EU Accession and the Euro: Unfinished Business

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The year 2024 marks the 20th anniversary of the largest EU enlargement since its inception, especially when paired with its extension less than three years later covering Romania and Bulgaria. Thus, 2004 was a historical moment that welcomed Central Europe back after an era of Soviet yoke. The accession required great effort from all parties involved and, despite many obstacles, it was deemed a success. Yet, integration remains incomplete with respect to membership in the Schengen Zone and Euro Area. The former was remedied on March 31, 2023, with Bulgaria and Romania joining the Schengen zone. However, it is crucial to examine the current state of accession to the eurozone of CEE countries that have not done it yet despite obligations, as well as the debate concerning its pros and cons.

The CEE countries that joined the EU varied with respect to the size of their economy and the level of development. By sheer size, Poland dominated the list with a GDP slightly larger than the next two (Czechia and Hungary) combined[1]. The second group consists of countries with medium-sized economies: Czechia, Hungary, Romania, and Slovakia. The final group comprised small economies: Slovenia, Bulgaria, Lithuania, Latvia, and Estonia.

The economic development as measured by GDP per capita is, however, quite different. With Slovenia firmly in the lead (over USD 17k), there was a tight pack of neighbors behind it: Czechia, Slovakia, and Hungary (between USD 10k to USD 12k), then Baltic states and Poland (between USD 6k and USD9k), with Romania and Bulgaria closing the list with less than USD 3.5k [See: Figure 1].

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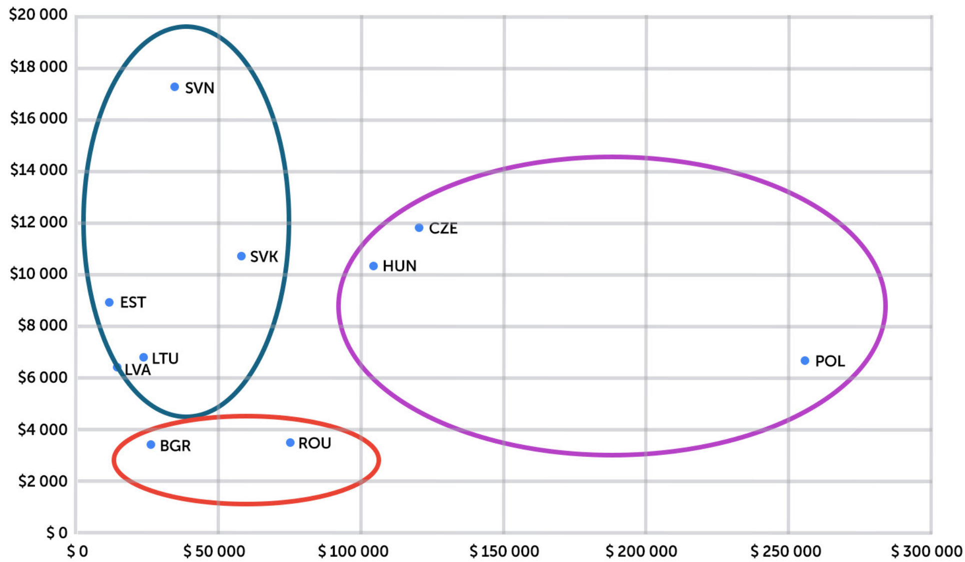
This division holds to a degree today. Poland put an even larger gap between itself and the runner-up in terms of size, while the Baltics and Czechia managed to increase their GDP per capita significantly. At the same time, Hungary is migrating towards the group of smaller and poorer economies, with Romania slowly taking its place [See: Figure 2].

These groupings of countries have something else in common: their attitude towards joining the eurozone. The smaller and relatively richer ones (the blue oval) adopted the euro quite quickly – sometimes within a few years after joining the EU. The group of smaller in terms of economy but poorer countries (the red oval) have not joined the euro yet but are actively trying. The bigger ones (the purple oval) seem to have forgotten about the obligation to join the eurozone. It is, therefore, worth looking back at why it is the case.

Up to 2007, joining the eurozone was on the agenda of all of the CEE countries. The biggest problem was fulfilling the criteria,

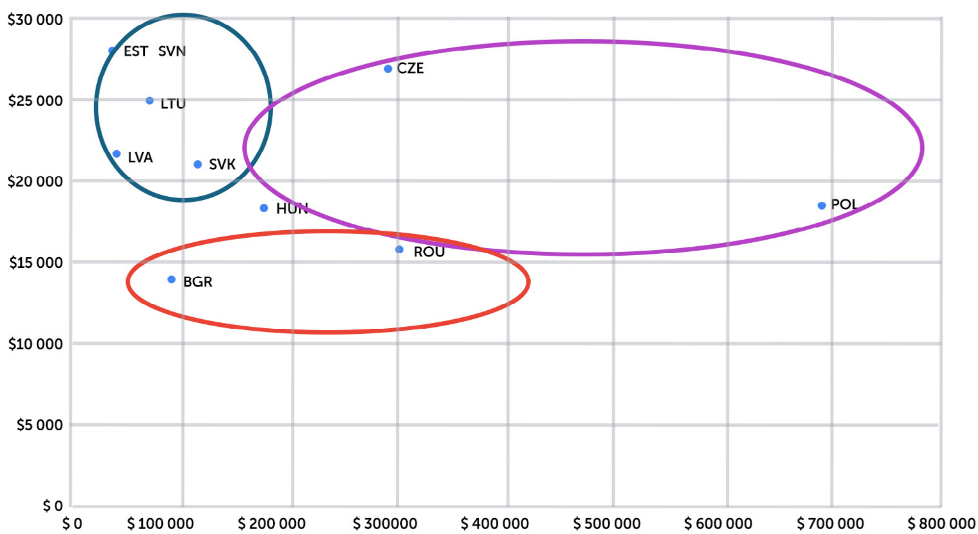
[1] World Bank (2024) *World Development Indicators*. Available [online]: https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.MKTP.CD&country=EUU

