

Overview

Euro-pessimism has been a notable feature of the global financial crisis, particularly since Greece’s fiscal meltdown in 2009 and Ireland’s in 2010. Policy wonks and journalists (especially in the US and UK—traditional sources of Euro-skepticism) have inveighed against Brussels-sponsored “bailouts” of the Eurozone’s less fortunate members, and in predicting the Eurozone’s demise, either in part (due to some members’ possible withdrawal), or *in toto*.

This paper argues that much of this criticism of the Euro and the Eurozone is misguided. It also seeks to move the debate on the impact and future of the Euro toward the transition and developing economies in the Eurozone’s penumbra. The paper concludes that, in terms of prospects for sustainable growth and human development in these countries, the real danger lies not in the dissolution of the Eurozone (which is not a very realistic scenario), or in its continued existence (a healthier and more likely outcome). The greater threat to these countries’ development prospects may instead lie in the further weakening of the EU’s “soft power” and its ability to serve as a “development anchor” for the wider neighbourhood, should the “Euro crisis” atmosphere continue indefinitely.

Why the “Euro crisis” is overblown

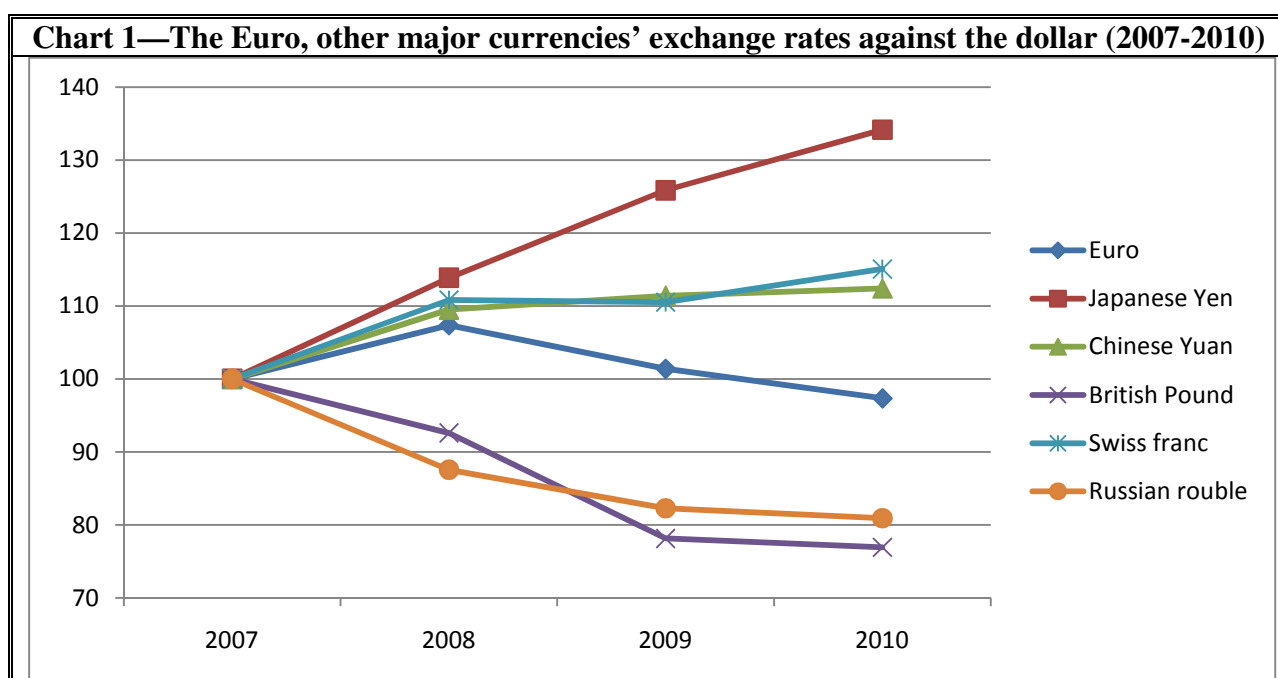
The Euro has always had its skeptics—particularly in the United Kingdom (which chose to “opt out” of the Eurozone when it was created) and the United States,¹ where academic economists often point to the ways in which the Eurozone deviates from the prerequisites for an “optimum currency area”.² Developments in the Eurozone since the global financial crisis began in mid-2008—particularly the Euro’s depreciation against the dollar, and the multi-billion Euro bailouts of Greece and Ireland (with the strong likelihood of more such bailouts to come)—have provided further grist for Euroskeptic mills.

