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20 YEARS OF THE EURO. TAKING STOCK AND LOOKING FORWARD

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The euro was launched in 1999, 20 years ago. This seems to be a good time to take stock of the role played by the single currency in the performance of the European economy and to take a look forward at its future.

The euro was an essential ingredient in the European Union project. The fact that we are considering its 20th anniversary, that it is the official currency of 19 countries, that it is used in almost 40% of cross-border payments and, according to the November Eurobarometer, that three out of four European citizens think that the euro is good for the EU (two thirds believe it to be good for their country), helps to prove its success.

However, there are also reasons leading to discontent with the euro, in terms of economic growth, unemployment, productivity and inflation, especially (but not only) since the Great Financial Crisis that began in 2008. The first decade did not go well, particularly when compared with US figures. And the second one was rather worse than the first.

Table 1: Eurozone vs US. Some indicators

	Eurozone		US	
	1999-2008	2009-2018	1999-2008	2009-2018
GDP growth	2.1%	0.8%	2.6%	1.8%
Unemployment	8.7%	10.1%	5.4%	6.5%
Inflation (CPI)	2.2%	1.3%	3.2%	1.4%
Labor Productivity	0.8%	0.5%	1.6%	1.8%

Source: AMECO and author's calculations.

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Further, with the introduction of the euro, regional divergences and imbalances piled up. During the first decade of the euro's existence, a debt-led growth pattern in the Euro zone periphery, driven by falling interest rates and deregulated and liberalized capital markets, coexisted with an export-led growth pattern in core countries. This occurred simultaneously with huge gross capital flows that more than funded current account imbalances. When the crisis shocked the Euro zone, that growth pattern collapsed, once financial investors in the core attempted to bring their money back to safe harbor. Creditors were able to recover earlier once they found new markets for their exports, but debtors found themselves with a banking and sovereign debt crisis that seriously threatened the continuity of the euro.

The response to this situation consisted of wage devaluation and fiscal consolidation in debtor countries, which aggravated their situation. At the same time, the European Central Bank (ECB) sluggishly adopted a relatively active role, which was rather beneficial to banks in the core that were highly exposed to debt in the periphery (Thompson, 2015). Some financial assistance was also provided, first by the so-called Troika –the ECB, the European Commission and the International Monetary Fund (IMF)— and next by the European Stability Mechanism, under certain conditions. With the shift of the burden from the crisis onto debtors, the creditors' interests prevailed, while the debtors' economic situations recovered rather slowly.

Additionally, the crisis made clear that there were serious drawbacks in the institutional architecture of the Euro zone. However, the reforms that followed the turmoil were inspired by the rejection of any possibility of crisis burden-sharing among citizens in creditor and debtor nations. Hence, the Fiscal Compact, the Macroeconomic Imbalance Procedure, the European Stability Mechanism and the Banking Union illustrate the effort made by creditor countries to prevent increasing (public) indebtedness in troubled economies, to firewall the debt aftermath within national borders as much as possible when further problems arise, and to force peripheral countries to shift from a debt-led model towards one that is export-led.

The measures adopted to sort out the crisis were (presumably) grounded in a supply side view of the functioning of an economic system. Reforms largely focused on labor markets and public deficits, with a view to unleashing market forces to work within a more neoliberal framework. Net exports were expected to play a pivotal role. And national interests prevailed over the interest of the European Union. Against this view, progressive economists have recalled that there was a Keynes-inspired policy option which, in order to be implemented, would have required a move towards further political, fiscal and economic integration. These reforms would include a European Treasury, an ECB able to play the role of lender of last resort, a credible banking union with a sound deposit insurance system and an effective resolution mechanism, the possibility of implementing anticyclical fiscal policy, and checking trade imbalances in a symmetrical way, among others (see contributions in Herr *et al.*, 2018). Moreover, these non-mainstream economists have warned that supply side reforms would not deliver the expected outcome. As we all know, Euro zone institutions, notably influenced by core countries, have rejected this alternative and its implications regarding the required changes in the institutional setting of the EU. Hence, the peripheral countries could only choose between fiscal austerity cum wage devaluation and continuing to use the euro, or else leaving the single currency, while core countries should go on relying on exports. Creditors are in complete control, essentially ruling the roost.

In short, the ordo-liberal, neo-mercantilist German model has become the new normal for all nations in the Euro zone whose institutional setting has slowly evolved towards accommodating this objective, not only in the context of fighting the crisis but as a reference for the future. However, although there is a shared view that the worst part of the crisis is behind us, the upswing since 2015 is rather fragile (and there has been no upswing at all in countries like Italy or Greece). Without the required reforms towards a fully-fledged union, all we can do is wait for the next setback.

The current situation seems to be the result of a combination of three factors: convictions, interests, and values or vision in a Schumpeterian sense (Heilbronner and Milberg, 1995). And these elements are useful for the organization of the contributions gathered in this Special Issue. Firstly, we use the term *convictions* to mean the strong belief in official contexts that the working of an economic system fits the so-called New Consensus Macroeconomic model, which assumes that an economic system gravitates around full employment (compatible with the NAIRU) position, that there is no trade-off between inflation and unemployment in the long run, that the only macroeconomic policy is monetary policy for maintaining control of inflation and that unemployment can only be fought through reforms in the labor market. Philip Arestis critically recognizes this in his contribution, noting that the ECB assumes this model, with the exception of the monetary analysis, in order to implement its policy. Faith in this model is conditioning not only the economic policy but also the reforms in the EMU. Carlos Rodríguez-Fuentes and Diego Padrón Marrero analyze the conduct of the monetary policy by the ECB by considering the two-pillar model, and conclude that the ECB has used it with remarkable flexibility to say the least.

Secondly, governments in creditor countries have imposed their remedies to the Great Financial Crisis of 2008-09 on the Euro zone periphery, in accordance with the interest of their ruling classes, causing not only the second crisis of 2011-13 in periphery countries, but also the direction of the changes being implemented in the institutional architecture of the EU. Jörg Bibow holds that the euro has been created in the image and likeness of the Deutsche Mark, and the economic policy in the Euro zone, especially after 2010, has been decided in accordance with the export-led German model. Unfortunately, as he concludes, what is good for Germany is not good for the whole area.

Ramon Boixadera and Ferrán Portella point to German ordo-liberalism as an inspiring-model for the construction of the Euro zone, thus remaining coherent with Bibow's contribution.

Ricardo Cabral and Francisco Louçã provide a critical account of the crisis and the measures adopted to sort out the mess, where the main objective was to force debtors to settle their debts to banks in core countries. João Carlos Graça and Rita Gomes Correia delve into the evolution of the Portuguese economy after the crisis, concluding that it would have been better for Portugal to leave the euro, questioning why, despite the poor performance of that economy, people still are in favor of the single currency, like the victims of some sort of Stockholm syndrome. Sergio Rossi argues in favor of a monetary reform where troubled nations might return to old currencies, thus recovering monetary sovereignty, while the euro should be used as a means for final debt settlement between national central banks, with the corresponding payment system being managed by the ECB. Esteban Cruz-Hidalgo, Dirk Ehnts and Pavlina Tcherneva suggest creating a Euro Treasury in agreement with the neochartalist main tenets, which could then put into motion a Job Guarantee Program in order to achieve full employment without sparking inflation.

And thirdly, the vision underlying the model that is coherent with the ruling interest of the creditors is dealt with in Massimo Pivetti's article, where he argues that the Monetary Union is a deliberate project to weaken workers' bargaining power, in which dismantling national states without replicating such structures at the supranational level is yet another class conflict episode.

I conclude this introduction with a reminder to the reader that the purpose of this Special Issue is to inspire debate about the role of the euro in the performance of the economies we live in, and not so much to cover all relevant topics. As a disclaimer, if the reader finds many points that have not been dealt with here, it is my sole responsibility.

Finally, just a few words of gratitude towards contributors, to referees, and to the management of the Revista de Economía Crítica, for having generously hosted this proposal.

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ARTICLES

ARTÍCULOS

THE PAST AND FUTURE OF THE EURO

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Abstract

This contribution discusses the experience of the euro, and the extent to which its future is promising. The discussion begins with the Economic and Monetary Union (EMU) theoretical framework and policies, and adopted by the European Central Bank (ECB), and the extent to which fiscal policy, pursued by the EMU member countries, and monetary policy, pursued by the ECB, have been successful. The theoretical background of this approach is based on the New Consensus Macroeconomics (NCM), but it differs; and this is elaborated upon and discussed extensively. This discussion inevitably includes the post Global Financial Crisis (GFC), the Great Recession (GR) and the euro-crisis period in an attempt to examine the consistency of the theoretical background and the fiscal and monetary policies pursued. In terms of the future of the euro, the discussion just suggested enables this contribution to conclude that the extent to which the euro would survive requires further economic policies. Such policies, in addition to the current monetary policy, should be especially proper EMU fiscal policy, and other policies as discussed in this contribution. In effect this amounts to the suggestion that political integration is what is required to enable the euro to survive in the future.

Keywords: *EMU, monetary policy, fiscal policy, political integration*

JEL Classification: E52, E60, E62, O52

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INTRODUCTION

The EMU and ECB launched the single currency (euro) in 1999.[2] The euro has been operating since 1999 as a virtual currency and since 2002 when its introduction was technically accomplished. The euro-area countries have not experienced promising economic performance since the introduction of the euro. Inflation has not always met the 'close to 2 percent from below' ECB inflation target. More recently it has been a continuous undershooting of inflation (this is the annual core inflation, which excludes volatile prices of energy and unprocessed food and tobacco and at which the ECB looks in its policy decisions), which was 1.1 per cent in February 2018 and expected to remain below the ECB's target in the future. Also, economic growth has been sluggish, and unemployment has remained high. Unemployment in the euro area, and in 2010, was 10% of the labour force. The latest figures (The Economist 12 May, 2018) suggest that it is 8.5% (as in March, 2018). In the USA it was also 10% in 2010 (the top US unemployment rate of the 'Great Recession'; the equivalent during the 'Great Depression' was 25 percent), but the latest figure is 3.9% (as in April, 2018). It is also the case that euro area youth unemployment (people unemployed who are between 15 and 25 years old) is high at 17.3% (as in March, 2018).[3] In the USA it is not so high, 8.5% (as in March, 2018).[4] Unemployment has been significantly different among the EMU countries; some examples make the point. Unemployment in March 2018 was: in Spain it was 16.1%, in Italy 11.0%, in France 8.8%, and in January 2018 was 20.6% in Greece (The Economist, 12 May, 2018). By contrast, and in March 2018, it was 5.0% in Austria, 3.4% in Germany and 4.1% in Denmark (The Economist *op. cit*.).

The euro area framework has not been effective to address these significant differences. This has been particularly so with the peripheral countries but not only as shown above. This raises issues about the future longer-term euro-area growth potential. It is also the case that the euro-area inflation is stubbornly below the ECB's 'close to 2% from below' target. Another serious problem is convergence among member countries, which has not materialised. This is so in view of the non-existence of a euro area fiscal policy; the latter is in the hands of national governments as shown below, and in the form of fiscal rules. These, however, have not been effective to promote convergence. It is also the case that banking supervision, and until recently, remained in the hands of the euro-area countries. This had serious differences in their financial fragility. However, and more recently, there have been signs of economic growth upswing; the GDP euro-area growth rate of the 4th quarter of 2017 was 2.7% (The Economist 05 May, 2018) and expected to be 2.3% in 2018 (The Economist, 12 May, 2018).[5] According to the IMF (Lagarde 2018), the euro-area GDP growth rate is expected to be 2.2% for 2018, and the global growth rate 3.9%. But at the 2018 World Economic Forum (WEF), delegates were cautious on the upswing, not just in the EMU but also in the global economy. Especially so according to the IMF Managing Director, who stated that "use this time to find lasting solutions to the challenges facing the global economy" (Financial Times 26 February, 2018). Also, the ECB President acknowledged after the governing council meeting on 26 April 2018, that a "moderation" in the euro area's recovery and "a loss of momentum that is pretty broad-based across countries and all sectors" is evident (as reported in the Financial Times 27 April 2018).

We proceed in section 2 to discuss the EMU theoretical framework, along with the economic policies in the EMU; the emphasis being on the EMU fiscal and monetary policies. Section 3 discusses the extent to

[2] When the euro was launched, the EMU members were eleven countries, namely Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain. Another eight countries joined the EMU subsequently, Greece, Cyprus, Estonia, Latvia, Lithuania, Malta, Slovakia and Slovenia.
3 Available at: http://www.tradingeconomics.com/euro-area/youth-unemployment-rate
[4] Available at: http://www.tradingeconomics.com/united-states/youth-unemploymen t-rate
[5] Examples in terms of growth rates, as expected in 2018, are: Austria 2.8%, France 2.0%, Germany 2.3%, Greece 1.6%, Italy 1.4% and Spain 2.8% (The Economist, 2018). Spain apparently has done better than the rest of the euro-area countries. This is due to the economic policies undertaken by the government there, most important of which have been structural changes, essentially falling labour costs.

which the EMU economic policies have been successful since its creation along with the question of whether the euro can survive without political integration. We summarise and conclude in section 4.

EMU THEORETICAL FRAMEWORK AND POLICIES

The EMU approach, in terms of its theoretical dimension and economic policies, relies on the New Consensus Macroeconomics (NCM) model (see, for example, Arestis 2007). Its key elements are therefore as follows: the market economy is essentially stable, and as such does not need macroeconomic policies, particularly discretionary fiscal policies. The only policy that can be effective is monetary policy. Monetary policy is the only instrument that can affect inflation in the long run in view of the assumption that the inflation rate is the only macroeconomic variable that monetary policy can affect in view of the further assumption that inflation is a monetary phenomenon. Fiscal policy is not viewed as a powerful macroeconomic instrument in view of the Ricardian Equivalence Theorem (Arestis 2012). Monetary policy has, thus, been upgraded and fiscal policy has been downgraded; fiscal policy can only serve to achieve a balanced budget. Monetary policy can achieve the set inflation target and thereby macroeconomic stability emerges.

The adoption of the price stability as the only objective of monetary policy to be achieved by the ECB as an 'independent' Central Bank, with only one instrument, namely manipulation of the ECB's rate of interest, clearly signals the adoption of the NCM agenda (Arestis and Sawyer 2006a, 2006c). The ECB and the national euro-area central banks (NCBs) are not allowed to seek or take instructions from any other institutions or of any of the EMU member countries. Monetary policy should be operated by experts (whether bankers, economists or others) in the form of an independent Central Bank; "this is an effective and credible monetary-policy making" (Yellen 2017). However, Angeriz et al. (2008) show that central bank independence has not produced the expected outcomes. Also, Angeriz and Arestis (2007, 2008) demonstrate that low inflation and price stability do not always lead to macroeconomic stability. The emergence of the GFC and the GR provide ample evidence of this proposition.

