

THE ADOPTION OF EURO IN CASE OF ROMANIA: THE MAIN (COUNTER) ARGUMENTS



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Abstract

In accordance with Treaties and assumed obligations, Romania should adopt Euro when it is "ready". As EU-member, there is no possibility to avoid the adoption of Euro, only to postpone on an indefinite time this decision. The decision about the introduction of Euro remains a political one. Romania revised for many times the schedule on this specific matter. Euro, as Romanian Leu, is a fiat currency with legal money characteristics, serving for the same redistributive purpose. Euro Area has the same imperfections as local monetary arrangement. The paper will be focused on the fulfilment of pre-requisites (nominal and real convergence), the existing gap between Romania and Eurozone and the main arguments for adoption and against the adoption of single currency. The central idea of the paper is concentrated around the argument that it is irrelevant to discuss about the advantage of a specific tool for public policy that is the currency, taking into consideration that this tool (the fiat currency) is used to arbitrarily redistribution of resources among economic operators. Without a proper theory of money, all theories defining monetary integration (optimal currency area - OCA theory, convergence theories, Balassa-Samuelson effect) are submitted to be wrong and unrealistic. Therefore, under fiat-money conditions, the adoption of a single currency or not is impossible to be properly analysed and defined.

Keywords: Euro, nominal convergence, real convergence, optimal currency area, integration.

JEL Category: F41, F15, E52, E44.

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INTRODUCTION

Monetary issues are probably the most technical aspects of economic field. The meaning of inflation, the fractional reserve system or the features of fiat-money are difficult to be explained to regular people that are directly affected by them when they are involved in different exchanges within the society. European Integration slightly evolved toward Single Market using a common currency (Wallace 2010). Introduction of Euro among European countries participating to EU project – in fact, a fiat-money monetary vehicle – was sold to the European citizens as a decision with net positive impact on their wealth (Jora et al. 2008, Ganev 2009, Cini et al. 2010). Different fiat money have been removed and replaced by a single one administrated by a supra-national entity (European Central Bank) that is apparently independent and away from political interference (Bagus 2011). All new members have been forced to accept the introduction of this single currency (no derogation allowed). Only few members kept their ‘special’ status regarding the adoption of this currency (United Kingdom, Denmark and Sweden): this countries are not technical forced to adopt Euro (UK has free floating not participating to ERM, Denmark and Sweden are linked to Euro by ERM’ narrow band). Additionally, there are countries that adopted Euro before their integration in European Union (Guadeloupe, French Guyana, and Martinique case or Montenegro or Kosovo case from Balkans). However, Euro divided EU into two distinctive parts (non-Euro countries and Euro countries) and generated strong debates around the importance of adoption of this currency in non-Euro countries (advantages vs disadvantages of this decision). The crisis in European Union (including Cyprus problems, Greece problems) recharged more all this debates. Key issues associated to this process like optimal currency area (OCA), nominal and real convergence, income inequalities, development gap etc. have been reintroduced in the academic debates, especially in the countries outside Euro area, like Romania is (Mundell 1961; Glavan 2004;

Frankel 2004; Marelli & Signorelli 2010; Drastichova 2012). This paper will be focused on the main arguments pro and against adoption of Euro for a country that is outside from this monetary arrangement and will provide few alternative points of view on this particular economic issue.

WHY EURO IS GOOD FOR EUROPEAN ECONOMIES?

According with official position of European Commission, the benefits for adopting Euro are systematized by taking into consideration different direct potential beneficiaries: consumers of goods and services, business representatives, general benefits (stability and growth, single market benefits, European identity, international relations).

The benefits for consumers, in the opinion of EU officials, are the following: (i). Increased market competitiveness; (ii). Reduced inflation; (iii). Facilitating the borrowing of money; (iv). Decreasing of traveling costs around European Union; (v). Additional jobs and higher economic growth and (vi). Higher public investments.

The improvement of market competitiveness facilitated by the adoption of Euro is explained through the higher transparency of prices that are expressed in a single currency. In fact, this is not true. The final price of a good (a litter of milk for instance) is depending for various factors and it is often irrelevant to compare the price in location A with the price in location B. This price differ among countries and region due to supply and demand conditions and the expression of the price in different currencies does not introduce so much positive elements in the comparability of prices. The consumers will continue to have dilemmas and difficulties to provide a correct interpretation to these prices' differences among different parts of EU. Moreover, when the goods or services are highly manufactured, these differences became more difficult to be explained, even the prices are transformed into a single currency. The comparability of prices will be facilitated by this comparability remains an important clue for consumers, even Euro is introduced.

