MONEY AND THEIR ROLE IN SOCIETY

1. History of money - why was money created? What was money used for in the past? What is money for nowadays? What was and is money like?

Most people think of money as coins, bills, money in the bank, or different forms of money. In the past, beads, shells, stones and even bird feathers were considered money. The value of the listed items was important, as they were considered valuable and were accepted as means of payment. A form of trading began to take place, beginning with barter. It used to be easiest to exchange the things that had the same value. However, it was an impractical and often disadvantageous way of exchange, as it was necessary to find someone who offered the given thing and was also willing to accept the demanded consideration. If you lived in prehistoric times, had an extra 10 geese, for example, and needed new shoes, you would have to find a shoemaker to make your shoes and accept your geese as payment.

For this reason, people thought about how to simplify this complicated form of trading. Precious, desirable and durable objects began to be used, which people were willing to accept even if they did not need them. It started with cattle, salt or furs, later pieces of canvas, kauri shells, various stones or a salt stick were used. However, they were gradually pushed out of the market mainly by precious metals such as gold or silver, because they were rare, durable and people were also attracted by their shine. They were easy to store, easy to weigh and divide.

We do not know exactly when the first money was used, but the oldest written reference to the use of money is from 4500 years ago from Mesopotamia (today the region of southern Iraq). According to the aforementioned written mention, we learn that payment was made in weighted silver. Metal began to be used as a form of money. It was this practice that led to the invention of coins.

Various metals (base and precious metals) were used in barter systems and monetary systems. The historical use of metals provides one of the clearest illustrations of how barter systems gave birth to money. In the 7th century BC in Lydia (present-day Turkey) they began to use weighted lumps of electrum (a natural mixture of gold and silver). These lumps were marked with a pattern that confirmed their weight and thus their value. These pieces of metal can already be called coins. This method of labelling later spread to Europe.

The use of bronze by the Romans clearly illustrates this transition. Initially, "aes rude" (coarse bronze) was used. It was a heavy weight of unmeasured bronze used in what was probably an exchange system with the intention of turning it into tools. The next historical step was bronze in bars that had a pre-measured weight of 5 pounds, called "aes signatum" (signed bronze). Finally, there was a turning point from the use of bronze in barter to its use as money. The reason was the lighter measure of bronze. Aes grave (heavy bronze or As) is the beginning of coinage in Rome. Old coins were minted again in Europe in the 13th century. Frederick II. is referred to as reintroducing the gold coins during the Crusades. During the 14th century, Europe switched from using silver as currency to coining the gold. Since metal coins were heavy and really impractical to use in larger amounts, people began to keep the coins with merchants, from whom they received a handwritten confirmation of the deposit of the money. Before, in China at the beginning of the 11th century, the government started printing receipts for depositing coins. These receipts began to be officially used as money, simplifying the system further and setting a fixed value for these receipts. In this way, the first paper money was created.

In 1661, a shortage of coins made the Swedish Bank of Stockholm start issuing the first printed paper money. Sweden thus became a mercantile country in Europe that introduced paper money. The value of the banknotes was determined by the amount of gold that was stored in the bank. At that time, you could even exchange a banknote for a piece of precious metal on demand. Gradually printed paper banknotes were also introduced by other European countries, e.g. France (1718) or Scotland (1723). This trend was gradually introduced by all the countries of the world at the time and banknotes were covered with gold. However, the covering of banknotes with gold was gradually abandoned in the 20^{th} century. The responsibility for the monetary system rested with the central banks of individual states, which issued banknotes and coins in their national, now international, currency.

With the development of technologies, the form of payments was also improved. At the beginning of the 21^{st} century, payment cards were created. So-called cryptocurrencies were also born, which are basically money in a digital version.

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2. **Banknote and coins- what types of banknotes and coins do we have, the existence of regional banknotes and coins, what used to be used to pay, what banknotes and coins we pay with nowadays , the difference between bills and coins**

what types of banknotes and coins do we have

Banknotes are paper money, or a banknote is referred to as a type of negotiable promissory note issued by a bank or other licensed authority, and is payable to the bearer on demand. In the past, banknotes were issued by commercial banks, which were required by law to exchange the banknotes for legal tender (usually gold or silver coins). Commercial banknotes were primarily replaced by national banknotes issued by central banks or monetary authorities. National banknotes are often – but not always – legal tender. Coins are used for monetary units of lower value, banknotes are used for higher values

Banknote materials

Most banknotes are made of cotton paper with a weight of 80 to 90 grams per square metre. Cotton is sometimes mixed with flax, abaca, or other textile fibres. In general, the used paper is different from ordinary paper: it is much more flexible, resistant to wear and tear (the average life of a banknote is two years) and also does not contain ordinary substances that would slightly brighten ordinary paper under ultraviolet light. Unlike most printing and writing paper, banknote paper is impregnated with polyvinyl alcohol or gelatin instead of water to give it extra strength. Early Chinese banknotes were printed on paper made from mulberry bark.

