# Currency Unions On The Territory Of Europe

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**Abstract:** The article considers the history of the monetary union development in Europe. The stages of European integration are presented. The analysis of historical experience of currency integration on the example of the European Union is carried out. The importance of observing the experience of monetary integration for its application by the Eurasian Economic Union is pointed out.
**Keywords:** integration, currency integration, monetary union, European Union (EU), Eurasian Economic Union (EAEU).

Economic and monetary integration play an important role in the country's economy. The history of integration processes is very complex and extensive. It resulted from the transformation of market relations, the liberalization of developed European states, and the development of lagging regions of the world. Integral style integration is an integral part of economic integration. Currency integration is gaining its importance. Thanks to the processes of globalization, which in turn generate financial crises. Therefore, cooperation of individual groups of countries in the monetary and financial sphere is necessary to ensure the sustainability of national financial systems and exchange rates.

The most striking example of economic and monetary-financial integration is the European Union (EU). The EU has an integrated financial market and a single currency. The processes of integration in Europe began more than fifty years ago. In this regard, Europe has accumulated a very large integration experience, which is being investigated nowadays.

The formation of the first monetary union in Europe was the signing of an Austrian agreement with the German Customs Union in 1857. In this agreement it was stated that three different currencies were linked by an agreed constant exchange rate and a common unit of account, so the issue of a single currency was not assumed. There was not a single supranational body for negotiating agreements and setting disputes, in the event of failure by one of the parties to the agreement.

The lack of integration in the banking and monetary systems allows us to consider this union as formal, which only support the conditional exchange rates. In 1866, the union broke up due to the war between Austria and Prussia. In 1865, the Latin monetary union was formed, with members-states: France, Belgium, Italy and Switzerland. The dominant role in this union belonged to France. The base for the formation of a monetary union has already existed before the creation of the currency union, so Belgium, Italy and Switzerland adopted the French bimetallic standard with a fixed ratio between silver and gold.

The agreement between the member states presupposed the achievement of uniformity in the coinage of coins, which were to be mutually accepted by the national treasuries as a legal tender. Emission was determined by a formula that was based on the relative size of the country's population. In 1868, Greece and Spain joined the alliance, and in 1889 Austria-Hungary, Romania, Bulgaria, Venezuela, Serbia, San Marino and the Papal States joined the alliance. Due to political instability at the beginning of the 20th century, the change in the correlation of gold and silver prices, as well as the more active use of banknotes, this union disintegrated in 1927 [3].

In 1873, the Scandinavian Union was formed, between Denmark and Sweden monetary union was formed, and then in 1876 it included Norway. The union ensured a fixed exchange rate and stability of currencies. However, the countries continued to issue the national currency. Gradually, on the territory of the union, the currencies of all three countries were accepted for payment on equal terms. The First World War served as the disintegration of this union, so the countries ceased to provide coins with gold. Officially, the Scandinavian monetary union was never dissolved, but it lost its importance in 1924. After the Second World War in 1957, the European Economic Community was created, which later served as the European Union.

The European Union is a unique economic and political alliance between the 28 European countries that together cover most of the European continent. The predecessor of the EU was created after the Second World War. The first steps were to promote economic cooperation: the idea was that countries having trade relations with each other become economically interdependent and, therefore, are more likely to avoid conflicts [4, c. 45-46]. As a result, the European Economic Community (EEC). Appeared in 1957, economic cooperation was established between Germany, France, Italy, Luxembourg and the Netherlands [5, c. 165]. Since then, 22 more members have joined the union, and a huge domestic market has been created [6].

Thus, for the formation of a currency union, four stages should be passed: a free trade zone, a customs union, a common market and an economic union.

The decision to create an economic and monetary union was adopted by the European Council in the Dutch city of Maastricht in December 1991 and was later enshrined in the Treaty on the European Union (Maastricht Treaty). Maastricht Treaty (officially named the Treaty on European Union) was signed on February 7, 1992 and entered into force on November 1, 1993. The Maastricht Treaty was created by the following countries: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal and the United Kingdom [8, c. 66-67].

The states participating in the creation of the Maastricht Treaty agreed to strict criteria (called the criteria of the Maastricht Treaty) for accession. Each state that wants to use the euro should be part of the Union, must comply with the Maastricht Treaty and these criteria. Maastricht criteria are the rules that determine whether a country is ready to accept the euro as a national currency or not. The Maastricht Treaty criteria include inflation targets, budget deficits, public debt, interest rates and exchange rates [9].

The single currency (euro) in the European Union was introduced nine years after the signing of the Maastricht Treaty in 2002. The euro has brought many advantages, such as a smaller number of disruptions in intra-European trade, an increase in price transparency and a decrease in the cost of capital for European firms [11, c. 15]. Adaptation to a single monetary policy was not easy. Slowly developing economies, such as Italy, prefer the more liberal policies of the European Central Bank (ECB) and the weaker euro, while fast-growing economies such as Ireland prefer a tougher policy to cool their overheated economy. Moreover, the interest rates of the «convergence economy» - EU slang for poor, peripheral countries such as Greece and Portugal, suddenly fell to the level of Germany. Consumption, investment rising and wages increased sharply. After their boom, the convergence economy was saddled with excessive wages, a lag in competitiveness and rising unemployment, which required austerity measures. After the start of the economic and financial crisis, the European Union took unprecedented steps to improve the structure of the economic management of the EMU, such as the adoption of new mechanisms to prevent economic imbalances and better coordination of economic policies.

In 2015, the presidents of four European institutions - the European Commission, the European Parliament, the European Central Bank and the European, and the president of the Eurogroup - in the «Five reports» they set out a road map for deepening the economic and monetary union in two stages:

Stage 1: (July 1, 2015 - June 30, 2017): usage of existing instruments and existing contracts to enhance competitiveness and structural convergence, ensure responsible fiscal policy at the national and European levels.

Stage 2: (by 2025): more actions will be taken to make the convergence process more coherent, for example, through a set of agreed convergence benchmarks that are spelled out in the report «Five President's Reports».

Thus, the Economic and Monetary Union (EMU) is an important step in the integration of the countries of the European Union, which began in 1957. EMU includes coordination of economic and fiscal policies, a common monetary policy and a single currency - the euro. Currently, the study of the formation of currency unions is a particularly relevant topic. Since the currently existing regional economic integration, for example, such as the EEMP between the

Russian Federation, Belarus, Kazakhstan, Kyrgyzstan and Armenia, seek to form a single currency market. Therefore, it is necessary to take into account the history of the creation of the European Monetary Union.

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