Figure 1: GDP vs GDP per capita in 2004 in CEE



Source: World Bank

Figure 2: GDP vs GDP per capita in 2022 in CEE



Source: World Bank

> THE POLISH SITUATION IS MORE AKIN TO THE CZECH ONE. PUBLIC SUPPORT FOR ADOPTING THE EURO IS SOMEWHAT LOW (AT 55%), AND NO POLITICAL FORCE IS ACTIVELY SETTING THE ADOPTION OF THE EURO AS ITS GOAL

as economies were not strong enough at that time - aside from Slovenia, which joined the eurozone right away[2]. For the rest of states, adopting the common currency was aspirational and indicated rather a goal to be achieved when their economies develop.

But then, the 2008 financial crisis hit hard. Serious problems regarding the fiscal stability of Greece and the broader group of PIIGS (Portugal, Italy, Ireland, Greece, and Spain) were largely blamed on the euro. According to critics, the lack of independent monetary policy made adjustments difficult (we will look at these arguments later in more detail) and, therefore, triggered a crisis that could have been avoided via the devaluation of the national currency[3].

Regardless of how true these arguments were, the crisis did, indeed, expose weaknesses of the eurozone: lax oversight of banks, weak protection of customers, and lack of a system of stabilization in the case of the fiscal crisis[4]. The eurozone started to reform, creating a more unified and better-coordinated organism. In fact, the 2008 crisis that was to destroy the eurozone made it much more robust and integrated[5].

Looking at the general mess and aftermath of the crisis in Greece, the CEE societies were not as enthusiastic as before. Also, having a national currency appeared to be beneficial: in Poland, the weakening of the Polish zloty allowed to amortize the crisis, and Poland became one of the very few countries that avoided recession[6]. Yet, the process of adopting the euro continued: first in Slovakia, which was completing its preparations when the crisis hit, then in Baltic states, which looked at the euro as a means to increase their security[7]. But then, the expansion came to a halt for many years, and the topic of adopting the euro was not a part of the debate anymore. That phenomenon has changed in recent months for several reasons – some common to all of the CEE countries, some very much idiosyncratic in nature.

[2] Schadler, M. S. (2005) *Euro Adoption in Central and Eastern Europe: Opportunities and Challenges.*

[3] https://www.theguardian.com/business/economics-blog/2012/may/18/who-blame-greece-crisis

[4] Wyplosz, C. (2016) "The Six Flaws of the Eurozone", [in]: *Economic Policy*, Vol. 31(87), pp. 559-606.

[5] Lundgren, M. et.al. (2019) "Bargaining Success in the Reform of the Eurozone", [in]: *European Union Politics*, Vol. 20(1), pp. 65-88.

[6] Wprost Biznes (2012) *Belka: Złotówka ochroniła nas przed kryzysem*. Available [online]: https://biznes.wprost.pl/firmy-i-rynki/344768/belka-zlotowka-ochronila-nas-przed-kryzysem.html [in Polish]

[7] https://www.ecb.europa.eu/euro/intro/html/index.en.html

EURO IN CEE: THE STATE OF PLAY

The main reason the topic of the euro is back in the public debate is the recent outburst of inflation in the aftermath of the COVID-19 pandemic and the Russian war in Ukraine[8]. Of course, inflation hit everybody, but in the euro area, cumulative inflation for the last four years was 18%, while for the countries that did not adopt the euro in CEE, it ranged between 28% and 46%[9] [See: Figure 3].

