1. To be an optimum currency area, a monetary union like the EMU should have a high level of labor mobility to alleviate the effect of regional shocks. Is it the case for the EU? Why or why not?

2. The Treaty of Amsterdam imposed the *Growth and Stability Pact* on all future members of EMU. What did that pact involve?

3. Although the Euro bills and coins were introduced in January 2002, the Euro has been the real common currency of Euroland since January 1999. Explain.

4. What happened to the Euro between the time of its introduction and September 2000? Why did the ECB in collaboration with the FED intervened in foreign exchange market on behalf of the Euro in September 2000?

5. Which country had a dominant role in the Bretton-Woods system and which country had a dominant role in the ERM?
6. Explain why capital controls were necessary in the 60ies and the 70ies in France?

7. The currency crises of the early 90ies were attributed to specific political upheavals in Germany and the Eastern Europe that took place at the end of the 80ies: what were they?

8. In 1999, 4 out of the 15 EU countries did not join in the EMU for 2 different reasons: by choice (opt-out) or because they did not meet the criteria:

   which are the countri(es) that did not meet the criteria? ___________________________________________________________
   which are the countri(es) that opted out (or just decided not to join yet)? ________________________________

9. What do economists mean when they state that the single currency will enhance price transparency in Euroland?

10. Can you characterize in a few words the exchange rate policy of the ECB?
II. Theory Questions (4 in the exam)

1. In the Bretton-Woods framework, France was experiencing higher rates of inflation than the US. Underline the correct answer:

   i. France experienced (vis a vis US) a real appreciation or a real depreciation

   ii. resulting in an increase in French international competitiveness or a decrease in French international competitiveness

2. During the currency crises of the early 90ies the French Franc fell under speculative attacks. In order to support the Franc and to keep it inside of its +/- 2.25% band, the Banque de France and the Bundesbank carried out concerted intervention.

   The Banque de France sold DM or bought DM
   in order to weaken the Franc or the DM
   The Bundesbank sold Francs or bought Francs
   in order to strengthen the Franc or the DM

3. Under a fixed exchange arrangement if a country experiences a higher rate of inflation than its trade partner it will experience a real appreciation or a real depreciation
   its international competitiveness will increase or decrease

III. Essay 15 lines

What were the main pitfalls of the Bretton Woods system that had to be avoided in the design of the ERM? 10 to 15 lines