

# Money Talks: Understanding the Euro

## Introduction:

The 27 nations of the European Union comprise the largest economy in the world— almost as large as the United States and China combined. The 1957 Treaty establishing the European Economic Community abolished all trade barriers within the EU. Today, some European Union members have strong economies; others are experiencing great difficulties and are the subject of daily news reports.

The euro came into circulation in 2002 as the single currency of the European Union, consolidating the largest trading area in the world. Today 17 eurozone nations have adopted the euro as a common currency. By joining this network, nations agreed to keep the amount of money they spend and borrow under control in order to establish stability for the euro. In other words, they agreed that governments shouldn't live beyond their means.

Economic difficulties within eurozone nations have profound effects on the European single market that includes all 27 nations of the EU. Although Greece accounts for only 2 percent of the EU's gross domestic product, EU leaders fear that Greece could be the first of several "dominos"—Eurozone nations, primarily in southern Europe, that are especially vulnerable to economic crises. Greece is known as one of the "PIIGS" – Portugal, Ireland, Italy, Greece, and Spain—nations that adopted the euro in 1999 (the beginning of a three-year transition period prior to the euro's entering circulation in 2002) and have faced problems in adhering to the economic discipline required of Eurozone members.

In this lesson, students examine several indicators of economic activity within the eurozone and the EU to learn that there are great differences among member nations. Students then consider the effects of economic disparities on the unity of the EU and analyze political cartoons on the economic crises in the EU.

## Objectives:

- Use economic data and concepts to describe economic conditions in nations in the EU and Eurozone.
- Develop hypotheses about the effects of economic disparities in north/south EU nations on the unity of the EU.
- Analyze political cartoons to draw conclusions about the economic crises in the EU and eurozone nations.

## Materials/Advance Preparation:

- Make preparations to project the map of Europe and the eurozone at <http://www.ecb.int/euro/intro/html/map.en.html> (click on 2011).

- Make copies of the Get to Know Europe North/South: Two Views, Get to Know Europe: Some Economic Indicators, and Get to Know Europe: Analyzing Political Cartoons handouts
- Computers with Internet access

**Teaching Time:** 3 class periods

**Procedure:**

1. Project the map of the EU and the eurozone. Explain to students that the eurozone is comprised of 17 member nations of the European Union that have adopted the euro (€) as their common currency: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain. Most other EU states must join the Eurozone once they meet the admission criteria. (See [http://www.euro-dollar-currency.com/maastricht\\_criteria.htm](http://www.euro-dollar-currency.com/maastricht_criteria.htm).)
2. Ask students to identify nations that are located in southern Europe and those located in northern Europe. Then ask if students have seen or heard anything about the EU in the news recently. Are they aware of the economic difficulties that are taking place within the EU and the eurozone nations? What, if anything, have they heard about the euro? About Greece? Bailouts? Encourage students to think about the relevance of locating northern and southern nations when considering the economic troubles Europe is experiencing.
3. Remind students that the EU was founded on the goal of economic integration based on a common market. The Maastricht Treaty requires most EU member states to adopt the euro as a common currency. The introduction of the euro in 1999 was a major step in European integration. It is estimated that 330 million EU citizens now use the euro. Advocates of the euro argued that the common currency would boost trade both inside and across Europe's borders. Companies that buy and sell to eurozone nations would have reduced costs because they would no longer have to deal in many different national currencies. In turn, these reduced costs would help EU companies compete in the global market.
4. Next, have students read the two news articles in the Get to Know Europe North/South: Two Views handout; these articles provide two viewpoints on the north/south economic divide in the European Union. Which article do they agree with? What are their reasons? Tell students that, in this lesson, they will use some economic measures to analyze economic disparities in the eurozone.
5. Organize students into small groups, explaining that groups will be conducting research to compare European nations on various economic measures. Distribute the Get to Know Europe: Some Economic Indicators handout; students are to complete the chart, using the definitions on pages 2-4 and Internet sources. When students have completed

the chart, discuss their findings, encouraging them to generate hypotheses about the economic disparities within the EU and their possible effects on EU unity.

