6.5 EUROZONE

FOCUS QUESTIONS:

- **What is the Eurozone?**
- **What is the effect of the creation and the adoption of a single currency by different nations and what impact does being a Eurozone member have on a nation?**
- **How does it affect one's feeling of national and regional identity?**

STANDARD #7 *PRODUCTION, DISTRIBUTION AND CONSUMPTION.*

STANDARD #9 *GLOBAL CONNECTIONS.*

LESSON OVERVIEW:

This lesson focuses on the establishment of the Eurozone (occasionally referred to as "Euroland") as a component of the European Union. Students will participate in a simulation activity to experience the effects of the movement from multiple national currencies to a single one. Prior to this lesson, students should have background knowledge on the formation of the European Union, an understanding of the Copenhagen Criteria, and Germany's role in the overall organization. The teacher may refer to Lesson 1.3 *Germany: A Member of the European Union* for additional information. Finally, special attention will focus on the economic difficulties experienced by members of the Eurozone and Germany's role in the sovereign debt crisis. Upon completion of the lesson students will have a greater understanding of the adoption of the euro, the meaning of a single currency for the European Union, and Germany's role as a member of the Eurozone.

TEACHER BACKGROUND INFORMATION:

The euro was established by provisions of the 1992 Maastricht Treaty. For companies as for individuals, one obvious advantage of a single currency across national boundaries is the enhancement of trade through the elimination of the cost of exchanging currency. The treaty established that member states must meet strict criteria in order to participate in the euro and that all states should adopt the currency within a reasonable time. As the Delegation of the European Union Commission in Washington, DC notes on its website[1]:

> The euro is the single currency of the European Union. Countries earn their way into the euro area by demonstrating the economic, monetary, and fiscal discipline necessary to comply with required economic convergence criteria, known as the "Maastricht criteria."
>
> All EU Member States—with the exception of Denmark and the United Kingdom, which negotiated "opt-out" clauses—should join the euro area once these specific criteria are met in the areas of price stability, interest rates, national debt and deficit, and exchange rate stability. Countries that currently use the euro are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain.
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> The eurosystem, made up of the independent European Central Bank (ECB) and the national central banks of the EU Member States using the

1 http://www.euintheus.org, retrieved August 2012.

euro, is responsible for safeguarding price stability in the euro area. The eurosystem also supports the EU's general economic policy objectives, including sustainable economic growth and a high level of employment.

The Copenhagen Criteria, established in 1993, are the basis by which countries can become members of the European Union. The criteria are:

> Any European country may apply for membership provided that it respects liberty, democracy, human rights and fundamental freedoms, and the rule of law, principles common to EU Member States.
>
> Applicant countries must fulfill the following specific conditions for EU membership:

- Stable institutions guaranteeing democracy, the rule of law, human rights, and protection of minorities.
- Functioning market economy and the capacity to cope with competition and market forces in the EU.
- Capacity to take on the obligations of membership, including adherence to the objectives of political, economic and monetary union.
- Adoption of the *acquis communautaire* (the full body of EU law and policies) and its effective implementation through appropriate administrative and judicial structures.[2]

The European Central Bank provides this in terms of background:

> The euro was launched on 1 January 1999, when it became the currency of more than 300 million people in Europe. For the first three years it was an invisible currency, only used for accounting purposes, e.g. in electronic payments. Euro cash was not introduced until 1 January 2002, when it replaced, at fixed conversion rates, the banknotes and coins of the national currencies like the Belgian franc and the Deutsche Mark. Today, euro banknotes and coins are legal tender in 18 of the 28 Member States of the European Union, including the overseas departments, territories and islands which are either part of, or associated with, euro area countries. These countries form the euro area. The micro-states of Monaco, San Marino and Vatican City also use the euro, on the basis of a formal arrangement with the European Community. Andorra, Montenegro and Kosovo likewise use the euro, but without a formal arrangement.[3]

The benefits of the euro system to member states and their citizens are many: simplification of cross-border trade, stability of currencies, lower interest rates, and the elimination of uncertainties about foreign exchange rates within Europe. Of course, for travelers, the advent of the euro has made international travel easier and less expensive. Weak economies in some member states of the EU have led, however, to ongoing uncertainty as these states struggle to find ways to keep their sovereign debt in control when they no longer have the option of devaluing a national currency. All EU economies are tied together in the euro system. The creation of the euro was a visionary development in the long history of Europe.

