Euro and European Monetary Union between Ideal and Crises

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Abstract

The idea of single currency applicable to Member States of European Union (EU) ought to be one of the most significant EU projects. However, the occurrence of Euro crisis in recent years has to great extend shaken the sustainability of euro currency. Thus, this article scrutinize the role that the euro plays as an ideal project to facilitate the development of European Union on one side, and the challenges posed by euro crisis for a successful functioning of the euro on the other.

Keywords: EU, Monetary Union, Financial Crises, Euro Zone and Euro Crisis.

Introduction

What is the significance of a currency to a country or a nation? At least since the late 19-th century, the currency of a country is closely associated with sovereignty of the nation and state power. In short, a (well known blueprint in relation with this is that currency symbolizes a nation. Another aspect that a currency associates to a country is the defining nature of political entity, as often currency is used by Government to shape political identities and social limits (Matthias, 2004).
Putting the significance of the euro currency in European context, it serves several purposes. Euro has economic functions and this is not contestable. Moreover, very important role of the euro is the denotation as a symbol of European integration that goes well beyond individual EU member nations. Nevertheless, last euro crises have raised many doubts by triggering questions of whether introduction of a single currency in several EU member states has achieved its purpose of economic benefits. Whether the euro as a symbol of EU integration has indeed assisted for further integration or disintegration? Thus, this article addresses two main issues subject to discussion in this article. It scrutinizes the role of the euro as part of an unequivocal project to facilitate the development of a European integration and identity, and it examines whether there is a sufficient support from EU member states to facilitate an ideal successful functioning of the euro.

The foundations of monetary union

The idea of common currency started to develop with Maastricht Treaty coming into existence in the year 1992. The treaty expressly recognized the single currency as one of the key objectives of the Monetary Union's Policy. Having paved the way for the establishment of a single currency, the euro commenced its journey in 1999 as a landmark in European market integration and beyond. The launching of the euro currency is considered to be an Economic and Monetary Union reflection on two sides, the economic aspect and the political aspirations of the European Union.

The key idea behind the lunching of the euro currency ought to be the assurance of sustainable growth by which would facilitate and foster further political integration of the European Union (Ivo & Moss, 2014).

The integration of Single currency under the framework of the single market idea is only one side of European economic and political integration. Following the successful pursuit of economic integration with the founding of European Coal and Steel Community in 1952 and the establishment of the European Economic Community with the Treaty of Rome in 1957, it became evident that new phase of economic integration becomes imminent. In fact, nobody could have guessed this rapid economic integration where the single market becomes reality with the Single European Act in 1986 and the Single Market Programme in 1992. Since then, decades have passed and the need to remove the remaining obstacles led to new ideas and new developments in order to keep moving European Integration. Here it appears the introduction of a single currency named Euro. Simply because it was felt that without having in place common single currency, deeper single market integration could be endangered.

The experience of the Euro is a unique history of currencies. A key characteristic of this unique history carries in itself two elements. On the one hand, the European Central Bank serves as a supranational regulator, by having full independence in conducting a single monetary policy for the euro area. On the other hand, in terms of political will, European Central Bank has rather limited sovereignty as it remains predominantly national in many policy areas. The comparison of these two arguments has raised questions about the sustainability and effectiveness of such an institutional arrangement in relation with euro currency (Otmar, 2008). In this context, Otmar Issing in his speech argues that Economic and Monetary Union can well function with current structure organizations based on his arguments as follows:

"First, Monetary Union in itself has a clear political dimension. It entails the transfer of national monetary policy decision-making powers to a supranational entity, the European Central Bank. Relinquishing national sovereignty in such an important field is a substantive contribution to political integration. A central bank is, after all, an element of statehood. The Maastricht Treaty has made the ECB independent of any political influence so that it is able to fulfill its clear mandate of preserving price stability. Monetary policy-making is hence not only centralized but also depoliticized. This step was only possible because euro area members had achieved a high degree of convergence in monetary policy attitudes and preferences in the run-up to Monetary Union.

Moreover, the way in which participating countries see themselves and their role as nation states has changed profoundly. In this respect, the launch of the euro marks the most recent and far-reaching step. National sovereignty has not only been transferred in the area of monetary and exchange rate policies but also in other key policy areas, such as competition and trade. Finally, a single market has been established. As a result, the euro area countries already share important elements of state formation which are also key to the functioning of Monetary Union" (Otmar, 2008).

