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Europe in search of a universal language

PABLO CRIVELLI

Even before the birth of Christ there was a demand for a single European currency. Yet many a European will feel a little lost without his own national currency. It was much the same in 1851, when the Swiss had to say farewell to their 700 coin denominations.

TWO YEARS AGO, in a special edition of Time Magazine entitled "Visions of Europe", the British historian Norman Davies wrote "Europe was never a single entity". All those who regarded the Roman Empire or indeed the German Holy Roman Empire as some sort of Golden Age were forced to think again. Even at the height of their power the Romans were not able to unify the entire continent, and large areas parts of northern and eastern Europe never came into contact with their civilisation. The same thing was true of the German conquerors: their mission to unify Europe with sword and bible failed miserably. Even Christianity was unable to prevent a division, as witnessed by the schism between the Greek and Roman orthodox churches shortly after the year 1000 and the Protestant reformation 500 years later. Subsequent attempts to re-draw the map of Europe in the name of revolution or racial supremacy were just as short-lived. Even the present-day European Union, despite its name, comprises only 15 out of a possible 40 possible countries.

Currency: A universal language

Despite the marked cultural differences which still prevail in Europe and the continual series of conflicts which dominate the history of the continent, it is also true that these divisions never acted as an insur-



mountable obstacle to the exchange and circulation of ideas, people, goods and, by the same token, currencies. The idea of a single currency in particular is not new, but unlike the Euro the concept always followed a political unification process. As early as Roman times the Emperor Augustus (27 BC – 14 AD) oversaw the introduction of two reference currencies – one gold and the other silver – for the regions under his control. These currencies enjoyed great popularity among traders and bankers for over two centuries because their stability made them a univer-

sally acknowledged method of payment and a good investment. The Carolingians were happy to follow the example of the Romans and also introduced a single currency. But these are two isolated examples in history; the European currency kaleidoscope has always been characterised by an extraordinary diversity. Most currencies were limited in range and importance. To facilitate trading in this labyrinth of currencies, bankers and traders used a sort of "currency basket" with internationally recognised "money". In mediaeval times this status was held by the

uage

Venetian ducat and the Florentine fiorini, an indication of the powerful position held by such Italian trader-states in those days. In the sixteenth century the economic epicentre shifted to the Iberian peninsula, when Spanish kings transformed the silver they plundered from the New World into a currency. Within a few decades the peso was recognised in all the world's marketplaces and even as far as China. In the nineteenth and twentieth centuries the leading currencies were the British Pound and the North American Dollar. In all this time the desire and attempt to simplify the currency system has never ceased. The silver 5-franc coin of the Latin Monetary Union (1865–1927) represented the first attempt to establish a single calcu-

lation and currency system between France, Italy, Switzerland and Belgium. Similar attempts were launched in Germany and Austria (1857–1867) and in Scandinavia (1872–1932) around the same time.

The Euro: the start of something bigger?

In the past, currencies assumed the role of a universal language, making it possible to bridge linguistic as well as cultural barriers. This is the reason why the European Union is putting its money on the Euro: to strengthen solidarity among the citizens in participating countries. After all, even the founders of the European Community realised that the only way to create a United States of Europe was from the bottom up. In other words, to start from a politically less sensitive platform and gradually build up a single market as the precursor to political union. Consequently the Euro puts the fin-

ishing touch to a process launched in the post-war era.

The campaign for a single European currency gained strong support in the 1970s. At the time severe exchange rate fluctuations were threatening the creation of a unified market. With the introduction of a reference currency, the Ecu, in 1979, stricter guidelines were drawn up. In the mid-1980s the process gathered momentum through the initiative of the European Parliament and the then President of the EU-commission, Jacques Delors. The fall of the Berlin Wall and German re-unification accelerated the unification process even further, culminating in the Treaty of Maastricht in December 1991. This treaty forms the basis for a single market and currency.

The Maastricht Treaty was important for two main reasons. On the one hand it provided for the establishment of a common economic region where goods, people, money and services could circulate freely; ➔

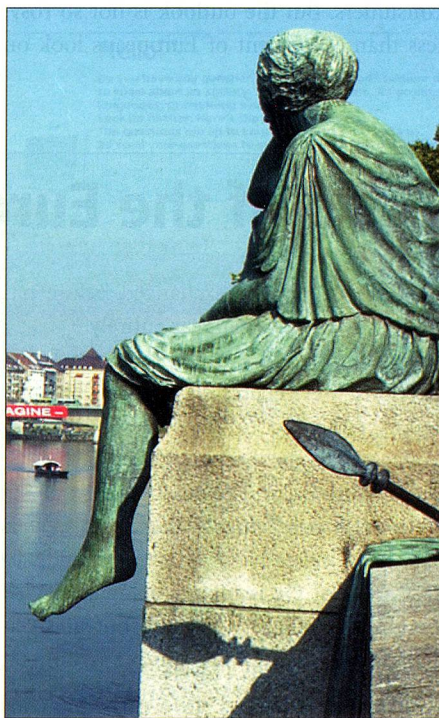
Mother Helvetia looks towards the Euro zone

It will be a gentle revolution, but a revolution nonetheless: On 1 January 2002 the currencies of twelve European countries will disappear to make way for a single currency, the Euro.

