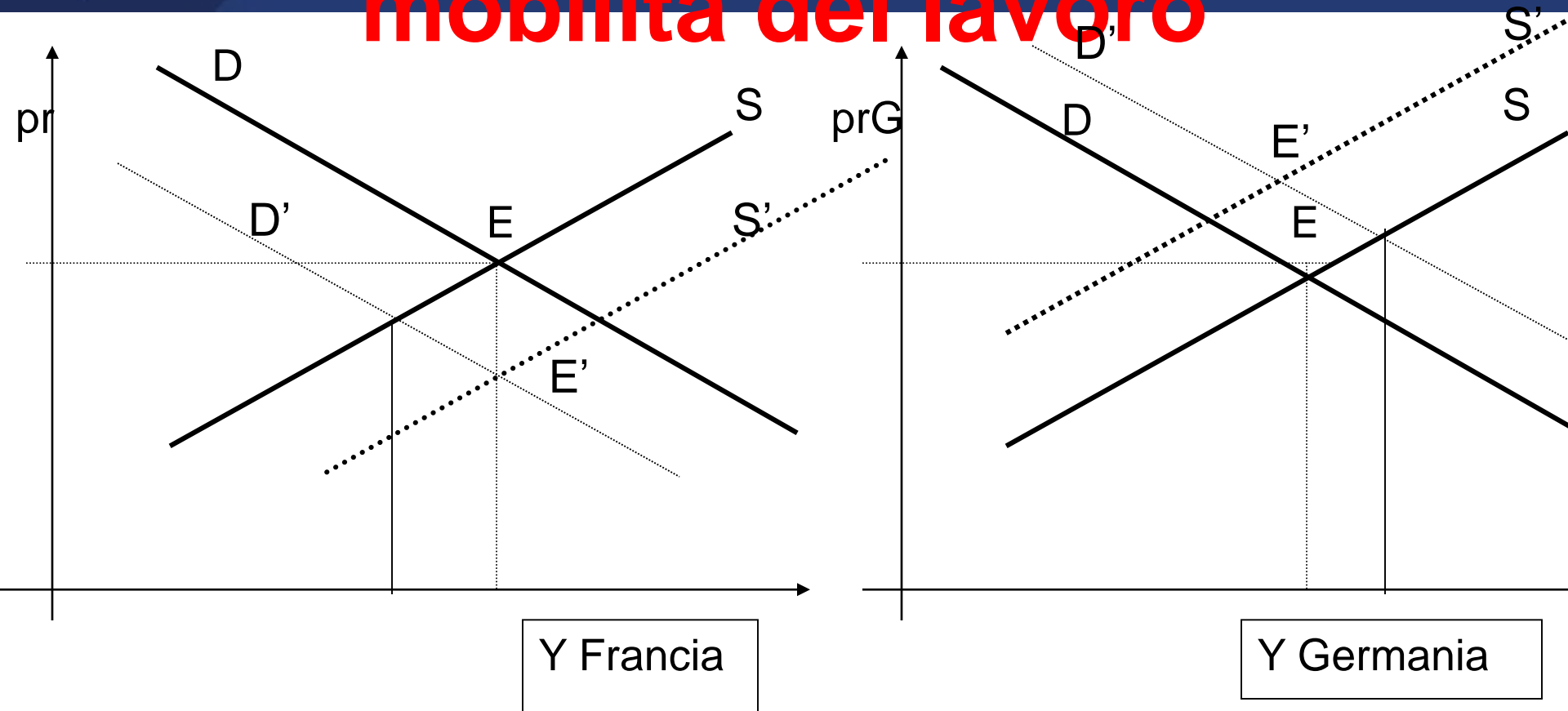


# Ri-equilibrio automatico con mobilità del lavoro



Il nuovo equilibrio, dopo l'aggiustamento automatico è in E' con prezzi + alti in Germania (inflazione) e + bassi in Francia (svalutazione competitiva)

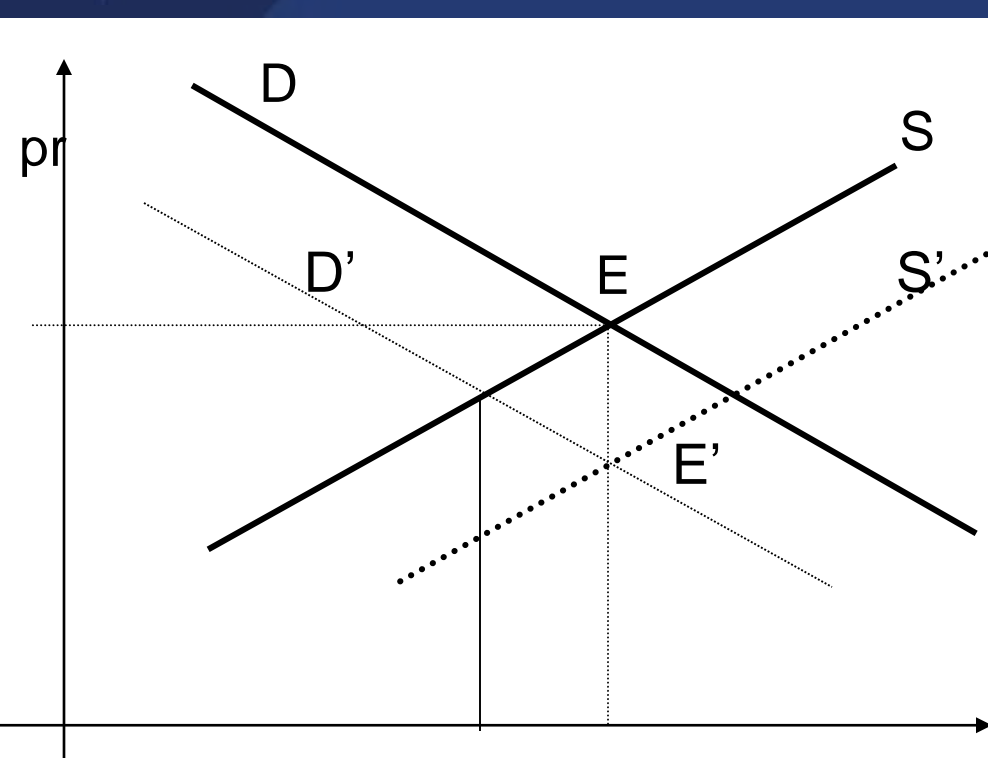
# Il meccanismo di riequilibrio automatico con mobilità del capitale

- I capitali tedeschi si spostano in Francia. Il disavanzo della Bilancia dei pagamenti si riduce e la disoccupazione diminuisce, la D si sposta a dx
- Il deflusso di capitali tedeschi riduce l'avanzo della Bilancia dei pagamenti e causa una diminuzione della Domanda Aggr., la D si sposta a sx

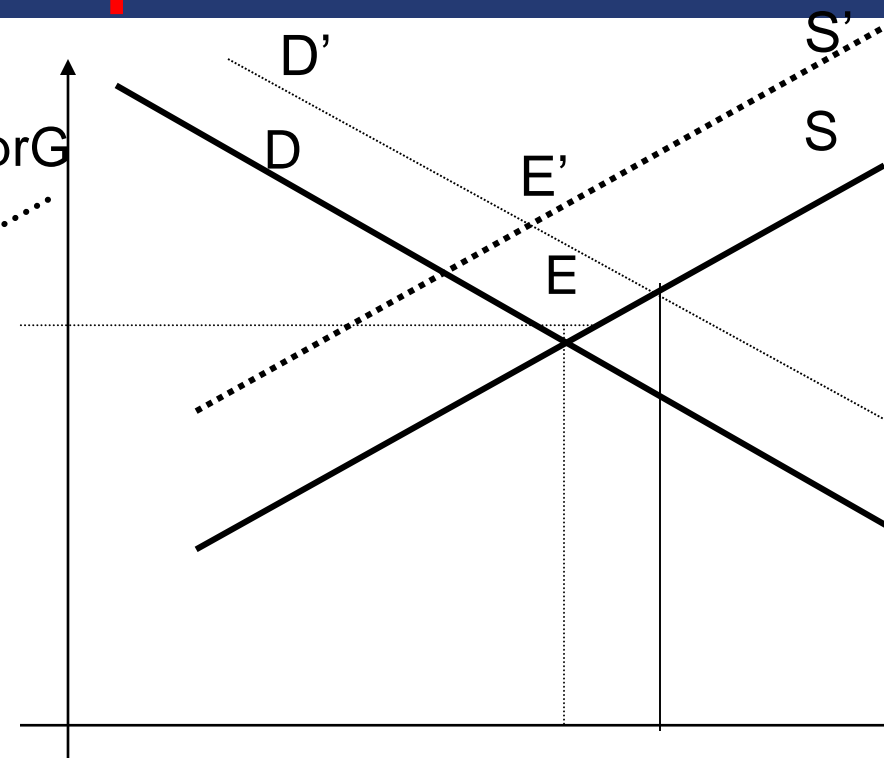
**Si ritornerà automaticamente in equilibrio**