The gravity of these developments can not be lightly dismissed. Nor is it difficult to imagine unpleasant Eurozone scenarios in which matters go from bad to worse—particularly if Europe’s economic recovery, or political sobriety in key Eurozone countries, were to falter. However, the Euro is not behaving like a currency in crisis. Moreover, sober analysis suggests that the Eurozone’s real problems, and the causes of Europe’s current macroeconomic and financial uncertainties, are not rooted in monetary and exchange rate policies. Instead, the Eurozone’s real problems concern fiscal policy and bank/financial market regulation.

¹ See, for example, Paul Krugman, “Can Europe Be Saved?”, *New York Times Magazine*, 12 January 2011 (<http://www.nytimes.com/2011/01/16/magazine/16Europe-t.html?emc=eta1>); Martin Feldstein, “Fundamental Flaws: The Single Currency Was Bound to Fail”, *The International Economy*, Spring 2010 (http://www.international-economy.com/TIE_Sp10_Feldstein.pdf); and “The Euro Area: Time for Plan B”, *The Economist*, 13 January 2011 (<http://www.economist.com/node/17902709>).

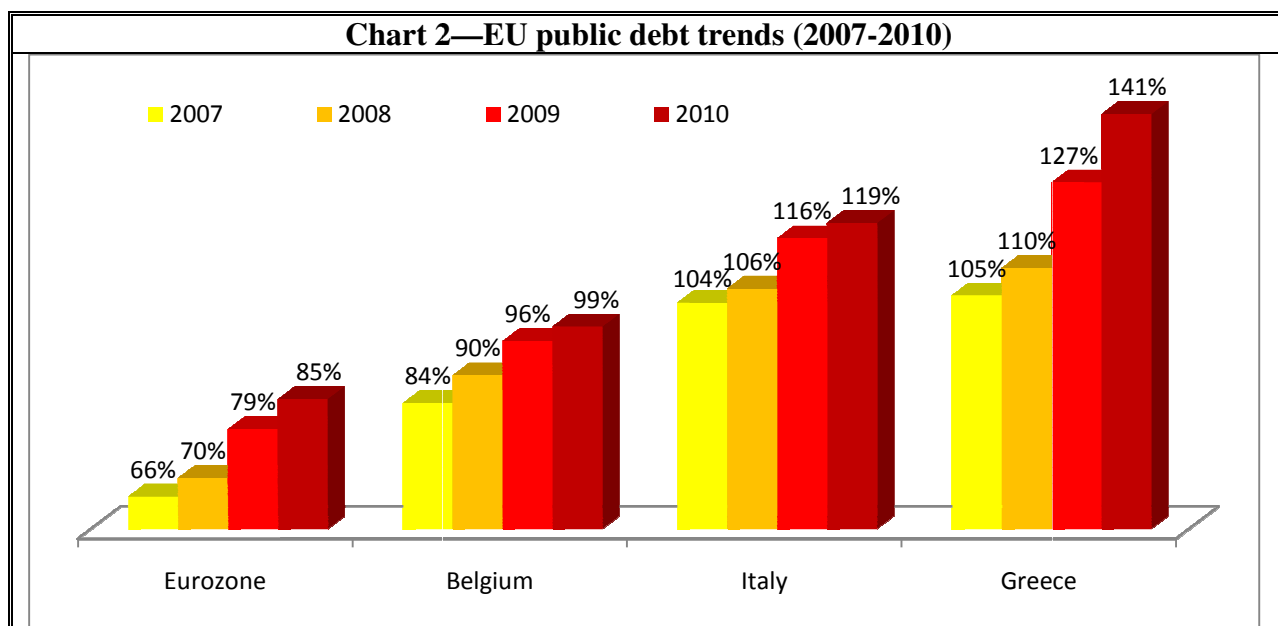
² See Robert Mundell, “A Theory of Optimum Currency Areas”, *American Economic Review*, 51, November 1961. For a balanced assessment of how the Eurozone corresponds to an optimum currency area, see Ronald McKinnon, “Optimum Currency Areas and the European Experience”, September 2001, Stanford University.

