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**Editor:** Antonio Missiroli (Tel. 84147)

**Assistant:** Aurélie Therace  
(Tel. 64925)

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## CONTENTS

<b>EMU 2.0</b>	<b>1</b>
<b>Stronger EU economic governance</b>	<b>2</b>
<b>Financial market stability: a crucial piece in the EMU puzzle</b>	<b>5</b>
<b>Addressing fault lines in euro zone governance</b>	<b>7</b>
<b>BEPA News</b>	<b>9</b>

## EDITORIAL

By *Antonio Missiroli*

### EMU 2.0

Normally associated with web applications that facilitate interactivity, interoperability and user-centred design, the label *2.0* could well be grafted onto the package of new provisions regarding economic governance in the euro zone that have been approved over the past weeks and months or are to be finalised over the next ones. Great strides have already been made, and more are to come. The Union is now completing Maastricht's "unfinished business" and paving the way for a new stage of European economic integration.

The EMU construction site is likely to remain open for a while, as both the hardware and the software required to equip the EU for current and future challenges have to be constantly refined and updated. It is worth noting, however, that the implementation of most of the provisions that have been agreed to date as well as of those that are in the pipeline is likely to have a big impact on the way in which Member States (especially in the euro zone) formulate and execute policy at the national level. Here lies an apparent paradox, as *EMU 2.0* may end up affecting national "sovereignty" to a

much bigger extent than any conceivable treaty change – including the one recently agreed upon at the December European Council – while most Member State governments rhetorically insist on retaining and even ring-fencing "sovereignty" *vis-à-vis* possible EU inroads. Yet this mismatch is hardly new in the long history of European integration and, after all, what matters is that policy coordination will become, at long last, more interdependent and interactive.

This issue of BEPA Monthly intends to take stock of the recent *acquis*, explain what we already have in store, and shed some light on what may come next. These themes will be at the centre of the conference "Towards integrated economic governance in the EU: The European Semester" that BEPA, jointly with DG ECFIN, is organising on 12 January 2011. The conference will be held at the start of the first "European Semester", kick-started by the adoption of the Annual Growth Survey on the same day.

We regret that Tommaso Padoa-Schioppa, one of the "founding fathers" of the common currency and a rare figure of European *grand commis*, suddenly passed away just a few days ago. His wisdom, passion and intellect – that he was expected to convey also on this occasion – will be sorely missed.

## 1 Stronger EU economic governance

By Marco Buti\*

Some fifteen years ago, when European leaders negotiated the foundations of the framework of EU economic governance, no serious observer would have anticipated the type of crisis that eventually unfolded at the end of 2008. By the mid-1990s the idea of the “Great Moderation” had become an integral part of the prevailing economic paradigm: the risk of major economic and financial dislocations was considered to be under control as long as monetary and fiscal policy would take a responsible course. The two main blocks of EU economic governance – centralised monetary policy-making combined with common rules for fiscal policy-making – reflected this basic understanding.

The Great Recession has clearly overthrown the mainstays of the “Great Moderation”. While it is fair to say that the policy responses taken under existing rules helped us avert a full-scale depression – the European Economic Recovery Programme launched at the end of 2008 and the rescue package negotiated for Greece being two notable examples – the crisis has, without any doubt, revealed scope for improving economic governance in the EU.

### The Commission’s reform package

Against this backdrop, on 29 September 2010 the European Commission adopted a comprehensive set of proposals to reform and strengthen the EU framework of economic governance. The reform package translates the lessons of the crisis into concrete legislative projects aimed at preventing economic instabilities and, ultimately, at protecting EU citizens and, in particular, workers and taxpayers.

Concretely, the package comprises six pieces of draft legislation which can be divided into two pillars: the first relates to fiscal governance, the second to broader macroeconomic governance. A schematic representation of the reform package is provided below in Figure 1.

Without going too much into detail, the two pillars offer concrete responses to weaknesses revealed by the crisis. Starting with fiscal surveillance, the Great Recession proved – unfortunately not for the first time – that Member States had not taken advantage of the good economic years preceding the downturn to create fiscal space. In 2005-2007, important revenue windfalls were used to increase spending or reduce taxes, just to find out shortly afterwards that expenditure levels were not sustainable and that there was too little room for manoeuvre to react to the crisis.

To prevent this from happening again in the future, the intention under the Stability and Growth Pact (SGP) is to keep a closer eye on expenditure trends *vis-à-vis* a sustainable rate of medium-term economic growth. This approach encapsulates the main intuition of sustainable public finances whereby, over the long term, government expenditures should not grow faster than economic growth unless taxes or other revenues are raised.