Over the years, many materials other than paper have been used to print banknotes. Banknotes were made from various textiles, including silk, but other materials such as leather were also used. Leather banknotes were issued in times of need, when the territories of that time were experiencing military sieges. For example, during the Russian administration of Alaska, banknotes were printed on sealskin. In 1848, wooden chess pieces were used as money in Bohemia because they were considered valuable. In France at the beginning of the 19th century, playing cards were used as banknotes. They even used this form of banknotes in French Canada or in the colony of Louisiana.

Polymer banknotes are banknotes, which are produced from a synthetic polymer such as biaxially oriented polypropylene (BOPP). They contain many security features, which are not available in paper banknotes, including the use of metameric inks. The service life of polymer banknotes is significantly longer than that of paper banknotes. Thanks to their longer life, the costs of production and eventual exchange of banknotes are reduced, which leads to a reduction in the impact on the environment. Modern polymer banknotes were first developed by the Reserve Bank of Australia (RBA), the Commonwealth Scientific and Industrial Research Organization (CSIRO), and the University of Melbourne. They were first issued as currency in Australia in 1988. The full introduction of polymer banknotes took place in Australia in 1996. The second country to introduce polymer banknotes was New Zealand in 2003. Within the European continent, Romania was the first country to issue plastic banknotes in 1999, becoming the third country globally, after Australia and New Zealand.

COINS

A coin is a small, flat (usually depending on the country or value) round piece of metal or plastic used as legal tender. Coins have a standardised weight and are produced in large quantities at the mint and are most often issued by the government or the European Central Bank. Coins often contain images depicting some personalities, events, or landmarks important in that country. They also show some numbers and short text. Coins have a front side called the obverse and a back side called the reverse. Coins are usually made of metal, alloy, or sometimes artificial materials. They are usually round in shape. Coins made of precious metals are stored in large quantities like gold coins. Other coins are used as money in everyday transactions along with banknotes. The highest value coin in circulation (except gold coins) is usually worth less than the lowest value note.

Within the European Union, some countries do not have their own national currency but use the euro. These are primarily eurozone states where citizens use euro banknotes and coins that were put into circulation in 2000 by the European Central Bank. Euro banknotes are issued in seven denominations (€5, €10, €20, €50, €100, €200 and €500) and are the same in all countries. Their motifs are the architectural styles of various cultural epochs of European history. Euro coins consist of eight different denominations: 1 cent, 2 cents, 5, 10, 20 and 50 cents, €1 and €2. Euro coins have a common side and a national side. According to the national side, it is possible to determine the country that issued the coin. The author of the common sides of the coins is Luc Luycx of the Royal Belgian Mint. They depict the European Union and Europe and symbolise the unity of the EU. The 1 cent, 2 cent and 5 cent coins show Europe's relation to Africa and Asia on the globe.

It is interesting that since July 1, Slovakia followed some eurozone countries and restricted the use of 1 and 2 cent coins. For example, the same restriction is the case of Italy, Belgium and the Netherlands. 1 and 2 cent coins will continue to remain legal tender until they are abolished by the Council of the EU after consultation with the European Parliament and the ECB at the eurozone level.

what used to be used to pay

In the past, beads, shells, stones and even bird feathers were considered money. Precious, desirable and durable objects, which people were willing to accept even if they did not need them, began to be used as money. It started with cattle, salt or furs, later pieces of canvas, kauri shells, various stones or a salt stick were used. The value of these items was the matter of importance, as they were considered valuable and were accepted as means of payment. A form of trading began, starting with barter.

However, they were gradually pushed out of the market mainly by precious metals such as gold or silver, because these were rare, durable and people were also attracted by their shine. In the 7th century BC in Lydia (present-day Turkey) they began to use weighted lumps of electrum (a natural mixture of gold and silver). These lumps were marked with a pattern that confirmed their weight and thus their value. These pieces of metal can already be called coins. Since metal coins were heavy and really impractical to use in larger amounts, people began to keep the coins with merchants, from whom they received a handwritten confirmation of the deposit of the money. In 1661, due to a shortage of coins, the Swedish Bank of Stockholm started issuing the first printed paper money. Gradually printed paper banknotes were also introduced by other European countries, e.g. France (1718) or Scotland (1723).

what banknotes and coins we pay with nowadays / the existence of regional banknotes and coins

The UN reports about 193 countries in the world. However, if countries that are not members of the UN are included, there are already 195 countries. Logically, one would say that 196 countries also mean 196 national names of the currencies. But it's not like that. According to the agency Travelex, there are officially reported only 180 national names.

