

Common Workshop of France Stratégie,
German Economic Institute and
Konrad-Adenauer-Stiftung

**THE FUTURE GOVERNANCE OF THE EUROAREA –
PERSPECTIVES FROM FRANCE AND GERMANY**

10th and 11th September 2018

Venue: Office of Konrad-Adenauer-Stiftung (15BIS rue de Marignan), Paris

First day: 10th September 2018

17:00 – 17:45

Introductory session

Opening Remarks

Nino Galetti, Jürgen Matthes, Philippe Martin

Round of individual introduction

Thematic introduction (10 minutes each)

Input by Wolfgang Merz on the status quo after Meseberg and Euro-Summit

Input by Philippe Martin on the 7+7 French-German Economists' proposals

Remarks for participants of the 3 panels

The organisers intend to facilitate a focused and intense debate on selected topics of the rather complex EMU debate. To this aim, the moderators will only provide a brief introduction to the panels and suggest selected questions to be discussed. Thus, the panels will provide ample time for an active debate which is meant to remain focused in the course of each panel. There will be room for changing the questions to be discussed to some extent.

First day: 10th September 2018 (continued)

17:45 – 19:45

Panel 1:

Fiscal Policy: How to make stabilisation more effective, reduce pro-cyclicality and bring down public debt?

a. Diagnosis: Remaining loophole in EMU's architecture? – Evaluation of a central fiscal stabilisation capacity

b. National fiscal policy: How to make it less pro-cyclical and more debt oriented?

Selected questions

Part a: Central fiscal stabilisation capacity

- Diagnosis
 - How to balance sustainability with stabilization needs?
 - Market and fiscal mutualisation? What is necessary?
 - The role of an European unemployment insurance scheme
- Merits and features of a central stabilisation capacity
- How to mitigate moral hazard risks and avoid permanent transfers?

Part b: National fiscal policy

- Fiscal expenditure rule attached to a debt anchor?
- Accountability Bonds?

Transfer to the Restaurant (by Metro)

20:00

Dinner

Brasserie Bofinger, 7 Rue de la Bastille, 75004 Paris

Dinner speech by Agnès Bénassy-Quéré

“Towards a Franco-German approach on euro area's economic governance”

Accommodation

Grand Hotel Malher

5 rue Malher

75004 Paris

Second Day: 11th September 2018

9:00 – 11:00

Panel 2:

Completion of Banking Union

a. How to achieve sufficient risk reduction?

b. How to finalize the banking union?

Selected questions

Part a: Risk reduction

- Banks' sovereign exposures:
 - To what extent is it a problem and how to tackle it?
 - Concentration charges or risk weights?
 - How far can we go alone in Europe, if no progress in Basle?
 - Role of domestic banks for stability of sovereign debt markets
 - Role of a new safe asset in the euro area (SBBS)
- NPL reduction:
 - Which aggregation level, which concrete targets, 5%
 - What to do with banks that do not meet the targets in time?

Part b: Finalisation of the banking union

- Which key elements and how to achieve them?
- EDIS: Which is the best design?
- Other related potential topics:
 - Pan-European banking market
 - SRF backstop at ESM
 - Liquidity support in resolution

11:00 – 11:30

Coffee Break

Second Day: 11th September 2018 (continued)

11:30 – 13:30

Panel 3:

ESM Reform: Which key elements are missing?

- a. How to make ESM resources sufficient for large member states?**
- b. How to design an improved precautionary instrument?**

Selected questions:

Part a: ESM resources

- Which options are available?
- Pros and cons of maturity extension at start of ESM program

Part b: Improved precautionary instrument

- Evaluation of the current policy direction: right way to go?
- Which design features to choose?
- Comparison to central fiscal stabilisation instrument

13:30

Concluding Remarks

A Sandwich Lunch is served during **Panel 3** at around **12:30**