

Czech University of Life Sciences Prague Faculty of

Economics and Management

Department of law



Bachelor Thesis

Monetary Unions and the attitude of Russian citizens to
the national currency

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BACHELOR THESIS ASSIGNMENT

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Business Administration

Thesis title

Monetary Unions and the attitude of Russian citizens to the national currency

Objectives of thesis

The objectives of the Bachelor Thesis are: to define the purpose of Monetary Unions, to find out which currency the citizens of Russian Federation trust under the conditions of economic crisis and whether they want to change national currency to another. Also the thesis aims to define whether Russians are ready to join the monetary union of the Eurasian Economic Union.

Methodology

The Bachelor Thesis is written on the basis of scrutiny of scholarly sources, comparison of facts, observing, surveillance and monitoring of current changes. The Thesis provides results of the research in form of a questionnaire, which shows if Russian citizens are satisfied with national currency. The paper provides information about relationship between gender, age and activity of respondents and their trust in national currency.

The proposed extent of the thesis

40-60

Keywords

European Union, Eurasian Economic Union, Russian rouble, Monetary Union, Euro area, Euro integration, Sanctions, Russian Federation, Crisis

Recommended information sources

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Declaration

I declare that I have worked on my Bachelor Thesis titled “Monetary Unions and the attitude of Russian citizens to the national currency” by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on

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Monetární unie a názory ruských občanů na národní měnu

Monetary Unions and the attitude of Russian citizens to the national currency

Souhrn

Tato práce je zaměřena na definování postoje ruských občanů k národní měně na prahu vstupu do nové měnové unie. Jako příklad zastupující měnovou unii byla vzata Evropská unie a její kroky k integraci. Práce se skládá ze dvou částí: První část se zabývá přehledem literatury právního rozsahu Evropské unie, integrace a zkrácené historie vytvoření měnové unie. Druhá část - vlastní výzkum definuje postoj Ruských občanů k národní měně během hospodářské krize, který je posouzen na základě dotazníku. Druhá část práce také určuje vnímavost Rusů vůči současné ekonomické situaci v zemi a ochotu připojit se k Euroasijské hospodářské unii. Dále druhá část popisuje pozadí krize v Ruské Federaci.

Klíčováslova:

Evropská unie, Euroasijská Hospodářská unie, ruský rubl, měnová unie, eurozóna, Integrace Eura, sankce, Ruská federace, krize

Summary

The thesis is aimed to define the attitude of Russian citizens to the national currency at the threshold of entering to the new monetary union. As an example of the acting monetary union has been taken the European Union and its institutions, to go through the steps of the integration. The thesis is composed of two parts: Literature review deals with legal background of the European Union, integrations, and the basic history of establishment of monetary union. The second part – Own solution, defines the attitude of the Russian citizens to the national currency during the economical crisis by the questionnaire. Also the second part of the thesis determines the sentiment of Russian citizens to current economic situation in the country and willingness to join the Eurasian Economic Union. In addition second part deals with background of crisis in Russian Federation.

Keywords:

European Union, Eurasian Economic Union, Russian rouble, Monetary Union, Euro area, Euro integration, Sanctions, Russian Federation, Crisis

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1. Introduction

From the very beginning of times people were getting together for exchanging of experience, solving common problems and making life easier. In the world of the problems, which cannot be solved alone people were trying to come into consensus and fought side by side. The Sallust's words: "By union smallest states thrive, by discord the greatest are destroyed" are still applicable today. Nowadays, problems and the world had not disappeared and perhaps become crueler than it was before.

The European Union was started to be established in 1952 by the Treaty of Paris. This Treaty united countries, which have been enemies to each other at the times of the Second World War. This treaty regulated the coal and steel production – the resources which were the base of the arms. Paris Treaty was one of the first steps to the Unity, which is today one of the strongest and influential.

The actuality of the bachelor thesis is that new states began to cooperate with each other in the same way as member states of European Union. New reunion is called Eurasian Economic Union. It was established not long ago and seeks to enter the monetary union with the Member States of the Eurasian Economic Union. The path to monetary union will be studied on the basis of the European Union and its institutions. The European Union and its institutions were not randomly selected. The European Union has the great structure of the interactions. Also, according to the last events in the economic and political spheres will be researched what kind of attitude have Russians to the national currency, and if they feel any changes after the joining the EAEU. In accordance with the economic situation in the country, will be determined if Russia is ready to join the new monetary union with a single currency. The new monetary union on the basis of the Eurasian Economic union can become a competitor to the European Monetary Union and its single currency.

The hypothesis of the thesis is that Russia and its residents are not ready now to join the new monetary union, and that Russian citizens feel uncomfortable because of the economic situation in the country, due to economic situation in the country, because of the sanctions that have been put into force against Russia. It is important nowadays to feel the confidence to understand what will be tomorrow.

2. Thesis Objectives and Methodology

2.1 Objectives

The objectives of the Bachelor Thesis are: to define what is the purpose of the Monetary Unions, to find out which currency citizens of Russian Federation trust in conditions of economic crisis and whether they want to change national currency to another. Also the thesis is willing to define whether Russians are ready to join the monetary union of the Eurasian Economic Union.

2.2 Methodology

Bachelor Thesis is written on the basis of scrutiny of the sources, comparison of the facts, observing, surveillance and monitoring current changes. The Thesis is providing results of the research in form of the questionnaire, which shows if Russian citizens are satisfied by national currency. The paper provides information about relationship between gender, age and activity of respondents and their trust to national currency.

3. Literature Review

3.1 Basic Definitions

3.1.1 Economics

The term “Economics” has a broad meaning. Usually scientists divide the term on two branches – Macroeconomics and Microeconomics. The most common definitions of “Economics” are the following:

- “Economics – the study of how the society organizes its money, trade and industry”.(Sydney, 2013)
- “Economics - a set of tools, objects, processes, used by people for life, to meet the needs by providing the necessary human benefits, conditions and livelihoods with labor”(Borisov, 2003)

All two definitions are right. By combining definitions, it is possible to say that Economics – is a science about how people live in a financial world, how people use their tools to achieve material goals. As well the Economics as a social science has three questions to answer:

- What to produce?
- How to Produce?
- For Whom to Produce?

It is important that all resources are in deficit that is why these three questions are basic for economists.

3.1.2 Microeconomics

Microeconomics – is a part of Economics science. Also, different scientists have various definitions of this science. One of the most comprehensive definitions is:

“Microeconomics – is a section of economic science associated with the study of relatively small-scale economic processes, subjects, phenomena, mainly of enterprises, firms, businesses, their economic activity and economic relations between them.

Microeconomics focuses on producers and consumers, their decision-making processes in relation with the volume of production, sales, purchases, consumption needs, prices, costs,

profits. Also, Microeconomics defines the market behavior of the subjects and the relationship between them. It regulates the process of production, distribution, exchange and consumption. At the same time the object of study is relation between producers, entrepreneurs and the state.”(Borisov, 2003)

In other words:

Microeconomics – is a part of a huge science of economics, which regulates the functioning of the economical subjects, which take part in production, distribution, exchange and consumption of the economical goods.

3.1.3 Macroeconomics

“Macroeconomics - section of economic science devoted to the study of large-scale economic phenomena and processes related to the country's economy. The object of the study of Macroeconomics is - summarizing performance across the economy, such as national wealth, gross national and gross domestic product, national income, total public and private investment, the total amount of money in circulation. At the same time Macroeconomics examines the national average of economic indicators, such as average income, average wages, inflation, unemployment, employment, labour productivity. The object of Macroeconomics is also a summary measure of growth, the rate of increase or decreases the values that characterize the country's economy and its place in the economic processes, structural proportions.” (Borisov, 2003)

This definition of Macroeconomics is extended, so it could be better to use shorter definition, which will summaries the information above;

“Macroeconomics deals with issues relating to the economy as a whole” (Maitah, 2015)

3.2 Integrations

3.2.1 Basic Statistics of the Integrations

The development of the world in last 250 year is determent by two very interesting factors as globalization and regional integration. Both processes are the result of internationalization, but due to differences in the directions often come into confrontation. In cases of globalization and regional integration, a significant impact has the readiness of the participating countries to the openness of the economy and competition on world markets. Special attention should be given to monetary integration as the theoretically final stage of integrating of the national economies.