Examples of national currencies (as of 31.10.2022)

EUROPE:

- Bulgaria- Bulgarian lev
- Croatia- Croatian kuna
- Czech Republic - Czech crown
- Denmark - Danish kroner
- Hungary - Hungarian forint
- Norwegian- Norwegian krone
- Poland - Polish zlotys
- Sweden - Swedish kronor
- Swiss - Swiss franc
- Turkey- Turkish lira
- The United Kingdom - English pound/ pound sterling

The euro is used by the following countries of the eurozone: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain. The euro is also the currency of member states, which include non-European territories. Specifically, these are the Portuguese archipelago in the Atlantic Ocean - the Azores and Madeira, the Spanish territories on the African continent - the Canary Islands and the autonomous cities of Ceuta and Melilla. The euro is also used as a currency by some French overseas territories, namely French Guiana, Guadeloupe, Martinique, Réunion, Saint-Barthelemy, Saint-Martin, Mayotte, Saint-Pierre and Miquelon, Clipperton Island. In addition, the euro is officially used by the states of Andorra, Monaco, San Marino, and the Vatican. Montenegro and the disputed territory of Kosovo unofficially use the euro.

It is interesting that some countries outside the euro zone are allowed to mint their own euro coins. These are Monaco, San Marino, the Vatican and, since 2013, Andorra.

North & South America:

- Barbadian dollars
- Brazilian reais
- Canadian dollars

- Dominican pesos
- Jamaican dollars
- Mexican pesos
- Trinidad & Tobago dollars
- United States dollars

Asia & the Middle East:

- Bahraini dinar
- Chinese renminbi
- Honk Kong dollars
- Indonesian rupiah
- Israeli shekels
- Japanese yen
- Jordanian dinar
- Kuwaiti dinar
- Malaysian ringgit
- Omani rial
- Qatari riyal
- Saudi Arabian riyals
- Singapore dollars
- South Korean won
- Taiwanese dollars
- Thai baht
- UAE dirham

Australia & the Pacific:

- Australian dollars,
- Fijian dollars
- New Zealand dollars
- Philippine pesos

Africa:

- Egyptian pounds
- Kenyan shillings
- Moroccan dirham
- South African rand

The difference between bills and coins

Banknotes and coins are money, and the difference between them is not only the material but also the nominal value. Banknotes are mostly made of cotton or polymer. The used banknote paper differs from ordinary paper because it is much more flexible, resistant to wear and tear. A coin is a small, flat (usually depending on the country or value) round piece of metal or plastic.

In most countries, the face value of banknotes is greater than that of coins. However, this is not the case in every country, because in some of them the banknotes have a smaller nominal value. For example, in Romania or Albania, but also in Hungary. Do not forget that each country has a different exchange rate. For example, for 10 euros in Hungary you can get 3,954 forints.

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3. Monetary union- monetary unions in the world, monetary union in the EU, how it works, how it was created in the EU and how in the world, what monetary unions were created in the world

Monetary union in the EU

Within the development of the European Union, the intention to implement the economic and monetary union is important. However, the member states began to realise the need to create a common monetary policy later in the 1970s. During this period, the Bretton Woods system collapsed. This system created fixed exchange rates (Karas, Králik, 2007). Setting the exchange rates was important because there was free movement of goods and services and, of course, a customs union. As a result of the changes, the Community reacted and created the European Monetary System, or EMS for short, in 1978. The European Monetary System was created in cooperation with the President of the Commission Roy Jenkins, the German Chancellor Helmut Schmidt and Valéry Giscard d'Estaing, the French President. The EMS was definitively confirmed at the meeting of the European Council and subsequently the Council in July 1978 (Fiala et al., 2018). The system stabilised the exchange rates and at the same time created the direction of the gradual convergence of the currencies of the European states. It also enabled closer cooperation in the monetary area. The European monetary system consisted of two parts, or components that were fundamental. First of all, it was about fixed exchange rates and their support. Secondly, it was about loans and the system of providing them, which would avoid some problems with the balance of payments (Karas, Králik, 2012). An important role was also played here by the European Monetary Unit, which was created as a kind of *"bin of participating national currencies"* (Karas, Králik, 2007, p. 352). The European monetary unit (ECU), became the substance of the new monetary system. The ECU represented a kind of basket of all the currencies of the time (British pound, German mark, Irish pound, Danish crown, Italian lira, Belgian and Luxembourg franc, Dutch guilder and French franc) and represented a fixed value of all participating currencies. The definite adoption of the European Monetary System and the ECU only took place at the meeting of the European Council in December 1978. Originally, the EMS was assumed to enter into force already in January 1979, but due to the need to fix the ECU, it did not happen so until March 1979 (Fiala et al., 2018). The European monetary system actually functioned until 1987, when its revision was necessary. As a result, the so-called The Basel-Nyborg Agreement was adopted, which modified the intervention mechanism by making conditions for currencies more difficult and extending the maturity period for loans. In this form, the EMS operated until the adoption of the Economic and Monetary Union concept in 1989 (Fiala et al., 2018). The EMS was a kind of predecessor to a common currency and monetary union, or the Eurozone. However, in 1993 a currency crisis occurred and there were certain changes that led to the fact that individual member states had to intervene in order to balance the exchange rate of their currency. During this period, all member states were members of the European Monetary System. Specifically, these were Germany, France, Belgium, Denmark, the Netherlands, Italy, Luxembourg, Great Britain, Ireland, Sweden, Spain and Portugal. The only non-member was Greece, and Italy left the EMS after the currency crisis. The Maastricht Treaty, which was adopted in 1992, marked a revision of the Union's primary law. It anchored the new goals of the European Community, which meant a gradual move towards monetary union. The Maastricht Treaty incorporated the so-called Delors' report and at the same time the so-called Maastricht convergence criteria. The Treaty determined a path to the creation of a monetary union, or monetary integration, which consisted of three phases.

