Sucre to Dollar, Franc to Euro:

the Cultural Impact of Currency Change in

Ecuador and France.

By

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This thesis is a comparative study of the two processes of currency change that occurred in Ecuador in 2000 and in France in 2002. Although the background of these two countries and the motivations behind each currency change varied, Ecuador and France have experienced many similar outcomes. Each of the two countries also has nevertheless faced different problems, that the other country did not encounter, due to the cultural differences between them.

In general, economic developments are expected as a result of currency changes, and a government may focus only on economic-related outcomes. However, the cultural shifts in people's everyday lives, brought about by a currency change, are drastic, and this aspect of currency change must not be ignored.

The research for this thesis is based on local media, the observation of people's reactions, personal interactions with the people of the two countries, and all other previous international experiences of the author.

The currency changes in Ecuador and France both had impacts on many people, including their neighboring countries and the rest of the world, and both the Ecuadorian and French people are still experiencing cultural changes in their lives that will continue as globalization proceeds, involving every citizen of the planet.

Bachelor of Arts in International Studies

Thesis of Teppei Hayashi

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I understand that my thesis will become part of collection of Oregon State University. My signature below authorizes release of my thesis to any reader upon request. I also affirm that the work represented in this thesis is my own work.

Teppei Hayashi

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Currency fragmentation occurred throughout the world in the twentieth century. There were fewer independent countries at the beginning of the century than there are today. Most of these countries' currencies were then linked to precious metals, hence the term "hard currency," dividing the world into two large currency groups: the gold currency bloc and the silver currency bloc. Since the First World War, more countries have gained their independence and have issued their own currencies with independent monetary policies. However, as globalization progresses, the world seems to be repeating its history. We now observe a currency consolidation that will, once again, divide the world into only a small number of powerful currency groups - although this time the division is based on a few of the world's strongest, most stable and most reliable currencies, such as the U.S. dollar, the Japanese yen, and the European Community euro, which are not directly linked to precious metals.

I was fortunate enough to be able to observe two distinctive processes of currency change: the dollarization in Ecuador between 2000 and 2001, and the conversion from the French franc to the euro at the beginning of 2002. Although the two processes developed from different political and economic backgrounds, and although the history, and the perspectives of the people of these two countries differ in various ways, many similar outcomes were evident, before, during and after the currency change. It was clear that the cultural differences between the two countries were one of the main reasons why the currency change affected the people of Ecuador and France differently.

1. **Currency Change**

A. Definition and Explanation of a Currency and Currency Change

Currency in industrialized nations is a portion of the national money supply, consisting of bank notes and government-issued paper money and coins, that does not require endorsement in serving as a medium of exchange. Among less developed societies, currency encompasses a wide diversity of items, such as livestock, stone carvings, tobacco, used as exchange media as well as signs of value or wealth. Since the abandonment of the gold standard in the 1930s, governments have not been obligated to repay the holders of currency in any form of precious metal. This type of currency was called "soft currency." Consequently the volume of currency is determined by the actions of the government or central bank and not by the supply of precious metals (*The New Encyclopedia Britannica* 2002). Today the term "hard currency" is used to describe a currency that is unlikely to lose its value and so is considered to be a good one to have or to invest in (*Collins Cobuild English Dictionary* 1995), such as the U.S. dollar, the yen, and the euro. On the contrary, a currency which is not in demand in world markets and which would not be used as a reserve currency is what is called "soft currency" today (ANZ.com).

Dollarization (*dolarización* in Spanish) is shorthand for the use of

any foreign currency by another country (IMF 2000). This means that the use of a foreign currency is legal between individuals, but also the government uses it for its official use. A domestic currency could coexist in such case, though its status is secondary.

There are three types of dollarization: **unofficial, semiofficial** and **official**. **Unofficial dollarization** occurs when people possess part of their financial wealth in a foreign currency unit even though it is not legal tender in their country, where legal tender means a currency that is legally acceptable as payment for all debts. Unofficial dollarization can include holding of: non-monetary assets, such as stocks and bonds, foreign-currency deposits abroad or within a domestic banking system, or physical foreign bills. **Semiofficial dollarization** means that the country has official bimonetary systems, where a foreign currency is legal tender though its role is secondary to the national currency in paying salaries, taxes, and other payments in daily life. In such countries, domestic central banks or some sort of monetary institutions exist and conduct their own monetary policy. There are more than a dozen countries which can be found in this category. **Official dollarization**, which is also called full dollarization, means that a foreign currency becomes the predominant legal tender of the country, which is used by all individuals to make all types of payments and also by the government of the country for official use. The national currency could coexist with the foreign currency in such a situation,

but generally in the form of coins having small value (Mack 2000). (In this thesis, "dollarization" means the change of currency to the U.S. dollar, unless otherwise specified.)

The Euro zone includes the member states of the European Union in which the euro has been adopted as the single currency and in which a single monetary policy is conducted under the responsibility of the decision-making bodies of the European Central Bank (ECB).

A dual-currency period can be observed in the process of currency change. It is a period of the time where two currencies, the old currency and the new currency, are in circulation at the same time. Both currencies are legal tender in such a situation, and people can choose to use either of the two currencies.

B. History and Examples of Currency Change

A currency change is not something that can be observed everyday; however, this phenomenon does occur from time to time in different parts of the world, due to different political and economic intentions. In June 2002, there were 15 countries and territories outside of the United States, with a total of 27.6 million people, where U.S. dollars were used, and there were other countries that used foreign currencies other than the dollar as their national currency. The biggest officially dollarized country at this time was the Republic of Ecuador in South America, which is slightly smaller in size

than the state of Nevada and which has a population of a little over 13 million (Schuler 2002).

Although a few small independent countries, whose populations are less than one million, such as Palau and Micronesia, have been dollarized for almost a half century, it is only in the recent years that the concept of dollarization has become better known and that some more populous countries have included the dollarization in their political and economic considerations.

Argentina, Panama, Liberia, Belize and El Salvador are some of the countries that have gone through dollarization by fixing the exchange rate of their national currency to the U.S. dollar. However, Argentina abandoned its fixed rate in 2002, and its currency once again "floats," which means that the exchange rate changes depending on daily economic changes, and Liberia shifted to its own currency (Coy 2001). In countries like El Salvador, Panama, and Guatemala, two currencies are in circulation: the U.S. dollar and the countries' own national currency, the colon, the balboa, and the quetzal respectively.

One might be surprised to learn that Panama has such a long complicated history of currency. Between the discovery of Panama by Rodrigo de Bastidas in 1501 and 1904, when Panama minted its own currency, Panama experienced many currency changes as its political situation changed. During the colonization of Panama, the Spanish

currency was used, which circulated until the early 19th century. By the early 1820's, the Colombian currency was introduced until Panama gained its independence from Colombia. Starting in 1849, with the influence of the gold rush, the U.S. currency became Panama's legal tender. Then, with the construction of the Panama Canal, the French arrived and circulated their currency in Panama. On June 28, 1904, Law number 84 was passed, which created a new coin system and also named the new monetary unit after the Spanish conquistador, Vasco Núñez de Balboa, who discovered the Pacific Ocean (Ruiz 2001).

Dollarization does not occur only in Latin America, it takes place in other parts of the world as well. There are many countries in Africa, which were once the colonies of France, England and other European countries, that still use "foreign" currencies instead of their own national currencies.

Dollarization also occurred in Japan, though this fact might not be well known by many American and Japanese people. This process took place in Okinawa, the southern-most prefecture of Japan, after the Second World War. The U.S. military issued a currency called the "B-yen," only for domestic use in Okinawa, where the U.S. set up military bases for future use. The B-yen was a pure political scheme by the U.S. government. There was a trick in the exchange rates between the U.S. dollar, the B-yen, and the Japanese yen: one U.S. dollar was worth 120 B-yen and 360 Japanese yen. The value of the U.S.-military-issued B-yen was three

times more than that of the Japanese yen. The B-yen was good for importing (one could safely assume that it was importation from the U.S.) but definitely not good for developing the local industries in Okinawa. The B-yen lasted until 1958 when the U.S. dollar was introduced in Okinawa as the domestic currency. Finally, in 1972, the Japanese yen was returned to Okinawa to replace the U.S. dollar. While some other reasons do exist, this scheme was definitely a devastating political act that caused Okinawa to have the lowest average income out of all 47 prefectures in Japan today (Tensei jingo 2002).

