THE DEUTSCHMARK, THE EURO, AND GERMAN IDENTITY

by

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In the modern western world money influences all aspects of society. The microeconomic environment presents the role that money, in the form of currency, plays in the life of an individual. On a macroeconomic scale, currency contributes to a national identity, which is also recognized internationally. This thesis studies the national currency of Germany, the Deutschmark, and presents the role it fulfills in German national identity.

The study opens with an analysis of how national identity is defined and created, leading into a brief summary of German history and identity. This sets the basis for an investigation of how the individual, personal experience with the Deutschmark relates to the German national and international identity created by the Deutschmark. The transition to the new euro currency provokes an intriguing discussion about the many components of currency and national identity, and the new euro currency poses question to the future role of currency in German national identity. This study concludes with hypothetical conclusions about the euro as a symbol of German national identity in the future.

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- Introduction -

The magical aura of money . . .when you hear the word *money* does the ringing of a cash register echo in your ears? Do you make a mental note to pay your credit card bill? Do you tinker with the spare change left in your pocket from a coffe break this morning?

* * *

A penny lies in the middle of the sidewalk. Comfortable in your financial standing, you walk on by and leave the penny for the next passer by. A group of children spy the penny and make a mad rush towards it. They argue over who saw it first, chanting "find a penny, pick it up; heads up, it's good luck!"

* * *

The two-dollar bill is pulled out of circulation. Suddenly, this bill which you used to spend frivolously holds a much higher value. You collect a few as a keepsake before they disappear from circulation. These keepsake bills will join your jar of foreign currency that sits in the junk box under your bed, where it will remain indefinitely, no intention of ever being spent.

* * *

"Money can't buy happiness," but it can certainly make things a lot more comfortable.

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You have seen the movie and heard the song "Can't buy me love." If this is true, how come it is one of the leading causes of divorce in America?

* * *

How do we explain this strange relationship we all share with money? How can it be that a rectangular sheet of paper with pictures and numbers printed on it plays such an influential role in the life of every individual? Perhaps you recognize the role of money in your personal life by balancing your checkbook, paying bills, and buying new things, but have you considered the role money plays in national identity? Have you ever considered what would happen if America were faced with exchanging the dollar, the strongest currency in the world, to partake in sharing a common currency with other nations?

Citizens of Germany are facing this exact question. The German mark (Deutschmark)[1] is the strongest currency in Europe. This will change shortly though, because Germany is participating in the European Monetary Union, which will introduce a single currency for all participating member states. In 2002 the national currencies will be phased out of circulation to make room for the new euro banknotes and coins.

In the following chapters we will explore the important role that the Deutschmark plays as a symbol of German national identity. This topic encompasses many areas of discussion, but it first leads most appropriately to a definition of national identity. There is no clear, undisputed definition for national identity, so Chapter One introduces the parameters of defining national identity that will be used as a basis for discussion of this topic throughout the paper. These parameters will be set through an introduction and explanation of the theories and ideas of Anthony Smith, Benedict Anderson, and David Hooson. A proper understanding of their ideas about national identity will assist the

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[1] This spelling of Deutschmark is used in Mary Fulbrook's A Concise History of Germany (Cambridge: University Press, 1990).

reader to understand who and/ or what defines national identity. At the conclusion of Chapter One, the readers should question the difference between a national's definition of identity and a non-national's impression of a nation's identity.

This lesson in identity will carry over to Chapter Two where the focus turns to a brief recounting of German history. This historical background is necessary for understanding the roots of German identity and observing how Germany has developed as a nation-state over the past two hundred years. Discussion will turn to interpreting German identity by highlighting examples from its tumultuous history. The definition of German identity will be explained in the context of Smith, Anderson, and Hooson. Readers will learn about the ongoing historian's debate of the "German Question," and should challenge themselves to hypothesize a partial answer.

While pondering the concept of German identity, Chapter Three introduces national currency as a defining factor of national identity. Studying currency involves examining the history of money, learning how money is designed and what factors influence the value of money. Currency will be viewed as an international ambassador, and this chapter will describe the duties of this monetary ambassador. Attention shifts to the development of the Deutschmark as a leading currency of Europe, and how it fulfills its ambassadorial role. The Deutschmark identity should become very clear in the mind of the readers as they prepare to move into Chapter Four.

The pages of the fourth chapter deal with the formation of the European Union, its mission, and its future. As established in earlier reading, Germany is a leader in this union. As the union continues to widen and deepen, the reader should have a clear comprehension of how the EU operates and the effect it has on Germany. Its mission to promote "an ever closer union among the people of Europe" encourages the creation of a European identity. Readers will learn what actions the EU has taken thus far in establishing an EU identity and the role of the member-states in this development.

An integral part of this continuing union among member states is the European Monetary Union, and the implementation of a single currency for Europe. Chapter Five moves to an explanation of how the European Monetary Union will function, bringing forth support for and against a common currency. While reading Chapter Five, one should keep in mind the role of currency as an ambassador, questioning if the new euro currency can fulfill these duties. Readers are invited to formulate their own hypotheses about the role the euro banknote may or may not assume in German identity as it replaces the Deutschmark.

Chapter Six ties the contents of the previous chapters together as it discusses Germany's reaction to the euro; the crux of this study. Readers are introduced to some hypothetical conclusions about the value of the euro as a symbol in the future of German national identity. German support for and against the euro is supplied by recounting demonstrations, citing opinion polls and editorials, and describing actions taken by the state. Although some major decisions about the design of the euro and participation in the EMU remain to be made, this chapter will present readers with some ideas about the possible role of the euro in identity.

In the concluding pages readers will learn where and how to continue finding answers to this study, and be exposed to some possible influences and biases they may have developed throughout the reading. Readers should finish this study questioning their own ideas about national identity and evaluating their own associations with the magical aura of currency.

- CHAPTER 1 -

The Nation and Its Identity

I am driven to the conclusion that no scientific definition of the nation can be devised--yet the phenomenon has existed and does exist.
-Hugh Seton-Watson[2]

The roots of a nation, like those of an aged pine tree, are twisted and complicated. The roots of a tree serve to provide it with nourishment, and provide stability in the ground. These roots twist and adapt to whatever obstacles obstruct their path, and they continue to grow as long as the tree lives. These roots remain in the ground long after its death. The genetic material of a tree determines its creation and existence, but its success depends on many outside forces. Mother Nature challenges the tree's survival skills through droughts, fires, pests, and diseases. Humans also play an important role in shaping and cultivating the tree. Foresters, loggers, environmentalists and others may decide to use certain fertilizers or pesticides, limit the amount of water and sunlight available, or clip and thin branches as they see necessary. The tree reacts and adapts to these forces, expressing itself in its knots, branches, and other means of identification.

A nation shares many of the same characteristics as a tree. The essence of a nation is provided by the name of the country. This name provides the grounds for the

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[2] Benedict Anderson, Imagined Communities (London: Verso, 1991), p. 3.

creation and existence of a new land. The physical shape of a nation, its trunk and branches, are expressed in the land it possesses and the population it develops. Trees adapt and evolve with the forces of nature and mankind, while the nation is shaped by the political agendas of its ruler and countless outside forces: religious crisis, social conflicts, economic instability, political disorder, natural disasters, and other occurrences that influence its destiny. These factors combined make for a very complex system of roots that, at times, are difficult to follow and/ or distinguish from one another. A historian may choose to study each individual root, or one may step back and examine how the system works together, appreciating the greater mass that it upholds, the nation.

The tree family has many different varieties, and each tree has its own category, whether it is pine, fir, palm, or oak. Some of these trees are related, having evolved from an earlier species. Other varieties developed completely of their own accord. The label given to a tree and its characteristics allows us to identify it. This name or title becomes the tree's identity. This is also true in the study of national identity. Many nations have ties with older, better-established countries, because they were once a part of them. When the newly founded nation breaks away, it may carry on some of the older nation's characteristics, but it grows its own roots under a new name. This new name identifies it as a separate nation, and thus the elusive concept of national identity evolves.

When studying trees we look at leaf shape, bark type, branch structure, or desired climate location. In the case of nations we use other means, such as a flag (its colors and design), the language, the currency (its design and denominations), or borders (where it lies on a map). When observing any one of these features of a nation, we can appreciate how different it may be from what we are familiar with, but we have no understanding of how these identities, or symbols, came to exist. These identities primarily serve the passer-by. Let us return to the tree; the bark, leaves and branches are physical representations of its genetic make-up. This genetic make-up is something the casual observer will never see, similar to the root system, and one would literally have to have studied the tree through all stages of its life to fully understand how its identity developed. To fully grasp a nation's identity, one would have to have lived on the land as a citizen of that country since it was designated as a new land. This would allow one to see the nation change and evolve, able to observe and understand the many aspects of history behind each national symbol.

Investigating a nation's identity requires that we ask first, "What is a nation?" and second, "How, when, and where did this particular nation develop?" The answers to these questions will reveal the forming of a nation's roots; its various political agendas, its ethnic make-up, its economic situation, class structure, landscape, geographical location, and other identifying factors.

In National Identity, Anthony Smith argues that the nation and its national identity evolve out of a community of common descent. That is, nations must have a set of common understandings, aspirations, sentiments and ideas that bind the population together. Smith cites several commonalties that form the basic fundamental features of national identity: a historic territory or homeland; common myths and historical memories; common, mass public culture; common legal rights and duties for all members; common economy with territorial mobility for all members.[3]

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[3] Anthony Smith, National Identity (Reno: University of Nevada Press, 1991), p. 14.

Let us examine some of these fundamental features in more detail. Part of Smith's community of common descent is a product of myths and historical memories. "Common myths and memories" are oftentimes commemorated in tradition. Traditions also form the basis of "common, mass public culture." To gain further insight about these traditions we might question: What are the national holidays, and what is it they are celebrating? Is there a traditional song and/or dance that everyone learns or observes, and what does it represent? Who wrote the national anthem, and what is its subject? What is the traditional dress or costume? Do the people of the nation participate in certain ceremonies for special events? All of these traditions form a national heritage that is passed on through the generations.

Every member of the community is subject to common laws, institutions and political agendas. There exist "common legal rights and duties for all members." By this argument, an integral part of the nation is defined by its government. Who makes the common laws and builds the institutions? Who leads the nation, giving it direction and setting its goals? What is the political agenda? Do the people have a voice; is the leader a spokesperson for the people? Is the nation governed fairly? Does the leader truly lead, or is he/she just a figurehead to identify the nation? What is the nation's foreign policy, and how does it handle international affairs? The list of questions could go on without end.

A community that is striving to be recognized as a nation-state must be able to survive on its own, providing a common economy with territorial mobility for all members.[4] It must establish an economy that is able to support the nation, or is strong enough to negotiate with other countries to get the supplies it needs. A nation that does not have a stable economy is like a mutant tree that is reliant on its predecessor and is very unlikely to produce successful offspring. Therefore, a nation's means of production, its resources, industries, and agriculture, are definitive traits of its identity. A strong economy enables trade to thrive, industry to boom, and inspires confidence in the abilities of the nation as a whole. The economy also provides insight into the class structure of a nation and the relationship among the classes.

"An imagined political community, and imagined as both inherently limited and sovereign" is the definition of a nation provided by Benedict Anderson in Imagined Communities.[5] He argues that the communities of common descent referred to by Smith are, in actuality, imagined communities. They are imagined, because each person will never know all the fellow members of the community, but they accept that other members do indeed exist. When working with Smith's theory, we ask *what* the various commonalties of communities are. Anderson's theory lends to examining *how* the members of these imagined communities are aware of one another and their commonalties. Anderson claims that an identity classifies you as "one among many of the same kind as yourself."[6] In response to the question of *how* these imagined communities recognize an identity, he answers that printed materials allow for persons in

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[4] The use of nation-state here refers to the structural framework of a nation, which is distinctly different from the use of the word nation, which implies a group of people who belong to a certain nationality.

[5] Benedict Anderson, Imagined Communities, p. 6.

[6] Ibid., p. 85.

a community to imagine other members, eventually identifying themselves as part of a nation. Print allows for ideas, news and other items of importance to be communicated without the chance of being misinterpreted or poorly translated. Every reader reads the same document. Readership and literature are within everyone's reach. Anyone can learn a language, so print does not exclude any member of the community. The transcendent language of print allows for national anthems to be sung throughout the entire nation, the reciting of national oaths, and the performance of traditional ceremonies. Part of the national experience has to do with simultaneity, for example when we sing the national anthem, every other member sings with us, even though we can not observe them doing so. But we are able to identify the national anthem, because of the nature of its written language. Had the music never been printed, it is possible different versions would develop in different areas, destroying the experience of simultaneity.

Anderson uses the nation-state of Colombo as an example to show how three major influences caused its transformation to a nation state. Although these influences pertain to Colombo in this case, they are not unlike the events that triggered the transformation to a nation-state in other countries. Firstly, the increase in transportation throughout Colombo allowed for faster communication between members. Secondly, due to the rapidly increasing size of empires, there was a call for workers to mediate between the metropolitan nation and the colonized peoples. Perhaps most important, though, was the spread of education. Education brings a common language and literacy to more people, allowing for a wider circulation of printed material.[7] Through the language of

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[7] Ibid., p. 115.

these printed materials, Anderson believes that "pasts are restored, fellowships are imagined, and futures dreamed."[8]

Restoring the past is a crucial element in the definition of a nation. This can be tricky, though, because a nation does not always have a clear date of birth. History is used as a tool to encourage citizens to identify with the nation. This tool is more successful in some cases than others. Countries with a long, well-established history may use history to their advantage, exemplifying moments of success, and able to learn from mistakes. In these cases, the past is used to build on the future. When surrounded by a long and prominent history, fostering a feeling of belonging among the citizens is easily accomplished, because the past serves as a model that people are familiar with; they trust it, and they rely on it.

History does not always play to the advantage of a country. Times of turmoil may leave everlasting scars on a nation. Such experiences will also be reflected in the identity of a nation. Those countries with a shorter history also do not have the advantage of hundreds of years of experience to draw upon, or to demonstrate their potential for continued success. A sense of belonging among citizens of newer nations must come from the feeling that they have the chance to be an integral part of creating the next great nation, becoming the successful history for future generations to look back on.

Because history is open to so many interpretations (and therefore an equal amount of interpretations about national identity), an argument can be made for the way geography and landscape shape national identity. David Hooson argues that geography is

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[8] Ibid., p. 154.

a defining factor of national identity in many senses. He states that

> communities have come to inhabit particular places and, over the centuries of occupation, have gradually come to identify with their regional environments, perceived as archetypal, endowed with love and celebrated in song and poetry, as well as understood in terms of appropriate land use and economic development.[9]

Hooson believes redefining national boundaries leads to the birth of new nation-states. He cites World War II and the lifting of the Iron Curtain as examples of states being formed or re-formed with the creation of new boundaries. The "New Frontier" became the identity of the newly discovered, seemingly boundary-less land of America in the fifteenth century. Hooson argues that a geographical identity encourages nationals to refer to their nation as "the motherland," "the fatherland," or "the home-land." Such an identity provides each national with a feeling of belonging.

Studying the geography of a nation requires that we ask what are the typical landscapes and national landmarks of the country? Are there certain mountains, lakes, rivers, valleys or natural phenomena that distinguish the nation from all others? Does it feature rare plants or animals that can be found nowhere else? Are its boundaries unique, or do they blend into the neighboring country? Is the country isolated, able to develop on its own without influence from other lands? Or is it under constant pressure to re-conform, because of where it lies geographically? Does the nation take great efforts to protect its geographical wonders, or are they exploited? A nation's geography and its national landmarks are nearly impossible to avoid or overlook and provide an immediate source of identification with a nation. The study of geography provides an easy,

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[9] David Hooson, Geography and National Identity (Cambridge: Blackwell Publishers, 1994), p. 1.

understandable definition for national identity. Although a country's borders may change, the lines on a map allow for a clear understanding of where the land begins and where it ends. These distinct boundaries must be included in the definition of national identity. A group of villages without a common name, definitive borders, or sense of direction can hardly be called a nation. Contrarily, each village is its own nation, loyal only unto itself. When a group of villages are bound together by a set of commonalties and a clear border, they develop loyalty to and identify with a greater nation.

Developing the ideas of Anthony Smith, we might say that commonalties form the first roots of national identity as a community grows together, and they find expression in the first national symbols of the newly formed nation; the tree begins to show branch structure and sprout leaves. Shared values within the community are represented by these various symbols, and are recognized by each member of the community, which is now defined as a nation. In the process of shaping a nation, the overwhelming power of nationalism begins to take a role in defining identity. Nationalism strives to attain and maintain autonomy, unity and identity.[10] It inspires and demands loyalty to the country.

