

Chapter 3: Questions

1. Explain why producers might be better off in an environment characterized by exchange risk. What does this depend on?
2. Is the relationship between exchange risk and welfare a linear one?
3. Identify the factors that may boost economic growth in a monetary union?
4. If such growth boosting effects of a monetary union exist, are these likely to be temporary or permanent?
5. Why are the benefits of a monetary union likely to be larger for small and relatively open economies than for large and relatively closed economies?

Chapter 4: Questions

1. What is the Keynesian view of the costs and benefits of a monetary union? What is the monetarist view?
2. Explain why the Keynesian view is pessimistic about the prospects of a monetary union and why the monetarist view is optimistic. What is your view on this issue?
3. Why did monetary union become popular in Europe during the 1980s and 1990s?
4. Explain why an increase in the asymmetry of shocks must lead to more labour market flexibility to make a monetary union attractive to its members.
5. Are the EU-15 or EU-25 optimal currency areas?
6. Could your conclusion about the EU-15 or EU-25 change in the future? What does it depend on?
7. An increase in economic integration can also lead to an increase in the asymmetric shocks. This could make a monetary union less attractive. Do you think this is a serious obstacle to a monetary union?