The Euro is not behaving like a currency in crisis. Currencies in crisis typically undergo dramatic devaluations vis-à-vis the currencies of their main trading partners. As Chart 1 below shows, this is not the case for the Euro. While the Euro in 2010 was some 3% below its 2007 average level vis-à-vis the US dollar, this is hardly a cataclysmic collapse—far smaller than the depreciation of the British pound or the Russian rouble during the same period. While the Euro’s depreciation against the dollar during 2008-2010 was somewhat larger (9%), this can be seen as a correction on the Euro’s previous over-valuation: during 2001-2008, the Euro had appreciated against the dollar (in nominal terms) by nearly two thirds. The Euro’s depreciation since mid-2008 can therefore be seen as a long-awaited correction, helping to make European exports more competitive and thereby moderate the impact of the crisis on European GDP. And since this depreciation occurred at a time of global disinflationary pressures, the weakening of the Euro did not have a significant inflationary impact in the EU.



*Indices based on annual average exchange rates, expressed in currency units per one US dollar.
Source: OANDA foreign exchange calculator.*

Fiscal policy, and banking/financial market regulation, are the Eurozone’s real problems. The financial instability experienced by Eurozone countries during 2009-2010 was triggered in large part by fiscal policies that violated the EU’s Stability and Growth Pact, which requires member states to hold public deficits and debt below 3% and 60% of GDP, respectively. As the data in Charts 2 and 3 show, the Eurozone countries were on average not in compliance with the Pact’s public debt criterion in 2007, before the global financial crisis began. Fiscal balances deteriorated dramatically across the Eurozone in 2008-2009; and despite some progress in reducing budget deficits, public debts grew further in 2010.



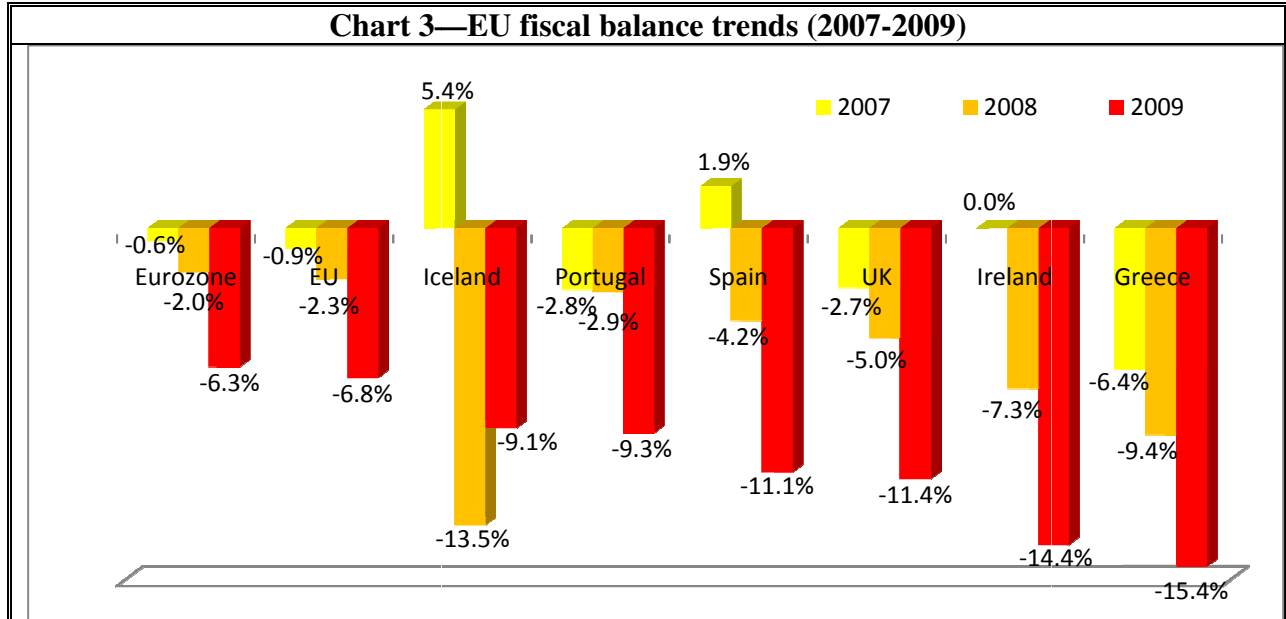
Gross public debt relative to GDP. 2007-2009 data are from Eurostat; 2010 figures are JPMorgan projections.