The first phase was set for the period from July 1, 1990 until December 31, 1993, where the obstacles to the free market were supposed to be removed. The second phase followed, which was set for the period from 1.1. 1994 to 31 December 1998, the essence of which was the convergence of the economic and monetary policies of individual member states and the maintenance of price stability. The third phase began in 1999 and its essence was the linking of exchange rates and the introduction of the euro as a common currency for the member states. At the same time, a joint European Central Bank was to be established at this stage (Šišková, Stehlík, 2007). However, an important role in the Maastricht Treaty was also played by the so-called Maastricht convergence criteria. These criteria played an important role for the states that wanted to become part of the eurozone, that is, those that wanted to have a common euro currency.

Maastricht criteria:

1. "price stability - the inflation rate cannot exceed by more than 1.5% the inflation rate of the three member states that achieve the best results;
2. healthy and sustainable public finances - the deficit of public finances cannot exceed 3% of GDP. Public debt cannot exceed 60% of GDP;
3. exchange rate stability - the candidate country must participate in the exchange rate mechanism (ERM II) for at least two years, without significant deviations from the ERM II central rate and without devaluation of the bilateral central rate of its currency against the euro in the same period;
4. long-term interest rates - the long-term interest rate should not exceed by more than 2% the interest rate of the three member states that achieve the best results" (Lisbon Treaty, 2007, Article 140).

The Eurozone was established according to the established schedule, i.e. in January 2002. Currently, the Eurozone is made up of 20 member states:

- Belgium, Finland, France, Netherlands, Ireland, Italy, Luxembourg, Germany, Portugal, Austria and Spain, which joined in 1999
- Greece in 2001
- Slovenia in 2007
- Cyprus and Malta in 2008
- Slovakia in 2009
- Estonia in 2011
- Latvia in 2014
- Lithuania in 2015
- Croatia in 2023

The eurozone monetary policy is in charge of the independent **Eurosystem**, which consists of the ECB and the central banks of the eurozone member states. Through its Governing Council, the ECB sets monetary policy for the entire eurozone.

The Eurogroup is an informal body in which the ministers of the euro area member states negotiate on euro-related matters for which they bear joint responsibility. Its main task is to ensure close coordination of economic policies between the eurozone member states. This body is also trying to promote the conditions for stronger economic growth. The Eurogroup is also responsible for the preparation of eurozone summits and follow-up measures.

The Economic and Financial Affairs Council (ECOFIN) is responsible for the EU policy in three main areas: economic policy, tax issues, and regulation of financial services.

The Council is responsible for:

- economic policy
- tax matters
- financial markets and movement of capital
- economic relations with the non-member countries of the EU.

The Council coordinates the economic policies of the member states, deepens the convergence of their economic performance, monitors their budgetary policies. It also coordinates the EU positions at international gatherings, such as those of the G20, the International Monetary Fund and the World Bank. It is also responsible for the financial aspects of international negotiations on measures to combat climate change.

MONETARY UNIONS IN THE WORLD

Economic and Monetary Community of Central Africa (CEMAC)

The Economic and Monetary Community of Central Africa (CEMAC) is an organisation of Central African states to promote economic integration between countries that share the CFA franc currency. It was founded by Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea and Gabon. The goal of CEMAC is to promote peace and harmonious development of the member states within the framework of the creation of the economic and monetary union. They want to improve mutual assistance to support less developed member states.

The predecessor of CEMAC was UDEAC, which signed a treaty establishing CEMAC in 1994 to support the entire process of subregional integration through the creation of a monetary union with the Central African CFA franc as a common currency. CEMAC officially replaced UDEAC in June 1999. In 1994, they introduced quota restrictions and a reduction in the scope and amount of tariffs. Currently, CEMAC countries have a common financial, regulatory and legal structure and maintain a common external tariff for imports from non-CEMAC countries.

Member States:

- Cameroon
- Central African Republic
- Chad
- Equatorial Guinea
- Gabon
- Republic of the Congo

West African Economic and Monetary Union (UEMOA)

On January 10, 1994, the Treaty on the Establishment of the West African Monetary and Economic Union was signed in Dakar. The Treaty was signed by the heads of states and

governments of seven West African states with the CFA franc currency. The Treaty entered into force on August 1, 1994 after ratification by the member states.
The member states are: Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal and Togo. On May 2, 1997, Guinea Bissau became the 8th member state of the Union.

