

# The Future of the Euro (and Europe)

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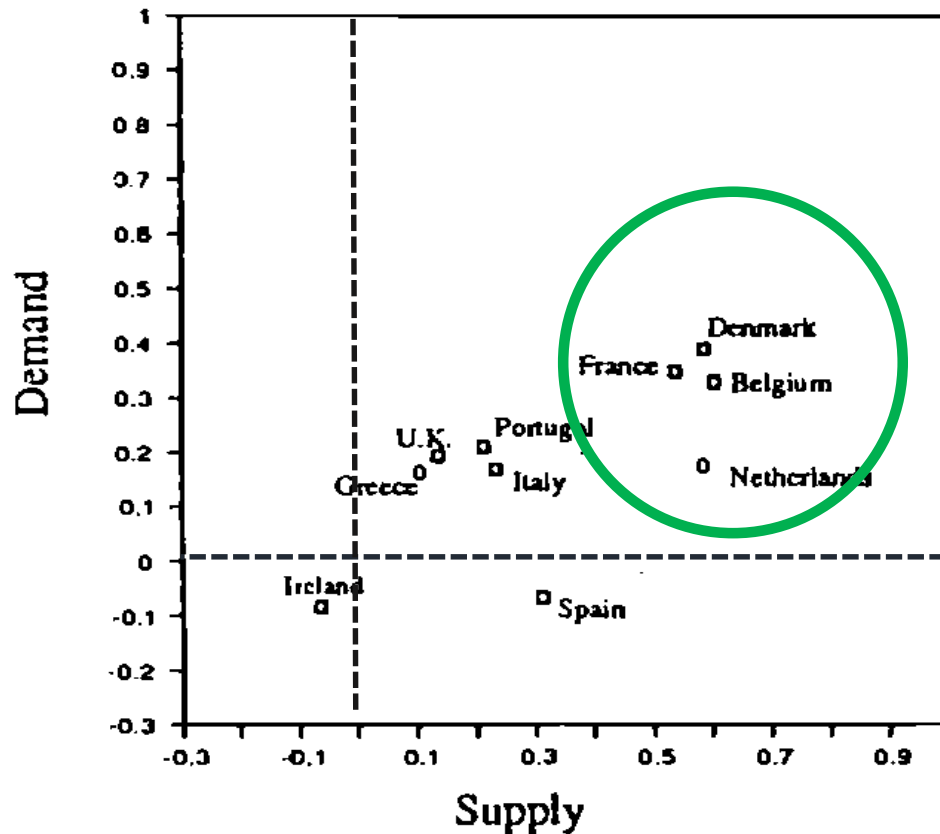
*CASE 25th Anniversary Conference  
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# Original pre-EMU core-periphery pattern for 1960-1989