A nation's political agendas monitor nationalism. Nationalism influences and shapes the attitude of the population, just as nature has a direct effect on how a tree grows. Nationalism thrives on national symbols of pride and success, using these symbols as advertisements for the country. To return to the tree metaphor, these national symbols are like the blossoms or fruit a tree produces. These symbols are the culmination of hours the forester spends fertilizing, watering and chasing away bugs and other threats.

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[10] Anthony Smith, National Identity, p. 73.

This blossom or fruit holds the magic seeds to foster life in a new tree, and it only develops when the proper conditions lead to it. In certain cases, this fruit becomes a "forbidden fruit," which rots on the tree, leaving a stench that may not ever fully dissipate. Cultivators of nationalism aspire to plant seeds of success in its population by stressing certain national symbols. A nationalistic population identifies with a common cause or collectivity that becomes a part of each person's own personal dignity. Loyalty to the nation comes before everything else. Benedict Anderson nicely ties together Hooson's argument for geography as identity and Smith's stress on national symbols that foster nationalism. Anderson explains how maps came to define nations in the same way Hooson uses borders. Anderson points out that as maps developed, cartographers began to color each nation. This color scheme made each nation look like a piece of a jig-saw puzzle, each separate and detachable. The map of a country became a logo of sorts. Print allowed this logo to be reproducible and transferable, becoming a powerful emblem for nationalism.[11]

While nationalism and the many symbols that accompany it focus on the triumphs and successes of a nation, national identity can also portray a negative image. A more complete study of national identity would consist of the many areas not mentioned when one is asked to identify a nation. Times of misfortune, poor decisions, things suppressed or people oppressed also play an intricate role in the formation of national identity, but these things are not likely to be listed first in a country's identifying characteristics. The rotten fruit and wilted flowers hidden in the branches of a tree are oftentimes home to a

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[11] Benedict Anderson, Imagined Communities, p. 175.

nest of problems.

We cannot leave the topic of national identity until we question the function of national identity. You may ask yourself, "Why should I need to know about national identity?" The answer is simple, because as Johann Gottfried Herder declared in the early eighteenth century *Jedes Volk ist Volk, es hat seine National Bildung wie seine Sprache* (Everyone has a nationality as they have a language).[12] Is it not important to be able to recognize the determinants of being a national, aside from the legal definition? As a non-national, the national symbols of a country serve as our means of identifying the land as a specific place, different from our own country. Anything that is familiar to us would be overlooked in our description of the country, even though it may be an integral part of that nation's identity. When traveling in a foreign country we might ask ourselves how we would relate to the country if it were void of any national symbols. More intriguing would be to ask ourselves how we would know that we are still in our homeland if the national symbols or characteristics that we are familiar with were to disappear.

Hooson provides an answer to this hypothesis with the example of England. He argues that aside from the geographical features (which, as established earlier, are things that cannot be avoided), England already lacks distinct national symbols.

> The most anomalous thing about England compared with all other European nations is that it doesn't have the formal marks of national identity acquired even by Iceland or Finland, Luxembourg or Albania. It has no national anthem. It has no national dress. Few know its national flag. England's identity does not depend on the kind of props thought normal by everyone else.[13]

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[12] Ibid., p. 67.

[13] David Hooson, Geography and National Identity p. 20.

But due to the sheer fact that England is an island, isolated from other nations, a citizen is easily able to identify him/herself as English. One can only imagine the debate aroused by the completion of the Channel tunnel, prompting such headlines as "Britain is no longer an island."[14] Landscape and geography play a dominant role in English identity.

The counter-example of England suggests how the crucial roles of symbols of national identity play ever-changing roles in a nation's identity. Although national identity is a product of history, it is not set in stone. It evolves and changes continuously, just as a root forms a new bend when it encounters a rock, or reaches new soil when watered adequately. National interests change, and this influences the minds of the people. A change in any one of the aforementioned examples could cause a drastic change in national identity. On the surface, this is easily observed by watching for changes in the design of a flag, the currency, the national anthem, or the borders of the country. Opinion polls also reflect the mind frame of the people, and how they identify with the nation. As a nation becomes more culturally or religiously diverse or exclusive, its identity will change. While today the identity of a nation may be primarily concerned with its political agenda, tomorrow technology may steal the limelight. All the factors of identity are always present, but the stability and strength of their continued role in national identity can always be questioned.

[14] Ibid., p. 22.

- CHAPTER 2 -

A Brief History of Germany and the German Identity

As Hugh-Seton Watson suggests in the opening quote of Chapter One, defining the nation is a challenging assignment. Defining the nation through history is particularly difficult, because one must decide where to begin telling the history, and choose what events to include or not include. German history is no exception to this problem. In the past two hundred years, Germany has experienced drastic revolutions in its government. From the Prussians and Bismarck to the Wilhelmines, from Weimar and National Socialism to World War II, through a division of the country and its reunification; every generation of Germans has experienced a "new" Germany. One can easily understand why defining German identity is a challenging topic. In the world of historians, the topic of German identity is often referred to as "The German Question," and many attempts have been made to provide an answer. Picking up the analogy from Chapter One, we should be able to trace back to when the seeds of the German tree were fertilized, or when they started to grow. Unfortunately, identifying the fertilization date is not so simple, and there is no "carbon-dating" method for the age of nations. For the purposes of our study, we must choose a time when the identifying features of the German nation became most prominent.

This task is best accomplished through a study of German history, which assists us in understanding how the German tree has grown and the paths it has taken.

Recounting the different regimes and the territorial changes that often accompanied these changes enlightens us about the course of Germany's political agendas, and how a different identity develops with each new direction. Recognizing times when foreign countries had a strong influence on Germany helps us understand why depicting a certain *German* identity is so difficult to define and gives us insight into why the Germans are cautious about protecting their identity. History also reveals times of prosperity and recession, which have a direct relationship with the flourishing or diminishing of German national identity. Given Germany's history of great political turmoil, its history of economic prowess provides an important identity to the German people. Perhaps the most insightful study of German history and identity, though, is through a comparison of the many versions of how the Germans, themselves, retell their past.

Because of the many changes over the past two centuries in the course of German history, this time period provides great insight into the development of German identity. Prior to the German empire, created by Prussia in 1871, Germany consisted of hundreds of Germanic states and mini-states. These were frequently war-torn and subject to the whims of richer territories, which quickly taught the Germans the success of wealth. Up until the eighteenth century, Germany was primarily an agricultural land with many villages, pastures, deep forests, medieval towns, castles and churches. During the eighteenth and early nineteenth century, the German Enlightenment brought about a tremendous rise in literacy, literature and culture, led by Goethe, Schiller, and several composers (Bach, Haydn, Mozart and Beethoven). The literary movement and the dominant German language provided the basis to form a nation, as defined by Benedict

Anderson. Johann Gottfried Herder introduced the notion of a cultural community, *Volk*. This suggested that each culture be viewed as a whole, permitting a certain patriotic pride in Germanic culture, and rejecting the predominance of French language and culture, a view known as "cultural nationalism." Cultural nationalism renewed the Germans' interest in history, and particularly the history of the people. It also developed the notion that the cultural nation, *Volk*, and the political unit (the state) should be coterminous.[15] This idea would be fully realized later in Hitler's nationalist party.

In the 1830's, industrialization swept the German states. Steamships, canals and railways opened transportation lines throughout Germany, and production of coal and iron boomed. The increased economic production called for more efficient means of transporting between provinces, and so Prussia formed the German Customs Union on January 1, 1834. Prussia introduced the Prussian Thaler as a unit of currency, to be used among eighteen states and 23 million people. This economic union presaged the political unification that would eventually take place.

The quickened economy also brought an array of problems. As the population continued to increase, so did the demand for food and supplies. Food shortages gave rise to many other problems, and poverty consumed all but the bourgeois and aristocratic society. Revolts became more frequent, and this social unrest led to the Revolution of 1848. The Revolution started in political France, but movements in many German states, particularly in Austria and Prussia, took advantage of this opportunity to exert pressure on their frightened rulers. The liberal demands varied from a restoration of old regulations, to constitutional rule and economic freedom, to nationalist demands for the unification of Germany. There were also several democratic demands for popular sovereignty. In Austria, Metternich resigned, and the new Austrian emperor promised a constitution and called an assembly. In Prussia, Frederick William IV joined the revolutionaries, and a

[15] Mary Fulbrook, A Concise History of Germany (Cambridge: Cambridge University Press, 1990), p. 94

new liberal regime was installed in Berlin. Unwilling to unite their causes, the revolutionaries did not bring about huge changes for the German people. There remained problematic issues of nationality, primarily concerning the issue of defining boundaries. Should Austria be incorporated in a "large Germany" (*Grossdeutschland*), or should Austria remain outside, leaving Prussia to dominate a "small Germany" (*Kleindeutschland*)? There was also much debate about the Polish people in the Prussian province of Posen, and the duchies of Schleswig and Holstein.[16] One important aspect can not be overlooked, though; the desire to unite Germany had been voiced.

Unification would not come until January 18, 1871, but it was not the national unification the liberals had had in mind in 1848. Rather, the rulers of the German states offered King William I of Prussia the hereditary crown of a united Germany, and the German Empire was proclaimed. Practically speaking, the German empire served as an extension of Prussian power. Otto von Bismarck served as the Prussian prime minister at this time, and he oversaw the making of the new imperial constitution. In the founding years of Bismarck's reign, the early 1870's, the economy boomed, bringing new companies and enterprises, and expanding transportation systems. He also had tremendous success in building support for the German military, because his main goal was to secure and extend the position of Prussia. He attained this through victories in the three wars over Schleswig-Holstein, Austria, and the Franco-Prussian war. 1871 also saw a currency reform, and a great deal of paper money began to circulate. In addition to the reform, money was flooding in as a result of reparation payments from France. This

[16] Ibid., pp. 117-120

sudden boom set Germany up for an economic collapse, which inevitably came in 1873.[17] Depression set in, and the Germans clamored for protectionism.

Bismarck resigned in 1890 leaving Germany in a delicate state, riddled with political and social tensions. These problems would not disappear under Emperor William II and his ruling of imperialist Wilhelmine Germany. Rapid industrialization and the Social Democratic Party characterized the new social and political scene. To complicate issues, between 1871 and 1914, Germany's population rose from 41 million to 67.7 million, causing rapid growth of towns and cities with a young population in search of new opportunities. The state intervened in the market, and the Deutsche and Dresdner Banks played an important role as investment banks. The empire continued its quest for world power by building support for a German navy. The building of the fleet caused endless financial crises, though, and brought forth much parliamentary debate over the role of the army and the emperor in the decision-making processes. Imperial Germany sought to symbolize its aspirations of becoming a world power with statues of national heroes and the construction of grandiose buildings. Writers of this time viewed these structures as a facade for the tensions hidden behind them, and many felt there was a shift from a "traditional 'community' to a more alienating 'society'" (the distinction between *Gemeinschaft* and *Gesellschaft*).[18] World War I caused the collapse of the Wilhelmine reign.

The Weimar Republic, declared in November of 1918, inherited the unresolved

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[17] Ibid., pp. 130-132

[18] Ibid., p. 145

social and political tensions of Bismarck and Wilhelmine Germany. In addition, Weimar had to deal with the outcome of the 1919 Versailles Treaty, which laid the guilt and responsibility for the First World War on Germany. The treaty called for the loss of large areas of land, deprived Germany of its colonies, forbade any union of Germany and Austria, limited the army to 100,000 men, and demilitarized the left bank of the Rhine. The Allies imposed massive reparation payments in 1921. Heavily burdened from its birth, the Weimar Republic was unable to gain public support of its democracy. With an already unstable economy, Germany ceased production of wood and coal deliveries for France as a form of passive resistance to French occupation of the Ruhr area. This hurt the German economy more than the French, making the payment of war reparations impossible.[19] Weimar's solution to this problem was to print more paper money. Inflation, already existing, spiraled out of control, and by August of 1923, money was worthless. Exchange rates exceeded four trillion marks to one American dollar. This phenomenon will forever be remembered as "The Great Inflation of 1923."

The inflation caused a complete loss of confidence in the Republic. Fear and panic spread among the people, and waves of strikes and riots ensued. The currency reform of November 1923 introduced the Rentenmark, and brought the situation under control. In the following years, Germany reworked relations with its neighbors, and by 1925 it appeared that this troubled republic had reached a period of stabilization. "Weimar culture" blossomed: new ideas were developed in the sciences, psychology and psychoanalysis; new styles of architecture were introduced; and the music, art and literary

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[19] Ibid., p. 165

worlds gave birth to new styles of compositions and works that would become classics. These successful years were made possible, in part, by means of short term loans and investments from America. It is no surprise, then, that when America experienced the Wall Street Crash of 1929, there were serious implications in store for Weimar Germany.

The Great Depression undermined the social and political foundations of the Weimar Republic. Unemployment soared from 1.3 million to over 3 million between September of 1929 to 1930.[20] While the Weimar democracy was under attack, a charismatic young leader began to appeal to the masses; Adolf Hitler began his ascent up the political ladder. During the political strife of the early 1930's, Hitler and his clever propaganda won the support of a broad spectrum of voters, from the rich and well educated to the poor and lesser-organized. His timing was impeccable. Promise of a new, national community which would make Germany great again was an image few Germans could refuse after the Weimar democracy left behind a state of national humiliation, economic disaster, social conflicts and personal uncertainty. Too weary to fight any longer, the remaining supporters of Weimar gave in to the older elites, who opened the door and welcomed Hitler as their new dictator. Through the overwhelming presence of the Nazi party and his propaganda tactics, Hitler led Germany through its most horrific period in history. His quest to dominate the world concluded with Germany's utter defeat in World War II and the slaughter of millions of people. This defeat is still reflected in the German character today.

The only positive note to be found in this period is that the tensions of Imperial

[20] Ibid., p. 172

Germany were finally erased. After the war, Germany started rebuilding from ground zero, uncertain of what the future would bring. War-torn Germany was divided into four zones. Differences among the occupied zones quickly became apparent. The Soviet zone moved to recognize its political parties, particularly the German Communist Party, and nationalize industry, banking and mining. Social, economic and political transformations were not so radical in the western zones. The Allies preoccupied themselves firstly with ridding Germany of any leftover Nazis, and secondly with the establishment of a capitalist market economy. In January of 1947, American and British zones became a "Bizone," which the French later joined. In order to administer economic aid, the Allies chose to abandon the worthless Reichsmark in favor of the Deutschmark. They introduced the Deutschmark in the currency reform of 1948. The Soviets would not accept the terms on which the Deutschmark was offered to their Eastern zone. Instead they responded with their own currency in an attempt to cut off access to Berlin from the western allies. This led to the official division of Germany: the founding of the Federal Republic of Germany in May 1949, followed by the German Democratic Republic in the Soviet zone in October 1949.

Konrad Adenauer was elected Chancellor in the Federal Republic by a free general election, and he developed the new political concept of a "Chancellor-democracy." In this government, the Chancellor serves as the head of state. The lower chambers of parliament represent the people as a result of national elections, and the upper chambers represent the different regions. The constitution did not call itself a constitution but a "Basic Law" (*Grundgesetz*), suggesting a temporary arrangement. This democracy was based on free general elections for a wide range of permitted parties once every four years.[21] Adenauer believed in a commitment to western integration. Under his leadership, West Germany entered the European Coal and Steel Community in April of 1951, and in 1957 became a founding member of the European Economic Community, which would later evolve into the European Union. West Germany was readmitted to the community of nations, and it began to experience a remarkable economic recovery. This new democracy suppressed the past and focused on building the future. A materialistic society grew out of this period, resulting in huge rates of growth and productivity. This amazing turnaround in Germany's economic state of affairs is referred to as the economic miracle (*Wirtschaftswunder*).

The German Democratic Republic developed along very different lines. East Germany was based on the Marxist-Leninist principle of democratic centralism. While the economy in the west was consumer-driven, the East was state controlled. It soon became obvious that the Eastern economy would never rival that of the West. The GDR lost much of its manpower to the FRG in the 1950's, particularly skilled workers who fled to the West in search of a better future. The Berlin Wall was erected in 1961, effectively sealing off the East from the West and putting a stop to the fleeing of East Germans. Ironically, the wall allowed for improved economic conditions in the GDR, and a "scientific-technological revolution" ensued. Despite this, the standard of living in the East remained lower than that of the West; everything appeared drab and colorless, and the air was filled with dirty smoke. The East received large amounts of Western

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[21] Ibid., p. 211

currency through West German investments in churches and motorways, road toll payments, and money sent from their western relations. The Deutschmark was deemed invaluable to GDR citizens, because it was worth so much more. Lack of money was not the root to the majority of East Germany's problems, but rather the poor variety and availability of goods. Desirable goods could only be obtained at a much higher cost, which created the demand for the more valuable Deutschmark. As the population of the West boomed, numbers remained static in the East.