# Ri-equilibrio automatico con mobilità del capitale



Y Francia



Y Germania

Il nuovo equilibrio, dopo l'aggiustamento automatico è in E' con prezzi + alti in Germania (inflazione) e + bassi in Francia (svalutazione competitiva)

# Il meccanismo di riequilibrio

- All'interno di una stessa nazione (o di un'unione monetaria), se ci sono shock asimmetrici, è facile risolverli attraverso ridistribuzioni di risorse, diverse pressioni fiscali, diverse politiche salariali, ecc.
- CIO' RICHIEDE UNA **CENTRALIZZAZIONE DEL BILANCIO**

- I dis-equilibri si **POTREBBERO** altresì risolvere/ridurre se gli SM dell' Unione Monetaria coordinano le loro politiche economiche. Nel caso specifico:
- la Francia fa politiche espansive,
- la Germania fa politiche restrittive

## The best way

- An automatic stabilizer – at EU level
- A EU Minimum income over poverty threshold against unemployment and poverty
- Paid by the EU budget
- How to finance it: corporate minimum tax

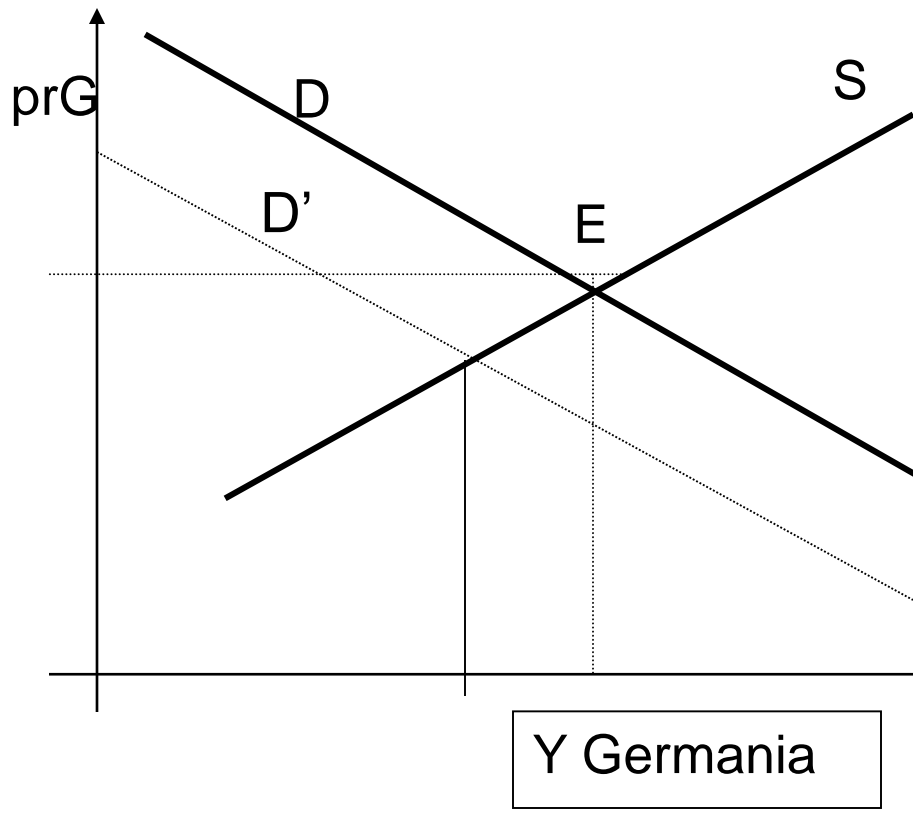
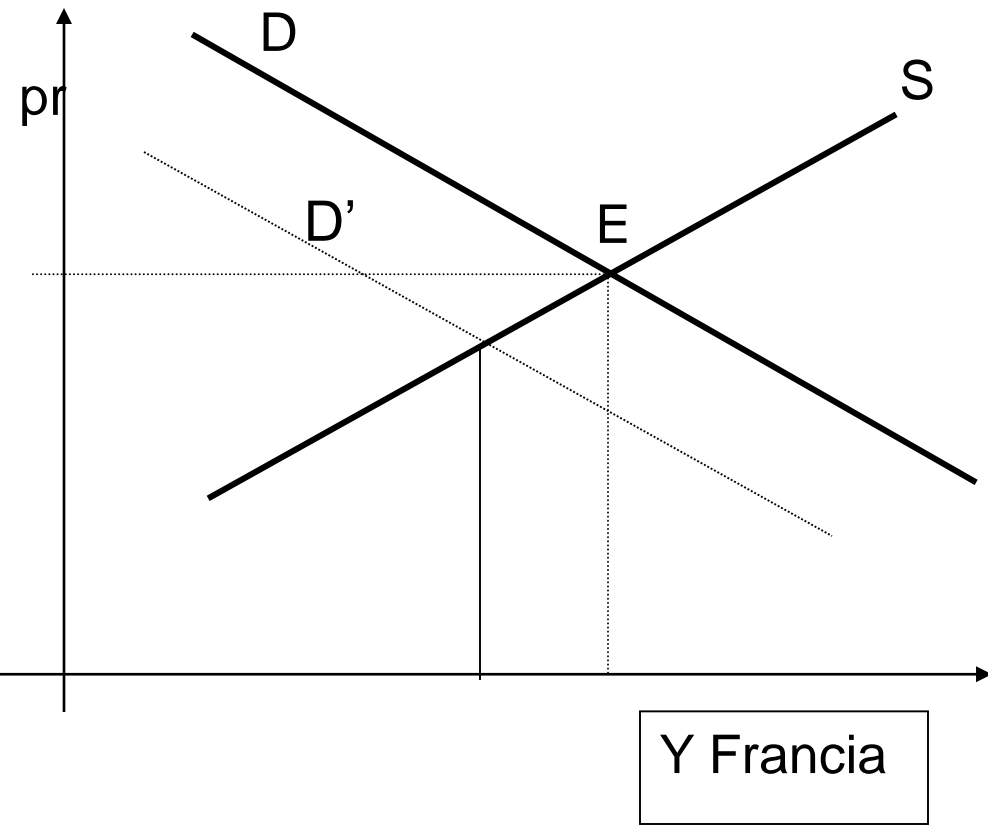
1. FLESSIBILITA' DEL LAVORO
2. MOBILITA' DEL LAVORO
3. BILANCIO CENTRALIZZATO

Se i paesi che formano l'**Unione monetaria** non hanno queste 3 caratteristiche, incontreranno maggiori difficoltà nel tornare in equilibrio e adeguarsi a shocks (variazioni della domanda) → costo: inflazione in Germania disoccupazione in Francia

# Risoluzione del dilemma inflazione/disoccupazione attraverso politiche del TC nazionali (senza unione)

- **RIVALUTAZIONE DEL TC** del marco tedesco rispetto al franco riduce la domanda aggregata e sposta la curva di domanda,  $D$ , verso sx
- **SVALUTAZIONE DEL TC** del franco rispetto al marco aumenta la competitività dei prodotti francesi e fa spostare la curva  $D$  verso  $D_x$ .
- La Francia risolve i problemi di disoccupazione e la Germania evita l'inflazione.
- Allo stesso tempo, l'avanzo delle partite correnti in Francia e il disavanzo in Germania tenderanno a scomparire. Tuttavia non è così semplice e molte critiche esistono al riguardo

# Shock simmetrici (with Union)



Se lo shock è simmetrico la BCE può ridurre il tasso di interesse e stimolare la Domanda in ambedue gli SM



# Shocks simmetrici in Paesi non-membri di un'unione monetaria

- La svalutazione del TC non è una buona opzione perché si esporterebbe il problema nell'altro paese. Se la Francia svaluta il TC, aumenta la sua  $D$ , ma in Germania la  $D$  diminuisce. Si potrebbe innescare un pericoloso sistema di “svalutazioni competitive”

## Nell'Unione Monetaria (UM):

- Gli *shocks* asimmetrici comportano dei costi aggiuntivi in un'Unione Monetaria che non è una AVO, area valutaria ottimale: (-flessibilità I.;-mobilità I.; bilancio non centralizzato). Se siamo invece in presenza di AVO, no.
- Nel caso di shock simmetrici le cose sono + semplici e si può realizzare l'equilibrio attraverso manovre sul tasso di interesse da parte della BC.

