

HOW MUCH OF A FISCAL UNION FOR THE EMU?

Madrid, May 18-19, 2017

Banco de España

Calle de Alcalá, 48

A central question in the development of Europe is how much of a Fiscal Union is needed in order to have a stable and resilient Euro Area and European Union? This has been a recurrent issue throughout the euro crisis, in which the ECB has played a major role, in a way similar to that of the FED during the US financial crisis, although the FED has been able to rely on the backup of the US Treasury. Brexit and other major current developments in the global economy (migration crisis, US elections, etc.) have exacerbated the need to address this question squarely, and to find a viable institutional fiscal and monetary framework for the European Economic and Monetary Union (EMU).

The recent European Commission *White Paper* opens a debate on what path a post-Brexit European Union should take. But no matter which political path is chosen, the Fiscal Union question needs to be addressed; indeed, doing so will certainly shed light on what direction – possibly into uncharted territory – might be the most desirable for the Euro Area and the European Union (of 27) to pursue. The conference presents new research and well-informed discussions, which should help to address this central question.

Programme

Thursday, 18 May

08:30 – 09:00 *Registration*

09:00 – 09:15 *Welcome to the Bank of Spain*

Juan Francisco Jimeno | *Banco de España*

The aim of this ADEMU conference

Ramon Marimon | *European University Institute*

09:15 – 10:45 **ON MONETARY POLICY, FISCAL POLICY, AND PRIVATE FINANCE INTERACTION**

Chair: Rodolphe Blavy | International Monetary Fund

[“Monetary-fiscal interactions and the euro-area’s malaise”](#)

Marek Jarociński | *European Central Bank*

Bartosz Mackowiak* | *European Central Bank*

Discussant: Jean-Pierre Danthine | Paris School of Economics

* *Participating author(s)*

“Aggregate Demand Externalities in a Global Liquidity Trap”

Luca Fornaro | *CREI & Universitat Pompeu Fabra*

Federica Romei* | *Stockholm School of Economics*

Discussant: Alessandro Barattieri | *Collegio Carlo Alberto and ESG UQAM*

10:45 – 11.15 *Coffee break*

11:15 – 12:45 ON EMU FISCAL RULES

Chair: Árpád Ábrahám | *European University Institute*

“Fiscal rules, bailouts, and reputation in Federal governments”

Alessandro Dovis* | *University of Pennsylvania*

Rishab Kirpalani | *New York University*

Discussant: Charles Brendon | *University of Cambridge*

“The political economy of fiscal transparency and independent fiscal councils”

Roel Beetsma* | *Universiteit van Amsterdam*

Xavier Debrun | *International Monetary Fund*

Randolph Sloof | *Universiteit van Amsterdam*

Discussant: Carlos Mulas Granados | *International Monetary Fund*

12:45 – 14:00 POLICY PANEL

“Are current fiscal rules credible? What is the role of fiscal rules and of independent fiscal councils?”

Chair: Päivi Leino-Sandberg | *UEF Law school and European University Institute*

Introduction: Are Fiscal Policy Rules Part of the Solution or the Problem?

Matthias Goldmann | *Goethe University Frankfurt*

Panel participants:

José Luis Escrivá | *AIReF*

Frans van Nispen | *Erasmus University Rotterdam*

René Smits | *University of Amsterdam*

14:00 – 15:00 *Lunch*

15:00 – 16:30 ON RISK SHARING (new ADEMU results) & POLICY REFORMS

Chair: Pedro Teles | Universidade Católica Portuguesa

“On the design of a European Unemployment Insurance Mechanism”

Árpád Ábrahám* | *European University Institute*

João Brogueira de Sousa* | *European University Institute*

Ramon Marimon* | *European University Institute*

Lukas Mayr* | *European University Institute*

“On the optimal design of a Financial Stability Fund”

Árpád Ábrahám* | *European University Institute*

Eva Cárceles-Poveda | *SUNY at Stony Brook*

Yan Liu | *Wuhan University*

Ramon Marimon* | *European University Institute*

“Attitudes Towards Institutional Reforms For The Euro Area”

Matthias Dolls* | *ZEW Mannheim and IZA*

Nils Wehrhöfer* | *ZEW Mannheim and University of Mannheim*

Discussants:

Paolo Pasimeni | *European Commission*

Tuomas Saarenheimo | *Finnish Ministry of Finance*

16:30 – 17:00 *Coffee break*

17:00 – 18:30 POLICY PANEL

“A Treasury for the Banking Union?”

