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.
- Independence in determining national budget.

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

- Domestic taxation.
- Austerity.

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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