

LUISS SCHOOL OF EUROPEAN POLITICAL ECONOMY

Newsletter - 10/2015
(No.14)

- **OPPORTUNITIES**
- **RECENT EVENTS**
- **WORKING PAPERS**
- **POLICY BRIEFS & COMMENTARIES**
- **IN THE PRESS**

Villa Emiliani



UPCOMING EVENTS

November 23, 2015 -
Verso la Conferenza di Parigi sul clima (COP21 Paris): le posizioni di USA, UE e Cina a confronto

December 10, 2015
- Diego Valiante: Risk Sharing

PAST EVENTS

October 30, 2015
- Fabrizio Saccomanni: Global Outlook 2015-16 - XIX Edizione

OPPORTUNITIES

INPS Scholarships

As part of an initiative to support post-graduate studies and professional development, INPS (Istituto Nazionale Previdenza Sociale) is offering 7 full-tuition scholarships to children or orphans of government employees or pensioners who would like to obtain a Master in European Economic Governance (MEEG) at the LUISS School of European Political Economy. Details on how to apply are available on [our website](#).

RECENT EVENTS



Marcello Messori with Marco Pagano at **Banks Exposures and Sovereign Stress Transmission** (October 15, 2015)



Alessandro Leipold with Carlo Bastasin, Marcello Messori, and Gian Luigi Tosato at **Lessons from Five Years of Euro-area Crisis Fighting** (October 19, 2015)

WORKING PAPERS

F. Landini, A. Arrighetti, A. Lasagni: Economic Crisis and Firm Exit: Do Intangibles Matter?

The crisis in the Euro area has caused several business closures,

October 28, 2015
- Stefano Micossi: Dalla comunicazione della Commissione Europea di gennaio 2015 all'attuale discussione su un controllo centralizzato dei bilanci pubblici degli stati membri

October 19, 2015 -
Alessandro Leipold:
Lessons from five years
of euro-area crisis
fighting

October 15, 2015 - Marco
Pagano: Banks
Exposures and
Sovereign Stress
Transmission

September 22, 2015 -
Padoa Schioppa:
Presentazione Libro

September 17, 2015
- Capire la crisi. Le
conseguenze:
Frammentazione sociale,
rappresentanza e
sviluppo

September 16, 2015
- Marco Felisati:
Negoziati TTIP, stato
dell'arte e prospettive

September 9, 2015 -
Pierpaolo Benigno: Non
neutralità di politiche
monetarie non
convenzionali

especially in the EMU periphery. In this paper we use an original firm-level dataset on Italy to study the determinants of firm exit during the crisis, having a particular focus on the role of intangibles. We argue that intangibles strengthen the firm's resilience capacity, and this in turn improves the firms' ability to cope with adverse and unexpected shocks. We obtain two main results: first we show that intangibles significantly reduce the probability of firm exit, especially during the initial phase of the crisis; second, we find that financial constraints become more relevant than intangibles in explaining firm exit at later stages of the crisis. Thus, the process of firm selection during the crisis has undergone a rapid transformation, with distortions that may lead even skilled firms to exit. Some of the implications of these findings for the EU recovery policies are discussed. [Continue Reading](#)

G. Bruzzone, M. Cassella & S. Micossi: The EU Regulatory Framework for Bank Resolution

The financial crisis of 2008-09 and the ensuing sovereign debt and banking crises within the eurozone exposed the presence of massive moral hazard within banking systems, that led to over-borrowing and excessive risk-taking by many large banks. In order to avoid the meltdown of financial systems, national governments were forced to underpin the balance sheets of these banks and take up large losses, eventually borne by taxpayers. The regulatory response was masterminded at the international level by the G-20 and its offspring, the Financial Stability Board (FSB); it was mainly centred on improving the governance and risk management of the banks, reducing regulatory forbearance, and eliminating or at least greatly reducing legal and institutional incentives that had fostered excessive risk-taking. [Continue Reading](#)

POLICY BRIEFS & COMMENTARIES

C. Bastasin: The Euro and the End of 20th Century Politics

The European crisis has been a political crisis that questions our understanding of national democracies in the new global environment. Economists and political scientists have produced extensive analyses about the European crisis. However, scholars of both disciplines have refrained from studying the interaction between economics and politics. This brief analyzes the interaction between the euro and national politics and between the national narratives of the euro crisis and the economics of the crisis itself. [Continue Reading](#)

S. Micossi: Five Bullets on European Council Conclusions

The European Council conclusions yesterday include five points worth mentioning. The Council has endorsed the main lines of a cooperation agreement to stem the migrants' flow under negotiation with Turkey, notably including substantial financial assistance (three billion euro), a roadmap for visa liberalization of Turkish nationals coming to the EU, and the commitment to reopen five chapters of accession negotiations; indeed, Turkish premier Erdogan is exacting a high political price for his help.