Undoubtedly, the foundations of monetary union, respectable the establishment of Eurozone has been unprecedented successful story as it have been noted in the

speech of the Otmar Issing:
"After more than seven years, the euro is firmly established as the currency of over 300 million people. Its internal stability is evidenced by the fact that inflation has been steadily low from the very start, despite a sequence of negative price shocks (in particular a continuous surge in oil prices). As an international currency, the euro is second only to the US dollar" (Aizenman, 2015).
"The EU has always been, and will remain, a unique undertaking for which there are no models that can easily be adopted. It is important to allow an evolutionary process, which is open to further steps of integration, yet safeguards what is already in place and working well, and which assigns competencies to nation states or even regions as appropriate. In fact, we have been in the midst of such a process for quite some time, and Monetary Union is and will remain one of its major success stories" (Joshua, 2015).
Nevertheless, there are other views indicating that precisely due to its current structure of organization occurred euro crisis. The deficiency of current structure of monetary union is the "divergence between liability and accountability" as put by Feld et al. The lack of having one supranational authority to exercise effective control and handle without provoking economic crisis is considered to be a great deal of deficiency.
Similarly, Paul de Grauwe discusses on the same matter of accountability and authority to exercise control, "When the Eurozone was started, a fundamental stabilizing force that existed at the level of the member-states was taken away from these countries. This is the lender of last resort function of the central bank." Eurozone governments, "could no longer guarantee that the cash would always be available to roll over the government debt." Unlike stand-alone nations, Eurozone member states did not have "the power to force the central bank to provide liquidity in times of crisis" (Baldwin & Giavazzi, 2015).
Analyzing the same issue at deeper level, Elias Papaioannou highlights the differences in national institutions as the basis source of problems. "Somewhat paradoxically, the criteria for joining the euro did not touch upon key institutional issues, related to state capacity (tax collection), property rights protection, investor rights, red tape, and administrative-bureaucratic quality. The high growth during the convergence period came mostly from increased investment and some limited reforms, mostly on banking and monetary policy stability" (Baldwin & Giavazzi, 2015).

The origin of Euro Crisis

Key question pertaining to this sub-topic is how member states came to the so-called Euro crisis? At the outset should be clarified that euro crisis did not started in Eurozone. The root of the euro crisis can be traced back to global financial crises of 2007-2009. The crisis has a spillover effects in "several euro area countries in early 2010" (Moro, 2014). The effect was reflected into a public debt crisis of the particular countries such as Greece. In practical terms, the euro crisis is referred as a 'sovereign debt crisis' which in effect is a problem of "interactions between sovereign problems and banking problems".

In the European Union, financial crisis began with Greece, and then it was spread over some other countries of the Eurozone like Portugal, Ireland, Italy and Spain (referred as the PIIGS countries). Real financial crises in eurozone appeared in Greece when the newly elected government in 2009 accused the previous government that it had "misled its Eurozone neighbors and the public about the true state of the country's public finances". Consequently, serious worries were put forward regarding the ability of the country to repay its debts. This situation left no other choice to Greece but to seek the assistance from its partners to bailout, namely the European Union (EU) and the International Monetary Fund (IMF). Initially, the rescue package was €45 billion bailout but the rescue package had to be increased few months later to an amount of €110 billion over three years. Other affected countries known as PIIS that had debt problems too.

The global financial crisis fully hit the European Union only by the middle of the 2009. The euro crisis for many scholars should not be considered as sovereign debt crisis rather e foreign borrowing. The facts that those bailout countries were not those with highest percentage of sovereign debts justifies why should not be called the Euro crisis as severing debts. When euro crisis occurred Italy and Belgium had public debts of about 100% of the DGP ratio. On the other hand, Spain and Ireland, with ration of 40% of public debts, were forced to receive bailouts. In other words, these countries whose current accounts rely on foreign landings suffered (Aizenman, 2015). In this respect, Stefano Micossi states, "The Greek fiscal crisis acted as a detonator in two ways … It alerted the authorities and public opinions in Germany and the other 'core' countries to the possibility of large (and hidden) violations of the common fiscal rules; and it alerted financial markets to the risk of a sovereign default in a system where the provision of liquidity to ensure the orderly rollover of distressed sovereigns is not guaranteed" (Aizenman, 2015).

There are few key elements that contributed to the euro crisis to happen. A key element that contributed to the crisis was "the mispricing of risk by capital markets and an ensuing misallocation of capital in the decade before the outbreak of the crises". Imbalances were extremely evident. So much money was borrowed from abroad in order to finance productive investment. The borrowings from aboard was done by private and public companies of Euro area (Baldwin & Giavazzi, 2015). Most of these investments were focused in Eruozone crises such as Greece, Spain, Portugal, and Ireland, and in non-trade sectors such as housing, government's services or consumptions. This indicated that much money was invested in assets that did not help to generate more money. To the worse of the current accounts huge contributions were increasing salaries, and costs damaged competitiveness. When euro crisis appeared capital inflows from cross-boards stopped, investments were halt too. This flow of events had its effect on viability of the banks. The fact that euro banks and national governments were so closely linked to one another made the situation worse and so produced a systemic crisis.

The supremacy of bank financing was another indicator of the euro crisis problem. Most of the banks at the Eurozone were lightly capitalized but at the same time having a big role in countries' GDP. This is a key reason why in few cases governments had to save them and thus putting the government at the volatile position of going down. The governments of Spain and Belgium were tempted to do so, but at the end avoided to take such measures. The government of Ireland went down trying to save its banking system.

Competitive imbalances in some countries of euro area are considered to be a driving factor that has contributed to further deepen euro crisis. As Feld et al. put it, Eurozone countries, "suffered a considerable loss in price competitiveness during the debt-financed booms, due to major wage increases and high inflation. Consequently, domestic export companies were put at a competitive disadvantage and lost trade shares. The loss of price competitiveness combined with the debt-financed increase in domestic demand and the associated imports resulted in high current account deficits" (Baldwin & Giavazzi, 2015).

