ROMANIA-ADVANTAGES AND DISADVANTAGES OF INTRODUCING THE EURO

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Abstract
In the process of adopting the single currency, Romania is forced to think carefully about its strategies because such a process is complex and involves, as everyone knows, both advantages and disadvantages. Depending on the approach or the distance to the euro area in economic and civilizational terms, the first category or the second may prevail. If in the common mentality it is estimated that the euro would be accompanied only by advantages, experts must know that important disadvantages can also appear and which are their harmful effects on medium and long term on the economy and society. We plan to begin this subject by showing that Romania is not fully prepared to move to a single currency and euro adoption at this time would cause great disservice for our economy, undermining future efforts towards compatibility and closeness.

Introduction
The contribution of economics in the process of adopting the euro was and remains essential. If economics had not answered to many questions about the process of adoption a single currency, the euro perhaps would not have existed in our days. In essence, the fundamental question to be answered was whether in a single currency area, a regional one, as was to be European one, illegitimate transfers of value were possible during trade, and how to avoid such transfers of value. France, and especially Germany have always feared such a redundant mechanism where their competitive advantage and technology could be annihilated and "melted" in the Common Economic and Monetary Union. The paradox makes that political and business independence and in terms of budgets protect strong states from undue loss of competitiveness and put each EU country in its own place, dictated by their own economic, human, competitiveness, resources and intelligence potential. Incidentally, this is the main reason why the negotiations to achieve the United States of Europe is still in deadlock and political union will get, more than sure, the appearance of an association of sovereign states. It is good to know for those who adhere to such a currency area that they will not be seated at the table of rich countries and that any further increase of their standard of living can only be achieved by their own sustained effort. In fact, the fundamental principle underlying the cooperation between states to achieve a currency area is that only trade and cultural default can produce wealth and prosperity and at the same time can approach states and larger geographical areas. A monetary and economic area cannot be created and extended outside a common space, unified economically, geographically and culturally. In the absence of compatibility of such a level, that monetary, economic and cultural area cannot exist. Therefore, it is recommended that only states compatible on these criteria enter such areas of common interest.

Romania and the Euro Area
Therefore the most important question concerning our economy is whether we are prepared to enter into such a currency area as the euro area. We ask this question in order to avoid possible costs of asymmetries between Romanian economy and the euro area economy. We believe that real and nominal criteria for transition to the single currency is the main obstacle for euro adoption in our country. This is because we cannot take into account cultural or geographical differences between Romania and the EU.

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We're talking about civilization and cultural differences in the sense that Samuel Huntington provides to the category of civilization.

We believe that, this time, political science, along with the economic science, will resolve actual questions about a meritocratic rather random distribution of political and economic power in Europe. The degree to which a country meets the criteria of optimum currency areas is a key factor when you weigh the advantages and disadvantages of adopting the euro. Besides, proper subject of labor and wealth distribution within the European Union is perhaps the most important and most difficult to resolve if approaches between countries would be done according to other criteria than those related to economic, political and cultural performance and compatibility. We must say that there are not states that do free gestures or gifts to other countries. Therefore, the last step of unification, the political one will be certainly a political formula that will avoid undue wealth transfers in one direction or another.

When discussing about Romania and the transition to the single currency, we should emphasize the particular nature of the Romanian economy, politics and society that historically delayed us compared to states that founded the euro monetary union. We are talking about the delay of movement from communism to market economy, intense dictatorial nature of politics and strong statist economy, failures and hesitations in implementing necessary reforms after 1989, corruption in economy and society. We are and will remain a special case in the context of European countries, the last country in the most economic and social indicators that assess the level of development. The hard communism practiced in our country left significant and deep traces, causing huge difficulties to assimilate the principles of Western society and economy. Romania is not compatible now with European states, recording backlogs in all areas. A hastily adoption of the single currency would harm us in all aspects. The example of Greece, which adopted the single currency without fully fulfillment of the membership criteria is already a classic one. In order to remain in the euro – system, the country was forced to borrow continuously, every year government debt growing larger. Everything was fine until the financial crisis when that debt had to be paid. Instead of recording a process of economic modeling approach, Greece is threatened with exclusion from the euro area. If they reach such a solution, the losses for this country would be very large, incalculable, in all, going to political ones.

