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Reflections on the Essay 'Thoughts on the Dilemma of When to Introduce the Euro in Hungary' by Péter Gottfried*

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The Our Vision section in the September 2021 issue of the Financial and Economic Review included an essay by Péter Gottfried, member of the Monetary Council of the Magyar Nemzeti Bank (the Central Bank of Hungary, MNB), entitled 'Thoughts on the dilemma of when to introduce the euro in Hungary'. This article is a response and supplement to that essay's arguments and conclusions. In accordance with Article 140(1) of the Treaty on the Functioning of the European Union,[1] the European Commission (EC) and the European Central Bank (ECB) shall report to the Council on fulfilling the conditions of introducing the euro, at least once every two years. However, Péter Gottfried's essay is deliberately not about this; instead, it makes important points about when and under what conditions the obligations regarding euro introduction should be fulfilled if Hungary already meets the conditions. It is high time to consider this, in particular for two reasons: on the one hand, Croatia, which joined the EU later than Hungary, and possibly even Bulgaria, may join the euro area soon, reducing the number of countries staying outside to five. On the other hand, Sweden became an EU member nine years before Hungary: it has the same obligation to introduce the euro and fulfils practically all of the criteria for joining the currency club, but still does not plan to introduce the euro in the foreseeable future. The analysis is also timely because we now have a perspective of two decades, and it could and should be assessed to what extent the euro has met expectations, and how the exit of the United Kingdom, as the internal 'opposition' to deepening the Economic and Monetary Union (EMU), is shaping the future of the EMU.

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[1] *Treaty on the Functioning of the European Union.* https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3A4301854. Downloaded: 9 November 2021.

1. Introduction

Gottfried opens his essay with a serious remark: '*The downward trend in the share of the EU and the euro area within the global economy and world trade has not stopped, and no convergence within the euro area has been accomplished*' (*Gottfried 2021:112–113*).

He is completely right that the economy of the European Union, together with the euro area within that, has undergone momentous changes in the past two decades since the introduction of the euro, and due to this the reasons for the euro introduction have inevitably changed or been put in a new perspective. Therefore, the transformations that occurred, the current situation and the expected avenues of development in integration should certainly be assessed when considering the timing of adoption. In this process, the fact that the share of the EU and the euro area in the world economy and world trade has continued to shrink since the introduction of the euro does not seem to be a decisive factor, as even at the outset it was predictable that maintaining or even increasing the share of the euro area in the world economy and world trade could not be a long-term objective. Not least because the demographic conditions of the EU and the ascent of large Asian economies, such as China and India, which had already begun by that time, have foreshadowed the gradual decline in Europe's significance in the global economy. Nevertheless, the introduction of the euro has produced some advantages, for example, while the EU's current stake in world trade amounts to 17 per cent, the euro represents 21 per cent of the world's reserve currencies (*IMF 2021*), which is higher than the combined share of the 'forerunner currencies' in 1998 (*Eichengreen – Mathieson 2000*). Of course, the initial hope that the introduction of the euro may reduce the dominance of USD was shattered quickly, as the share of USD among reserve currencies has not declined at all since 1998.

It is also completely true that convergence among the euro area regions has not progressed much. Another pressing issue, which was, however, not highlighted in Gottfried's essay, is that since 2008 the euro area has grown by less than half as much as the USA. The primary reason behind the slow growth of the euro area is the moderate expansion of capacities on the supply side, mainly caused by the continued decline in the working-age population and the anaemic increase in total factor productivity. Looking ahead, the signs are not very promising: the demographic dependency ratio is expected to double in the EU by 2080. In theory, this problem could be alleviated by immigration, but there are major obstacles to this in several countries, and it can also have undesired social and economic consequences. As regards productivity, the problem is that the EU continues to lag far behind the USA and China in innovation, in particular in terms of digitalisation, even though the main theme of the Lisbon Strategy of March 2000 was to catch up with the US economy in creating and using new technologies.

2. On the reasons behind the euro introduction

The author's arguments are strongly influenced by the fact that the creation of the euro was shaped by political considerations at least as much as by economic ones. The fall of the Iron Curtain and the imminent prospect of German reunification and the slightly more distant perspective of uniting Europe did indeed raise the issue of the European balance of power once again, and rightly so. It was mainly the French who worried whether the new circumstances would lead to German dominance that could jeopardise the new-found stability, based on the assumption that Germany would gain strong influence in the Central and Eastern European region. Therefore, the French wanted some kind of guarantee that the changes would not disturb the balance. The common currency was considered to avert this threat and to be a condition that would ensure, like a steel hoops on barrel, lasting cohesion under the new circumstances, at least in Franco–German relations.