## Senza Unione Monetaria:

- Politiche sul TC (valutazioni/svalutazioni) possono riportare l'equilibrio in caso di shock asimmetrici
  - In caso di shock simmetrici la svalutazione competitiva non funziona
-

# The single market: freedom of choice



The single market has led to:

- **significant reductions in the price of many products and services, including internet access and airfares.**
- **40% drop in price of phone calls from 2000-2006**
- **2.8 million new jobs**

## Four freedoms of movement:

- ▶ **goods**
- ▶ **services**
- ▶ **people**
- ▶ **capital**



# Free to move

## “Schengen”:

- ▶ No police or customs checks at borders between most EU countries
- ▶ Controls strengthened at EU external borders
- ▶ More cooperation between police from different EU countries
- ▶ You can buy and bring back any goods for personal use when you travel between EU countries

# Shengen Countries





Over 2 million young people have studied or pursued personal development in other European countries with support from EU programmes:

- ▶ **Comenius:** school education
- ▶ **Erasmus:** higher education
- ▶ **Leonardo da Vinci:** vocational
- ▶ **Grundtvig:** adult education
- ▶ **Youth in Action:** voluntary work
- **Today:** Horizon 2020



# The European Central Bank – managing the Euro

- The European Central Bank (ECB) is the central bank for the euro area.
- The ECB's main task is to maintain price stability in the euro area, i.e. keep inflation low.
- This is done by steering interest rates, thereby influencing economic developments (by affecting borrowing and lending by consumers and companies)
- The ECB operates independently from Member State governments.



## Euro area

Monetary  
policy

ECB President  
Christine Lagarde

Fiscal  
policy



Eurogroup Finance Ministers

➔ Economic policy co-ordination is required for this complicated set-up to function!



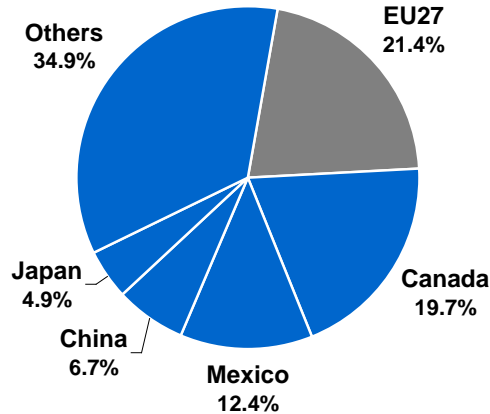
# *The European Union and the United States* - Partners in Global Leadership



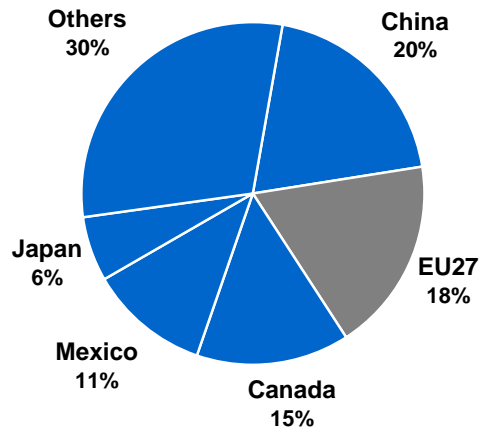
## *The European Union and the United States* - Partners in Global Leadership

# US and EU – A Dynamic Transatlantic Economy

## EU is the most important destination of US exports



## EU is the 2<sup>nd</sup> largest source of US imports



- The EU and the US are by far the two largest economies in the world. They account together for about half the entire world economy.
- EU and U.S. together account for 40% of total global trade (more than \$1.7 billion in transatlantic trade every day).
- The \$3.75 trillion EU-U.S. transatlantic economy employs 14 million workers on both sides of the Atlantic.
- Since 2001, Europe has accounted for roughly two-thirds of total global investment flows into the U.S. – by far the most significant source of foreign investment in the U.S. economy.

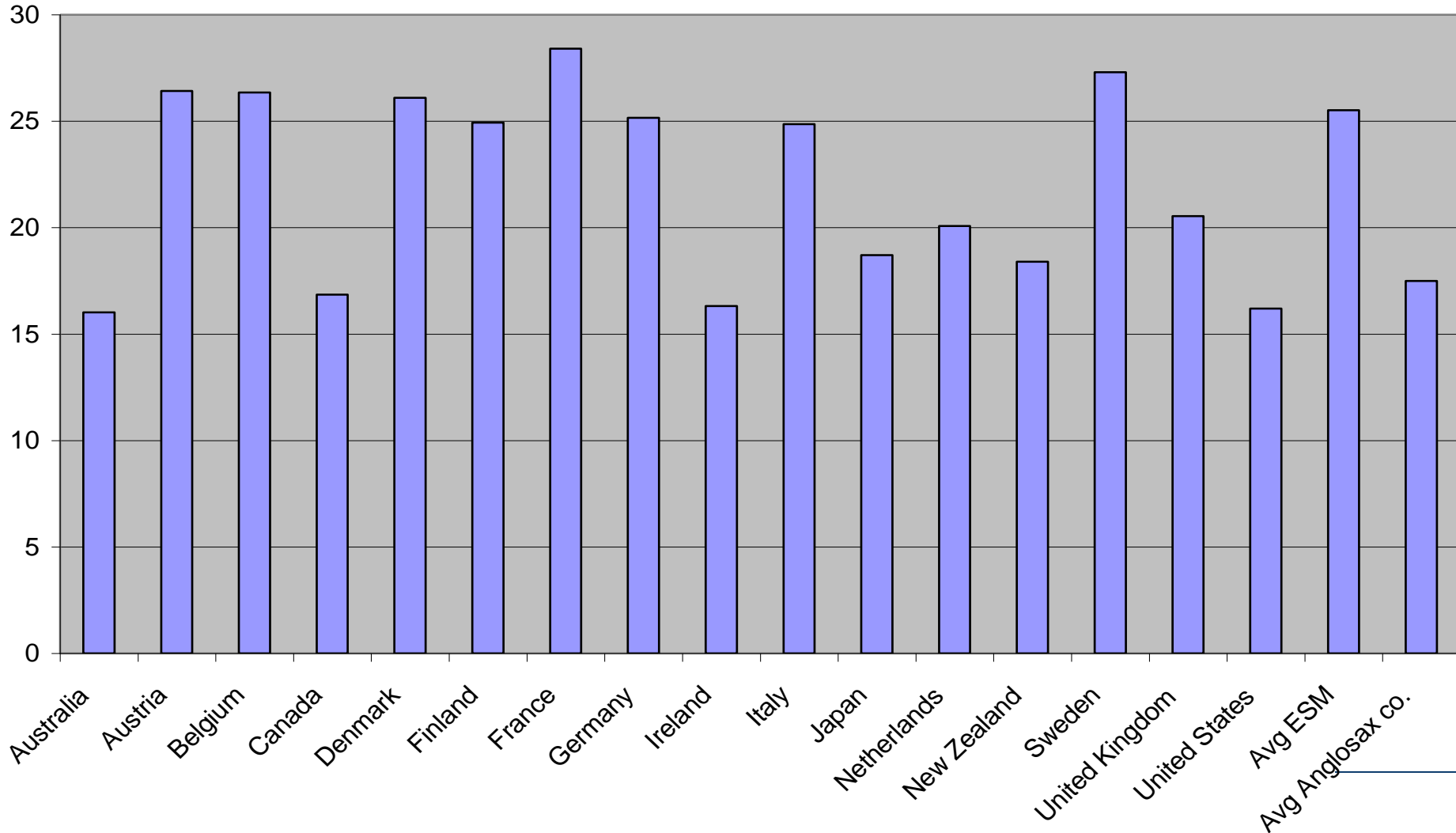


## EU and USA closer and static comparison

	<b>Eurozone</b>	<b>US</b>
<b>World share of GDP</b>	14.8% (EU27: 21%)	20.2%
<b>Global market share in terms of exports (world %)</b>	15% (EU27: 20%)	13%
<b>Population</b>	328 mln: (EU 27: 498mln)	317mln
<b>Inequality - Gini coefficient</b>	0.29%	41%
<b>GDP per capita \$ ppp</b>	33,452	46,653
<b>Life expectancy at birth</b>	81	79
<b>Poverty (50% of median income) 2006</b>	10%	17.1%
<b>Combined gross enrolment ratio in education (primary, secondary &amp; tertiary levels, % of pop)</b>	95%	92%
Secondary enrolment ratio (% of secondary school-age population)	91%	88%
Primary enrolment ratio (% of primary school-age population)	97%	91%
Expected years of schooling (children)	16	15

