

The Creation of the Euro

Hightower Lecture, Emory University



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Princeton University
May 13, 2015

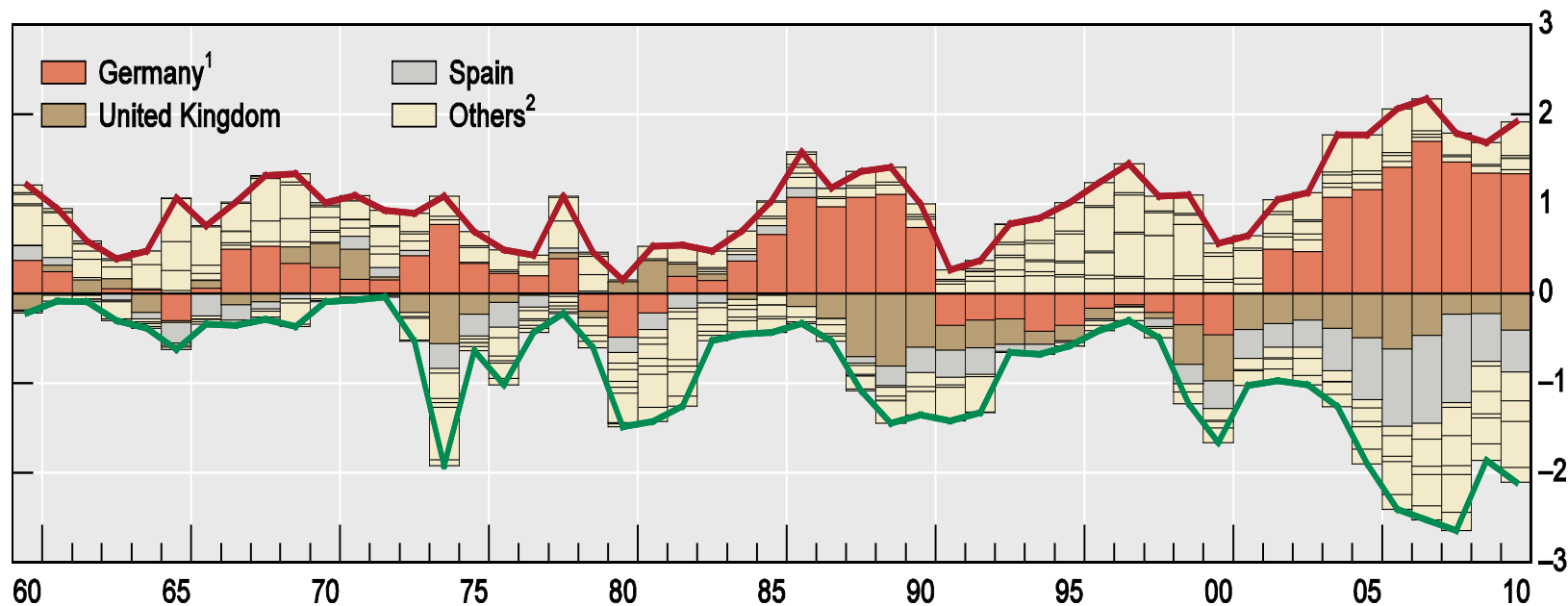








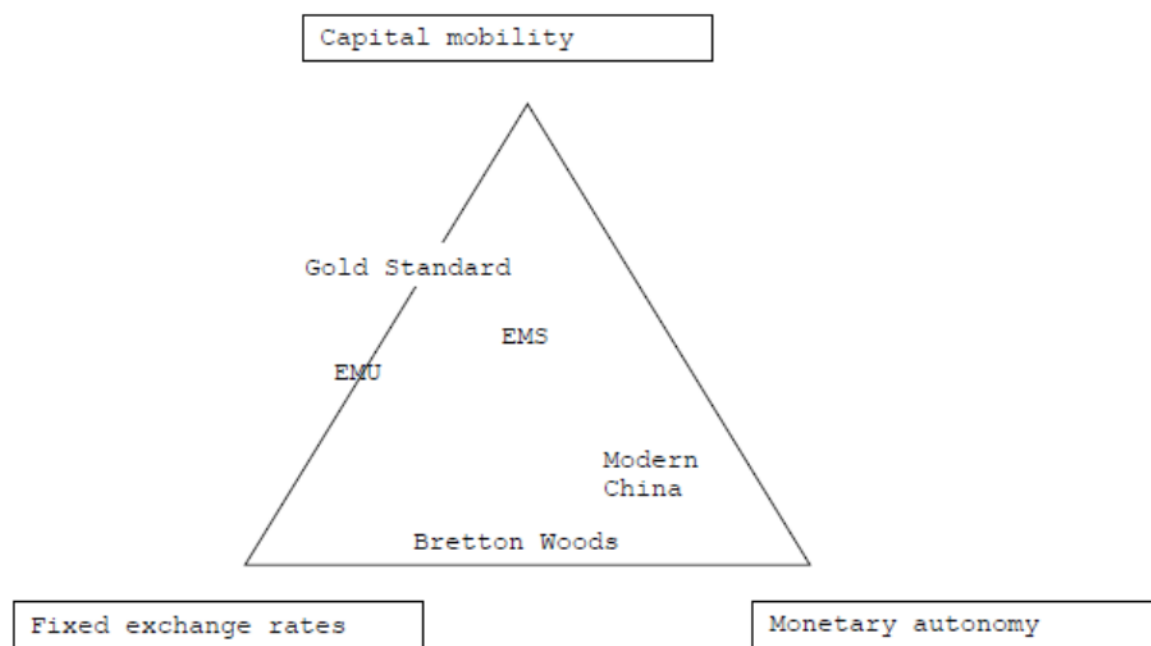