A very interesting argument for adopting Euro is that about higher price stability. EU officials are presenting charts showing a lower inflation after Euro was introduced than before. This wrong argument is based on a wrong approach about inflation. Lower inflation could be explained by the fact that is improperly measured by Statistical Offices. The monetary dimension of inflation is totally neglected by such approach. Inflation is still present even Euro replaces current local currency because money is still produced out of nothing by a central bank. Moreover, a single currency eliminates the monetary competition between local currencies that strongly tempered inflation for a long time (even when commodity money was used, a switch between gold and silver was often present). A single currency is higher submitted to be inflationary than a couple of local currencies competing each other. Moral hazard (tragedy of commons) is more present when a single currency is used to finance public expenditures.

The EU officials argued for Euro adoption also by providing another wrong argument: Euro facilitates the borrowing of money. The explanation is completely bizarre: due to the fact that European Central Bank promotes a cheaper money policy with lower interest rates, Euro area citizens have the possibility to borrow money cheaper, easier and safer than before. Adoption of Euro as single currency has nothing to do with the monetary policy of central bank. Local central banks could adopt an identical monetary policy that has a contrary effect on the quality of capital: lower artificial rates are negatively altering savings and the real capital, replacing it with unsound fiat money. Again, the EU officials proves to have limited economic knowledge and a wrong theory of capital. The only way of facilitating borrowing is to facilitate savings. Additionally, regular people and business are not directly connected with cheap money produced by European Central Bank. These cheap "capitals" are distributed by commercial banks that are directly connected to the fiat-money producers. These intermediaries are capturing the major part of this privileged cheap interest rate. Increased moral hazard was permanently

induced by such monetary policy: commercial banks are willing to accept higher risks when borrowing money, knowing that bail-out is always present. Public sector is also the main beneficiary of such cheap money policy.

Travelling costs all over Euro area are submitted to be lowered by the absence of currency exchanges. But these costs associated with exchanging of money were significantly decreased by competition in the financial sector. Payments continued to be commissioned by banks. The use of cash (expressed in Euro) continued to be commissioned by banks. Moreover, this cost is still present when Euro users are deciding to keep their saving in a different currency or when they are paying for operations located outside Euro-area. Additional inflation generated by an increased moral hazard due to the lack of monetary competition should be always compared with this cost reduction. It is not clear if there is a net benefit if Euro is adopted.

Adoption of Euro is associated by EU officials with decreased costs for cross-border doing business (no currency risk inside Euro area). SMEs are dominating Euro area. The major business hiring people have limited cross-border dimension. The impact is limited in this case. Moreover, lower risk (no currency risk) is compensated by a presumable higher inflation risk and higher systemic risk due to the increased money production facilitated by a single currency. Cross-border investments are fuelled by different factors, currency risk being the less important one in case of EU countries: fiscal facilities, cheap labour, lower bureaucracy, lower corruption, improved business infrastructure, transportation facilities etc. are more important for EU investors than the absence of currency exposure. The depreciation of a currency is a specific form of inflation that normally is not included in the calculus of it. The adoption of Euro transferred the depreciation risk to inflation risk and did not eliminated this cost for companies acting all over EU.

When EU official are arguing for Euro adoption invoking higher public investments, they are claiming again for cheap monetary policy promoted by European Central Bank. This

argument is present also when local currencies are used. There is no difference between Euro and local currencies replaced by Euro when we are discussing about public expenditures financed by cheap money production. Again, EU citizens are seduced by a fake argument. Additionally, if we take into consideration the quality of public investments and their benefits for EU regions and communities, increased public investments facilitated by Euro adoption become problematic for payers of such inefficient expenditures.

The benefits for business sector associated by EU officials to the adoption of Euro are including: (i) improved cross-border business opportunities; (ii) better borrowing condition, better business planning and higher investment rate; (iii) improved access to capital resources and (iv) increasing the volume of international trade. First of all we can observe that the benefits for business sector are significantly reduced that the benefits for consumers.

The argument about improved cross-border business opportunities is based on the absence of different currencies inside a defined economic area. Lower exchange rate risk is also absent in the cross-border trade. In fact, the exchange rate risk still remain for all cross-border transactions between European companies and foreign companies located outside European Union. Moreover, there are still many important economies (United Kingdom, Sweden or Poland) located outside Eurozone but participating to Single Market.

