



**The Eurozone under stretch?  
Analysing regional divergences in EMU: Facts, Dangers and Cures**

**Conference date:** June 19, 2007

**Venue:** Berlin, SWP (German Institute for International and Security Affairs)  
Ludwigkirchplatz 3-4, 10719 Berlin

This conference brings together top researchers (economists, political economist, political scientists) and practitioners working on economic governance of the Eurozone in order to provide a state-of-the art analysis of the magnitude and consequences of economic divergence in the EMU, to assess the capacities of the current governance structures to deal with regional divergences and to discuss potential ways forward to improving the governance mechanisms in the EMU.

**09:00-09:15 Welcome address**

**09:15-10:00 Key-note speech**

Adjustment mechanisms to shocks within the euro area - a critical survey  
*Lorenzo Bini-Smaghi, Board Member, European Central Bank*

**10:00-11:30 Panel I: Divergences in EMU: Empirical Facts**

Economic Divergences in EMU? Facts and Implications  
*Nouriel Roubini, Elisa Parisi-Capone and Christian Menegatti, RGE Monitor*

Italy and Germany: Convergence or Divergence for the euro laggards?  
*Daniel Gros, CEPS*

Inflation Differentials in EMU: why is Germany's wage growth slower than average?  
*Benedicta Marzinotto, Università degli studi di Udine*

Chair: Sebastian Dullien, FTD/SWP

**11:30-11:45 Coffee break**

**11:45-13:15 Panel II: Divergences in EMU: Theoretical Background**

Are Divergences Stabilizing or Destabilizing in the long run?  
*Veronique Riches-Flores, Société Générale*

Driving forces behind the wage costs differentials in Europe? Productivity is not the whole story  
*Camille Logeay, Rudolf Zwiener, Institut für Makroökonomie und Konjunkturforschung*

Inflation Differentials and Labor Market Institutions in the EMU  
*Alessia Campolmi, Universitat Pompeu Fabra / Ester Faia, Università' di Bologna*

Chair: Nouriel Roubini, RGE Monitor

**13:15-14:15 Lunch**

**14:15-15:45 Panel III: Existing adjustment mechanisms: How well do they work?**

A non-Taylor rule based decomposition of national strains under Europe's single monetary policy

*Adam Posen, Peterson Institute / Kenneth Kuttner, Oberlin College*

Fiscal policies and business cycles in an enlarged euro area

*Karsten Staehr, Bank of Estonia*

The stabilising role of fiscal policy in EMU

*Alessandro Turrini, Martin Larch, European Commission*

Chair: Daniela Schwarzzer, SWP

**15:45-16:15 Coffee break**

**16:15-17:45 Panel IV: The way forward: Political responses to EMU divergences**

Political Union and Divergence

*Paul de Grauwe, KU Leuven*

A reform agenda for EMU fiscal governance

*Daniela Schwarzzer, SWP*

A Euro-zone wide unemployment insurance as a stabilization tool

*Sebastian Dullien, FTD/SWP*

Chair: Ellen Meade, American University

**17:45-18:00 Concluding remarks**