

## Governance: who does what?

The **ECOFIN Council**: This consists of the Ministers of Economy and Finance of each Member State who coordinate economic policy-making and take decisions on the operations of the Stability and Growth Pact and the application of the Treaty. The Member States in the euro area, together with the ECB and the Commission, form the Eurogroup.



The **European Central Bank (ECB)** and the **European System of Central Banks (ESCB)**: Monetary policy, the management of the money supply, is run independently by the ECB and the central banks of the ESCB.

The **European Commission**: The Directorate-General for Economic and Financial Affairs (DG ECFIN) of the European Commission monitors the economic situation and the implementation of the Stability and Growth Pact. The Commission also makes recommendations to the Council on any corrective actions needed.

The **European Parliament**: The Committee for Economic and Monetary Affairs of the European Parliament monitors the functioning of monetary policy and the Stability and Growth Pact. The European Parliament, after discussions with the ECB and the Commission, gives its opinion on actions to be taken.



Further info at:

European Commission Directorate-General for Economic and Financial Affairs

[http://ec.europa.eu/economy\\_finance/index\\_en.htm](http://ec.europa.eu/economy_finance/index_en.htm)

The European Commission

<http://ec.europa.eu>

The European Central Bank

<http://www.ecb.eu>

The euro

<http://ec.europa.eu/euro>



KC-76-06-269-EN-C

# A short guide to the euro



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ISBN 92-79-02760-3



## Euro banknotes and coins

In preparation for the introduction of euro cash on **1 January 2002**, over 14 billion banknotes worth €633 billion were printed, and 52 billion euro coins were minted using 250 000 tonnes of metal.



Euro banknotes have the same design everywhere. Euro coins have a common design on one side and a country-specific design on the reverse. The different sizes and contrasting colours of euro banknotes are intended to help the visually impaired recognise the different denominations. In addition, banknotes are printed in different relief patterns to help distinguish between them by touch.

The common design for coins will be modified in the near future – to reflect EU enlargement. These new designs will be introduced progressively, starting with the coins to be issued by the new entrants to the euro area.

## The euro area today and tomorrow

- Euro area. Slovenia will join on 1 January 2007
- EU Member States with an opt-out
- EU Member States that have not yet adopted the euro



1 What is the euro? 6 frequently asked questions about the euro



The euro is the currency of the euro area Member States; they share a 'single' currency. While the whole of the European Union (EU) is a single market, only part of the EU, the euro area, has the euro.

The introduction of the euro on 1 January 1999 was a major step in the progressive construction of the European Union. It has also been one of its major successes:



The European Union has progressively developed the single market since the 1980s. Within the single market, goods, people, services and capital move freely without barriers. So, for example, a Belgian consumer can buy a DVD player in Germany and take it home. By removing currency barriers, the euro makes the single market's benefits even easier to obtain.

over 310 million citizens in the 12 countries of the euro area now share the benefits of a single currency. And future enlargements of the euro area will both strengthen these benefits and spread them more widely in the European Union.

4 Which Member States have adopted the euro? Which have not?



Eleven Member States adopted the euro in 1999 (see map); they were joined by Greece in 2001. These countries form the euro area. Other Member States have opt-outs or are preparing to join, as Slovenia will on 1 January 2007.



All Member States have committed to adopt the euro except the United Kingdom and Denmark, which have opt-outs for reasons of economic sovereignty – they can still become members of the euro area. They are all bound to achieve legal and economic convergence though, and to meet the economic entry criteria on government deficit and debt, inflation, interest rates and exchange rate stability. The ten new Member States, which joined the EU in 2004, are expected to enter the euro area over several years, starting in 2007. Sweden has not yet qualified. The euro area contains over 310 million people, two-thirds of the EU population, and enlargement of the euro area to the new Member States will bring this to over 385 million.



The euro makes life easier by removing the need to exchange national currencies when travelling or doing business. In addition, the single currency supports economic stability. These are the main reasons we need the euro. Further, the single market makes the EU the largest trading bloc in the world, which gives us a strong voice in the international arena. The euro is also a political decision; Europe's leaders were determined to encourage unity in Europe after a century of conflict – it is part of building European identity.

2 Why do we need the euro?



To bring economic stability, and because a single market with a single currency is more efficient than trading in many markets and many currencies. Costs to consumers and businesses are lowered and investment is encouraged.



Economic policy-making has three elements: monetary policy that ensures price stability; fiscal policy that concerns government income and spending; and policies related to the functioning of markets, such as product, labour and capital markets. In the euro area, the independent ECB decides the single monetary policy to ensure price stability. Member States run their own economies, making tax and spending decisions within the common rules set by the Treaty and the Stability and Growth Pact. These rules set limits on government deficits and debt to ensure sound public finances. Member States also co-operate in the framework of the growth and jobs initiative. The Council of Ministers and the Commission monitor the Member States' policies and performance and their adherence to the Treaty and Stability and Growth Pact rules.

5 How does the euro work?



Through an independent European Central Bank, the ECB, that leads a common monetary policy, and close coordination of economic policy-making between Member States within the framework of the Treaty and the Stability and Growth Pact.

3 How did the euro come about?

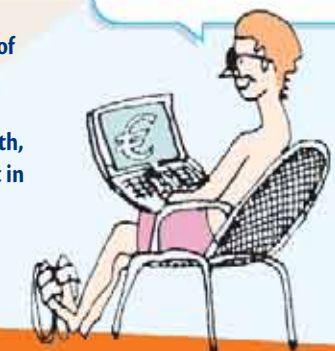


The 1957 founding Treaty of Rome called for closer economic-policy coordination among the Member States. Since that time, the Member States have worked to integrate their economies, to open their markets and to stabilise their mutual exchange rates. By the 1970s, the idea of a single currency had gained ground.



From the 1970s onwards, the EU Member States made several attempts to introduce a single currency, but these were disrupted by economic and monetary instability. Finally, a period of stable exchange rates during the second half of the 1980s gave impetus to the 1989 Delors Plan for the single currency. This led to the 1992 Maastricht Treaty that set the rules and defined the roadmap for economic convergence and the introduction of the euro as book money in 1999, three years before the banknotes and coins in 2002.

6 What are the benefits of the euro?



Stable prices, low interest rates, the elimination of exchange rate volatility and sustainable public finances in combination with the single market provide the best framework for economic growth, long-term investments and higher employment in Europe.



A single currency makes cross-border trade and travel cheaper and simpler by removing exchange rate risks and costs, both for consumers and businesses. Price transparency within the single market allows simple comparisons, increased competition, and thus lower prices. Economic and price stability reduce risks and allow businesses to plan for the long term – encouraging investment and employment. The size and wealth of the euro area protect it from external shocks and make the euro an attractive international currency, next to the US dollar, for international trade, borrowing and as a reserve currency.