

The European Monetary Union – First Years



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Basic Facts

- **The legal framework for the EMU was established by the Maastricht Treaty (1993).**
- **The Euro is used among banks since 1999 and by the public since 2001.**
- **The Euro is the official coin of 19 out of 28 EU Member States.**
- **The ECB (European Central Bank) is the EU institution in charge of the EMU.**

Eurozone Member States

Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Spain.

Non-Members

**Bulgaria, Czech Republic, Croatia
Hungary, Poland, Romania, Sweden.**

**EU Member States with an Opt-Out
Denmark, the UK.**



Eurozone's Legal Framework

- **TEU and TFEU provisions.**
- **EU Regulations and Directives.**
- **Judgments by the CJEU, interpreting legislation.**
- **Member States' Domestic (implementing) legislation.**



The ECBS (European Central Bank System)

Three Circles:

•The ECB:

- Executive Board
- Board of Governors – since the access of Lithuania (2015) voting by rotation:

<https://www.ecb.europa.eu/explainers/tell-me-more/html/voting-rotation.en.html>

•EMU Member States' Central Banks – enforcement.

•EU Member States' Central Banks – consultation.



The Maastricht Convergence Criteria (Art. 140 TFEU)

- **Inflation:** the unweighted arithmetic average of the similar HICP inflation rates in the 3 EU member states with the lowest HICP inflation plus 1.5%.
- **National debt:** up to 60% of national GDP.
- **National deficit:** up to 3% of national GDP.
- **Exchange rate stability:** no devaluation or 'severe tensions' during previous two years.
- **Long term interest rates:** no more than 2.0% higher, than the unweighted arithmetic average of the similar 10-year government bond yields in the 3 EU member states with the lowest HICP inflation.

Sanctions:

- **Commission warning**
- **European Council decision**
- **CJEU judgment**
- **Fines**



The Stability Pact

- **Constant surveillance by EU Commission on the economic and financial stability of the EU/Eurozone Member States and candidates.**
- **Published reports every 6 months.**
- **Peer pressure.**



Monetary Sovereign Authorities Given up by EMU Member States

- **Determination of interest rate.**
- **Devaluation of currency.**

Instruments left in the hands of national regime to deal with financial crises:

- **Domestic taxation.**
- **Austerity.**
- **Independence in determining national budget.**





Conclusion

- **The EMU means that all its Member States agree to share the same monetary disciplines, advantages and risks.**
- **In times of financial crises, the main danger is that this framework would facilitate spillover of the crisis among its Members.**
- **Also, solidarity implies mutual financial assistance in times of crises.**
- **These aspects have been sources of major concern in the current financial crisis.**
- **In turn, they led to the establishment of the ESM and ‘Six Pack’.**



Thank You

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