The integration process, developed initially only in a small number of regions of the world, now covered almost all continents of the world. Since the 80-ies of XX century has been a sharp increase in the number of various kinds of integration associations. For example, in 1995 there were 23 regional economic groups, by 2000 the number had increased to 82, and by 2010 - 148. The rapid growth of the number of integration associations is a consequence of the widespread promotion of the idea of liberalization of the economy.

3.2.2 Regional Integration

Regional integration is a very hard process, which determines by other process like: union of the finances, goods and services capital and labor power. Another step is the establishment of the union market space, monetary and financial system, legal institutions and closer coordination of domestic and foreign economic policies of member countries. Also regional integration is different by:

- Interpenetration and interweaving of reproduction processes, the formation of a single region within the process of the complex production;
- Development of broad co-operation and specialization in production, science and technology; by collective financing of the economy and its innovative development;
- Targeted regulation processes of integration.

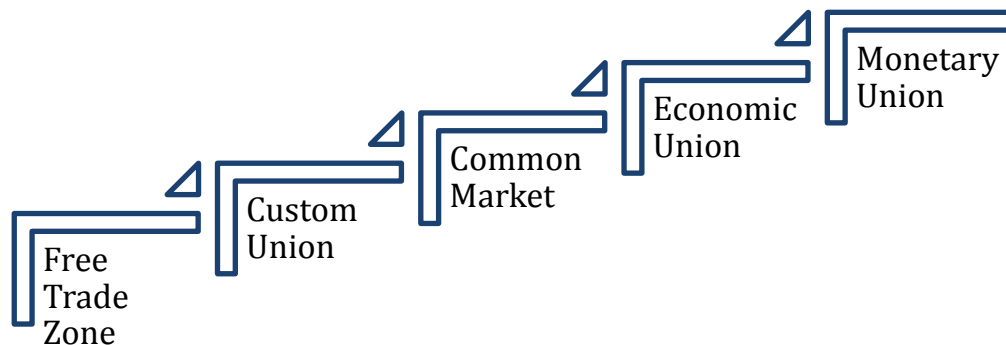
Process of integration has taken some parts of economic mechanisms, therefore, it developing not very evenly, because of the different speed of industrialization of the countries. For the most developed countries easier to integrate into sphere of in the area of market abuse, including the circulation of goods and services, the currency of securities, but harder to develop in part of developing of production. Another link reproduce the production process, an integral part of the present stage of integration, the scope of decision-making at different levels (entrepreneurial associations, national governments, international organizations etc.), the most active, but not always productive, integrated in developing countries. Governments of these countries tend to desire to establish the conditions for the growth of competitiveness of national products on the world market by means of integration.

3.2.3 Economic Integration

Economic integration in the developed market economies is a contradictory unity of the private - enterprise processes and interstate integration. Depending on the regions the combination of these two forms determines the existence of so many different integration structures like the EU, where the integration is based on the branched politico-legal, institutional mechanism of regulation at various levels, and the North American integration, which is a long time not been clearly determined.

Despite of the uniqueness of the integration processes, it is possible to find some connection in these stages:

Figure 1: Economic integration



Source 1: Author

- Free Trade Zone – It involves the remove of tariffs and quotas in member countries, but at the same time the politics of external trade provides independently.
- Custom Union – Unlike the Free Trade Zone the external trade provides dependently and with agreement of member countries.
- Common Market - In addition to the Custom Union, Common Market involves elimination of barriers to movement within the union of all factors of production.
- Economic Union – In addition to Common market, coordination of the economic policies pursued by countries.
- Monetary Union - It involves the creation of a single currency system, including the creation of a single bank, a single currency, concerted monetary and exchange rate policies.

After all this stages the integration moving towards to the single subject of economy. By the fact it seems like the state with providing the single economic policy and on the base of legal background.

3.2.4 Joining Monetary Union

At the stage of joining the monetary union, the participation in it is considered as part of the integration process. The main challenges at this time are to ensure the liberalization of capital movements, including foreign direct investment, measures to increase the stability of the economy and reducing inflation. All this is done to include the national currency into a single monetary system and ensuring of its convertibility.

At the next stage there is a question about the formation of the single currency. The countries are on the way to use extra-currency or to use strongest currency of the most developed countries.

Entry into monetary union dramatically reduces the autonomy of the country in their currency and financial policy. Turning to the single currency, the state is losing several tools to rule the economy. First and one of the most important is that there is no possibility of exit from the currency crisis by unilateral devaluation or revaluation of the national currency. Secondly, if the country agreed to change their currency for another, it gives risks, but if this currency is more stable than domestic currency – it is an advantage for the country, which exports this currency. Could be named two reasons to substitute the domestic currency:

- A lot of producers have their assets in domestic currency but reserves in a foreign currency
- Preservation of the national currency requires the implementation of national monetary policy in any state of the economy.

It is obvious that monetary union brings benefits and losses and, at the same time, when country rejects the opportunity join monetary union it causes the same.

3.2.5 Active Monetary Unions

Monetary unions changed during the time and during the development and industrialisation of the world. The table below shows monetary unions, which are known today:

Table 1: Formal Monetary Unions

Formal Monetary Unions		
Currency	Monetary Union	Year of Establishment
SUCRE	Unified System for Regional Compensation	2010
Swiss Franc	Monetary agreement between Switzerland and Lichtenstein	1920
Pound sterling	Sterling Area	1931
US Dollar	Dollar Area	1933 (1904 - Panama)
CFP Franc	Pacific Financial Community	1945
West African CFA Franc (Eco)	West African Monetary Zone	1945
Central African CFA franc	Economic and Monetary Community of Central Africa	1945
Danish Krone	Kingdom of Denmark	1946-1979
East Caribbean dollar	Organization of Eastern Caribbean States	1965
Australian Dollar	Australian Dollar Area	1966
New Zealand Dollar	New Zealand Dollar Area	1967
Singapore dollar	Monetary Authority of Singapore	1967
Indian Rupee	The system of bilateral fixed rates (Exchange rate dependent on the Indian rupee)	1974
South African rand	The single currency area (Each state has its own currency, but its exchange rate dependent on the rand)	1974

Euro	Eurozone, Euro area, Euroland	1999 (2002)
Netherlands Antillean guilder	States, until October 10, 2010, which were included in Netherlands Antilles	2010

Source 2: Author

This table is about the formal and active monetary unions, areas and zones. At this table can be distinguished two monetary unions, in virtue of the most important impact at the world's economy. The Eurozone and US Dollar Area nowadays are the head of all economics in world. Also, it could be better to add monetary union, which was not included into Table 1. Existing formal Monetary Union:

Table 2: Formal Monetary Unions with unrecognized and partially recognized states

Formal Monetary Unions with unrecognized and partially recognized states			
Currency	Monetary Union	Countries	Year of Establishment
Russian Ruble	Formal, by the treat of 2008	Russia, South Ossetia, Abkhazia	2008

Source 3: Author

This monetary union includes unrecognized and partially recognized states like South Ossetia and Abkhazia, which use Russian Ruble like national currency. Also the Eurozone has not official treaty with Kosovo, to use Euro instead national currency.

3.3 European Union

“The European Union – An economic and political organisation, based in Brussels, that many European countries belong to.” (Sydney, 2013). European Union is an excellent example of the way to economic integration.

3.3.1 Brief History of establishment

The establishment of the European Union lasted for a long time. The table below includes the main dates and historical facts of the establishment of European Union and how it looks today:

Table 3: Main events and dates on the way to European Union

Main Events and Dates on the way to European Union		
Event	Signed	Entered into Force
Establishment of European Steel and Coal Community (ECSC)	1951	April 1952
Establishment of European Economic Community (EEC)	1957	1 st January 1958
Establishment of Euratom, European Atomic Energy Community (EAEC)	1957-2002	1 st January 1958
Merger Treaty	1967 (July 1967)	July 1967
Establishment of European Monetary System (EMS)	1978	1978
Schengen Agreement	1985	26 th March 1995
Establishment of the Single European Act (SEA)	1986 (SEA 1 st January 1987)	SEA 1 st January 1987
Signing of the Maastricht Treaty (Treaty on European Union - TEU)	February 1992 (November 1993)	November 1993
Implementation of a single European currency	1999	1 st January 1999
Treaty of Lisbon	2007	1 st December 2009

Source 4: Author

The Treaty of Paris signed the European Coal and Steel Community in April 1951. The main goal to create the community was that coal and steel were the raw materials for the arms. So those two industries were the most important at the times of danger that countries could wage the war. Six countries signed this community: France, Italy, Germany and Benelux countries (Belgium, Netherlands, Luxembourg) for 50 years. The ECSC had come into force in 1952 and the treaty has expired in 2002.

