

Another Greek tragedy? Time for Europhiles to admit the dream is over

There's another crisis going on. This one is a Greek tragedy that comes on top of "the big one".

For those who understand French, read carefully the comment published in the March 5 edition of French daily "Le Monde" http://www.lemonde.fr/opinions/article/2010/03/05/avis-de-tempete-sur-l-union-monnaire-europeenne-par-heiner-flassbeck_1314796_3232.html. In this article a former German finance vice-minister literally buries the euro as it is now and advises all Southern-Europe economies (including France, oui, oui) to get out of the Eurozone if they don't clean up their act, i.e. if they don't behave like Germany, natürlich... Unless they accept many unacceptable social measures. Some German backbenchers have suggested these might include selling off some islands (to Deutsche tourists, selbstverständlich). Surely those don't represent the whole German opinion, but they certainly constitute a majority. After all, Angela Merkel on the same day just paid lip service and said that the Greeks didn't need financial aid. If the Germans are the most vocal, some among the Europeans and distinguished economists are not 100 per cent wrong, e.g. about Greece's profligacy and number-fudging. But why was this ignored when the euro was launched?

Those are signs of the times. And of more turbulent times ahead.

It seems that from the Greek crisis, only three scenarios might occur. And all of them qualify as "worst-case":

A. A sharply devalued currency across the Eurozone. The Germans would probably hate this. And as they are literally in control, finish the sentence. Note that helping or not helping Greece with a stopgap would certainly not diminish the risk of an attack against another "PIG" (or Club Med state, to be more polite). On the contrary. Speculators, armed with hedge funding, CDS and other sophisticated weaponry are lying in wait.

B. The creation of two... euro coins and notes. A weaker and a stronger one. Let's name them EuroFranc and EuroMark. Not plausible? That's what the German minister recommends. If you hear French President's words on the day after: *"If we created the euro, we cannot let a country fall that is in the eurozone. Otherwise, there was no point in creating the euro"* they might hint at that scenario. Yet of course no official would dare saying that straightforwardly, for now.

C. The breakup of the euro and Eurozone and the return of national currencies. This would favour some economies but not all. And exit barriers are high as it would require reprinting coins and notes. Who knows about historical precedents here? But wasn't the euro a precedent too?

Note that a D scenario -i.e. the euro(zone) as it is now, with further political integration necessarily paid by socially unacceptable "adjustment" policies in a majority of the zone countries- seems to many so unlikely that it is no longer considered by many commentators. The price to pay would be a deeper political

unification process and much increased German domination. All attempts to achieve that have never worked in history, at least peacefully, from Charlemagne to Charles V to Napoleon to... Hitler. How would it work under a Barroso-Van Rompuy-Trichet (how impressive) leadership?

Whatever the outlook, all scenarios will show a failure of Brussels bureaucracy. As Paul Krugman summed it three weeks ago in the New York Times: *"Europe is in trouble because policy elites pushed the Continent into adopting a single currency before it was ready."* Speculation comes into play and is also giving a helping (we mean from not helpful to evil) hand, naturally. But it is not the major cause or explanatory factor.

Imagine what the situation would be had the UK joined the euro-fray a few years ago. Can't someone figure this out for me, please?

Those who, like me, have stood among supporters of the EU should admit that a more eurosceptic approach is now the right one. They should have already between the Lisbon treaty ratification (who knows what this treaty is about?), the violation of Irish democracy (think twice: if Iceland was a EU member they would probably be "invited" to vote again about repayment) and the awkward appointment of a EU "president".

But it's never too late to change: *"When the facts change, I change my mind,"* said Keynes. Greece is another wake-up call. It's hard to admit for some, including myself, but the little enthusiasm, shared by Thatcherites and pre-Blairists in the UK or right-wing "souverainistes" and left-wing socialists in France, among others, about ever more integrated European union is proving to be right these days and further down the road..

The European dream -if there was any and for whom?- is gone. Time to think of a looser pattern and other ways to live, work and trade together. Is it bad? Not necessarily.

Mike Guillaume

Mike Guillaume is an economist and financial analyst. He is the author of *"The Seven Deadly Sins of Capitalism"* (excerpts available on www.mikeeconomics.net). His main office is in London and he shares his time and work between other international cities.