

Olli Rehn

Bank of Finland

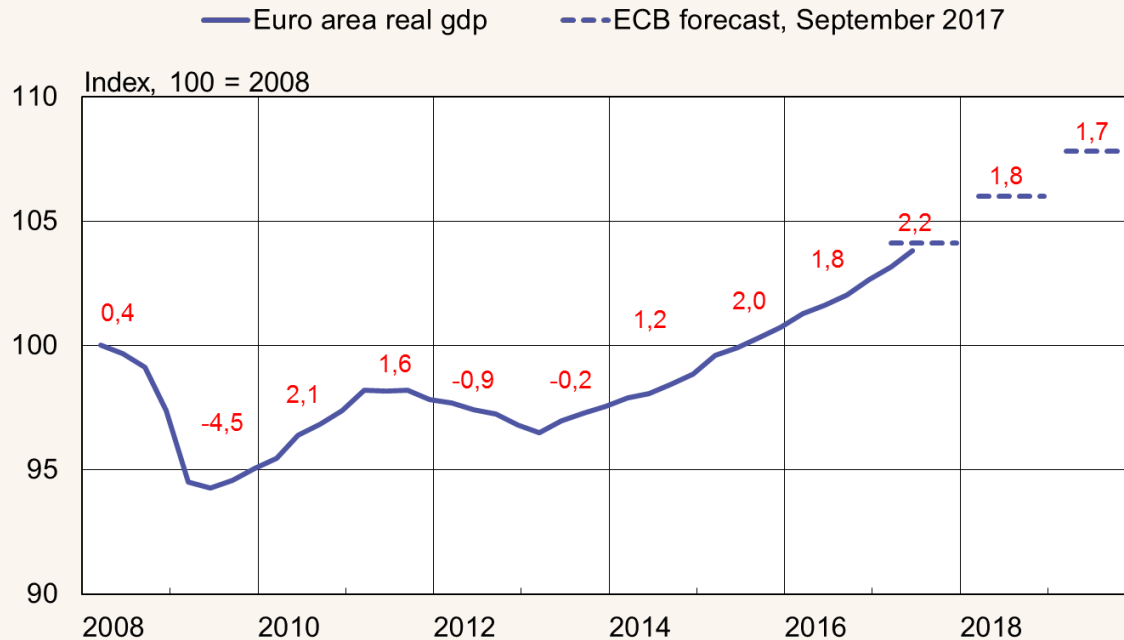
"The European Spring?"

Reinventing Bretton Woods Committee
Washington, 13 October 2017





Euro area has grown since 2013 – now growth is stronger and broad-based



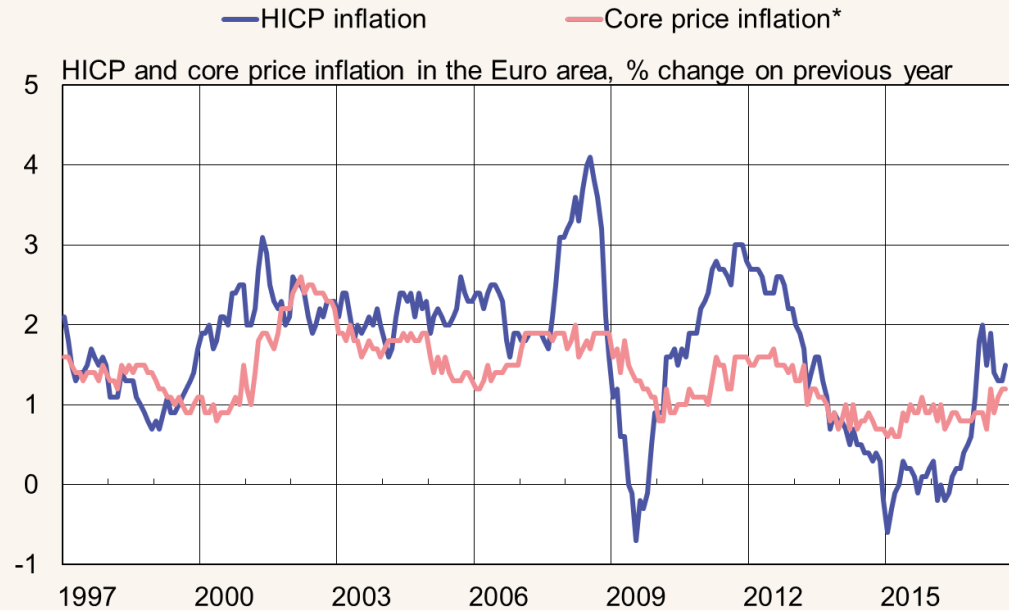
Figures next to the line are annual growth rates.

