

European Economic Government or Governance ?

Dikli Forum, April 17, 2011

SUPERVISION DILEMMA

- Intervention and stricter supervision in some segments causes faster growth in unregulated segments
- Agreement to extend supervision to new segments is often reached only when problems can no longer be ignored
- Crises are prone to happen

INSTEAD OF INACTION

- **Use early warning systems – deal with the imbalances while they are manageable**
- **Limit possible impact – reduce vulnerabilities, improve flexibility**
- **Have powerful tools to respond to crises as they happen**

EARLY WARNING SYSTEMS

The European semester is a six-month period (the first half of the year) during which member states' budgetary and structural policies will be presented and reviewed by their peers and the European Commission in order to detect any inconsistencies and emerging imbalances.

It has the potential to reinforce fiscal discipline, reduce risk of building excessive public debt in the future, and improve the financing conditions of sovereigns in the capital markets.

(Wording from EFCF Newsletter, April 2011)

REDUCE VULNERABILITIES, IMPROVE FLEXIBILITY


Euro Plus Pact (adopted on March 25) aims to:

- Foster competitiveness (review wage setting)
- **Foster employment** (life long learning, lowering taxes to make work pay, facilitating the participation of second earners in the workforce)
- **Contribute further to the sustainability of public finances and pension schemes**
- **Reinforce financial stability** (undertaking regular stress tests on the banking)

(Wording from EFCF Newsletter, April 2011)

PERMANENT CRISIS MECHANISM

- In mid-2013 launch a **European Stability Mechanism** - a funding program to safeguard the euro and financial stability in Europe
- It will replace the temporary European Financial Stability Facility and European Financial Stabilisation Mechanism

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 - Do we need anything more?

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 - Do we need anything more?
 - **Yes. We need a commitment to follow all the new procedures and stick to agreed principles.**

Thank you!