European University Institute

ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES

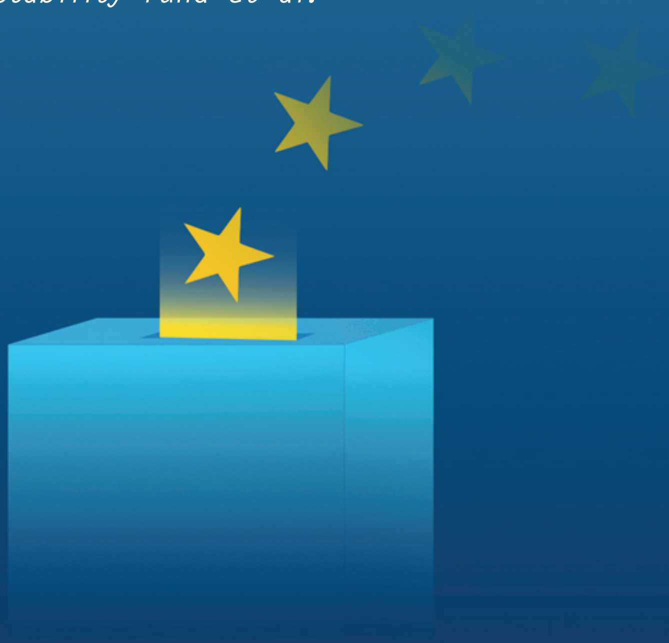
RSCAS POLICY PAPERS

Special Edition for the EP Elections 2019

RSCAS PP 2019/07
Robert Schuman Centre for Advanced Studies

Feasible and Much Needed Reforms for the EMU: The *European Stability Fund et al.*

Ramon Marimon



European University Institute
Robert Schuman Centre for Advanced Studies

Feasible and Much Needed Reforms for the EMU: The *European Stability Fund et al*.

Ramon Marimon

RSCAS Policy Paper 2019/07

ISSN 1830-1541

Printed in Italy, February 2019
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy
www.eui.eu/RSCAS/Publications/
www.eui.eu
cadmus.eui.eu

European Parliament elections in May 2019 come at a critical time in the evolution of the EU as these will be the first elections after the expected departure of the UK (March 2019) and at a time when divergence on many issues characterises member state relations. Wider global developments weigh heavily on Europe with the return of hard geopolitics and efforts to undermine the global multilateral order. The European University Institute (EUI) wants to highlight the major issues that are at the heart of the political agenda at this juncture as a contribution to the debate. The papers are part of a wider programme on the elections including the development of a Voting Advice Application (VAA), euandi2019, and an online tool specifically tailored for mobile EU citizens voting either in their country of citizenship or residence, spaceu2019.

This initiative on the European Parliament elections in 2019 is part of the Schuman Centre's European Governance and Politics Programme (EGPP) egpp.eui.eu. Launched in 2018, the Programme aims to foster high-quality academic research and reflection on the European Union and European integration with a medium to long-term perspective. The EGPP also promotes engagement on contemporary issues through various events, including blog debates and thematic conferences and workshops.

Robert Schuman Centre for Advanced Studies

The Robert Schuman Centre for Advanced Studies, created in 1992 and currently directed by Professor Brigid Laffan, aims to develop inter-disciplinary and comparative research on the major issues facing the process of European integration, European societies and Europe's place in 21st century global politics.

The Centre is home to a large post-doctoral programme and hosts major research programmes, projects and data sets, in addition to a range of working groups and ad hoc initiatives. The research agenda is organised around a set of core themes and is continuously evolving, reflecting the changing agenda of European integration, the expanding membership of the European Union, developments in Europe's neighbourhood and the wider world.

For more information: http://eui.eu/rscas

The **Policy Paper Series** of the Robert Schuman Centre for Advanced Studies complements its Working Papers Series. This series aims to disseminate the views of a person or a group on a particular policy matter, specifically in the field of European integration.

