

**EUROPEAN CRISIS: MONETARY DISINTEGRATION AND ITS
IMPACTS ON THE CZECH REPUBLIC**

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Abstract

When entering the EU, the Czech Republic committed itself to introducing the euro in the future. Even though changes in the EMU and current problems in the Eurozone may somehow weaken this commitment, the current situation is affecting the Czech economy seriously enough to warrant a more detailed look at the impacts of Eurozone development scenarios and to re-examine the Czech position towards the EMU and its possible successor. The study recognizes that due to deep interconnectedness of EMU countries it is currently almost impossible to predict the impacts of the possible Eurozone disintegration. Nevertheless, it is likely that the Czech Republic would suffer a larger drop in production and increase of unemployment than in 2009. The study presents a projection (based on an econometric estimate), according to which the drop of GDP is estimated at 4.5 percent in the early 2012 (but in all likelihood the slump would be even worse). From this follows, that it is important for the Czech Republic to support the Eurozone's survival, provided there is a trustworthy stabilization plan and a long-term reform agenda on the table. Even a financial contribution is legitimate, because the Eurozone's disintegration would have a very serious consequences for the Czech economy, including in fiscal terms. If the Eurozone survives and Germany remains a part of it, it is still probably more advantageous for the Czech Republic to enter the Eurozone or become a member of a smaller monetary union together with Germany.

[Download](#) the complete study (in Czech only).

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