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**Optimal Currency Areas  
and the Euro, Volume I**  
Business Cycles  
Synchronization

**Johannes Kabderian Dreyer  
Peter Alfons Schmid**

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Johannes Kabderian Dreyer  
ISE  
Roskilde University RUC  
Roskilde, Denmark

Peter Alfons Schmid  
FOM University of Applied Sciences  
for Economics and Management  
Munich, Germany

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## PREFACE

Even before its launch, economists questioned whether the Euro area (EA) has what it takes to become an optimal currency area (OCA). The onset of the sovereign debt crisis in 2010 confirmed challenges in its construction. But does the EA change over time, and which key drivers may be necessary in the future to strengthen it?

In this mini-series we use the theory of OCA and applied econometric techniques to provide a compact analysis of the EA, its evolution and future perspectives. In order to do so, we complement the literature by offering the reader a concise and broad view on the application to the EA of all three OCA criteria: Business Cycle Synchronization, Capital and Labor Mobility, and Risk Sharing Mechanisms. Our readers can thus use the pivot series as a handbook for EA economics.

We dedicate one pivot to each of the three main criteria and reflect upon how far the EA is from an OCA and whether this distance has been reduced during its existence endogenously. Identifying the key drivers for a better fulfillment of the OCA criteria allows us to suggest policies that could serve this purpose.

The main audience for this series is formed by scholars and advanced students in the fields of macroeconomics, econometrics, and management. They can use our contribution as reference for their own research. Advanced graduate students could also use the pivot series in class to learn static and dynamic econometric methodologies based on our empirical work. Although not necessarily restricted to these, examples for potential target courses are Public Economics, European Economics,

Applied Econometrics, and Quantitative Methods in Business Studies and Economics. Finally, policymakers get an overview of the main arguments in the OCA discussion that contributes to their work.

Roskilde, Denmark  
Munich, Germany

Johannes Kabderian Dreyer  
Peter Alfons Schmid

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## ABOUT THE AUTHORS

**Johannes Kabderian Dreyer** earned his bachelor's degree in Economics and completed his master's in Finance at the Pontifical Catholic University of Rio de Janeiro. Afterwards, he defended his doctorate in Financial Economics at the Catholic University of Eichstätt-Ingolstadt. Today, he is Associate Professor of Financial Economics at Roskilde University.

**Peter Alfons Schmid** earned his diploma degree and doctorate at the Catholic University of Eichstätt-Ingolstadt. He was teaching and research assistant, worked as a professional at global and regional accounting firms, and developed a tech start-up. Today, he is Professor of Business Administration at the FOM University of Applied Sciences.

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