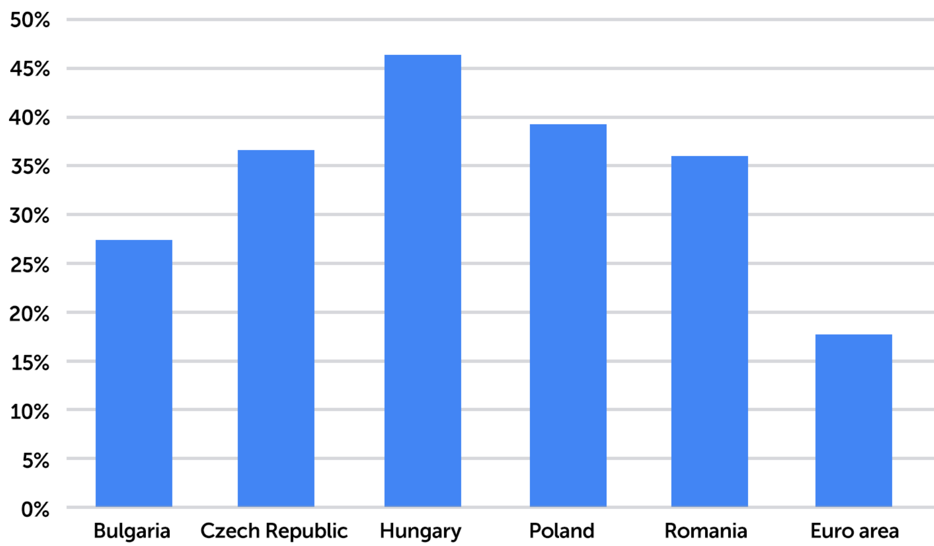
This clear failure of domestic monetary policy has shown that it may yield positive results in some cases and be a liability in other cases. At the same time, while the public does not easily accommodate sublime economic arguments, the sharp increase in prices is easily understood.

> IN ROMANIA, PUBLIC SUPPORT FOR ADOPTING THE EURO IS VERY HIGH, AND SO IS THE DECLARED SUPPORT OF MOST POLITICAL PARTIES

[8] Talach, S. (2023) "Eurostat: Inflacja w Polsce ponad dwukrotnie wyższa niż w strefie euro", [in]: *Interia Biznes*. Available [online]: https://biznes.interia.pl/gospodarka/news-eurostat-inflacja-w-polsce-ponad-dwukrotnie-wyzsza-niz-w-str,nId,7155078 [in Polish]

[9] IMF (2024) *Inflation Rate, Average Consumer Prices*. Available [online]: https://www.imf.org/external/datamapper/PCPIPCH@WEO/EURO/SVK/POL/HUN/CZE/BGR/ROU

Figure 3: Cumulative inflation non-euro CEE vs eurozone



Source: IMF

This led to unexpected events, like the call of the president of Czechia, Petr Pavel, in his New Year's speech to adopt the euro in the country[10]. This declaration is especially surprising since Czechia is the most skeptical towards the euro in the region, with 55% of the population against adoption[11]. This is why parties that favor adopting the euro have the support of about 25%, so the president's statement is so much more unexpected.

Such a situation is somewhat strange in a country with so many economic ties with the eurozone, as the benefits of joining are larger, while the dangers seem lower. The surprise is diminished when one realizes that Czechia has been introducing the euro gradually and through the back door. Companies can now perform settlements in euros, keep books in euros and – starting in 2024 – pay taxes in euros[12]. Effectively, many companies may forget the Czech koruna even exists – all that without alerting the public. With every passing year, the importance of domestic currency will shrink until adoption will become merely a formality.

The situation is slightly different in Hungary. Here, support for adopting the euro is overwhelming, at the level of 72% – the highest of all CEE countries that did not adopt the euro[13]. This attitude is – at least partially – connected to an appealing performance of the monetary policy. At the same time, the political scene is dominated by the ruling Eurosceptic (to put it mildly) Fidesz party, which opposes any deeper integration. Adopting the euro is seen as giving up another portion of sovereignty to more powerful countries of the EU and a potential danger to an economy that could not be boosted by depreciation. Still, the dire situation in which Hungary is – with slow growth, high inflation and limited access to EU funds – led even the Fidesz government to initiate a discussion about adopting the euro to improve its standing in the European Union[14]. As this plan did not work out, the debate about the euro in Hungary also froze.

> BULGARIA IS EVEN CLOSER TO ADOPTING THE EURO

The Polish situation is more akin to the Czech one. Public support for adopting the euro is somewhat low (at 55%), and no political force is actively setting the adoption of the euro as its goal. Unlike in Czechia, there is no champion of common currency, and the debate about the euro is slowly recovering from the abyss. It is associated with the recent change in the government, which is less skeptical of the euro. Still, it does not indicate any intent to start the

[10] https://brnodaily.com/2024/01/02/news/politics/president-pavel-calls-for-move-towards-adoption-of-euro-in-new-year-speech/

[11] Data about the support for the euro based on Eurobarometer. Available [online]:https://europa.eu/eurobarometer/surveys/detail/2982

[12] https://english.radio.cz/finance-minister-government-plans-let-companies-pay-taxes-euros-2024-8752990

[13] Data about the support for the euro based on Eurobarometer. Available [online]:https://europa.eu/eurobarometer/surveys/detail/2982

[14] https://hungarytoday.hu/hungary-can-meet-conditions-for-adopting-euro/

preparation process or even restore institutions tasked with monitoring and analyzing the current economic situation concerning eventual euro adoption, which the previous government dismantled[15].

Bulgaria and Romania are quite different in this regard, as both countries actively pursue the adoption of the euro. In Romania, public support for adopting the euro is very high, and so is the declared support of most political parties [See: Figure 4]. However, the required reforms have not been implemented, so Romania does not fulfil the required criteria. This is because while the euro is popular, the required reforms are not, as they would be painful. The dates that politicians provide are, therefore, unrealistic. The 2024 deadline was an attempt to draw voters. The new goal is 2029, but the government aims to join in 2026[16]. Both of these dates are considered rather optimistic[17].

