HISTORY AND CRITERIA OF THE EUROPEAN MONETARY INTEGRATION

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Abstract: The Romanian economy missed the transition to the euro, as authorities had planned originally for 2015. There is a pronounced economic and political context unfavorable underlined by the economic crisis from 2008. A new project that politics and NBR build and pursue in practical application is required. The history of European integration is, ultimately, the history of compatibility between European economies and societies. The single currency is the final point of these efforts. Only by knowing this history we can act effectively to meet the standards of economic and monetary integration.

1. Introduction

Perhaps the most important economic phenomenon that manifested itself after the Second World War was the awareness of world states of direct link between economic power and monetary expansion. The international monetary system from Bretton Woods, the gold exchange standard, actually gold-dollar led to absolute domination of the U.S. dollar in international monetary relations plan. Owning the main reserve and operating currency in international trade, USA has become the most powerful economy in the world.

In this context, European states have planned, with the economic and political integration, to create a unique and common instrument in leading and influencing their economies and expanding their international influence. So, after long debates, delays and projects, expressions of different visions, the European countries find themselves on a political and economic approach to enable the benefits of a single currency. The euro was introduced on 1 January 1999 as the currency that replaced the ECU and its advantages as unit account and, later on, from January 1, 2002 has acquired the current circulation, replacing the national currencies of 17 countries in Europe. As a result, the European Economic Area became the second one, as economic potential, after the U.S. and the euro currency, the world's second most influential currency. Europe between units in global economic competition, proving that it is far from being just a museum of the modern world, as it is sometimes called by some analysts. Potential technological, scientific, human, and even political resources will be made very well worth the new currency. The fact that there were no major problems, at least until the financial crisis in 2008, proved that the European economic space, thanks to the joint development over hundreds of years, is a homogeneous without major asymmetries that could put construction risk as a whole. The aims of economic construction, the adoption of the euro has proved and will continue efforts to integrate into a definitive political formula units. United States of Europe remains a project of the next generation of European politicians.

These structural and economic, social and political environmental problems, made Romania to miss in recent years, most of the nominal criteria approved by the Maastricht Treaty, the transition to the single currency. The only criterion that we respect, just statistically, is the share of public debt to GDP. But here are the problems with the high speed of growth of the debt, large deficits, public budget, which feeds and, especially, again, there are huge problems related to the large number of officials and corruption that this device a feeds and propagates in the economy. The inflation rate is very high, compared with the standards, criteria for transition to the single currency. Although there is progress in that it is expressed only in a figure still far from the goal to record a 1-2% annual inflation, this makes us think that we still have an economy under pressure from domestic prices, but also in external price pressure. Due to the high volume of exports and chronic trade deficit, and the lack of competitiveness, a large part of inflation comes from outside the country as an expression of a mechanism weak economic exposure to fierce competition, International markets and commercial advantage.

We need, therefore, a new, complex plan of transition to the unique currency, that caters to all nominal and real criteria. It is also desirable to be approved by the entire political class to avoid possible recall or cancellation. Horizon does not matter so long as real removal of asymmetries of any kind.

2. What is economic integration?

Pelkmans understands by economic integration "a process of gradual elimination of any kind of border between two or more independent states, designed to allow them to act as a single entity."
Also, the prestigious Dictionnaire Larousse defines in turn, economic integration as the property of a dark time, "in a state building or structure in a set which includes it" [11].

Gabriel Bologa defines economic integration as "a set of procedures by which two or more countries create a common space." It can take various forms, from free trade area to total economic integration. We can say that economic integration is a form of combination by which two or more states seek to put value trough growth opportunities or simply to further develop old growth opportunities and economic development.

