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**Feasibility of a Single European Currency Unit**

**by**

**Marrey C. Cannon**

**Senior Thesis**

**Carl & Winifred Lee Honors College**

**August 6, 1991**

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## Introduction

The question raised by this paper is that of the feasibility of a single European currency. It is assumed that the currency will be substantially similar to the current European Currency Unit and not a more dominant national currency such as the German deutschemark.

Many aspects of the European Community and its people will play a role in the success or failure of this concept, but the main focus of this paper will be on the political and economic factors involved. In order to understand the current situation in which the Community finds itself, it is necessary to review the historical background of its formation and economic institutions. Once this has been established, the issue can be seen in perspective, and an informed conclusion reached.

## Background of the European Community

### **Beginnings**

The European Community, often called the Common Market, is a supranational organization with its own Parliament, Commission, Council of Ministers, and Court of Justice. There are currently 12 members: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom. In order to create this community, the 12 members have already surrendered substantial sovereignty to the Community and are now preparing to give up even more to make it a stronger figure on the world stage.

After the devastating economic effects of World War II, those who sought a unified Europe urged the view that the states of Europe must cooperate in order to recover. Before World War II relationships between nations were based on the balance of power. After the war, Europe had the sense of being "dwarfed", of being nothing more than an acting ground for the two superpowers. It had lost a large portion of its empires through decolonization, and there was also a tremendous disillusionment with the fanaticism wrought by nationalism.(Forsyth, p.1)

One of the first experiments in regional cooperation was the Economic Commission for Europe set up in Geneva in 1947.(Swann, p.2) Its aim was to unify the three separate factions of post-war Europe: Eastern, Central, and Western. Unfortunately, the Cold

War had already become a reality. This led to the formation of two ideologically opposed blocs in Europe.

In that same year, the United States presented the Marshall Plan to a continent struggling to survive. General George Marshall proposed that the U.S. make aid available to the European nations while these governments got together to decide how this assistance would be distributed. (Swann, p.4) Although it seemed that this program could be worked out within the Economic Commission for Europe's framework, the U.S.S.R disagreed. This was no doubt because of fear of Western influence on the Soviet Union's East European satellite nations.

Thus the Committee for European Economic Cooperation was established. The U.S. felt that the Committee should not just provide the U.S. with a need list, but rather also work towards better European cooperation.

The Organization for European Economic Cooperation established in 1948 was a direct offshoot of the Committee. Its creation marked the intensification of conflict between Great Britain and other Western European countries. (Swann, p.5) France felt that there should exist a supranational element in the Organization. This view was supported by the U.S., but was emphatically opposed by Britain.

The British favored a body under the control of a ministerial council where decisions would be taken on a unanimous basis. The Organization for European Economic Cooperation which resulted, was virtually in line with this concept which can be partially

attributed to the fact that the U.K. was in a relatively powerful position in Europe at the time.(Swann, p.5) Both the British and Scandinavian countries which felt that European unity should be attained through inter-governmental cooperation triumphed over the federalists who believed in the more radical method of creating *European* institutions which would gain some authority through the surrender of some national sovereignty by each participating government.

The specific European countries subscribing to the latter viewpoint consisted of France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg. They came to be know as the *Six*, and in April 1951 created the European Coal and Steel Community with the Treaty of Paris.(Swann, p.7) The formation of this organization marked a parting of the ways in Europe between the functionalists and the federalists which would lead eventually to two trading blocs in free Europe.(Swann, p.6)

The factor which brought about the Coal and Steel Community was the revival of the West German economy. The rest of Europe realized that the German economy would have to be allowed to reclaim its role in the world. The most important question, however, was how specific sectors of the economy, namely iron, steel, and coal, could be allowed to rebuild to a powerful position without causing a danger to the peace now enjoyed by the continent.