These debts and deficits should not be demonized: they reflect attempts by Eurozone governments to use the fiscal space at their disposal to boost domestic demand and lessen the macroeconomic and socio-economic impact of the crisis. Thanks to this fiscal activism, GDP, employment, financial stability, social protection, and public services were maintained at higher levels than would otherwise have been the case. Moreover, at least some of the fiscal red ink associated with the nationalization of bank and companies can be recouped in the future, when shares acquired by governments at fire sale prices during the depths of the crisis can be sold off at a profit.

However, this fiscal splurge placed inordinate strains on budget balances across Europe. These strains are also afflicting EU countries that are not in the Eurozone (like the UK)—and even European countries like Iceland, which is not (yet) an EU member state. Indeed, as the examples of the UK and Iceland illustrate, being outside the Eurozone offers no protection against the consequences of fiscal excess. Instead, growing numbers of European economies—both within the Eurozone (Greece, Ireland) and outside it (Iceland)—are now caught in debt traps: they are unable to borrow enough on domestic and international bond markets to service and repay their existing public debts. As a result, they have had to turn to the IMF, European Commission, and European Central Bank (ECB) for financial assistance. But irrespective of whether they request such support, many European countries now face the unpleasant prospect of years of fiscal austerity.

The sad fact is that fiscal policies in many European countries are today neither sustainable nor credible. In addition to the short-term debt and deficit strains generated by the fiscal response to the crisis, many European countries face serious longer-term fiscal challenges,

driven by the economics of shrinking, aging populations and rising public health care costs. These fiscal problems can not be laid at the door of the Euro; they would be present even if the Euro had never been introduced.



Fiscal balance relative to GDP. Eurostat data.

Maybe the creation of the Eurozone made these fiscal problems worse, helping to bring matters to their current pass? Some commentators have argued that Euro adoption and the associated virtual disappearance of exchange-rate risk for Eurozone “periphery” countries (Greece, Portugal) caused interest rates in these countries to fall too far (typically from the 10%-15% range to the 2-5% range) too fast.³ Excessive borrowing by the private as well as the public sector ensued, creating unsustainable real estate and stock market bubbles. The popping of these bubbles in 2008 then precipitated banking crises and financial meltdowns, the resolution of which further widened public debts and deficits—particularly in countries with relatively large financial sectors (the UK, Iceland, Ireland).

While there is something to this argument, it faces two weaknesses. First, the reduction in interest rates that followed the creation of the Euro also reflected falling inflation across the Eurozone. Lower inflation and especially interest rates should help, not hurt, fiscal and financial balance. Second, the lion’s share of the blame for the 2008 financial meltdown must surely lie not with the exchange rate, but with the destabilizing behavior and inadequate regulation of European (and global) financial markets. European banks were brought low not only by debt-

³ “The unification of capital costs has proved more akin to giving an American Express black card to a college freshman . . .”—Peter Zeihan, “Europe: The New Plan”, STRATFOR, 21 December 2010.

financed real estate and stock market bubbles, but also by the proliferation of poorly regulated, often poorly understood financial derivatives. The Euro can hardly be blamed for financial institutions' inability to manage commercial risk, poor decisions by ratings companies and investors, or regulators' failures to set and enforce appropriate prudential standards. Blaming fiscal excess and the crash of the European financial system on the Euro makes no more sense than blaming the crash of the American financial system and the stunningly large American fiscal expansion of 2008-2011 on the dollar.

Since the Eurozone is really not the cause of Europe's current macroeconomic problems, countries like Greece and Ireland that are in the eye of the storm are unlikely to abandon the Euro any time soon. While the re-introduction of national currencies in these countries would in principle allow governments and national banks to print money to meet their obligations, such monetization could easily push the exchange rate down and prices up. A weaker exchange rate would also drive up the costs of servicing debt denominated in Euros and other foreign currencies—increasing (not reducing) the likelihood of public- and private-sector debt restructurings and financial panics. The return of exchange rate risk and transactions costs (for purchasing foreign exchange) could limit the foreign trade flows upon which these small, open economies depend.

