

Bilski, J., Feder-Sempach, E., (ed.), 2015, *EMU – an Incomplete project?*, Difin, Warszawa, pp. 237.

The monograph *EMU – an Incomplete project?* edited by prof. Janusz Bilski and Ewa Feder-Sempach, Ph.D. examines the current problems and future prospects for monetary integration in Europe. This richly detailed and meticulously researched exploration of the creation of European Monetary Union (EMU) offers valuable insight into the origins and nature of the current crisis and analyses its future challenges.

The sovereign debt crisis has revived the debate on the future of the European Union (EU). From its inception, the European Monetary Union has been highly asymmetric. The recent crisis highlighted the inability of the EU to quickly counteract its devastating consequences. At the same time, the decision-making pattern in the eurozone and the fact that the EU is divided into at least three groups of countries (those who use the common currency, those obliged to adopt it in the future and those countries with an opt-out option) hamper the working out of a compromise at the EU level, not only with respect to the tools necessary to fight the crisis but also as to the future shape of the EU. Hence, the up till now construction of the integrated financial, budget, and economic framework which was intended to improve the economic performance of the Union and to accelerate its return to sustainable growth pose an extremely difficult question regarding the most appropriate model of further integration for such a differentiated Union.

The subject the authors discuss is very pertinent, up-to-date, and difficult. Although it has already been explored in various studies, such a complex approach to the issue is rare. Attention should also be drawn to the fact, that the work is the effect of many years of studies conducted at the Department of International Economics of the University of Lodz headed by profesor Janusz Bilski. The monograph discusses the results of studies dispersed in other publications. The idea to collect them in one monograph is a valuable initiative that puts the accumulated knowledge in order and makes it easier for further dissemination.

This monograph consists of an introduction and four chapters (213 pages).

The first part entitled “Introduction” explains the overall idea and scope of the studies, and the goal and structure of the monograph. It also outlines two main directions developed in the monograph. One of them suggests the need to deepen the monetary union with institutional solutions, such as the banking union, fiscal union and, at a later stage, progress in building up the political union that would complete the EMU. It is assumed that such institutional solutions combined with the transfer of competence from national to the EU level should improve the efficiency of eurozone mechanisms and restrict the effects of the crisis. The second direction favours the improvement of economic performance and competitiveness, more economic freedom, and the deepening of the EU market. It points to the need to base the monetary union on the market rather than institutional instruments. Proponents of this approach claim that since the mid-1990s no significant progress has been made in the development of the common market. The EU market is full of legal, administrative and political hurdles, which intensifies the risk of imbalances among the eurozone countries. These two main directions to a large extent explain the title *EMU – an Incomplete Project?*. Special attention should be paid to the fact that the majority of existing publications on European integration present it in its historical context and diagnose its current condition. The monograph at hand makes an attempt to identify directions for future development in future years. From this point of view, its considerations are especially valuable and remarkable not only for Poland but also internationally (this is also why English has been the right choice as the language of the publication).

The first Chapter “The start of EMU and the Euro” includes two papers. The opening one by Janusz Bilski “The emergence of international currency in Europe” examines the plans of currency unification within the European Union since 1970 (Werner’s plan) until the present and presents the perspectives of the euro becoming a supranational dominant currency. The author’s considerations on the role of the international currency and the analysis of the four main periods in the emergence of the European currency are interesting and original. The author analyses the evolution of the US dollar vis-à-vis the functions of international currency in the private and public spheres. The considerations are supported with interesting statistical data and

graphs based on the author's calculations. In summary, the author presents conclusions on the likelihood of the euro becoming a global currency. Conclusions are discussed in the light of methods followed when building the Economic and Monetary Union. The paper ends with a rich list of literature (21 items).