Sum of Current Account Balances (Share of GDP)



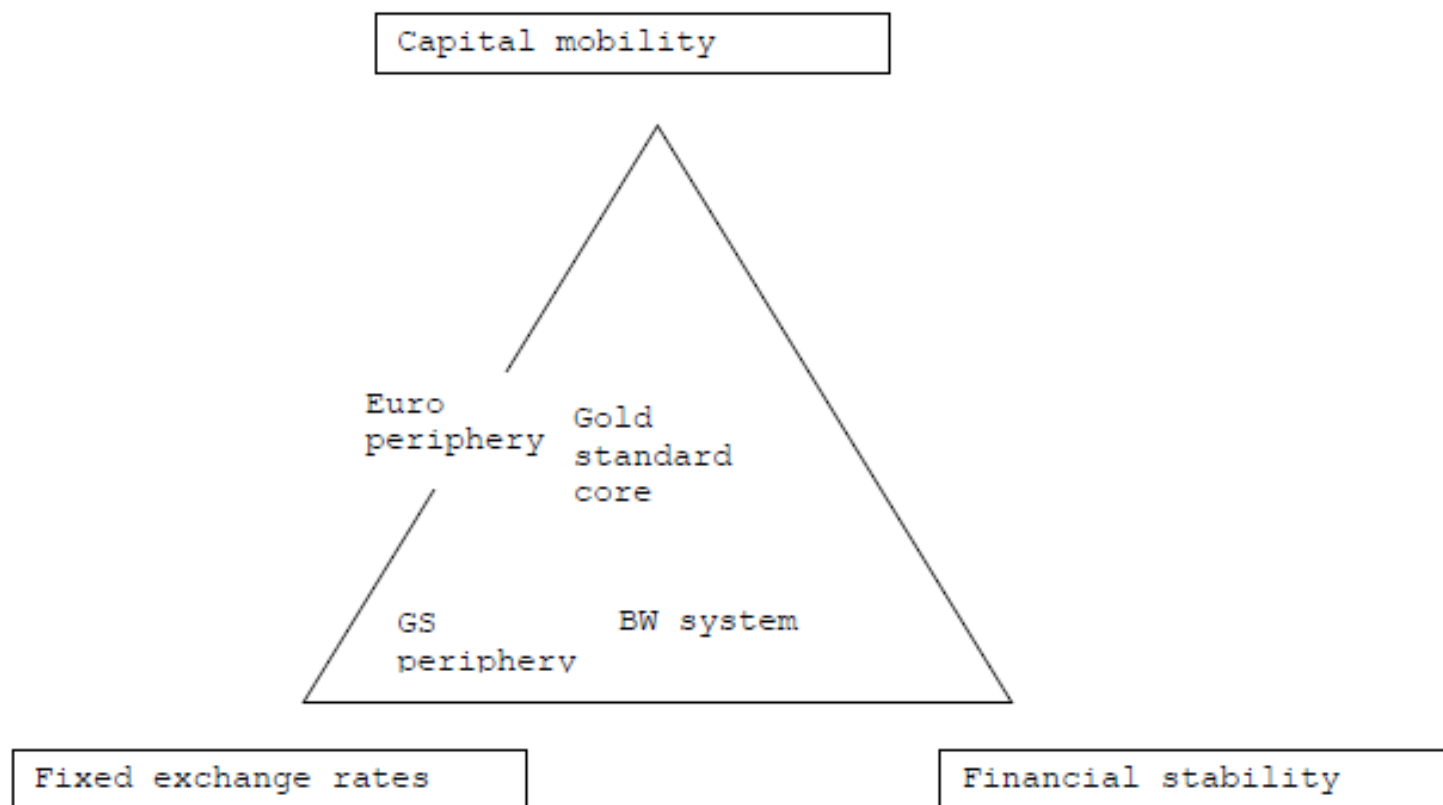
¹ From 1991 the balance of payments statistics also include the external transactions of the former German Democratic Republic.

