

“BE A EURO SUPERSTAR” COMPETITION

The introduction of the euro

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The replacement of the lira by the euro is fast approaching; it is now less than twenty days away.

The significance of the new currency's entry into circulation transcends the complex technical and operational problems involved. In fine, Europe, including Italy, can rely on a common currency in facing the test of globalization and technological innovation, which characterize the world economy at the dawn of the new century.

Euro notes and coins will start to circulate on 1 January 2002. Until 28 February they will coexist with lira notes and coins, which, ceasing to be legal tender on 1 March, will be gradually withdrawn from circulation and destroyed.

Being Europeans, as well as Italians, Frenchmen or Germans, now has yet another symbol: the euro.

"Be a euro superstar", a competition promoted by the European Central Bank and by the twelve national central banks of the euro area, was held from 1 October to 15 November 2001. The aim of the initiative was to acquaint young people with the new banknotes and coins before they go into circulation.

The contest was open to children between the ages of eight and twelve who live and study in one of the euro-area countries, namely Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The youngsters answered five questions about the euro after examining images of a futuristic European city and explained why they wanted to be a "euro superstar".

Two winners were selected for each country, one from among the children who participated by mail and one from the Internet participants. On 31 December these "euro superstars" and their parents will attend a ceremony at the European Central Bank in Frankfurt, where they will receive a complete set of euro banknotes.

Today we proclaim the Italian winner of the mail-in competition and also honour the Internet winner for Italy, whose name has already been announced in Brussels.

The Bank of Italy has intensified its action to ensure an orderly cash changeover in accordance with the criteria of *functionality* and *security*; to guarantee that the introduction of euro banknotes and coins takes place in disciplined fashion, with minimum inconvenience for the population and maximum reliability.

A task force has been assigned to monitor the progress of the currency replacement at least twelve hours a day and to deal immediately with any technical and operational problems that arise.

Many of us will be present in the Bank even on the upcoming holidays so that the units assigned to follow the transition can operate efficiently and regularly.

Notwithstanding the negotiations now under way between the Bank and the trade unions, we are fully confident that the Bank's staff will heed the tradition of service to the country and contribute en bloc.

On 1 January 1999 eleven countries adopted the euro as their single currency, irrevocably locking their currencies' mutual exchange rates and conversion rates with the euro. The common monetary policy, whose priority objective is area-wide price stability, was entrusted to the Eurosystem, formed by the European Central Bank and the national central banks of the participating countries. The twelfth country, Greece, joined at the beginning of this year.

The euro will be the currency of an area that has more than 300 million inhabitants and accounts for 16 per cent of world output.

The countries participating in the Eurosystem have already reaped substantial benefits, some of them stemming directly or indirectly from the effort made to satisfy the requirements laid down by the Maastricht Treaty for membership of the economic and monetary union.

Additional and greater advantages will come as the European system adapts to the new dimension of the markets.

With the physical introduction of the single currency, euro-area consumers, savers and tourists will have a better grasp of the new opportunities.

Like every change that touches on ingrained habits, the material shift to the euro may generate uncertainty, misgivings and fears of various kinds, especially among the more vulnerable strata of the population, the elderly and those who do not have occasion to travel, to handle foreign currencies, to cope with diversity and innovation.

The institutions responsible for distributing banknotes and coins to the public have performed their tasks completely.

By yesterday evening the Bank of Italy had produced virtually all of the euro notes (2.4 billion, including the reserve stock) constituting its part of the Eurosystem's launch stock of 14.9 billion notes. More than 2 billion notes have been transferred to the vaults of the Bank's branches; 1.5 million packets containing twenty-five €5 notes each have been prepared.

Delivery of the banknotes to commercial banks and the postal system began on 1 November and has now reached 85 per cent of the required amount, equal to 1.034 billion notes. Chain stores and the like have been allowed to obtain notes from bank branches since 1 December; small retailers can do so starting tomorrow under the established conditions.

The population will be able to obtain the new notes from 34,000 cash dispensers starting 1 January and from 42,000 bank branches and post offices the

following day. Starting tomorrow, the public will be able to acquire kits of euro coins worth 25,000 lire at banks and post offices.

