

Working papers



One Money, One People? Political Identity and the Euro

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Abstract:

Academic analyses of the significance of the euro have focused largely on economic implications or political changes relating to the power and interests of different states and social groups. By contrast, this chapter examines the euro's potential role in eroding national identities and fostering a more pan-European identity. It does so by drawing on discussions from the 19th century when national currencies were first created in Europe and elsewhere. In that earlier era, the potential significance of national currencies in cultivating national identities was widely analysed and I argue that these analyses may be useful in helping us to understand some neglected possible implications of the euro.

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Academic analyses of the significance of the euro have focused largely on economic implications or political changes relating to the power and interests of different states and social groups. What has been quite absent are analyses of a more cultural kind that examine the euro's potential role in eroding national identities and fostering a more pan-European identity. The neglect of this issue is surprising given its prominence in public discussion in Europe. Opponents of the euro, for example, have argued that the abandonment of national currencies will "dilute" their national identity¹. Its supporters, though less frequently, have also recognized that the exchange of national currencies for the euro may "feel almost like a change of identity" (European Commission, 1995, p. 49). Similarly, researchers have found that attitudes of some Europeans towards the euro are influenced by their concerns about its implications for national identities (Meier and Kirchler, 1998).

In this chapter, I suggest a number of ways in which we might think analytically about the relationship between the euro and political identities. To do this, I return to insights made by analysts from the nineteenth century who lived in an era when national currencies were first being created in the leading economic powers of the world. I show how many advocates of the construction of national currencies in that era developed some specific arguments about how these new monetary structures could play a key role in fostering national identities. Building on these analyses, I suggest five different ways in which the relationship between money and political identities might be conceived and analyse the potential significance of each in the contemporary European context. My objective is not to try to prove any causal relationship between money and political identities in the past or today; rather, I am simply trying to put forward a way in which future researchers might begin to think about the nature of this relationship.

Why Have Academics Neglected the Identity-Related Implications of the Euro?

Before examining the ideas of nineteenth century thinkers, it may be useful to ask why contemporary academics have been so slow to analyse the ways in which the introduction of the euro may influence political identities. One reason may be the absence in contemporary scholarship of analyses of the relationship between national currencies and national identities. In the large and rapidly growing literature on nationalism, for example, currency is rarely mentioned as significant. If we turn to academic literature on money and currencies, the significance of national currencies to national identities is sometimes acknowledged, but usually just in passing before attention is focused on more economic issues.²

This neglect of the relationship between currency structures and national identities is difficult to explain, but it may partly reflect the influence of two famous sociologists of money, George Simmel and Karl Marx. Although coming from quite different ideological perspectives, both thinkers developed similar and influential view of the impact of modern money on social identities. They each argued that the pervasive use of money in modern societies had the effect of transforming traditional social and personal ties into ones characterized by impersonal and instrumental economic calculations. Money's ability to assign value in a standardized way to diverse items was seen to dissolve the concrete relationships of traditional societies and replace them with abstract and impersonal social relations. For this reason, Marx (1974, p.132) referred to money as a kind of "radical leveler" that "does away with all distinctions" associated with traditional social relations. Likewise, Simmel ([1900]1978, p.377, 373, 128, 440) talked of the

"colorlessness" of money, its "uncompromising objectivity" and its indifference to "particular interests, origins, or relations", features that derived from its ability to "become a denominator for all values". As Viviana Zelizer (1994) has noted, this perspective on the relationship between money and social identities became and has remained a dominant one in the social sciences.

From our purposes, what is interesting about this perspective is that it steers analytical attention away from the potential links between national currencies and national identities. If modern money undermines social context and tradition, how could it be linked to the sense of collectivity and common history which underline national identities? Similarly, if modern money promoted rationality, how could it cultivate the kind of emotional attachments to the nation on which national identities rest? It is not surprising then to find that Marx and Simmel focus devote little attention to the ways that the construction of national currencies in the 19th century may have strengthened national identities.³

In the last few years, Marx and Simmel's approach to the study of the link between modern money and social identities has begun to be subject to considerable critique. Zelizer, in particular, has argued that they neglected the ways in which money has always been profoundly embedded in various localised cultural and social structures and thus invested with very diverse kinds of social meaning. She has demonstrated this point by highlighting the pervasive practice of earmarking modern currencies and the creation of special forms of localised currency in the US during the very 19th historical period that Marx and Simmel were analysing. Zelizer's important point is relevant not just at the micro level of earmarked and localised forms of money but also at the macro level of national currencies. During the nineteenth century period, the

project to create national currencies was closely connected to the project of nation-building. These new currencies were seen by many nationalists as something that could help to strengthen a new kind of national identity. Far from displaying “uncompromising objectivity” or doing “away with all distinctions”, modern forms of money in the nineteenth century thus became invested with social meaning that was intricately connected to intensely political project of constructing unique and distinct national identities.