The Eastern Caribbean Monetary Union (ECCU)

In 1981, the Eastern Caribbean countries established the Organization of Eastern Caribbean States (OECS) through the Treaty of Basseterre. Based on the treaty, the countries institutionalised their cooperation in political as well as economic cooperation. Subsequently, they founded the Central Bank of the Eastern Caribbean. Member States use a common currency, which is the East Caribbean dollar.

Member States:

- Anguilla,
- Antigua and Barbuda,
- Dominika,
- Grenada,
- Montserrat,
- Saint Kitts and Nevis,
- Saint Lucia
- Saint Vincent
- The Grenadines

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4. Euro area (national currencies vs. euro)

the creation of the eurozone, member states where payment is made with the euro and where with the national currency, why some states have national currencies and some the euro, the euro outside the eurozone member states

Development of the Eurozone

The introduction of the euro is the third stage of the Economic and Monetary Union (EMU), created within the European Union since the beginning of the 1990s. The Maastricht Treaty, which was adopted in 1992, was in fact a revision of the Union's primary law. It anchored the new goals of the European Community, which meant a gradual move towards monetary union. The Maastricht Treaty incorporated the so-called Delors' report and at the same time the so-called Maastricht convergence criteria. The Treaty determined a kind of path to the creation of a monetary union, or monetary integration, which consisted of three phases.

The first phase was set for the period from 1.7. 1990 until 31.12. 1993, where the obstacles to the free market were supposed to be removed. The second phase followed, which was set for the period from January 1, 1994 to December 31, 1998, the essence of which was the convergence of the economic and monetary policies of individual member states and the maintenance of price stability. The third phase began in 1999 and its essence was to interlinking the exchange rates and to introduce the euro as a common currency for the member states. At the same time, a joint European Central Bank was to be established at this stage (Šišková, Stehlík, 2007). However, an important role in the Maastricht Treaty was also played by the so-called Maastricht convergence criteria. These criteria were important for the states to fulfil when they wanted to become part of the eurozone, that is, those that wanted to have a common euro currency.

The creation of the Eurozone took place according to the established schedule, i.e. in January 2002. Currently, the Eurozone is made up of 19 member states:

- Belgium, Finland, France, Netherlands, Ireland, Italy, Luxembourg, Germany, Portugal, Austria and Spain joined in 1999
- Greece in 2001
- Slovenia in 2007
- Cyprus and Malta in 2008
- Slovakia in 2009
- Estonia in 2011
- Latvia in 2014
- Lithuania in 2015.

Some member states applied an exception to accept the euro as their currency, in the past this was the United Kingdom and currently Denmark applies this exception - the opt-out clause set out in the protocol attached to the Treaty, although it may accept the euro in the future if interested. Sweden has not yet met the conditions for joining the eurozone. Other member states have not yet introduced the euro and are therefore not members of the eurozone (Fiala et al., 2018).

The eurozone also includes the non-European territories of some member states of the European Union, whose currency is the euro. They are as follows:

- the Portuguese archipelago in the Atlantic Ocean, the Azores and Madeira;
- Spanish territories on the African continent - the Canary Islands and the autonomous cities of Ceuta and Melilla;
- some territories of overseas France - French Guiana, Guadeloupe, Martinique, Réunion, Saint-Barthélemy, Saint-Martin, Mayotte, Saint-Pierre and Miquelon, Clipperton Island, French Southern and Antarctic territories.

Andorra, Monaco, San Marino and **the Vatican** adopted the euro as their national currency under special currency agreements with the EU. Countries can issue their own euro coins within certain restrictions. Montenegro and the disputed territory of Kosovo also use the euro unofficially. However, since they are not EU member states, they are not part of the eurozone.

National currencies replaced with the euro:

• Belgium - Belgian franc
• Cyprus - Cypriot pound
• Estonian - Estonian koruna
• Finland - Finnish markka
• France - French franc
• Greece - Greek drachma
• Netherlands - Dutch guilder
• Ireland - Irish pound
• Lithuania - Lithuanian litas
• Latvia - Latvian lats
• Luxembourg - Luxembourg franc
• Malta - Maltese lira
• Monaco - Monaco franc
• Germany - German mark
• Portugal - Portuguese escudo
• Austria-Austrian schilling
• San Marino - San Marino lira
• Slovakia - Slovak crown
• Slovenia - Slovenian tolar
• Spain - Spanish peseta
• Italy - Italian lira
• Vatican - Vatican lira

EU member states that use their national currencies:

- Bulgaria - Bulgarian lev

- Croatia - Croatian kuna

- Czech Republic - Czech crown

- Denmark - Danish kroner

- Hungary - Hungarian forint
- Norwegian- Norwegian krone
- Poland - Polish zlotys
- Sweden - Swedish kronor

Croatia will join the eurozone on January 1, 2023.

