

## THE ROLE OF THE EURO IN STRENGTHENING THE EUROPEAN IDENTITY

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### **Abstract**

In the history of Europe, there are only a few symbols that are common to all 27 EU countries: the Greek and Roman legacy, a common Christian religion, a shared bulk of common values and beliefs. The paper evaluates if Euro as a common currency should be considered as a symbol who may contribute to the European construction process and the role of symbols in the consolidation of a European collective identity. Our hypothesis is that the existence of a bulk of common symbols - among which the Euro currency is one of the most visible, shared widely by EU citizens - will consolidate the process of European construction. The lack of a common identity is often used by extremist parties as an argument in favor of Euro-pessimism and a return to nation state welfare. Our paper highlights the subtle links between money, collective identity and European integration. The results show a link between the rise of awareness concerning a European identity and the adoption of Euro. Fostering European symbols such as a single currency is contributing to create the conditions that allow the emergence of a sense of collective belonging, the European common identity.

### **Keywords**

European construction; European identity; national identity; national symbols and values; symbolism of currency.

## 1. INTRODUCTION

The European Union is not a natural association of states, but a political and social construct that aims to overcome mistrust and old disputes, by pooling key resources and spreading common values. Within the EU, emotional ties between countries are very weak and subordinated to circumstantial political interests. As far as European citizens are concerned, it is easier to refer to the preconceived ideas that each European nation has about other than to what unites us all. Therefore, one can ask whether what we call European identity is, in fact, a simple social membership of a group with common interests, mainly economic, or it is more.

The question we will try to answer in this essay is to what extent can a symbol - like the single currency - contribute to strengthening a common identity? Although we consider ourselves European citizens, we must recognize that the national identity of each one of us is stronger than our European identity. Therefore, the answer is not so easy, because each EU state has its own culture, history, values and national identity. At the same time, without any doubt, there are common consciousness, common symbols and values that unite us all. It will probably take at least two more generations to see significant changes in the perceptions of European citizens.

In the age of the internet and credit cards, globalization shows us that the relationship of trust between currency and states has become quite abstract. In order to create trust, the European identity should not be based on feelings that are still strong at national level, but rather on the ability of European institutions to provide citizens with a strong currency, reliable for savings or investments.

Individuals hold multiples identities and some of them are partially overlapping (Negri, Nicoli and Kuhn 2021, Risse 2003). European identity is defined by two key-layers: Europe, as a cultural community of shared values (cultural identity); Europe, as a political community of shared democratic values and practices (political identity): the rule of law and human rights fundamentals, the EU Court of Justice, the EU Customs Union, free movement of goods, capital, the four freedoms (free movement of goods, capital, services, and people), the single

currency, taxation policies, labour market and social policies, and a diplomatic service (Ciaglia, Fuest and Heinemann 2020, Chopin 2018).

„The sense of a common identity would give more force to the project of European construction [...] the political idea will be more effective when it is carried not only by common interests but also by shared desires” (Todorov and Bracher 2008, 3). Negri et al. define collective identities as the perception of individuals to belong to a given group and that perception overpass other identities and therefore are considered essential in the formation of the nation-state (Negri, Nicoli and Kuhn 2021). Luisa Paserini thinks that are different ideas and ideologies about how to build Europe as a common space and therefore different ways to foster a European identity (Passerini 2012). The hypothesis of our paper is that the introduction of the Euro fosters in time the European collective identity by enhancing the shared foundation of the European people.

## **2. THE SUBTLE ROLE OF CURRENCY: STRENGTHENING THE NATIONAL IDENTITY**

When the question of a common culture arises, people from different European countries can nominate cultural figures who have shaped our continent, but most of the time their examples reflect national perceptions. Symbols that transcend national boundaries are few and most of them come from literature, art, and music. We wonder if other symbols might have the ability to unite the peoples of Europe? If so, are those symbols to be found in a less explored part of Europe's common history, or should we create them? The approach of Euro area member states seems to contradict the principle of the sovereign right of the state to issue currency, a principle that associates power with the territory over which it exercises its sovereign rights, throughout the entire history since the invention of the currency. As an expression of sovereignty, states enjoy the monopoly of single currency issuers, thus exercising territorial control through a national monetary policy. Moreover, penalties for counterfeiting currency have always been among the heaviest punishments.

