Mission impossible: Managing the Euro

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cc U B The introduction of a single currency was an attempt 'to force Europe to create a transnational state', writes Samir Amin, but despite 'illusions of transcending national sovereignty', "Europe" still does not exist, either in the political sense or economically and socially. Given the lack of common ground among Europe's deeply unequal states, Amin looks at the options for managing the Euro in the face of the global financial crisis.

1) A currency cannot exist in the absence of a state. Together, a state and its currency are the means by which capital operates, above and beyond the various competing forces. The current perception of a capitalist system controlled by the market and in the absence of the state (which in this case, is reduced to the minimal role of maintaining law and order) is not based on any serious historical understanding of capital. Neither is this perception based on any scientific theory that shows the ability of the market to maintain an optimal balance.

The Euro was created in the absence of a European state, at a time when the nation-states were themselves were being stripped of the responsibility to manage capital. The notion of a currency that is 'independent' of the state is in itself absurd.

'Europe' does not exist, in the political sense. In spite of the naive illusions of transcending national sovereignty, it is in fact the national governments that remain legitimate. The political maturity necessary to accept a Europe born out of a 'European vote' still does not exist in any of the individual member countries. One can but only hope for this scenario at this point, but it will still take a long time to arrive at true legitimacy for Europe.

Economically and socially, Europe still does not really exist. The current entity composed of 25 to 30 states remains deeply unequal in terms of capitalist development. The oligopolies that control the economy of the region are groups whose 'nationality' is dependent on that of their leading stakeholders. These groups are predominantly British, German, French, and peripherally Dutch, Swedish, Spanish and Italian. Eastern and part of Southern Europe are connected to Northern and Central Europe in the same way that Latin America relates to the USA. Under the current conditions, Europe is little more than a common market, and is itself part of a global market in the hands of global financial oligopolies. From this perspective, as I have stated before, Europe is the most globalised of regions. This situation, coupled with the impossibility of a political union, means you have differentiated wage levels, social security and taxation regimes that can not be done away with under the current European system.

2) The creation of the Euro was therefore putting the cart before the horse. The founders themselves have since admitted this, claiming however, that the idea was to force Europe to create a transnational state, and in effect moving the horse in front of the cart. This miracle did not happen. Towards the end of the 1990s, I had occasion to express my misgivings about this move. My expression on the matter (putting the cart before the horse) has since been used by one of the senior officials behind the creation of the Euro, who had at the time told me in no uncertain terms

that my views were unreasonably pessimistic. At the time, I stated that such an absurd system could only possibly work effectively if the general economic climate remained favourable. What happened subsequently should therefore not have been a surprise: As soon as a crisis (which initially appeared to be financial) hit the system, it became impossible to manage the Euro, and respond effectively and coherently.

The current crisis is set to persist and even deepen. The effects thereof are varied and unequal across the different European countries. By the same token, the social and political responses across the working class and the middle class, as well as the political establishment, will vary from one country to the next. The conflicts that will arise out of this crisis will be impossible to manage in the absence of a real and legitimate European state, possessed of a suitable monetary instrument.

The responses of Europe's institutions (the CBE included) to the crises (Greek and others) are therefore absurd and futile. The responses can be summed up in one term – austerity across the board. This is very similar to how governments responded in 1929-30. And in the same way that those responses worsened the situation in the 1930s, we shall see the same results today from Brussels.

3) What should have been done in the 1990s was the establishment of a 'European monetary snake'; each European state would remain monetarily sovereign, managing its economy and currency according to its own opportunities and needs, all within the limitations of free trade (the common market). This monetary snake would ensure interdependence through fixed (or relatively fixed) currency exchange rates that could be adjusted occasionally based on negotiated devaluations and revaluations.

Under this scenario, a longer-term view of a 'stiffening serpent' would be realistic – perhaps leading up to the adoption of a common currency. This process would be tempered by the slow and progressive convergence of production systems, real wages and social benefits. In other words, the serpent would have aided – not hamstrung – the process by means of a bottom-up convergence. This would have required the different countries to agree to common objectives and exercise political will to, among other things, control financial flows. This goes contrary to the absurd current system characterised by deregulated financial integration.

4) The current crisis provides the perfect opportunity to abandon the way in which this illusory currency is managed, and replace it with a European monetary serpent that conforms to the realistic opportunities available to the affected countries.

Greece and Spain could start the process by deciding to:
(i)'provisionally' opt out of the Euro
(ii) devalue their currencies
(iii) set in place exchange controls, at least as far as financial flows are concerned.
These countries would then be in a strong position to negotiate the rescheduling of their debts, and after audits, to call for the cancellation of debts associated with corruption and speculation (activities in which foreign oligopolies participated and enriched themselves!). I am convinced that this would set a strong precedent.

5) Unfortunately, the chances of such an exit from the crisis are slim to none. The decision to manage the Euro independent of the states, and the sacrosanct respect of the 'law of financial markets' are not products of some absurd theory. They are designed to keep the oligopolies in control. They are key elements in the construction of a European collective, itself designed to preclude any challenge to the economic and political power of the oligopolies.

In a widely published article entitled 'Open letter by G. Papandréou to A. Merkel', the Greek authors of this imaginary letter make a comparison between Germany's past and present arrogance. On two occasions in the 20th century, the German ruling classes have taken a belligerent approach to create a single European entity in conformity with their wishes, both times unsuccessfully. Their pursuit of European leadership, ruling over a 'Mark zone' seems to be based on a similar overestimation of Germany's economy, which is in reality relative and fragile.

The crisis will only be overcome when a radical left dares to take political initiative and build alternative anti-oligarchic formations. Europe will either be Left, or not be at all, I have stated. The current rallying cry by Europe leftist forces so far has been 'the current Europe is better than no Europe at all'. Breaking the current impasse requires the deconstruction of the current institutions and treaties. In its current form, the system will lead to unprecedented chaos. All scenarios are possible, including that which we pretend not to want to see; the resurgence of the far right. For the US, the survival of an emasculated Europe, or its complete collapse, will not change much. The idea of a united and strong Europe that forces the US to take note of its interests and opinions is in the current conditions no more than wishful thinking.

6) I have tried my best to be concise in this article, to avoid repeating views I have previously made on the European impasse in these works:

Capitalism in the age of globalization, chapter 6, 1997
L'hégémonisme des Etats-Unis et l'effacement du projet européen, section II, 2000
Obsolescent capitalism, chapter 6, 2003, original French 2002
The Liberal Virus, chapter V, 2003, F 2002
Beyond US hegemony, chapter VI, 2006, F 2002.
The world we wish to see, chapter 3, 2008, F 2006
From Capitalism to civilization, chapter VI, 2008, F 2008
La crise, sortir de la crise du capitalisme ou sortir du capitalisme en crise?, chapitre I, 2008 (English translation in course)

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