

Economic Governance for Europe

Elena Carletti

European University Institute

State of the Union, 9 May 2012

Panel 2

What Implications for the
Integration Process
and the Outer World?

Current situation

- Lack of a credible and implementable vision
- Currently too much uncertainty
 - On short as well as long term strategy
- Detrimental effects on the economy
 - Tension on the interbank markets
 - Difficulty in refinancing for financial institutions
 - Signs of credit crunch

Effects on integration process

- Economic effects
- Political (and social) effects

Economic effects

- Fragmentation in sovereign bond markets
 - And partly in stock markets
- Country ratings and public finances seem more important than individual companies' ratings
- Large (youth) unemployment in peripheral countries
- Increasing heterogeneity in competitiveness, growth and public finances

Political (and social) effects I

- Increasing importance of anti-European sentiment
 - Recent elections
- Growing divergences in countries' views
 - UK versus Eurozone
- New political, economic and geopolitical powers
 - Implications for political vision but also for business conduct

Political (and social) effects II

- Need to rethink current anti-crisis strategy
 - Focus on austerity
- Need of a clearer political vision of the monetary union
 - More compromise
 - More understanding for political economy considerations austerity
- Need of a more homogeneous and widespread trust in state