At the same time, Bulgaria is even closer to adopting the euro. The goal of 2024 was missed, not in small part due to the unstable political environment. Caretaker governments were not in the position to make significant reforms – even though both major and opposing parties favor introducing the euro. In the meantime, pro-Russian forces started a campaign against adopting the euro, which led to a slide in support for adopting it. There were talks about a referendum on the topic, but eventually, the accession was postponed by one year. The main problem from the formal point of view is inflation, which may be tamed soon due to general disinflation. Whether the goal of 2025 will be met will be clear quite soon[18].

> THE BIGGEST OBSTACLE TO ADOPTING THE EURO MAY BE THE POLITICAL WILL TO DO SO

Aside from Bulgaria, CEE countries mostly do not fulfil the convergence criteria [See: Figure 5]. However, most of the ones concerning economic indicators could be fixed quite quickly, especially in Poland and Czechia. This is less true in the case of Romania and Hungary, but, surprisingly, it can be much easier in the former country, as it is developing quite rapidly recently – in contrast to Hungary, which is performing much worse mostly due to political reasons[19]. However, the biggest obstacle to adopting the euro may be the political will to do so.

FEARS

The debate about adopting the euro usually revolves around dangers associated with monetary union. The main one that has catastrophic effects on social support is associated with expected price increases. Such perception arises from at least two effects. The first one is associated with the

[15] Kasprowicz, T. et al. (2023) "Euro Adoption in CEE", [in]: *Res Publica*.

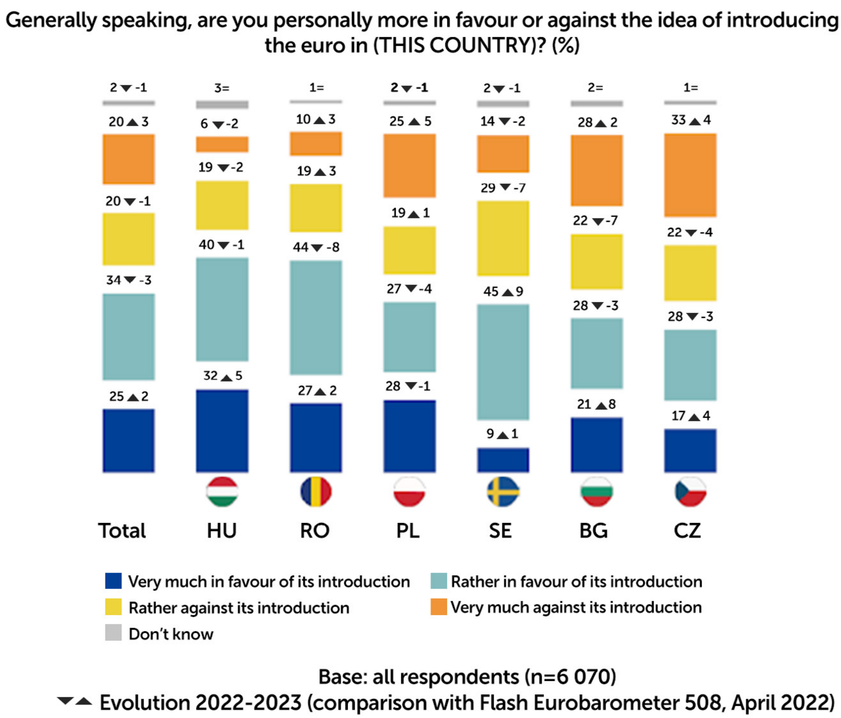
[16] https://www.euractiv.com/section/politics/news/romania-wants-to-push-euro-adoption-by-2026/

[17] Kasprowicz, T. et al. (2023) "Euro Adoption in CEE", [in]: *Res Publica*.

[18] Ibid.

[19] Kočenda, E., Kutan, A. M., and T.M. Yigit (2006) "Pilgrims to the Eurozone: How Far, How Fast?", [in]: *Economic Systems*, Vol. 30(4), pp. 311-327.

Figure 4: Public support for introducing euro in CEE countries



Source: European Commission (2023) Flash Eurobarometer 527

> THE DEBATE ABOUT ADOPTING THE EURO USUALLY REVOLVES AROUND DANGERS ASSOCIATED WITH MONETARY UNION

shortcomings of introducing the euro by early joiners. In most cases, the transfer to the euro was done rapidly, which allowed for rounding up prices, especially for cheap items. This phenomenon led to price increases of some very popular cheap products (like coffee in Italy or baguettes in France) and was dubbed the 'cappuccino effect.' Overall, the effect on inflation was small – on average, about 0.07% (ranging from 0% in Portugal to 0.7% in Ireland), but it was perceived as much larger due to psychological effects and items affected by the largest price increases[20].

[20] Fritsche, U. et.al. (2008) "The Euro and Prices: Changeover-Related Inflation and Price Convergence in the Euro Area", [in]: *KOF Studien*, No. 1.