The main rationale for the ECB independence, the proponents suggest, is that governments should not be trusted to deal with price stability in view of their concern with electoral success; thereby sacrificing higher inflation for lower unemployment. In this sense central bank independence has a fundamental impact on inflationary expectations, which is a major factor in enabling the monetary authorities to achieve their inflation target. This approach of course raises the issue of whether independence of the ECB has worked as intended. Angeriz et al. (2008) demonstrate that there has only been a marginal effect of such independence. Harcourt *et al*. (2018) examine the emergence of the ECB and demonstrate that the notion of central bank independence is based on a political rather than on an economic argument, thereby leading to sub-optimal economic results. It is also argued by Harcourt *et al.* (*op. cit*.) that the view of central bank independence based on the argument that inflationary expectations have a significant impact on inflation, is questionable; there is no theoretical justification or empirical evidence on this issue (see, also, Forder 2004). Furthermore, and in terms of recent experience and the euro crisis in particular, the ECB independence seems to have been undermined. The Outright Monetary Transaction (OMT) programme, suggested in September 2012, but never implemented, was opposed by some EMU member governments, especially by Germany.[6] Similar objections were raised for the Quantitative Easing (QE). The latter, however, was eventually introduced in March 2015, after the European Court of Justice decion (see footnote 5).

[6] Germany's Central Bank, the Bundesbank, opposed OMT in that it was close to monetary financing. The Bundesbank objection was referred to the German constitutional court, whose view on the matter was similar to the Bundesbank's. The ECB OMT scheme was referred to the European Court of Justice (ECJ) on 7 February 2014. On the 14th of January 2015, the ECJ released an Advocate General opinion, which suggested that the OMT was in line with EU law, with a final ruling issued on the 16th of June 2015, declaring the ECB bond-buying plan legal.

In terms of the ECB policy dimension, it contains the view that inflation is best controlled through interest rate manipulation to achieve the 'close to 2 per cent from below' inflation target. However, the money supply is also taken on board. A reference value of 4.5 percent for the M3 money supply is in place. This, it is hoped, improves communication between the public and policy-makers and provides discipline, accountability, transparency and flexibility to monetary policy. Strictly speaking, then, the ECB model differs from the inflation targeting of the NCM. It contains: an economic analysis and a monetary analysis. The rationale of the 'two-pillar' approach is based on the theoretical premise that there are different time perspectives in the conduct of monetary policy that require a different focus in each case. There is the short to medium term focus on price movements that requires economic analysis. The long-term price trends require monetary analysis.

The ECB economic analysis is an assessment of price developments and the risks to price stability over the short to medium term. A range of indicators are accounted, and summarized in ECB (2004: 55-57). The ECB monetary approach relies heavily on monetary developments in terms of the long-run link between money and prices. Deviations from the 4.5 percent reference value would 'signal risks to price stability'. Monetary analysis is utilized by the ECB as a 'cross check' for consistency between it and the short-term perspective of economic analysis. In this approach, there is the strong belief that there is a long-term link between money (M3) and inflation as a result of a stable demand for money. This focus, of course, reflects the notion that inflation is a monetary phenomenon to be tackled by both manipulating the rate of interest and watching movements in M3. Short-term volatility of inflation is allowed but not in the long run, reflecting the view that monetary policy affects prices with a long lag.

In the long run there is no trade-off between inflation and unemployment, and the economy operates at the NAIRU if accelerating inflation is to be avoided. In the long run, inflation is viewed as a monetary phenomenon in that the pace of inflation is aligned with the rate of interest and the money stock. The essence of Say's Law holds, namely that the level of effective demand does not play an independent role in the (long run) determination of the level of economic activity, and adjusts to underpin the supply-side determined level of economic activity, which itself corresponds to the Non-Accelerating Inflation Rate of Unemployment (NAIRU). The NAIRU is a supply-side phenomenon closely related to the workings of the labour market.

We proceed in the next two sub-sections to discuss the EMU fiscal policy, followed by the ECB monetary policy. The discussion in both sections follows their implementation since the inauguration of the EMU.

EMU Fiscal Policy

Fiscal policy in the EMU is based essentially on the Stability and Growth Pact (SGP). Underlying the SGP approach is the notion of sound public finances (European Commission 2000). The SGP is essentially based on the proposition that government budgetary positions should be close to balance or in small surplus over the course of a business cycle and not to have a deficit of more than 0.2 percent of GDP. However, budgetary positions should not exceed 3 percent of GDP in any given year. Also of great importance is the debt to GDP ratio, which should not exceed 60%. The EMU member countries sharing the euro are expected to submit annual stability programmes,[7] which would be monitored in terms of their implementation. It should be noted, though, that there is no reason that a maximum of 3 percent of deficit to GDP is relevant for all countries. It is also the case that the budget position is sensitive to the business cycle. There is, thus, no economic theory or empirical evidence to justify the SGP.

[7] Other countries in the European union but not in the EMU should send convergence programmes.

Two changes emerged as a result of a number of countries broke the SGP rules, and problems that emanated from the euro crisis. The first ones were based on proposals endorsed by the European Council in March 2005. They were as follows: more budgetary consolidation in good times; more flexibility in reducing deficits in bad times; more focus on cutting the debt to GDP ratio; more room for manoeuvre for countries carrying out structural reforms; countries with sound finances allowed to run small deficits to invest. Although these proposed changes contained some flexibility, they still did not address the main problems as identified above.

The second changes, suggested at the meeting of the European Leaders that took place on the 8th/9th of December 2011 in Brussels, were signed on 2 March 2012 by most member countries of the European Union (EU). The result was an inter-government treaty, not a change to the EU treaties. A revised version of the SGP was agreed, the Treaty on Stability, Cooperation and Governance in the Economic and Monetary Union, what is now called the 'Fiscal Compact' (FC). Its main ingredients are the following: a firm commitment to 'balanced budgets' for the euro-area countries, defined as a structural deficit of no greater than 0.5% of GDP, which should be written into the national constitutions; automatic sanctions for any euro-area country whose deficit exceeds 3% of GDP; and a requirement to submit their national budgets to the European Commission, which has the power to request that they be revised. Also, the rule of the old SGP of 60 percent debt to GDP ratio is retained. Any excess should be eliminated at an average rate of a 20^{th} of the excess each year. FC entered into force on 1 January 2013. In effect the FC retains the principles of the previous SGP version but with the added one that countries that break the deficit rules may be punished. Clearly, the problems discussed above in relation to the SGP remain the same for the FC as well.

Arestis (2015) concludes that fiscal policy is a strong tool of economic policy in curing unemployment, especially so when coordinated with monetary and financial stability policies. Indeed, such coordination is the best way forward. Not only did the GR highlight the importance of fiscal policy but also that of financial stability, both of which had been seriously downgraded prior to the 'great recession'. Corsetti *et al*. (2016) suggest that monetary and fiscal policies 'together' are necessary to stabilise the level of economic activity and inflation, especially so when the central bank's policy rates stay close to the lower bound for a lengthy period. This is so since "the multiplier effect of government spending on output at the lower bound can be sizable. For the multiplier to be sizable, it is essential that monetary policy accommodates the fiscal stimulus" (Corcetti *et al*., *op. cit*.: 8; see, also, BIS 2011). It is also suggested that "The necessary fiscal accommodation might be sizable, potentially falling outside the limits of the Stability and Growth Pact" (p. 15).

EMU Monetary Policy

The ECB and the national central banks of countries making up the Euro area comprise the European System of Central Banks (ESCB). The ECB is responsible for the EMU monetary policy and is "independent from political influence" (ECB 2004: 12). The ESCB Treaty, Article 105 (1), states that "the primary objective of the ESCB shall be to maintain price stability" and that "without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2". Achieving price stability, it is suggested, ensures macroeconomic stability. However, the GFC has proved that this is not a valid proposition.

Another problem with the ECB is the function of the lender of last resort. The ECB intervenes only in the secondary government bond market, which was only introduced in September 2012 under a great deal of opposition. This is justified on the argument that buying debt instruments directly from the government in the primary markets is equivalent to monetary financing of the government budget deficit; an unacceptable occurrence in this view. It is important to note, though, that the lender of last resort, especially in the government bond market, is an essential tool for maintaining financial stability. No wonder Lagarde (2018) in a speech on 26 March 2018 urged the euro area leaders to set up a 'rainy day fund' to help cushion member countries in economic downturns.

A number of changes have been introduced as a result of the GFC and the GR, and the euro crisis, which are worth discussing. The most important ones are the following. The ECB pumped limited liquidity into commercial banks after the GFC; however, it raised its rate of interest twice before it started reducing it from 4.25 percent in September 2008 to an all-time low of 0.25 percent in November 2013. In May 2009 the ECB increased its credit support to euro area banks at very low interest rates through the introduction of the Long-Term Refinancing Operations (LTROs) scheme, which was designed to provide longer-term liquidity. From December 2011 to February 2012 the ECB provided €1trillion to the euro area banks.

In December 2010 the European Stability Mechanism (ESM) was established, the euro area's permanent bailout fund; and as a permanent firewall for the euro area. The ESM was designed as the permanent crisis resolution mechanism for the countries of the euro area with a maximum lending capacity of €500 billion. In fact the ESM in mid-2013 replaced the then existing European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM), whose functions were to handle money transfers and programme monitoring for the approved loans to the euro area countries. The Single Supervisory Mechanism (SSM) was introduced, 16 April 2014, to oversee all systemic banks in the euro area. It comprises the ECB and the national supervisory authorities of the participating countries. Its main aims are to: (i) ensure the safety and soundness of the European banking system; (ii) increase financial integration and stability; and (iii) ensure consistent supervision. The Single Resolution Mechanism (SRM) was also introduced, with the aim to orderly restructure a bank when it is failing or likely to fail. The SRM applies to banks covered by the SSM.

A number of decisions were taken at the 28/29 June 2012 European Union (EU) summit meeting. Banking licence for the ESM; this gives access to the ECB funding, and thus increase its firepower. Two further decisions were the banking supervision by the ECB, and a 'growth pact', which would involve issuing project bonds to finance infrastructure. Banking Union and a single euro area bank deposit guarantee scheme were two long-term decisions.[8] The introduction of euro bonds and euro bills were further decisions. Most important at the time was the announcement by the President of the ECB in July 2012 that the ECB would do 'whatever it takes' to save the euro. That statement by the ECB President was considered as a turning point in the euro crisis. The July 2012 statement was also confirmed by the ECB President after the ECB's rate-setting governing council meeting in 2014 (Thursday 9th of January).

Further steps were introduced in June 2014 by the ECB to counter deflation. Reduced its benchmark interest rate from 0.25 percent to 0.15 percent (reduced further to 0.05 percent in September 2014 and by June 2014 the rate became 0.00%); introduced a negative deposit rate, whereby the ECB would be charging commercial banks 0.1 percent (changed to 0.20 percent in September 2014 and to 0.4 percent in March 2016) on their deposits with it. In September 2014, the 'Targeted Long-Term Refinancing Operation' (TLTRO) was reinforced whereby the ECB would support bank lending to the euro area non-financial sector. Banks could borrow up to 7 percent of their loans to companies and individuals (exclusive of mortgages) in two tranches in September and December 2014 initially; additional operations were carried out in March, June, September and December 2015 and in March and June 2016. Banks could borrow for up to four years so long as they used the funds to lend to households and companies. It is the case that a total of

[8] A project is in place to strengthen the euro area banking system, which includes the plan for a banking union. However political negotiations on progressing on the banking union have entered a 'critical phase', which could lead the project unfinished for some time (as the Vice-President of the European Commission suggested, and reported in the Financial Times, 11 April, 2018).

400bn euros was injected into the banking system through five TLTRO auctions between September 2014 and September 2015. However, bank corporate lending grew over the same period by only just 4bn euros.

QE was eventually introduced in March 2015; and as stated above, negative interest rates had already been introduced. In fact, the ECB at its meeting on 22nd January 2015 decided to undertake QE; the ECB carried on to purchase euro area bonds and other safe financial assets, every month, starting in March 2015 and promised to continue until inflation is back to the ECB's inflation target. The ECB decided to continue its QE in 2018 (and the 60bn euros monthly was reduced to 30bn euros in early March, 2018, and with the ultra low interest rates unchanged). It is expected to probably and finally end the programme in December 2018, paving the way for a rise in interest rates in the first half of 2019. Whether the ECB QE has been successful is an interesting question. There is the argument that EMU banks, insurance groups and pension funds need the relevant QE assets to meet their capital requirements. So banks and other relevant financial institutions may not be persuaded to buy riskier assets, such as equities, to boost the economy – and this is desperately needed in the EMU area. There is also the argument that QE programmes increase inequality. It increases the value of the assets for the relevant holders, while it harms savers in view of the record low interest rates. These arguments raise the issue of whether the ECB has been successful in its monetary policy as discussed above. This aspect is further discussed in the section that follows.

A more recent ECB initiative concerns euro banks in terms of tackling their Non-Performing Loans (NPL). The rule that was imposed in January 2018 aims at requiring banks to hold collateral against loans that become non-performing (once their payment becomes 90 days overdue). This ECB action is entirely due to the fact that the health of the euro banks is a very worrying aspect. Non-performing loans prevent banks from lending to more productive borrowers. The level of NPL, in relation to total loans, is estimated to be 5.1% for the EU, compared to 1.3% in the US and 1.5% in Japan. The relevant consultative paper aroused strong criticism, including legal opinions from the European Parliament and the European Council. Both institutions stated that the ECB would overstep its mandate if the proposal was adopted in its current form. The ECB is in the process of reviewing the feedback received during the consultation period before the final text is issued.

HAVE THE EMU ECONOMIC POLICIES BEEN SUCCESSFUL?

The ECB managed to bypass a complete collapse of the financial system and the real EMU economies after the emergence of the GFC and GR and the euro crisis. It is the case, though, that ECB policies have not really been further successful as argued in what follows. The decline in inflation rates in the 1990s and early 2000s was mainly due to globalisation (Angeriz and Arestis 2008). And since the relevant crises, very low and negative interest rates along with QE have not produced sustainable recovery (Arestis 2018). It should be noted, though, that the euro area growth seems to be bouncing back. Growth was 1.7 percent in 2016, and 2.5 in 2017, with unemployment falling to 10.1 in June 2016 from 10.4 percent in February 2016; it also fell further to 9.6% in December 2016 (Eurostat, December 2016); and more recently, March 2018, it fell to 8.5% (The Economist 12 May, 2018). Still this is a high unemployment rate. It is the case that fiscal policy in advanced countries, including the euro area, has shifted from its austerity stage over the past few years, which has been helpful on this score. Inflation is expected to be 1.5% in 2018 (The Economist *op. cit.*); this is below the ECB's inflation target of 'close to 2% from below'.[9] In addition, there is little sign of wage growth, which is an important element in achieving economic health; employees have lost bargaining power in view of weaker trade unions. Proper wage policy is thereby urgently required. There is also a series of disappointing business surveys, and an unexpected third successive monthly fall in February (2018) of industrial production; also the euro area GDP growth is slowing unexpectedly (Financial

[9] The core measure of inflation, which does not include the cost of food and alcohol, and viewed by policymakers a better price measure, remained at 1% in February 2018, as reported by the Eurostat.

