



**Università Commerciale
Luigi Bocconi**

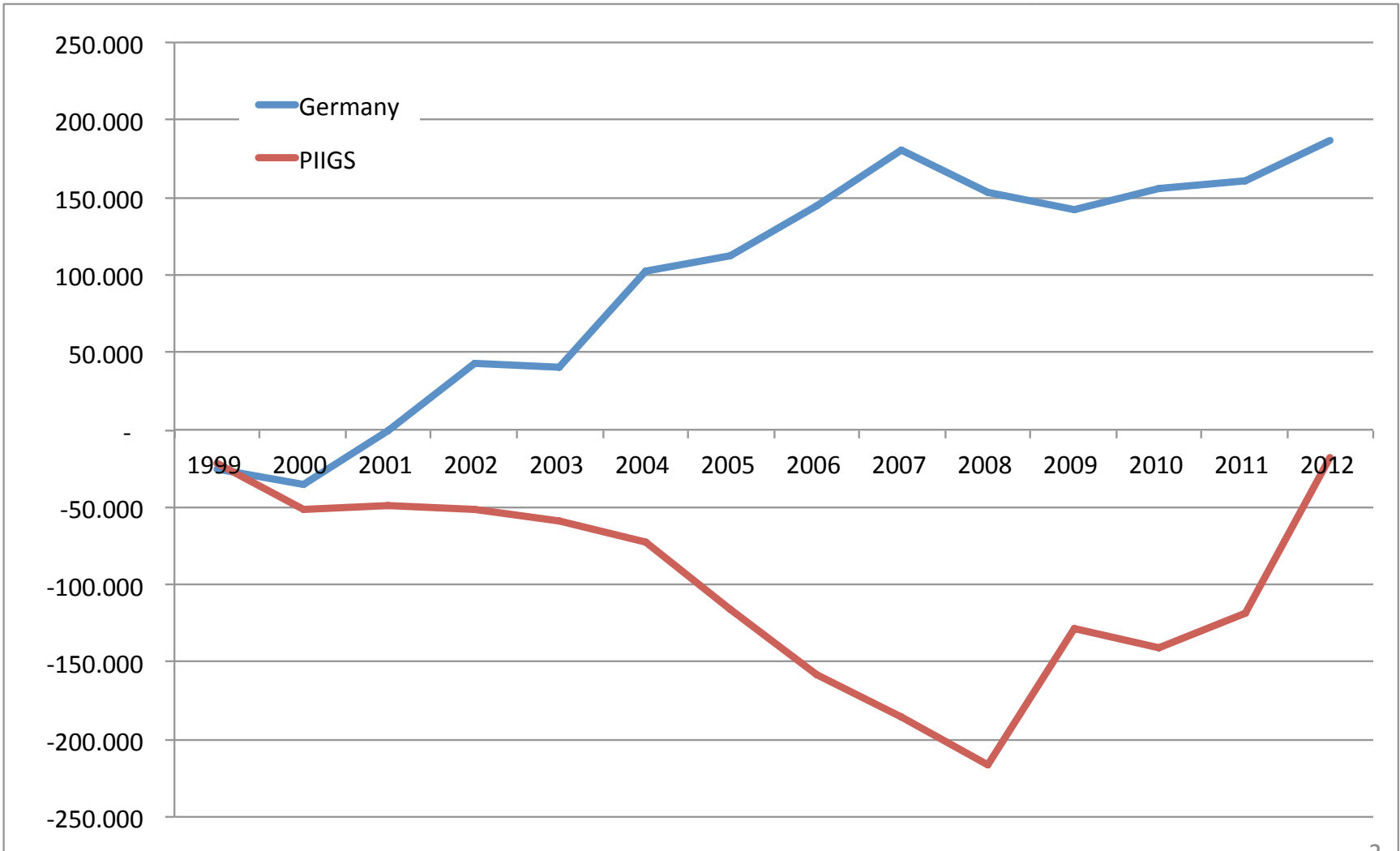
Completing the monetary union

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The “original sin” of the EMU