The argument about better borrowing conditions, better business planning and higher investments is explained through a lower volatility of long term interest rate and decreased value of it due to “sound and prudent management” of monetary issues. EU officials are convinced that the manipulation of interest rate that constantly decreased its value is increasing the confidence of business sector and stimulates the investments in the new technology and their business growth. Low interest rates due to this monetary policy is reducing the business uncertainty. In fact,

this significant reduction of interest rates is the result of a very relaxed monetary policy with many clear negative consequences. The mistake of this argument is based on a wrong theory of money and capital. Money printed out of nothing has nothing to do with capital that need to be the result of saving. Saving of capital means that savers are postponing their consumption for future. When money are expanded by central banks this saving is missed, so no consumption is postponed. An altered information is induced in the economic system. This altered information is source of uncertainty and source of entrepreneurial error. Economic depression starts with any new fresh quantity of money introduced by central banks in the economic system. Stagflation (a combination between economic stagnation and inflation) is promoted by such wrong monetary policies.

The argument in the favour of introduction of Euro from the perspective of business sector regarding improved access to capital market is correct but is not entirely facilitated by Euro. European capital markets integration was a distinctive part of Single Market creation. Freedom of capital movements inside Single Market was introduced long time before Euro adoption and was marginally facilitated by the single currency.

The last argument from this perspective is associated with the fact that importers and exporters located in the Eurozone could be paid in Euro due to the international feature of this currency. But this argument is still present in case of French Franc, Deutsche Mark or other hard currency of participating countries. This argument is available only for small countries without a hard currency, free convertible and used as international reserve currency by other countries from all over the world. Moreover, Euro still has a marginal position alongside US dollar, pound or Japanese Yen, with a limited use as a reserve currency.

Some general benefits (could not be connected to a specific economic or social category) associated to Euro adoption have been identified: sound and sustainable public finance, better government budgeting, more cohesion and more resistance to

external shocks, more efficiency due to a bigger size, facilitating the payments inside the Single Euro Payments Area and improved EU identity for EU citizens.

The argument that Euro facilitates a sound and sustainable public finance is based on the idea of nominal convergence criteria that need to be fulfilled by countries participating to this monetary arrangement (public debt not higher than 60% of GDP, public deficit not higher than 3% of GDP). In fact, current situation proves the contrary: almost all important countries from Eurozone have problems with both aspects (deficit and debt). European countries participating to Eurozone did not temperate their public expenditures / debt meaning that there is no relevant connection between single currency and the quality of public finance. Moreover, a centralized monetary policy is submitted to be more expansionist. Local governments have no strong restriction regarding issuing of treasury bills to be sold to commercial banks than later will resold to central bank against cash granted in favourable conditions. European Central Bank significantly reduced the interest rate used to refinance the commercial banks for their acquisitions in treasury bills.

The better government budgeting is explained by reduced cost for financing the government expenditures due to low interest rate monetary policy. European officials argues this improvement of government budgeting by "low inflation in a strong, well-managed euro area that makes government borrowing less expensive". In fact, lax monetary policy promoted by European Central Bank had a clear inflationary effect, but not enough captured by consumer prices index, production prices index or that composite that is GDP deflator. The low interest rate policy combined with that illusion of a low inflation imperfectly measured by such indicators increased moral hazard and transformed many Eurozone governments into highly indebted ones. All biggest 6 countries of Eurozone failed to keep their public debt below 60% of GDP, and the situation seems not to be improved soon.

The problem of cohesion could be also be put on discussion. There are still few Euro founder countries that prefer to keep their currency outside this monetary arrangement (United Kingdom, Sweden and Denmark). There are many countries that achieved a nominal convergence criteria but still are reluctant to join Eurozone. Moreover, there are countries inside Eurozone thinking to quit the monetary area (Greece). Welfare state financed by redistribution behind monetary expansion increased tensions between different members of Eurozone. Arbitrary bail-out applied to the banks exposed to Greece increased these tensions. Finally, massive quantitative easing decided by European Central Bank is submitted to act against this cohesion due to its huge redistributive consequences.

