



## *From Bretton Woods to the Euro*

***Why have a European centralised currency?***

*The image of Euros that was here has been removed under threat of a fine*

by [PicRights Europe](#) who track 'unauthorised use of photos' – in this case, apparently for Reuters (who have not replied to my letter.)

Complaints about this type of legal harrassment by this Swiss company can be found here:

[Courrier PicRights et demande de dédommagement – Internet](#)

PicRights have employed the French lawyers [Cabinet Reynal-Perret](#) to pursue this case. A separate presentation of image rights and abuse is underway. In the meantime, consult the following links for further information.

[Code de la propriété intellectuel](#), [Copyright and education in Europe](#), [Digital media law\(USA\)](#),

[Images et droits D'auteur : Stop aux abus](#). To protect yourself, check if you have private legal insurance, use your institute's legal services, and for civil servants, use the legal services and insurance of [Crédit Social desFonction](#)

The more people (mostly teachers and journalists) defend their rights, the more legalcases will be won creating more cases of 'jurisprudence' to stop this legal abuse of teachers who are simply carrying out their work as educators.

***Could we have a World Currency ?***

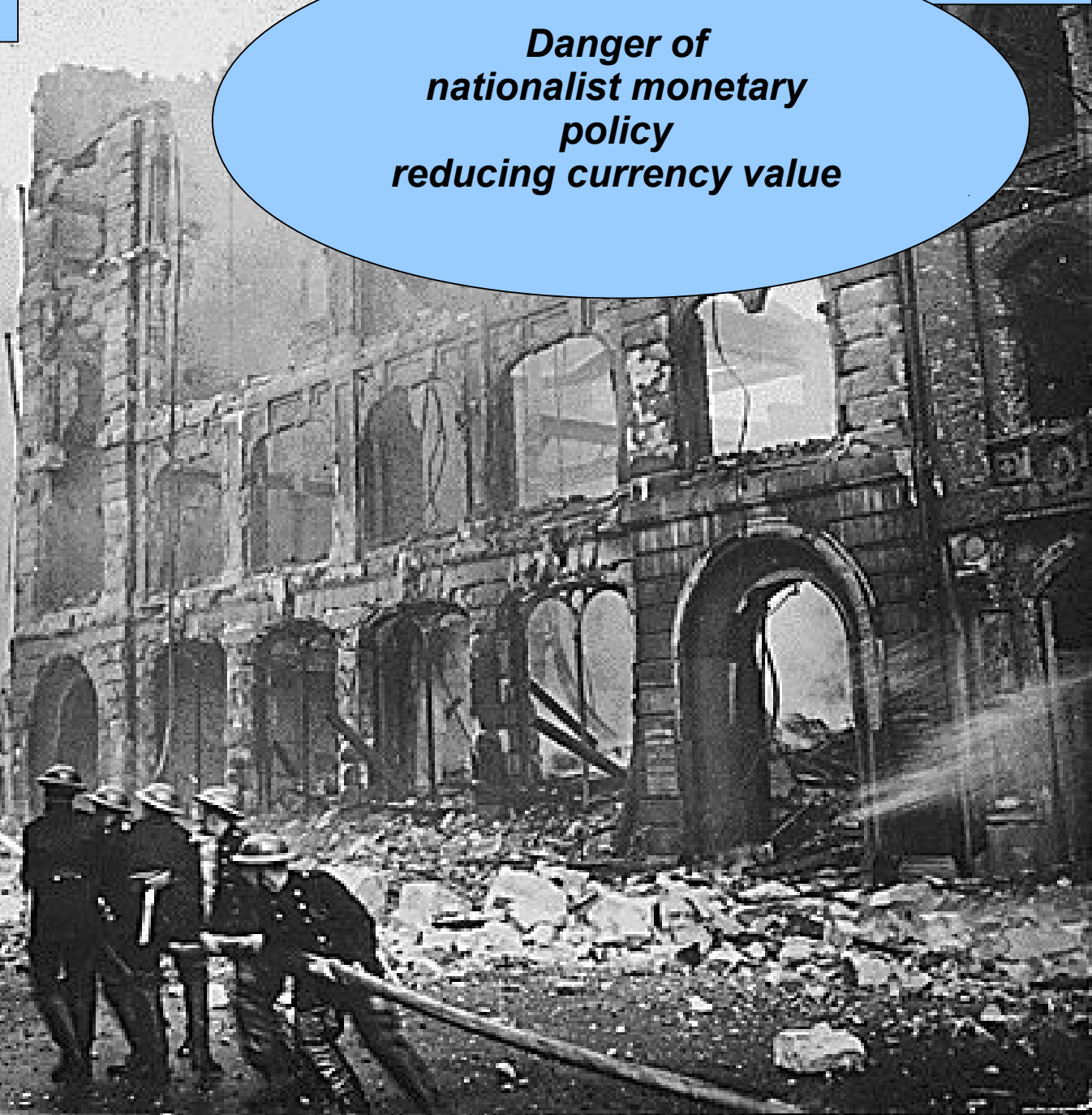
**WW2**  
***Devastation and poverty***

***Danger of  
nationalist monetary  
policy  
reducing currency value***



***Marshall Plan***  
***US\$13 billion***

***Loans repayable in  
national currency***



## **Bretton Woods 1944**

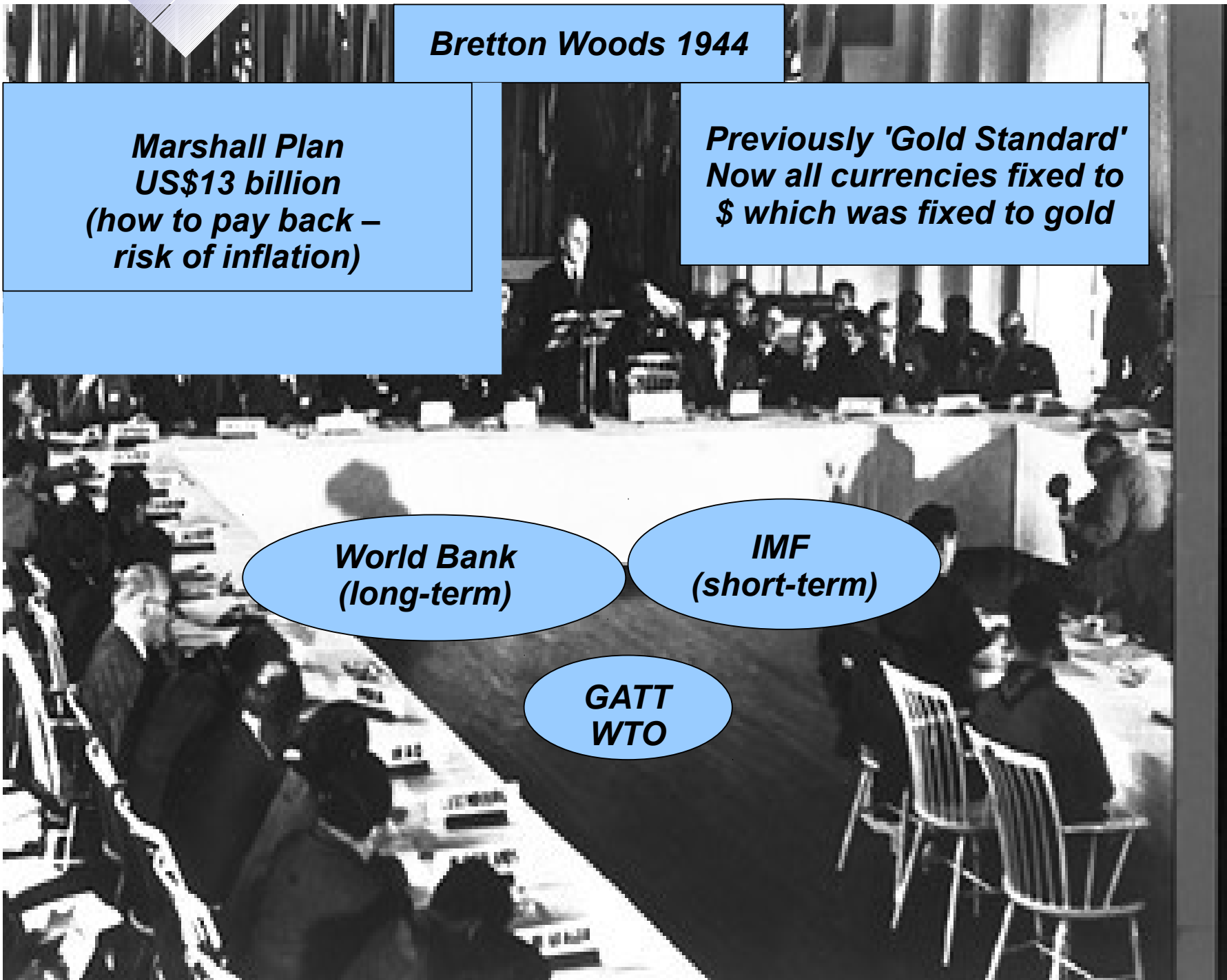
**Marshall Plan**  
**US\$13 billion**  
**(how to pay back –**  
**risk of inflation)**