The aim of the Robert Schuman Centre for Advanced Studies is to contribute to the public debate by offering views and opinions on matters of general interest.

Abstract

This paper focuses on three legacies of the euro crisis that still need to be properly addressed in order to prevent new crises, gain resilience and grow: the euro area divide legacy, the debt legacy and the fiscal time-inconsistency legacy (i.e. fiscal policies are not sufficiently counter-cyclical). First, it argues in favour of implementing 'experience-rated policies,' which can benefit all without incurring undesired transfers; examples are the European Deposit Insurance Scheme (EDIS) and the European Unemployment Insurance System (EUIS). Second, it argues in favour of strengthening the fiscal institutional framework of the EMU by broadening the scope of the European Stability Mechanism so as to make it a proper European Stability Fund, which, in addition to transforming current contracts into more efficient ESF contracts, should be able to: host the central funds of the EDIS and EUIS; provide risk-sharing among the participating countries; transform part of the legacy sovereign debt into safe ESF contracts; and, as a result of its larger scope and its 'constrained-efficient contracts,' be in a position to issue 'safe' eurobonds.

Keywords

Institutional design, experience-rated policies, risk-sharing, sovereign-debt, credible fiscal policies.

The central question European citizens face in the May 2019 election to the European Parliament is: what do you want the European Union to be after Brexit and the euro crisis, and in the current international realignment in which the EU is losing ground? This does not mean that electoral debates will focus on this question, or that voters will take an explicit position on it with their vote. But in practice they will do so, even if their vote, or abstention, will be mostly determined by their position on national politics and, possibly more than in the past, their position in a fairly ideological debate over a range of options: a nationalistic-populist Europe, a green Europe, more (federal and/or social) Europe, and let's protect the Europe we have (or we had with Maastricht). Unfortunately, neither domestic politics nor the ideological debate are very enlightening with respect to the central question. Feasible reforms are needed, and it is more effective to first ask which legacies need to be amended, and how.

I will focus on three of these: *the euro area divide legacy*, *the debt legacy* and *the fiscal time-inconsistency legacy*. I will argue that the first requires 'experience-rated policies,' which should break the deadlock on several existing proposals (e.g. EDIS and EUIS), and that the other two are better addressed with institutional developments – in particular, by transforming the *European Stability Mechanism* into a fully fledged *European Stability Fund* – rather than with simple revisions and simplifications of the existing fiscal rules and surveillance procedures. Furthermore, the ESF can also help to gain resilience by addressing two important structural deficits of the EU: the lack of a risk-sharing (and stabilization) mechanism, and the need for euro area safe assets. Some current steps go in this direction but, other than short-sighted politics and misunderstandings, there is no reason for not setting a more ambitious feasible course, such as the one proposed here.

Three legacies and their lessons

The legacies can be summarized in a few graphs and tables:

1. *The euro area divide legacy*: the euro area is more unequal now than when it started, as is shown in Figures 1 and 2, where the euro area is divided between GIPS (Greece, Italy, Portugal and Spain) and non-GIPS. Table 1 also shows the poor performance of Italy since the start of the euro.

Figure 1. GDP Normalized 2000 - 2018
(2008, 1st Qtr = 100)