Whether this project was a successful one – that is, whether national currencies did in fact play an important role in fostering national identities - is not the subject of this chapter. My objective is rather to draw on the ideas of supporters of national currencies in the nineteenth century as a way of developing some analytical tools about how currencies *might* potentially influence political identities. Specifically, I want to highlight five different ways in which nineteenth century analysts thought national currencies could foster national identities and then explore how these may be relevant to understanding the possible significance of the introduction of the euro.

Imagery on Money and the Construction of Political Identities

The first way that national currencies were seen by nineteenth century thinkers to promote national identities is through the imagery emblazoned on them. Anyone who has travelled widely, or simply collected the money of different countries, cannot help but notice the nationalist imagery which covers each country's coins and notes in the modern age. Strangely, however, these images and its influence have not attracted the attention of scholars of nationalism. Nationalist imagery on items such as flags, stamps and statues has been analysed, but that on money has been neglected.⁴ Even Eric Hobsbawm's (1983) important essay on the mass production of nationalist tradition in the late nineteenth century ignores this topic, despite his brief acknowledgement that money is the "most universal form of public imagery." (p.281).

The potential importance of imagery on money was, however, not neglected by policymakers engaged in nation-building during the nineteenth centuries. In the second half of the century, in particular, most independent governments across the world began a systematic and organized campaign to place nationalist imagery on their money. Aided by advances in the technology of printing, they began to cover banknotes with detailed images of national landscapes and landmarks, personalities, key national historical events, and scenes of the everyday life of national citizens. Why was imagery on money seen to be so significant to the project of official nation-building? Some government policymakers involved in constructing this imagery were insightful in identifying its significance. Here, for example, is the explanation given by the chief clerk in the US Treasury who first advocated the use of the new kind of imagery on that country's new national banknotes in 1863:

"[they] would tend to teach the masses the prominent periods in our country's history. The laboring man who should receive every Saturday night, a copy of the 'Surrender of Burgoyne' for his weekly wages [a painting of this historical event was placed on one of the new notes], would soon inquire who General Burgoyne was, and to whom he surrendered. This curiosity would be aroused and he would learn the facts from a fellow laborer or from his employer. The same would be true of other National pictures, and in time many would be taught leading incidents in our country's history, so that they would soon be familiar to those who would never read them in books, teaching them history and imbuing them with a National feeling"⁵

In this passage, the chief clerk identified two central points about the potential power of nationalist imagery on money in constructing a collective national identity. First, images on money were guaranteed a much larger audience than images carried by other media because of the pervasiveness of the use of money in the kind of market economy that was spreading across all leading states in the nineteenth century. Images on money were particularly effective in conveying messages to the poor and illiterate with whom the state had difficulty communicating through other means such as newspapers or schooling. In contexts where the infrastructural reach of the state was weak, transport and communications were difficult and illiteracy was high, imagery on money often provided a state with among the only means to convey symbolic messages to vast numbers of such citizens.⁶

Second, images on money may also have been particularly effective tools of propaganda because they were encountered so regularly in the context of daily routines. As Fernand Braudel (1985) puts it, money is one of the basic "structures of everyday life". The US clerk noted that this

gave particular force to the imagery on it, providing a frequent reminder to people that they were members of what nationalists considered to be a common, homogenous community. For this reason, national currencies may have acted as much more effective purveyors of nationalist messages than flags or anthems. Indeed, as Virginia Hewitt (1994, p.11) observes, coins and bank notes are "among the most mass-produced objects in the world, painstakingly designed for millions of people to use." As she notes, they thus offer "an unparalleled opportunity for officially-sanctioned propaganda, to colour the recipient's view".

The symbolic role that national currencies might play in cultivating a sense of national identity was thus clearly identified in the nineteenth century. How relevant might this analysis be analysing the significance of the euro? It would be difficult to argue that the imagery on the euro has been designed in a way that is meant to foster a strong sense of common European identity. Although the face of the coins has a common image of a map of the EU and the stars of the EU flag, each Member State has been allowed to continue to decorate the obverse side with its own motifs and the various State have chosen traditional nationalist images for those motifs. The banknotes are also quite timid in their invocation of a new European identity. On their front side we find images of windows and gateways, while the back side of each denomination has a map of Europe and an image of a different bridge. The official EU website suggests that the former is meant to be "a metaphor for communication among the people of Europe and between Europe and the world" and the latter are "symbols of the spirit of openness and cooperation in the EU".⁷ But nowhere do we find kinds of images of a common history or culture of the kind that is found on most national banknotes.⁸ In the words of one journalist, "[t]he currency looks as if it has been designed for a `Star

Trek' episode about some culturally denuded land on Mars – not for the home of Socrates, Charlemagne, Martin Luther, Notre Dame, the Uffizi, Bach, Beethoven and Mozart” (Zakaria 1999).