Sources: OECD *Economic Outlook*; European commission, BIS Annual Macro Economic database.

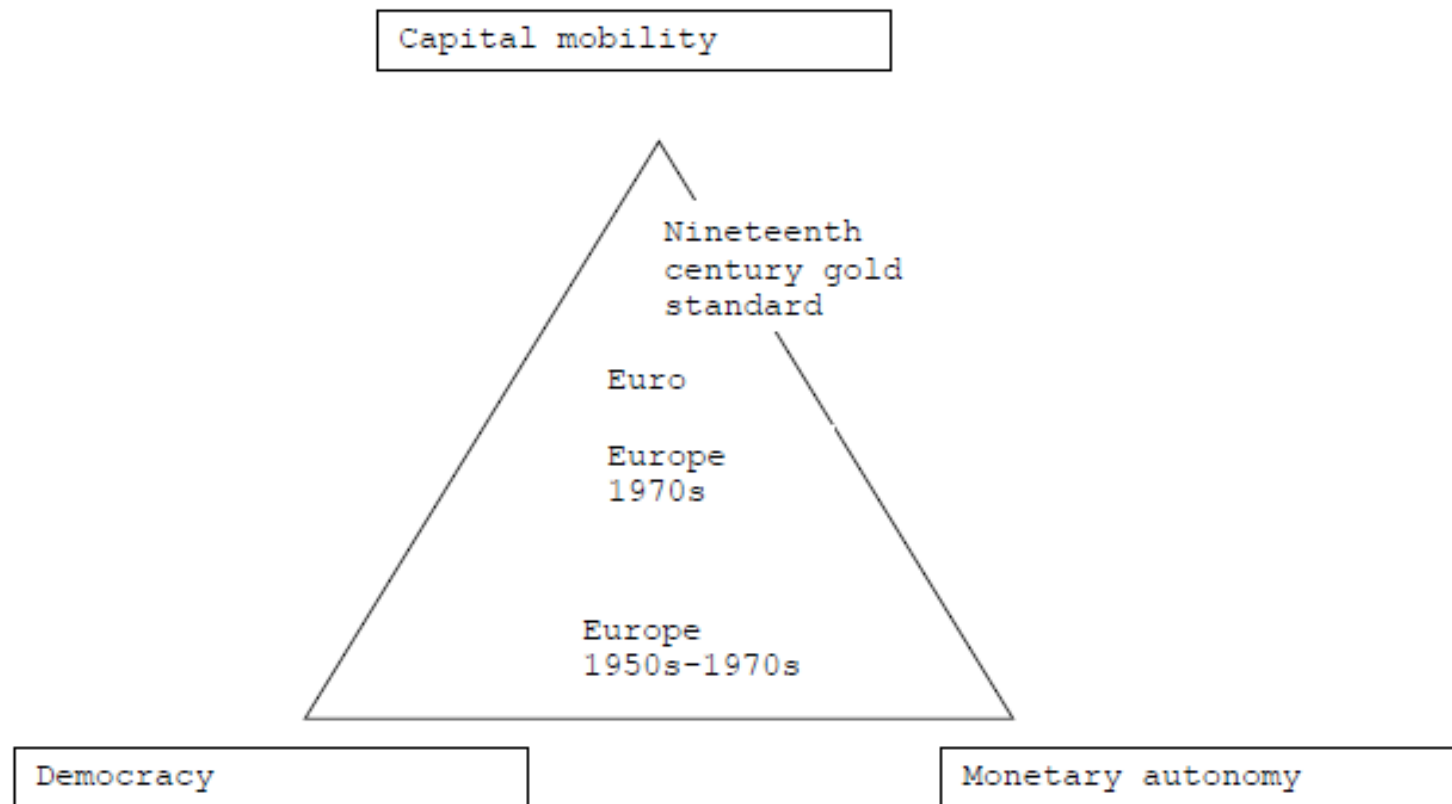
Trilemma 1: The Classic



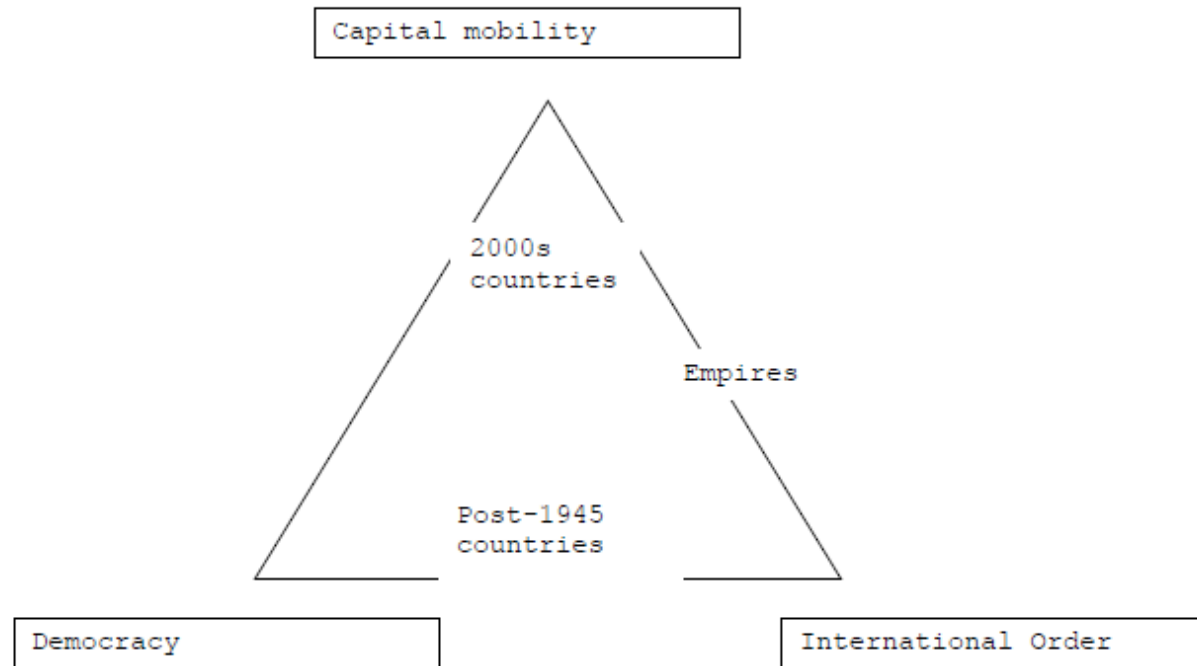