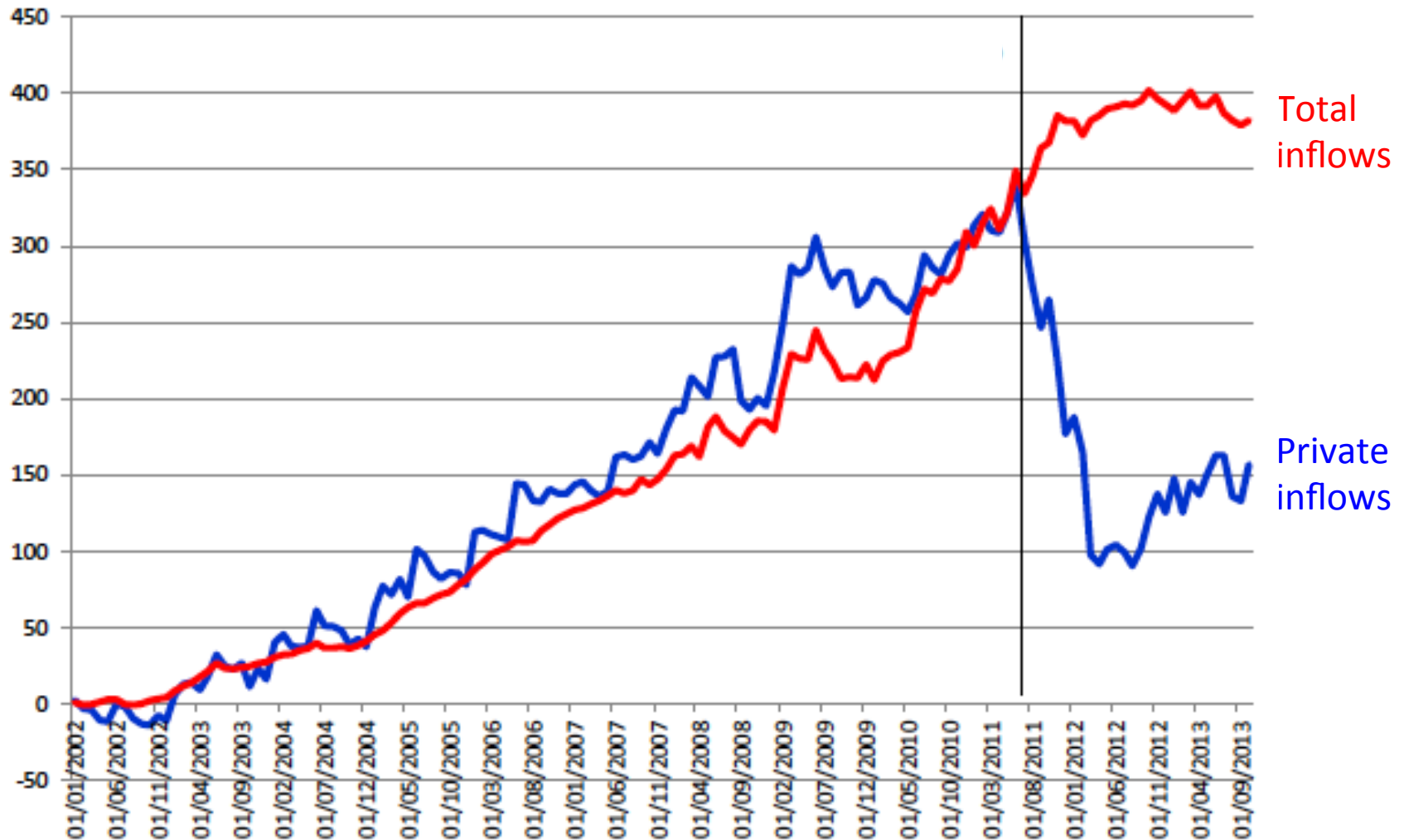
Current account imbalances (millions of euros)