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5. NATIONAL BANKS AND ECB

The European Central Bank was established in the second stage of the Economic and Monetary Union. In May 1998, the Council of the European Union decided that 11 member states meet the conditions for moving to the third stage of EMU. Based on this decision, Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland adopted the single currency, the euro, on 1 January 1999.

Heads of state and prime ministers agreed on the persons nominated as members of the Executive Board of the European Central Bank (ECB). Subsequently, all member states agreed on the appointment of the president, vice-president and four other members of the Executive Board of the ECB with effect from 1 June 1998. In this way, the ECB was established. The ECB and the national central banks of the participating member states together form the Eurosystem, which creates and determines the single monetary policy in the third stage of EMU.

The European Central Bank (ECB) is the central bank of the countries of the European Union that have adopted the euro. Currently, there are 19 member countries. Its main task is to maintain price stability in the eurozone and thus preserve the purchasing power of the single currency.

The ECB is an EU institution located in a former market building in Frankfurt am Main, Germany. It forms the core of the Eurosystem and the core of the unified supervisory mechanism within banking supervision.

The highest decision-making body of the ECB is the Board of Governors. It consists of six members of the Executive Board and the governors of the individual national central banks of the eurozone members. The Council usually meets twice a month and assesses economic and monetary developments every six weeks, while also taking decisions on monetary policy. After Lithuania joined the eurozone on January 1, 2015, a rotating voting system was introduced, on the basis of which the governors of the national central banks rotate in the exercise of voting rights. The term of office of governors of national central banks is at least five years.

Other bodies include the Executive Board, the General Board and the Supervisory Board.

Tasks of the ECB:

- - Defines and manages the monetary policy of the Eurozone;
- - takes decisions on monetary policy objectives, key interest rates and the creation of monetary reserves of the Eurosystem;
- - oversees financial stability;
- - develops European cooperation and the EMU economic policy framework;
- - supervises the maintaining price stability within the European monetary system (fight against inflation);
- - performs operations on the free market;
- - gives support the general economic policy of the Community;
- - international relations and analyses;
- - international cooperation of central banks;

- - is in charge of foreign exchange reserves and foreign exchange operations;
- - develops and produces euro banknotes.

The financial affairs of the ECB and the EU are managed separately, as the European Central Bank has its own budget. The ECB's share capital is subscribed and repaid by the national central banks of the eurozone countries.

In order to maintain price stability, the ECB is politically independent. This means that it cannot receive or require instructions from national central banks, EU institutions or bodies, nor from member state governments.

The European System of Central Banks (ESCB) consists of the ECB and the national central banks of all EU member states, whether or not they have adopted the euro. It was created on the basis of the Maastricht Treaty on January 1, 1999 as part of the implementation of the economic and monetary union.

The basic principles of the ESCB's activity are:

- maintaining price stability
- creating and implementing a unified monetary policy
- support for the stability of currency rates
- administration of foreign exchange reserves
- taking care of the proper operation of the system of central banks

European Central Bank

- Austria: Österreichische Nationalbank
- Belgium: Nationale Bank van België/Banque nationale de Belgique
- Cyprus: Κεντρικη Τραπεζα της Κυπρου (Kentrike Trapeza tis Kyprou)
- Estonia: Eesti Pank
- Finland: Suomen Pankki/Finlands Bank
- France: Banque de France
- Germany: Deutsche Bundesbank
- Greece: Trapeza tis Ellados
- Ireland: Banc Ceannais na hÉireann / Central Bank of Ireland
- Italy: Banca d'Italia
- Luxembourg: Banque Centrale du Luxembourg
- Malta: Bank Ċentrali ta' Malta
- Netherlands: De Nederlandsche Bank
- Portugal: Banco de Portugal
- Slovakia: Národná banka Slovenska
- Slovenia: Banka Slovenije
- Spain: Banco de España

This also includes the national central banks of countries with a special status, for example in the case of Denmark. It also includes the states that are granted an exemption. Here the EU member states are listed: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania, and Sweden. The states with a special status or exemption still use their own national currency, conduct their own monetary policy, and their national central banks retain their independence in matters of monetary policy for the time being.

Countries outside the Eurozone:

- Bulgaria: Bulgarska narodna banka
- Czech Republic: Česká národní banka
- Denmark: Danmarks Nationalbank
- Hungary: Magyar Nemzeti Bank
- Latvia: Latvijas Banka
- Lithuania: Lietuvos Bankas
- Poland: Narodowy Bank Polski
- Romania: National Bank of Romania
- Sweden: Sveriges Riksbank
- United Kingdom: Bank of England
- Croatia: Hrvatska narodna Banka

SOURCES:

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6. LOCAL CURRENCIES

Local, alternative, social currencies are so-called complementary currencies. They represent a financial system, but these currencies cannot be considered proper funds, as they differ from the official currency. They have several forms, from virtual, through hours or in the form of money. The use of complementary currencies is limited to a certain community, village or region.

Local currencies have a social function, which means that "money" is located within the said community or region. They serve exclusively as a means of exchange or service and their validity is usually limited in time. Their use is tied to the network of local operations.

