The Euro: A Gold Standard With No Exit [SLIDE1]
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ABSTRACT: The euro, once expected to bring Europe together, is now a source of antagonism and division. This paper explores the euro's faulty design, how it helped to lead countries into problems, and how in the aftermath of the financial crisis, austerity deepened recession and increased debt levels for troubled economies. The continuing Greek ordeal is a special focus.

In the 1930s, governments using austerity to preserve the gold standard helped turn a recession into the Great Depression. Countries with deficits had to improve their trade balance by cutting wages and prices, though they had the option of devaluing or leaving gold. Britain, the US and others did.[1] [SLIDE 2-EuroVsDepres] Currently, Eurozone authorities are practicing a similar policy[2] with similar results—lagging output and high unemployment. Unfortunately, the Eurozone does not provide an exit.

[SLIDES3-4Euro"Recov"] By early 2015, Eurozone output had not recovered its pre-crisis peak. Greece and Portugal had output barely above 1999, when the euro began. Investment is severely depressed, and consumption only slightly above its peak. Even Germany, with trade surpluses, was growing at less than 2% in late 2015,[3] making the US look like an economic success. [SLIDE5Unem] Unemployment is still double digit; Spain's unemployment rate, 21 percent, was up from 8% in mid-2007. Greece was highest, at nearly one-quarter of the labor force.[4] [SLIDE6youth-unem] Over 40 percent of youth 15 to 24 were unemployed in Spain, Greece and Italy.[5]

[SLIDE7Debt/GDP] Public debt to GDP ratios, the problem austerity was to solve, have risen.[6] The consequences are alarming. Homeless families in Ireland are afraid of losing their children if they ask for help, so wait until they are starving.[7] Desperate young Greek women are selling sex for food.[8]

Austerity is assumed to promote recovery. Jean-Claude Trichet, then-president of the European Central Bank [the ECB], proclaimed, “The idea that austerity measures could trigger stagnation is incorrect.” The reason? "Because 'confidence-inspiring policies will foster and not hamper economic recovery.'”[9] Actually, he's right—they didn't trigger stagnation but worse, deep recession. With Europe still in a slump, euro managers impose the same policies.[10] These gut worker protections and social benefits, and privatize profitable public services. Worse, the debt crisis has been used to limit the sovereignty and democracy of member states.[11] A British free market conservative calls what has happened a "monetary junta."[12] Understanding the current crisis requires describing euro rules. We'll look at why the crisis emerged and then at the members in deep trouble, focusing on Greece. Finally, we'll examine options for escaping the current trauma.

[SLIDE8-EU-ZONE] Let's begin with Eurozone rules. The twenty-eight countries in color are members of the European Union [EU], within which all resources move freely.[13] The nineteen dark blue are in the Eurozone, and have adopted the euro as their currency. They have given up the right to issue debt in their own currency,[14] or to change its international value. These limitations are important to understanding what ails countries like Greece, which acquire euros to repay creditors by improving their trade balance or borrowing. Improving it requires increasing exports or reducing imports or both. How is this done? Two ways. The easy way is to make exports cheaper by reducing the value of their currency—called depreciation. A cheaper currency reduces prices to foreign buyers and makes exports more attractive. It also makes foreign goods more expensive, discouraging imports. Eurozone countries can't do this. The hard way is to make exports cheaper by reducing domestic prices. As a German central banker advised, “other things [that is, other than currency values] must therefore give instead: prices, wages, employment and output.”[15] This is both less effective[16] and more traumatic. [SLIDE9-BeLike] Iceland, not in the Eurozone,[17] got a 25 percent drop in wages relative to Europe immediately, by a fall in its krona. Countries requiring comparable cuts must suffer years of wage cuts and unemployment.[18]

The Maastricht Treaty [1992] created the European Union and the euro, which came into existence in January, 1999. The Treaty set criteria for eurozone membership.[19] These limit inflation rates, public debt and deficit, exchange rate instability and interest rates. For example, applicants must limit government deficits to 3% of GDP.[20] That infamous figure inaugurated European austerity.[21] Here is an explanation of this limit by its inventor, nicknamed "Monsieur 3%”:

> “We dreamt up this figure of 3% in less than an hour; it was born on the back of the envelope…." He adds, “This was a good figure, a figure that has travelled through the ages, it was reminiscent of the Trinity."[22]

Note that entry requirements are limited to monetary targets; there is none for unemployment.

The euro’s adoption focused on its boon for tourists and businesses. How easy to use only one currency throughout Europe! How efficient for businesses to avoid intra-European currency fluctuations! No more currency variability problems for finance ministers! All true, but lost in this europhoria were questions of the euro’s practicality for economies adopting it. What were the adjustment mechanisms for a country with a trade deficit or a major downturn? In the past, countries used exchange controls and other trade inhibitions to cope with trade deficits, but the postwar regime of free markets and unrestricted capital flows prohibited these. However, the new rules did permit currency depreciation. Before the euro, countries could increase government spending or reduce taxes to offset recession. These expansionary policies create deficits and debt. Now policies to treat trade deficits or recession are either limited or unavailable. Eurozone countries with trade deficits can't depreciate; those with unemployment face limits on deficits and debt. Economic problems between the world wars and the policies which alleviated them, like currency depreciation or fiscal deficits, were ignored in favor of going back to a failed system—gold standard discipline, with the euro replacing gold.

John Eatwell, former chief economic adviser to the British Labour Party, describes requirements of an effective monetary union: a central bank to control the currency and manage government borrowing, and transfer payments from more successful to less successful members to prevent their undermining growth elsewhere. [SLIDE10Sur-Def] This list largely describes the United States, though states are constrained by debt limits.[23] When unemployment in one of our states creates a deficit, funds *automatically* flow there from the federal government. With recession, states pay less federal taxes, while aid flows—unemployment benefits, food stamps, and stimulus spending. And it is aid, not loans. This much help is inconceivable in the eurozone.[24] The US government has some commitment to high employment, education, transfer payments like welfare and Social Security, emergency relief, and, of course, tax revenues from high income states flow to low-income states. The EU has nothing but modest transfers from richer to poor economies, and has recently reduced them.[25] With a deep recession, euro country budgets moved into deficit, requiring borrowing from private capital markets. Compare our coordinated system, despite its inadequacies, with the choices of Greece, which has been forced to sell assets to pay creditors, reduce government jobs, raise taxes, suffer recession for years and yet is still in peril.

Both the Left and the Right issued warnings about the euro.[26] Critics were concerned with the lack of planning for recession. Critics were ignored. Let's see their predictions. British economist Wynne Godley, who had been both a Treasury official and head of Cambridge University's Applied Economics Department, warned that governments with no control over their currency also have constraints on their spending powers. They must borrow in competition with businesses, which may prove difficult or expensive under emergency conditions. Governments lose power to set the level of public goods, the tax burden, the size of deficits; interest rates, exchange rates, inflation, growth, employment, and income distribution.