Source: ECB, Banca d'Italia

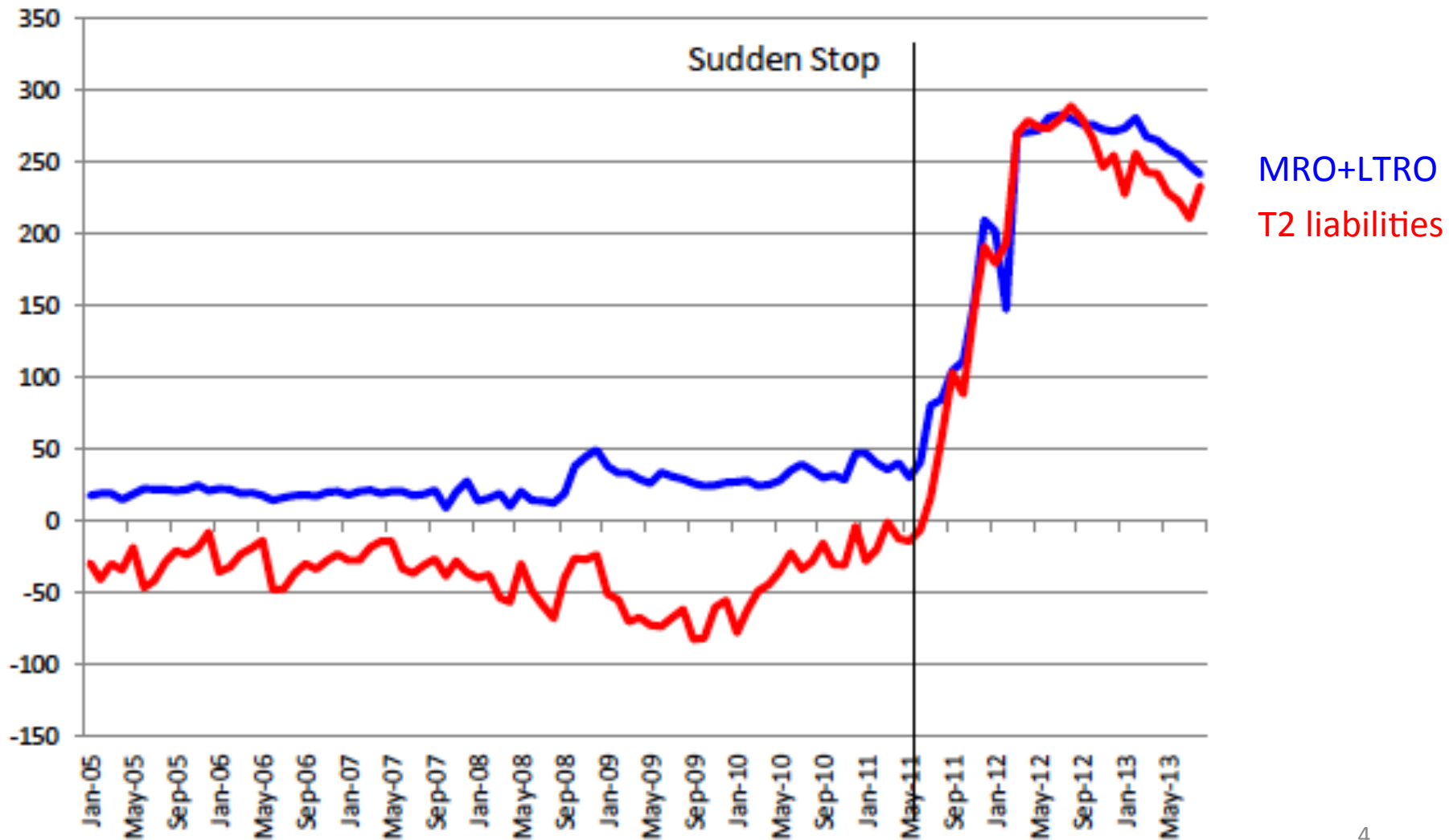
Capital flights from the periphery

Italy, Cumulative financial account imbalances (millions of euros)