So the inflows from abroad contributed to increase wages and costs that in fact did go well in line with real situation of current accounts deficits. In short, the accumulation of large current accounts imbalances is what Eurozone become vulnerable too. The problem is not with the inflows from aboard. The problem rather seems to be the destination of their investment. The borrowed inflows were mostly invested in non-trade sectors which ended up not paying off the loan. Investment in sectors that would contribute in building bridges to pay off the loan is a missing point of direction where this borrowed money should have been channeled. Interestingly in all GIPS countries borrowed money ended in non-trade sectors.

Table below shows imbalances on the verge of euro crises boom.

	Cumulative current account balance	Cumulative budget deficit	2000 to 2008 increase (p.p.)	Bank assets, 2008	Debt-GDP ratio, 2008	Excess inflation (1999-2007)
Portugal	-96	-36	44%	262%	72	7.5
Greece	-84	-47	36%	173%	109	9.9
Spain	-60	2	121%	296%	39	9.2
Ireland	-21	14	464%	783%	43	11.6
Italy	-8	-26	85%	235%	102	1.8
EZ	-2	-17	94%	335%	69	0.0
France	6	-23	180%	395%	68	-2.9
Austria	16	-19	305%	379%	69	-3.2
Germany	27	-19	18%	316%	65	-4.8
Belgium	47	-5	83%	392%	92	-1.1
Netherlands	48	-5	-9%	375%	55	2.8
Finland	61	33	101%	197%	33	-4.9
Luxembourg	98	23	-577%	2367%	14	5.5

Table 1.Summing up of pre-crisis imbalances.

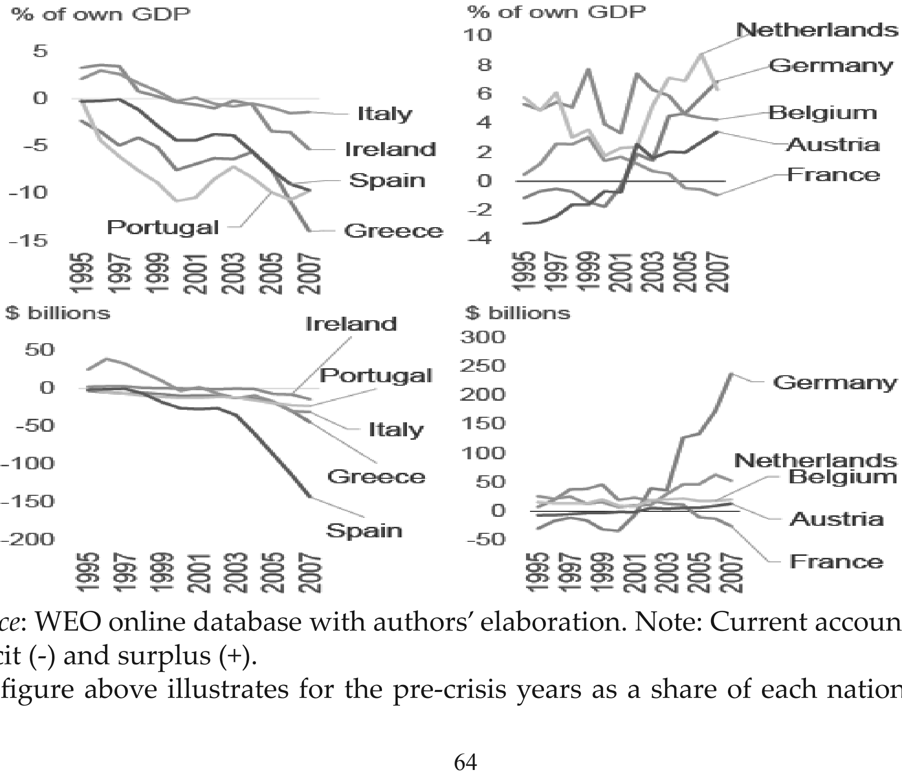
Source: IMF and European Banking Association online data with authors' elaboration.

In analyzing the table above, significant to note that from introduction of euro till the occurrence of euro crises, first column shows enormous negative imbalances of countries of Greece, Portugal, Spain and Cyprus. This shows that there was huge gap between investments and savings. So investments were far higher than savings and financing was done via foreign borrowing. Another element to note from second column is that for the same countries foreign borrowing was source of financing budget deficits. Clearly, significant percentage of public debt was accumulated before the appearance of Euro crisis.

Another element that contributed to euro crisis is the so-called "doom-loop". This means the "fear about the solvency of a nation's government fans fears about the solvency the nation's banks, which in turn weakens the economy, thus worsening the sustainability outlook for the nation" (Baldwin & Giavazzi, 2015). Portugal faced with this situation and was about to happening to Italy, Spain and Belgium. The vital component to this cause of the problem is that banks of Eurozone have invested heavily in the debt of their own government. Apparently, there are other factors that caused euro crisis and it is true that none of the Eurozone countries did anticipated the effect of the crisis. As a result, when euro crisis appeared none of the Eurozone countries had appropriate policy responses. In fact, institutional structure of the euro countries did not foresee any such crisis on such scale.