Alternative currencies are not issued by any bank or similar financial institution. They are not taxable to the state and are not affected by inflation. That is why they are gaining on its popularity, especially in the countries affected by high inflation. For example, Greece, a country hit by the financial and debt crisis, adopted an alternative to the euro called Tem.

Alternative or local currencies appear most often in South and North America, Canada, but also in Europe.

Ithaca Hours

It is an alternative currency in Ithaca, New York. Ithaca Hours are paper banknotes, each with a value of 10 USD (American dollars). The founder is Paul Glover, who wanted to improve the education and housing and the situation in this region. He started production of this currency in 1991 to help stimulate the local economy. Currently, 900 different shops and merchants accept this currency as payment for goods and services. Some employers even include the currency as part of their employees' wages.

Source: https://www.mintageworld.com/media/detail/1683-In-Ithaca-we-trust/

Liberty dollars

The author is Bernard von NotHaus, who is a producer of collector coins. Production of the currency began in 1998. Liberty dollars became part of the country's circulation, which included coins made of real gold and silver, as well as paper notes that were issued with a certificate that they were backed by silver reserves.

Source: https://en.wikipedia.org/wiki/Liberty_dollar_(private_currency)

BerkShares

BerkShares are a specific alternative currency used in the Berkshire region, in western Massachusetts, in the United States of America. The first BerkShares were issued in September 2006 in order to increase interest in the local market. Currently, hundreds of stores in the region accept this currency. The currency is available through five local banks that serve as currency exchange offices. BerkShares come in denominations of 1, 5, 10, 20 and 50, with the notes depicting prominent figures of the region.

Source:
https://medium.com/@brett_harvey/berkshares-and-the-concept-of-local-currencies-f8a60e89db0f

Ropi

It is a complementary currency applied in parallel with the euro in Belgium. 1 Ropi equals 1 Euro. The aim is to support local trade, which will enable economic exchange without the use of a conventional monetary system.

Source: http://www.mondequibouge.be/index.php/2013/05/monnaies-locales-quand-l-euro-ne-suffit-plus/

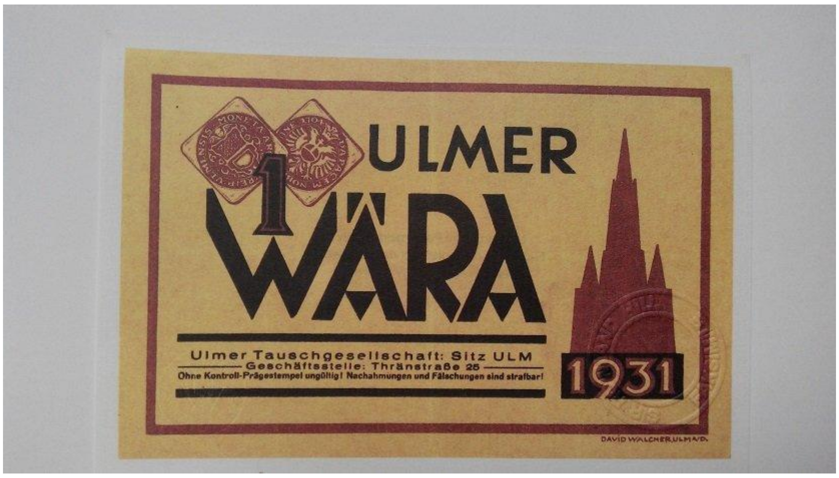
Alternative currencies in France

About 30 complementary currencies are registered in France. It has 65 local names and is developing another 80. For example, Sol Violette in Toulouse, Stuck in Strasbourg, La Roue payment system (1 rue = 1 euro).

Chiemgauer in Germany

It is one of the most famous currencies and at the same time the most successful currency out of several dozen German local currencies. It was named after the Bavarian region of Chiemgau, and it was coined by a high school teacher, Christian Gelleri. It is exchangeable on a one-to-one basis with the euro. Another currency is Waram, which was used to pay for food and services. However, in 1931, at the request of the Central Bank, this currency was declared illegal.

