One Euro, One Europe, One Mounting Mess

Item: *“Europe needs to continue its fiscal consolidation, and the United States should too, a top European policymaker said,” reported MarketWatch for September 22. “Olli Rehn, the European Commission commissioner for economic and monetary affairs, said at a Peterson Institute gathering on the sidelines of the annual International Monetary Fund meeting that Greece, Portugal and Ireland need to continue their consolidation path.”*

Item: *“Ahead of a meeting in Poland today,” reported EurActiv.com on September 16, “Italian Foreign Minister Franco Frattini said Rome was ready to relinquish ‘all the sovereignty necessary to create a genuine European central government’ and draw the line under the euro zone’s debt crisis.”*

Item: *“Perhaps the only thing holding the euro together,” reported the* Wall Street Journal *for September 19, “is the near impossibility of breaking it up — and the cataclysm that its collapse could unleash.”*

Correction: Regardless of what happens to Greece, other nations on the brink of default, or the nature of the next presumed fix being dreamed up by financial elitists, the underlying object is to save the euro — which embodies the goal of a united Europe to globalists. This, in itself, is seen as a way station on the road to world government.

Those willing to trade sovereignty for the promise of stability now find themselves on shakier ground than before, yet they continue to lay the foundation for a new world financial order out of the disorder they have caused.

An outlier among political leaders in Europe, Czech President Vaslav Klaus recently told an audience in Washington, D.C., that “Europe’s constituting elements, the states, have been consistently, systematically and, to my great regret, successfully undermined.”

The fact that so much turmoil has resulted from trying to shoehorn vastly different peoples into a common currency when they share no common country is viewed somehow as a justification to do even more of the same, with a sledgehammer if needed. Seventeen of the EU’s 27 nations use the euro. And the EU is attempting, the *New York Times* has noted approvingly, to repair the broken euro zone through “fundamental changes,” to include a “central financial authority — with powers in areas like taxation, bond issuance and budget approval.” Says the *Times*, this could “eventually turn the Eurozone into something resembling the United States of Europe.”

The more far-fetched that seems, the more the Eurocrats demand that it be so. Considering the death wish for nationhood that drives such ideological internationalists, the symbol on the euro should be the lemming.

French President Nicolas Sarkozy, according to the *Financial Times*, has indicated that his object is "to seize the Greek crisis to make a quantum leap in euro zone governance." The word *unhinged* comes to mind when one hears Sarkozy claim: "The euro is Europe, and Europe is 60 years of peace on our continent."

Angela Merkel, the German Chancellor, under pressure from many of her countrymen sick of backstopping more spendthrift governments, has warned ominously that to push Greece out of the euro zone could set off a dangerous "domino effect." She too is capable of going for broke rhetorically and otherwise, maintaining: "If the euro fails it's not just the currency that fails, but Europe and the idea of European unification."

The Foreign Minister of Italy, cited above, is surprisingly candid — acknowledging that he would willingly toss his country's very sovereignty over the side to save the "euro" and the illusion of Europe with a centralized government. Italy, it should be noted, has a debt equivalent to 120 percent of its entire economy — greater than the combined debts of Spain, Portugal, Ireland, and Greece.

Centralized economies on a national scale have produced insolvency. The weaker economies in Europe, by and large, produced less but borrowed more. Borrowing at low rates subsidized by others, many of those governments, in the words of former British Prime Minister Margaret Thatcher, "ran out of other people's money." Not so remarkably, it turns out that Europe has not been able to borrow and spend itself rich. In fact, just the opposite has taken place. In 1965, writes columnist Bret Stephens, government spending "as a percentage of GDP averaged 28 percent in Western Europe. Today it hovers just under 50 percent. In 1965, the fertility rate in Germany was a healthy 2.5 children per mother. Today it is a catastrophic 1.35. During the postwar years, annual GDP growth in Europe averaged 5.5 percent. After 1973, it rarely exceeded 2.3 percent. In 1973, Europeans worked 102 hours for every 100 worked by an American. By 2004 they worked just 82 hours for every 100 American ones."

Taking on mountains of debt hasn't worked, and the public is now expected to bail out those who are overleveraged in, among others, Portuguese, Spanish, and Greek bonds.

Washington has also lashed itself to this sinking notion of a united Europe. The *Wall Street Journal* recently quoted a former Treasury and Federal Reserve official named Edwin Truman, saying that the Obama administration has been imploring the Europeans, "Do the right thing, do it correctly and do it forcefully. Your mess is our mess. Your success will be our success," said Truman, now a fellow at the Peterson Institute for International Economics. Yet, virtually all the supposed solutions being seriously considered involve more loans to try to pay for past overspending and accumulated debt.

It is the bankers in Europe who are being rescued, with the burden of repayment thrust on ordinary citizens, observes Robinson O'Brien-Bours of Hillsdale College's Kirby Center for Constitutional Studies and Citizenship. "The bailouts are not helping these nations. Giving debtors high-interest rates is like helping a drug addict by pumping heroin into his swollen veins. The futures of these individual nations are being sold in order to save the existence of the Euro."

As the new debts build up, it will seem necessary for more bailouts. When the bill eventually comes due, and the problems can no longer be put off, the pain will be much worse. "Instead of fixing the financial crisis, the EU has postponed it," wrote Johan Norberg for the online Huffington Post in August. Norberg, a senior fellow at the Cato Institute, remarked that the delay was "a get-poor-quick pyramid scheme, by sending the debts of households to banks, who sent it to governments, and governments passed it on to the Euro-zone. Now the Euro governments find that they are at the end of the chain, with a crushing burden. Markets are beginning to price in a small risk that the entire European financial system can collapse — and reacting accordingly."

