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FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION

SUMMARY OF PHD. THESIS

THE MONETARY POLICY OF THE EUROPEAN UNION. MACROECONOMIC IMPLICATIONS FOR ROMANIA

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Phd. THESIS FULL TABLE OF CONTENTS (without subchapters):

INTRODUCTION

CHAPTER I

THE PRESENT STATE OF THE COMMON MONETARY POLICY
1.1. Theories and models regarding the monetary policy
1.2. The theory of optimum currency areas
1.3. Benefits and risks of enlarging an economic and monetary union
1.4. The common monetary policy conducted by the European Central Bank
1.5. European Central Bank monetary policy instruments
1.6. European Central Bank response after the emergence of the economic crisis

CHAPTER II

THE ECONOMIC AND MONETARY UNION. AN EVOLUTIONARY ANALYSIS

2.1. A short history of the European monetary evolution
2.2. The stages of the single currency introduction
2.3. Euro zone creation process
2.4. The effects of the euro introduction and of the common monetary policy upon the euro zone
2.5. Case study: the experience of Portugal into the Economic and Monetary Union

CHAPTER III

THE POSITION OF THE NEW MEMBER STATES IN THE ECONOMIC AND MONETARY UNION

3.1. Case study: the euro adoption process in the new member states
3.2. The evolution of the central and east European countries that have not yet adopted the common currency, starting with the year 2000

CHAPTER IV

THE IMPLICATIONS OF STARTING THE EURO ADOPTION PROCESS BY OUR COUNTRY

4.1. The characteristics of the Romanian banking system
4.2. The stage of fulfillment of the nominal convergence criteria
4.3. The situation of the real convergence
4.4. Projections regarding the future economic evolution of Romania

CONCLUSIONS
BIBLIOGRAPHY
ANNEXES

INTRODUCTION

The adoption of the single currency in Romania is a subject much debated lately at the national level. The political decision makers set the year 2015 for finalizing this process, and together with the economic and monetary decision makers try to fulfill all the necessary conditions in order to enter the euro zone. In this context, studying the preparedness of the Romanian economy for entering into the Economic and Monetary Union is of a capital importance for the above mentioned decision makers, as well as for the academic environment. Moreover, the introduction of the common currency will have effects over the entire economic and social spectrum, and the consequences of this process will manifest themselves before, but also after completing the process of switching from the national currency to the euro currency.

The subject of the doctoral thesis was chosen for two main reasons. First, because my academic background and my professional curiosity directed me towards the applied monetary field and by completing this doctoral thesis I intended to extend my horizon by adding new knowledge, both theoretical and practical. Second, because I have noticed that during the political discussions, the euro adoption process is assiduously debated, but without the transparency required for thoroughly understanding the effects – both positive and negative – that derive from this process. The adoption of the euro currency seems to constitute for Romania the solution for many economical, political or social problems, while the effort involved in order to attain this objective, as well as the possible negative consequences are not fully presented. We considered very important to analyze the way in which the applied euro zone monetary policy will influence the political decisions in our country, as well as the way in which the adoption of the euro in Romania will determine the behavior and the competitiveness of the Romanian economy in the future.

We had pursued a number of objectives in the doctoral thesis. The first was to analyze and understand the functioning mechanisms of the common monetary policy. We have tried to answer the questions regarding the real efficiency of a common

monetary policy, to identify the limits of this policy, and to quantify the instruments and mechanisms through which the common monetary policy determines certain effects in the real economy. The second objective was to explain the need for the euro adoption in the case of the first member states, in 1999, by analyzing the specific conditions, the stages of the euro introduction process, and the effects of this process after the creation of the Economic and Monetary Union. The third objective was to evaluate the common currency adoption process by the new member states, as well as the economic evolution of the central and east European countries that have not yet adopted the common currency, here including Romania. Finally, the last objective was to evaluate the preparedness of the Romanian economy for the adoption of the common currency, based on the analyzing the first three objectives, and using personal projections.