January 1, 1958 was established the European Economic Community. The Belgian Foreign Minister Paul-Henri Spaak proposed this community in 1956. March 25, 1957 was signed the Treaty of Rome to establish two Communities – EEC and Euratom. The same six countries signed the Treaty. The idea of Euratom is development of peaceful use of nuclear energy between member states, formation of common energy politics, lower energy prices, enhancing the stability of energy, ensuring control over nuclear energy.

Merger Treaty came into force in July 1967 in order to connect three communities between each other (ECSC, EEC, Euratom) to create European Commission.

European Monetary System was established in 1978. The background was in 1972, the EEC countries come to agreement to prevent exchange rates, currency fluctuations to +2,25%; -2,25%. Also was established a new currency – European Currency Unit (ECU).

Schengen Agreement was established June 14, 1985. Basic prerequisites for that agreement were the debates in 80's about the free movement of person. Germany, France, Belgium, Luxembourg and Netherlands signed this agreement in town Schengen, after which the Agreement was named in 1985. Later the Schengen Agreement was changed into Schengen Code.

Single European Act had been signed in February of 1986 in Luxembourg and Hague and has come in force January 1, 1987. Reason to establish the SEA was political stagnation and malaise in 60s-70s in European Community. Also this Act had appeared because of the displeasure in 80s about the absence of the Free Trade (De-Facto) between member states. Main goal of establishment of SEA was in creation of the single market between member states to the year 1992 (year, when all reforms could be finished). An act intended to eliminate remaining barriers between the countries, as well as to harmonize and improve the competitiveness of European countries.

Maastricht Treaty is one of the most important Treaties to form the European Union, as we know it today. TEU was signed in February 1992 and came into force in

1993. The agreement concluded the earlier cases from previous years to regulate the monetary and political systems of European countries. “There were originally seven titles in the TEU: Title I included the “common provisions”, which set up a basic objectives of the TEU. Titles II, III and IV Covered the First Pillar amendments to the EEC, ECSC, Euratom Treaties respectively. Title V created the Second Pillar of the Common and Security Policy (CFSP), Title VI the Third Pillar of Justice and Home Affairs (JHA), and Title VII contained the final provisions.” (Craig and De Burca, 2014) Countries that agreed with accession to European Monetary Union also were agreed with five Maastricht’s criteria. These criteria were written in order to protect euro’s stability and be confident that the country is ready to adopt euro.

Table 4: Convergence criteria

Convergence Criteria		
What is measured?	How it is measured?	Convergence criteria
Price stability	Harmonized consumer price inflation rate	Not more than 1,5 percentage points above the rate of three best performing countries
Sound public finances	Government deficit of as % of GDP	Reference value: not more than 3%
Sustainable public finances	Government debt as % of GDP	Reference value: not more than 60%
Durability of Convergence	Long term interest rate	Not more than 2 percentage points above the rate of the three best performing countries in terms of price stability
Exchange rate stability	Deviation from a central rate	Participation in the European Exchange rate Mechanism for two years

Source 5: European Commission, 2012

The Treaty of Lisbon was signed December 13, 2007 and came into force December 1, 2009. The Treaty of Lisbon amended the Treaty of Maastricht (1993). The main objective to sign the Treaty was to review the Constitutional framework because of the entry of new member states into EU. After rejection of the EU Constitution (2004) European Union politics was in stagnation, in deadlock for future development of the Community. Aims of the Treaty of Lisbon were to simplify the structure of collective bodies, the principles and how they work to make their activities more transparent and understandable.

3.3.2 European Union institutions

European Union Institutions – Institutions, which represents and ensure the interests of all Member States of the European Union. At the moment all the agreements binding the Member States on a common basis formed several the most important and governing bodies of the European Union.

According to the Article 13 Treaty on European Union (ex Article 7 of the European Community) the Union has seven institutions:

- The European Council and its President

During various periods of stagnation and difficulty in the Community heads of states and governments have met at the summit conferences to solve the problems. These meetings became regular in 1974, but these meetings were without any legal basis in the Treaty. Initially these meetings did not include the President of the Commission but soon it was changed. In 1986 the Single European Act enshrined the European Council.

The European Union council defines the political direction and priorities of the European Union. The European Council is not legislative institution. It does not adopt or negotiate the European Union laws. Instead it sets the European Union policy agenda. Nowadays, the European Council chose the strategic ways for the priority questions for long-term European Union actions and steps. Also, The European Council setting the EU's common foreign and security policy, according to the EU political directions and aims.

The Members of the European Council are the heads of the state government of 28 European Union member states, the European Council President and the President of the European Commission. Usually the European Councils meets 4 times a year, but President can appoint extra meeting according to the urgency of the situation.

- The European Parliament

The European Parliament is a legislative body, which can be directly elected by the citizens of Member States of the European Union. Together with the European Council form bicameral legislative branch of the European Union and considered as a most powerful legislative bodies in a world.

The European Parliament was established in 1957 and originally the members of The European Parliament were appointed by Parliaments of the Member States of the European Union. Since 1979 the people must elect The European Parliament members. Elections are held every 5 years. The last elections were in 2014 and the next will be in 2019.

Main aims and goals of The European Parliament are monitoring of the European Commission, legislating and budgeting. The European Parliament shares legislative power with the Council of the European Union, which also adopts laws (directives, regulations, decisions). Since the enactment of the Treaty of Nice, at the most political branches started to act the principle of the joint solutions, according to which the European Parliament and the European Council have equal powers, and every bill submitted by the Commission, should be considered in two readings. Disagreements should be resolved during the third reading. The European Parliament and the European Union Council forming and working together on the Budget Commission of the European Union. Parliament also monitors the work of the European Commission. The Plenum of the Parliament must approve the composition of the Commission. Parliament has the right to accept or reject the Commission only in full, and not its individual members. In accordance with the Lisbon Treaty the European Parliament mandated the election of the chairman of the European Commission. In addition, Parliament may by 2/3-majority vote of no confidence to push to the Commission than to its resignation. That's right, the European Parliament has used, for example, in 2004, when the Commission free cities opposed the candidacy of Rocco Butilone contested for the post of Commissioner for Justice. Then the Social Democratic,

Liberal faction and the faction Green, expressed threat to dissolve the Commission, after which the post instead Butilone Justice Commissioner Franco Frattini was appointed.

Nowadays there are 751 Members of The European Parliament (MEPs), where 37% of them are woman and 63% are man. The table below is representing number of seats, according to the Members States of European Union.

Figure 2: Seats in European Parliament



Source 6: Europa.eu

Also, The Parliament consists of 8 fractions and 1 group of people non-attached to any fraction. In a political group should be minimum 25 members, who will represent at least one-quarter of member states. MEPs cannot belong to more than one political fraction or party. Below is shown the number of seats according to the fractions:

Table 5: Number of seats according to the fractions

Party	ALDE	Greens /EFA	S&D	GUE/ NGL	EPP	ECR	EFDD	ENF	N/A
Seats	70	50	190	52	217	74	45	39	14

Source 7: Europa.eu

Where:

ALDE - Alliance of Liberals and Democrats for Europe

Greens/EFA – European Free Alliance

S&D- Socialists and Democrats

GUE/NGL – European United Left/Nordic Green Left

EPP – European People’s Party

ECR – European Conservatives and Reformists Group

EFDD – Europe of Freedom and Direct Democracy

ENF – Europe of Nations and Freedom

N/A – non-attached

- The Council of the European Union (Consilium)

It was established in 1952 as a special Council of Ministers under the European Coal and Steel Association. At the first periods of existence of European Community, most of decisions should have been without a dissentient voice. With the passage of time it was needed that the qualified majority should make the most important decisions. Thus each state holds a certain number of votes depending on its population and economic potential. The Council of the European Union unlike of the European Council have Legislative power. As it was written before, The Council of the European Union adopts laws directives, regulations and decisions in European Union. The main goal is to have a conversation and to make agreements between the states and of international treaties. The Council of the European Union negotiates and adopts European Union legislation together with European Parliament. The Presidency of the Council changing every 6 months among the EU Member states. There are no any divisions for the fractions. For every question or in every subdivision are 28 persons. For example economic and financial affairs policy area composed of the ministers who are responsible to answer for the questions of this area. To be a part of The Council of the European Union is needed to have a rank not below than a minister.