> *The danger… is that the budgetary restraint to which governments are individually committed will impart a disinflationary bias that locks Europe…into a depression it is powerless to lift.*[27]

An independent ECB manages the currency of Eurozone countries. But what about fiscal policy—that is, government spending or tax cuts—for recession and unemployment? With the ECB the only new institution, the assumption was that nothing more is needed. Godley concludes, "It took a group largely composed of bankers …to reach the conclusion that an independent central bank was the only supra-national institution necessary to run an integrated, supra-national Europe."[28] This is true only if economies are self-adjusting and need no more than managing the money supply and balancing the budget. Monetarists like Milton Friedman assume this, but there is no such evidence in practice.[29] However, even Friedman predicted in 1999 that "sooner or later, when the global economy hits a real bump, Europe's internal contradictions will tear it apart."[30] And the ECB has fewer tools than our

Federal Reserve. It has no mandate other than inflation. It is not a lender of last resort, lending to financial institutions having trouble borrowing. It can't buy bonds with newly-created cash. In the recent crisis it did so, but was severely criticized. Its monetary policy works through creating bank reserves and adjusting interest rates.[31]

As planning for a monetary union began, economist Nicholas Kaldor wrote [1971]: "[I]t is a dangerous error to believe that monetary and economic union can precede a political union…." Despite favoring European integration, Bundesbank President Karl Otto Pohl quit: Europe was not ready for a single currency.[32] These warnings were ignored in favor of faith that a crisis would force European leaders to form the political union always seen as necessary. [SLIDE11-Schäuble] As German Finance minister Wolfgang Schäuble explained, "Most member states are not yet fully prepared to accept the necessary constraints on national sovereignty…. But trust me, the problem can be solved." Constraints have tightened. Starting this year, the ECB, with little accountability, will exercise supervisory authority over the eurozone's banking systems, a Schäuble project.[33] Begun as a strategy for reducing country responsibility for bailouts, it became instead the latest creditor-led austerity provision. Excluded are the proposed euro-wide depositor insurance and eliminating previous debts; included are bail-ins that might wipe out depositors.[34]

The common currency requires countries to mimic Germany, regardless of their priorities.[35] Italy had benefitted from periodic devaluations; France preferred higher government expenditures.[36] There were warnings of political danger: lashing together countries with different rates of growth "will create fertile soil for 'fundamentalist' nationalism…."[37]

Some supporters expected that the system, which apparently abolished balance of payments problems within the eurozone, would thereby abolish problems created by a country's lack of competitiveness. But economist Martin Feldstein pointed out,[38] without the power to devalue, there is nothing to stop a cumulative decline leading, finally, to emigration as the only alternative to penury.[39] Europeans ignored their own poor experience with fixed rates,[40] though the euro was chancier—there are more and larger capital flows, which undermine any fixed rate. Ironically, French President Francois Mitterand believed that "Without a common currency, we are all… at the will of the Germans….. the only way …to have a say, is to establish a European Central Bank where we can decide on things together…"[41]

A *Financial Times* writer predicted in 1998,[42] "Replacing European-style capitalism with the Anglo-Saxon variety can hardly have been the aim of the politicians who concocted …monetary union…. But that, paradoxically, is just what is likely to happen."[43]

With such predictions, why did the euro proceed? Its first inklings date from 1964--the era of the Vietnam War and expanding US corporate investment in Europe. The French believed "Americans were forcing Europeans to lend them the money with which they bought up Europe and destabilized global finance."[44] Thus their interest in creating an alternative currency.[45] Memories of Europe's wars also fueled the project. The West Germans especially were committed to European integration, to overcome their terrible history. Germany needed allies, especially France, to support its reunification,[46] which marked it as a major European power. German Chancellor Kohl argued that monetary union needed both a fiscal and a political union; French and Italian leaders resisted.[47] The point was to influence Germany's currency, not that Germany should shape their budgets.[48]

The establishment Left was part of the cheering section. They expected that monetary union would sustain growth, generating jobs; weaken the power of financial speculators and ensure that global markets would be constrained by democratically decided priorities.[49]

Those who favored market solutions were also supporters, with far more justification. Key political figures pushing European monetary integration, like Valéry Giscard d'Estaing and Helmut Schmidt, admired the discipline of the gold standard.[50] [SLIDE12-Mundell] Robert Mundell, called the "father of the euro," was also an admirer. He liked labor discipline: "The crutch of devaluation enabled [the weaker European countries] to maintain labor laws that made workers overly expensive because of heavy government-mandated benefits and ensured that wages would rise faster than prices. ….the euro would exert market pressure to banish restrictive labor laws that had been a[n]… economic curse…."[51] Further, "without fiscal policy, the only way nations can keep jobs is by the competitive reduction of rules on business."[52] Note that if wages never rise faster than prices, workers never get a raise, a good recipe for stagnation. With this wage fix, we'd never have gotten to indoor toilets.

WHAT CREATED THE CRISIS? "It is an indisputable fact," wrote Schäuble, that "excessive state spending has led to unsustainable levels of debt and deficits that now threaten our economic welfare."[53] Thus the call for austerity. [Slide13-GovSpend] Perhaps government profligacy is indisputable in some circles, but it is disputed by the facts. The shaded area in the slide is the euro era. Several governments with debt troubles—especially Spain and Ireland—were spending less than Germany before the crisis and all were spending less as the euro era began. A diverse group of European economists from both private and public sectors have put together what they term "a consensus-narrative of the causes of the Eurozone Crisis." [SLIDE14-DebtRatios] Except for Greece, countries needing bailouts were not those with the highest debt ratios. Belgium and Italy had public debts of about 100% of GDP and yet did not need rescue; Ireland and Spain, with debt ratios under 40% did. Both were running budget surpluses.[54]

According to this analysis, imbalances came from excessive foreign borrowing, especially private--"big capital flows from … core nations like Germany, France, and the Netherlands to …periphery nations like Ireland, Portugal, Spain and Greece." The crisis did not originate as a government debt crisis, but it became one as private debts were socialized and output contracted. After Ireland's bank bailout, debt rose to 102 percent of output, and Spain's to 80 percent.[55] [SLIDE 15-TrDefs] Trade deficits were at the heart of the problem: the crisis countries were all running them. Those with surpluses escaped. The crisis abruptly slowed lending that had funded trade deficits. Economic growth slowed, pressing government budgets and raising public debt ratios.

Thus "a balance of payments crisis became a public debt crisis." European banks had borrowed heavily to profit on Greek, Spanish and Portuguese debt. High bank debt, some to buy US mortgage-backed securities, made them insolvent when these securities tanked in 2008. To pay back this debt, countries like Greece had to generate trade surpluses in euros. Europe's crisis, like ours, was one of deregulated banking.[56] Except for Ireland, crisis countries—Greece, Portugal and Spain—had all escaped dictatorships in the 1970's.[57]

[Slide16-Growth] When the euro was introduced, Germany was growing more slowly than the EU average and wasn't a trade powerhouse.[58] [SLIDE17-GerTrSurp] Because euro was converted at rates averaging stronger and weaker currencies, the deutschmark was devalued relative to other EU currencies, making its exports more competitive and theirs less so.[59]

[SLIDE18Int-Govt] On the periphery, low interest rates stemming from the euro, encouraged property speculation and led to higher inflation than in the core countries. The debt-led boom led to higher imports and capital inflow. Adding to the competitiveness problems were differential inflation rates, as speculators had created prices in the crisis countries hugely out of line with prices elsewhere. German exporters got a competitive advantage over Greeks, Irish, and others, making these countries dependent on imports.[60] As Germany became more productive in expensive manufactured goods, Southern Europe became more locked into lower-tech, low-priced goods and non-tradable activities.[61] Thus they compete with low-cost Asian producers, and lose markets to Chinese competitors.[62] Before the euro, countries with higher inflation depreciated their currency to compensate. That was now impossible.