An optimum currency area is defined by Robert Mundell as a set of regions where the trend of migration is high enough to ensure full employment in regions where one faces a shock.

Frankel (1999), defines itself as optimal currency area, “a region that is optimal to have a single currency and a single monetary policy”. The author quoted talks about a single currency within a common geographic and economic interest area. The single currency cannot be seen outside historical and civilizational interests and compatibilities. Maybe this is why the European Union is the only space that aims now to move to a single currency. Another important author, Pelkmans (2003), defines as optimal currency area, the area for which the cost of abandoning at flexible exchange rate or realignment option is lower than the benefits of a single currency. This definition will balance the element of monetary policy autonomy in a country with the item abandoning its own currency and monetary policy in favor of adopting a common currency. It is obvious that only with comparative advantages in favor of a single currency we can talk about its adoption.

2 We are talking about labour migration
4 ibidem
The theory of optimum currency areas is based on the idea that the benefits of participation in a monetary union depend on the degree to which the countries of the union form an optimum currency area. The foundation of this theory was made by Robert Mundell in 1961. Optimality of a currency area, according to this author and other authors quoted, is judged on the following criteria:

- wage and price flexibility
- mobility of production factors
- integration of financial markets
- degree of openness of the economy
- integration of fiscal policies
- political integration
- inflation differential
- convergence of economic structures
- synchronization of business cycles
- symmetry of shocks.

The degree to which a country meets the criteria of optimum currency areas are crucial for the possibility of the country to adopt the euro.

The advantages of introducing the euro in a common space of culture, economy and civilization are huge. This concerns, during the first year, an increased competitiveness, faster income and living transfers on a broader geographical scale. Money is a generally recognized instrument, abolishing barriers, boundaries and traditions. Regionalization and internationalization of trade and economic relations combines pecuniary elements with cultural ones. Today we know that with goods, money is an expansion and modeling tool of a new global architecture. Or, Romania cannot remain outside this architecture. Europe is an important area of free trade and prosperity, the most important after the U.S.

The single currency enhances economic approaches, but not only. She leveled, in time, social structures, and even mental. In general, most economists are wrong when, talking about the benefits of a single currency, pass quickly and list only economic changes. On the one hand, no one will have to wait for transfers undue wealth, standard of living and quality of life. Economic theory and practice have built such a model that does not unduly impoverish the rich and not the poor enriches undeserved. Conversely, if we are not careful, and it seems that we are not all transfers of wealth are produced from the poor and to the rich and competitive uncompetitive.

Consequently, I was on the positions of advantage or disadvantage as a country in the process of transition to the euro, take, ultimately, by its own choice, but also economic and political managerial skills of a State. Economic and political elite responsible, knowledgeable, can do much, or lack of it can lead to relationships and neocolonialism kind transfers, otherwise long trumpeted the "patriots" used in many European countries that have joined or are in the process of EU accession and the EMU. It is, after all, a process approach that I wanted and not imposed on us by anyone. It remains to decide if we approach this superpower as "butterfly lamp" or as equal and respected. Precisely because Romania is a NATO member and EU puts us in situation of partnerships with states of the Western world and protect us against hasty decisions. We could get a large enough time horizon so as to avoid the occurrence of asymmetric effects on livelihoods and quality of life. Meanwhile the EU is likely to review one way or another indicator system to join a EMU countries. The financial crisis has led to the emergence of even asymmetries between countries that appear to be compatible and whose approach appeared to be successful. The degree to which a country meets the criteria of optimum currency areas is defining the economic
impact that country has with the euro area. In this context, Greece is one clear example of forcing terms, even by statistical figures concealed and acceptance by European authorities to fulfill certain criteria, joining the euro area, followed by manifesting extreme asymmetries and leverage higher rates. I say this because, in the end, even if you hide them under false figures, economic asymmetries not forgive and resurface in one form or another.