Trilemma 2: Financial Stability



Trilemma 3: Political Economy



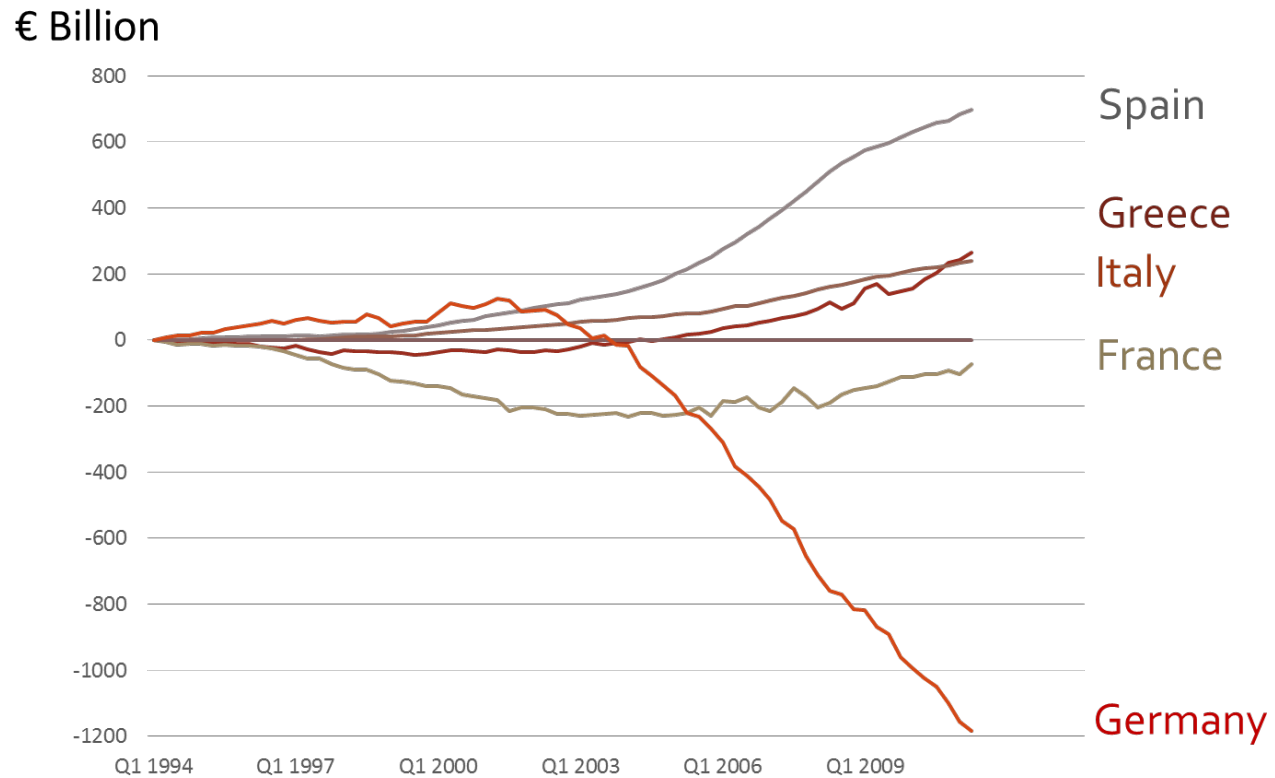
Trilemma 4: International relations



Flaws

1. Fiscal rules (needed or left to market?)
2. Common banking supervision (Article 25/2 of ECB Statute in Maastricht Treaty)

Capital flows



Source: Eurostat

October 2010



Solutions?

1. Currency Innovations
2. Minimizing Financial Fragility
3. Transfers without Politics
4. Thinking Globally