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Consumers and the Single Currency

ABSTRACT. The introduction of the notes and coins of the new currency will for consumers be the most visible sign of the existence of the European Union. The object of this article is to examine the practical problems of their introduction for consumers. A Green Paper issued by the European Commission calls for the setting up of numerous dialogue and co-operation structures, in particular national pilot structures. Consumer organisations will have a decisive role in these structures. The introduction of the single currency is a major challenge, for the years to come, for all those concerned with consumers' daily lives. The extent of this challenge may not have been correctly perceived.

1. The introduction of the notes and coins of the new currency will for consumers be the most visible sign of the existence of the European Union. The object of this article is to examine the practical problems of their introduction for consumers.

2. Several scenarios for the organisation of the switch to the single currency have been discussed. On 31 May, 1995, the European Commission adopted a Green Paper “on the practical arrangements for the introduction of the single currency.” This document chose a scenario which can be described as a “double big bang,” a middle way between two extreme scenarios (the Big Bang and the gradual approach). The “Big Bang” is the introduction of the notes and coins in the new currency from the first day of the Monetary Union. The gradual approach is the coexistence of the new and the old currencies for a long period.

3. The scenario proposed by the European Commission is divided into three stages:

   Stage A: Ministers decide which countries will take part in the Monetary Union and fix the starting date. This stage lasts a year (probably 1.1.1998 to 31.12.1998).

   Stage B: The exchange rates are fixed. The single currency is thus created. The old currencies are the image of the single currency. This stage will last a maximum of three years (probably 1.1.1999 to 31.12.2001).

   Stage C: Introduction of the notes and coins of the single
currency. The old notes and coins are withdrawn almost immediately (no double circulation). (Probably 1.1.2002).

4. The name of the new currency was for a long time undecided. In French, the Maastricht Treaty uses the name “ecu” in small letters. In German, the same Treaty uses “ECU” in capital letters. This is the acronym of the English term “European Currency Unit” – the French translation would be EMU (European Monetary Unit). Moreover, the ECU has decreased in value in relation to several stronger currencies (at present, it is worth FF 6.50, as opposed to FF 7 three years ago). For German consumers, the ECU is perceived as a weak currency which has decreased in value by 40% since 1979. Psychologically, therefore, they can not accept the replacement of the DM by the ECU. The important thing is not the name of the single currency but the very concept. The name “ECU” was chosen because it was both a British abbreviation and an old French currency. It is, however, unfortunate that this discussion was re-opened at so late a stage in the proceedings.

5. There have been various proposals for an alternative name for the European currency. Germany proposed the “Franken,” the name of the German region (Franconia) which gave its name to France. Others have proposed the addition of the term “Euro” to existing denominations, or EURO alone. The latter was the solution chosen at the Summit of Heads of State and Government in Madrid on 15–16 December 1995. It is regrettable that such a decision was not preceded by a general debate at the level of citizens. For practical reasons, this article uses the old denomination of “ECU” as put forward by the Maastricht Treaty, regardless of the decision taken in Madrid.

6. Before dealing with the various practical aspects, it is necessary to analyze what Economic and Monetary Union and the change of monetary unit will mean for consumers.

THE SIGNIFICANCE OF THE INTRODUCTION OF THE ECU

7. The determining element of the introduction of the single currency is its acceptance by the whole of the population. Therefore, before explaining how the single currency will be introduced, we must