Thus, from the perspective of the nation state, the relationship between money and collective identity is a manifestation of sovereign power and mutual influence. On the one hand, currency has always been an instrument at the disposal of the state, which, in addition to its primary function as an instrument in commercial transactions, to be used in strengthening national feeling. On the other hand, currency, in order to function properly in terms of its purpose, required a certain degree of collective identity, national in this case. In fact, the ability of a currency to enhance national identity is not an emotional relationship between citizens and money, but a relationship of trust built over time. Helleiner considers that national currencies foster national identities in five ways: building a sense of collective tradition and memory, (b) acting as a common medium of social communication, (c) boosting the feeling of membership in a national community, (d) enhance the national sentiments of sharing common wishes, and (e) strengthening the faith when the currency is associated with nationalism (Helleiner 1998).

The emergence of the national state developed the principle of the sovereign right of the state to mint currency, giving it valences in the creation of a national identity - "one nation - one currency". From this perspective, the area in which a certain currency was used as a trade instrument also defined national borders, with good accuracy. State building and nation building were two processes that have been imbricated. Thus, for at least the last 150 years, money has been a means of payment, but also had symbolic and identity functions. Therefore, the decision of some EU countries to adopt a common supranational currency - the Euro - seems to break the link between national sovereignty and national identity of the citizens of the Euro area member states. Buscha et al. demonstrated that 15 years later from the adoption of Euro, this link is still pending to be confirmed (Buscha, Muller and Page 2017).

The currency is one of the key elements of sovereignty (Genschel and Jachtenfuchs 2018, Negri, Nicoli and Kuhn 2021) and encapsulates the most significant symbols of the nation. Before the second half of the 19th century, the monetary landscape was extremely fragmented, various private actors issuing money in various forms. The literature on nation building emphasizes the role of public goods provision in fostering loyalty and attachment within the group

(Negri, Nicoli and Kuhn 2021, Wimmer 2018), while Deutsch highlights the role of central institutions in enhancing increased cross-territorial interactions among ordinary citizens (Deutsch 1953). In addition, some commodities (gold, silver, tobacco, or fur) perform similar functions. For example, the situation during the US Civil War, when more than 7000 different types of banknotes were in circulation, half of them fake. Gradually, during the 19th century, governments monopolized the right to issue currency in the territories they controlled. What happened in the monetary unification process during the formation of national states of 19th century highlights the ability of the currency to contribute to the increase of social cohesion in the respective territory.

Currency, in addition to its purely economic function, plays an important role of disseminating symbols in a society. Images on coins and banknotes are not neutral. They are able to propagate the issuer's vision about the nation's values (liberty, fraternity, equality, justice, faith in God) or pay tribute to national personalities who, through their work, have contributed to feelings of national pride. We can thus talk about the inclusion of portraits of monarchs, presidents and other national heroes, or the description of important historical events. Benjamin Cohen argues that political symbolism was one of the major benefits achieved by governments in the process of monetary unification (Cohen 2010). A simple exercise can be done in this sense, by comparing the Romanian banknotes used before 1989 and after 1989: Tudor Vladimirescu, A.I. Cuza and Nicolae Bălcescu<sup>1</sup> were on banknotes before 1989, respectively, Nicolae Iorga, Ciprian Porumbescu, Nicolae Grigorescu, Aurel Vlaicu, I.L. Caragiale, Lucian Blaga and George Enescu<sup>2</sup> on banknotes from 1989. At first glance, before 1989 there were personalities who had nothing to do with the ideology of communism. A possible explanation for the choice of these figures can be found in the desire of the Ceausescu regime to use the achievements and ideas of some

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<sup>1</sup> Personalities from XIX century, national heroes who contributed to the construction of the Romanian modern state.

<sup>2</sup> Cultural Romanian personalities (historians, composers, painters, poets, writers, scientists). Although Nicolae Iorga was also a politician, Prime minister and member of the Parliament, in Romania he is famous as the most important historian.

heros from Romanian history to emphasize Romania's independence and its uniqueness even within the Iron Curtain. In that sense, the banknotes issued in Romania in the early stages of communist era used as symbols either workers or peasants, or national revolutionary personalities from XVIII or XIX centuries like Tudor Vladimirescu, Horea, Closca and Crisan. After 1989, the choice of figures seems to be related to the desire to avoid the personalities of Romanian's history who were politically engaged and, therefore, questionable, in a rather disturbed and fragmented society, socially and politically.