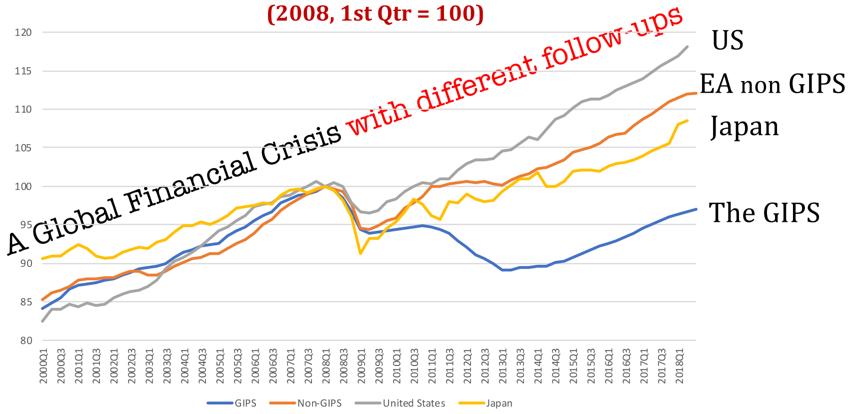


Figure 2. GDP Normalized 2000 - 2018
(2008, 1st Qtr = 100)

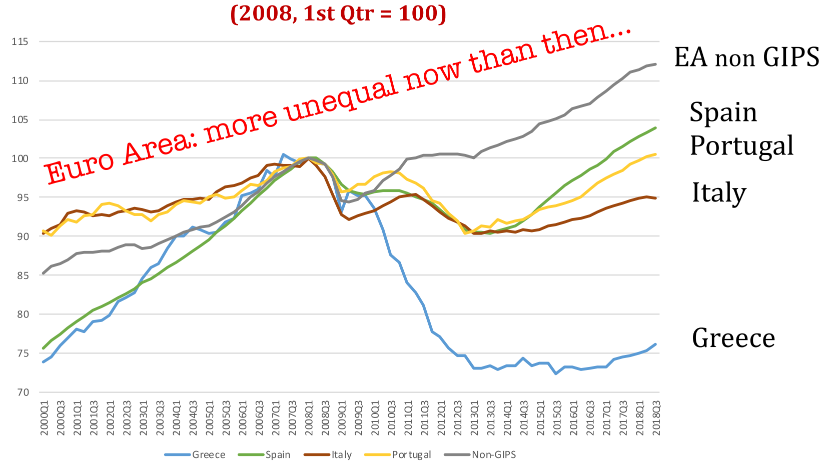


Table 1. Accumulated Per Capita Growth
(2000 - 2018)

Greece	3.8
Italy	-1.1
Portugal	10.7
Spain	18.8
GIPS	**6.5**
Germany	25.0
France	14.3
Non-GIPS	**23.9**

2. *The debt legacy* is an Achilles heel in spite of the ESM handling of the euro crisis. As Table 2 shows, the low growth of Greece, Italy and Portugal has also resulted in levels of sovereign debt over 100% of GDP.

Table 2. The debt overhang problem
(Sovereign Debt/GDP in 2018; Source: AMECO & IMF)

Greece	182.5
Italy	131.1
Portugal	121.5
Spain	98.1
France	98.5
Euro Area	86.9
Germany	60.1
U.K.	86.0
U.S.	107.8
Japan	236.6

3. *The fiscal time-inconsistency legacy*: many euro area countries – particularly, but not only, GIPS – have followed pro-cyclical fiscal policies. Table 3 shows country correlations between surpluses and outputs, which should be positive to help to stabilize the economy (i.e. save in good times for bad times). 3a shows the current account country surplus and 3b the government primary surplus (i.e. a measure of counter-cyclical fiscal policies). The contrast between Germany and France should be noted.

Table 3. The failure of stabilization policies?

Counter-cyclical Current Accounts? Corr(S/Y,Y)>0?

Period	Greece	Italy	Portugal	Spain	GIPS	France	Germany	EA non-GIPS
1980 - 2018	-0.65	0.12	-0.79	-0.48	-0.36	-0.39	0.26	0.74
2001 - 2018	-0.88	-0.56	-0.27	0.17	-0.34	-0.87	0.83	0.87

Counter-cyclical Gov. Primary Surpluses? Corr(GPS/Y,Y)>0?

