RESEARCH PAPERS OF WROCŁAW UNIVERSITY OF ECONOMICS
No. 59 2009
Global Challenges and Policies of the European Union
– Consequences for the "New Member States"

Arūnas Dulkys

Vilnius University, Vilnius, Lithuania

THE EURO AREA ENLARGEMENT: A PARADIGMATIC VIEW

A euro spent to defend the European Union as a whole
has much more value than a euro spent to defend one individual country.

Romano Prodi

1. Introduction

On the eve of the world economic crisis and in the light of its assessment on the fulfilment of the convergence criteria in 2008, the European Commission (EC) considers that eight new EU-12[1] member states do not fulfil the conditions for the euro adoption [European Commission 2008c]. The article research objective is the euro area enlargement: the different reaction of the euro area members and non euro area members to the economic crisis has proved that in the integrated global world more economic benefit seems to be offered by the Economic and Monetary Union (EMU). Recently scientists and economists have been actively discussing the validity of the existing convergence criteria and analysing their impact on the euro area enlargement. The article aims at discussing the problem related to the euro area enlargement through the prism of worldviews – through the competition between paradigms. Methodological individualism (individualism) and methodological holism (holism) are the most common cognitive paradigms. Some Lithuanian scientists explore the hypothesis that the asymmetry in the actual convergence level and political power of the states results in the uncertainty of the euro area

[1] Abbreviations used: EU-12 – Member States that joined the EU on 1st May 2004 (CZ, EE, CY, LT, LV, HU, MT, PL, SI and SK) plus Member States that joined the EU on 1 January 2007 (BG, RO), BG – Bulgaria, CZ – Czech Republic, EE – Estonia, CY – Cyprus, LV – Latvia, LT – Lithuania, HU – Hungary, MT – Malta, PL – Poland, RO – Romania, SI – Slovenia, SK – Slovakia.

enlargement [Kropienė et al. 2008]. The authors of this hypothesis acknowledge the euro as a public good, while it should be noted that the champions of the individualistic paradigm usually ignore the existence of public goods.

This article discusses a hypothesis that the euro area enlargement policy is determined not only by a complex of macroeconomic, institutional and political boundaries [Dulkys 2008], but also is standing on a base of the disparity in a paradigmatic worldview and this disparity is of much higher-order than that while creating the euro area. The research methods of assessment analysis show that enormous cognitive significance lies in paradigmatic differences. The research results explain that paradigmatic shifts take place on a regular basis, but at the time of the world economic and social crises worldviews are changing and the need for new paradigms appears. For the benefit of the common public good (the euro), the EMU as the highest form of currency integration was achieved by refusing the national public goods (currencies) and the opportunity to apply the instruments of independent monetary policy. The article provides conclusions on that the euro and the euro area are not only the public goods of an individual country but also the public goods of the common area of the European Union (EU).

2. Impact of paradigms on the enlargement of the euro area

Povilas Gylys, Professor of Vilnius University, analyses in detail the most common cognitive theoretical constructions. He describes the individualism in the following manner: each whole may be divided into certain parts or elements and the cognition of these separate parts or elements is sufficient for perceiving the reality as a whole. Whereas the holists consider the whole or a system to be of primary importance and thus of greater significance. The whole is more than just a sum of parts as the relationship between the parts and elements forming the whole provides this whole or system with qualitatively unique features, which are not characteristic to the individual parts or elements forming that whole [Gylys 2008].

Zsolt Darvas from Corvinus University of Budapest and Gyorgy Szapáry from Central European University opened a good question: where the convergence process can be better managed – inside or outside of the euro area? [Darvas, Szapáry 2008]. Sometimes there is an impression that the economic area of the Baltic states makes up just a borderline strip in the common EU area and that the degree of co-ordination could be seriously improved. The rising international relevance of the euro raises the responsibilities of the euro area in macro-financial policy coordination ["EMU@10..." 2008]. But too many national idiosyncrasies continue to exist: each member state continues to follow its own path in too many areas of the economy [Grauwe 2006]. The power centres favouring the individualistic paradigm currently have the advantage over the power centres preferring holism; therefore, the majority of EU decisions tend to be adopted in accordance with the individualistic scenario.