The Council composed from 10 “configurations” as:

- | | |
|--------------------------------------|--|
| ❖ Agriculture and fisheries | ❖ Employment, Social policy, health and consumer affairs |
| ❖ Competitiveness | ❖ Environment |
| ❖ Economic and financial affairs | ❖ Foreign affairs |
| ❖ Education, youth culture and sport | ❖ General affairs |
| | ❖ Justice and Home affairs |
| | ❖ Transport, telecommunications and energy |

Source: (European Union, 2016)

- The Commission

The Commission is an executive body of European Union, which reliable for the preparation of the bills, implementation of decisions of Consilium and The European Parliament. European Commission - the heir to one of the key institutions created in the supranational European Community system, following the publication of the declaration of French Foreign Minister Robert Schuman 9 May 1950. Originating in 1951 in the framework of the European Coal and Steel Community as the High Authority, the European Commission has undergone significant reform, which changed its function, position and importance. The Commission is composed from the 28 members, commissioners, who are able to represent interests of the European Union, not of the certain country. One of the 28 members of the Commission is a chairman, who was appointed by Consilium and approved by The European Parliament. After, the Consilium should nominate 27 commissioners with the consent of the Chairman. The European Parliament should approve the whole Commission.

The European Commission's task is to coordinate the work of executive authorities of all EU countries, to develop recommendations for the European Parliament's activities, making legislative initiatives in order to bring into line with European standards of national EU Member States legislation, monitoring compliance by all 28 countries of common European standards, as well as the rights and freedoms, conduct systematic consultations with all national governments to develop a single economic (industrial, agricultural, fiscal, social, customs, currency, monetary and etc.), the military, foreign and cultural policy. All decisions of the European Commission are purely advisory in nature, all disputes are settled at the level of national governments. In addition, the European Commission carries out EU diplomatic functions abroad.

- The Court of Justice of the European Union and the General Court

Before the Nice Treaty the juridical system of the European Union had a two-tier system. Nowadays it works as a three-tier system of courts. This entire three-tier courts working under the title of The Court of Justice of the European Union (CJEU).

The first one is a Court of Justice, second is a General Court, and the third tier of jurisdiction not known as a specialised court (it was added with name “Juridical Panels”).

The main aim of the Court of Justice of the European Union is to ensure that all of the Treaties and laws are applied by the same way in all Member states of the European Union.

The CJEU composed from three levels:

- ❖ General Court – consists from the 1 judge from each country of the European Union.
- ❖ Court of Justice – consists from the 1 judge from each country of the European Union plus 11 advocates General.
- ❖ Civil Service Tribunal – 7 Judges

The Court of Justice deals with requests from the national judges and courts to make some actions for annulments and appeals. The General Court deals with the annulment of the individuals, firms and sometimes EU governments. How it is possible to see that the General Court mostly deals with competition law as trade, agriculture, and trademarks. Civil Service Tribunal – deals with controversies between European Union and its stuff.

- The European Central Bank

The European Central bank – is a main institute of the Eurozone, which is closely connected with Euro as a currency. Before the understanding what is the central bank and its aims and goals, it is needed to understand what is Monetary Union and its brief history of establishment, because the European Central Bank was established at the third stage of the development of the Economic and Monetary Union.

As it was mentioned in 3.1.1 the EMS was established in 1978 and there was some background for the establishment. On the long way to Economic and Monetary Union there were three stages, which are mentioned below:

Stage I. At the first stage was the completion of the internal market, attempts to make economics of the countries closer to each other and membership of all states of the Exchange Rate Mechanism (Institute of the European Monetary System).

Stage II. At the second stage will be established European System of Central Banks for formulation of common monetary policies of the European Community.

Stage III. Third stage “*would see the locking of exchange rates and a single currency managed by ESCB*”(Craig and De Burca, 2014)

The Second Stage of the moving towards to the European Monetary Union became possible because of the Maastricht Treaty. The Second Stage enters into force 1 January 1994. At this Stage there were three subparagraphs:

Firstly, activities of Member States and the Community should have acceptance of the economic policies, which were be based on the close coordination of the Member States economic policies. Also, should be taken steps to the introduction of the European Currency Unit.

Secondly, there were provisions, which control the economic policies. “*Monetary Union is not plausible without some measure of centralized control over fiscal policies, and in particular over budgetary matters.*”(Craig and De Burca, 2014). After the awareness of this fact was given a power to the EC over Member States’ economic policies.

Thirdly were provisions, which were closely connected with monetary policy. By Article 117 EC was established a European Monetary Institute (EMI), which was established 31 December 1996 and, which was a predecessor of European Central Bank. Establishment of the EMI was a foresight to help the ESCB perform tasks well. The main objectives of EMI were to specify logistical, regulatory framework necessary for ESCB at the third stage.

The Third Stage of the EMU had to begin no later than 1 January 1999. There were some criteria of the shifting from the Second Stage to the Third Stage. One of the criteria was that Member States should have been prepared to switch their national banks to the independent performance. The Commission and the EMI should follow for the activities of

the Member States towards to the EMU and after all work will be almost done, they had to report to the Council. Attainment of these criteria meant that state is ready to join the single currency area. If by any reason the date of the Third Stage had not be set by the end of 1997, the Third Step will automatically start 1 January 1999. The Third Stage of the EMU started at the appointed time. The Euro as a currency started its existence on all of the rights. The exchange rate of the participating countries was settled. New currency (Euro), its banknotes and coins were introduces on 1 January 2002 and national currencies were withdrawn to the end of the February 2002. Nowadays the Euro area composed of 19 countries, which are represented in table below by the date of joining the area. Also, it is possible to find a map of the Euro Area at the Supplement 3:

Table 6: Member states of the Euro area

Country	Date of joining
Austria	1 January 1999
Belgium	
Finland	
France	
Germany	
Ireland	
Italy	
Luxembourg	
The Netherlands	
Portugal	
Spain	
Greece	
Slovenia	1 January 2007
Cyprus	1 January 2008
Malta	
Slovakia	1 January 2009
Estonia	1 January 2011
Latvia	1 January 2014

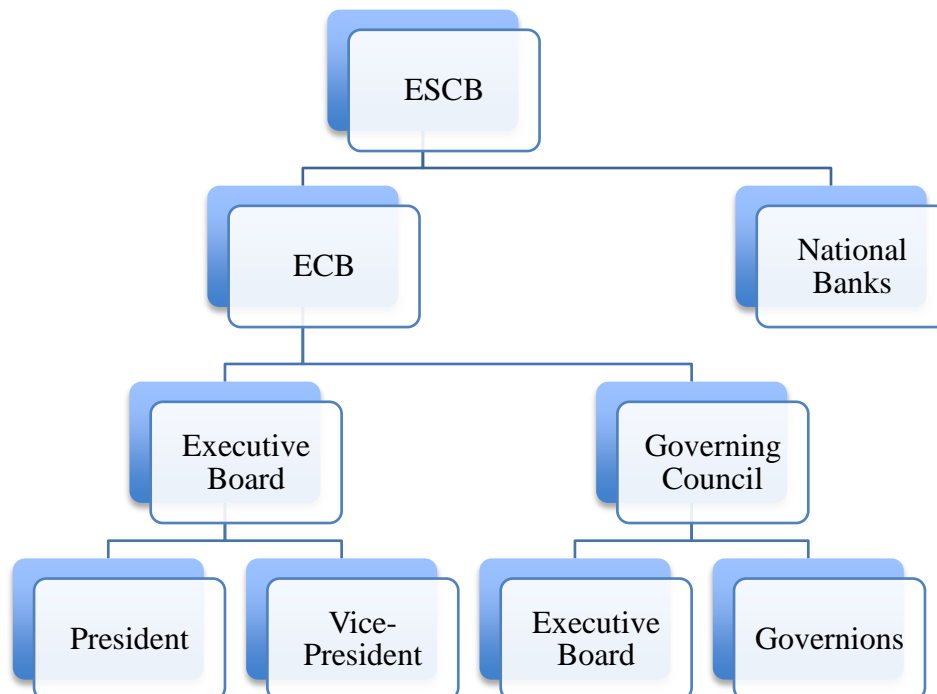
Lithuania	1 January 2015
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Source 8: Europa.eu

So, what is a European Central Bank as institute of European Union? The ECB and national central bank which national currency is Euro, it has full responsibility for the monetary policy. The ECB composed of the Executive Board and Governance Council. Also, Governing Council composed of the Executive Board and Governing of the countries with national currency Euro.

