

THE FUTURE OF THE EUROZONE

EVENT SUMMARY

On October 10, 2013, the Wilson Center's Global Europe Program hosted a discussion on the future of the Eurozone. The event was moderated by **Georg Mascolo**, a public policy scholar and former editor-in-chief for *Der Spiegel*. The discussion focused on the problems the United States faces with the current government shutdown and debt ceiling crisis as well as steps the European Union must take to ensure further integration and stability for the common currency.



Drafted by: Thomas Cunningham, Global Europe Program

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Jörg Asmussen, who serves as member of the executive board for the European Central Bank, spoke on the current government shutdown and possible default. He expressed hope that a possible default can be averted and that his American colleagues will come to a pragmatic solution, even if it means simply "kicking the can down the road." Despite doubts the debt limit will be reached, Asmussen admitted that a possible default might have unpredictable consequences, as well as a negative impact on the U.S. economy- worse than the aftermath of the Lehman Brothers collapse.

Asmussen suggested that the US learn from Europe's experience on ways to fix its problems. During the Greek crisis, the US repeatedly told the EU to fix its problems, to which they developed a solution, mitigated the crisis, and continue to make progress. While the IMF is not optimistic about any real progress on the American debt situation this year, it needs to start taking steps.

The future of the Eurozone, according to Asmussen would depend on mostly on formulating new rules for the banking sector. According to him, these new banking regulations should be a priority for the new German government. From Asmussen's perspective, these new rules should take effect before the 2014 European Parliament elections, as there is a limited window of opportunity to push for further integration.

Currently the Euro is in an adjustment period. It is no longer in need of having to be "saved." The Eurozone has already made progress towards stability. Several states have increased their competitiveness, new fiscal rules are required in the constitutions of member states, and the European Stability Mechanism has been established. While these actions have helped mitigate instability, there are still several steps Europe needs to take.

Asmussen suggested that a political union is required to ensure the stability of a monetary union. To achieve this union, the Eurozone can start by taking steps to create an operational banking union by the end of next year. This will provide a fiscal framework to the monetary union, ensuring stability for the currency. Preparations for more integration can begin after the European Parliament elections in 2014. After the elections, France and Germany can spearhead European integration in 2015 followed by a treaty convention in 2016. These steps need to be completed before the French and German elections in 2017, as it is unlikely any progress can be made that year.

While the economy is currently stable, it is still vulnerable to external shocks. Asmussen stated that either disintegration or integration of the EU will ensure economic stability. Disintegration would produce a stable, but poorer economic state. Further integration, on the other hand, will allow for a free, secure, and prosperous Europe.