Before but especially in the aftermath of the crisis it also became apparent that, in view of declining rates of average economic growth, respecting the 3% of GDP reference value of the Treaty would no longer be sufficient to ensure a declining debt ratio. As a result of this, the legislative package proposes a numerical benchmark for sufficiently diminishing debt ratios.

Still under the heading of fiscal surveillance, the package also encourages Member States to improve domestic fiscal frameworks. The rationale for this proposal is simple: as evidenced by past experience, the enforcement of EU fiscal rules cannot be expected to derive only from EU rules. Domestic budgetary arrangements need to be consistent with the obligations under the Pact.

The most important extension of EU economic governance implied by the Commission’s legislative package relates to the prevention and correction of macroeconomic imbalances. It

\* Marco Buti is Director-General of DG Economic and Financial Affairs, European Commission.

addresses the most serious and particularly bitter lesson of the crisis – a lesson for the economic profession as a whole – namely that fiscal discipline, coupled with low and stable inflation, is not sufficient to guarantee overall macro-financial stability. Countries nominally strong on the fiscal side, but experiencing persistent external imbalances have been victims of the financial crisis. In turn, macroeconomic imbalances, financial instabilities and budgetary weakness have given rise to a negative feedback loop that has aggravated the initial shock.

The new surveillance framework mapped out in the package aims at detecting, as early as possible, macroeconomic imbalances so as to allow a timely formulation of corrective policies.

Finally, the package encompasses a new battery of graduated sanctions that are meant to strengthen the enforcement of the commonly agreed rules. Past experience clearly showed that peer pressure and moral suasion, although important, are not sufficient to ensure compliance. Moreover, the degree of deterrence of existing sanctions, those under the corrective arm of the SGP, was low because they can kick in only at the very end of the surveillance procedure.

### **A robust crisis resolution mechanism**

Although significant, the Commission's reform package of 29 September 2010 does not exhaust the EU efforts to strengthen EU economic governance. The other important "building site" concerns the design and implementation of a robust crisis resolution mechanism. When Greece entered a sovereign debt crisis in spring 2010, policy makers were faced with the choice between a) refusing to help the ailing country and risk a meltdown of financial markets in the euro area at large, or b) finding a way of providing financial assistance. In the early hours of 10 May 2010 the Council decided to go for the latter.

The main difficulty lay in the fact that providing financial assistance is alien to the logic of existing provisions. A forceful implementation of the SGP in combination with the no-bail out clause of the Treaty was meant to prevent any sovereign debt crisis. Once the unthinkable eventually happened, the lack of provisions to

deal with an outright crisis turned into a clear handicap.

The European Financial Stability Facility (EFSF) and the European Financial Stability Mechanism (EFSM) were put in place as temporary instruments to fill the gap in the existing governance framework. The intention was and is to deploy them, if necessary, until 2013 – when they should be replaced by a permanent crisis resolution mechanism which will come under the name of European Stability Mechanism (ESM).

The main features of such a permanent mechanism were sketched out in the conclusions of the meeting of the Eurogroup on 16 December 2010. The ESM will grant financial assistance to euro area Member States on the basis of a stringent economic and fiscal adjustment programme, including strict elements of conditionality. Loans provided by the ESM will enjoy preferred creditor status, junior only to IMF loans. Moreover, the assistance of the ESM will involve on a case-by-case basis the participation of private sector creditors, fully consistent with existing IMF rules.

### **Will the reform work?**

In line with the responsibilities assigned by the Lisbon Treaty, the Council and the European Parliament are currently examining the Commission package of 29 September 2010 and considering amendments. The plan is to have the new framework turned into law by mid-2011. This target date has been confirmed by the ECOFIN Council on 17 December 2010.

Implementation should be relatively expedite also for the ESM. It will be created via an amendment to the Treaty through the simplified revision procedure. In practice this means the national approval procedures could be completed by the end of 2012 and the new provision could enter into force on 1 January 2013.

Once entered into force, it will take a number of years before we will be able to form a solid judgement on the merits of the full governance reform. This notwithstanding, there are a number of elements which allow us already now to be sufficiently confident about the prospective effectiveness.

As regards macroeconomic surveillance, an alert mechanism based on a series of relevant macroeconomic variables (e.g. the current account balance, net foreign assets the real effective exchange rates house prices, the government debt ratio and private sector credit in % of GDP) would have signalled emerging imbalances in Spain and Ireland already in 2004, and even more clearly in 2007.

