

## **The Euro –an outsider’s perspective**

My brief presentation will present the perspective of someone who is well outside the European policy or financial establishment but has an intellectual and commercial interest in both the region and the currency. I will try and raise some somewhat basic issues and queries that analysts of my profile (as described) are likely to have. My objective would be to both flag some of these issues and seek answers from the rest of the panel on what the future looks like for the Eurozone

The starting point would of course be to recognize some of the recent developments in European policy (the establishment of the ESM, the bond-purchase facility of the ECB and so) and ask whether these represent a major turning point or are there other issues that need to be resolved. For instance, do these new measures address the much discussed growth-austerity paradox? While the continuing emphasis on the austerity addresses the moral hazard problem, could it be damaging for growth in the near term? What happens to ESM assistance or ECB bond buybacks if an economy were to miss its targets? How viable is a banking union? What is the likelihood that German banks will agree to risk pooling through common deposit insurance model? What the pros and cons of debt mutualization and is there likely to be a meeting ground between those who oppose this and those in favour?

The final issue that I wish to raise is about the fair value of the Euro? While policy announcements drive rallies and push the Euro to higher levels, what is the impact of this on Eurozone growth and trade? What is a fair value of the Euro then? Is there a mechanism to ensure this? Does the ECB need to match liquidity easing by the US to keep the currency in check?