Under such circumstances, a bailout financed by the IMF and the European Commission, via the €440 billion European Financial Stability Facility (EFSF) created in May 2010, must seem an immensely preferable alternative to policy makers in Athens and Dublin. It is certainly preferable to most other EU member states, whose banks hold public- and private-sector debt issued by Greece and Ireland, and whose own financial stability could be threatened by contagion.

In some ways, the Eurozone is becoming stronger, not weaker. While it may have underscored the Eurozone's weaknesses, the "Euro crisis" is also helping policy makers to address them. Monetary unions work best when two conditions are satisfied: (1) wages and prices are sufficiently flexible downwards, in order to facilitate the reallocation of "redundant" labour away from declining toward growing sectors and areas; and (2) the union possesses a central fiscal authority with the mandate and resources to effect significant fiscal transfers from growing to declining areas, in order to stabilize the latter and improve their competitiveness.

On (1): Europe has long been viewed as a region of relatively inflexible labour markets (at least, compared to the US and many developing countries); such views often underpin Euroskeptic arguments against the Eurozone's viability. However, post-2008 developments in Europe indicate that European prices, wages, and labour markets are more flexible than previously thought. A recent JPMorgan study found that, while GDP during the crisis declined by more in Germany than in the US, employment in Germany remained nearly unchanged, while the unemployment rate in the US more than doubled during 2008-2010. German policies (e.g., the shortening of the work week) apparently prompted a more flexible labour market response, saving jobs and limiting the social impact of the crisis.⁴ Also, labour migration from the new EU member states would seem to have helped make European labour markets more flexible, in terms of allowing labour supply to more quickly respond to changes in labour demand. As for downward price flexibility, inflation rates in Europe during 2009-2010 fell to lows not seen in

⁴ Referenced in *The Economist*, 16 November 2010.

decades. Ireland, Latvia, Spain, and Portugal reported declines in the ECB's harmonized index of consumer prices in 2009, 2010, or both. While deflation can create serious macroeconomic problems, downward rigidities in wages and prices are not among them.

On point (2): The EFSF-sponsored "bailouts" of Greece and Ireland are at the heart of the criticism now being leveled against the Eurozone. To be sure, the creation of a "bailout fund" raises troubling issues, including the difficulties in reconciling the EFSF with the "no bailout" clause of the 1992 Maastricht Treaty that created the Eurozone, huge potential fiscal costs, and the possible exacerbation of moral hazard issues. However, as pointed out above, the Euro can not be credibly blamed for the unsustainable fiscal policies pursued by a number of European countries. Moreover, managed correctly, this bailout fund could strengthen the EFSF's (or its successor institution's) ability to serve as a central fiscal authority with the resources needed to effect significant fiscal transfers from more to member states in worse shape—as suggested by optimum currency area theory. Likewise, the EFSF (or its successor) seems likely to be able to tap the capital markets, using long-term pan-European debt instruments to solve Europe's immediate financial problems. In addition to helping avoid messy sovereign defaults today, these developments could provide the missing piece of Eurozone's financial architecture of tomorrow.

The Eurozone and the new EU member states

Thanks to the "Euro crisis", Euro adoption is no longer on the front burner in Warsaw, Prague, or Budapest. This is a change from the situation a few years ago, when unilateral Euro adoption—without the approval of the ECB or the European Commission—was actively discussed.⁵ Neither Poland, Hungary, nor the Czech Republic—the largest (along with Romania) and wealthiest of the new EU member states—now seem likely to join the Eurozone in the next 7-8 years. Moreover, central banks in these countries were able to let their currencies depreciate against the Euro in late 2008/early 2009, thereby boosting export competitiveness and moderating the impact of the global financial crisis on the domestic economy. Had these countries already joined the Eurozone, this option would not have been available.

