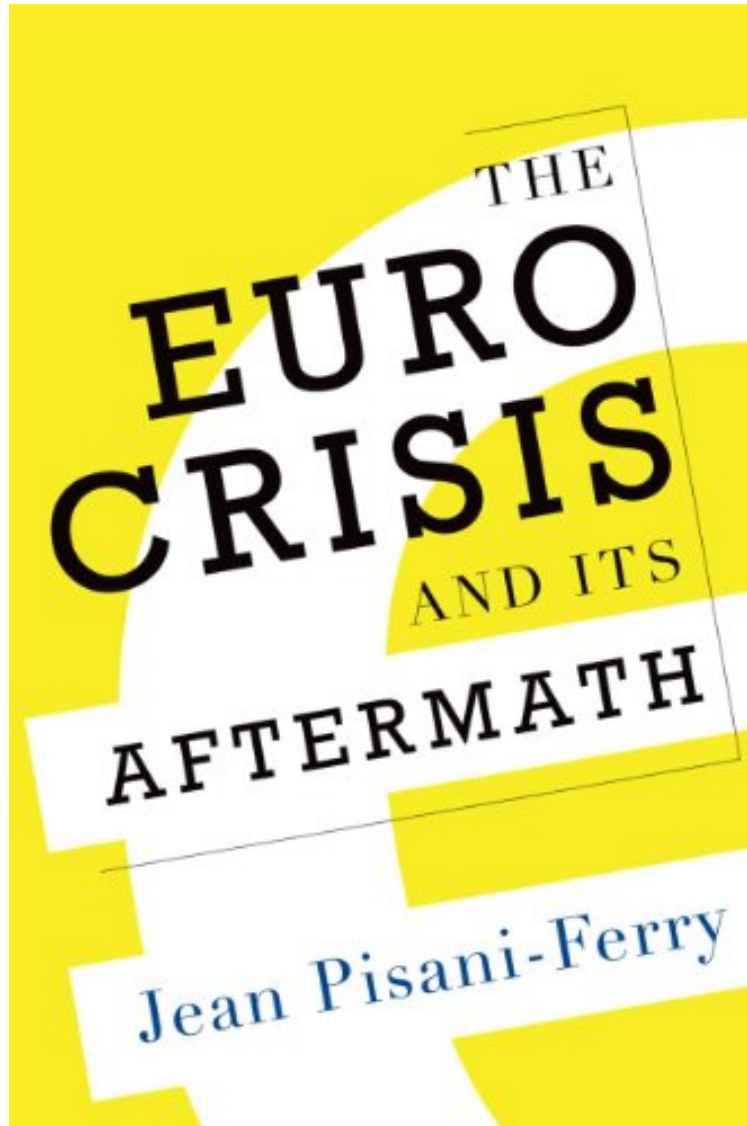


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## The Euro Crisis and Its Aftermath

*Jean Pisani-Ferry*

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**Jean Pisani-Ferry : The Euro Crisis and Its Aftermath** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Euro Crisis and Its Aftermath:

3 of 4 people found the following review helpful. Excellent overview of the euro crisis for those unfamiliarBy A. MenonThe Euro Crisis and Its aftermath is a synopsis of the crisis that has unfolded in Europe after the fall of the US housing market and the banking crisis that it catalysed. It is an excellent history of events and explains clearly what unfolded and to a certain extent why. Most of the book is a review of the crisis itself, the economics and the politics, it familiarizes the readers with how Europe got to where it was before the crisis as well as the interactions during the

crisis and the actions taken by the bank which has taken Europe to where it is at the time of writing. The book concludes with an overview of the problems at the core of the Eurozone, which are institutional in nature and warns that much needs to be done and it will take a generation. The book is split into four parts. The first part really is a brief history of the Euro and how it was the project to finally unify Europe in the second half of the 20th century. It discusses Germany and the Bundesbank and how the monetary stability provided by the Bundesbank was a core pillar in Germany's decision to pursue the Euro. It gives a quick view into the higher inflation environments that also catalysed a desire from the periphery and France in particular to anchor to Germany. It also discusses how the governments at the time recognized the economic repercussions of a common currency and believed to a certain extent that a common currency would lead the way to a more unified political structure at some point down the road. The book then moves onto the actual crisis and starts with using Iceland as a benchmark to look at some of the Euro area, for which Ireland was eerily similar and was assumed initially to be a candidate to follow the same path. The book starts with describing of the unfolding of Greece and how its intentionally misleading accounting eventually was admitted and this event catalysed the Euro Area crisis. The book then gives the history of the adoption of the common currency and the narrowing of sovereign yields which led to massive investment booms in southern Europe (fiscal in Greece, private sector in Spain and Ireland). The lack of currency markets to be a signal to finance ministers gave way to complacency in different forms. The third part focuses on the responses of lack of them. With the Euro area having an existential crisis that was balkanizing the banking sector (which was precisely the opposite of the intention of the adoption of the currency) the finger pointing began. In the treaties signed, no bailouts was among the most explicit and politically among the most challenging especially with the poster child of the Euro crisis being Greece to the common citizen. The desire to have the banks pay was high until people realized a banking crisis would destroy the domestic economies, the desire to save the banking system broadly was not a regional issue as most banking systems were mainly domestic and the ability of the national governments to save their domestic banks became extremely burdensome due to the relationship between the sovereigns and the banks and the rigidity of the currency. The authors detail how the tailwinds of joining the Euro and the liquidity of a global currency that came with it started facing the major headwinds of balkanization and a gold standard like rigidity. The author discusses how the central bank approached the issue and the disputes among those within the bank with several of the Bundesbank members resigning eventually. The author discusses austerity and some of the causes of the desire for it as well as the economic consequences of the approach in a common currency framework and finally the discussion of breaking up of the Euro area and the possible repercussions of that. The fourth part focuses on repair and reform. Much of the first three sections focused on how the Euro area got where it did and why the focuses were what they were and the events that unfolded given the history and the constraints. The repair and reform agenda looks hard at the institutional failings of the common currency and the patchwork of fixes employed and what they mean for the future. In reading the final section the reader is given strong arguments against the sustainability in its current form of the currency union. The reminder that the current arrangement is not resilient to strong shocks is made and that integration is a requirement for a stable long term currency union. The political capital that was there to start the Euro has been used and citizens are disillusioned and visionary leaders are lacking. The banking union is a step in the right direction but the capitalization for the resolution authority remains incomplete and currently insufficient to address the regions banking interlinkages. This is a good book to understand the history and sequencing of the crisis in the euro area. It gives an understanding of the politics, economics of the countries and to a certain extent their goals out of joining the currency union, which unfortunately don't gel with what is required to sustain the currency union. The reform and repair section is a stark reminder of the institutional deficit that the architecture faces and the lack of political desire to get to the needed institutional framework. One unfortunately gets a sense that the problems of yesterday will resurface in the future. Having followed the crisis carefully I enjoyed reading the commentary and it is a good reminder of the precise sequencing my only criticism is that parts of the book one can see are written a bit hastily. By that I mean that there are parts where one knows that most of the book was written but then minor amendments were needed due to newsflow requiring updates to the content. The preamble is dated before some of the comments later in the book are dated for example.

