

## **Euro, until when?**

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***The alternativa is to finish the form agreed with the monetary union euro and devalue their national***

Germany has a clear position regarding the euro. Its citizens do not want to pay the cost of the adjustment that Southern European countries need to do to overcome the crisis. They want the cost to fall on the citizens of the indebted countries. And they are not willing to discuss its negotiated and planned discontinuity. Instead, they want that the indebted countries, including France, continue to implement the policy of austerity, that causes long-term recession, equally long-term unemployment, which will lead to the decrease in the actual wages in those countries and to the restoration of the fiscal balance.

The decrease in wages is necessary, not so much in order to balance the public finances (which before the crisis were not more unbalanced than those of Germany), but to balance the private finances that became unbalanced due to the appreciation of the implicit exchange rate, caused by the increase in the unit labor cost (average wages divided by productivity) in those countries as compared to Germany. Once achieved the decrease in the actual wages, the unit labor cost will fall (it is already falling slightly), and the crisis will be overcome.

This policy is rational from Germany's standpoint. But will it be rational from the standpoint of the other countries, beginning with France? If there were no alternative, it would be. But there is an alternative: to end the monetary union in a concerted manner and to devalue the corresponding national euros. This way, not only the wages but all the revenues would rapidly fall and the crisis would be solved with far less human suffering and with fewer political and economic risks than those that are taking place today.

That Greece, Ireland and Portugal are not taking this alternative into account is understandable. They are small countries and German domination seems to them unavoidable. But that Spain, Italy, and particularly France have the same attitude, it is incomprehensible. Or rather, it is understandable for those countries's enterprises, indebted in foreign currency; it is understandable, for the moment, for the rich in general, and for the civil servants whose job is not in danger; but it is incomprehensible for the large mass of the population.

Until when will this vast majority, upon which the adjustment is falling in an unfair and violent way, accept the charge? Until when will it continue to see the euro as something “untouchable”, as a kind of taboo? Until recently, the Europeans argued that they were forced to accept austerity, because the crisis

caused by the discontinuity of the euro would be terrible. But, as it became clear that this argument was weak, another one appeared: we must not go back to the “competitive devaluations” that existed before the euro. But the devaluations were not competitive; they were necessary; they were aimed at restoring the competitiveness of enterprises and the country's current account equilibrium, lost because other countries had increased faster their productivity, or had decreased their wages, or because inflation had been higher in the country that had devalued its currency.

The problem, therefore, is to know until when the French, the Italians and the Spanish will support this policy. Elections in the other countries and the vertical drop in François Hollande's popularity in France show that patience is running out. We can only hope that, before that, European political leaders will reach an agreement that will be reasonable for all and preserve the European Union, now in danger.