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Introductory Remarks

When the idea of a common currency in Europe suddenly changed its nature from a long term theoretical objective for the very distant future to a real political opportunity after the fall of the Iron Curtain, policy makers at that time had only very little guidance from academic research. Neither could they rely on a stock of established scientific knowledge on how to create a currency union, nor did they have much time for a very detailed economic analysis of all the issues. Academic economists first had mainly the role of commentators and critics. With the course of time both sides entered a more interactive debate and a mutual learning process started.

Professor Wyplosz our speaker in this session was involved in these debates from the very beginning. In April 2006, he first took stock of the exchange between practical policies and academic comment and criticism in a widely read paper in a special issue of the *Journal Economic Policy* with the title *European Monetary Union: the Dark Side of a Major Success*. His lecture on the topic *The First Decade of EMU: What Have Academics and Policymakers Learned from Each Other*, will allow us a deeper look into this mutual learning process between policy makers and academics in the recent history of EMU. As we are approaching the first decade of EMU the process of mutual learning and influence has certainly proceeded and I could hardly think of a speaker more qualified to give us an update about the controversies, the debates and the discussions between policy makers and academics on the topic of EMU.

The second session this afternoon will give us the opportunity to hear contributions of leading academics on some issues that have always been in the very centre of debates about EMU. On

the one hand the beneficial effects on trade and financial market integration and the potential welfare improvements that go along with it have been stressed, while on the other hand issues of EMU enlargement have received wide attention. Also from the beginning of the debate, EMU sceptics have added pessimistic views about the entire project to the debate, even questioning EMU sustainability. We will start with the topical issue of EMU enlargement. The debate around the enlargement process lives from the tension between the accession criteria that are the precondition of joining EMU and the strong growth performance and the catching



up process that brings inflationary pressures with it. How shall policy makers deal with these tensions and how do the insights we gain from academic research help us in assessing the enlargement process?

Mathilde Maurel will look deeper into these issues. From the beginning of EMU the beneficial effects of financial market integration in terms of improved risk sharing, liquidity and financing conditions for households and enterprises have been emphasised by policy makers and academics. Now ten years of EMU what can we say about the high expectations held by many?

Philip Lane, has followed the financial market integration process into EMU from the beginning very closely in his research and he will give us an in depth assessment of how the reality of financial markets in EMU has lived up to the expectations held. The beneficial effects of EMU on trade were another expectation connected to the project of monetary union in Europe.

Andrew K. Rose has analyzed and commented this issue in many of his research papers. Of course, the effects of EMU on trade are of a medium and long term nature and ten years of evidence is perhaps a short period for assessing the evidence. Andrew's intimate knowledge of the topic and his long research experience with the issues will certainly provide us with an interesting assessment of what we know

and what we do not know about EMU and trade after ten years of EMU. EMU had critics, even opponents, in the academic community prior to its initiation ten years ago. Especially some U.S. academics doubted the sustainability of EMU. I think in the light of the experience we made during the last decade, it is fair to say that they were wrong. But are there still circumstances that might make EMU unsustainable? This is an issue we must address in the debate about the future of EMU.

Charles Goodhart is going to have a deeper look into this topic. His long experience both as an academic and as a policy advisor makes his perspective on the issue particularly interesting. I am looking very much forward to the contribution of our panel.