THE EURO AS THE COMMON CURRENCY: A BOON OR A CURSE FOR EUROPE?

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ABSTRACT

The former Greek Finance Minister, Yanis Varoufakis, commented on Brexit as an economic deal that has brought: "The worst threat for the European Union...slow deconstruction...it's going to become irrelevant." As the, unfortunate, refugee crisis has become a pebble in the shoe of the Balkan states and the East European countries with the abrupt and monstrous invasion by the Russian Federation in the territory of Ukraine, the European Union appears incapable in garnering collective support from all the member states to provide humanitarian aid to the refugees and moreover, coerce the Russian Federation to espouse the diplomatic means to resolve the issues. Some member states can't afford to stand against the Russian Federation because of their personal interests vested in the strategic trade partnership and comprehensive defense cooperation with the Vladimir Putin government.[i] Therefore, it becomes significant to asses and inquest the viability and practicality of the Euro as the common currency of Europe in the European Union's customs union and single trade. Was it the sanest of the decisions? Cris Shore, the author of the article 'Britain, Brexit and Euroscepticism'[ii] explained that the European Union had famous democratic deficit. The progressives from the post-War era came together to form the alliance but didn't know what the general public desired. Whereby, the invention of a single currency created higher risks of economic recession amongst the member states as this political grouping was devised through an economic strategy. With the fall of an external economic shock on the members, Greece went bankrupt and its burrowing started scrambling for skyrocketed heights. As a result, there were no more public spending, pensions got suspended and the State, as an entire entity, got shrunk. While, the European Union came out as an unpopular project. This article tries to establish further debate upon the feasibility of a common currency for an entire geographical continent of Europe.

RESEARCH METHODOLOGY

The method, hence, employed to baste the research around the article, circumferences along the rims of various primary and secondary sources which have been duly recognized and acknowledged throughout the article, in an appropriate manner. The sources include newspaper dailies, profuse number of political as well as apolitical books by authors stemming from diverse fields and statistics are being supported by the mentioning of the news channels which released the data, henceforth.

RESEARCH LIMITATIONS

There was no possibility to create a participatory method of findings that might have used subjective opinions of the people, or simply the unfortunate incapability of harnessing in-field research due to the COVID-19 guidelines in effect and, thereby, the stringent expectations of adhering to the same.

PRACTICAL IMPLICATIONS

This article is investigative in nature which aims at opening the floor for substantial critiquing, constructive debating and exploratory to invigorate more awareness about the novel issues at hand. Therefore, this article doesn't advocate any concrete conclusions at the behest of their applicability rather, it looks forward to set peripheries that could be swelled and pushed forward, further, with more considerable arguments.

ARTICLE

"The Oxymoronic lack of European unity undermines the credibility of the collectivity."[iii], when Mr. Tharoor made this statement, the area under delineation was India's foreign policy in relation to the European Union. The startling fact is that the validity of this analysis stands consolidated even when one wants to draw upon the inherent and subjective issues of the European Union, within its own diverse fabric. Currently, there are 27 European members to this international grouping but it seems, ironically, that more than the ideological convergence it was the geographical vicinity which brought them together. Hence, the results that this grouping gulped were horrendous, to say the least. This essay probes and discusses the viability of the Euro as a common currency for the members of the Union.

To understand the concerns and the particular underpinnings of the issue, one needs to examine the past through the daguerreotype of the formation of this Union and its conditions, thereby, laid. Before the invention of the Euro as the common currency of the European Union, the countries of the European continent used to have discrete economical approach and had their own currencies, like *Franc* in France or *Dueutsche Mark* in Germany. However, with the signing of the 'Maastricht Treaty' in the year 1922, the founding members of the European Union decided the formation of the European Central Bank (simply put, ECB) with the sole purpose of establishing a common currency for the EU's members. And the force behind this mental, alike, consciousness was to preserve the stable prices within the EU. The result of combining the currencies, according to them, would have safeguarded the value of the money along with its production. To become a part of the EU grouping, a country was required to stand stalwart on four criterions, respectively, which were as follow:

1. To verify the stability of the prices one year before joining.
2. Low interest rates
3. Stable exchange rate, and
4. Solid state finance.

With these in place, a particular and one of its kind European Rate Mechanism was introduced in January 1999. Then, eleven countries became a part of it in January 1999.[iv] Later on, the bandwagon was joined by Greece, Slovenia, Malta and Cyprus, Slovakia, Estonia, Latvia and Lithuania.

It was in January 2002, a historic decision was taken to outdate the respective currencies of the members of the EU and introduce the Euro as a common one. How a particular invention turns out, it depends largely on its consequences, accepted or rejected, over a period of time. There were various advantages that the members of the EU found at hands with the commencement of the liquidity of the new 'one-common' currency, the Euro, in the European markets and abroad. For instance, there was no need for money exchange when travelling within Europe, unlike earlier. No exchange rates and the foreign transfer costs similar to the national transactions, made it easier for the Europeans to buy and sell products within Europe, much more smoothly and without any significant hindrance. The 'Eurozone' became an arena where prices and salaries of the citizens could be compared on a single European scale and competitive salaries became a reality. This, considerably, meant cut throat competition amongst the business firms and the financially oriented bodies within Europe, in a rat-race to attract the customers. Thus, benefitting the customers to enjoy the premises of viable services and products available to them, with an over-reaching spectrum of choices to choose from. This, ultimately, meant invigoration of the relationships among the members of the Union so that they could adhere together in the times of crises, if ever graced upon them from any outside State or a Non-State actor.

