

Growth and Cohesion in the European Union

This book is a critical review of current fiscal and monetary policy in Europe and presents results of both empirical research and a discussion of the theoretical framework behind the policy of the ECB and the Stability and Growth Pact.

Macroeconomic policy is often hotly debated within the EU. However, the majority of policy discussions have started from a shared view of how the economy works. This shared neo-classical view is also known as the 'Brussels–Frankfurt consensus'. According to that consensus, European labour markets are too rigid in comparison to the US labour market. Hence, the prevalent view is that the European unemployment problem can be solved by increasing incentives; improving the returns on schooling and redefining the role and the necessity of labour market institutions. In this volume the authors argue that it is not at all clear which institutions cause labour market rigidities and to what extent. They note that the problem of unemployment requires a much broader set of solutions, including active labour market policies, policies concerning schooling and the development of skills. *Growth and Cohesion in the EU* also highlights that these microeconomic policies will not in themselves provide the solution to what is essentially a macroeconomic problem. First and foremost the role of aggregate demand in the determination of unemployment has to be placed at the forefront of the debate.

The extensive discussion of a broad variety of topics in the field of macroeconomic policy will ensure this book finds a welcome readership amongst researchers and academics of European studies and macroeconomics. Policy advisors will also find much to engage them as the book provides a critical view on the Brussels–Frankfurt consensus, currently so dominant amongst European policymakers.

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The Impact of macroeconomic Policy

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