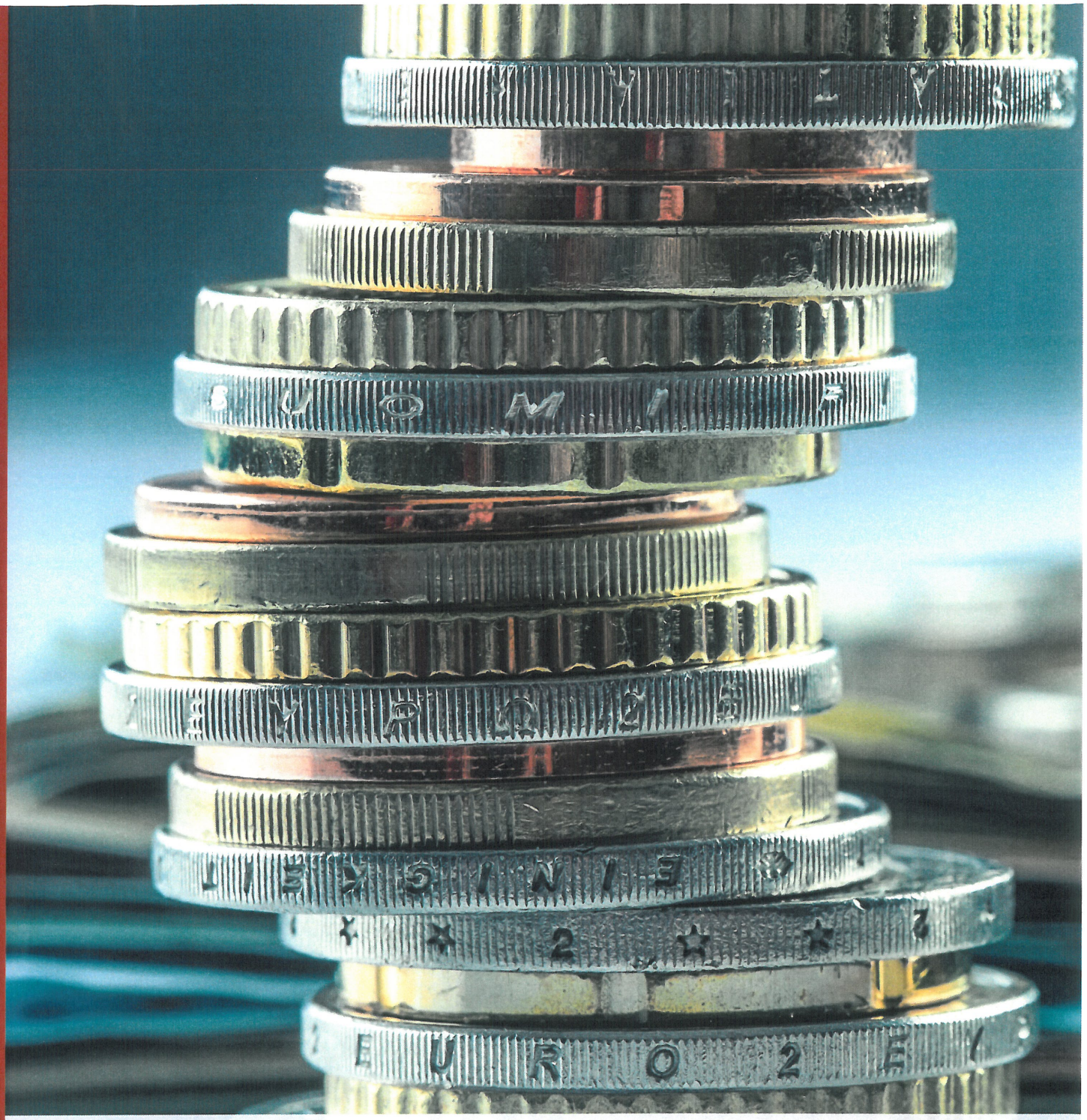


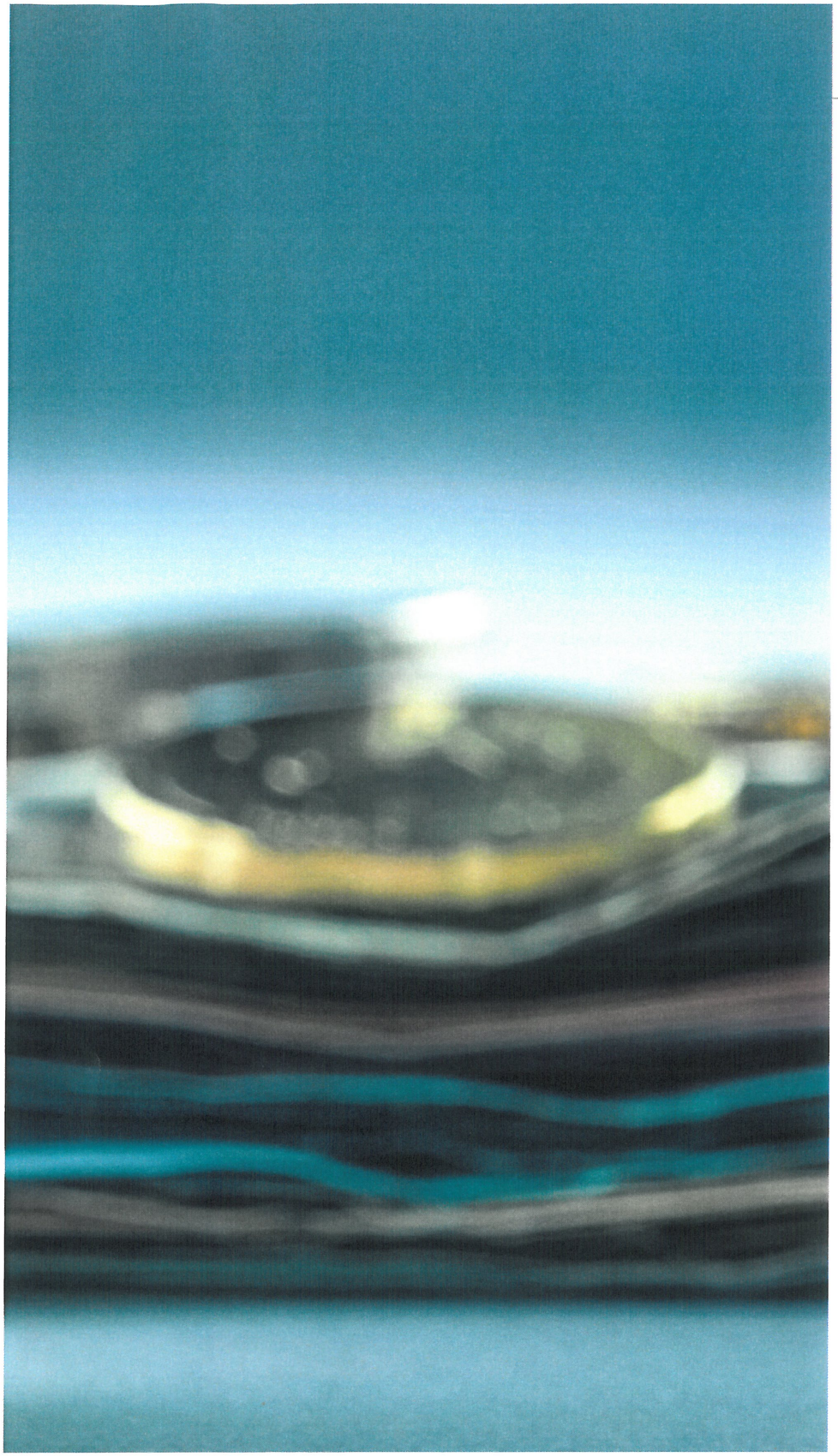
>Ross Jackson:

Eurozone: The End Game

It has become clear to most EU citizens, but not yet to the EU leaders, that neoliberal economics has been a total fiasco for the environment, increased inequality, and decreased the overall sense of well-being for over thirty years. When will the EU leadership recognise this reality and get more in line with the desires and concerns of EU citizens?

Not quite yet, apparently. The neoliberal line of prioritising the repayment of bank loans over the interests of real people – the centrepiece of the negotiations between the EU and Greece – constitutes the very essence of neoliberalism. This priority seems logical enough if we are to assume that saving the euro is the overriding priority of the EU's leadership.

When currency devaluation becomes impossible, there is no other route than internal devaluation which leads inevitably to forced austerity. A growing number as citizens is questioning this line of economic thinking. Is it not time to acknowledge that the euro project is killing the EU and that a continuation essentially implies that we are all now working for the benefit of the corporatocracy. We



"The euro was a big mistake
A backdoor to a Eurostate
That citizens would rather be without."

(Occupy World Street: The Song)

THE UNIFICATION DREAM

Total unification has never been the aspiration of most EU citizens. They are primarily interested in maintaining their local culture and national priorities, living a joyful life in peace and with a maximum of self-determination. The two goals – unification and self-determination – are of course mutually exclusive.

The EU's leadership has always been aware of this but hoped that citizens' attitudes would gradually change. Hence the need for subterfuge, hidden agendas, and outright lies. The EU's strategy has always been to assure the people that their leaders had no such intention, all the while planning the next step on the way to full integration and the centralisation of power. The pacifying pronouncements uttered from time to time by politicians, exemplified by the Danish Prime Minister's proclamation to his sceptical countrymen and -women in 1986 that the union is "stone dead", did not stand in the way of greater integration.

The greatest fear of the EU's leadership has always been that voters, if given the chance, would reject their unification plans. Indeed, there is little doubt that a majority of people would reject a proposal for transforming the current union into a single Eurostate. Fortunately, for the powers that be in Brussels, only a few member states require a referendum when ceding sovereignty.

