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TRUST IN THE EURO: EXPLORING THE GOVERNANCE OF A SUPRA-NATIONAL CURRENCY

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ABSTRACT

This article starts from a pervasive puzzle that characterises the use of all money: Why would anyone actually exchange real goods and services for a piece of paper, a token coin or an electronic blip? The author of this article argues that market participants accept money in an exchange based on the trust that others will do exactly the same. While it is the basis of any existing monetary order, trust becomes particularly relevant in the case of a newly created currency such as the euro. In addition to being new, the euro is also a supra-national currency and, therefore, lacks some of the political and cultural factors that help facilitate trust in single nation-states. How can one

conceptualise the formation of trust in the euro under these circumstances? This article examines the evolution of trust along two dimensions: horizontal and vertical trust. Horizontal trust gets established through mimesis and identity. Vertical trust relies on institutional mechanisms – in particular the interaction between a specifically assigned agent of monetary trust (the European Central Bank) and guardians of trust (other political actors as well as societal players).

Keywords:

trust money euro European Central bank identity mimesis

Notes

[1]The classic treatment of money's relationship to trust is obviously Simmel (1978 [1900]). For some broader reflections on the theme of trust and money, see Dodd (1994); Frankel (1977); Luhmann (1979).

[2]For various aspects of this conceptualisation, see Luhmann (1988); Coleman (1990); Gambetta (1988); Beck (1992); Giddens (1991).

[3]Möllering (2001) describes this leap into uncertainty as ‘suspension’.

[4]This discussion, of course, deals with the macro aspects of money. As Zelizer (1994) shows, individual choice on the micro level is much more feasible, e.g., through practices such as earmarking.

[5]Another issue of trust that is clearly related to this aspect, but which I do not further investigate explicitly here, is trust in the ability of the economy to provide the goods I want in the future.

[6]For a general treatment of this issue, see Skaggs (1998). On the relationship between money and credit, see Ingham (2004).

[7]The term ‘Teuro’ represents an ironic play with words in German, as it combines the words ‘teuer’ (expensive) and ‘euro’.

[8]The distinction between horizontal and vertical trust extends on the categories developed in Servet (1999). As a related interpretation, see Michel Aglietta's and André Orléans' (1998) distinction between hierarchical confidence, methodical confidence and ethical confidence. See also Grahl (2000).

[9]For an analysis of the role of mimesis in the theory of money, see Aglietta and Orléans (2002).

[10]It is noteworthy that the particular German pride in the national currency did not necessarily exclude the acceptance of the euro. Correlation between pride in the deutsche mark and negative attitudes toward the euro were lower than in eight other EU member countries (Műller-Peters 2001: 174–78). Thus, pride in the national currency was quite compatible with pride in a supra-national currency as well.

[11]The contrast to the negotiations that established EMU's predecessor regime, the European Monetary System (EMS), during the late 1970s reveals the importance attached to mimesis in the transition to the common currency. In 1978, then-Chancellor Schmidt was willing to accept the French pronunciation of ECU as a symbolic concession to the German EMS partners.

[12]On the process of adopting the name 'euro', see Meyer (2001).

[13]Even outside Germany, Frankfurt had a symbolic meaning. When France shifted toward monetary austerity and sought to import credibility by pegging the franc more closely to the mark after 1983, the strategy became known as franc fort policy. While this reflected a mixture of fear, respect, irony and jealousy on the part of the French, it nevertheless underscores the well understood symbolism inherent in Frankfurt as a location.

[14]The data reported in this paragraph is based on EC (2004).

[15]For the 'one nation/one money' principle, see Cohen (1998). On the formation of national currencies, see Helleiner (2003).

[16]See Gilbert and Helleiner (1999) for studies on that subject.

[17]For the decision-making process on the images of bills and coins, see Hymans (2006).

[18]On the distinction between agents and guardians of trust, see Shapiro (1987).

[19]The American process was particularly tumultuous – see Carruthers and Babb (1996); Ritter (1997).

[20]See Dodd (1994) for this argument as the basis for the money-trust relationship.

[21]This section can only provide a conceptual sketch of the relationship between agents and guardians of trust in the euro. The importance that needs to be attached to the agent-guardian relationship, however, reveals that the interaction of the ECB with its political and societal environment represents a very promising area for future research.

[22]See Germain (2000) on this point.

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