ONE SIZE FITS ALL?

Financial decision bodies behind the EMU and their impact on the national and community level.

The European union´s mission is to organize relations between the member states and between their peoples in a coherent manner and on the basis of solidarity. One of the main objectives is to promote economic and social progress by the establishment of the single market in 1993 and the launch of the single currency in 1999.

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MISSION STATEMENT AND OBJECTIVES OF THE EUROPEAN UNION

The European Union´s mission is to organize relations between the Member States and between their peoples in a coherent manner and on basis of solidarity.

The main objectives are:

- ***to promote economic and social progress** **(the single market was established in 1993, the single currency was launched in 1999);***
- *to assert the identity of the European Union on the international scene (through European humanitarian aid to non-EU countries, common foreign and security policy, action in international crisis; common positions within international organizations);*
- *to introduce European citizenship (which does not replace national citizenship but complements it and confers a number of civil and politic rights on European citizens);*
- *to develop an area of freedom, security and justice (linked to the operation of the internal market and more particularly the freedom of movement of persons);*
- *to maintain and build on established EU law (all the legislation adopted by the European institutions, together with the founding treaties).*

(Source: www.europa.eu.int/abc-en.htm)

ONE SIZE FITS ALL?

Though my background is not financial education, I am particularly interested how a "teamwork of European Nations" cooperate in financial and economic terms and what the found consensus is about. The task of my term paper "Monetary Nationalism and International Stability" ECON 6725 E (Sept/Oct 1999) was the impossible trinity focussed on macroeconomic aspects referring to Europe, New Zealand and on a global basis.
Within this work I will unroll the financial decision bodies of the European Union, their tasks, responsibilities, opportunities and coordination of the Member State's problems as well as possible issues left.

THE IMPOSSIBLE TRINITY

With the launch of the single European currency - 1. January 1999 the world wide discussion about an ideal financial architecture that makes sense after the latest crisis (1997/98 Asia crisis, Russia, 1994 Peso crisis-Mexico, 1992/3 near collapse of European Monetary System, 1982 South America crisis) got new importance. The causes and consequences of currency crisis are not well understood and are the subject of intense research and debate among economists, policy makers and investors. A wealth of blueprints and financial-architectures are discussed. The main part of failure – avoiding the latest crisis – was blamed to the IMF. „The IMF in particular lacked the resources, mandate and expertise to deal with a global capital-market problem" [1]

Larry Summers, America's deputy secretary summed up the problems of the ideal financial system with the term „The impossible trinity". „A policy maker trying to define the ideal financial system has three objectives. He wants continuing national sovereignty; financial markets that are regulated, supervised and cushioned; and the benefits of global capital

1 „Global Finance - Time for a Redesign?", The Economist, January 30, 1999, p.4

markets".[2]
Larry Summers:
„Any coherent reform proposal must favor two parts of the trinity at the expense of the third. For instance, those who wish to regulate markets and maintain national sovereignty must do so at the expense of capital-market integration. Those who wish to maintain sovereignty and yet allow capital markets to integrate must accept an entirely free market at the global level. Those who want capital market integration and global regulation must forfeit national sovereignty.

The impossible trinity renders most radical architectural blueprints Utopian, since politicians are not prepared to choose only two out of the three objectives. The best hope therefore lies in improving tradeoffs between them."[3]

EMU

The introduction of the **EMU**, the European Economic and Monetary Union was therefore most discussed – and criticized (particularly from outside EU). Europe is worldwide considered to be the most cushioned and governmental nurtured conglomerate of nations. The gaps among the Member States in economic and financial terms are widespread as well as their cultures. The difficulties of coordination of the different Member States seemed to be conspicuous while confusing.

THE TRADEOFF?

