

[As I've been saying for 15 years now about the euro](#) [1]

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Not long ago I undertook the challenge to try and find the oldest thing I'd written that could still be found on the internet. It turned out to be (without a really, really, thorough search) something from 1999 in sci.econ. On the subject of how the euro was most unlikely to work as well as the US \$ did simply because the eurozone was much less of an optimal currency area than the US was. Well, [lookee here](#) [3]:

The euro zone is (to no one's surprise) a less developed currency zone than America. In economic jargon, America: ?...is more likely than the eurozone to satisfy the three Mundell-style optimal currency area criteria regarding the integration of product markets, symmetry of shocks, and labor mobility, as well as [the] criterion regarding the ability of a central fiscal authority to smooth shocks across regions.?

The effect of all of this is substantial:

For the sample of American regions, the difference between the desired and the actual policy rates was usually between 0 and 200 basis points. In other words, many areas received an interest rate that was perfect for their economy, and almost none received one that was more than two percentage points off. The euro area is a different story. The desired interest rate for peripheral countries (such as Greece and Portugal) was usually 300 basis points above the actual rate?before the crisis. After the crisis, the target was a massive 500-700 basis points below the actual rate.

Imagine how much you must have to hate people to insist upon interest rates that are that far out of line with local needs? And further imagine how appalling things would be here in the UK if we had joined. Interest rates 300 bp below what they actually were during the Brown Boom. And right now those hundreds of points above what they should be? And no possibility at all of doing QE of course, that correct monetary response to being at the zero lower bound for nominal interest rates.

You will all know that my innate bias is that we're well out of the whole thing. But it's not actually an innate bias: it's a considered response to having viewed the evidence. As I've been saying on this here internet for 15 years or so by now. Europe just ain't an optimal currency area. Therefore it should not have one currency.

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