Period	Greece	Italy	Portugal	Spain	GIPS	France	Germany	EA non-GIPS
1980 - 2018	0.16	0.72	0.05	0.24	0.43	-0.17	0.12	-0.12
2001 - 2018	-0.35	0.07	0.05	-0.32	0.01	-0.24	0.75	0.06

We can extrapolate the corresponding lessons from these facts:

1. Policy and institutional designs must take into account that heterogeneity among euro area countries is not a transitional phenomenon and, therefore, unless a policy is designed to achieve convergence (e.g. structural funds) it must be well designed to avoid undesired transfers; 'experience-rating' should be part of this design.
2. GIPS, and not only GIPS, countries have a very limited capacity to absorb a negative shock without increasing their debt levels to problematic – high spread – levels; therefore, debt reduction is important, as is also having a better capacity to absorb shocks and share risks in the euro area. The European Stability Mechanism (ESM) has played an important role as a crisis resolution mechanism, but this is not enough. It should be further developed.
3. While the ECB has solved the problem of time-inconsistency of monetary policy (e.g. running competitive devaluations), there is no similar solution for the time-inconsistency of fiscal policy – in particular, there is a lack of sufficient savings (or debt reductions) in good times. A stabilization mechanism is missing. Neither the ESM nor the Stability and Growth Pact rules play this role. A European Stability Fund can design its contracts to guarantee that the participating countries follow stabilization policies, at least in policies where the ESF intervenes.

Setting 'experience-rated policies'

There is a recurrent idea in the history of the European Union (and of the EMU). The idea: the idea that its development will bring convergence among member countries, making it easier to advance further with common policies, that is, the idea of 'the EU as a self-converging process.' From this perspective, one can conclude that the first twenty years of the euro have shown EMU to be a failure. However, 'the idea' is in itself a wrong premise: convergence is desirable, even if it has not happened in historical unions such as the US, but EMU policies and institutions should, and can, be designed to encompass countries which are heterogeneous in many dimensions (growth paths, income levels, domestic policies, debt liabilities, country risks, languages and local cultures etc.). Otherwise, not all countries can benefit and new exits cannot be prevented. However, there can also be a wrong conclusion to this premise:

avoid common policies which may result in undesired persistent transfers across member countries. A variant of this is not much better: postpone these policies until convergence is achieved.

This seems to be the fate of the European Deposit Insurance Scheme (EDIS), of a possible European Unemployment Insurance System (EUIS) and of a risk-sharing shock-absorbing mechanism. For example, the *Five Presidents' Report* (2015) supported the latter but proposed to postpone its implementation to the stage where 'convergence has been achieved.' Similarly, Eurogroup detractors of implementing EDIS to complete the Banking Union now set risk-reduction as a pre-condition. However, these positions ignore a basic design that insurance companies systematically apply: contracts with different risk-premia, i.e. 'experience-rated policies.' Ignorance, misunderstanding or mistrust?

For example, the European Banking Union has the information, the risk-assessment technology and drafted rules[1] to implement in a relatively short period of time a common EU deposit insurance – say, for the first €100,000 – financed by the Union's banks with differential bank-country premia in order to prevent undesired cross-country permanent transfers. It is difficult to rationalise the current deadlock, and even more so when the Italians now, as the Greeks did then, are running down their deposits. With an 'experience-rated EDIS,' banks operating in Italy or Greece would pay – or commit to pay – more, but deposits in euros would be equally safe across the euro area. The EDIS could be implemented with direct transfers through the Banking Union interbank market, but a more robust design would be to have a fund collecting banks' insurance dues and providing the deposit insurance. That is, an EDIS similar to the US Federal Deposit Insurance Corporation (FDIC), which is "a risk-based deposit insurance assessment system,"[2] but in which, at least temporarily, the 'risk-based' part should have a country component[3] and, as in the case of the US, countries should be able to complement the insurance provided by the EDIS.

