

The euro: blessing or curse for european firms discuss

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THE EURO: BLESSING OR CURSE FRO EUROPEAN FIRMS Introduction As Buti et al. d in their studies, the euro has brought about numerous advantages as well as disadvantages for firms located within the euro zone. This essay will discuss some of the disadvantages as well as advantages for the European firms, and is beneficial to note that the overall advantages outweighs the disadvantages therefore, the euro is a blessing to the European firms.

Disadvantages of the euro to the European firms

Baldwin and Wyplosz (2004) lamented that the problems associated with the Euro mainly arise from the fact that the seventeen countries, which make up the euro zone, do not have a strong federal or unified central government for the euro zone. Mayer (2012) states that this creates two speed economies within the euro zone, whereby there are difference in laws, productivity levels, economic growth, and inflation indices in the member states (Marsh, 2011). The European firms will be disadvantaged by this fact since the European Central Bank will enforce a single interest rate that will be applicable in all member states, and this greatly affects firms in weak economies such as Greece but favors firms in strong economies such as Germany. Therefore, the euro brings inequality in terms of competition between the European firms (Overtveldt, 2011).

Advantages of the euro to the European firms

First, Peebles (2011) stated that the Euro has benefitted the trade between European firms due to elimination of exchange rate fluctuations, thereby eliminating hurdles that firms in different countries usually face as they try to guard themselves against exchange rate loss. Secondly, Buti et al. (2010) stated that European firms as well as consumers benefit from the euro since

price comparison in different countries is easy due to the single currency. According to Levin (2001) European, firms also enjoy low transaction cost while doing trade within the euro zone, as there is no need for currency exchange and this has led to increase in market for all the European firms.

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