Robert Zoellick, World Bank president, called for the EU coordinated global support for the economies of the Central and Eastern Europe (CEE) and warned that the World Bank was trying to work with the International Monetary Fund (IMF) and other multilateral institutions to help the region but needed more backing from Brussels [Barber et al. 2009]. In Romano Prodi's, the former President of the EC from 1999 to 2004, opinion European solidarity should not just be seen as an abstract ethical value that we talk about, but it is the best tool to avoid the deepening of the crisis [Prodi 2009].

According to Jacques Delors, the former President of the EC from 1985 to 1995, though the euro area is not yet ripe enough for carrying out a single financial policy as the economic cultures among the single currency countries are too different, there must be more readiness to communicate. This opinion in essence reminds of EU mission to meet common needs of the member states. Whereas in case of Lithuania, following the negative decision regarding the euro adoption, there was an idea to set up a working group to assist in preparations for the euro adoption but from the middle of 2006 there is no information on the activities of this working group [*Ruošiantis įvesti*... 2006]. Delors clearly favours the holistic trend in EU development as no individual member state is able to achieve as much as all the EMU countries as a community. "If the basic idea that there is a necessity for more prior consultation is not accepted, then I am pessimistic about the future of the euro," Delors makes a relentless conclusion [*Buvęs EK pirmininkas*... 2009].

Joaquín Almunia, European Commissioner for Economic and Monetary Affairs, is of the opposite opinion to those who announce that the euro area will split [*EU's Almunia*... 2009]: "Who is crazy enough to leave the euro area? [...] The number of candidates to leave the euro area is zero" [Almunia 2009]. Still it is assumed that the increasing number of the euro area member states will force EU institutions to change the rules of the game. For example, we could find an opinion that pressure will be placed on the others to deal with their derogations from full membership [Begg 2008]. The member states, which are still outside the euro area, often voice their aspirations to join the euro area as soon as possible, but the conducted analysis shows the great differences in the actual level of implementation of changeover measures. We should take attention to the EC reports on the state of changeover preparations on a regular basis [European Commission 2004]. Figure 1 provides an overview on how countries meet the provisions of the EC [European Commission 2008d].

Therefore, each new EU member state as well as each new euro area member state is changing the relationship between the individualistic and holistic development scenarios in the course of EU enlargement. From a macroeconomic perspective this enlargement is not likely to have a greater effect on the existing EU members than the enlargement which took place in the 1980s with the accession of Greece, Portugal and Spain and which was relatively small [European Commission 2001]. As to the monetary policy decision-making process, the key difference between the past and present is that there is the functioning European Central Bank (ECB) with its own monetary framework. But from the point of view of Ignazio Angeloni from the Italian Ministry of Economy and Finance, Michael Flad from Johann Wolfgang Goethe University, Frankfurt, and Francesco Paolo Mongelli from the ECB, the conditions for full monetary integration have still not been reached by the group of new member states as a whole. A case-by-case approach to adopting the euro for them seems, therefore, natural [Angeloni et al. 2005].

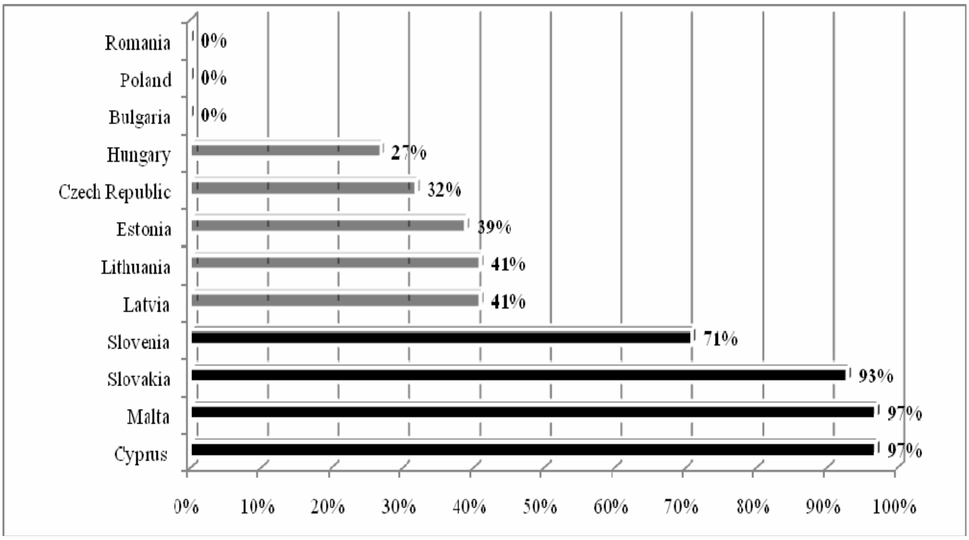

Figure 1. Status of the changeover characteristics in the EU-12
(% of all relevant changeover characteristics, officially approved or established and published in particular in the national changeover plan)