> WHAT MAY SEEM TO BE TIMID PRICE GROWTH FROM WITHIN A COUNTRY, MIGHT LOOK LIKE RAMPANT INFLATION FROM OUTSIDE

To minimize this effect, the process of introducing the euro was modified. Instead of overnight change, stores are required to display dual-pricing months before and after the accession to deter rounding. State agencies are also checking for unexpected price increases. This strategy seems quite effective, as price jumps at the moment of introduction remained quite small: Slovakia 0.1%, Latvia 0.2%, Lithuania 0.1%, Estonia 0.2%, whereas Croatia 0.4%[21].

The critics of the eurozone now claim that the price increase is no longer concentrated on the changeover but appears when controls of states weaken over time[22]. This argument also does not fare well under scrutiny. The year the euro was adopted in CEE countries, inflation was in a range set by the peers (other CEE countries that have not yet adopted) [See: Figure 6]. In fact, in three cases (Slovenia, Slovakia, and Croatia), it was significantly lower than average, in two cases (Latvia and Lithuania) almost identical to average, and only in case (of Estonia) it was slightly larger than the average.

Eurosceptics do not stop there, and the argument goes on – that price growth is actually taking place in the longer term[23]. This trend is also easy to check when we compare the average inflation of an adopting country since adoption vs its peers in the same time period. Again, the data does not confirm abnormally high inflation in adopting countries [See: Figure 7].

Here, some countries are falling out of range set by peers – but only by having inflation lower than them (Slovenia, Croatia). Slovakia enjoyed inflation lower than the average in CEE. Only the Baltic states show inflation results worse than average, which is caused by the very high impact of the Russo-Ukrainian war on these countries – which is understandable from a geopolitical point of view.

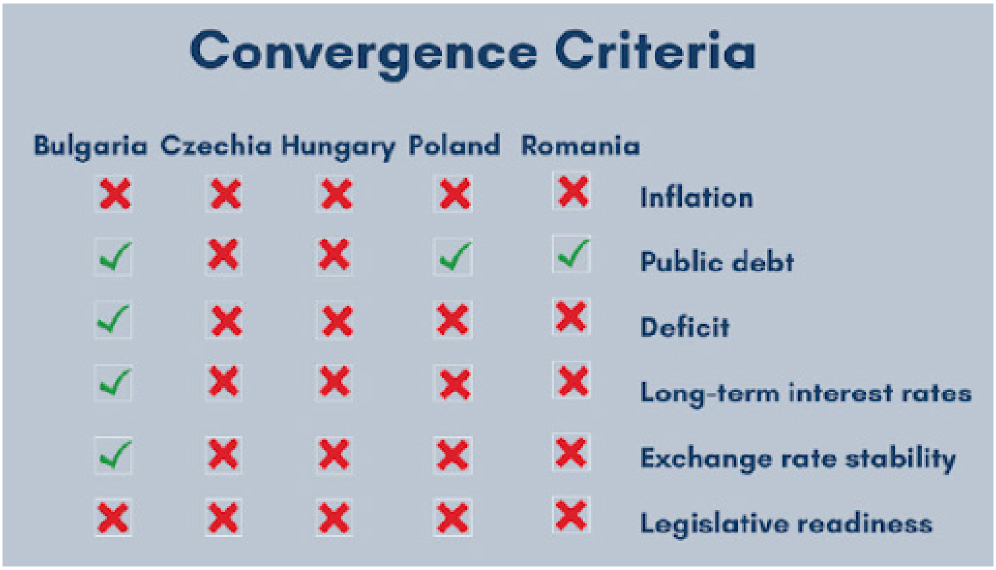
Another reason the introduction of the euro is associated with price increases is that prices are often observed from a completely different perspective. What may seem to be timid price growth from within a country, might look like rampant inflation from outside. The best example is the perception of Slovak inflation in Poland since the introduction of the euro. Before 2009, Poles often shopped and travelled to Slovakia because prices there were lower than in Poland. After the adoption, things changed considerably, and now Slovaks

[21] Kasprowicz, T et al. (2023) "Euro Adoption in CEE", [in]: *Res Publica*.

[22] Forsal.pl (2023) *Rzecznik PiS: Wprowadzenie euro w Polsce to wprowadzenie "euro-drożyzny"*. Available [online]: https://forsal.pl/finanse/waluty/artykuly/8639812,rzecznik-pis-wprowadzenie-euro-w-polsce-to-wprowadzenie-euro-drozyzny.html [in Polish]

