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## **German Finance Minister says EMU interest rate mechanism has worked**

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Higher interest rates on bond issues by peripheral euro members are a sign that the existing mechanism of Economic and Monetary Union (EMU) ‘has basically worked well’ because it enforces discipline on countries with imbalances, according to German Finance Minister Wolfgang Schäuble. In an article in a special January 2011 edition of the OMFIF Bulletin devoted to the European sovereign debt crisis, Schäuble writes that EMU needs ‘stronger compliance’ to ensure fiscal policies are in line with monetary stability and reduce strains on the European Central Bank.

**Other highlights of the January issue include:**

-  **Otmar Issing, former Chief Economist, European Central Bank**, says the crisis is no surprise and warns politicians’ unreliability on economic policies could threaten EMU’s survival
-  **Laurent Fabius, former French Prime Minister**, says Ireland and Italy are in ‘an impossible position’ if interest rates remain high, adding Germany would face a 100% revaluation if the euro were to end
-  **André Szász, veteran Dutch central banker**, says solutions to European problems have been impeded by fundamental disagreement between France and Germany on the objectives of EMU
-  **Michael Butler, one of the UK’s foremost European diplomats**, sets down a parallel currency plan to maintain the euro and raise struggling countries’ competitiveness
-  **Erik Holm, a former advisor to the Danish prime minister**, calls for restoring the old European Monetary System with symmetrical obligations for surplus and deficit countries
-  **Meghnad Desai, Chairman of the Advisory Board**, says the dollar’s reserve currency role enables the Americans to act like Keynesians – but ultimately Classical economics will win
-  **Frank Scheidig, Global Head of Capital Markets, DZ Bank, Deputy Chairman of the Advisory Board**, says Germany has benefited from the crisis and the overall goal of European integration is still intact
-  **Jonathan Fenby, Board of Contributing Editors**, explains why the Chinese are emerging as ‘the euro’s best friend’ but says Beijing will not act as ‘lender of last resort’ for the Europeans

 **William Keegan, Chairman, Board of Contributing Editors**, outlines how former Labour Chancellor of the Exchequer Denis Healey points the way to valuable lessons from European monetary history

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