Source: European Commission, *Reports on the practical preparations for the future enlargement of the euro area* (SI – November 2006, CY and MT – November 2007, BG, CZ, EE, LV, LT, HU, PL, RO and SK – December 2008).

European integration is a political process. Moreover, the advancement of European integration has evolved hand in hand with the advancement of economic theory [Mongelli 2008]. The Delors' Commission having designed a model of the EMU included the national central banks (NCB) from all Community countries. Later, the competition of some power centres as well as institutional and political interests expelled non euro area member states from the intense activities at the Ecofin. This shows that Delors believed in a synergic effect and in sufficient cohesion enabling to achieve more than acting individually. For a poor individualist, it would be difficult to acknowledge the concept of synergy. At the outset of the development of the euro area, the convergence criteria were interpreted for the first time because there was more room for solidarity and flexibility in interpreting the formulations of the Maastricht Treaty. At this point, the holistic viewpoint towards the euro area as a public good is also felt, since the holists assume in particular that the civilisation cannot reap all potential benefits without the public goods generated by global institutions. But the CEE countries, however, have already been allowed to the euro area only following a strict formal procedure. The member states have agreed to a set of rules through participation in the second Exchange Rate Mechanism (ERM II). Some economists have compared these rules to a "purgatory," a punishment that countries have to endure before being invited to the "paradise" of the euro area [Buiter, Grafe 2002; Hagen, Traistaru 2004]. The sustainability of inflation was not applied for the states, founders of the euro area, but was defined, for the first time in the history of the EMU, in the process of Lithuania's progress assessment. It should be noted that if such criteria had been set for the old states, the EU could scarcely now enjoy the primary public good, namely, a single currency [Kropienė et al. 2008].

The monetary convergence is easier to achieve than fiscal convergence and the EU Treaty is more difficult to change than to soften interpretations of the convergence criteria in the Maastricht Treaty. In Jean-Claude Juncker's, Prime Minister of Luxembourg and Chairman of the Eurogroup, opinion it is not feasible to change the convergence criteria to the euro "overnight" [*Juncker sees*... 2009], "there cannot be free aid programmes; the EU is not a charity" [Juncker 2009a], but "the euro area is not a closed shop" [Juncker 2009b]. The worst thing is that a number of economists are concerned that the biggest euro area member states really consider themselves to be an elite club and thus are fee riding by misappropriating the euro as the public good of all member states. Angela Merkel, Germany's Chancellor, and some EU leaders indicated they were open to the idea of shortening the period spent in ERM II ["Poland reiterates..." 2009]. The French President Nicolas Sarkozy stated that such revision would be possible after the crisis' end [*EU Rules out*... 2009]. There should arise a rhetorical question as to when the revision may be possible: after the crisis ends in Union économique et monétaire and in Wirtschafts- und Währungsunion or after the crisis is over in the entire EMU? In this case, the biggest EU member states currently take an individualistic viewpoint towards the situation: they take unilateral decisions and carry out the economic policy, which furthers, first of all, their national interests rather than pursuing the ideals which served as a basis for building the EMU.