Actually the architects of the European economic and financial working structure were facing the edges of the „impossible trinity" and therefore had to develop a **tradeoff:**
In order to achieve the EU main goals of

· Increased price stability and controlled inflation
· Reduction of unemployment
· Increased economies of scale

[2] „Global Finance - Time for a Redesign?", The Economist, January 30, 1999, p.4

[3] „Global Finance - Time for a Redesign?", The Economist, January 30, 1999, p.4

· Improved growth performance
· Improved efficiency and competitiveness
· Reduction of the price of capital through financial integration

with the introduction of the EMU and the Single Currency, the Member States had to **sign away financial and economic tools of regulation.** The financial architecture of the European System was constructed in order to enhance European but in the same way national growth and welfare. „Several of the economic instruments currently available to EU governments in adjusting to external shocks or losses of relative competitivity will cease to exist within Economic and Monetary Union."[4]

· The single Currency will naturally make **devaluation or revaluation** of a national currency impossible.
· The European System of Central Banks will conduct a single monetary policy for the whole Euro area, with a **single structure of interest rates.**

· The Stability and Growth Pact will set tight constraints on fiscal policy, as will the **„no monetisation"**, **„no privileged access to financial institution"** and **„no bail out rules"** on deficit financing.[5]

These statements define clearly that the Member States signed away their tools for regulating their national markets. The "individual" national decision-process without the necessity of major coordination within the European Community belongs to the past (the most essential tools of regulation are mentioned above).

The main task of the Member States in order to achieve and improve their economic goal (actually: Maastricht Convergence criteria), will be the enhancement of the national measures left, flexibility and free movement within the single market.

Financial and economic measures, which cannot be set anymore on a national basis will remain as European Community task. For Community funding in offsetting economic disparities between countries and regions,[6]

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4 „The European System of Central Banks" Briefing 27, PE 166.627, Luxembourg, 20 Feb. 1997, p.3

5 „The European System of Central Banks" Briefing 27, PE 166.627, Luxembourg, 20 Feb. 1997, p.3

6 Monetary Union: Convergence and Cohesion" Briefing 41, PE 167.231, Strasbourg, 30th March 1998, p.3

the EU has created the Structural and the Cohesion fund at disposal:

Structural Funds are provided to offset disparities between regions:

· Social Fund (Art 123 Treaty)
· Regional Development Fund
· Agricultural Fund FEOGA („Fond Européen d´orientation et de garantie agricole) established 1962 under the general provisions of Art 43 on the Common Agricultural Policy.[7]

The Cohesion Fund
established 1993 and directly linked to the Maastricht program for Economic and Monetary Union. „In order to qualify for participation in the Single Currency, Member States were required to reduce their budget deficits below the 3% reference level, and to reduce the overall level of public debt towards the 60% reference level. At the same time, the cuts in public expenditure required to achieve these objectives could have severely reduced the level of essential public investment in the poorer EU Member States. Cohesion Fund Money is intended to offset this reduction, to promote not only nominal convergence (Inflation and interest rates, deficits and debt levels) but also real convergence (per capita GDP, employment, etc.) within EMU."[8]

Additionally the **European Investment Bank** may provide loan funds.

„At the same time such funding will be subject of two important constraints:

· The Edinburgh summit of December 1992 put a ceiling on the community budget. Own Resources cannot exceed 1.27% of GDP until at least 2006. Current budgetary projections for 2002-2006 envisage spending limited to 1.22% of GDP, with the remaining .5% constituting a contingency margin.
· Six new Member States are expected to join the EU between 2002 and 2006, including five central European Member States with per capita GDPs well below the EU average. A further five currently even less prosperous countries may join not long afterwards."[9]

THE EUROPEAN SYSTEM OF CENTRAL BANKS

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7 Monetary Union: Convergence and Cohesion" Briefing 41, PE 167.231, Strasbourg, 30th March 1998, p.4

8 Monetary Union: Convergence and Cohesion" Briefing 41, PE 167.231, Strasbourg, 30th March 1998, p.5

9 Monetary Union: Convergence and Cohesion" Briefing 41, PE 167.231, Strasbourg, 30th March 1998, p.3

With the introduction of the EMU (European Economic and Monetary Union) by 1 January 1999 irrevocably fixed exchange rates between the existing EU currencies are introduced (Euro notes and coins will not be in circulation until 1 January 2002). Eleven Participating countries are those that fulfil the Maastricht Convergence criteria: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain. The other countries left outside the „Euro area" at that point may join at a later time, when they fulfil the necessary Maastricht convergence criteria.
(EU countries which do not participate in the Euro area remain „non euro area Member States" or" Member States with a derogation").[10]