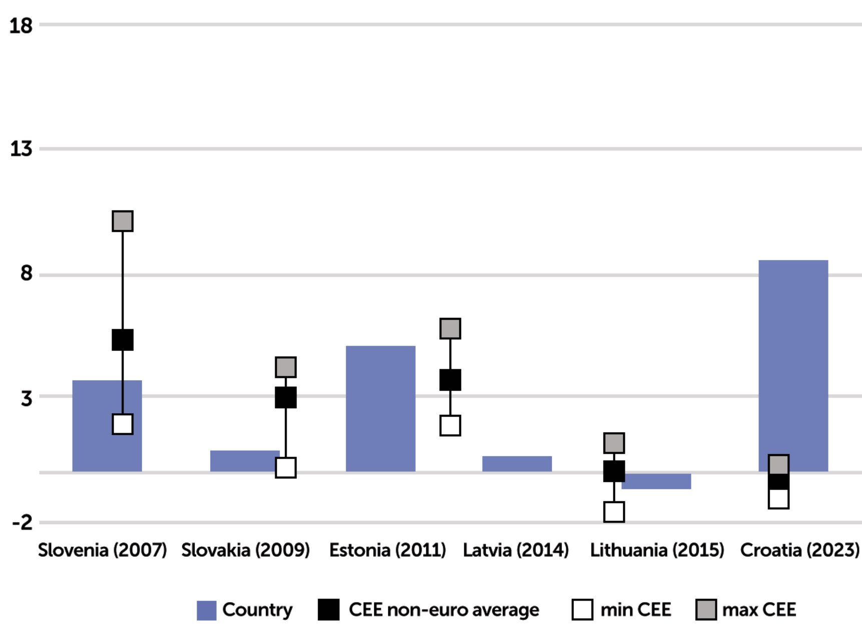
[23] Ibid.

Figure 5: Fulfilment of convergence criteria in CEE



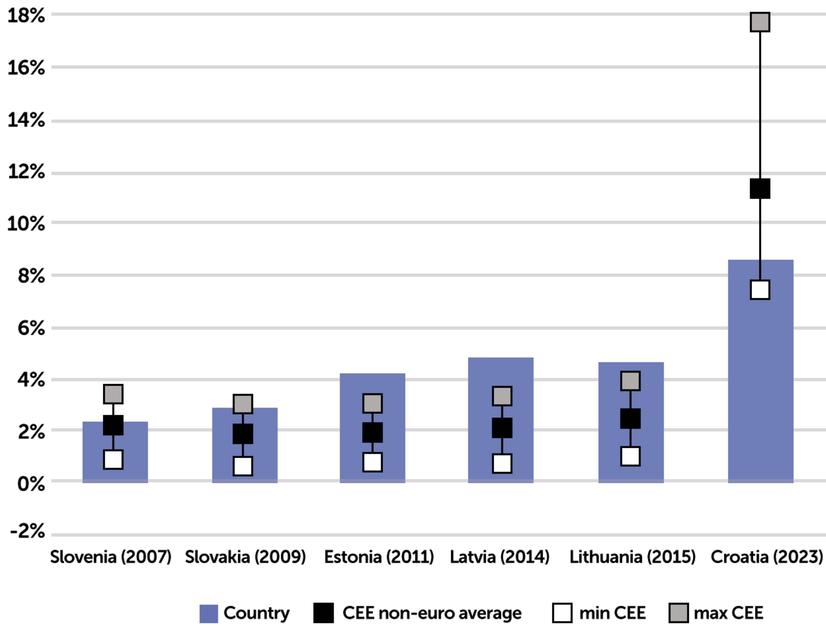
Source: Kasprowicz, T. et al. (2023) "Euro Adoption in CEE", [in]: *Res Publica*

Figure 6: Inflation in the year of introducing the euro vs peers



Source: IMF Databank

Figure 7: Average inflation since adoption vs peers



Source: IMF Databank

come shopping in Poland[24] – which leads to the conclusion that because of the euro, prices have increased significantly in Slovakia. In fact, Poles observed a weakening of their own currency, which lost between 2010 and 2022 17% of its value compared to the euro[25]. That is why Slovakia became expensive for Poles but not for Slovaks. Still, the general reception in Poland is that adopting the euro caused a stern price increase in Slovakia.

To sum up, there is absolutely no proof that adopting the euro causes price growth. If anything, the euro protects from price growth, which is in line with the recent experience of the CEE countries. Still, one cannot forget about how powerful the power of psychological bias is[26]. Some prices do indeed increase, and people tend to notice and remember them and then generalize this price growth to the entire economy. That is why rounding effects on small items are remembered to this day despite having a very limited impact on general price levels. At the same time, relative income decreases through depreciation of the national currency with respect to the euro, which is interpreted as price increas-

[24] Jedynka Polskie Radio (2020) *Słowacy przyjeżdżają do Polski na zakupy. U nas jest taniej i lepiej*. Available [online]: https://jedynka.polskieradio.pl/artykul/2537279,S%C5%82owacy-przyje%C5%BCd%C5%BCaj%C4%85-do-Polski-na-zakupy-U-nas-jest-taniej-i-lepiej [in Polish]

[25] See: Stooq (2024) *Euro / Polish Zloty*. Available [online]: https://stooq.pl/q/?s=eurpln&c=20y&t=l&a=lg&b=0

[26] Kahneman, D. (2017) *Thinking, Fast and Slow*, New York: Farrar, Straus, and Giroux.

> EVEN FULLY CONTROLLED MONETARY POLICY IS NOT NECESSARILY PERFECTLY ALIGNED WITH THE COUNTRY'S NEEDS

es in the country that adopted the euro. However, such impressions can be pervasive and shape public opinion for years. The debate about introducing the euro in CEE must take this under consideration.