However, the birth of the euro was strongly influenced not only by French worries but also by German considerations. German Chancellor Helmut Kohl believed that the introduction of the euro was necessary for the acceptance of the reunification of the two German states, and also vital for preventing Germany's main European trading partners from devaluing their national currencies and thus securing an advantage against German products.

Hence, both influential European leaders had some kind of underlying motive for creating the monetary union, which they launched despite the warning of several economists that the European Economic Community did not constitute an 'optimum currency area'. Although the power of the initial motives has faded since then, the euro itself continues to keep the euro area together as a real barrel hoop. For example, in connection with the economic difficulties of Greece and Italy, the idea has been floated on several occasions that their chronic balance issues could be reduced considerably by leaving the euro area, but these proposals were always rejected, as an exit could cause turbulences that would lead to an even greater crisis, instead of bringing the desired improvement.[2]

The uniqueness of the euro lies in the fact that it was established as a currency without an underlying unified state structure. Economists used to consider money to be a feature, and even property, of the issuing state, but the euro became the currency of the European Economic Community without its own fiscal backing, and this later turned into the source of apparently unresolvable issues. Because when a crisis was unfolding in the euro area, it was hard to determine whether the

[2] Reality resembles the idea that, according to many economists, was best captured in the final stanza of 'Hotel California' by the Eagles: 'We are programmed to receive. / You can check-out any time you like, / But you can never leave!', Source: Hotel California lyrics. https://genius.com/Eagles-hotel-california-lyrics. Downloaded: 9 November 2021.

problems arose from the above-mentioned shortcoming of the common currency (which could have been tackled by completing the institutional system, in other words by creating the fiscal background), or whether they only followed the pattern of the disruptions in international capital flows.

Another design flaw of the euro area is rooted in the fact that EU Member States have vastly different conceptions and perceptions regarding the process and development of integration. The integration vision of Germany, or, more broadly speaking, northern countries, is based on consistent and strict compliance with the rules, while France and the southern countries place more emphasis on the necessity of flexibility, adaptability and solidarity. The northern attitude prevailed during the creation of the euro, and this determined the actual policy preferences. The rule-based approach assigns importance to avoiding devaluation and insolvency, and it is wary of using fiscal relief packages due to moral hazard. Based on these considerations, in accordance with Article 125 of the Treaty on the Functioning of the European Union, the Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State, and Member States shall not be liable for or assume the commitments of other Member States. Moreover, the ECB and the Member State central banks may not provide direct loans to the public sector of the EU and Member States. With respect to debt instruments, securities issued by the public sector may not be purchased on the primary market, and purchases on the secondary market may not be used to circumvent this prohibition. The ban on monetary financing, however, led later to a negative feedback loop ('vicious circle') between banks and the general government in southern countries, because large volumes of the national government bonds financing the budget deficit were amassed on the balance sheets of Member States' commercial banks (taking advantage of the general 0 risk rating of government securities), and 'in return' governments with a weak general government bailed out the banks that faced difficulties as government securities became illiquid.

According to Gottfried, '*The so-called New Hanseatic League led by the Netherlands is making some efforts, but the coordination and influence of the German–French–southern group seems to be increasing. At the same time, difficult compromises need to be forged in issues, such as the appropriate ratio of preventing and sharing financial risks or the method and extent of solidarity.*' (*Gottfried 2021:115*)

Unlike Gottfried, I cannot observe a rise in the coordination and influence of the German–French–southern group. Later, the author himself points out that '*Germany and the like-minded Netherlands, Austria, Finland within the euro area, as well as Sweden and Denmark outside the club use a market economy model based on solid public consultation...*' (*Gottfried 2021:120*). This is reflected in the fact that Germany paid lip service to Emmanuel Macron's European policy initiative from

September 2017, at least with respect to the reasonable proportion of preventing and sharing financial risks as well as the method and extent of solidarity, without really embracing it, and it was similarly reserved about the French president's vision about the 'European Renaissance', as spelled out in an open letter to European Union citizens in March 2019. Of course, in theory the attitude of the new government to be formed after the latest German elections may change, but one should not forget that the 2022 presidential elections in France could change the French stance.