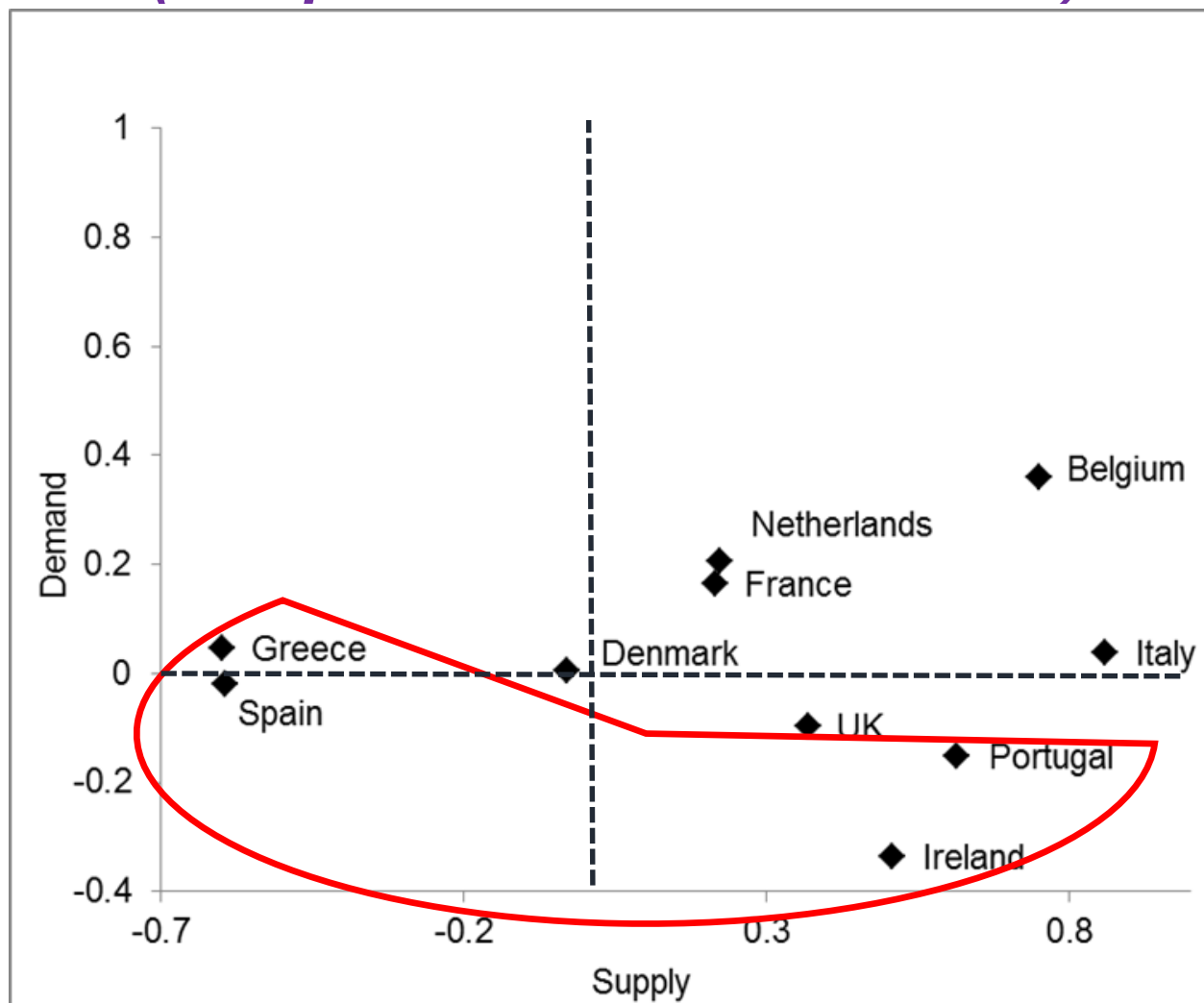
(Bayoumi

12)

Correlation of supply and demand disturbances with German supply and demand disturbances