The quite limited use of imagery on the new euros to cultivate a common European identity undoubtedly reflects the limited extent to which political support exists for such a conception of identity within the EU. As one European monetary official reportedly said: “What is really European, without raising nationalistic objections?” (quoted in Cohen 1998, p.37). There is much stronger support among Europeans for the EU as a political and economic body that offers certain political rights and economic benefits than there is for the EU as a community conceived as a unified organic-people with a common cultural identity than replaces the nation (e.g. Waever 1995).

Still, many enthusiasts have long hoped that the incremental steps in building the former kind of community may spill over into a growing sense of community in the latter sense. And in this respect, the potential symbolic role of the euro should not be entirely discounted. While the imagery on the new banknotes may not go very far in building up a common cultural identity, it does eliminate the presence of nationalist imagery. And although the euro coins retain nationalist motifs, the EU has made an effort to cultivate a more cosmopolitan outlook by allowing every coin to circulate across all Member States. As the EU website puts it, this will create the possibility that “a French citizen will be able to buy a hot dog in Berlin using a euro coin carrying the imprint of the King of Spain”.

It is difficult to say whether these shifts in the imagery on coins and notes might have quite the same impact as the US Treasury clerk suggested they would during the nineteenth century. Not only has the state's capacity to communicate images and messages to citizens via alternative means

has been vastly enhanced in the twentieth century as literacy has spread and the state's direct relationship with citizens has grown. But also money itself is less of a novelty in people's everyday lives than it was in the nineteenth century and the imagery on it may thus be less likely to attract attention. Furthermore, an increasing number of the everyday transactions in the national currency do not involve a form of money with nationalist imagery on it. Electronic forms of money as well as debit and credit cards are increasingly supplanting government-issued cash as a means of payment in a wide range of daily transactions.

Still, judging by the comments of opponents of the common currency project in Europe, these national symbols on money remain significant sources of identification for many people in the contemporary era. As one English observer put it: "Messing about with the currency...is deeply unpopular because, at a gut level, people feel [it is] organic to our national identity - veins and arteries to our consciousness. The Queen's head on our coins...says something reassuring to the average person".⁹ If these comments are reflective of a broader sentiment across Europe, then the euro may have some impact on political identities at this iconographic level.

Currencies as a Medium of Social Communication

The second way that nineteenth century thinkers hoped national currencies might foster national identities was by creating a common "economic language" with which citizens of the nation could communicate. Many analysts of money in the nineteenth century likened it to language in that both act as a basic medium of social communication (e.g. Shell, 1982). Little wonder then that the creation of a national currency was seen alongside the creation of standardized national language as

a crucial task by nation-builders in that era.

To understand the potential significance of national currencies as a unifying medium of communication, one must recall the complexities of the organization of money before national currencies were created (Helleiner, 1997, 1998). Before the nineteenth century, economic communication within each state was often made very complex by the uneven domestic coinage, the large diversity of paper notes in circulation, as well as by the wide use of foreign coins and counterfeits. Moreover, the poor within most countries of the world predominantly used low denomination tokens or copper and bronze coins, often privately-issued, that were not easily convertible into the kinds of money used by the more wealthy. The creation of an homogeneous national currency out of this chaotic monetary situation was a central part of nation-building in the nineteenth and early twentieth centuries and it resulted only from what Viviana Zelizer (1994, p.205) calls the "painstaking and deliberate activities of public authorities". The various monetary reforms took place at quite different speeds in different countries, but the result was the same almost everywhere: the creation of a new territorially exclusive and homogenous medium for communication in the monetary realm within each nation.

In what ways might this new communications medium have contributed to the construction of national identities? Karl Deutsch (1966) argued that national identities emerged only once a people could begin to communicate more effectively and over a wide range of subjects. In his list of channels of social communication that could bolster the "communicative efficiency" (p.98) within the nation, he briefly mentions the example of the role of a common currency (p.50). Although he does not analyse this example, it may have been an important one.

The emergence of national currencies certainly helped to encourage economic transactions within the nation by eliminating the enormous uncertainties and transaction costs associated with the old chaotic monetary order.

The facilitation of national economic communication was often the explicit aim of the various monetary reforms mentioned above. An Italian Parliamentary Commission examining the need to unify the currency standard of the new country noted in 1862, for example, noted how use of diverse local coins and units of account was preventing unity in “economic language” (Royal Commission, 1868, 307). Monetary reforms aimed at bringing the poor more fully into the official monetary system were also often driven nationalist thinking which sought to bring the poor into the national community as more equal citizens. Before the French revolution, the monetary authorities such as the Royal Mint in Britain had not in fact considered the production of low denomination coins for the poor to be an altogether proper activity for it and had even refused to put the monarch's face on such money (Craig, 1953, p. 250; Whiting, 1971, pp. 13-25).

