

# LUISS SCHOOL OF EUROPEAN POLITICAL ECONOMY

Newsletter - 12/2015  
(No.16)

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Villa Emiliani



## UPCOMING EVENTS

January 20, 2016 -  
Marcello Messori & Piero  
Esposito: SEP Seminar

January 28,  
2016 - Roberto  
Tamborini: SEP Seminar

February 2, 2016  
- Franco Bruni: SEP  
Seminar

## PAST EVENTS

December 11, 2015 -  
Etica, Scienze  
Comportamentali e

## 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



**Marco Buti** with **Marcello Messori**, **Carlo Bastasin**, and **Lorenzo Bini Smaghi** at **Italy in Europe** (December 1, 2015)

## SEP SEMINARS



**Diego Valiante** with **Stefano Micossi**, **Marcello Messori**, **Paolo**

Amministrazioni  
Pubbliche

December 10, 2015 -  
Diego Valiante: Risk  
Sharing ed il ruolo  
dell'integrazione  
finanziaria europea

December 1, 2015 -  
Marco Buti: Italy in  
Europe

November 30, 2015 -  
Francesco Papadia: Una  
nuova epoca per le  
banche centrali

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

November 19, 2015 - A.  
Grandori: Processi  
decisionali e  
coordinamento  
organizzativo

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

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 Leibold:  
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

**Canofari, and Gianni Toniolo at Risk Sharing ed il ruolo  
dell'integrazione finanziaria europea**

## **POLICY BRIEFS & COMMENTARIES**

### **G. Toniolo: Bail-in - Useful in Normal Times, Risky in a Crisis**

“Bail-in”: a new word has recently entered the public consciousness, one that is not yet present in Merriam-Webster. In Italy, the crisis of four small banks has introduced the new European banking “resolution” regime (SRM) to many who would otherwise have never paid attention to the issue. So, now we know what it is, but what are the pros and cons of the new regime that, on the heels of the Single Supervisory Mechanism (SSM), makes up the second building block of the Banking Union (while we are still missing the third—a single deposit guarantee scheme)? [Continue Reading](#)

### **C. Bastasin: Mr. Schäuble’s Ultimate Weapon - The Automatic Restructuring of Public Debt**

A German plan for revamping the euro-area proposes an automatic mechanism for sovereign debt-restructuring. This mechanism, designed by Berlin’s Ministry of Finance, is designed to prevent any form of risk-sharing between euro-area countries and to confine the costs of fiscal and financial instability primarily within the more fragile countries. From the perspective of debt defaults, the plan could enforce more discipline, but it also risks dramatizing any future episode of financial instability. [Continue Reading](#)

### **G. L. Tosato: The EMU - Evolution and Legal Challenges**

The implementation of a genuine EMU, as outlined in the Four/Five Presidents reports, calls for an investigation into the legal instruments required to attain this objective. Undoubtedly, the conclusion of a new constitutional Treaty would offer the most appropriate solution. Nevertheless, States are reluctant to embark on such a perilous endeavour, in light of past labors and even unsuccessful experiences. It is, thus, necessary to consider what can be achieved through alternative avenues. [Continue Reading](#)

### **C. Bastasin: Five Bullets on Marine Le Pen and Banca d’Etruria**

The euro-crisis’ mismanagement has discredited the euro-area’s model of centralized economic governance, forcing the postponement of further integration plans until after Germany and France finish general elections in 2017. Marine Le Pen’s nationalist party has a non-negligible chance at victory in France, limiting Germany’s ability to increase risk sharing or deepen integration. At the same time, the stricter German position endorsed by Bundesbank, which calls for decentralized governance for the euro-area, will gain support, with “bail-ins” becoming the cure-all instead of “bail-outs.” [Continue Reading](#)

### **L. Codogno: Five Bullets on the ECB’s Extension of the Asset**

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

September 16, 2015

- Marco Felisati:  
Negozianti TTIP, stato dell'arte e prospettive

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

## Purchase Programme (APP)

The European Central Bank's press conference on 3 December 2015 included an announced extension of the asset purchase programme (APP), which I found a mixed bag. Certainly, what was delivered today by the ECB Governing Council cannot be regarded as the Asset Purchase Programme 2 (APP 2), but rather a "recalibration," as President Draghi put it (i.e. APP 1½). It was short of market expectations at least on two counts: modest reduction in the deposit rate and no (apparent) sizable increase in the purchase programme. Still, the element of novelty, which was highlighted by President Draghi twice, is the decision to reinvest the principal of bonds maturing, and this will extend even beyond the expected end of the programme in March 2017. [Continue Reading](#)

## S. Micossi: The Real Match Over Debt

The European Commission's proposal for the creation of a European Deposit Insurance Scheme (EDIS) triggered a particularly sour reaction from German authorities. Spiegel Magazine reported that German Finance Minister Schäuble is striving to create a minority block within the Economic and Financial Affairs Council (ECOFIN) to block the proposal. The primary objection to EDIS can be condensed into this: if the banks of indebted countries are not first induced to significantly reduce their investment in their own governments' bonds, a common system of deposit insurance would essentially be equivalent to the creation of the infamous Eurobond, namely a collective system of guarantees for the public debt of the member states. [Continue Reading](#)

## IN THE PRESS

December 23, 2015 - *Sky 24* interviewed SEP Senior Fellow **Lorenzo Codogno**, in which he discusses the crisis of the 4 small Italian banks and the new bail-in directive in Europe.