One could say that the national state was also built with the symbolic support of a national currency, which promoted and disseminated in society a strong sense of community and unity. No doubt, the national currency was only one of the symbols and not the most powerful, compared to the shared history or cultural heritage of a nation, but it played an important identity role in helping people to identify with the nation state.

### 2.1. Is the principle „one nation, one currency” applicable in the Euro Area?

The "one nation, one currency" principle is intuitive and persuasive. Territory, national identity and currency are intrinsically linked for every person, and their separation seems difficult to accept. The Euro shows that nation states are no longer in such a privileged position. Moreover, the virtual environment begins to arrogate, without states being able to effectively intervene, the role of issuer of virtual currency for online transactions. The relevance of the "one nation, one currency" principle seems to be inapplicable. The Euro zone marks the first breach of the principle of geographical overlap between national territory and currency, while virtual currencies appear to completely deny the identity function of currency.

However, from a rational perspective, there is no reason to believe that the connection between territory, identity and money is unbreakable. To demonstrate this, we will analyse this principle from several perspectives, starting from the primary role of money – mediating instrument in commercial transactions.

The historical perspective shows that this principle has been consistently applied only in the last 150 years. Thus, the overlap between monetary and territorial sovereignty was a logical target of national state policies, based on objective historical circumstances, monetary, and political and social cohesion and aimed at increasing national internal cohesion. Moreover, industrialization and the development of international trade imposed, for reasons of economic efficiency, the need to unify a fragmented monetary landscape.

The second perspective concerns the economic function of money and its movement in a space that exceeds national territory, through the mobility of goods, services and capital markets. For such transactions to take place, the conversion of one or more currencies was a natural step forward. Money is essentially mobile, and in this perspective, and its role is fulfilled when it moves continuously through borders in international transactions.

A third perspective is the political power of currency. Money issuers have always had the ability to exercise monetary sovereignty over their own territory, while in international monetary relations only a small number of countries have been able to impose their autonomous monetary policy (Kaelberer 2004).

The fourth perspective concerns the ability of the national currency to undermine public confidence. Often, nation states had to make painful monetary reforms for their citizens by devaluing their currency, as a result of various crises. The Romanian Leu is a well-known example. We remember the devaluations from 1990 until the introduction of the new Leu (RON). Moreover, more than 7 years after the introduction of the new Leu, we see that many people still think in old Leu (ROL). The same phenomenon can be found in France and Italy, countries that have experienced devaluations of their national currency over time and are now in the Euro zone. Were not the citizens of these countries (until the adoption of the euro) very proud of their national currency? Has the abandonment of the national currency for the Euro affected the sense of national identity?

From the perspective of collective identity, it is probable that currency is not the best tool for creating social cohesion. Money possession emphasizes individual rather than collective values. Georg Simmel in *Money Philosophy* (published first in 1907) has argued that saving money produced a distance between people

and possessions (Simmel 2011). However, both the national State by redeployment policies between different local communities, and the EU through structural funds and social cohesion, provide an appropriate response to regional disparities which are inevitable in the process of wealth creation.

The fifth perspective concerns the dematerialization of money. More and more banknotes and coins are being replaced in modern commerce by card payments and interbank transactions in business-to-business exchanges. Moreover, in the specific case of the euro, the design of the banknotes is abstract, being loaded with symbolism that we will address in the last perspectives. With technological development, currency in its physical form will become less and less used and therefore will be left without a major vector of propagation in society, by losing the symbolism carried by banknotes and coins.

