

Ph. D. thesis summary

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**„Programs and instruments of anti-crisis policies
in the Economic and Monetary Union”.**

The thesis raises the question of economic and financial crisis of 2007–2013, and its impact on the member countries of the Economic and Monetary Union. Particular emphasis has been placed on the analysis of programs and instruments used to combat the crisis and assessment of their effectiveness. The analysis included actions of national governments of euro area member states, EU institutions – including those carried out in collaboration with the IMF and the ECB.

Against this background the main hypothesis of the research was formulated as follows:

Applied anti-crisis programs and instruments have helped to improve the economic situation in vulnerable euro area countries, although their effects are much weaker than expected.

Having formulated the hypothesis, the main scientific goal of the dissertation is **the systematization of knowledge about programs and instruments used to combat the crisis in the Economic and Monetary Union and attempt to assess their effectiveness.**

In order to achieve this goal particularly helpful were the answers for following research questions:

1. What are the theories which formed the basis of monetary integration in Europe, and whether the euro area has met the criteria for an optimum currency area?
2. How was the process of creating a monetary union and its development up to 2007?
3. How the Eurozone crisis has manifested and what were its structural causes?
4. What programs and instruments were used to combat the crisis in the Economic and Monetary Union:
 - a. by the governments of countries affected by the crisis;
 - b. by the EU institutions;
 - c. by the "Troika" (IMF, EU, ECB);
 - d. by the European Central Bank?

5. How effective in alleviating the crisis were the programs and aid instruments?
6. What are the concepts for further changes and improvements of the Eurozone?

In view of the multidisciplinary nature of the work there was a need to apply different research methods. In the first chapter, in order to make the reconstruction of economic theory in the field of monetary integration, the achievements of the most outstanding representatives of this trend were used. In the empirical part author used descriptive and comparative method of analysis. For the evaluation of the implementation of reforms, which were committed within the scope of the state aid package, the case studies of Greece and Ireland were used. In turn, the statistical analysis was used to determine the degree of convergence of euro area Member States at different times and to investigate the development of the main macroeconomic indicators during the crisis, which led to the formulation of proposals for the effectiveness of the anti-crisis instruments.

The thesis is divided into five chapters.

The first chapter covers the theoretical foundations of monetary integration.

For an introduction to the discussion on this topic served clarifying the key concepts in this area. Then it was discussed the theory of optimum currency areas, which is identified with the theory of the monetary union. Based on the achievements of researchers such as R. A. Mundell, R. I. McKinnon, P. B. Kenen and J. A. Frankel and A.K. Rose, there were indicated the conditions to be met by the state in order to increase the probability of success of integration initiatives. These include:

- labour mobility (the higher, the lower the cost),
- openness of the economy (the higher, the smaller losses),
- flexibility of wages and prices (the higher, the lower the cost),
- diversification of production (the higher, the smaller losses),
- integration of financial markets (the higher, the lower the cost),
- similarity of inflation rates (the higher, the smaller losses).
- fiscal integration (the larger, the lower the cost).

There were presented in the final part of the chapter the convergence criteria and the benefits and costs associated with the establishment of the monetary union.

The second chapter deals with the conduct of monetary integration in Europe. The subject of the research in this area were reasons of deepening integration, and the successive steps on the road to monetary union. Strand of considerations included the

main pillar of the EMU, European System of Central Banks and describing situation of the Eurozone from its creation to the beginning of the crisis. There were carried out tests to verify if the member countries of the monetary union constituted an optimum currency area, and whether there was achieved convergence between them. On their basis has been drawn conclusion that the European currency area was not an optimum currency area either during the creation of the euro zone, or at the time of the outbreak of the crisis in 2007. Similarly, in both cases, not all countries met the convergence criteria established in Maastricht Treaty.

In the third chapter author analyzed the sources and manifestations of the crisis in the Eurozone. Considerations revolved around conditions of the global financial crisis in the years 2007–2009 and its impact on the European debt crisis. After this, discussion concerned specific causes of the crisis for the euro area resulting mainly from its structure. Complement to these considerations was identifying the main sources of the crisis arising from the specifics of individual countries and mistakes in their economic policy. At the end of the chapter there were indicated manifestations of the crisis in the PIIGS countries (Portugal, Ireland, Italy, Greece, Spain).