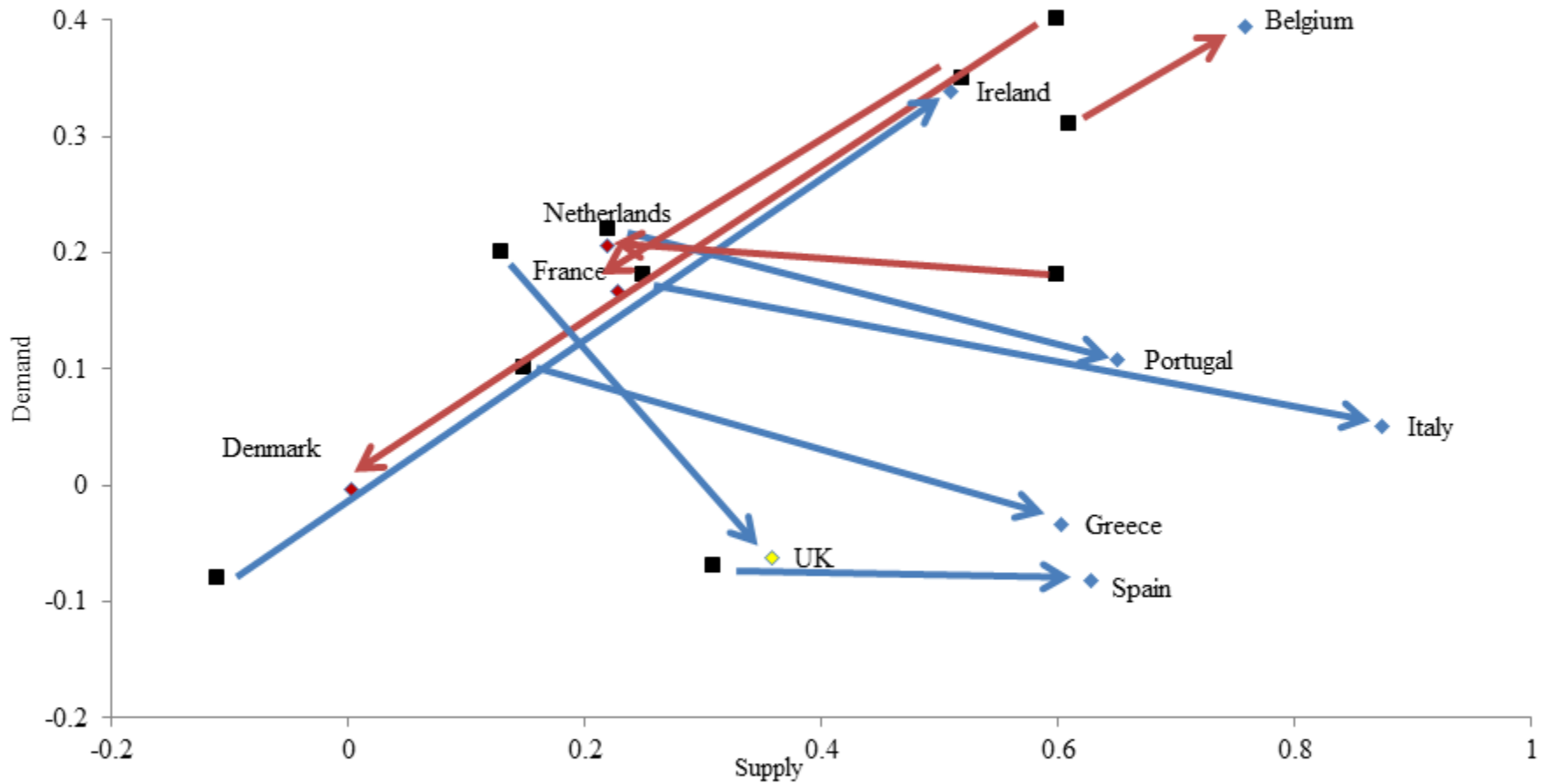


# New post-EMU core-periphery pattern for 1990-2015 (Campos and Macchiarelli 2016)



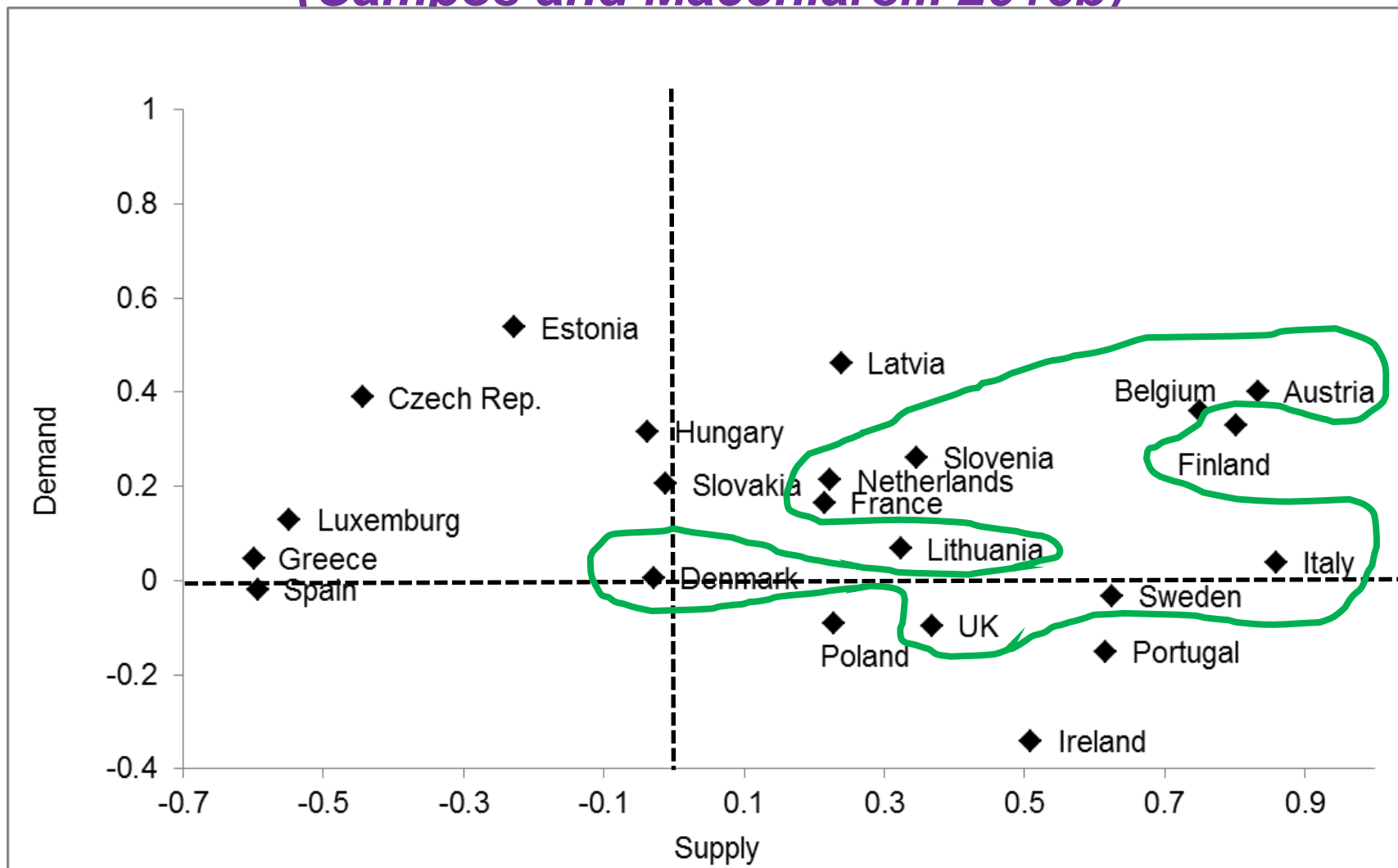
Note: Correlation of supply and demand disturbances (bootstrapped residuals – median values) relaxing the “one-size-fits-all” restriction. This figure reports median bootstrapped residuals based on 10.000 VAR replications. Structural residuals are retrieved from a SVAR where the over-identifying restriction above is imposed for all countries. The sample for this SVAR is 1989–2015, with two lags for all countries and no constant as in Bayoumi and Eichengreen (1993). The demand and supply disturbances correlation coefficients are vis-à-vis Germany.

*The dynamics of the correlation of supply and demand disturbances  
pre-EMU (1963-1988) from Bayoumi-Eichengreen (1993) and post-EMU (1991 – 2015, Campos-Macchiarelli)*



# EU28: New post-EMU core-periphery pattern for 1990-2015

(Campos and Macchiarelli 2016b)



Note: Extension to EU28: Correlation of supply and demand disturbances (bootstrapped residuals – median values) relaxing the “one-size-fits-all” restriction. This figure reports median bootstrapped residuals based on 10.000 VAR replications. Structural residuals are retrieved from a SVAR where the over-identifying restriction above is imposed for all countries, with the exception of the countries for which the number of rejections in Table 1 exceeds 55%. The sample for this SVAR is 1989–2015, with two lags for all countries and no constant as in Bayoumi and Eichengreen (1993).

