

# Contents

List of Figures	vii
List of Tables	viii
List of Boxes	x
List of Abbreviations	xi
Preface	xiii

---

## **Introduction** **1**

---

<b>1</b>	<b>European Monetary Integration</b>	<b>3</b>
	Introduction	3
1.1	Origins of European Monetary Integration	4
1.2	The European Monetary System: Phases and Crises	8
1.3	The Costs and Benefits of a Monetary Union	16
1.4	The Transition to Economic and Monetary Union	27
1.5	Conclusion	30
<b>2</b>	<b>EMU and the European (System of) Central Bank(s)</b>	<b>31</b>
	Introduction	31
2.1	The European (System of) Central Bank(s)	32
2.2	Central Bank Independence: The Rationale	38
2.3	Independence of the E(S)CB	43
2.4	Accountability of the E(S)CB	46
2.5	Conclusion	52
<b>3</b>	<b>European Monetary Policy</b>	<b>54</b>
	Introduction	54
3.1	The Monetary Policy Strategy: Options	55
3.2	The Monetary Policy Strategy of the ECB	61
3.3	The Instruments of European Monetary Policy	66
3.4	The Relation between the 'Ins' and the 'Outs'	71
3.5	Banking Supervision	74
3.6	Conclusion	78

---

<b>4</b>	<b>National Fiscal Policy in EMU</b>	<b>80</b>
	Introduction	80
4.1	The Need for Fiscal Rules in EMU	81
4.2	The Stability and Growth Pact	87
4.3	Harmonization of Taxes	95
4.4	Tax Competition	100
4.5	Conclusion	106

---

<b>5</b>	<b>European Fiscal Policy</b>	<b>107</b>
	Introduction	107
5.1	The Budget of the European Union	108
5.2	Agenda 2000: Reform and New Member States	122
5.3	A European Stabilization Policy?	127
5.4	Conclusion	137

---

<b>6</b>	<b>Financial Integration and Financial Market Structure</b>	<b>139</b>
	Introduction	139
6.1	The Integration of European Financial Markets	140
6.2	Financial Market Structure and Monetary Transmission	146
6.3	The New European Financial Landscape	155
6.4	Conclusion	164

---

<b>7</b>	<b>EMU and International Policy Co-ordination</b>	<b>165</b>
	Introduction	165
7.1	The International Role of the Euro	165
7.2	Co-ordination of Exchange Rate Policies	175
7.3	Conclusion	180

---

References		182
Index		190