By using the salami technique of small incremental change, the EU is now well on its way to achieving the objective of the integrationists. The few member states with restrictions on ceding sovereignty – Denmark, Ireland, France, and The Netherlands – are the same that have rejected the most far-reaching initiatives on a number of occasions (e.g. Maastricht in 1992) thus slowing down progress. Even so, these countries have been unable to stop the relentless drive towards a single Eurostate.

ANOTHER FAILED CURRENCY ZONE

Which brings us to the euro. The introduction of the euro in 1999 represented a major chunk of salami. It was conceived to force integration onto unwilling citizens via a common currency. This was a fully political project – not an economic or financial one. Any economist that supported the official line was either supremely naïve, a self-deluded optimist, or so deeply a part of the establishment that good judgement was impaired.

I say this because economists are fully aware that a currency zone is not a good idea. All previous attempts at forging a currency union has failed miserably. The reasons for this ought to be fairly obvious: any two or more economies will always develop a little differently, in particular as regards price inflation.

Thus, the one with higher inflation becomes less

are now well on our way to becoming part of a neo-feudal global empire. We are approaching a point where either the euro or the union goes. Either the EU continues to align itself with a failed economic philosophy in opposition to its own citizens, or it risks a violent breakup when some member states jump ship. Over the long run, the current situation is untenable.

and less competitive and is forced to undergo an "internal devaluation" since a depreciation of its currency is now no longer possible. Hence, harsh measures such as wage freezes, rising unemployment, spending cuts, etc. are required, often for several years on end, before competitiveness can be re-established.

Compare this scenario to one in which two currencies are free to float. In this case the higher inflation automatically results in a slightly lower foreign exchange rate via a very effective negative feedback process that is relatively quick, simple, and painless. This is hardly rocket science. Why then go ahead with a common currency zone? Well, it's all about politics.

The euro planners were of course aware of the risks. However, rather than allowing for the possibility of a troubled country to exit from the zone – if even only temporarily – they did not incorporate such a possibility at all. This was a major mistake not unlike an attempt to outlaw divorce. Couples will split up anyway. The planners' thinking, no doubt, was perhaps motivated by the fear that the mere existence of such an exit clause might encourage it to be used.

The euro was meant to be a permanent state of affairs and the forerunner of the Eurostate to follow. The thinking was that limits on budget deficits and debt-to-GDP ratios would suffice to keep the members' economies in line. That was seriously naïve. In the real world, budget deficits are notoriously unpredictable and are bound to get out of hand every so often with such a colourful array of member states.

Their very distinct economies, work ethic, competitiveness, and cultures meant that continual crises were entirely predictable and will continue to occur as long as the EU refuses to acknowledge reality.

THE ALTERNATIVES

What is that reality? As I have stated on more than one occasion, there is one – and only one – stable long-term solution and that is for the EU to ask each member state to determine by a referendum either to join a new Eurostate (with single currency, government, treasury department, central bank, president, etc.) or to maintain national sovereignty which includes a national currency.

If the EU's leadership had been totally honest, it would have already done this back in 1999. However, they were rightly afraid that such a vote would derail the entire unification process. The new Eurostate that is in the work will in reality be a Germany +. It will of course be christened the United States of Europe or some equally Orwellian name.

The Greek debt crisis has demonstrated to everyone willing to see that the EU in its current guise has already degraded into a Germany +.

"The people want a deal that's fair
Where bankers pay their rightful share
Until that day they'll roam the streets and shout."

(Occupy World Street: The Song)

Recall Henry Kissinger's question to the EU many years ago: "Who should I call in a crisis?" Today we know the answer: call Angela Merkel.

AN OPTIMISTIC NOTE

The reality is that few EU member states would vote yes to such a referendum; maybe three or four at most would merrily join Germany. That would not necessarily be a tragedy. The euro is not the EU and, conversely, the EU is not the euro. Germany + would easily become the largest of the EU member states. However, the EU as such could continue to function as a free trade zone among sovereign nations.

If the EU does not opt for the referendum route, then I suspect it will eventually break up and leave a terrible mess behind. Either way would offer relief from the constant crises that we can expect as long as the current structures are maintained.

Best of all, a restructuring along the above lines would open up a very important game-changing possibility: sovereign EU member states would be able to reject neoliberalism as a failed concept, demand a new EU treaty giving first priority to sustainability and survival, rather than to uneconomic growth, insisting on the right to take back control of their economies from non-EU corporations – including control over the flow of goods and capital. For once, there would be an alignment between the political leadership and the people – a most powerful combination that could inspire real global reform.

If other non-EU countries were inspired to follow suit, and I think they would, it could be the beginning of the end of the domination of the 0.1% and could, if done properly, put humanity on a new pathway towards the kind of future that the people want – local democracy, thriving local communities, more equality, preservation of cultures, a clean and healthy environment, a meaningful life, and freedom from exploitative and destructive multinational corporations with no social or environmental dimensions. ❇

ABOUT THE AUTHOR

Ross Jackson, PhD, worked for 25 years in the foreign exchange world as currency adviser to international corporations, currency fund manager, and research head of a team of mathematicians and IT experts. He is author of Occupy World Street: A Roadmap for Radical Economic and Political Reform (Chelsea Green, 2012).