The Coal and Steel Community did not seek to internationalize the ownership of the means of production of iron, steel, and coal,



but rather to create a common market in these through the removal of customs duties, quotas, and other barriers to trade. Each participant had equal access to the products of these industries, and discrimination based on nationality was forbidden.(Swann, p.7)

The growing sense of community among the Six led to the signing of the European Defense Community Treaty in May 1952.(Forsyth, p.1) Good intentions ran high, and there was talk of establishing a community for the purpose of political unity. Unfortunately the Defense Community Treaty still had to be approved by the national parliament of each signatory country. While five countries approved it, successive French governments were unable to guarantee ratification by the French Assembly. After various attempts to water down the treaty which were refused by the other five governments, the original treaty was presented to the French Assembly who refused to consider it, thereby effectively dashing the hopes of a European political community in 1954.(Swann, p.9)

However, the "European movement" was strong enough to survive this defeat, and by 1955 new ideas were pushed to the forefront of the European political stage. The Benelux states (Belgium, the Netherlands, Luxembourg) initiated a call for the establishment of a common market as well as specific action relating to the fields of energy and transportation.

In a meeting of the foreign ministers of the Six in June 1955, it was resolved that work should start on establishing a common market and an atomic energy pool.(Swann, p.10) An inter-

governmental committee was created not just to study the problems involved, but to also prepare treaties necessary to carry out these objectives.

The resulting negotiations led to two treaties subsequently signed in Rome on March 25, 1957. (Swann, p.11) One led to the formation of Euratom, the European Atomic Energy Community, and the other, hereafter known as the Treaty of Rome, established the European Economic Community.

### **Treaty of Rome**

The goals of the Treaty of Rome included the formation of a common market with shared agricultural policies and aid programs designed to facilitate development in those areas less developed in the European Community. Article 2 of the Treaty spells out the primary goal of the Community:

*The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.*

The U.K. being fundamentally opposed to the surrender of national sovereignty, did not join the Six under the Treaty of Rome in 1957, but instead forged ahead with Norway, Sweden, Denmark, Austria, and Switzerland to form the European Free Trade Area in 1959. (Forsyth, p.1) This divided Western Europe into two trade blocs.

The Free Trade Area's emphasis was not on eventual political unity, but rather a purely commercial arrangement. This appeared to suit British interests well, but the British government began to reconsider its policy on the European Economic Community, and applied for membership in 1961. However, General Charles de Gaulle of France unilaterally announced that the U.K. was not ready for membership. The issue remained at a standstill until 1972 when the U.K. reapplied and was accepted along with Denmark and Ireland. Greece followed in 1981, and Spain and Portugal joined in 1986.(Forsyth, p.2)

The Treaty established four major institutions comprising the governing body of the European Community: the Council of Ministers, the Commission, the European Parliament, and the European Court of Justice.

The *Council* consists of representatives from each nation-state and is empowered to make the final decision on all laws passed in the Commission as well as international agreements. It has its own secretariat known as COREPER (Committee of Permanent Representatives) made up of representatives from each national government which works out details and sifts out the important points to go before the Council. The representatives are half way between government bureaucrats and diplomats.(Forsyth, p.2) Since the Council exercises power in approving much of the Community's actions, it possesses considerable power to either advance or impede European Community integration.

The *Commission* is the principal institution of the Community and is independent of the member states. It is made up of seventeen members selected by Council appointment, and according to Article 157, paragraph 2 of the Treaty, its members must act in the general interest of the Community and shall not take instructions from any government. Its purpose is to propose regulations and act as initiator, watchdog, and administrator of the European Community. (Forsyth, p.3)

Members of the *European Parliament* are directly elected in each nation-state. However, they sit in the Assembly according to party affiliation, not nationality. The Parliament primarily exercises advisory and supervisory powers. It has the power to dissolve the Commission and amend or propose changes to the Community budget. Even with these acknowledged powers, the overall effect of Parliament on Community decision making is limited because it has very little enforcement power.

The duty of the *European Court of Justice* is to ensure that "the law" is observed in the interpretation and application of the Treaty. The Court has, under this assignment, taken upon itself to judge matters of international and customary law as well as European Community law. National courts must observe and enforce Community law, but the final judge is the Court of Justice.

### **Single Europe Act**

The goals of the customs union established under the Treaty of Rome were satisfied within a decade of its signing. There was

hope for a more complete integration, but such plans were stalled. In 1971, the members of the Community agreed to a ten year plan to achieve full economic union. Since then progress towards a common market has been achieved, but its implementation remains incomplete. (Bank of England, p.1)

The buzzwords of **Europe 1992** were coined with the passage of the Single Europe Act of 1987. This is an amendment to the Treaty of Rome which seeks further economic integration to result ultimately in the completion of the internal market by 1992.

