

ROMANIA AND THE EURO CURRENCY

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Abstract: *The participation, with full rights, to the Economic and Monetary Union, is one of the most important steps in the European integration of Romania, fact which will lead to the abandonment of the national currency and the adoption of the euro currency, as legal means of payment. In fact, the establishment of an economic and monetary union, which includes, in the future, a single currency, represents one of the most important objectives of the Maastricht Treaty. The adherence to the euro zone means, at the same time, to analyze the possible costs and benefits it brings and to take into consideration these data in order to choose a medium and long-term strategy of economic policy. The adoption of the euro currency has, most likely, an irreversible impact on the economic growth of a country. The common citizens have their own opinion regarding the impact the adoption of the euro currency may have on the economic situation and the welfare, in general, as it can be noticed from the results of a statistical analysis based on a survey applied to a number of 85 individuals. The key-question is whether the euro zone may be the best for the characteristics of the Romanian monetary policy.*

Keywords: *single European currency, Romania, convergence criteria, euro adoption.*

JEL classification: *F36, G00*

1. INTRODUCTION

The goal of this article is to understand the connection between the degree of information of the citizens and their opinion regarding the impact the introduction of the single European currency has on the life quality. In a way, the present paper aims at discussing about the costs and benefits of the adherence to the euro zone, as they are understood by the citizens. The adoption of the euro currency implies, for any state, to meet the nominal and real convergence criteria, with important structural reforms which have an effect on the entire competition. As economist Silviu Cerna (2017) shows, ”the adherence of Romania to the euro zone implies a major advance in the political, social, economic and legal changes this country needs, being equivalent to its full European integration”. The moment Romania joined the European Union, Romania received a temporary break with the adoption of the European single currency, promising to replace the national currency with the European one the moment it meets a series of convergence criteria. Among these criteria we mention, for example, the harmonization of the national law with the standards in the euro zone.

According to the Convergence Report of the European Central Bank in 2016, Romania meets all the nominal convergence criteria and only a part of the legal convergence criteria. Through the Convergence Program 2017-2020, the Romanian Government commits itself to joining the euro zone, but to establish the date means to make some profound analyses. Some of the most important characteristics are the criteria

that must be met in a sustainable manner as well as some indicators as the labor productivity or the GNP per capita that must get closer to the average of the eurozone. Mr. Mugur Isărescu, Governor of the National Bank of Romania, said, in November 2018, that "Romania could join the system of exchange rate, an antechamber of the euro zone, in 2024, where it must stay for at least two years till the adoption of the single currency."

2. LEGAL AND ECONOMIC ASPECTS OF THE EUROZONE ENLARGEMENT TOWARDS EAST

Besides the economic aspects, the euro represents a symbol of European unity, identity and cooperation. The Maastricht Treaty launched the Economic and Monetary Union and, at the same time, reaffirmed the commitment of the European Union "to continue the process of creating an even more profound union between the European people" (European Commission). The Economic and Monetary Union is at the basis of the euro currency, aiming at setting up the prices, the monetary policy, the economic policy, as well as the different aspects of the budgetary policy. Its goal is to ensure a stable economic environment which favors the growth of the euro zone and the single market, one of the priorities being to maintain a stable and strong euro currency.

In order to evaluate the degree of economic convergence between the member states of the European Union that intend to adopt the euro currency, the European Central Bank uses a common framework of analysis, which includes the provisions of the Treaty, as well as the way they are applied regarding the evolution of prices, budgetary balances and debt indicators, as well as regarding the evolution of the exchange rates and the interest rates on long term. This framework of analysis is based on different additional retrospective and anticipated economic indicators, considered useful for the profound analysis of the sustainability of the convergence process.

The rapprochement to the euro zone average of some indicators such as the GNP per capita shows the fact that it is an element used quite often to compare the level of development in different countries, although the living standard means more than the increase of the GNP per capita. The living standard means to increase the social welfare at the level of the national economy, to improve the living conditions, to increase the level of wealth and comfort and, why not, to improve another indicator: the happiness indicator. In order to ensure a good functioning of the economy in the European Union it is important that all states coordinate their economic and fiscal policies compared to the common objective of stability and economic growth. Within this context, a single currency supports the creation of a more efficient single market which bring benefits to the citizens as well as to companies, taking into consideration, among other things, the four liberties of circulation: of goods, services, capital and workforce.

But, a single currency is also reflected into a single banking system, translated, especially, through the safety the bank deposits can offer to the clients, no matter the country the banking institutions operate. This aspect implies a single banking surveillance. The monetary policy for the euro zone is managed through the intermediary of the European Central Bank and the national central banks in the countries of the

eurozone, which, together compose the Eurosystem. The European Central Bank also has another important mission: to ensure the stability of prices in the euro zone, aiming to maintain the inflation close to the value of 2% on medium term, as an optimum value for promoting the economic growth and occupation of workforce.