These various monetary reforms, in turn, may have encouraged a closer sense of identification with the nation among those who experienced their economic benefits. An American supporter of the creation of single national banknote argued in 1861, for example, argued this point:

“Every citizen...who is supplied with such a currency – a currency which will be equal to gold through every foot of our territory, and everywhere of the same value, with which he can travel from Oregon to Florida and from Maine to New Mexico, would feel and realize,

every time he handled or looked at such a bill bearing the national mark, that the union of these states is verily a personal benefit and blessing to all.” (Potter, 1879, p. 5).

Monetary reforms benefiting the poor may also have contributed to what Gabriel Ardant (1975, p229) calls the financial “infrastructure of national feeling”, as they experienced the concrete benefits that the new monetary arrangements brought and the associated sense of membership in the national society. In France, for example, Eugen Weber (1976: xii, 32-4, 40) cites the growing use of a national currency among the rural poor of France as one part of a broader transformation which transformed “peasants into Frenchman” in the late nineteenth century. In his words, the new standardized national currency became “a universal language that all understood and all now wanted to speak” (p.40).

As a medium of communication, national currencies might be linked to national identity not just in the kind of functional ways described above - that is, through the economic associations and benefits they produced – but also at a deeper psychological level. Here again, the parallel to language is useful. To the French revolutionaries, a common national language was seen as important in a functional way of encouraging participation in the national political community; without the ability to speak and read in the same language, citizens would be unable to communicate with each other in national political discourse or learn their new political rights. To Herder, however, its importance was quite different: since language was central to the operation of the human mind, people who spoke the same language could be expected to think in a similar way (Szporluk, 1988). The power of money as a medium of communication to transform identities at this deeper level also caught the attention of thinkers such as Karl Marx

and George Simmel, as we have already seen, although they did not link their analysis to national identities.

As noted in the first section of this paper, both of these thinkers commented on how modern forms of money, as a new mechanism of communication, could assign value in a standardized way to diverse items, leading to a dissolution of the concrete relationships of traditional societies and their replacement by abstract and impersonal social relations. Neither author commented much on the significance of the national nature of modern currencies, but their analysis of money as a “radical leveller” (Marx) because of its ability to “become a denominator for all values” (Simmel) was highly suggestive. The analysis implied that, through its ability to reduce everything in the nation to a common “language”, a national currency enabled citizens not just to communicate economically but also think in a similar way and to situate themselves in a common fashion within the national community. Moreover, by doing away “with all distinctions”, money ensured that this community was one that, to use Benedict Anderson’s (1983) phrase, was “imagined” as level or based on a kind of horizontal comradeship. At the same time, we can recognize how this radical leveling function of national currencies stopped at the border, beyond which a different monetary “language” would have to be learned and understood. In this way, the “leveling” and “communitistic” characteristic of national currencies may have contributed not only to a sense of national affiliation but also a feeling of distinction from others.

These links between national currencies as a communication medium and national identities may be quite relevant in thinking about the significance of the euro. Some opponents of the euro, for example, have drawn the parallel between a common language and common money, critiquing the

euro as “esperanto money” (quoted in Engelmann et al, 1997, p.122). The European Commission (1995, p.48) also discusses how the euro is creating a new price language that alters the mental universe of monetary calculations that an individual makes everyday: "People do not become instantly accustomed to a new money. In at least one respect, adjusting to it is somewhat like learning a language - it takes time and practice before it is possible to ‘think’ in the new currency." Charles Goodhart (1995) has also noted that people will “think” in this new supranational currency not just in the marketplace but also with respect to official fiscal transfers and payments across Europe. Judging by the experience of existing national currency zones, he argues that this too will contribute to an erosion of the identification with the nation: “Although it is possible to estimate the net benefits to Queensland, Indiana, or Manitoba from a change of the federal budgets of their respective countries, the existence of a single currency tends to shift the focus of debate toward the effect on the representative agent defined by type, for example, age, income, and job, and not by geographical locality”. He predicts a similar result in Europe: “Because the continuation of separate currencies encourages the calculation of benefits and costs in national terms, it exerts a centrifugal force, causing national politicians to fight for ‘our money’, the *juste retour*, and so forth. By contrast, calculations that concentrate on a similar treatment of similar types of agents, irrespective of location, exert a centripetal force. Adopting a single currency would be an important step in moving in this direction.” (pp. 473-4)

Collective Monetary Experiences and Communities of Shared Fate

Nineteenth century analysts suggested national currencies could contribute to national identities by

creating a new sense of collectivity not just at the level of communication but also at the level of experience. By experiencing monetary phenomena together, it was expected that citizens using the same money might feel of being a member of the kind of “a shared community of fate” which characterises national identity. During the revolutionary regime in France, for example, defenders of the assignats often referred to this new national paper note as the ‘cement’ of the new nation, binding individual interests to the new general interest (Crouzet, 1993, pp.134, 136; White, 1933). Similarly, US Treasury Secretary Chase who created the national unified banknote in 1863 hoped it would encourage “the stimulation of the patriotism of the people which would arise from their closer touch with national affairs” as a result of their new direct interest in the management of the national currency (quoted in Davis, 1910, p.106).