THE SOVEREIGNTY ISSUE

Another topic commonly discussed in the CEE countries concerning adopting the euro revolves around sovereignty. In particular, more Eurosceptical forces and their electorates believe that the EU is taking integration too far and that member states risk being engulfed by the organization and losing their identity. National currency is one of the symbols of national identity and should, therefore, be preserved. At the same time, control over one's own monetary policy and the ability to devalue local currency are assets of economic policy that are too valuable to be given up lightly. Some even suggest that giving up control currency to Frankfurt will result in Germany subduing these countries and eventually forcing them into a trans-European country under German control[27].

Although such conspiracy theories seem quite outrageous, the argument itself should not be discredited off-hand. Symbols are important, which was recognized when creating the euro – the reverse of coins is reserved for national symbols of member states. This was done so that citizens felt psychologically attached to the new currency. This seems to be a successful approach as in the eurozone countries the euro is more popular than the EU itself. It appears that the sovereignty issue is more important for those who are to join the eurozone, but not so much for those already in, which is reassuring[28].

It is also worth pondering whether joining the eurozone is a net increase or decrease in sovereignty. As mentioned, adopting the euro decreases control over monetary policy. However, it is important to remember that despite the European Central Bank being situated in Frankfurt, it does not mean Germans control it. It is controlled jointly by all member-states, which means none has as much control over monetary policy as when they had national currency, but still have influence over it. Still, there is some loss of control and hence the risk of compatibility of monetary policy and economic situation within a country.

However, one must also take into consideration that even fully controlled monetary policy is not necessarily perfectly aligned with the country's needs. The highly politicized central banks of Poland and Hungary kept interest rates low to help the government maintain popularity. This led to elevated inflation and costs associated with it[29]. Sovereignty is a tool, not an end to it-

[27] https://www.cer.eu/in-the-press/germanys-euro-advantage

[28] https://www.ecb.europa.eu/pub/economic-bulletin/articles/2020/html/ecb.ebart202004_01~9e43ff2fb2.en.html

[29] https://for.org.pl/pliki/artykuly/8154_42023high-inflation-in-poland-is-caused-by-the-monetary-policy-council.pdf?__cf_chl_tk=YQRIg-

self, and it is not always used properly.

But is there an upside to the loss associated with a potentially greater mismatch between independent and shared monetary policy? Indeed, there is. Small currencies are subject to increased volatility and whims of financial markets. This may lead to sudden appreciations or depreciations that could harm the economy. This was the fate of Switzerland during the great financial crisis when the flight to the safety of investors elevated the value of the Swiss franc so much that it thwarted Swiss exports and tourism[30]. Large market players may attack currency for speculative gain, which happened even to the United Kingdom[31]. Hostile states may use currency manipulation as a means of hybrid warfare[32]. These problems disappear when you use major international currency – no forces are strong enough to attack the euro.

The list of enhancements of sovereignty when joining the eurozone goes on. Recent reforms of the eurozone included the European Stability Mechanism (ESM). Its goal is to guarantee that the crisis of 2008 will not repeat. Its funds are dedicated to helping countries facing fiscal or banking crises, averting them by its mere existence[33]. The mechanism already helped solve problems with Spanish[34] and Cypriot[35] banks. Common banking policy is also a rising issue. With the banking union, the EU is approaching common deposit insurance.

While national insurance schemes are working perfectly well for small banks that are routinely falling, the collapse of a large bank would overwhelm the system. However, on the EU level, almost all banks are within the capabilities of common insurance. This step requires an even larger harmonization of macroprudential policies to mitigate risk and avoid moral hazard, but this step seems unavoidable in the coming years. As you can see, adopting the euro is associated with some loss of sovereignty with respect to monetary policy but several benefits to sovereignty in other aspects. Unfortunately, sovereignty mathematics has not yet been developed, so it is hard to determine the net outcome.

Assuming all of the CEE countries will eventually adopt the euro, the biggest harm to sovereignty comes from delaying the process. As mentioned, after the 2008 crisis, the eurozone is undergoing significant reforms. Instead of splitting up as prophesized by Eurosceptics, it deepened integration (a common EU strategy that does not let any crisis go unutilized)[36]. However, the decision about the depth of integration, its focus and details are decided among current eurozone members, and the CEE countries remaining outside have no say in it. When adopting the euro, they will be forced to accept all of the decisions made right now. The later they join, the less influence on the final shape

s5Ukhlm7CjhVht3dNUVDVwstKo1528556y2Z-pl-1709654585-0.0.1.1-1706

[30] Yeşin, P. (2015) "Capital Flow Waves to and From Switzerland Before and After the Financial Crisis", [in]: *Swiss Journal of Economics and Statistics*, Vol. 151, pp. 27-75.

[31] Mongiardino, A. (1996) *A Model of the Currency Crisis of 1992: The Case of the British Pound and Italian Lira*, No. 2068-2018-890.

[32] Leblang, D. A. (2002) "The Political Economy of Speculative Attacks in the Developing World", [in]: *International Studies Quarterly*, *46*(1), pp. 69-91.