# THE EUROPEAN SOCIAL MODEL?

Social Expenditure, % of GDP (OECD selected countries 2007)



# A new vision for Europe today?



- Objective: Proposal for a new vision for Europe: LABOUR AND FULL EMPLOYMENT FOR EUROPE
- Key words: Full Employment, EU integration, ECB.
- Agency for full employment, 5% GDP
- Resources: →

# Resources

- **Pension Funds** – In Europe in the last 20 years a big amount of money were accumulated through private pension funds of workers. This amount is about 70 bln per year in countries like Italy; much more, around 300 bln in UK, and much less in smaller Member States. Much of this money, we discover during the terrible years of the crisis, were used also for speculative purposes by investment and insurance companies. My proposal here is to regulate these private funds at European level in order to buy European Bonds (issued by the ECB) which would finance public investment at national level. At least 50% of national private pension funds should be used for this objective.
- **ECB** – The European Central Bank should change its statute and should include, as the Fed does in the USA, also the mission of full employment along with the one of price stability. This would allow for a creation of a ECB agency with the specific objective to buy national bonds which would serve uniquely for productive investments in Member States. In other words, the ECB could buy national bonds with the specific objective, only, that they would finance public investments which have an employment impact in the country.

# ***Eu in brief: Chronology***

# Chronology: EU

Year	Event	Explanation
1948	OEEC	Organization for European Economic Cooperation established
1950	Schuman Plan	French Foreign Minister Robert Schuman proposes the establishment of the European Coal and Steel Community, ECSC
1952	ECSC	Established, expired 2002
1952	EDC	Treaty establishing European Defence Community, French National Assembly rejected it 1954
1953	EPC	Plan for the European Political Community was published
1957	EEC	The European Economic Community established by the Treaty of Rome (including Euroatom)
1959	EFTA	Stockholm Convention established EFTA (Austria, Denmark, Norway, Portugal, Sweden, Swiss and UK)
1962	CAP	Common Agricultural Policy starts
1968	CU	Customs Union completed within the EEC, common external tariffs established

# Chronology: EU

Year	Event	Explanation
1969	EMU born	At the Hague summit, it was agreed to establish a single market, to accelerate integration, and to introduce EMU by 1980
1972	EC-EFTA FTA	FTAs signed between the EEC and Austria, Iceland, Portugal, Sweden and Swiss
1973	First enlargement	Denmark, Ireland and the UK became members, Accession treaties signed 1971, FTA with Norway and Finland
1974	European Council formalized	At Paris Summit, EC leaders agree to meet regularly as a European Council
1978	EMS founded	Bremen European Council established EMS and ECU
1979	Parlament	First EC Parlament elected by citizens
1981	Second enlargement	Greece joins
1985	EC92 White Paper	Blueprint for economics in Single European Act
1986	Third enlargement and Single European Act	Spain and Portugal join, Single European Act signed (to enter into force 1987)

# Chronology: EU

Year	Event	Explanation
1990	EMU stage 1 and German unification	The first stage of EMU begins, Germany was united
1991	First Europe Agreement	Signed with Poland, Hungary and Czechia&Slovakia (1993), with other CEECs signed in 1995
1992	Maastricht Treaty	Treaty on European Union (entered into force 1993)
1992	EEA	European Economic Area created by EC and EFTA
1993	Copenhagen criteria	CEECs have to meet accession criteria within the framework of European Agreements
1994	EMU second stage	EMU2 begins
1995	Fourth enlargement	Austria, Finland and Sweden
1997	Amsterdam Treaty	Singed and came into force 1999, deals with leftovers from the Maastricht Treaty

# Chronology: EU

Year	Event	Explanation
1998	The Eurozone and ECB	Eleven countries decided to join Eurozone, ECB was established
1999	EMU stage three	Euro becomes a currency of its own right, but only electronic currency until 2002
2000	Nice Treaty	Singed, but came into force 2005 (except Ireland)
2002	Euro cash	Euro notes and coins circulate
2003	Draft Constitution and IGC	Accepted Giscard d'Estaing's draft Constitution as a starting point for IGC, Italian draft of the Treaty was rejected, IGC continues
2004	Eastern enlargement, and Constitutional Treaty	The fifth enlargement, 10 new members join, The Constitutional Treaty signed, ratification begins
2005	French and Dutch reject Constitution	French and Dutch referendums failed

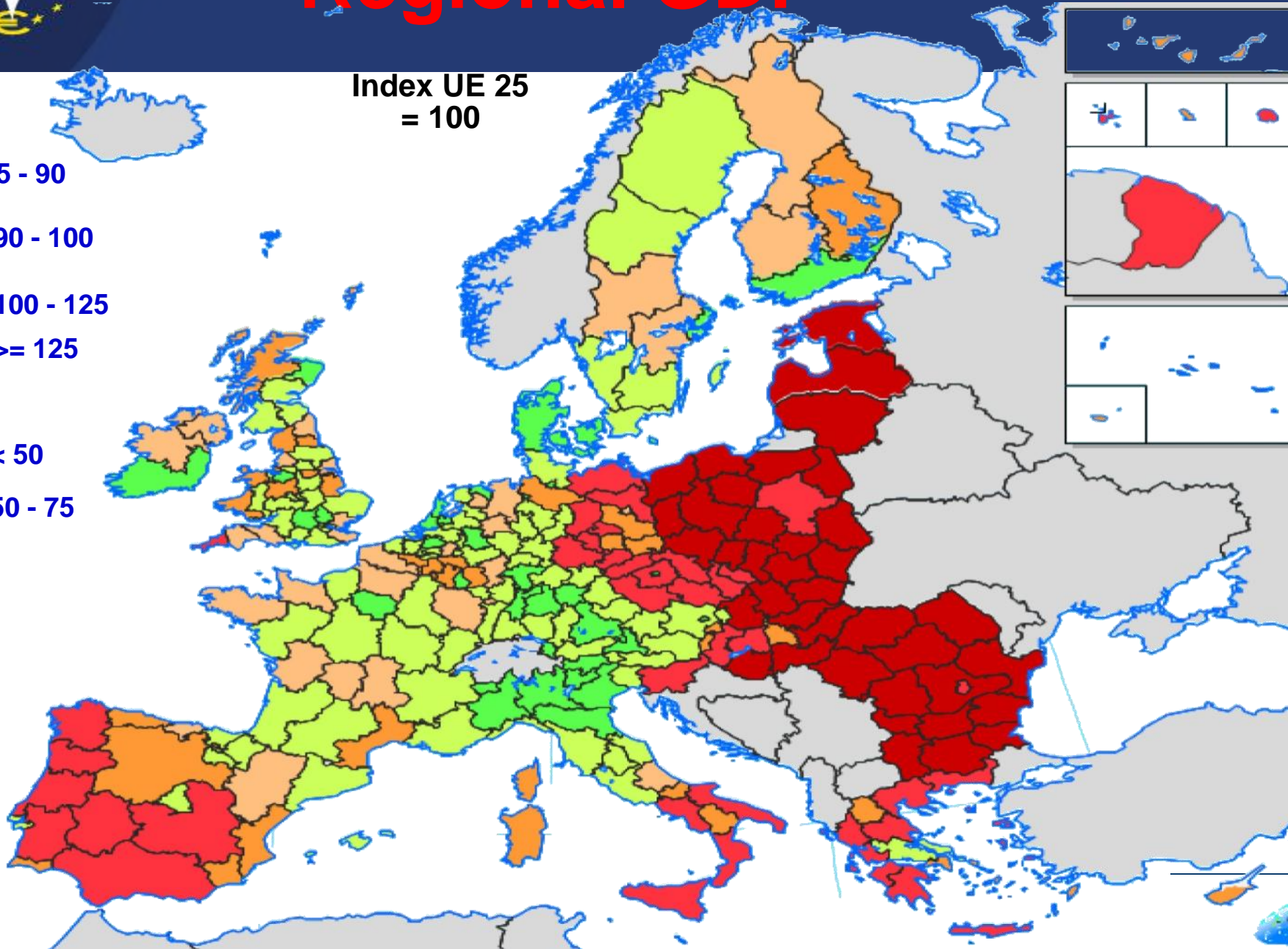
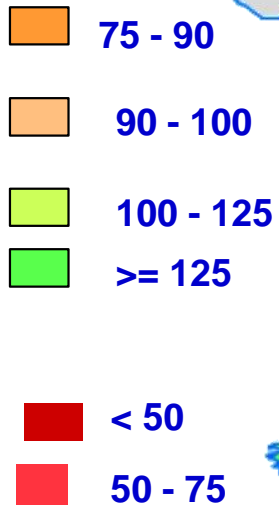
# Chronology: EU