The economic crisis shows that the IMF can give instructions to individual countries, but it cannot run the whole EMU [*Argentina*... 2009]. In J. Almunia's opinion, if a crisis emerges in one euro area country, there is a solution before visiting the IMF: "When someone says, 'Give me a plan for the region,' I say, 'It's not a question of a plan but of analysis, of monitoring, case by case, problem by problem'" [Barber 2009]. Thus, the sum of parts and elements serves as a whole for individualists. Meanwhile, the holistic paradigm means that a whole is not only much more than just a sum of parts or elements but also that this whole is more significant, i.e. of primary importance as compared to parts and elements. Paul Krugman, the Nobel Prize winner for economics, harshly reacted towards the rejection of a comprehensive rescue plan for troubled CEE economies, promising instead to provide "case-by-case" support: "That means a slow dribble of funds, with no chance of reversing the downward spiral" [Krugman 2009a]. At this point we would dare to remind of the most serious challenge relating to the generation of the public goods – of the phenomenon which is known in the economic theory as fee riding. For instance, why could we not take courage and think of the euro area itself in this case. According to Katinka Barysch, from the Centre for European Reform, the EU's new member states are plunging into a more profound identity crisis: it is not only financial systems that are under strain – the entire growth model is in doubt [Barysch 2009]. At the time of Delors' Commission, probably nobody could have imagined that individual countries would be forced to look for ways out of the situation as individual groups of member states rather than jointly as the EMU players. For example, the Czech, Hungarian and Polish NCBs issued a co-ordinated statement hinting they might intervene to support their exchange rates. It is a huge psychological blow to the confidence in the whole idea of the EU, especially for the countries with currency board arrangements. These member states have suffered the most painful part of being in the euro area – the inability to devalue and regain competitiveness – without getting all the benefits [*The Whiff*... 2009].

Jonas Čičinskas, Professor of Vilnius University, warned that, while passing through the first stages of economic integration, as little as trade barriers needed to be removed and custom tariffs and trade procedures adjusted; the further stages, however, required and require to create specific conditions necessary for higher stages of unifying national economies. It should be noted that EU member states, which maintain the currency board or participate in ERM II, are in the position of the so-called "impossible trinity." In the emerging EMU, Germany as an active power centre aimed at ensuring and following the monetarist positions, i.e. the same monetary policy, which was being carried out by the Bundesbank. Small and open economies, however, have limited or no opportunities for carrying out national monetary policies while preserving the responsibility for the stability of the national currency [Čičinskas 2009].

P. Gylys notes that both economists and politicians are divided into two camps. One side thinks that the exchange rates naturally set by the exchange market better reflect the reality than the exchange rates established and, in addition, fixed by public or international institutions. The other side assumes that floating exchange rates bring too much uncertainty to the economy and thus cause damage for both the national economies and the global economy as a whole. Therefore, the position of the former is more consistent with the individualistic viewpoint while that of the latter is more in compliance with the holistic viewpoint [Gylys 2008]. According to J. Almunia the currency boards and pegs create stability because currencies are stable even in a very volatile environment and in this case the floaters have more reason for concern than the countries with currency boards [Tubalkain-Trell 2009a]. But as to the New York University professor Nouriel Roubini if fundamentals are out of line you cannot maintain a fixed exchange rate, you are going to eventually have a currency crisis [Tubalkain-Trell 2009b]. Krugman warned that Latvia might become "the new Argentina" [Eglitis 2009]. IMF's research on currency boards showed that it was difficult to identify the systemic effects of currency boards because most of them had been in existence for relatively short periods of time and that it was not appropriate to attribute economic achievements in the Baltic states primarily to the currency board's model [European Commission 2000]. The researches show that the exchange rate regime does not seem to be a significant driver of inflation in the new member states [Stavrev 2009] and does not have an important impact on the inflation response to price convergence in emerging Europe [Zoli 2009]. Moreover, the assessment of sustainability, as a quite subjective process, poses very serious challenges for the states that have adopted a currency board because its specifics do not allow to make use of any possibilities of exchange rate fluctuations trying to affect the inflation factor for a longer period [Lewis 2007]. The states, founders of the euro area, used the exchange rate as an important means of coordination with respect to the convergence process, because bureaucrts from the EU institutions could unofficially consider that only the convergence process could provide conditions for a natural equilibrium level of a nominal exchange rate, while certain fluctuation could contribute to easier achievement of the required price stability. Moreover, a currency board is particularly demanding with respect to conditions of fiscal and structural policy and one may not disregard the fact that the euro area may find it useful in slightly reducing the competitiveness and attractiveness for investments in the new member states from the CEE [Kropienė et al. 2008].

