The Introduction of a Common Currency (May 7, 1998)

Abstract

In this article from the left-liberal weekly *Die Zeit,* skeptical attitudes about the introduction of the Euro are tied to a general shift in public opinion with regard to European integration. Initially, as this journalist notes, integration could not go fast enough for many German citizens. Now, however, it was the rapid pace of integration that was sparking criticism. The author ventures a look into the future: a successful European currency could give Europe greater external strength, but it could also lead to tension within the community.

Source

The Euro. Now What? The Drama of Brussels and the Future of the Euro

The Monetary Union Brings Lots of Conflict and New Strength

Let's forget about Monsieur Trichet and Mijnheer Duisenberg,[1] we're talking about Europe: Europe is thriving, thanks to a statesman who did something historic for the second time. Helmut Kohl, the chancellor of German unification and European integration, will likely be voted out of office in the fall. Based on the mood in the country, years of work on the Euro and Sunday's success[2] will do him absolutely no good in the fight for reelection. Kohl has been made to look like a loser because he did not assert himself completely.

Many Germans see themselves as the losers of the European Union. For them, the switch from the Deutschmark to the Euro is a sacrifice, not a gain. Some view it as a loss of power. Up to this point, the German Central Bank has held sway; it ultimately made decisions about the money and interest rates of neighboring countries. It made European economic policy. In the minds of nationalists in disguise, this, unfortunately, is a thing of the past, as though it were not a result of German predominance that all of Western Europe has accepted a currency system and a central bank based on the German model.

It is striking how the basic mood in the Federal Republic has turned around. Public opinion changed in the late 1980s. Before: When it came to European integration, things couldn't go fast enough. Criticism came raining down whenever Brussels or the European Council failed to make progress. After: Everything was moving too quickly. Hold your horses! We'd better put the monetary union on the back burner!

European integration is no longer a welcome venture. Germany is afraid of the risks. In the postwar era, Germany saw opportunities and benefits for a long time. Europe offered a substitute identity for those who were no longer proud of being German. The EC provided support in the time of the Cold War. Its agrarian policies helped German agriculture immensely. And the Common Market spurred industry, which developed with renewed rigor.

Brussels Acquires More Power and More Enemies

The Common Market remains and holds everything together. More than half of all exports from the Federal Republic go to the European Union. But aside from that? Since reunification Germany has become more self-confident. The Eastern Bloc has burst. Brussels needs and wants to cut back on farming subsidies. Speaking of Brussels: Whoever acquires more power gains more enemies. And whoever exercises that power independently gains even more enemies.

Daring more democracy, that remains one of the main tasks of the EU after its decision to introduce the Euro: The last European venture that makes sense to almost all Germans. Everything else on the horizon in Europe promises only indirect, long-term, and (initially) rather abstract benefits to German citizens.

Of course, it is in the interest of the Federal Republic for the EU to expand eastward and help create stability there. But that will cost money, for example, the money from Brussels that farmers and many other subsidy recipients feel entitled to.

The EU member states have to do a better job coordinating their foreign policies, no question about it. Citizens are ashamed (somewhat) when Europe sits by and watches as the Serb Slobodan Milosevic goes on another rampage. But it is so comfortable to let the Americans go first. How nice that the British and French militaries are also standing ready and German soldiers bring up the rear.

Organized crime is definitely a danger, and Europeans need to act in concert. But isn't that a step toward forming a super-state? And why are the border controls being eliminated?

To be sure, the Europe of the single market and the Euro didn't trouble itself much with social matters. But what tangible benefits derive from the oft-invoked social union, considering that German workers are still in a better position than most Europeans. Will Germany again have to pay in the end?

These are questions the people are asking. The EU is successful, but the mood is nevertheless bad – and not only among Germans. The idea of European integration struggles to assert itself amidst the *Zeitgeist* and its three manifestations of "every man for himself": "Location competition"[3] prevails among the states and regions; neoliberals announce the virtue of egoism under their big banner; and glaring nationalism reemerges under the pressure of the new Right.

And here comes the Euro. It ties EU members even more tightly together, although they exhibit less solidarity than before. It demands discipline even from those countries – especially Germany and France – that have shied away from major reforms up to now and have a rocky road ahead of them. It obligates governments, some of which are fickle: It was precisely the half-hearted reformers who reaped the greatest protest, and in several European states the party landscape is changing from the ground up, and this makes politics less predictable.

Reforms Are Now More Urgent Than Ever

But the monetary union makes everyone responsible for everyone else. Never mind the stability pact, the participants will have to vouch for each other in any case. There is a lot of opportunity for conflicts to arise, especially between those countries that do their homework and those that become problem cases. That is the flip side of the new coin. The better side of the Euro, the one with the stars: Because no one wants to foot the bill for others, there will be strict "social controls" in the Euro club. When one country gives the first sign of endangering the others it will be sternly reminded of its duties. There will be no easing of pressure to initiate reforms that give fresh strength to the Old Continent, bringing thousands of jobs to national economies eager for reform, such as those of Spain, the Netherlands, and Great Britain.

If things go well, the dollar will no longer be the only global currency, and Europe will regain its dynamism, just when the American economy seems to be losing its momentum.

That is the great contrast: The Euro gives Europe new strength outwardly and tension inwardly, among the European countries and within those countries that have to adapt the most, at the risk of more people joining the throngs of nationalists and European-integration opponents in the loser states. For there will be losers.

The success of the big project depends on whether enough reform-oriented countries come together in the Euro club and set the tone. When unemployment starts to decrease, the reputation of the European Union will grow. In an upswing, “construction site Europe” will be more pleasing to its builders, the Europeans. If successful, they will be more open to the precarious construction and renewal projects that will be on the agenda after the Euro is introduced.

NOTES

[1] Jean-Claude Trichet, the former president of the Banque de France, and Wim Duisenberg, the former president of the Central Bank of the Netherlands, stood at the center of a heated dispute between Germany and France about who would lead the new European central bank that would run the new common currency. France wanted Duisenberg, the German-backed candidate, to sign an official agreement stating that he would step down from the position of president in 2002, four years into his eight-year term, so that Trichet could take his place. The dispute came to an end when Duisenberg announced that he intended to retire voluntarily in 2002. In the end, Duisenberg served as president from 1998 to 2003, at which point he was replaced by Trichet – trans.
[2] On Sunday, May 3, 1998, the leaders of the European Union agreed that 11 countries would adopt the Europe’s new single currency, the Euro, on January 1, 2002. The decision was reached after a 12-hour dispute between Germany and France about who should run the new European Central Bank – trans.
[3] *Standortwettbewerb.* The term refers to efforts to attract businesses to invest in particular locations – eds.

Source: Roger de Weck, “Euro. Und nun?”, *Die Zeit*, no. 20, May 7, 1998.

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