Year	Event	Explanation
2007	Sixth enlargement	Bulgaria and Romania join
2007	Treaty of Lisbon	Signed, but comes into force in 2009
2010	Greek drama	The Greek crisis started, sovereign debt crises, and other PIIGS followed
2010	Consultation on Treaty of Lisbon's change	The Heads of State or Government agreed to establish a permanent crisis mechanism to safeguard the financial stability of the euro area.
2011	EFSF	A bail-out plan for resolving the sovereign debt crisis in the Euro zone
2012	Draghi speech	Draghi Speech in September 2012 helped to restore trust in the Eurozone, around Euro ("the ECB will do everything to save the Euro, including unlimited buying of national bonds")
2013	Croatia	Croatia joined the EU.
2013	Vilnius Council	Easter Partnership (Moldavia-Georgia...UCRAINE CRISIS)

# *EU in facts and figures*

# Regional GDP


Index UE 25  
= 100



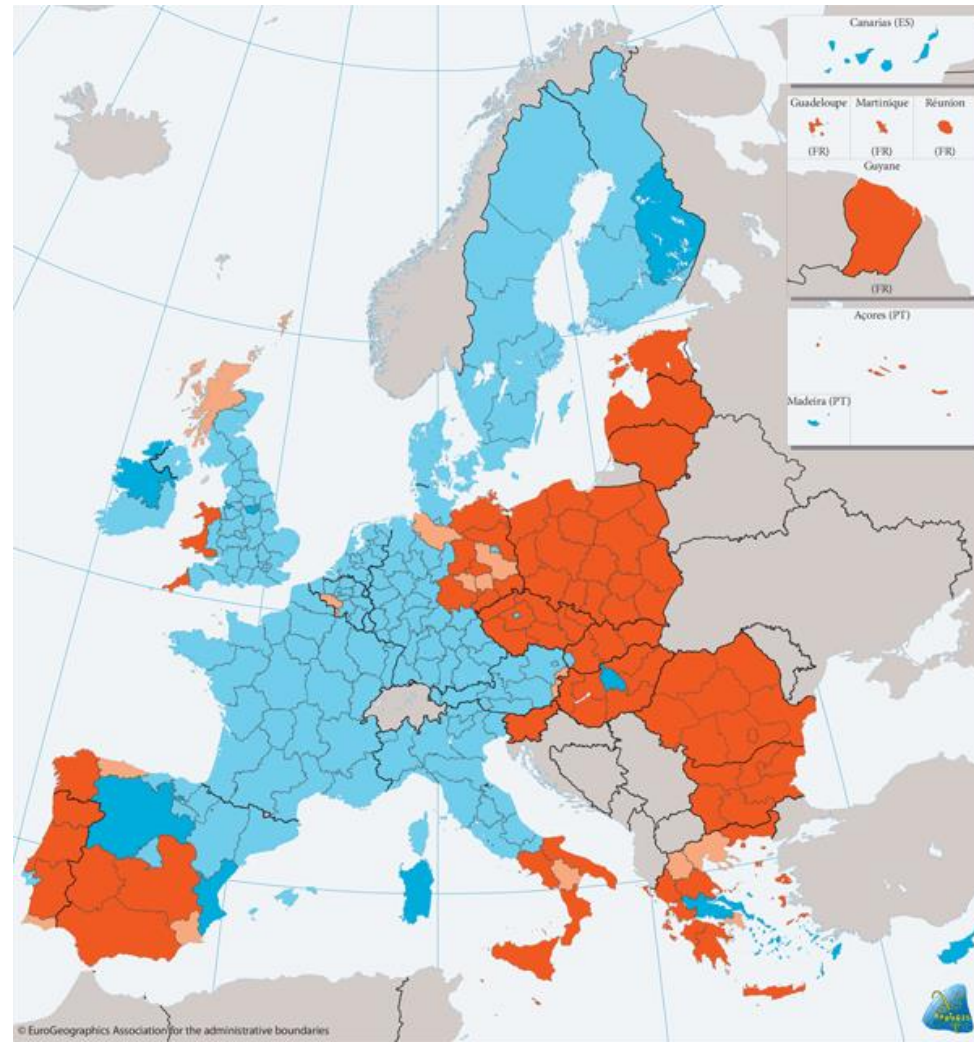
# Solidarity in practice: the EU cohesion policy

€347 billion invested for infrastructure, business, environment and training of workers for less well-off regions or citizens

- ▶ Regional fund
- ▶ Social fund
- ▶ Cohesion fund

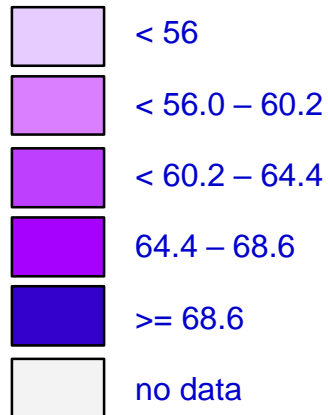
Convergence objective:  
 regions with GDP per capita under 75% of the EU average. 81.5% of the funds are spent on this objective.

 Regional competitiveness and employment objective.



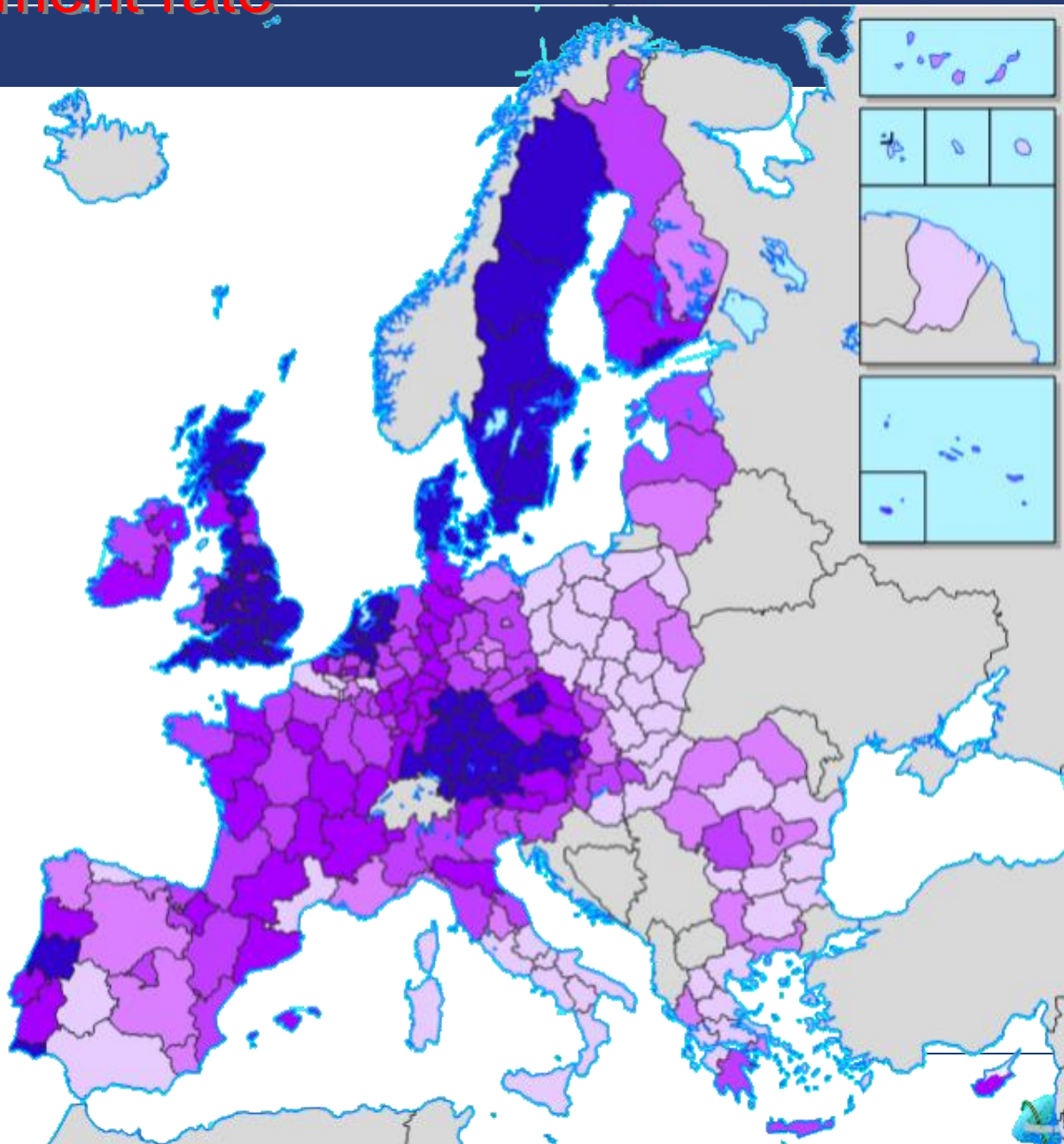
- First EU plane with common debt
- + 700 bln euros
- Italy: 209 bln euros

