

**July 1, 2014 – 12:00 pm**  
**Policy Seminar with Fabrizio Saccomanni and Volker Wieland**  
**George Shultz Conference Room, Herbert Hoover Memorial Building**

**PARTICIPANTS**

Fabrizio Saccomanni, Volker Wieland, Dave Brady, Michael Boskin, Joe Grundfest, John Gunn, Jim Hoagland, Chad Jones, Pete Klenow, Stephen Krasner, Ed Lazear, Kalina Manova, Norman Naimark, Russ Roberts, Ken Scott, George Shultz, John Taylor, Yevgeniy Teryoshin

**ISSUES DISCUSSED**

Fabrizio Saccomanni, a former finance minister of Italy, and Volker Weiland, who serves on the German Council of Economic Experts, summarized the financial and sovereign debt crisis that Europe has faced, the European community's responses to the crisis, and its commitment to preserve the monetary union. Beyond considering the issues Europe has faced, the discussion pointed out recent developments and potential future steps in stimulating growth while maintaining a sustainable fiscal policy.

Saccomanni began by summarizing the developments in Europe throughout the financial crisis, which was exacerbated once the Greek government debt crisis started. The Greek crisis shifted the focus on sovereign debt throughout the Eurozone raising sovereign spreads and limiting fiscal policy. Today, Europe faces a weak and uneven recovery with slow growth, high unemployment, and inflation at around half a percent.

Both Saccomanni and Wieland emphasized the consistent response of European authorities to combat the recession and preserve the monetary union. The European Central Bank was initially tasked with the response to the crisis by lowering interest rates, providing liquidity, and providing support for the long term viability of the Euro. The European Stability Mechanism (along with its predecessors: EFSM and EFSF) was created to help guarantee the sovereign debt of member states and reduce sovereign spreads. Additionally, a banking union is being created to address many of the issues leading to the financial crisis. Under the banking union the ECB will have supervisory powers over banks. Additionally, the union provides improvements and synchronization in the resolution process for insolvent banks and harmonizes deposit guarantees across countries.

The working group concluded with a discussion on potential policies both at the national and EU levels that will stimulate a faster recovery and long term growth. Saccomanni emphasized EU level policies improving infrastructure and encouraging private investment. Wieland discussed options for maintaining sustainable fiscal policies while maintaining national autonomy and the ability to use fiscal policy. The group also discussed whether such policies can be sufficient or if long term growth requires structural changes in the economy such as labor market reform and tax reductions to incentivize private growth.