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**THE ADVANTAGES OF AN INDEPENDENT CURRENCY FOR
MITIGATING THE ECONOMIC IMPACT OF EXTERNAL SHOCKS
USING THE EXAMPLE OF THE CORONAVIRUS PANDEMIC: A
COMPARISON OF THE CZECH REPUBLIC AND SLOVAKIA****Abstract:**

The content of the paper defines and characterizes five key arguments for why, given the absence of an optimal monetary area, it is advantageous for an economy to be able to dispose of its own currency during periods of crisis, such as the current coronavirus pandemic. The article bases its arguments on the optimal currency area theory and the Mundell-Fleming model. The analytical part of the article approaches the example of the Czech Republic and the Slovak Republic, a well-matched comparison given that they are both small open economies with a common history but also because they faced the coronavirus pandemic at the same time and were affected to a similar extent. Unlike its Czech neighbour, the Slovak Republic adopted a single currency, the Euro, in 2009 and therefore became a member of the eurozone. Therefore, the use of its own currency to mitigate the coronavirus pandemic effects can be approximated by comparing the two countries. The analysis in this article results in the identification of the following five arguments for the advantage of having an independent currency: 1) absence of an optimal monetary area in the eurozone, 2) an independent monetary policy, 3) foreign trade support, 4) mitigating the effects of the coronavirus pandemic on price level changes, 5) supporting domestic production and services. The coronavirus pandemic has deepened the already existing problems of the eurozone and has clearly demonstrated the benefits of maintaining an independent currency in the case of the Czech Republic.

Keywords:

Monetary union, Czech crown, Euro area, International trade, Czech Republic, Slovakia, COVID-19, pandemic crisis

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