

Support for euro in doubt as Germans reject Latin bloc notes

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Notes printed in Berlin have more currency for bank customers who fear a 'value crisis'

Ordinary Germans have begun to reject euro bank notes with serial numbers from Italy, Spain, Greece and Portugal, raising concerns that public support for monetary union may be waning in the eurozone's anchor country.

Germany's Handelsblatt newspaper says bankers have detected a curious pattern where customers are withdrawing cash directly from branches, screening the notes to determine the origin of issue. They ask for paper from the southern states to be exchanged for German notes.



X-factor: German bank customers are favouring notes that start with the distinctive 'X' serial numbers, which show they have come from Berlin

Each country prints its own notes according to its economic weight, under strict guidelines from the European Central Bank in Frankfurt. The German notes have an "X" at the start of the serial numbers, showing that they come from the Bundesdruckerei in Berlin.

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Italian notes have an "S" from the Istituto Poligrafico in Rome, and Spanish notes have a "V" from the Fabrica Nacional de Moneda in Madrid. The notes are entirely interchangeable and circulate freely through the eurozone and, indeed, beyond.

People clearly suspect that southern notes may lose value in a crisis, or if the eurozone breaks apart. This is what happened in the US in the Jackson era of the 1840s when dollar notes from different regions traded at different values.

"The scurrilous idea behind this is that if the eurozone should succumb to growing divergences, then it is best to cling to most stable countries," said the Handelsblatt.

"There are no grounds for panic. The Italian state is not Bear Stearns," it said.

Germans appear to be responding to a mix of concerns. Many own property in Spain or Portugal and have become aware of the Iberian housing slump.

A spate of news articles in the German press has begun to highlight the economic rift between the North and South of eurozone.

There is criticism of comments from Italian, Spanish, and French politicians that threaten the independence of the ECB, viewed as sacrosanct in Germany.

But the key concern appears to be price stability. Germany's wholesale inflation rate reached 8.1pc in May, the highest level in 26 years.

The cost of bread, milk and other staples has rocketed, adding to the sense that prices are spiralling out of control. Ordinary people are blaming the new currency - the "Teuro" - a pun on expensive - for their travails in the supermarket, even though the recent spike in farm goods and energy prices has nothing to do with monetary union.

Inflation touches a very sensitive nerve in Germany. Holger Schmeiding, from Bank of America, said the country had suffered two traumatic sets of inflation in living memory, first in Weimar in 1923 and then in 1948.

"People suffered a 90pc haircut on financial assets in the currency reform of 1948. The inflationary effects of two world wars were catastrophic," he said.

A group of leading German professors warned at the outset of EMU that the euro would tend to be weaker than old Deutsche Mark, and that it would fuel inflation over time. German citizens were never given a vote on the abolition of the D-Mark, which had become a symbol of Germany's rebirth after the war.

Many have kept a stash of D-Marks hidden in mattresses to this day. A recent IPOS poll showed that 59pc of Germany now had serious doubts about the euro.

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