We can think of how a national currency might contribute to a sense of common experience in several ways. An increase the domestic supply of the national currency will be experienced by everyone in the nation in ways that has a direct impact on their lives. The nation as a whole will also adjust collectively to changes in the country's external payments position when the same currency is used by every citizen in that nation. If, for example, the exports of one region within the country decline, the currency might depreciate and all citizens - albeit in different ways and to different degrees - will experience the adjustments unleashed by this monetary change. If the government seeks to maintain a fixed exchange rate in this situation, the entire population will also feel the effects of the adjustments (e.g. a bank rate rise or a reduction in the money supply) that are required to try to restore the external balance. This is not to suggest that these various collective experiences lead to similar outcomes for individuals or groups or regions. Of course, changes in the money

supply, devaluations, and interest rate alterations will have very different effects on creditors and debtors, on exporters and importers and so forth. My point is simply that, regardless of these differences, everyone within the nation experiences the changed monetary circumstances in a synchronous, collective manner.

Obviously, collective monetary experiences need not necessarily encourage a sense of *positive* allegiance to the nation. In fact, they may often promote the exact opposite sentiment. How many citizens of Germany felt proud to be German during the collective hyper-inflation they experienced in the early 1920s? The point here is simply that these collective monetary experiences may have forced citizens to recognize themselves as members of a common national community. In many instances, they no doubt deeply disapproved of the way their community chose to manage its money. But even in instances such as these, the existence of a national currency may have provided them with a strong incentive to participate in the national political arena to influence that choice. The German monetary experience of the early 1920s appears to have resulted in a remarkably strong and deeply-felt political commitment among Germans as a whole to preserve a conservatively managed national currency, a commitment that played a very significant role in influencing West German monetary policy in the postwar period.

How relevant is this analysis for understanding the identity-related implications of the introduction of the euro? It encourages us to think about how the loss of the potential for national monetary policy or national exchange rate adjustments may be important not just for economic reasons but also for political identities. When one region within a European country experienced a sudden decline in its exports to other EU countries before the euro's introduction, the entire nation

experienced this change and adjusted accordingly, with perhaps a devaluation or a tightening of national monetary policy. After the introduction of the euro, however, this region will be forced to find alternative adjustment mechanisms, perhaps a decrease in wages or migration. These new adjustment mechanisms will be region-specific and will not directly involve other citizens of that country, just as similar adjustments within existing national currency zones are regionally specific. With this change may be lost the sense of being in the same national “monetary boat” together, and of experiencing a shared monetary destiny at the national level.

Might there also be a greater sense of identification with a broader European community as citizens across the eleven countries now experience monetary phenomena collectively? This point is hinted at in the new references in the journalistic press to these eleven countries as some kind of “Euroland” which are experiencing common interest rates and inflation rates. Supporters of the euro often seem uneasy with these references, again preferring perhaps not to call attention to the ways in which the Economic and Monetary Union (EMU) project might cultivate a sense of collective political identity. But they do highlight a key point made by one economic journalist: “that even large countries, such as Germany and France, have ceased to exist as relevant macroeconomic units. To all intents and purposes, they have become regions” (Munchau 1999).

Money and Popular Sovereignty

In this examination of nineteenth century analyses of the relationship between national identities and national currencies, one source we have not yet examined in detail are the writings of key nationalist theorists themselves. The first prominent nationalist theorist of the nineteenth century to

write about currency structures was Johann Fichte. In his 1800 work *The Closed Commercial State* (which he considered one of his best works), Fichte advocated the creation of a state-issued inconvertible national currency that could be managed to serve the economic needs of the people. A similar idea was advanced in more detail by other economic nationalist theorists later in the nineteenth century. In North America, for example, Henry Carey and Isaac Buchanan also advocated an inconvertible national currency on the grounds that it would remove any external constraint on the creation of domestic money to promote the economic growth of the nation (Nugent 1968). In Buchanan's (1880) words, a currency based on a universal form of money such as gold, was "disloyal" since it would serve only an "alien" class "whose boast is that money capital owns no allegiance to country".

These ideas highlight for us a further way in which a national currency may contribute to a sense of national identity. A central aspect of the new kind of national identity that emerged out of the era of the American and French revolutions was a commitment to the idea of popular sovereignty. Many of those who believed in this new sense of political community and identity quickly came to see a national currency as an important tool which could help contribute to its realisation. In modern cases where a national currency has been managed closely in line with popular preferences, it has indeed often been associated closely with a national identity.