For additional information refer to:

The Official Website of the European Union: http://europa.eu/index_en.htm

European Union Lesson Plans: http://www.euintheus.org/resources-learning/academic-resources/eu-lesson-plans-and-teaching-material/european-union-lesson-plans-secondary-level/

2 http://www.eurunion.org/News/eunewsletters/EUFocus/2007/EUFocus-Enlarge2007.pdf, retrieved August 2012.
3 http://www.ecb.int/euro/intro/html/index.en.html#use, retrieved August 2012.

TIME:

(2-3) 45 minute class periods

INSTRUCTIONAL RESOURCES:

- State Quarters
- 200 Individual Stickers
- 5 slips of paper in each color (green, red, yellow, black, orange, purple) for all but 10 students
- Eurozone PowerPoint (**PowerPoint 6.5.1 on Instructional Resource Disc**)
- *Euro vs. Invasion of the Zombie Banks* Article (**Handout 6.5.2 on Instructional Resource Disc**)
- Political Cartoon Analysis Handout (**Handout 6.5.3 on Instructional Resource Disc**)
- Eurozone Cartoon PowerPoint (**PowerPoint 6.5.4 on Instructional Resource Disc**)

PROCEDURE:

DAY 1:

Anticipatory Set: The teacher should pass around a variety of US "state" quarters to small groups of students and ask students: What do you find similar among the coins, and what's different about them? How does the "state" quarter allow for statehood identity as well as national identity? What if the different quarters had different monetary values from one state to another? How would that affect daily life in the United States?

The teacher should introduce the topic by following the Anticipatory Set activity. Then pose the question, why would the European Union members decide to give up their individual currencies? After students have shared their thoughts, play the simulation game:

Simulation Game: Function of the Euro in the European Union

Prepare students for a simulation activity: Trade in the USA vs. Trade in Pre-Euro Europe

The students will be divided into 3 groups:

- One group will be US producers
- One group will be producers from EU countries prior to the introduction of the euro
- One group will be consumers

The groups of US and European producers will consist of 5 students each. Their desks should be in rows on opposite sides of the room. Each "producer" will be given approximately 20 stickers that they will "sell" to the consumers for colored strips of paper. The producers' goal is to "make as much money as possible," by collecting as many colored slips as possible. The US producers may accept only green slips as payment for a sticker. Each sticker costs one green slip (or the equivalent value). Each European producer can accept slips of different colors, but must be careful to calculate the correct exchange.

The consumers will consist of the remaining students in the class. They will each be given 30 colored slips of paper: 6 of each of the five colors: green (for the US dollar), red, yellow, black, orange, and purple (representing five fictional European currencies). The consumers' goal is to purchase as many stickers as they can. However, the European slips have different relative values:

1 Red:	.25 green slips
1 Yellow:	.25 green slips
1 Black:	.75 green slips
1 Orange:	1.25 green slips
1 Purple:	2 green slips

The teacher may ring a bell to begin trading. After a five-minute period, the bell is rung again and – without prior warning – the teacher announces changes in the relative value of the European slips. Now they have these values:

1 Red:	.40 green slips
1 Yellow:	.40 green slips
1 Black:	.80 green slips
1 Orange:	1.20 green slips
1 Purple:	2 green slips

After another five minutes, the bell is rung again, trading ends and the students should return to their seats. The producers should total the slips of the same color and figure out their value in terms of green slips – using the latest table of relative values.

The consumers should tally up the total number of stickers they acquired with their slips. The exercise will demonstrate the uncertainties and complications of dealing with multiple currencies in a limited geographic area. The teacher should facilitate a discussion asking students what they determined about trade in the US vs. trade in Europe prior to the formation of the present European Union and the introduction of the euro. [Sample answers: (1) more cumbersome, took more time to trade in Europe because of different currency, and (2) the US had a greater total profit.]

