

Press release

'How to finish the euro house' by Philippe Legrain

The euro was supposed to facilitate economic convergence between the countries using it and foster the development of a stronger 'European' identity. In this new CER paper, 'How to finish the euro house', Philippe Legrain writes that the reverse is now happening. The eurozone must change direction, before it is too late.

Legrain argues that the euro is a half-built house whose foundations have been weakened by successive policy mistakes. Battered by a financial hurricane, it has been patched up, altered and extended repeatedly in recent years. While the storm has abated for now, the euro remains a ramshackle edifice. Worse, what began as an enlightened experiment in economic cohabitation is becoming a glorified debtors' prison.

European policy-makers share much of the blame for this because of their attempt to create a Germanic and technocratic eurozone. They have damaged the currency union by failing to address the root causes of the crisis. And by further constraining governments' scope to respond to democratic pressures, they have eroded the legitimacy of both national and EU institutions.

A more integrated, more federal eurozone would be the most desirable outcome politically and economically, but such a prospect is slipping out of reach. Plenty of rules have been agreed but these have not been accompanied by a pooling of sovereignty. Such a eurozone will remain divided between creditors and debtors, a deeply unsatisfactory outcome for Southern Europe and arguably an unsustainable one.

About the author:

Philippe Legrain was economic adviser to the President of the European Commission and head of the team that provided President Barroso with strategic policy advice from 2011 to February 2014. Previously a visiting fellow at the London School of Economics' European Institute, his latest book is 'European spring: Why our economies and politics are in a mess'.

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