I completely agree with the author that *'it would be interesting to examine the patterns outlined based on the experiences so far that can be useful for the future. Is the oft-cited pattern true that the euro has divided members into two groups: the southerners with recurring balance issues and the westerners with permanent balance of payments and trade surpluses?'* (*Gottfried 2021:119*)

3. Structural differences between the 'South' and the 'West'

According to the Polish-born Jan Zielonka, professor of political science at Oxford University, the European Union has no strong and coherent sense of cultural identity, and there is even less of a European *demos* or *patria* (*Zielonka 2005:4*). To make matters worse, the monetary union comprises countries that are at different stages of political development and have different economic policy structures. It follows from the above that most of the issues faced by the euro area arise from the differences in the institutional background across Member States rather than from asymmetric economic shocks, as assumed by the theory of optimum currency areas. This makes it difficult to consistently implement the Stability and Growth Pact adopted in 1997 to facilitate the introduction of the common currency. Of course, many people hope that these institutional differences within the economic and monetary union will gradually disappear, but as the institutional set-ups are based on historical traditions, reforming and harmonising them will be a challenging and lengthy process.

The most important difference setting apart the 'coordinated market economies' of 'northern' Member States, including Germany, Belgium, Austria, Finland and the Netherlands, from the Mediterranean countries, including Spain, Portugal, Greece and Italy, along with France, which usually sides with them, is in the cooperation between employer and employee organisations and the government. Germany is a prime example of the northern European economies that can control unit labour costs to promote exports thanks to the agreements between the strong, sectoral labour unions and the solid employer associations, as social partners are accustomed to discussions aimed at reaching a consensus. However, southern Europe has a different market economy model. In Greece, Italy, Portugal, Spain and even in France, employers' advocacy groups are often weak and face politically connected trade union confederations, which are, however, often pitted against each other. Although social pacts are made between the two sides with the cooperation of the government, no permanent wage agreement can be hammered out based on a solid arrangement. As a result, foreign competition limits wages in export industries, while wage demands can hardly be restrained in the sectors that are not open to competition, and this eventually pushes up unit labour costs in the economy as a whole, thereby undermining the competitiveness of exporters. This is exacerbated by the fact that southern countries usually do not have a vocational training system of sufficient quality that would facilitate production with high value added as well as continuous innovation. Therefore, in southern countries many exporting companies competed with goods produced by relatively cheap and unskilled labour, but their export capability eroded severely after 1989, first by the competition that arose with the firms from candidate Central and Eastern European countries, and later with the cheap and qualitatively competitive supply from Asian countries. Accordingly, the generation of external revenues became strongly influenced by tourism, which builds on natural and cultural heritage and resources, and this created a special dependence on the tourists arriving from northern countries and the rest of the world.

Obviously, the monetary union has different consequences for the two different market economy models presented here. Within the EMU, the northern countries that had introduced the euro were able to continue their long-standing export-led growth strategy. Moreover, after adopting the euro, their southern neighbours were unable to offset their competitive disadvantage caused by wage increases with devaluation, and in fact, this even benefitted the northerners because it 'curtailed' the appreciation of the (external) exchange rate of the euro. As a result, the trade surplus of the 'Northern League', and in particular Germany, began to soar both within and outside the EU. The ramifications of all of this led to an exchange of accusations between the two country groups after the euro crisis erupted.

I also agree with the author that it remains to be seen how to enforce the consistent compliance with the rules in the Stability and Growth Pact, especially in the case of large and influential countries, even though in the absence of a fiscal union, the key to the monetary union's stability is disciplined fiscal policy. However, this means that not every rule can be enforced in smaller and poorer Member States. Evidence shows that Orwell's *Animal Farm* rule applies here as well, namely that *'All animals are equal but some are more equal than others'.*[3] For example, in the case of France, the excessive deficit procedure has been on the table since 2003 with the exception of five years, but the Commission has always approached the repeated breaches of the deficit and debt limits benevolently and sympathetically.

[3] Orwell, G. (1996): *Animal Farm: A Fairy Story,* Houghton Mifflin Harcourt, Chapter 10

The situation was similar with Germany in 2002–2003, when the country, which was ailing at that time, also received a 'compassionate' exemption from meeting its obligations. Other countries that found themselves in dire straits did not enjoy the same favouritism.

4. What can be learnt from others in connection with Hungary's euro adoption?

What conclusions can be drawn from this for Hungary's euro introduction, Gottfried asks. He claims that the answers can be found in three dimensions:

1. the further development of the euro area's structure,

2. the impact of introducing the euro on Hungary's European policy,

3. the cost–benefit calculation of the direct material effects of joining.