In order to face and to meet the upcoming problems of the „Impossible trinity" European Architects of Finance had developed a subtle „European System of Central banks". The essential start was given by „Stage III" – the final stage of a process leading towards EMU (Economic and Monetary Union). It started to work on 1 January 1999, as provided by the EC Treaty. With Stage III, the ESCB, the European System of Central Banks and the ECB, the European Central Bank will be successing the EMI – European Monetary Institute.

ESCB

The first objective of the **ESCB** is to maintain price stability. Without prejudice to that objective the ESCB will support the general economic policies of the EU. The ESCB will act in accordance with the principle of an open market economy with free competition, favoring an efficient allocation of resources within the single market area (Art 105(1) TEU).

„The main task to be carried out by the **ESCB** is

- To define and implement the monetary policy of the community
- To hold and manage the official reserves of the Member States
- To conduct foreign exchange operations consistent with the provisions of Article 109 of the treaty of the European Union (TEU) and
- To promote the smooth operation of payment systems.[11]

The ESCB does not have separate legal personality. It is composed by the ECB, the European Central bank and the NCBs, the National Central Banks

[10] Monetary Union: Convergence and Cohesion" Briefing 41, PE 167.231, Strasbourg, 30th March 1998, p.3

[11] The European System of Central Banks, Briefing 27, Luxembourg 20 Feb. 1997, PE 166.627, p.6

of all Member States (Art 106(1) TEU), even Member States which do not participate in Stage III.

ECB

„The **ECB**, the European Central Bank does have legal personality and enjoys in each of the Member States the most extensive legal capacity accorded to legal persons under the respective national laws. It may in particular, acquire or dispose of movable and immovable property and may be a party to legal proceedings (Art 106(2) TEU)"[12] The ECB took over all residual functions of the EMI. Its seat is Frankfurt/Main, Germany.

The **ECB** is provided with **Advisory and Supervision Functions:**
On matters in its field of competence the ECB may submit opinions to the appropriate Community Institutions or bodies or to national authorities (Art. 105 (4)TEU). „The ESCB will consult the ECB on any proposed Community act in its fields of competence and on any draft legislative in its fields of competence originating from national authorities within the limits and conditions set out by the EU Council." - "The ECB will contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.[13]

Furthermore remains the exclusive right to issue banknotes within the community with the ECB. NCBs need the approval of the ECB to issue banknotes, Member States to issue coins (Art 105 a TEU).
The ECB will also collect with the assistance of the NCBs statistical data and information, which is needed for the conduct of the single monetary policy of the community operation and for foreign exchange operations (Art 5 Stat.) Before operations of the ECB, the EMI had prepared the statistical requirements for the euro area.

12 The European System of Central Banks, Briefing 27, Luxembourg 20 Feb. 1997, PE 166.627, p.4

13 The European System of Central Banks, Briefing 27, Luxembourg 20 Feb. 1997, PE 166.627, p.6

The ECB is enforced with legal instruments to carry out the task entrusted to the ESCB:

· Regulations – binding in its entirety and directly applicable in all member States,
· Recommendations and opinions with no binding force,
· Decisions – binding in its entirety to those to whom they are addressed.

If ECB regulations and decisions are violated, the ECB is entitled to impose fines or periodic penalty payments (within the limits and under the conditions established by the EU Council).[14]

The ECB has to operate in **complete independence**:
Neither the ECB and its members nor NCBs are to take instructions from any government of a Member State, any Community institutions - or bodies or from any other body (Art 107 TEU).

