

THE MECHANICS OF A STRONG EURO AREA

IMF Policy Analysis

Editors

Petya Koeva Brooks

and Mahmood Pradhan

I N T E R N A T I O N A L M O N E T A R Y F U N D

Contents

Foreword v

Acknowledgments vii

Preface ix

Contributors xiii

Abbreviations and Acronyms xvii

PART I THE LEGACIES OF THE CRISIS

- 1 Investment in the Euro Area: Why Has It Been Weak? 3
*Bergljot Barkbu, S. Pelin Berkmen, Pavel Lukyantsau, Sergejs Saksonovs,
and Hanni Schoelermann*
- 2 Indebtedness and Deleveraging in the Euro Area 25
Fabian Bornhorst and Marta Ruiz-Arranz
- 3 Rebalancing: Where Do We Stand and Where to Go? 49
Thierry Tresselt and Shengzu Wang

PART II THE ROLE OF MONETARY POLICY AND THE FISCAL FRAMEWORK

- 4 Fragmentation, the Monetary Transmission Mechanism,
and Monetary Policy in the Euro Area 75
Ali Al-Eyd and S. Pelin Berkmen
- 5 Possible Subordination Effects of Eurosystem Bond Purchases 95
Nico Valckx, Kenichi Ueda, and Manmohan Singh
- 6 An Early Assessment of Quantitative Easing 107
S. Pelin Berkmen and Andreas (Andy) Jobst
- 7 Fiscal Consolidation under the Stability and Growth Pact:
Some Illustrative Simulations 139
*Derek Anderson, Marialuz Moreno Badia, Esther Perez Ruiz, Stephen Snudden,
and Francis Vitek*
- 8 Fiscal Governance in the Euro Area: Progress and Challenges 149
Luc Eyraud and Tao Wu

PART III COMPLETING THE ECONOMIC AND MONETARY UNION (EMU)

- 9 A Banking Union for the Euro Area 173
*Rishi Goyal, Petya Koeva Brooks, Mahmood Pradhan, Thierry Tresselt,
Giovanni Dell’Ariccia, Ross Leckow, and Ceyla Pazarbasioglu*
- 10 Toward a Fiscal Union for the Euro Area 195
IMF Staff Team Led By Céline Allard

PART IV THE ROLE OF STRUCTURAL POLICIES AT THE EURO AREA LEVEL

11	Capital Market Development: Financing of Small and Medium-Sized Enterprises in the Euro Area.....	219
	<i>Ali Al-Eyd, Bergljot Barkbu, S. Pelin Berkmen, John Bluedorn, Andreas (Andy) Jobst, and Alexander Tieman</i>	
12	Youth Unemployment in Europe: Okun's Law and Beyond.....	239
	<i>Angana Banerji, Huidan Lin, Sergejs Saksonovs, and Rodolphe Blavy</i>	
	Index	259