From these examples, it is clear that a currency is not simply a means of making payments or saving one's wealth. It can be a very powerful tool to control other countries' cultures, and can give socio-psychological impacts to the local people in many ways. This issue will be discussed further in later sections.

2. Currency Change in Ecuador

A. The Beginning of *la Dolarización*

On Sunday, January 9, 2000, then-president of Ecuador, Jamil Mahuad, announced the dollarization plan in Ecuador with the fixed exchange rate of 25,000 Ecuadorian sucres to one U.S. dollar. This was the beginning of *la dolarización* in Ecuador. President Mahuad was not able to improve Ecuador's economy successfully, and Table 2-A.1 shows

how the sucre devalued drastically. The sucre has depreciated by 355.53% during his presidency (Dolarizacionecuador.com). This means that salaries given on January 9, 2000 were worth only one-third of the same salaries in August 1998. Between January 1st and 5th, during a span of only five days, the sucre devaluated by 25% compared with the U.S. dollar (Egas 2000). The inflation was so drastic and so quick, "…we had to change the prices on our menu five times and still couldn't keep up with inflation" said, Diego Rendón, manager of the restaurant *La Boca Del Lobo* (Mountford 2000).

Table: 2-A.1 (Mantilla 2000)

The Exchange Rate Between the U.S. Dollar and the Sucre							
Date	Jan.97	Jan.98	Jan.99	Mar.99	Oct.99	Jan.00	Mar.00
Sucre /$1USD	3674	4497	7112	10,224	15,442	30,110	25,000

Many critics and political analysts said that the dollarization plan was a hopeless, a last-resort political scheme of Jamil Mahuad's to avoid the loss of his popularity and presidency. Mahuad claimed that the dollarization was the only way out of the economic crisis that Ecuador was experiencing at that time. Many people say that Ecuador was facing probably the worst economy that it had ever known. Its agricultural industry was heavily affected and damaged by the influences of *El Niño*; the price of oil and other exporting goods was low; and the unemployment rate

had been rising every year. The unemployment rate was 9.2% in November 1997, 11.5% in November 1999, and a year later in 2000 it was up to 14.4% (Salgado 2000). The poverty rate was over 75%, and a sizable minority was earning the equivalent of less than one dollar a day (Faiola 2000).

Jamil Mahuad believed that Ecuador would benefit from the dollarization plan: that Ecuador would have more stability because of the stable value of the dollar; that Ecuador would be able to keep the interest rate within the international standard; and that Ecuador would be able to keep the inflation rate below 10% (Mantilla 2000).

The government of Ecuador had to consider both the positive and the negative outcomes that dollarization would bring to the country (shown on Table 2-A.2). One of the most drastic changes in the process of the dollarization was that the Ecuadorian government would no longer be able to issue its own currency, resulting in both positive and negative outcomes. Losing its power to issue currency meant the reduction of monetary manipulations and corruption by the Ecuadorian government and the increase of transparency in the government, as president Gustavo Noboa would comment two years after dollarization: "What dollarization did was to show us naked, confront us with the truth…in the past, we were kidding ourselves" ("Ecuador's President Discusses" 2002).

The loss of seigniorage was another negative effect caused by not

having the power to issue currency. Seigniorage is the governmental revenue earned from issuing currency. For example, if printing a one-dollar bill in the U.S. costs 3 cents, this means that the U.S. government makes a profit of 97 cents for each one-dollar bill that it issues. The Ecuadorian government was earning the equivalent of about 35 million dollars each year through seigniorage (Egas 2000). Recognizing the impact of this lost revenue, Senator Connie Mack (R-Florida) and Representative Paul Ryan (R-Wisconsin) introduced the International Monetary Stability Act, in November 1999, a bill which reduces the loss of seigniorage of officially dollarized countries by rebates from the United States (Mack 2000).

Table: 2-A.2 (Egas 2000)

The Effects of the Dollarization in Ecuador	
Positive Effects	**Negative Effects**
● The Ecuadorian government and the Central Bank (BCE) would not be able to devalue the dollar ● More transparency of monetary management by the government ● Reduced rate of inflation ● Lower interest rates ● Attract foreign investors ● No/less transaction costs in international trade ● Would be able to obtain long-term loans from international monetary institutions	● Acknowledgement of national failure of monetary policies ● Loss of seigniorage ● Loss of the ability to issue currency ● Elevation of prices due to adjustment with prices in foreign countries ● Strong psychological impact among the general population due to loss of national currency ● Repercussions of inflation in the U.S. ● Repercussions of economic shocks of North American and other dollarized countries

Ecuador received various positive and negative reactions nationally and internationally. In his text *Autopsia de la dolarización* (Autopsy of the Dollarization), economic analyst Albert Acosta criticized the plan saying,

"…dollarization would complete the reconciliation with neoliberalism." A former president of Argentina, Carlos Menen, applauded the decision of Mahuad and said "[Ecuador] wasted a lot of time making the decision [to proceed with the dollarization]." Not agreeing with the views of Mahuad or that of Menen, the president of Venezuela, Hugo Chávez, believed that dollarization was not what Latin American countries needed. What he had in mind was the creation of a common currency like the euro in Europe, for all Andean countries (Mantilla 2000).

No matter what other countries said, thought, or wanted, what was more important were the opinions of the Ecuadorian people, who would be most affected by this political-economic plan.

Twelve days after the dollarization plan was announced by Jamil Mahuad, a big demonstration was held by many indigenous people to show their opposition. With the help of a group of rebellious colonels, hundreds of indigenous people took over the Carondelet Palace, the Presidential Palace, and took Mahuad out of power. This was the end of Mahuad's presidency. The following month, Gustavo Noboa, who was Mahuad's Vice President took over the power and became President.

In spite of all the effort of the indigenous people and other social activists to oppose to the dollarization plan, the new president Gustavo Noboa ratified the plan.

On March 1, 2000, *La Ley Fundamental para la Transición*

Económica del Ecuador (The Fundamental Law for the Economic Transition of Ecuador) was passed by the Congress. This law was commonly known as *La Ley Trole*, "the Trolley Law," named after one of the accomplishments of the ex-president Jamil Mahuad, the new trolley system in Quito, which was introduced as an alternative method of transportation when he was the mayor of Quito (Dolarizacionecuador.com). *La Ley Trole* indicated the dates, the stages of the dollarization in Ecuador, as well as some modifications by Jeffrey Franks and John Thorton, the public officials of the International Monetary Fund (IMF) of Ecuador, in order to receive financial help from different international monetary institutions and organizations, such as the IMF and the World Bank (Mantilla 2000). *La Ley Trole* came into effect on March 13, 2000, only a little over two months after the dollarization plan was announced to the public in Ecuador.

B. The Introduction of the Greenback

On March 20, 2000, the Ecuadorian Central Bank (BCE) started exchanging sucres to dollars with the new fixed rate of 25,000 sucres to one U.S. dollar. The use of the dollar by the government and banks became more serious in April; all public workers received their salaries in dollars, all transactions were denominated in dollars.

On April 12, 2000, Ecuador imported 10 million U.S. coins, worth $4.1 million, to put in circulation. Having sufficient coins in circulation was

crucial for the BCE as there was a big numerical difference between the dollar and the sucre (1:25,000), and it was clear that a large amount of change would be necessary to be able to perform little transactions in daily life. Ecuador imported more coins, $5.9 million worth, at the beginning of May. On April 13th, ten mints were invited by the BCE to see the designs of the new Ecuadorian coins and make an offer for manufacturing. Eventually two mints, the Royal Canadian Mint for the one cent coins, and *la Casa de la Moneda de México* for the 5, 10, 25 and 50 cent coins, were chosen for the production.

On May 15, 2000, all ATM's started operating only in dollars to quicken the introduction of the dollar into circulation. More U.S. bills were brought to the country as old Ecuadorian bills were sent to *la Casa de la Moneda* to be shreded by the machine which could process 700,000 bills in one hour (Raymond 2000).

In June, all credits cards, and bank accounts started operating only in dollars to prepare the final stage of the dollarization. However, as there are many people in Ecuador who mainly use cash in their lives, the sucre bills and coins maintained their presence in many places, especially in rural areas that were isolated from the major cities.

Eight months after the announcement of the dollarization plan by Jamil Mahuad, on September 9, 2000, the sucre was officially out of circulation, ending its 116 years of history as the Ecuadorian currency.

From this day, only seventeen authorized banks were allowed to exchange sucres for dollars.

