

## **'More Catholic than the Pope'?**

We have all met them. Actually, I'm one myself. They're not easy to spot, but once you hit the right button they're off. Converts, I mean. People who've 'seen the light'. And, boy, do they want to share enlightenment with you.

It's ex-smokers like me who want to kill people who light up nearby, partly to save them from a horrible death, but also because I perceive myself as a kind of ex-addict who would instantly revert and I see myself at a disadvantage and want to escape it.

Well, I think we're about to see a lot of businesses in Britain which take up the euro with the same kind of fervour which I reserve for Marlboro and Players No 6 (if they still exist).

And the reason will be similar. Just as I am determined to see myself as a non-smoker, but am really only an ex-smoker, they will be trying to present themselves as euro-capable companies, not just euro using companies.

Let me explain.

In January 1999, the currency of France will be the euro. There will not be parallel francs and euros, the franc ceases to exist in any meaningful form *except* the physical. But in a curious manner, rather like transubstantiation, I suppose, the intrinsic nature of the physical franc notes and coins will change and they will 'become' euros.

Hence the same underlying 'thing' will be represented both by francs and marks and escudos.

So a French company which makes a bid to a German company in francs will really be making a bid in euros, but, as it were, euros in a disguise. In reality, there will be no difference between the underlying monetary value represented by francs, marks and euros. A German company which has a finance director who has read his Leibnitz or Aristotle (or the Maastricht Treaty) will understand that despite the appearances, he is dealing with identical 'stuff'.

In reality, there is no reason for a German company to perceive any difference whatsoever between a bit in francs, marks or euros.

Until some time on 31 December 1999, the German company can reasonably regard a franc amount as 'different' in a potentially harmful way – namely, susceptible to changes in value vis a vis his own reference scale for money – the mark. From that moment on, the money offered by a French company is the same as than offered by a German company.

For a British company it is different. Until that moment of changeover, sterling, like francs, is intrinsically different, backed by a different government and so on, but after consolidation – the moment of 'transubstantiation' – sterling remains different, whereas francs and marks become the same.

So how will British companies think about this? Well, the stereotypical pragmatic Englishman will surely decide that while the bidding currency of the Frenchman is no

longer an issue for the German buyer, *his* bidding currency is. The UK company will perceive itself to be seen to be at a disadvantage to its continental rival because of currency risk. So what will it do? Bid in euros.

After all, for a company in the UK, bidding in francs or marks will be *exactly* the same as bidding in euros. So why not? Indeed, it is likely that all of the not-very-plausible arguments relating to the possible 'fashion' value of the euro will be wheeled out by UK companies selling into France, German, Italy and so on.

Indeed, we may well see that, by say June 1999, the leading users of the euro as a currency for trade are ... the British.

The UK companies which carry out trade in euros will also be pushing the ideas of 'European-ness', the benefits of no cross border commissions for the new currency, price stability and so on.

Hence our 'converts' – whether or not they are true believers – will be banging out the message of the euro far more than those 'born to it' will. On the subject of the single European currency, they will truly be said to be 'more Catholic than the Pope'.