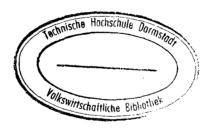
ECONOMIC CONVERGENCE AND MONETARY UNION IN EUROPE

Edited by Ray Barrell





Association for the Monetary Union of Europe National Institute of Economic and Social Research

Contents

	Contributors and Participants Preface	ix xi
1	Macroeconomic convergence in Europe: achievements and prospects Robert Anderton, Ray Barrell and Jan Willem in't Veld The analysis of convergence Exchange-rate developments Prices and costs Interest rates Government debt External balance Unemployment Longer-term prospects and convergence in Europe Conclusions	1
2	Nominal convergence in European wage behaviour: achievements and explanations Robert Anderton, Ray Barrell and James McHugh Introduction Labour markets and the ERM Wage behaviour Trade and competition Conclusions	31
3	European Monetary Union: design and implementation Enno Langfeldt Introduction Institutional monetary framework and monetary goals The role of fiscal policy in a monetary union The transition process	58

4	France and Italy: a tale of two adjustments Paolo Onofri and Stefania Tomasini Some preliminary remarks	70
	Two adjustment policies: France and Italy in the 1980s The oil shock adjustment A comparison of the performances of goods and labour markets From credibility to sustainability Conclusion	
5	The achievements of the ERM and the preconditions for monetary union: a French perspective Christian Bordes and Eric Girardin Introduction France in the new EMS (from 1987 onwards)	98
	France and European monetary union Conclusion	
	Appendix: French proposal for EMU (28 January 1991)	
6	Irish experience of monetary linkages with the United Kingdom and developments since joining the EMS John Bradley and Karl Whelan	121
	Introduction The sterling link: Ireland and the United Kingdom 1800-1979 Moves towards breaking the sterling link Ireland within the EMS: 1979-91 The small open economy: an interpretative framework Evaluating and interpreting Ireland's EMS experience Conclusion	
7	German Monetary Union and some lessons for Europe Willy Friedmann Introduction German monetary union: a review of events and implications Summary and conclusions	144
8	The diverse experience of the Netherlands, Belgium and Denmark in the ERM Jan Willem in't Veld Exchange rate policies and reputation in the ERM Adjustment policies in the 1980s ERM effects and the cost of disinflation Convergence and preconditions for monetary union Conclusions	154

9	Real and nominal convergence in the EMS: the case of	
	Spain, Portugal and Greece	174
	Bénédicte Larre and Raymond Torres	
	Introduction	
	Can South European countries sustain a	
	positive inflation differential?	
	Structural impediments to lower inflation	
	The catch-up	
	The inflation performance in Spain	
	Conclusions	
10	An Ecu zone for Central and Eastern Europe:	
	a supportive framework for convergence	191
	Stefan Collignon	
	Economic stability and currency convertibility	
	as fundamental norms of a monetary economy	
	The creation of an Ecu zone	
11	External implications of EMU	212
	John Williamson	
	Target zones	
	Policy coordination	
	The numeraire	
	The multiple currency system	
	Concluding remarks	
12	Cohesion as a precondition for monetary union	
	in Europe	220
	Iain Begg and David Mayes	
	Introduction	
	The magnitude of existing disparities	
	The effect of EMU on disparities	
	The adequacy of the current policy package	
	in furthering cohesion	
	Requirements to enable monetary union to proceed	
	Conclusions	
13	Prospects for monetary union in Europe	241
	Ray Barrell	
	Disenchantment with flexible exchange rates	
	Preconditions for union in Europe	
	Is a realignment necessary?	
	Structural convergence in Europe	
	The need for structural change	

viii Economic Convergence and Monetary Union in Europe

Appendix to Chapter 13

Malcolm Levitt

Industrial and commercial firms
Banks
Inter-bank payments systems
Other issues
Conclusion

References 255