The second paper by Maria Bijak-Kaszuba "Establishing an economic and monetary union in the context of the European economic integration" looks at how the EMU was created from the point of view of the spillover effect and identifies stages and elements of economic integration which are decisive for effective currency stabilisation. On the other hand, it evaluates subsequent political initiatives undertaken by individual member states, which have led to the current stage of the EMU. The text outlines the theoretical aspects of integration leading to the development of the EMU and discusses its main stages, starting from the early attempt at currency integration through an incomplete currency union represented by the European Exchange Rate Mechanism, single European market as the economic cornerstone of the EMU until today's Economic and Monetary Union. Final remarks include conclusions concerning the nature and conditions of the EMU. The author managed to present all these very complex and multidimensional issues in a clear, objective and analytical way.

The second Chapter, "Money Market and European Central Bank," is composed of four papers. The first one by Dominika Brózda "Effects of Single Monetary Policy for Eurozone Member States in the period 1999-2014" tries to assess the impact of the monetary policy of the European Central Bank upon the stability of the eurozone as such, and from the point of view of its member states. The author starts with the presentation and analysis of statistical data for the period 1999-2014 against the main goal of the European monetary policy, i.e. the stabilisation of prices in the eurozone. Then she focuses on the eurozone member states, which, as she rightly notices, make a heterogeneous group from the viewpoint of micro- and macroeconomic circumstances. At the end of the paper there is an interesting list of literature on the transmission mechanisms of monetary policy impulses and conclusions. The conclusions drawn by the author may be a starting point for an interesting research discussion.

The next paper "Role of the European Central Bank in global crisis management 2007-2012" by Joanna Bogołębska analyses the

tools used by the European Central Bank to combat the crisis 2007-2012. It offers interesting theoretical considerations on the standard and non-standard measures adopted by the ECB to prevent the crisis. The problem of the assessment of the efficiency of these tools and measures is very complex, especially when juxtaposed with the weakening of the overall economic performance that Europe had to face as a result of the threat of the insolvency of some of its members' economies and the risk of the uncontrolled disintegration of the eurozone. The conclusion is that the process should be speeded up by a more efficient mechanism of macroeconomic management within the monetary union.

The third paper in this Chapter "Interest Rate Policy and Unconventional Monetary Policy Measures of the European Central Bank in the years 2007-2012" by Ewa Stawasz examines the anti-crisis tools used by the ECB over the period 2007-2012. To some extent the paper complements the previous one. Attention is largely focussed on interest rate policy and non-standard monetary policy measures. The author's intention is to demonstrate that the more acute the crisis was becoming the more non-standard instruments were applied by the European Central Bank. In order to prove it, the author divides the period of crisis, as proposed by Cour-Thimann and Winkler, into several stages and applies specific macroeconomic parameters to assess the efficiency of instruments used by the ECB. The paper provides an abundance of statistical data and graphs, which increase the transparency and allow the easy observation of the analysed variables. The analysis ends with conclusions.

The last paper in this chapter, "Foreign Exchange Interventions in ERM II," by Marcin Konarski describes the scope of foreign exchange interventions and classifies the types thereof. The considerations are very interesting and valuable, especially because the author supports them with examples of how such instruments have been used by the states whose currencies used to be or are part of the Exchange Rate Mechanism II. The analysis is reliable and is supported with statistical data. The author demonstrates that a state can effectively influence the exchange rate only when pursuing a coherent monetary and fiscal policy and a clear economic programme leading its economy to full and real convergence with the eurozone countries.

The third chapter entitled “European Financial Market” is composed on three papers. Its goal is to identify the challenges that face the European Union financial market. Undoubtedly, there are many challenges connected with the need to increase the security of financial market operations and to improve its efficiency. The authors focus their attention on the increased security on the EU market, i.e., the need to effectively supervise financial conglomerates at the EU level and on increasing the transparency of investment funds.

The first paper by Małgorzata Janicka, “Supervision on the EU Single Financial Market – attempt to reform,” is designed to outline and analyse the framework solutions adopted in the EU financial market before the outbreak of the financial crisis in 2008, and the reforms adopted during the crisis. The circumstances under which the European financial market operates which are presented in the first part of the paper provide a background for further considerations that focus on the solutions adopted in the field of market surveillance before the crisis, and proposals to reform market supervision. The outbreak of the crisis was rightly selected as the turning point since, as the author notes, “The latest financial crisis fully revealed the weaknesses of supervision on the EU financial market.” Analysing the weaknesses of the previous solutions helps us to understand the idea of the so-called banking union discussed in the final part of the paper. The question is whether the implementation of the idea will reinforce the European banking system and its resilience to shocks. We hope that it will be analysed and researched by the author in the future.