One very interesting aspect associated with the adoption of Euro is that connection with European identity. EU officials are deeply convinced that a single currency instead of local currencies will enforce the feelings of European citizens to think to them as being more European than before. Money represents a medium of exchange used to facilitate changes of goods, services and capital among private operators inside a well-defined space called market of them. We invented and we introduced money inside the economy with this specific purpose. Money facilitated the economic calculus and allowed us to achieve a socio-economic development impossible in the absence of this invention. Money is not an attribute of national or regional identity. Fiat-money, which was significantly inflated and emptied of intrinsic value, is difficult to be associated with national or regional values. Only someone who does not understand the economic role of money could consider that a fiat currency could be charged with such values.

The first conclusion that we can withdraw from this analysis on the presumed benefits of Euro, well-studied and accepted in economic literature, is: those benefits are unsound. Some of them could not be directly linked with the single currency adoption and others are totally or partially negate by economic theory.

WHY EURO COULD BE QUESTIONABLE FOR EUROPEAN ECONOMIES?

Money is very essential for economic system. Without money is difficult / impossible (in the case of complex economic operations) to calculate and to decide about acting in the economic system. Money is facilitating the pricing mechanism and the transmission of a very important information through it at the level of consumers and producers. If a central authority is manipulating the quantity of money available for exchanges, the purchasing power will be artificially altered, prices will be artificially altered and will become useless for entrepreneurial decision. Money is not neutral to the economy.

At the moment of introduction of Euro, all participating local currencies were fiat money. A local monetary authority had the legal right to print money without the consent of existing money users. Printing of money is extended by monetary expansion practiced by commercial banks.

Euro kept the same features. The only difference was a transfer of local central banks attributes to a regional central bank, the local governments having limited control on money production. Local governments kept their control on taxation only. Public debt increases when local governments have limited options to cover accumulated public deficits.

We can identify the following main problems with the creation and the adoption of Euro: (i) fiat money features of this currency; (ii) tragedy of commons; (iii) increased moral hazard; and (iv) more systemic risk.

Euro is a fiat money like replaced local currencies. The production of Euro is divided between European Central Bank (the printer of money species) and commercial banks operating with fractional reserve on demand deposits. The connection between printing function of European Central Bank and the credit expansion of commercial bank is assured by the interest rate applied to the financings contracted commercial banks from

European Central Bank. The latest developments shows an interest rate closed to 0% applied to such preferential financings. This facility is an important source of profit for commercial banks and has nothing to do with real economy. All other private operators and the government will borrow money from commercial banks at a different interest rate that includes the profit of the bank, a margin for inflation, a margin for risk etc. With this borrowing facility (0% interest rate), commercial banks will not encourage the depositing of capital (savings). It is easier and cheaper to borrow money from central banks instead of attracting private savings of capital. By introducing Euro, the competition between commercial banks was significantly altered. Eurozone facilitate a lower rate of capital accumulation than local countries using their local currency. Additionally, it is known that the money expansion is higher when the number of banks is reduced and the banking activity is concentrated in few of them. The bank with higher market share has more capacity to expand money and to extract profits form fractional reserve based credit operations. The concentration of central banks into a single one significantly increased the capacity of banks to create money out of nothing and the capacity of central bank to ensure cash redemption if demand deposits are claimed by deponents.

In modern economic systems, inflation is combined with taxes to ensure the financing of public expenditures. In this case, public debt is future inflation or future taxes. By transferring monetary authority from local level to a regional one, Euro participating countries apparently renounced to a very important tool to finance their expenditures. In reality, money production transferred to European Central Bank continued to be used to finance such expenditures by creation of different EU financing mechanisms and bail-out schemes. Commercial banks continued to buy treasury bills from local governments and later to sell against cash to European Central Bank without any restrictions. Additionally, European Union gained the right to issue their own long term financial instruments (bonds) to finance different expenditures.

Politicians continued to reduce the purchasing power of this supra-national currency in an accelerated way (over 1 trillion of Euro was added to existing money at the beginning of 2015). This tragedy of commons is a feature of any public good. Euro is a public good, being less controlled by owners of it than others: in case of a public motorway or public hospital is more democratic control on a central bank that is kept “independent” from users of money and very linked to main beneficiaries from monetary policy. Democratic control on European Central Bank is more diluted than in case of local central banks. Therefore, the constant reduction of purchasing power of Euro is higher than before adoption of it by participating countries.

