



# THE STATE OF THE UNION

9/10 MAY 2012  
SALONE DEI CINQUECENTO  
PALAZZO VECCHIO  
FLORENCE - ITALY

## **PRESS RELEASE – DEBATE SHIFTS TO PAN-EUROPEAN GROWTH STRATEGY AND DEBT OVERHANG TO SOLVE EU CRISIS**

Amid growing social and political tensions in Europe as austerity measures and lackluster growth take a toll on business and citizens, business and political leaders at the State of the Union meeting in Florence emphasized strategies to boost economic growth and strengthen the ability of European financial sectors to stabilize markets and to address the lack of progress in deleveraging the financial sector.

In a discussion on economic governance in Europe, panelists addressed what role central banks should play in crisis management, the borders between monetary and fiscal policy, what should be the clear objectives underlying long-term reform, and whether the way forward should be a European Union of austerity, transfer, default, or all three.

Fulvio Conti, CEO of Italy electricity giant ENEL, said that Europe should strengthen its existing governance systems, notably the Treaty of Lisbon rather than reinvent new tools of governance, and emphasized the need to streamline and harmonise legislation to provide the electricity industry, which needs to refinance 50 billion euros in the next four years, with the necessary stable, clear, and long-term policies. He also stressed the need for greater investment in innovation in Europe to decarbonize the economy backed up by European support.

Deleveraging the financial system was viewed by several panelists as an ongoing problem. “You can have too much of a good thing. Too much banking can lead to problems,” said Daniel Gros, Director of the Centre for European Policy Studies, highlighting that since the global crisis began in 2008 until mid-2011, that the debt level of European banks has actually increased. Gros said that the European Union was in the midst of austerity, transfer, and default already, and that the challenge ahead lies in how much weight to assign to each. He also questioned whether austerity was the main reason for the EU’s problems “Austerity is up to dispute,” Gros said.

The second-annual State of the Union, organized by the European University Institute, brings together leading academics, policymakers, and business and opinion leaders to discuss the current situation and future prospects for the European Union. This year’s conference will deal with economic governance in Europe, the role of the EU amid a rapidly shifting global economic and political landscape, and EU energy policy on the internal market and climate change. Jose Manuel Barroso, President of the European Commission, will address the conference at the end of today.

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