Expectations about the effectiveness of stronger fiscal surveillance are equally sanguine. If the proposed approach of assessing expenditure developments *vis-à-vis* sustainable growth had been in place in the past, concerns about the viability of fiscal policy in some EU Member States would have been raised much earlier. This insight bodes well for the future.

As regards crisis resolution, the ESM will complement the new framework of reinforced

economic governance. It will, first, reduce the probability of a crisis arising in the future and, second, help us better cope with crises in case they occur.

The actual performance of the new set of rules will, of course, depend on how Member States exercise their responsibility under the provisions of the Treaty. At the end of the day, the reform cannot obviate one of the pivotal features of EU economic governance, notably the willingness to confront European and global challenges together while preserving national sovereignty in fiscal, budgetary and macroeconomic matters. Unless we agree on a stronger centralisation of fiscal policy, a strong commitment by the Member States to abide by the rules remains key for the success of any EU economic governance framework.

*Figure 1. Schematic overview of the Commission reform proposals*

## Fiscal governance

### Surveillance

- Preventive arm of the SGP: principles of prudent fiscal policy making (amendment to Regulation (EC) 1466/97 )
- Corrective arm of SGP: benchmark for sufficiently diminishing debt ratio (amendment to Regulation (EC) 1467/97)
- Minimum requirements of national fiscal frameworks (new draft directive)

### Enforcement

New disincentives/sanctions in case of non-compliance in preventive and corrective arm of SGP (new draft regulation)

## Macroeconomic governance

### Surveillance

New procedures for monitoring, preventing and correcting macroeconomic imbalances (new draft regulation)

### Enforcement

New disincentives/sanctions in case of non-compliance with new macro surveillance procedure (new draft regulation).

## 2 Financial market stability: a crucial piece in the EMU puzzle

By Peter Bofinger\*

During the past year many proposals for EMU reform have been put forward – by EU institutions, national politicians as well as academics. The focus of these proposals is the reform of the Stability and Growth Pact (SGP). This reflects the mainstream view that the current crisis is mainly due to a lack of fiscal discipline. In addition, there is also a consensus that the large current account imbalances within the euro area have played an important role in propagating the crisis. Accordingly, the Commission and the Task Force led by Herman van Rompuy have made proposals for monitoring and avoiding “excessive imbalance positions”.

While these reform efforts are certainly very useful, one has to ask whether they really are sufficient for preventing a repetition of the destabilising processes with which EMU is currently confronted. It is certainly true that in some countries, and especially in Greece, fiscal discipline has been insufficient. But one has also to recognise that until 2007 Ireland and Spain were regarded as hallmarks for fiscal rectitude. In these cases it was not excessive public deficits, but excessive private sector financial imbalances that have led to disaster – even though the need to bail out the financial system and to fund the high unemployment that was caused by the real sector distortions has now severely affected also the financial position of the public sector.

In other words, as the current crisis has mainly originated from a financial market failure, even with the most stringent SGP and national debt brakes enshrined in the constitutions of all countries already at the start of EMU, the situation would hardly be much different today. In emergency situations – such as after the Lehman crisis or in May 2010 – each government would have overridden even the strictest rules prescribing fiscal discipline.

Therefore, the current reform proposals look quite incomplete. One might argue that the excessive imbalance procedure could contribute

to more financial sector stability – but one would also have to admit that this is a very indirect way of coping with this important task. If the failure of financial markets is at the heart of the matter, a more stable and sustainable EMU requires a comprehensive and tailor-made framework for financial stability.

### A unified banking supervision system

Given the fact that hundreds of billions of euros are currently required to stabilise the financial system of the euro zone, the most important innovation is an *integrated EMU banking supervisory system* instead of 16 autonomous national supervisors. This would have obvious advantages compared with the *status quo*:

With an integrated supervision all *relevant microeconomic data* for EMU banks would be made available to a single institution. This would make it possible for the supervisor to identify all financial links between the Member States and concentrations of lending to specific borrowers, sectors and regions.

An EMU institution would be much *more independent* from national interest groups and politicians than a national supervisor. Thus, the problem of “regulatory capture” could be avoided or at least drastically reduced. Notably in the case of Ireland such influences seem to have played a major role.

An EMU banking supervisory system should closely *cooperate with the ECB*. This would provide the ECB with microeconomic data that are useful for its assessment of the financial stability of the euro zone. The fact that central banks were not aware of the important role of special purpose vehicles until the financial crisis broke out shows the importance of the access to a microeconomic data base.

