

TABLE OF CONTENTS

EMU, THE EURO AND THE EUROPEAN POLICY MIX	4
1. Introduction.....	4
2. Movements and volatility of the euro	5
2.1 What has happened to the euro?	5
2.2 The “fundamental” value of the euro.....	7
2.2.1 Short-term considerations	7
2.2.2. Longer-term considerations	7
2.3 Could exchange rate volatility be reduced?	9
2.4 The euro as an international currency	11
3. Prospective policies and economic developments in the euro area	12
3.1 Euro area structural characteristics and the implications for macroeconomic policy.....	13
3.2 The expected macroeconomic policy stance in the euro area and the other major regions over the short and medium term	14
3.3 Simulating a different path for exchange rates	16
3.4 Assuming faster progress in structural reform in the euro area	19
4. Conclusions.....	19
BIBLIOGRAPHY	21