# Employment rate



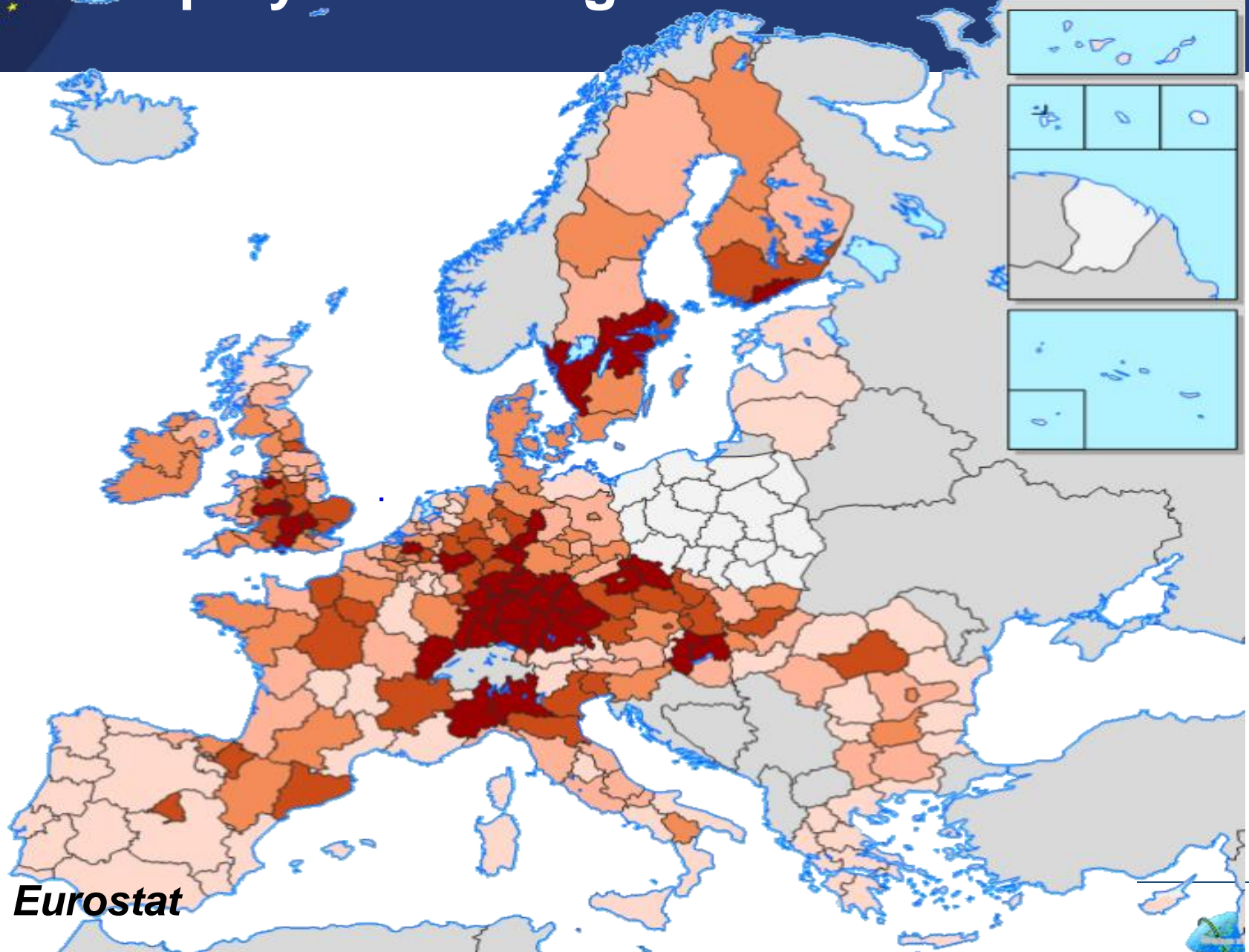
UE-27 = 62.4

Source  
Eurostat and NSI





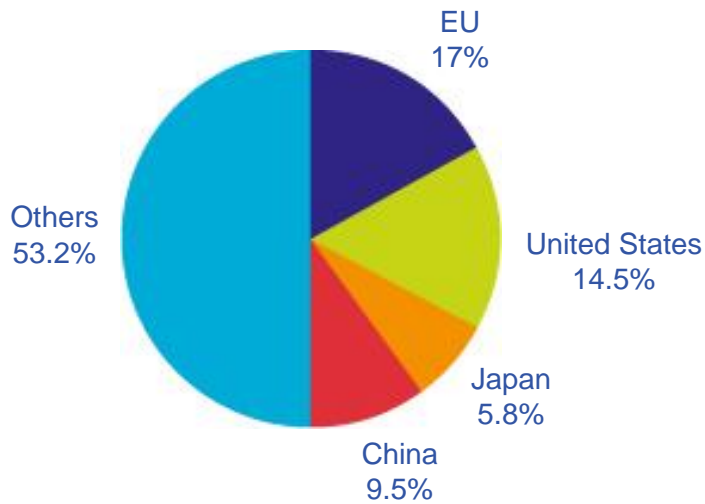
# Employment in high tech sector



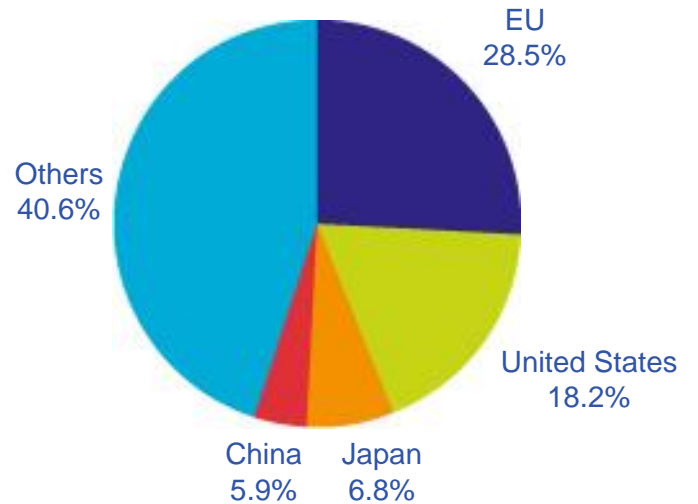
Source: Eurostat

# The EU – a major trading power

**Share of world trade in goods**



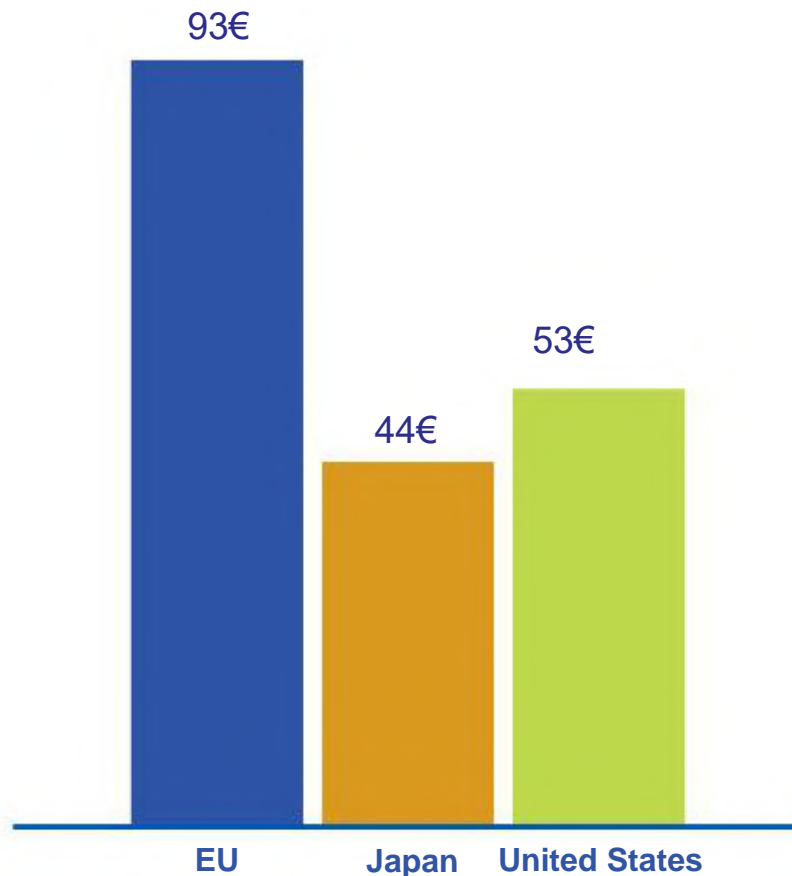
**Share of world trade in services**





# The EU is the biggest provider of development aid in the world

The EU provides 60% of all development aid



Official development assistance per citizen

# EU politics and governance

# Four Key player?

**The council of Ministers**  
**- voice of the Member States**

**Charles Michel, President of the European Council**

**The European Parliament**  
**- voice of the people**

**Roberta Metsola, President of the European Parliament**

**The European Commission**  
**- promoting the common interest**

**Ursula von der Leyen President of the European Commission**

**Josep Borrel**

**A high representative for foreign affairs and security**



## European Commission – Promoting the Common Interest

- 27 Commissioners, representing the European perspective, each responsible for a specific policy area.
- EU's executive branch proposes legislation, manages Union's day-to-day business and budget, and enforces rules.