Similarly, the main current proposals for the establishment of a *European Unemployment Insurance System* – e.g. Árpád, Brogueira *et al*. (2018), Beblavy and Lenaerts (2017), Dolls *et al*. (2018) and Dullien, Weizsäcker *et al*. (2018) – introduce restrictions in order to avoid, or minimize, permanent transfers. In particular, Árpád, Brogueira *et al*. (2018; the only EUIS dynamic general equilibrium structural model) propose an explicit 'experience-rated system' and show that, while an EUIS only for extreme events – i.e. a 'rainy day fund' – would provide limited welfare gains, there can be unanimous agreement among EA countries about modifying their current unemployment benefit (UB) systems to a common minimal EA system – with a 10% replacement rate and unlimited duration (conditional on being actively searching), which can be complemented by countries preferring higher replacement rates (e.g. France).[4] Differential payroll taxes to cover the minimal EUIS can prevent permanent transfers. Furthermore, country tax rates can be stable, providing insurance across the EA. However, stable tax rates and employment/unemployment fluctuations result in fluctuating funds at the national level. A centralized EA fund can smooth these fluctuations; in fact, if the fund has (highly rated) access to international financial markets, national tax rates can be constant, within a risk-assessment period.

---

1 "EBA guidelines on methods for calculating contributions to deposit guarantee schemes" (2015), https://eba.europa.eu/documents/10180/1089322/EBA-GL-2015-10_GL+on+Calculation+of+Contributions+DGS.pdf/92da0adb-3e16-480f-8720-94f744ea7a44.

2 See https://www.fdic.gov/about/strategic/strategic/insurance.html.

3 For example, in June 2017 depositors in the Spanish Banco Popular "were said to be withdrawing €2bn a day" (The Economist, June 10th 2017). If it had not been bought by Banco de Santander (a very international but nevertheless Spanish bank) this would have meant a significant loss to the Spanish Deposit Guarantee Fund. In contrast, in the same month, the failing Veneto Banca and Banca Popolare di Vicenza only found an Italian buyer, Intesa Sanpaolo, for their 'good assets' and, circumventing the new ECB Banking Union rules, the Italian government provided loan guarantees for €12bn. In sum, the Italian risk is higher than the Spanish one, but this must be priced, not EDIS-denied.

4 Árpád, Brogueira *et al*. (2018) show that the present value welfare gains in consumption equivalent values (CEV) of introducing this reform are substantial and that, with complementary replacement rates, support for the reform is unanimous across countries and within countries (i.e. among the employed, unemployed and inactive) in the calibrated economy.

The two previous mechanisms, EDIS and EUIS, have five properties in common: *i*) they are 'country experience-rated'; *ii*) their sources of revenue (bank fees and payroll taxes) and expenditures (deposits and unemployment benefits) are well defined; *iii*) they do not have country eligibility criteria (e.g. a high unemployment risk country may have a high EUIS payroll tax but is not excluded); *iv*) they can operate better with a common fund; and *v*) while they are described as euro area systems, they can also be EU systems or even systems for a subset of EU countries.

It must be noted that 'experience-rated taxes' provide a strong incentive to reduce risks: once a system is in place, tax differentials become themselves the best indicators of country risk differentials, and of the value of risk-reduction improvements. However, one may argue that once insurance is provided – say, with an EDIS – there is less 'market discipline' and more moral hazard, but this is also true of car accidents: without car insurance car accidents would certainly provide plenty of 'market discipline.'

I am not proposing that all the EA policies should be 'experience-rated,' but that it is a much better solution – which, properly designed, can have unanimous support – than not to have these European policies for reasons of fear, or mistrust, that they will become undesired redistributional policies.[5] The above five properties define a basic robust design consistent with any view that favours strengthening Europe.

Ex-ante vs ex-post conditionality and fiscal rules

While 'experience-rated' policies do not seem to be well understood, or politically accepted, by EU policy-makers, 'conditionality' is now a commonly accepted feature. For example, the ESM Treaty requires members to "provide support under strict conditionality" (Art. 3). However, as in the case of the ESM, conditionality is usually *ex-ante* conditionality, as eligibility criteria.[6] In contrast, 'experience-rated' policies have their own *ex-post* conditionality: if in a new risk assessment the risk profile has changed, then premiums and/or taxes change.

