NINETY-FIRST INTERNATIONAL ATLANTIC ECONOMIC VIRTUAL CONFERENCE

EU Monetary and Fiscal Union between the End of the Cold War with Soviet Union and under the Corona Virus War and Beyond

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19-22 May 2021

1. EU Commission-MacDougall Report

Monetary Union is a Club of Sovereign States

2. EU Commission-MacDougall

Report

Rule of Monetary Stability against both inflation and deflation

3. EU Commission- MacDougall Report

Fiscal Policy by EU Commission Budget.

4. Maastricht Treaty

Compromise on EU Monetary Union after fall of Berlin Wall in 1989 and German Reunification without Fiscal policy by EU Budget

5. Coordination of domestic fiscal policy by countries with 60% Debt/GDP Rule as final target - 3% upper limit to budget deficit and - 0.6 final target

6. Principles of Fiscal Policy Coordination by Fiscal Pact signed by each member State

7. Control by EU Commission and procedure of infraction against non-accomplishing member States

8. Symmetry: While States with excessive deficit and debt should contract,

States with surplus should expand

9. Mandate to ECB (European Central Bank of Euro area) of symmetric monetary stability both against inflation and deflation.

Top inflation rate 2%, low 1%;

Rule of 2% price increase as top rate to ECB

10. Divorce between ECB and Member States Treasury.

- ECB cannot buy public debt when issued by member state Treasuries
- Cannot buy from National Treasuries as "operator of last stance"

11. Four Presidents of ECB

I. Wim Duisenberg (Dutch former Minister of Labor pro German) until 2004

II. Jean Claude Trichet (France, former banker), until 2011

III. Mario Draghi (Italy, former central banker until 2018)

IV. Christine Lagarde (France, former Minister of Finance) from 2018-2016

12. Duisenberg practices a deflationary policy to help Euro to survive.

Euro-Dollar in the 5 years maximum-minimum

2001	2002	2003	2004	2005
1004-0.82	**0.99-0.83**	**1005-0.85**	**1.26-1.03**	**1.36-1.7**

13. Deficit decreases but GDP growth is damaged except for Spain

GENERAL GOVERNMENT DEFICIT OR SURPLUS

State	2000	2001	2002	2003	2004
Germany	1.1	-3.1	-3.8	-4.2	3.7
France	-1.5	-1.5	-3.1	-4.1	-2.9
Italy	-0.8	-31	-3.1	-3.8	-4.2
Spain	-0.9	-0.5	-0.2	-0.3	-0.1

REAL GDP YEARLY GROWTH

State	2000	2001	2002	2003	2004
Germany	3.2	0.0	0.2	-0.2	1.2
France	3.9	1.8	0.9	0.9	2.5
Italy	3.7	0.5	0.0	0.0	1.5
Spain	5.0	3.6	2.7	3.1	3.3

14. Trichet had no problem with the euro-dollar rate, but had to face

a) German surplus

b1) Great European banking crisis related to that of US

b2) Some state makes huge deficit to aid banks

c) ECB cannot buy debt issues of States. Asks Euro Government to finance Banking Fund to finance Governments that finance banks

d) The Fund shall finance banks recapitalization too

15. European Financial Stability Facility (EFSF)

- Finances Governments of Greece, Portugal, Ireland; huge deficits to save their banks
- Finances directly huge deficits of Spanish Cajas (saving banks) as Government has no deficit problem

16.A-Deficit(-),Surplus(+9)2004-2011

State	2004	2005	2006	2007	2008	2009	2010	2011
Ger-many	+3.8	+3.3	+1.6	+0.2	+0.1	+3.1	+4.1	+0.8
France	+3.6	-2.9	-2.3	-2.7	-3.3	-7.5	-7.1	-5.3
Italy	-3.5	-4.4	-3.4	-1.6	-2.7	-5.5	-4.5	-3.8
Spain	0.0	-1.2	-2.1	-2.0	-4.4	-11.0	-9.4	-9.5

Germany with surplus, the others with deficit

B-Real GDP Growth Rate 2004-2011

State	2004	2005	2006	2007	2008	2009	2010	2011
Ger-many	+1.2	+0.8	+3.4	+2.7	+1.0	-5.7	+4.2	+3.2
France	+2.5	+1.8	+2.5	+2.3	-0.1	-2.9	+1.9	+2.2
Italy	+1.5	+0.7	+2.0	+1.5	+0.7	-5.3	+1.7	+0.7
Spain	+3.3	+3.6	+4.0	+3.6	+0.9	-3.8	+0.2	+3.0

Italy least growth, Germany and France the best;
Spain after banking crisis grows because of labor market liberalization as Germany

17. Draghi in October 2011 saves Euro from crisis stating "we shall do whatever it takes to save Euro

- Draghi ECB Quantitative Easing
- I.) Purchase of Governments public debts on secondary market in proportion to their shares of participation to ECB, if with A rating by rating agencies

-II) Purchase of obligations of other public entities with A rating

-III) Purchase of Private important financial entities with A rating

18. Deficits rather high, growth generally small

General Government Deficit (-) Surplus (+)2011-19

State	2011	2012	2013	2014	2015	2016	2017	20128	2019
Ger= many	+0.8	-0.2	-0.1	-0.3	-0.6	-1.0	-1.2	-1.4	-1.8
France	-5.3	-4.8	-4.0	-3.9	-3.9	-3.6	-3.6	-3.0	-2.6
Italy	-3.5	-3.0	-2.9	-3.0	-3.0	-2.6	-2.4	-2.4	-0.6
Spain	-9.5	-10.	-6.9	-5.9	-5.9	-5.2	-4.3	-3.0	-2.3

Real GDP Yearly Growth 2011-2019

State	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ger= many	+3.1	+0.4	+0.4	+2.2	+1.5	+2.2	+2.6	+1.3	+0.6
France	+2.2	+0.3	+0.6	+1.0	+1.1	+1.1	+2.3	+1.8	+1.5
Italy	0.7	-3.0	0.0	0.8	+1.3	+1.3	+0.7	+0.9	+0.3
Spain	3.0	2.4	1.5	1.4	3.8	3.0	3.0	2.4	2.0

Monetary Policy creates conditions favorable to growth, but
does not generate growth

19.

1. -Output gap of productive capacity due to the great depression needed a fiscal policy which EU was unable to provide.

2. -Artificially low interest rates distorted savers-investment equilibrium

20. Covid war

1) ECB QE without shares of Euro states proportional to their ECB shares

2) Fiscal policy of grants to EU States on Regional Funds

3) Loans at low interest rate and long-run maturity by separate EU budget

4) Loans by SURE (unemployment EU insurance Fund)

5. Health Fund of ESM (European Stability Measure, heir of European Financial Stability Fund)

21. Unlikely that these temporary measures will become permanent because EU bureaucracy rent- seeking interest groups and European Parliament would lose their power

22. However Euro Fiscal Policy system needs broad reform

A) EU parliament must become Euro area parliament, with an extra session for non-Euro EU States

B) An EU Council and Commission decision making official procedure needs to be created by an EU ad hoc “Regulation” (=EU First Rank Law)