Chair: Xavier Vidal-Folch | EL PAIS

Introduction

Martin Hellwig | *Max Planck Institute*

Panel participants:

Thomas Cooley | *New York University – Stern Business School*

Isabel Correia | *Bank of Portugal*

Federico Fabbrini | *Dublin City University*

Thomas Wieser | *Euro Group Working group*

20.30 *Conference dinner (by invitation only)*

Friday, 19 May

09:00 – 10:30

ON THE EMU AND FISCAL FEDERALISM

Chair: [Tomasz P. Wozniakowski](#) | *LMU Munich*

“Hamilton’s paradox revisited: lessons from the euro area”

Waltraud Schelkle* | *London School of Economics*

Discussant: [Johannes Fleck](#) | *European University Institute*

“Fiscal delegation in a monetary union: Instruments assignment and stabilization properties”

Henrique Basso* | *Bank of Spain*

James Costain* | *Bank of Spain*

Discussant: [Andreja Lenarčič](#) | *European Stability Mechanism*

10:30 – 11:00

Coffee break

11:00 – 12:30

ON SOVEREIGN DEBT AND STABILIZATION POLICIES

Chair: [Aitor Erce](#) | *European Stability Mechanism*

“Sovereign Default Risk and Firm Heterogeneity”

Cristina Arellano* | *Federal Reserve Bank of Minneapolis*

Yan Bai | *University of Rochester*

Luigi Bocola | *Northwestern University*

Discussant: [Christian Hellwig](#) | *Toulouse School of Economics*

“When Ramsey Searches for Liquidity”

Wei Cui* | *University College London*

Discussant: [Chima Simpson-Bell](#) | *European University Institute*

12:30 -13:30

POLICY PANEL

“Debt overhang and stabilization policies”

Chair: [Thomas Cooley](#) | *New York University – Stern Business School*

Introduction: “A safe sovereign asset for the Eurozone?”

[Ad van Riet](#) | *European Central Bank*

Panel participants:

[Jeffrey R. Franks](#) | *International Monetary Fund, European Division*

[Svend E. Hougaard Jensen](#) | *Copenhagen Business School*

[Jean-Marc Fournier](#) | *OECD*

[Rolf Strauch](#) | *European Stability Mechanism*

13:30 – 14:30

Lunch

14:30 – 15:45 ON A FISCAL UNION FOR THE EMU

Chair: Juan Francisco Jimeno | *Banco de España*

[“Fiscal Unions”](#)

Emmanuel Farhi* | *Harvard University*

Discussant: Rody Manuelli | *Washington University in St. Louis*

“Beyond the Five Presidents’ Report”

Marco Buti* | *European Commission*

15:45 – 16:00 Coffee Break

16:00 – 17:30 POLICY PANEL

“How much of a fiscal union for the EMU? Has the answer to this, and related questions regarding the EMU fiscal and monetary framework, changed after 2016?”

Chair: Martin Sandbu | *Financial Times*

Panel participants:

Joaquín Almunia | *Former Vice President of the European Commission*

José Manuel Campa | *Banco Santander*

Ana Gouveia | *Portuguese Ministry of Finance*

Javier Pérez | *Bank of Spain*

[Guido Tabellini](#) | [Bocconi University](#)

CONCLUDING REMARKS

Organizing Committee:

Aitor Erce | *European Stability Mechanism*

Jeffrey R. Franks | *European Division, International Monetary Fund*

Juan Francisco Jimeno | *Banco de España*

Ramon Marimon | *European University Institute, UPF, Barcelona GSE; Chair*

Pedro Teles | *Universidade Católica Portuguesa*