It is worth taking a closer look at the benefits of euro adoption for Hungary, based on the three aspects proposed by the author.

Since the introduction of the euro, it has not been proven that simply being part of the euro area confers a sort of higher quality upon the members, and that it would be definitely negative to stay outside and certainly positive to join. This is because countries can improve their economic structure while staying outside, and they can also lag behind as members, since it is not primarily the currency that determines which countries become winners or losers in the long run. For instance, according to the analyses by IMF staff in connection with exchange rate regimes between 2003 and 2016 (*Bakker 2017* and *Belhocine et al. 2016*), there were no major differences in terms of the average growth rate between euro area members, or countries using an exchange rate regime pegged to the euro and those with a flexible exchange rate regime. For example the data from Sweden, the Czech Republic and Poland all show that 'there is life outside the euro area'. Staying outside does not necessarily hurt large exporting firms, because they usually use the euro for settlements among each other and their foreign partners, so they can avoid most of the exchange rate risk and the costs of FX conversion, and they can also take out EUR-denominated loans with favourable conditions, as most of their revenue is generated in that currency. On the other hand, in the sectors where revenues and incomes are generated in the national currency (e.g. HUF), such as in the case of households, the negative experiences have led to an almost complete elimination of FX debt. Companies that produce goods or services for the domestic market can obtain sufficient loans in the national currency and the FX debt of general and local governments has also considerably diminished. Granted, these countries continue to face an exposure to exchange rate risk due to imports, but its extent has proven to be mostly manageable. Evidence suggests that the countries outside the euro area that are using a flexible exchange rate regime were better able to adapt to external shocks and thus grow somewhat faster. Recently, they have also been able to better deflect the deflationary pressure 'imported' from the euro area. Of course, this comes at a price, as they have a slightly higher inflation rate and convergence as measured in purchasing power also takes longer.

Sweden serves as an especially instructive example for those staying outside. A report commissioned by the Swedish government and prepared under the leadership of Lars Calmfors in 1996 (*Calmfors 1996*) was convincing readers that the arguments in favour of postponing the early adoption of the euro, in 1999, were much stronger than those supporting the quick introduction. Shortly before joining the EU, Sweden experienced a deep recession, with GDP declining by 5 per cent, unemployment surging to 9 per cent and the budget deficit jumping to 13 per cent of GDP in 1993. The most important disincentive was the risk of growing unemployment and budget deficit. Between 1991 and 1993, relative unit labour costs dropped by 20 per cent, which was primarily due to the devaluation of the Swedish krona. This made joining the avant-garde project of the euro too early unreasonable, as it would have forced the country, in which full employment was a traditional political priority, to tackle any arising asymmetric shocks with a very limited set of monetary instruments. At the same time, the report proposed to leave the door open to joining the euro area, pointing out the numerous potential drawbacks of staying outside the EMU, such as political marginalisation, unfavourable exchange rate fluctuations and the higher transaction costs of trading with the euro area. After the economic rationale behind the initial reserved stance disappeared, the government let the public make the final decision in a referendum held in the autumn of 2003. The results reflected the rejection of the idea, with 55.9 per cent of voters against adopting the euro and only 42 per cent in favour of doing so. According to exit polls, the distribution of the votes was a clear indication of the expected advantages and burden of joining as experienced by the different social groups. The 'no' votes dominated among voters employed in sectors protected from competition, such as the public sector, as well as low earners, the unemployed and the low-skilled, in other words among the groups that depend on public sector transfers. The 'yes' votes were predominant in the private sector, regions that had experienced rapid growth and among high earners and the highly skilled (*Jonung 2004*). The Swedish economy performs well even despite the country staying out, and it weathered the euro crisis with low unemployment and a balanced budget. Therefore, no binding referendum was demanded by the central bank, which had been a strong advocate of euro adoption (*Heikensten 1999*), or the influential large enterprise sector, because in 18 years no new strong arguments emerged that would have changed the opinion of voters. This is indirectly attested by the regular surveys prepared by Statistics Sweden (SCB), according to which since 2009 majority of Swedish respondents have continued to believe that the euro should not be introduced.[4]

