

Abstract

This thesis estimates the effect of Euro adoption on newest Eurozone members using synthetic control method. The effect is estimated on income per capita and GDP growth. Estimates indicate overall indecisive effect for Slovakia and Malta, neutral effect for Estonia and negative effect for Slovenia and Cyprus. The cost of Euro for Cyprus is estimated to be as high as 1/3 of GDP per capita. In some cases the direction of the effect changed before and after the financial crisis. The quality of inference suffers from low number of observations. Methodological assumptions are discussed, concluding that quality of Eastern European time series likely causes substantial bias in the results.