



NAME

Paul De Grauwe

TITLE OF PRESENTATION

Managing the Fragility of the Eurozone

ABSTRACT OF PRESENTATION

When entering a monetary union, member-countries change the nature of their sovereign debt in a fundamental way, i.e. they cease to have control over the currency in which their debt is issued. As a result, financial markets can force these countries' sovereigns into default. In this sense member countries of a monetary union are downgraded to the status of emerging economies. This makes the monetary union fragile and vulnerable to changing market sentiments. It also makes it possible that self-fulfilling multiple equilibria arise.

I analyze the implications of this fragility for the governance of the Eurozone. I conclude that the new governance structure does not sufficiently recognize this fragility. I suggest a different approach to deal with these problems.

BIOGRAPHICAL NOTE

Paul De Grauwe is John Paulson Professor at the London School of Economics, He was a member of the Belgian parliament from 1991 to 2003. He is honorary doctor of the University of Sankt Gallen (Switzerland), of the University of Turku (Finland), and the University of Genoa. He was a visiting professor at various universities: Paris, Amsterdam, Berlin, Kiel, Milan, Pennsylvania and Michigan. He obtained his Ph.D from the Johns Hopkins University in 1974. He is a research fellow at the Centre for European Policy Studies in Brussels and at CESifo in Munich.