In order to attain these goals, we have used many methodological instruments, which included the descriptive research, critical comparative analysis, synthesis, deduction and prognosis. The descriptive research was used in order to highlight the evolution of the theory regarding the role of the central banks in conducting the monetary policy, as well as the theories regarding the development of the monetary integration process in Europe. We have analyzed three case studies in order to detail the ways in which all 17 states went through the process of the euro currency adoption, and also to present the negative economic experience of a specific member state (Portugal) after the introduction of the common currency. The quantitative and qualitative analysis was used for gathering and interpreting the macroeconomic statistical data of the countries that entered or will enter the euro zone. The comparative analysis was used mainly for drawing parallels between the dynamic evolutions of different countries that were studied. Finally, deduction played an important role, especially at formulating conclusions regarding the future evolution of the Romanian economy after joining the Economic and Monetary Union, based on the general model built previously, but also based on the experience of the other European states that have adopted the euro currency previously.

CHAPTER I

THE PRESENT STATE OF THE COMMON MONETARY POLICY

In this chapter, we have analyzed the main theories and models of monetary policy and the paradigms upon which the optimum currency areas theory was developed. Starting from the idea that the European Union does not constitute an optimum currency area, we have identified, in particular, the main benefits and risks when a state enters the euro zone, and the main benefits and risks of euro zone enlargement. In order to underline the existing differences between the two "super state" banks of the world, we have presented the organization and functioning of the Federal Reserve System from the United States and the European Central Bank. We have shown the functioning traits of the European common monetary policy, by identifying the monetary strategy, the limits of the monetary policy and the transmission mechanism of the monetary policy decisions in the Economic and Monetary Union. A distinct subchapter was dedicated to the analysis of the monetary policy instruments, detailing the three main categories. In the last part of the chapter, we have presented the European Central Bank response after the onset of the economic crisis and the way in which the monetary policy instruments were modified in order to better function in the existing circumstances.

The economic theory regarding the creation of the optimum currency areas evolved in parallel with the consolidation of a single European monetary system, but at a faster speed. At the beginning of the `60, the theory of optimum currency areas underlined the essential conditions for setting up a successful monetary union. These concerned the mobility of the workforce and capital, the flexibility of prices and wages, and especially the synchronization of the business cycles of the participating states, in order to avoid destabilizing asymmetric shocks. Moreover, the theory stipulated the existence of advanced fiscal transfer mechanisms capable of redistributing funds towards the countries that would be negatively affected when the above-mentioned conditions are not completely fulfilled. In spite of sustained efforts, the prerequisite

conditions were not met at the moment when the euro zone was created, and we could conclude that even today, after more than 12 years since the creation of the Economic and Monetary Union, they are far away from the initial standard imposed by the theory of optimum currency areas. Besides capital, which has a high degree of mobility, the labor force has a reduced mobility and prices and salaries are regulated in most of the countries from euro zone. We have identified that one of the most important vulnerability arises from the fact that the business cycles of the countries belonging to the Economic and Monetary Union are not strongly correlated, and, moreover, there is not a strong evidence that after the creation of the euro zone, this synchronizing process would have accelerated in any way. Regarding the fiscal transfers, there are slow implementation procedures, and the stabilizing programs are few, the budget of the European Union representing a small portion of the overall GDP, and a big percentage from this budget being allocated to the strategic sector of agriculture.

Because of all these, we could conclude that the process of euro zone creation was a political endeavor, the economic criteria being secondary. The ultimate goal of this process was to achieve the monetary unification, relying on the fact that economical convergence will take place afterwards, in time, facilitated by the increased institutional and legal convergence. An important step of this unification process was the creation of European Central Bank, which was to conduct the common monetary policy of the euro zone. The main objective of this common monetary policy was enshrined in the Treaty, and this was price stability. Analyzing the average inflation during the whole existence of the euro zone, we could infer that this objective was accomplished. Moreover, the volatility of the inflation rate in these 12 years was minimal, with the exception of the inflationary episode generated by the rapid increase of oil and food prices in 2008, as well as the ensuing deflation, the first one that happened in the lifetime of the Monetary Union.

