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NEWGOV **New Modes of Governance**

Integrated Project
Priority 7 – Citizens and Governance in the Knowledge-based Society

Conference on ‘taking stock’ – EMU@10 Conference
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Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission Services)	
CO	Confidential, only for members of the consortium (including the Commission Services)	

Summary

The initially planned ‘Taking stock’ conference of project no. 19a was substituted by participation in the EMU@10 conference, held in Brussels on the 26th and 27th of November 2007. The workshop/conference was organised by DG Ecfm of the European Commission, in conjunction with the Bureau of European Policy Advisers, and was opened by Commissioner Almunia. The conference, which was by invitation only, although a video link transmitted it to a wider audience, brought together leading experts on different facets of the economics of EMU and its governance. Consequently, it not only covered all the topics that had originally been envisaged as salient for the proposed ECONPOL conference on ‘taking stock’ but also covered many more topics. Moreover, the quality and range of participants was far greater than could have been assembled just for the proposed ‘taking stock’ conference. For these reasons, the judgement was made that the EMU@10 conference was an appropriate means of achieving the aims that had been set for the ECONPOL project and much more, and that participation in it was a prestigious means of achieving visibility for the ECONPOL research findings. The extended essay on Economic Governance in an Enlarged Euro Area written by Iain Begg and presented at the conference drew extensively on the research conducted under WP1 and WP4 of ECONPOL.

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I. Summary Report

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While the EMU@10 conference was not co-funded by NEWGOV, the extensive paper on ‘Economic governance in an enlarged euro area’ written for it by Iain Begg could not have been produced without the support of the NEWGOV project. In addition, publication of the paper in the highly regarded European Economy Economic Papers series, along with the other conference papers, brings the findings to a wide audience. A conference volume, including comments by discussants, will follow.

A report on the conference has been disseminated by DG Ecfm in its European Economy Research Letter Volume 2, No. 1, available at:

http://ec.europa.eu/economy_finance/publications/specpub_list9246.htm

II. Contribution by the ECONPOL Project: Economic Governance in an Enlarged Euro Area

by Iain Begg, European Institute, LSE

Ten years on from its launch, it is clear that EMU, which has to be regarded as a more profound regime change than is often acknowledged, has had a pronounced effect on economic governance. As a framework for the conduct of macroeconomic policy, EMU has had undoubted successes in assuring price stability and in instilling greater fiscal discipline, yet it is open to the criticism that it has not (yet?) delivered improved performance in the real economy. Moreover, some of the compromises made at the outset and over the twenty years since the roadmap for EMU was first set out, notably to reconcile divergent French and German preferences, have left certain elements of the policy architecture unresolved. In the coming years, several more Member States are expected to become full participants in EMU, so that fresh thinking on the governance arrangements is warranted, not least to accommodate the rather different economic characteristics of the candidate countries.

This essay looks at the governance of EMU and how it may need to evolve as the euro area enlarges. It discusses the meaning of economic governance and puts forward a conceptual model embracing different facets of governance, highlighting the significance of policy coordination, then assesses how well EMU fares on these aspects of governance. The essay then discusses the challenges of fulfilling the convergence criteria for prospective new members of the euro area and suggests possible changes in the application of the criteria, and considers how the institutional structures for managing EMU may need to evolve. The need for greater politicisation of economic decision-making and for new approaches to policy co-ordination –

especially to integrate the supply-side more effectively - is stressed as a likely way forward if EMU is deal with emerging demands on policy-making.

Link to full paper:

http://ec.europa.eu/economy_finance/publications/publication_summary12321_en.htm

III. Final Programme

Monday 26 November 2007

09.15 – 09.30 **Welcome and opening remarks** (Commissioner J. Almunia)

Morning session: Economic performance and policy mix and another look at the foundations of EMU

09.30 – 11.15 **A - Economic performance and the policy mix** - Chair: K. Regling
Presentation 1: R. Barrell, D. Holland, E. Khoman, I. Liadze and O. Pomerantz: Impact of EMU on Growth and Employment
Presentation 2: A. Hughes Hallet: Coordination without Explicit Coordination: Monetary-Fiscal Interactions in an Era of Structural Change
Presentation 3: C. Allsopp and D. Vines: Fiscal Policy, Intercountry Adjustment and the Real Exchange Rate Within Europe
Discussants: D. Laxton and R. Kollmann
General discussion

11.35 – 12.45 **B - Revisiting the theoretical foundations of EMU** - Chair: J Kröger
Presentation 4: G. Corsetti: A Modern Reconsideration of the Theory of Optimum Currency Areas
Presentation 5: F. Mongelli: European (Economic) and Monetary Integration, and the Optimum Currency Area Theory
Discussant: P. Hoeller
General discussion

Afternoon session: Monetary policy, financial markets and the international role of the euro - Chair: V Gaspar

13.45 – 15.45 **C - Monetary policy and financial market integration**
Presentation 6: C. Favero and F. Giavazzi: The ECB and the Bond Market
Presentation 7: T. Japelli and M. Pagano: Financial Market Integration under EMU
Discussants: M. Lenza on behalf of L. Reichlin and S. Hayes on behalf of J. Callow
General discussion

15.45 – 17.30 **D - The international role of the euro**
Presentation 8: E. Papaioannou and R. Portes: The international role of the euro: a status report
Presentation 9: S. Gerlach and M. Hoffmann: The Impact of the Euro on International Stability and Volatility
Discussant: A. Sapir
General discussion

17.30 First day ends

Tuesday 27 November 2007**Morning session: Adjustment, stabilisation and fiscal policy** - Chair: S Deroose

09.00 – 11.00 **E - Adjustment**
 Presentation 11: [cancelled]
 Presentation 12: X. Debrun, J. Pisani-Ferry and A. Sapir: Government Size and Output Volatility: Should We Forsake Automatic Stabilization?
 Discussant: G. Saint-Paul
 General discussion

11.00 – 12.40 **F - Fiscal policy and taxation**
 Presentation 13: J. von Hagen and C. Wyplosz: EMU's Decentralised System of Fiscal Policy)
 Presentation 14: J. Alworth and G. Arachi: Taxation policy in EMU
 Discussant: C. van Ewijk
 General discussion

Afternoon session: Governance and the future - Chair: M. Buti

13.45 – 15.15 **G - Enlargement and governance**
 Presentation 15: Z. Darvas and G. Szapáry: Euro Area Enlargement and Euro Adoption Strategies
 Presentation 16: I. Begg: Economic Governance in an Enlarged Euro Area
 Discussant: J. Pisani-Ferry
 General discussion

15.30 – 16.45 **H - A long-term perspective on the euro**
 Presentation 17: M. Bordo and H. James: A Long Term Perspective on the Euro
 Presentation 18: B. Eichengreen: Sui Generis EMU
 Discussant: N. Thygesen
 General discussion

16.45 – 17.30 **Overall discussion**

17.30 Workshop ends