To balance that operational independence the ECB is accountable to the European parliament:

· The president of the ECB will present an annual report, conducting the current and the previous year to the European parliament, meeting in plenary session.
· The president of the ECB and other members of the board will appear (on request by the ECB or the European parliament) before the competent committee of the European parliament (Art 109 b (3) TEU).
· The European parliament has to be consulted before the president and members of the board are to be appointed (Art 109 a (2) TEU).

THE NATIONAL CENTRAL BANKS

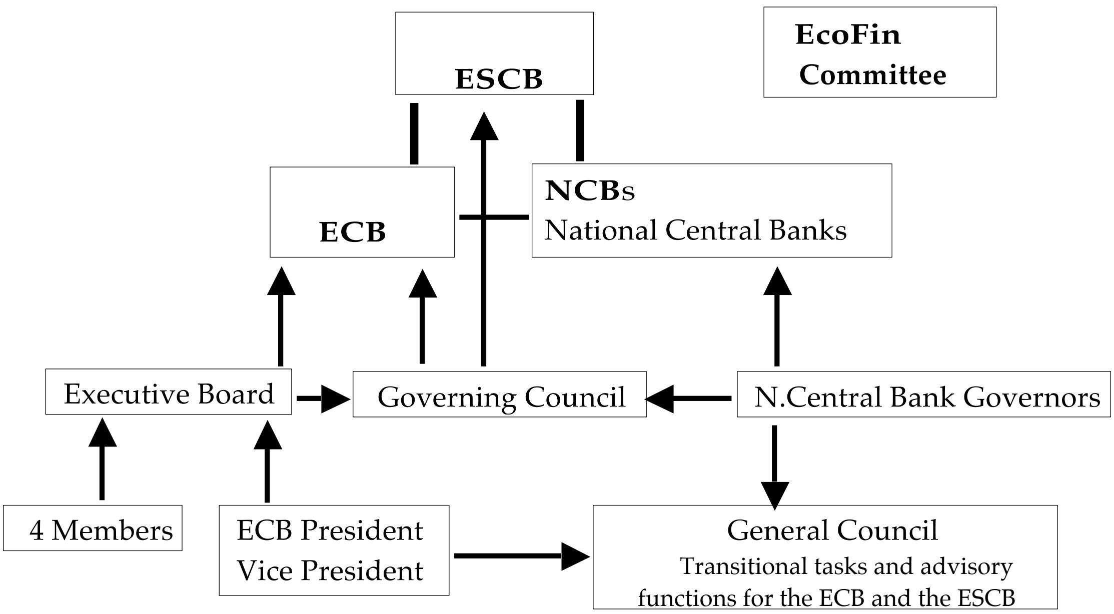
The **National Central Banks** continue to have separate legal personality and continue to play an important part. Together with the ECB, they will form the ESCB – in status they are integral part of the ESCB. (Compared with the Federal Reserve System in the US, the operations of the ESCB are highly decentralized) All NCBs of countries, participating at the EMU are obliged to act in accordance with the guidelines and instructions of the ECB. But while the ECB´s governing council determines the overall stance of policy, NCBs

14 The European System of Central Banks, Briefing 27, Luxembourg 20 Feb. 1997, PE 166.627, p.7

will retain operational responsibility and will also conduct intervention in foreign exchange markets, if such action is deemed appropriate.
"It is likely, that large NCBs such as the Bundesbank and the Bank of France will play an important role in money market operations for example, by conducting regular securities

repurchase tenders. With the help of these so called REPOS the ESCB will supply the
financial system with liquidity, and fine-tune the level of interest rates within the parameters set by the ECBs governing council."[15]

Exhibit 1 – Structure of the Central Bank System in Stage III
Source: The European System of Central Banks, Briefing 27, Luxembourg 20 Feb. 1997, PE 166.627, p.5



The design of the European Central- and National bank system and all

[15] "The key bodies behind the Euro" Financial Times, Thursday, April 30, 1999

decision taking bodies around avoid excessive political influence over the conduct of monetary policy. The ECB itself is by its Treaty obliged to independence and protected from interference from outside as well as accountable for its actions through the European parliament.
The framework for a greater coordination of economic and fiscal policies between the EU Member States is established by the treaty and the work of ECOFIN.