Perhaps the best example, once again, involved the Federal Republic of Germany during the postwar period where the association between the national currency and national identity was particularly pronounced. This association – sometimes called "deutschmark nationalism" (Engelmann et al, 1997) - can be explained in part by the fact that the deutschmark

in this period was managed in a way that has closely reflected the “will of the people”. Emerging out of the experience of hyperinflation in the early 1920s, a strong national consensus concerning the need for conservative form of monetary management has existed in West Germany throughout the postwar period. One source of the deutschmark’s close association with West German identity is thus that it is viewed as a tool that serves the nation and helps it to meet its aspirations.¹⁰

The West German example is also useful in clarifying that national currencies need not be managed in the inconvertible and activist manner that Fichte, Carey and Buchanan advocated to be associated with a sense of popular sovereignty. The significance of their work, then, was not the specific policy suggestions about how a national currency should be managed, but rather their recognition that a national currency could serve the goal of popular sovereignty that emerged from the French and American revolutions.

If national currencies did indeed contribute to national identities by bolstering a sense of popular sovereignty, one might expect the introduction of the euro to challenge these identities in Europe. Interestingly, the euro does not seem to be perceived in this way in many European countries. As activist monetary management has become less popular in recent years, the link between national currencies and popular sovereignty has eroded. No longer is this abandonment of a national currency inevitably seen to undermine popular sovereignty since “the people” appear to have little desire to actively manage money anyway. In many EU countries, for example, much support for the euro has come from liberal circles who would like to see the management of money removed from national governments’ hands. Others have become

persuaded that, even if they wished do so, the active management of a national currency is no longer an option in an atmosphere of high international capital mobility (McNamara 1997).

This point should not be overstated, however. In Britain, for example, many nationalists – including strong supporters of economic liberalism - portray the euro as a challenge to British identity on the grounds that a national currency is central to a nation’s sense of sovereignty. In Germany too, many politicians have insisted that support for the euro is conditional on the German people knowing that it will be managed in line with their national preference for “sound” money. If this goal is not realised, they warn that Germans will see the euro as more of a challenge to their national identity and oppose it (Engelmann et al, 1997).

In addition to challenging national identities based on a sense of popular sovereignty in some instances, could the euro also strengthen a sense of European identity as citizens of all eleven countries feel a sense of collective control over the management of this new currency? This might seem a difficult case to make given that the management of the euro has been delegated to a body - the European Central Bank – which has been designed to be highly insulated from democratic politics. But if the kind of management it pursues is seen to reflect the “popular will” of these citizens (as the Bundesbank did for West Germans in the postwar period)., this may be a possibility. And if the euro is also seen to give Europeans a greater voice in global monetary affairs, it may also contribute to heightened sense of collective identity.

Modern Money as a National Fiduciary Standard

If Fichte’s ideas were closely related to “Jacobin nationalism” (Hayes, 1931, p.265), a final

argument linking national currencies to national identities can be found in the writings of a nationalist theorist from romanticist movement in the early nineteenth century: Adam Muller. Muller was a conservative Prussian who acquired considerable influence as a critic of liberal economics in Metternich's Austria as well as in Europe as a whole in the early nineteenth century. He believed that "[t]he state's duty is to awaken national pride, the feeling of 'oneness' with the national state in the economic sphere" (Roll, 1939, p.223). A national currency was seen as a key tool in this project because it could act "as an expression of the oneness of the people" (Bell 1953, p.307). But this bond was not in terms of the issues of imagery, communication, the "community of fate" or sovereignty that we have already examined. Rather, it was at a more emotional level.

A clue to what he was driving at comes from the fact that, like Fichte, he was particularly keen that the national currency be inconvertible. His reasoning was not that this would bolster popular sovereignty, as Fichte had hoped. Rather, Muller saw this kind of national currency as important because it would strengthen the allegiance of citizens to the nation in a more profound psychological sense. Erich Roll (1939, p.224) explains that Muller thought that metallic forms of money were too "cosmopolitan", a feature that ensured that they "destroyed the links which should tie each individual indissolubly to his own state". An inconvertible form of paper currency, by contrast, was "patriotic" (Roll, 1939, p.224) because it "tied men closely into the state" (Bell, 1953, p.307). In Muller's own words, a national currency that was inconvertible would act as an expression of the "inner spiritual unity" of the nation (quoted in Pribam, 1983, p.212).

