

Why the euro could be the 'killer app' for the Internet.

I suppose in one way this article is futile. Anyone who is reading it already has access to the Internet and is probably familiar with its virtues and vices.

However, it seems to me that EMU could be the "killer app" which turns most of Britain's industry into users of the Internet.

As most of the readers of this column will have found, the Internet is by far the best source of information on matters relating to the euro. For example, I was recently in Florida at a seminar of fund managers and was due to give a presentation the day after the Bank all for England published its most recent "Practical Issues Arising from the Introduction of the Euro".

For the price of a local call to Compuserve, I was able to access the Bank's web site and download the entire report in a matter of minutes. I was therefore able to incorporate some of the most recent thinking in my presentation the following day.

Indeed when I arrived back in England three days later, the hard copy version of the new report had still not arrived my home in Surrey.

Other examples abound. If I wish to obtain a copy of the latest report coming out of the European Commission or the Banque de France I go directly to their web site. The same applies to the Finnish government, SAP, JP Morgan or the CSSA.

It would probably be impossible in practical terms to write to all of these institutions -- indeed how would I know that they were publishing information on the euro? It is also likely that they would not all be willing to spend money on postage to the many thousands of people who currently access their web sites.

The UK government is about to start an information campaign on the euro. This will concentrate on the effects the new currency will have even before any UK decision on joining is made. It is intended to raise awareness of the practical issues and to give guidance on how businesses should prepare. Most of the information will be available either in hard copy form or will be made available through television or radio.

But the *best* way they could distribute information would be electronically. There is just one, small problem ...

Most of the UK economy (by number of businesses at least) is not connected to the Internet.

SMEs are the least likely of all to be 'wired'. But they are just the ones who need accurate and reliable information most especially if they are to avoid the predations of the dodgier end of the software and consultancy market.

It is usually said that they have neither the time, the inclination nor the spare cash required to go off surfing the Internet to look for stuff which doesn't necessarily pay back immediately.

But let us consider the facts. There can be few SMEs which do not have a PC, at least for the purposes of writing letters or off keeping the accounts. The cost of getting on the Internet to them is just the price of a modem and the cost of signing up with an ISP.

So for little more than about fifty pounds up front and fifteen pounds a month, it should be possible for any company have access to the Internet. This can hardly be a barrier even for the most tightly strapped company.

Perhaps, from the money that will be spent on newspaper and television advertising raising awareness of the euro, a little should be put aside to encourage and help SMEs onto the Internet.

Making Big Money

A few weeks ago, I met some fellow euro consultants from Ireland. I said that I regarded Ireland as a highly useful practical demonstration of how (some) changes would need to be done in the UK if and when we join Stage III of EMU.

The Irish legal system, taxation system and many other aspects of business and public life are far more similar to those in Britain than are the French or German systems.

But on one subject we agreed that there was a distinctly un-British / Irish question that neither of us had a good answer to. Big money.

I'll illustrate this with a real life example:

In 1997, I had a client in Turkey whom I used to visit from time to time. Arriving one night at about midnight Istanbul time, I changed GBP 100 into lire (lots and lots of them!). Unexpectedly, I spent the whole of the next two days in my hotel interviewing bank staff, and finally returned to the airport having spent only the price of two taxi fares. At the airport, I changed my money back, and was given, as part of the exchange, a fifty pound note.

I had never owned one of these before (and haven't since). I regarded it with great suspicion, to the amusement of the Turkish bureau de change staff who wondered if I really was British.

I gather things are the same in Ireland. Fivers, tens and twenties abound, but no-one uses fifties (at least not for normal, legal activities). In this country we tend to regard possession of a fifty pound note as tantamount to wearing a hat saying 'Drug Baron' is one thing.

So what will happen when we are faced with notes worth over 300 pounds?

My suspicion is that the bearer of such a note will be told sharply what to do with it. And that may be difficult to do in the middle of a grocers' shop.

Seriously, we are given to understand that copying of notes gets easier and easier with modern scanning and printing equipment. There will be 'security features', but if you see 100 euro notes as often as I see 50 pound notes, then you won't have a clue whether Jacques Delors' nose on the 200 euro note should be smooth, ridged, embossed or not there at all! (The answer is the last one - M Delors does not appear on the bank notes).

So will the average shopkeeper or newspaper seller accept a 500 euro note? I doubt it. The cost of accepting a dud is far too high.

In some European countries, large denomination notes are quite common, I have seen people pay for shopping in Switzerland with a 1000 Franc note. I was once involved in chartering a small plane for the visit of a partner from a leading accountancy firm. When I said that the payment would have to be in cash the London end of the phone call went bananas and wanted to know if we were dealing with pornographers, drug smugglers or tax dodgers. I think that, from a professional point of view, the first two were OK, but the last was a bit doubtful.

There are two issues here: the cultural acceptability of large value notes in places where they are don't exist (Britain and Ireland), and the possibility - indeed probability - of the large denomination euro notes encouraging organised crime to adopt this currency.

Personally I can't see the need for anything bigger than a 50 euro note, which would be similar in value to the biggest notes in normal circulation in Britain and Ireland. And I don't see anything larger being accepted in normal commerce in either of those countries.

So from this side of the Irish sea, it will be interesting to see how our western neighbours react when Germans visiting holiday homes in Kerry and Limerick start pulling out (roughly) 300 punt notes to pay for a Guinness...