



## “Reassessing the EU Monetary and Fiscal Framework”

Cambridge University, October 8 - 9, 2015

Corpus Christi College – Mc Crum Lecture Theatre

### “A Dynamic Economic and Monetary Union” (ADEMU)<sup>1</sup>:

In response to the European debt crisis and associated deep recession, a number of important steps have been taken towards redesigning the institutional architecture of EMU, based on the roadmap outlined in the Van Rompuy Report (2012, also known as the “Four Presidents’ Report”), which has been recently further developed in the “Five Presidents’ Report” (June 2015). The Greek crisis -- with the NO vote of July 5 – has shown the urgency of strengthening the EMU institutional framework and, at the same time, the challenge of establishing credible, sustainable and inclusive policies and institutions in a heterogeneous union. The EMU institutional innovations – and especially the ‘fiscal compact’, the ESM, the SSM and the SRM – need strong theoretical foundations to address these challenges. The developments in dynamic macroeconomic theory of the past three decades provide models and tools that can help to reassess and strengthen the EMU framework, but the novelty of the experiment will also require new theories to be developed. This is the aim of the ADEMU research project: to develop new theory and formulate implementable policy proposals for a heterogeneous fiscal and monetary union. The ADEMU takes off Conference will be a forum to present and debate the research agenda, having the Euro Area (and EU) challenges in the background.

### Programme

#### Thursday, October 8

12:00–13:00 **Buffet lunch**

13:00–13:10 **Welcome Address**

**Ramon Marimon** | *European University Institute, UPF – Barcelona GSE & CEPR*

“The ADEMU project to ‘Reassess the EU Monetary and Fiscal Framework’ ”

13:10–14:40 **Long-term sustainability of a monetary and fiscal union (WP1)**

Chair: **Jurgen Von Hagen** | *University of Bonn*

**Charlie Brendon** | *University of Cambridge*

Workpackage 1 research agenda

**Giancarlo Corsetti** | *University of Cambridge*

ADEMU ongoing research – “The crises in the euro area: lessons from history and economics”

**Árpád Ábrahám** and **Ramon Marimon** | *European University Institute*

ADEMU ongoing research - “On the optimal design of a Financial Stability Fund”,  
with Eva Cárceles-Poveda (*SUNY at Stony Brook*) and Yan Liu (*Wuhan University*)

**Jesus Fernandez-Villaverde** | *University of Pennsylvania*

ADEMU external research – “The Political Economy of the Euro”

General Discussion



<sup>1</sup> This project has received funding from the European Union’s Horizon 2020 research and innovation programme (Call H2020-EURO-SOCIETY-2014) under grant agreement No 649396.



**14:40–15:00** Coffee break

**15:00–16:30** **Stabilisation policy in currency unions (WP2)**

Chair: **Evi Pappa** | *European University Institute*

**Pedro Teles** | *Universidade Católica Portuguesa & Bank of Portugal*

Workpackage 2 research agenda

**Morten Ravn** | *University College London*

ADEMU ongoing research – “Time-Consistent Fiscal Policy in a Debt Crisis”

**Franck Portier** | *Toulouse School of Economics*

ADEMU ongoing research – “Stabilization with Permanently Low Demand”

**Martin Uribe** | *Columbia University*

ADEMU external research – “A Model of the Twin Ds: Optimal Default and Devaluation.”

General Discussion

**16:30–18:00** **Round Table: “What type of Fiscal Union?”<sup>2</sup>**

Moderator: **Isabel Correia** | *Universidade Católica Portuguesa & Bank of Portugal*

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

**José Manuel Campa** | *Grupo Santander and IESE Business School*

**Eilis Ferran** | *University of Cambridge*

**John Hassler** | *Stockholm University and Swedish Fiscal Policy Council*

**Coen Tuelings** | *University of Cambridge*

General Discussion

**19.30** **Dinner**

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<sup>2</sup> The panel will focus on the research needs that the question “**What type of Fiscal Union?**” raises, as well as (time permitting) the research needs that related questions of the “Five Presidents’ Report” (June 2015) raise:

- How can we ensure sound fiscal and economic positions in all euro area Member States?
- Is the current governance framework – if fully implemented – sufficient to make the euro area shock-resilient and prosperous in the long run?
- What instruments are needed in situations in which national policies continue – despite surveillance under the governance framework – to go harmfully astray?
- How could private risk-sharing through financial markets in the euro area be enhanced to ensure a better absorption of asymmetric shocks?
- Is a further risk-sharing in the fiscal realm desirable? What would be the preconditions?