I am not arguing that *ex-ante* conditionality cannot provide fiscal discipline (it did so for many countries before they were able to adopt the euro), but instead that it may not be the most efficient way to provide it. It has three limitations: *i*) it may result in unnecessary exclusions, as in the case of excluding high-unemployment countries from the EUIS; *ii*) by nature it is an asymmetric conditionality: eligibility conditions are minimal conditions which are usually binding in bad times but mute in good times; and *iii*) just imposing the conditionality in bad times – for example, with austerity measures – may be unnecessarily harsh (which can also make the conditionality non-credible).

Fiscal rules have similar limitations, in particular, (*ii*) and (*iii*). For example, the Stability and Growth Pact rules have become increasingly more conditional, to the point of 'excess complexity.'[7] Nevertheless, beyond peer-pressure – through the excessive deficit procedure (EDP), etc. – the set of instruments in the hands of the European Commission is very limited and asymmetric: 'sticks,' with limited credibility, without 'carrots' (I come back to this point below).

---

5 For example, Adam Tooze remarks "If it had wished to maximize pressure on Europe's governments to preserve fiscal discipline, the ECB could have adopted a discriminatory system of national specific repo haircuts, imposing tougher conditions on less credible peripherical eurozone borrowers" (2018, p.100). One can see the interest of such a policy as well as the reasons why the ECB may 'not have wished' to implement this policy.

6 The Maastricht criteria for entering the EA are another example of *ex-ante* conditionality.

7 For example, the "required annual structural adjustments to the mid-term objectives (MTO)" conditions in the state of the economy (output gap) and the level of debt (> or ≤60%), with further flexibility clauses subject to "eligibility conditions," but without checks *ex post*; for more details, see the *European Fiscal Board* Annual Report 2018. The report also remarks on the lack of *ex post* checks on eligibility criteria and calls for a simplification of the SGP rules.

There is an increasing consensus that both the current SGP rules and surveillance system need to be simplified and, in particular, that there is a need "to clearly separate the role of the assessor from that of the decision maker(s)."[8] Both changes would be most welcome. Nevertheless, the idea persists that further steps – for example, in risk-sharing – should have compliance with the fiscal rules as eligibility criteria without *ex post* conditionality. In sum, even in this improved design it seems that the capacity of the EA to foster counter-cyclical fiscal policies among very different countries would still be very limited, while it is possible to do better.

Rethinking ESM and existing EU sovereign debt contracts in three steps

The European Stability Mechanism (ESM) has played a major role in the resolution of the euro crisis, in particular by providing very long-term credit at relatively low interest rates, after having done the corresponding risk-assessment to guarantee the sustainability of its contracts (see Corsetti *et al*. 2017). For example, it holds more than a third of the Greek debt with durations of thirty years and more. In a sense, it has transformed what would have been defaultable (risky) debt into long-term safer debt. Like all European sovereign debt, it is non-contingent debt. Nevertheless, it certainly can be expected that Greece will go through relatively good and bad times in the next three decades, and rolling over all this debt at the end may be problematic, to say the least. The long-term debt could be transformed into a state-contingent long-term contract, with larger repayments in good times and smaller, or negative (i.e. providing additional credit to Greece), repayments in bad times. The contract can be designed as a 'constrained-efficient contract.'[9] This would be a better contract for Greece, guaranteeing that at least a third of its debt is managed as a 'stabilization policy.'