The ECB is independent body. It means that ECB should not take into account views of any other institutions, Member States and others. At the same time President of the Council and members of the Commission can participate in meetings of the ECB's Governing Council, but they have no power to vote. The ECB have a right to make legal regulations and make decisions, to give recommendations, deliver opinions. Also, should be mentioned, that ESCB composed of the ECB and national banks and managing by the ECB authorities. The table below illustrates brief composition of the European System of the Central Banks:

Figure 3 Composition of the European System of Central Banks



Source 9: Author

- The European Court of Auditors

The European Court of Auditors (ECA) is the seventh institute of the European Union. ECA was established in 1975 for the audit of the Union and its institutions. Headquarters of the ECA is located in Luxembourg.

The ECA is composed of 28 persons from each Member State who performed or perform in their respective countries, external control or have special qualifications for this position. They are appointed by the Council acting unanimously on a six-year term and are completely independent in the performance of their duties. The Chairman of the ECA should be elected from its members for a period of three years with the right of renewal of the mandate.

Functions of the ECA are:

- ❖ Verification of reports about income and expenditure of the European Union and all its institutions and agencies that have access to the funds of the European Union.
- ❖ Control of the quality of financial management.
- ❖ Drawing up a report on its work after the end of each fiscal year, as well as the representation of the European Parliament and the Council conclusions or comments on specific issues.
- ❖ Assistance to the European Parliament in monitoring the execution of the European Union budget.

In order to perform well functions, which were mandated to the ECA, the auditors can go to the Member States or other countries, which have financial support from the EU, with inspection to be confident that the financing is going by the right way.

4. Own solution

4.1 Questionnaire

Questionnaire – is a research instrument consisting from questions? With a help of questionnaires is possible to reach high level mass of the research without high costs of power. It is a connection between intervener and respondent where the main instrument is a pre-formulated question. This method used for drawing static (single survey) or dynamic (with repeated questionnaires) statistical representations of the state of society and public opinion, the state of political, social and other tensions in order to predict the actions or events. A feature of this method, you can call it anonymous (respondent's identity is not fixed, but fixed his answers). The survey is conducted mostly in cases when it is necessary to find out people's views on some issues and reach a large number of people in a short time. It is needed to mention the basic rules of the compilation of the questions:

- Every question should have logic
- It is forbidden to use slang, obscure words, terminology
- Questions should be brief
- If necessary, the issue may be accompanied by the appearance, but the wording should be concise
- Questions should be specific, not abstract
- Questions should not contain a hint. If it referred to possible answers, they should be given a complete list
- The wording of the question must avoid getting stereotyped answers
- The question should not compel the respondents to the unacceptable answers.
- Language issues should not cause disgust (for example, be too expressive).
- Unacceptable suggestive questions (inspiring) character.

4.2 Objectives

The main objective of the questionnaire is Russian citizens, specifically – to find out which currency Russians trust and whether they want to change national currency to another one. What is the relationship between gender, age, and activity and currency preferences? What is the mood of Russian citizens in accordance to the latest events in the political and economic sphere?

4.3 Explanation

The idea of the questionnaire for Russian citizens takes roots in a non-stable political and economical situation in Russia and around the country. After the depreciation of the national currency the consumer basket of the Russian citizens decreased. The interest to understand how people who live in Russia feel the changes, what does citizens of the country, which was subjected for the impositions of sanctions, think about the national currency nowadays. It should be right to explain briefly why exactly Russian citizens are the respondents of the questionnaire.

The first sanctions against Russia were introduced in April-May 2014, because of the tense geopolitical situation between Russia and Ukraine. The United States of America and European Union introduced sanctions against individuals and group of companies. They include a ban on entry into the country for those who are under sanctions, freezing of assets and a ban on business transactions with these individuals and companies.

In July 2014, sanctions were imposed against the defense, energy and financial sectors of Russia. Since September 2014, some organizations cannot apply for loans and issue debt for more than 30 days. At the defense sector, the US and the EU have reduced access to finance Russia's largest companies for more than 30 days and imposed a ban on export of goods and dual-use technologies in respect of 14 companies related to the defense industry. Sanctions, which restricted cooperation with Russia at the field of defense, were entered by the United Kingdom, Israel, Sweden and Switzerland. In the energy sector, the EU and US have limited access to finance Russia's largest oil and gas companies. In addition, they have introduced the ban on export of goods and services (excluding financial services) or technologies in support of deep-water drilling, exploration

or extraction of resources on the Arctic shelf and shale resources. Also, after the EU sanction was introduced by the Norway, Canada, and Australia.

In response to these sanctions August 7, 2014, Russia imposed the ban on import of food products from a number of Western countries for a period of one year. This ban covered the import of meat, fish, seafood, vegetables, milk, dairy products and wide range of semi-finished food products from United States, Norway, European Union, Australia, and Canada. Later to this list were added other countries.

Sanctions on Russia and response from Russia to them led to the very serious problem for the economy of the country. Firstly, sanctions led to the high volatility of Russian Ruble as the national currency and significant depreciation of the currency. It is possible to see on the Figure 4, the number “1”. High outflow of the finances led to the surplus of the international reserves. Secondly, at the second half of the 2014, confidence in the currency decreased waiting for depreciation of the ruble, and as a consequence decline in oil prices led to the depreciation of ruble more than 2 times. Also, the Figure 4 shows what has happened 16 December 2014. In the morning of that day Central Bank of Russia increased the interest rate by 6, 5% from 10, 5% to 17%. The decision was made because of the high risks of the devaluation of the currency and high inflation rate. After the few hours the currency rates of the Russian Ruble had critical fall. If in the morning the United States Dollar was about 60 RUB per 1 USD, but few hours later is was about 82 RUB per 1 USD. The same situation happened to Euro. If in the morning the price of 1 EUR was 70 RUB, later, the same day the price was more that 100 RUB per 1 EUR.

Figure 4: The currency rate graph - USD/RUB



Source 10: Tradingeconomics.com

Depreciation of the ruble led to the high inflation rate. The ban on import of goods in August 2014 led to the price growth for goods in Russia. To the February 2015 the inflation of the products was 23,3 % and the real inflation was 16,7%. This ban has caused even greater inflationary pressures; prices of illicit goods have already risen, which was a blow to Russian consumers and at the same time stimulating domestic food production. For example for the 2008 the inflation was 13,3% and it was the highest value since 2002 - 15,1%. The 2008 were a year when the world financial crisis began in United States and absorbed and affected the entire world. Russia was not excluded from this crisis. The graph below represents the Russian inflation rate fluctuations:

Figure 5: Russian Inflation rate

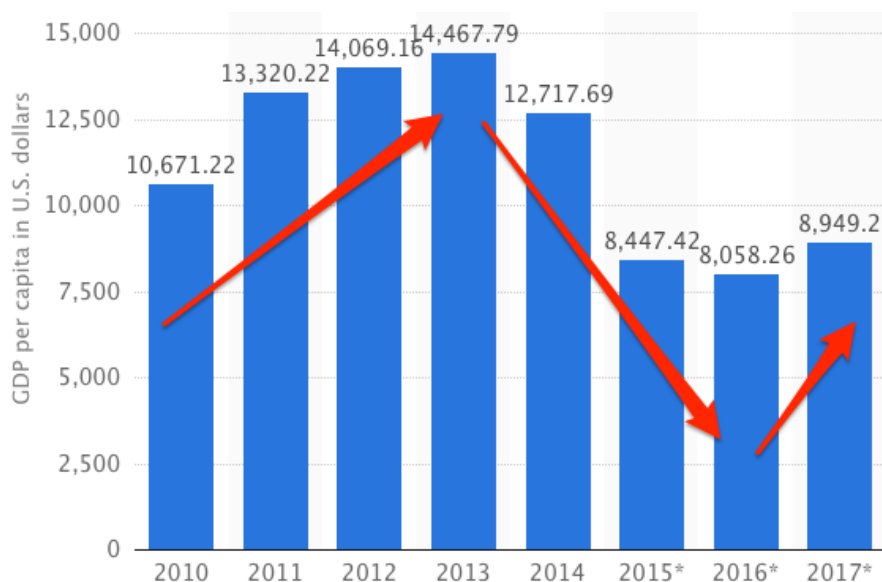


Source 11: Tradingeconomics.com

According to the previous information about the sanctions and the other factors, which affected the Russian economy, it will be right to take a look at the GDP of the country for that period. From the 2008, as it was written before, beginning of the financial crisis, led the decline of the GDP in 2008-2009. From 2009 Russian economy started to return the previous growth, but at the start of introduction of sanctions to Russia the GDP is beginning to fall sharply. There were two reasons for that: Sanctions against Russia and the response statements and significant fall of the world prices for crude oil. From 2012 the export model of Russia did not changed a lot. About 70% of all export from Russia is the sources of energy (crude oil and gas, chemical products, engineering products, metal products). So, Russian economy is very closely connected with energy and it is visible on a graph what happened after the introduction of the sanctions and fall of the world prices for

the crude oil. The graph below shows the GDP per capita for the 7 years period, where 2015-2017 is forecast values. It is visible that from 2010-2013 the growth of the GDP per capita and from the 2014 graph goes down sharply with next increase after 2016:

Figure 6: Russian GDP per capita



Source 12: Statista.com

Also, it is useful to mention the Eurasian Economic Union (EAEU) before the start of the explaining the questionnaire results. EAEU was signed by 29 May 2014 and the Treaty of the Eurasian Economic Union came into force 1 January 2015. Member States of the EAEU are: Russian Federation, Republic of Belarus, Republic of Armenia, Kyrgyz Republic, and Republic of Armenia. Three of those countries were initiators of the agreement - Russia, Kazakhstan and Belarus. Kyrgyzstan and Armenia joined the Union later - 12 August 2015 and 2 January 2015 respectively. According to the Figure 1 from the paragraph 2.3 this Union is one of the last stages in an Economic Union, so according to that, next one should be Monetary Union between the Member States. For example the Eurasian Custom Union entered into force 1 January 2010 and Eurasian Economic Space (Common Market) came into force 1 January 2012 between the same Member States. So, as it was written before, hypothetically the next step of the integration should be Monetary Union, but the main question is “How it will look like?” Based on the source (The Jamestown Foundation, 2016) the single currency can be introduced into the Member States not earlier than to 2020-2025. The first attempts for the single currency was in 2003

and it was proposed by the President of the Kazakhstan, because of the preparation to join the Single economic Space. Also, at the meeting of Presidents of the Member States, was made an agreement that it should not be Russian Ruble, Belorussian ruble or Tenge, it should be brand new currency. One of the probable names is “Altyn” – Old Russian currency (Same as Turkish “Gold”) or Euras (Europe and Asia). The last one is more probable, because of the same meaning of the European Monetary Union currency - Euro.

All that was written before is a base for the questionnaire of the practical of bachelor thesis. It is important to understand the events and developments before the beginning of the research.

4.4 Solution

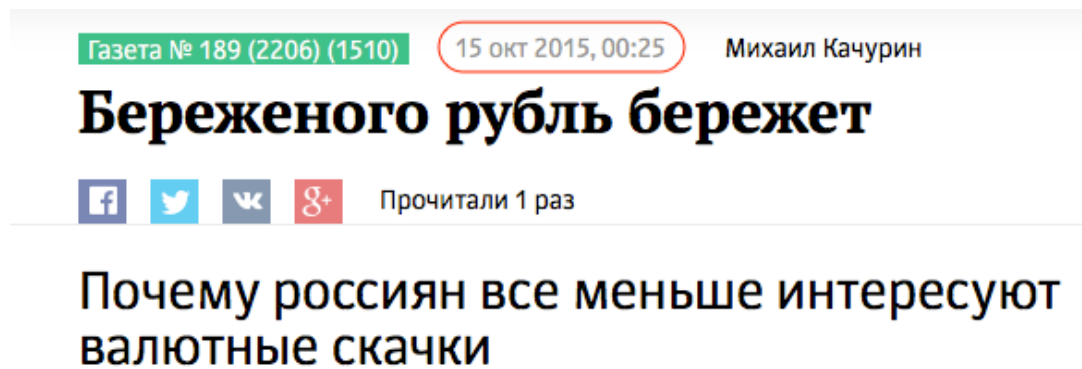
The solution is based on results of the questionnaire, which was available from 1 October 2015 – 31 December 2015. Questionnaire have been sent trough the Internet resource Survio.com and also via social networks by sending questionnaires directly to the participants. The title of the questionnaire is “Attitude of the Russian Citizens to the national currency”. It is composed of the 11 questions (Supplement №1) where 10 are multiple-choice questions and 1 is open question about the city where respondent lives. Also, respondents have possibility not to answer the questions. The solution is compared with one of the questionnaires from one Russian open for public statistics resource. On the Russian Business Channel (RosBusinessConsulting, 1995) was published the article with title “Better safe than spent” (Translation from Russian language by the author), 15 October 2015 with the official statistics. The Author questionnaire started 1 October 2015; it means that author did not know about the research of the RBC, but that is interesting to compare the official statistics with the questionnaire of the author of Bachelor Thesis.

Figure 7: Terms of the questionnaire

Survey Preferences	
Survey duration	From 10/01/2015 To 12/31/2015
Questions per page	<input type="radio"/> One <input checked="" type="radio"/> All
Survey language	Russian
Allow multiple submissions?	YES
Allow return to previous questions?	YES

Source 13: Survio.com / Author

Figure 8: Print screen of the article in the newspaper of Russian Business Channel



Source 14: Rbc.ru

Translation of the title «Береженого рубль бережет» - “Better save than spent”, the sub-title «Почему россиян все меньше интересуют валютные скачки» - “Why Russians are less interested in currency fluctuations than before”. Author of the article is Mikhail Kachurin. Article was written 15 October 2015. (RosBusinessConsulting, 1995)

The questionnaire is composed of 11 questions. Each question had to meet certain objectives of the research. Questions were structured in the manner that every respondent can answer without any difficulties.

Supposed time for the answering the questions is 5 minutes, approximately 30 seconds per 1 question.

56% of the respondents successfully finished the questionnaire after the “Clicking” at the link and the rest 44% of the respondents did not finished it. There were no questions about the fulfilling the questionnaire, so it means that the survey was completed correctly, without misunderstanding of the questions and any gross mistakes. At the figure below is possible to see the total hits on the links of the questionnaire and see the percent of the responses, which were completed:

95 respondents of the different age categories, gender, activity and cities took part in the questionnaire. All of the respondents have their own point of view, and it is visible at the results of the survey. All of the answers to questions were transferred to Excel for the easier calculations. It is possible to find the Excel table screenshot is supplements (Supplement 2).

Table 7: Activity and age of respondents

Activity/ Age	18-26	27-40	41-55	55+	Sum
Student	21 (100%)	-	-	-	21 (100%)
Student and worker	29 (100%)	-	-	-	29 (100%)
Worker	15 (38,5%)	12 (30,75%)	12 (30,75%)	-	39 (100%)
Unemployed	2 (66,6%)	-	1 (33,3%)	-	3 (100%)
Retired	-	-	-	3 (100%)	3 (100%)
Sum	67	12	13	3	95/95

Source 15: Author

According to the statistics 60% of 95 respondents are female and 40% male. The most frequent age category is between 18-26 years. The table above shows that the biggest amounts of respondents are working and studying at the same time. Female respondents are dominating at all of the activities except of the “retired” category.

The question №4 had to define the interest of the Russian citizens to the currency fluctuations. Russian Federation exposed to the volatility of exchange rates what directly affects to the prices on the market and, for example, ability to travel.

It is interesting to see how different categories of the respondents according to their activity, follows for the currency rates.