Germany's trade surplus soared, with larger trade deficits in Spain, Greece and Italy. German lending financed its own exports. When the crisis came, Germany insisted that countries in trouble had lived beyond their means, even though its lending had allowed them to do so. [SLIDE19-GerSurp] The European Commission's rule limits trade surpluses to 6 per cent of GDP. Germany repeatedly fails, with surpluses close to 8%.[63]

[Slide-20WorldTr] World trade was contracting. How could multiple countries simultaneously improve their competitive positions? Everyone can't have a trade surplus: one country's surplus is another country's deficit. Germany, dependent on a large export surplus, cannot be a model for everyone.[64]

Economist Mark Blyth asks,[65] *How did a financial crisis caused by a reckless private financial sector end up as a problem of "profligate government spending and debt?"*[66] How did the blame get shifted from the perpetrators to their victims?[67] His answer? A banking crisis was transformed for a political purpose: bailing out the banks. As the crisis began, the top six US banks held assets amounting to 61% of GDP. Europe's situation was worse: assets of the top three French banks were 316% of GDP; the top two German banks, 114%. Deutsche Bank alone had assets over 80%. It got a few hundred billions of Fed bailout money. French, Swiss and other banks got funds, too.[68] Their failure would be huge. "If you're seeking an example of … rash borrowing, here it is."[69] Bailouts repaid foolish loans by the banks that had helped cause the crisis.[70]

[SLIDE21-IMFProj] Just because austerity is painful doesn't mean it is helpful. We know, both by economic theory and history, that cutting government spending during severe recession reduces output and income. Reduced income cuts tax revenues while more is spent to support those out of work. The result is rising debt-to-GDP ratios as the numerator rises and the denominator falls. William Black has it right: austerity is to recession policy what bleeding a patient was to "health care."[71] But austerity was only for the bottom. [SLIDE22-IrishDef] Top executives of the Anglo Irish Bank, whose frauds drove the Irish financial crisis, lied to get a government bailout: they described their problem as one of liquidity rather than insolvency, so that a relatively small sum would reassure creditors. They chose €7 Billion, which they considered "big enough to be important, but not too big that it kind of spoils everything…..If they saw the enormity of it up front, they might decide…they have a choice."[72] Actually, the number was tens of billions. Some observers believe that this Irish action was critical to the ensuing fiasco. Had Ireland paid depositors but not banks, it would not have debt trouble and France, Germany and Britain would have had to rescue their own troubled banks. Their tax-payers would then be less likely to believe that they were helping foreign deadbeats. The Irish bank CEO escaped Ireland and is in hiding in the United States.[73] Even though Ireland had no deposit guarantee, the ECB forced the government to assume bank losses.[74] It strong-armed Cyprus into having depositors pay for bank losses.[75] Our 2005 bankruptcy law provides for something similar.[76]

Erroneous research on the growth effects of debt enhanced crisis problems, supplementing decades of IMF pressure to cut spending and debt. [SLIDE23-oops!] A much-cited study by Carmen Reinhardt and Kenneth Rogoff concluded that countries with a high ratio of debt to GDP suffered slow economic growth. The trigger was 90 percent of GDP.[77] Austerity pushers like the European Commission's economic chief invoked it to support their existing prejudice favoring austerity.[78] One researcher showed that the *correct* relationship is that countries with slow growth tend to generate high debt.[79] Others[80] found Reinhart/Rogoff to be based on data exclusion, a debatable weighting decision, and an Excel coding error.

Martin Wolf of the *Financial Times* provides an amusing counter-example: [SLIDE24-UKdebt] In 1816, the net public debt of the UK reached 250 per cent of output, resulting from a century of war with France. "What economic disaster followed this crushing burden of debt? The industrial revolution…. "[81]

The crisis was used to further the neoliberal agenda. As Europe's fiscal deficits result largely from the loss of tax revenues resulting from recession, and bank bailouts,[82] not a rise in welfare spending, gutting the welfare state will not cure them.[83] The crisis is rather a pretext for those who wish to destroy it. Bailout agreements include not only demands for reduction of government spending, but privatization of key national assets. Paul Krugman concludes that austerity is not about solving the crisis; it's about using it.[84] Water is almost universally targeted, as well as energy, transport, health, and other public facilities. In 2011, 95% of Italians who voted opposed the privatization of water and public services. Just three months later, the European Commission demanded that the Italian government privatize them. Only huge public pressure prevented the sale.

But Greece is the poster child for the crisis. Greeks are considered responsible for their plight—they are said to work few hours, be tax cheats, and generally feckless. This attitude of "northern" Europeans is long-standing. The British supported Metaxas, a Greek fascist dictator in 1936, according to a British official, "because ... the Greeks 'are a fundamentally hopeless and useless people with no future or prospect of settling down to any form of sensible life…"[85] In fact, OECD data[86] show that in 2014, Greeks work only slightly less than South Koreans; Germans worked the least, and retire earlier than Greeks.[87] Whatever the Greek problem, it is not laziness. As for taxes, every Greek pays a value added tax; workers pay a tax on wages[88] well above the OECD average. The only Greeks who evade taxes are small business owners, lax everywhere, and the elite, like ship-owners. High-level corruption is a more likely problem.

[Slide25Troika] How did Greece fall into the grip of the Troika?[89] [Slide26GSAlum] Denied entry to the Eurozone, Greece hired Mario Draghi, then working for Goldman Sachs, now head of the ECB, to cook the books so it could meet entry conditions [2001].[90] Bloomberg termed the loan from Goldman, at 16% interest,[91] which almost doubled in size by 2005, "a costly mistake from the start."[92] Others are less kind. After entry, foreign capital fueled a real estate boom.[93] Greece, as previously noted, lost industry after joining the EU, and growing current account deficits were covered by foreign loans. [Slide27GrGDPDbt] Then came the financial crisis, which swelled their budget deficit. In 2009, a new government discovered and reported the size of its deficit, spooking lenders and driving up interest costs.[94] Goldman sold Greek debt to investors in 2009 even as they bet on default.[95]

[SLIDE28-O-Bailouts] Greece has gotten three bailouts,[96] the most recent in 2015, all requiring further austerity. Painful cuts and tax increases sent the economy into a tailspin. One of the worst recessions in Europe since the Great Depression shrank the Greek economy by roughly one-quarter, [SLIDE29-GrDebt] driving up the debt ratio. Reducing debt ratios requires more than a focus on debt. GDP growth is the best method for doing so.

Greece's health budget was slashed by 40 percent, destroying the livelihood of doctors and nurses, many of whom emigrated. Infant mortality rose by 40 percent. Malaria, not seen since the 1970s, re-emerged.[97] Disposable income has contracted 30 percent since 2010; the minimum wage has been reduced by 40 percent; and millions of employed people support millions of those who haven't work. It is no surprise that suicides rose by 45 percent between 2007 and 2011.[98]

Some of the most extensive privatization is being pushed here, including their two biggest ports and main energy companies. Assets have fallen in price, so privatizations returned far less than expected. Imagine the bargaining power of the sole bidder for the Piraeus Port.[99] SLIDE30-2015Loan] The recent agreement requires the sale of another €50bn of public assets. It has restarted privatization of public gas utilities, transport and postal services, and motorways. Water service in Athens and Thessaloniki is to be sold off, though water privatization has been unsuccessful in Berlin and Paris.[100] A German company bought the right to lease more than a dozen regional airports, including those on tourist islands.[101] Germany improved the competitiveness of its shipping industry over Greece by forcing Syriza to increase a European-wide tonnage tax and abolish some tax benefits offered by other EU countries.[102] A financial crisis has been transformed into an economic and social one.[103]

Privatization is not about reducing state spending. Britain, for example, is still paying $4 billion to private railway companies more than fifteen years after railway privatization.[104] More important, [Slide31-Islands] the sale of foreign exchange-earning assets—like airports or Greek islands—hamstrings a country's ability to earn the euros needed to repay loans. Privatization is rather an ideology favoring private over public, and rich investors over citizenry.

