




PO05-0E1-G Contemporary European politics So5 2022/2023

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All French students

A collage of travel-related items including a map, a passport, sunglasses, a smartphone, and Euro currency (coins and banknotes). The text is centered over the collage.

**The Euro, its advantages
and its problems
and how it could be
solved**

SUMMARY

Introduction

I/ The Current situation

A) The advantages of the Euro currency

B) The problems of the Euro

II/ The solutions that can be brought to that problem

A) The reforms

B) A divorce ?

INTRODUCTION

Post WWII :
European Union to
rebuild countries
more easily

Agricultural treaties
to avoid hunger

1979 : EMS to cap
exchange rates

1st step for euro :
1991, maastricht
treaty

2nd Step : 1999, first
use of euro as
invisible money for
accountability

Last step : 2002,
euro currency is
launched as exchange
money for citizens

Zone euro

- Membre de l'UE et de la zone euro *
- Membre de l'UE, non membre de la zone euro
- Utilisation de l'euro - hors zone euro et UE **

* dont régions ultrapériphériques, membres de l'UE et de la zone euro :

- | | |
|----------|--|
| France | Réunion, Guyane, Martinique, Guadeloupe, Mayotte, Saint-Martin |
| Portugal | Açores, Madère |
| Espagne | Îles Canaries |

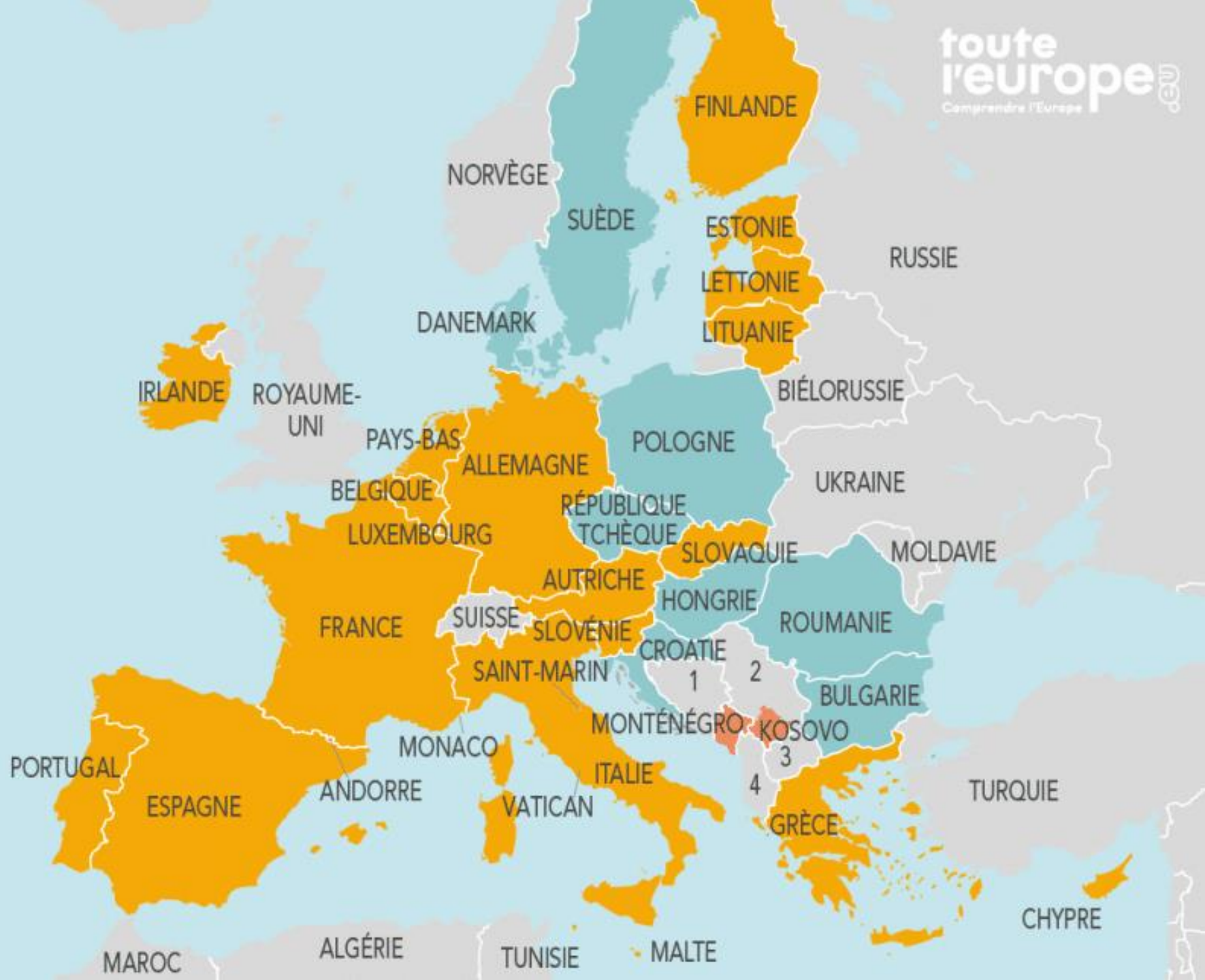
** dont Pays et territoires d'outre-mer :