Table 8: Relationships between monitoring of currency rates and activity of respondents

Activity/ Answer	Yes	No	From Time to Time	Sum
Student	7 (33,3%)	4 (19%)	10 (47,7%)	21 (100%)
Student and worker	12 (41,4%)	1 (3,5%)	16 (55,1%)	29 (100%)
Worker	17 (43,6%)	5 (12,8%)	17 (43,6%)	39 (100%)
Unemployed	-	2 (66,6%)	1 (33,3%)	3 (100%)
Retired	3 (100%)	-	-	3 (100%)
Sum	39	12	44	95/95

Source 16: Author

Mostly, Russian citizens follow currency rates from time to time, despite unstable situation of the national currency. Basing on results, the largest group that is monitoring the currency rates is “Workers” - 17 respondents from 39 who answered for the question positively. Second largest group of respondents who carried about the currency rates is “Students and Workers”. Students and retired respondents are also interested in rate of the national currency – 7 and 3 answers were positive.

Before the beginning of the questionnaire it was supposed that most of the Russian citizens feel the weakening of the currency. Results of the research proved the assumption and showed the rate 49,5%, which means that Russian citizens definitely feel on their own life difference between the current situation and the days before the crisis.

Table 9: Activity of respondents and their sentiment about the currency weakening

Activity/ Feelings	DEF	DC	NOS	NOA	Sum
Student	11 (52,4%)	8 (38,1%)	-	2 (9,5%)	21 (100%)
Student and worker	13 (44,8%)	7 (24,1%)	8 (27,6%)	1 (3,5%)	29 (100%)
Worker	19 (48,7%)	14 (35,9%)	4 (10,3%)	2 (5,1%)	39 (100%)
Unemployed	2 (66,6%)	-	1 (33,3%)	-	3 (100%)
Retired	2 (66,6%)	1 (33,3%)	-	-	3 (100%)
Sum	47	30	13	5	95 / 95

Source 17: Author

DEF – Yes, I definitely feel

DC – Yes, I feel, but I do not care

NOS – No, I do not feel, but I’m scared by the economical situation

NOA – No, absolutely not

An interesting observation, that 27, 6% of the “student and worker” category is scared of currency weakening, unlike the category of unemployed students. Presumably the students and workers do not know what to expect from tomorrow and that make them scared.

The next question is aimed directly to identify which currency Russians trust most of all. The last 2 years were not easy for the Russian economy. Russian Ruble was at the edge of the devaluation for a long time and the country was on the verge of default of the national currency.

Table 10: The respondents' preference in currency for savings according to the gender

Currency	Number of the respondents / Percentage	Gender / Percentage	
		Female	Male
Russian Ruble	49 / 51,6%	27 / 47,4%	22 / 57,9%
United States Dollar	9 / 9,5%	5 / 8,8%	4 / 10,5%
Euro	29 / 30,5%	22 / 38,6%	7 / 18,4%
Another	8 / 8,4%	3 / 5,2%	5 / 13,2%
Sum	95 / 100 %	57 / 100 %	38 / 100 %

Source 18: Author

According to the results of the questionnaire people still trust Russian Ruble – 51,6% chose it for savings. The second popular currency, which Russians trust, is Euro – the single currency of the European Union - 30, 5% of the sample size chose this possible answer. Russian Ruble as a national currency still has respondent's confidence despite of the high volatility of the exchange rate and non-stable rate of the currency. The answers analyze of the question №7 “*How long the Russian economy will be in crisis?*” is illustrating the mood of the people and their opinion.

Table 11: How long Russian economy will be in crisis according to the activity of respondents

Activity/ Crisis Length	Less than 1 year	1-3 years	More than 4 years	There are no crisis	Sum
Student	-	16 (76%)	5 (24%)	-	21 (100%)
Student and worker	2 (6,9%)	21 (72,4%)	3 (10,35%)	3 (10,35%)	29 (100%)
Worker	1 (2,6%)	25 (64,1%)	8 (20,5%)	5 (12,8%)	39 (100%)
Unemployed	-	-	2 (66,6%)	1 (33,3%)	3 (100%)

Retired	-	1 (33,3%)	2 (66,6%)	-	3 (100%)
Sum	3 (3,2%)	63 (66,3%)	20 (21,%)	9 (9,5%)	95 / 95

Source 19: Author

The majority of respondents chose variant, which says that the crisis in Russian will be more for 1-3 years. 21% percent of the respondents sure, that crisis of the Russian economy will be more than 4 years. The possible answer “There are no crisis in Russia”, was chosen by the 9 respondents, what is 9, 5% and that is more than amount of the respondents who are sure than crisis length in Russia will be less than one year. Overwhelming majority of students thinks that crisis length will be from 1 to 3 years – 76%. Also, it is applicable to the “Student and worker” and “Worker” category – these category of the respondents agree that crisis length will be from 1-3 years – 72,4% and 64,1% respectively.

The answers for questions №8 and №9 - “Do you want Euro/ United States Dollar to become Russian national currency?” shows that the citizens of Russia do not want any foreign currency instead Russian ruble. Euro is the leader in this question by the positive answers. But anyway it cannot be a new national currency because respondents mostly do not like it.

Table 12: Probable single currencies for the future monetary union

Answer / Currency	Euro	United States Dollar	Sum
Yes	14	5	19
No	81	90	171
Sum	95	95	

Source 20: Author

Question №10 “Do you think that establishment of the Eurasian Economic Union with future establishment of the single currency is perspective for Member States?” shows the following results:

Table 13: Effectiveness of the EAEU

Answer of the respondents	Number of the respondents / Percentage
Yes	40 / 42,1%
No	10 / 10,5%
I do not know	45 / 47,4%
Sum	95 / 100%

Source 21: Author

The majority of respondents do not know how the EAEU will look like in future with the possibility of the Monetary Union with the same member states. The second largest result is the answer “Yes” with 42,1% of the respondents. 40 respondents from 95 sure that the EAEU will be effective and the union will be as a benefit for member states. Just 10, 5% of the respondents sure, that union is not effective and there are no future of the EAEU and its monetary union.

According to the results, hypothetically it is possible to say, that citizens Russian Federation are not ready for the entering the Monetary Union with the member states of EAEU yet. At least for nowadays. The result of 47, 4% for the answer “I do not know” shows that citizens did not decide yet or they do not see the results of work of the EAEU.

The last question and answers tell the location of respondents and prove the objectivity of the research. There were marked 5 cities in Russia where respondents live.

Based on the results the majority of the respondents are from Moscow – 29 from 95 respondents. The second largest city by the numbers of the questions is Perm city with 20 from 95 respondents. Third one is Irkutsk with 17 respondents from 95, what is 17,9% from all of the respondents. Fourth one is Sochi – 15,8%, and the last one is Samara with 14,7%.

To evaluate citizens of which marked city feel most the weakening of the currency it would be useful to study average wages in that areas. The table below illustrates the official wage rates for the year 2015. The wages are taken from the local statistical web pages of the cities:

Table 14: The average wage of the cities

Answer of the respondents	Average wage in Russian Ruble	Average wage in Euro
Perm	32 274	404,99
Irkutsk	29 855	374,64
Samara	15 727	197,35
Moscow	66 562	835,26
Sochi	18 693	234,57

Source 22: gks.ru

The following table is directly connoted with results of question №5 and shows the relationship between average wage rate in mentioned cities and feeling of currency weakening.

Table 15: Relationship between average wage rate and attitude to the currency weakening

Activity/ Feelings	DEF	DC	NOS	NOA	Sum
Perm	11 (55%)	3 (15%)	2 (10%)	4 (20%)	20 (100%)
Irkutsk	8 (47%)	8 (47%)	1 (6%)	-	17 (100%)
Samara	4 (28,6%)	8 (57,1%)	2 (14,3%)	-	14 (100%)
Moscow	15 (51,7%)	7 (24,1%)	6 (20,7%)	1 (3,5%)	29 (100%)
Sochi	9 (60%)	4 (26,7%)	2 (13,3%)	-	15 (100%)
Sum	47	30	13	5	95/95

Source 23: Author

According to the results it is visible, that Sochi is the most concerned city about currency weakening. It can be explained by one of the lowest average wage of the respondents. On the other hand, respondents from Samara have the lowest value of the same gradation. The residents of the city with the lowest average salary from the respondents have the lowest percentage of worry about currency weakening. Also the respondents from Perm city definitely feels the currency weakening - 11 from 20 respondents. Irkutsk has the same percentage of respondents who do not feel currency weakening and as well as respondents who feel, but do not care about this phenomenon.