**Previously 'Gold Standard'**  
**Now all currencies fixed to**  
**\$ which was fixed to gold**

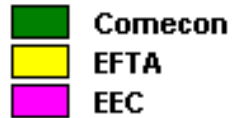
**World Bank**  
**(long-term)**

**IMF**  
**(short-term)**

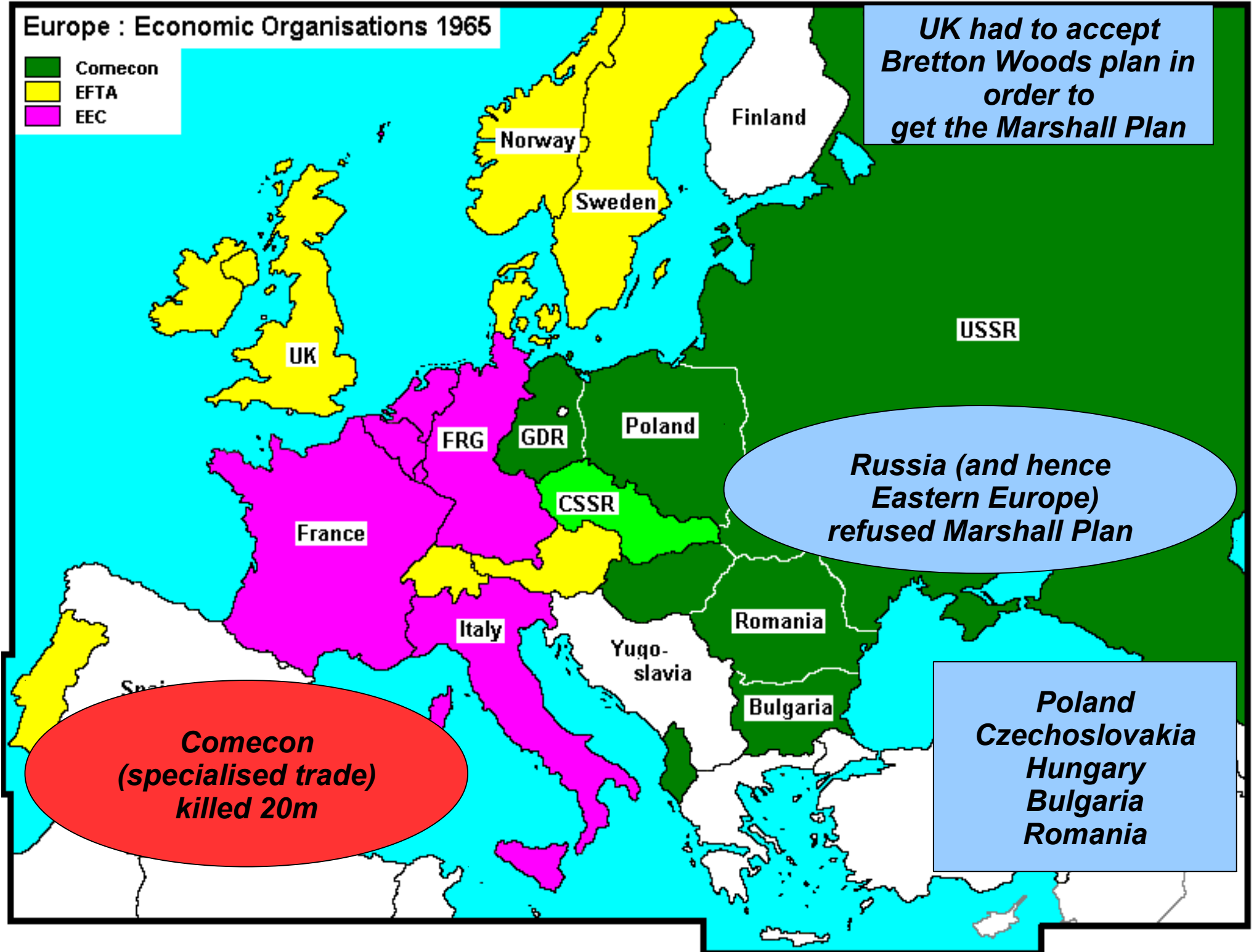
**GATT**  
**WTO**






## Europe : Economic Organisations 1965

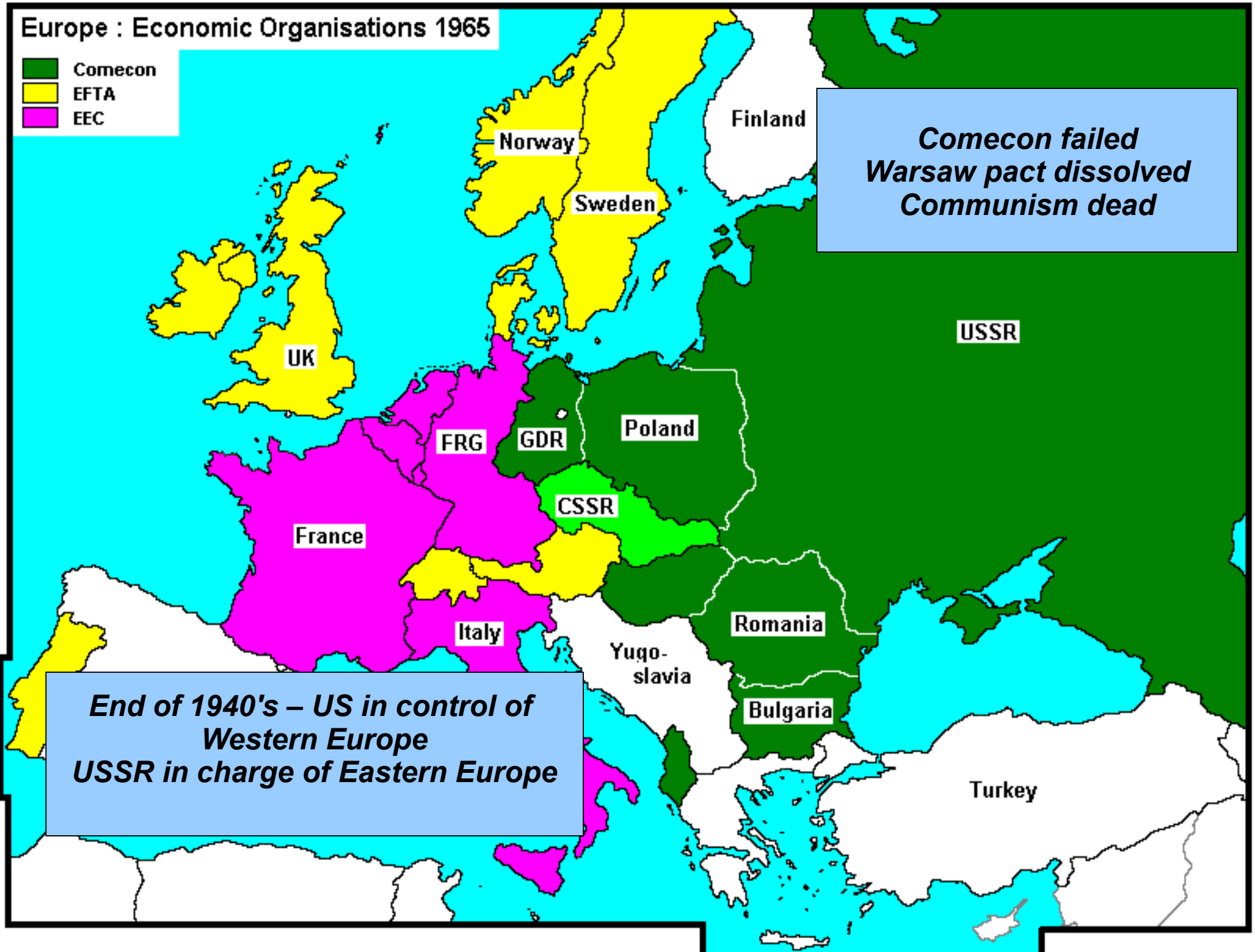


*UK had to accept  
Bretton Woods plan in  
order to  
get the Marshall Plan*



## Europe : Economic Organisations 1965

-  Comecon
-  EFTA
-  EEC



# the gold standard



## **The Gold Standard 1870-1914**

***- origin in the use of gold coins as a medium of exchange, unit of account, and store of value.