At the IMF meeting which approved Greece's first bailout, Board members like Brazil's complained "it may be seen not as a rescue of Greece, … but as a bailout of Greece's private debt holders," mainly European banks. Christine Lagarde, IMF chief, admitted: "In May 2010, we knew that Greece needed a bailout, but not that it would require debt restructuring…We had no clue that the overall economic situation was going to deteriorate as quickly as it did," though several directors had complained of optimistic growth projections.[105] Usually, the Fund offers emergency funding conditional on implementation of reforms. These supplement writing off excess debts, with debt holders absorbing losses. IMF head at the time, Dominique Strauss-Kahn, ignored the debt write-off. Greece's debt burden by 2010 was already 133 per cent of GDP. Strauss-Kahn acquiesced in the European insistence that Greece be forced to pay all its public debts to avoid bondholder panic because of possible contagion. European leaders protected their own banks. Germany has never acknowledged its role in creating the crisis, or that the euro is threatened by transforming banking debt into government debt.[106] Write-down might have required a taxpayer-funded bailout that Merkel and Sarkozy wanted to avoid.[107]

Five years later, Greek debt had soared.[108] Over 90% of bailouts went to creditors, mainly French and German banks and hedge funds whose speculative purchases of Greek bonds were mostly repaid.[109] [Slide32-Syriza] The election of the Syriza government in January 2015 made possible a policy reset. No chance. As an EU official[110] said, "I am really afraid of … ideological or political contagion, not financial contagion, of this Greek crisis."[111] Ultimately Syriza was forced to sign an accord more austere than original demands.

Why the failure? The new government hoped for a debtor cartel. This hope was quickly dashed by Ireland and others that had capitulated to austerity. Greece had only two weak cards: leaving the euro or getting out of NATO. But by 2015, Greece was weaker and euro exit or even default was less threatening to the euro. Pulling out of NATO might have faced US resistance, and forced Germany to retreat. Syriza did neither. Confronted with negotiators alternating begging and abusive, with no chips, European powers made no concessions. Bad as the original deal was, creditors upped the ante: an immediate tripling of taxes on tourist hotels; further pension cuts and a phase out of welfare assistance for poorer pensioners, even though pensions have already been nearly halved; further fiscal tightening in an economy already reeling from years of depression.[112] And no debt relief. The creditors suppressed an IMF report validating Greece's claim that its debt is "unsustainable," concluding that the country needed a 30 per cent debt reduction.[113]

Though almost everyone now agrees that forcing Greece to borrow to repay creditors was a bad idea, including the IMF, policy is unchanged.[114] Without financial support to banks, the Greek "deficit would be just 1.8%. instead of 12.2%"[115]

[SLIDE33-ProgProj] According to IMF projections, by 2020 Greece's GDP will still fall short of the pre-crisis level by more than 10 percent, with unemployment still over 12 percent.[116] This assumes the accuracy of the usually over-optimistic IMF projections.[117] Though a debt write-down has already been ruled out,[118] lengthening maturities or lowering interest rates are still possible. [SLIDE34-GrkI] Creditor policy has long-term consequences: a plummeting investment rate means a lower future standard of living, and less ability to pay. The EC itself estimates that Greek potential output has fallen by about 18% since the crisis, and is still falling about 2% each year.[119] One observer compared “what the EU is doing to …Greece …to strangling a puppy. However, the new plan makes it look like the EU, after strangling the puppy, has decided to keep it on life support for purposes of vivisection. By quack doctors.”[120]

Greece unsuccessfully pressed Germany to pay it full reparations for WWII or even pay back the interest-free loan coerced by Nazi occupation forces. [SLIDE35-GerCutDebt] Debt cancellation that Germany received was worth up to four times its 1950 output, laying the foundation for rapid recovery.[121] Germans have never forgotten the hyperinflation of 1923; unfortunately, they have forgotten that unemployment of the 1930's contributed to the rise of Hitler. Without German economic stringency, the eurozone would have a weaker currency and higher inflation; both help to pay debts.[122]

Germany's contradictory policies are a continuing problem: it wants continued trade surpluses without financing trading partner deficits.[123] The crisis has given it a leadership role—one that the Maastricht Treaty was designed to avoid.[124] And it has used its power to pursue its own interests.

Though disastrous for poorer countries, the euro been a boon for Germany. McKinsey Company calculates its share of economic benefits as about half during its first decade in a somewhat smaller eurozone. Recent euro weakness has made German exports, especially to China and the US, cheaper, supporting its weak recovery.[125] [Slide36-outside-euroz] It is now far less dependent on the debtor countries.

Even the Greek crisis has helped. The German share of Greek military imports has risen.[126] Investors seeking safety buy German government bonds, reducing its borrowing costs. [SLIDE37-FrDEfs] France and Germany especially, along with other nations, have violated euro limits, not only southern Europe. France with the biggest budget deficit in the Eurozone in 2016, expected to be -4.7% of GDP, and Germany, a record trade surplus of 7.1%.[127] [Slide38-Debt/GDP] A German bank analyst complained that[128] from 2001 to 2005, Germany violated the debt criterion five times, but avoided sanctions with the help of France, Italy and Greece. These truths are absent from Germany's image of itself as a blameless victim of other's follies.[129]

Austerity's exponents consider Euro policy to be a great success. As soon as GDP stopped falling, Schäuble told us to "rejoice at the positive economic signals the eurozone is sending almost continuously…."[130] A British commentator[131] replied, "I apologise for mentioning that unemployment is 28pc in Greece, 26pc in Spain, … and 16pc in Portugal, or for pointing that it would be far worse had it not been for a mass exodus of …refugees. Nor was it proper to mention that Greek youth unemployment in 63pc. These are trivial details. I apologise for pointing out that the …Troika …said the Greek economy would contract by 2.6pc in 2010 and then recover briskly, when …it contracted by roughly 23pc from peak-to-trough, and will shrink another 5pc this year…. This slippage is well within the normal margin of error. I apologise for mentioning that the debt trajectories of Spain, Greece, Italy, and Ireland have accelerated upwards under the austerity plans…." Schäuble remains committed to enforcing the Greek government's implementation of the full bailout program.[132]

Here is some intriguing gossip. Remember Dominique Strauss-Kahn and his ignominious departure from the IMF, accused of sexually assaulting a hotel maid? According to NPR,[133] he had relented, and was proposing less austerity. He recognized "that unemployment and inequality can undermine the very achievements of the market economy….. this decade should take full employment seriously once again"[134] in a speech in April 2011. He was arrested in May 2011. His ouster is reminiscent of that of NY governor Elliot Spitzer, scourge of finance.[135]