Although well outside of the mainstream economics of his day, Muller's ideas raised an important point about the potential sociological implications of national currencies.¹¹ His was, as

Roll (1939, p.223) notes, a “mystical theory of money” which emphasised the ways that non-metallic “token” forms of money might bolster a kind of collective faith in the nation and the state that issued it. This was an interesting observation in an era when money increasingly took this token form. Before the nineteenth century, most official currency in circulation consisted of gold and silver coins whose metallic value was, at least in theory, close to their nominal value. During the nineteenth century, these "full weight" coins were increasingly replaced by "token" forms of currency – both token coins and banknotes - whose face value derived not from their metallic content but from a value assigned by the state. In light of Muller’s preference for inconvertible money, it is important to recall that this transformation took place not just in those countries whose national currencies were of this kind, but also those whose currencies were convertible into a metal such as gold. Monetary systems that were placed on the gold standard in the nineteenth century had very few full weight gold coins in circulation. Rather, the bulk of the currency in use consisted of paper notes and token coins whose value derived from an assigned value they were given by the state in relation to gold.

Whereas “commodity money” was accepted on the basis of its intrinsic value, the new token forms of money had no intrinsic value and both Giddens (1985) and Simmel have noted how “trust” played an important part in their acceptance among the population. Giddens focuses on the importance of trust in the state that issued and managing the money, a trust was essential since token forms of money had to be closely managed by these authorities to ensure that they maintained their reliable value. Equally necessary was trust in one’s fellow citizens. For something with no intrinsic worth to be accepted as having value, people must trust each other to

accept that it has value. Particularly significant was inter-temporal trust since token money received for work today could only be translated into real goods tomorrow if others continued to accept that form of money as valid. As Frankel (1977, p.32) notes, it was for this reason that Simmel compared token forms of money to “a bill of exchange drawn on society on which the name of the drawee has not been filled in.” And, although Simmel does not call much attention to this point, it is important for us to note that the “society” on whom the “bill” was drawn was the nation.

Because of the dependence of the new “token” national currencies on these forms of trust, it is easy to see how their use could encourage an identification with the nation-state in the way that Muller suggested. Like it or not, people were forced to recognize that the value and use of their money was now dependent on the trustworthiness of the national state and of their fellow national citizens over time. This dependence, in turn, may have helped to contribute to a greater sense of belonging to, as well as faith in, the national community in contrast to the “cosmopolitanism” fostered by metallic forms of money. For this reason, it seems plausible to conclude that the “imagined” value of token money may have played a role in encouraging a recognition of one’s membership in this new “imagined” community of the nation.

This identification with the nation was likely particularly strong when the national currency was very reliable as a medium of exchange and stable in value over time. In these instances, the trust that one was forced to place in the one’s state and fellow citizens would seem well-deserved. Indeed, the users of the currency might come to see this money as an important symbol of the national community and their faith in it. Simmel, for example, suggested that

stable money can become a powerful symbol of trust and social stability because of its certainty as a measure of value. Moreover, this symbolic value of national currencies might be further bolstered by the fact that trust in token money and trust in the nation in fact both seem to share a similar quasi-religious form of belief. Anderson (1983) has suggested that the sentiments surrounding nationalism are also really more akin to those of religious faith than those associated with a secular ideology. And the way in which token money is so widely used and accepted, despite its lack of intrinsic value, is a phenomenon often seen as based on a similarly deep level of mysterious faith.

In the contemporary age, a good example of the way in which a stable national currency can become a symbol of faith in the nation comes from a case we have already examined already: the strength of the attachment to the deutschmark in West Germany during the postwar period. This attachment appeared to stem not just from the sense of past collective experiences or popular sovereignty mentioned earlier. Also significant was the fact that this currency became a symbol of trust and social stability in a nation which experienced so much of the opposite in the interwar years. In the postwar years when German nationalism had been so discredited, faith in the currency and the stability it represented came to be one of the few acceptable ways of expressing an identification with the nation.

How useful are these insights in analysing the significance of the euro? Since the euro has been designed to be managed in a very stable way, it seems possible that it will become an important source of identification for people, an identification that could spill over to a broader identification with the European community that manages and uses it. This may be particularly true for Europeans

whose national currencies had been managed in a more unstable fashion. Many citizens in the poorer EU countries, for example, seem quite happy to abandon their national currencies in favour of the euro because of this perceived benefit. Their unstable national currencies had ceased to be a source of national pride for many citizens.

In a country such as Germany where the stability of the national currency had been a source of national identification, the situation may be more complex. Rather than welcoming the euro, there is considerable distrust among Germans about the stability and “credibility” of the new currency. If this distrust proves to be deserved, it may spill over in a broader distrust of the European community. In this way, as Bernard Connelly (1995) has suggested, the euro could become a potent symbol of anti-European sentiment rather than pro-European sentiment. Thus, although Muller was correct to argue that the token nature of modern currencies can cultivate a sense of identification with the political community that manages and uses them, it is important to remember that the opposite can also happen if the currencies prove to be untrustworthy.

Conclusion

In this chapter, I have argued that the insights of various nineteenth century analysts provide a useful starting point for an analysis of the ways in which the euro may influence political identities in Europe. With their focus on the ways that national identities might be strengthened by national currencies, these analysts highlight how currency structures may be important in influencing not just economic developments and the distribution of power between political groups, but also human identities. As noted in the introduction, the goal of this article has not been to prove that the five

causal relationships highlighted between national currencies and national identities have in fact existed historically or that they exist today. Instead, the objective has been a more limited one of developing some analytical ways to begin to think about how the euro might influence political identities in Europe.