By limiting the ability of a single member nation to veto Community proposals, the Act has removed one of the major impediments to achievement of its goals. It has also expanded the scope of Community policymaking in such areas as the environment, health and safety standards, foreign policy, and monetary policy. (Forsyth, p.4)

It is this last area, monetary policy, which draws attention to the focus of this paper. With the complete integration of monetary policy, the question of a single currency unit arises. While it appears to serve no practical purpose to have twelve different currency units in essentially one monetary system, there are questions as to the feasibility of the imposition of one unit on the people of the Community.

## Current European Monetary System

### **Forerunners**

Introduced on March 19, 1979, the European Monetary System links the currencies of the major players in the European Community. Until recently, the U.K. was a party to all of the System agreements, but the pound sterling did not participate in the Exchange Rate Mechanism. Membership in the Mechanism was staunchly opposed by Margaret Thatcher. (Bank of England, p.1) However, the willingness to participate has occurred under her successor, Prime Minister John Major.

At a conference of national leaders in 1969, the goal of establishing a monetary union within the Community was approved. The plan formulated to achieve this goal was drawn up inside an existing framework of relatively fixed exchange rates worldwide known as the Bretton Woods System.\* The Bretton Woods System, which established the International Monetary Fund, required all participating nations to maintain exchange rates of their currencies within 1 percent of the declared par value of the dollar. Based on this range of acceptable exchange rate movements, the Community currencies' exchange rates were held within 2 percent of each other.

In 1971, however, the Bretton Woods System collapsed because virtually every nation held dollars, and the confidence level in

\*Exchange rate changes were relatively common as currencies frequently could not be maintained at established parities.

the U.S. economy was no longer as high as it once had been. The subsequent international monetary agreement allowed for the much wider fluctuation band of 4 1/2 percent relative to the dollar. This meant that the Community currencies could fluctuate within a total spread of 9 percent with each other. (Pinsky and Kvasnicka, p.95)

In order to return a certain measure of stability of exchange rates, the Six signed the European Joint Float Agreement in April 1972. (Pinsky and Kvasnicka, p.95) This arrangement quickly became known as "the snake". Soon Denmark, Ireland, Norway, and the U.K. joined the Six. Under this agreement, the exchange rates of the member nations were to be maintained within a 2 1/4 percent spread of each other, and were allowed to move jointly within 4 1/2 percent limits imposed by the agreement. Consequently, this 4 1/2 percent spread became known as "the tunnel", and therefore the European Joint Float Agreement acquired the name, "the snake in the tunnel". (Pinsky and Kvasnicka, p.95)

In order to work within these limits, as the value of one member's currency began to rise on the global exchange markets, one or a combination of the following measures had to be taken: (1) The member with the appreciating currency would meet the market demand by purchasing dollars with its currency thereby reducing the upward pressure on the exchange rate; (2) The central banks of the other member countries would meet the demand typically by short-term borrowing from the central bank of the

appreciating currency and then selling this currency against their own; (3) All members would sell dollars against their own currencies from their reserves thereby effecting an increase of all member currencies against the dollar.(Pinsky and Kvasnicka, p.95) Should the situation be reversed with a depreciating currency, the exactly opposite measures would be undertaken.

This system worked smoothly until labor unrest in the U.K. in June 1972 caused heavy downward pressure on sterling.(Pinsky and Kvasnicka, p.96) Desperate efforts to maintain the limits were unsuccessful, and soon the pound sterling was officially released from the agreement and allowed to float freely. Other problems forced the later withdrawl of the Danish krone and the Italian lire.

### **Function**

By 1978 only five of the original members remained and the Community began to look for a more durable and effective exchange rate system. The framework for the European Monetary System was agreed to in December 1978, and the system began operation in March 1979.(Pinsky and Kvasnicka, p.95)

The System has the broad aim of promoting monetary stability in Europe. The major decisions of the system are taken jointly by the central banks and finance ministries of the Community member states.



The key element is the Exchange Rate Mechanism. Under this arrangement, the members agree to keep their currencies within established parity limits.

Members are required to intervene in the foreign exchange markets with unlimited amounts of member currency purchases and sales in order to prevent their respective currencies from breaching established parity limits. If a currency should fall to its minimum level against another member's currency, both central banks involved are required to buy the weak currency and sell the strong one. This action will act as brake on the decline of the weak currency.(Bank of England, p.2)

Usually members will take action before their currencies reach the outer limits of the parity grid. At times this action may involve an increase in short-term interest rates or the use of other monetary policy instruments.

