

Contents

<i>List of figures</i>	vii
<i>List of tables</i>	viii
<i>List of abbreviations and acronyms</i>	ix
<i>Preface</i>	x
<i>Acknowledgements</i>	xii
1 The euro and the origins of European integration	1
1.1 Introduction	1
1.2 The Second World War and European integration	3
1.3 The Schuman Declaration	5
1.4 Early monetary cooperation in Europe	8
1.5 Integration stalled and revived in the 1950s	10
Interview with Nick Crafts	13
2 Before the euro: the first steps in the process of monetary integration	27
2.1 Introduction	27
2.2 The Barre Memorandum	27
2.3 The Werner Report	32
2.4 Werner abandoned	34
2.5 The ERM: reviving monetary cooperation in Europe	36
Interview with Paul De Grauwe	45
3 The economics of the euro	54
3.1 The transition to European economic and monetary union	54
3.2 Economic benefits of adopting a common currency	62
3.3 Economic costs of adopting a common currency	65
3.4 Comparing the benefits and costs of adopting a common currency	68
3.5 Is Europe an optimum currency area?	71
Interview with Niels Thygesen	73
4 The euro's architecture	91
4.1 Monetary policy in the euro area	91
4.2 Fiscal policy in the euro area	99
Interview with Charles Wyplosz	108

5	Euro-area enlargement: Denmark, Sweden and the United Kingdom	120
5.1	Introduction	120
5.2	Denmark	121
5.3	Sweden	124
5.4	United Kingdom	127
5.5	Concluding remarks	130
	Interviews with Willem Buiter and Patrick Minford	133
		152
6	Euro-area enlargement and the accession economies	169
6.1	Introduction	169
6.2	Economic catch-up, inflation and the accession economies	173
6.3	Real convergence and the accession economies	184
6.4	Concluding remarks	187
	Interview with Andrzej Wojtyna	190
7	Reflections on the future of the euro	198
7.1	Introduction	198
7.2	The euro in its first decade	198
7.3	Possible scenarios for the euro area	208
7.4	Concluding remarks	220
	<i>Bibliography</i>	223
	<i>Time line of key events in the history of European economic, monetary and political integration</i>	229
	<i>Name index</i>	237
	<i>Subject index</i>	239

Figures

1.1	The euro area	2
2.1	Inflation for the Six, plus Denmark, Ireland and the UK, 1970–79	35
2.2	ERM members' inflation differences with Germany, 1979–90	38
2.3	Real effective exchange rates, selected economies, 1975–89	39
4.1	Economic growth in the euro area	105
4.2	Unemployment in the euro area	105
6.1	EU27 and candidate countries	170
6.2	GDP per capita in PPS (EU15, CE10, EU27)	174
6.3	EU15 and CE10 real GDP growth rates, 1999–2008	174
6.4	EU15 and CE10 price inflation, 1998–2006	176
6.5	GDP per capita in PPS (Cyprus, Malta, Slovenia, CE10 excluding Slovenia)	176
6.6	Euro-area GDP shares, 2006 (including Lithuania)	180
6.7	Inflation reference rates	181
6.8	Accession economies' share of trade with EU27, 2005	186
7.1	Nominal exchange rate: US dollars per euro, 1999–2007	200
7.2	EU15 share of trade with EU25, 2005	201
7.3	Inflation in the euro area, 1999–2007	203
7.4	Unemployment in the euro area, US and UK, 1999–2007	205
7.5	ECB main interest rate, 1999–2007	206
7.6	Real GDP growth in France, 1999–2007	206
7.7	Real GDP growth in the euro area, 1999–2006	209
7.8	Real effective exchange rates	213
7.9	Real GDP growth, selected economies, 1999–2006	213
7.10	Net migration/population, 1985–2005	214
7.11	EU27 GDP shares, 2006	217

Tables

1.1	Key characteristics of the euro area, 2005	2
3.1	Share of inter-regional trade flows in each region's total merchandise exports, 2005	70
5.1	Economic growth in Denmark, Sweden, the United Kingdom and the euro area	126
5.2	Unemployment in Denmark, Sweden, the United Kingdom and the euro area	127
5.3	Inflation in Denmark, Sweden, the United Kingdom and the euro area	127
6.1	The accession countries and the euro area	171
6.2	The accession countries and the euro area: inflation, interest rate and debt and deficit criteria	183
6.3	Selected euro-area economies' deficit and debt positions, 2005	184
6.4	Costs of euro adoption cited by selected Eastern accession economies	185
6.5	Benefits of the euro cited by the Eastern accession countries	188
7.1	Macroeconomic performances, 1999–2008	208