- | | |
|--------|--|
| France | Saint-Barthélemy, Saint-Pierre-et-Miquelon |
|--------|--|

** et Etats hors zone euro et UE :

- | | |
|---------|-------------|
| Andorre | Saint-Marin |
| Monaco | Vatican |

- | | |
|----------------------|-------------|
| 1 BOSNIE-HERZÉGOVINE | 3 MACÉDOINE |
| 2 SERBIE | 4 ALBANIE |



I/ The current situation of the Euro Currency

A) The advantages in Europe and all over the world

1. The Euro created to establish price stability and a stronger economic stability

ECB : 2 to 4% inflation rate in all euro zone + contribute to the growth of the economy of all members of eurozone

- Participation to the creation of jobs
- Maintaining stable prices
- Avoid high inflation or deflation





2) The creation of the euro led to a greater influence of the UE in the global economy

New opportunities on the global economy:

- Easy comparisons across countries
- Euro area more attractive to non-EU companies
- Stimulates trade and investment
- More efficient financial markets
- Elimination of the costs of exchange rate fluctuations
- Less risky to invest in Europe

C) A tangible sign of European Identity

- Concrete symbol of belonging to the same community
- One of the 5 symbols of the European Union
- 340 millions of Europeans share a single currency
- Social, economic and legal links between European citizens