Considerations in the fourth chapter concerned programs and aid instruments used in the fight against euro crisis. There were discussed reactions of the countries in the first stage of economic turbulences in Europe, which were directly linked to the crisis in the United States and relied primarily on national stimulation attempts of European economies and credit institutions. Then there were discussed actions taken with the escalation of the crisis in the euro area since 2010, when debt problems became most important for the Eurozone countries. In this chapter there were presented further European initiatives such as the European Stability Mechanism and the European System of Financial Supervision, as well as the joint action of the European Union and the International Monetary Fund, that is aid packages for Greece and five other countries in need of external support. In the next section there were discussed actions of the European Central Bank. Considerations included standard tools of the institution, such as refinancing operations, as well as unconventional tools like covered bond purchase program (CBPP), a securities markets program (SMP) and program of outright monetary transactions (OMT). Analysis of programs and instruments used in response to the crisis in the Economic and Monetary Union allowed do draw the conclusion

about an important effort of European countries inserted in combating the crisis and the significant progress in completing the incomplete construction of the euro area.

In the fifth chapter of the dissertation there was made an attempt to assess the effectiveness of anti-crisis measures. First, the author focused on the analysis of the implementation of economic reforms in the vulnerable countries on the example of Greece and Ireland, which have revealed that the dominant part of the envisaged changes and improvements have been made.

Then, using the method of statistical analysis there were examined relations between the implemented anti-crisis measures and bond yields of PIIGS countries. They confirmed the effectiveness of measures aimed at stabilizing the situation in the financial markets (ECB instruments, aid packages¹). The analysis of macroeconomic indicators such as GDP or the unemployment rate, has not confirmed the effectiveness of the instruments for the coordination of economic policies (the European Semester, the Euro Plus Pact) and aid packages². This can be explained by the relatively short period since their introduction, and that the changes in the real economy were much slower than in the financial markets (medium and long term). Similarly, there was no way to assess the effectiveness of the solutions related to the completing structure of the euro area and the prevention of similar occurrences in the future. Comparison of the economic results of EMU and economic results of the United States confirmed the above conclusions, because USA have experienced a much faster improvement, which could be due to the lack of restrictive reforms and fiscal consolidation, which in the short term adversely affect economic growth.

Subsequently there were presented the perspectives of the Eurozone, which is returning on the path of the growth, although the pace of improvement is much lower than expected. There are also some risks to growth related among others with persistently high debt of households, companies and governments, and a large number of unemployed. There was also highlighted the challenge of increasing Europe's unwillingness to reform, which manifested itself by good results of eurosceptic parties in the election to the European Parliament.

¹ Bearing in mind that, in this context, it concerns financial support and dismissing the threat of bankruptcy of the vulnerable state.

² In the meaning of structural reforms aimed at stimulating economic growth.

Important part of the last chapter were further proposals to improve the functioning of euro area, along with the concept of a banking union and fiscal union with common budget, which would allow for equalization transfers. At the end there were discussed alternative proposals and solutions, such as the financial transaction tax.

In the concluding section of the thesis there were presented main results of the research and there was made an attempt to assess the overall evaluation of the actions taken, which according to the author based on the following elements:

- maintaining the unity and solidarity of the EMU members,
- the impact of anti-crisis measures to restore economic growth,
- the situation on the financial markets
- completing structure of the euro area.

On this basis, it was written that the programs and instruments used in the combating the crisis in the Economic and Monetary Union have helped to improve the economic situation of the Member States and to restore stability to the financial markets. However, the current scale of positive change deviates from the intentions of the initiators and decision-makers. The author points out that an unambiguous assessment was quite difficult, due to, inter alia, the fact that the length of the crisis did not allow to gain an adequate distance to these events, and thus an objective and balanced assessment. Furthermore, some of anti-crisis instruments introduced have not yet fully begun to function.