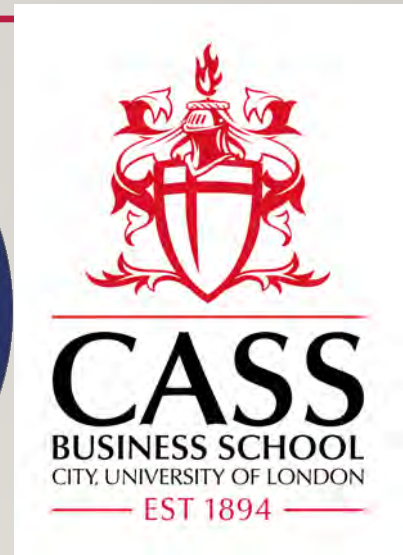


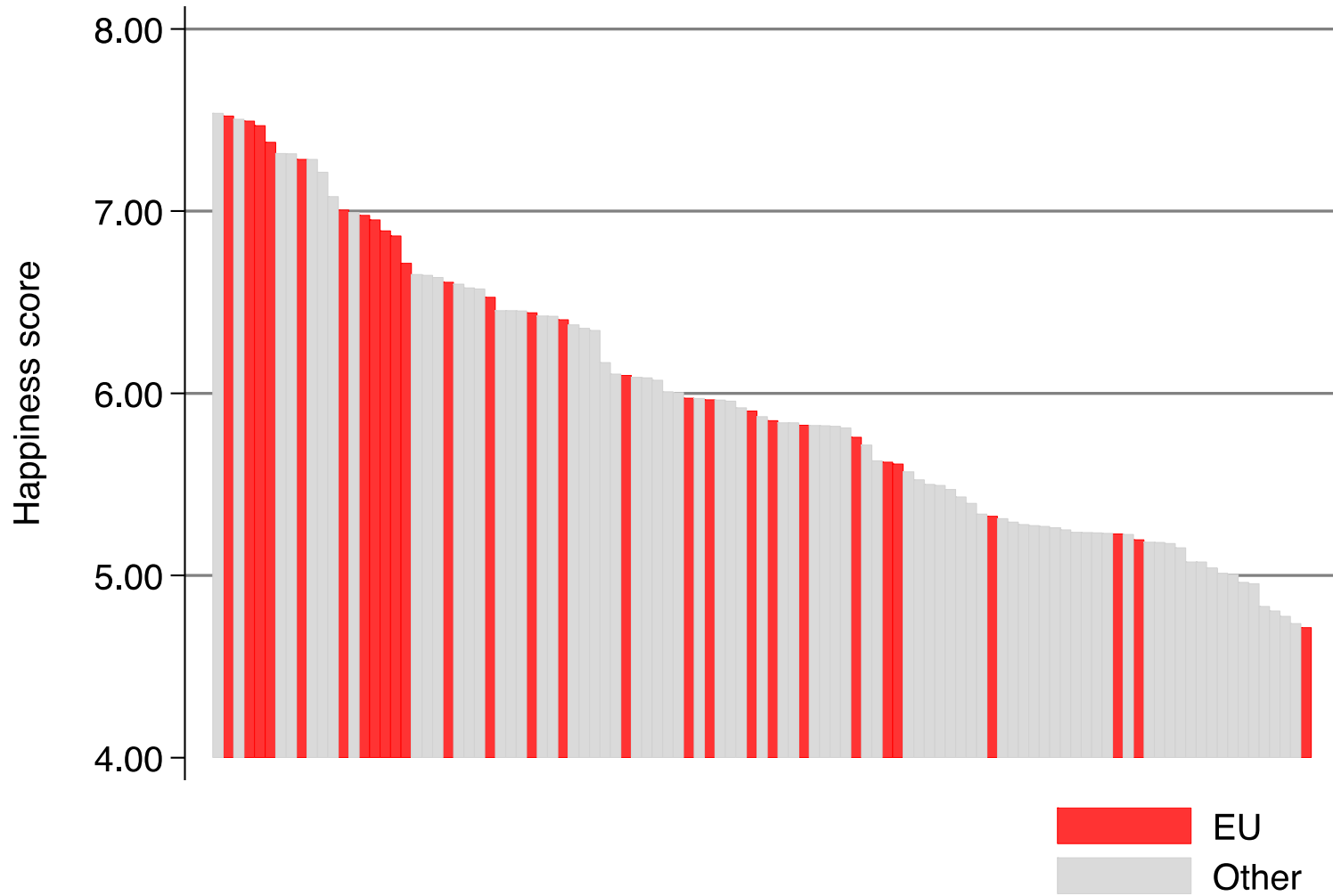


QUO VADIS? IDENTITY, POLICY AND THE FUTURE OF THE EUROPEAN UNION

THORSTEN BECK

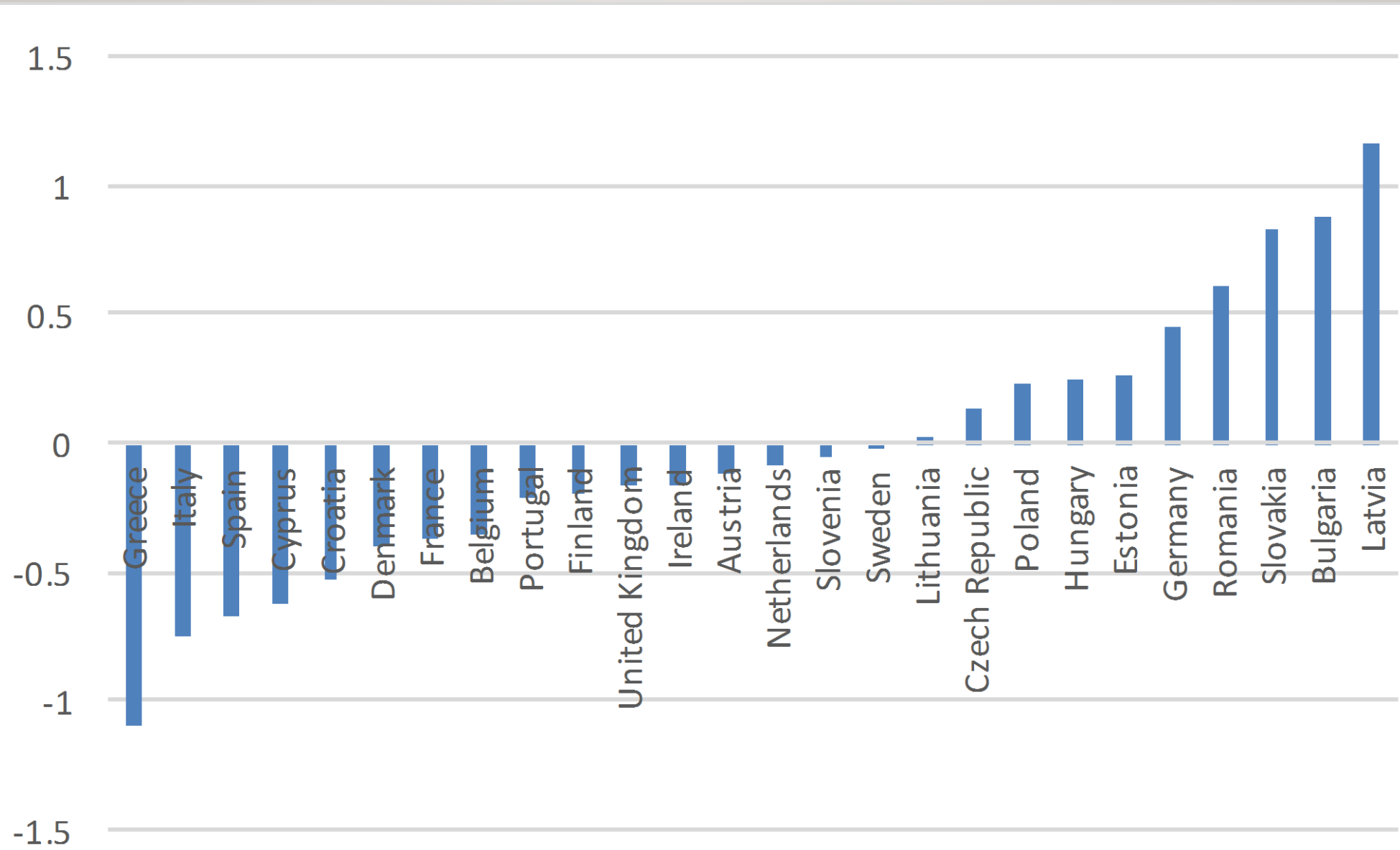


EU MEMBERS AMONG TOP20 IN HAPPINESS LEAGUE, BUT STILL LARGE VARIATION....



Sample size: 105 countries

...AND DIVERGENCE



THE MONSTER OF BRUSSELS



- The monster of Brussels
 - Reality: EU budget is 1% of EU GDP
- Is the EU overpromising? Or is it perceived to be overpromising?
- Advocate of globalization and liberalization, but not capable of protecting its own citizens
 - Comparison Great Depression and Recession – where were protective measures taken and where does austerity come from?
 - Nation states vs. Brussels
- How move on from here?
 - Treaty changes? Not feasible
 - How to work within current framework: starting point: nation states

CAN WE LEARN FROM TRANSITION ECONOMIES?

- EU has been enormous success story in attracting new members over past decades
- BUT: existential challenges
 - Heterogeneity amongst its members
 - Completing the union (banking and fiscal union; refugee crisis; youth unemployment etc.)
 - But: reforms more difficult to implement during crisis