6. If students have experience analyzing cartoons, have them work in small groups to analyze the political cartoons in the Get to Know Europe: Analyzing Political Cartoons. If they are not skilled in working with cartoons, conduct the analysis as a large group. In either case, use the following questions to frame the analysis:
  - Identify the symbols in the cartoon.
  - What is the cartoonist's point of views?
  - Do you agree with the cartoonist? Why or why not?
  - When students have analyzed all three cartoons: Is there a common theme in these cartoons? How is it illustrated?

Handout 1

## **Get to Know Europe North/South: Two Views**

### **1. A Tale of Two Europes**

Anne Applebaum, *Slate Online* (September 6, 2010),

[http://www.slate.com/articles/news\\_and\\_politics/foreigners/2010/09/a\\_tale\\_of\\_two\\_europes.html](http://www.slate.com/articles/news_and_politics/foreigners/2010/09/a_tale_of_two_europes.html)

### **2. Busting North-South Stereotypes**

Matthew Dalton, *Wall Street Journal* (February 14, 2011),

[http://blogs.wsj.com/brussels/2011/02/14/busting-north-southstereotypes/?blog\\_id=143&post\\_id=2482](http://blogs.wsj.com/brussels/2011/02/14/busting-north-southstereotypes/?blog_id=143&post_id=2482)

## Get to Know Europe: Some Economic Indicators

Economists study the ways societies use resources to produce goods and services. They use different statistical tools to conduct research, analyze data, monitor trends, and develop forecasts about the economic health of nations around the world. By using some of their measures, we can draw conclusions about the economies of nations in the EU and Eurozone. The information on pages 2-4 of this handout will help you complete the chart.

<b>Economic Measure/Indicator</b>	<b>Nations with strong economies: List three nations and identify location in Europe: N/S</b>	<b>Nations with weak economies: List three nations and identify location in Europe: N/S</b>
#1: GDP (Gross Domestic Product)		
#2: Per capita GDP		
#3: Savings Rates		
#4: Debt to GDP Ratio		
#5: Shadow Economies		
#6: Tax Compliance		
#7: Unemployment		
#8: Leading Export Nations:		
#9: Corruption Index		
#10 Global Competitiveness Rankings		

### **Measure #1: GDP (Gross Domestic Product)**

Gross domestic product (GDP) is a measure of economic activity defined as the value of all goods and services produced minus the value of any goods or services used in making them. Calculating the growth rate of GDP allows one to compare economic development both over time and between economies of different sizes. Gross national product is the total value of goods and services produced within a country. *See:*

<http://epp.eurostat.ec.europa.eu/tgm/mapToolClosed.do?tab=map&init=1&plugin=1&language=en&pcode=tsieb020&toolbox=types>

### **Measure #2: Per capita GDP**

Gross domestic product (GDP) refers to the market value of all goods and services produced within a country in a given period divided by the number of people in the country. GDP per capita is considered an indicator of a country's standard of living.

*See:* <http://chartsbin.com/view/3088>

### **Measure #3: Savings Rates**

The economic definition of savings is current income minus spending. If cited as a percentage, a negative number means that people are spending more money than they're earning. *See:* [http://lh4.ggpht.com/\\_Et4TQ-a0gGU/S1uri7ZZ-HI/AAAAAAAAACzU/s3HqbEoGB1Q/s1600-h/national\\_saving\\_europe%5B17%5D.png](http://lh4.ggpht.com/_Et4TQ-a0gGU/S1uri7ZZ-HI/AAAAAAAAACzU/s3HqbEoGB1Q/s1600-h/national_saving_europe%5B17%5D.png)

### **Measure #4: Debt to GDP Ratio**

Debt to GDP Ratio gives an indication of a nation's ability to make payments on its debt. If a nation can't pay its debt, it will default, which will cause panic in regions and global markets. The higher the ratio, the less likely the country will pay its debt back and the higher its risk of default. Fourteen out of 27 European Union countries in the European Union had public debt exceeding 60% of their GDP.

*See:* <http://www.economist.com/node/15452594>

### **Measure #5: Shadow Economies**

Paying taxes is important for a healthy economy. As we know, many citizens around the world avoid paying taxes. Shadow economies (also referred to as underground economies) include illegal activities as well as unreported income from transactions that would be taxable if they were reported to the governing authorities. Shadow economies deny governments revenue to provide adequate public services.