Additionally to ESCB, ECB and NCBs there are a number of bodies involved into financial and economic decision processes:

ECOFIN

is the prime decision making forum on macroeconomic policy, comprising Economics and/or Finance Ministers of all 15 Member States. ECOFIN is responsible for general

economic guidelines, continuing the use of peer pressure to encourage budgetary rectitude. Euro Zone Members have the right to vote on external exchange rate policy for the Euro and against fiscal backsliders. Ecofin´s importance grew with the Single Currency. There are critics and observers who consider ECOFIN as the "Economic government by any other name".[16]

EURO-X,

a forum of finance Ministers of the 11 EMU States sign responsible to work on short term shocks or market turbulences. That forum also determines the positions of EU members in international institutions, such as the IMF, the International Monetary fund, the G-7/G8 (since the Birmingham Summit- 1998 -G8 - due to full Russian participation) etc.

EUROSTAT

the EU`s statistical office, monitors European statistical data, harmonizes them (as national data often vary) and publishes.

THE EUROPEAN COMMISSION

monitors the stability and growth, analyses Member States performance ("convergence"), programs and prepares recommendations on broad macroeconomic guidelines and possible fines.

THE ECONOMIC AND FINANCIAL COMMITTEE

replaces the EU monetary committee. Its members consist of the national treasury officials, central bankers and two members of the European Commission.

[16] "The key bodies behind the Euro" Financial Times, Thursday, April 30, 1999

THE EU-SYSTEM AND THE FEDERAL RESERVE SYSTEM

The EU system seem to be consistent, decentralized (much more than in the US) though the decision taking process might take more time than in the US. But there is no such a dominant person in the EU like Alan Greenspan in the US, whom we blame responsible
for the economic welfare of the whole Union – and world (and fear when he has got a cold before deciding whether to establish new interest rates or not):
The Central Bank of the US, the Federal Reserve System, a creation of the congress is charged with issuing currency and coin, regulating the banking system and taking measures to protect the value of the dollar and promote full employment. Opposite to ESCB system its organizational structure resembles a pyramid. The apex of the pyramid is the board of governors, the FED´s chief policymaking and administrative group of **seven persons**, appointed by the president of the US and confirmed by the Senate for maximum 14 years terms. At the middle level of the pyramid are the Federal Reserve banks (carry out system policy and essential services to banks and financial institutions in their particular regions) and the federal Open market committee. The bottom of the pyramid contains the member banks, supervised and regulated by the FED, and the Managers of the System Open market Account, who are responsible for buying and selling securities to achieve the goals of the FED monetary policy.

The **power of the FED´s board (seven persons) is extensive.** It is independent of legislative and executive branches of the federal government, it issues monetary policy, supervises and controls the activities of the 12 Reserve Banks and the other member banks of the US system, all bank holding companies, foreign banks entering the US and the Overseas activities of the U.S. banks. The FED (and its board of seven persons) does not depend on the U.S. congress for operating funds.[17]

Though we cannot directly compare the US System with the EU (US-Federal System versus a Union of relatively independent National Member States), the US Federal Reserve System cannot be neglected in my considerations.

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17 Rose, Peter S. "Money and Capital Markets"Irwin/McGraw-Hill, Singapore 1997, p.452f

Before the introduction of EMU, the FED´s monetary policy provided a monopolistic power not only to the US but to the whole world's financial transactions. That meant that also European Member States had to consider the FED´s policy in their national transactions. Financial measures of the FED (Interest rates, money supply, Eurodollar, etc.) forced European States to react and follow the implied dictates accordingly, in order to achieve their financial goals. The US Dollar was the main world currency. An exaggerating view might claim, that in a certain way the FED´s policy and its consequences had determined the national policy decision process of many European Member States.

With the introduction of the EMU the European Union managed to create a counterbalance to the FED´s monetary policy and to set its own benchmark in international relations. That relieved also all European Member States from the one-sided US policy, which was certainly not set in order to favor the European Union.

