What is being debated as regards the reform of the euro?

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Whether to share risks or reduce them. That is the leitmotiv behind the current battle over the reform of the euro, which is supposed to lead to a new initiative by June. The window of opportunity is clear: the strong economic recovery helps, the new governments in France and (perhaps) Germany will have the necessary political capital to make concessions in the negotiations, and the European Parliament will soon be renewed, in May 2019.

The European Commission's December proposals, the Eurogroup's of this week and the very recent proposals from a wide-ranging group of Franco-German academics trying to find common ground between the two visions of the reform of the euro, all seem to imply that agreement may be close. The topics are not new, but they are complex, their effects are widespread and they are highly interrelated.

A first point, perhaps the most urgent in view of how much it has been delayed already, is a common Deposit Guarantee Fund (DGF), which involves sharing bank risks among euro area countries. Initially, it was promised in two years from the launch of the Banking Union in 2012, but for some time now Germany has been determined to link it to a parallel reduction in sovereign risk and doubtful debts in banks' balance sheet (both factors particularly affect Italy). In fact, it is likely that the completion of the Banking Union announced by the Eurogroup for June will impose harsh conditions for the reduction of financial risks before establishing a common DGF, which will delay its effective implementation.

On the fiscal front too the countries in the German sphere of influence seek to reduce risks, not to share them. Greater sharing would come through some form of eurobonds such as those proposed at the height of the euro crisis but which have long been absent from official communiqués. Another option is to have a common budget or an anti-cyclical fund (whether linked to unemployment insurance or investment plans) for countries in crisis. These are two ideas that may prosper, but that may prove inadequate in the event of acute crises such as that of ten years ago. The counterproposals are to reduce fiscal risk, strengthening fiscal surveillance by the Commission or by an independent body (perhaps the future European Monetary Fund), increasing market discipline on sovereign debt before granting aid and toughening the conditions for bail-outs.

All these elements will be in the new reform, which for the time being in view of the bias of the Commission's "consensus" proposals and the more academic ones will perhaps taste more of German sausage than of French cheese.

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