As stated above the euro crisis is not a severing debt and I share this opinion. This was nicely explained by Daniel Gros, "The euro crisis started as a classic 'sudden stop' to cross border capital inflows. As boom turned into bust, government lost their tax base and had to assume private debt, thus creating a public debt crisis. The highly leveraged banking system of the Eurozone, tightly linked to national governments, provided a multiplier, which made the crisis systemic" (Gros, 2015).

Figure 1. Current accounts: The core lent to the GIIPS from 2000 to 2007.



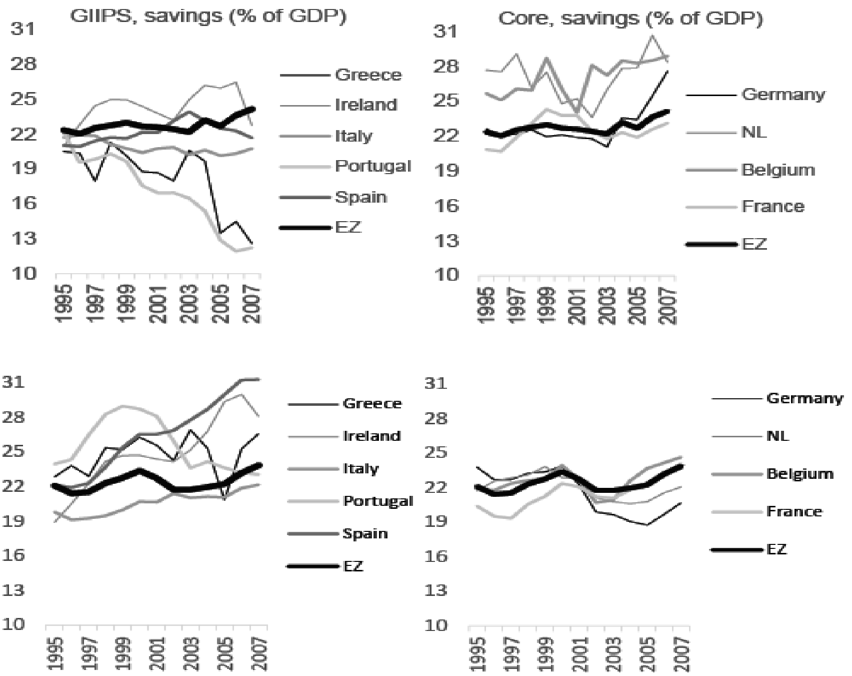
Source: WEO online database with authors' elaboration. Note: Current account deficit (-) and surplus (+).

The figure above illustrates for the pre-crisis years as a share of each nation's own

GDP. It also gives an idea of how essential the flows were to the macro economy of each country. The top left panel of the figures showscurrent account deficits of those countries that had to bailout.

But what were the drivers of current account imbalances? By looking at savings and investments gives hits of the cause.

Figure 2. Core and GIIPS savings and investment patterns



“*Source*: WEO online database with authors’ elaboration. Note: Current account deficit (-) and surplus (+)”.

From ideal single currency to debt crises

Introduction of European single currency is one the most interesting project of European integration. The Euro single currency constitutes a component of EU political structure with economic and political motivations to follow monetary union. A common argument is that monetary unification justifies the purpose of the single market project. The discourse of the euro single currency for the single market reflects a supplementary functional logic. The appearance of the euro is considered to be an expected progress in European integration by the effectiveness gains of having a common currency in place (Kaelberer, 2004).

The euro also plays key role in strengthening affective ties to EU state members. The design of euro banknotes and coins ought to be the expression of these affective ties. Concerning the issue, the European Central Bank states, “[i]t was inspired by the Greek letter epsilon, harking back to Classical times and the cradle of European civilization. The symbol also refers to the first letter of the word Europe. The two

parallel lines indicate the stability of the euro" (Kaelberer, 2004).
European Union since its existence was projected to be an ideal political project based on political decision. Nevertheless, the lack of will and due to strong encounter to surrender political sovereignty or political decision making at European supranational level turned the focus of European union on economic terms part of which is the currency matter.
Thus, viewing economic integration as a sole goal of Economic Monetary Union has achieved in bringing Member States closer together on other issues and so it achieved wider political purpose.
The benefit of economic integration is ideal for many purposes. To name just few, benefits of having single currency include:

- Since the introduction of the euro, inflation has mostly hovered around or below 2%, the reference value of the European Central Bank.
- Citizens no longer pay expensive charges to change currencies when crossing internal borders in the euro area.
- They no longer pay more for transferring or withdrawing money in another euro area country.
- For citizens and businesses, the single currency has meant big savings in both time and money.
- There are no more exchange-rate risks or transaction costs for cross-border operations (European Commission, 2017).