Moral hazard associated with any fiat-currency is present in case of Euro too. Banks are operating with fractional reserves that is creating money. The money production of commercial banks is submitted to fail without final cash redemption constantly operated by central banks. When you are so connected to an institution that is covering all your mistakes, the level of uncertainty is significantly reduced. The bankruptcy in modern banking is almost impossible and commonly applied to those competitors that must disappear from the financial market. Constant bail-out exercised by central banks is a source of constant moral hazard. The effects are already visible: more and more commercial banks are systematically disconnected from capital markets, preferring to be preferentially financed by central banks instead of trying hard to attract new capital savings from investors with lower time preference. Endowed with easy and cheap money (not capital), those bankers are ready to transform moral hazard in their own profit by assuming additional risks when they are involved in credit operations (so called “sub-prime” credits). The greedy or unfair attitude is completely normal in such circumstances. Negative stimulus is fuelling the economic system that continues to accumulate errors and miss-allocation of resources that, finally, will conduct to a new crisis (more and more frequent, more and more global, more and more contagious, more

and more disruptive). Euro project is not reducing this moral hazard. Latest developments (crisis from Greece, crisis from Cyprus etc.) showed how much and easy this moral hazard could be enforced.

Finally, the Euro project is inducing more systemic risk than local currencies. The bankruptcy of European Union seems to be less probable than the bankruptcy of a local country. Problems in few countries (Greece, Cyprus, Italy or Spain) are systematically redistributed to still working countries (Germany) that continue to accumulate capital. Countries doing well become more risky than normal due to possible crisis contagion effect generated by the fact that all of them are participating to a monetary arrangement without clear possibilities to exist from it. Crisis contagion is normally transmitted by foreign trade and foreign investments with countries with problems: if the crisis occurs in a more developed country (Germany), the most affected in the absence of Euro will be those that are partners for export activities (countries exporting in Germany will register a decline of their activity when exporting country will face with recession) and those hosting countries for foreign investments (in case of recession, German investors will reduce their investments in other countries until their local problem will be solved). Participating to Eurozone increases the systemic risk adding new constraints and links between countries.

The second conclusion is that Euro should not be seen as a net positive project for participating country. The loss of control on money production is not so effective (countries and banks will continue to be supported by European Central Bank at least in the same manner). Eurozone is strengthening the coordination between participants to money creation (central banks, commercial banks) in order to increase the production capacity and to diminish the possible negative effects (recession, hyperinflation, massive depreciation). Eurozone is increasing the moral hazard and systemic risk for participating countries. Inside Eurozone, fiat-money characteristics are strengthened (less costs

to produce money, more volume of money expanded out of nothing) and tragedy of commons is more present due to lower democratic control on money production.

THE ADOPTION OF EURO BY NON-EURO MEMBERS

Greek and Cyprus crisis reopened the debates on the necessity of adoption of Euro for non-Euro countries. Some Euro countries started the debates in opposite direction (to create mechanisms to exit from Eurozone). Today Euro is a one-way process and it is compulsory for almost all EU members (excepting those with special status).

The answer to the question if it is good or not to adopt Euro in case of non-Euro countries is not an easy one. The economic literature produced arguments in both directions (Vodenska and Chitkushev 2013; Ailincă & Milea 2015; Maksymenko 2015). Crisis revealed that for some countries was difficult to be outside Euro and for others to be inside Eurozone.

Starting point to answer to such question should be the concept of sound money. The main attributes of sound money is to facilitate the exchanges between market's participants, to facilitate the pricing mechanisms (relative prices) to and to ensure economic calculus. Sound money needs to be easily stored, manipulated, counted, saved and retrieved. Sound money is that medium of exchange impossible to be expanded out of nothing. Sound money should be outside of any political or private control. Sound money should have an initial use value as commodity. Unsound money will fail to provide properly all these attributes (Salerno 2010).

Fiat-money is an unsound money. It has legal status, being enforced and protected by the power of law. The producers of fiat money are difficult to be identified today: central banks share this privilege with commercial banks that compete for producing money based on fractional reserves applied to demand deposits. It

is hard to identify the share of money produced by them due to the fact that money expansion is depending on how many credits are granted from demand deposits and how many beneficiaries (debtors) will request cash redemption against their money substitutes (Hulsmann 2008).

Euro is fiat currency. Local currencies replaced by Euro were fiat currencies. The discussion about the advantages / disadvantages of replacing one fiat currencies with another one is useless. Arguments and counter-arguments for introducing a single currency are not valid in such case. Criteria such as nominal convergence or real convergence are arbitrarily defined and wrongly included in the debates on this issue. Optimal currency area theory is problematic because is applied to a fiat currency system. When capital is mixed with money created out of nothing and when interest rate is manipulated by central bank operations, freedom of capital flows could be very contagious and problematic for investments and for the financial stability of a monetary arrangement.

