European Currency:

- **History of the Euro**: EU was established in 1957. Delors the EC president at the time vouched for harmonization and standardisation which is about have 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 removind 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
  3. 1973- US dollar floated freely, oil crisis
  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
  6. Macroeconomic stability
  7. Customer sovereignty
  8. Transparency
  9. Easy of movement of people, goods, services and capital
  10. Lower interest rates
  11. Greater integration of traded good sector
  12. Lower costs
  13. Infrastructure
  14. Diversification in decisions
- **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
  9. Loss of national identity
  10. Cross border competition
  11. Squeezed margins
  12. Interest rate instability
  13. Gap between rich and poor regions
  14. Dirty floating
  15. Can’t decide on one interest rate/inflation rate
  16. No devaluation
  17. No lender of last resort