

# **Euro and the Czech Republic - the benefits and pitfalls of the euro currency**

## **Abstract**

The thesis focuses on possible benefits, hazards and costs which could rise up from the entrance of Czech Republic to the Euro Zone and implementation of euro currency. The aims of the thesis are as follows:

- to acquaint the reader with the history of the monetary and economical integration in the Europe after the second world war to the present time;
- present the criteria of the nominal and real convergence used to determinate the level of convergence between states, assess the level of convergence reached by the Czech Republic in relation to the Euro Zone; and
- present the possible benefits hazards and costs of the introduction of the euro.

To achieve the abovementioned aims, the method of analysis, synthesis, comparison and description was used.

The content of the thesis is divided to five major chapters. The first chapter contains the history of the monetary and economic integration in Europe after the second world war starting with the establishment of the Council of Europe up to the acceptance of the Maastricht Treaty, establishment of the monetary and economic union – the Euro Zone and introduction of the euro in its member states. The second chapter introduces the nominal convergence criteria defined by the Maastricht Treaty and assesses the current fulfilment of these criteria by the Czech Republic. The third chapter presents the real convergence criteria formulated by the Theory of the optimal currency areas. First, it predominantly presents the individual criteria and consequently it assesses the level of fulfilment of these criteria by the Czech Republic in relation to the Euro Zone. The fourth chapter highlights the possible positive impacts of an implementation of the Euro in Czech Republic. These ones are sorted according to the specific groups of society in Czech Republic they might affect. The fifth chapter deals with the possible hazards and/or costs of the introduction of the euro. These possible negative impacts of the introduction of the euro in Czech Republic are then sorted again according to the specific group of society that might be affected by them. This chapter also proposes some precautions aimed to prevent and/or minimize the hazards and costs of the introduction of the euro.

**Keywords: Czech Republic, Euro Zone, euro**