A monetary independence for small countries did not really exist and it was important to have the strong public support for the currency board arrangement and the economic policy in general. It is interesting that in 1997-1999 the Bank of Lithuania presented the country's strategy for exiting the currency board [Lietuvos banko... 1997]. But the currency board arrangement is established by law; therefore, the parliamentary procedures for amending the law and the discussions involving the media and the public require a lot of efforts to prove the need for any amendments. It seems that at this moment no institution has a power for these efforts and does not intend to take any action that could ruin the confidence that was achieved in previous years. In the opinion of P. Gylys, when comparing the reforms, which have been carried out up to now by the majority of the new EU member states, and the type of a value system declared by EU strategic documents, it would be possible to state that in the long term, the cultural influence of West European countries should strengthen the elements of a holistic economic policy. His forecasts that internal social tensions of these countries should serve as a contributing factor as well, have also been confirmed [Gylys 2008].

We would dare to state that the bureaucratic apparatus of EU institutions is still far from being the abovementioned carrier of Western cultural ideas; therefore, the viewpoints spreading from the CEE are very important for the future of the EMU itself. “We feel our share of responsibility for the development of the EU and with this feeling of responsibility we approach our presidency of the EU Council,” these are the words addressed to the European Parliament by Václav Klaus, President of the Czech Republic. He also mentions “a joint care of the public goods” as one of the most important challenges [Klaus 2009]. It should be acknowledged that currently the big EU member states do not serve as the united power centres, which would perceive not only direct and individual needs of a separate country but also the public and common needs of the EMU. But still, meeting these needs is the fundamental precondition for the viability of such power centres. The European Economic and Social Committee of the European Parliament in 2008 fixed that the euro did not seem to have made any significant progress in carving out a role as an element and symbol of European identity and that the two largest euro area countries, Germany and France, had positive growth and relatively negative perceptions, and warned that governments themselves defended inevitably unpopular measures by placing the blame on the single currency or its basic rules [European Parliament 2008].

Poland’s membership in the EU gave a new and more tangible dimension to Polish involvement in the continuation of the policy of further EU enlargement [Wiśniewski (ed.) 2009]. As a large economy it could contribute to the development of a positive image in the old euro area countries; moreover, it should positively influence the intensification of cooperation with neighbours from the CEE. Therefore, it is high time both Poland and Lithuania, which will hold EU presidency in the respective periods in 2011 and in 2013, started laying the solid political foundation for discussions and decisions on the enlargement of the euro area. It is an interesting situation when the country holds the EU’s rotating presidency but is outside the euro area. Krugman explaines why all small European economies should join the euro area: the euro currency provides an impact on Foreign Direct Investment and positive trade effects, provides protection from the effects of the global financial crisis and that relative euro area economic effects have been understated over the last 10 years [Manners 2009]. According to the “confidential report” of the IMF the euro area could relax its entry rules – so countries could join as quasi-members without the ECB board seats [Wagstyl 2009]. *The Financial Times* wrote that “a new currency is the silver bullet that supposedly kills all economic ills” [“The euro...” 2009], but, who knows, maybe euroisation is a way to remove small member states from the monetary policy proceedings and decisions in future? When the number of the euro area member states increases the size of the ECB Council making it by far the largest monetary policymaking body among industrial countries, this situation could give rise to greater difficulties in the decision making process [Berger 2002]. But in case of a unilateral introduction of the euro this process would not allow the country to influence the decisions of the ECB at all [Nausėda 1999].

In 2000 the Ecofin reported that unilateral euroisation cannot be a way of circumventing the stages foreseen by the Treaty for the adoption of the euro [Ecofin 2000]. According to Sandrine Levasseur, an economist at the OFCE Economic Research Department, the sanctions in the event of unilateral euroisation are currently very low, because non euro area member states are now *de facto* economically and politically integrated into the EU, and euroisation would be mutually advantageous for the EU – intangible benefits, such as the status and prestige that go with more extensive cross-border use of the euro, would accrue to the EU [Levasseur 2004]. Pedro Solbes, the former European Commissioner for Economic and Monetary Affairs from 1999 to 2004, excludes the possibility of euroisation: "When a Member State adopts the euro, it joins the euro area club with a 'voice and vote' and the decision obviously belongs also to the club" [Solbes 2003]. It is important to warn that there are no legal limits on how long member states can stay outside the euro area: satisfying the convergence criteria is required, but there are no sanctions for not satisfying. But to adopt the euro through euroisation would be inconsistent with the spirit of the Maastricht Treaty and the EMU. Euroisation is not acceptable as an exit strategy for a currency board either. This notwithstanding, one feature of euroisation we could find in Lithuania at the moment *de jure*: in 2002 the law provided for the use of the euro as well as euro banknotes and coins in the domestic economy as a legal tender [*Lietuvos Respublikos*... 2002]. Krugman insists that the danger to the EU comes from a different direction – it has fallen short in terms of both fiscal and monetary policy: the ECB has been far less proactive in its policies, moreover, "Europe's economic and monetary integration has run too far ahead of its political institutions" and there is no government in a position to take responsibility for the EU economy as a whole [Krugman 2009a].