Why did the troika impose austerity? The crisis was seen as an opportunity to shift European social democracies to neo-liberalism.[136] Many US politicians share the goal. We have the institutions to combat recession, but Congress used deficits as a reason to starve the safety net. With those reductions in place, deficits no longer worry them. Our last budget agreement reduced taxes. According to the Congressional Budget Office,[137] it will add projected deficits of $7.2 trillion over 10 years. Restructuring Greek debt, the IMF reported, would have cost European taxpayers less. Its debt was undented, now owed to the IMF and euro-zone taxpayers, not banks and hedge funds.[138] Maastricht lacked enforcement mechanisms, but Greece shows that fiscal excess can be squashed. Others take notice.[139]

[Slide39-RealGDPc] Despite the failure of austerity as economic policy, Germany successfully pressed most EU members to sign a more austere fiscal pact. This shows agreements are not written in stone. The new rules, beginning in 2017, will impose tax increases and deep cuts in public spending. Countries with debt ratios above 60% must reduce them each year. A *Financial Times* commentator predicts "'a long period of slow growth, low inflation, and a constant threat of insolvency and political insurrection.'"[140] The aim is to make austerity permanent by restricting the high-employment deficit to 0.5% of GDP. Why .5%, you might ask? The Frenchman who came up with the 3% deficit rule answers: "It is true that the number zero has its advantages. But if we had made it 0.7%, people would asked why that number? While 0.5% is halfway, not a bad figure, a comfortable number."[141]

Leftist parties are gaining, so they are being warned that policy changes aren't permitted.[142] Italian prime minister Silvio Berlusconi was deposed shortly after he floated plans to pull Italy out of the eurozone in 2011, according to a former ECB board member. His replacement was Mario Monti, an EU commissioner and former Goldman Sachs adviser. Greek prime minister George Papandreou, who proposed a referendum on the euro, met a similar fate. [143] Should Europeans elect a reformist government, they must expect it to be thwarted or replaced by a technocrat of the EU's choosing.[144]

The ECB is fully involved in this effort. It sent secret letters to the elected leaders of Spain and Italy[145] in August 2011 demanding detailed changes to internal laws outside its mandate, including labor law that had previously led to the assassination of two Italian officials.[146] It was the enforcer of Syriza's capitulation. Among its tools were public threats of an "uncontrollable crisis" and an "exponential rise in unemployment" without a deal that led to a run on Greek banks. Former Greek finance minister Yanis Varoufakis remarked on Troika resistance to real reform: “Why does a kilometer of freeway cost three times as much [in Greece] as it does in Germany? Because we’re dealing with a system of cronyism and corruption. That’s what we have to tackle. But, instead, we’re debating pharmacy opening times."[147] The euro creditor elite didn't weigh Syriza's mostly sensible proposals. They were determined to enforce terms which even the previous pro-Troika government couldn't implement.[148]

Greece continues to be a convenient target: the EU has accused it of mishandling the thousands of refugees flooding the country because Greece refuses orders to cooperate with Turkey. Greece has been granted €30 million to ‘assist’ with refugees, but the country has spent over €1.5 billion it desperately needs for Greeks.[149] The treatment of Greece, including plans for a border force against migrants controlled by the EU, not Greece, disturbs people.[150]

The ECB could have helped Greece by acting as a real central bank, as lender of last resort, like our Fed. Debt write-offs should have been done at once. Or it could have reduced interest rates to zero like the Fed in 2008. Instead, it raised them twice. As of late 2015, Greece is not included in the ECB’s purchase of government bonds under its quantitative easing program, finally begun in March 2015. Eligibility requires either a high credit rating or approved implementation of a creditor program, and Greece fits neither.[151] However, the ECB doesn’t even believe in monetary policy, ineffective as it is. The Bank says, “It is widely agreed that in the long run …a change in the quantity of money … will not induce permanent changes in … real output or unemployment.”[152]

What changes are needed? In the short term, higher inflation in the Eurozone would ease adjustment. The ECB is finally trying to get it, but not very successfully. [Slide40-GovtSur] Faster Eurozone growth would help, but takes fiscal policy, and most eurozone governments resist. Growth would shore up the euro and give time for major reforms. An alternative to austerity is imperative: a commitment to jobs, economic well-being, and democracy, not the budget. Deficit and debt limits are too inflexible: even German politicians ignored these requirements during the early years of the crisis. Yet Chancellor Merkel warns, "The debt brakes will be binding and valid forever…. Never will you be able to change them through a parliamentary majority."[153]

EU agricultural policy drastically reduced the subsidies of small farms, predominant in Greece. Reductions, again in 2015, have increased food imports despite favorable climate. Is it sensible for Greece to import fish, oranges, even olive oil,[154] while squeezing workers to help the trade balance? Greece should work toward food self-sufficiency, though it may be difficult without euro exit. Given other crises, like global warming, local sourcing can replace imports, creating jobs and reducing shipping.

Countries with persistent trade-surpluses should be required to expand to help deficit countries cover imports rather than pressures only on weaker countries. While countries cut social welfare, the rich across the continent escape taxes via EU-sponsored tax havens.[155] These should be cropped. However, these changes require acceptance by all member states.[156]

An alternative strategy is finding policies outside the euro box. Barcelona's city council plans a cash-less local currency to boost businesses.[157] A Greek port city already has one. The EU's high court ruled the bitcoin legal, so why not local currencies?[158]

A startling proposal[159]--a global debt writeoff—comes from an unlikely source—the former chief economist of the Bank for International settlements, the bank for central banks. "The situation is worse than …2007….Debt jubilees have been going on for 5,000 years," he said, so better an orderly elimination of debt rather than disorderly defaults.

Europeans once had a consensus that education, health care, housing, employment, child- and eldercare were entitlements.[160] These supports are being destroyed without popular assent. Referenda show support for the EU is weak.[161] Because most Eurosceptic parties are right-wing, austerity has fostered a resurgence of the extreme right.[162] "All Le Pen has to do is wait for the economy to get worse, and it will…."[163] [SLIDE41-EUpolProb] The euro was an effort to bring Europe together. Austerity is tearing it apart.[164] It had led to the fall of more than 20 governments by 2013, but is still in place.[165] 72% of those polled in Spain "tended not to trust" the EU, up from 23% in 2007. In Germany, which has benefited most, distrust has risen to 59%.[166] The eurozone's failure as a functioning economy undercuts it as a forum for what it could do well—collective problem solving, such as climate policy.[167] Its legitimacy is an urgent political problem.