Economic integration requires:
- A common tradition, cooperation
- A common geographical or very close
- Cultural or civilizational affinities
- The historical approach and the tradition
- Opportunities for joint development and joint economic excellence
- Complementary traditional economic development
- Political and military compatibility

3. Stages of Economic Integration

The main stages of economic integration are [11]:
- Economic cooperation (is simple economic partnerships for common areas of common interest requires complete freedom of action of the partners). Economic integration is the beginning, the first step politically neutral. Collaboration can not evolve further, remaining in its primary stage, the beginning.
- Economic cooperation is a partnership between several countries to achieve a common economic project. Economic cooperation can be achieved in various fields of scientific research to commerce, the realization of industrial and so on.
- Prerefenţial Trade Club consists of two or more countries which reduce their mutual import duties of all goods, so basically made an exchange of preferences between them. Countries remains, however, the initial tariffs against non-members. - Free Trade Zone is a geographical area or economic space within which applies to an agreement between two or more countries on targets that: - the abolition of customs duties - the elimination of quantitative restrictions on industrial goods - economic development of countries signatory (States) in line with their strategic goals - monetary and fiscal stability. It is a kind of advanced economic cooperation. It is desirable that Member States are geographically close but this is not mandatory.
- The customs union is an association of states, with a single customs territory in which it is established free movement of goods between them, practicing a single customs tariff in relation to non-EU countries.
- Common Market integration is a superior formula of the customs union. At this level of cooperation starts to manifest political will of nations components. Even if not a political union, a common market also requires a willingness interests participating states moving purely economic mechanism.
- Economic and Monetary Union is the higher form of interstate economic integration created by transforming the European Economic Community and other countries that are States under the Maastricht Treaty signed in 1992 and entered into force on 01.01.1993, aiming at the unification of economic policies monetary, fiscal and social - total economic integration requires unification of the general economic, sectoral and structural (management belonging to a supranational authority)
- Political and social integration, which total economic integration is completed with the creation of common institutions (they take powers and duties of states participating in the social and This is accelerated by the economic and financial crisis in 2008.

4. Monetary integration

Monetary integration is the pillar of economic and political integration, the most important element of an economic and political structure of security policy that can exist between two or more states. Monetary integration requires three conditions: explicit harmonization of monetary policies, a common pool of foreign exchange reserves and a single central bank.

After World War II, Europe, just the scale of disaster that the past has been concerned with ensuring political stability and economic common, but the project of a united Europe was much older, I have begun to produce important steps towards a unification primarily economic.

History of European monetary integration
The fact that the Treaty of Rome [5] did not pay attention to the need for a monetary union and European currencies was less felt explained by several reasons: the world economy is expanding at the time, the international monetary system based on the Bretton Woods operate satisfactorily for monetary stability, and "limited mobility of capital European governments allowed a reasonable margin of maneuver in monetary policy." Changing global economic conjuncture, the economic recession and the first tremors of the Bretton Woods system, led the awareness of the monetary union. Summit in The Hague in December 1969, established to develop a phased plan to create an economic and monetary union. "Werner plan", issued in October 1970, established "an objective ideal: that of substitute national currencies with a single currency "or" currency without common national currencies must be interchangeable after a fixed parity "and the third stage of the EMU, taken 18 years later, the same title, "Delors Plan," issued on 17 April 1988.

1. initiating the creation of the monetary union
2. structuring the European Monetary Union
3. mandatory procedures and budget and macroeconomic rules.

In 1989, the European Council, at the initiative of French President Valerie Giscard d'Estaing, decided to create the European Monetary System (EMS) in order to limit fluctuations in exchange rates of European currencies, important preparatory step to create a zone of monetary stability in Europe. Initiated in March 1979, legally operative SME exchanges constituted a fixed but adjustable, meaning that for each pair of currencies is defining "central parity" and "fluctuation limits" around this parity. As a common reference for exchange currency account has been established "European Currency Unit" (ECU). SME exchange mechanism requires the 15 participating national currencies fluctuate in value in a reference to the ECU margin of 2.25%. ECU has been fixed value compared to the dollar. Relationship between ECU and dollar arose based on a basket of currencies, representing 12 European countries, of the 15 States (Finland, Austria and Sweden could not attend because the composition ECU joined the EU in 1995 and 1996, conditions where there is a requirement that the share of different coins are not modified after 1994). The weight of each currency in the basket reflect the country's economic strength, so ECU mirrored in the "average" power of 12 European currencies. On 2 August 1993, the European Parliament decided to temporarily increase the fluctuation of currencies against the ECU from 15% to discourage speculative attacks on currencies and to allow Member States to take better account of their internal features.

