

## INET Council on Euro Zone Crisis Expresses Shock at Financial “Betrayal” in Europe

WASHINGTON (September 28, 2012) -- Professor Luis Garicano of the London School of Economics, speaking today about the proposals of the Institute for New Economic Thinking (INET) Council on the Euro Zone Crisis (ICEC) at the Peterson Institute for International Economics, expressed his shock at the "betrayal" by Germany, the Netherlands and Finland of the agreements in the June 29 euro summit, and at the recent statements against a banking union and against legacy cost burden sharing by the Bundesbank's President Jens Weidman.

"Contrary to what Jens Weidman, and the three leaders, have said this week, it is precisely the legacy costs of the banking bust, as the INET Euro Council report argues, that need to be shared," Garicano said. "These costs are going to strangle any possible recovery by Spain and Ireland if they fall exclusively on their taxpayers and were the result of mistakes by both creditors and lenders and of the designers of the Euro area. It is fair and efficient that they are shared, and it is essential that they are if we want to get out of this rut. And it was explicitly agreed in the June 29th summit "

In his talk, Garicano also argued that "a deal is a deal" and that the creditor countries, in renegeing from this deal, are endangering the trust that is essential for the Eurozone.

"How is Spain now going to believe reassurances that ask for a new 'soft' rescue will not bring additional conditionality?" Garicano asked.

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### ABOUT THE INET COUNCIL ON THE EURO ZONE CRISIS (ICEC)

The INET Council on the Euro Zone Crisis is a collection of prominent economists from across Europe who joined together to provide solutions to the economic problems in the euro zone. The ICEC is comprised of: Patrick Artus, Global Chief Economist NATIXIS - Banque de Financement et d'Investissement; Erik Berglof, Chief Economist and Special Adviser to the President, European Bank for Reconstruction and Development; Peter Bofinger, Professor, Universität Würzburg; Giancarlo Corsetti, Professor, University of Cambridge; Luis Garicano, Professor of Economics and Strategy, London School of Economics; Paul De Grauwe, Professor, London School of Economics and Political Science; Guillermo de la Dehesa, Chairman, Centre for Economic Policy Research (CEPR); Lars Feld, Professor for Economic Policy, University of Freiburg; Jean-Paul Fitoussi, Professor Emeritus, Institut d'Etudes Politiques de Paris; Daniel Gros, Director,

Centre for European Policy Studies (CEPS); Kevin O'Rourke, Professor of Economic History, University of Oxford; Lucrezia Reichlin, Professor of Economics, London Business School; Hélène Rey, Professor of Economics, London Business School; Andre Sapir, Senior Fellow, Bruegel; Dennis Snower, President, Kiel Institute for the World Economy; Hans-Joachim Voth, ICREA Research Professor, Universitat Pompeu Fabra; and Beatrice Weder di Mauro, Professor of Economics, Johannes Gutenberg University of Mainz.

<http://ineteconomics.org/council-euro-zone-crisis>

## ABOUT THE INSTITUTE FOR NEW ECONOMIC THINKING (INET)

Launched in 2009 and driven by the global financial crisis, the Institute for New Economic Thinking (INET) is dedicated to nurturing a global community of next-generation economic leaders, provoking new economic thinking, and inspiring the economics profession to engage the challenges of the 21st century.

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