On September 11, 2000, the new Ecuadorian coins, worth 1, 5, 10, 25, and 50 U.S. cents, were introduced into circulation. Thereafter, 80 million coins, 1 cent coins from Canada and the rest from Mexico, arrived each week for two months. The new Ecuadorian 1, 5, 10, 25, and 50 cent coins were exactly the same size as the respective U.S. coins. Interestingly, the U.S. 50 cent coins, which one does not find often in circulation in the U.S., were used as often as the other four coins in Ecuador.

Six months after the official date for the sucres to be out of circulation, March 9, 2001, was the last day to exchange sucres for dollars at the seventeen authorized banks in Ecuador. From this moment foward, the sucre currency had three destinies: to be treated as waste by the central bank, to be sold as souvenirs, or to be used unofficially in the rural area. Although the dollarization process was officially complete, the Ecuadorian people's struggle was not yet over. Many people were still facing problems as a result of change of currency.

C. Timeline

Change of Currency in Ecuador

Y/M/D	Events / Changes
1884	The sucre replaces the peso: 1.00USD = 1.01Sucre
2000/1/9	President Jamil Mahuad announces the "dollarization" plan
2000/1/21	Demonstration by the indigenous people; President Mahuad taken out of the presidency; Vice President Gustavo Noboa takes over in February
2000/3/1	*La Ley Fundamental para la Transición Económica del Ecuador*, known as "*Ley Trole*," is passed by the Congress
2000/3/13	*Ley Trole* in effect
2000/3/20	Ecuadorian Central Bank (BCE) starts exchanging with the new fixed rate: 25,000 sucre to 1USD
2000/4	Official use of the dollar becomes more serious: public workers paid in dollars, loans, deposits, bonds, etc. all transactions denominated in dollars. April 1: BCE no longer prints sucres, though it continues to mint sucre coins.
2000/4/11	BCE presents the ideas of designs of the new Ecuadorian coins to President Noboa, who will make the final decision
2000/4/12	Ecuador imports 10 million US coins ($4.1 million); imports $5.9 million worth of coins at the beginning of May
2000/4/13	10 coin mints are invited to offer prices for the manufacture of the new coins; deadline for the offer 5/10/2000

2000/5/15	All ATM's operate only in dollars
2000/5/24	Minister of Finances, Jorge Guzmán, resigns, declaring his views on radical economic reforms
2000/6	Credit cards, bank accounts operate only in dollars
2000/9/9	Official date for the sucre bills and coins to be out of circulation; after this day, only seventeen authorized banks can exchange sucre for dollars
2000/9/11	New Ecuadorian coins, manufactured in Mexico (5, 10, 25 and 50 cents coins) and Canada (1 cent coins), are put in circulation; starting on this day, 80 million coins will arrive each week for two months
2001/3/9	Last day to exchange sucre for dollars

3. Currency Change in France

A. The Beginning of the Euro

On February 7, 1992, the Ministers of Foreign Affairs of the European Union signed the Treaty of Maastricht, which stipulated that Economic and Monetary Union (EMU) would be achieved in three stages. In France, the Treaty of Maastricht was approved by referendum on September 20, 1992, and this was the first step toward the change of currency, from the French franc to the common European currency unit, the name of which had not yet decided at this point.

Although the Treaty of Maastricht became came into effect on November 1, 1993, the first stage of achieving Economic and Monetary Union had already begun on July 1, 1990. The first stage, which continued until the end of 1993, was to free movement of capital flow between the member states of the European Union, and to establish closer coordination of economic policies and closer cooperation between the central banks. The second stage began on January 1, 1994 and lasted for four years. In this stage, the convergence of the economic and monetary policies of the euro zone countries was accomplished to ensure the stability of prices and sound public finances. This stage was important as different ranges of economic differences existed between the euro zone countries, who would eventually use the same currency. At this stage, the creation of the European Monetary Institute (EMI) was accomplished, which was the

forerunner of the European Central Bank (ECB).

France and other member countries of the European Union spent several years planning for the creation of the euro, considering arguments both for and against a single European currency.

Table: 3-A.1 (Antweiler 2001)

The Effects of the Creation of the Euro in Europe	
Positive Effects	**Negative Effects**
● Elimination of the transaction cost within the euro zone ● No exchange rate uncertainty ● The direct comparability of prices and wages will increase competition ● Currency consolidation strengthening the value of the euro ● Larger market, more foreign investors ● Create a new European identity	● Cost of introducing a new currency: convert all currencies, update price lists, computer software for accounting purposes, etc. ● Central Bank dependency; national central banks would have less authority ● Only one Europe-wide interest rate: a country struggling with its economy may affect to other euro-zone countries

In December 1995, a summit was held in Madrid where the final schedule of the change to the euro was established. This was also the place where the name of the new European currency was chosen: the euro. In June 1997, another summit was held in Amsterdam where the designs of the euro coins were officially chosen. There are eight euro coins with a "common side" and a "national side." The "common side" has common designs for all twelve euro zone countries, and the "national side" has each country's own designs. Some countries have chosen to have only one design for all eight coins, some have a few designs, and some have eight different designs. In total, there are over 100 different kinds of euro coins in circulation, and all of them can be used anywhere within the euro zone.

In May 1998, the countries which were allowed to adopt the euro, because they met the requirements indicated in the Treaty of Maastricht (shown on Table 3-A.2), were officially named.

The third stage started on January 1, 1999, by setting irrevocable fixed exchange rates (between the national currencies and the euro), and then by introducing the single currency on the foreign-exchange markets and for electronic payments. On this date, the euro became the official currency of the euro zone countries, although physical notes and coins were not available until the end of 2001.

On January 1, 2001, Greece joined the euro zone, bringing the total number of euro zone countries to twelve: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain. The people of Denmark rejected the euro by referendum in September 2000, becoming the third non-euro zone country in the European Union, along with the United Kingdom and Sweden.

Table: 3-A.2 (Erdman 1996)

The Euro-Zone Requirements Set by the Treaty of Maastricht
● The country's budget deficit may not exceed 3% of Gross Domestic Product (GDP) ● The country's debt to GDP ratio may not exceed 60% ● The country's rate of inflation must not exceed 3.3% ● The country's long-term interest rates must not exceed 9.3% ● The country must have exhibited exchange rate stability as a participant in the Exchange Rate Mechanism

B. The Introduction of the Euro Currency

January 1, 2002 became a historic day for France and eleven other countries in Europe as the new euro bills and coins were introduced into circulation. With this change, over 300 million people said good-bye to their familiar national currencies and adjusted to the new bills and coins of different sizes and colors. These people also had to become familiar with the six digit numbers, shown in table 3-B, in order to be able to convert the prices from the old currencies to the euro. For French people, 6.55957 became the magic number: 1 euro = 6.55957 French franc.

Table: 3-B (Société Générale 1999)

The Fixed Exchange Rates with the Euro						
Country (currency)	Austria (schilling)	Belgium (franc)	Finland (markka)	**France (franc)**	Germany (mark)	Greece (drachma)
1 euro =	13.7603	40.3399	5.94573	**6.55957**	1.95583	340.750
Country (currency)	Ireland (punt)	Italy (lira)	Luxembourg (franc)	the Netherlands (guilder)	Portugal (escudo)	Spain (peseta)
1 euro =	0.787564	1936.27	40.3399	2.20371	200.482	166.386

French people were able to obtain a "euro kit" for 100 French francs on December 14, 2001, in order to become familiar with the new euro coins before they were put into circulation. The "euro kit" was part of the public promotions organized by the central bank, and it contained 44 coins of eight different denominations: 1, 2, 5, 10, 20, 50 cents and 1, 2 euro coins. People could not use these coins until January 1, 2002 however. On New

Year's day, the euro bills became available to the public at ATM's, banks, and post offices.

In France, the dual-currency period lasted only a little over a month and a half. At midnight, on February 17th, the French franc became a thing of the past, and French franc bills and coins were no longer legal tender after this day. Although the euro zone countries were able to maintain their national currency until the end of February 2002, as it was decided at the summit in Madrid in 1995, France decided to keep its dual-currency period a little shorter than some other euro zone countries.

French people were able to exchange the French franc bills and coins for euro at regular banks and post offices until the end of June 2002. The franc coins can be exchanged at the *Banque de France* until February 2005, and the franc bills until February 2012. Each euro zone country has its own deadlines for exchanging its national currencies for euros, and some countries do not have deadlines at all.

