

Euro – the risks of a taboo

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I have spent two weeks in Spain, taking part in two academic conferences and exploring the country's beautiful northern region. I found a rich, sunny, but sad Spain, with few people in the streets and restaurants. A very different Spain from that happy and optimistic country that I had found in the visits made in the last 10 years. During all those days I read *El País*, the great Spanish newspaper, and the climate of its news and of the opinions expressed in it is even more somber. I see Spain in the middle of the euro crisis, a Spain at a dead end.

In the last elections, Spaniards rejected the social democratic government of José Luís Zapatero, because it accepted the “austerity” imposed by the Germans and by the Troika (European Commission, European Central Bank, IMF). They elected a conservative Prime minister, Mariano Rajoy, who promised a more independent management of the country, but in his first six months of government the banking crisis worsened, Spain was forced to ask for help, and now the Troika imposes greater spending cuts, increased taxes, and the elimination of citizens' rights.

In view of this situation, I am telling my Spanish friends that austerity will not solve their problems (with which many of them agree), and that it would be better for all the European countries if they decided in mutual agreement to discontinue the euro, in order to thus avoid a greater crisis and guarantee the European Union. But they do not reply to this remark. For them, the survival of the euro is a taboo.

Last week, in view of the adjustment of 65 billion euros imposed to Spain, the Argentinian president Cristina Kirchner could not help showing her indignation and remembering her own country. Because Argentina's situation in 2000 and 2001 was very similar to that of the indebted Eurozone countries. The Argentinian Plan de Convertibilidad had transformed the Argentinian peso into a foreign currency, as the euro is a foreign currency for the Europeans: a currency they cannot issue nor devalue. And no one had the courage to revolt against it and propose to abandon the peso's legal parity with the dollar, because that parity had become a taboo.

Whoever spoke against it would be “betraying” Argentina. It is precisely the same thing that is happening today in the Eurozone: to propose to depreciate the currencies of the indebted countries is treason.

The Argentinians were not able to prevent the collapse of their economy and the hyperinflation. It was only after both things had happened, after the most terrible financial crisis that I have known had hit its people, that the government was changed, and the problem was faced – with courage. Will the Eurozone also have to wait for a violent crisis in order to react? Or will it be able to take enough measures of bank centralization and fiscal union in order to prevent this violent crisis? European governments are betting on this second alternative, even if it has a much higher cost than the cost of taking a step back and discontinuing the euro in a concerted manner. And the Spaniards I have found are paralyzed, because they know that they cannot put pressure on their government to unilaterally abandon the euro. They can, however, stop making the issue a taboo subject and start to discuss it. To prohibit the debate is risky. It may cost dearly for them and for all the Europeans.