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Like the House of Bourbon, the euro will eventually be broken on the anvil of popular insurrection

JEREMY WARNER

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Beppe Grillo, the comedian turned politician who heads Italy's Five Star Movement. He wants a referendum on membership of the euro, but has no strategy for leaving it

Another week, another crisis at the heart of the eurozone – this time Matteo Renzi's crushing defeat on constitutional reform. In themselves, the plans were of little consequence; many impartial observers in any case thought them ill-conceived.

And just as Britain's vote for Brexit was a coalition of very different, and in some cases conflicting, interests and complaints, so too was Renzi's defenestration. It was as much a vote against him personally, as a scream of rage against the system.

What's more, many of those who voted against the changes were doing so not as an act of rebellion, but to keep Beppe Grillo's Five Star Movement out of office, for though it was the comedian turned politician who campaigned most actively against the reforms, they would ironically have bolstered his chances of eventually forming a government.

All the same, the result is inevitably seen as yet another manifestation of populist revolt against the established political and economic order, and as such it has once again brought the future of the euro into sharp focus.

I say the euro rather than the European Union because the single currency is really where it all started to go wrong for Europe. It was the point at which Britain's slow divorce from the common market became inevitable; the UK could never have been a part of the much deeper levels of economic and political integration that a successful monetary union requires.

And it was also the start of the economic malaise that now plagues large parts of the Continent; the single currency has denied member states the normal market based adjustment mechanism of devaluation to respond to the economic shock of the financial crisis.

Inability to embrace painful structural reform on the one hand, and similar political resistance to the required degree of fiscal and political union on the other, has left large parts of Europe in a state of seemingly permanent economic depression.

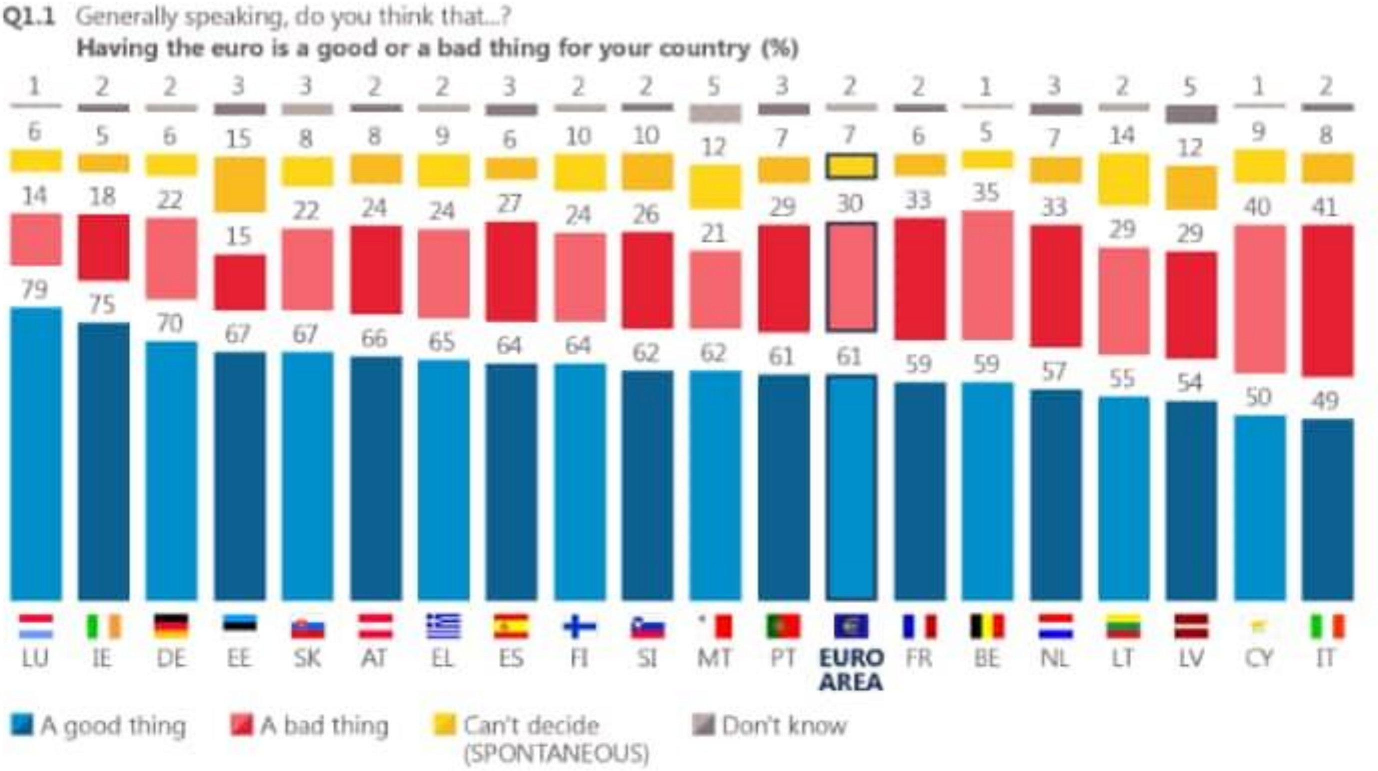
There have been many other things that Europe has got wrong, but the overarching one is monetary union. From this original sin flows so many of our current difficulties. We know this to be true because countries in the EU but outside the single currency, such as Britain and Sweden, have fared much better than those in it.