3. THE MACROECONOMIC IMAGE OF ROMANIA IN THE LIGHT OF EURO CURRENCY – CRITERIA OF CONVERGENCE

The eurozone must ensure criteria of enough convergence between the member states to avoid having competition discrepancies. The economic reality shows the fact that, for a balanced and healthy growth, which should not create major disequilibrium, it is necessary to stimulate the sustainable sources of development, namely the investment in health and the education of the human capital, in the research and development sector or the intensification of structural reforms. In some situations, the macroeconomic theory connects the success of real convergence to the evolution of work productivity, fact reflected in a better organization, education, technologies and innovations. This way, wages may increase, developing the rhythm of economic growth, but also the standard of living. The level of work productivity and the efficiency of the way resources are used are directly connected to the reduced level of incomes, the first element also being one that may explain the convergence speed of Romania compared to the developed European states. According to statistical data, the level of hourly work productivity in Romania is of 51.1% of the EU 28 average, and the labor productivity on an occupied person if of 56.7%. The analysis of this indicator in Romania shows that it has inferior values compared to the ones in other countries, including Hungary or Poland.

Table 1. Labor productivity on employed person (% , EU28=100)

Year/Country	EUROZONE	CZECH REPUBLIC	GERMANY	HUNGARY	POLAND	ROMANIA
2003	110.9	72	107.8	65.4	59	30.7
2004	109.8	73.9	107.4	66.3	60.4	33.9
2005	109.7	74.1	108.2	67.1	60.1	35.3
2006	109.5	75.1	108.2	67.2	59.7	38.9
2007	109.4	77.6	107.9	66.6	61.1	42.5
2008	109.5	75.2	107.4	70.5	60.8	48.7
2009	108.8	77	103.7	72.7	64.5	48.9
2010	108.8	75.4	106.3	72.5	69.5	49.3
2011	108.5	77	107.2	72.8	71.7	50.6
2012	107.9	75.6	105.7	71.2	73.6	55.6
2013	107.9	76	104.8	71.8	73.6	55.8
2014	107.7	77.6	106.3	70.4	73.7	56.7

Source: Eurostat, 2016

The data regarding the stage of economic convergence in 2018 for Romania, taken from the economic forecasts of the European Commission, made in spring 2018, show that in the period 2015 and 2017, the budgetary balance improved in all the countries analyzed in the convergence report of May 2018, with the significant exception

of Romania, where the weight of deficit worsened significantly. Regarding the criterion of price stability, the inflation situated at the level of reference value, in our country, and regarding the convergence of interest rates on long term, in Romania, they were superior to the reference value of 3.2%. Romania – which is thought to exceed in 2018 the threshold regarding the weight of the budgetary deficit and which in the future could make the object of a procedure of excessive deficit – should ensure the compliance to the rules mentioned in the Stability and growth Pact. The unemployment had a descending trajectory in the last years in Romania, the rate of this indicator decreasing from values of 6.9% in 2015 to 5.9% in 2017 (as averages for three years).

Between May 2016 and May 2018, the Romanian leu did not take part to the Exchange Rate Mechanism II, but was transacted in a floating exchange rate regime. The exchange rate of the Romanian leu compared to the euro manifested, on average, a relatively high degree of volatility in the reference period. In May 2018, the exchange rate was of 4.6658 lei for a euro, respectively 3.7% lower compared to the average level in May 2016. Also, the Romanian law does not meet, yet, all the requirements regarding the independence of the central bank, the interdiction of monetary financing and the legal integration of the central bank in the Eurosystem.

4. THE DEBATE REGARDING THE INTEGRATION OF ROMANIA IN THE EUROZONE. DESCRIPTIVE ANALYSIS OF THE QUESTIONS OF INTEREST IN THE QUESTIONNAIRE. VERIFICATION OF THE HYPOTHESIS

In the case of descriptive research, the used method was the survey. The questionnaire addresses a number of 85 respondents (41 males and 44 females) and it aims, in essence, at "numbering" the results. The used research method has, according to some researchers, a few advantages: reduced level of costs, taking over of some data from the real world, the ease with which the questionnaires can be distributed, respectively, quantified, the possibility to generalize. Then we realized an associative analysis of data, in the SPSS software, program for statistical analysis, the used indicators being the correlation coefficient r (Pearson) and the correlation coefficient, in order to verify the intensity of the correlation.

The representative sample is made up of 85 citizens in the Timiș county. Timiș county is representative, first, because as surface it is the largest county of the country. Situated in the south-western part of Romania, Timiș county has, according to the National Commission for Prognosis, a Gross National Product for the year 2015 of lei billion 32.8, and the year 2016 of lei billion 35, which indicated a high level of economic development, thus a high degree of assimilation of the workforce. The prognosis for the period 2017-2019 is that the GNP will grow. According to the same Commission, Timiș is the county with the highest number of employees, after Bucharest, and the lowest unemployment rate, together with Ilfov. Timiș county holds 42% of the total workforce in West Region and has an index of productivity, GNP/capita, of euro 8,700, 30% above the region average.

