European Currency:

- **History of the Euro**: EU was established in 1957. Delors, the EC president at the time, vouched for harmonization and standardization which is about having common standards between countries, but this leads to many inefficiencies in creating the same products between different groups of countries. However, on the other hand, Lord Crockfield, the single market process creator, vouched for MPR—mutual product recognition which is about removing trade barriers between countries.

- **Difficulties**:
  1. 1971—gold backing from the US dollar was removed, collapse of Bretton woods system.
  2. 1971—snake in the tunnel mechanism failed.
  4. 1979—EMS entered into force.
  5. 1988—Margaret Thatcher opposed.
  6. France and Germany opposed.

- **Benefits**:
  1. Lower transaction costs.
  2. Lower risk.
  3. Increasing FDI.
  4. Increasing Trade.
  5. Increasing Tourism.
  7. Customer sovereignty.
  8. Transparency.
  9. Easy of movement of people, goods, services, and capital.
  10. Lower interest rates.
  12. Lower costs.
  13. Infrastructure.

- **Drawbacks**:
  1. Loss of sovereignty.
  2. Loss of autonomy.
  3. Restricted monetary and fiscal freedom.
  4. Different business cycles.
  5. Complex management of economies.
  6. Different budgetary deficits.
  7. Political tensions.
  8. Cultural differences.
  10. Cross border competition.
  11. Squeezed margins.
  12. Interest rate instability.
  13. Gap between rich and poor regions.
  15. Can’t decide on one interest rate/inflation rate.
  16. No devaluation.
  17. No lender of last resort.