

Here we go again!

It suddenly appears that the euro is becoming 'political' again. After a period of a year or so, we are once again subject to the questions of desirability of the currency, and the certainties which the Stability Pact had delivered are being undermined, at least in discussion.

This is of no help at all in the IT world. It was beginning to look there was an evolving consensus that:

- 1) It would happen on schedule
- 2) The currency would be a stable one and probably attractive to investment
- 3) UK companies would probably begin to use the euro extensively in the next few years, whether or not the UK joins.

Based on this, we were able to start making some fairly sensible plans and most organisations were beginning to set up IT projects to deal with an extended period of dual currency operation.

But we were still receiving demands from some UK sectors that a measure of certainty was given by the Government. Funnily enough, it was just those organisations prepared to lend the odd billion or so to a country in which 'businessman' is synonymous with 'Mafiosi' which are now demanding 'certainty' before investment.

Actually, I am being unfair, having lived in Poland in the mid-1990s, I can say that there is a great deal of certainty about getting paid from Russia if things get a bit difficult. You can be absolutely certain that they *won't* pay and that virtually any sort of guarantee is worthless.

(To extend a favourite line of the 1980s: If a man says his word is his bond, take his bond - but make sure it's a US Treasury, not a GKO).

But the antics of Oskar Lafontaine have now made a mess of the rational and practical assumptions that had formed the basis of projects. Couple this with the certainty that a withholding tax on Eurobonds will send all fixed income business in dollars and euros to Zurich, rapidly followed by the derivatives markets, we have now entered a period of genuine uncertainty.

There is a certain irony that the wholesale banking markets, which never doubted the arrival of the euro, and whose passivity over the past two years have ensured that the system did not explode before the introduction of the currency, now see their preparations and investments placed in great danger. By contrast, the UK retail banks, who have done little apart from make noises about how unfair and uncertain life is, can now say that there is a real danger and uncertainty, so they can continue not to do anything.

Far from reducing the needs for practical preparations, however, the current developments make prudent advancement even more important. Some of the planning assumptions – such as the assumption that the euro will be a low inflation, low interest rate currency - may well be thrown out by Herr Lafontaine's plans, but this will surely make the needs of industry for commercial banking services that much more pressing.

In summary, we once again find that the political is the enemy of the practical. It's hard enough to plan for the uncertainty and confusion caused by lack of detailed information – it's even worse when the agreed fundamentals are changed.