What can be done with existing EU sovereign debt held by the ESM can also be done with – at least part of – the 'legacy debt' in the euro area and this would be a second, and major, step. The case of the Italian debt is paradigmatic. One can argue that the Italian sovereign debt crisis of autumn 2018, with its spread peak of 333 points over the German Bund on 18 October and its final resolution two months later, when on 19 December the European Commission accepted the Italian budget revision with a reduction of the deficit from 2.4% of GDP to 2%, is possibly the best example of how 'market discipline,' together with the new rules which allow the European Commission to request a budget revision with the threat of a fine if there is no compliance, work, even in confronting a populist government elected with a promise to challenge the EC and approve an expansionary budget.

There are, however, worrisome aspects of this 'successful event.' First, there would have been even more 'market discipline' if the populist government had had control of its currency (the Italian lira, which the same leaders had nostalgically praised in the past), but to what avail? Second, while the Italians were protected from a currency crisis by the ECB, they were not protected from a (mini) sovereign debt crisis and with two thirds of it in their hands – was this really necessary? Third, given Macron's concessions to the yellow jackets movement, the game of 'chicken' between the EC and the Italian government could have continued, in which case would the EC have gone ahead and sanctioned Italy? Fourth, without intermediate institutions to deal with a (mini) sovereign debt crisis, the process became highly political. Last but not least, what really counts is the final outcome, over which the EC has no control. It is still too early to judge, but there was no rigorous revision of the budget and, unfortunately, the expansionary budget may actually be counter-cyclical since, for example, according to the Italian statistical office ISTAT, industrial production decreased by 2.6% in 2018, a year of

8 *European Fiscal Board* (2018 p. 70). A similar recommendation is given in Bénassy-Quéré *et al*. (2018).

9 'Constrained-efficient' means that the contract maximizes welfare, taking into account that: the sovereign country can always break the contract (losing access to the ESF and, possibly, to other EMU benefits); the ESF cannot *ex-post* incur expected losses with the contract (i.e. there are no *ex-ante* or *ex-post* persistent transfers to borrowers); and the contract, with its risk-assessment revisions, provides incentives to borrowers to reduce their country risks and, possibly, debt levels (see Árpád, Carceles-Poveda *et al.* 2018).

recovery for the euro area, so what will the EC do if in the end the deficit is worse than the deficit foreseen in the 'approved budget'?

Suppose, for a moment, that the negotiation process between the EC and the Italian government had been similar (which doesn't have to be the case), but instead of rejecting the budget the commission's vice-president, Valdis Dombrovski, had said to the Italian prime minister, Giuseppe Conte "We think that with your budget, and your claim that with it the country will grow, you are putting your country at risk and, in particular, your large stock of debt. We want to help but if you want to go ahead, an agreed fraction of your debt – say, a third, as for Greece – will need to be managed by the ESM under a new long-term state-contingent contract, similar to the Greek one but adjusted to your growth and risk profile (under this scenario, Greece would already have a new contract). It will follow stabilization principles but it will also take into account your overall sovereign debt (e.g. it will be more generous if the non-ESM sovereign debt is reduced). Repayments on the sovereign debt held by the ESM will take priority over the remaining government obligations (this would be the main, and possibly unique, element of the future national budget reviews by the EC, with violations subject to penalties, as in any insurance contract). In any case, we need to isolate the banking system from your sovereign debt risks and, therefore, the rest of your sovereign debt will no longer be considered safe by the ECB unless it proves to be safe. This means that if you don't want to take this opportunity, and you do go ahead with your proposed budget, 100% of your debt will not be considered safe by the ECB."

This 'counterfactual' negotiation procedure does not solve Italy's stagnation problem but it does on the one hand provide support and give more ownership to the Italian government; on the other hand, it has a more effective and credible mix of 'carrots and sticks.'[10] This takes us to what can be a third stage in transforming the ESM into a *European Stability Fund*. By offering risk-based long-term state-contingent constrained-efficient contracts,[11] the *ESF*, while avoiding persistent transfers across countries, can: provide risk-sharing regarding risks which are not perfectly correlated within the euro area; have a better capacity to borrow and lend in the international markets than national governments when risks have an impact in the euro area; and absorb an important fraction of the existing sovereign debt, effectively transforming risky non-contingent sovereign debt into a riskless contract. In particular, once the *ESF* is allowed to offer these contracts to countries which are not in a situation of crisis, it should be in their interest to transform part of their existing sovereign debt into *ESF* contracts, an efficient way to deal with the 'debt overhang' problem.