As supported by the example of Sweden, Gottfried was right to state that *'the introduction of the euro not only means a safety net but also the narrowing of the nation's room for manoeuvre. The question is whether the country believes that it can implement the necessary changes better and faster alone, rather than as part of a system with numerous participants. Furthermore, time is of the essence. If the external vulnerabilities can be reduced rapidly, the chance of success while staying outside is greater, but if not, it is better to choose the "common roof" that provides greater security.'* (*Gottfried 2021:124–125*)

The experiences of the Central and Eastern European countries that have joined the euro area show that they did benefit from the savings arising from lower transaction costs and exchange rate risk. Moreover, several governments promised people that their savings would retain their value and tourism would receive a boost from the elimination of exchanging money due to the euro introduction. Besides the above-mentioned considerations, in smaller economies, joining the euro area quickly was also justified by the fact that for them maintaining a flexible exchange rate policy is more difficult than for larger countries. This seems to be confirmed by the fact that since 2004 only smaller economies have adopted, or planned to adopt, the euro. The example of Slovenia and the Baltic countries also shows that those that joined early, in the 'sunny' period prior to the 2008–2010 crisis, were forced to endure a painful internal devaluation, by reducing wages and annuity benefits in nominal terms, during the euro crisis. In Slovakia, domestic political tensions ensued because the country had to contribute to the costs incurred from the Greek crisis, even retroactively, after joining the euro area. The data show no significant economic benefits in any country that joined the euro area, so the decision was justified more by political and/or social and psychological factors. These included the desire to be completely free from Russian economic influence in the Baltic states, the hope to shake off the legacy of Mr Mečiar's 'legacy' in Slovakia, or the gradual deterioration of the initial 1:1 exchange rate between the Slovak koruna and the Czech koruna, which could only be halted by introducing the euro. The importance of social and psychological factors can be seen in the fact that in Croatia and Bulgaria, which are on the brink of adopting the euro, public support for the introduction is lower than for example in Hungary or Romania. This seemingly paradoxical phenomenon is most probably explained by people's worries about upwards pressure on prices, as seen elsewhere after euro adoption (*European Commission 2021*).

[4] *Sweden and the euro*. https://en.wikipedia.org/wiki/Sweden_and_the_euro. Downloaded: 20 November 2021.

In the case of Poland and the Czech Republic, most economic policymakers and analysts explain 'staying out' with the incomplete real convergence to the euro area and the persisting structural differences. Furthermore, officials from both countries also claim that the introduction of the common currency not only brings expected benefits but also obligations, the burden of which needs to be taken into account when deciding on the timing of euro area accession. For example, the capital contribution to the European Stability Mechanism should be considered, as should banks' contribution to the Single Resolution Fund, and countries would even have to relinquish their independent banking supervision system before joining the euro area, i.e. before banks become eligible for refinancing by the ECB.

In every country, support for any new step towards integration depends on the expectations regarding the impact on the economy and the standard of living in the long run: in other words, whether the deepening of integration brings long-term benefits even if it requires temporary sacrifices from certain groups. Right now, the governments of both countries believe that joining the euro area quickly would provide scant economic benefits, while the tangible costs seem to be hardly negligible. Therefore a 'wait-and-see' approach is considered as the best option in the present situation. This is consistent with the public's opinion in both economies that their countries are less than prepared for the euro introduction. However, the Polish seem to be much more open to euro adoption than the Czech. The difference between the two countries can be attributed to the different level of fears about price hikes induced by adoption (*European Commission 2021*).

5. The relationship between the expected development of European integration and euro introduction

The 'wait-and-see' approach applied by the Czech Republic and Poland seems to be reasonable also because *it is still unclear in which direction European integration, and in particular the euro area, will develop from here.* According to many politicians and renowned economists, there are several arguments in favour of conferring unprecedented fiscal powers on Brussels. Undoubtedly, many supporting economic reasons can be found for having a larger community budget and greater common risk-taking than now. However, considering the present structure and modus operandi of the European institutions, the legitimacy of further centralisation is highly questionable from a democratic viewpoint.