Greece's Alexis Tsipras, now as much a part of the Eurozone establishment as Angela Merkel

So how come the euro hasn't already collapsed under the weight of its own contradictions? And with populist, nationalistic insurgency in the ascendant across western economies, are we finally approaching the end game?

The euro is virtually unique in the history of monetary economics in being a currency without a government. Rather it is a shared, or common currency, in which each member notionally has some sort of a say. Europe's founding fathers knew that monetary union couldn't be made to work without a high degree of accompanying fiscal and political union, but cynically regarded it as a means of achieving that end. A United States of Europe would be forged in crisis, they figured, driving through the goal of political union against the centuries old instincts of Europe's many tribes.

And in theory it could indeed be made to work. But in a confederation of proud nation states which finds it virtually impossible to agree even common deposit insurance, let alone a proper banking or fiscal union, it seems ever less likely.



Europeans generally think the euro has been good for their countries

No monetary union can last for long without a unified system of deposit insurance. It would be unthinkable, for instance, for London to refuse to participate in deposit insurance for the country as a whole because there is a bank in Yorkshire which it fears might go bankrupt.

Yet that's precisely what happens in the eurozone; Germany refuses common deposit insurance with Italy because it fears being left on the hook for essentially insolvent banks such as Monte Dei Paschi Di Siena. Similarly, it would be unthinkable for the citizens of Edinburgh to be made wholly responsible in extremis for bailing out the whole of Royal Bank of Scotland. Fiscally, it would break them beyond redemption. But that's essentially how it works in Europe.

The eurozone pretends to be a fully fledged monetary union while behaving as if it were still a collection of siloed nation states.

The rational thing to do, notes Joseph Stiglitz, the economist, in his recent book, "The Euro and its threat to the Future of Europe", is for Europe's leaders to sit down together and agree a programme either for finishing the job, or if they can't do that, a way of accepting that the marriage is never going to work and making the divorce go as smoothly as possible.

One relatively benign way of doing this would be simply to put the process of establishing monetary union into reverse, such that each euro is split into nineteen different national currencies proportionate to share of GDP, or any such variant that would allow individual member states to peel off in relatively pain free manner. Call it the “exploding euro” proposal.

In his book, Stiglitz floats a number of other ways of achieving much the same thing. Likewise Hans-Werner Sinn of Germany’s Ifo Institute, who has proposed the idea of a “flexible” euro, which would allow members temporarily to opt out of the single currency. Roger Bootle’s Capital Economics has meanwhile come up with a very practical series of suggestions for leaving the euro with the minimum of economic disruption.

Yet the trouble with all these propositions is that they don’t address the core problem, which is that the political class in Europe has no intention of sitting round a table and discussing sensibly how to dismantle the euro. Remarkably, in virtually all member states bar Italy, there is a clear majority that continues to believe the euro to be a good thing – even Greece, where fear of the consequences of leaving has apparently triumphed over one time populist insurgency. Alexis Tsipras has become the establishment.

Middle class Greeks actually quite like having a German exchange rate. The prospect of an immediate 50pc cut in the value of their assets somewhat concentrates the mind on the repercussions of exiting the euro.

As for the pre-existing elites, they are like the chief executive who has made a very bad investment but cannot bring himself to admit it. In such circumstances, it becomes virtually impossible to cut your losses. The more things go wrong, the more committed to the policy Europe’s leaders become, because to admit fault is to concede that all that pain has been for nothing. Good money is thrown after bad.

Muddling through has been the order of the day for a long time in Europe now, and that’s how things look set to continue. Until eventually it breaks, as with France’s House of Bourbon, on the anvil of political insurrection.