An important conclusion was that there are serious limitations for the effects of the monetary policy conducted by the European Central Bank, and the most important one arises from the fact that the fiscal policy is still conducted at the state level. Some

states from the Union use the fiscal policy in order to accelerate the process of economic convergence, or simply in order to counteract the negative effects that appear at the country level, because using their own monetary policy is not an option anymore. This situation is adding important pressures on the euro zone price stability, a fact that further increases economic instability for member countries. This phenomenon amplified in the last years, more and more opinions claiming that the Economic and Monetary Union will survive only if it employs also a thorough fiscal union. Another important phenomenon that influenced and will influence the success of the monetary policy is the oil price movement. The development of the world economy was based on affordable energy, and a rapid increase of the oil price affects all economic sectors, determining an increase in inflation. If these increases are sudden and unanticipated, the effects on the economy are immediate and important, the European Central Bank mission to stabilize the prices being thus more difficult.

In order to rapidly influence the existing liquidity on the market and to exercise a firm control over price movements, the European Central Bank developed many instruments, which can be classified in three groups: open market operations, standing facilities and minimum reserves. Because these instruments were constructed to be flexible, the decision makers were able to modify them to better suit the new unstable environment after the crisis emerged. The main modifications were: changing the auctioning rules for the open market operations; increasing the number of eligible assets accepted as collateral; extending the maturity of the longer term refinancing operations, increasing the liquidity for the foreign currency (especially US dollars), and allowing the ECB to buy debt certificates issued by banks. Therefore, the European financial institutions had access to financial resources and were able to function properly. We concluded that the mechanisms employed by the European Central Bank in order to fulfill the primary objective of the monetary policy – price stability on the medium term – are very complex and these mechanisms played a decisive role in assuring an adequate level of short and long-term liquidity in the banking system.

CHAPTER II

THE ECONOMIC AND MONETARY UNION. AN EVOLUTIONARY ANALYSIS

This chapter presents the European monetary evolution, detailing the stages of the common currency introduction. The chapter also contains two important case studies, the first one regarding the euro adoption process in the founding states of the euro zone, and the second one presenting the economic experience of Portugal after it entered the Economic and Monetary Union. Another direction of research was to identify the effects of the euro introduction and the utilization of the common monetary policy in the euro zone, by thoroughly analyzing the evolution of the inflation rate, of the economic growth and productivity, of the financial market, labor force market and the degree of synchronization between the business cycles.

The next step was to analyze the process of euro introduction, which took place in three distinct stages. During these stages were created the convergence criteria to be fulfilled by the member states, the institutional structures and the legislation. In 1999 eleven European states adopted the common currency, and later Greece, Slovenia, Cyprus, Malta, Slovacia and Estonia entered into the Economic and Monetary Union, after fulfilling the nominal criteria of convergence. Analyzing the adoption process for these 17 states, we discovered situations in which the nominal convergence criteria were not fulfilled completely, but instead certain derogations and interpretations were used. This finding confirms once again that the decision to create the euro zone was politically driven, based on the assumption that in time the economic variables of the participating countries will also converge, in order to better fit the conditions laid down by the theory of the optimum currency areas.

After analyzing the effects of euro currency introduction and of the common monetary policy on the states participating in the Economic and Monetary Union, until

the emergence of the global crisis, we can affirm that this initiative was a success. Euro became in a short time a pillar of monetary stability, its role being recognized internationally. Due to its performance and the general acceptance by the economic actors, the common currency became the second international currency, after the American dollar. A big percentage of the daily international trade or financial transactions are denominated in euro, and many countries from around the world increased their national currency reserves held in euro. Many positive aspects happened after the introduction of the common currency. There we will mention the gradual decrease of the inflation rate, which, following the coherent policy conducted by the European Central Bank, stabilized at 2%; a moderate economic growth of approximately 2% annually, recorded until the emergence of the economic crisis, but unfortunately not accompanied by an increase in the labor productivity; an increase of the employment rate in the euro zone, accompanied by labor market reforms; a greater fiscal stability, enforced by the stricter provisions of the Growth and Stability Pact; an acceleration of the states` financial integration, with decreasing interest rates and more flexible investing environment.

