



THE THEORETICAL ROOTS OF EMU INSTITUTIONS AND POLICIES DURING THE CRISIS

Nicola Acocella¹

ABSTRACT

In this paper we aim at two targets: i) to look for the theoretical roots of the EMU institutions and to check whether the current economic doctrine still supports them; ii) to discuss the appropriateness of these institutions and the policies adopted by European policymakers in order to exit the crisis, specifically with respect to the issues of fiscal policy and public debt. A general issue of inappropriateness of institutions arises both sides of the Atlantic. However, in Europe the problems raised by the specific nature of the crisis of the private debt have been augmented by those of the public debt for reasons again related to the institutional framework.

The evolution of economic thought can contribute to explain the differences between the policies that were adopted on the two sides of the Atlantic through its influence on the respective institutions. Time has passed which should have led to a radical change of most of the still current institutional architecture, but a sort of hysteresis is in place. This has a number of possible explanations, such as those underlined by Galbraith (1987). However, in order to explain it one should refer not only to normal and physiological lags, but also the opposing interests, the value judgments and visions prevailing in some European countries and the dominant role of Germany, which conveys them.

Classification JEL: Institutions, European monetary union, History of economic thought, Monetary policy, Fiscal policy

Keywords: B22, D02, E58, E63

Working Paper n° 126
March 2014

¹Department of Methods and Models for Economics, Territory and Finance – Sapienza University of Rome – via del Castro Laurenziano 9, 00161 Rome, Italy (e-mail: nicola.acocella@uniroma1.it).