***

***The U.S. Gold Standard Act of 1900 institutionalized the dollar-gold link.***

## ***The Inter-war Years, 1918-1939***

- ♦ ***With WWI in 1914, the gold standard was suspended.***
  - ***The inter-war years were marked by severe economic instability.***
  - ***The reparation payments led to episodes of hyperinflation in Europe.***

# ***The Inter-war Years, 1918-1939***

- ♦ ***International Economic Disintegration***
  - ***The Great Depression in the USA***
  - ***Major economic harm due to restrictions on international trade and payments.***
  - ***Beggar-thy-neighbour (currency value) policies provoked foreign retaliation and led to the disintegration of the world economy.***
  - ***All countries' situations could have been bettered through international cooperation***



# ***The Bretton Woods System and the International Monetary Fund***

## ***International Monetary Fund (IMF)***

***1944, 44 countries met in Bretton Woods - system of fixed exchange rates.***

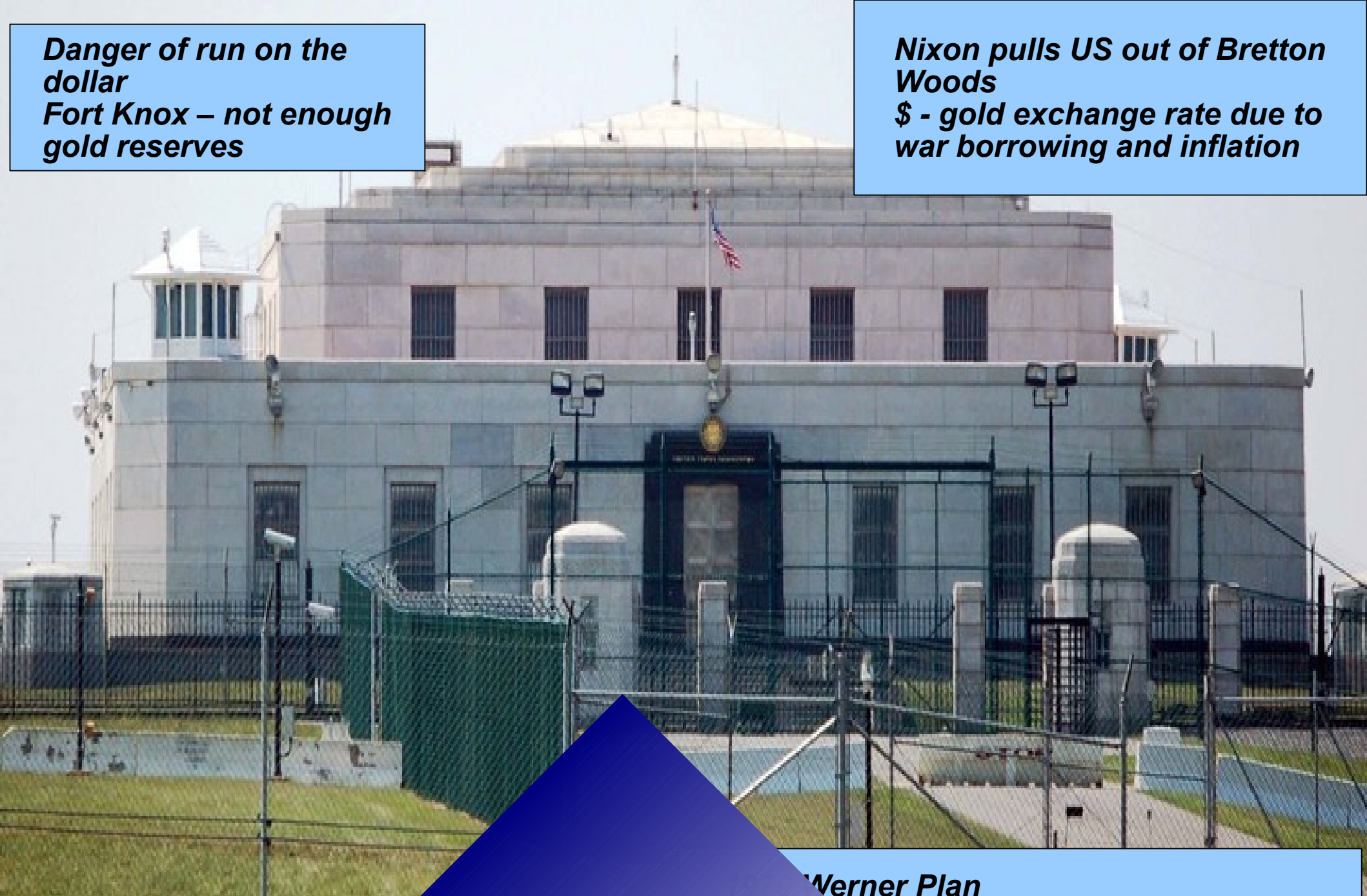
***All currencies had fixed exchange rates against the U.S. dollar and an unvarying dollar price of gold (\$35 an ounce).***