Times 14 and 18 April, 2018). In other words, ECB policies have not helped sustained stability and growth in the euro area. It is not surprising that the ECB President suggested that institutional reforms would be necessary, especially so in terms of more euro-area integration (Draghi 2016a, 2016b; see, also, IMF 2015).

Clearly our analysis demonstrates that there are serious problems with both the EMU fiscal and monetary policies. They have not acted as stabilising forces as had been expected by the policy makers. Orphanides (2017) suggests that both fiscal and monetary policies in the euro area have been very restrictive following the GFC, the GR and the euro crisis. Fiscal policy's weak response is due to the SGP/FC, with the required monetary policy failing in view of the ECB's unwillingness to support all its member countries in a similar manner. More seriously, though, these problems are rooted in the absence of economic integration, and as such, without a political union the EMU and the euro cannot have a good record of long-term survival.

A relevant recent proposal is the 'Five Presidents' report (European Commission 2015), where the most important item in the report is the creation of a Banking Union. The objectives of the Banking Union are to reduce financial risk and improve access to liquidity. Once the Banking Union is completed, a Capital Markets Union is to be launched for all the EMU members. However, in terms of fiscal policy the 'Five Presidents' report emphasises the importance of fiscal discipline, referring to 'responsible budgetary policies'. It is recommended that "Responsible national fiscal policies are therefore essential. They must perform a double function: guaranteeing that public debt is sustainable and ensuring that fiscal automatic stabilisers can operate to cushion country-specific economic shocks" (European Commission 2015: 15). More important, though, is the suggestion that "The Stability and Growth Pact remains the anchor for fiscal stability and confidence in the respect of our fiscal rules" (European Commission *op. cit.*: 18).[10]

Although the focus of the 'Five Presidents' Report' is "on the need to promote real convergence, it is far from achieving economic or indeed political integration. As such, the proposed changes are rather cosmetic ones, although the extent to which banking union is achieved is a way forward" (Arestis 2016: 36). It is also the case that obsession with rules rather than with proper discretion does not help. Especially so under the current arrangements whereby the euro area's closest federal institution, the ECB, and in the absence of political integration, is exposed to each of the 19 member countries of the EMU political pressures. This dimension makes the EMU a fragile institution. Interestingly enough, Lagarde (2018) also calls for a 'modernised capital union', an improved banking union, and a firm move towards greater fiscal integration. All these, according to Lagarde (*op. cit*.), require improving "the euro area architecture" and building "a stronger economic union in the days ahead". It is also important to note the importance of introducing a deposit insurance scheme, whereby bank deposits would be protected. Such a scheme would be funded by all the euro area banks, which would reduce pro-cyclical runs on weak banks or on banks in fiscally weak countries.

SUMMARY AND CONCLUSIONS

The euro area has had economic problems since its inception, which have become even more serious more recently, especially since the recent crises. The design of the euro area project and subsequent amendments contained a number of faults, as argued in this contribution. Clearly, then, significant, fundamental and indeed urgent changes are desperately needed so that the euro area can become a proper economic and political union.

[10] The European Commission proposes (available at: http://europa.eu/rapid/press-release_IP-17-5005_en.htm) a deeper euro-area integration by creating a finance ministry and euro-budget; also turning the ESM into a European Monetary Fund, which would be a kind of embryonic treasury for the euro area.

We have argued in this contribution that political integration is paramount (see, also, Arestis and Sawyer 2006a, 2006b, 2006c, 2012). The requirement for effective political union is to have in place proper monetary and fiscal policies. Political integration is very important for it provides both monetary and fiscal possibilities, which enable coordination of taxation and spending throughout the EMU, along with monetary and financial stability policies, as well as appropriate wage policies. Such union would allow the EMU to spread risk across its area and eliminate uneven booms and busts in different regions. Under such arrangements the ECB single interest rate would never be inappropriate for any one country; clearly this is not the case under current arrangements. Banking union is another relevant aspect to which attention should be paid.[11] Especially so, as Berger *et al*. (2018) suggest, in view of the absence of a fiscal union, which contains serious current dangers of not allowing sovereign debt to be restructured without threatening the local banking systems. In this sense the EMU is incomplete without banking union; but this would not be enough. Fiscal union is also required, which is the most efficient way against economic risks (see, also, Berger *et al*. 2018). Although the euro area is experiencing some recovery, it still remains vulnerable to shocks and future financial crises. Proper economic and political integration is thereby and desperately needed to avoid these risks. Without it the euro area continues to face serious risks that policymakers should not ignore. For if they ignore them the euro might be doomed at the end of the day.

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[11] The 19 euro area states intend to complete the banking union in 2018. A capital market union is also important to be considered in this respect (see, however, footnote 6). Not to repeat the importance of fiscal union.

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THE ECB MONETARY STRATEGY: A CRITICAL ASSESSMENT

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Abstract

This paper aims to provide a critical assessment of the performance of the ECB's monetary strategy, as well as of the substantial "de facto" changes this strategy has undergone from 2010 onwards. These changes have occurred as a consequence of the unforeseen challenges that the eurozone crisis posed to its implicit conventional monetary model of "two pillars". The standpoint of the paper is that the institutional changes the eurozone requires cannot be limited to the so-called institutional failures in the architecture of the European monetary union, but should also be extended to reconsider the underlying theoretical framework that inspires the ECB's monetary strategy.

Keywords: *ECB's monetary policy strategy; monetary policy and inflation; eurozone monetary reform*

JEL classifications: *E52 (Monetary Policy), E58 (Central Banks and Their Policies), F45 (Macroeconomic Issues of Monetary Unions)*

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INTRODUCTION

In May 2018 and January 2019, respectively, the European Central Bank (ECB) and the eurozone celebrated 20 years of existence. The eurozone started with eleven countries (euro-11) in January 1999, and today has almost doubled its membership, with 19 European Union (EU) member states taking part (euro-19). When the ECB reached ten years, in 2008, the event was celebrated with the publication of a special edition of its *Monthly Bulletin* (ECB 2008), and also with a formal ceremony to mark the occasion, which took place on 2nd June 2008 in Frankfurt am Main (Germany). In this formal ceremony, the President of the ECB, Jean-Claude Trichet, simply summed up the first ten years of the ECB by pointing out that "yearly inflation since 1st January 1999 has been 2.1% on average" (Trichet 2008: 1-2). Having reported the complete success of the ECB in terms of attaining its mandate of preserving price stability in the eurozone, Trichet went further and dared to highlight the major challenges that the ECB's monetary policy would have to cope with in the near future, which he (in 2008) summed up as follows:

> "As one of the major central banks in the industrialized world, we, like the others, have three challenges to cope with in our monetary policy-making: rapid technological progress, globalization in all its dimensions, including the transformation of global finance, and population ageing. On top of those three major challenges, the ECB and the Eurosystem have to cope with two other important, self-assigned challenges. The first is the deepening of economic and financial integration at continental level … The second is enlargement" (Trichet 2008: 3)

However, and contrary to the enthusiastic celebrations that took place in 2008 to commemorate the successful first ten years of the ECB's existence, this time, the twenty-year celebration should bring more reflection and less complacency, since over the last ten years, both the ECB and the eurozone have passed through uncharted territory for which their respective institutional architectures (and corresponding underlying economic models) were not prepared.[2]

The above assertion may seem obvious to us at present, but it was certainly not ten years ago. The problems and challenges that the eurozone has faced since 2008 onwards have had nothing to do with the challenges mentioned by Trichet that year. Not even the economists who had ardently argued that the only (and exclusive) role of the ECB should be the fight against inflation could have imagined in 2008 that in the next ten years the real challenge to face would be to avoid deflation. Moreover, a complete arsenal of non-conventional monetary instruments had to be improvised, which, although not popular among orthodox economists, have been the only ones that have been able to guarantee performance in the markets in a context of zero-lower bound interest rates and a complete slump in credit markets.

In this sense, it is worth remembering that since 2008, the eurozone inflation rate was below 1% for a period of 10 consecutive months (between March 2009 and February 2010). Subsequently, it was below again for a period exceeding three years (between October 2013 and November 2016). It is evident that the deflationary trajectory that the eurozone has experienced in the last ten years has caused a great confusion among monetarist economists and ECB managers, since for them, the monetary control that a central bank can exert on the liquidity of the economy constitutes a sufficient guarantee to decisively influence the trajectory of prices. This was explicitly acknowledged by the current ECB president, Mario Draghi, when in 2006, he pointed out that "as inflation is ultimately a monetary phenomenon, a committed central bank can always fulfil its mandate, and that is true regardless of the stance of other macroeconomic policies"

[2] This has not only been acknowledged after the sovereign debt crisis tested the weaknesses and design failures in the eurozone project (see, among others, Dehesa 2011, Malo de Molina 2011 and De Grauwe 2015), but had also been pointed out long before the eurozone came into existence in 1999 (see, for example, the explicit references to the need to provide a centralized European budget in De Grauwe 1992: 177-79 and Emerson *et al* 1992: 169. There were also claims made by economists like Krugman 1993 and Bayoumi and Eichengreen 1993, among others, regarding the adjustment mechanisms within a currency union and the potential conflicts that European monetary union might eventually cause. The potential spatial conflicts within the European monetary union were also specifically addressed in Emerson *et al.* (1992: 212-234).

(Draghi 2006). However, eight years after, in May 2014, when inflation was close to zero, President Draghi started to show his disagreement with this situation: "we are not resigned to allowing inflation to remain too low for too long". But the trajectory of inflation in the eurozone shows that the ECB's determination has not been effective in reversing the situation. Since 2009, the inflation rate has entered negative territory 13 times, and the average rate for the period 2009-2016 is almost half (1.2%) that recorded for the first nine years (1999-2008) of operation of the eurozone (2.2%).

It is clear, then, that on its 20th birthday, the ECB has very little to celebrate regarding price stability, not to mention the many structural flaws affecting the "solid construction of the eurozone" mentioned by Trichet in 2008. It is rather striking that one of the most controversial issues in the current discussion on (the lack of) eurozone performance, which refers to its incomplete character, was not among those listed by Trichet. This can only be explained once you consider the dogmatic and naive vision that underlines the institutional design of the eurozone, which implicitly assumes that once accession countries have met the convergence criteria set in the Maastricht Treaty, the proper functioning of the eurozone would almost automatically guarantee nominal stability forever.[3] This also explains why the ongoing debate over the lack of performance of the eurozone states that its failure resides in its "institutional design", which does not fully meet the criteria highlighted in the current literature on currency unions (Mundel 1961, McKinnon 1973 and Kenen 1969), since it lacks full price flexibility and labour internal mobility, as well as a fiscal pillar. However, this argument overlooks the fact that the eurozone means much more than establishing a fixed (and irrevocable) exchange rate regime between some European Union (EU) economies. The eurozone also implies the introduction of a monetary policy strategy which is unequivocally rooted in the convention that inflation is a monetary phenomenon, and establishing an institutional framework that impedes its central bank (the ECB) from displaying (in case of need) all the potential "powers" and functions that central banks normally have in developed economies to deal with the inherent economic and financial instability that characterizes capitalist economies (Minsky 1982). In this regard, De Grauwe (2013: 3) reminds us that "central banks were originally created to deal with the inherent instability of capitalism", as Goodhart and Illing (2013) show, and that "the concern for price stability only came much later". Regarding the eurozone, Bibow (2015: 2-3) has clearly shown that "the institutional and functional constraints that delineate the ECB's scope for policy action under crisis" are "a consequence of the peculiar vision of central banking that underlies the Maastricht Treaty". However, these legal restrictions have critically narrowed, compared with other central banks, the range of activities that the ECB is able to carry out to act as a truly modern central bank (Bibow 2015: 20).

The global financial crisis of 2007 not only caused a significant economic recession in the European Union from 2010 onwards, which was later aggravated by the European sovereign debt crisis. It also raised important political concerns about the prospects of the breakdown of the project, and about the validity of the economic principles that inspired its original design. Consequently, this paper aims to contribute to the ongoing discussion over the performance of the eurozone by suggesting the need to conduct a profound debate over the implicit economic theoretical assumptions that delineate the day-to-day functioning of the ECB's monetary strategy. These principles, which according to Issing *et al.* (2001: 3) are sustained by academic work on macroeconomics and monetary policy which show what monetary policy can and cannot do, were strongly inspired "by the [particular historical] experience of the Great Inflation of the 1970s" and the "consensus [that] gradually emerged from this experience". However, it is time the evidence provided by the Great Financial Crisis of 2007, and subsequent European sovereign debt crisis, is taken into account when thinking about the need of implementing structural and institucional reforms in the eurozone. In

[3] Actually, in the context of the ongoing discussion on the institutional reform of the eurozone, some authors explicitly state that, "contrary to the view of the early 2000s" [reflected in the Maastricht Treaty, and that explicitly assumed monetary policy was a strong enough instrument to cope with area-wide shocks] "Fiscal policy is increasingly regarded as a necessary complement to monetary, especially in situations when the latter is constrained by the zero lower bound; and market reactions, or the fear of them, can prevent national fiscal policy from playing its stabilization role when a country is hit by a large shock. Hence, there is a need to reconsider the role of fiscal policy in EMU." (Pisani-Ferry 2018).

particular, it is urgent to consider the monetary strategy of the ECB really needs to contribute not only to the price stability goal, but also to the economic progress of its member economies. It is not an easy task, of course, because as the "architects of the ECB" have acknowledged, the monetary neutrality "is [now] an act of law engraved in an international treaty, and therefore not subject to evaluation over time" (Issing *et al.* 2001: 99).

This paper is structured in two main sections, apart from this introduction and the conclusions. The first section concentrates on the review of the components of the ECB's monetary policy strategy, including a brief description of its underlying assumptions, and the attainment of the inflation stability goal since 1999. The second section concentrates on studying the response of the ECB's interest rate policy instrument to the main economic principles that delineate its monetary strategy, particularly inflation, economic growth and monetary aggregate developments. Finally, the conclusions sum up our main findings regarding the performance of the ECB's monetary policy strategy and also point out some of the many other new challenges the ECB should be addressing.