December 23, 2015 - *CNBC Class* interviewed SEP Senior Fellow **Lorenzo Codogno**, in which discusses the crisis of the 4 small Italian bank and the new bail-in directive in Europe.

December 22, 2015 - *CNBC Class* interviewed SEP Senior Fellow **Lorenzo Codogno**, in which he presents his outlook for 2016.

**December 21, 2015** – *L'Unità* published an interview with SEP Senior Fellow **Jean-Paul Fitoussi**, in which he argues that Germany has become an obstruction to all chances of growth in Europe, something that is vital to win back the trust of its citizens.

**December 20, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Gianni Toniolo**, in which he comments on the "bail-in" resolution to Banca Etruria's collapse, arguing that such a measure would be inadequate in a crisis.

**December 18, 2015** – *In Più* published an editorial by SEP President **Stefano Micossi**, in which he comments on Renzi's recent handling of

Banca Etruria's collapse.

**December 17, 2015** – *CEPS* published an editorial co-authored by SEP Senior Fellow **Daniel Gros**, in which he argues that the Single Resolution Fund (SRF) should be sufficient to deal with almost any crisis scenario imaginable.

**December 17, 2015** – *CEPS* published a book co-authored by SEP Senior Fellow **Daniel Gros**, which illustrates how the structure of the US banking market and the existence of federal institutions allowed regional financial shocks to be absorbed at the federal level in the US, thus avoiding local financial crisis.

**December 17, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Carlo Bastasin**, in which he discusses the US rate rise announced by FED Chair Janet Yellen.

**December 16, 2015** – *The New York Times* interviewed SEP President **Stefano Micossi** in an article about the Fed rate rise, during which he argues that Italy and France have not done enough to make their economies more competitive, and that eurozone leaders have failed to address some of the factors slowing down economic growth.

**December 16, 2015** – *CEPS* published an editorial co-authored by SEP Senior Fellow **Daniel Gros**, in which he takes stock of the main results and policy outputs from the EU's interventions in the refugee crisis.

**December 15, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Carlo Bastasin**, in which he discusses an internal document sent from the German Ministry of Finance to Parliament, which proposes an automatic restructuring of the public debt of countries requesting assistance through the European Stability Mechanism.

**December 14, 2015** – *CEPS* published an editorial by SEP Senior Fellow **Daniel Gros**, in which he observes that the principle of a "Europe without borders" has come under serious attack.

**December 10, 2015** – *Project Syndicate* published an editorial by SEP Senior Fellow **Daniel Gros**, in which he discusses the threat to the Schengen Agreement stemming from Germany and France's decision to temporarily reinstate border controls.

**December 10, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Carlo Bastasin**, in which he discusses the motivations behind recent moves by the Chinese government.

**December 8, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Carlo Bastasin**, in which he discusses the political winds besieging Angela Merkel.

**December 8, 2015** – The *Financial Times* blog published an editorial by SEP Senior Fellow **Lorenzo Bini Smaghi**, in which he argues that a single deposit guarantee scheme is necessary for the creation of a banking union.

**December 7, 2015** – *Quotidiano Nazionale* published an interview with SEP Senior Fellow **Jean-Paul Fitoussi**, in which he discusses the current political climate in France and the ascendance of Front National.

**December 7, 2015** – *La Repubblica* published an editorial by SEP Scientific Council member **Marcello de Cecco**, in which he discusses Thursday's decision by the ECB to pursue expansionary monetary policy despite notable opposition by Bundesbank President Jens Weidmann.

**December 7, 2015** – *Il Sole 24 Ore* published an editorial by SEP Scientific Council member **Stefano Manzocchi**, in which he discusses the need for investment in research and innovation in order to usher Italy toward economic recovery.

**December 6, 2015** – *Il Sole 24 Ore* published a book review by SEP Senior Fellow **Gianni Toniolo**, in which he discusses *Il Pil per la storia d'Italia* by Alberto Baffigi, which uses statistical research to extrapolate Italy's GDP during its first 150 years as a unified country.

December 4, 2015 - *CNBC Class* interviewed SEP Senior Fellow **Lorenzo Codogno**, in which he discusses the decisions by the ECB and the outlook for the Fed.

**December 3, 2015** – *Pagina 99* published an editorial by SEP Scientific Council member **Francesco Saraceno**, in which he discusses the European Central Bank's decision to extend its quantitative easing program

**December 3, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Carlo Bastasin**, in which he comments on the lack of a common security strategy in Europe.

**December 3, 2015** - *ShareRadio* interviewed SEP Senior Fellow **Lorenzo Codogno**, in which he comments on the decisions of the Governing Council of the ECB.

**December 2, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Lorenzo Codogno**, in which he discusses the challenges facing the European Central Bank (ECB).

**December 1, 2015** – *Il Sole 24 Ore* published an editorial by SEP Scientific Council member **Francesco Saraceno**, in which he discusses the indirect costs of the Paris attacks.

December 1, 2015 - *Global Reuters Market Forum* conducted a live chat interview with SEP Senior Fellow **Lorenzo Codogno** on "ECB Preview and the outlook for the Eurozone economy."

**November 29, 2015** – *Il Sole 24 Ore* published an editorial by SEP Senior Fellow **Lorenzo Codogno**, in which he discusses the safeguard clauses of the budget.

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