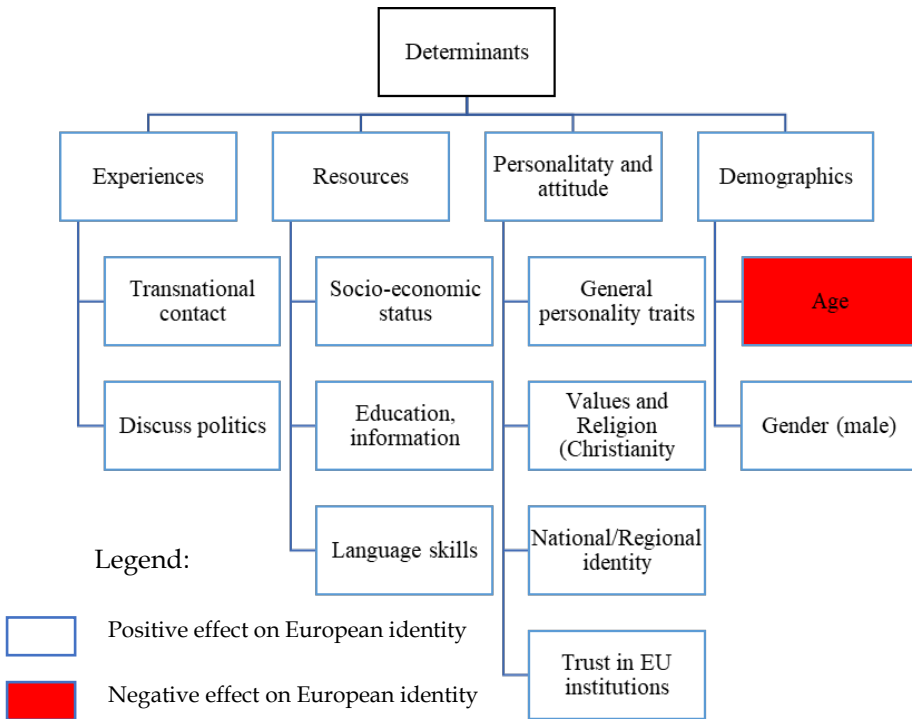
The sixth perspective refers to the ability of currency to reinforce societal identity, the subjective value for members of a social group based on a common history, common culture and education forming group members accordingly. People feel that they belong to a group - in this case, the nation - and on these grounds they develop emotional bonds that allow them to distinguish between the belonging or non-affiliation of other people to this group. Group development can help strengthen a sense of belonging. Success in the economy, politics or sports can be important forces for affirming national belonging, in our case. The sense of nation and national identity can change over time to encompass other forms of identity, regional or supranational. Thus, we can say that this perspective is a substantial change of "one nation, one currency" principle, which makes it able to cover a specific European reality.

## 2.2. The Euro currency as a fostering tool for the European Construction

Euro existed already three years before its formal introduction in the free form of banknotes and coins, on 1 January 2002, already part for commercial transactions between companies as an accounting/electronic currency, but its history is much longer. The making process of Euro started in 1970 with the Werner report. Its physical introduction was a gesture of strong symbolic



charge, but real economic relevance began in 2009. The empirical analysis done by Jonung and Conflitti based on the data from the Flash Eurobarometer survey (2006) highlights substantial differences across member states from the Euro area concerning the perceived effects of the introduction of single currency and significant differences at the individual level across socio-demographic groups (Jonung and Conflitti 2008). Ciaglia, Fuest and Heinemann identify the determinants of the European identity by summerising the rich litterature focusing on the individual characteristics (Figure 1).



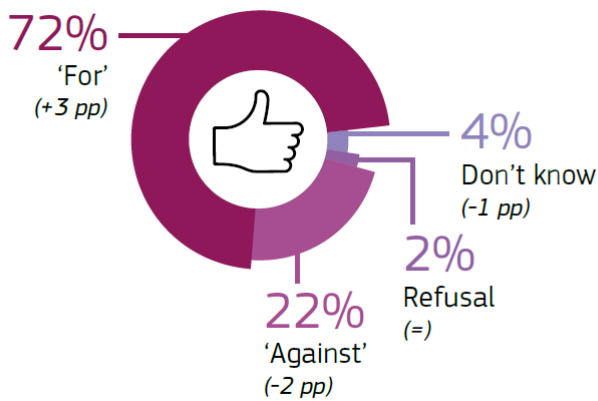
**Figure 1.** The determinants of the European identity in function of individual characteristics, *Source: Ciaglia, Fuest and Heinemann 2020, p.13*

Some of determinants of the European identity, e.g. transnational contact, values and trust in EU institutions, are all positively influenced by the existence of a single currency. If currency has always been a part of the construction of national identity, the Euro can and should be an important part of the European construction process. Undoubtedly, it was economic and commercial reasons that promoted the creation of the European Monetary Union and not the strengthening of European identity. This approach reflects a functionalist logic: European monetary unification is the natural development of the Single Market project. However, the Euro is also an explicit project to create a European identity that does not replace the national identities of the member states, but complements them.

