

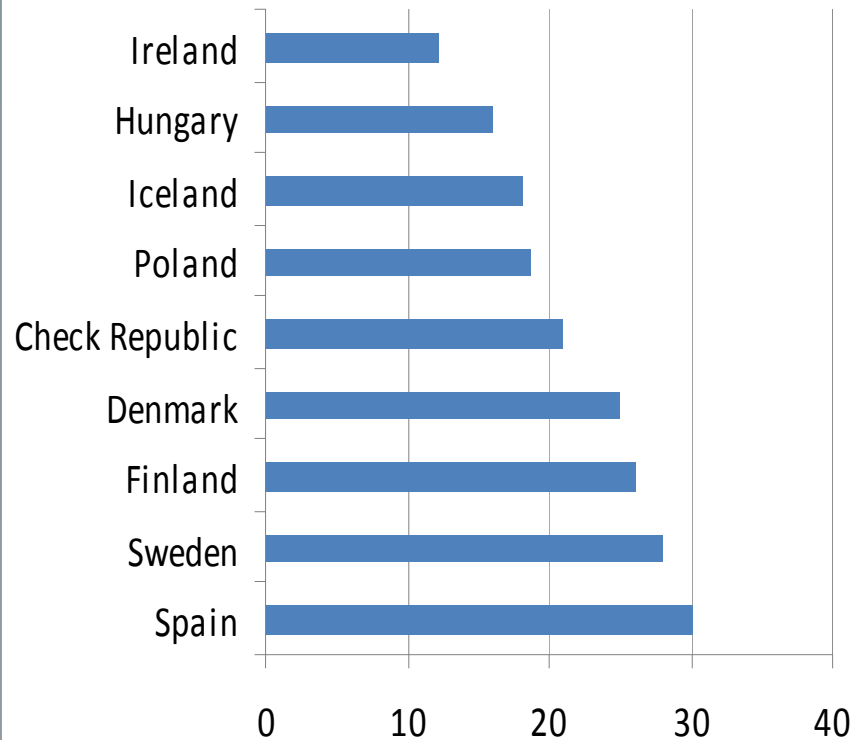


## A not very common single currency

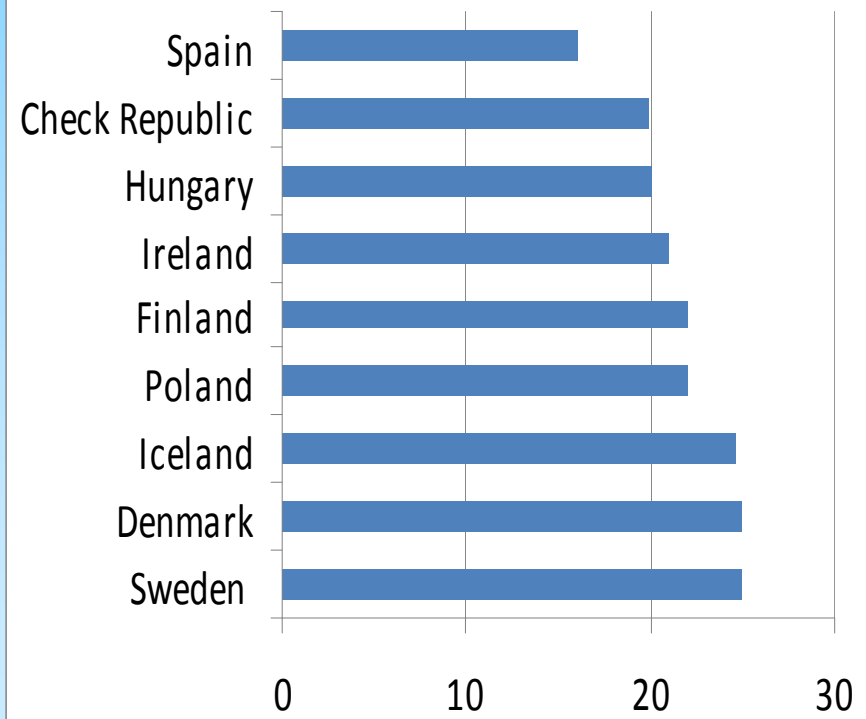
# VAT and corporate taxes in some Member States and Spain (2007)