The system does provide for realignments where currencies are formally devalued or revalued, and this has been used a number of times since the Mechanism's inception.(Bank of England, p.3) However, this is considered a last resort when intervention and other measures have been exhausted. It also must be agreed to by all System members rather than being a unilateral decision.

Credit facilities are also available for intervention. Very short-term financing is automatically available in unlimited amounts when intervention becomes obligatory because maximum or minimum parity levels have been reached. The borrowed funds must

be repaid within three months, but a certain amount may be carried forward up to an additional six months.(Bank of England, p.3) Borrowing is also available for intramarginal intervention, that is action taken to prevent reaching the parity limits. This borrowing is not automatic nor unlimited.

The European Monetary Cooperation Fund was formed to handle the various European Monetary System credit arrangements. When a member nation borrows for intervention purposes, its debt is denominated in European Currency Units or *ecus* (these will be discussed later), the composite currency of the Community.\* The Cooperation Fund is essentially a book-keeping operation, but it also issues *ecus* to central banks in exchange for deposits in the fund of 20 percent of their gold and dollar reserves.(Pinsky and Kvasnicka, p.99)

The Monetary System was designed with the intention that it would play a major role in promoting monetary cooperation and stability in the European Community. However, it is not of itself capable of leading the way to full monetary union. Debate now centers on the extent to which the System should aim toward becoming a single European central bank responsible for a common European monetary policy with the *ecu* as the common currency.(Bank of England, p.4)

\*The European usage of the term, *ecus*, will be used throughout this paper. U.S. usage is *ECUs*, and is pronounced as one letter at a time.

## Theory of Optimum Currency Areas

### Criteria

An optimum currency area consists of a grouping of countries linked through fixed exchange rates. During the 1960's and 1970's, a number of theories were proposed as to what criteria should be used to determine an optimum currency area. The pioneering theory was presented by Robert Mundell in an article written for the American Economic Review in September 1961. (Kenen, p.41)

The key point to Mundell's theory is that sufficient factor mobility, particularly for labor, must exist. He states that in a currency area where there exists different national currencies, the employment rate of deficit countries will be determined by the willingness of surplus nations in the area to inflate their currencies.\* With a single currency, the rate of inflation for the currency area will depend on the willingness of the area's central authorities to allow unemployment in deficit regions. (Kenen, p.41) Essentially, Mundell's definition of optimality is based on the mobility of an area's labor force. Fixed exchange rates or a common currency can be achieved only if the area can maintain an external balance among the countries

\*Otherwise, deficit countries will have to pursue deflationary policies to eliminate their external deficits. However, deflationary policies are likely to create unacceptable levels of unemployment.

without causing unemployment, or demand-induced wage inflation. Such an area would be optimal. (Kenen, p.42)

This definition is contingent on factor mobility. Should one region of an area be more dynamic, it is likely that capital will flow to it, but labor may be relatively immobile and reluctant to leave familiar, but economically depressed regions.

In 1963, Ronald McKinnon contributed an additional criterion to the analysis of an optimum currency area: how "open" an economy is. Highly open economies have a high marginal propensity both to import and export. Therefore, when a balance of payments deficit exists then only a small amount of deflation will be needed to restore equilibrium since much of the cut-back in expenditure will be on reduced imports. (Harrop, p.128)

In 1969, Peter Kenen presented yet another criterion of optimum currency area. (Harrop, p.129) In his view, a highly-diversified economy would be able to function without exchange rate changes when deficits occur. If demand should decrease in one export sector, the effect would be small if labor and capital can easily shift among sectors of the economy. This shifting is more likely in a highly diversified export economy.

The fourth criterion posed is a similar national propensity to inflate among the nations comprising the monetary union. (Harrop, p.129) In any kind of monetary union, countries with different preferences will have to sacrifice their differences and conform to one preference. If they cannot agree,

then persistent trade imbalances are likely, and the monetary union will break down.

### **Comparison to European Community**

To determine whether or not the European Community constitutes an optimum currency area, one needs to consider the foregone criteria. If the four criteria do indeed exist or are likely to be satisfied in the near future, then there is a strong case for monetary union.

