The Euro Area and the Financial Crisis

The financial crisis of 2007–10 has presented a number of key policy challenges for those concerned with the long-term stability of the euro area. It has shown that price stability as provided by the European Central Bank is not enough to guarantee financial stability, and exposed fault lines in governance and deficiencies in the architecture of the financial supervisory and regulatory framework. This book addresses these and other issues, including why the crisis affected some countries more than others, whether the euro is still attractive for new EU states and what policy changes and structural reforms, both macro and micro, should be undertaken to ensure its future viability. Written by a team of leading academic and central bank economists, the book also includes chapters on the cross-country incidence of the crisis, the Irish crisis and ECB monetary policy during the crisis, and studies on Spain, the Baltics, Slovakia and Slovenia.

MIROSLAV BEBLAVÝ has an unusual blend of academic and political experience. He is a Senior Research Fellow at the Brussels think tank, Centre for European Policy Studies and, at the same time, Member of the Slovak Parliament. He is also Associate Professor of Public Policy at the Comenius University in Bratislava, Slovakia. In the past, he served as a junior minister in his country’s government, created an influential think tank and worked for a range of multilateral development institutions as a consultant in Europe, Africa and the Caucasus.

DAVID COBHAM is Professor of Economics at Heriot–Watt University. He is a specialist in monetary policy who has worked on the UK, on French and Italian monetary policy, on European monetary integration and on monetary policy and exchange rate regimes in the Middle East and North Africa. He is the editor or co-editor of a number of books on European monetary integration and monetary policy, including The Travails of the Eurozone (2007) and Twenty Years of Inflation Targeting: Lessons Learned and Future Prospects (2010).

ĽÚDOVÍT ÓDOR is an advisor to the Prime Minister and Minister of Finance in Slovakia. In the past, he served as a member of the Bank Board at the National Bank of Slovakia and Executive Director responsible for research. He also worked as a Chief Economist at the Ministry of Finance of the Slovak Republic. He played an important role in institutional and structural reforms in Slovakia including the euro adoption in 2009.
The Euro Area and the Financial Crisis

Edited by
Miroslav Beblavý, David Cobham
and L’udovít Ódor
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Contributors

BISWAJIT BANERJEE, Haverford College
MIROSLAV BEBLAVÝ, Comenius University
WENDY CARLIN, UCL and CEPR
LAURENT CLERC, Banque de France
DAVID COBHAM, Heriot–Watt University
BORIS COURNÈDE, OECD
AURELIJUS DABUŠINSKAS, Bank of Estonia
DANIELE FRANCO, Banca d'Italia
VÍTOR GASPAR, Banco de Portugal
ANGEL GAVILÁN, Banco de España
STEFAN GERLACH, Goethe University and CEPR
FRANCESCO GIAVAZZI, Bocconi University, CEPR and NBER
PABLO HERNÁNDEZ DE COS, Banco de España
THOMAS F. HUERTAS, EBA and FSA
JUAN F. JIMENO, Banco de España
DAMIJAN KOZAMERNIK, Bank of Slovenia
PHILIP R. LANE, Trinity College Dublin and CEPR
JACQUES MÉLITZ, Heriot–Watt University, CREST–INSEE and CEPR
DIEGO MOCCHERO, OECD
BENOÎT MOJON, Banque de France
EWALD NOWOTNY, Österreichische Nationalbank
List of contributors

L’udovít Ódor, Ministry of Finance, Slovakia (formerly National Bank of Slovakia)