Although the currency change in France was completed on February 17, 2002, there have been many changes in the lives of French people since then.

C. Timeline

Change of Currency in France

Y/M/D	Events / Changes
1360	First franc issued in France
1992/2/7	The Ministers of Foreign Affairs of the European Union sign the Treaty of Maastricht: three stages to achieve EMU, requirements to join the euro zone
1992/9/20	French people approve the treaty by referendum (in France)
1993/11/1	The Treaty of Maastricht in effect
1994/1/1	European Monetary Institute is created
1995/12	Madrid summit: the name of the new currency "euro" is decided, euro schedule is established
1997 - 2001	Training of civil servants start
1997/6/17-18	Amsterdam summit: euro designs are chosen
1998/5	11 euro zone countries are officially designated
1999/1/1	¤ is born, exchange rates with the 11 currencies are fixed
1999/5	Personal checks available in euros The Treasury, the tax authorities, URSSAF (French social security contributions) start to accept euro-denominated checks
2000/7	Public procurement and State contracts start to be denominated in euros; the main public sector utilities switches to the euro

2000/9	Danish people reject the euro by referendum
2001/1/1	Greece joins the euro zone The French Ministry of the Economy, Finance and Industry launches an information campaign aimed at the general public called *"The euro, it's easier together"*
2001/4	*The official euro changeover guide* is published for retailers and professionals
2001/10	Electronic payments automatically in euro, unless otherwise specified in a store; stores lower the minimum amount for bank card payments *Sécurité sociale* (health insurance) funds switch to euros
2001/12/14	"Euro kits" worth 100FF made available
2002/1/1	Euro bills and coins in circulation
2002/2/17	Franc bills and coins out of circulation
2002/2/28	Official deadline for all euro zone countries to take their national currencies out of circulation
2002/6/30	Last day to exchange francs to euros at regular banks and post offices
2005/2	Last day to exchange franc coins at the *Banque de France*
2012/2	Last day to exchange franc bills at the *Banque de France*

4. Bills and Coins

A. Currency as National Identity

I have lived in or traveled to thirteen different countries, including Japan, USA, Ecuador, France, Mexico, Spain, Norway, and Sweden. While some of these countries have chosen to adopt either a foreign or a new currency, I had the opportunities to use all of their national currencies, including the ones that are no long in circulation today.

I was fascinated and excited to discover new and old currencies wherever I went, as I could add them to my collection of currencies. In some countries, all bills are exactly the same size, while many countries' bills vary in size and color. Each country has its own unique bills and coins, using different types of inks, materials, and minting methods. In some countries, bills and coins are so worn out that it makes you wonder how long they have been in circulation and how many people have held those bills and coins in their hands.

Although currencies in different countries vary in many ways, as I described above, all currencies have one thing in common: they all represent, in one way or another, the countries in which they are used. Many bills and coins are decorated with images of important historical figures from the country, such as kings, political leaders, scientists, authors and national heroes. Buildings and monuments that show different styles of architecture are commonly used designs on bills in many countries.

Animals and plants that are unique to the country or represent its regions are also designs that can be found on many currencies. Because of their limited surface areas, smaller and simpler symbols are often used on coins, though some coins do have designs of a building or a figure of an important person which are quite sophisticated.

Because currencies represent their countries, one could purport that those countries which have changed their currencies have lost a part of their national identities. A journalist and the author of *Biography of the D-mark*, Wolfram Bickerich, says "(The German mark) is the only national royalty element for the majority of people, that is stronger than the flag or the national anthem." The German mark, for example, has become a very powerful currency after the war and has also become a symbol of stability for the people (Ricard 2002). Although the degree of nostalgia may vary, many Ecuadorian and French people felt that they have lost a part of their national identity. In both of these countries, some of the figures and symbols have survived and returned as faces of new national coins; however, many beautiful, precious designs of their national symbols and figures are lost and now they can be found only in museums or in the hands of currency collectors.

B. Ecuadorian Bills and Coins

When the dollarization plan was announced on January 9, 2000, five bills, in the denominations of 1000, 5000, 10000, 20000, and 50000 sucres, and three coins, with values of 100, 500, and 1000 sucres, were in circulation. 5000, 10000, and 20000 bills seemed to be the most commonly used bills of the five, and all of the coins were used with equal frequency. All five bills were the same size, but the size of the coins were all different, the smallest one being worth the least, and the largest one worth the most. All the coins were bi-metallic, which means that they were made up of two separate pieces of metals, and there were a few variations of each coin depending on the year the coins were issued.

As mentioned earlier, some of the historical figures, buildings with distinctive architectural styles, and national symbols disappeared from Ecuadorian people's daily lives as the sucre bills and coins were taken out of circulation. These figures, buildings, and symbols of Ecuador can not simply be replaced by George Washington, Abraham Lincoln, or other figures of the U.S. bills and coins. What kind of figures and designs were used on the sucre bills and coins? What do they mean to the Ecuadorian people?

As with many currencies of the world, various political figures, mostly former presidents, were chosen to decorate the sucre bills and coins: Eloy Alfaro on the 50,000 sucre bill; Gabriel Moreno on the 20,000 sucre bill;

Vicente Rocafuente on the 10,000 sucre bill; and Isidro Ayora on the 500 sucre coin. All were presidents of Ecuador at least once, and made many notable and essential accomplishments which had impacts on the history of Ecuador and, in some cases, on the history of neighboring countries as well. All the figures on the U.S. bills and coins, with the exception of Alexander Hamilton on the ten dollar bill, were former presidents of the United States, were chosen for the same reason, for their accomplishments and achievements in the history of the United States. Therefore, these men and their accomplishments may not mean anything to Ecuadorian people, who do not share the same history with the people of the United States. For the majority of people in Ecuador, accepting these foreign bills and coins, decorated with figures and symbols which were meaningless to them, was difficult, as well as letting go of their currency which had familiar and meaningful figures and symbols. Bruno Stornaiolo, a psychologist, commented in an Ecuadorian newspaper *Hoy* that "the use of the sucre was a deep-rooted custom which lasted more than a hundred years, [it is] difficult to change in little time" (Campaña para retirar 2001).

Unlike the U.S., Ecuador has also used non-political figures to decorate its currency, which is fairly common in other countries throughout the world as well. For example, Juan Montalvo on the 5,000 sucre bill was an essayist, who was "endowed with a lucid and inquisitive intellect and a strong, quasi-romantic temperament…turned his vivid style to a variety of

historical, philosophical, and cultural themes. He also wrote a witty sequel to *Don Quixote*, entitled *Capítulos que se le olvidaron a Cervantes* (*Chapters Cervantes Forgot*)" (Montalvo). Francisco Xavier Eugenio de Santa Cruz y Espejo (Eugenio Espejo), on the 1,000 sucre coin, was also a writer, in addition to being a doctor, lawyer, and revolutionist. He had an impact on Ecuador as well as on one of its neighbors, Peru, as Manuel Montero Valdivieso pointed out, in his writing in *Cuadernos de Historia de la Salud Pública*: "Dr. Eugenio Espejo's destiny emphasized paradigmatic historic events that connected Peru and Ecuador sentimentally and scientifically." Rumiñahui, whose figure was on the 1,000 sucre bill, led the indigenous people and fought against the Spaniards in the 16th century. He was an intelligent man on the battle field and able to organize thousands of men at a time. However, "with Rumiñahui's death, the last flames of indigenous courage [were] extinguished" (Ministry of National Defense 2002). Centuries later, he reappeared on the face of an Ecuadorian bill, as a symbol of the force and pride of the indigenous people, though his existence was once again denied by a foreign power, replaced this time by the faces of Washington, Lincoln, Jefferson and other former presidents on U.S. currency. José Antonio Sucre, whose face was on the 100 sucre coin, and also on the five sucre bill a long time before the sucre devaluated, was another important figure in the history of Ecuador and other countries of Latin America. He fought with Simón Bolívar for independence from Spain

in the early 19th century. The importance of his presence and accomplishments in Ecuador is obvious, for his name was chosen as the name of the national currency.

