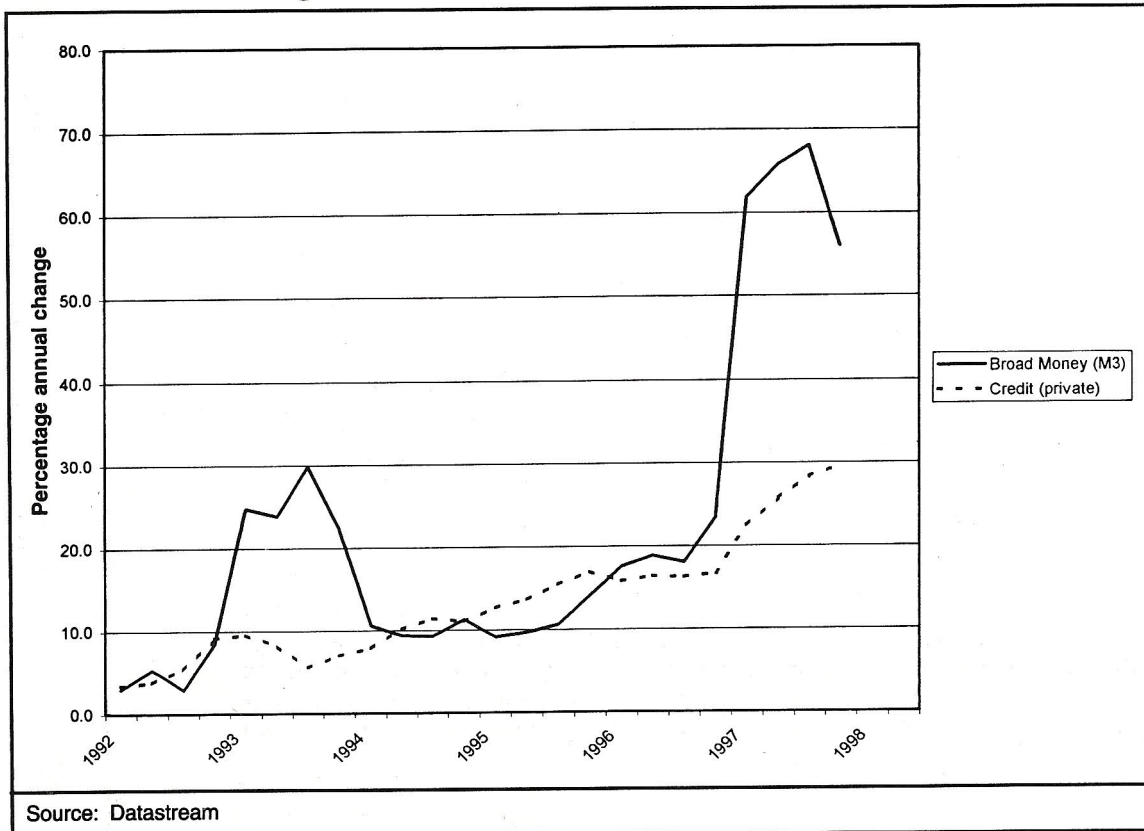


The chart on page 17 depicts the results found by Bayoumi and Eichengreen in a 1992 CEPR paper entitled *Is there a conflict Between EC Enlargement and European Monetary Unification?* Their study relates to the 1960-1988 period and is not atypical. Supply shocks for most members of the EU core show a relatively high correlation of around 0.6 with Germany. The correlation between the UK and Germany is far lower, at only 0.11. This means that there has been almost no relationship between the supply disturbances affecting the UK and those affecting Germany. In other words, Britain has been subject to asymmetric shocks which affect it in a way that they do not affect the Continental states. These findings, like the study of general economic performance, suggest that the UK and Ireland would be especially badly affected by monetary union with the Continent.

With regard to Ireland, which intends to join EMU at the outset, this is already becoming clear, as the chart below illustrates.

EMU is destabilising Ireland



Of all the EU member states, Ireland is easily the closest to the UK. Not only are the two states linked by trade, investment and labour mobility, but their economies are similarly structured. The strains which EMU is already causing in Ireland should serve as a vivid warning to Britain.