Is the Eurozone now passé for the new member states? Most definitely not. For one thing, all 12 of the countries that joined the EU in 2004 and 2007 are required to adopt the Euro as soon as they can meet the Maastricht convergence criteria (see Box 1 below); unlike the UK and Denmark, they do not have an "opt out" option. But more to the point: the Eurozone continues to be attractive to many new EU member states. In January 2011, Estonia became the fifth new member state to accede to the Eurozone, joining Slovenia, Cyprus, Malta, and Slovakia. Likewise, Bulgaria, Latvia, and Lithuania kept their currencies tightly pegged to the Euro during the crisis; and, Iceland is expected to adopt the Euro as soon as it can upon entering the EU. Were it not for the very demanding criteria (some of which may be inappropriate for transition

⁵ See, for example, Jacek Rostowski, "Why Unilateral Euroization Makes Sense for (Some) Applicant Countries" (http://www.bankofalbania.org/web/pub/rostowski_ang_226_1.pdf). The author is currently Poland's minister of finance.

economies⁶) set for entering the Eurozone, other new member states would almost certainly have joined by now: Lithuania narrowly missed qualifying for the Eurozone in 2009; and Bulgaria is expected to apply to enter the EU's Exchange Rate Mechanism (ERM-2—the “pre-Euro” exchange rate regime) later this year.

Box 1—What does it take to Join the Eurozone? The Maastricht convergence criteria

- * **Budget deficit:** *The government deficit to GDP ratio must not exceed 3% in the preceding fiscal year. Only exceptional and temporary excesses are allowed.*
- * **Public debt:** *The ratio of gross government debt to GDP must not exceed 60% in the preceding fiscal year. Otherwise, the ratio must have diminished and be approaching the reference value at a satisfactory pace.*
- * **Exchange rate:** *The currency should be in ERM-2 for at least two years without severe tensions, in particular without depreciating against the euro.*
- * **Inflation:** *Twelve-month average inflation (as measured by the ECB's harmonized index of consumer prices) that is no more than 1.5% percentage points higher than the average of the three EU member states with the lowest inflation rates.*
- * **Interest rates:** *Twelve-month average long-term government bond yields must not be more than 2 percentage points higher than in the three lowest inflation EU member states.*

Why would these countries push to join the Eurozone and choose to give up the devaluation option? There are at least five reasons:

Inflationary pass-through: For small open economies where many important goods and services are imported (or compete with imports), a depreciation can lead to higher inflation that both raises production costs generally (including for exporters—thereby partially negating the export promoting benefits) and reduces real incomes and living standards outside of export-oriented sectors and regions. The relative successes of the devaluations introduced in Poland and the Czech Republic during 2008-2009 were made possible in part by the exceptionally strong global disinflationary pressures then in play. While inflation rates in the Eurozone seem likely to remain low for the foreseeable future, they are expected to accelerate in many emerging market economies during 2011-2012. The window of opportunity for avoiding inflationary pass-through may therefore be closing; central banks in these countries are now facing large capital inflows that are boosting inflation and causing their currencies to appreciate.

“Beggars-thy-neighbour” devaluations: A devaluation by one country may boost exports to (and thereby reduce production and incomes in) its trading partners, but it also gives its trading partners incentives to devalue their currencies as well. If a devaluation by one country sets off a spiral of competitive, “beggars-thy-neighbour” devaluations, exchange rates can end up

⁶ For more on this, see Willem H. Buiter and Anne C. Sibert, “Eurozone entry of new EU member states from Central Europe”, *Development and Transition*, June 2006, issue 4 (<http://www.developmentandtransition.net/Article.35+M5c989d5b2b4.0.html>).

broadly unchanged—and all the affected countries can experience financial instability, higher inflation, and reductions in real incomes. The desire to avoid competitive devaluations, which occurred with some frequency during the 1930s, and are viewed by economic historians as having deepened the Great Depression, often motivates the creation and expansion of monetary unions (like the Eurozone) in the first place.

Balance sheet mismatches: Households, banks, and companies in many new member states that have not adopted the Euro have acquired significant debts denominated in Euros (or Swiss francs), while most of their assets are denominated in national currency. A devaluation combined with such “balance sheet mismatches” means commensurate increases in the costs of servicing and repaying these debts; large debts combined with big devaluations are a recipe for financial meltdown. These relationships played out dramatically in Iceland, where a currency crisis (the exchange rate plummeted from € = 91 krona to € = 193 krona over the course of 2008) crashed the country’s banking system. Less dramatic variations on this theme played out during 2008-2010 in Hungary and Romania, where governments and central banks had to borrow from the IMF and European Commission in order to shore up their currencies and prevent Icelandic-type meltdowns. Likewise, large foreign-currency private-sector debts were a major reason why the Baltic states refused to abandon their Euro pegs, even in the face of punishing declines in GDP during 2008-2009.