***It intended to provide lending to countries with current account deficits.***

***It called for currency convertibility.***

***Danger of run on the dollar  
Fort Knox – not enough  
gold reserves***

***Nixon pulls US out of Bretton  
Woods  
\$ - gold exchange rate due to  
war borrowing and inflation***



***Europe suddenly has no point  
But has the ECU used***

***1970 Werner Plan  
to create a European currency  
using a ERM Exchange Rate Mechanism  
to avoid nationalist deflation***

# Euro: early efforts

**France thinks the creation of the Euro will limit German dominance in Europe by removing the powerful Deutschmark  
Exactly the opposite happened**

**1972 - UK (had intended to join Euro) falls out of the ERM**

**snake (and again in 1983) Denmark and Ireland follow suit**

**1973 Italy falls out, 1974 France falls out and EMU abandoned**

**Basically failed due to lack of harmonised macroeconomic policy (need similar IR, inflation and debt and deficit levels)**

**Leads to Maastricht criteria to ensure macro-economic harmonisation**

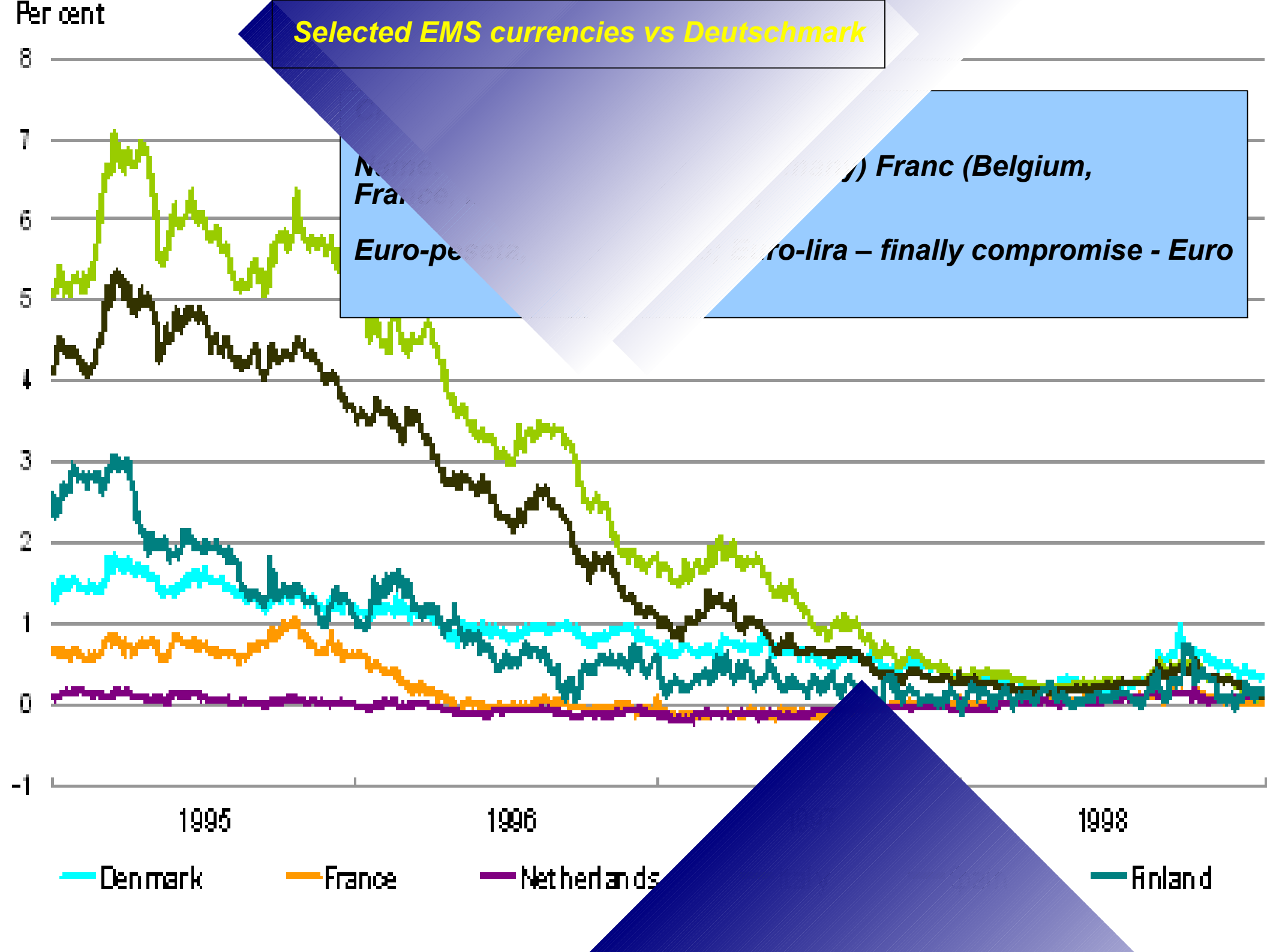
***National gold reserves  
and reserve currencies  
to ECB***

***European Central Bank***

***Price stability:  
avoid inflation  
(how?)***

***Currency value  
(effecting trade  
competitiveness)***

***NB Comparison with US Federal Bank***



# The euro banknotes



Size: 120 x 62 mm  
Colour: Grey



Size: 127 x 67 mm  
Colour: Red



Size: 133 x 72 mm  
Colour: Blue



Size: 140 x 77 mm  
Colour: Orange



Size: 147 x 82 mm  
Colour: Green



Size: 153 x 82 mm  
Colour: Yellow-brown



