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The Euro Area Crisis: a View From the North

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THE EURO AREA CRISIS: A VIEW FROM THE NORTH

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Abstract

The paper provides an overview of the sovereign debt crisis. I first consider the build-up of the crisis. I then discuss policy choices when a financial crisis erupts and assess the adjustment processes in the crisis countries, including alternatives to policies of austerity. Finally I take up institutional improvements that can help in resolving the current crisis and avoiding a future one. These include the banking union and the strengthened Stability and Growth Pact and related institutional rules. Current high levels of public and private debt together with still weak bank balance sheets are a major unsolved problem.

Keywords: financial crisis, sovereign debt, European integration

JEL Classification codes: E62, E65, F36

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