In 1991, the countries of the European Community signed the Maastricht Treaty which establishes:
1. convergence criteria
2. a timetable for achieving EMU
3. a set of political institutions and mechanisms for working

Now the following concepts are developed:
1. nominal convergence
2. real convergence
3. legal convergence.

On 1 January 2002 was introduced the euro, the common currency and legal unit 17 of the 27 European countries and almost 350 million Europeans.

The euro is an achievement, as shown, several decades of discussions, debates and decisions of the European states, because:
1. interests of European countries were sometimes divergent regarding the European construction.
2. political views were late, but they have also accelerated, in difficult times, the process of European monetary integration
3. euro is today the strongest regional currency
4. we can say euro operation is unusual if we take into account that today European states defend and display sometimes common divergent interests
5. delaying the introduction of the single currency was caused by the lack of previous experience in economic practice
6. also, the process was delayed due to the lack of scientific theories to substantiate the changeover to a completely non-integrated economic region in terms of political decision
7. moreover, it is the problem of the euro, today confirmed the financial crisis in 2008, namely the unitary character of European economies and heterogeneity of political decisions.

5. The theory of optimum currency areas

The contribution of economics was and remains essential in the process of adopting the euro. If the economy had not resolved many questions about the process of adoption of a single currency, the euro perhaps even today would not have existed.
In essence, the answer to the fundamental question was whether in a single currency area, regional, as it was to be European area, transfers of value were possible during trade and how to avoid illegitimate such transfers of value. France, and especially Germany have always feared such a redundant mechanism in which their competitive advantage and technology could be annihilated and "melted" in the Economic and Monetary Policy. The paradox is that the independence of political and business budgets and strong states forbid undue loss of competitiveness and put each EU country where, in fact, it is the dictate of their potential economic, human, competitiveness resources and intelligence. Incidentally, this is the main reason why the negotiations to achieve the United States of Europe is still in deadlock.

We believe that, this time, political science, along with the economic, will resolve the questions today about a meritorcatic rather random distribution of political power in Europe. The degree to which a country meets the criteria of optimum currency areas is a key factor when you weigh the advantages and disadvantages of adopting the euro.

The theory of optimum currency areas is based on the idea that the benefits of participation in a monetary union depend on the degree to which the countries of the union forms an optimum currency area. The foundation of this theory were made by Robert Mundell in 1961. Optimality of a currency area is judged on the following criteria:

- wage and price flexibility
- mobility of production factors
- integration of financial markets
- degree of openness of the economy
- Integration of fiscal policies
- political integration
- inflation differential
- convergence of economic structures
- synchronization of business cycles
- symmetry of shocks

The degree to which a country meets the criteria of optimum currency areas are crucial for the possibility for the country to adopt the euro.

6. Advantages of introducing the euro

The advantages of introducing the euro in a space of culture, economy and civilization are huge. This concerns first year, increased competitiveness, income transfers and living much faster on a much broader geographical scale. The single currency enhances economic approaches, but not only. She leveled the time period, social structures, and even mental. In general, most economists are wrong when talking about the benefits of a single currency, pass quickly and lists only economic changes.

Consequently, I was on the positions of advantage or disadvantage to the country in the process of transition to the euro, take, ultimately, by its own choice, but also economic and political managerial skills of a State. Economic and political elite responsible, knowledgeable, can do much, or lack of it can lead to relationships and neocolonialism kind transfers, otherwise long trumpeted the "patriots" used in many European countries that have joined or are in the process of EU accession and the EMU. It is, after all, a process approach that I wanted and not imposed on us by anyone. It remains to decide if we approach this superpower as "butterfly lamp" or as equal and respected.