Analyzing in depth these positive aspects, we discovered that they are not linear, but they manifest differently from country to country, depending on the economic, social or even political factors. We could conclude that most of the advantages belong to states that have a strong economic development, which posses an advanced technological base, have high labor productivity and a diversified export structure. The economies of these states are highly homogenous, with strongly synchronized business cycles, which respond well to external adverse shocks, and moreover, these states can exert important influence at the political level of the Economic and Monetary Union. Therefore, the creation of the euro currency represented a continuation of the economic power consolidation for these states, which also benefited by the greater monetary stability, the growth of their product markets and the growth of investing opportunities. On the other side, the results were mixed for the states situated at the periphery of the euro zone. It is certain that for these states,

after the introduction of the common currency, the stability of the monetary system increased, because the inflation rates decreased (albeit not so much as in the developed states), the transaction costs were smaller, the exchange rate volatility and interest rates decreased. Still, because of the particularities of these economies or the lack of political will, sometimes these advantages morphed in disadvantages. Moreover, because the economic development pattern for these states was different from the one existing in the euro zone`s big economies, and, in addition, the business cycles were not synchronized, the common policies had positive results only when the economic situation of a "satellite" state resembled the one existing in the bigger states. Most of the time, because of an obsolete technological base, of low labor productivity, undiversified, uncompetitive exports, the smaller states could not crystallize the monetary advantages in economic advantages. Moreover, they had to endure the asymmetric shocks that appeared in this period of time, and the lack of a national monetary policy was detrimental for them.

In the case study of Portugal`s economy we have showed that the exuberance caused by the introduction of the euro currency, seen as a catalyst for economic development, of future reforms and increased living standards, was not justifiable. The adoption of the common currency did not mean the disappearance of all economic problems and the start of strong economic growth. The monetary stability, no matter how attractive, is just one of the conditions – even if probably the most important – for economic growth. There are many other desiderates that must be fulfilled before starting the euro adoption process, otherwise a too early adoption can slow down or even stop the convergence process. Analyzing the case of Portugal, we could infer that the process of entering the Economic and Monetary Union must not be a goal in itself, but instead the last measure following the thorough preparation of the economy for the post-adoption realities. If this chronology is not used, the short and medium term risks are significant, and on the long term, there is the possibility that the economic imbalances will persist or even deepen.

CHAPTER III

THE POSITION OF THE NEW MEMBER STATES IN THE ECONOMIC AND MONETARY UNION

The third chapter of the doctoral thesis analyzes the process of the common currency introduction in the new member states. In this chapter, we have detailed the experience of Slovenia, Cyprus, Malta, Slovakia and Estonia in adopting the euro. After that, we have detailed the situation of the central and eastern European countries that have not yet adopted the single currency, the analyses being done over two separate timeframes, before and after the emergence of the global crisis.

After entering the European Union in 2004, the ten new member states intensified their efforts in order to enter the Exchange Rate Mechanism II, precondition for entering the euro zone. In that time the economic, financial and institutional differences between these countries and the ones belonging to the Economic and Monetary Union were significant, therefore the efforts undertaken in order to attain convergence were considerable, and had high costs. The basic characteristic of the ten countries that joined the European Union in 2004 was the big difference in economic development, measured by GDP/capita. Adding the fact that some economic sectors from these countries have not yet adapted to the international competition, there was the danger that once the economic convergence accelerated, the volatility of the economic growth would intensify. In this case, the business cycles from these countries would become less synchronized with the ones from the euro zone countries. This situation would reduce the efficiency of a common monetary policy, to the point where this would not be beneficial for these new states.

We have identified in the thesis two conditions that are necessary for a smooth euro adoption process in these new member states: the reduction of GDP/capita levels between these new member countries and the ones form the euro zone, and a

harmonious evolution of prices and wages in the new member countries. If the prices adjust faster to the ones existing in the euro zone, the real wages will decrease and so will the standard of living. If the wages increase faster than the increase in productivity, these countries would lose in the medium term important market share because of decreased competitiveness, with negative effects on the employment rate.

