

PAOLO GUERRIERI

Growth Policies and Completing the EMU

The euro area and the European Union are really having a hard time. It is a “multiple crises” that afflicts the European Union; low growth, immigration crisis, growing Euroscepticism, secessionist impulses encouraged by the referendum on Brexit to leave the European Union.

The current economic recovery of the euro area is still too modest to appropriately address the high unemployment rates that still characterise the euro area, particularly South European countries. There are still risks of a prolonged low growth of the European monetary union. Efforts consolidating the recovery should be strengthened. In addition to fiscal policies, an important contribution to the growth of the euro area may come from the revival of public investment. More broadly this contribution shows that the best option is to carry out what has been so far lacking: a European strategy to relaunch economic growth even to defeat the populist and anti-EU movements who are advancing everywhere in Europe. It is the most difficult option as well.

To give an effective response to the present challenges, EU countries should also proceed further with the deepening of economic and political integration. The Europe’s Economic and Monetary Union has changed in recent years but it is far from being completed. The current unfinished EMU structure - based on the coordination of fiscal policies in relation to predetermined fixed rules - is extremely fragile and is exposing the euro area at risk of severe disruption. In current conditions there is no doubt that European monetary union will not be able to survive by leaning only on the one leg of unified monetary policy. Especially the Banking Union should be completed despite strong existing resistances.

No doubt it will be very difficult to achieve these aims in an era of growing euro scepticism. Still, the lesson of the Thirties should not be forgotten. It is the only way to avoid a future disintegration of the Union.