The European Member States are no more dependent on the decision process of "seven persons" (the FED´s board) but relate to the cooperation with the ESCB, a system with a spread and balanced power of decision taking and policy setting, in order to serve the whole Union. The European initiatives have shown alternatives by creating the financial and economic conditions for a stable currency across a group of completely different nations.

CONSEQUENCES

The introduction of the EMU and the single monetary currency has major political and economic consequences. With all its consequences it is a significant step towards the "ever closer union among the peoples of Europe" (first sentence of TEU).

The eurozone is a not homogeneous area. National economies diverge **(see table 8, 16, 35),** due to diverging business cycles and need different measures of regulation. Germany and France e.g. with a GDP growth of 2.2% and 2.4% in 1997 need other monetary and fiscal policy like Spain (3.4% in 1997), Italy (1.7% in the beginning of 1997, 2.8% by the end of that year) and Ireland (7.5% in 1997). While core countries like Germany and France need lower interest rates in order to accelerate their growth, periphery countries like Ireland and Spain need higher interest rates to avoid overheating and an inflationary boom.[18]

France is the one extreme example in about the EU suffering of unemployment-rates above the average. With the NAPE (National Action Plan for Employment) 1998 the French government had designed a national action plan within its national decision body and possibilities in order to enhance the growth potential of the French economy and the employment-rate. One of the most discussed actions was the reduction of the weekly working time to 35 hours starting by 1 January 2000 (for smaller companies – 20 employees and less – by 1 January 2002). Latest figures released by the French Labor Ministry in August 2000 stated – as an impact of this and other measures set – a strong growth in services and construction business and an explosion of part time positions together with increasing wage rates. As a result unemployment decreased towards its lowest level since the early 1990s and will sink below the 10% level of the previous years.

"Despite a recent up tick in inflation, economists here are confident wage pressures remain under control - in part, because of wage agreements tied

18 Schwanzer, Hannelore. "Monetary Nationalism and International Stability" ECON 6725 E (Sept/Oct 1999) termpaper, p.5

to the introduction to the new shorter week" – "Half the second quarter rise in hourly wages was attributed to legislation that reduced the maximum working week in France to 35 from 39 hours, the French Ministry said".[19]

Ireland is the other extreme example in about the EU and needs most attention. While it's economic growth doubled the average European growth of 3%, by the participation in the EMU, interest rates in Ireland were reduced about 3 percentage points at a time when the country necessarily needed increased interest rates to avoid an "overheating" economy.
On the other hand taking into account, that Ireland accounts for only 1/50 of the entire eurozone economy, the importance of intra area divergences is much reduced. Considering the relative size of a country and its share in the European GDP an increasing divergence within the Eurozone is not confirmed.[20]

Exhibit 2
Weighted Standard Deviations of Inflation, GDP Growth and Unemployment in the Euro Area

	1998	1999	2000	2001
Real growth	0.83	0.85	0.53	0.31
Inflation	0.58	0.59	0.43	0.39
Inflation (unweighted)	0.61	0.73	0.73	0.72
Unemployment	2.38	2.04	1.82	1.78

Source: **Gros, Daniel. "One size fits all? - Monetary policy and Diverging Business Cycles within the Euro Area" Centre for European Policy Studies; http://www.europarl.eu.int/dg2/ ECON/EMU/ EN/ default.htm). p.2**

Weighted and unweighted standard deviation of inflation: while the weighted dispersion measure declines and is expected to decline further in 2001, the unweighted measure increased between 1998 and 1999. Even the

19 Simon Jones, Newswires, "The Wallstreet Journal" Monday 21 August 2000

20 Gros, Daniel "One size fits all? - Monetary policy and Diverging Business Cycles within the Euro Area" Centre for European Policy Studies; http://www.europarl.eu.int/dg2/ ECON/EMU/ EN/ default.htm

unweighted measure is not expected to increase in 2000 and is expected to decrease 2001.

Growth and unemployment: Both figures are shown in weighted terms as there is on both a clear reduction in dispersion. They show a downward trend since exchange rates were de facto fixed in 1998.

