**Analytical Summary**

Julio Gaspar SEQUEIROS, José Manuel SÁNCHEZ and Pablo CASTELLANOS
“The Creation of an Optimal Currency Area in the Euro Zone: Inflation Differentials and Disequilibria in Public Finances”
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The aim of this paper is twofold. First, we explore the key role played by inflation differentials and the obstacles they pose to the consolidation of EMU. Second, we address the question of how the absence of a centralized European budget results in increased vulnerability of the Eurozone. Additionally, and based on the results of our analysis, we evaluate the future prospects of the euro area, focusing on the major threats it is exposed as well as to possible ways to deal with them. Particularly, a simple cluster analysis allows us to delimit two zones: the center of EMU assimilated to the old German mark area and the European periphery (Ireland, Greece, Portugal and Spain). Both, the problems of higher inflation and imbalances in public finances are concentrated in the periphery, while the rest of the Eurozone works relatively well in so far as integrated monetary area.

Federico STEINBERG and Ignacio MOLINA ÁLVAREZ DE CIENFUEGOS
“The New Government of the Euro Zone: German Ideas, Divergent Interests and Common Institutions”
*Revista de Economía Mundial* 30, 2011, pp. 59-81

This paper explores the political and economic risks associated to the German strategy to solve the euro zone’s debt crisis. We argue that it is Germany (and not the Franco-German axis), who is leading the reform of the euro zone’s governance, and it is doing so based on an incomplete diagnosis of the crisis, according to which fiscal austerity will be enough to save the euro. Despite the progress that the EU has achieved so far in improving the governance of the euro, we argue, that the German strategy of “authoritarian austerity” is hindering economic growth in Europe. This,
in turn, could undermine the legitimacy of the European project and force the collapse of the common currency. Moreover, we argue that launching a new European intergovernmental treaty to ensure stability could lead to important institutional problems within the European Union.

José Manuel GONZÁLEZ-PÁRAMO
“The Management of the Crisis by the European Central Bank”

During the financial crisis the European Central Bank has lowered its official interest rates to historically low levels and has implemented a number of non-conventional measures. Such measures have proven effective to restore, to a large extent, the stability and soundness of the financial system and the economy. Nevertheless, the long-term prospects for sustainable growth and financial stability demand the urgent implementation of a number of far-reaching reforms of the architecture of the Economic Monetary Union and of the financial system.

Patricia GARCÍA-DURÁN and Montserrat MILLET
“The Economic Governance of the Eurozone”
Revista de Economía Mundial 30, 2011, pp. 103-129

The EU’s system of economic governance is currently undergoing significant change. This article analyses why member states are able to work together in areas in which, in the 1990s, cooperation would have been impossible. Applying a qualitative methodology and a theoretical framework based on neofunctionalist and intergovernmental approaches, we conclude that the agreements on economic governance that are being reached today respond more to the need than to the will to advance towards integration.

Emilio CONGREGADO, Mônica CARMONA and Antonio A. GOLPE
“Self-employment and Job Creation in the EU-12”
Revista de Economía Mundial 30, 2011, pp. 133-155

This paper examines the co-movement and causality between self-employment and paid-employment cycles in the EU-12 countries using annual data spanning the years 1983 to 2008. Using different strategies, the causality and correlations at different horizons are used to analyze the dynamics in the paid-employment-self-employment relationship. The paper touches a “hot topic”, since the high European unemployment rate and the ineffectiveness showed by traditional active labour markets policies, have lead in a renewed interest
in the promotion of new start-ups as a way of contributing to job creation. In that sense, this article provides some useful guidelines for devising and implementing this policy.

Ricardo MOLERO SIMARRO, María José PAZ ANTOLÍN and Juan Manuel RAMÍREZ CENDRERO
“Foreign Direct Investment in Bolivian Hydrocarbons Sector: Comparison between Regulatory Frameworks (1996-2009)”
Revista de Economía Mundial 30, 2011, pp. 157-184

This paper lies within the discussion on which regulatory framework would be the best to guarantee a real positive contribution from the foreign direct investment (FDI). A comparison between the effects of the different regulatory frameworks applied in Bolivian hydrocarbons sector is presented. With this aim, after presenting the evolution of the regulatory framework during capitalization (1996-2005) and nationalization (2006-2009) periods, six indicators are analysed: FDI, exploration and production investment, production itself, exports, reserves, and tax revenues. The outcomes achieved question the validity of arguments in favour of a lower fiscal pressure as an incentive to raise investment and the fiscal collection itself. Moreover the work poses about some of the limitations and challenges that the present framework has to face with.

Marta PORTELA and Isabel NEIRA
“The Role of Social Capital in Development Aid: A First Analysis for the OECD”
Revista de Economía Mundial 30, 2011, pp. 185-208

This paper analyzes the relationship between the level of social capital of a country and its contribution to development aid. Several studies have shown that it can help influence the level of social capital in a country and fewer people have focused on the role of donors and their level of social capital to see if they are related in some way. Given that social capital defined as networks, trust and rules that help the cooperation could be expected that countries with higher levels of capital are actually, which spend a greater proportional amount of development aid.

We will start with a brief reference to the concept of social capital and development aid to subsequently perform an analysis of available data and finally present an econometric model that will help us to see if there is any connection between the two magnitudes. The proposed estimate is carried out taking into account the available data of World Value Surveys (WVS), which is estimated in panel data static and a dynamic estimation by Arellano and Bond estimator in 2-stages.
Ana SALVADOR
“The Opening Process of China’s Economy to Foreign Investment”
*Revista de Economía Mundial* 30, 2011, pp. 209-231

According to transition strategy carried out by China in its economic reform process, the opening to the foreign investment has developed in a gradual and experimental way. This gradual liberalization, which began in 1979 with the creation of the first Special Economic Zones, was considerably stressed from 2001 due to the commitments of opening and liberalization that China had to assume to entry into the World Trade Organization. The evolution of this process has turned country into one of the big world actors in terms of IDE, especially as its receptor. This work tries to study the evolution and the essential characteristics of the above mentioned process and its consequences, as well as the current situation of IDE’s regime in China.

Milagros VIVEL BÚA, Luis OTERO GONZÁLEZ, Sara FERNÁNDEZ LÓPEZ and Pablo DURÁN SANTOMIL
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This paper analyzes the factors that determine the decision to currency hedge with derivatives in the Spanish market during the period 2004-2007 from the postulates of the theories of hedging. We have estimated random effects probit models with panel data. We have obtained that this decision relates primarily to the economies of scale and the use of foreign currency debt. There is also a positive relationship on growth opportunities and business location in the manufacturing sector. Finally, there is a negative for the costs of financial distress.