

The Europe Union in Crisis

Charles Wyplosz

The Graduate Institute, Geneva

Conference "25 years after the USSR"

Leontief Center, September 10, 2016

Two different crises

- The Eurozone crisis
 - An incomplete and imperfect construction meets its fate
- Brexit
 - Old ambiguities meet voters' anger
- My conclusion
 - Not as bad as it looks
 - An opportunity for reforms, which may be lost

The Eurozone crisis

- Many construction flaws, including:
 - Wrong fiscal discipline mechanism
 - No “banking union”
 - An incomplete central bank
 - Poor overall governance
- A crisis was unavoidable
- Some solutions, but flaws remained
 - Fiscal discipline
 - Central bank independence
 - Governance worse

Brexit

- The EU: an “ever closer union”?
 - Perfectly ambiguous
 - Different views
 - Across member countries
 - Within member countries
- Result: diverging expectations and perceptions
 - “Brussels” seen as intrusive
 - The democratic deficit
 - Deepening: rejected again and again
 - Old habits don’t die and the bureaucracy keeps pushing

Brexit

- The EU: an “ever closer union”?
- Result: diverging expectations and perceptions
- Generalized voters anger
 - Not just Europe
 - Two major causes
 - Globalization
 - Migration
- Two issues
 - There is not much of an alternative
 - Dealing with anger: only national responses

Conclusions

- Some answers must come from the EU
 - Fiscal discipline
 - Banking Union
 - The rest (governance, central bank independence) is unlikely
- National governments must redistribute gains from globalization
- The EU must be more modest
- The EU remains broadly popular but the devil is in the details