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# Introduction

## The Transatlantic Relationship in an Era of Growing Economic Multipolarity

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Shifts in global economic dominance are by nature tectonic and never precipitated by single events. The chain of events unfolding since 2007–08, however, if not an exception to this rule, has at the very least presented the European Union, its common currency the euro, and the United States with new global challenges. The transatlantic partnership has since the early 20th century dominated the world economy, and it has designed and sustained all its principal global political and economic institutions based upon its own values and interests.

But countries outside the European Union and the United States now account for about half of the world economy, and their share is growing rapidly. Hence their increasing role and concomitant demands for greater influence over global economic governance pose a series of challenges to and opportunities for the European Union and the United States, as illustrated by the eclipse of the Group of Eight (G-8) by the Group of Twenty (G-20).

The contributions in this volume, supported by a grant from the European Commission, were first presented at two policy conferences organized jointly by the Peterson Institute for International Economics and Bruegel, one in Washington in October 2010 and the other in Berlin in September 2011. Subject area experts were asked to ponder how or whether the rise of outside actors of potentially equal, or even greater, economic weight would force a re-

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thinking of two large issues: (1) the conduct of policy by the European Union and the United States toward the new rising economic poles and (2) the substantive contents of the EU-US bilateral economic and political relationship.

Participating authors were initially asked to look within their broad field of expertise for the most immediately pressing policy items and to contemplate whether respective US and EU priorities overlapped and might result in a deepened bilateral relationship. They were also asked to identify potential policy flash points that might arise bilaterally and to suggest how such flash points could best be managed.

Diverse detailed subject areas for individual papers were chosen with the intent to cover several angles of the deep transatlantic political and economic relationship. But as volume papers were written and conferences organized in 2010–11, when the euro area crisis was still accelerating, the attention of several authors shifted toward answering the paramount policy questions of the day: What will happen to the euro, and what is the impact of the euro area crisis on the transatlantic relationship and the global economy?

Substantial policy controversies have emerged in recent years as the United States and Europe seek to appropriately diagnose the causes of and provide solutions to the euro area crisis. On the one hand, partly based on successful early crisis interventions carried out in the United States in late 2008 and early 2009, US policymakers have tended to advocate the early forceful use of the central bank's balance sheet—either independently (through quantitative easing) or in collaboration with the fiscal authorities (through collaborative efforts such as the US Term Asset-Backed Securities Loan Facility, comprehensive banking sector recapitalizations and restructuring, and the creation of a very large euro area financial rescue entity to provide risk capital to restore private sector confidence). Euro area authorities, on the other hand, have in their crisis management tended to focus on the need to restore fiscal sustainability, implement structural reforms, reform the broader European institutional framework to strengthen the capacity for fiscal surveillance, and create a financial rescue mechanism for the euro area.

Given the differences in focus between these two crisis management strategies and the political capital already invested in them on both sides of the Atlantic, it seems improbable that the two will converge in the immediate future. Instead, perhaps the best hope for renewed vigor in transatlantic cooperation is that the crisis will ultimately take on a less acute character, enabling policymakers to turn their focus toward policy areas where more fruitful collaboration is possible.

The scope of this volume is wide. In addition to papers directly related to the crisis and transatlantic responses to it, the volume also includes papers on climate change, banking regulation, the global financial architecture, the international monetary system, the global postcrisis growth outlook, and the transatlantic debt challenge. We hope that its broad analysis and insights, offered in an empirically rigorous manner, will facilitate the strengthening of the transatlantic relationship in a rapidly changing global context.