vs the US:
5% of GDP/capita over 2011-15

Cumulated GDP losses 2008-13:
50% of annual EU GDP (ESRB²)

Cost of fiscal spillovers

Simultaneous consolidation:
2 % of GDP decline (NIESR,¹ 2012)

Intra-EA spillovers: additional fall of GDP of 1.6-2.6%
(In’t Veld, 2013)

¹ National Institute of Economic and Social Research
² European Systemic Risk Board
INTEGRATION LEVEL

1. Monitored policies
2. Fully coordinated national policies
3. Integrated policy and instruments

ECB and Eurosystem

SSM-SRM Financing and Investment Union (incl. CMU and Juncker plan)

Fiscal Union

Complete Single Market

Single Decision-Making Institution (Euro Area Finance Minister)

SGP

MIP

Monetary

Financial

Fiscal

Structural

Fiscal council

Competitiveness council
The euro area Finance minister’s tasks

Prepare:
Euro area collective strategy

Supervise:
Implementation of the collective strategy

Implement:
Centralized crisis management

Manage:
Euro area convergence fund, then budget
A legitimate institution with a genuine administrative capacity

Legitimacy:
Appointment process and international role

Capacity:
Treasury administration and advisory councils

Accountability:
Stronger democratic control over euro area affairs