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**THE FACULTY OF ECONOMICS AND**  
**BUSINESS ADMINISTRATION**



**SUMMARY**  
**PhD Thesis**  
**Monetary Integration in European**  
**Union. Case Study: Italy**

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## ABSTRACT

The thesis entitled “*Monetary Integration in European Union. Case Study: Italy*” is designed in such a manner that the issues specific to the chosen theme are presented in a logical succession, structured over 6 chapters, a part for introduction and one for general conclusions. The body of the study includes 41 charts, 37 tables and a figure, and ends with references to the domestic and international bibliography that represents the basis for this scientific research.

Thus, through the scientific approach of the paper, the *main objective* is to improve the knowledge in field of Euro, the European currency - arguably delicate matter.

In order to reach this objective, we used the adequate scientific research methodology to the studied field, composed of suitable research methods, knowing that in any scientific work should have the types of research to be used appointed, and this choice should closely observe the initial condition of the research, that is to reflect and better adapt to the targeted project and research methods. In this respect, literature review, the observation method, the inductive/deductive method, the comparative method or the causal explanation were used.

The means considered in this study are include different bibliographic sources listed at the end of the paper, following a thorough inquiry, based on the literature related to this field, available on the Internet and using/interpreting the ideas of the most important authors in the economic/monetary field in Romania and more, authors who created useful concepts and models through their theoretical and practical works.

All the raw data as well as other factual information, as can be seen throughout our research are used with maximum discretion to demonstrate the above mentioned assertions, and only come from authorized sources such as: Eurostat, European Central Bank, Organization for Economic Co-operation and Development, European Commission bodies etc.

The applicative part of the study is essentially represented by the investigation of the Euro introduction effects on the Italian economy, that also

lead to the study and analysis of the possible causes underlying the slowdown in Italy's economic development process, the downfall of economic performance indicators, based on the recent data of GDP, on income figures - properly adjusted to purchasing power as well as the penetration of Italian products on the international market.

From a historical perspective, one may wonder what were the main uncertainties regarding the opportunity to establish a Monetary Union in Europe. There is no doubt that it was impossible to set a stabilizing monetary policy to stabilize for periods of recession that asymmetrically hit certain countries; at the same time a shortage of the necessary tools of fiscal policy to cover this gap created by the monetary policy was registered. All these "doubts" can better be explained by answering the following four questions:

1. How many of the asymmetric effects pertain to the cyclic evolution of the European economy?
2. To what extent can the monetary policy be used (outside the European Monetary Union) to reduce the consequences (effects) of such asymmetry?
3. To what extent could the monetary policy (European Monetary Union) reduce asymmetries between the participating countries?
4. To what extent can the fiscal policy be used (within the Monetary Union) to reduce the effects of such asymmetries?

Throughout this paper we were able to answer only some of these questions, the other forming the subject of further analysis.

In our opinion, the most significant advantage of introducing the euro in all member countries of the European Monetary Union, is to facilitate access to trade and financial relations between Europe countries on the Single Market.

With regard to the most significant disadvantage for all member countries of the European Monetary Union, the loss of an independent monetary policy is cited most often. It is no less true, however, that this loss of freedom leads to financial discipline, as the efficiency and speed effects of the monetary policy instruments determined, not infrequently, their misuse or abuse by the governments of member states (and the competitive monetary devaluation represented only a temporary "drug" for a significant part of the national economies of these countries - Italy and France being the most

convincing examples). Another significant disadvantage widely accused, was caused by higher prices that accompanied the route of the introduction of the unique currency. This research led us to conclude that the statistics do not demonstrate a significant increase in prices and we believe that the euro rather was "scapegoat" to the public for other "guilty agents" responsible for the rising prices.

In our opinion and based on statistical data, increases in the prices that consumers bear every day could be seen in Italy: restaurants, bars, shops of various profiles, while prices in supermarkets and consumer goods registered no change. On the contrary, prices of computers or electronics registered discounts, especially if the strong difference between perceived inflation and actual inflation is taken into account.

More often than not, the unique currency, euro, has been used as an excuse to justify the worsening of the economic situation in some countries and the European Central Bank was repeatedly attacked unjustifiably; but we must not forget that for more than 8 (9) years, the euro won the fight against dollar as the most used banknotes in the world.

Considering the case study of our present approach (*The adoption of euro in Italy - Attracted effects*), we conclude by revealing some interesting aspects that might constitute lessons for Romania, for an impending adoption of euro by our country.

Among others, we show that after having studied and analyzed the possible causes underlying the slowdown in Italy's economic development process, the downturn of economic performance indicators, in short, appeared a clear deterioration of the economic position of the country, it cannot be said that this condition is directly related to accession to European Monetary Union.

The competitiveness erosion was unreasonably related to the accession of Italy to European Monetary Union, arguing that it was impossible to decrease the exchange rate for an economic recovery. If indeed it were the case, most of the difficulties, especially the latest facing the country's economy, should coincide with a period of improvement (recovery) of the real exchange rate and thus a loss of competitiveness domestic and the foreign markets.



The analysis of the exchange rate for a medium term does not show such a tendency, however, and the recovery of this specific rate beginning with 1995 is only a partial correction of the overshooting, or, rephrased, excess depreciation recorded in 1992-1995. From 1998 to 2000, the real exchange rate was below the values recorded in previous time frames, but at the same time showed a minor variation. Greater exchange rate stability should have been encouraging to economic growth.

The introduction of the euro therefore does not provide a valid explanation to the difficulties of the Italian economy, as our final opinion is that these are only circumstantial, at best.

What remains essentially true is that the related economic recovery strategies to be predominantly oriented towards increasing the competitive advantage of the Italian economy compared to other economies of the member countries of the Economic and Monetary Union, and the developed countries of the world.

The research directions that we have proposed in this paper, such as analyzing the opportunities and challenges of the introduction of the single currency in the Economic Union, assessing the asymmetries between economies within and outside the European Monetary Union and identification of the efficiency of the monetary and fiscal policies to reduce the effects of such asymmetries, in general, studied the case of Italy, in particular, have sought the ultimate objective to provide an argued reply on rational decision and the opportunity costs of different scenarios on the future of European Monetary Union: Eurozone depth *versus* Eurozone enlargement, reinventing *versus* keeping the status quo.

As far as we are concerned, we believe that the best scenario for the future of European Monetary Union is to avoid the enlargement Eurozone on the short term, and enhance the coordination of fiscal policies of the European Monetary Union states.

The *conclusions* that have risen from the research directions mentioned earlier open the following research perspectives:

- the analysis of the conceptual and practical harmonization of monetary and fiscal policies, their coordination and their impact on the real economy of Economic and Monetary Union;
- the comparative analysis of the introduction of the Euro in other Member States of the Economic and Monetary Union or groups of countries according to various criteria;
- the comparative analysis of real convergence versus nominal convergence of Romania in Eurozone or other countries in Central and Eastern Europe who are preparing to join the Eurozone;
- the analysis and evaluation of the possibilities of adopting Euro by Central and Eastern European countries, including Romania, and also policy recommendations in this regard.