



A 20 and 50 Euro bank note are seen in front of a cash drawer with Swiss francs in Bern January 16, 2015. R1

Shore up the euro before it's too late, experts warn

Noah Barkin

[Reuters UK](#)

Will the **euro** survive the next big crisis?

A new report inspired by Jacques Delors, one of the architects of the single currency, says it probably won't and urges policymakers to pursue immediate changes to Europe's troubled monetary union to ward off the inevitable collapse.

The report, entitled "Repair and Prepare - Growth and the Euro after Brexit", comes at a time when even the most ardent defenders of the euro are cautioning against closer integration in the aftermath of Britain's vote to leave the European Union.

Pressing ahead, they worry, would deepen public resentment towards Europe after years of economic crisis that has pushed up unemployment and sent populist, eurosceptic parties surging in opinion polls.

The authors, a group of academics, think tankers and former policymakers from across Europe, acknowledge the obstacles but argue that politicians cannot afford to wait. They have put together a three-pronged plan for shoring up the euro that they believe is politically feasible despite the troubling backdrop.

"Reforming the euro might not be popular. But it is essential and urgent: at some point in the future, Europe will be hit by a new economic crisis," the report says.

"We do not know whether this will be in six weeks, six months or six years. But in its current set-up the euro is unlikely to survive that coming crisis."

In the works since before the Brexit vote in June, the 38-page report was put together by Berlin-based political economy professor Henrik Enderlein and former Italian prime minister Enrico Letta, both of the Delors Institute, together with the Bertelsmann Foundation.

They worked with former central bankers Joerg Asmussen and Gertrude Tumpel-Gugerell, the former economics adviser to French President Francois Hollande, Laurence Boone, as well as ex-WTO chief Pascal Lamy and Philippe Maystadt, the former finance minister of Belgium.

In a first stage to shore up the single currency, they recommend "quick fixes" that include a reinforcement of the euro zone's rescue mechanism, the ESM, a strengthening of banking union and improved economic policy coordination that does not require changes to the EU treaty.

This would be followed by a north-south quid pro quo on structural reforms and investments. In a third stage, the euro zone would move to a more federal structure, with risk and sovereignty sharing. This final stage, the most controversial, could take a decade or more to realize and is described as important but optional.

Central to the argument is the view that the European Central Bank has used up virtually all of its ammunition in the past year and that it is now urgent for politicians to act.

"The ECB is in a Catch-22 situation," said Enderlein. "If it says that it's out of ammunition, it is weakening its own position. But if it says everything is fine, then governments won't do their part."

"Everyone is focused on the latest crises, from refugees to Brexit," added Asmussen. "We want to remind everyone that the monetary union is still incomplete."

(Reporting by Noah Barkin; Editing by Richard Balmforth)

© 2016 Reuters. All Rights Reserved.