We can argue that Euro is easier produced out of nothing than local currencies by the following: (i) by replacing local currencies, the competition is completely removed; (ii) European Central Bank has more political support than local governments (local politicians works together with EU servants for ensure this monetary “cooperation”); (iii) democratic control on the European Central bank is more reduced and (iv) the production of Euro is more ambiguous and arbitrarily than the production of local currencies.

Competition between local currencies had a strong effect on the amplitude of money creation. If a country (Germany for example) produces more money than other country (France) the exchange rate is altered (Deutsch Mark is artificially depreciated against French Franc). This depreciation is sign of inflation. This inflation will be captured in the nominal interest rates differential (higher nominal interest rate in Germany than in France). Higher nominal interest rate will reduce investments in Germany, will

increase the unemployment rate and will reduce economic growth compared with France. Therefore, monetary competition between currencies introduce relevant limitations for money creation. In the absence of this monetary competition by introducing Euro in Germany and France, these negative effects are present but less visible. Euro creation will have the same effects as the creation of Deutsch Mark and French Franc have for local countries. But these effects will be more difficult to be noticed by users of fiat money (Musetescu 2012).

By introducing Euro, local governments will remain the same connected with local banking system. Commercial banks will continue in the same way to buy treasury bills, bonds or notes. Euro adoption will facilitate the cash redemption of such instruments, even when we are talking about very risky ones (the case of Greece is relevant). European Institutions have a particular interest in the Euro project, European Central Bank being a very important source of capitalizing some of them (European Stability Fund, European Investment Bank, European Investment Fund etc.). More political entrepreneurs are connected with European Central Bank than in case of local currencies. Political support for such project is very strong (Mursa 2014).

Central banks are supposed to be independent from politicians (Parliament, Government, Ministries etc.). Money creation is presumed to be uncontrolled and not arbitrarily used by such political powers. In reality, this independence is a myth. Central banks have been deliberately placed outside democratic control to avoid the control on money creation. Politicians created a perfect instrument for redistributing the wealth from all money users to their private accounts. By adopting Euro, the democratic control was significantly reduced. Users of Euro have less power to change or to decide on European Central Bank decisions than they had when this central bank was closer to them. Central Banks act as a legal and politically controlled monopole, with all economic and social consequences derived from this behaviour (Stamate 2011).

Finally, easy money creation promoted by European Central Bank is more arbitrarily and ambiguous because the social and economic effects of such process are more difficult to be assessed. The measure of inflation was harmonized and standardized. When European Central Bank expands the quantity of money, the effects on prices (including exchange rate and interest rate) will be unclear.

The third conclusion is that introduction of Euro versus keeping local currencies could not be clearly argued because one fiat currency will replace another one. The only difference is related to the location of central bank. For countries more inflationary and weak currency, the relocation of central bank could be a positive decision. For countries less inflationary and hard currency (such as Switzerland is), not. For some countries highly indebted (with a public debt impossible to be financed only by taxation) single currency is not good (such as Greece or Italy). For some countries with high deficits the same. Euro and local currencies are fiat money with no relevant differences.

FINAL REMARKS

Money is one of the most important issue of economic system. Without money, economic calculus is impossible. Money is facilitating the indirect exchange. Money ensures correct prices for goods and services exchanged inside markets. Money should be sound, in order to achieve all its attributes and functions. Any quantity of money is suitable for economic system. Money is not neutral to economic system. Sound money is vital for the stability of economic system.

When monetary integration or monetary arrangements consist in the replacing of a fiat currency with another one, nothing is change. Money is not become sounder than before. The same altered money is used, with similar negative influence on the financial stability. Moreover, additionally problems could be

present when single currency replaces couple of local ones: increased moral hazard, higher inflation, less democratic control on money production and more political interest to control it.

The benefits of introduction of Euro for non-Euro countries are mostly unclear and unsound. Euro is not gold, either sounder than local currencies. The benefits of Euro, a fiat currency, are almost identical with the benefits of local fiat currencies. The limitations of Euro compared with replaced local currencies the same. Theories like optimal currency area or Balassa-Samuelson effect are irrelevant too in such circumstances. Criteria used for accession in Eurozone like nominal or real convergence ones are senseless and could not be claimed for speeding up or to postpone the adoption of single currency.

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