



## Europe's Unfinished Currency

### The Political Economics of the Euro

Thomas Mayer

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### Description

**Explores how the EMU of the European Union could work, and develops scenarios of how things might evolve in case of failure.**

'A stimulating read, Dr Mayer's book combines a concise historical narrative of the events leading up to the euro with an imaginative suggested new architecture for the EMU. Particularly interesting are his insights on how a breakup, should it occur, would evolve.' —*Alan Greenspan, former Chairman of the Federal Reserve Board*

'Thomas Mayer was years ahead in predicting Europe's economic and very political crisis. Now, he blazes a trail to stability, a path that leads to the politics and union of nineteenth-century America. This is a time of essays and short sound bites. 'Europe's Unfinished Currency' is a concise, crafted book that should be the template for all seeking the new political economics of Europe.' —*Tom Keene, Editor-at-Large, Bloomberg News*

The euro was originally seen as another stepping stone to a politically unified Europe. Yet with the fall of the Berlin Wall, the disintegration of the Soviet Union and the unification of Germany, the need for European political union as a means to ensure peace in Europe disappeared. Due to the fading will for full political union, the euro project lost the prospect of a stable platform in the foreseeable future. As a result, the euro crisis forces policymakers to develop a new architecture for EMU. *Europe's Unfinished Currency* proposes that this can only be done by way of a currency union of sovereign states, which in itself is a unique historical experiment as no such union has ever survived to date. This volume offers ideas of how the EMU could potentially work, and sketches scenarios of how things might evolve in case of failure.

### Key Insights:

- Outlines the origins of the euro within the quest for the unification of Europe.
- Explains the historical failures of past monetary unions, including the Latin and Scandinavian currency unions, the US dollar standard and the Austro-Hungarian union.
- Posits that the European Central Bank in cooperation with a European Monetary Fund should act as the lender of last resort to all systemically important borrowers, including governments, to safeguard price stability.
- Proposes a new EMU architecture, which includes the creation of a European Monetary Fund.
- Discusses possible mutations of the EMU in case of failure.

**Readership:** Policymakers, financial market participants, academics, students and the general reader will find this book essential to understanding the historical background and the design failures that led to the euro crisis.

### Contents

Introduction; 1. A Question of War and Peace; 2. No Longer of War and Peace; 3. A History of Failures; 4. The Euro's Happy Childhood and its Abrupt End; 5. A Crisis of Legitimacy; 6. A (Hidden) Balance-of-Payments Crisis; 7. Forward or Backward?; 8. In Search of a Lender of Last Resort; 9. The Politics of Euro Rescue; 10. A New Foundation for EMU; 11. Summary and Conclusions; Acknowledgements; Index

### About the Author

Thomas Mayer is Senior Fellow at the Center of Financial Studies at Goethe Universität Frankfurt and Senior Advisor to Deutsche Bank's management and key clients. From 2010 to 2012 he was Chief Economist of Deutsche Bank Group and Head of Deutsche Bank Research. He has previously held positions at Goldman Sachs and the International Monetary Fund.

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