### Corporate tax rate (in %)



### VAT rates in 2007





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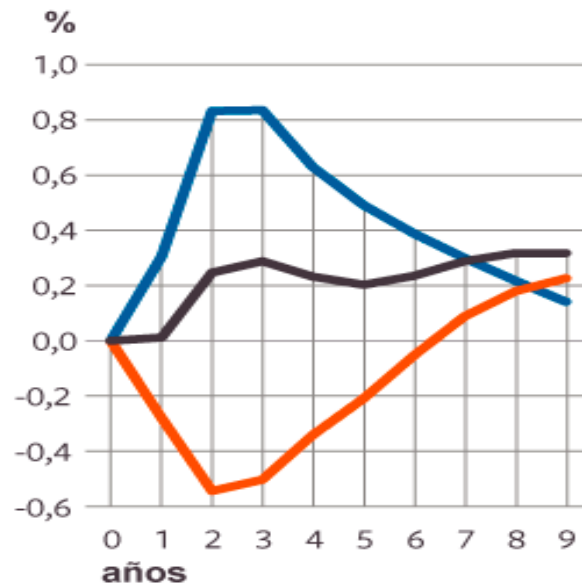
## Effects of fiscal devaluation on growth and employment (2007)



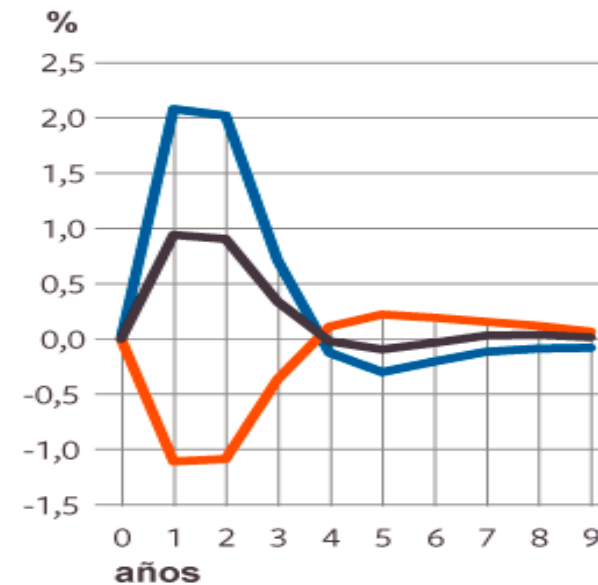
### IMPACTO DE LA DEVALUACIÓN FISCAL

- Efecto de BAJAR LAS COTIZACIONES SOCIALES
- Efecto de SUBIR EL IVA
- Efecto de AMBOS

#### ► SOBRE EL PIB



#### ► SOBRE EL EMPLEO



Fuente: Comisión Europea.



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### Presentation Plan

1. An quick overview of European monetary integration
2. The economic rationale for a successful currency area
3. The launching of the euro and the global financial crisis
4. The euro under strain
5. Alternative proposals
6. Looking at the crystal ball



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- A sudden stop in external financing, as in 1986-92, brought about a public deficit and a financial crisis in the peripherals
- On April 23<sup>rd</sup>, the Greek Finance Minister activated the aid mechanism, and some weeks later contaminated other economies
- At the European Council (8-10 May 2010) the EU faced a dilemma:
  - Either to intervene financially to bail Greece out, and open the door to moral hazard, and future misbehaviour in other members; or,
  - Allow Greece to default, and pave the way for a contagion effect
- It also created the *European Financial Stability Facility* (EFSF), the *European Financial Stabilisation Mechanism* (EFSM), both substituted by the *European Stability Mechanism* in 2012
- Meanwhile, the results are credit crunch in some peripherals, like Spain, and EU-wide financial fragmentation