[33] Aerts, J., & Bizarro, P. (2020) "The Reform of the European Stability Mechanism", [in]: *Capital Markets Law Journal*, Vol. 15(2), pp. 159-174.

[34] https://www.esm.europa.eu/assistance/spain

[35] https://www.esm.europa.eu/assistance/cyprus

[36] Lundgren, M., et.al. (2019) "Bargaining Success in the Reform of the Eurozone", [in]: *European Union Politics*, Vol. 20(1), pp. 65-88.

> **ASSUMING ALL OF THE CEE COUNTRIES WILL EVENTUALLY ADOPT THE EURO, THE BIGGEST HARM TO SOVEREIGNTY COMES FROM DELAYING THE PROCESS**

of the eurozone they have. This might be the biggest cost of delaying the adoption of the euro.

MOSTLY A POLITICAL MATTER

The discussion about adopting the euro used to revolve around economic issues. This is no longer true as economic arguments lost prominence on both sides of the adoption debate[37]. The economic benefits do appear and are appreciated but tend to be much smaller than anticipated. It is a help but not a game changer. On the other hand, economic arguments against adopting the euro do not fare well under closer scrutiny (as seen in the case of inflation I discussed before). This is because convergence in economic cycles between eurozone countries due to trade, deeper integration and eurozone reforms is progressing.

At the same time, independence in monetary and exchange rate policy is mostly an illusion. EU countries are integrated, and those that did not adopt the euro need to synchronize with the eurozone anyway. That is why Denmark and Sweden are basically copying EBC policy despite having their own currency[38]. The same is true in CEE, which also follows EBC to a large degree, and deviations result in undesirable effects like increased inflation[39]. This was sooner spotted by smaller countries that do not have illusions of grandeur, and therefore, they were the first to join the eurozone.

The discussion about the adoption of the euro turns, therefore, into a political debate about the future of the EU. Many Eurosceptic forces want the EU to reverse into the economic union, preferably limited to free trade and customs union. The euro is seen as a sign of integration that goes too far. This view is, however, typical in the CEE that has not adopted the euro yet, not in the eurozone member states. There, the euro is more popular than the EU itself and is not the main object of attacks by Eurosceptics. Placing the issue in the middle of the identity debate does not bode well for the rational approach to the subject.

At the same time, the group of outsiders is shrinking and losing significance. This is especially visible since Brexit. The UK was the only significant economy in the EU that remained outside the eurozone and was weighted the most in the coalition of non-Euro countries. Since Brexit, it has not been a two-speed Europe but rather the core vs marginal peripheries case. Especially since

[37] Kasprowcz, T. (2023) "Jak przygotować Polskę na przyjęcie euro", [in]: *Res Publica*. Available [online]: https://publica.pl/teksty/jak-przygotowac-polske-na-przyjecie-euro-71068.html [in Polish]

[38] https://www.centralbanking.com/central-banks/monetary-policy/monetary-policy-decisions/4429736/denmark-cuts-main-rate-mirroring-ecbs-move

[39] https://for.org.pl/pliki/artykuly/8154_42023high-inflation-in-poland-is-caused-by-the-monetary-policy-council.pdf?__cf_chl_tk=YQRIgs5Ukhlm7CjhVht3d-NUVDVwstKo1528556y2ZpI-1709654585-0.0.1.1-1706

> EVENTUALLY, THE 'EURO PROJECT' WILL BE COMPLETED AS THE WEIGHT OF BEING AN OUTSIDER WILL GROW HEAVY ON POLITICIANS AND CITIZENS

Denmark has its own currency only formally, as it is pegged to the euro, and Sweden has been debating joining the eurozone recently[40]. That could happen promptly as public support increased significantly. However, current political forces in the government are not that enthusiastic yet.

This leaves marauders of CEE more and more isolated, which will deepen with the admission of Bulgaria and Romania in the coming years. The political pressure on three (or five if you count Denmark and Sweden) outsiders will most likely grow both from inside and outside. Managing the EU and separately the eurozone will be increasingly cumbersome, as the delimitation of decisions that should be taken only by the eurozone countries versus the entire EU will be harder and harder. Even now, the decisions of the eurozone countries affect outsiders, and this effect will only grow. So will grow frustration of the CEE being excluded from the most important economic decisions.

Therefore, today's debate should not concentrate on whether the CEE countries should adopt the euro. Instead, it should focus on how to prepare economies and institutions for adoption so that the benefits of the euro are maximized while existing pitfalls are avoided. Plenty of reforms are still required to achieve competitiveness and ensure the euro will not become a burden but a boost.

The complete this list would take another paper, but let us mention the issues that need to be addressed: demographic challenges that weigh on the labor market, inflexible real estate and real estate rental markets, depopulation, and migration policy, to name a few. The good news is that these issues must be addressed regardless of the date of joining the eurozone. Therefore, the reforms should not raise criticism of Eurosceptics. Eventually, the 'euro project' will be completed as the weight of being an outsider will grow heavy on politicians and citizens.

[40] https://www.lemonde.fr/en/economy/article/2023/09/25/in-sweden-the-fall-of-the-krona-revives-discussions-on-the-euro_6139121_19.html

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