

The Labour Market and the Euro

Christopher A. Pissarides

London School of Economics

Abstract

This paper investigates the reasons that the labour market is given so much prominence in discussions about the euro. It concludes that differences in labour market flexibility across countries can have the same impact as asymmetric shocks and so warrant different monetary policies. The paper further discusses the role of welfare policy and migration in European integration.

Keywords: Cyprus Euro, Labour Market Flexibility, Social Protection, Migration.