Continue Reading

S. Micossi: Three Things to do to Strengthen Eurozone Economic Governance

My main points on economic governance reforms to strengthen stability and revive growth in Europe centre on risk, discipline, and symmetry, all of which need priority attention and speed to enact. Our current risk-sharing system has evolved in the right direction in response to the economic crisis, but it still lacks some essential components. In the finalized Banking Union, risk-sharing arrangements need to be complemented by supra-national deposit insurance backed by a common budget in case of a future systemic banking crisis. [Continue Reading](#)

C. Bastasin: Firms' Growth should Inspire Brussels' Remarks on Italy's Political Economy

For the first time, in the upcoming days, the Eurogroup and the European Council will take account of the Commission's communication on flexibility when they are called to give opinions on the 2015 update to its stability and convergence program, which Italy had to submit to the Council and the European Commission in mid-April. [Continue Reading](#)

L. Codogno: Italy's Budget Outlook - Stretching Flexibility to the Limit

The Italian government will present the Budget by 15 October, following recently announced main fiscal targets. Fiscal policy will become expansionary in 2016. Instead of reducing the deficit by 0.5pp of GDP in structural terms, as required by EU fiscal rules, the structural deficit will increase by 0.4pp (which may become 0.6pp), taking full advantage of EU flexibility clauses. [Continue Reading](#)

IN THE PRESS

October 30, 2015 – *La Repubblica* published an interview with SEP Senior Fellow **Fabrizio Saccomanni**, in which he discusses Italy's recent entry into the “negative interest rate club.”

October 26, 2015 – *Corriere dell Sera* published an editorial by SEP Senior Fellow **Lucrezia Reichlin**, in which she offers three reflections on the significance of the European Central Bank's announcement to extend quantitative easing beyond December.

October 23, 2015 – *Radio Rai 1* aired an interview with SEP Senior Fellow **Pierpaolo Benigno**, in which he discusses Mario Draghi's recent statement about the ECB potentially extending quantitative easing measures in December.

October 23, 2015 – *The Financial Times* published a book review by SEP Senior Fellow **Paul De Grauwe** on *Europe's Orphan* by Martin Sandbu, in which he lauds the writing as “refreshing”—a “stand out” in the field of eurocrisis analysis.

October 22, 2015 – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Lorenzo Codogno**, in which he discusses his doubts about the “Legge di Stabilità.”

October 21, 2015 – *La Stampa* published an editorial by SEP Visiting Fellow **Franco Bruni**, in which he argues that the main problem with the “Legge di Stabilità” is the lack of adequate cuts in inefficient and wasteful spending by the public sector.

October 20, 2015 – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Carlo Bastasin**, in which he discusses the political and economic situation in Germany, and the effect the migrant crisis has had on Chancellor Merkel’s political standing.

October 19, 2015 – *Europe’s World* published a commentary by SEP President **Stefano Micossi**, in which he details a three-point plan for Europe’s economic future

October 16, 2015 – *The Financial Times* aired a video interview with SEP Senior Fellow **Lorenzo Codogno**, in which he discusses Italy’s new expansionary budget.

October 16, 2015 – *CEPS* published an editorial by SEP Senior Fellow **Daniel Gros**, in which he discusses the slow waning of Germany’s position as the dominant country in the EU

October 16, 2015 – *Corriere della Sera* published an editorial by SEP Senior Fellow **Lorenzo Bini Smaghi**, in which he discusses steps China should take to avoid further economic turbulence.

October 16, 2015 - *Sky TG 24* aired an interview with SEP Senior Fellow **Lorenzo Codogno** regarding the Italian budget.

October 15, 2015 – *Sky TG 24* aired an interview with SEP Scientific Council Member **Stefano Manzocchi**, in which he discusses the recent tax cut and spending review.

October 15, 2015 - *BBC World Service Radio* and *BBC World* aired an interview with SEP Senior Fellow **Lorenzo Codogno** regarding the Italian budget.

October 13, 2015 – *Radio Rai 3* aired an interview with SEP Scientific Council Member **Stefano Manzocchi**, in which he answers questions about the Transatlantic Trade and Investment Partnership.

October 12, 2015 – *RaiNews24* aired an interview with SEP Senior Fellow **Fabrizio Saccomanni**, in which he comments on the privatization of Poste Italiane.

October 12, 2015 – *Eutopia* magazine published an editorial by SEP Senior Fellow **Lorenzo Bini Smaghi**, in which he discusses the concept of solidarity in Europe.

October 9, 2015 – *Bloomberg* quoted SEP Director **Marcello Messori** in an article regarding the regulation of EU funds for national projects, using the restoration of the Roman city of Pompeii as a case study.

October 8, 2015 - *LSE EUROPP* published an editorial by SEP Senior Fellow **Lorenzo Codogno**, in which he raised a number of issues regarding EU fiscal rules.

October 6, 2015 – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Carlo Bastasin**, in which he discusses the advantages of the Transatlantic Trade and Investment Partnership (TTIP) for Europe.

October 6, 2015 – SEP Scientific Council Member **Pier Carlo Padoan** delivered a speech at the *University of Luxembourg*, during which he discussed the state of the European economy and commented on policies currently in place.

October 6, 2015 – The Italian *Ministry of Economy and Finance* released a paper by SEP Scientific Council Member **Pier Carlo Padoan**, in which he proposes an European unemployment insurance scheme.

October 3, 2015 – *Il Sole 24 Ore* published an editorial by SEP Scientific Council Member **Gianni Toniolo**, in which he suggests ways for Italy to achieve sustainable economic growth.

October 2, 2015 – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Lorenzo Codogno**, in which he proposes to make retirement age flexible by means of creating a market for annuities with INPS taking a leading role.

October 1, 2015 – *Le Monde* published an editorial by SEP Senior Fellow **Lorenzo Bini Smaghi**, in which he argues that Germany needs to overcome its fears.

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