Rapidly increasing labor productivity in the new member states plays an important role in the reduction of the GDP/capita differences. In the long term, in order to utilize the high skill labor efficiently, the countries that desire to enter the euro zone must concentrate especially on creating products of high value. Also, maintain low wages would accelerate the emigration process and the countries would lose an important part of their high skilled workers. Immediately after the euro introduction, the average economic convergence speed between different regions was 2-4% of the initial difference per year. In this case, assuming *perpetual favorable economic conditions*, the countries that joined the European Union in 2004 and which had 50% of the average euro zone GDP/capita, would require between 18 and 36 years in order to reduce the economic imbalances (corresponding to an economic convergence speed of 4% and 2% per year respectively).

After the fall of communism and the dissolution of the planned economy, the central and east European countries saw their total GDP decrease, mainly due to obsolete technologies of production, as well as because of the market opening process, which allowed the entering of western competitive products. In the second part of the `90 this GDP decrease slowed down, and starting with the year 2000 the great majority of these countries experienced rapid GDP growth. This process was sustained by increased foreign direct investments, which were attracted by the implementation of structural and macroeconomic stability reforms, as well as by the global reduction of interest rates determined by the rapid development of the financial sector – which in the end led to an increase in consumption. Besides that, the implementation of institutional reforms and legal regulations, which were necessary in order to successfully join the European Union, had a positive influence on trade development and financial

integration. In the end, we must also mention that, contrary to the situation existing between the founding countries of the euro zone, the existing differences between the central and east European countries regarding the level of GDP/capita are much more important.

In time, through sustained efforts, five out of ten states that joined the European Union in 2004 introduced the common currency: Slovenia in 2007, Cyprus and Malta in 2008, Slovakia in 2009 and Estonia in 2011. The other five – Hungary, the Czech Republic, Poland, Lithuania and Latvia – together with Bulgaria and Romania, which joined the European Union in 2007, are in different stages of the euro adoption process.

The global crisis had a deep impact on the economies of central and east European countries. If the robust economic growth of these countries often surpassed the growth of the countries belonging to the Economic and Monetary Union, after the year 2008 this situation reversed. This fact was determined mainly by the reduction of foreign capital flows and especially by the reduction of private consumption, caused by the generalized decrease of incomes. The decrease of incomes affected in time the banking sector, mainly the volume of underperforming loans, which grew very fast in these countries.

We discovered that these events manifested strongly especially in Romania, Latvia and Lithuania, countries that at present experience high levels of uncertainty regarding the future economic and financial situation. Their pattern of development was based mainly on internal consumption (which in turn was also based on credit), instead of trying to increase the economical performance, can explain also the different ways in which the economies of these countries reacted after the emergence of the global crisis. After the effects of the crisis determined a substantial reduction of incomes, the total GDP also decreased, especially in the countries that in the previous years based their economic development mainly on consumption and overlooked the importance of increasing export competitiveness.

CHAPTER IV

THE IMPLICATIONS OF STARTING THE EURO ADOPTION PROCESS BY OUR COUNTRY

In the last chapter of the thesis, we have analyzed the current economic situation of Romania and examined the effects exerted by the euro zone common monetary policy for more than a decade upon the Romanian strategy for euro adoption. This last chapter also analyzes the fulfillment of the nominal convergence criteria and assesses the degree of real convergence, through the quantification of the main macroeconomic indicators. The chapter also contains projections regarding Romania`s future evolution until the presumed moment of euro adoption (the year 2015), projections based on the analyses conducted by important institutions (European Commission, European Central Bank, National Bank of Romania, etc.), as well as our own interpretations.

The euro adoption is conditioned by fulfilling the Maastricht`s nominal convergence criteria regarding the level of inflation, the budgetary position, the government debt, long term interest rate and the stability of the exchange rate. The inflation in Romania slowed form 45,7% in 2000, down to a minimum of under 5% in the year 2007. The massive increase of energy and food prices determined higher inflation in 2008. After the effects of the global crises appeared and the stability measures were implemented – which included raising taxes and administered prices – the inflation remained high. Taking into consideration the fact that food and energy represent over 60% of the index of commodity prices, and the fact that in the future the prices for these categories of goods are expected to stay high (because of international price increases and the necessity of price alignments in our country), the measures implemented in order to lower the inflation rate must be decisive.