Size: 160 x 82 mm  
Colour: Purple

***Virtual Euros: 1999. Coins and banknotes: 2002***





**Euro  
Coins**

**Maastricht criteria  
Pre-Euro**

**Interest rate  
Inflation  
Debt  
Deficit  
ERM**



**Debt  
Deficit**

**Stability and Growth Pact  
Post-euro**



## ***Advantages of joining the Euro***

- ♦ ***Increases competition and reduces prices for consumers***
- ♦ ***Eliminates transaction costs***
- ♦ ***Avoids speculation***
- ♦ ***Greater transparency for consumers***
- ♦ ***Use of Euro as a reserve currency***
- ♦ ***Greater power in international monetary negotiations***
- ♦ ***Provides competition to the dollar which post BW had enjoyed world-wide privileged position***
- ♦ ***Symbol of EU identity***

## Criticisms

x 3,5

- ♦ *UK – no need for Euro – joined the EEC, not the EU*
- ♦ *Euro is a sign of Europe the UK doesn't want*
- ♦ *No strong economic argument for Euro – benefits calculated at around 1% GDP*
- ♦ *Monetary policy cannot satisfy all members at the same time*
- ♦ *UK economic cycle not the same as the EU (getting closer)*
- ♦ *ECB only interested in inflation control and not employment and growth (can't change mandate since it's part of the Nice Treaty)*

x 3,5

x

## **Questions**

***What gave the \$ its influence after WW2?***

***What was created at Bretton Woods?***

***Why did the USA quit the \$-gold rate?***

***What are the convergence (Maastricht) criteria?***

***What happens if you fail the Stability and Growth Pact?***

***Will there be further world currency groups?***

***What has happened to the SP after the recent crisis?***