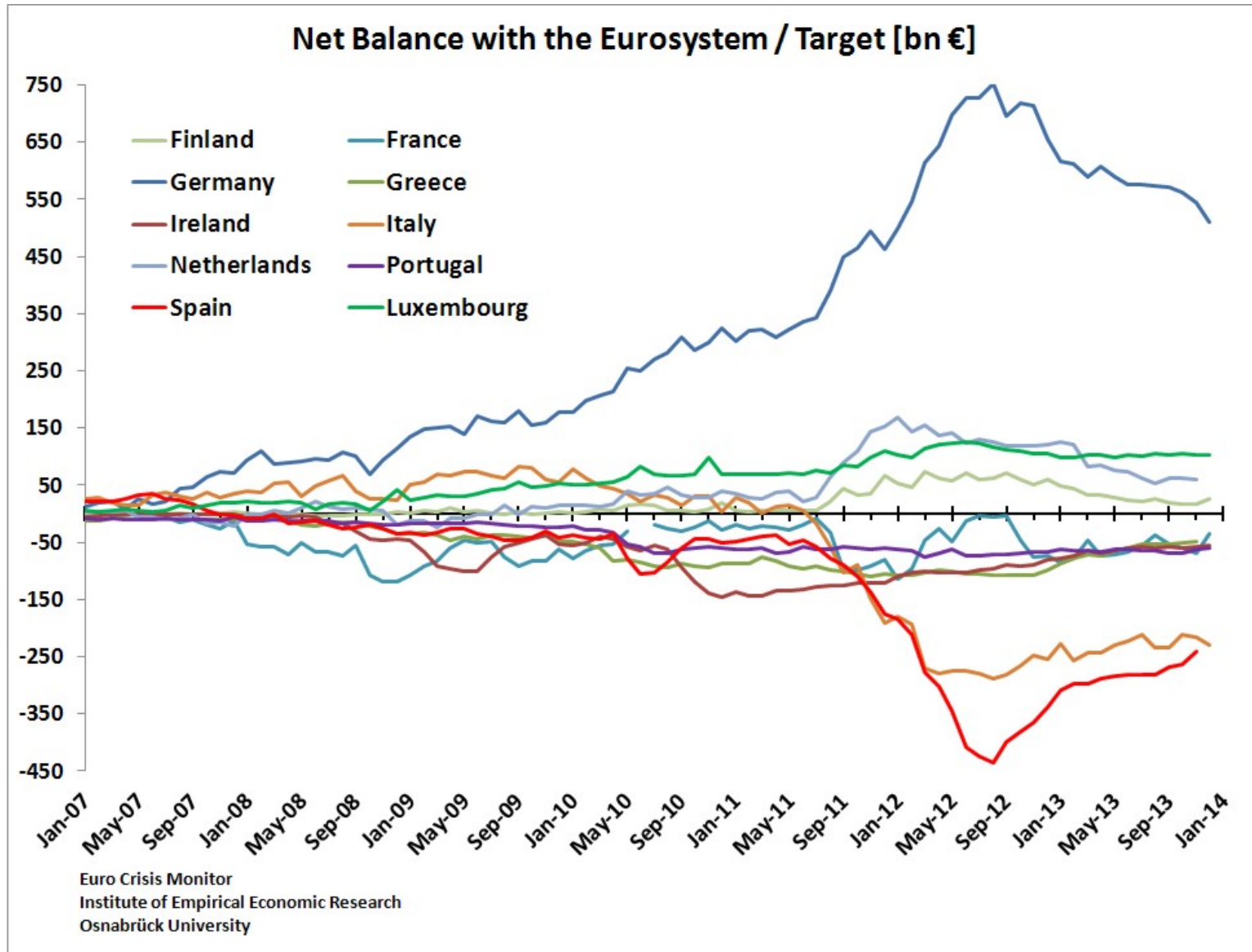


ECB to the rescue

Italy, ECB refinancing operations and target balances (billions of euros)