The State Mint has virtually completed its production quota of 7.95 billion coins. Distribution of these to banks and post offices began on 1 September and is now being concluded.

The general public has an important role to play in countering the possible exploitation of the changeover as an opportunity to pass counterfeit notes or to exchange notes of illicit provenance. People will have to check the banknotes they receive with the utmost care. Up to 31 December they must refuse to accept euro notes, which can only be either forged or stolen inasmuch as legitimate notes will only begin to circulate on 1 January. They will have to take every precaution to avoid falling for swindles or frauds, which are already beginning to count victims among the elderly and vulnerable.

For the matters for which they are responsible, the supervisory authorities will carry out their assigned tasks to the best of their ability with stepped up action to combat wrongdoing.

Debit and credit cards are the safest and most convenient means of payment in the transition to the euro; using them avoids the necessity of acquiring and handling cash and calculating change in euros.

To be sure, using euros in everyday payments will involve some difficulties of adaptation and familiarity. Cents will come back into use and, with them, the problems of rounding. We will have to reconstruct "price memory", that is to say the ability of consumers to grasp the value of a good and its dearness or cheapness immediately, almost instinctively, and to weigh its quality against its price.

These are real problems, but they should not be overestimated.

The actual introduction of the common currency comes after lengthy preparation during which all the foreseeable problems were analyzed. Specific

initiatives have been taken to make it easier for consumers to understand and check prices in euros.

One example is the Eurologo project, under which participating retail businesses, displaying a special logo, have pledged to post prices in euros and lire, to maintain this dual indication at least until the end of February and not to raise prices, correctly applying the rules of conversion and rounding.

The national and Community authorities have repeatedly reminded trade associations of the principle of the neutrality of the euro's entry into circulation, which must not constitute an occasion to raise prices.

The economic ministers of the participating countries have agreed to guarantee compliance with this principle in converting tariffs and regulated prices for public services into euros, or to round these down to the benefit of users. The directives issued by the Interministerial Committee for Economic Planning on 15 November are in line with this commitment.

This approach is fully confirmed by the memorandum of understanding signed on 7 December by the Ministry for Productive Activities and consumer and retail associations, whereby the latter pledged to take appropriate measures to ensure that their members conduct themselves in a correct and transparent manner, avoiding artificial rounding up of prices.

But each and every one of us must stay alert and on guard in carrying out transactions. In commercial dealings it is indispensable that a measure of self-protection accompany the work of the Authorities.

The institutions responsible for the changeover have stepped up their action. The Government has set up a task force under the Prime Minister's Office to devise and disseminate additional instruments of public information. The Italian Bankers' Association has launched a publicity campaign on television and in the press.

The Bank of Italy has carried out a national training plan for more than 20,000 people whose jobs involve handling cash, belonging to the police, the banking system, the Post Office, the distributive trades and service companies.

Our action in the area of communication and information includes providing all households and selected groups of citizens with educational and training materials developed by the European Central Bank and the Bank of Italy describing the visual, tactile and security features of the euro banknotes.

On 26 November we inaugurated a telephone help desk to furnish clarifications on the main aspects of the changeover.

For some time now the Euro Committee at national level and the provincial committees for the euro - including Bank of Italy representatives – have been engaged in a broad range of training and information initiatives on the cash replacement process at national and local level. The schools, by distributing the materials prepared by the relevant agencies and stirring the curiosity of young people, are helping to get families ready as well.

Operationally, the Italian banking system's preparedness for the cash changeover is satisfactory. The third survey conducted by the Bank of Italy as of 30 September found no problem cases. All the banks reported that they were perfectly on schedule in implementing their programmes and guaranteed their capacity to handle euro transactions regularly right from the start of 2002.

Large companies, trade associations, the postal system, local governments, banks and service companies are all engaged in communications activities addressed to the public and selected groups of operators at local as well as at national level.

Here, I would like to recall that an initiative similar to that sponsored by the European Central Bank was held in 1998 for junior high school students in Marina di Ginosa. It was called "From the lira to the euro: Paint your europiggy bank".