*See:* [http://www.economist.com/blogs/dailychart/2010/08/shadow\\_economies](http://www.economist.com/blogs/dailychart/2010/08/shadow_economies)

### **Measure #6: Tax Compliance**

Tax compliance means that citizens report their income freely and voluntarily, calculate their tax liability correctly, and actually pay their taxes. Those who don't are often labeled as tax dodgers. *See:* [http://www.acus.org/new\\_atlanticist/us-and-european-tax-rates-and-compliance-0](http://www.acus.org/new_atlanticist/us-and-european-tax-rates-and-compliance-0)

### Measure #7: Unemployment

The unemployment rate is the number in the civilian labor force divided by the number of unemployed. The higher the rate of unemployment, the less money collected in taxes. Governments also have less money for spending, which then fuels the economy through taxation.

Unemployment rates unadjusted by Bureau of Labor Statistics  
10 European Union countries or areas (in percent)

	2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Sept. 2010	Jul. 2011	Aug. 2011	Sept. 2011
EU-27	9.7	9.6	9.5	9.5	9.6	9.6	9.6	r 9.6	9.7
Euro area <sup>17</sup>	10.1	10.1	10.0	10.0	10.2	10.1	10.1	10.1	10.2
Austria	4.4	4.2	4.4	4.1	3.8	4.3	3.7	3.7	3.9
Belgium	8.3	7.9	7.1	7.0	6.8	8.2	6.9	6.8	6.7
Denmark	7.4	7.7	7.6	7.3	7.1	7.6	7.1	7.1	7.1
Finland	8.4	8.1	8.0	7.9	7.8	8.2	7.8	7.8	7.8
Greece	12.6	14.1	15.1	16.6		13.4	17.6		
Ireland	13.7	14.4	14.3	14.2	14.4	13.9	14.5	14.4	14.2
Portugal	12.0	12.3	12.4	12.5	12.4	12.3	12.4	12.4	12.5
Spain	20.1	20.4	20.6	21.0	22.2	20.5	21.8	22.2	22.6

[http://www.bls.gov/fls/intl/unemployment\\_rates\\_monthly.htm#Rtable2](http://www.bls.gov/fls/intl/unemployment_rates_monthly.htm#Rtable2)

The European Union-27 (EU-27) refers to the EU member countries as of January 1, 2007. The Euro area refers to the EU countries that adopted the euro as a common currency.

### Measure #8: Leading Export Nations:

An export is any good transported from one country to another and is a measure of economic growth. Exported goods or services are provided to foreign consumers by domestic producers. Export sales help maintain high employment levels.

**See:** <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html>

### Measure #9: Corruption Index

The Corruption Perception Index rates countries on a scale of 0 to 10, with 0 indicating high levels of public corruption and 10 indicating low levels. Rankings are based on information from country experts and business leaders, including the World Bank, Economist Intelligence Unit, and the World Economic Forum.

**See:** <http://www.guardian.co.uk/news/datablog/2010/oct/26/corruption-index-2010-transparency-international#data>

### Measure #10 Global Competitiveness Rankings

This ranking is based on the Global Competitiveness Index (GCI), developed for the World Economic Forum. The GCI provides a comprehensive picture of a country's competitiveness. The pillars (criteria) are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness,

market size, business sophistication and innovation. (Source:  
<http://www.weforum.org/news/us-competitiveness-ranking-continues-fall-emerging-markets-are-closing-gap>).

**See:** <http://gcr.weforum.org/gcr2011/>



# Get to Know Europe: Analyzing Political Cartoons

## 1. Serial Accidents



Used with permission

Arend van Dam, *Het Financieele Dagblad*, Amsterdam (July 12, 2011).

<http://www.presseurop.eu/en/content/cartoon/771471-serial-accidents>

### 3. EU Rescues Greece



Used with permission

Deng Coy Miel, Singapore,

<http://www.politicalcartoons.com/cartoon/a105da29-bb96-40aa-9502-92b721cda556.html>