1 of 1 people found the following review helpful. highly recommended  
By R. van Rhiene  
This book is a great read for those that want to better understand the background of the current European crisis. It is written in a clear and understandable way. A must read!

1 of 1 people found the following review helpful. Four Stars  
By Eduard Brau  
A sophisticated overview of the economics and politics of the euro. Very readable style.

The euro's life, while only slightly more than a decade long, has been riddled by a series of challenges and crises. The eruption of the Greek crisis in 2010 took European policymakers by surprise and forced them to design responses to a quickly deteriorating situation. Even though Europe has finally begun to stabilize, the disparity between the prosperous Northern countries, especially Germany, and the plummeting Southern countries, including Spain and Greece, has exacerbated economic and political problems within the Eurozone. Amidst loud and frequent debates, solutions have been enacted, but the struggles facing this monetary union continue to develop even today. *The Euro Crisis and Its Aftermath* was written to inform readers about the roots of this enduring European crisis and the alternative proposals

for ending it. In four parts, Jean Pisani-Ferry explains the origins of the European currency, the build-up of imbalances and oversights that led to the crisis, the choices European policymakers have both addressed and ignored since 2010, and the evolution of the policy agenda and possible options for the future. The book is as much of an informative and analytical history as it is a discussion of solutions for a more prosperous European economy. Rather than putting forth and supporting a thesis, Pisani-Ferry helps readers understand the past and present of the euro crisis and form their own opinions about potential solutions. This book is not intended to reach only economists, as time has long passed since European monetary unification was a debate limited to academics. This book is also for the policy makers searching for solutions, citizens of Europe enduring the consequences, and the international community that has felt the effects of an unstable Eurozone.

"I bet this book will be the source to go to on the euro crisis. That is to say, on the euro crisis until now. If policy makers have the wisdom, they will follow Pisani-Ferry's advice on policies going forward, and Europe will heal. If not, another book on the subject will have to be written." --Olivier Blanchard, Massachusetts Institute of Technology and Director of Research, International Monetary Fund "Jean Pisani-Ferry has been an active contributor for several years to the debate on the euro area crisis. He has provided invaluable insight to those who were on the frontline of EMU's reform and had to act within political constraints. Displaying a rare mix of economic and political analysis and deep institutional understanding, Jean Pisani-Ferry's book provides a benchmark against which to judge the current and forthcoming reforms that will shape Europe's integration for years to come." --Marco Buti, Director-General for Economic and Financial Affairs, European Commission "This is a brilliant book about the euro. It surprises with its refreshing mixing of history, politics, and economics. That is indeed the mix we need to understand why the euro was created and why it got into so much trouble, as well as how to repair the euro so as to safeguard its future." --Paul De Grauwe, London School of Economics and Political Science "This is an excellent, well-balanced, and beautifully-written book on the euro-crisis, its causes, its on-going developments, and its possible cures. Though told simply and clearly, it has a sympathetic and sophisticated understanding of all the finer and more technical details. Required reading." --Charles Goodhart, Professor Emeritus, London School of Economics "There is no one better than Jean Pisani-Ferry to tell the story of how a financial crisis emanating from the United States led the euro zone, virtually overnight, into a financial and economic crisis that continues to threaten its existence. This is a highly readable and clearheaded account of not just what went wrong, but also of what must be done to save the European project." --Dani Rodrik, Professor, Institute for Advanced Study, Princeton "No global financial issue is more pressing than the future of EMU. If you are going to read only one book about it, read this one. Jean Pisani-Ferry accomplishes something rare in this important book. He is wise and balanced while simultaneously being sharp and incisive. This is must-reading for anyone who cares about Europe's future." --Larry Summers, former President, Harvard University and former Secretary of the U.S. Treasury "It is succinct and clear enough to serve as the best available guide to the euro mess for non-European, non-economists." --David Wessel, The Wall Street Journal

About the Author Jean Pisani-Ferry currently serves as the Commissioner-General for Policy Planning to the Prime Minister of France. He is also Professor of Economics and Public Management at the Hertie School of Governance in Berlin. Until May 2013, he was the director of Bruegel, the Brussels-based economic think tank he contributed to founding in 2005.