Europe’s Future

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SIEPR Economic Summit 2013
The Euro and the European Single Market: 3 Key Questions

- Will It Survive?
- Will It Expand?
- Will It Thrive?
Four Basic Introductory Points

- The EU Isn't a Proto-United States
- The Euro Was Created to Solidify The Single Market
- The Single Currency's Challenges Were Anticipated
- The Severity of the Challenges Was Not Foreseen
Europe's Crisis Response in Stages

- 1. Denial
- 2. Stuttering & Unsure
- 3. Reactive
- 4. More Forceful, More Strategic,
- But Not Yet Fully Credible!
Making Progress: Converging Competitiveness

Source: Eurostat, EC European Economic Forecast – Winter 2013
Making Progress: Reducing Fiscal Imbalances

Source: European Commission, European Economic Forecast – Winter 2013
Making Progress: Reducing Current Account Imbalances

Source: Thomson Reuters Datastream, HSBC
Europe’s Continuing Challenge: Still-Rising Unemployment

Source: Eurostat
Market Discipline’s Failure:
First Too Little -- Then Too Much

Euro area: Sovereign spreads vs. 10Y Bunds

Source: Bloomberg, HSBC
The ECB’s Promise Calmed Markets: At Least for Now

Source: Bloomberg
Near-Term Hurdles

- Restoring Growth
- Sustaining Financial Market Stability
- Solution Needed for Cyprus
- Reinforcing the Single Financial Market (SSM)
- New Progress On Constructing European Fiscal Institutions
- Whither the United Kingdom?
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3 Key Conclusions

Yes
Probably
Hopefully