Sources: ECB, Eurostat and Macrobond.

patu32427@BKTindMPE(2)



Inflation still subdued, especially core inflation



* HICP excl. energy, food, alcohol and tobacco.

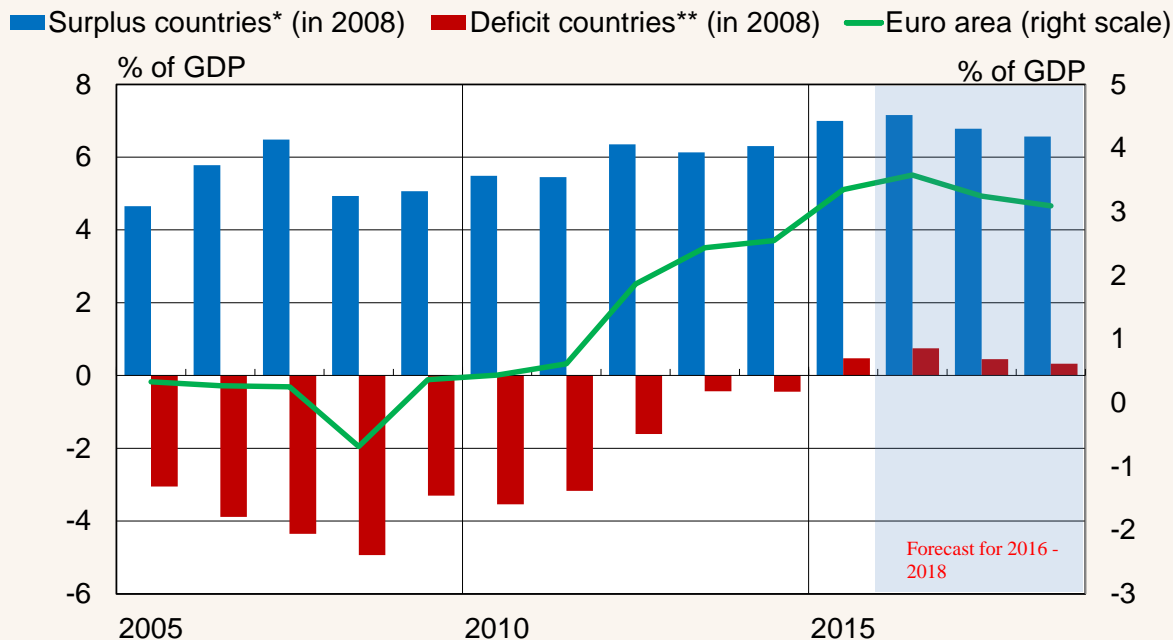
Sources: Eurostat and Macrobond.

patu32426@YKHI(ENG)



Rebalancing in the Eurozone

Balance of current transactions with the rest of the world



* Surplus countries: AT, BE, DE, FI, NL

** Deficit countries: FR, IT, ES, PT, IE, GR

Sources: European Commission, Macrobond.

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Lessons of the crisis for the Eurozone reform

1. Financial stability was underestimated: the “neglected stepchild of Maastricht”. Breaking the bank-sovereign link is crucial.
 - First priority: complete the banking union
 - a European Deposit Insurance Scheme – co/-re-insurance
 - backstop for Single Resolution Fund (SRF)
2. Going further: combine the best elements of “German” and “French” thinking
 - incentives and rules
 - insurance and stabilization
 - a European synthesis



Lessons of the crisis for the Eurozone reform

3. EMU needs a sufficiently large and agile common stabilisation function (ESM+) that helps prevent and mitigate panic on the financial markets.
4. The real economy matters. Member States' own economic policies remain vital. Coordination necessary to support this and reform.
5. Further steps: functioning of the Stability Fund; improving policy coordination; fiscal stance for the whole euro area.



Concluding remarks

- Given we are in the euro, we'd better make it work well.
- Not "federation or death"
- Third way:
 - Ensure financial stability through insurance and risk-sharing
 - Any steps towards increased solidarity combined with steps towards increased responsibility
- Continue to reform and modernize the European social model.
- No *catenaccio* defence – move on with Eurozone reform.



Thank you!