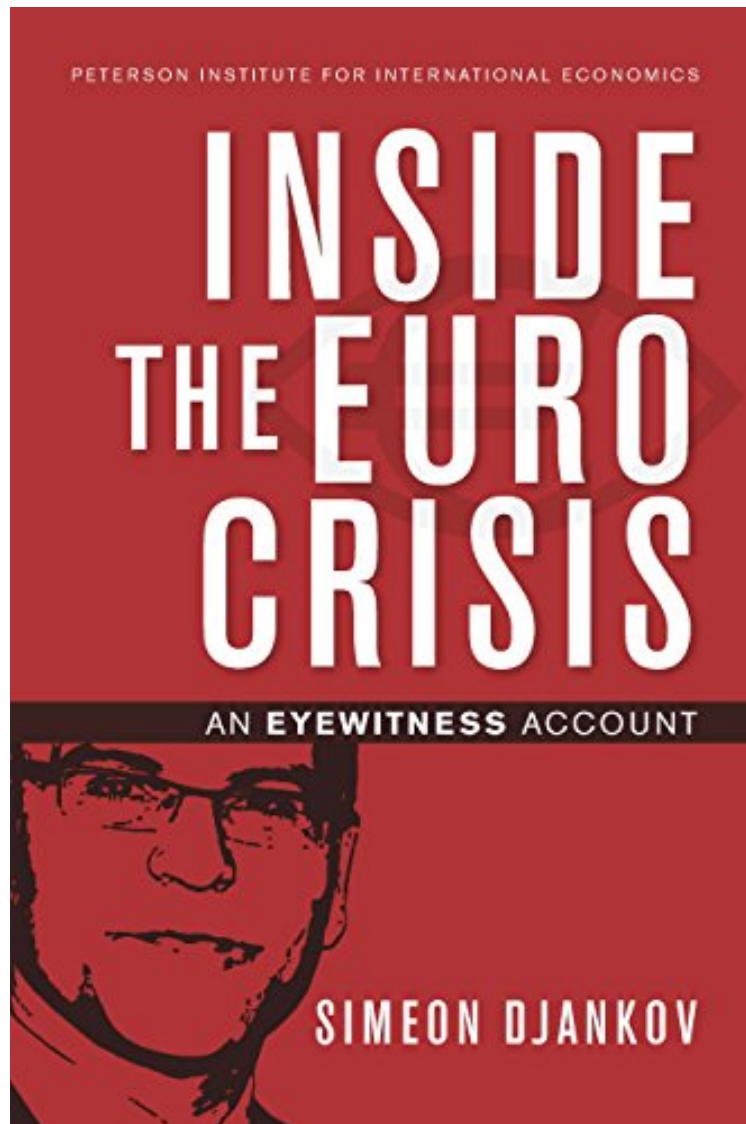


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## Inside the Euro Crisis: An Eyewitness Account

*Simeon Djankov*

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**Simeon Djankov : Inside the Euro Crisis: An Eyewitness Account** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Inside the Euro Crisis: An Eyewitness Account:

0 of 0 people found the following review helpful. Interesting commentary from someone who was at the table. ...By World Traveller Interesting commentary from someone who was at the table. Wrong about the start of the Greek crisis - Euro Finance Ministers were warned at the start of October 2009 but didn't see the systemic risk until markets shifted three weeks later.3 of 3 people found the following review helpful. an insider view of the Eurozone CrisisBy Jeffrey Hart This book provides a first-person account of the Euro Crisis from the perspective of the author, who was