The Romanian budgetary deficits before the year 2008 were under the threshold of 3% of GDP. After the emergence of the global economic crisis they increased to 5.4% in 2008, 8.3% in 2009 and 6.4% in 2010, because of lower revenues determined by a decrease in consumption and also because of the decrease of the general level of GDP. Because of these results, our country was subjected to an Excessive Deficit Procedure and must remedy this situation until 2012, when the budgetary deficit must be less that 3% of GDP. After a thorough examination, we concluded that this target is an optimistic one, because increasing revenues is improbable, due to an already burdensome taxing system and minimal revenues from capital investments. Continuing to reduce the budgetary spending is also difficult, due to the strong social pressures that exist at the current moment. In the long term, we have identified an important vulnerability of the fiscal system, caused by the fast aging of the population. The projections of European Commission anticipate that by the year 2050 the number of people older than 65 will surpass the number of people aged 15-65. This fact will bring additional pressures upon the future budgets, even if the future economic development of Romania is a positive one.

The level of government debt is the only nominal criteria fulfilled by Romania. This increased from a minimum of 12.7% of GDP in 2007 to over 30% of GDP at the end of 2010, an increase caused by the reduction of the GDP and raising the volume of loans that were used to finance the deficits. O great proportion of these loans are denominated in euro, and this represents a potential danger if the national currency devalues significantly. We anticipated that in the future the level of governmental debt will increase, albeit conservatory, as to not surpass the 60% of GDP level until the introduction of the euro currency.

The exchange rate of the Romanian currency appreciated until the year 2007, when a minimum of 3.2 ron/euro was recorded. After the crisis appeared, the national currency depreciated rapidly and its volatility increased. The exchange rate presently stabilized at the 4.2-4.3 ron/euro level, and in the future, assuming that the economic-financial situation does not deteriorate drastically, we do not expect dramatic moves of

the exchange rate. The long-term interest rate criterion is not fulfilled by Romania, being 3.4% more than the reference value calculated, for the year 2010.

Regarding the evolution of the real convergence indicators, even if the level of GDP/capita increased by 300% (from 1809 euro/capita in 2000 to 5428 euro/capita in 2009), we are still far away from the average GDP/capita recorded in the European Union. This increase from the last decade, until the emergence of the crisis, was based on the sustained yearly economic growth, which was much higher than the growth recorded in the European western states. After Romania entered the recession period and the economic activity slowed down faster than in the majority of the European states, the differences grew again, so in real terms the GDP/capita in Romania represents *one quarter of the average* GDP/capita from the European Union. Things are better if we employ the purchasing power parity, but not even in this situation we do not pass the 50% threshold from the European Union average.

The structure of the economy is another real convergence indicator, our country being more agrarian, when compared with the euro zone countries. Thus, the contribution of agriculture to the GDP formation in 2009 was 7%, almost four times bigger than the average recorded in the Economic and Monetary Union. We must also mention that there was a rapid process of reducing the contribution of agriculture to GDP formation, in the year 1990 the above-mentioned contribution being 19%. On the other hand, the contribution of the service sector to the formation of total GDP is 55.7%, while in the euro zone service`s contribution is almost 75%. The difference is determined by the construction sector (which was hardy hit by the crisis) and industry, which is uncompetitive and consumes much energy, when compared with the industrial sectors from the euro zone countries.

Romania`s trade grew in the last year and a half, but its value is low when compared with other developed European states, or even its ex-communist neighbors. Increasing the pace of the trade growth in the next years will be possible if Romania will reorient to export products that have high technological content. A necessary condition for this process to take place is to increase the foreign direct investments

which will bring additional capital and know-how, but because of the uncertainties brought by the economic crisis, it is improbable that this event will happen in the short or medium term.

The evolution of GDP in the next years is probably the most important component of the future successful euro adoption. If the economic growth resumes, as seen by the European and Romanian projections, it will bring beneficial effects. If this economic growth is backed by coherent monetary policies, the monetary and labor force markets will function properly and the fiscal environment will improve. But, like any other medium or long-term prognosis, we will discover in the next years if this projection holds true until 2014, or if the crisis will determine the reevaluation of the prognosis models.

