

**ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS****Distinguished Public Lecture**

The Department of Business Administration
of the Athens University of Economics and Business
organizes the Distinguished Public Lecture

"Managing the Fragility of the Eurozone"

To be held on Thursday, **March 29th 2012.**

Venue: Antoniadou Amphitheater, 76 Patission St. – Attendance hour: 18.00

18.00-19.00 Chair: George Kouretas (AUEB)

Speaker: Paul De Grauwe

Professor of International Economics, Catholic University of Louvain and John Paulson
Chair in European Political Economy, London School of Economics

Paul De Grauwe is professor of international economics at the University of Leuven, Belgium and a former member of the Belgian parliament from 1991 to 2003. He obtained his Ph.D degree from the Johns Hopkins University in 1974. He is also honorary doctor of the University of Saint Gallen (Switzerland), the University of Turku (Finland), and the University of Genoa (Italy). He was a visiting professor at various universities, the University of Paris, the University of Michigan, the University of Pennsylvania, Humboldt University Berlin, the Université Libre de Bruxelles, the Université Catholique de Louvain, the University of Amsterdam, the University of Milan, Tilburg University and the University of Kiel. He was also a visiting scholar at the IMF, the Board of Governors of the Federal Reserve, the Bank of Japan and the European Central Bank. He was a member of the Group of Economic Policy Analysis, advising President Barroso. He is also director of the money, macro and international finance research network of CESifo, University of Munich and a research fellow at the Centre for European Policy Studies in Brussels. His research interests are international monetary relations, monetary integration, theory and empirical analysis of the foreign-exchange markets, and open-economy macroeconomics. His book "The Economics of Monetary Union", Oxford University Press, is the leading textbook world-wide on the issues of the European Monetary Union and it has been translated in ten languages (including Spanish, French, Italian, Greek, Chinese and Japanese), and is now in its eight edition. He has also written two other books "International Money: Post-war Trends and Theories", Oxford University Press, 1991 and "The exchange rate in a behavioural finance framework", Princeton University Press, 2006.

Abstract: In this public lecture Professor De Grauwe argues that when entering a monetary union, member-countries change the nature of their sovereign debt in a fundamental way, i.e. they cease to have control over the currency in which their debt is issued. As a result, financial markets can force these countries' sovereigns into default. In this sense member countries of a monetary union are downgraded to the status of

emerging economies. This makes the monetary union fragile and vulnerable to changing market sentiments. It also makes it possible that self-fulfilling multiple equilibria arise. Within this framework he analyzes the implications of this fragility for the governance of the Eurozone. His main conclusion is that the new governance structure (ESM) does not sufficiently recognize this fragility. Some of the features of the new financial assistance are likely to increase this fragility. In addition, it is also likely to rip member-countries of their ability to use the automatic stabilizers during a recession. This is surely a step backward in the long history of social progress in Europe. Professor De Grauwe suggests a different approach to deal with these problems.

19:00-19:30: Questions and open discussion