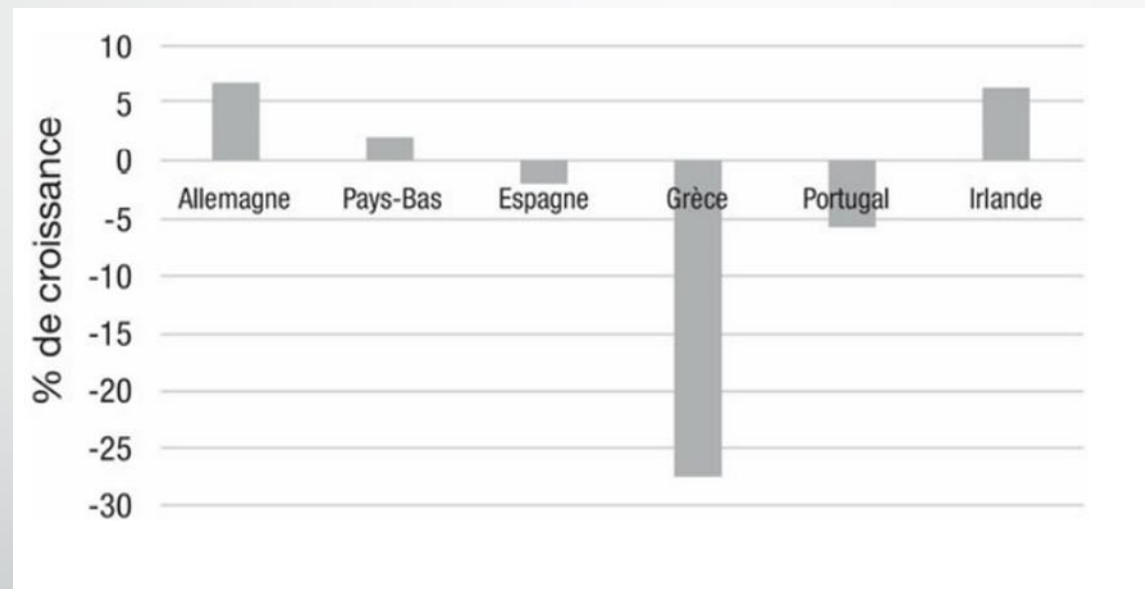


B) The Problems caused by the Euro and the Eurozone

An obstacle to readjustments to economic shocks

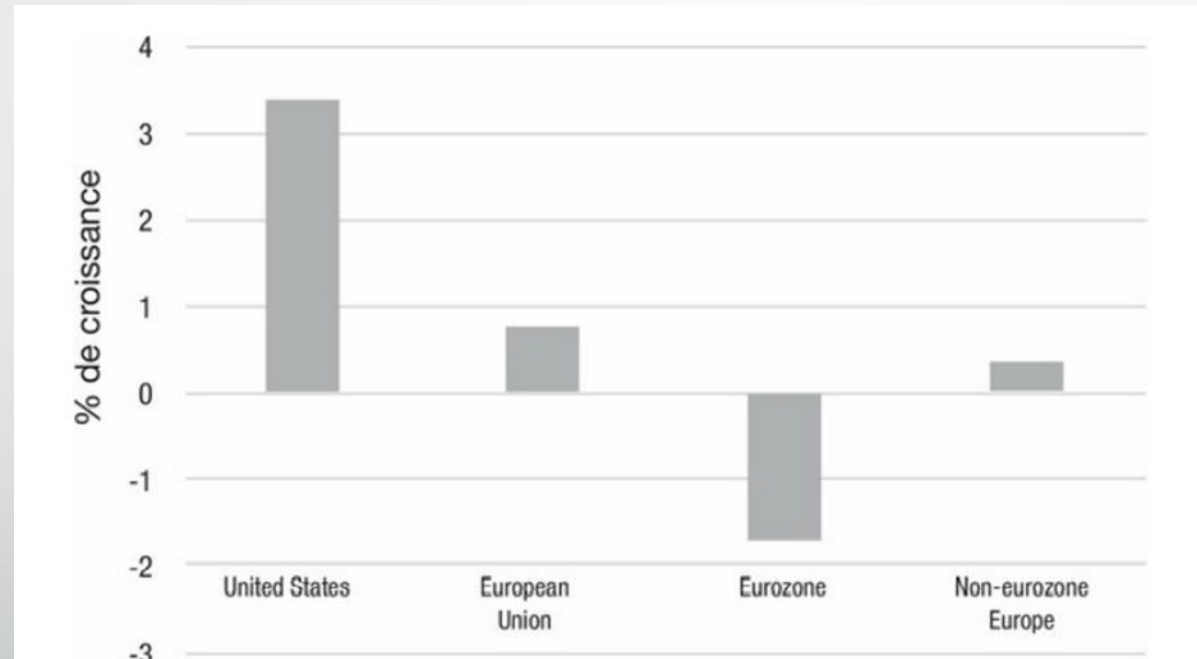


Real GDP growth from 2007 to 2015



An obstacle to readjustments to economic shocks

Real GDP per capita growth 2007/2015



Other catastrophic results

- GDP in Europe outside the euro was in 2015 8,1% higher than in 2007, vs 0,6% higher for the euro area
- Huge rise of insecurity in crisis countries
- Cuts in social protection systems
- Huge rise of unemployment