Also, the impact of single currency is directly felt by European businesses. European market is one of the most attractive single markets in the world. At the same time, it is one of the world's largest markets as a block with reach of over 500 hundreds millions citizens. It is rather lucrative trade market for business enterprises.
Having noted some of the few advantages or benefits of having single currency in place, it is not a surprise why single currency should not be considered as ideal. In fact, given a list of benefits it is not surprising to note growing support for the euro currency despite crises. In this regard, Eurobarometer surveys show this growing strong support for the single currency among citizens living in the euro area, reaching 72% on average in April 2017(European Commission, 2017).
While the performance of single currency during its first decade is considered to be successful by Dermot Hodson "in terms of achieving EMU's headline goal of maintain price stability", (Hodson, 2015) the economic growth performance in euro countries at first decade of euro introduction was 'disappointed' with GDP growth averaged 2.1% as it may be noted in table below.

Table 1. GDP at 2000 market prices (average annual percentage change)

	196-70	1971-80	1981-90	1991-8	1999-2008	2009-2013
Euro Area	5.3	3.4	2.4	1.7	2.1	-0.4
UK	2.8	2.0	2.8	2.8	2.7	-0.1
US	4.2	3.3	3.2	3.7	2.5	1.0
Japan	10.2	4.5	4.6	0.9	1.1	0.4

Source: Commission 2014e.

Euro monetary Mechanism

As indicated above Monetary Union in Europe commenced its journey initially in composition of 11 EU members on 1 January 1999. Where as of march 2018, there are 19 countries that have joined in the euro zone over years.[1] In fact, Euro currency for many is more than a mere currency due to its advantages that it offers such us convenience in daily business transaction. The Euro is shared approximately by 340 million Europeans and is second most used currency in the World after US dollar. Euro is ought to be in the interest of all European citizens. After UK leaves Union, "the economies of euro area countries will represent 85% of the total GDP of the EU" (European Commission, 2017).

Monetary policy is the responsibility of Governing Council of European Central Bank (ECB, 1999). More important than this is having in place sound institutions and economic structures. These are essentials for the euro area to prove it sustainable and prosperous. This includes having quality and efficient economic structures especially in euro member states.

The organization of euro institutional system or monetary policy is regulated by the "Treaty on the Functioning of the European Union and the Statute of the European System of Central Banks and of the European Central Bank. The Statute established both the ECB and the European System of Central Banks (ESCB) as from 1 June 1998. The ECB was established as the core of the Eurosystem and the ESCB. The ECB and the national central banks together perform the tasks they have been entrusted with. The ECB has legal personality under public international law" (Hodson, 2015). The Eurosystem comprises the ECB and the NCBs of those countries that have adopted the euro. The Eurosystem and the ESCB will co-exist as long as there are EU Member States outside the euro area (ECB, 1999).

When taking monetary policy decisions, the members of the Governing Council of the ECB do not act as national representatives, but in a fully independent personal capacity. This is reflected in the principle of "one person, one vote" (ECB, 1999).

Main responsibilities of the Governing Council of the ECB include:

- "to adopt the guidelines and take the decisions necessary to ensure the performance of the tasks entrusted to the ECB and the Eurosystem;
- to formulate monetary policy for the euro area. This includes decisions relating to monetary objectives, key interest rates, the supply of reserves in the Eurosystem, and the establishment of guidelines for the implementation of those decisions;
- in the context of the ECB's new responsibilities related to banking supervision, to adopt decisions relating to the general framework under which supervisory decisions are taken, and to adopt the complete draft decisions proposed by the Supervisory Board under the non-objection procedure" (ECB, n.d).

The meetings of the Governing Council takes place twice a month, which is held at the ECB's premises in Frankfurt am Main, Germany. "The Governing Council assesses economic and monetary developments and takes its monetary policy decisions every

[1] The countries in the eurozone as of 2018 are: Austria , Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Portugal, Slovakia, Slovenia and Spain.

six weeks. At the other meetings, the Council discusses mainly issues related to other tasks and responsibilities of the ECB and the Eurosystem. To ensure the separation of the ECB's monetary policy and other tasks from its supervisory responsibilities, separate meetings of the Governing Council are held" (ECB, n.d).

Key element to maintaining price stability is free of political dependence of ECB. The foundation of ECB's independence for the single monetary policy is enshrined in the Treaty and the Statute. Article 130 is the assurance of the ECB's independence, which states:

"When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body. The Union institutions, bodies, offices or agencies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the European Central Bank or of the national central banks in the performance of their tasks."

Other particulars concerning Euro system are included but not limited to:

"The ECB's financial arrangements are kept separate from those of the EU. The ECB has its own budget. Its capital is subscribed and paid up by the euro area NCBs.

The Statute foresees long terms of office for the members of the Governing Council. Members of the Executive Board cannot be reappointed.

Governors of NCBs and members of the Executive Board have security of tenure:

- NCB governors have a minimum term of office of five years;
- members of the Executive Board of the ECB have a non-renewable term of office of eight years;
- both can be removed from office only in the event of incapacity or serious misconduct;
- the Court of Justice of the European Union is competent to settle any disputes."

"The Eurosystem is prohibited from granting loans to EU bodies or national public sector entities. This further shields it from any influence exercised by public authorities.