A CRITICAL ASSESSMENT OF THE ELEMENTS OF THE ECB's MONETARY POLICY STRATEGY

The ECB's monetary strategy comprises two[4] main elements: a concise definition of its target, which is the attainment of price stability, and a non-deterministic (non-mechanical, since there is no reference to any formal model or rule) information-processing framework which, supposedly, the ECB employs to translate relevant information into monetary policy decisions. These elements are known as the "two-pillar framework" of the ECB's monetary strategy (Issing *et al*. 2001: 2-5). The two aforementioned elements of the monetary strategy are complemented by a third one, the principle of central bank independence. This was not only one of the formal requirements established in the convergence criteria to access the eurozone, but also a presumption that for the ECB to achieve its primary goal (price stability), it would require full independence to conduct its monetary policy without any political interference.

Price stability

The Maastricht Treaty not only assigned the ECB full responsibility for the single monetary policy, but also stated that its primary objective was the maintenance of price stability. The price stability objective was afterwards given a precise figure at the ECB's Governing Council meeting in 1998, as an inflation rate below 2%, which five years later was replaced by "an inflation rate below, but close to, 2%" as a way "to maintain a sufficient safety margin to guard against the risks of deflation" (ECB 2003: 79).

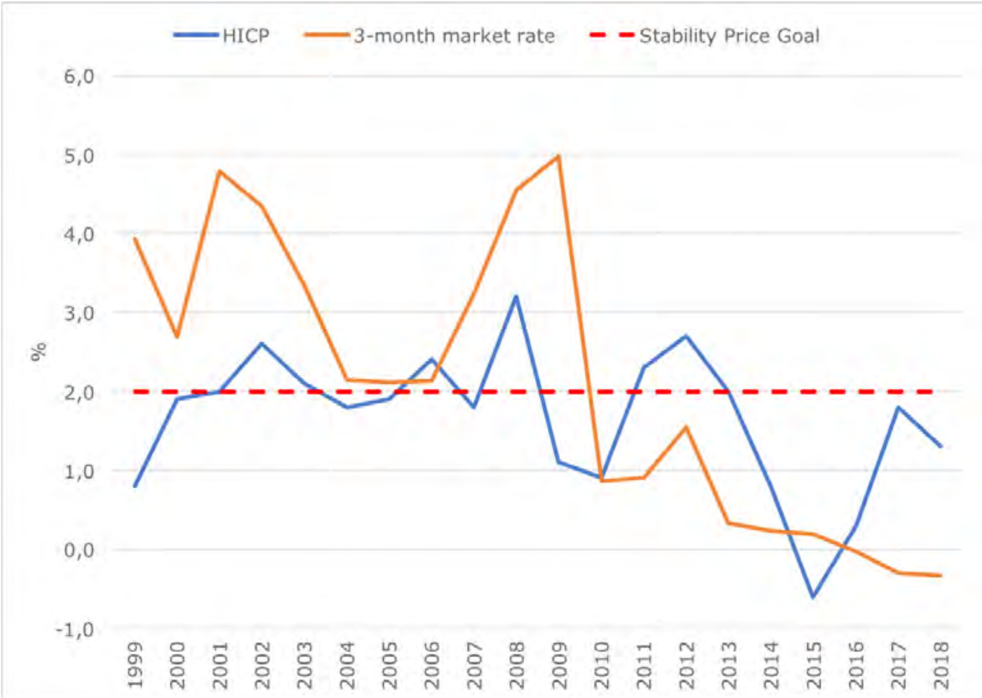
Although the Treaty also declared that "without prejudice to this primary objective [price stability], monetary policy shall support the general economic policies of the Community". This part of its mandate, probably included in the official document for political correctness, has always been dismantled by academic arguments that remind us all the time that the best contribution monetary policy can really make is to guarantee price stability. The following quote reveals clearly this argument (emphasis not in original quote):

> "Without prejudice to this primary objective, monetary policy shall support the general economic policies of the Community. This arrangement is rooted in the principle – supported by *empirical evidence* and *academic research* and underpinned by a broad *public consensus* – that *the maintenance of price stability is the best contribution that monetary policy can make to achieve the economic policy objectives of the Community*, such as a high level of employment and sustainable and non-inflationary growth." (ECB 2008: 24)

[4] Although the ECB's Governing Council had announced the broad lines of its monetary strategy in a press release on 13th October, 1998, it published the details later, in January 1999, and stated that its monetary strategy consisted of three main elements (ECB 1999: 39). These three elements mentioned by the ECB are equivalent to the two mentioned here, however, as we have considered the two pillars as one single element, not two.

If we concentrate on the 2% price stability objective, which is represented by the dotted red line in Figure 1, we can observe that the eurozone has never suffered from high inflation. In fact, the average inflation rate for the whole period 1999:Q1 to 2018:Q3 is 1.7%. This may be considered close to the official definition of price stability of an inflation rate below, but close to 2%. It was during the period extending from 1999 to 2008 that inflation was well above its target, with an average inflation rate of 2.2%, but this reverted from 2009 onwards, when the average inflation rate went down to 1.2%.

FIGURE 1
INFLATION AND INTEREST RATES IN THE EUROZONE: 1999:01 - 2018:09



Source: ECB, Eurostat and own calculations

Considering the 78 quarterly observations ranging from the first quarter in 1999 to the second one in 2018 (see Table 1), only 19 times was the inflation rate close to the 2% objective; that is, the ECB only managed to fulfill its stability price objective for around 24% of the 78 quarters.[5] It is also worth noting that in the 59 quarters when the inflation rate fell outside the goal boundaries, 33 times it was below 1.8%, and 18 times below 1%; only 3 times did it exceed the 3% barrier in the first three quarters of 2008, although inflation never exceeded the 4% barrier (the highest rate was 3.8% in the third quarter of 2008). These are the results for the whole period 1999-2018. But when we split up the analysis to consider the structural break that occurred in the fourth quarter in 2008, several important differences arise. Let us briefly sum up the more relevant aspects below.

[5] In our analysis, we have considered being close to the target when the inflation rate is within the +/- 10% boundary around its 2% level.

TABLE 1
INFLATION TARGET PERFORMANCE IN THE EUROZONE. 1999 - 2018

	Below target			Within target	Above target		
Time Period	<0.5%	< 1%	< 1.8%	1.8 to 2.2%	>2.2%	>3%	>4%
1999:Q1-2008:Q4	0	1	5	17	18	3	0
2009:Q1-2018:Q2	12	17	28	2	8	0	0
1999:Q1-2018:Q2	12	18	33	19	26	3	0

Source: ECB, Eurostat and own calculations

During the first period, 65% of the occasions (15 out of 23) when the inflation rate missed the target correspond to situations where inflation was in the immediate upper boundary from target (2.2 to 3%). By contrast, in the second period, in 47% of the occasions (17 out of 36) when inflation missed its target, the inflation rate hit the lowest boundary (< 1%). Another observation worth mentioning is that during the second period, inflation fell within the target bounds only twice, whereas this happened 17 times during the first period.

Considering that the ECB has provided significant monetary stimulus over recent years in the conviction that these measures would bring inflation back to its objective of price stability (Coeuré 2016), one understands the ECB's desperation (and frustration) for the persistent ultra-low inflation in the eurozone, since this shows that the institution has often failed to fulfill its mandate. But the ECB's frustration with current low inflation has another important reading, with relevant implications for the validity of the implicit model of the ECB's monetary strategy, insofar as it puts into question the conviction expressed by Mario Draghi several years ago: "a committed central bank can always fulfill its mandate … regardless of the stance of other macroeconomic policies" (Draghi 2006). Other reputed economists have even suggested that "the aberration" of too low and falling inflation is producing great theoretical discomfort, since it has broken "the traditional causal link between money supply and prices (Roubini 2016). So, the "problem" of low inflation in the eurozone is not only that it shows that the ECB has been unable to reverse the deflationary trend over the past years, but it has also broken the money-inflation link assumed in the economic model which sustains the ECB's monetary strategy. This model seemed to work when the problem was to bring inflation down to the 2% target; but not during the "abnormal" scenario of "too low and falling inflation".

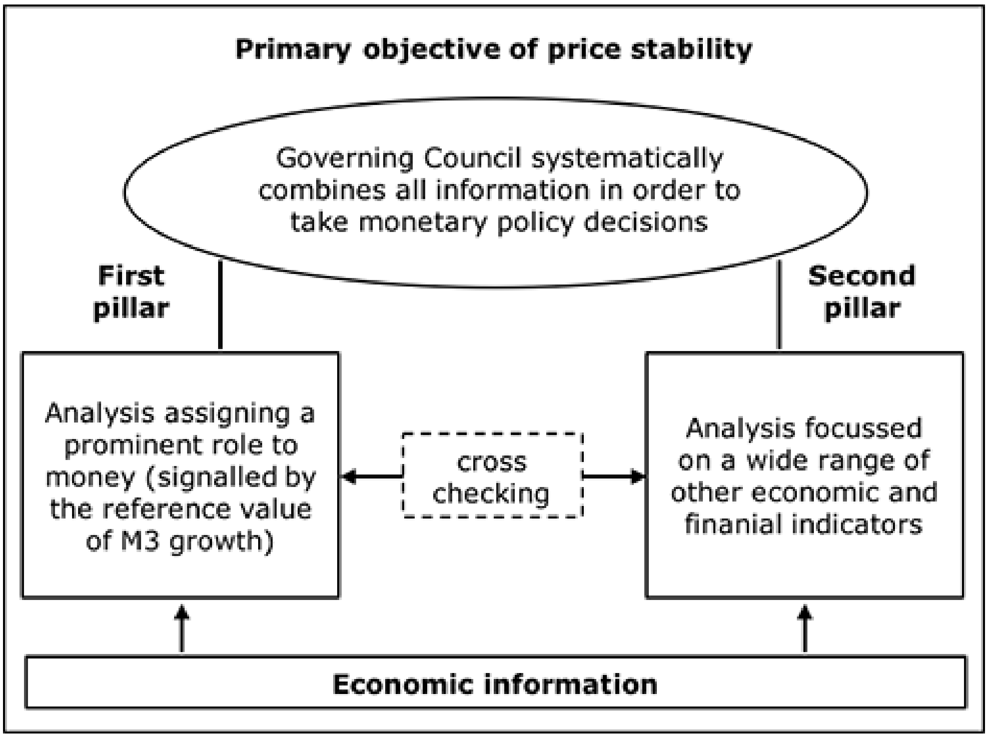
Of course, the ECB could always argue that inflation is a long-run monetary phenomenon, so it is premature to draw any conclusion from the last ten years of experience. But putting aside the controversy regarding what "long-run" really means, it should not be overlooked that "long-run" empirical evidence is not unequivocal either; for example, De Grauwe and Poland (2005) found (in their empirical work on 160 countries in a temporal period of 30 years) a "strong positive relation between long-run inflation and the money growth rate" for some countries, but they also concluded that this relationship turned out to be weak, if not absent, "for low-inflation countries".

The two pillars

According to the ECB's own definition of its stability-oriented monetary strategy, the two pillars[6] [of the monetary strategy] represent the elements that guarantee the achievement of its primary goal: the attainment of price stability.

[6] Issing (2006: 2) provides an interesting description of the temporal sequence through which the term "two pillar approach" finally became an official element of the monetary strategy published in January 1999 (ECB 1999).

FIGURE 2
THE "TWO PILLARS" OF THE ECB'S MONETARY POLICY STRATEGY



Source: as shown in ECB (2000: 39)

It is claimed the ECB's monetary strategy does not represent a mechanical or deterministic modus operandi, so the ECB "eschews mechanistic" monetary policy responses to deviations from a specific target or developments in a specific indicator variable (ECB1 1999: 50). However, it was through the precise definition given to price stability[7] and the assignment of a concrete benchmark for money[8] in the first pillar, that these two elements determine not only the ECB monetary policy actions, but also its implicit economic model.[9] In this regard, it clarifies the following assertion made by Wim Duisenberg in October 1998, in response to a journalist when presenting the monetary strategy to the media, when he acknowledged the prominent role of money in the monetary strategy (Issing 2006: 2):

> "It is not a coincidence that I have used the words that money will play a prominent role. So, if you call it the two pillars, one pillar is thicker than the other is, or stronger than the other, but how much I couldn't tell you"[10]

The importance attributed to money in the ECB's monetary strategy was the result of the strong influence exerted by those who believe that money serves as a "lighthouse signaling inflation dangers ahead" (Issing 2006: 8), but this argument finds very little support in the empirical evidence in the

[7] An inflation rate below but close to 2%.
[8] The prominent role for money, which has been always justified by the "belief" that inflation is always and everywhere a monetary phenomenon, was secured by the establishment of a benchmark (4.5%) for the growth of the M3 aggregate.
[9] After reading Otmar Issing's interesting personal account on the delimitation of the ECB's monetary strategy (Issing 2006), which took place during the period between the establishment of the ECB, in June 1998, and the beginning of Stage Three of the European Economic and Monetary Union, in January 1999, one would dare to assert that the final wording of the ECB monetary strategy can be interpreted as the result of a deliberate (and very clever) attempt to avoid giving the impression that the ECB would formally practise inflation targeting and pay close attention to monetary aggregate. However, it is out of question that both elements can be integral to the ECB's monetary strategy.
[10] Issing (2006: 2) attributes this quote to Wim Duisenberg when replying to a question raised by a journalist at the press conference where the President was announcing the broad lines of the ECB's monetary strategy in October 1998.

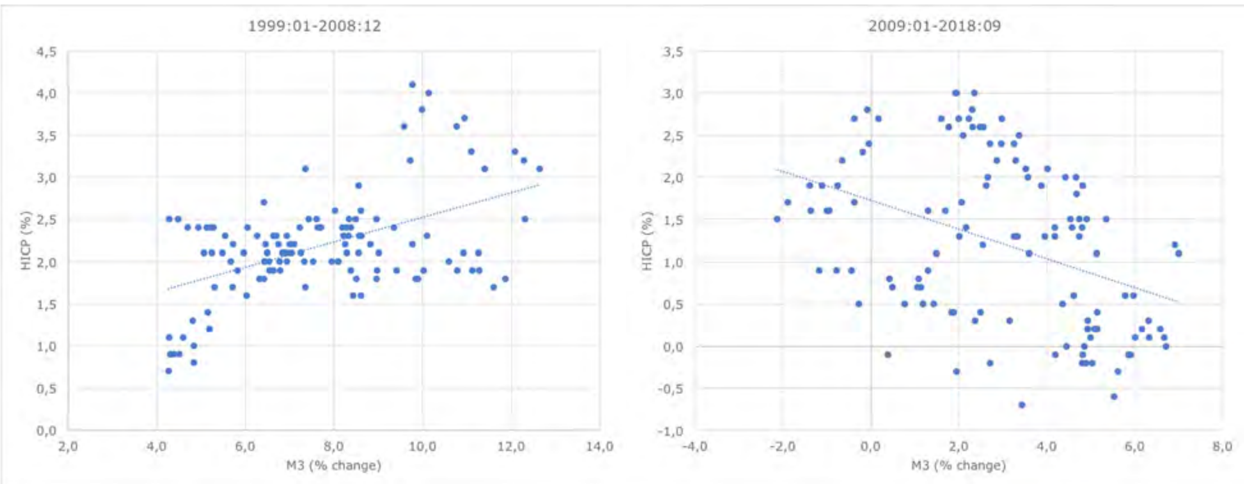
eurozone. Figure 3 shows, on the left-hand side panel, the inflation rate and the monetary aggregate M3, and on the right-hand side, the deviations (in percentage points) of inflation and M3 from their corresponding reference values (2% for inflation and 4.5% for M3). The correlation coefficient between inflation and the M3 (measured both in € and in yearly % change) is negative (-0.35), whereas it turns positive (0.34) when inflation and M3 are measured in terms of deviations with respect to their targets. However, when we concentrate on the period starting in 2009, not only is the correlation coefficient between inflation and M3 lower (-0.19), but also the correlation coefficient for the deviations now turns negative (-0.40). What is the point, then, in being guided by a "lighthouse" that helps so little to anticipate deviations from the price stability goal?