In addition to political and non-political figures, one of the most meaningful and sophisticated symbols, used seen all of the sucre bills and coins, was Ecuador's Coat of Arms:

> The Coat of Arms of Ecuador was given to the country at the national Congress of 1900. In the shape of a heart, the Coat of Arms rests on a bundle of sheaves which is the Republic's insignia for dignity. The palm and laurel branches, seen between four adorn flags, symbolize victory. The condor perched at the top offers the country shelter and protection under its outstretched wings and stands ready to strike out against any enemy. In the background is the majestic Chimborazo, the highest mountain in the Andes Range, which unites with the Guayas River to give us the brotherhood of the Sierra and the Coast. The steamboat "Guayas," crossing the river, began service on October 9, 1841, was constructed by Vicente Rocafuerte and was the first of its kind in Ecuador and South America (Ecuadoramazing.com).

This explanation shows that one small design can symbolize so many important beliefs, mottoes, historic events and other aspects of a country. For this reason, the Ecuadorian people did not let the Coat of Arms disappear. Instead, the symbol was maintained and engraved on the new Ecuadorian coins.

C. French Bills and Coins

Before the euro replaced the franc in France, five bills, with values of 20, 50, 100, 200, and 500 francs, and nine coins, with values 5, 10, and 20 *centimes* (1 franc = 100 centimes) and 1/2, 1, 2, 5, 10, and 20 francs, were in circulation. All of the franc bills differed in size. All nine coins were different sizes, and could be divided into three categories: the 5, 10, and 20 *centime* coins which were gold in color and shared the same designs; the 1/2, 1, 2, and 5 franc coins which were silver in color and shared common designs (except the commemorative coins issued for special occasions); and the 10 and 20 franc coins, which were bi-metallic and composed of multiple pieces.

All the figures and symbols on the franc bills disappeared as the euro replaced the franc; however, some which had appeared on the franc coins returned to decorate the national side of the euro coins. Who were these figures, and what did they mean to the French people?

There is one major difference regarding the selection of the figures on the currency in France, Ecuador, and the U.S. None of the figures portrayed on the franc bills and coins were political figures, though they all had great accomplishments and their achievements are still well-recognized today. Claude Achille Debussy, whose figure decorated the 20 franc bill, was an exponent of musical impressionism, who composed numerous music pieces from the end of the 19th century until the beginning of the 20th

century. "In his music, he developed a new fluidity of form and explored unusual harmonic relationship and dissonance…by making use of the whole-tone scale, he achieved new nuances of mood and expression…" ("Debussy"). Paul Cézanne was another artist from the same period, who appeared on one of the franc bills. His figure and his artwork covered both sides of the 100 franc bill. "Cézanne's influence on the course of modern art, particularly on the development of cubism, is enormous and profound," as stated in his biography in *The Columbia Encyclopedia* ("Cézanne"). The figure on the 50 franc bill was one of most well-known French writers, Antoine-Marie-Roger de Saint-Exupéry, who was also an aviator, who flew as a commercial pilot for the air-mail industry and as a military pilot during the World War II. His last book, *Le Petit Prince* (*The Little Prince*), has been translated into many languages and read by both adults and children all over the world. "His writings reflect his feeling for the open skies and desert and embody his love of freedom of action," stated in his biography ("Saint-Exupéry"). Along with these artists, one engineer, Alexandre Gustave Eiffel, and two scientists, Pierre and Marie Curie were also portrayed on the franc bills. Gustave Eiffel was a noted constructor of bridges and viaducts, who designed the internal structure of the Statue of Liberty, though he is probably most remembered for his designing of one of today's most famous and visited landmarks in the world, the Eiffel Tower in Paris ("Eiffel"). Marie Sklodowska Curie was a chemist and physicist, most

well-known for the work she did with her husband on radioactivity and radium. She shared the Nobel Prize in Physics with Pierre and A. H. Becquerel in 1903, and then became the first person to receive the Nobel Prize more than once when she received her second one, in Chemistry, in 1911. "In 1995, Marie and Pierre Curie's ashes were enshrined in the Panthéon, Paris; she was the first woman to be honored so in her own right," noted in her biography in *The Columbia Encyclopedia* ("Curie"). Marie Curie also became the first, and the last, woman to decorate a franc bill.

With the exception of some of the commemorative coins, all of the normal franc coins contained symbolic figures: Marianne, a symbol of the French Republic, on the 5, 10, and 20 *centime* coins; *la semeuse* (a woman sowing), a symbol of fertility and its continuity (which also symbolizes the fertility of the French soil and economy), on the 1/2, 1, 2, and 5 franc coins; the Spirit of the Bastille on the 10 franc coin, and the city of Mont St.-Michel on the 20 franc coin. Both Marianne and *la semeuse* were redesigned and used to decorate the new euro coins.

The figures used to decorate the French currency reflected one of France's cultural aspects, different from those of Ecuador and the U.S., for the fact that artists and scientists were chosen to decorate the franc bills, and not political figures. Perhaps one might think this is ironic, as politics is, indeed, one of the topics that the French people love to discuss, and the

general population's political awareness is high in France, which often leads foreigners to believe that politics are an important part of French people's lives and culture. However, politics may not be the most essential part of their culture as the French consider enriching themselves in various other ways to be very important - for example, learning to play a musical instrument or appreciating classical music, operas, and musicals, or taking time out of their busy lives to read novels and classical texts to cultivate themselves intellectually. Unfortunately, those figures, artists, authors and scientists, who were honored by being chosen to appear on the franc bills, disappeared from the French people's daily lives as the euro came into circulation.

The new euro bills and coins also symbolize different aspects of France and the eleven other euro zone countries. As mentioned earlier, France was able to design the national side of the eight euro coins, which allowed some of the symbols and figures from the franc coins to return after the franc was taken out of circulation. The designs on the euro bills were decided neutrally to represent the culture of Europe in general. Each of the seven bills has designs of a building and a bridge, using the architectural designs from certain eras of history: the Classical style on the five euro bill, the Romanesque style on the ten euro bill, the Gothic style on the twenty euro bill, the Renaissance style on the fifty euro bill, the baroque style of the one-hundred euro bill, the19th-century style on the two-hundred euro bill,

and the 20th-century style on the five-hundred euro bill. Bridges, chosen to decorate the backside of the euro bills, symbolize the liaison between the European people, as well as with the rest of the world (Banque Populaire). Along with the bridge, a map of the European continent decorates the backside of the euro bills.

D. New Currency, New Identity

Many national heroes and people with significant accomplishments in history have disappeared from the faces of bills and coins as currency changes have occurred in different parts of the world. The Ecuadorian and French people witnessed the withdrawal of their old currency with nostalgic feelings, and many of them kept the old coins and bills as souvenirs for the future. While some people were strongly opposed to currency change, some were more optimistic and welcomed a new "identity," which might be a step towards a brighter future. The French people and 240 million people from eleven other euro-zone countries will now have a new identity as "European," by sharing a common currency with common symbols and figures. The Ecuadorian people could be optimistic about their future now that they have joined the dollar zone, however, their future will be better only with the success of their extensive and radical economic reforms, which may be witnessed in the next decade or two.

5. The Cultural Impact of Currency Change

A. Changes in People's Daily Lives

Generally, currency changes occur for various political and/or economic reasons, which is why governments, economists and corporations may focus only on analyzing the economic and political results of currency changes, and not on other outcomes that affect people's everyday lives. However, it is not easy to ignore the cultural impact on people that is caused by currency changes. Many people in both Ecuador and France, who anticipated negative consequences and were opposed to the currency change, are now struggling with both expected and unexpected unfavorable outcomes.

Although France and Ecuador are very different culturally, economically, and politically, similar outcomes were experienced by people of both countries. At the same time, there were many different consequences that resulted from the cultural differences between the two countries. By comparing the similarities and the differences of the outcomes, it is possible to analyze how the currency change affected Ecuadorian and French people.

B. Similarities Between the Two Currency Changes in Ecuador and France

The change in prices was one of the main concerns of both Ecuadorian and French people, before, during, and after the currency

change. Many people had doubts about the conversion. Some thought that the stores raised their prices along with the introduction of a new currency unit. The most common way of the change in price was "rounding up." For example, something that cost 23,000 sucres before the currency change would cost 92 U.S. cents after the conversion. However, a merchant might raise the price for "convenience" by setting the price to one dollar so that there would not be any change. This would means that there was 8% of increase in price for absolutely no reason, and the merchant would make an illegitimate profit. Eight cents may seem like very little, but 8% is not. If people's salaries stayed the same and their expenditures increased by 8%, many would have financial troubles.

