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LETTER TO GERMAN AND ITALIAN FRIENDS
How the European Economic Mechanism Works
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Dear German Friends,

No-one can deny that you belong to a great nation. Your philosophers, jurists, musicians, scholars and scientists have contributed to shape civilisation on the entire planet. You have made some mistakes. However, who has not made them? The history of extermination carried out by each country in the world has been described in the extensive work by Matthew White on the atrocities committed by mankind during our millenary history. There is something for everyone! Karl Popper was right: humans are the worst beasts on Earth because, as compared to animals, they consciously put their intelligence to the service of evil.

Let's stay out of this issue by preventing that the roots of violence, including economic violence, become stronger. Therefore, I would like to urge you to show greater commitment to prevent another tragedy in Europe – that of some nations returning to poverty with the resulting hatred and conflicts – by acting in such a way as to guarantee continued growth in your country as well as in all the other countries through a collaborative effort. We need to go back and pursue the objective that the civil advancement of European national societies had led us to believe as irreversibly attained: “The greatest possible happiness for the highest possible number of people”, a principle whose best theoretical expression is shown by our British friends and the founding Fathers of our civilisation and theirs. This being said, we find ourselves with the irreversibility of the Euro, obviously the current Euro and not the Euro we had dreamed of. Its forms prevent the fulfilment of the hopes that had led to its launch: a tool to grow and spread peace and wealth to everyone. A myth from the past is coming back with a vengeance: that of a balanced budget, which has now become a constitutional value and which we had thought to have rejected due to the gains in terms of knowledge of the economic science.

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However, and this is even more serious, conflicting competition has come back. Fortunately, it is not of a military nature, like the ones that caused dramatic wars and imposed a strong desire for peace and guided, even though with problems, the process of European unification. It is more underhand. Your recent collective behaviour seems to show that, at economic level, you are going again towards the direction suggested by the Funk Plan of 1936. The economic policy you are proposing lays the foundation for a break-up of the European dream of peace and common civil progress. The Funk Plan provided for Germany to become the country that would put order in Europe. This is what you now suggest. The Funk Plan provided for national currencies “to converge into the Mark’s area” and this is what you would like and have partially achieved. It also envisaged that industrial development only pertained to yourselves and that you would only be accompanied by France, your “historical” ally, a solution now caused by the common European market and the single currency. The Plan wanted other countries to devote themselves to agriculture and tourist services, something that will happen out of necessity or because of a natural ‘calling’ and they will lend skilled labour to your leadership project. I am on the side of those who believe that someone’s or some country’s leadership is indispensable not only for geo-political stability but also for the healthy meritocratic principle that, for the good of everyone, the best must win. However, leadership, particularly at supranational level, entails duties in terms of security and wealth, something that, for instance, the US have performed rather well during the post-war period. Therefore, if your policy is not nationalistic by nature, because it would then be out-dated and would also not take into account your interests in terms of exporting country, your ambition to be European leaders misses these two fundamental principles to support it.

National interests must be balanced with those of the communities that make up Europe. In turn, these interests must be balanced with those of the international community. In foreign policy, this is called cooperative strategy. I was taught that whoever looks after his (her) own interests – and the success of Adam Smith is due to the fact that he clearly highlighted this in a famous passage of his, just as famous as the book *The Wealth of Nations* – serves the interests of each of us. However, as the theory of social classes specified, he becomes a member of the leading classes if he manages to balance his interests with the general ones. In order to avoid the reactions caused by the transfer of the Funk Plan to a different political habitat, the mechanism created in Maastricht and subsequently integrated on various occasions needs to be used, but with stability as the prerequisite of development. Economic knowledge, however, suggests that it needs to be on the same level as political commitment. This is what the United States is doing. However, their central bank has free rein on the three channels of creation of monetary base (Treasury, banks and foreign trade) and plays a useful role that includes development with commitment to stability. A Government can act on its public deficit to fight unemployment. This is feasible because the dollar is said to be the currency of international reserves. However, the Euro too was becoming the currency of international reserves until hesitation in defending it stopped its ascent.

One of our illustrious jurists, Giuseppe Guarino, explained that institutional set-ups, once created, become bio-juridical organisms, i.e., they have a life of their own and move autonomously until others are created to avoid unpleasant consequences. The way bio-juridical organisms like the Euro and European fiscal policies function revitalises the substance of the Funk Plan, perhaps without your actually wanting it. However, we beg you to clarify your ideas and explain to us what you really want, so that we can decide what to do, too.

I have attached my interpretation of how the European economic bio-juridical mechanism works and the dangers that it poses to good, as well as bad, Governments, to the lucky rich as well as the disadvantaged poor. Therefore, let’s focus on this important aspect of the problem in order to carry on

in the direction of political unification, without which we cannot rely on the definition of geo-policies to guide European countries. Do not delude yourselves into believing that you are able to make it on your own or with a handful of countries. You need a united Europe as much as we do.

I do not reject the idea that Germany is the country that can put Europe in order, but I ask that, at the end of this process, the term takes on a different meaning. If sufficient policies to make up for asymmetric shocks and if a true free movement of input and output lacked, the Euro's exchange rate would, for you, be undervalued and for others overvalued, and it would tend to absorb international capital flows and industrial growth in your economy (and that, it goes without saying, thanks to your own merits, too). This, however, would mean that French development would be in serious difficulties and that Italy and Spain would be de-industrialised and their energies redirected towards agriculture and tourism. Consequently, this would lead to emigration in those countries facing difficulties. However, this time round emigration would have to face fierce competition from economically backward countries. All these implications of the bio-juridical mechanism are similar to those envisaged by the Funk Plan. European fiscal policies accelerate this process and, given current institutional conditions, remove any room for independent development by European countries in difficulty. Monetary policy, that needs to comply with fiscal commitment, prevents the crisis of the Euro, but it does not remedy the perverse effects of the mechanism itself.

If, as we believe, you do not want that relationships between our people become sour, corrections to the pacts that govern the EU must be seriously re-discussed irrespective of what many consider to be the indispensable condition to be able to matter in this world: political unification. We do not ask you to pay other people's debts because it is not technically possible and it is also unthinkable. We ask you to allow everyone to pay their own debts by rationalising their economies so that they can carry on along the path of development. This is what the Americans did for Europe when they launched the Marshall Plan.

Ideally, intellectuals of European countries should come together for a serious discussion of this issue in the utmost respect of respective ideas and traditions, but with general objectives that coincide again.