In focusing on the criterion of factor mobility, it is important to note the great lengths the members have come in establishing the free movement of labor and capital within the community. However, what is true on paper does not always follow so easily in the real world. Linguistic difficulties, lack of skills, shortage of finance, and ethnic or nationalistic loyalties among other things are all impediments to labor mobility in the Community. (Harrop, p.128)

Kenen's criterion of diversification poses a problem for the smaller countries such as the Benelux nations since their economies are far less diverse than France or the U.K.. On the other hand, these are highly open economies.

Finally, in order to satisfy the criteria for establishing an optimum currency area, the Community members will have to agree on a common preference regarding the trade-off between unemployment and inflation. This means that some countries will

have to sacrifice their own preferences in exchange for the goal of establishing a successful monetary union.

It appears quite likely that given an adequate amount of time, the twelve members will be able to establish agreements which will in effect, bring them into an optimum currency area. When this occurs, the path to a European monetary union will be even smoother thereby making the issue of a single currency even more feasible.

## The European Currency Unit

### Background

As stated earlier, the European Currency Unit, familiarly known as the ecu, was created by the European Council in 1979 in conjunction with the European Monetary System. It was originally intended to play a major role in the Monetary System by creating monetary stability in Europe.

The ecu is a composite currency consisting of specified amounts of each Community currency. At the outset, the Council had specific uses in mind for the ecu:

- o As the basis for a divergence indicator
- o As the denominator for operations in both the intervention and credit facilities
- o As a means of settlement between monetary authorities of the European Community

Participating currencies of the Exchange Rate Mechanism have central rates against the ecu as well as each other. The ecu central rates form the basis for a divergence indicator which is supposed to identify currencies causing tension in the system by approaching their parity limits before formal intervention is required. (Bank of England, p.3)

Since it is not only used as a unit of account for budget purposes, but also functions as a means of payment, the ecu has already acquired some characteristics of a genuine currency in international transactions. (Conway, p.276) However, since the ecu

is a bookkeeping unit of account, it does not have universal appeal. There are still two distinct and nonfungible ecus: a public one and a private one.

Ecus circulated between Community central banks are officially recognized by the European Commission. The central banks are not allowed to use their holdings of "official" ecus in the foreign exchange markets. Transactions in foreign exchange markets are limited to "private" ecus. These have been growing in importance, particularly in the investment arena. (Bank of England, p.3)

### **Market Activities**

Because it is a "basket" of currencies, the ecu poses less exchange rate risk than any separate currency in the "basket". Since it is diversified, it should appreciate less than the strongest member of its basket, and depreciate less than the weakest of such currencies.

Besides the benefit of decreased exchange rate risk, the ecu offers other attractions to companies doing business across Europe's inner boundaries. For these companies, working with a single representative currency increases the reliability and accuracy of the firms' financial statements. Also, the ecu is not subject to individual government regulations and this enables companies to trade more readily in a wide range of financial products. (Conway, p.277)



Besides being listed on the European stock exchange, the ecu plays a major role in the bond market. Until recently, the major players were corporations looking for stable sources of financing. Now, however, several government and European Community agencies have offered large, long-term issues denominated in ecus, and there is discussion about using ecu-denominated financing to rebuild Eastern Europe. The latter could play a major role in furthering the ecu's role as the Community's single currency. (Wilson, p.29)

## Proposed European Monetary Union

### **Delors Report**

In 1989, the Committee for the Study of Economic and Monetary Union headed by Jacques Delors, former president of the Commission, issued its proposal which has become known as the Delors Report. The report consists of a 3-stage process towards European Monetary Union.

The first stage of the plan has been almost completed. It calls for the removal of obstacles to financial integration along with the intensification of cooperation on monetary policy. Specifically, it requires that all Community currencies would be included in the Exchange Rate Mechanism.

Stage Two will proceed when ratification of the necessary amendments to the Treaty of Rome has occurred. In this second stage, new Community institutions will be established as well as revision of existing ones.

Stage Three involves the fixing of exchange rates and the transition to a single monetary policy. It is in this stage that a single European currency will replace the national currencies and a European Central Bank, or Eurofed, will emerge. (Bank of England, p.4)

### **Alternative Proposals**

With the reality that the European Community is rapidly approaching the goal of monetary union, numerous alternatives to

the Delors Report have been offered. Many times, these alternatives are designed to weaken the power of the Community's central authority over monetary policy.

