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ABSTRACTS

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The Cost of Fiscal Disunion in Europe and the New Model of Fiscal Federalism

GUIDO MONTANI

The sovereign debts crisis is a problem peculiar to the European Union caused by the fragility of the EMU, which was set up without a fiscal union nor a federal government. The aim of a monetary union is to remove the political risks – exchange rates and sovereign debt default – for internal financial transactions, as the US have done thanks to their federal constitution. In Europe, the financial crisis has caused a dangerous vicious debts-banks cycle, which can bring on the default of solvent but illiquid states of the EMU. The paper, after an analysis of the emergency measures approved or proposed, upholds that a new model of fiscal federalism is underway, based on the following principles: the relative autonomy of monetary policy from fiscal policy; hard budget constraints for every level of government; a limited transfer union; an autonomous federal budget. At present, the role of the EU budget is neglected. The author warns that a well-run monetary union cannot work smoothly without a federal budget.

Exchange Rates, Monetary Aggregates, and Inflation

JERRY MUSHIN

This article is an examination of the distribution of the types of exchange-rate policy and of monetary policy that are in use in 2011. Exchange-rate systems range from free floating, in which intervention occurs only exceptionally, to hard pegs, in which a country has no monetary sovereignty. Monetary-policy systems include exchange-rate anchors, monetary-aggregate targets, and inflation targets. Large economies are likely to use floating *régimes* and inflation targets. Small economies are likely to use hard pegs, which require the use of an exchange-rate anchor, or soft pegs, which are likely to be combined with monetary-aggregate targeting.

The Ongoing Crisis: Questions for Keynesian Theory

DAVIDE GUALERZI

The financial crisis and the 2008-2009 recession is now an ongoing crisis that is far from being resolved. It poses fundamental questions of theory and policy and they are not much addressed in the current debate and research. The paper asks the question of the nature of the crisis and why it is indeed different from those of the last thirty years. Because of that it is hardly manageable by the tools of standard theory and also by traditional anti-cyclical Keynesian policies. Thus the second point is that it requires reconsideration of the role of government. In the US the Federal Reserve despite criticism pursues a policy of monetary easing that reflects the concern for a persisting high unemployment. In Europe the reestablished doctrine of fiscal austerity intersects with the conflicting interests within the euro-zone that seem at times to call into question the very existence of the common currency. Both approaches have severe limitations. The main question for a sustained recovery is that of a new possible growth pattern. The paper discusses that by focusing on the leading sectors that are most promising in the way of a growth of private investment, which has close links to technological development. Reacting to the criticism by prominent Keynesian such as Krugman, who has argued for a much stronger stimulus the paper argues that any recovery driven by private investment need a change in the role of government. Indeed the crisis calls for a rethinking of Keynesian theory and policy.

Structural Transformation, the Agro-Food Sector, and Economic Growth in Central Eastern Europe. An Input-Output Analysis

DIMITRIOS KYRKILIS, EVANGELOS NIKOLAIDIS & CHARALAMBOS ECONOMIDIS

The concern of the current paper is the evolution of the position of agriculture and the agro-food production system at large in the economic structure in four transition countries of Central and Eastern Europe, namely Poland, Hungary, the Czech Republic, and Slovakia; applying the input – output analytical technique. In particular, a number of inter-sectoral linkage indices, including the normalized ones are constructed, estimated, and compared between two time periods during and after transition. The results of the exercise show that domestic backward and forward inter-industry linkages of both the primary sector and the food–beverages industry, contrary to expectations have become weaker in the examined countries during and after transition.