

Introduction to the Special Issue “20 Years of the Euro: Achievements and Challenges”

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On March 7-8, 2019, the University of Seville hosted a conference - “20 Years of the Euro: Achievements and Challenges” - to mark the twentieth anniversary of the euro. In keeping with the spirit of the European Union, the conference was jointly organized by the University of Seville (Spain) and the University of Coimbra (Portugal), with the participation of members of the research centres of both universities (Chair of Competition Policy, University of Seville and Centre for Business and Economics Research, CeBER-UC), and with the support of the Europe Direct Centres of Coimbra and of Seville, as well as of regional authorities, namely Junta de Andalucía and Comunidade Intermunicipal da Região de Coimbra (CIM-RC).

Nevertheless, the conference assembled a diverse set of speakers. The choice of speakers was guided by the aim of ensuring that the conference heard views on the euro emanated from the periphery of the Eurozone, from the centre of the Eurozone, from outside Europe and from European countries that are not members of the Eurozone.

The topic of the first session of the conference was “Portugal and Spain in the Eurozone: Stability and Crisis”. Luis Ángel Hierro Recio (University of Seville) presented a paper (“**20 years of European monetary policy. From doctrinarism to realpolitik**”) co-authored with Antonio José Garzón and Helena Domínguez-Torres (also from the University of Seville). The paper provides a review of the macroeconomic performance of the Eurozone. One key issue is that monetary policy may have been counter-cyclical for the central economies, but pro-cyclical for the periphery. In addition, the paper assesses how the behaviour of the European Central Bank (ECB) evolved over time, especially after the inception of the sovereign debt crisis, which affected mainly the peripheral Eurozone economies. The paper concludes that the behaviour of the ECB has departed from what a strict reading of the Treaty on the Functioning of the European Union implied (the “doctrinarism” that established price stability as the sole goal of monetary policy). The crisis has forced the ECB to move towards Fed-like

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“realpolitik”, i.e., the ECB is now taking a view on a much broader set of issues, not only economic but also political, and acting on that view.

The second paper of the first session (“**Portugal in the Eurozone: Evolution and Expectations**”) was presented by António Portugal Duarte (University of Coimbra). The paper's other co-authors are Pedro Bação (University of Coimbra) and Sara Cerdeira (Statistics Portugal). In this paper, the authors begin by recalling childhood memories, an unusual feature in economics journals. Those memories establish the contrast between what life in Portugal was like before and after the Euro (and the European Union). The other contribution of the paper is to present estimates of the state of expectations in Portugal and in Spain since the adoption of the Euro. Those expectations collapsed when the sovereign debt crisis began, but are now slowly recovering. Given that collapse, it was natural for the anti-EU voices to receive more attention. The recent recovery may assuage those concerns and may help explain the high popularity of the Euro in Portugal. The “realpolitik” of the ECB probably had some importance for this evolution.

The second session of the conference discussed the topic “The Euro viewed from the Centre”. The first speaker was Julio Duran (Banco de España, with spells in the EU Monetary Committee and the ECB, among others). Duran’s presentation – for which, unfortunately, there is no corresponding paper in this issue – addressed the challenges for monetary integration in Europe, namely in the light of the events since 2007. It focused on financial institutions and indicators, and on the prospect of a banking union. The presentation stressed the need for a capital markets union, pan-European banks, sound fiscal policies, fiscal coordination and structural reforms.

The second speaker was Horst Brezinski (Technische Universität Bergakademie Freiberg, Germany), who presented the paper “**The Euro – A German Perspective**”. The paper reviews some estimates of the gains and losses derived from Eurozone membership. In this context, it calls attention to the costs to Germany of the negative yields that have become the norm in recent years. Regarding the future, the paper emphasizes the need to focus on the real economy, rather than on monetary policy. In other words, it stresses the role of productivity for enhancing growth, and the role of structural reforms for advancing productivity. According to the paper, the focus on productivity should lead to some reconciliation between the heterogeneous economic models that coexist in the Eurozone. The vision from the centre therefore appears to converge on the need for structural reforms.

While the first two sections concerned Eurozone members, the final two sessions concerned countries outside the Eurozone, either “rivals” or countries that may have (or had) the option to join the Eurozone.

The theme for the third section was therefore “The Euro and its Rivals”. The first speaker was Eric Golson (University of Surrey, UK). Golson discussed the prospects for the euro in an international monetary system (still) dominated by the US dollar. A major sign of the pre-eminence of the US dollar is the fact that commodities are priced in dollars. A paramount reason for the frailness of the euro relative to the dollar in the international monetary system is the fact that the Eurozone is far from meeting the criteria for constituting an optimal currency area. The euro crisis testifies to the problems that undermine the euro. European leaders were taken by surprise by the crisis and mechanisms for dealing with it were being deployed as a reaction to the unfolding of the crisis, in a climate of heightened

internal divisions that added to uncertainty. Nevertheless, Golson also highlighted the fact that the USA are also facing mounting internal challenges, most notably the trade and budget deficits, compounded by the course that US politics has taken recently. Unfortunately, it was not possible to include the paper by Golson in this special issue.

Naturally, the rise to prominence of China is an inescapable issue when discussing the present and future of the international monetary system. This issue was addressed by the second speaker in this session, Xavier Richet (Université de la Sorbonne Nouvelle Paris 3, France), who presented the paper **“Between globalization and internal stability, the resistible internationalization of the Renminbi”**. The paper explores questions regarding the dilemma faced by the Chinese authorities: foster the internationalization of the Renminbi or keep a tight control on the economy, reducing the possible sources of volatility and maintaining high growth rates? The choice will depend on the costs and benefits of each course, which may vary over time. For now, the internationalization of the Renminbi remains a long-term objective, towards which steps are being taken gradually.

The final section of the conference was devoted to how European countries outside the Eurozone view the single currency. The title of the session was therefore **“The Euro: Sexy or Ugly?”** The first speaker was Ovidiu Stoica (Alexandru Ioan Cuza University of Iasi, Romania). The presentation included some remarks concerning the experience of Romania after joining the EU and the prospects regarding joining the Eurozone. It also addressed the issue of growth convergence in the EU, stressing the performance of the Eastern European countries that are relatively recent members of the EU, but old enough to have lived through the euro crisis as EU members. The paper by Ovidiu Stoica, co-authored by Angela Roman and Delia-Elena Diaconășu (also from Alexandru Ioan Cuza University of Iasi, Romania), argues that unconditional convergence is evident in the data, although the speed varies with the sample, most notably during the crisis period. Unconditional convergence is harder to analyse, but investment, openness and institutions seem to be important.

The final speaker was Ron P. Smith (Birkbeck College, UK), who presented a joint paper with Veronika Akhmadieva (also from Birkbeck College), with the title **“The macroeconomic impact of the euro”**. The paper’s strategy for assessing the impact of the euro rests on the application of structural change tests to equations describing the behaviour of macroeconomic variables, either separately or using a systems approach. The results of the tests are compared across Eurozone and non-Eurozone countries. Regarding the issue that is usually the most relevant – growth – the paper’s conclusion deserves to be reproduced here: “The effects of the euro are apparent everywhere except in the main macroeconomic equations.” In other words, the paper does not find clear evidence of growth effects of Eurozone membership, neither positive nor negative. In a way, this is related to the message of Horst Brezinski’s paper, mentioned above. Namely, in the long run, productivity is the driving force of economic growth, and it is not evident that the choice of the currency is a fundamental determinant of productivity.

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