FIGURE 3
INFLATION AND M3 GROWTH IN THE EUROZONE. 1999:01 – 2018:09

Source: ECB, Eurostat and own calculations

A similar conclusion could be drawn when studying the relationship between money and inflation at different stages of the business cycle, as depicted in Figure 4, which shows the inflation rate and the M3 growth rate for expansion and recession periods, respectively. Whereas the monetarist view suggests the existence of a positive relationship, in the long-run, the graphs show this positive correlation only exists for the expansion (left panel), whereas for the recessionary period (right panel) the correlation turns negative.

FIGURE 4
INFLATION AND M3 GROWTH IN THE EUROZONE.
CROSS SECTION ANALYSIS 1999:1 – 2018:09



Source: ECB, Eurostat and own calculations

ASSESSING THE ECB'S MONETARY POLICY RESPONSE

We suggested, in the above section, that the ECB claims its monetary strategy "eschews mechanistic" monetary policy responses to deviations from a specific target or developments in certain variables (ECB 1999: 50), so it "cannot be expressed by a simple mathematical function" (Issing *et al*. 2001: 2-5). However, a large collection of empirical studies exists showing that simple monetary rules, such as the one proposed by Taylor (1993), are capable of reproducing central banks' monetary policy decisions on interest rates, and this also applies to the ECB. For example, Taylor (1999) concluded that "the simple benchmark rule, such as the one I proposed in 1992, with some adjustment in the response coefficients, would be worth considering as a guideline for the ECB". Gerlach and Schnabel (1999) also found that "average interest rates for the EMU countries in 1990–98, with the exception of the exchange market turmoil in 1992–93, moved very closely with the average output gap and inflation as suggested by the Taylor rule". More evidence in this regard can also be found in the papers by Alesina *et al*. (2001), von Hagen and Brückner (2002), Breuss (2002), Galí (2003), and Bletzinger and Wieland (2016), among many others.

These empirical results are not surprising, since Taylor's rule assumes that central banks set their official interest rates according to the deviation of both inflation and output from their targets, and it is known that the primary objective of most central banks is the attainment of price stability and the avoidance of business cycles.

In order to try to analyse the influence exerted by inflation and GDP growth on the ECB's decisions on monetary policy, we proceeded to calculate the interest rate that would result from applying, for the whole of the eurozone, a conventional Taylor type rule. In addition, two variants of this rule were analysed that seek to capture the influence exerted by the two pillars that are contemplated in the ECB's monetary policy strategy and the trajectory of the monetary aggregate M3 as well as other variables that can anticipate inflationary risks. The results of our calculations are shown in Figure 5, which depicts the official ECB's Main Refinancing Operation (MRO) interest rate, as well as the benchmark interest rates resulting from the application of a conventional Taylor-type rule (Taylor) and several alternatives to this standard rule (ECB-1, ECB-2, OW, and Taylor-OW). The ECB-1 rule includes, apart from the deviations of inflation and output from their targets, the deviation of the monetary aggregate M3 from its reference value, whereas ECB-2 also contains the growth rate of nominal Unit Labour Cost (ULC) per employee. The inclusion of the M3 is aimed at considering explicitly the monetary pillar in the ECB's monetary strategy, whereas the inclusion of the ULC per employee is aimed at considering the influence of labour costs on inflation dynamics.

The three rules follow the standard specification proposed by Taylor (1993), and therefore include a constant term that takes value 4, and which results from considering a natural interest rate of 2% and the inflation target contemplated by the ECB (2%). Likewise, the contemplated monetary rules include two parameters that reflect, respectively, the response of the ECB to inflation deviations regarding its target, which takes value 1.5, and GDP deviations with respect to its potential growth, which takes a value of 0.5. The two proposed extensions of the monetary rule (ECB-1 and ECB-2) have other parameters that, respectively, include the responses of the ECB to the deviations of the M3 from its 4.5% objective, and an excessive growth of Unit Labour Costs (considering excessive behaviour growth above 1%). In this case, we have assumed that the parameters take values of 0.5 and 1, respectively. Finally, it should be mentioned that we have assumed a growth rate of 1.5% for potential GDP. The following expression sums up the three rules described above:

$$i = 4 + \alpha * HICP + \beta * GDP + \gamma * M3 + \delta * ULC$$

where HICP, GDP, M3 and ULC are expressed as differences in terms of their annual rates regarding their respective targets.

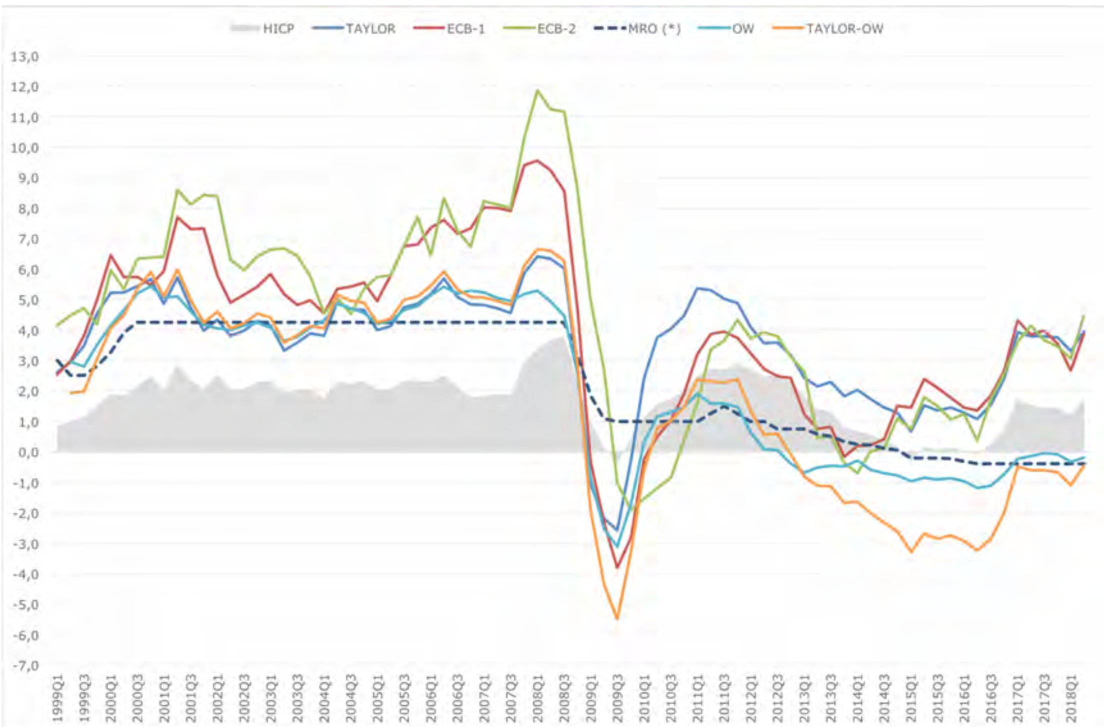
We have also computed a fourth interest rate rule, which is inspired in the work by Orphanides and Wieland (2013), that has been applied to the eurozone by Bletzinger and Wieland (2017), whose expression is as follows:

$$i_t = i_{(t-1)} + \alpha * HICP + \beta * GDP$$

We have computed two alternatives of the above rule. The first one (labelled as OW in Figure 5) used the original parameters considered by Bletzinger and Wieland (2017), that is $\alpha = \beta = 0.5$, whereas the second specification (Taylor-OW) assumes that parameters α and β take the original values considered in Taylor (1.5 and 0.5, respectively).

Figure 5 shows that, up to 2007, inflation was close to the ECB's price stability objective, although as of 2009, after a brief hiatus (between the third quarter of 2007 and 2008), where there was a sustained increase, average inflation in the euro area was not only well below the price stability target, but also remained below 1% for many quarters. As for the official interest rate, it remained practically unchanged at around 4% until the end of 2008, and always well below the level indicated by the Taylor, ECB-1 and ECB-2 rules. This has been interpreted as a sign of the excessive laxity in the monetary policy practised by the ECB during this period. However, this laxity is not observed when using the OW and Taylor-OW rules, since in these cases, the deviation of the official rate from those proposed by both rules is much lower. This is explained by the omission, in these two specifications, of the constant term that appears in the other three rules considered. The same is observed for the period starting from 2009, where once again the Taylor, ECB-1 and ECB-2 rules reveal an excessive laxity in the monetary policy practiced by the ECB during these years. However, in this second period, inflation, GDP, monetary aggregate M3, and Unit Labour Costs registered a markedly lower variation than that recorded in the previous period. Therefore, it is evident that the monetary laxity indicated by the conventional rules are the result of the express consideration of a "natural" interest rate of 2%, whose justification only has a basis in orthodox monetarist thinking.

FIGURE 5
INFLATION AND INTEREST RATES IN THE EUROZONE. 1999:Q1 – 2018:Q2



Source: ECB, Eurostat and own calculations

Apart from calculating the benchmark rate performed by these monetary rules, we have also estimated the following interest rate reaction function, which includes the variables of the monetary rules mentioned above and the lagged value of the official interest rate (MRO).

$$MRO_t = \alpha_1 MRO_{t-1} + \alpha_2 GDP_t + \alpha_3 HIP_t + \alpha_4 M3_t + \alpha_5 ULC_t + \mu_t$$

The estimation was conducted in first differences by Ordinary Least Squares (OLS), both for the whole period, as well as for the two following sub-samples: 1999:Q1 to 2008:Q2 and 2008:Q3 to 2018:Q2. The results are indicated in Table 2.

TABLE 2
ESTIMATION RESULTS OF THE MONETARY POLICY RULES FOR THE EUROZONE

	Taylor		ECB-1		ECB-2	
	Parameter	t-statistic	Parameter	t-statistic	Parameter	t-statistic
Full sample: 1999:Q1 to 2018:Q2 (76 observations)						
MRO(-1)	0.503	6.49	0.469	5.96	0.468	5.75
Constant	-0.017	-0.91	-0.018	-1.01	-0.018	-0.99
GDP	0.089	3.77	0.091	3.91	0.091	2.75
HICP	0.151	3.26	0.150	3.18	0.150	3.10
M3			0.031	1.82	0.031	1.78
ULC					0.001	0.02
Schwarz criterion	-51.95		-51.07		-46.75	
R^2 adjusted	0.61		0.62		0.61	
Sub-sample 1: 1999:Q1 to 2008:Q2 (36 observations)						
MRO(-1)	0.599	5.68	0.604	5.57	0.606	5.47
Constant	0.028	1.55	0.027	1.44	0.027	1.40
GDP	0.097	2.67	0.098	2.65	0.093	2.07
HICP	0.037	0.74	0.040	0.77	0.042	0.78
M3			0.005	0.29	0.004	0.22
ULC					-0.006	-0.20
Schwarz criterion	-49.74		-46.26		-42.72	
R^2 adjusted	0.49		0.47		0.45	
Sub-sample 2: 2008:Q3 to 2018:Q2 (40 observations)						
MRO(-1)	0.356	3.18	0.260	2.23	0.244	1.97
Constant	-0.065	-2.08	-0.068	-2.28	-0.070	-2.29
GDP	0.072	2.18	0.083	2.58	0.100	2.01
HICP	0.245	3.18	0.223	3.00	0.221	2.93
M3			0.062	2.07	0.062	20.29
ULC					0.025	0.04
Schwarz criterion	-12.42		-13.35		-9.89	
R^2 adjusted	0.63		0.66		0.65	

The results for the full sample period (1999:Q1 to 2015:Q2) show that the deviations of inflation and output from their targets are always significant and, not surprisingly, inflation always has a higher impact on MRO. The monetary pillar (M3) is also significant (model ECB-1) but not the Labour Cost parameter (model ECB-2). The lagged value of MRO is always significant and according to the value of the estimate parameter exerts a high influence on the evolution of MRO.

Some interesting differences show up when we split the analysis into the two mentioned sub-periods. Interestingly, for the first period (1999:Q1 to 2008:Q2) all variables but GDP and the lagged interest rate are not significant. The much lower goodness of fit of the model is also significant for this sample period:

the R-squared for this first period goes down to 0.36, whereas for the full sample it was always above 0.61. For the second period, all variables but Labour Cost are again significant, and the results reveal a much higher R-squared compared to the first sub-sample. The results seem to indicate that the period of expansion between 1999 and 2008 constitutes an anomaly in terms of what any observer would expect when explaining the trajectory of the official ECB rates according to the variables included in their monetary strategy, and not what has happened since 2009 onwards.