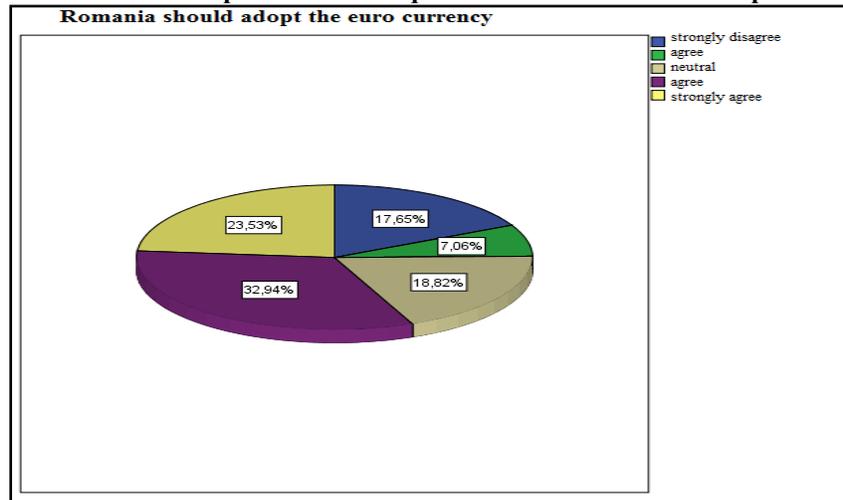
The questionnaire survey aimed:

- to express their own opinion regarding the adoption of the euro currency by Romania;

- to evaluate the level of knowledge, by the citizens of the country, of the situation regarding the adoption of the euro currency by Romania;
- to check hypothesis H1: The degree of information of the citizens directly influences their positive opinion regarding the adoption of the euro currency by Romania.

As it can be noticed in graph 1, at the question whether Romania should adopt the euro currency, 56.47% of the respondents give an affirmative answer.

Graph 1. The answers of the respondents to the question "Romania should adopt the euro currency"



Source: our own processing

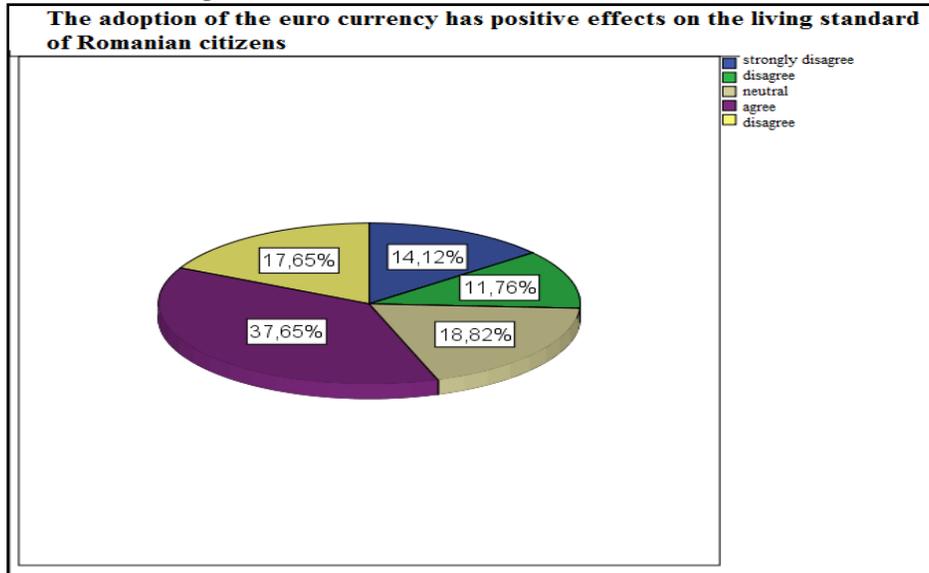
The results of the statistical analysis shows the fact that there is a significant correlation between the citizens' degree of information regarding the adoption, by Romania, of the euro currency and the favorable opinion about this direction, as being the correct direction. There may be noticed, for example, significant values of $p < 0.050$ regarding the connection between the citizens' degree of information and their opinion regarding the incentive the adoption of the euro currency gives to stimulate and make efficient the Romanian economy or regarding the positive effects it has on the living standards of the citizens. A correlation coefficient of 0.644 between the living standard of the citizens and the idea that the adoption of the euro currency has positive effects on the living standard of the citizens indicates a moderate to good correlation. Also, a similar correlation is between the degree of information of the citizens and the fact that the adoption of the euro currency would represent the correct direction for Romania. According to statistical data, hypothesis H1: "The degree of information of the citizens directly influences their positive opinion regarding the adoption of the euro currency by Romania" is verified.