In addition, the Euro allowed the strengthening of emotional bonds between European nations. The symbol of the Euro currency was chosen to explicitly contribute to the construction of the European identity. According to the European Central Bank, the Euro symbol € "was inspired by the Greek letter epsilon, reminding us of classical times and the cradle of European civilization [...]. The symbol refers also to the first letter of the word Europe, and the two parallel lines indicate the stability of the Euro" (European Central Bank). The Euro coins link European nations and the symbols of the European Union. The European Central Bank establishes an explicit identity-building link in the design of the coins: the common faces feature images of the European Union and symbolize EU unity. The 1, 2 coins and 5 cents illustrate Europe's global positioning in relation to Africa and Asia, and the 10, 20 and 50 cent coins depict Europe as a group of individual nations. A united Europe without borders is depicted on the €1 and €2 coins. On the graphics of the banknotes, the construction of the European identity is comprehensive: "windows and doors [...] symbolize the European spirit of openness and cooperation. [...] and the bridges on the banknotes are symbols of communication between the peoples of Europe and between Europe and the rest of the world" (European Central Bank). In addition, the use of symbolic architectural themes "stylized illustrations and not real images of buildings" (European Central Bank) is a metaphor for the project of the construction of Europe. The Euro notes highlight the shared

history of European nations and establish links between common European traditions.

The Euro is one of the symbols that reinforce the European identity together with other European symbols: the flag of the European Union, the EU passport and the anthem. However, the Euro benefits from an additional asset, namely the trust it gives to European citizens.

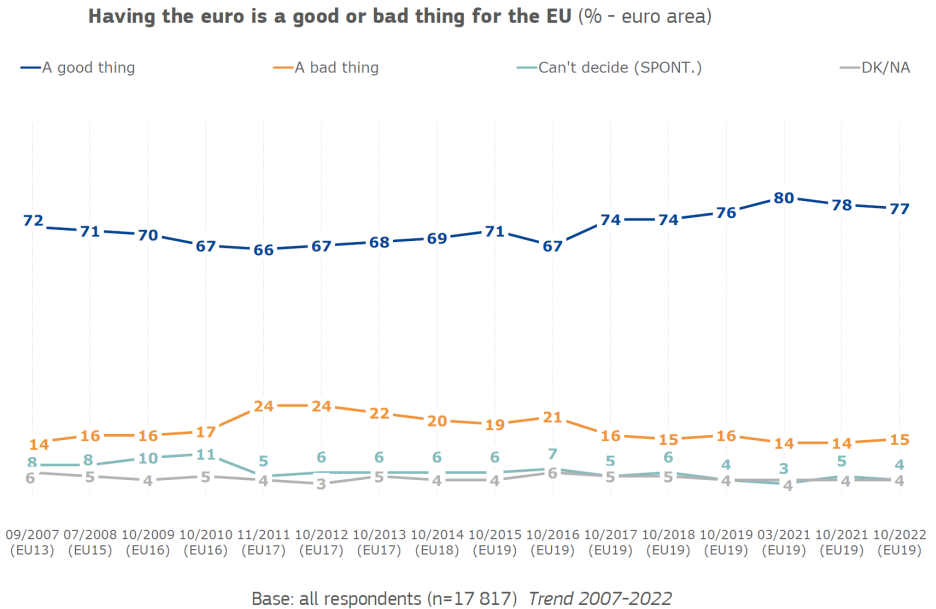


**Figure 2.** The support for Euro within the European Monetary Union

*Source: European Commission, Public opinion in the EU, Standard Eurobarometer 97, 2022, p. 1*

In a very broad sense, the sense of belonging to a group is strengthened when people belonging to that group engage in transactions through money. Transactions are made through the same currency because buyers and sellers trust the value behind the dematerialized form of money. Financiers argue that ultimately money is a commodity like any other, and furthermore, once the principle of the Bretton-Woods agreement to back the dollar to gold is removed, currency is more of a concept and therefore its value to it is given by the confidence of the market. In the logic of the nation-state, currency is the promise

of an entire nation to pay on demand the amount written on that note (Kaelberer 2004).



**Figure 3.** Perceptions about the role of the Euro for the EU

*Source: European Commission. Flash Eurobarometer 512. The Euro area 2022 report. p.5*

Confidence is given by the credibility of the central bank and the stability of the banking system. Thus, a virtuous circle is created in which the stability of the monetary system, the social and political foundation and the sense of identity reinforce each other. In the specific case of the euro, the trust of European citizens in the European Central Bank and other EU institutions strengthens the trust in the common currency and the European identity, and in turn the success of the Euro strengthens the process of European construction.