Although the GDR and FRG existed as two separate, sovereign nations, it was virtually impossible to mention one without the other. They shared the same history and remained tied to one another politically, socially and economically. Such circumstances meant that talk of reunification was inevitable, but to believe that a reunified Germany would become reality was another matter. A line in the German national anthem promised "Einigkeit und Recht und Freiheit für das deutsche Vaterland," *unity and justice and freedom for the German fatherland*, but in the face of the cold war, this line was removed from the East German version.[22] It was not until the late 1980's, when a weakened Soviet Union began to restructure and loosen its hold on communist satellite states, that revolutions were triggered throughout Eastern Europe. The economy of East Germany declined steeply after travel restrictions to the West were waived in 1989. Thousands of GDR citizens fled the East daily, and in order to save West Germany from being overrun, unification was the immediate solution. A currency union between East and West took place on July 1, 1990, three months before the official unification of East

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[22] Harold James, A German Identity (London: Weidenfeld and Nicolson Ltd., 1989), p. 172

and West Germany on October 3. United Germany is now one of the leaders of the European Union.

One is exhausted after climbing the major branches of German history, and the national character of Germany is left entangled somewhere in these branches. Dragged down by its tumultuous history, the branches of German identity resemble those of a weeping willow, rather than the strong oak they emulated in the past, as printed on the five mark bill of West Germany. As a result of Germany's geographically central location, she has been forced to play a more passive and accepting role-- "the Woman among nations,"[23] using France, England, America, Russia, Italy, Poland, Switzerland, the Netherlands, and even the ancient worlds of Greece and Rome as models upon which to build. A lithograph titled *The German*, completed in 1840, shows the central figure with a Bible and a volume of "German history," but admiring a picture of George Washington and a statuette of Napoleon (Figure 1).[24] This 1840 interpretation of German identity was not uncommon during the eighteenth and nineteenth centuries. The philosopher Hegel saw Germany as a universal nation, striving to combine the best characteristics of all nations in the German image. The German nation of the nineteenth century was, in fact, one of imitation: it used other national images and ideals as the building blocks for German identity.[25] The presence of so many national models also made it challenging to take pride in and recognize "what is German," imposing a sense of

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[23] Ibid., p. 14

[24] Ibid., pp. 116-117.

[25] Ibid., p. 11

instability in the national image. It also left Germans the possibility to denounce as foreign what they did not like about themselves. According to historian Heinrich von Trietschke, this pursuit of univeral standing left the Germans sceptical, hesitant and neurotic. He declared that this absence of national pride meant that "the Germans are always in danger of losing their nationality, because they possess too little of this rugged pride."[26] In 1914, Professor Rudolf Eucken echoed the ideas of Trietschke, stating, "We will not in the future let foreign idols be forced upon us."[27] We can assume he was referring to the lasting influences of Germany's bordering countries. Professor Eucken would be wrong in his declaration, but Trietschke's anxiety about instability in German identity would prove prophetic.

The Germans have learned that expressing their national pride does not necessarily strengthen their ability to succeed as a nation-state. There are several examples from the past where Germany's national pride flared, but that same pride brought an onslaught of problems. The aspirations of Imperial Germany to be a world power in the early 1900's stirred up nationalistic enthusiasm, promising that "the downfall of Germany would mean the downfall of humanity."[28] Unfortunately, German efforts to prove this resulted in the start of the First World War and the aftermath of a defeated country. Not dissimilar was Hitler's attempt to dominate the world, ridding it of all its impurities (any non-"Aryan" person). His propaganda motivated millions to join

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[26] William Archer, 501 Gems of German Thought (Garden City: Doubleday, Page and Company, 1917) 31

[27] Ibid., p. 62

[28] Ibid., p. 39

the Nazis' nationalist movement, to "redeem their country," enabling them once again to be proud to be German. The sad irony is that this attempt at nationalistic pride backfired and resulted in utter and complete humiliation.

Studying history to define Germany's identity brings forth some troublesome dilemmas. First, there is the obvious problem posed by the lack of tradition in a dominant institution passed down through the years that could create a system of trust and familiarity among the German people and their political system. The lack of stability causes each new generation to wonder, "What will happen next?" Second, the Germans must deal with the nation-wide problem of *Vergangenheitsbewältigung,* which means coming to terms with or overcoming the past. The guilt and shame felt by the Germans after World War II has been dealt with in many ways. Most commonly, and perhaps most troublesome, has been the tendency to ignore it, blocking these memories out of their history. In extreme cases, written German history has actually been changed in order to omit these events. As a result, thousands of citizens are hesitant to identify themselves as German, further weakening the German identity. This issue of *Vergangenheitsbewältigung* made the Germans all the more eager to submerse themselves in the *Wirtschaftswunder.*

In spite of Professor Eucken's rejection of foreign influences, Germany has continued to allow foreign models shape her nation. We discussed several examples of this prior to the twentieth century, but foreign nations continue to influence Germany today. War reparations from both World War I and II left Germany in a constant state of servitude to the Allied countries, effectively giving them the upper hand in any bartering situation. Germany had no leverage to bargain with. After 1945, Germany was no longer autonomous, governed as subsidiary colonies of France, England, America and the Soviet Union. These occupied zones divided not only the land, but the capital itself: Berlin became a city subject to four different powers. In the midst of such a system, German identity was bound to be uncertain, contested, and problematic. In 1948 a German politician wrote that the new West German Chancellor, Konrad Adenauer, was "less reliable than a Frenchman, more deceptive than an Englishman, more brutal than an American and more inscrutable than a Russian."[29] Like a child passed around from foster home to foster home with a strictly enforced curfew and a parole officer to whom he must always report, Germany did not have the opportunity to grow independently and test her abilities. Other countries feared Germany would again attempt to become a dominant world power, and they took any and all steps necessary to prevent this.

Troubled by a lack of unity over the past fifty years, the Germans now struggle to learn what it means to be "united." Because of the prosperity of the West, some view the reunification as an engulfing or colonization of East Germany by the West. This may be true from an economic standpoint, but what happens to the former East German identity? Former GDR citizens cannot simply assimilate to a new identity, leaving behind their past, just because a border no longer exists between the two regions. Controversy is not uncommon among the former FRG citizens either, as they worry about the East "dragging them down."

Aside from the mixed attitudes of the people, Germany must also sort out its

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[29] Harold James, A German Identity, p. 14

national symbols, giving equal representation to both former countries. The German flag remained with three solid stripes of black, red and gold, because both countries had flown these colors in spite of the division. Helmut Kohl capitalized on this commonalty, and flew the bold flag proudly in recognition of a united Germany, celebrating shared goals and ideals. Other national symbols were not so easily introduced or compromised. Most problematic was the issue of a new German capital. In hopes of creating a new "heart of Europe," Berlin was chosen over the former West German capital of Bonn, because of her central European location. Debate did not end here though, because Berlin, a former city divided, has two models of everything. The government buildings from former East and West Germany stand side by side, both very representative of their former nations in their design and construction, but the question of controversy is which ones should be used? City officials decided to build a new city center for Berlin, but the process will be years until completion. In the interim, Berlin, the capital of Germany, is a city completely under construction with no clear center.

After much research German identity remains an unanswered "German question." In recent years, Germans have been described by foreigners as arrogant, while simultaneously possessing an inferiority complex, anxious as well as complacent, ruthless but sentimental.[30] The lack of cohesion and stability among the Germans has taken its toll. Foreigners acclaim the Germans not for their culture or character, but rather their presence in the world market as a strong European economic power. In other areas, Germany is identified by its world class automobiles, its clean and pure beer, and its

[30] Konrad Jarausch, The Rush to German Unity (Oxford: Oxford University Press, 1994), p. 181

countless varieties of sausage. These are German items that have never faltered and will continue to be recognized and respected. Ironically these are predominantly products of the former FRG. Regardless from where these products stem, Germany's economic production serves as a source of international pride, and provides a sense of German stability within Germany and throughout the world. The German identity that evolves out of economic prosperity allows for the development of a deeper political and cultural consciousness, a phenomenon that has been demonstrated many times through German history.

As Germany begins to come into her own, rebuilding her land yet again, the deepening EU poses another question to German identity. The presence of the EU can be viewed as either a threat or a possible solution to German identity. Have the Germans overcome their past, or are they using the EU as another curtain to cover it? The political and economic union with fifteen other European states now faces Germany with a decision about how far she is willing to participate in this union. Will she risk her economic instability, and re-structure her political agendas in hopes of creating a stronger Europe? Furthermore, is Germany willing to continue her role as a leader and founding member of the EU, supporting the EU whether it is successful or not? Will German identity be able to compete with a new European identity, or will they, in essence, become one and the same? Does complete participation in and cooperation with the European Union support the Hegelian notion of a universal Germany?

- CHAPTER 3 -

Creating a National Currency and the Development of the Deutschmark

The previous two chapters dealt with the various approaches to building and recognizing national identity. The history of Germany, as related in Chapter Two, lends support to Harold James's research and theories about cycles in German history: that national unity requires a stable social order, which is partially provided by economic prosperity; that the nation-state needs an economic backbone if it is to possess a military capacity; and that a vision of prosperity will sustain the national community.[31] Studying the economy of Germany over the past 200 hundred years is a daunting task, but narrowing our focus to the topic of national currency provides valuable insight into the German economic identity. This brings us to the task at hand: showing the various roles currency and the banknote may play in national identity.

Like all things, money has evolved through time. The banknote as we recognize it today is a product of recent history. The earliest forms of trade were conducted through a bartering system, i.e. "you give me this, and I will give you that." As markets expanded, this method became less effective as more products were readily available. Thus, the first forms of monetary systems evolved, allowing precious metals and coins to be used as purchasing power. This method worked well for the common man, but in circles where

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[31] Henry James, A German Identity, pp. 216-217.

the stakes were higher, conducting trade with massive amounts of coins was impractical.

To alleviate this problem, the Italians introduced the bill of exchange in the thirteenth century. A bill of exchange was literally a piece of paper stating that the payment of a debt would take place at a certain place at a certain time. The use of the bill of exchange substantially increased the availability of money. The next major revolution of the monetary system came with the founding of national banks. Bills of exchange (whose use was limited to the world of commerce) had variable amounts and fixed maturity, and banks needed a way to provide ready money. The banknote provided an optimal solution, and it first appeared in circulation in the seventeenth century. Notes were issued in a round sum for an unlimited period, to be used as payment anywhere in the country. Banknotes were convertible for metal currency, establishing the first "exchange rates."[32]

This new paper money really earned its place in the economy in the nineteenth century. The boom in industrial and commercial growth demanded that the banknote take the next step in becoming "real money." Earlier it was used primarily as a form of deposit for gold and silver, readily convertible at any given time. By the turn of the twentieth century, the banknote was acknowledged as an effective means of trade, because it was no longer necessary to convert notes back to precious metals in order to realize their value. This revolution brought new conditions to the printing of money, calling for strict regulations and control over the printing and distribution of banknotes.

In the modern, western world, the banknote acts not only as a means to define our

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[32] Martin Monestier, The Art of Paper Currency (London: Quartet Books, 1983), pp. 17-22.

financial value. Money possesses an emotional or superstitious value as well. Think of the countless coins thrown into fountains for good luck, gifts left by the tooth fairy, or the bills saved as souvenirs from travel to a foreign country. This emotional response to money is not dictated by practical need.[33] Currency also plays the role of an international ambassador. The banknote must inspire the holder's confidence in the country and its abilities: the soundness of the currency, the stability of the national bank, and its greatness as a nation.[34] If there is no relationship of trust established in the value of the banknote, it becomes essentially worthless. As described earlier, a devaluation of the currency triggers an array of hardships for a nation. Another duty of this ambassador is to carry images that represent the country and its national identity. These images assist in developing a personal attachment to the money; a task the institutionalized banks, which are devoid of personality, cannot accomplish. These are immense assignments to require of a small sheet of paper, which has no intrinsic value. The trust we instill in paper money today is a result of custom, but that trust is based on the assumption that the notes will continue to be reliable. The term "currency" itself is defined as "any object with a fixed and permanent value,"[35] or "general use or acceptance."[36]

Let us look at the factors that enable the banknote to fulfill its ambassadorial role. The composition of a banknote, and thus a national currency, involves design, production, and circulation. Perhaps the first decision made in preparation for introducing a new

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[33] Victoria Hewitt, Beauty and the Banknote (London: British Museum Press, 1994) p. 10.

[34] Victoria Hewitt, Beauty and the Banknote p. 7.

[35]Rupert Ederer, The Evolution of Money (Washington DC: Public Affairs Press, 1964) p. 12 .

[5]Victoria Neufeldt, Webster's New World Dictionary (New York: Warner Books, 1990) p. 149.

currency is the choice of currency. Will the new currency be a denomination already recognized, in the way that both America and Canada use dollars and cents, or will a new means of monetary measure be introduced? The concept is important, in order to develop an exchange rate that provides a frame of reference of the currency's worth. One thousand pesos sounds like a large sum of money, until one realizes that one peso is practically worthless. Denominations of the currency also determine the ease of transactions.

Once an official currency is decided upon, great efforts must be taken to preserve the value of the notes. Some countries employ the use of watermarks, and others insert metal strips in their banknotes to assist in determining a note's authenticity. A banknote that is easily counterfeited loses its value quickly. The control over production of notes helps to eliminate counterfeiting, and most national currencies may only be printed in national mints. Regulation of the money supply also assures the value of a currency, i.e. how many banknotes are kept in circulation, and how the reserve responds to increases and decreases in supply and demand.

We can also look at the physical appearance of a note; is it clean and crisp, or worn out and ragged? Such observations could tell you whether the country takes pride in its money or if it is preoccupied with greater problems. The condition of the money also has to do with the choice of paper. Is the bill a combination of paper and fabric, giving it a genuine feel, or is it a plastic, giving it a "funny money" appearance? Many countries employ this method of size variation to differentiate among the denominations. Precaution must be exercised with this method, though, because while large bills may be awkward, small bills are easily lost and misplaced. Currency with large, cumbersome bills for the larger denominations is sometimes referred to as "funny money" by those who are unfamiliar with the currency. Distinguishing the different denominations can also be achieved through color variation, printed information, or pictorial images. The visual appearance of a banknote is perhaps its most recognized feature, and it is this appearance that creates a first impression with the holder of the banknote.

The motifs of a national currency will dominate most of our discussion about currency, because the art designs and visual variations of a banknote play an important role in creating that first impression. Notes feature images of all varieties: portraits of political or cultural figures, pictures of famous landmarks, idealized scenes of the economy and everyday life, or computerized designs. Regardless of the design, the note should render a positive image of the country in the holder's mind. This may be accomplished in many ways, depending on the culture of the country. In the western world, it would not be uncommon for a note to portray a scene commemorating an important victory. Some students of the banknote would argue that the more real the design, i.e. if the picture represents an actual person or thing rather than a symbol or drawing, the greater sense of value or worth a note portrays. As an example of this, in an article about currency, Nancy Berliner makes reference to currency in third-world countries, claiming that when they can support a "real money," the notes will feature "real pictures."[37] These third world banknotes depict animals, fairytales and myths.

Victoria Hewitt makes a strong argument for the use of realistic and well-

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[37] Nancy Berliner, "The Faces on Money Change With the Face of the Map." New York Times 6 Feb. 1996, late ed.: D1.

recognized portraits on the faces of banknotes in the modern western world. First, a portrait, especially one of a known person, is an effective weapon against forgery. The engraver is challenged to produce a portrait considered legitimate to the general public. Faces also provide exceptional scope for a good artist, allowing for a fine hand-engraver to include the most intimate detail. The public is more likely to detect an attempt at forging any detail of such a familiar face. Hewitt also argues that the use of faces appeals to our humanist nature; they attract our attention and provoke an emotional response. As humans, we want to relate to other beings. The use of faces brings personality and authority to the money. Portraits of national figures, although depicted with a stern and serious expression, have a greater vitality because of the associations we make with that person's accomplishments, bringing a humanity to their image. We also live in an age where we value personal achievement. We admire individual heroes in many fields of endeavor, which further supports Hewitt's argument to celebrate these national heroes on the face of a national currency.[38]

The motifs of banknotes are subject to change and evolve with the interests of the country. A collection of banknotes may serve as memorabilia of an era, and if studied carefully, a series of banknotes could tell the history of a country, or at least its system of commonalties--the very essences that bind it together as a nation. The numbers and language of a currency are recognized by all who use it. In this dimension, money is a transnational language.