This phenomenon occurred in France as well, as the conversion rate was 6.55957 francs to one euro, and the converted prices usually came with fractions. Although in some cases "rounding down" was observed (the converted price of 15.02 euros would become 15 euros, for example), in the majority of cases, rounding up was more common, and in some cases the prices went up more than 15%. This complication of conversion and the price tags, marked in two different currency units, resulted in an increase of time spent shopping. According to one survey carried out in France, 64% of the people polled said that it took longer to shop, while 36% said that it did not make a difference. 84% of the people claimed that they looked at the prices both in francs and euros, while only 12% of the people said that

they only looked at the prices in euros (Wakizaka). Although this may seem like a small detail, because everybody deals with money everyday, this could potentially affect people's schedules in the end. Imagine taking extra time to do all these activities: buying a newspaper in the morning, paying the transportation fee, ordering a cup of coffee and a croissant for breakfast, eating out for lunch, going grocery shopping, checking bank statements and paying the bills.

Secondly, people in both Ecuador and France felt nostalgic about loosing their old currencies and letting them go out of circulation forever. In Ecuador, for example, as soon as the sucre was out of circulation, the bills and coins were sold on the street as souvenirs by many street vendors. Some people kept the old currency so that one day they would be able to show their children, born under the reign of the dollar, what their national currency had looked like (Raymond).

Although the introduction of the euro meant a step toward a new era, many French people shared the same nostalgic feelings that Ecuadorian people had experienced a year earlier. For example, Sophie Laparlière of Poitiers, France said, "…One common currency for international trades is good, but we have lost a bit of our identity" ("Bye-bye le franc"). According to an IPSOS (IPSOS) survey printed in *Le Journal du Dimanche*, 45% of the respondents said that they were happy to have a new currency, while 43% said that they were sorry for the disappearance of the franc ("Le franc est

mort, vive l'euro").

Another similarity between the two processes of currency change was how Ecuador and France chose the designs of their new coins. Both countries used the new coins, the new Ecuadorian-U.S.-dollar coins and the euro coins respectively, to hold on to a part of their "lost identities." A U.S. Senator Connie Mack said that "minting coins domestically…may satisfy political desire for a domestic currency as an element of national identity." The Ecuadorian Central Bank issued five new Ecuadorian coins, 1, 5, 10, 25, and 50 cents, which are equivalent to the respective U.S. coins. They are exactly the same size and weight as the U.S. coins. The new Ecuadorian 1, 5, 10, 25, and 50 cent coins have their denominations on one side, and on the other side, the South American continent, Juan Montalvo, Eugenio Espejo, Jose Joaquín de Olmedo, and Eloy Alfaro respectively. Some of the figures from the sucre bills and coins survived through the currency change and returned as new faces on the new national coins.

France was also able to conserve some of its figures and symbols by putting them on the national side of the new euro coins. For example, Marianne, the woman who symbolizes the French Republic and whose image decorated the 5, 10, and 20 *centime* coins, appears on the national side of the 1, 2, and 5 euro cent coins. Likewise *la semeuse*, a woman sowing seeds which appeared on the 1/2, 1, 2, and 5 franc coins, was chosen for the 10, 20, and 50 euro cent coins. For the 1 and 2 euro coins,

the tree with the hexagon, a geographic symbol of France, and the words "liberté, égalité, fraternité" (liberty, equality, fraternity), which symbolize the national motto, are used. The initials "RF," which stand for République française (French Republic), are on all of the euro coins with a French national side.

As a result of the currency changes, both Ecuador and France joined larger currency zones which made international trade easier and smoother for both countries. Now Ecuador can trade with the United States and other countries which use the U.S. dollar without worrying about the exchange rates and transaction fees, and France can do the same thing with the eleven other countries which have adopted the euro. It is probable that more countries will join the euro zone in the near future, and France and the rest of the euro zone countries will have more advantages trading with their neighbor countries, because they no longer have to think about the exchange rates.

Lastly, in both countries, certain businesses and people benefited before, during, and after the currency change for a variety of reasons. Some of the obvious businesses that made a profit during the process include: the companies that dealt with vending machines, ATM's, and any machines that operate with money, because all those machines had to be adjusted or updated in order to function properly with a new currency; credit card companies, which promoted a smooth conversion by encouraging

electronic transactions. On a smaller scale, people who sold calculators, conversion tables, and old bills and coins as souvenirs earned a one-time profit. Interestingly, the currency change period was also a good time for certain criminals; they took advantage of people's lack of knowledge of the new currency. This was the best time to make and use a large amounts of counterfeit money. Also during these periods, millions of new currency had to be physically transported to banks, ATM's and other financial institutions, and the armored trucks carrying unusual amounts of cash were targeted by criminals. In November 2001, within a span of only a month, ten armored euro-laden trucks were robbed (Newsweek 2001).

C. Differences Between the Two Currency Changes in Ecuador and France

One of the biggest differences between the currency changes in Ecuador and France was that France was converting to a brand new currency, whereas Ecuador was adopting a foreign currency. As described earlier, in the section on the euro bills and coins, the new euro currency does show some of the French identity and its culture. Although the buildings and bridges portrayed on the euro bills do not exist, the architectural styles are found in France today as well as in the past. The designs on the euro bills are not completely foreign to the French people. However, for Ecuadorians, the U.S. dollar bills were very foreign and there was no affinities between them. The figures and symbols on the green bills

do not mean anything special to most of the Ecuadorian population. Will they ever consider George Washington as one of their national icons? It's unlikely. The green money will always be a part of the American identity and will probably never become a part of the Ecuadorian identity.

The Ecuadorian and French people also differed in their perceptions of the future that a change of currency would bring. "To critics, it [the euro] represents a step toward a 'European superstate that will submerge the individuality of the European nations in an unwieldy federation…' wrote one British commentator" (Samuelson). As of today, we are not completely sure how far the consolidation of European nations will go in the future, however, with the introduction of the euro, some French people now have a sense of being "Europeans." In France, the euro and European citizenship, part of France's new identity, are probably seen more optimistically as a road to a hopeful future, though the same can not be said about the Ecuadorian people and their new currency. There are fears of Americanization among some Ecuadorians. "We see dollarization as another way that the U.S. is trying to dominate Latin America," says Katherine Salazar of Quito (Hodgson).

Ecuadorian people had a good reason not to be so optimistic about the dollarization. The difference between the economic levels of the U.S. and Ecuador was far greater than that of France and other euro zone countries. "The problem is that we're a poor country with a rich country's

currency. How are we expected to survive?" said Beatriz Tipan, 42, whose husband was a university professor and was earning about seventy U.S. dollars a month in sucres (Faiola 2000). Because the French franc was one of the stronger currencies, along with the German mark, within the euro zone, French people did not have to face some of the problems that Ecuadorian people are still struggling with today.

Not having a sufficient amount of change was one of the biggest problems that people have been facing since the dollar was put into circulation in Ecuador. Because of the economic difference between Ecuador and the U.S., and because there was a big numerical difference between the Ecuadorian and the U.S. currencies, Ecuadorian people were in need of more change and smaller bills. For example, paying for a 15 cent bus ride with a dollar bill in Ecuador would be like paying for a one-dollar bus ride in the U.S. with a ten dollar bill in the U.S. If a tourist in Ecuador used a ten or twenty dollar bill (or even a five dollar bill for that matter) to pay such an inexpensive bus ride, the bus driver would not have enough change. In such a situation, a *controlador* (a man who collects money on the bus) or a bus driver would often ask passengers if they had exact change or a smaller bill. The same situations occurred in small stores; cashiers might ask customers for exact change, because receiving larger bills (or sometimes even a one dollar bill) would require a vendor to give away change, which many cashiers and particularly street vendors did

not want to do. If the cashiers and vendors did decide to accept "big" bills, such as five and ten dollar bills, they might have to leave their stores or stands to find their friends or other venders who could give them enough change, reducing their business time on the street.

Although lack of change made some transactions a little more time-consuming in the few days following the introduction of the euro, most French people did not experience the same problems related to change. The French government and banks were well prepared for the change currency and they had enough bills and coins in circulation. Another reason why French people had less trouble than Ecuadorian people was because they used more debit and credit cards as well as checks in euro denominations, so that they did not need to have actual cash in their hands. This was true with my personal experience as well. When I was in France, I had a debit card from a French bank and a Visa card from the U.S., which I could use at most stores. On the other hand, in Ecuador, debit and credit cards are mainly accepted only at big shopping malls and large supermarkets. There were many stores and offices that did not accept electronic payments. As carrying a big amount of cash is not a safe thing to do in Ecuador, not being able to make electronic payments was often inconvenient.