There is a rival British draft on the table which essentially ignores Stage Three of the Delors Report. The British focus is on a "hard ecu" which would be a 13th currency existing alongside the existing 12 national currencies. (The Economist, January 19, 1991) This hard currency could become Europe's single currency if the governments and people of the Community choose it to be. Countries would be allowed to pursue their own monetary policies. The plan also calls for an independent European Monetary Fund to issue the hard ecu.

Another interesting alternative was proposed by Paul Richards, director of the public finance department of Samuel Montagu & Co., Ltd. of London. His main emphasis is on the role the ecu can play in achieving European monetary union rather than acting only as the end result.

Richards' plan calls for the joint ownership of the European Monetary Fund by the central banks of the twelve Community members. This fund would have three main functions.

The first is to establish a European Standard for each national currency based on the strongest currency in the Community rather than the average. This standard would act as an equivalent of a gold standard, but would be linked with the ecu rather than gold. The national currencies would either be fixed to this standard at the outset of the plan or would be allowed to move

within a narrow range with the intention of achieving fixed exchange rates against the ecu later.

The second function is to issue ecus as an additional currency on this European Standard in substitution for the national currencies. These currencies would be convertible into and out of ecus on demand. The final main function of the Fund would be to take over the administration of the European Monetary System.

In the Delors Report the power to make monetary policy decisions would be transferred in Stage Two directly from the national level to the Community level by agreement before the issue of the ecu as the Community's common currency. Under Richards' plan, the decision about how soon to move towards full monetary union would be determined by user preferences regarding the holding of ecus as a substitute for national currencies.

Of the three, the Delors Report appears to have the majority of the support within the Community, and will most likely be used as the guide to European Monetary Union.

### **Comparison to Previous Monetary Unions**

Two examples of previous efforts to establish monetary unions suggest a key factor in the success or failure of the effort: it is the number of currencies involved.

As an example of a failed union, one can look at the monetary union which existed until around 1750 in colonial New England. In this union, the paper money of Connecticut, Massachusetts Bay, New

Hampshire, and Rhode Island was accepted as legal tender by each of the others. The union was held together by the economic dominance of the Massachusetts Bay Colony with the other colonies following Massachusetts' lead. When the other three began to challenge Massachusetts' authority and began overissuing their own currencies, the union collapsed. Not only did they lack an agreement, but by maintaining control of their own currencies, the collapse of the union was more or less inevitable. (Graboyes, p.8)

The CFA (Communaute Financiere Africaine) Franc Zone is a good example of a successful monetary union. It encompasses most of the former French colonies of West and Central Africa along with one former Spanish colony. It has remained in force for over 30 years by holding a large number of geographically, politically, ethnically, and economically different countries together. (Graboyes, p.9) The CFA Franc is the common currency circulating across the region, and is equal to 1/50 of a French franc. There are two central banks in two different groups of countries which are responsible for monetary policy. The member nations of each bank pool their reserves in the French Treasury. With a common agreement and a single currency, the CFA Franc Zone has endured the departure of colonial administrations as well as the establishment of modern monetary authorities.

Based on the examples above, one can anticipate that the success of a European Monetary Union will require both substantially similar domestic policies, and loss of policy

control by the individual nations as well as the establishment of a single currency.

## Conclusion

In concluding whether a single European currency is feasible, it is important to look at all the factors determining its success or failure. To be sure, the political and economic factors discussed in this paper appear to support the currency's success. However, one factor which tends to be overlooked many times in academic circles is how the people of Europe will react to such a drastic change.

After hundreds of years of the same or similar national currency and in some cases nearly 1000 years of national political history, the question of how the European population will take to a sacrifice of their respective national authority over monetary policy is justified. Practically, how easily will an English man or woman who is accustomed to paying for their groceries in pound sterling adjust to steak for 5.0 ecus per pound? Will a Belgian factory worker adjust to his next paycheck denominated in ecus instead of Belgian francs?

I believe that monetary union and a single currency will be ultimately successful in the new European Community, but I think that the adjustment to such a change will take more time than is currently being proposed. Perhaps a compromise can be reached between the various proposals offered as alternatives and the Delors Report. A gradual change would be, in my opinion, the best chance for acceptance of the ecu as an everyday currency by the

people of the Community because centuries of habits will change slowly.



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