At one level, this analysis would suggest a number of ways in which the elimination of national currencies in Europe may weaken national identities. The new euro notes and coins will no longer be carriers to the same degree of the kind of nationalist imagery that national notes and coins have often been in past. The national currency's role as a distinct medium of social communication among members of the nation will be eliminated. The sense of collectivity that may derive from shared monetary experiences within a national currency zone will become a thing of the past, as will the availability of the national currency as a tool for realising popular sovereignty. Lost, too, will be the national currency's potential role as a symbol of national faith. While each of these developments may be important, one of them could be more significant or relevant than others in any particular country, depending on the distinct history of each nation and the way in which money may have been linked to its national identity in the past.

Just as nineteenth century nation-builders hoped to cultivate nationalist sentiments by building a national currency, contemporary enthusiasts of European integration could also try to use the euro to strengthen a pan-European political identity. To be sure, the EMU project is driven partly by political forces committed to a more "Europeanized" form of identity (Engelmann et al, 1997). But what is striking, in contrast to the nineteenth century era, is the tentative nature with which EMU supporters seem to link their monetary project to this goal. The

imagery on the notes, for example, as we have seen, does little to cultivate a sense of common European culture or history. Similarly, EMU supporters also appear much more comfortable discussing the economic benefits of the euro than the ways in which it might promote a common European identity. Indeed, after acknowledging that the introduction of the euro may “feel almost like a change of identity”, the European Commission (1995, p.49) feels compelled to add that “[n]ational identity is not in peril, however.” A recognition of the limited support for such a concept of identity seems to be behind this caution.

Despite this tentative approach, the euro may still help to foster a pan-European identity in the long term in some of the ways I have mentioned: creating a new tool for Europe-wide medium for social communication, producing new collective monetary experiences, acting a tool for the expression of the popular sovereignty of Europeans, and acting a symbol of faith in the European political community. In these ways, the euro may in fact be quite typical of many of the reforms pushed to promote European integration in the postwar period. Although the changes are portrayed primarily as an institutional reforms designed to facilitate economic exchange or political cooperation in incremental ways, enthusiasts of European integration often hope that they will encourage spillover effects that foster a long-term goal constructing a common European political community. Whether in fact “one money” will in fact contribute to the construction not just of “one market” but also of “one people” is, however, too difficult to predict at this point.

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ENDNOTES

¹ Quotation from the British politician, Mr. Heathcoate-Amory, in *The Financial Times*, May 28, 1994.

² Two recent exceptions are Cohen (1998) and Gilbert and Helleiner (1999).

³ I suggest in later sections of this chapter, however, that their ideas may be useful in thinking through some elements of this relationship.

⁴ For brief exceptions in numismatic literature, see Doty (1989), Hewitt (1994), Swanson (1995). See also Gilbert and Helleiner (1999), McGinley (1993).

⁵ Letter from S.M.Clark to Secretary Chase, March 28, 1863, Record Group 318, Records of the Bureau of Engraving and Printing, Press Copies of Official and Miscellaneous Letters Sent, 1862-1912, Vol.1 of 346. National Archives, Washington, D.C.

⁶ For this reason, money was an especially important tool for conveying nationalists messages in places such as Latin America where all these phenomena were particularly present, as Doty (1989) points out. See also Swanson (1995) for the case of the US. Anderson (1991) also highlights the importance of printed images in an age of widespread illiteracy (although not on money).

⁷ <http://europa.eu.int/euro/html/rubrique-default5.html?lang=5&rubrique=100>

⁸ The EU website attempts to suggest that “[t]he designs are symbolic for Europe’s architectural heritage” but it quickly goes on to say that “[t]hey do not represent any existing monuments”. It also notes that graphic symbol for the Euro “was inspired by the Greek letter epsilon, in reference to the cradle of European civilisation and to the first letter of the word ‘Europe’”.

⁹ Hugh Dickinson in his column in *The Financial Times*, July 9, 1994. It is worth noting that the monarch’s image did not appear on any English money until after 1945. Thus, this symbolic attachment is a relatively recent phenomenon. See Weatherford (1997).

¹⁰ This argument that the deutschmark is linked to a sense of popular sovereignty might strike some as odd since its day-to-day management is tightly insulated from any democratic influence in the independent Bundesbank. But as analysts of the Bundesbank make clear, its independent status has survived so long only because its popular legitimacy. See for example Kennedy (1991).

¹¹ In a general sense, my argument here is similar to that of Schumpeter (1954, p.99) who thought Muller and other romanticists made little contribution to economics, but did contribute to development of “economic sociology”.