### 3. CONCLUSIONS

In the 150 years of history of nation states, currency has played an important role not only as a tool in commercial transactions or in the implementation of a certain fiscal policy, but also in the consolidation of collective identity. Currency and collective identity are linked by a relationship of mutual influence, with currency constantly being used not only as a tool of exchange transactions, but also to increase social cohesion, whether national or supranational. This was most evident in the creation of nation-states throughout the 19th century, a process that was based on the "one nation, one currency" principle.

The symbolic value of the Euro cannot be doubted. Since its creation, it has demonstrated that it is not only a stable, reliable currency even in international trade, but above all a real, tangible symbol of European integration. This situation raises an interesting question about the causal link between the monetary integration of the eurozone states and the strengthening of European identity through the creation of symbols shared by all EU citizens. The history of the last 150 years tells us that there is a subtle connection between currency and national identity, but one wonders whether repeating this pattern to an organization of states will have the same effect. In my opinion, we have every reason to believe so. The Euro is a powerful political tool in the construction of supranational identity, which does not replace national or regional identity, but will eventually become stronger than the latter.

The relationship between identity and currency should be viewed in a broader paradigm. The process of monetary unification is not an exceptional process in Europe, because in our history we have had European countries that decided to create monetary unions. It is true that these modern monetary unions did not last very long (the New England Colonial Monetary Union, the Latin Monetary Union or the Scandinavian Monetary Union are just a few examples).

In the European Union, beyond the power of a common currency of 19 countries, the single currency has built strong social relationships on which, once again, the European identity of every EU citizen is based.

The value of a currency is given not only by its market value, because it inherently contains an exchange value. In other words, its value is influenced by

the trust it enjoys from those who own it. More than 15 years after the introduction of the Euro on world financial markets (the Euro was introduced on 1 January 1999 as a "book" currency in international trade transactions and entered circulation on 1 January 2002), EU citizens have a sufficient level of trust in common European values and a common destiny. The role of the Euro in the cultural and identity transformation of Europe is undeniable.

Regarding the place of the Euro in the complicated process of consolidating the sense of European identity, we can start from the constant criticism of the Economic and Monetary Union (EMU). Verdun and Christiansen consider that EMU suffers from "a legitimacy vacuum, as a supranational institution must precede the formation of a community with shared political values". According to their analysis, the European Central Bank is not sufficiently integrated into society, and therefore the success or failure of the Euro is not attributed as a direct result of its monetary policy (Verdun and Christiansen 1999).

Although the Eurobarometer seems to indicate a few years of decline in "Europeanness" at the individual level, we can agree that the sense of European identity is much stronger than it was decades ago. Europe has become a *de facto* aspect of everyday life. It is hard to imagine a Europe without a single market and a Europe where borders are once again becoming impracticable. The European construction is a process of replacing the identity with another, broader one, but also of completing the national identity with an identity that goes beyond the national state.

National identity allows for regional identities that do not threaten its existence but make it stronger. If in ancient or medieval times the feeling of belonging to a group had nothing to do with what today we call national identity, we could say that identity is a construct that represents a person's will to identify with the specifics of a certain group, based on affinities of language, culture and history. European and national identity can coexist as parts of the same identity. If we were to look for a suggestive image of European identity, then perhaps an onion layer would do. Similarly, each European citizen has several layers of identity, from family identity, then regional identity, to national identity and then European identity.

On the other hand, the relationship between the Euro and the European identity is one of trust. The success of the Euro depends on mutual trust between European citizens and the markets that use the Euro for trade. Globalization and the general use of new commercial technologies (card payments, online transactions, etc.) have contributed substantially to reducing the emotional connection between citizens and currency. However, the current sense of European identity, as part of national identity developments, is strong enough to provide favorable conditions for the effective functioning of the euro. The relationship of mutual influence between currency, European institutions and European identity is simple. A successful Euro is able to strengthen the already existing sense of European identity and continue the confidence of European citizens in the process of European construction, while a Euro that loses battles in international markets would undermine the confidence of European citizens. Therefore, the currency is and should be part of the political, economic and social process through which the European construction is strengthened. The repetition of the same process of consolidating the society-currency identity, in the case of the euro, is likely to offer results comparable to those obtained by the national states. The introduction of the Euro is nothing but another step in the construction of a common European identity, making it tangible and concrete. In terms of its viability, including the recent crisis, the increased use of this currency in international trade transactions and the increasing number of EU countries that have joined the Euro area, are reasons enough to create the identity necessary for the smooth functioning of the monetary union. The Euro is able to contribute substantially to the construction of a European identity that carries symbolism and the ability to increase the confidence of European citizens in such a construction.

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