Nevertheless, the proponents of fiscal centralisation believe that the exceptional shared risk-taking under the NextGenerationEU programme and the related delegated power to collect own revenue was a progressive and historic step. Yet, the one-off measures taken on an ad-hoc basis to alleviate the negative economic effects of the coronavirus pandemic are a far cry from completing the fiscal union that is considered a necessary supplement to the monetary union. None of the ideas floated so far about transforming the European Union or the euro area into a supranational democracy seem to be politically viable in all Member States right now. (One important lesson may be learnt from the referendum on a Treaty establishing a Constitution for Europe in 2005, which failed in the northern countries of Netherlands and Luxembourg as well as in France, which usually sides with southern countries, even though all three were founding countries of the European Economic Community in 1958.) In the absence of truly European political parties and efficient political competition among them, even the most ambitious plans for making the operation of European institutions more democratic offer only insufficient guarantees regarding accountability towards voters. Moreover, based on the experiences about the management of the euro crisis and the current coronavirus pandemic, the political support for conferring further powers on European institutions, such as the European Commission or the European Parliament, promises to be quite low.

This seems to run counter to the fact that in surveys most Europeans citizens continue to prefer the euro and EU membership. However, nowadays this support is not based on the experienced advantages, but rather on feeling the 'side effects' of Brexit on the one hand, and the fear that certain Member States and their citizens would suffer heavy losses in the event of the break-up of the euro area on the other hand. The experiences from the embarrassing negotiations during the euro crisis have already crushed the hope that using a common currency is a win-win game. Many citizens worry that any tangible benefits from an EU-level economic policy could only be gained after decades of conscious efforts (and smaller Member States do not seem to be certain about this either). This is not entirely false conclusion: the responses to the euro crisis and the pandemic have rather resembled a zero-sum game in which the benefits, risks and costs of new initiatives are distributed unevenly among the participants. No wonder that Member States are currently palpably less keen on further deepening the economic and political integration, and the influence of Eurosceptic parties has increased. In the foreseeable future, it will be difficult to acquire majority support for amending European treaties, and without that no qualitative changes can be introduced to integration.

Nonetheless, doubts not only arise in connection with the visions about the future of integration, but also in relation to how the central bank of the euro area, the ECB, will be able to phase out its bloated government bond purchase programmes, including the pandemic emergency purchase programme (PEPP) launched in 2020. Especially because these programmes offer almost infinite funds, and their allocation was not bound by either Member States' share in the ECB's capital, or by some proportionate cap on the bonds issued. Moreover, the ECB practically eliminated the role of the market in issuing government securities by Member

States with weak budgets, and many of those bonds ended up in the ECB's portfolio. Governments under pressure could increase their spending and debt beyond the limits of the Stability and Growth Pact, and also beyond their financial liability based on their capital share. It should also be borne in mind that over-indebtedness mainly characterises the euro area countries: the debt-to-GDP ratio was 75.9 per cent in the EU, while it was 85.8 per cent in the euro area at the end of 2020. Although every Member State was given a temporary exemption from the requirements of the Pact, and after the grace period the debt ceiling will likely be reviewed in some form, the massive debt portfolio will still remain in place. Some of the accumulated risks will also affect the new joiners of the euro area, while the concessions received in exchange are yet to be seen. To make matters worse, the ECB has gradually reduced its key interest rates since June 2014, before reaching –0.5 per cent with the deposit facility in September 2019. This was mainly intended to stimulate the lending activities of the euro area banks and thus boost the economy (*Schnabel 2020*). However, this interest rate policy had a side effect: it meant a huge income transfer at the expense of savers and benefitting debtors, in particular greatly reducing the interest expenses in the budgets of overindebted Member States. However, the consequences of the coronavirus pandemic, including the appearance of pent-up demand and the entailing overshooting of the ECB's inflation target in the euro area, do not allow this interest rate policy to be pursued much longer, which will inevitably increase the risks of the bloated debt pile. All in all, joining the euro area does not seem to be a favourable prospect for the time being.

6. Conclusions for Hungary

Due to the above, it is doubtful whether Hungary and the four countries outside the euro area (not counting Croatia and Bulgaria that are set to join the club soon) would benefit from joining in the immediate future. As Zsolt Darvas and György Szapáry already warned 13 years ago, *'the initial level of economic development as measured by per capita income and the speed of real convergence have a bearing on the strategies to follow and on the timing of entry'* (*Darvas – Szapáry 2008:833*).

The ideal time to join will come when Hungary's international competitiveness has converged to at least the top third of the Member States, and when the euro area has tackled its accumulated problems, making the concrete conditions and expected consequences of joining predictable. However, all of this may take many years. The citizens of the countries outside the bloc have a down-to-earth sense of the lengthy process of joining: according to a Eurobarometer survey, four out of ten respondents believe that the euro will be introduced in their country in ten years, and 17 to 51 per cent think that it will not be introduced at all (*European Commission 2021*).

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