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[1] Ben Bernanke and Harold James, in 1991 (NBER paper here), noted that 13 other countries besides the U.K. had decided to abandon …gold parity in 1931. …the average growth rate of industrial production for these countries …was positive in every year from 1932 on. Countries that stayed on gold, by contrast, experienced an average output decline of 15% in 1932. The U.S. abandoned gold in 1933, after which its dramatic recovery immediately began….the three countries that stuck with gold through 1936 (France, Netherlands, and Poland) saw a 6% drop in industrial production in 1935, while the rest of the world was experiencing solid growth. http://econbrowser.com/archives/2005/12/the_gold_standa

[2] http://ineteconomics.org/new-economic-thinking/peter-temin-lessons-great-depression

[3] http://www.economist.com/blogs/graphicdetail/2015/11/taking-europe-s-pulse

[4] http://www.economist.com/blogs/graphicdetail/2015/11/taking-europe-s-pulse

[5] http://ec.europa.eu/eurostat/documents/2995521/6976371/3-01092015-AP-EN.pdf/bf970f57-6481-42be-a689-33fd455fa932

[6] Blyth, http://www.nationofchange.org/end-austerity-now-1377088269 every country that has implemented an austerity program without imposing losses on private creditors has more debt now than when it started. For example, according to official estimates, Spain's public debt, which amounted to only about 36% of GDP when the crisis began, has almost tripled

[7] http://www.independent.ie/irish-news/starving-irish-people-pleading-for-food-from-soup-kitchen-as-last-resort-34139540.html

[8] Daniela Deane, https://www.washingtonpost.com/world/young-greek-women-selling-sex-for-the-price-of-a-sandwich-new-study-shows/2015/11/27/

[9] Krugman Myths of Austerity, quoted http://www.forbes.com/sites/stevekeen/2015/07/18/wolfgang-schauble-the-trust-troll/

[10] http://krugman.blogs.nytimes.com/2013/06/18/structural-excuses/

[11] Paul Craig Roberts, http://www.counterpunch.org/2013/07/08/lawlessness-is-the-new-normal/

[12] http://www.telegraph.co.uk/finance/economics/11687229/Greek-debt-crisis-is-the-Iraq-War-of-finance.html

[13] Members share tariff and other trade rules, euro-wide regulation, etc. UK & EU loss of sovereignty. European banking union last year, transferring supervisory authority over the banking systems of the euro zone's 19 economies to the ECB, even less transparency and accountability than the European Commission. The EU has developed a single market through a standardised system of laws which apply in all member states. Within the Schengen Area (which includes EU and non-EU states) passport controls have been abolished. EU policies aim to ensure the free movement of people, goods, services, and capital, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries and regional development. ....Common Foreign and Security Policy the EU has developed a limited role in external relations and defence. http://www.democraticunderground.com/?com=view_post&forum=1116&pid=278

[14] Wynne Godley, "Curried EMU," *The Observer*, 8.31.1997.

[15] http://www.nytimes.com/2012/04/27/business/for-germany-austerity-elsewhere-in-europe-is-a-harder-sell.html?

[16] Wage contraction is also far less effective, as falling wages are not necessarily reflected in falling prices and are on average about .25 of costs. http://ineteconomics.org/ideas-papers/blog/german-wage-moderation-and-the-eurozone-crisis-a-critical-analysis

[17] http://ec.europa.eu/enlargement/countries/detailed-country-information/iceland/index_en.htm It even put its application to belong to the European Union on hold in 2013, and dropped it in 2015.

[18] http://krugman.blogs.nytimes.com/2012/06/24/revenge-of-the-optimum-currency-area/

[19] http://en.wikipedia.org/wiki/Maastricht_Treaty inflation limited to rates no more than 1.5 percentage points above the average of the three lowest inflation member states; the ratio of government deficit to gross domestic product must not exceed 3% the preceding year; gross debt not more than 60% of GDP; countries should have been in the European exchange-rate system for two years and should not have devalued during the period; [l-t i rates not exceed 2 percentage points of the three lowest inflation members.

[20] First warnings by European Com; then the Member State can ultimately be issued economic sanctions. "the reasons that larger countries have not been punished include their influence and large number of votes on the Council of Ministers, which must approve sanctions; their greater resistance to "naming and shaming" tactics, since their electorates tend to be less concerned by their perceptions in the European Union; their weaker commitment to the euro compared to smaller states; and the greater role of government spending in their larger and more enclosed economies. The Pact was further weakened in 2005 to waive France's and Germany's violations." https://en.wikipedia.org/wiki/Stability_and_Growth_Pact

[21] http://revolting-europe.com/2014/04/17/how-the-eus-budget-straight-jacket-was-born/

[22]"How the EU's budget straight jacket was born," http://revolting-europe.com/2014/04/17/how-the-eus-budget-straight-jacket-was-born/ "[Socialist President] Mitterrand wants us to quickly provide him with an easy rule, which sounds like economics and can be used against ministers who march into his office to ask him for money," They considered a deficit ratio to GDP of 1%. But "this figure was eliminated as it was impossible to achieve. 2 % ? This put us under pressure too." 3 %? "http://revolting-europe.com/2014/04/17/how-the-eus-budget-straight-jacket-was-born/

[23]http://www.newsweek.com/europe-huffs-and-puffs-quest-workable-monetary-union-67221 "Apart from the European Central Bank, none of these necessary arrangements exist in the euro zone. There is no single bond market, and no central authority in charge of treasury policy. There have been attempts to substitute rules for a competent authority, notably the Growth and Stability Pact that limited government deficits in member states to 3 percent of national income. ….At the first whiff of recessionary pressures, the spending limits were broken, the initial transgressors being France and Germany. Lacking a single bond market, those who wish to accumulate euro-denominated assets (pension funds, for example, with commitments to pay pensions in euros) gravitate toward the less risky assets: why hold Greek euro bonds when you can hold German euro bonds? In addition, the euro zone has no effective mechanism for supporting poorer states. The central budget is tiny (around 1.7 percent of euro-zone income), and significant elements (the Common Agricultural Policy, for example) redistribute income in perverse directions—to France, for example…."

[24] http://krugman.blogs.nytimes.com/2013/06/24/florida-versus-spain-an-update/

[25] http://www.levyinstitute.org/pubs/pn_12_08.pdf EURODESIGN.PDF in file "The new architecture also establishes a redistribution of cohesion funding in favour of rich and transitional regions. In particular, poor regions (with per capita GDP under 75% of the EU-average) currently receive 57.5% of cohesion funding. In 2014-2020 this will be reduced to 48%. By contrast, more-developed regions (with per capita GDP above 90% of the EU-average) which currently receive 12.6% of cohesion funding are to receive 16% in the next funding period. Similarly, regions which are in between the poorest and the more-developed regions ('transitional' regions) at present receive 7.4% of such funding, but in the coming funding period are to receive 11%." http://www2.euromemorandum.eu/uploads/euromemorandum_2013.pdf p.33 "The EU has a modest system of fiscal transfers (the "structural and cohesion funds") but these are only of order €60 billion across the whole EU, much of which currently goes to non-Eurozone Member States….[to match UK regional transfers would require €300 billion of fiscal transfers for the Eurozone]" http://www.telegraph.co.uk/finance/economics/10935617/After-2020-all-EU-members-will-have-to-adopt-the-euro.html

[26] http://www.bloomberg.com/news/articles/2015-07-15/nine-people-who-saw-the-greek-crisis-coming-years-before-everyone-else-did

[27]Wynne Godley "Curried Emu—The Meal that Fails to Nourish," *Observer* (London), August 31,1997.