Not only did France deal with the "change issue" more effectively, but also, in general, the overall transition there was smoother and quicker than

in Ecuador. The conversion from the French franc to the euro had been planned for a long time and it was a result of many discussions and meetings between the euro zone countries, whereas in Ecuador, the dollarization was decided very quickly by a small number of people in the government, and Ecuadorian people did not have much time to prepare for the transition. Because France and other euro zone countries had prepared for a long time, they had a shorter dual-currency period than Ecuador. Two months was the maximum time to convert from the national currency to the euro in all euro zone countries, although the French government decided to end the dual-currency period in France a little earlier than some countries, making February 17, 2002, the last day to use the French franc.

On the other hand, with less amount of planning time, Ecuador had to have a longer dual-currency period, where the dollar and the sucre coexisted in circulation and were used together, in order to take sucre bills and coins out of circulation as much as they could, while the BCE was putting more U.S. bills and coins in circulation with new Ecuadorian coins. This was a very confusing time for foreigners as well as for most Ecuadorians. Receiving change in two different currencies was one of the unforgettable experiences that I had in Ecuador. I usually tried to save some change for the bus fee, but often I had to use a one dollar bill, sometimes even a five dollar bill, a "big bill" (using the 10 and 20 dollar bills

on the bus was out of question). When I paid the 15 cent bus fare with a one dollar bill, I could have received 85 cent change in many different ways; with one 10,000 sucre bill, two 1,000 sucre bills, one 500 sucre coins, one U.S. quarter, and one U.S. dime; or perhaps with one 5,000 sucre bill, three 1,000 sucre bills, one 500 sucre coin, two U.S. quarters, and a penny. This was a very confusing way to receive change. When I used a five dollar bill, I often received a part of the change and the driver or the *controlador* had to wait until he received enough change from other passengers in order to be able to give me the rest of my change. Fortunately, I did not have the same experience when I was going through the transition in France, or in Spain, another euro zone country, where I spent two weeks during winter break when the euro was introduced into circulation. Theoretically, anybody could have done the same thing in France too; a vendor could have given change in francs and euros. However, in almost every case in my experience, customers received their change only in one currency, often with the euro, as the government and the banks were trying to speed up the process of conversion. On January 2, 2002, when I used a peseta bill to pay for postage at a post office in Spain, I remember receiving my change in euro coins, and telling myself that I would never forget that I was taking a small part of this big conversion process in European history.

One of the main reasons why France made a smooth and successful transition from the franc to the euro and why the transition was more difficult

in Ecuador was due to public education and informational campaigns. In France, various campaigns were held on many occasions in different places, such as on university campuses, at museums, and at shopping malls. Little wallet-size conversion tables, franc-euro calculators, posters of new euro bills and coins, pamphlets, and brochures were given to the public in post offices, banks, and stores, as well as at promotional events. In December 2001, more articles about the new currency were published in French newspapers and magazines, and often there were special sections dedicated solely to the promotion of the public awareness of the currency change. On December 14, 2001, a small bag of new euro coins became available to the public at post offices and banks, and people could obtain a bag, containing 15.12 euros, in exchange for 100 francs. These "euro kits" were distributed to help the public become more familiar with the new coins.

Although there was some effort made to educate the public in Ecuador about the dollarization plan, the quality and quantity of informational campaigns were inferior to those in France. Posters could be found in public places, on buses, and in taxis, and many articles were written in Ecuadorian newspapers and magazines. However, unlike in France, public awareness did not reach the countryside and less populated areas in Ecuador. Often, in Ecuador, people in small villages are ignored and are not included in the government's political and economic considerations, and this was no different during the process of dollarization.

With less education and promotion, the dollarization received less support in the less populous areas. "…the government's dollarization education campaign has largely been restricted to the urban centers. Skeptical and suspicious, they [farmers and indigenous people in the rural areas] often refuse to accept dollars. These areas, unprepared and occasionally unwilling to make the needed adjustments, could fall further behind," stated Peter Mountford of *the Christian Science Monitor*. More obstacles existed in the countryside due to the low levels of education and economy. People with limited education had a harder time accepting the new currency and also switching from the currency that they had been using for many decades to something completely unfamiliar. Besides the level of education, the difference in the economic level between the cities and the rural areas also became an obstacle for a smooth transition. The economic activities were less brisk in the countryside, which meant that fewer monetary transactions were made compared to the more populated areas. Therefore, it took more time to introduce new bills and coins and take the old currency out of circulation. The separation between the large cities, such as Quito and Guayaquil, and the smaller cities and villages resulted in less of a flow of capital between them, which made it more challenging to introduce new currency since the majority of new bills and coins were brought to those large cities. This is why Ecuador had to have a longer dual-currency period than France, and why so many sucre bills and coins maintained their

presence in circulation in the countryside even after the official date for sucres to be taken out of circulation. People in rural areas kept using the old currency because, for them, money was not the center of their lives as it was in the lives of people living in cities. The value of money weighs differently for those people than it does in our lives in more developed countries, where "time is money," and people kill and are killed for money. A professor in a high school in the rural area of the province of Bolívar, Vinicio Ortiz, claimed that "…in those communities…which are far away from 'civilization'…money is not the core part of their lives (Campaña para retirar 2001).

Lack of education in Ecuador resulted in another problem, which did not occur in France, as the dollar was introduced into circulation. It is ironic that the new bills in Ecuador, the dollar bills, are mono-colored, whereas the new currency in France, the euro bills, are all different colors. All denominations of the euro bills can be distinguished by seven vivid colors: gray, red, blue, orange, green, yellow, and purple. On the other hand, the "greenback," the U.S. dollar bills, are all green as this slang term would indicate. With the high illiteracy rate among the Ecuadorian population, about 10% (though many people in remote area may not be included in this figure), the introduction of the mono-colored bills created a problem that the designers of these bills might have not imagined. An expert of indigenous people's affairs, Ileana Almeida, purported that "…the indigenous people in

those remote communities [in Ecuador], who could not read or count, traditionally, used the color of the bills to distinguish their values" (Campaña para retirar 2001). On the back of the 5, 10, 20, 100, and 1000 sucre bills, five bright colors, red, blue, brown, purple, and green, were used so that one could distinguish the value of the bills by their colors. Although the colors used for the 5000, 10000, 20000, and 50000 sucre bills were not as vivid as those of lower denominations, their colors differed enough so that one could still distinguish them without being able to read the numbers on the bills. The U.S. coins also created a problem for those who were illiterate in Ecuador. Petrona Sanchez, a lottery-ticket vendor on a street corner of colonial Quito, expressed her frustration with the new coins. "They don't have numbers on them…how can you tell what they're worth? I can't understand this money at all" (Hodgson 2000). All of the old sucre coins had their denominations in numbers on one side, and each denomination has its own size as well. The new Ecuadorian-dollar-coins, whose weight and size are exactly the same as those of the U.S. coins, show their denominations in numbers on one side to resolve this problem.

D. From Ecuador and France's Experience

The Republic of Ecuador in South America and the French Republic in Europe, these two countries differ in many ways: geographical location, history, development, people and their cultures. As stated at the beginning

of the thesis, the two distinctive countries have gone through two similar processes, currency change, and have experienced many similar consequences, though some of the long-term outcomes are yet to be seen fully. However, many countries in the world can learn from Ecuador and France's experience, especially the countries that will undergo the same process in the future; their advice could lead to successful currency changes without the problems and struggles that the Ecuadorian and French people experienced.

6. Conclusion

This thesis shows two examples of countries that have chosen to change their currencies and have managed both the positive and negative effects of currency consolidation by joining larger currency zones. Ecuador and France have also experienced the intended economic and political changes during and after the currency changes, as well as some expected and many unexpected impacts on their citizens and their cultures. The changes that occurred in the people's daily lives were drastic, and some people continue to face the challenges caused by the currency changes. Those people need more support, economically, politically, and culturally, from their political and economic institutions.

As I had life-changing, priceless international experiences, I was able to determine the similarities and differences between the outcomes in the

two distinctive countries, which made me realize that many countries in the world share some aspects of their cultures with another, while they are diverse and unique in their own way. Will global currency consolidation affect this world structure in the future? Will this lead to the creation of a single world currency that will unite every citizen on the planet? Perhaps it is too soon to determine what the role of recent currency consolidation is, and in which direction our world is steering. However, it is essential to watch carefully and observe each step that each country takes, in order to find a path to the brighter future for every citizen of the world.

