

Table of Contents

Preface	V
A. European Monetary Union: Start of the Euro and the Need for Complementary Measures in Euroland	1
1. Introduction	3
2. The Single Market, Growth Perspectives and Welfare Effects of the Euro	6
3. Price Competition, Real Interest Rates and Investment under EMU	10
4. Transmission Channels of Monetary Policy	14
5. EMU, Capital Markets and Growth of New Firms	19
6. Relative Prices, Factor Rewards and Real Convergence	22
7. Labor Markets, Mobility and Unemployment	23
8. Implications for Economic Policies and Budget Consolidation	25
9. Looming EU Protectionism?	26
10. Real Exchange Rate Aspects	27
11. Summary and Conclusions	29
Appendix A	30
B. Modern Exchange Rate Theory and Schumpetrian Economic Analysis: New Approach and Application to the Euro	37
1. Introduction	39
2. Exchange Rate Analysis in the Short and Long Run: A New Approach	43
2.1. Optimum Exchange Rate Flexibility and Optimum Currency Area	49
2.2. Changes in Domestic Marginal Product of Capital	54
2.3. Debt Reduction Policy	58
2.4. Government Budget Constraint in a Supply-side Framework	60
2.5. A Portfolio-Augmented Mundell-Fleming Model	60
2.6. Supply-Side Fiscal Policy in a Schumpetrian Mundell-Fleming Model	66
2.7. Simple Interest Parity Model with Long Term Adjustment	69

3. Conclusions	75
Appendix B1	78
Appendix B2	80
Appendix B3	83
Appendix B4	84
Appendix B5	85

C. Exchange Rate Policy for the Euro: Theory, Strategic Issues and Policy Options 87

1. Introduction	89
2. Exchange Rate Regimes and Exchange Rate Policies	93
2.1. Exchange Rate Regimes in the Era of High Capital Mobility and High Technology Competition	97
2.2. Trade, Foreign Investment and Exchange Rate Adjustment	99
2.3. Some Aspects of the Euro-Dollar Exchange Rate	102
2.4. Global Crisis Management	105
2.5. Looming Protectionism of Euroland?	107
3. The EMS Mark II	108
3.1. Transition Problems of Euro-Latecomers	108
3.2. Transition Problems of Accession Countries and Exchange Rate Regimes	109
4. Summary and Conclusions	130
Appendix C	132
References	149
List of Figures	157
List of Tables	159