

Analysis of Effects of the European Monetary Union on Merger and Acquisition Activity in Europe

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Abstract

The aim of this thesis is to, firstly, analyze effects of the creation of the European Monetary Union (EMU) on cross-border merger and acquisition activity in Europe, and, secondly, to investigate whether joining the EMU after it had been established results in higher M&A activity. Our research utilizes the difference-in-differences and difference in difference in differences approaches in which we compare aggregate M&A activity in new adopters of the euro to that of a control country, whose aggregate M&A activity had followed a similar trend up until the adoption. These methods allow us to account for country-specific trends in M&A activity and the for the phenomenon of M&A waves. Our results show no evidence that creation of the EMU caused higher M&A activity among the members or higher M&A activity in general. For later joiners, no evidence of higher M&A activity as a result of adopting the euro is found either.