List of Tables

Appendix: Sucre and Franc Bills

5 sucre bill: Antonio José de Sucre

10 sucre bill: Sebastián de Benalcazar

20 sucre bill: Compañia de Jesus-Quito

100 sucre bill: Simón Bolívar

1,000 sucre bill: Rumiñahui

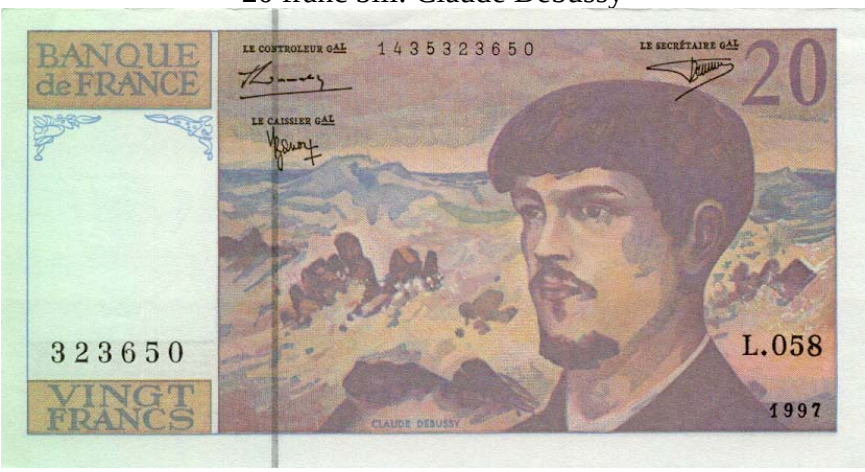
5,000 sucre bill: Juan Montalvo

10,000 sucre bill: Vicente Rocafuerte

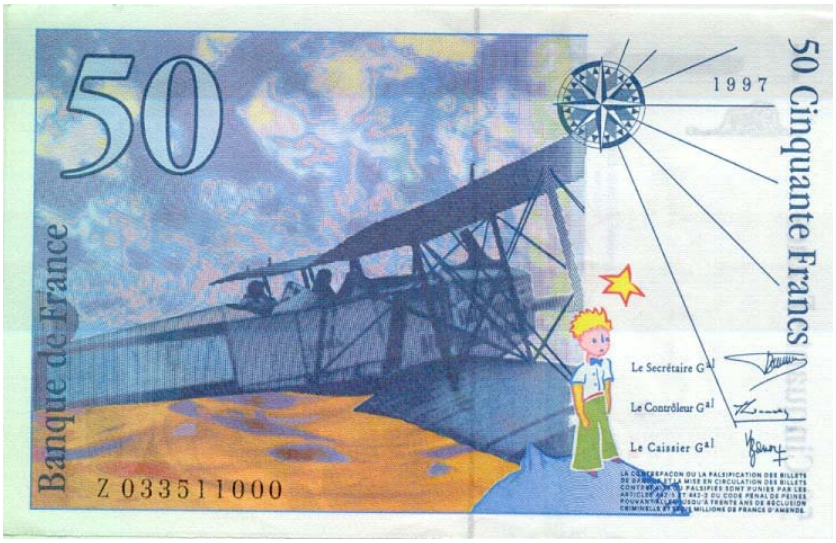
20,000 sucre bill: Gabriel García Moreno

50,000 sucre bill: Eloy Alfaro

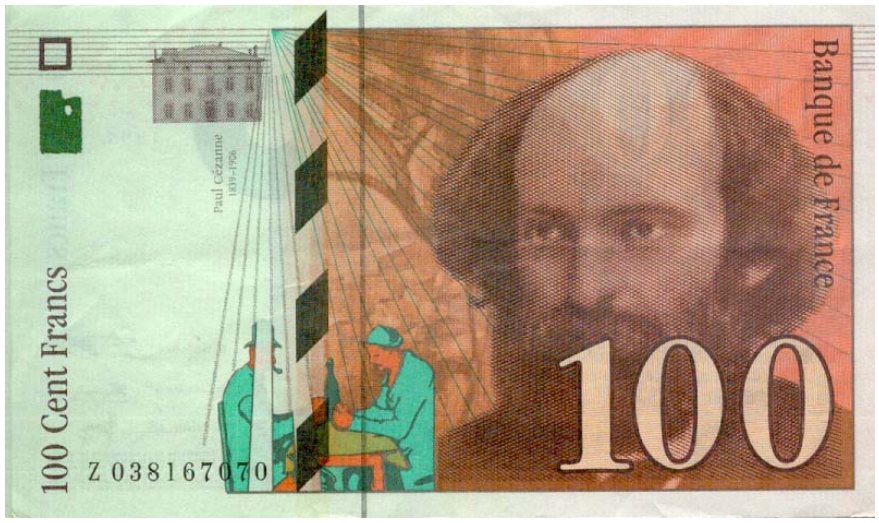
20 franc bill: Claude Debussy

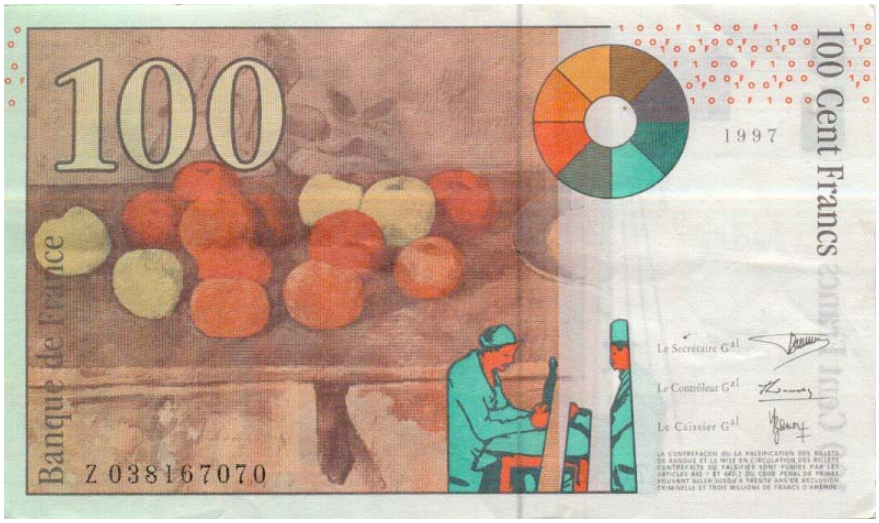


50 franc bill: Antoine de Saint-Exupéry



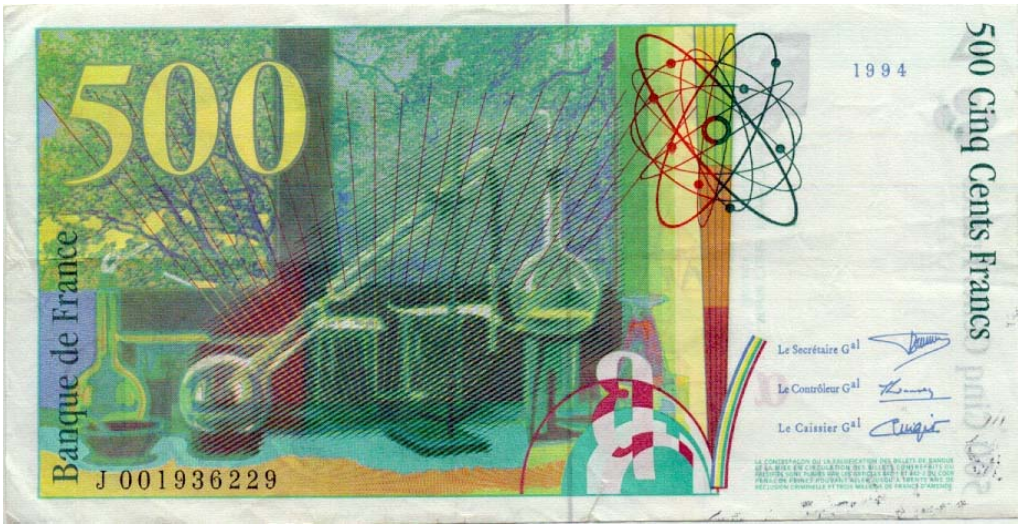
100 franc bill: Paul Cézanne





200 franc bill: Gustave Eiffel

500 franc bill: Pierre & Marie Curie



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