Meanwhile, individualism is still prevailing in the euro area member states. Gideon Rachman, chief foreign affairs columnist for *The Financial Times*, notes that plans for a political union in Europe were always "crazy," but the four freedoms already established by the EU – free movement of goods, people, services and capital – are huge and tangible achievements. "It would be terrible to see them rolled back. Yet the threat is there. The British prime minister has talked of the 'British jobs for British workers', the French president has urged car companies to invest at home rather than elsewhere in the EU, the government of Spain has launched a 'Buy Spanish' campaign" [Rachman 2009]. The EMU had to strengthen EU powers in the world exchange system. In the opinion of P. Gylys, by surrendering a share of their sovereignty to central institutions administering it, national states must receive a sufficient amount of public goods in exchange. The EMU also represents one of these public goods, and its emergence is, in turn, a stimulus for further EU political integration on its way to European federalism. A look at the first articles of the EU Constitutional Treaty, providing for the values and aims of the EU, proves that this treaty contains a number of provisions, which may be accounted for by holistic thinking: social market economy, social justice, social protection, social cohesion and solidarity. These are the elements of holistic thinking, which point out to the inherent values of the EU. And these values constitute public goods [Gylys 2008].

3. Conclusions

First, the disparity between individualism and holism in the EU is of much higher-order than that while creating the euro area, which is now enlarging following the "mixed" scenario and possesses natural holistic elements.

Second, the euro area requires an enlargement because each new euro area member state is changing the relationship between the individualistic and holistic development scenarios in the course of EMU enlargement, but to adopt the euro through euroisation would be inconsistent with the spirit of the EMU.

Third, the power centres favouring the individualistic paradigm currently have the advantage over the power centres preferring holism. It should be noted that this "self-fulfilling prophecy mode" maintains enlargement policies that are bad for the countries themselves and for the EU as a whole. However, the problem is that the euro area does not exist in the whole of the EU. The member states must strengthen the coordination of their actions towards the euro: the absence of the systematicity and consistency are the features of ineffectiveness demonstrating the non-existence of the strategy aimed at joining the euro area. Therefore, the existence of the "hush-hush economics" just shows that the new EU member states are still lacking such public goods as state institutions, know-how, experience and democratic culture. Meanwhile, the EU is in need of coordinated and uniform macroeconomic policy. Each must become conscious that it is far from being just a sum of national macroeconomic policies.

Literature

Almunia J., *Euro zona pasirengusi padėti savo narėms krizės metu* [Euro zone can bail out members if needed], ELTA, Brussels, March 3, 2009.

Angeloni J., Flad M., Mongelli P., *Economic and monetary integration of the new Member States: Helping to chart the route*, ECB Occasional Paper no 36, September 2005.

Argentina on the Danube?, "The Economist" print edition, February 19, 2009 (available at: http://www.economist.com/opinion/displaystory.cfm?story_id=13144925).

Barber L., Giles Ch., Wagstyk S., Barber T., "World Bank chief urges EU to lead support for Eastern Europe", *The Financial Times*, February 19, 2009.

Barber T., "Emergency euro zone aid signalled", *The Financial Times*, March 4, 2009.

Barysch K., "The European Union must help its new states", *The Financial Times*, February 19, 2009.

Begg I., "Economic governance in an enlarged euro area", *Economic Papers* no. 311, Brussels, March 2008.

Berger H., "The ECB and euro-area enlargement", *IMF Working Paper* no. 175, October 2002.

Buiter W., Grafe C., *Anchor*, *Float or Abandon Ship*: *Exchange Rate Regimes for Accession Countries*, EBRD Working Paper, 2002.

Buvęs EK pirmininkas Ž. Deloras pesimistiškai vertino euro zonos ateitį [Delors pessimistic about euro zone future], ELTA, Brussels, March 18, 2009.