Reducing transactions costs and exchange rate risks: Most new EU member states have small, open economies, for which being able to import and export at the lowest possible costs is a matter of life and death. A common currency reduces the transactions costs (of purchasing foreign exchange) and exchange rate risks of engaging in foreign trade, helping to keep economic lifelines open.

Competitive advantage: Many government and business representatives in the new member states believe that joining the Eurozone confirms the strength and maturity of their national financial systems, and gives their economies an advantage in the competition for foreign investment vis-à-vis countries that have not adopted the Euro. While such benefits may be psychological or symbolic in character, developments in the world economy since mid-2008 remind us of the power of psychology and symbols to move financial markets in ways that affect real people’s lives.

This strongly suggests that the relatively successful Polish and Czech devaluations of 2008-2009 can not be emulated by most other new EU member states outside the Eurozone. With the export-promoting benefits of a national currency thus reduced, what is the point of staying out of the Eurozone? For these reasons, more countries can be expected to seek to join, and ultimately accede to, the Eurozone in years to come.

Impact on “wider Europe”

In many respects, the implications of recent Eurozone developments for the Southeast European economies now negotiating (or waiting to negotiate) EU accession are quite similar to those for the smaller new EU member states. For the small, open West Balkan economies, the EU is a dominant economic (as well as political) force, comprising the largest export market, as

well as an important source of capital and remittance inflows. As with the new EU member states, an important share of the economic progress enjoyed in Southeast Europe prior to the global financial crisis can be ascribed to “convergence growth”, reflecting the benefits of closer integration/convergence with the EU’s single market. Prodded in part by promises of preferential access to the EU’s single market, these countries and territories have in the last decade introduced many of the market and governance reforms needed to satisfy the Copenhagen criteria for EU accession,⁷ and which also improve their global economic competitiveness. Two West Balkan economies (Montenegro and Kosovo⁸) have already adopted the Euro; while exchange rate pegs and the large role of European banks in their financial systems effectively tie Croatia, Bosnia and Herzegovina, and the Former Yugoslav Republic of Macedonia to the Euro as well. Serbia and Albania by contrast permitted their currencies to depreciate against the Euro since late 2008—and (at least in Serbia’s case) have endured higher inflation rates as a result.

Overall, deepening financial integration with Europe—via pegged exchange rates to the Euro, the increasing role of European banks, and (prior to the crisis) growing remittances from EU countries—has clearly bolstered financial stability across Southeast Europe. Perhaps most importantly, for the Western Balkans, the promise of “joining Europe” has created an alternative development vision that is helping to supersede the post-conflict legacies of the wars of Yugoslav succession (and the 1997 civil war in Albania) in domestic and regional political discourse. The extensive use of the Euro for informal-sector household transactions in this region is a symbol of this promise—another example of the Euro’s psychological and symbolic importance in wider Europe.

Turkey is something of an exception: its large domestic market and well developed trade relations with other regions make the EU a somewhat less important economic partner for Ankara. Unlike most European countries, Turkey was able to devalue its currency in late 2008 with minimal inflationary consequences, boosting exports and moderating the effects of the global financial crisis. Preparations for Turkey’s once-and-future EU accession have also slowed in recent years. Still, its customs union with the EU (in place for nearly 50 years), the economic reforms introduced following Turkey’s 1999 and 2001 currency crises, and growing investments by European companies (and banks) that view Turkey as a platform for EU exports—all underscore the continuing importance of Turkey’s relationship with the EU.

Due in part to their integration with Europe, most of the Southeast European economies suffered recessions in 2009 and (with the exception of Turkey) continuing recessions or only weak recoveries in 2010—leaving per-capita GDP below (and unemployment and poverty rates above) pre-crisis levels. Prospects for these economies in 2011 are very much linked to prospects for a broader economic recovery in Europe. Should Europe’s current fiscal turmoil prevent such a recovery, the Southeast European economies would suffer. But the Euro’s large role in the region would be unlikely to change.

