

Beyond the Crisis: Europe and Global Economy

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Before the crisis:
Bruegel Report of January 2008

Coming of age: Report on the euro area

BY JEAN PISANI-FERRY, PHILIPPE AGHION, MAREK BELKA,
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RAPPORTEUR: ALAN AHEARNE



The € has worked well, but...

- “A policy framework should not only be judged by its agility in **fair-weather** conditions, but also by its resilience in **storm** conditions.”
- “In this respect, it should be recalled that in a global perspective the last eight years have been **benign**.”
- “The policy framework of the euro has thus not yet been tested **under stress**.”
- “It remains to be seen how well EMU is set up to deal with events like **disruptive global shocks** or **internal crises**.”

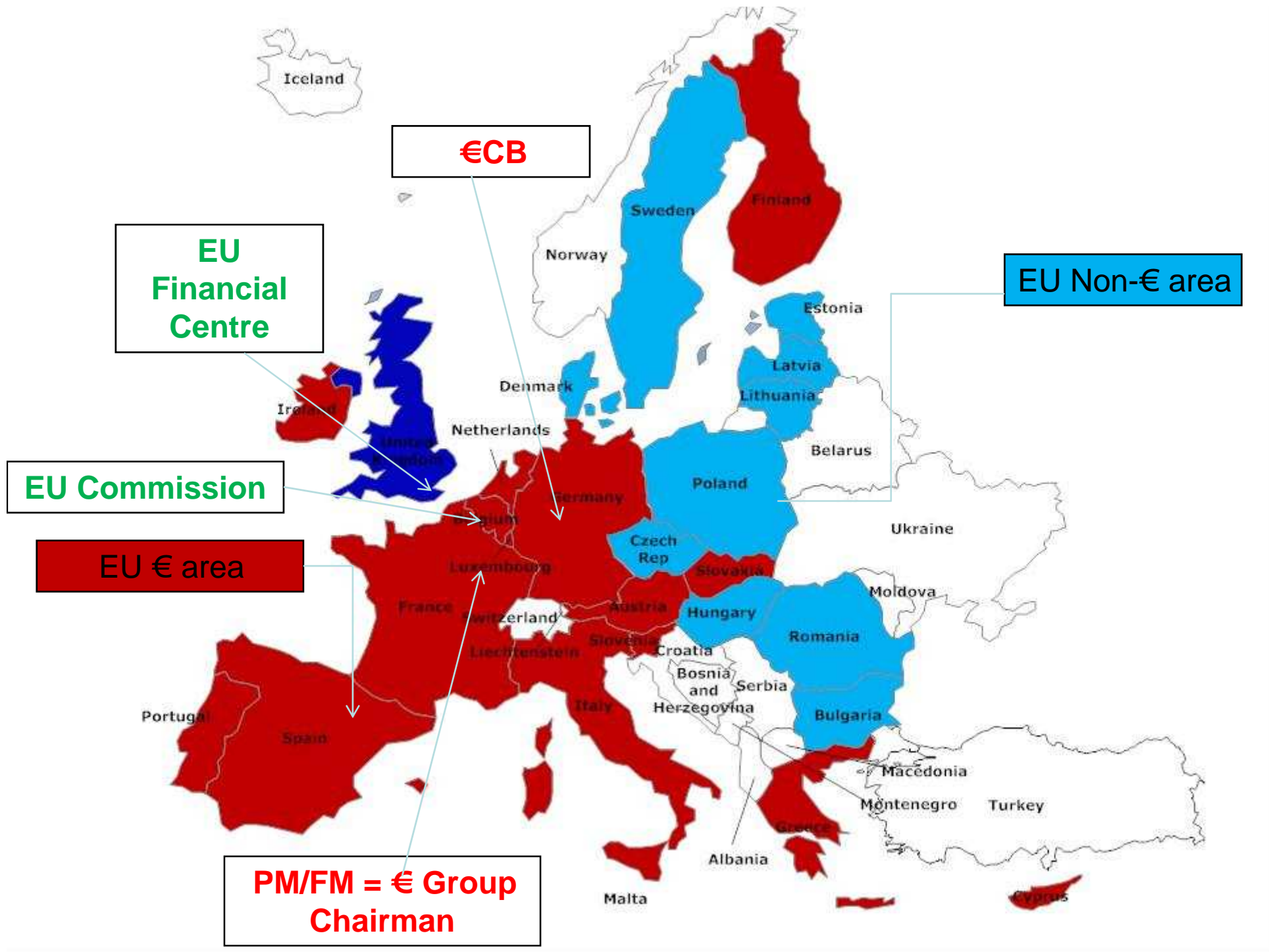
**IMF Sees European Recovery in 2010 Conditional on
Further Policy Action, and Calls for Enhanced
European Policy Coordination**

Press Release No. 09/159
May 12, 2009

The need for greater coordination

- “What is mostly needed is a robust approach to coordination, in particular on financial and regional macroeconomic stability. Europe is the most economically integrated market economy in the world, and yet the policies to address the crisis have been undertaken at the national level. Without a well-coordinated effort in these areas, neither fiscal nor monetary policy efforts will work as effectively as they must to make sure that Europe is as vibrant and prosperous after the crisis as it was before. Europe is facing the economic storm of a lifetime and it urgently needs to weatherproof its institutions.” (IMF European Department Director).

Europe's Economic & Financial Institutions



**Imagine if the United States Were Organized Along
Similar Lines...**

Europe's External Representation

Before the crisis

- G7 (finance):
 - 4 EU MS: members
 - €G presidency: full attendance
 - EU presidency: no attendance
 - EC: partial attendance
- IMF:
 - 6/8 EU MS: board members
 - €G presidency and EC: no attendance at the board
 - EU presidency: some voice at the board through EURIMF chair
 - The 27 EU MS have 32% of total voting rights (US = 17%), but little influence (blocking minority = 15%)

Since the crisis

- G20/G22 (summit): some improvement, but...
 - 4/6 EU MS: members
 - €G presidency: no attendance
 - EU presidency: full attendance
 - EC: full attendance
- IMF: No change
 - 6/8 EU MS: board members
 - €G presidency and EC: no attendance at the board
 - EU presidency: some voice at the board through EURIMF chair
 - The 27 EU MS have 32% of total voting rights (US = 17%), but little influence (blocking minority = 15%)

Global governance and the EU: Proposals

- IMF:
 - Unified EU/€A representation and change in voting rights
 - Win-win strategy
 - More influence for EU/€A
 - Better representation for emerging & other countries
- Reforming external governance also requires reforming internal governance
- My proposal: take a leaf from the Lisbon Treaty
- Combine the positions of
 - EU Commissioner for Economic and Monetary (=> Financial) Affairs
 - Euro Group Chairman