the Deputy Prime Minister and Minister of Finance of Bulgaria from 2009 to 2013. As an economist with considerable experience in dealing with economic crises at the World Bank, he was able to apply what he learned there to the solution of the problems encountered by the Bulgarian government while in office. More importantly, as Minister of Finance, he attended regular meetings of the Economic and Financial Council (ECOFIN) of the Council of the European Union and was able to observe directly how the EU was dealing with the Euro Crisis. He has strong opinions on both the personalities and the institutions involved. His perspective is interesting because he was a supporter of what many people call "austerity" measures and an opponent of expansionary fiscal policies such as those recommended by Paul Krugman (and others). Make no mistake, this is not an academic book. It is a very good first-person account. The writing is pretty good on the whole. The story the author is telling is a bit arcane for a general audience and there might be ways to make it easier for readers with limited backgrounds in economics by adding explanatory boxes or paragraphs. For example, they might need a definition of a "liquidity trap." A few statistical tables and graphs would also be helpful. However, for both knowledgeable readers and students, this book would provide a very useful set of insights into what was going on behind the headlines from 2009 to 2013. One of the major arguments of the book is that the EU was not well served by some EU leaders during the early years of the crisis. Manuel Barroso, President of the Commission, and Jean-Claude Trichet, President of the European Central Bank (ECB), are singled out for criticism for their slowness and timidity. When Mario Draghi succeeded Trichet as President of the ECB, things changed for the better, especially after Draghi announced that he would do "whatever it takes" to keep the Eurozone together. Djankov praises Draghi and Jean-Claude Juncker, Prime Minister of Luxembourg and head of the Eurozone, as more effective leaders than Barroso or Trichet because they were more inclined to act decisively. Still, he blames the EU institutions and key national governments for some of the hesitation in dealing with the Euro crisis. For example, according to Djankov, Eurostat was not sufficiently diligent in checking up on the economic statistics provided to them by the Greek government. Olli Rehn, the commissioner for economic and monetary affairs, did not coordinate effectively with Joaquin Almunia, to commissioner for competition. The role of the French and German governments is highlighted throughout the book. The coalition of Merkel and Sarkozy broke up with the election of Hollande; until that point the Eurocrats tended to defer to the leaders of the two countries. In addition, he was happier when Christine Lagarde replaced Dominique Strauss-Kahn as head of the International Monetary Fund (IMF). One of the strengths of the book is the delineation of "tipping points": (1) October 23, 2009: Greek Prime Minister Georgios Papandreou admitted that Greece had lied about its budget deficits; (2) October 18, 2010: Angela Merkel and Nicolas Sarkozy met at Deauville and issues a declaration on the need for a permanent crisis management mechanism; (3) October 13, 2011: Slovakia became the 17th and final country to approve the expansion of the Eurozone's rescue fund; (4) October 31, 2011: Papandreou surprises everyone by proposing a referendum on the new bailout plan for Greece; and (5) July 26, 2012: Mario Draghi announced that the ECB would do "whatever it takes" to keep the Eurozone together. Djankov praises the introduction of the Fiscal Compact and the European Stability Mechanism because they held the promise of dealing with long-term issues beyond the bailouts. He identifies three major failures of ECOFIN and the EU: the initial rescue package for Greece, the handling of the adoption of the European Stability Mechanism, and the handling of crisis in Cyprus. One particular strong point is the discussion of how the East European countries that were not in the Eurozone were affected by the crisis. It is interesting to see from Djankov's perspective how they were able to participate in the discussions about how to resolve it. Also I enjoyed the discussion of how Djankov had to deal with Bulgarian politics while dealing with problems in the domestic economy. It is clear that the country benefited from budget cutting and rationalization measures during the Borisov administration and from the tendency of West European investors to move some activities from Southern to Eastern Europe.

In mid-2009 Simeon Djankov, who had dealt with a variety of economic and financial crises as chief economist for finance and private sector development at the World Bank, was suddenly thrust into the job of finance minister of his native Bulgaria. For nearly four years in that post, he attended more than 40 meetings of European finance ministers and had a front row seat at the intense discussions and struggles to overcome the economic and financial crisis that threatened to unravel the historic undertaking of an economically integrated Europe. In this personal account, Djankov details his odyssey on the front lines, observing Europe's fitful efforts to contain crises in Greece, Hungary, Ireland, Portugal, Spain, Italy, Cyprus, and France. He tells the inside story of how the European Central Bank assumed responsibility for the crisis, pledging to do "whatever it takes" to save the euro area. This candid book recounts the disagreements over fiscal austerity, monetary policy, and banking supervision, while focusing on the personalities who promoted progress—and those who opposed it. He also tells the dramatic story of the events that led to his own resignation as finance minister in 2013 over the policies he was pursuing to spare Bulgaria from getting sucked into the crisis.

About the Author Simeon Djankov, visiting fellow at the Peterson Institute for International Economics, was deputy prime minister and minister of finance of Bulgaria from 2009 to 2013. In this capacity, he represented his country at

the Ecofin meetings of finance ministers in Brussels. Prior to his cabinet appointment, Djankov was chief economist of the finance and private sector vice presidency of the World Bank. In his 14 years at the Bank, he worked on regional trade agreements in North Africa, enterprise restructuring and privatization in transition economies, corporate governance in East Asia, and regulatory reforms around the world. He is the founder of the World Bank's Doing Business project. He is principal author of the World Development Report 2002. Djankov is rector of the New Economic School in Russia and a visiting lecturer at Harvard University's Kennedy School of Government. He was associate editor of the Journal of Comparative Economics from 2004 to 2009 and chairman of the Board of the European Bank for Reconstruction and Development in 2012<sup>13</sup>. He is also a member of the Knowledge and Advisory Council at the World Bank. He has published over 70 articles in professional journals. He obtained his doctorate in economics in 1997 from the University of Michigan at Ann Arbor.