On that occasion I expressed my appreciation to the organizers as follows:

“The euro? It’s kid stuff! The euro is really kid stuff. Not because it is simple but precisely because it is complex. Money touches every facet of social life, it combines symbolic and psychological with economic and financial elements. Money has long been identified with the sovereignty of the State. Now a new currency has come, not issued by a State but by a specially constituted federal institution. After its introduction economic and financial relations will no longer be the same. Our sense of identity as Europeans, and not just as Italians, Frenchmen, Germans and so on, acquires an additional symbol. Only children, with their quick, flexible intelligence, with their ingenuousness (which is related, and not only etymologically, genius), can grasp the full scope of the change. It is a well known fact that the difficulties of adapting to monetary reform increase with age. In Italy too it is the youngest family members who will explain and describe, who will help the others in the changeover to the euro.

“Like the euro, children represent the future. It will fall to them to tell their own children that Europe used to have a host of different currencies; that to go from Venice to Innsbruck or from Turin to Lyons you had to change your lire into schillings or francs. They will relate this strange custom the way we now recall, in amazement, that just a few decades ago goods entering a city from the surrounding countryside were subject to customs duties. Perhaps they will illustrate the point by taking a lira banknote out of some drawer, to prove that what they say, incredible as it may sound, is true.”

I believe that these short, simple considerations sum up the terms of the problem that all of us now face.

The schools, which have already helped so much, can still do a great deal in these last few days to heighten awareness of the euro, so that our young people, who are surely better equipped than adults to acquire familiarity with the new money, can become the true agents of this awareness and provide real, practical assistance in overcoming the problems of adaptation.

It is important to bear in mind that the changeover is not, per se, inflationary. The fears on this count are excessive. Other than marginal, temporary effects, which cannot be ruled out, the possibility of comparing prices throughout the entire euro

area expressed all in the same currency unit will enhance market transparency and competition, exerting downward pressure on prices.

The change from lira notes and coins to euros should therefore be no cause for worry or anxiety.

Nevertheless, some people persist in spreading alarming but unfounded rumours on the alleged effects of penalties for violation of the contractual undertakings involved in the frontloading of euro banknotes. Yet the rules and the real scope of their application were made clear from the outset. It has been stated repeatedly, in various official fora, that fines would be levied only in cases of gross negligence or imprudence.

It is therefore hard to see what other formal assurance is expected. One fails to grasp the connection between the fear of novelty, which could alter consumers' spending habits and postpone purchases in January, and the prospective fines. The connections between fines and price rises that is hinted at is simply incomprehensible.

No, there are no alibis. What is needed now, on all sides, is full, convinced participation in the general interest. There is no valid reason why the first few days of January should see a rush to procure euros. The transitory dual-currency regime lasts until 28 February.

We must make a final push increase the modest proportion of Italians (6.7 per cent according to a recent BNL-Centro Einaudi survey) who expect the introduction of the euro to go off without a hitch and not to create problems even in the first few days.

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We are on the verge of a complex, delicate passage, which comes during a sharp slowdown in the world economy whose depth and duration are hard to forecast.

Yet uncertainty over the prospects for growth cannot be allowed to jeopardize the smooth transition to the euro, nor must it induce doubts over its success. Alarm on this count is baseless; it has no reason for being.

For that matter, a better climate may be emerging, with forecasts of possible recovery for the world economy in the next year, especially in the United States and Europe. These forecasts could be bolstered by the prompt enactment of indispensable structural reforms.

Success in this operation depends on the faith of each one of us in the Europe of today and of tomorrow, on the accumulated credibility of the national central banks, on the European System of Central Banks, and on the reliability of the new banknotes with their state-of-the-art security features, designed so that anyone can verify their authenticity by touching them, viewing them against the light, and tilting them.

You boys and girls have the good fortune, in this extraordinary time of transition, to be just starting out in life. When, as I hope and expect, you are among our leaders, you will certainly remember this crucial step in the construction of Europe as a source of renewed impetus for political unification. It is to that process that we must now turn our attention to correct any imbalances in the institutional arrangements of the Union as we face the issue of the forms of representation of popular sovereignty.

We must have faith in the euro for the advance in civilization that it represents, for the benefits it will bring to our economy, and for the prospects of greater welfare that it opens up.