But supporting a strong currency, and therefore a successful banknote, entails

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[38] Victoria Hewitt, Beauty and the Banknote, pp. 7-10.

more than gaining the holder's psychological confidence in the appearance of the note. The institution supporting the currency must be strong enough to back the worth of the banknote, establishing moderate reserves to circumvent any possibilities of a shortage in the money supply. The national bank also sets the interest rates, which deter inflation and devaluation of a currency. If the national bank should make a poor decision regarding the regulation of currency, it risks jeopardizing the entire country's economy.

Successfully implementing a well-designed currency backed by a strong national bank ensures fulfillment of the final duty of the monetary ambassador: relaying the greatness of a nation. The state of the currency reveals the economic conditions of a country. A strong economy is usually reflective of a great nation, one capable of looking after its own. The relationship between currency and its ability to play a role in national identity is indisputable.

The Deutschmark in Germany is a prime example of a strong currency that portrays a distinctive national identity. Although the Deutschmark is only fifty years old, it is well established in terms of identity and fulfills its duties as an international ambassador. The economic historian of Germany, Harold James, has proposed a theory about the cycles of history, and therefore the cycles of German identity. German identity is constituted by cultural, political, and economic claims. James's theory states that when the economy flourishes, the economic identity emerges alongside, and when the economy falters, more emphasis is placed on political or cultural ideals.[39] Plagued by one crisis after another, Germany has not devoted much time to fostering a cultural identity, instead

[39] Henry James, A German Identity, p. 217.

it has relied on the economy to unify the nation several times throughout history, promoting an "economistic" view of nationality. The scars left by World War II and the Wall placed immense pressure on the economy, and therefore the Deutschmark, to rebuild the German nation and its threatened identity.

Just as quickly as the economy can spark national identity, a distressed economy can put out the flame. This is the role currency played in German identity during the Great Inflation. In 1923, the paper the money was printed on became worth more than the banknote itself. People who experienced this crisis have vivid memories of needing a wheelbarrow full of money just to buy a loaf of bread. The weakness of the mark represented the inability of the government to regulate things. This result is reflected in the banknotes printed at this time. The denomination of the currency was simply printed in bold numbers on a blank piece of paper. There were no ornate designs, no symbols of national pride, no color variation--the notes were void of all the traditional currency features (Figures 2 and 3 provide a comparison of the German banknote in 1920 and 1923). Citizens lost their faith and trust in the German system, questioning Germany's greatness as a nation. What little money they did possess was used to buy foreign currency. Not only were the Germans faced with shouldering the guilt of World War I, but they could not even hold their heads high in their own country, having become too poor to support even themselves.

Although the introduction of the Rentenmark in 1923 (which later became the Reichsmark in 1924) stabilized the economy, faith in the Weimar Republic never fully recuperated. True to James' theory, while the economy faltered, the cultural figures that appeared during this period are some of Germany's most widely-recognized contributors to the cultural sphere this century: literary masterpieces by Thomas Mann and Bertolt Brecht, artists like Käthe Kollwitz, the musical work of Schönberg, and the spread of popular culture. As the country began to rejoice in these cultural achievements, the economy regained speed, enabling Germany to participate in the prosperous "Roaring 20s." Unfortunately, the Wall Street Crash of 1929 took its toll on Germany, bringing an end to these successful years.

Ravaged by the second world war, the German economy was again in shreds at the conclusion of the war. The Reichsmark was virtually non-existent; tobacco and chocolate were used as units of currency, alongside bartering of goods and services. In order to administer economic aid and rebuild Germany, the Deutschmark was introduced by the Allies in the currency reform of June 1948. As recounted earlier, the Soviet zone rejected the Deutschmark and introduced a separate currency. These two separate currencies were the crucial step in dividing Germany, confirming the effects of the cold war. We have already discussed the different economies of the GDR and FRG, reflecting on the separate identities of each in Chapter Two, so let us now turn to how the currencies portrayed these differences.

The new Deutschmark of the West featured motifs primarily from the sixteenth century, emphasizing historical accomplishments that appealed to the West German public (Figure 4). One side of the notes featured portraits by the well-known German engraver, Albrecht Dürer, or portraits of Renaissance mathematicians. The reverse sides pictured national symbols like castles or gates of German architecture on the 500 DM, 50

DM and 1,000 DM; the eagle of the Federal Republic of Germany on the 100 DM note; and the oak leaf on the 5 DM (oak trees play an important role in German mythology). These bills build a national identity that ignores the fifty years of war preceding their introduction and serve to remind the Germans of the great nation Germany used to be. They do not attempt to portray a message to the West Germans about what West Germany should become, but instead only work to encourage the building of a national pride.

The FRG citizens had much motivation to build a strong currency. After suffering two major inflationary periods this century, they were ready to take any preparations necessary to prevent further inflation. They were not willing to risk their potential re-acceptance into the international community. These sentiments led to the development of the "Deutschmark as the new world symbol of sound money."[40]

The new currency of the East was a currency based on a different view of the needs of the German people. The Eastern mark was used to carry the political message of the socialist government, emphasizing its goals and ideals (Figure 5). The images did not use cultural figures of the past as a tool to unite the people; rather the images selected were used to support the new political agendas, featuring portraits of Marx, Engels, and other socialists. This new money had a very different feel to it. "Hard" industrial images are seldom found on notes from western countries, which tend to favor "soft" subjects such as flora, fauna, history, and heritage. Poorer nations, such as East Germany at that time, advertised industrial and technological development as a matter of pride.[41] East

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[40] Rupert Ederer, The Evolution of Money, p. 252.

[41] Victoria Hewitt, Beauty and the Banknote, p. 37.

Germany was not exception. The reverse side of GDR notes portrayed idealized scenes of the eastern economy: factories representative of industries that employed more than fifty per cent of the population; agriculture, which employed another twenty per cent; a picture of children leaving school, because children composed a third of the GDR population; and of course on the reverse side of the 100 Mark bill, which featured Marx on the front, a view of Karl Marx Street in Berlin. These motifs are an attempt by the government to reshape national pride and identity. They symbolize a way of life, but it was a lifestyle that the people did not have a choice in creating. The majority of former GDR citizens found this lifestyle very restricting.

The identity that came to be associated with the individual currencies evolved into something much deeper than the images printed upon the banknotes, because as the economies progressed (or regressed) the banknotes themselves became symbolic representations of this state of affairs. The demand for the Deutschmark in East Germany had nothing to do with the motifs of the notes, but rather with the strong, stable economy they represented. The DM became a "pass key to a charmed world of affluence."[42] This relationship with currency, particularly with the Deutschmark, ultimately became clear at the time of German reunification in 1990.

The name Deutschmark, which translates as "the German Mark," suggests an identification with a single German land. The two former nations of East and West Germany came together through this unifying currency before the official political reunification. This was a smart move on behalf of the former East German head of state,

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[42] Konrad Jarausch, The Rush to German Unity (Oxford: Oxford University Press, 1994) p. 141.

Hans Modrow and West German Chancellor, Helmut Kohl. The currency unification allowed for the opportunity to lessen the gap between the quality of life differences in the two countries. This pleased the East Germans, because they were primarily concerned with finding a way to improve their standard of living, although they did not necessarily intend to relinquish their nation. But if the answer to their quest came in the guise of unification, they were willing to accept the conditions. Prior to the unification, basic necessities of life were available at cheap, subsidized prices in East Germany, but more desirable goods had much higher price tags.[43] To further encourage the idea of "unification through currency," each (former) East German received 100 DM "welcome money" upon arrival in the West. Binding the two nations economically left no other reasonable alternative than to complete the unification politically and socially. Currency played a similar role after WWII, providing a diversion from the political and social issues facing Germany in the aftermath of the war. During the reunification, the Christian Democratic party capitalized on the theme of unity, promising freedom, prosperity and security to the German people, "We are unbeatable with it."[44]

Until recently, a definitive part of the German experience has been Germany's disunity and lack of a clear identity through the years. In some German states, a distinct regional identity is maintained, which supersedes any form of German identity. This is especially evident in Bavaria, the Saarland, and the Rhine region. These regional identities pose a challenge to the question of a German identity. Perhaps, when faced with the possibility of losing the Deutschmark, the one national symbol they all share and

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[43] Mary Fulbrook, A Concise History of Germany, p. 236.

[44] Konrad Jarausch, The Rush to German Unity, p. 192.

identify with, these regions will pull together in supporting a new German identity through a new currency. A banknote can be found in each citizen's pocket (Figure 6 shows the Deutschmark as it appears today). The banknote reminds them that regardless of their position in the community, their actions and contributions have an effect on the economy. Because the economy has provided an important identity for the Germans, everyone is willing to work to ensure its continued success.

The Deutsche Bundesbank, which operates similarly to the Federal Reserve Bank, also continues to fulfill its role as a stable institution behind the currency. It operates independently of the state, strictly regulating the money supply and reacting swiftly to changes in order to protect the economy. It has been said that the bank has done such a sound job of keeping the mark strong that "Germans have more faith in the bank than in their politicians." This success has led the Bundesbank to become the primary model for the European Union's central bank.

The risk of assuming a deprived economy such as East Germany's was very high for re-unified Germany. West Germans felt their economy threatened by the added debts of the East. Although the new economy was unsteady at first, the unification is considered successful, because the Deutschmark remains the strongest currency of Europe, supporting an identity the Germans are very proud of. It is an identity that is accepted and respected worldwide, something very rare in the history of Germany. Given this identity, and how hard the Germans have worked to preserve this source of national strength, we can only imagine what possible effects the European Monetary Union will have on Germany. Anxiety about the new currency is spread throughout Germany.

Hesitation about the Euro stems not from a mere nostalgia over the loss of the actual national symbols on the bills, but from what the currency itself symbolizes for the Germans: a source of strength and stability for the past fifty years. Because the Deutschmark is a leading currency in the formation of the Euro, one can only hypothesize about the possible consequences that may result if the EMU fails. Would Germany be held responsible for the demise of the European economy, and therefore European identity? Still suffering from their past, one may wonder whether the Germans are prepared to risk their national security blanket to advocate the deepening of the European Union. Moreover, what national identity will rise to fill the void left by the transcendent message of the Deutschmark? What will the Germans rely on for support and assurance of continued national success? What will prevent them from losing their national pride?

- CHAPTER 4 -

History of the European Union and the European Identity

The issue of identity can be described in many ways, but regardless of how an identity is shaped and formed, the ultimate test of an identity is how it is interpreted or described by, and how it relates to the individual. The ultimate goal of the European Union is "an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen."[45] Forming a union among millions of people in which all members feel united requires that all members share common goals and *identify* with the cause. The history of the EU leads us to a more complete understanding of what (if any) European identity is being developed, how it is created and encouraged (or not) throughout the member states, and how it relates to the nationals of these countries. We will look at the course the EU has taken since its creation in the 1950s, and then turn to discuss and hypothesize the future direction of the EU.

Following World War II, there was a movement in Europe to prevent further conflict from arising and to ensure peace among European countries. Easier said than done, the challenge facing Europe was to provide a peacekeeping incentive attractive to all countries of Europe (which, as we will discuss later, pertained to the countries of Western Europe, particularly those involved in the two world wars). The solution came

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[45] European Union Website. Europa. "The abc of the European Union - citizenship" <http://europa.eu.int>.

in the form of an economic union, binding countries together through their economies. This union formed a relationship that no country would risk jeopardizing for fear of falling into economic crisis. Today we recognize this arrangement as the European Union, but the metamorphoses it has experienced since its initial formation have been numerous. The predecessor to the EU began in the early fifties with a formal organization of the two major industries of Europe, coal and steel. The European Coal and Steel Community (ECSC) was formed in 1952 at the signing of the Treaty of Paris. The ECSC had six members: Germany, France, Italy and the BeNeLux (Belgium, the Netherlands, and Luxembourg) nations. It withdrew the national authority from these basic industries and placed them under a European High Authority. This agreement meant that the nations must consult and agree with each other before changing their policies within the coal and steel industries.

Limited by the parameters of the ECSC, these same six countries reviewed their goals in aims of reaching a fuller economic integration to promote "closer relations between the states," resulting in the European Economic Community with the Treaty of Rome in 1958. Shortened to be called the EC, integration offered many advantages to its members. Its primary objective was to create a Customs Union and the beginnings of a common market. Next it created an Economic Union by setting up common policies and coordinating national policies. Many other European countries became members of the European Free Trade Association (EFTA) and other trade organizations, but none offered the many benefits of EC membership. EFTA was established in 1959 for countries who would not accept the objectives of the EC or could not meet the foreign policy requirements. It functioned for many years as a free trade zone without any common external tariffs. As the EC realized its objectives, its membership grew and came to include many former EFTA countries, expanding in 1972 to include the UK, Denmark and Ireland, admitting Greece in 1981, Spain and Portugal in 1986, and later Austria, Sweden and Finland in 1995 bringing the total count to fifteen. Plans for further enlargement are underway. With the success of the EU and its continued growth, the trade barriers between the EU and remaining EFTA countries are disappearing. In 1994 the European Economic Area was founded, effectively merging the EC and EFTA into a single market.[46]

The Maastricht Treaty, signed in 1992, formalized the colloquial name European Community, and created the European Union (EU). Maastricht brought member states closer together through a coordination of foreign and security policy and justice and home affairs, which meant the EU was no longer a purely economic union. It set the parameters for "European citizenship," establishing modern human rights for all EU citizens. Provisions in the Maastricht Treaty also called for a European Monetary Union, consisting of a central bank and one currency, the euro, which would see its plans for implementation and administration with Agenda 92 and Agenda 2000.[47] Agenda 92 set deadlines for the realization of Maastricht's objectives, and implementing and administering the treaty's policies. Agenda 2000 provides a timeline for the completion of the Amsterdam Treaty. Amsterdam, which was signed in October 1997, amended all

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[46] Willem Molle, The Economics of European Integration (Aldershot: Dartmouth Publishing Company, 1994) pp. 47-8, 463-4.

[47] Ibid., pp. 402-3.

other treaties of the EU, combining their objectives (new rights for citizens, enlargement, and EMU) into one treaty. EU advocates proclaim the Monetary Union as the last necessary step to complete economic integration.

In order to understand how the European Union functions and makes decisions that consider and represent all member nations, we must understand the institutions behind the EU. Four institutions form the organizational and administrative framework of the EU: the European Parliament, the European Commission, the Council and the European Court of Justice. These four bodies work together as a system of checks and balances, ensuring participation and cooperation amongst all members.

Representatives of Parliament are directly elected by the states for a five-year term. The largest body of the EU, Parliament recently determined that membership will be limited to 700 members, regardless of further enlargement. The population of a country determines its representation in Parliament. Parliament has its seat in Strasbourg, but the committees meet most often in Brussels. The four main concerns of Parliament are: legislation (primarily in an advisory capacity to the Commission), budget (holding the power to either accept or reject it), policy (able to amend, extend, or initiate new policies), and control (all aspects of the Commission must account to Parliament, and Parliament has the ability to force the Commission to resign).

The Commission is the next largest institution, presently consisting of 17 members, two members from the larger countries of Germany, France, the UK, Italy and Spain, and one from each of the smaller states. The members of the Commission have a European responsibility, and do not act as national representatives, therefore, they are accountable to the European Parliament. The Commission is based in Brussels, and its major tasks are: initiation of actions (it develops new policies, proposes new regulations, directives and decisions), execution of policies (which is self-explanatory), implementation of the budget (authorized to raise loans to finance investments), and enforcement of the laws (supervising the correct implementation of treaties and decisions).

The Council, composed by ministers from each nation, are responsible to their national parliaments, and not to the European Parliament, but they work together closely. The presidency of the Council rotates every six months among the states in alphabetical order. The European Council's role is to give direction to EU policy making, setting guidelines and determining new stages. The Council also plays three roles in execution and legislation: Community matters (coordinating economic policies among states), external matters (regulating EU relations with other countries), and other matters such as executing specific tasks in matters such as foreign affairs, security, justice and home affairs.