Or others that may also be part of the ADEMU agenda, such as:

- Should the Euro Area have an Unemployment Insurance Mechanism? If so, how it should be implemented?
- etc.



## Friday, October 9

### 09:00–10:30 **Macroeconomic and financial imbalances and spillovers (WP3)**

Chair: **Thomas Hintermaier** | *University of Bonn*

**Radim Bohacek** | *CERGE*

Workpackage 3 research agenda

**Christian Hellwig** | *Toulouse School of Economics*

ADEMU ongoing research -

**Joachim Jungherr** | *IAE-CSIC and Barcelona GSE*

ADEMU ongoing research – “Bank Opacity and Financial Crises”

**Philip Lane** | *Trinity College Dublin*

ADEMU external research – “Macro-Financial Stability under EMU”

General Discussion

### 10:30–11:00 **Coffee Break**

### 11:00–12:00 **Keynote address:**

**Herman Van Rompuy** | *Former President of the European Council*

### 12:00–13:30 **Buffet lunch**

### 13:30–15:30 **Policy Implementation (WP4)**

Chair: **Marek Kapicka** | *CERGE*

**David Levine** and **Thomas Beukers** | *European University Institute*

Workpackage 4 research agenda

**Giorgio Monti** | *European University Institute*

ADEMU ongoing research – “The OMT judgment: lessons on the limits of economic policy under the current Treaty framework”

**Chris Bickerton** | *University of Cambridge*

ADEMU external research – “Democracy versus markets: the future of Eurozone governance”

**Kenneth Armstrong** | *University of Cambridge*

ADEMU external research – “Independent Fiscal Councils in Europe”

General Discussion

### 15:30–16:00 **Coffee Break**

### 16:00–16:20 **ADEMU activities, organisation and dissemination (WP5 & WP6)**

**Hugo Rodriguez** | *IAE – CSIC and Barcelona GSE*



**16:20–18.20 Round Table: “Strengthening the EMU in the aftermath of the Greek crisis”<sup>3</sup>**

Moderator: **Richard Portes** | *London Business School, EUI & CEPR*

**Sir Charles Bean** | *LSE and former Deputy Governor of the Bank of England*

**Thomas Cooley** | *New York University – Stern Business School*  
*Chair of the ADEMU Advisory Committee*

**Lucrezia Reichlin** | *London Business School & CEPR*

**Frank Smets** | *European Central Bank*

**René Smits** | *University of Amsterdam*

**Zdeněk Tůma** | *KPMG and former Governor of the Czech National Bank*

General Discussion

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<sup>3</sup> The panel will focus on the research needs that “**Strengthening the EMU in the** (one hopes) **aftermath of the Greek crisis**” raises, as well as (time permitting) the research needs that related questions of the “Five Presidents’ Report” (June 2015) raise:

- How could a better implementation and enforcement of the economic and fiscal governance framework be ensured?
- Has the fiscal-financial nexus been sufficiently dealt with in order to prevent the repetition of negative feedback loops between banks and sovereign debt?
- To what extent can the framework of EMU mainly rely on strong rules and to what extent are strong common institutions also required?
- Under which conditions and in which form could a stronger common governance over structural reforms be envisaged? How could it foster real convergence?
- How can accountability and legitimacy be best achieved in a multilevel setup such as EMU?

Or others that may also be part of the ADEMU agenda, such as:

- How can policies and institutions promote trust and solidarity in a heterogeneous EMU?
- etc.