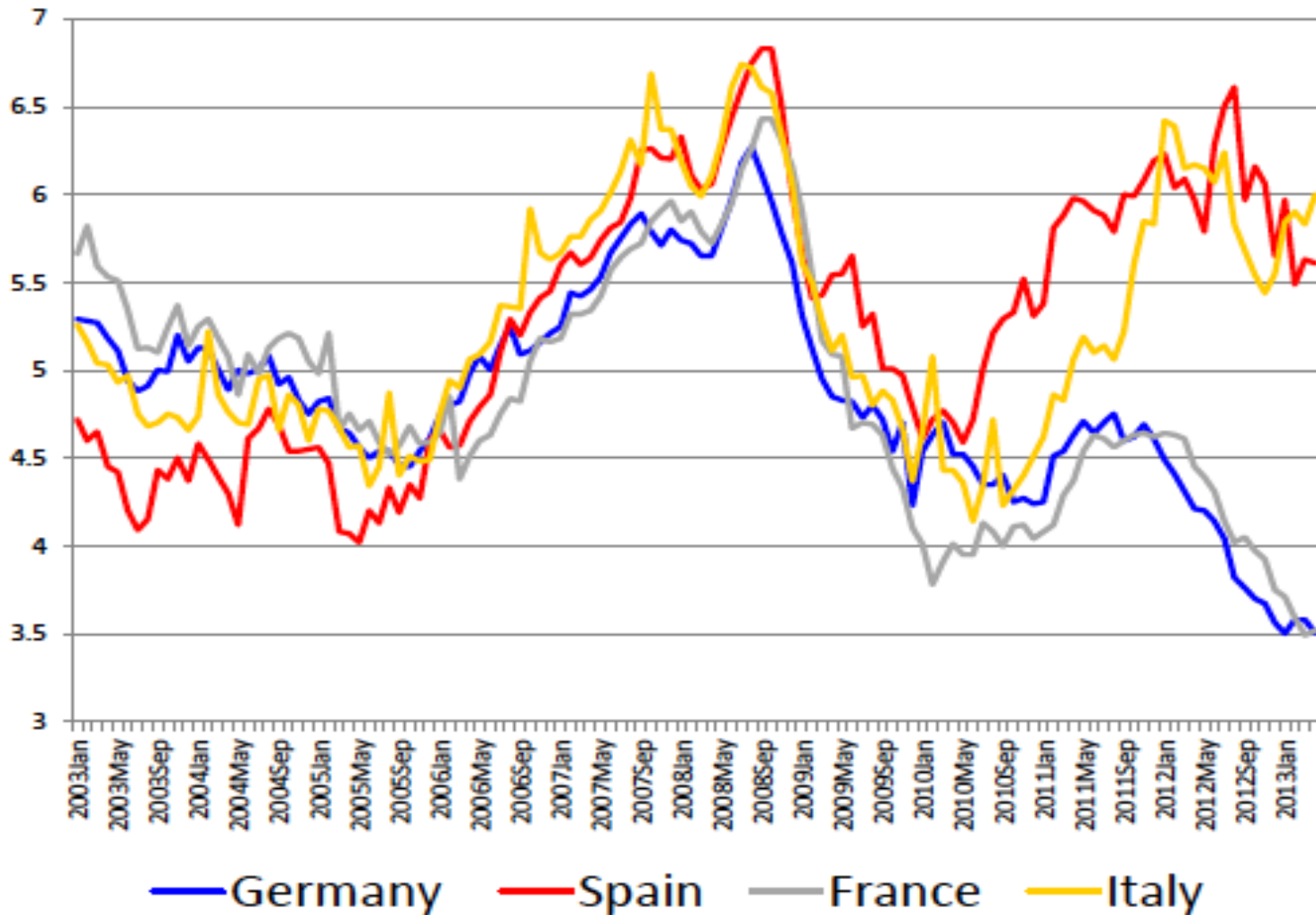


T2: a clearing system that doesn't clear



A fragmented monetary union

MFI interest rates on loans to NFCs



Keynes's Clearing Union

- restricted to current account
- symmetric charges on debtors and creditors
- quotas
- exchange rate adjustments in case of persistent imbalances

From T2 to a European Clearing Union

- cheaper refinancing operations for trade and FDI
- symmetric charges on negative and positive T2 balances
- increasing charges as balances increase in both directions
- real exchange rate adjustments through symmetric budgetary and wage policies

Advantages

- money circulates and isn't hoarded
- external debts are paid and not floated (or bailed out)
- countries converge through a cooperative mechanism
- debtors (and creditors) are freed from deflationary pressures
- creditors benefit, creditors pay
- trade and real investments have cheap and stable finance
- money is sufficient, not too much or too little
- charges on T2 balances can be used to fund EIB and EIF

References

- F. Bruni and A. Papetti (2013)
[Bringing Money Back to the Real Economy](#), ISPI proposal
- L. Fantacci (2014)
[Reuniting the monetary union: a proposal to counter the eurozone's imbalances](#), OpenDemocracy.net

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