The Court of Justice oversees Community matters, ensuring the proper and consistent interpretation and application of European law. It acts as a supreme court of Europe, consisting of 13 judges and six advocates, appointed by member states' governments for six year terms. The role of the Court is necessary to enforce the ideals of the European Union. Cases of state compliance, protectionism and fair competition are all presented to the Court for judgment.[48]

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[48] Ibid., pp. 54-74.

The EU attributes its success and continual progress to several reasons. The clear-cut objectives of the EU are easily understood by most of society. Its members see immediate tangible gains, such as the removal of barriers for the completion of the internal market. The EU's approach to meeting future goals, such as providing timetables and clear distribution of roles as needed also keeps society easily informed about its agenda. The EU is now recognized not only as an economic force, but also a political force and a champion of democratic values. The four governing bodies of the EU also meet Anthony Smith's definition of a nation; they provide common laws and institutions for all members. This sets the groundwork for forming an EU identity.

Despite the arrangement of these institutions, which allow for a representation of national interests, public support of the EU varies depending on the issue at hand. No one can debate the advantages of the open internal markets, but the adjustments that must be made by each nation to ensure its success caused some problems. For instance, standardizing something as "simple" as electrical outlets is an expensive transition with regard to time and money. Eliminating the protectionist measures of certain states has also been an issue, causing some sore spots in some cases: for example, the Italians were forced to repeal a luxury car tax which excluded Jaguar cars from the Italian market.[49] There has also been some concern expressed over a "lowering of national standards" in order meet EU requirements. In the case of Germany, all beer brewed in Germany must be brewed in accordance to the *Reinheitsgebot* of 1516, which is a purity law ensuring the cleanliness of beer and prohibiting unnatural additives. Compliance with EU regulations

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[49] European Union Website. Europa. "National identity threatened by further European integration?"

may require not only a change in these high standards, but it would also threaten Germany's identity as a country renowned for its high-quality beer.

On the positive side, though, the ability to freely move goods among members has cut costs tremendously, and opened up many new markets. Internationally, the EU is now the largest market in the world, which increases Europe's bargaining power, and improves its balance of trade. The world also faces several problems that are too big and complex for any nation to tackle alone, such as the increasing world population, decreasing available land, and pollution. Working together, it may be possible for the EU to help solve these problems, better preparing Europeans for the future.

There is an ongoing battle about who benefits the most from this Union. Without the economy of Germany and France, the EU would fail. As an example, for approximately every eight marks of benefit and aid that Greece receives, Germany receives one in return. Some of the poorer countries depend on the subsidies provided by the EU. One would think that this seemingly imbalanced state of affairs cannot continue, but the donor countries also derive many benefits from these arrangements. By sharing the wealth, the risk of disturbances in smaller markets is diminished. An increase in the supply of capital enables the smaller countries to invest more wisely, and makes for equal production conditions and thus fewer disturbances of competition in the common market.[50] One must also keep in mind why it would be in each country's best interests to support these goals. Part of the answer to this query has to do with the national interests of the country. Germany, in particular, is heavily dependent on exports for its economic

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[50] European Union Website. Europa. "All about the Monetary Union."

prosperity. Membership in the EU expands their trade markets and increases their exports. The criteria necessary to broaden their markets on such a large scale, like establishing common standards, fair public purchasing and regulating government subsidies, could not have been achieved as a single nation. Working together through the EU, national objectives can be reached through European objectives.

In regard to these issues, we can refer back to the tree analogy. This metaphor is used to its fullest extent when applied to the EU. As stated earlier, each nation is like a separate tree. The EU is a collaboration of many trees. This collaboration does not create a new type of tree. Instead, it forms a forest. A forest is not composed of one single tree species. A variety of trees are included in a forest, and each plays a different role in sustaining the balanced eco-system. The economic union provides the forest floor from which all trees grow. The taller trees provide a canopy to shelter the rest of the forest from potential threats. The saplings and smaller trees live off the nutrients of others until they can support themselves. As the other pillars of the EU (justice and home affairs, foreign and security policy) come to play a larger role, underbrush will start to grow, bringing new life to the forest, providing it with new nutrients.

A shared concern of EU member states is the potential threat to their sovereignty and national identity, replacing them with the interests of the EU. By the sheer make-up of the EU forest, this is impossible. Two different trees will not become the same because they are included in the same forest. They each continue to carry on their individual characteristics, even though their roots may become entwined and help to support each other. This support is necessary to meet future challenges facing European nations. It is true that there may be limits placed on their theoretical sovereignty, but working together assists in preparing for the changing needs of the world, ensuring each member state's continued existence. This enhances their individual strength and confidence as a nation, contributing to their national identities. The variety of trees in a forest is necessary to ensure protection from diseases and other invaders or threats to the forests' existence. This wide variety of trees also provides a greater base of ideas and information to draw from when finding solutions and making decisions, further supporting the need for each nation to hold on to their identity. If one tree were allowed to dominate, the entire forest would be more susceptible to disease. If a dominating tree were to be poisoned and wiped out, the forest would suffer immensely. This demands that the entire eco-system work together to prevent such an occurrence.

The forest analogy presents itself as peaceful and pleasing, but it also presents some problems to the issue of identity. Although two trees will not become one, a forest does limit the growth of trees, and in some cases it clips and /or prunes branches of identity. A forest tree, while it may express certain desires and wishes, has limited sovereignty, because it can be over-ruled by the wants and needs of other species in the forest. The immune system of a forest tree is weakened, because it is susceptible to many new diseases, and the EU does not allow for new barriers to be erected. If a fire were to sweep through the forest, there is little chance that any single tree would survive unscathed. Inevitably, certain relationships will also form within the forest that favor what other trees may have to offer. Overlapping branches of different trees may develop a stronger relationship with one another, relying on each other for resources and other needs. Such a relationship would result in the construction of a treehouse in these branches; inhabitants of these trees would never have to walk on the forest floor. The forming of this type of relationship may become evident in port cities and other cities that are along busy transportation routes. Treehouses may also spring up along the bordering areas of countries, where territory has often been contested and disputed, such as the Alsace-Lorraine area of France and Germany. The development of such relationships would promote regional identities between countries rather than a European identity.

Viewing the EU as a "European forest" sheds light on the elusive concept of a European identity. We have already addressed the questions of how, when, and where this community (European Union) developed, but we have not discussed "What is Europe?" In order for nations to truly feel united in the EU, they need to be able to recognize an answer to this dilemma to identify with any "European cause." How each citizen identifies with the EU is something that cannot be generalized, though, because it is entirely dependent upon which path they choose to take as they walk through the young EU forest. This is clearly proven when studying Europe through the theories of our three references on national identity--Smith, Andersen, and Hooson.

Recall that Smith defines a nation as a community of common descent, a community in which each member is subject to common laws and institutions. Many Europeans, though not all, could find common ancestry in the ancient Roman Empire, but this relationship is now so removed that very few would be willing to admit any commonalties still existing. There also exists a long-standing legend of Europa and the bull, a Greek myth which provides the origins of the name "Europe." Smith's argument is successful when addressing the institutions of the EU. The laws enacted by the Parliament, Commission and Council affect each EU citizen, including each as a member in this community of common descent.

Anderson works with the idea of nations as imagined communities. His studies show that print and a common/transcendent language enable fellow citizens to recognize one another and realize each other's existence as a part of the nation. Virtually every nation in the EU speaks a different language, but the publications of the EU are printed in each national language to inform every citizen. In this way, although someone of Spain may never meet someone of Germany, they are aware of each other's contributions to the EU, making it a success. The creation of a single currency will also be a daily reminder of a common printed material that they all share.

Hooson's argument for geography poses difficulties as an identifying feature of the European Union. These are similar to the difficulties we discovered when studying German identity. The geographical definition of Europe (as a continent) is much different from the geography of the European Union. It seems ironic that they are not one and the same. Europe is oftentimes divided into an eastern and western region. Listing the participating countries of the EU, it seems a more appropriate title should be the "Western European Union." Eastern Europe had not been seriously considered in discussions involving enlargement until recently, although plans for enlargement are presently underway. Regardless of the dominant western involvement in the EU, the borders of the EU are still not complete, because there are nations that choose not to participate. Hooson refers to the powerful image of a "map as logo," but this does not seem nearly so impressive when the EU map has a hole in the middle of it where Switzerland has declined membership. The borders of the EU are also ever-changing with the addition of each new member. How is one to recognize the limits of the EU--that is, what is European and what is not--when the boundaries are not clear?

As a result of the geographic identity problem, the EU utilizes other means to further the recognition of commonalties and encourage the imagining of a greater community in order to create an EU identity. After all, creating an "increasingly narrower union among the peoples of Europe" is a driving force behind the EU. This goal is being achieved through a preservation of cultural heritages, strengthening a "European model of society built on a number of common values of all European societies."[51] The Commission has adopted three proposals in the fields of cultural heritage, books and reading, and artistic and cultural creation in efforts to promote a European culture. "Kaleidoscope" is a program that supports artistic and cultural activities having a European dimension. This program includes activities such as celebrating Europe Day on May 9. "Ariane" is a program that works to increase people's knowledge of literary works and the history of European peoples. It supports the translation of literature, plays, and reference works in these areas. The "Raphael" program is a community-action program in the field of cultural heritage, supporting museums, collections, libraries and archives in all categories of moveable and immovable cultural heritage.[52] The EU has also created its own symbols of identity, such as a flag that is flown next to each

[51] European Union Website. Europa. "Action by the European Union regarding preservation of cultural heritage."

[52] European Union Website. Europa. "Culture--Overview."

member's national flag. It has a blue background with a ring of twelve yellow stars, representing the first twelve countries of the EU(Figure 6). It has been decided to hold the number of stars to twelve, because if the flag were to change with each new addition, a new identity would have to be created with each change. There is even an anthem for the European Union (Figure 7). Through the creation of these programs, the EU hopes to bridge the gap between a national and a trans-national identity, using one to build on the other. This bridging of identities also creates many tensions, and if these bridges will be able to withstand these pressures remains to be seen.

In order for the people to truly identify with a greater cause, they must be able to feel they have some input into its creation; they want to help build the bridge. This is the purpose Parliament serves. Nationals are responsible for electing their representatives, who relay the interests of the nation to the EU. EU citizenship has also been granted to each citizen of each member country. EU citizenship means that participation in the EU is not a purely political movement limited to the government of the state, but rather a system that affects individuals. EU citizenship provides Europeans with certain rights, and as a citizen of the EU, they have certain duties they must uphold. These rights include: the rights inherent in the free movement of persons, the rights which enable individuals to participate in political life in the Union, and the obligation on the institutions and member states to respect fundamental rights.[53] As a citizen of the EU, Europeans are entitled to expect the Union to act in matters which concern them, and in return, they owe a certain allegiance to the EU.

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[53] European Union Website. Europa. "The abc of the European Union - citizenship."

A final step in creating a community of commonalties is the use of transcendent printed material to encourage identity with the European union. The creation of a single currency and the European Monetary Union makes this a reality, bringing the euro to the pocketbooks of each European, therefore creating a visual reminder of the ever closer union between the citizens of Europe. This topic will be discussed in great length in Chapter Five. The various efforts of the EU, which encourage a European identity, strive to show that it is possible for a person to have more than one sovereign allegiance. That is, Europeans should not regard EU membership and citizenship as an "all or nothing" trade-off; a German can owe allegiance to Germany while at the same time respecting the EU. The EU is working to develop a new Europe "proud of itself and commanding the pride of its citizens, a Europe inspiring confidence by its unity and drawing allegiance through diversity."[54]

[54]European Union Website. Europa. "State of the Union address by the Taoiseach Mr. John Bruton. T.D., European Parliament."

- CHAPTER 5 -

EMU and the Introduction of the Euro

When discussing the widening and deepening of European integration, skeptics often ask, "How far are they willing to go?" It is impossible to forecast when integration will cease, but the next step is clearly defined as the deadlines for European Monetary Union and the introduction of a new currency for Europe are quickly approaching. What motivation could possibly exist to introduce a single currency to so many diverse countries? There is nothing 'wrong' with the current money in these countries, but EU officials believe that in order to run a more effective economic union, a single currency is a must. Does it not make sense to have a single currency for a single market? The euro will allow for increased efficiency and growth within the EU. A single, fixed exchange rate is an attractive lure for international business and will cut transaction costs. As governments work towards achieving the criteria to join monetary union, they must decrease their inflation rates and budget deficits. Together these benefits will contribute in achieving the ultimate purpose of a monetary union--price stability. There is another dimension that we also must consider when discussing the European Monetary Union besides that of the economy, and that is the issue of currency as a form of identity. The symbolic value of the euro and the future role it may play in European and/or national identity is crucial to our discussion about the introduction of the euro and the success of the European Monetary Union.

The creation of a European Monetary Union will not be the first time in Europe's history that a single currency has been shared among many lands. In the days of the Roman Empire, one could travel across Europe and use the same coin throughout the entire empire. The working conditions of this system were not unlike those of the EMU. At the time of the Roman Empire, the stability of the currency was ensured by the natural scarcity of money. When emperors began to debase the currency, general acceptance of the money by the people deteriorated. The political union of the Pax Romana backed this single currency, and Rome provided the legs and administration system for the entire empire.[55]

The terms of the Maastricht Treaty (which provides for the establishment of an EMU, as laid out in Chapter Four) will provide the political backing that the Pax Romana did for the single currency of the Romans. Maastricht also safeguards against any debasing of the currency that would result in a loss of acceptance by the EU citizens. The treaty foresees the realization of the EMU in three stages.[56] The first stage, already completed, calls for full freedom of capital movements among member countries, and a strengthening of cooperation between national banks.

The second stage of the treaty calls for the creation of a new institution, the European Monetary Institute, which can be regarded as the precursor of the European Central Bank. It will function to further encourage cooperation among national central

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[55] Otmar Issing, Europe: Political Union Through Common Money? (London: Institute of Economic Affairs, 1996) p. 11.

[56] Willem Molle, Economics of European Integration, pp. 402-3.

banks. This process should lead to the independence of national banks, freeing them from the influences of their national governments and enabling them to act in the interests of the European economy when the European Central Bank is established. The banks should operate in a manner similar to that of the Federal Reserve in the United States, or the Deutsche Bundesbank in Germany. Recently Sir Leon Brittan, vice-president of the European Commission, stated in an address at the Redwood Debate that any loss of control over monetary policy is "nothing new for countries who already have independent central banks," and that all that is required is that member states "run economic policies which are consistent overall with the objective of low inflation. Governments will still have the right to spend high and tax high, or spend low and tax low."[57] Many countries have long been fighting to control inflation and keep interest rates low, so cooperating to meet the criteria of EMU is in line with the goals of the member states.

During this stage, the European Monetary Institute will define the concepts and framework for carrying out a single monetary policy in Stage Three. It will also prepare the rules for the operation of the European System of Central Banks (ESCB). Perhaps the most time-consuming assignment of this stage is the technical preparation of the new euro banknotes. The completion of these tasks signals the start of stage three of the EMU and the changeover to the single currency.

Before the third stage takes effect, the countries eligible to participate in the EMU must be chosen. Participants must comply with the criteria of convergence: the budget deficit must be under three percent of GDP, the government debt must be less than sixty

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[57] European Union Website. Europa. "National Identity threatened by further European integration?"

percent of GDP, and the inflation rate can not be higher than 1.5 percent above an average of the three countries with the lowest inflation rates in the year before joining. Interest rates must be within two percent of the average in the three countries with the lowest interest rates, and the exchange rate must have remained within the narrow band of the exchange rate mechanism of the European Monetary System for at least one year.[58] Compliance with these criteria assumes that the country will maintain this state of affairs, aiming to ensure future stability of the European Monetary Union. The European Council will select those countries that meet these criteria in May of 1998.

Obviously, not all members of the EU will be prepared to meet the terms and conditions of the Maastricht treaty by May 1998. Those unable to comply with the convergence criteria by this date will have another opportunity to join at a later date in the "second wave." There also exist countries that have no desire to join a monetary union, and the Maastricht Treaty provides for this with its "opt-out clause." England and Denmark have both chosen this option.[59] Of those countries interested in joining with the first wave, on March 25, 1998, the Commission recommended that the following eleven member states meet the conditions necessary to adopt the single currency: France, Germany, Belgium, Luxembourg, Netherlands, Austria, Finland, Ireland, Italy, Spain and Portugal.[60] Once the Council finalizes the decision about which countries are eligible, the European Central Bank and European Central Banking System will be established and

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[58] Christopher Story, "The New Euro Banknotes" (International Currency Review: Spring 1997) p. 76.