Čičinskas J., *Kainų stabilumo kriterijus stojančioje į pinigų sąjungą kylančioje ekonomikoje: Lietuvos atvejis ir kitos pamokos* [Criterion for price stability in the expanding economy acceding to the monetary union: Lithuania's case and other lessons], "Lietuva Europos Sąjungoje. Metraštis. 2004-2008", Europos integracijos studijų centras, Vilnius 2009.

Darvas Z., Szapáry G., "Euro area enlargement and euro adoption strategies", *European Economy, Economic Papers* no. 304, February 2008 (http://ec.europa.eu/economy_finance/publications/publication_summary1).

Dulkys A., "Euro area enlargement: dilemmas and prospects", *Ekonomika* 2008, Nr. 84, VU, pp. 40-53 (available at: http://www.leidykla.eu/fileadmin/Ekonomika/84/40-53.pdf).

Ecofin, *Report by the* (*Ecofin*) Counc*il to the European Council in Nice on the exchange rate aspects of enlargement*, Brussels, Council of the European Union press release no. 13055/00, November 8, 2000.

Eglitis A., *Baltic Currency-Peg Defence Cuts Reserves Amid Slump*, Bloomberg, February 23, 2009.

"EMU@10: successes and challenges after 10 years of Economic and Monetary Union", *European Economy* 2008, no. 2.

EU Rules out Faster Euro Zone Expansion, March 2, 2009 (available at: http://www.novinite.com/view_news.php?id=101637).

European Commission, "Seminar on currency boards in the context of EU accession", *Enlargement Papers* no. 1, Brussels, May 2000.

European Commission, "The economic impact of enlargement", *Enlargement Papers* no. 4, Brussels, June 4, 2001 (available at: http://ec.europa.eu/economy_finance/publications/publication1583_en.pdf).

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European Central Bank – First Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2004) 748 final, {SEK(2004) 1383}, November 10, 2004.

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European Central Bank – Second Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2005) 545 final, {SEK(2005) 1397}, November 4, 2005.

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European Central Bank – Third Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2006) 322 final, {SEK(2006) 785}, June 22, 2006a.

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European Central Bank – Fourth Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2006) 671 final, November 10, 2006b.

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European Central Bank – Fifth Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2007) 434 final, July 16, 2007a.

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European

Central Bank – Sixth Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2007), 756 final, November 27, 2007b.

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European Central Bank – Seventh Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2008), 480 final, July 18, 2008a.

European Commission, "Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and the European Central Bank - Eighth Report on the practical preparations for the future enlargement of the euro area", Brussels, *COM* (2008), 843 final, December 12, 2008b.

European Commission, "Convergence Report 2008", Brussels, *COM* (2008) 248, May 7, 2008c.

European Commission, Recommendation on measures to facilitate future changeovers to the euro, Brussels, (2008/78/EC), January 10, 2008d.

European Parliament, Opinion of the European Economic and Social Committee on the advantages and benefits of the euro: Time for assessment, Brussels, 2008/C 224/27, May 29, 2008.

EU's Almunia plays down euro zone debt default risk, Reuters, Brussels, January 19, 2009 (available at: http://www.fxstreet.com/news/forex-news/article.aspx?StoryId=9239438c-145e-4957-bcde-b543b19d0026).

Grauwe P., *ECB and European Commission are right on euro accession, but for the wrong reasons*, University of Leuven, December 7, 2006 (available at: http://www.eurointelligence.com/Article3.1018+M52f2d5c2c65.0.html).

Gylys P., *Ekonomika, antieknomika ir globalizacija* [Economics, Anti-economics and Globalisation], Vilniaus universiteto leidykla, Vilnius 2008.

Hagen J. von, Traistaru J., *Macroeconomic Adjustment in the New EU Member States*, presentation at the Third ECB Central Banking Conference on the New EU Member States: "Convergence and Stability", Frankfurt am Main, October 22, 2004.

Juncker J.C., *Finansų krizė ES gali sukelti socialinę* krizę [EU financial crisis may lead to a social crisis], RIA Novosti-ELTA, Brussels, March 18, 2009a.

Juncker J.C., *Lenkija rimtai derasi dėl euro įvedimo* [Poland is in 'Serious' Talks on Euro], Bloomberg-ELTA, Brussels, March 20, 2009b.

Juncker sees no early change to euro entry criteria, EST, Reuters, Brussels, March 1, 2009.

