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## **FISCAL RISK SHARING IN THE ECONOMIC AND MONETARY UNION**

### **Abstract:**

The economic, debt and banking crises had strongly asymmetric effects on euro area countries and revealed the vulnerabilities in the institutional setting of the EMU and created significant risks to the single currency. In the aftermath of the crises there were significant changes in EMU aimed at increased risk sharing but they did involve the introduction of supra-national macroeconomic stabilization function. It is suggested in the paper that deeper fiscal integration is necessary to complement the currency union and strengthen the economic integration in the EU. The paper outlines the theoretical background of risk sharing and examines the main alternatives for a common fiscal capacity in the euro area.

### **Keywords:**

Fiscal Policy, Economic Integration, Fiscal Federalism

**JEL Classification:** E62, F15, H77