[59] Otmar Issing, Europe: Political Union Through Common Money?, p. 14.

[60] European Union Website. Europa. "Commission recommends 11 Member States for EMU."

prepare for stage three. At this point, the role of the European Monetary Institute will be finished.

In stage three, the European Central Bank (ECB) will assume responsibility for monetary policy, and its primary goal is to maintain price stability. The European Central Bank will issue the new currency, and its independence is safeguarded by the institutional arrangements of the EU. The ECB "shall not seek or take instructions from Community institutions or bodies, from any government of a member state or from any other body."[61] On January 1, 1999 the exchange rates between currencies will be locked, and although national currencies will continue to be legal tender, the ESCB will start conducting its single monetary policy in the euro. No later than January 1, 2002 the euro banknotes will be put into circulation by the ESCB. Within six months of the introduction of euro banknotes, national banknotes and coins will lose their legal tender status and the euro note will be the sole form of legal tender in the euro area.

The wide circulation of the euro banknotes will be the most visible indicator to EU citizens of the effects of the EMU. In the words of Otmar Issing, "The uniting power of a single currency through everyday experience cannot be denied."[62] The key to the Euro's success is to make this 'uniting power' a strength and not a weakness. To accomplish this, the new money must fulfill its ambassadorial role as a currency; it must convince the handler of its stability and ensure that the former national currency is not missed. Price stability will be the immediate reflection of whether this has been

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[61] European Union Website. Europa. "All about Monetary Union."

[62] Otmar Issing. Europe: Political Union Through Common Money?. p. 17.

achieved. The goal of price stability is the duty of the institutions, though, and not of the banknote itself. However, assuming price stability can be achieved, the banknote itself must be accepted as a replacement for the former national currency. Evidence of this acceptance by the Europeans will be determined by the symbolic value that may or may not develop with the introduction of the euro.

Recall that national currencies play a role in national identity. This means the euro has the opportunity to fill the possible voids left in national identity by the former currency. How will it accomplish this? The banknotes of each country are very different from one another, and most portray very nationalist images. Is it possible for one note to support a common European identity? That is the objective of the Euro's designers. The challenge is that the new banknotes cannot favor, or be seen to favor, any one country. This eliminates the popular choice of depicting national figures and their portraits on the notes. Instead, designers have opted for a theme that communicates the ideas and goals of the European Union. To portray this, the notes represent "the ages and styles of Europe."[63] The notes will feature designs of bridges, windows and gateways (Figure 8). In order for the motifs of the notes to remain neutral, the designs can not be replications of any structure currently in existence. The motifs of the bridges, gateways and windows are fictitious, but they represent the different architectural periods throughout Europe's history: Classical, Romanesque, Gothic, Renaissance, Baroque, Rococo, the age of iron and glass, and designs of the modern 20th century. The bridges are a metaphor for "communication among the people of Europe, and also between Europe and the rest of

[63] Christopher Story, "The New Euro Banknotes" p. 92.

the world."[64] These bridges attempt to span the gap between a national and transnational identity, as addressed in Chapter Four. Ironically, this monetary bridge only allows certain travelers across, and the toll charge is quite expensive. Euro-skeptics question if the foundations of the bridge are strong enough to uphold a monetary union. What will happen if the base of the bridge begins to crumble; will the entire bridge collapse? The windows and gateways on the euro notes symbolize "the spirit of openness and cooperation in the European Union."[65] But does this spirit of openness and cooperation truly exist in a European Monetary Union when some countries refuse to join, and others may never come close to reaching the gates? In essence, these windows are shut to many members, and the gateways are the final steps in completing a gate around the countries who made it across the bridge, effectively creating an elitist ring of trees in the forest.

The background behind the gateways and windows portrays the ring of twelve stars, representing the European Union. The reverse side of the notes features a map of Europe in the background, and the bridges appear to span the Atlantic Ocean. On this side of the note, the flag of the EU appears in the lower left-hand corner. Current plans for the euro allow for countries to insert a national symbol here in place of the flag, as long as the symbol complies with the "ages and styles of Europe" theme.[66] It seems questionable that the new currency, which should express a European identity would allow a national symbol to replace a picture of the EU flag, an object that is laden with

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[64] Ibid., p. 92.

[65] Ibid., p. 92.

[66] Dresdner Bank, Countdown zur Europäischen Währungsunion (Frankfurt: Dresdner Bank AG, 1997).

symbolism of unity and EU identity.

With the exception of these national symbols, every other detail of the new euro notes is devoid of any national flavor. Even the term "euro" on the bills is to be printed in the Latin and Greek alphabet, rather than in the national language of each country. The dimensions of the notes are different from any other currency presently in circulation (Figure 9). The bills will be printed in denominations of 5 Euros to 500 Euros.

The coins of the new currency will be minted in 1, 2, 5, 10, 20, and 50 Cent pieces, and a 1 and 2 euro coin. These coins will have a European side and a national side. The national side must comply with the themes of the euro currency. All currency will be minted in the national mints where the national currencies used to be printed. The European side of the 1-, 2-, 5-eurocent coins feature a map of Europe as well as the neighboring parts of Africa and Asia, the 10-, 20-, and 50-eurocent coins present Europe as a group of nations (Figure 10). The 1- and 2-euro coins show a Europe without frontiers. This brings to mind Hooson's question about a geographic identity.

The euro-designers are also introducing a new symbol for the new currency (Figure 11). Inspired by the Greek epsilon and the first letter of Europe, it has the shape of a "C" with two parallel lines running through it horizontally to indicate the stability of the euro.[67] EMU officials are requiring all new keyboards produced for Europe to integrate this symbol into the keypad, requiring it to be as easily accessible as the dollar sign.[68]

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[67] European Union Website. Europa. "Euro coins and banknotes."

[68] Peter Hobbin, "EU at the Millenium—Amsterdam, Euro and Enlargement" (University of Oregon, February 19, 1998).

Initially, the costs of changing over and the risk of fraud and counterfeit will be high. All teller machines, vending machines and any other money-operated machinery must be converted. Pricetags, menus, signs, forms, checks, etc. will all be reprinted. Training employees to recognize the new legal tender and implementing a process to familiarize everyone with other countries' 'national symbols' may prove tedious work. Once these obstacles are overcome, European monetary integration will be complete.

The creation of the single currency offers European citizens a more concrete symbol of the goal they have been working towards: that of building a community based on peace and prosperity. The single currency will consolidate the achievements of more than forty years of cooperation. This is particularly important at a time when the EU is considering enlargement to include central and Eastern Europe, Cyprus, and the Baltic countries. Hopefully, the prosperity brought about by the EMU and the attraction of the euro will give the prospective member countries the incentive to take the rapid steps necessary for them to become full members of the EU. In this manner, the euro would be valued by a non-EU nation in the same way the former the East Germans looked to the Deutschmark.

The euro could also become a concrete symbol of disaster and disunity. Once member states commit to the EMU, there is no turning back. Each country will share the same fate, be it success or failure. There is no chance to retreat into their national currencies. If their economy lapses beyond recovery, the EU will fall apart. Trust in the European Union will be lost as countries dismiss all European ideals and relapse into their national concerns. Forty years of effort would be undermined and the attempt to assure peace throughout Europe would be destroyed.

We also must question whether the European Union is testing the limits of its economic and political union. If the projected prosperity of the EMU truly does encourage further extension of European integration throughout the continent, this will guarantee a "culture of stability and peace in the future of Europe."[69] The euro notes and coins will provide hundreds of millions of Europeans with a material and concrete symbol of their common identity. What remains to be seen is how each country will respond to the role of the new currency in the context of their individual national identities.

The Eurobarometer is a method used by the EU to monitor the public reaction to and opinion of EU affairs. Polls taken between mid-October and mid-December 1995 revealed a variety of opinions concerning the arrival of a new currency for Europe. Seventy-nine percent of EU citizens felt they were not "well informed" about the European currency. On a scale of one to four, four being "very well informed" and one "not at all," Germany scored a mean of 2.14. Concerns about the single currency were also addressed. forty-two percent feared their country "will lose too much of its identity," and thirty-nine percent expressed concern that the country "will lose control over its economic policy." Member states fell into three distinct groups in this category: those who most feared a loss of national identity, those who expressed some concern, and countries who did not consider it an issue. Germans included themselves in the middle group.[70] Clearly the work of the national governments and national banks to assure their

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[69] European Union Website. Europa. "1 January 1999: creation of the Euro area."

[70] European Union Website. Europa. "Single European Currency."

citizens of the advantages of an EMU is far from complete. Further discussion about German acceptance of the euro is the topic of Chapter Six.

- CHAPTER 6 -

Germany's Reaction to the Euro

and the Role of Currency in the Future of German National Identity

"The new currency was hope, the first hope, really," Mr. Schmid said, referring to the introduction of the Deutschmark in 1948. "I got married eight days later, and the photographer asked for 100 marks, and that seemed a staggering amount. But with time, the mark became part of us. It was stable. Germany without the mark is not Germany! I feel I'm about to lose my money for the third time."[71] Those were the remarks of Franz Schmid when asked about his thoughts on the new euro currency for Germany. Schmid, an eighty-six year-old German, was twelve years old during the inflation of 1923, and remembers distinctly the impact the introduction of the Deutschmark in 1948 had on his life. In his home, one can find old, devalued Reichsmark bills leftover from the great inflation of 1923, kept as symbols of money's vulnerability. Schmid is not alone in his objections to "giving up" the Deutschmark. As many as sixty percent of Germans say they oppose the euro project.[72]

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[71] Roger Cohen, "Clinging to Its Past, Europe is Warily Awaiting the Euro" (New York Times: September 18, 1997) A1.

[72] Edmund Andrews, "German Economists Plead for a Delay in Introducing the Euro" (New York Times:

As demonstrated in Chapter Three, the Deutschmark holds a firm place in the hearts of many Germans, who echo the opinions of Mr. Schmid: "The mark is a part of us, what do we need a worthless new money for?" The beloved mark has become an emblem for postwar prosperity and security, substituting as the positive part of their identity that their tumultuous history cannot provide (Figure 12). But while the Germans fear the euro as currency, they favor it as a strategy for salvation. Haunting memories of the German nationalism that led up to World War II continue to motivate the Germans to convince their neighbors that this nationalism was buried with the Third Reich. In the words of Walter Hasselkus, "We are looking for a different identity because nationalism is really taboo. That identity is Europe."[73] In the eyes of many, the transition to the euro provides the opportunity to strengthen this European identity.

This argument supports the hopes of Germany's neighbors as well. The independent Bundesbank has been run solely by Germans since its foundation, and often viewed by fellow European countries (particularly France) as too independent. Other European countries hope that harnessing the Bundesbank within the limits of the European Central Bank will ensure the goal of a European Germany rather than a German Europe. The UK, which has exercised the "opt out" clause of the EMU, is home to many critics of this theory. Former British Industry Minister Nicholas Ridley has been very outspoken in his views, claiming that this is "a German racket designed to take over the

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February 10, 1998) C4.

[73] Roger Cohen, "Clinging to Its Past, Europe is Warily Awaiting the Euro" A1. Walter Hasselkus is the German chief executive of Rover.

whole of Europe."[74] The CDU party, which has been the governing party in Germany since 1982, answers to this quite contrarily, stating, "Never again must there be a destabilizing vacuum of power in central Europe. If European integration were not to progress, Germany might be called upon, or tempted by its own security constraints, to try to effect the stabilization on its own and in the traditional way."[75] As threatening as this remark may sound, it further supports the goal of avoiding the rise of another Imperial Germany and restraining Germany by the bounds of the European Union.

Not all Germans are sold on the idea of recreating the German image through a new currency, though, and objections stem from many perspectives. Issues include concerns about the future of the German economy, debate over whether the EMU is constitutional, and the challenges that the move to the euro poses to German sovereignty. Encompassing all these arguments, though, is the long-debated *German Question*: Identity. How will the changes brought about by the euro impact German identity?

The significance of the Deutschmark as a sign of economic stability plays a strong role in German identity. Some Germans associate the proposal of a European Currency Union with the words stagnation and sacrifice (referring to their economy).[76] This is not the economic identity the Germans have accustomed themselves to throughout the past forty years. They may be justified in their grim outlook, though, because the strict criteria for joining the EMU require massive changes in their tax system, and unemployment has

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[74] Bernard Connolly, Rotten Heart of Europe (London: Faber and Faber, 1995) p. 386.

[75] Ibid., p. 389.

[76] Roger Cohen, "Clinging to Its Past, Europe Is Warily awaiting the Euro" p. A1.

continued to rise during efforts to bring the deficit under three percent of GDP. The Bundesrat, the second chamber of the Bonn Parliament, is dominated by the Social Democratic Party (the largest opposition party to the CDU). It has the power to veto some government bills and delay others. The SDP claims it is set to oppose any further tax reforms, especially those seen as a threat to the economy.

The means of lowering the deficit have also been questioned, and one must wonder whether these actions will produce desirable results for the long term. For example, Deutsche Telekom, the state-owned telephone service, and the German airline Lufthansa are being sold off on the stock market. There was also an attempt to revalue the gold reserves of the Bundesbank to reflect the market price for gold, resulting in profits for the Bundesbank.[77] Creative financing maneuvers like these look good on the books at the end of the year, but one may question whether this state of affairs can be maintained. Actions such as these have triggered several public outcries. On February 9, 1998, 155 German economists pleaded for a delay in the monetary union. They claimed the methods for enforcing economic discipline were not credible. "The stability pact isn't credible. We are saying, why don't we postpone, get the budgets clean and then start? And if we cannot postpone it, then governments should apply the Maastricht criteria as strictly as possible."[78] The concern of these economists about the ability to sustain the criteria of Maastricht is felt widely throughout Germany.

This poses a large problem to the German chancellor, Helmut Kohl. As he faces

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[77] Josef Joffe, "The Euro: The Engine That Couldn't" (New York Review of Books: November 6, 1997) p. 27.

[78] Edmund Andrews, "German Economists Plead for Delay in Introducing the Euro," p. C4.

re-election later this year, he is working to appease the voters. He faces a difficult decision, as he warns that postponement is not an option. He claims postponement could mean a complete cancellation of the EMU, deal a fatal blow to European integration, and provoke a flight into the D-Mark which would make German exports more expensive and cost countless jobs.[79] Kohl faces an uncomfortable choice. One option is to relax the criteria. This would cost him numerous votes by provoking a public fear of economic instability, because the criteria serve as an assurance of stability. Or Kohl could choose to remain tough on the EMU, causing voters to rebel against the austerity needed to achieve it. Without a commitment to keep inflation rates and budget deficits low, the single currency could lead to relatively higher interest rates throughout Europe, keeping capital from flowing elsewhere, and reducing the region's ability to compete globally. Whatever option he chooses, Kohl will have to work hard to win over the support of the Germans.

In discussing a new currency for Germany and its possible economic outcomes, one cannot forget the effects of Germany's recent reunification, which are still fresh in every German's mind. Assuming the debts of former East Germany caused much strife in Germany. There was much stress among the East Germans over the fixing of the exchange rates, and the impact it would have on their savings. Costs of rebuilding the GDR's old industries and infrastructure, adjustments in the tax system, and a much needed clean-up of the heavily polluted environment in East Germany have also not been inexpensive endeavors.[80] Against this background, one must ask how the Germans will

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[79] "Euro-division: Germany" (Economist: June 14, 1997) p. 53.

[80] Dirk Verheyen. The German Question (Oxford: Westview Press, 1991) p. 196.

react to their role of continuing to support other, poorer countries, especially as possible enlargement to Eastern Europe becomes imminent. Talk of Deutschmark nationalism is not uncommon. As Richard Holbrooke asks, "Would you leave your money in German marks if the mark is going to become the lira and you can move to the dollar?" The Ecu (the former basket currency of the EU) has not proven stable thus far. If a German investor had invested in the ECU in 1979, he would have lost over one-fifth of his assets by now.[81]

Economic concerns aside, the euro also brings forth tricky issues about the constitutionality of the EMU. On January 12, 1998, a prominent group of lawyers and former bankers filed a formal petition in Bonn, claiming the introduction of the euro would infringe on the basic German constitutional right to economic stability.[82] The petition argues that the criteria for joining the EMU have not been met in Germany, therefore, proceeding any further down this road will threaten the German right to economic stability. Plaintiffs of the position maintain that the euro will mean a devaluation of German money, greater unemployment, and immense cash transfers to poorer euro countries to sustain their economic viability. In addition, the petition states that by ceding chunks of national economic sovereignty to a proposed European central bank, the introduction of the euro would counter the constitutional right of Germans to "substantial representation" of their interests by Parliament.[83] If this objection holds,

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[81] Roger Cohen, "Clinging to Its Past, Europe Is Warily awaiting the Euro" p. A10.