On the other hand, the ECB could in return provide the macroeconomic input that is required for an effective macro-prudential supervision.

\* Peter Bofinger is Professor at the University of Würzburg and a member of the five-strong German Sachverständigenrat



As a second major innovation, the ECB should be given *responsibility for financial sector stability* on top of its mandate for price stability. The experience of the last decade has shown that the ECB's focus on price stability has been far too narrow. While it is true that its interest rate policy has achieved remarkable success in keeping the inflation rate below and close to 2 percent, the ECB has obviously not fully realised the growing tensions within the financial sector of the euro zone. It is often argued that with the interest rate instrument it is difficult to target price stability and financial sector stability simultaneously. But if a central bank follows a Taylor rule, it can avoid that its interest rate policy creates an environment that is conducive to destabilising processes in the financial sector. The major advantage of a Taylor rule over the *de facto* inflation targeting of the ECB is that it provides valuable information about the neutral level of the real interest rate.

In fact, the two pillar approach of the ECB provides already a very good analytical framework for this dual task. While the pillar of economic analysis is mainly useful for the identification of threats to price stability, the pillar of monetary analysis (especially credit market indicators) allows a diagnosis of excesses in the financial sector. In addition, with its bi-annual Stability Reviews, the ECB is already analyzing threats to the stability of the financial sector of the euro zone. However, with its focus on the aggregate situation of the euro area, these reports are currently of limited use. In situations with strong financial imbalances among Member States, an analysis of the situation in the individual countries is much more valuable than a description of the whole area. As the ECB is already discussing the state of national budget balances, there is no reason why it should not also analyse the situation of national private sector financial balances.

Of course, the ECB would not have the sole responsibility for financial sector stability: it would have to share it jointly with the EMU banking authority. With the two institutions ever more integrated, even a dual mandate would be conceivable.

## Overcoming fragmentation

The recent reform proposals for better financial surveillance in Europe are only a partial substitute for such a tailor-made EMU solution. The European Banking Authority is mainly a standard setter which is not involved in the permanent supervision of banks. The European Systemic Risk Board (ESRB) will have the task of monitoring the soundness of the whole financial system in the European Union. But with more than 60 participating institutions it is unlikely to become a very effective institution. In addition, it will only be provided with aggregate data. If the ESRB wants to obtain information on individual banks, it has to ask the national supervisors in a complicated process. And even if it identifies risks, the ESRB can only issue warnings and recommendations which are not binding for the country to which they are addressed. If a country does not agree with the ESRB's recommendations and chooses not to act, the reasons for that must be "properly explained". If the ESRB feels that the explanations are not convincing, it shall inform the Council of Ministers.

To most observers the case for an EMU integrated banking supervision is not a very realistic option for the time being. In fact, in Germany the government has just recently given up its efforts to merge into a single entity the responsibilities for banking supervision that are currently shared by the Bundesbank and the Bafin. And even the modest proposal to establish an EMU credit register to which all bank loans exceeding 1 million euros have to be reported was not even discussed at the political level.

Nevertheless, if one takes into account the large sums that are currently needed to keep the euro zone financial system afloat and the brutal consequences of these rescue packages for public finances and future generations, this cannot be the last word. In 2020 it will be awkward to explain to our children and grandchildren that because of deep-seated national interests we decided in 2011 to keep the financial supervision for the euro zone almost as fragmented and incomplete as it had been before the crisis.

## 3 Addressing fault lines in euro zone governance

By *Paul De Grauwe\**

When more than twenty years ago the process towards monetary union in Europe was set in motion, many economists warned that if a monetary union is to be sustainable, it should be embedded in a political union (including a fiscal union). These warnings were brushed aside by policymakers: monetary union was implemented in the euro zone, political union was seen as unnecessary. The rules of the Stability and Growth Pact would ensure a coherent set of national fiscal policies.

Until last year, when the ten-year anniversary was celebrated, policy-makers were still congratulating themselves about the great success the euro zone had been. It has now become patently clear that the absence of a political union is the single most important cause of both the emergence of the crisis in the euro zone and the incapacity of European leaders to solve it.

Such absence had the effect that almost all the instruments of economic policy were left in the hands of national governments while monetary policy was completely centralised. As a result, national governments were unrestrained in following national economic policies that contributed to wide divergences in business cycles and trends in competitiveness. These divergences, in turn, precipitated the crisis.

