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Sustainable convergence achieved using the euro: Maastricht 2.0

The 2008 crisis has clearly demonstrated that in their current form the Maastricht criteria are insufficient for the successful adoption of the euro, and therefore they require a thorough revision. After two decades, with the euro reaching the 'age of maturity', it is time to review the possibilities for improvement. Part of the current criteria could be kept in place with some fine-tuning; those, however, that do not seem to give firm feedback for candidate countries on the timing and the state of preparedness for euro adoption should be reconsidered. To achieve this, new real convergence criteria should also be considered, in addition to the nominal ones, which will ensure that no divergence develops between members within the currency area.

Indicators of economic maturity are of paramount importance within the enlarged set of criteria. A sufficient level of real economic development is essential so as to ensure that the inflation surplus arising from convergence is as small as possible and the common monetary policy result in similar policy stances across the euro area. Appropriate harmonisation of business and financial cycles should also be highlighted, as this will ensure that a candidate country and the euro-area economy respond similarly to various effects. At the time of entry into the euro area, the SME sector should also have reached a sufficient level of development, in addition to the economy as a whole, which can be attained with a high degree of competitiveness and productivity. Regarding competitiveness, it is important that a given country's exports are sufficiently diversified and have high value added regionally and in terms of product mix.

A appropriately developed financial system is also a priority from the perspective of euro adoption. Part of the issue is a sufficiently deep financial sector, which, while ensuring stable funding, prevents growing capital flows from leading to excessive lending and procyclical economic processes. Competitiveness is also a key element for the financial system. If the competitiveness levels of the domestic and foreign financial institutional systems were converging, this would contribute to preserve stability.

Last but not least, an adequate set of stabilisation instruments must be readily available within the euro area. With the abandonment of independent monetary policy and in the absence of substantial fiscal transfers within the area, the room for fiscal manoeuvre grows in importance. Achieving the fiscal parameters requires appropriate timing: a candidate should join the euro area with ample room for fiscal manoeuvre, low deficit and debt ratio, when there is no cyclical unemployment. If these conditions are met, anti-cyclical policy and the room for fiscal manoeuvre required in the euro area both will facilitate the path to a balanced budget. In addition, member states wishing to join the euro area should have macro, microprudential as well as resolution tools capable of minimising the risks of asymmetric shocks, which will help increase the efficiency of the single monetary policy.

It is fundamental for every participant to improve the Maastricht criteria. By meeting the revised criteria, proposed by the MNB, the euro area may be enlarged with well-prepared countries in the future, while the growth path of new entrants will be maintained even within the euro area, and the new members may also share the benefits of the single currency. Maintaining sustainable growth is the ultimate goal for every new entrant, of which the euro is only one, though important, milestone. The proposal outlined provides a good basis for reforming the criteria, which is intended to contribute to the dialogue on the future of Europe in a constructive way.