In order to understand more about the reasons that may have influenced the ECB when announcing variations in its interest rates, we have conducted a simple exercise whose results are shown in Table 3. In Table 3, we have tried to characterize the context in which there has been a change in interest rates, either upwards or downwards, in accordance with the values of inflation and GDP growth. Our data set, which runs from 1999:Q1 to 2018:Q2, has 78 quarterly observations and, according to our calculations, 13 changes in the MRO and 77 in Eonia.[11] Only 2 out of these 13 changes correspond to a rise in the rate, and both occurred in 2011. Most interest rate lowering took place from the fourth quarter 2011 onwards.[12]

TABLE 3
INFLATION, ECONOMIC GROWTH AND CHANGES IN MRO INTEREST RATES (AND EONIA) IN THE EUROZONE. 1999: Q1 TO 2018: Q2

		HICP			
		>2.2%	**2.2 - 1.8%**	**<1.8%**	**Total**
GDP	**> 2%**	**10** ⇔ / 8 ⇑ 2 ⇓	**10** ⇔ / 10 ⇑	**10** 1 ⇓ / 6 ⇑ 9 ⇓	**10** 1 ⇓ / 24 ⇑ 11 ⇓
	1 - 2%	**7** 2 ⇑ / 3 ⇑ 4 ⇓	**5** ⇔ / 1 ⇑ 4 ⇓	**10** 4 ⇓ / 3 ⇑ 7 ⇓	**22** 1 ⇓ / 24 ⇑ 11 ⇓
	> 1%	**9** 2 ⇓ / 1 ⇑ 8 ⇓	**4** ⇔ / 1 ⇑ 3 ⇓	**7** 4 ⇓ / 4 ⇑ 3 ⇓	**20** 6 ⇓ / 6 ⇑ 14 ⇓
	Total	**26** 2 ⇑ 2 ⇓ / 12 ⇑ 14 ⇓	**19** ⇔ / 12 ⇑ 7 ⇓	**33** 9 ⇓ / 13 ⇑ 19 ⇓	**78** 2 ⇑ 11 ⇓ / 37 ⇑ 40 ⇓

Source: ECB, Eurostat and own calculations

As shown in Table 3, 10 out of the 78 observations correspond to a situation where both the inflation and output were well above their corresponding targets. One would expect the ECB to raise the rates on these occasions, but it did not, as indicated in the table (although Eonia went up 8 times during these episodes). The two rate cuts during the nine occasions when inflation was well above 2.2% and the economy growing below 1% might be a little surprising for a central bank determined to achieve price stability. To the contrary, that is, when output growth was weak (< 1%) and inflation below its target (< 1.8%), one would expect the ECB to reduce rates; this scenario occurred on seven occasions, and the ECB cut the MRO rate 4 times. This time the ECB seemed to have responded as expected to its orthodox monetary strategy.

Let us now explore further what the "macroeconomic context" was when the ECB raised (twice) or reduced (eleven times) the MRO rate. The ECB raised the MRO rate twice in 2011 (second and third quarters). In these cases, the Eonia had been going up for a year (the previous four quarters), and the M3 had been decreasing for almost two years (the seven previous quarters); actually, the average rate of growth for the M3 in that period was negative (-0.5%). The GDP had also stagnated, for its growth rate was just 0.6% (for the previous seven quarters). In addition to weak growth, inflation seemed to be under control, since the average inflation rate was only 1.49% (also for the seven previous quarters), and Unit

[11] Since the variables in our data set were quarterly, we grouped the changes occurred in the MRO into quarters.
[12] Only three rate cuts fell outside this period and took place in last quarter of 1999 and in the first half of 2009.

Labour Costs also exhibited a rather low rate of growth for the same seven quarters period (0.4%). So, neither inflation nor M3 nor Unit Labour Costs seemed to justify a raise in MRO.

Let us now look at the eleven times when the ECB reduced the MRO rate. The nine rate cuts took place in three different periods. The first one was in the last quarter of the eurozone's first year, 1999. On that occasion, the Eonia had been decreasing for the previous quarters and inflation was at a very low level (1% average growth for the first three quarters). The M3 was experiencing moderate, but increasing growth (in the third quarter, it reached 5.2% growth, above its 4.5% reference value). The GDP and Unit Labour Costs were growing at 2.5 and 2.3%, respectively. The reduction in the MRO can only be explained, apparently, by the inflation and Eonia trends.

The second period when the ECB decided to reduce the MRO rate was in the first half of 2009, with inflation in a downward trend (from 3.8% in 2008:Q3 to below 1% in 2009:Q1) and with GDP reporting a fall of 2% in 2008:Q4. Eonia was also in a descending trend. However, Unit Labour Cost and M3 were experiencing an average growth of 3.7 and 8% in the previous year (2.5 and 10% for the last two years), the ECB could not find support for lowering its policy rate on these the variables. In this case, the reduction in MRO could only be explained by the inflation, GDP growth and Eonia rate descending trends.

The third period when the ECB reduced the MRO rate (six times, consecutively) starts in the last quarter of 2011, with a 50 basis point cut in rates (from 1.5 to 1.0%), which reduced MRO to 0% in 2016:Q2. This period was characterized by a low (and decreasing) growth in all relevant variables: Euribor, GDP, Unit Labour Costs and M3. However, it is worth noting that from 2015 onwards the GDP and the M3 exhibited strong growth (2.2 and 5.0%, respectively), which was accompanied by a relatively low development in prices (0.7% and ULC (7.3%).

What conclusions can be drawn from the analysis conducted in this section?

The first point we could mention is that the influence that inflation, GDP, M3 and Labour Costs have, apparently, exerted on the MRO is rather ambiguous, depending on whether we conduct the analysis for the whole period 1999-2018 or if we instead differentiate between the sub-periods that appear from the third quarter of 2008. For the full sample period, the empirical results show that deviations of inflation, GDP and M3 from their targets exerted an important influence on the MRO changes, however, these results do not hold for the period 1999:Q1 to 2008:Q2, which should represent the "golden age" of eurozone" for mainstream economists who see deflation and recession as "abnormal" times.

We have no doubt the ECB takes full account of the eurozone's macroeconomic prospects when adopting its monetary policy decisions. However, evidence shows the aggregate monetary M3 has never pointed in the same direction as the ECB's decisions when they were finally taken, not that the M3 seems to be statistically significant in the interest rate rule for the period 1999-2008. We think those who constantly refer to the prominent role that the M3 plays in the ECB monetary strategy should take note of this. Empirical observations also show that the ECB did not raise its policy rate during the occasions when both inflation and output were well above their corresponding targets. Equally surprising (for a monetarist economist) should be the two rate cuts when inflation was well above 2.2%, as well as the two rises in 2001, despite inflation, M3 or Unit Labour Costs not experiencing any rise. It is far from being straightforward how the ECB behaves, in practice; but evidence suggests it does not behave the way its monetary strategy (implicitly monetarist) would suggest.

CONCLUSIONS

In this paper, we have conducted a critical assessment of the performance of the ECB's monetary policy strategy and its implicit two-pillar model with the aim of widening the ongoing discussion over eurozone reform.

We have argued that the current discussion on the reform of the eurozone has been dominated by issues regarding the failures in its original design, which normally end by pointing out the trivial fact that the eurozone lacks an effective fiscal pillar. However, we have suggested in this paper that the discussion should go much further and deeper, to explore the relevance of the underlying theoretical framework that inspires the ECB's monetary strategy (and its corresponding theoretical assumptions), since empirical evidence suggests the ECB is neither following these principles strictly nor attaining its official goal since 2008.

The low and falling inflation that the eurozone has experienced after 2008 radically changed the economic scenario within which the ECB had been conducting its monetary policy since 1999. This has forced the ECB to improvise an arsenal of non-conventional monetary instruments which, although not popular among orthodox economists, have been the only ones that have been able to guarantee performance in the markets in a context of zero-lower bound interest rates and a complete slump in the credit markets.

Indeed, the ultra-low and falling inflation in the eurozone is seen by many as an "aberration", which causes theoretical discomfort, for it reveals the rupture of "the traditional causal link between money supply and prices" (Roubini 2016) and the "disconnection between economic performance and inflation" (Draghi 2014). However, it is worth noting that the discomfort caused by low inflation has never produced the thought that it might be necessary to "revisit the thinking behind the design of European Monetary Union" (Dow 2016: 1), and particularly the implicit monetarist model that inspires the ECB's monetary strategy. The lack of reaction in this regard, we dare to suggest, is deliberate, since addressing this issue might eventually lead to the confirmation of the necessity to conduct a profound revision of the underlying monetarist theoretical framework that delineates the ECB's monetary strategy. The question is how long the European Union can afford to delay this debate. How long can the European Union survive with an "imperfect" monetary union and a "constrained" central bank?

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20 Years of the German Euro Are More than Enough

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ABSTRACT

This paper reviews the performance of the euro area since the euro's launch 20 years ago. It argues that the euro crisis has exposed existential flaws in the euro regime. Intra-area divergences and the corresponding buildup of imbalances had remained unchecked prior to the crisis. As those imbalances eventually imploded, member states were found to be extremely vulnerable to systemic banking problems and abruptly deteriorating public finances. Debt legacies and high unemployment continue to plague euro crisis countries. Its huge current account surplus highlights that the euro currency union, toiling under the German euro and trying to emulate the German model, has become very vulnerable to global developments. The euro regime is flawed and dysfunctional. Europe has to overcome the German euro. Three reforms are essential to turn the euro into a viable European currency. First, divergences in competitiveness positions must be prevented in future. Second, market integration must go hand in hand with policy integration. Third, the euro is lacking a safe footing for as long as the ECB is missing a federal treasury partner. Therefore, establishing the vital treasury–central bank axis that stands at the center of power in sovereign states is essential.

Keywords: *Euro, Euro Crisis, Banking Crisis, Debt Crisis, Monetary Policy, Lender of Last Resort, Fiscal Policy*

JEL CLASSIFICATIONS: E30; E44; E58; E61; E62; F34; F45

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INTRODUCTION

In the aftermath of World War II, maintaining peace by integrating economies and jointly organizing prosperity provided the original motivation behind European integration. In view of still-fresh memories of "beggar-thy-neighbor" competitive devaluations during the interwar period, stable exchange rates were part of this new collaborative European vision from the beginning. The Paris and Rome Treaties lent power to the former motive. The Bretton Woods global monetary order initially provided the backdrop to the latter concern. In the 1980s and 90s, Europe pushed its ambitions much further, deepening and widening market integration across the continent. In the (Maastricht) Treaty on European Union, the integration project even came to include currency unification. To some, Europe's common currency (the euro) was primarily an instrument to overcome German monetary hegemony in Europe. More generally, the euro was held to rid the continent of any threat of intraregional currency instability for good, with monetary stability by monetary unification seen as a means to accomplishing economic convergence and joint prosperity, political union, and lasting peace.

Twenty years later, Europe's common currency has come to play a prominent role in global financial markets and the majority of EU citizens continue to hold the euro in high esteem. Yet it is quite clear that the euro has failed to deliver on its promises. If the first decade was mediocre, the second was calamitous. Apart from dismal economic performance over the past ten years, the European nations living under the EU's "unity in diversity" motto seem more divided today than ever. Divergence rather than convergence of their economies is a sobering reality. Joint prosperity remains out of reach.

What went wrong? Why has the euro currency union proved so dysfunctional? Today, one might even ask: What needs to be done to rescue Europe from the euro without disaster?

In addressing these questions, the analysis begins in section 2 with highlighting that the German intellectual roots on which the euro policy regime is based are wholly unsuitable for Europe's common currency. Section 3 then briefly reviews the economic performance since the Maastricht Treaty, while section 4 zooms in on the Spanish case. Section 5 concludes and briefly delineates the required reforms that would turn the euro into a viable currency that could finally deliver on its promises.

HOW EUROPE ENDED UP WITH A GERMAN EURO

Few observers deny today that there is something fundamentally wrong about the euro regime. The official view is that the regime is "incomplete." A more accurate description would be: flawed, dysfunctional, and wholly unsuitable for Europe. That begs the question of how Europe could end up with a policy regime for its common currency that has proved so highly inadequate. The quick answer to this puzzle is that Germany was in a position to set the conditions for its surrender of monetary hegemony in Europe and, as a result, the euro regime was essentially "made in Germany." It was inspired by (West) Germany's own postwar economic experience, by its "economic miracle" and famed record of price stability. But how, one is forced to then wonder, could a model that had provided the basis for (West) Germany's success become the source of economic despair across Europe under the euro?

This section will answer this question and depict the "German model" and its historical background. It will prepare the ground for understanding how the model's Europeanization under the euro turned the former German engine of prosperity into an engine of euro area impoverishment. Price stability and Germany's central bank are central to how Europe ended up with a German euro—and in crisis.

It is a commonplace in the international media that Germans have a peculiarly strong preference for price stability. Along with their, allegedly, exceptional fears of (hyper-)inflation came a strong attachment to their former currency, the deutschmark (DM), and adoration for its central bank guardian, the Bundesbank.

Former EU Commission President Jacques Delors pointedly observed that, while few Germans believe in god, all believe in the Bundesbank (see Issing, 2008, Bibow, 2018).

The deutschmark was launched in the currency reform of June 1948, which was more than a year before West Germany and its federal government were even established. Following an almost decade-long political struggle, the Bank deutscher Länder (BdL), established in 1948 by the Allied Occupation Forces, secured a status of independence for its successor, the Bundesbank, which was established in 1957. (West) Germany was thus far ahead of its time regarding "central bank independence," an idea that only gained currency in the 1980s and 1990s. From early on, central bank independence and price stability became seen in Germany as two sides of the same coin—the DM coin of prosperity.

Arguably, economically, the most decisive event occurred in 1950–51, when the young West German republic with its still-unproven new currency, lacking gold and international reserves, suffered a balance of payments crisis. International experts advised the German authorities that to avoid a deep recession, they must focus on boosting German exports.

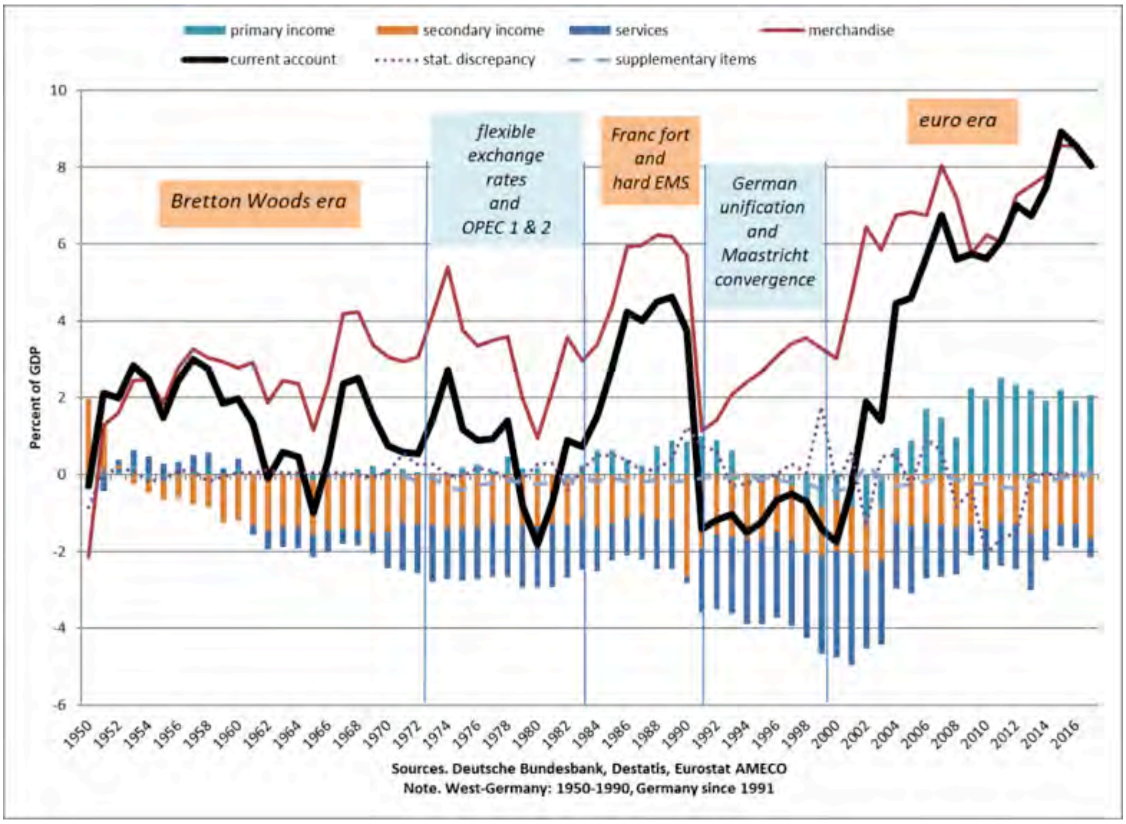
The German authorities happily obliged and came up with an ingenious strategy: boosting German exports through price stability. Economic minister Ludwig Erhard saw the crisis as a great opportunity for the future of German exports. He advised that, *through internal discipline*, inflation in Germany should be kept below inflation elsewhere, as that would strengthen exports.

