

The Telegraph

The euro is heading for disaster - what luck for David

Cameron! (Note, I have used the newspaper's headline on 11th December, not the current online headline which substitutes 'euro' for 'EU'.)

The final unwinding of the disastrous single currency could give Britain everything it wants from Europe



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As Karl Marx was one of the earliest to point out, economics (though so much less interesting) is far more important than politics.

Marx considered all political events as epiphenomena. He viewed great men as blind instruments of irresistible forces which they themselves could hardly comprehend.

The Marxist vision of society has been disproved many times, always at epic human cost. However, his doctrine that productive forces propel history has stood the test of time – and is invaluable for an understanding of the current predicament of the European Union.

It elegantly explains why European Monetary Union was destined to fail. The state socialists and former communists who invented the euro never got to grips with this aspect of Marxist thought. Only Conservatives with an intelligent appreciation of economics and history – an enlightened congregation that included Margaret Thatcher, Oliver Letwin, Peter Lilley, Tim Congdon, John Redwood, Nicholas Ridley and Alan Walters – grasped that the EMU would collapse under the weight of its own contradictions, and that it was folly to construct a single currency before the political conditions were in place.

Meanwhile the European elite who advocated the euro (British representatives included Michael Heseltine, Peter Mandelson, Tony Blair, Ken Clarke, Nick Clegg and Danny Alexander, at the time only a cadet member of the European political class, so perhaps the chief secretary can be forgiven) ignored all warnings. Indeed, Lord Mandelson is still advocating British membership!

It is impossible to exaggerate the arrogance, the bone-headed stupidity and above all the brutality and callousness of these Europhiles. Their demented attempt to impose a new economic model on an unworkable political structure has already caused untold suffering. At the heart of their project is an audacious attempt to prove the primacy of politics over economics. Bear in mind that it is an experiment for which the European elite personally do not have to pay a price.

Their experiment has caused depression (not recession as inaccurately reported by pro-European journalists at the BBC and elsewhere) across much of Europe.

This is getting worse. The Italian economy is moribund, social cohesion has vanished and Italians are starting to turn venomously on immigrants. The Greek economy has shrunk by 30 per cent, and one quarter of the population is out of work. Youth unemployment in Spain stands at an unspeakable 50 per cent.

We are talking about tens of millions of ruined lives, and busted dreams. This reality has already brought about a convulsion in Europe. Entirely new political parties have emerged, from the far-Left and far-Right, brought into existence by a common scream of despair against a broken system.

For the time being, the former political class remains in charge. It has as much legitimacy as the ancien regime in pre-revolutionary France, with the same moral bankruptcy, calculating venality and profound sense of entitlement. This elite has the same distaste for democracy as 18th-century lords, and over the long term the same chances of survival. In its dying convulsions, Jean-Claude Juncker's political class has abolished democracy. Italy has had three consecutive unelected prime ministers since Silvio Berlusconi's scepticism about the euro caused the EU elite to recruit an unscrupulous cabal of bankers to remove him (former US Treasury Secretary Tim Geithner gives a gripping account of this unwholesome manoeuvre in his recent memoir).

That it has survived so far is thanks to a series of financial confidence tricks, of which the latest example is Juncker's implausible scheme to convert €21 billion of equity into a €315 billion slush fund to relaunch the European economy. This amounts to no more than wishful ravings, though it would be financially disastrous if by some malign chance it were put into effect.

Things cannot go on like this, and this month we have witnessed a series of telling signs that the eurozone has turned back into a danger zone. On Monday, we learnt that France and Italy will soon breach their fiscal limits.

There are signs of disharmony at the European Central Bank – yet more proof that no central bank can exert real authority without a state behind it.

The ECB is racking up worthless sovereign debt and bank loans in its doomed battle to save the eurozone: in due course there will be an almighty row about who will pay up for the black hole.

Hopes that economic growth will float the eurozone off the rocks have been extinguished by forecasts of stagnation from the cruelly realistic ECB.

Meanwhile the eurozone has been plunged into deflation, meaning that in real terms the value of debt will rise, a chilling repeat of the European experience of the Thirties.

Most deadly of all is the resurrection of the Greek debt horror. The country is ungovernable and on Tuesday the president was (quite rightly) sacked, opening up the possibility of a spring general election, and thus causing the biggest collapse on the Athens stock market in 27 years.

We are very close now to Karl Marx's moment of alignment. The political structure must be made to fit the economic reality, or vice versa. Bear in mind that the single currency will only work with a single economic policy, a single treasury, a single system of taxation and spending, a single national parliament and single political identity.

Europe's incapable leadership have been trying to avoid this inevitable outcome. But the looming financial catastrophe will force them to confront it. It will be very frightening indeed for tens of millions of families, all the more so because Europe's self-imposed economic disaster has destroyed the authority of mainstream parties, politicians and democratic institutions.

I guess that two things will emerge, along with a new social order, out of the chaos. Many countries – Greece and Italy among them – will abandon the lunacy of the euro.

Consolidation will take place at the centre. France, Belgium and a few others will realise Jean Monnet's dream and come together to form a new state, which will have Germany at its centre.

I admit that it is parochial and self-regarding to consider the consequences for Britain, but they are promising. So far, David Cameron's campaign for a treaty negotiation to accommodate British sensibilities has seemed selfish and hopeless. But the outlook would change with a new European architecture based around a greater Germany. Expect a two-tier Europe (of the kind advocated by Jacques Delors in 2005) with a second group of countries enjoying looser trading, foreign policy, defence and other arrangements with the centre.

This kind of European Union would be consistent with promises made to the British people in the 1975 referendum. It would be acceptable to all barring a handful of Ukip supporters and hardened Lib Dem voters.

It is exactly the Europe of nation states advocated by Margaret Thatcher – that far-sighted and dangerously acute student of Karl Marx – in her famous Bruges Group speech in 1988. She understood the connection between politics and economics, which is why she tried to prevent monetary union.

I have noted before that Cameron is a very lucky Prime Minister. The looming eurozone crisis will have terrible consequences for countless ordinary people, but will help to get the PM out of a tight spot, and better still, may help realise Margaret Thatcher's eternal vision of a Europe of nations.