### Fired up

When the crisis broke out, no institutions existed to deal with it. No significant mechanism of mutual financial support had been set up to deal with local financial crises. To use a metaphor: the euro zone was like a city with an elaborate fire code (the SGP) but no fire brigade. The official justification behind this glaring absence of a fire brigade was that the latter was unnecessary because there was a good fire code.

When the fire erupted a fire brigade had to be set up. Much precious time was lost, however, because the overriding concern of some of the

EU governments was not to extinguish the fire as quickly as possible but to punish those who had been responsible for it. No wonder the forces of contagion were set loose.

While it will remain difficult to make significant steps towards political union, the question is why it appeared so difficult to set up a mechanism of mutual financial support. After all, creating a European Monetary Fund is far removed from a full political union. Yet this small step appeared to be extremely difficult to take. Why? The answer has to do with moral hazard.

Moral hazard is a serious problem. The existence of mutual financial assistance is like an insurance and can lead governments to behave less responsibly in the knowledge that when problems arise, other governments will step in to provide support. Understandably, those who might be called upon to provide the support are less than enthusiastic to step into such an arrangement.

Yet the moral hazard problem – however serious – has been given too much importance. As a result, it became very difficult to react in a timely fashion to the unfolding crisis.

### Hazardous acting – and thinking

I see two reasons why “moral hazard thinking” became an obstacle. First, it led to wrong diagnoses. True, the Greek crisis fitted the moral hazard story. Past Greek governments had allowed government debts and deficits to balloon and, in addition, had lied about it. Giving financial support to such budgetary misbehavior was difficult to justify.

The crises involving Ireland and Spain, however, were of a very different nature. It is difficult to argue that the governments of these countries had allowed their budgets deficits and debts to balloon expecting the other Member States to bail them out. In fact, prior to the crisis, these governments had been the best behaving ones in the euro zone. The explosion of private debt was

\* *Paul De Grauwe is Professor at the University of Leuven and Senior Associate Research Fellow at CEPS.*

responsible for the crisis in these countries, along with the fact that modern governments are forced to save the private sector when it tends to implode. Moral hazard had nothing to do with that.

There is a second reason why “moral hazard thinking” was a bad guide for action during the crisis. There is a trade-off between concerns about moral hazard and concerns about contagion. This was obvious during the banking crisis in 2008. Clearly, bankers had acted irresponsibly. Yet when the crisis erupted, most governments set concerns about moral hazard aside and used billions of taxpayers’ money to save the banking system. They did this (rightly so) because they believed that the possibility of contagion was a far more serious problem at that moment, and that the banking system had to be saved.

When the crisis erupted in Greece, however, concerns about contagion were insufficiently recognised, while those of moral hazard took center stage. As a result, there was much hesitation, if not unwillingness, to set up a system of financial support. Its absence allowed the forces of contagion to take over.

Moral hazard thinking not only made it difficult to take decisions to solve the crisis – it also aggravated it. This is particularly the case with the decision taken at the October European Council to set up a sovereign debt default mechanism. The latter aims at forcing bondholders in times of crisis to accept haircuts or other devices reducing the value of their bond holdings. As soon as the decision was made, bondholders panicked and massively sold government bonds, thus triggering the most intense crisis the euro zone has experienced to date.

This should not have come as a surprise. When the members of the euro zone solemnly announce that in times of payment difficulties they will devalue the government bonds (that’s what a haircut means), they introduce a speculative dynamics that risks making financial crises an endemic feature of the euro zone. Speculative dynamics become self-fulfilling: governments whose bonds are sold face a higher interest rate, which makes the service of their

debt more difficult. This changes the cost-benefit ratio of maintaining full debt service and increase the temptation to devalue the bonds (the haircut). Investors “smelling” this temptation intensify their selling of sovereign bonds, thereby increasing the cost-benefit ratio even further. One could not devise a more unstable mechanism for the euro zone.

It is important to stress that this self-fulfilling speculative dynamics also leads to a self-fulfilling increase in default risk. When markets fear default of (say) Irish sovereign bonds, they sell these bonds and the interest rates increase. This happened recently when the interest rate on long term Irish government bonds increased to 9%, thus potentially leading to the conclusion that Ireland is insolvent. But would not Germany, too, be insolvent at the same rate?

### Common bonds

The euro zone can only survive if steps are taken towards a political union. However, the really big ones (including a fiscal union) are unlikely to be taken in the foreseeable future. The only avenue that remains open is a series of small steps, and one is the creation of common Eurobonds.