The degree to which a country meets the criteria of optimum currency areas is defining the economic impact that country has with the euro area. When discussing the economic benefits can include:

1. price stability
2. improved fiscal policy
3. economic exchanges and market integration were boosted by eliminating exchange risk and transaction cost reduction
4. euro has been a powerful catalyst for financial market integration and the elimination of transaction costs
5. ensure price transparency

Disadvantages or costs of euro adoption are: [6]

1. costs related to the emergence of asymmetric shocks
2. costs of different preferences for inflation and unemployment states
3. institutional differences related costs (labor market but not only)
4. costs and tax differences related to management of budgetary processes
5. technical and organizational costs
6. loss of central bank independence and exchange rate as adjustment factor
7. specific costs in the banking sector and reduction of bank income sources.

7. Economic Convergence

It is of two kinds, for which menus and have two sets of specific indicators. It is nominal economic convergence and real economic convergence [2].

The conditions of monetary integration, according to the theory of optimum currency areas are:

 sol. Economic Convergence (indicators):
- The size of the inflation rate
- Exchange rate changes
- Government deficit
- Total public debt
- Long-term interest rates
2. Ensuring the four freedoms:
- The movement of goods
- Movement of capital
- Movement movement of people
- Movement of services
3. Exports diversified
4. High degree of openness
5. Quitting NCB

8. Maastricht Criteria

Maastricht Treaty is the document that establishes for the first time a referential set of criteria that has to comply with a state to enter the euro currency area. These are two types of criteria, namely criteria of nominal convergence and real convergence criteria. Nominal convergence is that we indicate to what extent a country can operate on the same parameters with other countries and when this operation occurs as a result of reforms and operational compatibility. Nominal convergence refers to the following set of indicators: inflation, the consolidated budget deficit, public debt, exchange rate against the euro and long-term bank. These indicators are included in the following table and targets as set out in the Treaty.

<table>
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<tr>
<th>Indicators of nominal convergence</th>
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<tr>
<td><strong>Criteria</strong></td>
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<tr>
<td>Inflation rate (HICP) (% annual average)</td>
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<tr>
<td>Annual government deficit (% in GDP)</td>
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<td>Government debt (% in GDP)</td>
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<td>The exchange euro (maximum evaluation/devaluation for two years)</td>
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<td>Long-term interest rates</td>
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9. Conclusions

As you can see, there are five important indicators of nominal convergence. We must emphasize that the nominal convergence criteria are explicit and binding on all states that wish to join the euro.

Also, there is a real economic convergence is "a set of rules and indicators that are not referred to in any document generator legal effects of the ECB or the European Commission, but it should be treated with as much
care as and nominal convergence criteria. Maastricht Treaty states that the indirect economic and social cohesion is needed to eliminate disparities between countries and regions. "

As criteria for assessing real convergence can take into account:

A. Trade integration and synchronization of business cycles
   - Very important
   - Mechanism linking economic cycles
   - Calculate: the openness of the economy, the share of total trade with the EU, the correlation of business cycles with the euro area

B. output volatility and economic structure (a structure close to the Eurozone economy makes it less possible to produce asymmetric shocks)

C. Symmetry games and demand (economies must respond symmetrically)

D. Workforce flexibility involves:
   - Wage flexibility
   - Labor mobility
   - The functioning of labor market institutions
   - The ability to absorb shocks salaries at the expense of short-term unemployment

E. Integration of financial markets
   - Improves the transmission of common monetary policy
   - Financial markets foster economic development in common

F. The quality of governance

Real convergence and appreciation reach states that are willing to join the single currency. More developed countries, closer to the economic level of the EMU can choose a reduced set of criteria, as states that have a lower level of economic development should design and pursue a more complex set of indicators, in order to put clearly the differences to be overcome.

References
[3] Aurel Dochia, „Tranzitia de la leu la euro pe fundalul crizei financiare mondiale”