[28] http://www.lrb.co.uk/v14/n19/wynne-godley/maastricht-and-all-that

[29] Godley, http://www.lrb.co.uk/v14/n19/wynne-godley/maastricht-and-all-that
[30] http://blogs.wsj.com/source/2010/11/29/milton-friedman-comes-close/ and http://www.moneyandmarkets.com/european-monetary-system-in-big-trouble-29821
[31]Conversation with ECB official in Washington; "Monetary Policy of the ecb 2011" http://www.ecb.europa.eu/pub/pdf/other/monetarypolicy2011en.pdf
[32] http://bruegel.org/2015/07/the-birth-of-european-macroeconomics/ "…Pöhl's views that, if Europe proceeded too quickly towards a single European currency EURUSD, +0.0275% , countries that were not ready to take the burden of unification with the hard currency d-mark would suffer from widespread loss of competitiveness and soaring unemployment — just as East Germany had done."
[33] http://www.spiegel.de/international/business/weak-eu-banking-union-could-have-dangerous-side-effects-a-940065.html
34Fazi, "The EU's banking union: a recipe for disaster," Thomas Fazi 1/16, http://www.pieria.co.uk/articles/the_eus_banking_union_a_recipe_for_disaster
[35] http://www.theguardian.com/business/2014/may/18/eurozone-problems-european-elections http://faculty.insead.edu/fatas/CEPR_DP10902.pdf in my files: summersfato
[36] Ralf Dahrendorf http://klauskastner.blogspot.com/2013/04/prof-ralf-dahrendorf-visionary.html
[37] David Marquand, "Reinventing Federalism: Europe and the Left," NLR I/203, Jan-Feb1994, pp. 17-26
[38] http://www.nber.org/feldstein/economistmf.pdf *Economist* 13 June1992
[39] http://www.debtdeflation.com/blogs/2012/09/15/wynne-godley-on-the-euro-in-1992/
[40]"In 1972, … the so-called 'snake in the tunnel' system was created as an effort to limit the bilateral exchange rates of major European economies. That arrangement was quickly swept away by the global turmoil of those years. In 1979, the exchange rate mechanism was an effort to revive the snake. Once again, countries were required to maintain their bilateral exchange rates within narrowly defined bands. It eventually went up in flames in 1992-93. Despite repeated reality tests, successive French presidents continued to push for fixed exchange rates within a monetary union…. the dependence on German monetary policy was intolerable." http://bruegel.org/2015/07/the-birth-of-european-macroeconomics/
[41] http://bruegel.org/2015/07/the-birth-of-european-macroeconomics/ "The compromise that Waigel shepherded was European fiscal austerity to protect Germans from picking up the tab for others. Once again, contemporary critics warned that this – along with a single monetary policy for disparate countries – would make macroeconomic management harder, especially in economic downturns. But disregarding those warnings, an incomplete monetary union, without the safeguards of labour mobility and a fiscal union, was forged."
[42] Alex Callinicos, "Contradictions of European Monetary Union," Bonefeld, [my files] 4/20/1998
[43] "The strategy of European integration consisted of two primary projects. One was the Single European Market, set out in the mid 1980's by the European Commission, and codified in 1987. There was already a proposal to help the European Economic Community become a single market and manage exchange rates. The new integration proposed a shift from the existing model, based on the 1957 Treaty of Rome."
[44] http://www.nakedcapitalism.com/2014/12/yanis-varoufakis-euros-first-inkling-piece-lieu-best-wishes-2015.html
[45] The project to unite Europe began over 60 years ago with the European Coal and Steel Community and the European Economic Community, formed by six major European countries.[45] The Common Market came in 1959; the Single European Act, including free movement of people along with goods; extended to former Communist economics. The Maastricht Treaty established the European Union under its current name in 1993 and introduced the concept of European citizenship. The latest major change to the EU, the Treaty of Lisbon, came into force in 2009. wikipedia
[46]Timothy Garton Ash, "The Crisis of Europe," For. Affairs, S/O 2012
[47] Mitterrand and Andreotti.
[48] Timothy Garton Ash, "The New German Question," *NYR* 8/15/13
[49] http://pubs.socialistreviewindex.org.uk/isj75/callinic.htm [John Palmer, reformist Left]
[50] http://www.nakedcapitalism.com/2013/10/the-european-crisis-lessons-from-the-1920s-the-gold-standard-and-historical-trilemmas.html
[51] http://fortune.com/2012/08/09/two-legends-in-economics-wrestle-over-the-euros-future-2/
[52] http://www.theguardian.com/commentisfree/2012/jun/26/robert-mundell-evil-genius-euro
[53] In 2011. "Myths, Mix-ups and Mishandlings: What Caused the Eurozone Crisis?" Storm & Naastepad, pp. 4-5. http://ineteconomics.org/ideas-papers/research-papers/myths-mix-ups-and-mishandlings-what-caused-the-eurozone-crisis
[54] "… public sector nationalization of private debts…during 2009-2010 the Spanish government, previously with the lowest debt-to-GDP ratio of major EU countries, refinanced all its failing banks. This created both an unsustainable fiscal deficit (where before it boasted a surplus) and a public debt it could not finance." http://www.nakedcapitalism.com/2014/08/debt-default-solution-problem.html also http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/weorept.aspx?pr.x=66&pr.y=13&sy=2000&ey=2012&scsm=1&ssd=1&sort=country&ds=.&br=1&c=136%2C124%2C132%2C134%2C174%2C184%2C178&s=GGXCNL_NGDP&grp=0&a
[55] Eduardo Porter http://www.nytimes.com/2013/04/24/business/solutions-remain-elusive-after-financial-crisis.html
[56] Paragraph based on http://www.voxeu.org/article/ez-crisis-consensus-narrative