⁷ “To join the EU, a new Member State must meet three criteria: political—stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; economic—existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; and acceptance of the Community *acquis*: ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.”
(http://europa.eu/scadplus/glossary/accession_criteria_copenhagen_en.htm).

⁸ References to Kosovo are intended to be within the framework of UN Security Council Resolution 1244 (1999).

By comparison, the economic significance of Europe and the Euro in the Former Soviet Republics is much reduced. While the EU is an important export market for virtually all of these countries, so is Russia, and increasingly China—particularly for Central Asian energy exporters. The Russian Federation is also an important provider of financial and transport services, and remittances, for many of its post-Soviet neighbours. And in contrast to the new EU member states and Southeast European economies, the dollar, rather than the Euro, continues to finance most foreign trade, credit, and remittance flows within the former economic Soviet space. Except for Ukraine, Moldova, and parts of the Russian Federation, European companies and banks play smaller roles as suppliers of credit and capital in the Former Soviet Republics than is the case in the new member states and Southeast Europe.

Unlike the new EU member states and the Southeast European economies, which are increasingly integrated into European and global supply chains, the Former Soviet Republics export almost exclusively energy and other primary products (rather than industrial components for finished manufactured products) to the EU. Their manufactured exports are mostly uncompetitive on the EU markets; and while the lack of preferential access to the single market contributes to this, high levels of energy inefficiency and technological obsolescence also contribute to this lack of competitiveness. On the other hand, this state of affairs is not without some benefits: the lack of deep economic integration with European may have helped the Central Asian countries to avoid recessions in 2009.

Even in the Former Soviet Republics, however, the Euro's role is not negligible. Most of these countries source significant shares of their consumer- and investment-good imports from EU suppliers; Russia, Kazakhstan, and Azerbaijan export large shares of their energy production to EU countries; and European companies have made important purchases of assets (or large greenfield investments) in many of these countries—particularly in Moldova and Ukraine. Even in the Russian Federation, the Central Bank pegs the rouble to a foreign currency basket, 45% of which is represented by the Euro. According to the most recent IMF Article IV consultation, the National Bank of Moldova monitors the leu's exchange rate vis-à-vis the Euro (rather than the dollar) for indications of external imbalances.

In principle, the EU's European Neighbourhood Policy and Eastern Partnership offer the Former Soviet Republics the "access to the single market in exchange for market and governance reform at home" bargain that proved to be so compelling for the new EU member states and Southeast Europe. The response in Ukraine (which is currently negotiating a deep free trade agreement with the EU), Moldova, and other Soviet successor states that seek to pursue a "European direction" in their foreign economic relations suggest that the economic, psychological and symbolic draw of the Euro is not lost on the post-Soviet economic space.

Conclusions

The Eurozone is neither a threat, nor irrelevant, to Europe's wider neighbourhood. Instead, by reducing transactions costs and abolishing exchange rate risks and balance sheet mismatches, transition and developing economies that have already adopted the Euro enjoy concrete benefits that are not available to other countries. In terms of prospects for sustainable growth and human development in Europe and Central Asia, the real danger lies not in the

dissolution of the Eurozone—which in any case is not a very realistic possibility—or in its continued existence (a healthier and more likely outcome). The greater threat is that “enlargement fatigue” could further weaken the EU’s “soft power” and its ability to serve as a “development anchor” for the wider European neighbourhood. If Estonia’s January 2011 Eurozone accession is not followed by other countries (e.g., Bulgaria) in the next years, policy makers in the new EU member states and in Southeast Europe may come to view Euro adoption as an increasingly unrealistic proposition. This could further weaken incentives to introduce the market and governance reforms needed for longer-term economic competitiveness—and ultimately for sustainable human development.

The fiscal finances of several Eurozone countries are currently in crisis; it is not certain that the EFSF and other measures undertaken by the ECB, European Commission, IMF, and national governments will be able to resolve it. But the EU’s evolution since its creation in 1957 has not infrequently been marked by periods of crisis, the resolution of which required deep institutional reforms that ultimately pushed member states toward the “ever closer union” envisioned by the Treaty of Rome. Let us hope that the current crisis can also help accelerate such change.

—20 January 2011

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