The paper “Capital market in EU member states. Stock exchanges, MTF and single stock exchange perspective” by Ewa Feder-Sempach presents an overview of the major regulated (LSE, FWD, Euronext, OMX stock exchanges) and alternative (AIM, Alternext, Entry Standard, First North) markets in the European Union member states after the adoption of the MiFID directive, which liberalised the capital market in Europe. The paper tries to answer very difficult questions concerning the consequences of the abolition of the monopoly of traditional stock exchanges: will they loose to alternative markets or will we witness further consolidation of European stock exchanges. That is why the paper merits our attention.

The final paper in this Chapter by Tomasz Miziołek, “Investment Funds Market in the Euro Area,” analyses one of the most popular

instruments of capital allocation, i.e., investment funds. The author presents the legal environment of investment funds. The analysis is very reliable, it starts with the first legal act regulating investment funds in the EEC (1985) and ends with the one adopted in 2013. The author analyses the development of eurozone funds in the years 1999-2014 and identifies the major factors that will determine its shape in the future. The analysis is supported with statistical data and graphs making the considerations clearer.

The final chapter of the monograph, "Miscellanea," includes papers on the impact of regional and currency integration upon foreign direct investment, international trade and macroeconomics. It is devoted to the real economy and importantly develops the considerations that had been presented in previous Chapters.

The first paper by Agnieszka Kłysik-Uryszek, "Regional and monetary integration and its importance for foreign direct investment – conclusions for Poland," discusses international capital flows within the framework of foreign direct investment and their sensitivity to intensified regional economic integration. Being a part of an integration grouping surely improves the attractiveness of the country in the eyes of foreign investors. The elimination of barriers to trade within the common market, macroeconomic stabilisation, lower political risk, legal and institutional stability and transparency are important impulses for the inflow of FDI. The author interestingly describes the evolution of the FDI incoming into the Polish economy and draws conclusions concerning their changes after the EU accession.

"The OCA theory and on new endogenous approach analysing mutual trade links – selected aspects" by Iwona Maciejczyk-Bujnowicz discusses desk research and presents a literature overview on the relationship between currency integration and trade. The literature suggests that one of the benefits of joining the eurozone is the intensification of trade. The paper analyses statistical data describing trade among the members of the eurozone and economies that do not belong to the area, including Poland. The author tries to answer an interesting question as to whether currency integration with the eurozone will bring Poland increased trade with other members of the area. In conclusion, the author states that the joining of the Eurozone will result in a cyclical convergence while optimum criteria for currency areas will be endogenous in the case of Poland.

The last paper in this chapter by Magdalena Rosińska-Bukowska, “Microeconomic Implications of the «Eurozone Project» – assessment from the viewpoint of European transnational corporations,” is an attempt to analyse the impact of a common currency upon international business from the point of view of transnational corporations. The analysis of the ranking position was used as an instrument to assess changes in the competitiveness of European corporations. Studies cover the period between 1990 and 2012, which allowed for a comparison of the results before and after the creation of the eurozone. There are case studies describing the history of two European corporations. The analysis represents high cognitive value.

In conclusion, the authors of the monograph presented above decided to focus on an attractive research subject, which is difficult but very important. This book makes an excellent contribution to the understanding of the past, present and future of European monetary integration. In the face of the crisis, questions concerning the efficiency of the European Monetary Union have come back as a subject of public debate. Threats and problems are interesting to Polish and international readers, who want to understand how the EMU operates and what global evolutions have taken place in the European Union. This is why monographs on the European Union in general and on the Economic and Monetary Union in particular are very much in demand. Readers interested in international economic cooperation will find many interesting and original materials, considerations of authors and the results of their research work.

In conclusion, this highly topical book will be one more valuable reading on international finance.

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