4.5 Evaluation of results

At the evaluation of results part compares the results of the two questionnaires – questionnaire of the Russian Business Channel (RBC) and questionnaire of the practical part of the bachelor thesis. The RBC refers to the Russian Public Opinion Research Center (RPORC). (Russian Public Opinion Research Center, 2000)

Basing on the research of the RPORC majority of Russians (57%) prefer to have savings in Russian Rubles. Concerning the foreign currency, United States Dollar and Euro, results are quite low – 4% and 3% respectively. According to the results of questionnaire of the bachelor theses the results are almost the same. The majority of Russians prefer to save money in Russian rubles - 51,6%. The situation in foreign currency is a little bit different. Basing on the results 9,5% of the respondents have savings or want to save money in USD and 30,5% - which is a huge difference to RPORC, voted for a Euro as an instrument for saving money.

The results of the question №4 (Do you follow currency rates?) of the practical part of bachelor thesis and RPORC are compared further; according to the results of the official source, 55% of the respondents regularly or from time to time are monitoring the currency rates and 45% do not follow rates at all. Basing on the results of the questionnaire, 87,4% monitoring currency rates regularly or from time to time. The difference is visible. The rest 12,6%, according to the bachelor thesis research, respondents gave negative answer – do not follow the currency rates. Also the RPORC give the explanation that 70% of the respondents who are monitoring the currency rates have high education degree. It is possible to mention that in the bachelor thesis practical part were two categories “Student” and “Student and Worker”. Those two categories of the respondents are closely connected to each other by the possibility to get the education. It is not possible to say what is the percent of “Worker” category have the university degree or other education, also as retired respondents. So, hypothetically highly educated respondents are among those two categories of respondents; 47,4% respondents who monitoring the currency rates regularly or from time to time have high education degree. It should be mentioned again, that this value is hypothetical, because of the impossibility to obtain the certain level of education of the “Worker” category.

5. Conclusion

This bachelor thesis is considering and researching integration steps to the Monetary union and its structure at the basis of the European union, the attitude of Russian citizens to the national currency and possibility of future entering of Russian Federation to the Monetary Union on the basis of Eurasian Economic Union.

Theoretical part studies topics from the basics of the economy, as the science, to directly institutions of the European Union, as an example of the current union with legal background. The theoretical part is a framework of the practical part. The topics about different types of integrations and topics about the European Union are closely connected with each other, because without the understanding how the process is going – is impossible to come to conclusion what the Monetary Union is. The historical facts are the groundwork for theoretical part, because the historical events, treaties, and meetings between the authorities make our world more complicated and easier at the same time.

Nowadays, it can be said confidently, the European Union has the best cooperation mechanism that is why the European Union was chosen as an example for the bachelor thesis. Mainly, the institutions of the European Union are working together what leads to the satisfying results. The European Monetary Union strongly came to the lives of the residents of member states and continues absorbing other countries from European Union.

The Eurasian Economic Union with hypothetical single currency, which was signed not long time ago, probably will be a closest competitor for the European Union and its Monetary Union. Some states with great economic possibilities such as China and others want to join the EAEU to work together.

The practical part of the bachelor thesis held as a questionnaire for the residents of Russian Federation.

The results of the questionnaire were not reassuring. Nowadays Russians are not ready to change the national currency to another. Russians still have their savings in national currency, despite of the high fluctuations of the exchange rate. Also, Russians do not really understand what the purpose of the Eurasian Economic Union is and how it will work in future. Despite of the pessimistic mood of Russia's citizens, people hope that in nearest future the crisis will come to naught. The businesses have a great support from the government, especially new, innovative ideas. What in more, the governments started to

support the agricultural economics harder than ever. The new hash tag, new trend word is “Import substitution”. Everybody is working for the benefit of the country, especially at these hard times. Patriotic sentiments are propagandizing and gain popularity among young citizens. Everyone understands that by the effort of one person is impossible to achieve anything. The trust rate of the President of Russian Federation is very high nowadays. People trust him and follow his train of thought. New amendments to the law are introducing by the government to support the initiatives of young and promising professionals.

Russians have always struggled with problems together. CIS countries have always supported Russia and did not stop now. For example after the food embargo from Russia to other countries, Belarus started to import their products of the Russian market. The unity of the CIS countries with double-sided support will never vanish, unless the third party will not interfere with force.

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Supplements

Supplement №1

Source: Author

Questionnaire:

- 1) Please, mention your gender:
 - a) Male
 - b) Female
- 2) Please, select you age category:
 - a) 18-26
 - b) 27-40
 - c) 41-55
 - d) 55+
- 3) Please, Select your activity:
 - a) Student
 - b) Student and worker
 - c) Worker
 - d) Unemployed
 - e) Retired
- 4) Do you follow currency rates?
 - a) Yes
 - b) From time to time
 - c) No
- 5) Do you feel the currency weakening?
 - a) Yes, I definitely feel it
 - b) Yes, I feel, but I do not care about it
 - c) No, I do not feel, but I'm scared by economical situation
 - d) No, Absolutely not
- 6) Please, select Currency in which you have savings. (You want or will have savings)
 - a) Russian Ruble
 - b) United States Dollar
 - c) Euro
 - d) Another
- 7) How do you think, how long the Russian economy will be in crisis?
 - a) Less than 1 year
 - b) 1-3 years
 - c) 4 years and more
 - d) There are no crisis in Russia
- 8) Do you want Euro to become Russian national currency?
 - a) Yes
 - b) No
- 9) Do you want United States Dollar to become Russian national currency?

Supplement 3

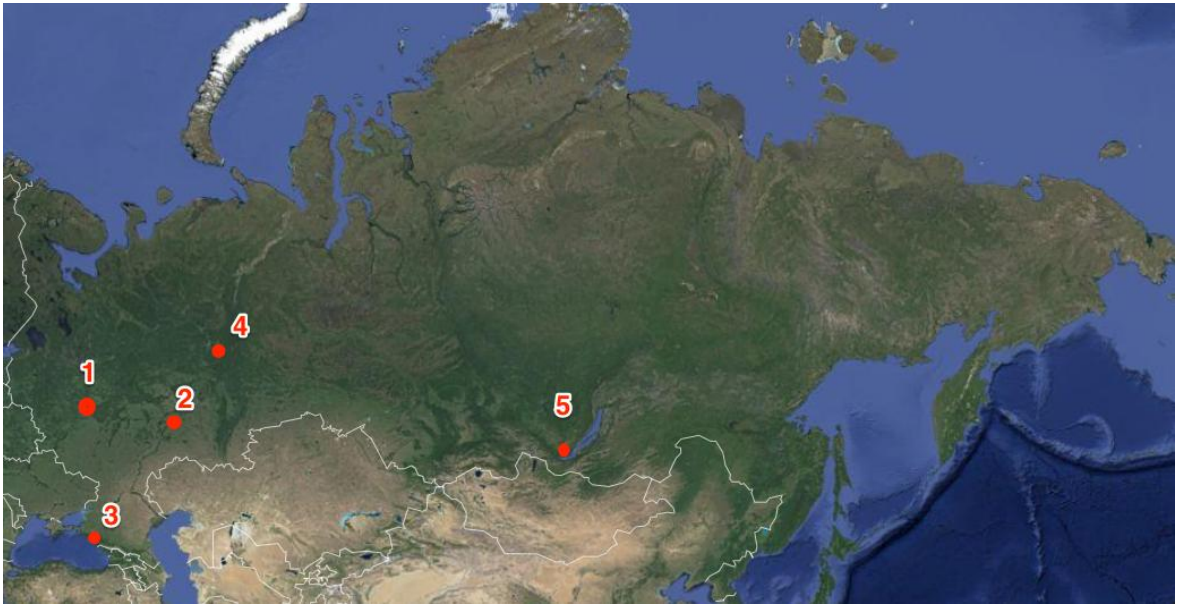
Figure 10: Map of the Euro area



Source 25: Europa.eu

Supplement 4

Figure 11: Map of the cities which took part in the questionnaire



Source 26: [Maps.google.com](https://www.google.com/maps)