

Società Italiana degli Economisti - Italian Economic Association
59th Annual Conference
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Title of the Session:

Joint session between Società Italiana degli Economisti (SIE) and Association Française de Science Economique (AFSE) on ***“European Monetary Union reform proposals: a French-Italian approach”***

Chair:

- **D. Masciandaro**

Speakers:

- **B. Moro**, *Interpreting TARGET balances in the European Monetary Union*
- **A. Benassy-Quéré**, *Reconciling risk sharing with market discipline: A constructive approach to the euro area reform*
- **N. Véron**, *Risk sharing and market discipline to sustain the euro area growth*
- **N. Acocella**, *For a democratic EMU fostering growth not subject to financial crises*

Abstract Beniamino Moro: *The paper analyses the role displayed by TARGET balances in the European Monetary Union (EMU). In the context of the European financial crisis, very large TARGET unbalances became crucial, reflecting funding stress in the banking systems of most crisis-hit countries. The increase in TARGET balances in this period was triggered by a replacement of private sector funding of banks by central bank funding. By contrast, the more recent increases in TARGET balances are largely attributable to the implementation of the asset purchase programme (APP) by the European Central Bank (ECB), also known as a quantitative easing (Qe) monetary policy. Anyway, too much large TARGET balances continue to be a signal of underlying tensions among EMU member countries. This situation calls for macroeconomic imbalances to be addressed, trust in banking systems to be re-established, and the institutional foundations of EMU to be strengthened.*

Abstract Benassy-Quéré: *The euro area continues to suffer from critical weaknesses that are the result of a poorly designed fiscal and financial architecture, but its members are divided on how to address the problems. We propose six reforms which, if delivered as a package, would improve the euro area's financial stability, political cohesion, and potential for delivering prosperity to its citizens.*

Abstract Nicolas Véron: *If the six reforms proposed by a CEPR Policy Insight blueprint (January 2018, n. 91) will be implemented by the European Monetary Union, a credible risk sharing can foster market discipline to sustain the euro area growth in the medium and long term.*

Abstract Nicola Acocella: *The paper deals first with the structure of EMU institutions, the asymmetries existing in the Union and the imbalances that descended from the institutional set-up. It also investigates the theoretical inspiration and the practical interests underlying this set-up. The theoretical progress intervened in the last couple of decades and the need for a new goals and a new contract are also sketched. After designing the desirable goals of a new EMU, we indicate the need for a more democratic Union and a possible articulation of the new common institutions.*