The poorer economies reacted as you might expect. As pointed out by Norberg, those governments

> used the implicit guarantee that Germany would bail them out, to lend cheaply and increase spending and wages as competitiveness collapsed. This is what made it seem like a good idea to retire at 55 and give Greek engine-drivers a bonus of $5,000 a year if they washed their hands….

The Euro-zone has now had to bail out Greece, Portugal and Ireland, but this just creates larger problems in the future…. [The European Financial Stability Facility] was enough to deal with small, peripheral countries. But it will be difficult to bail out Spain, and impossible to deal with Italy….

[The whole burden could] end up with Germany, which would have to contribute with guarantees amounting to a quarter of its GDP.

As it is, the coalition government in Germany is itself now in disarray over the issue, with various political leaders preaching the need to remake the EU into what is sometimes called a "federal" Europe. Germany's Finance Minister, Wolfgang Schäuble, is even talking openly of the possibility of giving up sovereignty over national budgets. As London's *Economist* has commented:

> Germany's change of mind is born of twin failures, of the financial measures so far taken in the euro zone and of political strategy in Germany. As the debt crisis has deepened, Germany has had to retreat from one red line after another. Last year's bail-out of Greece was meant to be a one-off; since then Ireland and Portugal have been rescued and Greece has come back for more. A big European bail-out fund was supposed to be a temporary measure; now it is being made permanent.

Meanwhile, why should the Greeks really reform when they understood they would be taken off the hook? Human nature being what it is, they figured that out and acted accordingly. The Greek government, commented the *Washington Times* in mid-September, "already has gobbled up $152 billion in bailout funds, and progress has been minimal. The austerity program is behind schedule; privatization has barely gotten off the ground; and the tax-collection apparatus is hopelessly inept."

Greek journalist Takis Michas recently recalled an interview he had with Antanasios Papandropoulos, a leading economic analyst, who said: "The present government [in Athens] has done absolutely nothing during the last 12 months to speed up privatizations, reduce the public sector or open up closed professions. In these 12 months it has not fired even one civil servant. The only thing it is doing is trying to tax the private sector out of existence. Why should we believe that they will do something different now."

The abyss looms for Greece, which now has a public debt of about $500 billion. To compare to a fairly recent situation: When Argentina defaulted on its loans a decade ago, its debt was about $82 billion. There was considerable distress of course, and the economy shrank 10.9 percent in 2002 following the decision to default and devalue, according to figures cited by Bloomberg News. Nevertheless, Argentina's economy grew thereafter for eight consecutive years, with growth of over eight percent every year with the exception of 2008 and 2009.

Almost 27 percent of the working population of Greece, according to the Athens Chamber of Commerce, is employed by the state. That is hardly the only problem with the Greek economy. For example, according to a Cato Working Paper by Takis Michas, "Putting Politics Above Markets: Historical Background to the Greek Debt Crisis," August 15, 2011, Greek political benefits are distributed in a variety of ways. One, he writes, is by imposing levies on transactions that benefit "client groups" that are not even a party to those transactions. For instance:

> If you want to start a business in Greece, you have to pay one percent of the starting capital to the lawyers' pension fund.

If you have a business and you want to advertise your brand or product you have to pay an amount equal to 20 percent of the advertising expenses to the pension funds of the journalists….

If you sell supplies to the Army, you will have to pay 4 percent of the money to the pension funds of the military officers. When you buy a ticket at a soccer game, 25 percent of the amount goes to the pension funds of the police.

It is estimated that there are more than 1,000 such levies whose total cost amounts, according to some calculations, to over 30 percent of the country's GDP.

Germans and some other Europeans, largely from the north, are less than enthralled that they are going to have work into their late 60s in order to underwrite the state pensions of such Greeks who retire in their early 50s.

If something doesn't work well, repeat it with a vengeance — or so seems to be the operating principle of the EU elite.

Merkel and Sarkozy, writes Doug Bandow in *Forbes* magazine,

> both have proposed deeper "political cooperation." That means giving the E.U. control over national economic decisions. For instance, European Commission President José Manuel Barroso said "we should not only be a monetary union, but also an economic union."

The Eurocrats have been exploring proposals, including imposing financial penalties and suspending national voting rights, without having to amend existing treaties.

Americans cannot afford to simply look upon such developments and chortle over the foolishness of Europeans. Indeed, our already bankrupt government has, in essence, offered to help to subsidize continued bailouts in Europe through the International Monetary Fund, whose largest shareholder is the United States.

The insurrections seen of late in the streets of Greece could serve a useful purpose if they raised a red flag against the consequences of financial manipulation and profligacy. Sadly, the riots are more likely to represent a portent of similar futures elsewhere.

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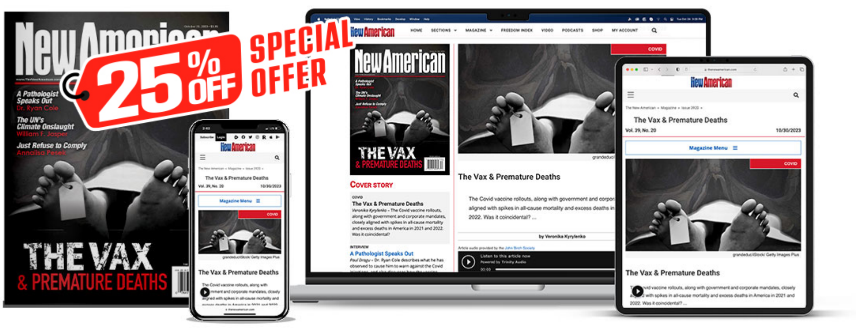

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