

# [The idea behind a common currency for the countries of europe](https://assignbuster.com/the-idea-behind-a-common-currency-for-the-countries-of-europe/)

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The paper " The Idea behind a Common Currency for the Countries of Europe " is a good example of a report on finance and accounting. Established as an accounting currency in 1992, Euro became widely adopted as the national currencies of 12 member states of the European Union ten years later. The emergence of the Euro as the only currency for the entire European Union was aimed at contesting the dollar in its monopoly in the international scene. The dollar has been dominating the global markets, replacing the Pound Sterling ever since the end of the First World War. The idea behind a common currency for the countries of Europe was to do away with foreign exchange fluctuations in trade between the member countries of the European Union. This would mean hitherto unprofitable trade ventures can prosper under a single currency, and the member countries can raise their economic standards. The Euro was brought in as a replacement to the European Currency Unit (ECU), and when the notes and coins went into circulation in 2002, on the 1st of January, its value was at one-to-one equivalence with the ECU. The Euro is managed and maintained by the European Central Bank and the European System of Central Banks, and it mints coins and notes for all the 12 member countries, which are collectively known as the Euro Zone. Britain chose to stay away from adopting the Euro as its national currency. Even when other European countries like Austria, Germany, France, Belgium, Finland, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, and the Netherlands converted to the common currency from 2002 onwards. The United Kingdom is still debating about currency conversion, weighing the pros and cons, and trying to decide whether it will prove to be advantageous or disastrous. This paper compares England’s reluctance to adopt the Euro with the benefits enjoyed by France, which uses the Euro as the national currency. BritainThe Pound has had a history that has remained fairly consistent throughout the ages, unlike the Franc. England has maintained a national currency for more than 900 years now, and the Pound Sterling originated even before that. The country was the first to establish a single national currency after the fall of the Roman Empire. With England having the upper hand in the industrial revolution and having an empire that spread across many continents, the pound became the world’s most sought-after currency. Even other European countries debated about adopting the gold base for their currencies. But after the First World War, the dominance of Gold for currency slowly faded away. When the Euro Zone adopted the common currency in 1999, Britain chose to continue using the Pound. Though Euro can benefit the country in the short-term, by acting as a successful counter to the American Dollar, the Pound’s independent existence throughout the ages has made many British feels that joining the Euro Zone would make them lose their identity as a nation. This decision has given England an extensive amount of flexibility; its membership in the European Union has given the country all the advantages of it, but at the same time, avoiding control in its economic policies. This would also help England still have a supple market, and problems like unemployment can be kept in check. Joining with the European Union completely by adopting the Euro in Britain is seen as an obstacle against the United Kingdom setting its own interest rates. The nation would have to inevitably concede to the interest rates set by the European Central Bank, thus risking a probable downfall in the economy.         Merging with the Euro is not economically inevitable for the United Kingdom. The primary reason for this is the difference in the economy in England and that in other countries of the Euro Zone. The sustainability of the Euro in the other 12 member countries, which has adopted it, is yet to be proved beneficial. Another reason for England choosing not to convert to the Euro was because of the potential losses due to the common interest and exchange rates that would apply to different economies. Obviously, when you are looking at a dozen economies, one interest rate will be beneficial for some economies and disadvantageous for some others. Specifically, there is an unconstructive correlation between the British economy and the largest economy in the European Union, namely Germany. Another strong argument against the Euro adoption is the fact that the pension liabilities of other member countries will affect Britain as well. The British Government set up five economic tests to determine whether the country should join the changeover or not. In June 2003, Chancellor Gordon Brown announced that four of them were unsuccessful and Britain was trying to modify its economy to suit the tests. But Opinion polls in the country recently has shown statistics saying even previously pro-Euro businessmen turning cooler and voting against its adoption in Britain. France         In 1360, King John II introduced a national currency for France, but this was 300 years after the United Kingdom introduced the Pound Sterling. But the Franc did not have a smooth existence for many years. It was only during the French revolution that it got established once more as the national currency. The Franc was declared a national currency by the French Revolutionary Convention in 1795 and it was further promoted as the currency base for the Latin Monetary Union. Again, during World War I, the Franc lost its value, since gold coins were becoming outdated throughout the world. And during World War II, the Franc existed as a satellite currency to the German Mark, but during all this while, the Pound was an independent currency and one of the most prominent in the world.         France has a history of encouraging common currencies for nations in Europe. She was one of the founding members of the Latin Monetary Union and later, was eager to join the European Union and adopt the Euro in its economy. France has always held that a common currency would promote free trade and help Europe have a prominent position in the world economy.              Even when England is thinking in terms of a referendum to discuss adopting the Euro in the United Kingdom, members of the political party called Movement of France, have already proposed a referendum to discuss the possibility of France returning to its original currency, the Franc. Though the Government is fully for the continuation of the Euro in its economy and supports the European Union Constitution, an opinion poll showed that more than 61% of the French would like to switch back to the use of Francs.       ConclusionThe Euro rates globally have not fared well ever since its introduction in Europe in 1999. From its initial value of 1. 18 US dollars, it fell to approximately 0. 85 US dollars in 2005. France’s economy has suffered because of the fall in the exchange rates for Euro. Switching over was not easy for the nation, with its high unemployment rates, high debts to the GDP ratio, and high budget deficits. The benefits of the sovereignty kept the French happy for the first couple of years after joining the European Union in 1999, but public satisfaction has begun to wane now and there are many who feel France will benefit by switching back to the Franc. Whereas, throughout these turbulent times ever since the adoption of the Euro, Britain has been able to keep its economy stable and enjoy the benefits of a sovereign union without having to compromise on its interest rates or domestic monetary policies.