

A Single Currency for Europe

After years of using the franc (France), the escudo (Portugal), and the markka (Finland), these and several other European countries now have a common currency. As of January 1, 1999, the euro was introduced as the official monetary unit for eleven of the 15 member countries of the European Union (EU). Britain, Denmark, and Sweden decided to stay with their existing monetary units, while Greece (as of January 1, 1999) did not meet the economic requirements.

Over the next three years, businesses will post prices in both euros and the national currency of the countries in the economic and monetary union (EMU). Also over that time, financial institutions (such as banks and stock exchanges) will record transactions in euros. Banks will offer accounts to customers in euro denominations.

By January 1, 2002, the euro bills and coins will be in circulation in these EU countries. Then by July 1, 2002, existing bills and coins of these countries will no longer be acceptable. At that time, the full impact of a unified monetary system in these countries will be evident.

The introduction of the euro is expected to make it easier for people to compare prices when traveling in various countries in Europe. Travel agents already make traveler's checks available based on the euro. Most electronic banking transactions among these countries and other nations are in euros.

This monetary union was established to make business activities in the EU easier, as the conversion from one currency to another takes time and money. This new monetary system is expected to also provide economic stability within the region. For a country to use the euro, guidelines related to government debt and inflation must be met.

1. List factors that affect the value of a country's currency. How might changing currency values affect accounting procedures and the financial records of a company doing business in several countries?
2. Conduct a Web search on the euro and the European Union. Obtain information related to the value of the euro in relation to other currencies around the world.