

Pixonix Inc. - Addressing Currency Exposure  
TheEuroDebate.com

## THE FUTURE

The Eurozone is a...  
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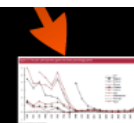
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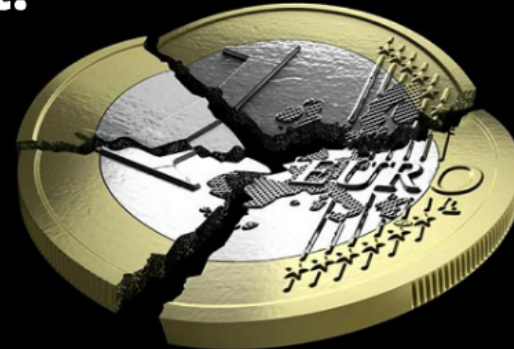


# Pixonix Inc. - Addressing Currency Exposure

[TheCaseSolution.com](http://TheCaseSolution.com)

**Critically discuss whether the Single Currency (Euro) can be regarded as a 'success' to date or not.**

**Alli Sarfo  
Iva Ilieva  
Josh Passantino  
Katariina Hedman  
Tommy Grossi**



**TheCaseSolution.com**

## THE FIRST NINE YEARS

- Established by the provisions of the Maastricht treaty
- Came into existence 1st January 1999
- By 2002 notes and coins began to circulate

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Several Economic Goals : Macroeconomic Stability  
Growth and Jobs  
Cohesion and Convergence

# **Increasing stability and Growth**

- **Inflation rates came down substantially**
- **(bulk of the disinflation in the Euro Area occurred in the 1990s as a result of the efforts to meet the Maastricht inflation criteria)**
- **Average inflation has been broadly on a par with the ECB's benchmark of price stability of close to but below 2%**
- **No member country has enjoyed such a long period of low inflation since WW2**

# CONVERGENCE EU PRICES

- Removing trade barriers facilitates access to products across national borders
- (physical introduction of the euro in 2002 that price differences became clearly visible, enhancing both competition and goods arbitrage)
- Harmonization of regulation and taxation has gradually reduced the cost of doing business in other EU member countries
  - Eliminating exchange rate uncertainty
- Firms outside the euro area may increasingly tend to set common prices for the entire euro area

(Cuaresma 2007)

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# Integrating Financial markets

- **Financial capital is easily transferred from countries**
- **External surplus to those with a deficit and there are more opportunities for international risk sharing**
- **Interest rates on inter-bank deposits and derivative contracts across the Euro Area converged fully on the benchmark Euribor and Eonia rates**
- **Process of sustained convergence in yields on bonds issued by the Euro Area Member States**

(Buti & Van den Noord 2009)

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**"Member states would be economically better off if they had never joined. European monetary union was generally mis-sold to the population of Europe"**

**UBS's Stephane Deo, Paul Donovan, and Larry Hatheway**

**TheCaseSolution.com**



# Economic Stability and Growth

- First 9 years of the euro => little progress towards sound public finances “Almost as soon as the euro had been introduced, consolidation fatigue set in” (ECB, 2004)
- Euro currency lacks the ability to manage shocks that hit different parts of the euro area economy differently

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