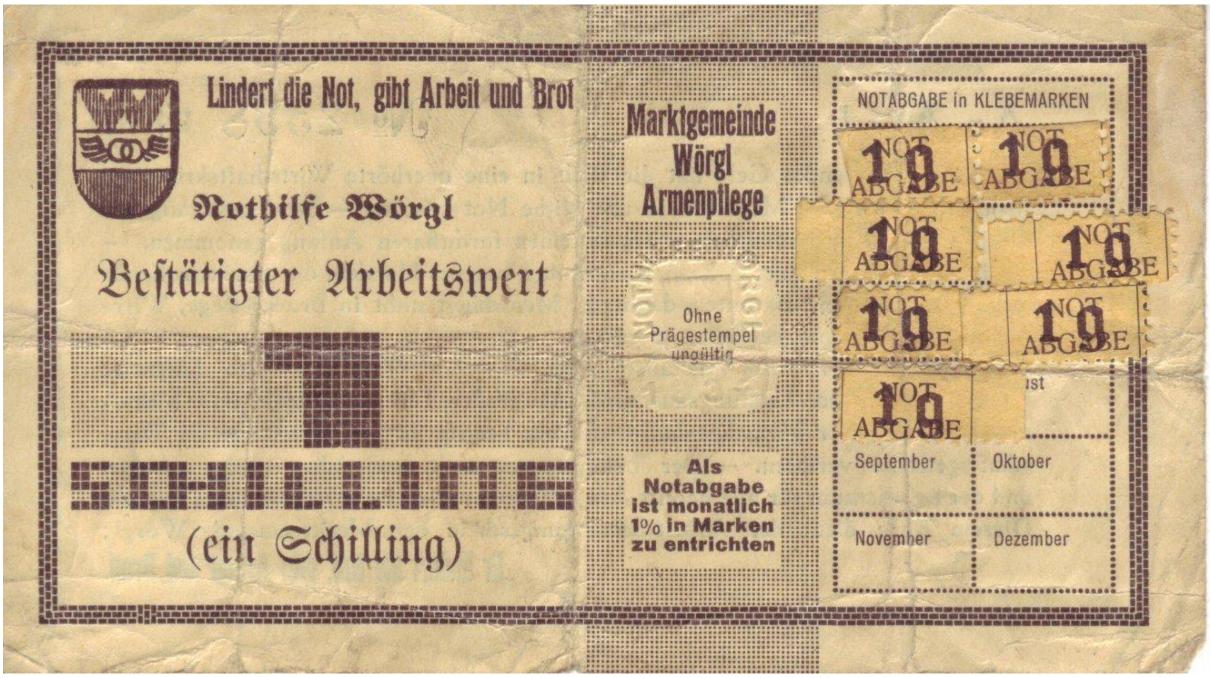
Source: http://userpage.fu-berlin.de/roehrigw/diplomarbeiten/kochmann/



Source:
https://crafta.ua/lots/6535448099-germany-germaniya-1-ulmer-wara-1931-kopiya-javirnv

Austria – Wörgl

The most famous complementary currency in Austria is the Wörgl. In 1932, unemployment was high in Austria, and therefore the mayor Michael Unterguggenberger and the connoisseur of ideas Silvia Gesella decided to introduce the Wörgl social currency. In this way, unemployment was reduced by 25%.



Source: https://tontinecoffeehouse.com/2020/06/15/silvio-gesell-and-the-worgl-experiment/

Spain

The Spanish system of complementary currency is strongly marked by the existence of large networks that are interconnected with each other and from which local currencies are developed that can coexist and cooperate with the rest of the existing currencies in that region or network (usually at the provincial level). There are almost 400 names in Spain.

Wir in Switzerland

The main alternative currency in Switzerland is Wir, which provides loans with an interest rate lower than the Swiss franc. Money can be produced by the bank itself without the limit of official scarcity. The Swiss bank has been operating with a complementary currency since 1929 and is still operating today.

Slovakia

There are also alternative currencies in Slovakia, the most famous of which is Živec. You can pay by Živec in Bratislava and Zvolen, and then it is Bratislava Živec or Zvolen Živec. This alternative currency came into use in April 2014 and has a 1:1 ratio with the euro. The validity of the Živer currency was one calendar year. You could exchange Živec in selected places in Bratislava and Zvolen. You could pay with them in some of the shops, namely in contracted tea rooms, cafes and bars. But also in food or textile stores. However, Živec was not very popular and the legislation did not favour him. For this reason, its use ended in 2016.

Source:
ttps://zvolen.dnes24.sk/zvolensky-zivec-konci-lokalnej-mene-nepriali-slovenske-zakony-257447

However, there are also other local currencies in Slovakia. Specifically, it is a "širocký sokol" (Falcon of Široké) and "Košický dukát" (Košice ducat). In 2010, the municipality of Široké started using its own local currency called Široký sokol. It is the longest used local currency in Slovakia. Širocký sokol is distributed in the given village to local residents on various important occasions, while citizens can use this currency in the local store.

Source: https://www.siroke.sk/obec-2/sirocky-sokol/

Local currencies were also discussed in other cities. In Piešťany, they wanted to introduce "grajciare" and in Žilina a currency called "žilice". In general, however, local currencies are not popular in Slovakia, that is why new ones are not even created or those existing just disappear.

The Košice ducat was created by an association with the same name. The Košice ducat serves as a complementary currency for members of the association. It represents the equivalent of a unit and serves for members as a means of exchange of goods, services and also in trade.

Source: kosickydukat.sk

An exception is the case of a clay ducat in Trnava. The clay ducat was created by the Trnava Archdiocese Charity with the aim of helping people in need. People in need can exchange a ducat for food, hot drinks, or it can be used as money to wash the clothes. The clay ducat was introduced in Hlohovec, Piešťany, as well as in Nové mesto nad Váhom.

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