The Eurosystem is functionally independent. The ECB has at its disposal all instruments and competencies necessary for the conduct of an efficient monetary policy and is authorised to decide autonomously how and when to use them".

The ECB has the right to adopt binding regulations to the extent necessary to carry out the tasks of the ESCB and in certain other cases as laid down in specific acts of the EU Council" (ECB, n.d).

The accountability framework also is regulated by the provisions of the Treaty and ECB Statute. Primarily the ECB is accountable to the European Parliament as well as it reports on regular basis to the Council of European Union. The reflection of accountability is noted in Article 284 paragraph 3 which states:

"The European Central Bank shall address an annual report on the activities of the ESCB and

on the monetary policy of both the previous and current year to the European Parliament, the Council and the Commission, and also to the European Council. The President of the European Central Bank shall present this report to the Council and to the European Parliament, which may hold a general debate on that basis.

The President of the European Central Bank and the other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent committees of the European Parliament."

Whereas, Article 15 paragraph 3 of the Statute states:

"In accordance with Article 284(3) of the Treaty on the Functioning of the European Union, the ECB shall address an annual report on the activities of the ESCB and on the monetary policy of both the previous and the current year to the European Parliament, the Council and the Commission, and also to the European Council" Official Journal of the European Union, 2012).

Having stated some basic governance structure of Economic and Monetary Union, yet, there are at least few weaknesses of the EMU governance structure to allow euro to operate as good as it should be. In this regard, at least three weaknesses may be identified as noted in a European Commission reflection paper:

- First, the governance of the EMU is still unbalanced in many ways.
- Second, the institutional architecture of the EMU is a mixed system which is cumbersome and requires greater transparency and accountability.
- Third, the common interest of the euro area is still not sufficiently represented in public debate and decision-making (European Commission, 2017).

European Economic Integration

Since its creation the European Economic Community, the original idea and purpose of euro integration was to create an area in which freedom of movement would be no longer an issue for "people, goods, services, and capital" (Lindberg, 1963). The fundamental of any integration is political. This political motivation is expressly stated in Treaty establishing EEC signed in Rome in March 25, 1957, 'an ever closer union among the European people. Similarly provision concerning EU integration is embodied in TFEU.

Lessons learned from euro crisis

Since the Euro crises few years have passed many challenges persists in Eurozone countries. Many of Eurozone countries are struggling to recover from euro crises negative impact on high level of unemployment, to high level of public debts and many austerity measures having been imposed. Despite the fact that the idea of single currency constantly is supported and even growing support as it is considered to be an added value for Eurozone countries, euro countries' economies remain incomplete, "with less integration at EU level hampering its ability to support fully the monetary policy and national economic policies" (European Commission, 2017). Nevertheless, a learned lesson is that integration of EU should continue by strengthening its architecture and there should be no complacency about the journey of Euro. The determination of Union led by European Commission is noted in the Five President's Report of June 2015 where it calls for concrete steps with forward looking towards strengthening European Monetary Union.

A lesson learned is not a fundamental division of what should be done, while perhaps waiting till another crisis occurs. What is needed for European Union in general and Eurozone in particular is a "shared understanding of the challenges and of the way forward" (European Commission, 2017). But how to proceed from this point there are opinions among member states. This looks like lessons are not learned fully. In this regard, "some argue that more solidarity is the way forward to tackle the legacy of the crisis, some insist on the necessity to strengthen responsibility of the Member States as a prerequisite for further progress" (European Commission, 2017).

The effect of slow economic development has vastly contributed to number only few concrete lessons learned. Among those agreed measures the production of the White Paper on the future of the Europe in 1 March 2017 is a milestone step (European Commission, White paper on the future of Europe, 2017). This paper highlights the significance of preserving strong euro and the role it carries for the future of the 27 EU member states. To be more precise, the paper provides five scenarios concerning the future of Europe. These scenarios include: "carry on, nothing but the single market, those who want more do more, doing less more efficiently, doing much more together"(European Commission, White paper on the future of Europe, 2017). Likewise, in signing the Rome Declaration of 25 March 2017 Member States reaffirmed their commitment to completing the EMU. What is clear is that there is no single solution to the euro crises where one may take it as tool kit and apply to the Economic of Monetary Union. All the above common understanding, political will and support of all EU levels is needed.

So what are hard lesson has the Eurozone learned during the crises? Worth pointing out that the occurrence of euro crises did not happen in the euro area. It was only latter one that the crises affected the euro area. The global crises that stared in 2007-08, forced euro area countries to take harsh measures, in terms of using the tax payer's money to support national banks financially and avoid the peril of a total collapse. Investments almost collapsed due to shortage of issuing credits. This collapse of investments lasted several years, at least till 2013 where the level of real GDP in the Eurozone was still 3.5% lower than in 2008 (European Commission, 2017).

On top of the lessons learned could be considered that to address the weaknesses of the still young currency, a determined response was needed. In this context, the following Economic and Monetary Tool Box in four key areas is a product of lesson learned by EU institutions.

