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Unions in the Making

3rd Edition of the Annual NBP Conference on *The Future of the European Economy*

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Concept Note

Strategic policy response given by the European Council in its June 2012 conclusions in response to the persistent crisis in the Eurozone consists in the concept of “four unions”: banking, fiscal, economic and political. They are complementary to the short-term policy measures taken by the national authorities (EMU/IMF-backed restructuring programmes) or EU institutions (e.g. ECB and its LTROs and OMTs). On the one hand, in the short-run the very idea of four unions is to help bring investor confidence back. On the other hand, the four unions are supposed to eliminate flaws in the present EMU architecture and build a ‘genuine’ EMU, which is a long-term task. It is not clear to what extent the short-term measures will be successful. But the question about the realism of long-term concepts of the four unions is even more fascinating.

The implementation of the four unions would alter the political and economic reality in Europe for decades and generations. Never in the history of European integration has such a far-reaching idea been formally endorsed at such a high level.

The objective of the conference is to verify and assess the requirements and viability of the concept(s). The idea of the four unions is intellectually attractive to those who believe that by appropriate supplementary measures the construct of EMU can be saved and developed. It may be not attractive at all to those who are not keen to see European integration deepening, especially to the stage of federalism. Therefore, a closer look at the rationale and viability of the four-union concept seems worth taking. Moreover, are all Eurozone Member States supposed to benefit from the building of the unions to a similar extent? Could there be losers as well? This assessment ought to be accompanied by an analysis of how the building of the four unions affects the situation of non-Eurozone Member States and how they position and should position themselves towards those plans that are to go so far. Will the building of the four unions weaken their status versus a hypothetically consolidating Eurozone bloc? Special attention should be paid in order to distinguish between the situation of the New Member States who by and large – despite the recent crisis – declare their interest in adopting the euro in the long run and of those Member States that de iure or de facto have opted out (UK, Denmark, Sweden). The basic question in this strand of analysis is whether the gradual building of the four unions will create a risk that the multiplicity of speeds of European integration turns into a barrier to entry into the Eurozone for these New Member States that may wish to join it in the future.



Description of panels

Panel I. Banking union: *done? Not really.*

What has been achieved? To what extent the adopted arrangements (SSM) are satisfactory?
What are the perspectives for common resolution and common deposit guarantee scheme?

Will the banking union petrify the imperfect state of the European banking sector?

How will the Eurozone function with its “unbankruptable” banks?

Relations between the SSM and the ESRB/ESAs. Is macro-prudential supervision taken care of in the SSM in a proper way?

Impact of the adopted SSM arrangements on relations with non-Eurozone Member States (banks' cross-border activities, home-host relations etc.)

Costs and benefits of joining the banking union by Central European countries

Would it be possible to re-shape the banking union so that it could become common for the Eurozone and non-Eurozone Member States?

Panel II. Fiscal union: *why is it possible/impossible* (*delete as appropriate)*

Economic rationale versus political/national interests. Why were some Eurozone Member States, that in a not very distant past ran fiscal policies of doubtful quality, to subordinate to strict requirements of fiscal discipline in the fiscal union with no firm guarantees of substantial (not symbolic) fiscal transfers? Why are the so-far net payers supposed to pay even much more in the future?

Would the fully-fledged banking union (with common deposit guarantee and common resolution) be the de facto first step towards fiscal union without calling it so?

Coordination of fiscal policies versus common fiscal policy

Common fiscal rules versus fiscal capacity

Fiscal capacity as the Eurozone quasi-budget: sources of revenues and how to use them?

What are the implications for the EU-27 budget? What are the implications for the non-Eurozone Member States?



Panel III. Economic union: *if fiscal union is possible (?), why not economic?*

What are possible mutations of the EMU in the future?

What lessons can be drawn from inadequate efficiency of methods of coordinating economic policies in the past?

How to neutralize the asymmetric shock of uncoordinated implementation of structural reforms being undertaken in response to the current crisis?

How much trust can be put in structural reforms and future stronger coordination of structural policies?

Is it an area where non-Eurozone Member States can be relatively easily integrated into? Even without adopting the euro? Would they be interested in it?

“Crystal Ball” Panel. Political union: *imagine if you can...*

Are we witnessing a turning point in the history of the EMU and the EU? Is the EU heading toward a federal superpower or is it on a drift toward insignificance?

How to reconcile a zeal for national identity-cum-sovereignty with the need to have much more “Europeanized” democracy under the four unions?

How to ensure more legitimacy to European integration?

How to secure a similar social model and living standards in the Eurozone despite regional disparities?

Would the New Member States be ready to sacrifice their sovereignty and independence that they regained not so long ago in exchange for being melted down in a new pan-European pot?