The advantages discussed above were not sufficient to strike equilibrium with the fallouts of the invention of the new currency as a common norm for the members of the EU. The difficulty they faced in terms of the legality of this new currency, has to be pondered upon with serious and subtle conscience so that one could probe the quintessential character of the new currency. First and the foremost was giving away of the status-quo of the State autonomy to a collective organization. Before the onset of the Euro, the individual countries had room for stimulating their own drifting economies by means of either printing more money or simply, by devaluating their currency. They could sell their products and services in the global market at cheaper prices to meet their domestic demands, could export more with reduction on export and import tariffs. Being the tourism hub, various European countries could attract tourists by providing them cheaper services. They could set interest rates, could decide inflation rates, increment and decrement in the prices of the products in accordance with their jurisprudence required for their specific economy. All this was made impossible by issuing a common currency for majority of the European economies. And further complicated by the terms and, of course, conditions that the ECB imposed on them.

The European Central Bank, was not completely central as only the major Northern European countries enjoy fully-fledged privileges in decision making, this comprises of the nineteen Governors (one from each national central banks of the Eurozone). Considering it as a central organization, an extraordinary fact is that the ECB was not allowed the fiscal policy. Knowing very well, that countries (non-deliberately) tend to spend more than they collect, it was less of a shock when the EU suffered the most infamous crisis, commonly known by the name the 'Eurozone crisis' where many members of the EU faced shortages in their national budgets, with rising debts that they undertook in order to fill the financial gaps. The common notion that surfaced the minds of various investing bodies was that, because of a common currency, it would be easier for them to recover their lending, as the EU would allow its members to borrow more and more. The premonition turned out to be true. The investors invested in strong economies with lower interest rates, like Germany. While at the same time, studying the political and economic instabilities of the other members, like Greece, they provided loans at relatively higher interest rates. The leaders of the weaker Southern countries took hefty loans and allowed them to be used in their campaign benefits by providing jobs, pensions, services, etc.

The utopia that this idea of a new currency roared of achieving, fell down apart when burrowing came to a halt and recession began in the year 2008. The EU was very much aware that this was the moment of apocalypse for its very being, if not handled properly. Not only the countries under heavy debts but each and every member of the grouping would suffer a significant defeat. Jobs, human welfare, employment, investment, assets, all were at stake. And finding a solution for this recession became even more complicated due to, for obvious reasons, common currency. To relax some nerves, the EU looked at Germany which was the strongest economy then. Not keeping at bay the concerns of going bankrupt one day if the trend continued, Germany convinced to help. And, carefully, acknowledging the sensitivity of the moment, it asked the countries that it would provide help only if they abide by certain conditions. These were- cut on spending, pay recent debts, borrow less or simply, dance to the hymn of Germany. It is also to be noted that cutting on the governmental expenditures is not an easy task, as all the countries have different demands based on various decisive factors like, socio-political, geographical, cultural needs, their foreign relations, their border and maritime threats, their commitments, the civil requirements, public welfare and so on.

In order to compensate, various steps were taken by the affected countries. They adopted reforms to make it less rigid for people to start up new avenues of businesses, age of retirement was eased, etc. The EU, also, initiated a fund of 200bn Euros to help the companies under heavy debts so that they remain afloat and don't dissolve by winding up. The ECB bought the governmental bonds of various countries to boost the economy. The most important shift in the paradigm of functioning of the EU was that now it started assessing the expenditures of all the members along with an establishment of the Euro group with the nineteen finance ministers of the Eurozone countries as its participants. The aim was simple and solitary, to prevent another crisis from happening. But it is easier said than done. Countries like Greece, according to the reports, is destined to remain in recession until 2060 Majorly because it is a part of the EU and it still is bound to work for the common good rather than, for its own survival as its priority. This is evident from the fact that the reforms mentioned for compensation are still lingering more in papers and rustling less in reality.

It appears from the outside that almost the entire European continent has come together to rise along with each other. But is it so? Not precisely. The common people have been reduced to assume the roles of puppets at the hands of their government and they have come on roads with the banners calling out, "SCRAP THE DEBT TO SAVE THE PEOPLE" and "NO SOMOS DELITOS" (translated as: 'We are not crimes') holograms. So one is forced to ask the valid question in this context is the extent of the viability of the Euro as a common currency. For countries like Greece, they have to either go for an exit from the Union as Britain did (as Grexit!) in order to restore their governmental autonomy or the EU should completely forgive their debts (which is most unlikely to happen with the powerful countries like Germany in the picture who mutilate the already bruised condition of weaker countries from the EU, for their purpose of retaining dominance). There is one more alternative where the EU could buy the governmental bonds of the affected countries and the EU as a collective supporting anchor, could pay back the loans.

It is quite clear that the Euro as a currency has harnessed less benefits and created more misery. Countries like France, Germany, etc. have become the new Apollos of the organization where they decide the prophecy for the other members of the Union. And having same currency for the majority of the continent has reduced the weaker countries at the mercy of the powerful ones. Collective approach to economic and political stability has been mutated to deeper and internal instable fissures. The EU should understand that each country is unique to itself which should not only be respected but handled with specific care. Otherwise, sooner or later, the world would witness clones of Brexit and the EU would become a bilateral, trilateral or at maximum a 'quad', with the consolidation of the entire continent as an archaic belief.

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ENDNOTES

[i] Swiss refrain from immediate sanctions against Russia | 93.3 The Drive (933thedrive.com)

[ii]Britain, Brexit and Euroscepticism in: Anthropological Journal of European Cultures Volume 30 Issue 2 (2021) (berghahnjournals.com)

[iii] Shashi Tharoor, chapter 7, Pax Indica: India and the World of the 21st Century, 2012.

[iv] Portugal, Spain, France, Luxembourg, Belgium, Netherlands, Ireland, Germany, Finland, Austria and Italy.