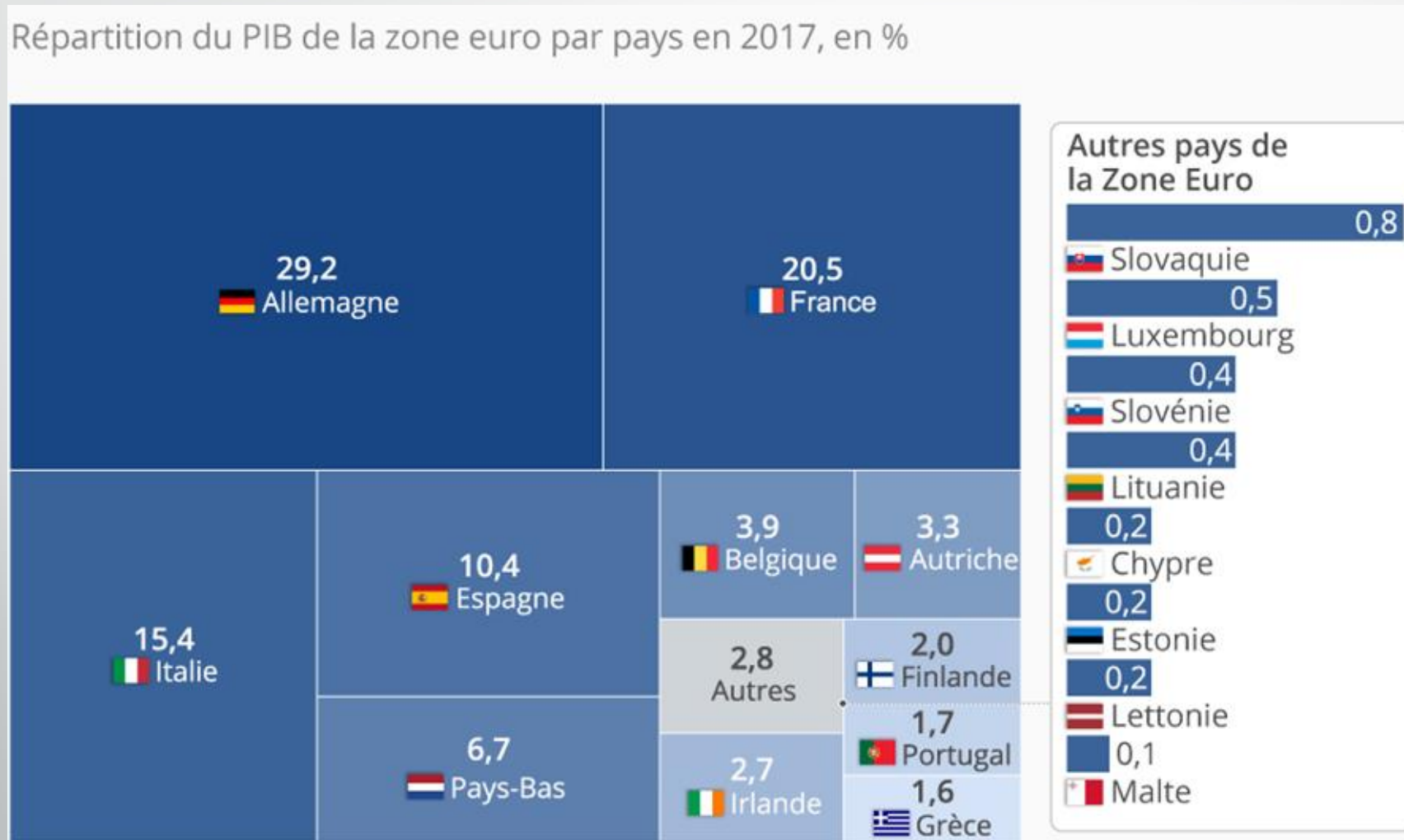
The fixed exchange rate

- = the price of one currency against another
- If I want to buy an American product, I must first convert my euros to dollars
- Issuing more of your currency on the market will reduce the value of your currency (because of the rarity effect)
- Issuing less will increase the value of your currency

Austerity policies

- Goal : Lower national debt, public spendings, inflation and increase GDP
- How : Increasing taxes, lowering salaries, restricting credit
- Problem : Doesn't necessarily increase GDP because of the harm done by the lowering of public spendings, puts a lot of pressure on the population, increase unemployment rate...