To help students gain understanding as to why the European Union was created a half century ago, the teacher should ask the question, "What could European nations do to be more competitive with the US?" The teacher should lead the students to determine that Europe could (1) have one currency and (2) work together to combine their economic strength. Remind students that the European Union is an organization of countries, member states, that remain independent nations but work together in order to gain strength and world influence that would be unlikely otherwise. The EU has (1) reinforced peace between its members and (2) increased prosperity for its citizens, (3) created a single European currency (the euro) and (4) created a frontier-free "single market" where goods, people, services and capital move around freely.[4] The teacher should point out that today Germany's largest trading partners are the other EU member states, but that they also compete with one another. Now, with the current sovereign debt crisis, many believe that a strong economic nation such as Germany needs to become even more competitive in order to revive its economy so that in the end, the EU, as a whole, will become even more competitive with the rest of the world.

4 *How the European Union Works*. (June 2003). Retrieved from the European Union, July 2011: http://eeas.europa.eu/delegations/georgia/documents/virtual_library/08_euro_en.pdf.

DAYS 2-3:

What is the history of the euro? What is the currency design? What is the Eurozone, and who is in it? The teacher should write these words on the board: lira, franc, peseta, guilder, and mark and then ask the class if they have heard these terms before. The teacher should then explain the origins of the euro. The class may discuss what the leaders of these EU countries hoped being a member of the Eurozone would mean (e.g. strengthen ties among their nations and make travel, banking and trading much easier, as well as give Europe a currency that could rival the US dollar). It is important to remind students that this occurred after the reunification of Germany, when the old East German currency was exchanged for the West German mark. The teacher should show the Eurozone PowerPoint (**PowerPoint 6.5.1 on Instructional Resource Disc**).

If possible allow students time to peruse the European Central Bank website. There are interactive pages with in-depth details of the euro, its banknotes and coins: *European Central Bank:* www.ecb.europa.eu/euro/play/html/index.en.html

For homework, the teacher should assign The New York Times article *Euro vs. Invasion of the Zombie Banks* (**Handout 6.5.2 on Instructional Resource Disc**).

DAYS 4:

The teacher should begin the class with discussion questions: What might be the downside of being a Eurozone member? What happens when a member country's economy begins to fail? How did the Germans feel when they were asked to bail out the Eurozone members' failing economies, specifically Greece in 2010? What happened in Ireland, Spain, and Portugal in 2011?

The teacher should divide the class into groups of 3 and give each group a cartoon to analyze from the Political Cartoon Analysis Handout (**Handout 6.5.3 on Instructional Resource Disc**). The students should then present their findings to the class. It would work best if the teacher could project the cartoons as the students present their analysis using the Eurozone Cartoon PowerPoint (**PowerPoint 6.5.4 on Instructional Resource Disc**).

Students should look for the persuasive techniques used by the cartoonist, e.g. symbolism, exaggerating, labeling, analogy, and irony.

WHOLE GROUP REFLECTION:

- After the presentations the class should be able to discuss the German perspective as a Eurozone member. Have students share their thoughts. How does the euro relate to nationalism?

MODIFICATION:

- Instead of the simulation the teacher may substitute the board game Monopoly with each player using a different currency. A banker would be needed to exchange currencies.

EXTENSIONS:

- What is the current status of Eurozone members? Have Spain, Ireland, Portugal, and Greece been able to stabilize their economies? The students should research current articles and present their findings to the class.
- Students may do more research on the European Central Bank (http://www.ecb.int/euro). There are interactive links displaying security features, banknotes, and coins of the euro.
- Students may wish to create a "book" of 10 political cartoons spanning the creation of the euro to today. They could write a comparison of the documents that were published prior to the euro with those that are currently in the news. They should include discussion on the value of the euro at infancy and its current value in US dollars.
- *Eurozone Cartoons:* http://www.cartoonstock.com/newscartoons/directory/e/eurozone.asp
- Students may individually or in groups create their own "euro-toon" based on any of the major ideas, challenges, problems, issues, or events involving the Eurozone.