- Negotiates trade agreements and manages Europe's multilateral development cooperation.
- **Ursula von der Leyen**



# Council of the EU – Voice of the Member States

## **Council of the EU (Council of Ministers by field, e.g., agriculture, foreign policy, economy)**

EU's main decision-making body, comprised of ministers of 28 Member States, representing Member State's point of view.

European Council meets at the level of heads of state and government to set the main political direction of the EU.

Junker is the official President representing the Council for a 2-year term; but a country "presidency" rotates among Member States every six months.

Charles Michel

## European Parliament

### *The voice of the people*

- European citizens directly elect members for five-year terms.
- With the Council, passes EU laws and adopts EU budgets.
- Approves EU Commissioners.

*(Parliament in session pictured below)*

## European Court of Justice

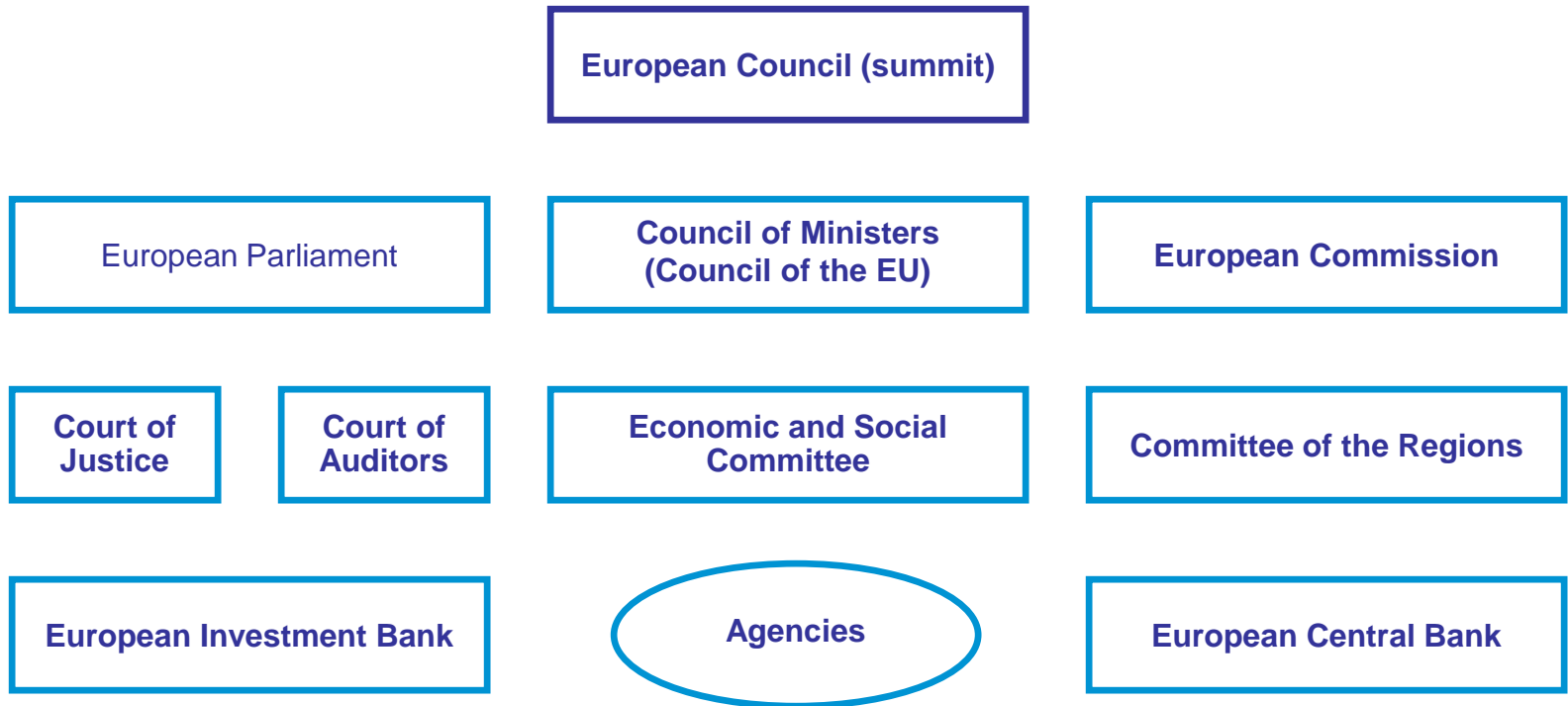
### *Upholding the Law*

- Highest EU judicial authority.
- Ensures all EU laws are interpreted and applied correctly and uniformly.
- Can act as an independent policy maker and overrule national law in areas (economy, agriculture) covered by the Treaties.