When discussing about economic benefits, we can include:

1. price stability
2. improved fiscal policy
3. economic exchanges and market integration were boosted by eliminating exchange risk and transaction cost reduction
4. euro has been a strong catalyst for the integration of financial markets (wholesale money markets are fully integrated in the euro area and volume of cross-border transactions increased permanent)
5. ability to cope with external shocks associated with economic cycles has been greatly enhanced with the adoption of the euro
6. all these positive developments have culminated in the creation of a record number of 16 million jobs in the euro area
7. elimination of transaction costs
8. ensure price transparency

Disadvantages or costs of the single currency:

1. costs related to the emergence of asymmetric shocks
2. costs of different preferences for inflation and unemployment states
3. institutional differences related costs (labor market but not only)
4. costs and tax differences related to management of budgetary processes
5. technical and organizational costs
6. loss of central bank independence and exchange rate as adjustment factor
7. specific costs in the banking sector and reduce bank income sources
8. loss of competitiveness due to price adjustment

Conclusions, geopolitical conditionality

International political context in which Romania has to achieve convergence with the EU is a special one, dominated by a number of old and new elements such as: the end of the Cold War and the assertion of United States as the sole superpower, enlargement of EU due to the transition from socialism to capitalism in all European countries, the acceleration of European integration through the changeover to more and more countries, the predominance of political criteria in NATO and EU expansion, solving more problems specific to transition from Romania, U.S. military expansion in the context of enlargement battle against international terrorism. Romania, needless to say, enjoys a dual benefit and geopolitical context determined by political and economic rapprochement with Europe and the U.S. Barriers between Romania and the West are not insurmountable and can be overcome by natural economic and social processes that can produce long-term benefits. At the same time national state, although an invention of the industrial age, does not seem to have exhausted its own resources of existence, making us to rethink

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5 Aurel Dochia, „Tranzitia de la leu la euro pe fundalul crizei financiare mondiale“
6 Avantajele și dezavantajele adoptării monedei euro, www.Bnr.ro
7 See also Cristian Socol, Aura Socol, „Adoptarea euro-costuri sau beneficii”, www.stare.ectap.ro
Avantajele și dezavantajele adoptării monedei euro, www.Bnr.ro
strategic membership elements. In other words, the next generation of economists will think the economy and economic optimum in terms of “national” and “international”. Romania benefits from an economic, geographic and cultural approach to European Union and it should seize the advantage. The attention to our country is even greater as, in the last period, there were significant problems in this area caused by instability in Turkey, Syria, Greece and Egypt. Romania can be a provider of economic stability and security in this part of the planet. In this context we must oppose nationalism and unilateralism promoted in our region. Commercial and political isolation does not produce stability and prosperity.

The European project is moving forward, even in conditions of economic crisis. Croatia, as the 28th member state, and the transition to the euro in Estonia this year, underline the decision of the union in imposing and achieving its goals. Monetary integration process is accelerated by the fact that in the mid-eighties, most EU Member States have decentralized financial markets in the euro area encouraging banks to expand the business towards banking investment, asset management and insurance, thereby stimulating cross-sector consolidation. Nicolae Danila speaks about the following objectives of the EU in the next period: a complete single European market, infrastructure development, imposition of Stability and Growth Pact principles, development of financial markets, flexibility in the labor movement. Other processes to take into consideration are linked to lower capital costs, faster access to finance for all emerging markets, expanding the geographical area and the rapid expansion of technology, an increase of liquidity savings.

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9 Nicolae Dănilă, „Provocări în economia globală”, 2006