Klaus V., *Speech of the President of the Czech Republic Václav Klaus in the European Parliament*, February 19, 2009 (available at: http://www.klaus.cz/klaus2/asp/clanek.asp?id=88EY96UW9zlp).

Kropienė R., Kropas S., Dulkys A., "The problem of asymmetry in euro area enlargement", *Lithuanian Annual Strategic Review 2007*, Military Academy of Lithuania, Vilnius 2008.

Krugman P., "A continent adrift", *The New York Times*, March 16, 2009a (available at: http://www.nytimes.com/2009/03/16/opinion/16krugman.html?_r=1).

Krugman P., *Failing the test*, March 2, 2009b (available at: http://krugman.blogs.nytimes.com/2009/03/02/failing-the-test).

Levasseur S., "Why not euroisation?", *Revue de l'OFCE* 2004, no. 91, April 2004 (available at: http://www.cairn.info/revue-de-l-ofce-2004-5-page-121.htm).

Lewis J., "Hitting and hoping? Meeting the exchange rate and inflation criteria during a period of nominal convergence", *CESifo Working Paper* no. 1902, January, 2007.

Lietuvos banko valdybos 1997 m. sausio 16 d nutarimas Nr. 14 *Dėl Lietuvos banko pinigų politikos programos 1997-1999 metams* [Concerning the Monetary Policy Programme of the Bank of Lithuania for 1997-1999], Bank of Lithuania, January 16, 1997.

Lietuvos Respublikos užsienio valiutos Lietuvos Respublikoje įstatymo 2 ir 3 straipsnių pakeitimo ir 8 straipsnio 2 dalies pripažinimo netekusia galios įstatymas [Republic of Lithuania Law on Amending Articles 2 and 3 of the Law on Foreign Currency in the Republic of Lithuania and

Repealing Paragraph 2 of Article 8 of the Law], Vilnius, October 22, 2002 (available at: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=191569).

Manners I., *Small, open €uro economies*, Danish Institute for International Studies, January 2009.

Mongelli F.P., "European economic and monetary integration and the optimum currency area theory", Economic *Papers* no. 302, February 2008 (available at: http://ec.europa.eu/economy_finance/publications).

Nausėda G., "Nacionalinės valiutos atsisakymas: privalumai ir trūkumai" [Giving up the national currency: benefits and shortcomings], *Pinigų studijos* 1999, Nr. 2.

"Poland reiterates commitment to early euro zone accession", FT Reporters, *The Financial Times*, March 3, 2009.

Prodi R., "Fight the crisis with euro zone bond market", *The Financial Times*, February 25, 2009.

Rachman G., "Euroscepticism is yesterday's creed", *The Financial Times*, March 2, 2009.

Ruošiantis įvesti eurą, bus kuriama bendra Lietuvos ir EK darbo grupė [In preparation for the introduction of the euro, will be set up Lithuania and the EC Working Group], BNS, Vilnius, July 24, 2006.

Solbes P., *Exchange rate policies and EMU participation of accession countries*, speaking note for conference: "Monetary Strategies for Accession Countries", Budapest, February 27-28, 2003.

Stavrev E., "Forces driving inflation in the new EU10 members", *IMF Working Paper* no. 51, March 2009.

"The euro in Eastern Europe", *The Financial Times*, April 6, 2009.

The Whiff of Contagion, "The Economist" print edition, February 26, 2009 (available at: http://www.economist.com/world/europe/displaystory.cfm?story_id=13184594).

Tubalkain-Trell M., *Almunia: Currency peg can have benefits*, February 22, 2009a (available at: http://www.balticbusinessnews.com/Default2.aspx?ArticleID=e021ddba-9437-49ef-8ab3-eeba72e4e572&ref=rss#).

Tubalkain-Trell M., *Roubini: Baltics, Bulgaria next for devaluation*, February 5, 2009b (available at: http://www.balticbusinessnews.com/Default2.aspx?ArticleID=c5343566-4b99-48f7-842d-aa557eb854ed).

Wagstyl S., "IMF urges eastern EU to adopt euro", *The Financial Times*, April 5, 2009.

Wiśniewski J. (ed.), *4 years of Poland's membership*, CBOS, April 2008.

Zoli E., "Commodity price volatility, cyclical fluctuations, and convergence: What is ahead for inflation in emerging Europe?", *IMF Working Paper* no. 09/41, 2009.