## **For EU12:**

*CMCI -- coreness index (in decreasing order):*

Ireland, Greece, Portugal, Spain (72.7),

UK (49.1), Denmark, Germany, France, Netherlands, Belgium, Italy

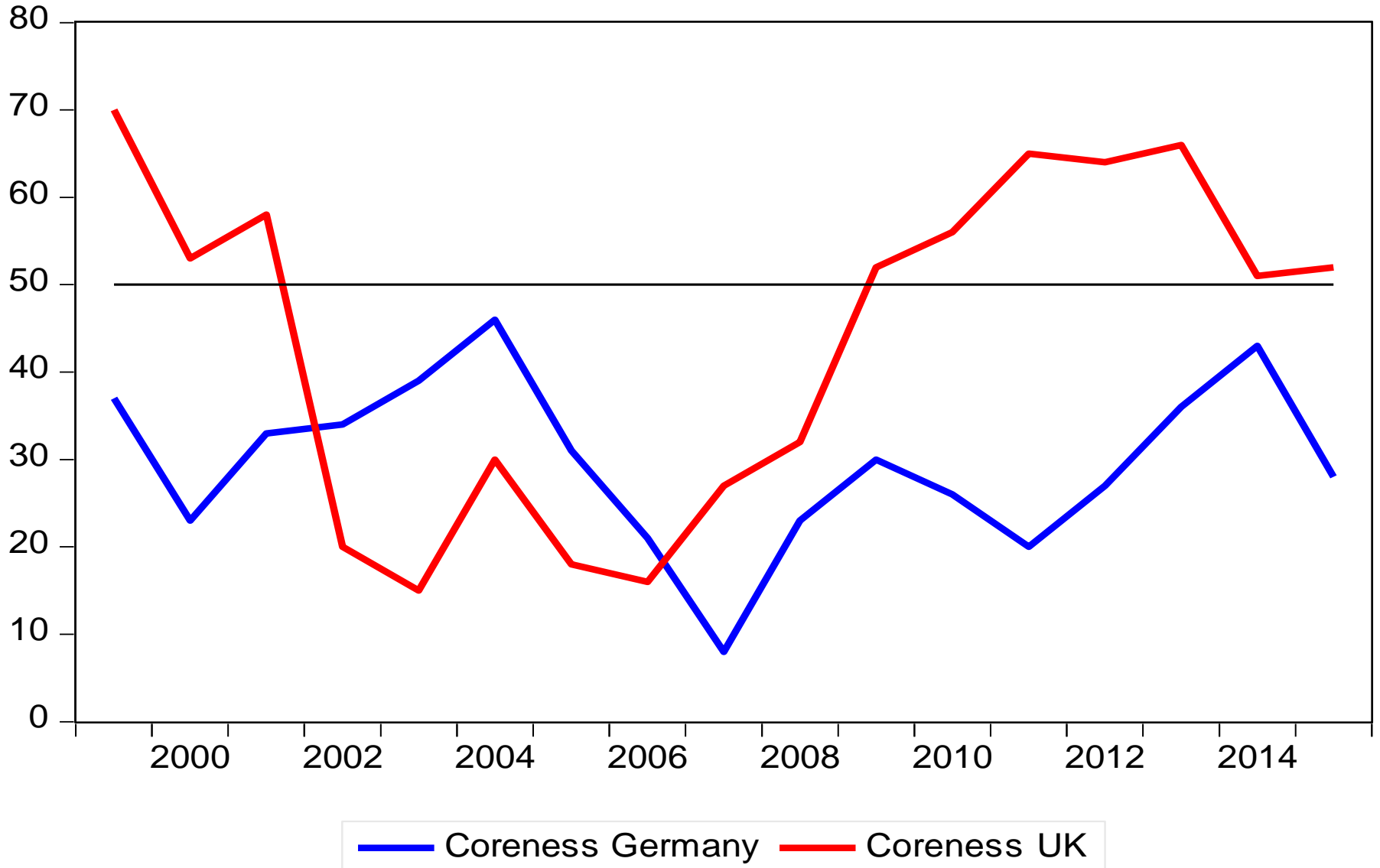
## **For EU28:**

*CMCI -- coreness index (in decreasing order):*

Latvia, Ireland, Lithuania, Estonia, Luxemburg, Czech Republic,  
Greece, Portugal, Slovakia, Poland, Hungary, Finland, Spain (72.7),

UK (49.1), Sweden, Denmark, Germany, Austria, France,  
Netherlands, Slovenia, Belgium, Italy

# CMCI: A Dynamic 'Coreness Index' (Example: Germany and UK, 1999-2015)



# CMCI: A Dynamic 'Coreness Index'

- A new set of core countries: *Austria*, Belgium, *Germany*, France, Italy and Netherlands
- A new periphery (which becomes more entrenched): *Finland*, Ireland, *Norway*, Portugal, and *Switzerland*
- A mixed set: Denmark flat, Sweden moving to P, Spain moving to C, and UK in-and-out
- What are the main drivers of coreness? € membership and Product Market Regulation (OECD's PMR)



# Summary

1. EU and EZ will converge: Three snapshots and a movie
2. Pre 1989 and pre-EMU: “visible” CP pattern threaten EMU
3. Post EMU: CP pattern in EU12 not as visible but does weaken
4. What about EU28? New C and new P
5. Over time? 3 groups: strengthened core, disperse periphery, 4 mixed cases (Sweden/DK ES UK),
6. What drives coreness? € membership and PMR
7. Policy: deal with mixed and then tackle P

*Dziękuję bardzo  
za uwagę*

# References

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