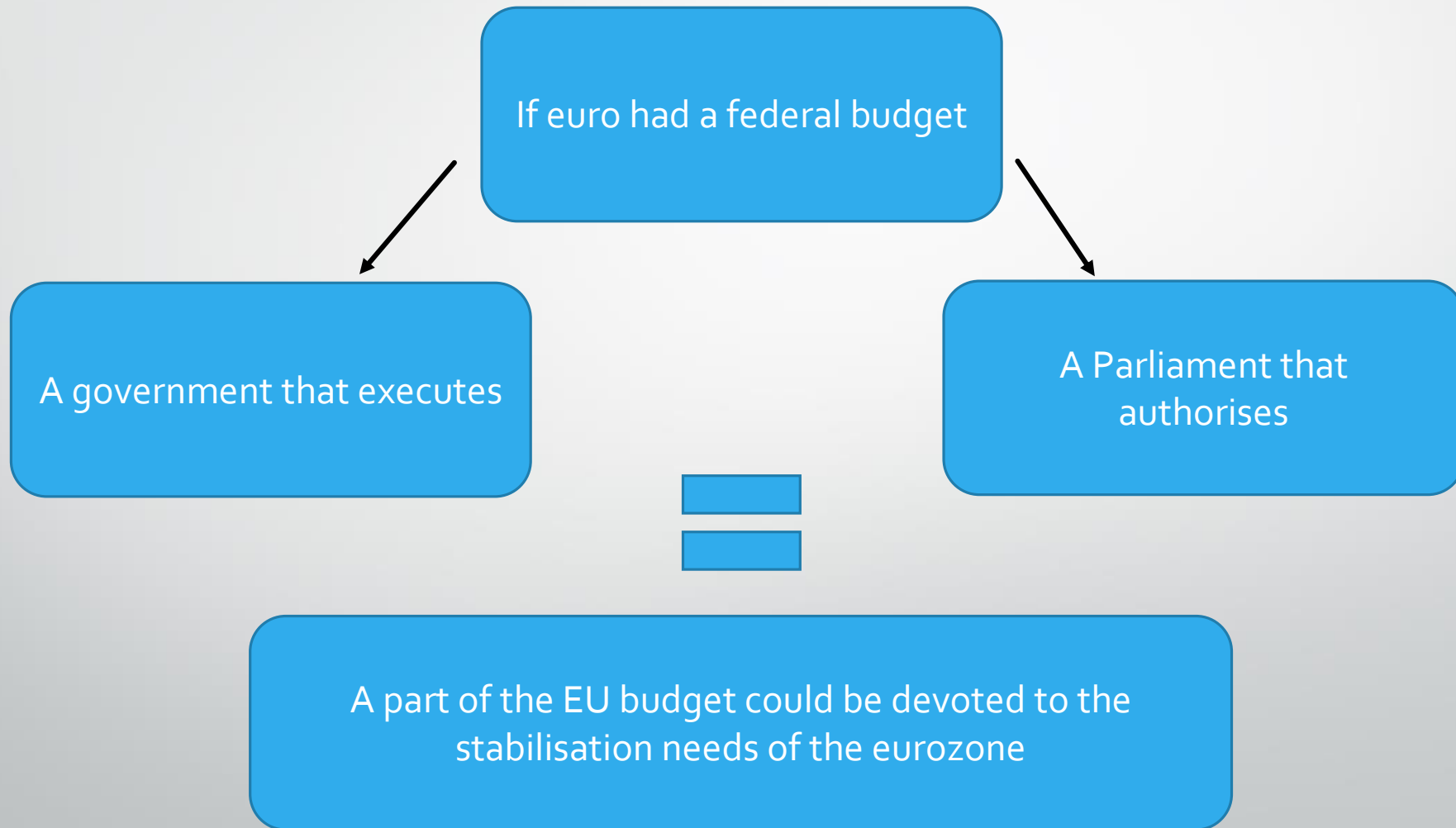
Second problem : the increase of inequalities between countries



Solutions for solving the euro

- A federal budget
- The pooling of debts
- The flexible euro
- The amiable divorce

A federal budget



3 possibilities to set up this budget

The diagram consists of a top blue box containing the text '3 possibilities to set up this budget'. Below this box are three vertical blue bars, each containing one of the following options: 'Creating a European Tax', 'Centralising part of the tax revenue', and 'Organising cyclical transfers'. At the bottom of the diagram, the words 'POLITICAL PROBLEM' are written in red capital letters. On the left side of the slide, there is a decorative graphic element consisting of several overlapping diagonal lines in shades of blue and grey.

Creating a European
Tax

Centralising part of
the tax revenue

Organising cyclical
transfers

POLITICAL PROBLEM

The pooling of debts

- Avoid divergent movements of labour
- Creation of a euro-obligation guaranteed by the euro area
- Will be lent to various countries

ECONOMICAL OBSTACLE





Flexible euro

- Each country has its "own euro"
- Advantages :
 - Allow weakest economies to become competitive
 - Preserving solidarity
- Flexible euro as transition to get a better single economic zone

The amiable divorce



- A divorce = to quit the euro zone
- The amiable divorce = Less cost for the leaving country and the rest of euro area
- Exemple of Greece: to quit the depression + to launch a real growth

How it could be set up ?

- Help for the creation of the independent currency = "adjustment assistance"
- Needs money for: purchasing goods and services domestically; servicing debt; and purchasing goods and services abroad
- Advantages: increase in overall demand
- ECONOMICAL PROBLEM ?



DEBATE

**Are you in favor of or against
a reform of the euro currency?**



THANK YOU FOR YOUR ATTENTION

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