The men at the helm of the BdL were fully in accord with Ludwig Erhard, the acclaimed architect of the economic miracle, and the central bank came to play a key role in achieving "internal discipline." As the chief enforcer of wage and fiscal discipline, the Bundesbank's own reputation and fame rests on its superior record of achieving price stability in Germany.

Price stability, or rather: German inflation that is lower than in main trading partners, achieved through superior internal discipline enforced by an independent central bank, stands at the heart of the "German model." The international currency order provides the other key ingredient.

For in the context of the international Bretton Woods monetary order of pegged nominal exchange rates, West Germany would experience cumulative improvements in its competitiveness by keeping its inflation rate below inflation trends elsewhere. German exports received an extra lift in this way as the West German authorities always resisted deutschmark revaluation pressures for as long as possible. The first deutschmark revaluation only occurred in 1961, another followed in 1969 (Bibow, 2018).

Figure 1
Germany's Current Account Surpluses Supercharged under the Euro



Note: West Germany, 1950–90, Germany since 1991

Sources: Deutsche Bundesbank, Destatis, Eurostat AMECO

As Figure 1 shows, Germany has a long history of persistent and sizeable trade and current account surpluses. From the beginning, West Germany became (over-)reliant on exports for its growth, successfully pursuing a model of export-led growth (Wallich, 1955, Hölscher, 1994, Holtfrerich, 1998). As part of keeping with internal discipline, the government would balance its budget, or even run fiscal surpluses, and generally abstain from active fiscal stabilization policies. As chief enforcer of internal discipline, the Bundesbank built its reputation without standing in the way of growth or playing much of an active part in stimulating domestic demand. In West Germany, price stability was perceived as causing growth. Moreover, growth was widely shared as wages rose in line with productivity.

The early 1970s saw the demise of the Bretton Woods system of pegged exchange rates. The deutschmark appreciated strongly until the late 1970s, undermining the German model. The economy faced a triple whammy of rising wage inflation, currency appreciation, and terms-of-trade deterioration. Unemployment soared and "stagflation" befell West Germany. Fiscal expansion was tried to some degree and with some measure of success while the Bundesbank was toying with a new monetarist mantra of monetary targeting (Giersch *et al.*, 1992). Then the US authorities pressured the German government in 1978 to share the burden of acting as a "locomotive" by adding fiscal stimulus measures and limiting monetary tightening. Germany obliged to some extent, only to see inflation reaccelerate as the second OPEC oil-price shock hit.

Panic seemed to grip the authorities when the current account turned into deficit in 1979 and the deutschmark weakened. The Bundesbank tightened its monetary stance sharply. Procyclical fiscal tightening was enacted in the early 1980s. The new right-wing government, led by Helmut Kohl, embraced the idea of expansionary austerity (the "German view") and adopted a single-minded focus on the supply side—denying any role for demand management.

Unsurprisingly, the recovery from the 1981–82 recession was very sluggish and unemployment stayed stubbornly high. (This foretold subsequent results in the 1990s and 2000s, when the same policy recipe was applied in even higher dosages.) Owing to the strong US dollar and US recovery, driven by Reagan-type "supply-side economics" featuring a strong Keynesian fiscal stimulus, there was some boost from exports in the mid-1980s, helping to offset some of the damage that austerity inflicted on domestic demand. In the second half of 1980s, the "hardening" of the European Monetary System (EMS) enabled a revival of the German model.

Even before the demise of the Bretton Woods system, Western Europe had started exploring ways to stabilize exchange rates regionally. Early attempts had failed, but at the end of the decade West German Chancellor Helmut Schmidt led the initiative that established the EMS. The EMS included the Exchange Rate Mechanism (ERM) as the mechanism through which national currencies were meant to be stabilized, and the European Currency Unit (ECU), serving as (a politically neutral) anchor. There were still numerous "realignments" in the early years. Following a critical French macro policy U-turn in 1983, exchange rates "hardened" in the course of the 1980s. The project of completing Europe's "single market," featuring liberalized financial markets, got underway in the mid-1980s, with the Basel-Nyborg agreement of 1987 countries participating in the ERM essentially accepted Bundesbank leadership in Europe—at least for the time being.

At the time, pegging to the deutschmark was judged a convenient way to disinflate and achieve inflation convergence toward the low benchmark set by West Germany. As a result, West Germany, once again, achieved cumulative competitiveness gains under a system of pegged exchange rates—owing to the fact that its inflation rate was still lower than that of its partners. West Germany ran up sizeable trade and current account surpluses in the course of the 1980s (see figure 1), concentrated in Europe. Large external surpluses enabled the government to balance its budget. (Public finances were generally in poorer shape in other ERM member countries. Similar regional developments were later to reemerge under the euro.)

German unification may have accelerated Europe's push toward a common currency. There were fears that a united Germany might refocus toward the East or simply become too powerful if not tamed by deeper integration. There was also resentment in larger countries that Germany's central bank alone was calling the monetary shots in Europe. Monetary unification appeared to provide the solution to these issues. That put Germany in the position of dictating the conditions for its surrender of hegemony and the design of the new common currency. The EMU policy regime, agreed upon at Maastricht in 1991, largely followed the German rulebook (Dyson and Featherstone, 1999, James, 2012).

Essentially, the euro had to be as strong as or stronger than the beloved deutschmark. It needed to be guarded by an independent central bank focused only on price stability. Fiscal policies had to be disciplined so as not to challenge the guardian of stability. Disciplined macro policies should also tame wage developments as determined in free (liberalized) markets. It all seemed straightforward, because the recipe for West Germany's success seemed that simple: price stability causes growth. It had worked for Germany in the 1950s and 1960s, and again in the 1980s. The "Keynesian" experiences of the 1970s were not to be repeated. Very simple.

Alas, something important got overlooked here: the German model only worked because and as long as Germany's main trade partners behaved differently. A fallacy of composition is involved in assuming that the model could be exported to Europe—which is precisely what the Maastricht regime did—and still work for both Germany and its euro partners. Germany and Europe were in for a surprise.

FOLLOWING EARLY WARNINGS IN THE 1990s, APPARENT STABILITY BRED INSTABILITY IN THE 2000s

The euro's uneasy history may be divided into two parts. The euro's first—pre-2008—decade appeared to be successful to many observers. That proved an illusion, as growing intra-area divergences and imbalances were building up, creating the very vulnerabilities that erupted in the acute crisis of 2008—triggered, but not caused, by the Lehman event in the United States.

The trouble actually started right at the time of the Maastricht Treaty. The Bundesbank's overkill monetary policies pursued in response to German unification were a stark reminder that under German hegemony the EMS was not a sound monetary arrangement for Europe. As an asymmetric shock hit the EMS anchor currency, the fact that the Bundesbank had a price stability mandate for Germany but determined monetary policy for Europe (i.e., the "policy domain problem") caused havoc in European currency and economic affairs (Hefeker, 1994).

The Bundesbank shock was not the only challenge. The other part of the problem was that, in the spirit of Maastricht, euro-aspirant countries were embarking on a joint fiscal austerity crusade at the time. Their spirited efforts provided a foretaste of things to come: growth crumbled, leaving countries struggling to squeeze deficits down to the holy 3-percent Maastricht mark that was to decide the fate of the euro-to-be. They failed and the initially foreseen start date in 1997 was missed since almost no country met the fiscal convergence criteria. It was virtually at the last minute that the US "dot.com" boom and US dollar appreciation then provided sufficiently strong global spillovers, thereby enabling 11 aspirant countries to meet the 3-percent mark in 1997—even if barely, as in Germany's own case.

The 1990s revealed another foreboding of things to come: divergence. Starting in the second half of the 1990s, and only getting worse in the 2000s, Germany performed more poorly than its (prospective) partners in the euro "periphery." There were two early causes of intra-area divergences. First, countries in the euro periphery received a boost to asset prices and economic growth owing to interest rate convergence (toward lower German levels), while Germany, traditionally enjoying lower interest rates than the rest, felt the full brunt of the Bundesbank's slow-motion monetary easing. Second, starting around 1996, in addition to persistent austerity embarked on in 1992, Germany ordered itself a drastic dose of wage repression. The ill-guided policy mix of fiscal austerity and wage repression was to lastingly undermine domestic demand in Germany.

Conventional wisdom in Germany has it that there was no alternative to "bringing its own fiscal house in order" and simultaneously "restoring" its competitiveness, which, allegedly, had been lost in the context of German unification and the ERM crises of the early 1990s. While it is true that the former East German economy suffered a drastic loss of competitiveness as wages—but not productivity—converged to West German levels almost overnight, jump-starting an ample intra-German transfer union, the same is not at all true for the West German economy. Owing to persistent inflation differentials in (West) Germany's favor in the "hard EMS" era, intra-EMS competitiveness positions had been seriously out of kilter at the time of Maastricht. DM appreciation effected through the 1992–93 EMS crises restored balance in Europe, at least for the time being.

For an economy used to operating with a competitive advantage due to its favorable inflation differential, losing this benefit as the rest of Europe converged to German inflation levels—as was required by the Maastricht Treaty!—may have felt like an undue loss in competitiveness. First under the Bretton Woods regime and later under the hard EMS, the German model of export-led growth had powered the West German economy. A persistent bias in aggregate demand shapes economic structures accordingly, leaving an oversized tradable goods sector as its legacy. The German model only worked because and as long as Germany's main trade partners behaved differently. Exporting the German model to Europe made Germany's export engine sputter.

Germany's knee-jerk and fateful reaction was to order itself an extra dose of discipline, of wage repression, and unconditional austerity. Providing the root cause of the later euro crisis, Germany thereby turned itself into the "sick man of the euro" in the run-up to the crisis (Flassbeck, 1997 and 2007, Bibow, 2012, Dustmann *et al*., 2014)—before emerging from it as the supposed euro "powerhouse".

In fact, intra-area divergences and imbalances soared during in 2000s as Germany continued practicing relentless wage repression cum austerity. Following a brief boom toward the end of the 1990s—which ushered in the "dot.com bust" and "global slowdown'" of 2001—starting in 2002, euro appreciation was posing a fresh challenge to the German model.

The euro had plunged in its early years. And since (headline) inflation slightly exceeded the ECB's (original) "below 2 percent" price stability norm, the ECB was outstandingly slow in easing policy in response to the slowing euro area economy. By contrast, the US Federal Reserve quickly slashed its policy rate to record-low levels in response to deflation scares. In addition, the US authorities made it clear at the time that a weak dollar was rather welcome. As a result, the euro area authorities' previous years' wishes for a stronger euro soon came to haunt them.

US dollar depreciation from 2002 until the Lehman bankruptcy effectively cut Europe's EMU off from the global boom of the 2000s, stalling the German model with regard to extraregional net exports. In the first decade of its existence, the euro area's current account position was roughly balanced, providing a convenient excuse to the EU authorities in the context of heated debates about surging "global imbalances." They simply claimed that the euro area was not a party to those global current account imbalances and had to play no part in their resolution (Bibow, 2007a).

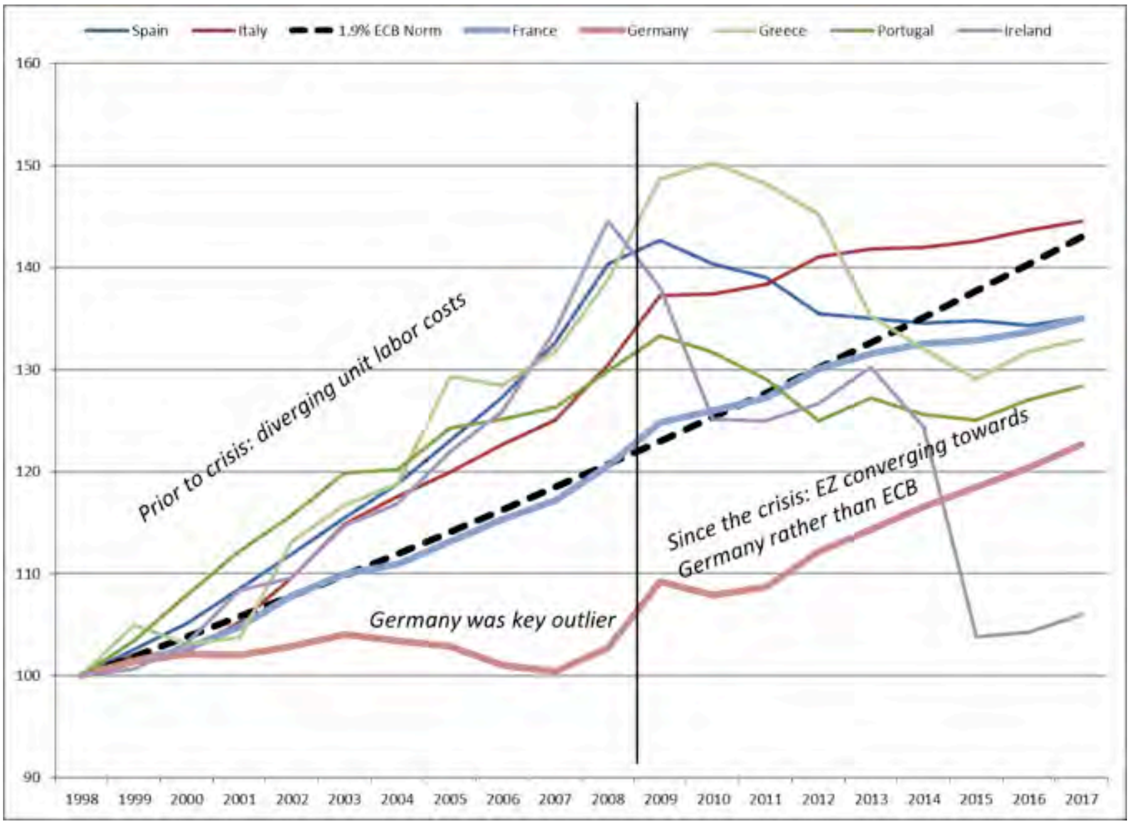
That excuse turned out to be flawed in at least two ways. For one thing, Europe's banks were playing a central role in enabling bubbles and imbalances both in the region and globally. For another, the euro area's inability to handle its own intraregional imbalances, homegrown bubbles, and resulting crises soon enough turned Europe's EMU into a massive global drag, hindering global recovery and more balanced global growth in the post–global crisis era and continuing until today.