[82] "The right to economic stability" is clearly stated in the German Constitution.

[83] Alan Cowell, "4 Quixotes Tilt at German Adoption of the Euro" (New York Times: January 13, 1998) A3.

then Germany is in a bind, because although the EMU may infringe on the constitution, Germany is also bound by the agreements of the Maastricht Treaty. Legal experts gave the petition little chance of success, but this example further emphasizes the ambivalent attitudes of the Germans about relinquishing their Deutschmark.

Germans are also faced with the wavering opinions of their own leaders. The German president, Dr. Professor Roman Herzog, stated in spring of 1997 that Europe has outgrown the need for separate nation-states, and therefore, the concept of sovereignty is useless. No nation can protect its territory and population by itself, and there exists no such thing as a pursuit of autonomous economic policies.[84] Helmut Kohl echoed similar thoughts in September 1996,

> If we want to safeguard the peace and freedom of the European peoples in the twenty-first century, then we must join forces. The century that is drawing to a close was one marked by nationalism. This had terrible consequences, not least in Germany and due to Germany.
>
> Horrific crimes against other peoples and many individuals were committed in Germany's name. I do not want to return to this time. I do not think that the nation state, in the form that emerged in the nineteenth century and existed in the twentieth century can guarantee our future. Our generation has a duty to construct the 'European House.' If we fail to do so, we will relapse into old errors.[85]

Kohl's views and remarks have changed many times over since 1996, but a statement as threatening as this one is not quickly forgotten. The idea that without a European Union states may repeat mistakes from the past is all that is needed to gain German support.

The dilemma over support for and opposition to the EMU has left voters in a

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[84] Christopher Story, "The New Euro Banknotes," p. 43.

[85] Ibid., p. 10.

quandary, because the EMU seems imminent no matter what action they take. Political leaders across Europe have invested too much in the effort to turn back now. This commitment leaves voters feeling too resigned to object to the EMU. The Social Democratic Party maintains that as a result of these ambivalent feelings, they have not taken an active stance against the euro in their campaign. Werner Patzelt, a professor of political economics at Dresden Technical University feels, "The public simply has no chance to get out its bad feelings about the euro, because the power elite has assembled its own feelings on the subject."[86] These objections about the possible loss of sovereignty through a currency union are summed up beautifully in the words of Toni Schmid, son of Franz Schmid. He says, "If you give away the mark, you give away respect. Most Germans hate the idea. But Europe has been sacred for 50 years. No political party can say no to it. That is why Germans are not yelling."[87]

Toni may be partially correct in his reasoning about the German submissiveness to the upcoming union, but the Deutsche Bundesbank also influences the German views. It plays an extremely important role in the approval of the EMU and remains the most influential institution with the ability to make or break the coming of the euro. To understand how the Bundesbank rose to be so influential, we should look at its background. The forerunner to the Bundesbank was the independent *Bank deutscher Länder* (the Bank of the German States, which was a less formal version of the Bundesbank). It was set up by the Allies after World War II in an attempt to prevent

[86] Edmund Andrews, "German Economists Plead for Delay in Introducing the Euro," C4.

[87] Roger Cohen, "Clinging to Its Past, Europe Is Warily awaiting the Euro," A10.

hyperinflation and the formation of a strong central government in Germany (although one obviously *did* emerge).[88] The strong Bundesbank can be held primarily responsible for Germany's economic success in recent history, enabling Germany to create a strong central government. This suggests the possibility that perhaps a strong European Central Bank could lead to the formation of a stronger European central government, following the same path as the development of the Bundesbank. Germans are also familiar with the concept of mobilizing around an economic customs union. Recall that the creation of the German Empire by Bismarck in 1871 grew out of a customs union, as did the German Reunification in 1990. This "mobilization around a customs union" has been the driving point of the EMU. Therefore, if the bank favors the union, the introduction of the euro is inevitable, but if it opposes the union, one can safely say good-bye to all thoughts of a single currency for Europe. The Bundesbank is responsible for making assessments on who will join the euro and providing its views on the union. Bundesbank president Hans Tietmeyer is cautious about the formation of the EMU without any political centralization. Tietmeyer was quoted in September of 1997 as saying, "I don't see a readiness for a European superstate with one tax system, one big central budget, one security system. I have to accept that. So the basic question is whether there is enough common ground for monetary union."[89] On the other hand, the Dresdner Bank in Frankfurt is publishing such brochures as *Countdown zur Europäischen Währungsunion* (Countdown to European Currency Union), which asserts that concerns over the euro are

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[88] Bernard Connolly, Rotten Heart of Europe, p. 385.

[89] Roger Cohen, "Clinging to Its Past, Europe Is Warily awaiting the Euro," A10.

unjustified. It is no wonder that German support for the euro is divided, leaving the voters in a state of ambivalence.

As much hesitation as there may be about the euro, there also exists German support for the new currency. There is another side to all the arguments about economic, constitutional, sovereignty, and identity issues. Yes, Germany's economy faces a large risk entering into a monetary union, but the many advantages of a single currency cannot be overlooked. With Germany providing twenty-five percent of the EU's total output, the possible economic gains it could reap are enormous. Ease of transactions between countries will cut costs and allow for more foreign investment. The EU's economy comprises 20.9 percent of the world's trade, compared with 19.6 percent for the United States. Challenging the global economic power of America appeals to many Germans, and the opportunity to close the century with an act of "European emancipation" is an offer that many will find too tempting to refuse. BMW, the German auto maker, supports the Union, "We export one-third of our production to other European Union countries, and we've suffered a lot from exchange rate fluctuation. The euro will eliminate that risk."[90] Germans are also considering what the future may hold should they not embark on EMU. Their bargaining power as a single nation is greatly limited in comparison to what they can accomplish through the EMU. Partaking in the EMU will help the Germans to achieve their national goals and maintain their successful economic status. The single currency also makes it easier to take full advantage of their European rights to live and work anywhere within the EU. Without a single currency, the risk of fluctuations in exchange rates made this an unrealistic option.

[90] Thane Peterson, "Damned if He Does..." (Business Week: June 23, 1997) p. 52.

Constitutional objections, should they be sustained, can be overcome with amendments to the constitution. Concerns over economic sovereignty should also be reconsidered. The Bundesbank has been sovereign for years, and the European Central Bank will be run in a similar fashion. The ECB is not subject to the whims of national governments and will operate in the best economic interests of the EU, just as the Bundesbank has done for Germany. Along with issues of sovereignty, many critics maintain the EMU has been imposed upon the Germans, giving them no chance to object. The institutions of the EU are specifically designed to allow for national objections. Recall that each member-state has representatives in Parliament who serve in the national interests of their respective countries.

The question remains as to what role the new currency will play in the German identity. Will the Germans choose to create a new "European identity" with their new currency, and if so, how will they accomplish this? It may be quite some time before the Germans develop a strong relationship with the new currency, just as their loyalty to the Deutschmark did not happen overnight. In the next year, part of the German approval or disapproval of the union may be reflected in the upcoming election. Part of the decision about whether or not to re-elect Helmut Kohl, the father of the EMU, may be based upon the Germans' willingness to continue to support and identify with the leader who is responsible for bringing the euro to Germany.

Another pointer to the possible future role of currency in identity may be reflected in the Germans' choice of what national emblem will be featured on the new euro notes. This initial decision about the national design may indicate how much responsibility the

Germans are willing to take for the euro. They could choose a very European theme, by simply presenting a fictional "German" picture that fits within the themes of the new currency. For instance, a classic Gothic design for a gateway would be a German image, but it would not provoke strong feelings of identity and recognition. Such a choice may reflect a lack of commitment to support the euro, viewing it as a "European choice" and not a German choice. Or the Germans could choose a bolder route, portraying a real German landmark, such as the Brandenburg Gate (Figure 13). A famous landmark laden with German symbolism would hold special value in the heart of every citizen. A "real" German symbol would be an attempt to mobilize strong support for the currency. This choice could relay the message that the Germans stand strongly behind their new currency and are willing to uphold their role in supporting it. The use of the Brandenburg Gate, which is a symbol of Germany's reunification, could be extremely successful, especially in view of the fact that the decision to adopt the new currency comes at the same time that Germany moves the capital back to Berlin. Some see this move back to the original capital as symbolic of Germany coming to terms with her past.

The move back to Berlin, which could be viewed as a reunification of the past, and the simultaneous abandonment of the mark poses an interesting juxtaposition. There may prove to be an interesting relationship between these two landmark events. Perhaps this signals that the Germans are prepared to reclaim Berlin and all the history behind it. Maybe the Deutschmark's strong role in German identity has been fulfilled, and the Germans are ready to turn their focus to the development of a political and cultural identity. Perhaps the Germans are confident in their economic status, and do not need the

Deutschmark to reassure them anymore. Berlin is the natural geographic center of Europe, so perhaps the Germans are moving to identify themselves as the new heart of Europe. The options are limitless, but one thing is certain, the symbol that held Germany together during her absence from Berlin will soon disappear.

The risk of joining the single currency could prove to be a milestone for Germany. If the euro is successful Germany may finally be forgiven for its past, because the EMU would not be possible without German support. Germans would be able to take pride in the fact that their efforts improved the economy for all of Europe. As a result of their contributions, peace throughout Europe will be ensured into the next century. This is a key indicator as to how the Germans would like to be identified by fellow Europeans and the world. The European Monetary Union may finally provide a partial answer to the long-asked "German Question." Should the euro fail, though, Germany will be a prime candidate to shoulder much of the blame for a European disaster. This possible outcome in itself is enough to motivate the Germans to make the EMU a success. The fragile German identity cannot stand to have the most solid tree in her forest cut down. This would leave the Germans to rebuild their identity from the ground up. The only remnants remaining of their beloved Deutschmark would be those saved by sentimentalists, like Franz Schmid with his collection of Reichsmarks. These Deutschmarks will be a symbol to future generations of Germany's past economic success and the extreme vulnerability of money.

- Conclusion -

We have walked a long and winding path through a deep and complex forest. Now that you have reached the end, perhaps you feel lost among the trees, unsure of where to turn next. If this is true, then this study has accomplished its mission. The challenge of researching a modern topic is that there is no clear outcome, because the information gathering is ongoing; it changes every day. The EU forest is still growing, so it would not be right to lead you out now. Such an action would leave you with the false assumption that you could draw a master trail map of the forest floor. But it is also unfair to leave you sitting without a map at all or any sense of direction. To clear things up a little, we will take a moment to re-trace our steps.

Our introduction to the forest showed us how a tree, the nation, evolves, and what features identify it. Anthony Smith taught us how a nation evolves from a community of common descent. He identified several of these commonalties, such as common laws and institutions, and common myths and traditions. Benedict Anderson introduced to us the definition of a nation as an imagined community. His theory explains *how* the members of the community are aware of one another and their commonalties, maintaining that printed materials provide this awareness. Our final reference was a geographer, David Hooson, who demonstrated the important role of geography in defining a nation. This approach showed us how borders and geographical features, such as famous landmarks and landscapes, provide unmistakable symbols of national identity.

Upon the end of Chapter One, the growth stages of the tree became evident, so we moved to apply our knowledge to the case of Germany. We studied the crooks and bends in the branches of German history and the identifying features that were a result of these branch variations. Recounting the history of Germany assisted us in understanding why the German Identity is a challenging thing to explain. Political and economic instability left the Germans in a constant state of limbo, and there were no clear traditions to pass down to future generations. The German tree changed the colors of its leaves every season, sometimes shedding them enitirely. These constant changes made us very aware of the different identities that are by created by changes in the political, economic, and social conditions. We were left to ponder what has served as a stable, reliable symbol of German identity throughout the years?

Chapter Three uncovered a partial answer to this question with a discussion of currency. We took a closer look at how currency contributes to national identity. We studied the physical attributes of a banknote and what the motifs represent, but we also looked deeper into the value the currency holds with the people and how they develop a relationship with their national currency. We studied the Deutschmark, and the identifying flowers it has produced for the German tree. We observed what happened when the flowers became too abundant and wilted on the branches. We are now witnessing the effects of proper maintenance as everyone reaches to smell this German flower, the Deutschmark.

Having recognized the role of the Deutschmark in German Identity, we stepped back to admire how the German tree relates to other trees standing around it. As a member of the European Union, Germany works closely with fifteen other member states. To understand how this relationship works, we studied the eco-system of the EU forest, looking at how it was built and constructed. The EU forest presented us with the problem of an EU identity, questioning if it was feasible to maintain a national identity and a European identity. Anthony Smith led us through part of the forest, showing how the common laws and institutions of the EU lead to the cultivating and shaping of an EU identity. Hooson posed the problem of defining a geographic identity, because there are no set borders to the EU. Benedict Anderson showed us how items of EU importance are printed in the language of each country, so that all members are aware of one another's presence. This prepared us for the idea of introducing a common currency, using money as a transcendent language among all participating member states.

Having realized the important role the Deutschmark played in providing a solid symbol of German identity, we could not help but begin to question if the euro would serve as a similar symbol for the European Union. As we walked back through the forest, we questioned if the eco-system of the EU could uphold the introduction of a single currency. We recalled the identifying flower of the Deutschmark and realized that it would not grow on other trees. The introduction of a common currency must be completed under conditions that please all nations, and do not favor any single nation. This supra-national concept of a currency identity presented us with the question of how the individual nations will react to and accept the new currency.

With this in mind we wandered our way back to the German tree to study the possible effect the euro will have on German identity. Our conclusions were based on two possible outcomes, the economic success of the euro versus an economic failure. We uncovered concerns about losing the Deutschmark flower and the stability it provides, but discovered hopes of creating a new, better, stronger identity through the euro.

So here we are, resting against the trunk of the tree waiting for the new buds to form before we leave this forest behind. While we wait, we should watch for any nests that may form in the branches of different trees, and if these nests become a burden, pulling down the branches they rest in. Make note if the EU's goal to establish a "closer union among people" creates new bridges, or if it burns old ones. As we observe the changes occurring, remember that we are mere visitors in the forest. Our impressions are filtered by our second hand observations and influenced by our own perceptions of identity. Tune your senses to the distinctions between the voices of the EU and those of the individual nations.

If there is one solid argument you should take away from this study, it is that the various symbols of identity change and evolve with the political, economic and social environments. Be aware of these cycles as you continue to observe the development of the EU forest. When the European Monetary Union is complete, I invite you to re-visit the EU forest ten years down the road, and to continue checking back as it evolves.

Figure 1: Caspar Scheuren's lithograph 'The German'

Figure 2: German banknote printed 1920
Figure 3: German banknote printed 1923

Figure 4: West German banknotes

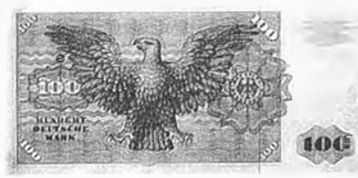
5 Deutsche Marks. Size: 120 x 60 mm. *Recto:* Portrait of a young Venetian, engraved in 1503 by Albert Dürer, German engraver born in Nurenberg.

Verso: Oak leaf. Known as Zeus' tree, the oak plays an important role in all German mythology.

20 Deutsche Marks. Size: 140 x 70 mm. *Recto:* Portrait, engraved by Albert Durer, of Elsbeth Tucher, daughter of the governor of the Free State of Nurenberg and wife of Nicolas Tucher, a Nurenberg aristocrat.

Verso: Violin and clarinet. In the first half of the sixteenth century, in Italy, the shape of the viola began to be modified and to develop into that of the violin. The clarinet was originally designed by an instrument maker named Jean Christophe Denner in 1690 in Nurenberg. It was then improved upon by several German virtuosos, notably Juan Muller and Theobald Boehm.

50 Deutsche Marks. Size: 150 x 75 mm. *Recto:* Portrait, engraved by Albert Durer, of Hans Fugger, member of a Bavarian aristocratic family; he was born in 1531 and died in 1598 in Augsburg. His forebears, weavers, arrived with the family in Augsburg about 1368. Having become quite rich, they loaned large sums to Emperor Maximilien, who gave them a title and the Count of Kirchbelberg. The Fugger family became the appointed bankers of Halsburg and still had, in 1545, the right to mint money. *Verso:* The Holstenthor, one of two highly unusual fortified gates at the entrance to the city of Lubeck. It was built in 1476.