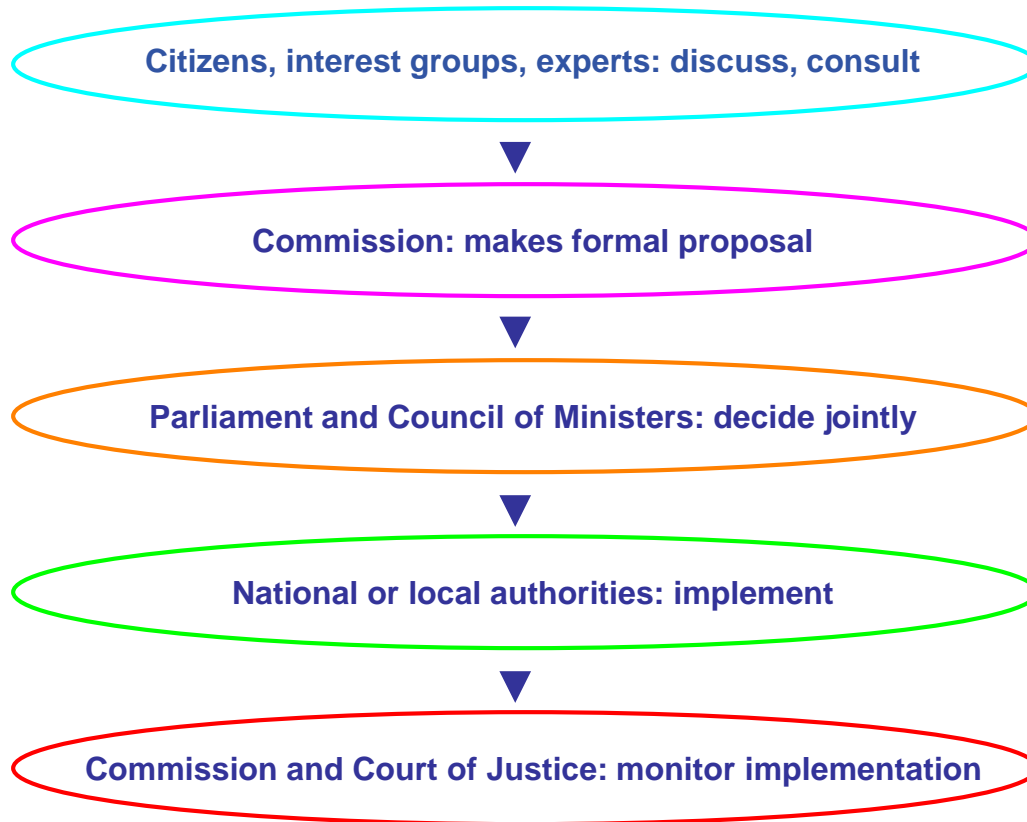


# The EU institutions





# How EU laws are made



# Parliament– number of MP per country

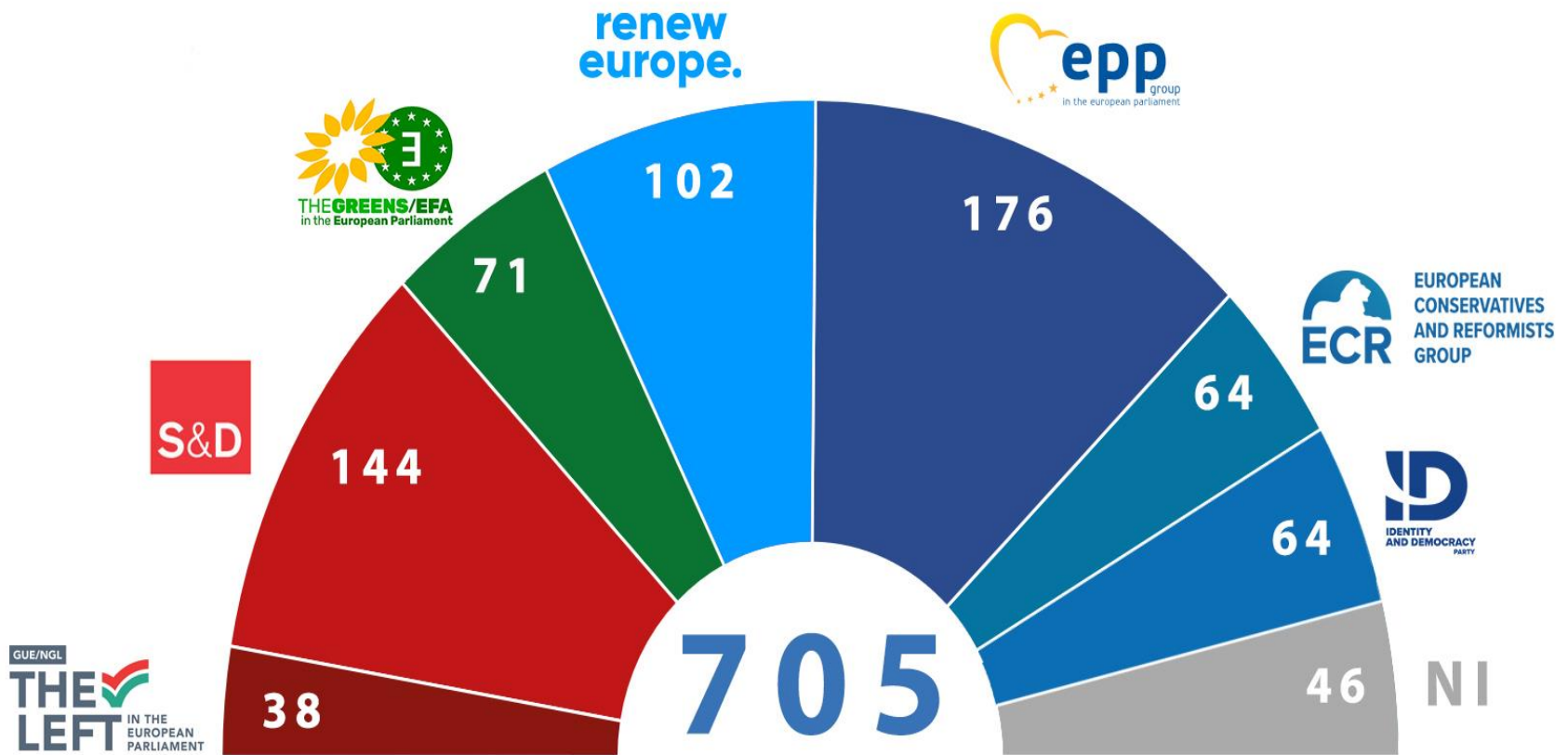
- ▶ Decides EU laws and budget together with Council of Ministers
- ▶ Democratic supervision of all the EU's work

Number of members elected in each country (January 2010)

Austria	17	Finland	13	Latvia	8	Romania	33
Belgium	22	France	72	Lithuania	12	Slovakia	13
Bulgaria	17	Germany	99	Luxembourg	6	Slovenia	7
Cyprus	6	Greece	22	Malta	5	Spain	50
Czech Republic	22	Hungary	22	Netherlands	25	Sweden	18
Denmark	13	Ireland	12	Poland	50	United Kingdom	72
Estonia	6	Italy	72	Portugal	22	<b>Total</b>	<b>736</b>

- After exit negotiation of UK things will change concerning number of MP, votes, council, etc

# The European political parties



# Council of Ministers – voice of the member states



- ▶ **One minister from each EU country**
- ▶ **Presidency: rotates every six months**
- ▶ **Decides EU laws and budget together with Parliament**
- ▶ **Manages the common foreign and security policy**

# Council of Ministers – number of votes per country

Germany, France, Italy and the United Kingdom	29
Spain and Poland	27
Romania	14
Netherlands	13
Belgium, Czech Republic, Greece, Hungary and Portugal	12
Austria, Bulgaria and Sweden	10
Denmark, Ireland, Lithuania, Slovakia and Finland	7
Estonia, Cyprus, Latvia, Luxembourg and Slovenia	4
Malta	3
<b>Total:</b>	<b>345</b>

**“Qualified majority” needed for many decisions:  
255 votes and a majority of member states**

**From 2014: 55% of the Member States with 65% of the population**

# Summit at the European Council

**Summit of heads of state and government of all EU countries**

- ▶ **Held at least 4 times a year**
- ▶ **Sets the overall guidelines for EU policies**
- ▶ **President: Charles Michel**



# The European Commission – promoting the common interest

**27 independent members,  
one from each EU country**

- ▶ Proposes new legislation
- ▶ Executive organ
- ▶ Guardian of the treaties
- ▶ Represents the EU on the international stage





# The Court of Justice – upholding the law

**27 independent judges,  
one from each EU country**

- ▶ Rules on how to interpret EU law
- ▶ Ensures EU countries apply EU laws in the same way



euro challenge

# The European Court of Auditors: getting value for your money

**27 independent members**

- ▶ **Checks that EU funds are used properly**
- ▶ **Can audit any person or organisation dealing with EU funds**



The logo for 'euro challenge' features the word 'euro' in a light blue font above the word 'challenge' in a white font. To the right of the text is a stylized graphic of a white bird or wing shape with several yellow stars scattered around it.

# The European Central Bank: managing the euro

- ▶ **Ensures price stability**
- ▶ **Controls money supply and decides interest rates**
- ▶ **Works independently from governments**

**Christine Lagarde**  
**President of the Central Bank**

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# The European Economic and Social Committee: voice of civil society

**344 members**

- ▶ Represents trade unions, employers, farmers, consumers etc
- ▶ Advises on new EU laws and policies
- ▶ Promotes the involvement of civil society in EU matters



euro  
challenge

# The Committee of the Regions: voice of local government

**344 members**

- ▶ **Represents cities, regions**
- ▶ **Advises on new EU laws and policies**
- ▶ **Promotes the involvement of local government in EU matters**



# **Civil servants working for the EU**

**Commission employs about 23 000 permanent civil servants and 11 000 temporary or contract workers**

**Other EU institutions: about 10 000 employed**

- ▶ **Permanent civil servants**
- ▶ **Selected by open competitions**
- ▶ **Come from all EU countries**
- ▶ **Salaries decided by law**
- ▶ **EU administration costs €15 per EU citizen per year**



***The end***