There are economic and financial arguments to issue common Eurobonds. Here I want to stress the *psychological* one. The crisis in the sovereign bond markets of the euro zone has now reached existential levels: each time doubts arise about one particular country’s sovereign debt, these turn into doubts about the future of the euro zone.

Such existential doubts are extremely destructive. They have to be countered by action, not cheap talk. A common Eurobond issue is an institutional device whereby members commit themselves to provide financial assistance when one country experiences payment difficulties (with the necessary mutual control on good behavior). Financial markets today need this kind of action whereby governments tie their own hands and signal that they are serious when they say that they will not let the euro down.

Without such commitment, markets will continue to doubt about the future of the euro zone, thereby subjecting it to continuous speculative crises.



## 4 BEPA News

### Départs

Jonas Condomines Béraud a regagné le Parlement européen à la fin de son détachement de quatre ans en tant que conseiller principal auprès du directeur général du BEPA à la Commission européenne. Avant son départ, Jonas a finalisé une étude portant sur une évaluation de la première année de la mise en œuvre du Traité de Lisbonne, que vous trouverez sur le site du BEPA.

Maja Prelog quitte le Groupe européen d'éthique des sciences et des nouvelles technologies (GEE) du BEPA pour rejoindre la DG Traduction au Luxembourg. Le mandat de Matteo Bonifacio en tant qu'expert national dispatché auprès du BEPA vient à échéance le 31 décembre 2010.

Nous les remercions pour leurs services et leurs souhaitons beaucoup de succès dans leurs nouveaux postes et leur avenir professionnel.

### Événements

Le 2 décembre, des membres du BEPA et du Cabinet du Président ont reçu une délégation du département international du Parti Communiste chinois, en visite à Bruxelles.

Un déjeuner de travail visant la promotion de l'harmonie entre les communautés juives et musulmanes a eu lieu le 6 décembre. Cette rencontre, qui a rassemblé des membres du BEPA, des directeurs généraux de la Commission européenne ainsi que des rabbins, des imams et autres chefs musulmans importants des Etats membres et des Etats-Unis, s'est déroulée autour d'un seul menu, symbole du rapprochement entre les communautés confessionnelles.

### Activités à venir

A l'occasion du premier anniversaire de l'entrée en fonction de la Commission Barroso II, le BEPA, en collaboration avec le service juridique de la Commission et en coopération avec la Direction générale de l'éducation et de la culture, organise une conférence intitulée "Mettre en œuvre le traité de Lisbonne", qui aura lieu à Bruxelles les 9-10 février 2011. L'objectif de

l'événement est de débattre des implications potentielles de la mise en œuvre du nouveau traité pour le processus d'intégration européenne. Le président de la Commission José Manuel Barroso ouvrira la conférence avec un discours et le président de la Cour européenne de justice Vassilios Skouris clôturera l'événement avec ses remarques.

Le 11 février, BEPA organise une réunion de réflexion sur la question de l'équité intergénérationnelle. Des débats seront organisés autour de quatre aspects et thèmes: premièrement, l'éducation, la santé et la protection sociale; d'autre part, la durabilité et l'efficacité des ressources; en troisième lieu, une gouvernance efficace; et, quatrième, une croissance intelligente, inclusive et durable.

### Publications

Trois nouvelles publications – deux préparées par des membres du BEPA et une par un expert externe – viennent de sortir. L'étude rédigée par Jonas Condomines Béraud et intitulée "Lisbon Treaty: Year I" traite des changements dans le processus décisionnel et dans la mise en place institutionnelle post-Lisbon, y compris les procédures budgétaires, l'extension du vote à la majorité qualifiée au sein du Conseil, la délégation des pouvoirs législatifs, le rôle des parlements nationaux, et l'initiative citoyenne européenne. L'article intitulé "Le Traité de Lisbonne ou la tentation de l'intergouvernemental ?" de Dusan Sidjanski, professeur émérite de l'Université de Genève, se focalise sur les nouveautés institutionnelles et la nécessité du maintien de l'équilibre entre les diverses institutions européennes.

Compte tenu de la nouvelle stratégie de croissance en faveur d'une Europe inclusive et durable d'ici 2020, l'étude intitulée "Empowering people, driving change: Social innovation in the European Union", coordonnée par Agnès Hubert et rédigée avec la collaboration d'autres collègues du BEPA, porte sur de nouvelles manières de sortir les citoyens européens de la pauvreté et promouvoir la croissance et le bien-être, non seulement pour, mais aussi avec les citoyens.