An immediate consequence of increasing the scope of operation of the *ESF* would be the expansion of its balance sheet with safe assets (i.e. designed to be 'as safe as they can possibly be'), and therefore it would be in a position to offer highly rated bonds to the international capital market and, given that the issuer would be the *ESF* and not any given country, they could be called 'eurobonds' – as safe, if not safer, than US debt – enhancing the international standing of the European Union.

These are non-trivial reforms leading to a stronger institutional framework for the euro area, and the EU without a need to enlarge the EU or EA budgets or to strengthen the European Commission's scrutiny of domestic affairs (in fact, the contrary), reforms that, analysed without prejudice, are immune to most ideological debates and, therefore, unless the views are short-sighted, they are apt to have political support. They are reforms that address *the debt and fiscal time-inconsistency legacy problems* and can be implemented even in a *divided euro area*. In fact, even if they are designed to avoid undesired cross-country transfers, the lagging countries within the union are the ones that can benefit the most and, therefore, the reforms also address *the euro area divide legacy* problem.

---

[10] Obviously, the ESM would have to do a fair amount of contract and debt management engineering to back-up the commissioner's claim. More importantly, the ESM (or better to call it the ESF) would be an intermediate institution, in the same way the ECB is. In other words, it should not be that the vice-president of the Commission gives orders to the ECB or the ESM, but that the above claim reflects an agreed (new) framework where the ECB and the ESM act accordingly in a situation of (mini) crisis.

[11] See footnote 9.

References

Ábrahám, A., E. Carceles-Poveda, Y. Liu and R. Marimon (2018), "On the Optimal Design of a Financial Stability Fund", ADEMU WP2018/105.

Ábrahám, A., J. Broguiera de Sousa, R. Marimon, and L. Mayr (2018), "On the Design of a European Unemployment Insurance system (EUIS)", ADEMU WP2018/106.

Beblavy, M. and K. Lenaerts (2017), "Feasibility and Added Value of a European Unemployment Benefits Scheme", CEPS Special Report.

Bénassy-Quéré, A., M.K. Brunnermeier, H. Enderlein, E. Farhi, M. Fratzscher, C. Fuest, P-O. Gourinchas, P. Martin, J. Pisani-Ferry, H. Rey, N. Véron, B. Weder di Mauro and J. Zettelmeyer (2018), "Reconciling Risk Sharing with Market Discipline: A Constructive Approach to Euro Area Reform", CEPR Policy Insight No. 91.

Corsetti, G., A. Erce and T. Uy (2017), "Debt Sustainability and Terms of Official Support", ADEMU Working Paper No. 2017/070.

Dolls, M., C. Fuest, D. Neumann and A. Peichl (2015), "An Unemployment Insurance Scheme for the Euro Area? A Comparison of Different Alternatives Using Micro Data," CESifo Working Paper No. 5581.

Dullien, S., J. Fernandez, M. Lopez, G. Maass, D. del Prado and J. von Weizsäcker (2018), "Fit for Purpose: German-Spanish proposal for a robust European Unemployment Insurance."

European Fiscal Board (2018), "Annual Report", https://ec.europa.eu/info/publications/2018-annual-report-european-fiscal-board_en

Juncker, J-C, D Tusk, J Dijsselbloem, M. Draghi and M. Schulz (2015), *The Five Presidents' Report: Completing Europe's Economic and Monetary Union*, European Commission.

Tooze, A. (2018), *Crashed: How a Decade of Financial Crises Changed the World*, Viking, New York.