

## Resume of the First Day

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This was a very rich and interesting discussion day: 11 lectures and one panel with 6 participants, plus the chairs: it is impossible to do justice to each and every paper with the short time I have available.

What struck me most is that we mainly talked about institutions and governance issues, but hardly at all about the direction of economic policy-making at the Eurozone level: the best institutional set-up leads nowhere, if the policy direction is wrong. And, let us remember: this year the Eurozone will barely reach the GDP of 2007, the last year before the crisis (the U.S. have grown by more than 10% in the meantime), unemployment is 50% higher, youth unemployment goes through the roof, and even the self-chosen objective of crisis management by the EZ, to get the debt level down, has not been achieved: on the contrary, today the EZ debt ratio is nearly 30 percentage points higher than 2007. One might think that this warrants a discussion about possible policy failures.

Let me, instead of summarizing the papers, approach my task in two ways: first, what I consider to be novel, or at least non-conventional, and second, what I find missing from the discussion.

#### Novel/unconventional Points:

- The tradeoff line between budget union and „flexibility“, which then was adapted by another speaker into a tradeoff line between fiscal response and flexibility: interesting approaches
- The importance of the financial cycle with its longer swings, as opposed to the business cycle
- The controversial discussion of the 5 Presidents' Report – which has not been discussed yet in EZ and EU gremia, being pushed off the agenda by other items
- The call for Industrial Policy in the Southern countries, as well as for coordinated wage setting mechanisms
- The careful discussion of the possibility of non-EZ countries to opt into the Banking Union
- The call for a Sovereign Bankruptcy Mechanism
- The call for the importance of tax alignments and other tax priorities for the EZ
- And, finally, the semantic novelties of the „flak jacket“ and the „holy trinity“: here we see that Eurozone gaps are permeating into all kinds of areas, usually seen unrelated to economic matters.

#### Missing Points or Questions Remaining:

- Does not the call for strengthening voting and sanction mechanisms stand in contrast to the frequently heard call for more democratic legitimacy and sovereignty considerations?
- Is not the lack of a „Eurozone“ economic strategy part of the macro problem of the EZ? The focus on country-by-country assessments and evaluations (e.g. Country-specific policy guidelines) ignores that the primary object of fiscal and economic policies needs to be the Eurozone, in order to coordinate properly with the single monetary policy.
- Is Eurozone policy appropriate only as a „crisis insurance mechanism“, or should it not be a regular feature, in order to arrive at a growth-directed fiscal-monetary policy mix?
- Is the Political Union really a separate animal, or are major components not already embedded in Fiscal, Banking, Economic and Capital Market Union?
- Are government budgets really exogenous, as some speakers seem to suggest, or are they not rather strongly influenced by economic conditions?
- To sum up: in my mind, both EZ policy and the present discussion lacks a macroeconomic focus. I see this as an essential part of the EZ policy failure.