The national currencies will still be legal tender for a short time i.e. until 28 February with the exception of France (17 February), Ireland (9 February) and Germany, where no changeover period is planned and the D-mark will be withdrawn from circulation on 31.12.2001. After these interim periods expire, a final deadline for exchanging banknotes will be set (generally the middle or end of 2002, with a few exceptions).

Similar guidelines apply to the return of coins, and here too the deadlines vary from country to country. To facilitate the changeover to the Euro, some countries have already decided to keep banks open on 31 December 2001 and 1 January 2002.

Switzerland, of course, is not in the Euro zone, so there will be no problems with the Swiss franc during the transition. Swiss banks have already adapted their structures to reflect the introduction of the Euro in



Erwin Zbinden

day-to-day banking business. The Euro must now be considered as a new market currency; wholesalers, many hotels, restaurants, shops and the Swiss Federal Railways will accept payments in Euros in the same way as

they formerly accepted individual foreign currencies. It is worth remembering that Switzerland's revenues from foreign visitors amounted to CHF 13 billion last year, and tourists from the Euro zone account for two thirds of non-Swiss overnight stays.

For Swiss Abroad living in the affected countries the change will be a little more drastic - their old national currency will disappear and the relationship to the Swiss franc will be dictated by the Euro. In substance, the relationship to the Swiss franc will not be affected: only in terms of exchanging the national currency. Nor will there be much change in the relationship to currencies of many other countries within and outside Europe. For residents in some countries with so-called weak currencies there is another major innovation: the introduction, or re-introduction, of the cent. We Swiss have long been familiar with the Rappen or centime.

Ignazio Bonoli

Translated from the German by N. Chisholm



From Euro to mark to Swiss franc: dual conversion for Swiss Abroad.

on the other hand, it brought Germany – a Colossus with a population of 80 million – more strongly into the fold by abandoning the symbol of German economic power and sovereignty: the D-mark. This was no mean sacrifice given that a currency represents much more than merely a means of payment. A currency is akin to a national flag, a litmus paper that reflects the virtues and burdens of a nation. In return, Germany demanded that Brussels impose strict criteria for the prevention of volatile currency fluctuations. The hyperinflation of 1923 is still very fresh in the German collective

consciousness. As a prerequisite for ensuring stability, a number of economic parameters (national budget, inflation rate, etc.) were set. In view of the impact which introduction of the Euro will have on the internal politics of member countries, it comes as no surprise that Great Britain, Denmark and Sweden prefer to wait before they take this final step. Brussels hopes that the Euro will rise to become the “European mark”.

For it to succeed, it must win the trust of consumers. But the outlook is not so rosy: less than 60 percent of Europeans look on

the single currency positively. In the hope and expectation that a Europe of like minds will follow a Europe of currencies, in the words of German sociology professor Jürgen Habermas, we will need to solve the everyday problems we will encounter when the Euro is launched. At first it will not always be easy to guess the amount of new money in our wallets. With a wage paid in Euros, many people – especially in Spain and Italy – who are used to calculating in the thousands and millions, might feel “poorer”, though this feeling will rapidly disappear when they go shopping. No doubt there will be a certain feeling of unease and homelessness, similar to what the Swiss must have felt in 1851 when the franc replaced the 700 or so separate coins circulating among the cantons.

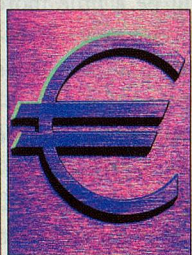


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A refuge in the centre of the Euro zone?



European tourists will be able to travel around Switzerland with their new currency and make certain purchases. It stands to reason, since two thirds of our visitors come from countries in the Euro zone. Some may also be tempted to pack their piggy banks in their luggage.

In the absence of more accurate statistics, bankers estimate that undeclared private assets in the twelve countries of the monetary union amount to several billion Swiss francs. Since cash purchases which exceed several thousand banknotes are forbidden, it can be assumed that some of this “grey” or “black” money will make its way to Switzer-

land in order to be exchanged before national currencies disappear entirely.

Fears of a “change of unprecedented proportions” were expressed back in 1999, in a report published by the Federal Office of Police. Now the Federal Office is a little more cautious, and forecasts “a rise in the number of newly opened bank accounts”. Is this trend indicative of a lack of confidence in the Euro? Or is money being smuggled past the taxman? Or is it out-and-out money laundering? The answer is difficult to determine. Whatever the truth, the Federal Banking Commission has been charged with issuing warnings to the banking sector about this problem. The Swiss Association of Bankers (SBVg) for its part has forecast growth, and money transporters are on the alert.

To date the only possible indication is the “growing demand for banknotes”, a somewhat odd trend in this age of the credit card, identified by the International Working Group against Money Laundering (GAFI). The “L’Hebo” newspaper also quotes the Swiss National Bank as confirming this trend, though without further comment.

Will Swiss banks soon be overrun? Currently their main fear is of counterfeit money. One thing is sure: they will need all their powers of alertness.

Isabelle Eichenberger

Translated from the German by N. Chisholm