The toolbox of the Economic and Monetary Union today

The measures adopted at the height or in the aftermath of the crisis and now in place include:			
ECONOMIC UNION:	**FINANCIAL UNION:**	**FISCAL UNION:**	**DEMOCRATIC ACCOUNTABILITY AND STRONG INSTITUTIONS:**
Stronger coordination of economic and fiscal policies within the European Semester	Various rescue funds leading to the European Stability Mechanism	Stronger regulation and supervision of financial institutions and financial markets	Intensified dialogue with European Parliament, national Parliaments
Specific procedure to detect and correct macroeconomic imbalances	Stronger surveillance of annual budgets and greater focus on debt trends	Deposits protected up to 100 000 euro	
Recent or ongoing steps following the Five Presidents' Report include:			
Greater focus on euro area priorities	Further risk reduction in the banking sector	European Fiscal Board	New start for EU social dialogue
National Boards to monitor productivity developments	Greater financing options for firms through capital markets	Steps towards simplifying fiscal rules	Steps towards strengthened external representation in international institutions
European Pillar of Social Rights	European Deposit Insurance Scheme		

Source: European Commission - Reflection Paper on Deepening the Economic and Monetary Union, p. 32

Is Europe Standing at Crossroads?

Almost two decades have passed since the introduction Euro as a single currency. Yet, according to Otmar Issing the Euro is at the crossroads. Likewise, since the collapse of financial markets, though some member countries of Eurozone went through harsh financial reforms, one cannot with full confidence argue that European monetary union is in better profile. According to Otmar Issing, "much more ambitious reforms are still needed. Unemployment has risen to record levels and, notwithstanding some recent improvement, remains very high in a number of countries. Some governments have become so heavily indebted that they depend on the European Central Bank's purchase of bonds to protect them from substantial increases in interest rates that would threaten their solvency" (Otmar, 2017).

Central to Otmar Issing argument is that Euro cannot survive unless European Union changes. It outlines that alarm bell is ringing after 10 years of euro financial crises. The presumption is that unless European Union takes concrete steps to address pressing problems, but regarding how this may be overcome, there are few suggestions. A popular suggestion is "to create a fiscal union" which in practice would mean sharing taxpayer's money from richer countries to those who are in troubled financial difficulties. This suggestion is most probably unable to have its effect of changing due to its sovereignty issue. In fact, to take place this change, it requires a change of EU treaty.

Likewise, it touches taxpayers of national governments, and spreading their taxpayer's money triggers accountability to their voters through their national parliaments. Another view presented by Otmar Issing is, "the only way forward is for countries to introduce tough reforms to boost growth and employment, combined with fiscal discipline" (Otmar, 2017).

It is suggested also that a stronger EMU also requires institutions that take account of the general interest of the euro area, make the necessary proposals and act on its behalf. To be more precise, the suggestion: "a new balance could be established between the Commission and the Eurogroup" (European Commission, 2017). The value-added of the euro is also questioned in broad sense by components of European Commission (European Commission, 2017).

Worth pointing is that not all discussants on this issue holds the same view. The European Commission on December 2017 presented a road map for deepening European Union's Economic and Monetary Union (European Commission, Press Release, 2017). Based on the point of view, the Europe has never been better recovered from 2008 financial crises. To European Commission, "deepening the Economic and Monetary Union (EMU) is a means to an end: more jobs, growth, investment, social fairness and macroeconomic stability" (European Commission, Press Release, 2017). In order to address pressing problems resulting from euro financial crisis, there have been important institutional reforms to strengthen Europe's EMU in recent years but its architecture remains incomplete. Therefore, in eyes of the EU Commission single currency means protects and opens opportunities to Europeans. In the meantime, strong and stable euro area is key to EU member states.

The road map presents 'window opportunity' for deepening Economic and Monetary Union that includes four main initiatives:

1. "A proposal to establish a European Monetary Fund (EMF), anchored within the EU's legal framework and built on the well-established structure of the European Stability Mechanism (ESM). In recent years, the ESM has played a decisive role in safeguarding the stability of the euro area by assisting Member States to regain or maintain access to sovereign bond markets. The EMF would build on the ESM

architecture, with its current financial and institutional structures essentially preserved, including when it comes to the role played by national parliaments. It would thus continue to assist euro area Member States in financial distress. In addition, the EMF would provide the common backstop to the Single Resolution Fund and act as a last resort lender in order to facilitate the orderly resolution of distressed banks. More rapid decision-making in cases of urgency and more direct involvement in the management of financial assistance programmes are also foreseen. Over time, the EMF could also develop new financial instruments, for instance to support a possible stabilisation function. The European Parliament and the Council are invited to adopt this proposal by mid-2019".