[57] http://www.cepr.net/index.php/blogs/beat-the-press/reuters-reinvents-the-euro-zone-debt-crisis
[58] http://triplecrisis.com/german-wage-repression-getting-to-the-roots-of-the-eurozone-crisis/
[59] https://www.jacobinmag.com/2015/02/syriza-merkel-euro-far-right/
[60]http://www2.euromemorandum.eu/uploads/euromemorandum_2013_summary_english.pdf A similar gap emerged with France, which allowed labor costs to rise in line with the ECB inflation target http://therealnews.com/t2/index.php?option=com_content&task=view&id=31&Itemid=74&jumival=11779
[61] http://ineteconomics.org/ideas-papers/blog/german-wage-moderation-and-the-eurozone-crisis-a-critical-analysis
[62] http://www.nakedcapitalism.com/2016/02/why-the-neoclassical-story-about-german-wage-moderation-causing-the-eurozone-crisis-is-wrong.html
[63] http://www.telegraph.co.uk/finance/economics/10758577/Germany-risks-EU-fines-with-record-current-account-surplus.html
[64] Ibid. See also full report, http://www2.euromemorandum.eu/uploads/euromemorandum_2013.pdf
[65]Mark Blyth, *Austerity* See also his http://www.nationofchange.org/end-austerity-now-1377088269 for Unemployment and debt data and http://www.project-syndicate.org/contributor/mark-blyth if he has written others
[66] "In 2008 the combined assets of the top six US banks came to 61% of US GDP. That's about 10% of GDP per bank. When they fail you have a huge problem." Blyth, *Austerity*
[67]Thomas Fazi, https://plutopress.wordpress.com/2014/05/27/europe-its-time-to-take-it-back/
[68]Fazi, *The Battle for Europe*, electronic ed., p. 6
[69] http://idealoblog.blogspot.com/2015/02/so-this-is-private-debt-crisis-after-all.html
[70] "Over the last two decades, banks across Europe have come under increasing pressure to compete internationally - from bureaucrats like Mario Monti, the former by European Union Competition Commissioner, who mistakenly believed that greater efficiency would be the result. As Germany withdrew state guarantees for regional banks and France privatized nationalized banks, these banks took advantage of their high credit ratings to flock to countries on the periphery of the EuroZone with cheap and easy loans after the launch of the single currency.Countries like Greece, Ireland and Spain who had struggled with high interest rates and unemployment for decades, jumped at this opportunity. The ensuing cash influx created an economic bubble characterized by a boom in risky public and private sector projects. *The EuroZone Profiteers* http://www.corpwatch.org/article.php?id=15875
[71] http://www.nakedcapitalism.com/2013/04/bill-black-the-new-york-times-thinks-bleeding-cyprus-is-strong-medicine.html
[72] "…Anglo Irish folks had said once they give us the first slug of money, they'll be politically trapped, because they won't want to admit to their constituents that it's all money down the drain, and so they'll continue to support us…" http://therealnews.com/t2/index.php?option=com_content&task=view&id=31&Itemid=74&jumival=10405
[73]http://www.nytimes.com/2013/07/05/business/in-ireland-dire-echoes-of-a-bailout-gone-wrong.html
[74]"ECB [from Trichet] letter threatened Irish [emergency] funding unless a bailout was accepted, demands a "swift response". http://www.thejournal.ie/trichet-letter-sent-to-lenihan-released-1764945-Nov2014/
[75] http://www.nakedcapitalism.com/2015/05/ilargi-mario-draghis-slippery-downward-slope.html
http://www.forbes.com/sites/nathanlewis/2013/05/03/the-cyprus-bank-bail-in-is-another-crony-bankster-scam/
[76] "…the 2005 bankruptcy law, which made derivatives liabilities most senior. In other words, derivatives liabilities get paid before all other creditors — certainly before non-crony creditors like depositors. Considering the extreme levels of derivatives liabilities that many large banks have, and the opportunity to stuff any bank with derivatives liabilities in the last moment, other creditors could easily find there is nothing left for them at all." http://www.webofdebt.com/articles/baliin.php see also http://www.forbes.com/sites/nathanlewis/2013/05/03/the-cyprus-bank-bail-in-is-another-crony-bankster-scam/
[77] Because it crowded out private I.
[78] http://www.ft.com/cms/s/0/1c5d3284-a77b-11e2-9fbe-00144feabdc0.html 11/2011
[79] "current period debt-to-GDP is a pretty poor predictor of future GDP growth at debt-to-GDP ratios of 30 or greater—the range where one might expect to find a tipping point dynamic. But it does a great job predicting past growth." "Growth in a Time *Before* Debt… Arindrajit Dube, http://rooseveltinstitute.org/guest-post-reinhartrogoff-and-growth-time-debt/
[80]Pollin et al, "Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff
[81] http://www.ft.com/intl/cms/s/0/60b7a4ec-ab58-11e2-8c63-00144feabdc0.html#axzz2RiOKjy22 "Between 1815 and 1855…debt interest accounted for close to half of all …public spending. … By the early 1860s, debt had… fallen below 90 per cent of GDP."
[82] http://www.bbc.com/news/business-11441473
[83] Ha-Joon Chang http://www.counterpunch.org/2013/02/04/the-new-specter-haunting-europe/
[84] http://therealnews.com/t2/index.php?option=com_content&task=view&id=31&Itemid=74&jumival=9934
[85] http://www.counterpunch.org/2015/12/17/a-peoples-history-of-churchillian-madness/ "Churchill's coup later overthrew the Greek government while also suppressing the communists. Churchill informed General Scobie, 'Do not hesitate to fire at any armed male in Athens who assails the British authority or Greek authority … [A]ct as if you were in a conquered city where a local rebellion is in progress'. He later informed parliament of his view on EAM/ELAS, preferring collaborators to anti-fascists:"
[86] http://stats.oecd.org/Index.aspx?DataSetCode=ANHRS

[87] Mark Weisbrot http://www.alternet.org/books/were-all-paying-unaccountability-so-called-experts-who-screwed-world-economy
[88] http://stats.oecd.org/Index.aspx?DataSetCode=ANHRS
[89]This section relies on Marjolein Van Der Veen, "Greece and the Crsisis of Europe: Which Way Out?" *$ &Sense*, M/J-13
[90] Goldman made it look as if government had earned billions speculating in currency swaps; the real deficit was hidden. Goldman did this for a couple of other countries; J.P. Morgan set up a similar deal for Spain. Greece was the worst, and when [former Greek Prime Minister George] Papandreou got into office, he said, " we have a big deficit!" I think he knew all along; Greece loans then bankers demanding 15 to 16 percent interest, to pay off these huge, high-interest debts. So Goldman Sachs was brought in by two governments, by two different parties, and defrauded the public. http://www.truth-out.org/news/item/29260-palast-to-syriza-don-t-lie-it-s-impossible-to-end-austerity-within-the-eurozone
[91] Fazi, *Battle for Europe*, p. 71
[92] http://www.bloomberg.com/news/articles/2012-03-06/goldman-secret-greece-loan-shows-two-sinners-as-client-unravels
[93] http://www2.euromemorandum.eu/uploads/euromemorandum_2013_summary_english.pdf
[94] http://www.cnn.com/2015/07/06/europe/greece-how-did-we-get-here/#
[95] http://www.alternet.org/economy/how-goldman-sachs-may-provoke-yet-another-major-financial-crisis
[96] €110 billion in 2010; a second in 2011, and the most recent €86bn in 2015
[97] http://www.counterpunch.org/2014/08/19/kos-the-imf-the-eu-and-the-ecb/
[98] http://www.alternet.org/economy/austerity-kills-case-point-greece?
[99] http://splash247.com/greece-asks-cosco-to-up-its-bid-for-piraeus-port-authority-stake/
[100] http://www.theguardian.com/sustainable-business/2015/aug/14/germanys-hypocrisy-over-greece-water-privatisation In 2014, the pro-austerity Samaras government's attempt to sell off the Athenian water supply was stymied when the country's highest court ruled the sale was unconstitutional.
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Good policy requires seeing beyond the current

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"To be sure, formal parliamentary processes were respected in both Italy and Greece. The presidents appointed the new leaders in each of the two countries. But it remains that Mario Monti, the former Goldman Sachs advisor and European Commissioner, and Papademos were imposed in what were 'coups d'etat in spirit', if not in constitutional law, as the Telegraph puts it." http://revolting-europe.com/2014/05/20/the-plot-to-topple-berlusconi/ see also http://www.lrb.co.uk/v36/n10/perry-anderson/the-italian-disaster {Anderson ppr, in my euro files.
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[149] Ilargi: Greece is a Nation Under Occupation 12/6/15.
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[155] common throughout Western Europe, especially in Luxembourg, Switzerland, Italy, Spain, Belgium, Malta, France and the Czech Republic. In Spain, for example, investors …pay only 1 percent tax on annual returns. …Luxembourg – where the EU-sponsored SICAV just happens to be based – the funds are taxed at a measly 0.05 percent rate." http://www.nakedcapitalism.com/2014/06/mini-tax-havens-how-europes-1-gets-to-pay-only-1.html See also http://www.bloomberg.com/news/articles/2015-10-22/after-blow-to-europe-tax-havens-some-promise-more-staying-power
[156] http://www.forbes.com/sites/stevekeen/2015/11/20/the-power-and-the-impotence-of-the-ecb/2/ the ECB charter: "Neither the ECB nor the national central banks (NCBs), nor any member of their decision-making bodies, are allowed to seek or take instructions from EU institutions or bodies, from any government of an EU Member State or from any other body."
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