The correlation coefficient is of -0.246 , with $p = 0.023 < 0.050$, respectively -0.286 , with $p = 0.008 < 0.050$, thus inverse correlations, between the degree of information of the citizens and, on one side, the idea that the adoption of the euro currency by our country has negative effects on the living standard of the citizens, and on the other side, the idea that the adoption of the euro currency could mean the loss of

national identity. The less informed a person regarding the topic of the adherence of Romania to the euro currency, the more they have the tendency to consider this event as being a sort of "uprooting", including negative effects on the living standard.

The statistical data show the fact that 55.3% of the questioned citizens consider that the adoption of the euro currency has positive effect on the living standard of the Romanian citizens, proving to be trustworthy.

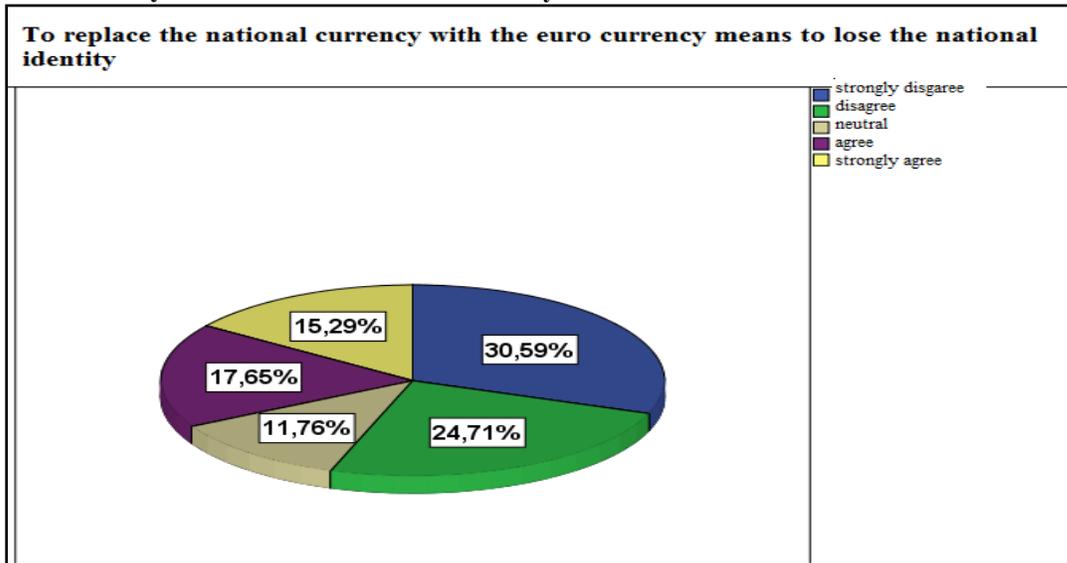
Graph 2. The answers of the respondents to the question "The adoption of the euro currency has positive effects on the living standard of the Romanian citizens"



Source: our own processing

Also, according to the results, there is no significant statistical data between the trust showed to the adoption, by Romania, of the euro currency, on one side, and the gender of the person, on the other side. Our results are in harmony with the euro barometer published by the European Commission in May 2018, according to which the number of Romanians that favors the adoption of the single European currency increased from 64% to 69%, in the last year. As it may be noticed in graph 3, only 32.94% of respondents associate the adoption of the euro currency to the loss of national identity.

Chart 3. The answers of the respondents to the question "To replace the national currency with the euro currency means to lose the national identity"



Source: our own processing

Only 27.06% of total respondents know, for example, that euro coins look differently, depending on the country, having national sides, even if 45.88% declare that they have been using banknotes and coins for a long time. Also, only 18.82% of the respondents are informed regarding the date Romania will adopt the euro currency, fact which shows that the public is not informed regarding that subject.

5. CONCLUSIONS

This article analyses the presupposed effects of creating the euro zone in Romania, with a special accent on the way in which common people perceive the adoption of the single currency. Our empirical evidence suggests the fact that the correct and complete information of the population brings an extra bit of confidence in the phenomenon of replacing the national currency with the single European currency. While, in the first part, the analysis focuses on the measure in which Romania gets closer to meeting the convergence criteria, in the second part, the empirical analysis explains the way in which common citizens perceive the information regarding the adoption of the euro currency and the abandonment of the national currency. Reflecting at the studied cases, we may conclude that, in order to understand the sense of the change, the adoption strategy must be accompanied by information campaigns which offer realistic perspective regarding the results of the euro adoption.

The main conclusion is that the general expected effect is strongly positive in the case of Romania. Thus, the positive gain from the euro currency adoption seems to be connected to expectations such as the increase of the population's living standard and the maintenance of prices stability.

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