Eurization in Montenegro: 
Advantages, Weaknesses And Economic Implications

(summary)

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ABSTRACT

Complete dollarization/eurisation is a relatively rare phenomenon, but in the last few years it has drawn a lot of attention, and an increasing number of papers have been dedicated to this problem, and the number of countries that decide to take this step confirms this. The degree of dollarization can be best verified by the fact that some two thirds of the USD issue are held outside the USA. This paper discusses the benefits and weaknesses of dollarization, both theoretically and on the basis of the experience of eurised/dollarized countries.

The paper especially deals with the case of Montenegro. The contents of this analysis are the history of the monetary system in Montenegro, the determining factors regarding the Euroisation of Montenegro, and a comparison of economic performance. Special attention has been devoted to the achieved economic performances in period in which the Eurization has been implemented.

The conclusion is that dollarization creates the prerequisites for accelerated economic growth, but in no way can it be treated as a substitute for economic reforms.

Key words: Exchange rate, Eurization, Monetary policy, Montenegro.

Jel Codes: E40, E42, E52, G28.