The real convergence must take place at the same time with fulfilling the nominal convergence criteria, *before* the adoption of the common currency. Adopting the common currency before achieving a minimum real economic convergence would be risky and counterproductive. Even if entering the Economic and Monetary Union is not conditioned per se by meeting these criteria, the introduction of the common currency and losing the capacity of having a national monetary policy will decisively hinder the process of fully reaching the economic development potential. After giving up our own currency, the only mechanisms we could use to make adjustments will be the labor force market, the goods and services market and the fiscal policy. Because we will lack control over the interest rate and the exchange rate, this will affect the optimum occupancy of the labor force and the stability of prices. The common currency adoption must thus represent the final effort after achieving a high degree of real convergence, and not a prerequisite for starting the convergence process.

CONCLUSIONS

In the doctoral thesis, we have analyzed the evolutionary stages that led to the creation of the Economic and Monetary Union, the common monetary policy of the euro zone conducted by the European Central Bank and the way in which the European states completed the process of the common currency adoption. We have examined the economic development patterns of these states after the euro adoption, identifying the positive and negative aspects that resulted. An important part of the doctoral thesis included the studying of the economic evolution of the other European states that are preparing to join the Economic and Monetary Union, a study that was conducted before and after the emergence of the global crisis. In the end, an important part of the thesis aimed to analyze the Romanian economy preparedness for the future introduction of the common currency. This included identifying the main actions that are necessary in order to accelerate the convergence process and the fulfillment of the convergence criteria, as well as projecting the probable future economic development path until the year 2015, which is the target for euro introduction.

We can conclude that the Economic and Monetary Union was the most daring project of a united Europe. This idea was born after the Second World War from the desire to avoid other conflicts and was based initially on the concept of economic cooperation, because it was thought that when different countries have convergent economic goals regarding their welfare, they would work together in order to reach these goals. At first, this cooperation took place just in a few strategic fields and just between some countries that were quite similar economically and culturally. In time, after more countries joined, the system became more and more complex, and the resources needed to keep it balanced became larger. The fact that each state used its own monetary policy in order to reach the national economic goals became in time a problem, because the monetary policy measures were implemented without considering the negative consequences that could affect the other countries. It was thus understood that in order to successfully reach a close economic cooperation between countries, they must give up a part of their own monetary policy decisions, in order to reach a

consensus. During many decades, the European monetary system changed a lot and adapted in response to the different shocks that appeared, sometimes the existing arrangements seeming ready to give way.

The introduction of the euro currency in Romania can be an important achievement for our country, the result of a process that started many years ago. We have underlined many times that the most important aspect of this process is the fulfillment of the real convergence criteria. This is an important condition in order to have a positive evolution after the introduction of the euro currency and not face permanent and substantial unbalances afterwards, as it was the case of Portugal presented in the thesis. We consider that the interest in reaching a high degree of real convergence is missing from the decision makers` list of priorities, and this fact can have negative consequences in the future. We are talking about actions aimed at increasing GDP/capita, increasing the productivity of the labor force, increasing the export volume and competitiveness. Lastly, measures that will change the structure of the economy must be implemented in order to make it more similar with the structure that exists in the euro area. This will in turn increase the degree of business cycles synchronization between Romania and the euro zone, preventing the negative effects created by asymmetric shocks to appear. In the end of the doctoral thesis we concluded that the speed of real convergence will be limited during this short time horizon of four years, even the optimistic prognosis of our decision factors anticipating a modest economic recovery until 2015. Taking into consideration the economic evolution in the last decade of these macroeconomic variables, and also the fact that the present and future uncertainties are greater, most probably that the future euro adoption will take place without major changes of the degree of real convergence, but only through great efforts aimed especially towards fulfilling the strict nominal convergence criteria. In this case we anticipate that the future euro introduction in our country will be probably followed by a period of instability, in which the capacity of our economy to respond and adapt will diminish due to the lack of a national monetary policy.

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