Thorvardur Tórunn Ólafsson, Central Bank of Iceland and University of Aarhus

Athanasios Orphanides, Central Bank of Cyprus and CEPR

Thorarinn G. Petursson, Central Bank of Iceland

Martti Randveer, Bank of Estonia

Juan A. Rojas, Banco de España

Luigi Spaventa, University of Rome and CEPR

Zdenek Tuma, Charles University

David Vávra, OGResearch

Stefania Zotteri, Banca d’Italia
Abbreviations and acronyms

ABS Asset Backed Securities
AIB Allied Irish Banks
BCBS Basel Committee on Banking Supervision
BEA Bureau of Economic Analysis (US)
BEPGs Broad Economic Policy Guidelines (EU)
BIS Bank for International Settlements
BLS Bank Lending Survey (ECB)
bp basis point
CBA cost-benefit analysis
CCA common currency area
CDS credit default swaps
CEBS Committee of European Banking Supervisors
CEE Central and Eastern Europe
CESEE Central, Eastern and Southeastern Europe
CPI consumer prices index
DGECFIN Directorate General for Economic and Financial Affairs (EU)
DGSD Deposit Guarantee Schemes Directive (EU)
DSGE Dynamic Stochastic General Equilibrium
EBA European Banking Authority
ECB European Central Bank
ECOFIN Economic and Financial Affairs Council
EDIRF European Deposit Insurance and Resolution Fund
EDP Excessive Deficit Procedure (EU)
EEA European Economic Area
EFSA European Financial Stability Agency
EFSF European Financial Stability Facility
EFSM European Financial Stability Mechanism
EIB European Investment Bank
EIU Economic Intelligence Unit (EU)
ELA emergency liquidity assistance
ELG Eligible Liabilities Guarantee (Ireland)
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<th>Full Form</th>
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<tr>
<td>EMS</td>
<td>European Monetary System</td>
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<td>EMU</td>
<td>European Monetary Union (Economic and Monetary Union)</td>
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<td>EONIA</td>
<td>Euro Overnight Index Average</td>
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<td>ERB</td>
<td>exchange rate-based</td>
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<td>ERM II</td>
<td>Exchange Rate Mechanism II (since 1999)</td>
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<td>ESAs</td>
<td>European Supervisory Authorities</td>
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<td>ESM</td>
<td>European Stabilisation Mechanism</td>
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<td>ESRB</td>
<td>European Systemic Risk Board</td>
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<td>ESRI</td>
<td>Economic and Social Research Institute (Ireland)</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FDI</td>
<td>foreign direct investment</td>
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<td>FDIC</td>
<td>Federal Deposit Insurance Corporation (US)</td>
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<td>FDICIA</td>
<td>Federal Deposit Insurance Corporation Improvement Act (US)</td>
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<tr>
<td>FPC</td>
<td>Fiscal Policy Committee</td>
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<td>FRB</td>
<td>Federal Reserve Board</td>
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<td>FSA</td>
<td>Financial Services Authority (UK)</td>
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<tr>
<td>FSB</td>
<td>Financial Stability Board (EU)</td>
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<tr>
<td>FSC</td>
<td>Fiscal Stability Charge</td>
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<tr>
<td>FX</td>
<td>foreign exchange</td>
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<tr>
<td>GDI</td>
<td>gross disposable income</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<tr>
<td>HICP</td>
<td>harmonised index of consumer prices</td>
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<td>HP</td>
<td>Hodrick–Prescott</td>
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<td>IADB</td>
<td>Inter-American Development Bank</td>
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<tr>
<td>IFS</td>
<td><em>International Financial Statistics</em> (IMF)</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>INBS</td>
<td>Irish Nationwide Building Society</td>
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<tr>
<td>INE</td>
<td>Instituto Nacional de Estadistica (Spain)</td>
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<tr>
<td>IPN</td>
<td>Inflation Persistence Network</td>
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<tr>
<td>IT</td>
<td>inflation targeting</td>
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<tr>
<td>LIBOR</td>
<td>London Interbank Offered Rate</td>
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<tr>
<td>LOLR</td>
<td>lender of last resort</td>
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<td>MAR</td>
<td>mean absolute revision</td>
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<td>NAMA</td>
<td>National Asset Management Agency (Ireland)</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organisation</td>
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<td>NPR</td>
<td>notice of proposed rule-making (FDIC)</td>
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<td>NPRF</td>
<td>National Pension Reserve Fund (Ireland)</td>
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<td>NTMA</td>
<td>National Treasury Management Agency (Ireland)</td>
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<td>OBR</td>
<td>Office for Budget Responsibility (UK)</td>
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<td>OCA</td>
<td>optimum currency area</td>
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<tr>
<td>Abbreviation</td>
<td>Acronym</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OIS</td>
<td>overnight indexed swap</td>
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<td>OLG</td>
<td>overlapping generations</td>
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<td>ONS</td>
<td>Office for National Statistics (UK)</td>
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<td>PCAR</td>
<td>prudential capital assessment review</td>
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<tr>
<td>PCE</td>
<td>personal consumption expenditures</td>
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<td>PLT</td>
<td>price-level targeting</td>
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<td>PPP</td>
<td>production possibilities frontier</td>
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<td>PV</td>
<td>present value</td>
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<td>REER</td>
<td>real effective exchange rate</td>
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<td>RFE</td>
<td>Federal Planning Bureau (Belgium)</td>
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<tr>
<td>RPI</td>
<td>retail price index</td>
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<td>RPIX</td>
<td>retail price index excluding interest payments</td>
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<td>RWAs</td>
<td>risk-weighted assets</td>
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<td>SGP</td>
<td>Stability and Growth Pact</td>
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<td>SITC</td>
<td>Standard International Trade Classification</td>
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<td>SME</td>
<td>small and medium-sized enterprise</td>
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<td>SRR</td>
<td>special resolution regime (UK)</td>
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<td>SVAR</td>
<td>structural vector autoregression</td>
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<td>TAF</td>
<td>Term Auction Facility (ECB)</td>
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<td>TARP</td>
<td>Troubled Asset Relief Program (US)</td>
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<td>TFEU</td>
<td>Treaty on the Functioning of the European Union</td>
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<tr>
<td>TFP</td>
<td>total factor productivity</td>
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<td>TPO</td>
<td>temporary public ownership</td>
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<td>UIP</td>
<td>uncovered interest parity</td>
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<td>ULC</td>
<td>unit labour cost</td>
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<td>VAR</td>
<td>vector autoregression</td>
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<td>VAT</td>
<td>value added tax</td>
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<td>WPI</td>
<td>wholesale price index</td>
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