

What sort of economic union is needed for the euro to survive?

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Starting point

History of monetary unions shows that:

- Popular support is the glue that holds a monetary union together.
- The euro needs popular support to survive.
- Popular support is the number one precondition for survival.

Starting point

What has happened to net support for the euro during the crisis?

We can answer this, using a gold mine of data:

The Eurobarometer

Eurobarometer surveys 1991-2012

- i. Survey respondents are asked on several proposals: *“Please tell me for each proposal, whether you are for it or against it or undecided”*.
- ii. Proposal: *“A European Monetary Union with one single currency, the Euro”*.
- iii. Respondents can choose from the following answers: *‘For’*, *‘Against’* or *‘Don’t know’*.
- iv. Net support (average percentage of net support) = *‘For’* responses minus *‘Against’* responses; *8% of ‘Don’t know’s* on average.

Figure 1.

Average net support for the single currency in the EA-12 countries, 1990-2011

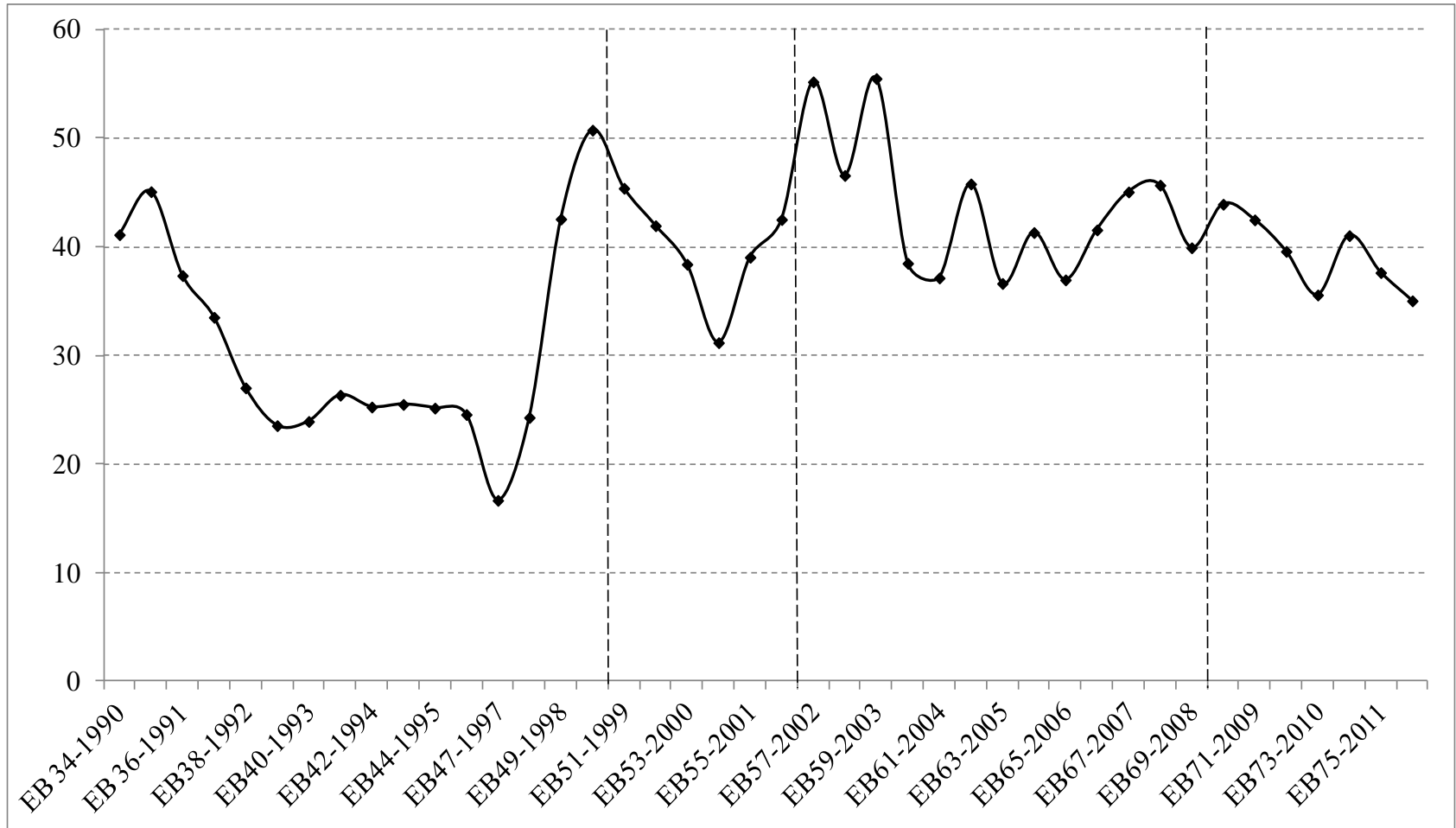
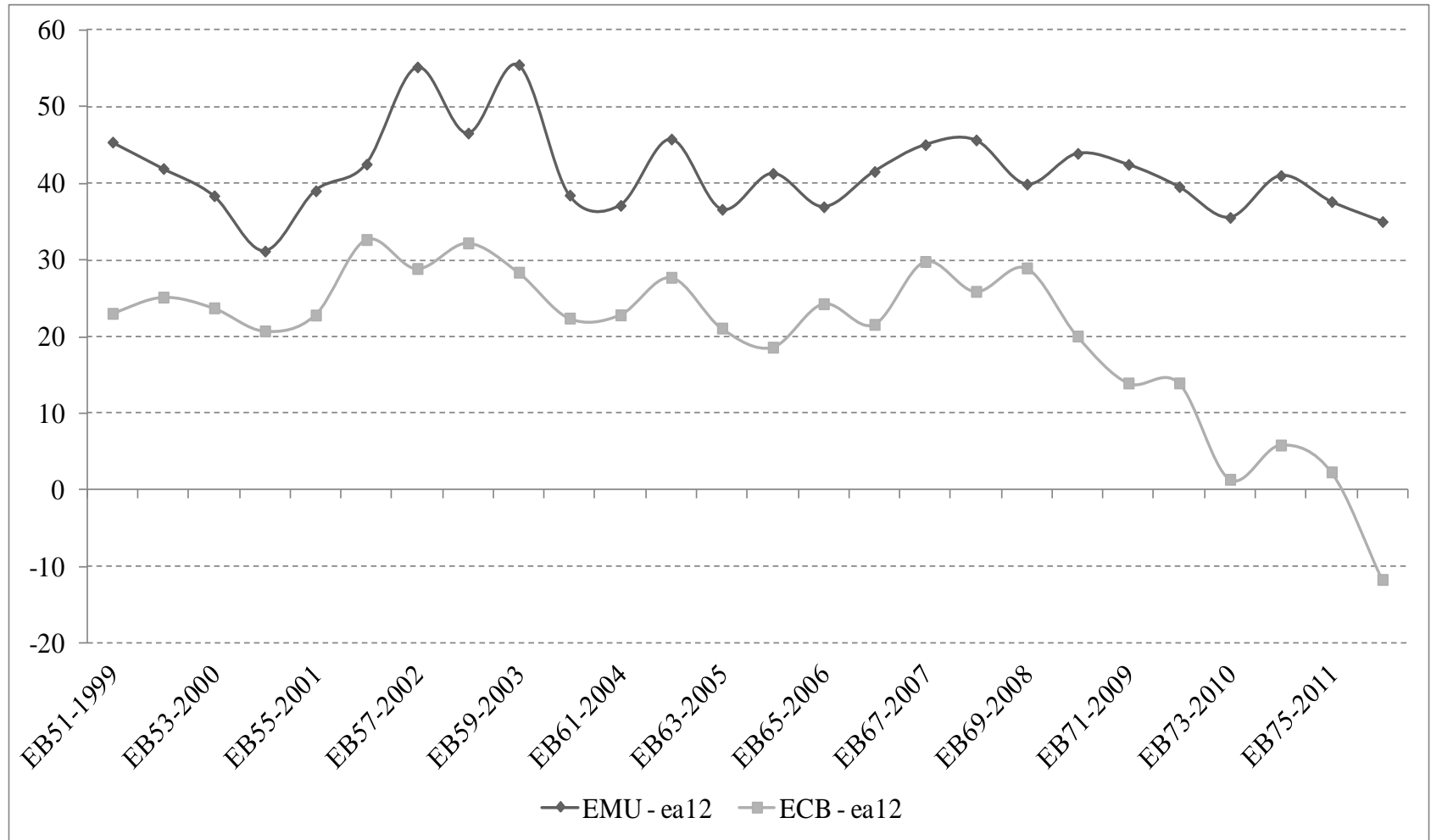


Figure 2.