2. "A proposal to integrate the substance of the Treaty on Stability, Coordination and Governance into the Union legal framework, taking into account the appropriate flexibility built into the Stability and Growth Pact and identified by the Commission since January 2015. In 2012, the 25 signatory Member States legally committed to incorporate the substance of that Treaty into Union law five years after its entry into force, which corresponds to 1 January 2018. The European Parliament has also called for this. The proposal incorporates into Union law the main elements of the Treaty in order to support sound fiscal frameworks at national level and is fully in line with existing rules defined in primary and secondary legislation. The European Parliament and the Council are invited to adopt this proposal by mid-2019".
3. "A Communication on new budgetary instruments for a stable euro area within the Union framework setting out a vision of how certain budgetary functions essential for the euro area and the EU as a whole can be developed within the framework of the EU's public finances of today and tomorrow. The Communication discusses four specific functions: a) support to Member States for structural reforms through a reform delivery tool and technical support at the request of Member States; b) a dedicated convergence facility for Member States on their way to joining the euro; c) a backstop for the Banking Union, through the EMF/ESM, to be agreed by mid-2018 and made operational by 2019; and d) a stabilisation function in order to protect investments in the event of large asymmetric shocks. The Commission will present the necessary initiatives in May 2018 in the context of its proposals for the post-2020 Multiannual Financial Framework. The European Parliament and the Council will then be invited to adopt these proposals by mid-2019. For the period 2018-2020, the Commission is also proposing to strengthen the Structural Reform Support Programme, by doubling the funding available for technical support activities, thus reaching €300 million up to 2020. The Commission is also proposing to test the new reform delivery tool in a pilot phase. To that end, it proposes targeted changes to the Common Provisions Regulation governing the European Structural and Investment Funds (ESIF) in order to extend the possibilities to use part of their performance reserve in support of agreed reforms. The European Parliament and the Council are invited to adopt these latter two proposals in 2018".
4. "A Communication spelling out the possible functions of a European Minister of Economy and Finance who could serve as Vice-President of the Commission and

> chair the Eurogroup, as is possible under the current EU Treaties. By bringing together existing responsibilities and available expertise, this new position would strengthen the coherence, efficiency, transparency and democratic accountability of economic policy-making for the EU and the euro area, in full respect of national competences. Reaching a common understanding on the role of the Minister by mid-2019 would allow setting it up as part of the formation of the next Commission. The Euro group could then also decide to elect the Minister as its President for two consecutive terms in order to align both mandates" (European Commission, Press Release, 2017).

Having said this, one wonders what the future of the EURO currency is (Matthijs, 2015). There are several interesting and important views in response to this question. Dominating view among pro euro currency scholars is that euro crisis, is a good momentum to take deep structural reforms as opposed to the other view that do not support this idea as for them the problem with euro crisis is more than having structural reforms. In other words, euro crisis cannot be overcome by undertaking structural reforms measures.

McNamara argues that the currency of euro is different from other currencies around the world. She argues that stability of euro requires minimum institutional and political prerequisites. McNamara argues that markets, "need political authority to create stability... the lack of governance will hurt the euro going forward more than its objectives shortcomings as an optimum currency area or a set of flexible markets" (Matthijs, 2015). McNamara calls for more political will in order to save euro currency where she believes that "Eurozone must be transformed into a truly embedded currency area" (Matthijs, 2015).

Another interesting view on euro crisis is of the Erik Jones where he argues that euro crisis is not a euro crisis but "a crisis of single market", Erik Jones in his arguments views that political elites who opted for market integration and liberalization cross border banking "they failed to build common institutions to ensure financial stability" (Matthijs, 2015). This view supports the idea of having a financial union that would have capacity and culpability of ensuring financial stability. Moreover, the same institution would be serving as a common safeguard against any risk provoking financial crisis as a result of economic and monetary integration. It goes without sayings that according to this view, failure to have such sound institution in place, euro crisis risk of facing another financial crisis. In short, Euro is at cross road without having proper institutions safeguarding it.

Conclusions

Apparently, the occurrence of euro zone crisis is a reflection of Europe's Economic and Monetary Union (EMU) deficiencies. This brought to the fore front that when EMU was being designed, there were no clear institutional structures that would be able to cope in a cohesion manner with all deficiencies that may occur. In fact, as discussed above one may list several facts EMU institutional structure is far from being perfect in terms of avoiding another euro crisis unless we see shifting policy changes. As Giancarlo Corsetti stated, "the consensus view was that the member states of the Union would be able to reach agreement and cooperate on how to create the common currency institutions over time".

It is clear that euro crisis provoked a great deal of tensions between states of euro area and European Monetary Union where monetary decisions taking into account the welfare of the Union as a whole.

Despite the euro crisis, the popular support in favor of single currency is quite strong. Euro currency has great advantages from economic purposes, thus for European Commission as highest institution of the European Union deepening economic and monetary union is necessity to further complete the architecture of European integration. Likewise, further institutional reforms are needed to complete and strengthen the EMU.

Clearly, a debt crisis is still present in the euro area especially in those countries that were bailed out. Nevertheless, debt crisis disappear when a country's debt falls within minimum accepted standards of public debt formula. However, we demonstrate the existence of a fiscal externality that limits individual countries incentive to reduce their debt.

Despite all, the support in favor of the single currency should be considered as ideal. Given a list of benefits it's not surprising to note growing support for the euro currency despite the crises. In this regard, Euro barometer surveys show this growing strong support for the single currency among citizens living in the euro area, reaching 72% on average in April 2017.

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