"Our conclusion is thus, that the Eurosystem should not be concerned with divergences within the euro area. In terms of inflation the dispersion among the "big euro five" is actually rather limited; the divergence that can be observed so far concerns mostly smaller countries, whose weight in the euro area is limited. In terms of other real variables, such as **real growth rates** and **unemployment**, there has been actually
convergence over the last years and this is projected to continue for the near future."[21]
(see also table 3, 14, 16).

As a matter of fact the ECB, and the broad decision taking system of bodies is obliged to work on an independently basis free from influences of the national Member States in order to avoid excessive political influence over the conduct of monetary policy. The decisions upon financial measures will always take the weighted average of the Member States of the European Union under account.

A stable growth in an environment of stable prices will depend to a great part on the appropriate management of monetary policy, but an overall increased performance of growth rates, decrease of unemployment etc. depends on the performance of European productivity.

The Stability and Growth Pact had set tight constraints on fiscal policy, like the „no monetisation", „no privileged access to financial institution" and „no bail out rules" on deficit financing and devaluation or revaluation of a national currency became impossible. In order to balance these issues, the Community had taken over the task by the Cohesion Fund and the Structural Funds **(see table 35 and 36).**

Critics of the EMU argue, that the end of the possibility of altering exchange

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21 Gros, Daniel "One size fits all? - Monetary policy and Diverging Business Cycles within the Euro Area" Centre for European Policy Studies; http://www.europarl.eu.int/dg2/ ECON/EMU/ EN/ default.htm

rates, managed money supply and the set short-term interest rates for the whole euro area might prove insufficient for nations with high unemployment and surplus capacity or others with an economy in danger of overheating (e.g. France and Ireland mentioned above). By giving up the latter measures, traditional mechanisms adjusting disequilibria between economies will no longer be available – for example to balance an asymmetric shock like a rise in world oil prices, which effects national economies differently.

From the alternative adjustments like

· adjustments in relative wage-levels,
· the migration of labor,
· fiscal mechanisms (richer areas contribute relatively more to the Unions budgets),
· capital movements,
· direct aid to poorer areas

will only be the latter two measures available at EU level. Practically it is argued that "European labor markets are too inflexible and migration between Member States too difficult for linguistic and other reasons. The European Community Budget would need to be several times larger to create automatic fiscal adjustments of the kind provided by the US Federal Budget. Finally even the direct aid provided by the EU´s Structural and Cohesion Funds are considered inadequate in the light of the impending enlargement of the EU to the countries of Central and Eastern Europe".[22]

The regional economic and monetary union triggers the co-operation on other matters. The Member States cannot engage in intraregional protection or trade rivalry. With ensured stable exchange rates the creation of the common money and financial markets had become a necessity. This environment had created the opportunities for individual national countries to adopt better business practices in a broad variety (e.g. fight against high unemployment-rate in France).
Hurdles like historic tensions between member states are overcome (e.g. Germany-France). EMU as a larger and more liquid financial market is harder to destabilize than any smaller national market. Figures show a significant improvement in the overall economic policy across a geographical region.

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22 Patterson, Ben. "The Single Currency – Background Brief" EURO PAPERS, EU Parliament, Task-force on economic and monetary Union, Briefing 8, Brussels 30 March 1998, PE 166.162/rev.3, p.17

The system of the EMU is quiet young and useful predictions are difficult as we lack comparable figures of the past. Prof. Lars E.O.Svenson[23] states that monetary policy actions in industrialized countries normally affect real activity and inflation with one to two years lags.

Opinions about the "Enterprise Europe" differ in a broad variety from extremely positive to absolute negative. Only the true value of such a project cannot be found in the unified currency itself. It is the economic and financial convergence that results from the process. The number of measures and efforts to establish "European teamwork" and the willingness of the Member States for a permanent consensus will make the "one size" elastic in order to fit all.

23 "Monetary policy and the Current Economic and Monetary Situation" June 2000 Institute for International Economic Studies, Stockholm University

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