Comparison between net trust trend in the ECB and net support in the euro, 1999-2011



*Figure 3.
Net support for the euro in France, Germany and Italy, 1990-2011*

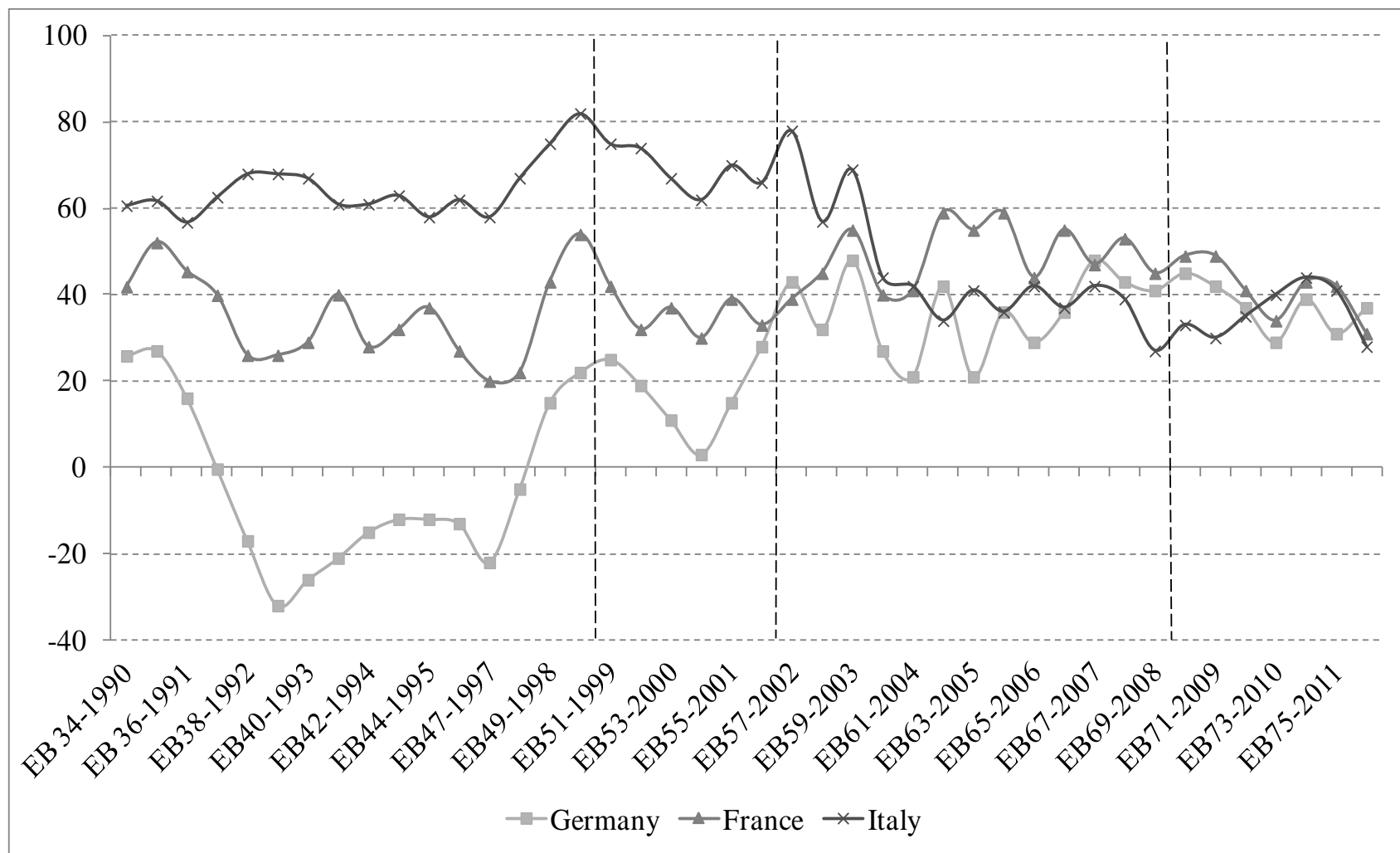


Table 1.

Changes in net trust in national and European institutions in comparison to the euro and the EMU in the EA-12, 2008-2011

	Spring 2008	Autumn 2011	Autumn 2011 - Spring 2008
<i>Net Trust ECB</i>	29	-12	-41
<i>Net Trust EU</i>	14	-24	-38
<i>Net Trust EC</i>	21	-9	-30
<i>Net Trust EP</i>	27	-4	-31
<i>Net support for EURO</i>	40	35	-5

So far so good ...

But we need a new type of monetary union to make the euro more popular.

Two routes:

a. Fiscal discipline through the political system
(Brussels and Frankfurt).

or

b. Fiscal discipline through financial markets.

Both routes are possible. But fiscal discipline through financial markets is the better way to take.

The role of the Commission and the ECB is then to make economic policies more transparent.

Instruments to foster fiscal discipline:

- A credible no-bailout clause.
- Fiscal policy councils.
- Correct statistics.

Fiscal policy should be in the hands of the member states – given a set of proper restrictions and reducing deficit bias.

This will keep the euro within the realm of a democratic society – and increase net support.

And it will stop the blame game!

And save the euro.

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