- Transition economies went through painful reforms during 1990s, with benefits unequally shared, with populist wave being the result
 - Short-term pain, long-term gains strategy faces serious limitations
 - Need to think more seriously about compensation, beyond simple pay-off

CENTRALIZING OR DECENTRALIZING?

Start from first principles:

- **Externalities** and **returns to scale** call for centralization
- **Information asymmetries** and **heterogeneity of preferences** call for decentralization
- Apply to four freedoms??
- Apply to specific policy areas:
 - Banking union (strong externalities)
 - Fiscal policy (strong heterogeneity of preferences and parliamentary prerogative)
 - Cohesion funds (strong information asymmetries)
 - R&D (strong scale economies)
- Multi-speed Europe?

LEGACY PROBLEMS AND FUTURE CHALLENGES FOR THE EUROZONE

- Debtor- vs. creditor countries stand-off continues
 - How to deal with sovereign overindebtedness?
 - How to deal with failing banks?
 - Can has been too long kicked down the road....
- How to make the Eurozone a sustainable currency union
 - Common budget for Eurozone (maybe 2% of Eurozone GDP)
 - A sovereign insolvency procedure
 - GDP-indexed bonds
 - Reform of Stability and Growth Pact
 - Complete banking union (deposit insurance, bank resolution)
 - Address legacy non-performing loan stock and bank restructuring needs
 - ESBies to create a safe Eurozone asset and cut sovereign-bank link

THE ROLE OF SOCIAL SCIENTISTS

- Enough of the experts?
 - First miss a crisis and then turn into doomsayers
 - Fake news dominate
- What should social scientists do? Back to basics!
 - Less focus on exact predictions, more on basic trade-offs!
 - Be humble!
 - Focus more on distribution! Think more about compensation of “losers”
 - Rethink social safety nets! Flexicurity!
- Political structure has feedback loop into economic policy making
 - Examples: UKIP almost not represented in House of Commons; geographic distribution of winners and loser costs Hillary Clinton majority in electoral college
- Beyond the Ivory Tower!
 - More engagement with public policy stakeholders and general public
 - Stress our advantage as technocrats (looking beyond national borders)
 - Stand up to the bullies!

THANK YOU

<http://voxeu.org/content/quo-vadis-identity-policy-and-future-european-union>

