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## Euro giving Franklin a run for the money Dominance of the C-note

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OWERRI, Nigeria - Ugochukwu Odionyenma has run his fingers over more \$100 bills than he can remember. But the money changer has given little thought to the balding Philadelphian whose mug appears on the C-note.

"I know the name - Benjamin Franklin," said Odionyenma, who runs a storefront money exchange in this eastern Nigerian city. "I don't know who he is. Maybe an elder statesman?"

For many foreigners, Benjamin Franklin is the American with whom they come in closest daily contact. In much of a world where underground businesses prefer the anonymity of cash, the most widely accepted paper money is the Federal Reserve note. The largest denomination still issued is Franklin's.

With more than 5 billion Franklin notes in play, his face is more widely distributed than Michael Jackson's or even Paris Hilton's.

But Franklin's time at the apex of international celebrity is in jeopardy. At the current pace, some time close to his 300th birthday on Jan. 17, the total value of paper-currency euros in circulation around the globe will surpass that of dollars.

Since euro banknotes were introduced three years ago in 12 countries, the new money has successfully replaced national currencies like the French franc and the German mark. It has also gained acceptance outside the euro zone, establishing itself in a world long accustomed to prices quoted in dollars.

"Before, we were buying dollars," Odionyenma said. "Now we are seeing a change, and people are buying these euros."

### 500-euro note more portable

The U.S. Bureau of Engraving and Printing says that \$719 billion in U.S. currency is in circulation. Two-thirds is estimated to be overseas.

The European Central Bank says it has issued about 500 billion euros in paper money - about \$628 billion in U.S. money at current exchange rates. But the bank believes most are still in European hands. As it rapidly issues more paper money to meet international demand, the euro is expected to overtake the dollar.

The euro's popularity has been helped by the dollar's recent weakness - international traders want a stable

• U.S. paper money in circulation, as of Dec. 31, 2004.

### Note Value in circulation

\$1 \$8.3 billion

\$2 1.4 billion

\$5 9.8 billion

\$10 15.1 billion

\$20 107.6 billion

\$50 60.6 billion

\$100 516.7 billion

### Discontinued notes Value

**\$500 \$142.5 million**

**\$1,000 165.8 million**

**\$5,000 1.8 million**

**\$10,000 3.5 million**

SOURCE: U.S. Treasury Financial Management Service

currency.

"If we are not careful with the value of the dollar, rational economic agents will make a substitution to the more stable currency," said Philip N. Jefferson, a Swarthmore College associate professor of economics, who has studied paper currency.

Another advantage the euro has over the dollar is portability. The European bank has issued a 500-euro note. By using euros, a trader can transport more money more discreetly - very convenient for legitimate or illegitimate transactions involving cash-stuffed briefcases.

There is more at stake than bragging rights about whose currency is the top choice.

Governments derive a benefit called seigniorage when they issue paper money - it's mainly the interest they would have had to pay if they had borrowed the money on the open market. People who hold paper money are essentially giving an interest-free loan to the government.

"It's like a permanent loan, if you will," Jefferson said.

### **The world's gift to America**

All those Federal Reserve notes held overseas are the world's gift to America. Kenneth S. Rogoff, a Harvard University economics professor who has studied currency issues, says that Washington avoids about \$16 billion in annual interest payments on the paper money that is held abroad.

"Being the currency of choice in the world underground economy is quite a racket," he said.

The Treasury Department and the Federal Reserve Bank recognized the domestic trend away from banknotes in 1969, when they stopped issuing notes in denominations of \$500, \$1,000, \$5,000 and \$10,000 (the government says that \$314 million in larger notes exists, mostly in the hands of collectors).

But the competition from the euro in the lucrative international paper-money chase may force the U.S. Treasury to reissue a larger note.

"Someday, the U.S. may find it necessary to start issuing \$500 bills to compete with the 500-euro note," Rogoff said.

The last \$500 note featured the image of President William McKinley, who was assassinated in 1901. But supporters of more recent figures such as Ronald Reagan or Martin Luther King Jr. have been agitating for representation on paper money. A decision to issue a new note would likely spark much debate.

Another argument supporting a move to larger notes: \$100 doesn't go so far these days. Because of inflation, it takes more than \$500 today to buy what a Franklin \$100 bill would have fetched in 1969, when the larger notes were discontinued.

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