100 Deutsche Marks. Size: 160 x 80 mm. *Recto:* Portrait, painted by Christophe Amberger, of Sebastien Munster. A mathematician, he was born in 1489, died in 1552. Munster accepted Luther's faith before moving to Basle, where he taught geography and mathematics. He is responsible for a number of important works, one of which is a treatise in which the sundial takes its modern form. *Verso:* Eagle of the Federal Republic of Germany

1,000 Deutsche Marks. Size: 180 x 90 mm. *Recto:* Portrait of Johan Schoener, painted by Lucas Cranach. Schoener, who was born in 1477 and died in 1547, was a Renaissance geographer, mathematician and astrologer. He was connected, as a priest, to the Church of Bamberg, where he published numerous geographical and mathematical studies and built astronomy instruments.

Verso: Limburg-An-Der-Lahn Cathedral, built in 1325. It is a surprising mixture of Roman and primitive Gothic architecture. It was a basilica at first and only became a cathedral in 1827.

Figure 6: Current German banknotes

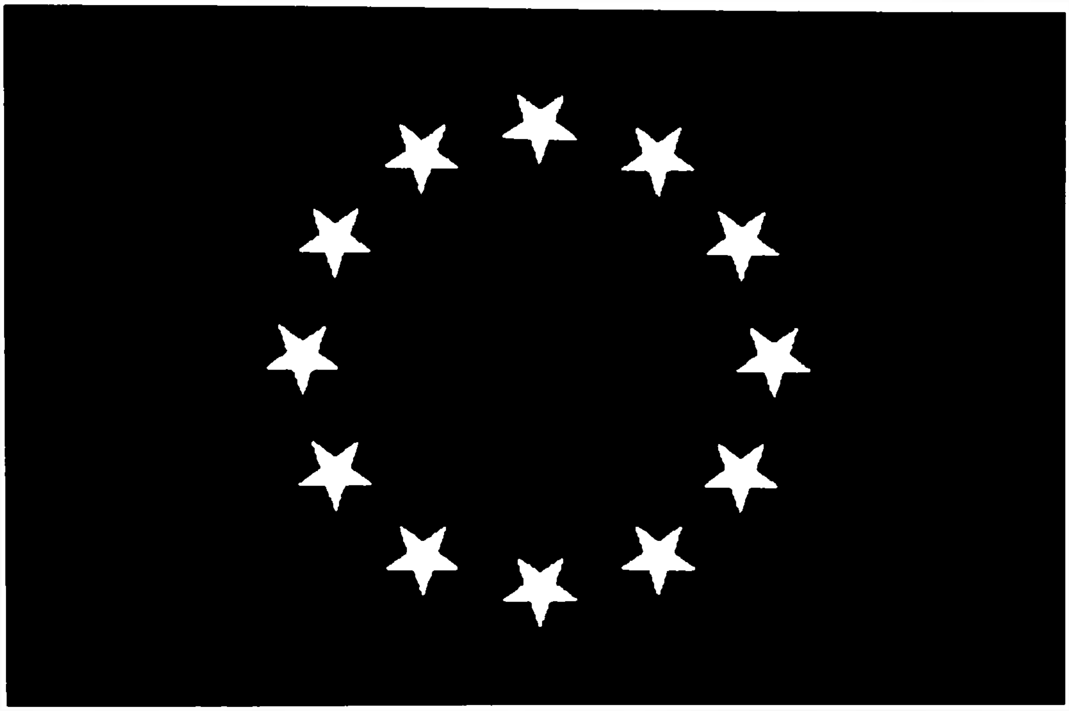


Figure 7: European Union Flag

Figure 8: European Union Anthem

The Euopean Anthem was adapted from the final movement of Beethoven's 9th Symphony. It was adopted by the Council of Europe in 1972. Herbert von Karajan acceded to a request by the Council of Europe to write three insturmental arrangements for solo piano, wind and symphonic orchestras.

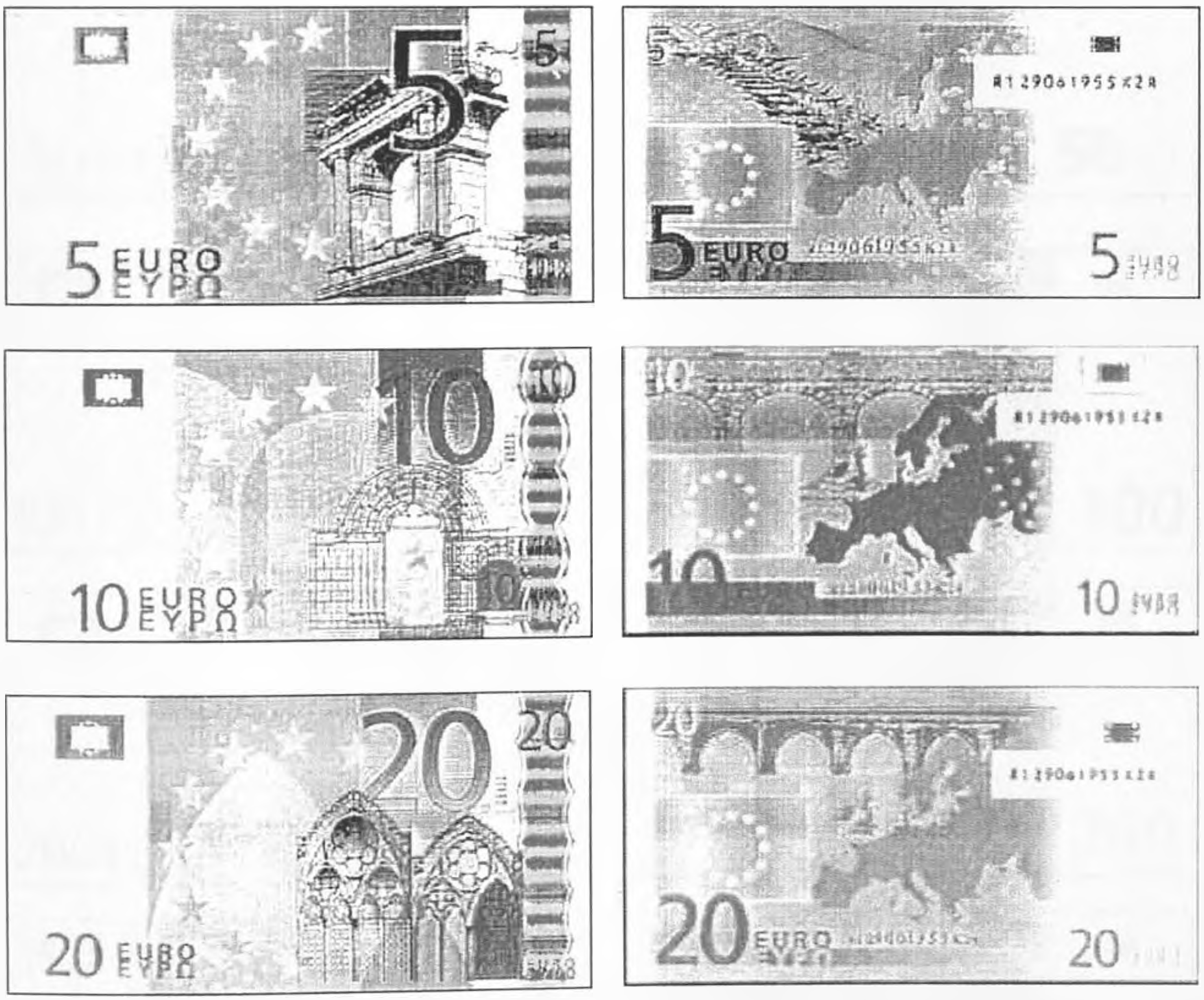
The musical unions of four member states founded the dynamic *Orchestre d'Harmonie des Jeunes de l'Union Europeene* in 1988 to promote new European works for wind orchestra. Some seventy of the most talented young wind players are selected each year to study and tour together throughout the European Union.

Figure 9: Examples of the new euro banknotes

The draft designs for the seven denominations in the euro banknote series; 5, 10, 20, 50, 100, 200 and 500 are shown on the right. Windows and gateways form the principal elements of the front faces of each banknote, and the reverse faces bear the representation of a bridge typical of different ages of European development.

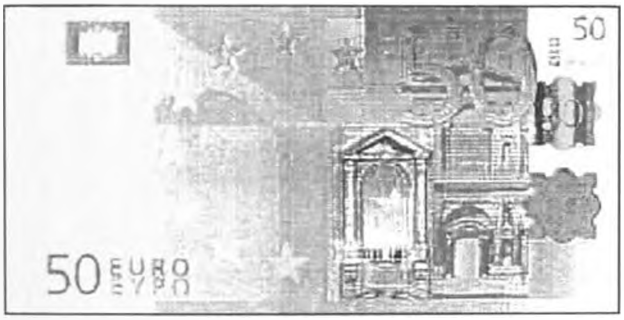
These designs are subject to modification regarding their compliance with the agreed security features and their technical, cultural and historical accuracy.

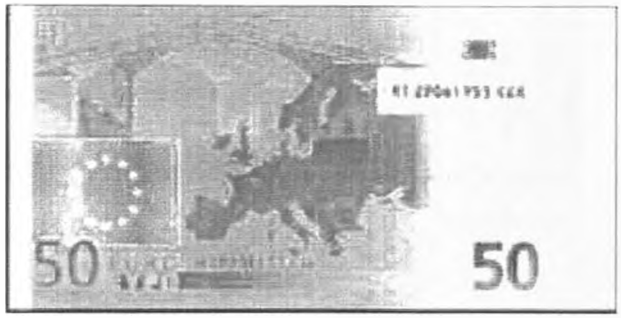
The decision to include a national feature for each participating country (e.g. harp for Ireland) remains to be finalised.

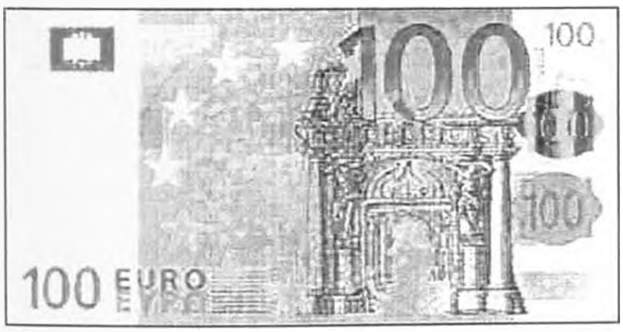


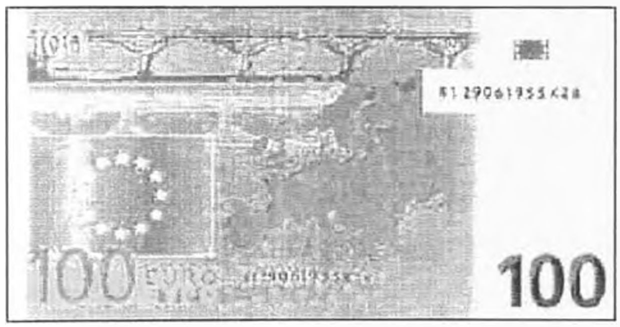
Other elements of the designs include:

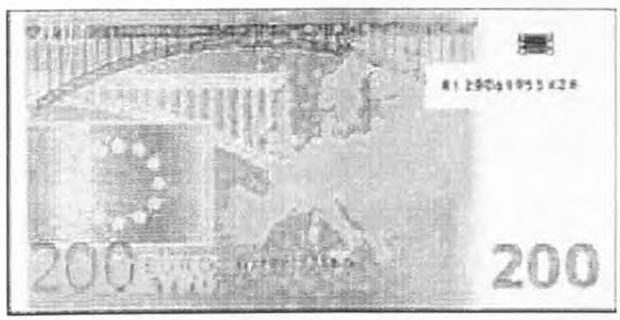
- large and bold numerals which will be located in a standard position throughout the series on both sides of the banknotes, facilitating partially sighted people
- security features of the new banknotes include fluorescent fibres and a multi-tone watermark
- the twelve stars of the EU
- the name of the currency, the euro, depicted in both the Latin and Greek alphabets
- the flag of the European Union on the reverse of the banknote as a universally accepted symbol of Europe
- the signature of the President of the European Central Bank is positioned close to the initials of the issuing authority on the front of the notes (European Central Bank) in five variants (BCE, ECB, EZB, EKT and EKP). This feature is not legible on the notes displayed.











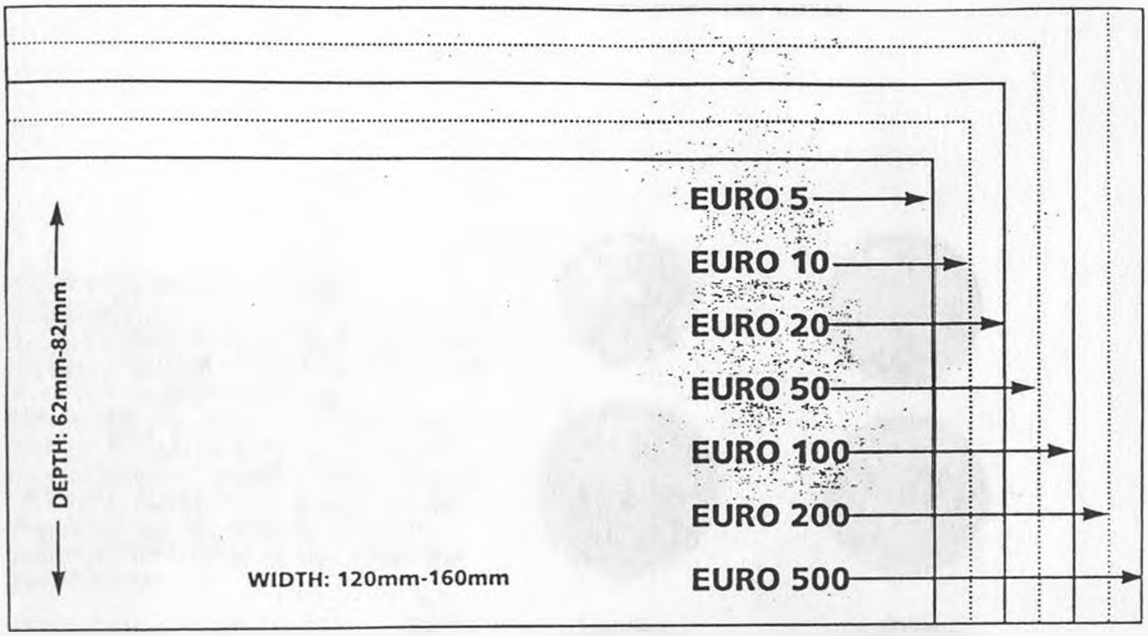


Figure 10: Dimensions of the new euro notes

Figure 12: The symbol for the euro

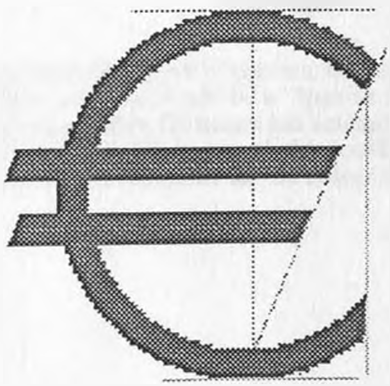


Figure 11: Examples of the new euro coins

The draft designs for the eight denominations in the euro coin series: 1, 2, 5, 10, 20, 50 euro cents, 1 and 2 euro, are shown on the right. Following an informal ECOFIN (Council of Economic and Finance Ministers) meeting at Verona in Spring 1996, the Council mandated the Commission to organise a competition to select the design for the common face of the euro coins. Member states will be responsible for choosing their respective national face.

During 1996, member states (with the exception of Denmark) ran national competitions to select up to three series of coins under specific themes: architectural, abstract and European personalities.

On 13 March 1997, a European jury, chaired by the European Commission and made up of independent experts in fields such as art, design, numismatics and consumer interests, met to select the nine best series out of a total of 36 which were submitted. An opinion poll organised by the Commission helped in deciding the winning series.

The designs represented here are not definitive blueprints, but rather artistic impressions of the coins (and, in fact, the 20 euro cent piece will be a 'Spanish Flower' shape, which is not quite round). A working group of Mint Directors has studied the technical aspects of the designs and concluded that they will need some slight modifications in order to be produced in line with the technical specifications for the coins (see box below).

Figure 13: An example of Deutschmark nationalism

Figure 14: A possible design for Germany's euro coin

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