

Vienna Lecture on the European Union

The Political Economy of Monetary Solidarity in Europe Understanding the Euro Experiment

(Abstract overleaf)

1 April 2019, 5:00 pm

Centre for European Integration Research (EIF)

Apostelgasse 23, 1030 Vienna

(near U3 stop Kardinal Nagl-Platz)

Lecture: **Waltraud Schelkle**, Associate Professor in Political Economy,
London School of Economics and Political Science (LSE)

Comments: **Barbara Prainsack**, Professor for Comparative Policy Analysis,
Centre for the Study of Contemporary Solidarity (CeSCoS), IPW,
University of Vienna

Magnus Schoeller, Postdoctoral Researcher, Centre for European
Integration Research (EIF), IPW, University of Vienna

Moderation: **Gerda Falkner**, Head, Centre for European Integration Research
(EIF), IPW, University of Vienna

This lecture will be held in English, questions can also be asked in German. The event
will be followed by a small reception.

Registered and unregistered participants are welcome but we kindly ask for your
registration at eif@univie.ac.at or +43 1 4277 49456.

Abstract

The euro is a unique experiment in monetary history: a group of rather different countries adopted voluntarily a common currency, and the supranational central bank is deliberately separated from national fiscal institutions. Every member state had good reasons to take the risk of joining this experiment of a monetary pool of diverse countries. However, the experiment has so far been rather disappointing. A political-economic paradox can explain why the member states could agree only on a dangerously limited form of fiscal risk sharing. These limitations materialised in the recent financial and euro area crisis, in which the rescue of insolvent banks remained a task for each member state even though financial market integration had contributed to making domestic banking systems too big for most of them. But the elements of insurance that have been institutionalised in the monetary union also came to the fore in the crisis: notably the cross-border payments system TARGET sustained the euro area as a trade and payments area. The banking union has made risk sharing in the common currency area more robust. But the risk of fiscal overstretch is still real and calls for further reforms.