In short, the German model has been in trouble right from the start and ever since. The German model relies on export-led growth. Euro appreciation after 2001 meant that Europe's currency union could not rely on external stimulus for its growth. Generating domestic-demand-led growth ended with very poor results indeed. Recovery from the 2001 global slowdown was a struggle. With Germany—the region's largest economy—sick and stagnant, the ECB's monetary stance, geared towards the area's "average," fired up credit and asset price bubbles in the periphery. Intra–euro area divergences and imbalances soared as a result, laying the groundwork for future crises (Bibow, 2007b).

Mindless austerity and wage repression stoked domestic demand in Germany. But the country gradually also turned über-competitive as unit-labor cost trends persistently diverged downward from the rest (see figure 2). From 2002–6 Germany literally grew on (net) exports only. With flat domestic demand, even Germany's imports were solely driven by export demand. By implication, all the borrowing and spending that enabled German exports was done by Germany's trade partners, running up rising current account deficits and foreign debts in the process, particularly by Germany's euro partners (Bibow, 2012).

The euro policy regime not only failed to prevent the buildup of fragilities, it also magnified any emerging intraregional divergences and emerging vulnerabilities. The ECB's monetary policy stance was too tight for Germany, but too loose for the bubbling periphery. The procyclical fiscal regime was a support act in this: persistent austerity held back Germany, while fiscal ease fired up the periphery (Hein and Truger, 2007).

Figure 2
ECB's Stability Norm and Diverging Unit Labor Cost Trends



Sources: Eurostat, AMECO Database.

Note: Nominal unit labor costs, total economy

The failure of Lehman Brothers triggered a European banking crisis that exposed the euro area's lack of proper macro defenses. Some euro area countries, including Germany and France, had large direct exposures to US mortgage risks. Other euro area countries, such as Spain and Ireland, were facing banking problems caused by their own homegrown housing bubbles, with German and French banks' exposures to these countries' banks and bond markets once again featuring prominently. Further troublesome banking exposures showed up in the new EU member states.

Banking problems hit national public finances, proving too heavy for some countries' public finances to shoulder on their own. In the late 1980s, Europe had embarked on deep market integration, but forgot about commensurate policy integration. European banks felt encouraged to roam freely across borders. When troubles hit, banks turned out to be global in life, but national in death.

As banking losses weakened the fiscal outlook, any deterioration in the sovereign's credit rating, in turn, undermined the banks even more. Sovereigns depend on banks as lenders and buyers of their bonds. These—supposedly safe—sovereign bonds feature as critical collateral in banking business. Banks' and their sovereign's liquidity and solvency status are intensely connected.

A peculiar feature of euro area sovereigns is the fact that they effectively issue debt in a foreign currency and lack a central bank by their side that can act as lender of last resort. When the crisis materialized, the critical two-way dependency between banks and their sovereigns saw vulnerabilities quickly spread and escalate in Europe's EMU. The "bank-sovereign doom loop" destabilized more and more euro area countries, prompting large-scale flight-to-safety trades and threatening area-wide contagion.

Excessive private indebtedness that had built up during the euro's first decade was at the issue. Little fiscal stimulus was forthcoming in response to the unfolding economic collapse at the end of 2008. Germany, of all places, enacted a more sizeable stimulus package in 2009–10, but the Keynesian moment of reason was brief. The Greek crisis conveniently paved the way for a swift return to austerity across the continent. The ECB stuck with lending-of-last-resort (LOLR) measures in support of banking systems, while refraining from more aggressive experimental monetary policies applied elsewhere (known as "quantitative easing" [QE]) until 2015 (Bibow, 2017).

The euro area's immediate crisis response proved insufficient. Disaster began to unfold in 2010 when the euro area embarked on joint fiscal austerity, paired in euro crisis countries with wage repression—the deadly mix that had gotten Germany sick prior to the crisis. Now the euro crisis countries were to try the same medicine jointly, and at a time when no growth impulses were forthcoming elsewhere in Europe. They were prescribed "internal devaluation" to restore their competitiveness, but no matching prescription for internal revaluation and domestic demand expansion was given to Germany. In fact, having included a "debt brake" provision in its constitution in 2009, Germany was joining the austerity campaign, aiming at a ("black zero") balanced budget as well. Worse, the so-called "Fiscal Compact" was pushed through, which essentially requires all countries to permanently pursue balanced budgets.

In 2010–12, the euro area sunk into another protracted recession. Rising exports were the only lifeline that kept the euro area above water. Mario Draghi's famous promise "to do whatever it takes" and the ECB's "outright monetary transactions" program broke the contagion and provided the turning point. The ECB was forced to engage in further policy experiments trying to compensate for euro regime deficiencies, including negative interest rate policies and finally a large-scale asset purchase program that included public debt securities. These improvised measures helped to stabilize Europe's currency union, at least temporarily, but regime flaws have not been fixed and the euro crisis remains ultimately unresolved, even by 2018. Figure 2, above, shows a deflationary convergence toward Germany, leaving the ECB struggling and persistently undershooting its price stability norm.

The essence of the euro's failure and its underlying regime flaws may be identified as the following three. The first mistake was to pursue market integration without commensurate policy integration. This flaw was most critically felt in the domain of banking. As the euro's launch unleashed another push to the single-market program's ideal of integrating Europe's financial markets, banks ventured across borders with forte, both regionally and internationally. Alas, a hazardous policy vacuum opened up as national policymakers were no longer in a proper position of minding the store. Europe's "banking union" initiative of 2012 was meant to heal this particular regime deficiency. It remains dangerously "incomplete" as of now.

The second mistake was to ignore intra-area divergences in competitiveness positions. The euro was meant to prevent "beggar-they-neighbor" competitive currency devaluations for good. But no safeguard was put in place to enforce the regime requirement of keeping national unit-labor cost trends aligned with the ECB's common price stability norm. Figure 2 shows that Germany's ill-guided mission to "restore" its competitiveness was in stark conflict with this norm. Germany's huge and persistent current account surplus proves the so-called "macro imbalances procedure" (MIP) wholly inadequate in looking after this issue, even a decade after the crisis erupted.

The third failure concerns macroeconomic stabilization in general and crisis management in particular. Already the 2001 global slowdown had shown that the euro area was lacking sufficient stabilization capacity for dealing with normal downturns. The global crisis of 2007–9 and subsequent euro crisis has proved the euro area's fiscal regime is utterly counterproductive: destabilizing in the short run and harmful to long-run growth, too. Even if the ECB grew sufficiently flexible and creative as LOLR to banks and banking systems, its support of sovereigns, ideology, and the Maastricht rules set bigger obstacles. Given the inherent interdependency between banks and sovereigns, just helping the former may prove ineffective.

At long last the ECB found cover for supporting sovereign debt under its monetary policy mandate, namely to counter acute deflation threats and to overcome defective monetary policy transmission. Its belated QE was not quite powerful enough to compensate for the currency union's inadequate overall fiscal stance and relentless wage repression. Instead, the euro area's fragile recovery since 2013 has seen Europe's currency union building up a 4-percent-of-GDP current account surplus by 2018. It would be rash to declare that the German model is working for the euro area after all. The next section will zoom in on the case of Spain before we return to the euro regime's persistent failure.

THE CASE OF SPAIN

Spain's crisis under the euro features all the critical ingredients that were identified above: first, the liberalization of banking that enabled an unchecked lending boom; second, a significant loss of competitiveness inside the euro area, particularly vis-à-vis Germany; and third, the amplification rather than containment of divergences and imbalances once these had got underway. Like in other euro crisis countries, certain national peculiarities played a role, too.

It is controversial how exactly the intra-euro area imbalances that imploded in the crisis came about (see Baldwin and Giavazzi, 2015, for instance). One issue is whether financial account imbalances (net capital flows) or trade imbalances were driving the developments. Another issue is whether competitiveness imbalances were a cause or effect. Further issues concern the relative role of competitiveness divergences versus domestic demand growth differentials, as well as the role of productivity growth differentials, in this. In discussing these issues, we will aim at identifying the ultimate causes of the calamity.

Probably the most important confusion concerns the role of excess saving and capital flows. In terms of national income accounting, a country running a current account surplus features saving that exceeds investment by that amount. This neither means that saving can somehow precede and cause investment nor that a rise in saving, as a causal factor, is anything else but a drop in spending. Similarly, regarding capital flows—which in some discussions appear to be causally connected with some imaginary kind of "excess" saving—these are, in the first instance, nothing else but portfolio decisions: either concerning the reshuffling of existing assets or occurring together with a change in leverage of some kind, especially the expansion of balance sheets and creation of new liquid assets by banks (see Bibow, 2009, Borio *et al.*, 2011, Borio and Disyatat, 2011 and 2015).

Banking liberalization inspired European banks to expand their balance sheets, sparking lending booms inside the euro area, but also with the United States and Eastern Europe as favored destinations (Shin, 2012, Avdjiev *et al.*, 2018). With the euro, highly liquid euro money and capital markets developed that greatly eased the recycling of any euro liquidity and funding imbalances across Europe—when times were calm. Relying on the liquidity of these markets, banks' business expansions were only limited by what they perceived as profit opportunities under existing and expected financial conditions.

With the euro's launch in sight, great profit opportunities were perceived in the euro periphery based on prevailing interest rate differentials and asset values. Presented such opportunities, assume a German bank expands its balance sheet by purchasing a Spanish government bond (or lends to a hedge fund that does so). The balance in the Spanish bond seller's bank account in, say, Spain will go up accordingly. The balance sheet of the Spanish bank involved will increase. On the asset side, there may be a loan to the German bank that bought the Spanish government bond. The interbank lending may be direct or take place via some other bank in, say, London. Or the German bank issues bonds rather than (wholesale) deposits to fund its balance sheet expansion. Gross capital flows show portfolio flows toward Spain and other investment flows toward Germany. There is no change in net flows involved here as these transactions as such do not cause any change in the financial or trade account balances.

Rather, the portfolio decisions and related capital flows cause financial conditions to change: interest rate differentials will shrink and financial conditions ease in Spain. It is the easing of financial conditions in Spain that gets the lending boom proper going: willing borrowers will be enticed to take on more debt, with willing lenders happily going along (given the liquidity of wholesale markets). This stimulates spending and incomes in Spain. The stronger economy and rising asset prices validate the lending boom. Goods prices and wages, too, will be bolstered. The newfound liquidity of euro money and capital markets is key to sustaining the local lending boom. As Spanish imports surge, a trade imbalance and corresponding net capital flows become part of the picture. Banks do little lending in Germany, where wage repression and mindless austerity depress the economy. But German banks happily search for opportunities abroad (see Waysand *et al.*, 2010, Milesi-Ferreti *et al*., 2012, Bibow, 2013a, Lane, 2013).

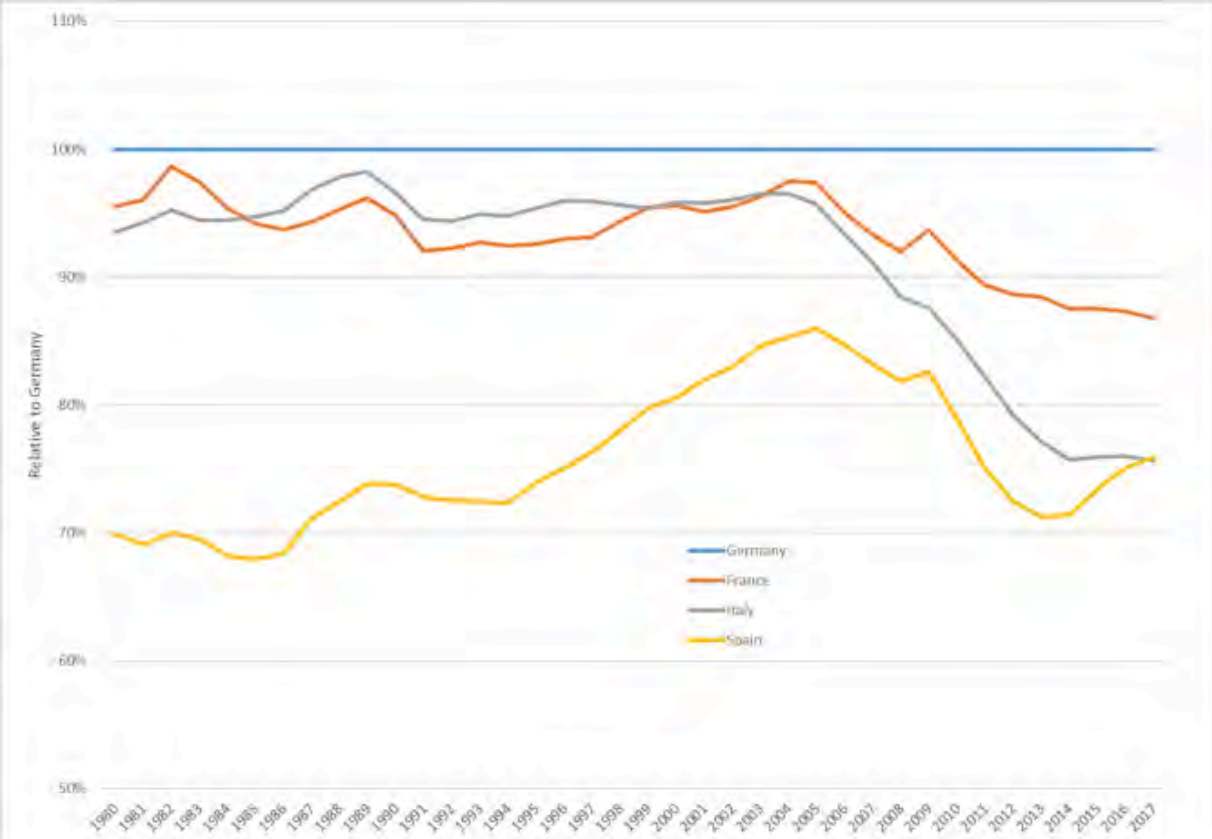
The ECB's common monetary policy stance and the Stability and Growth Pact magnify intra-area divergences and imbalances build up—both domestic and external imbalances. Domestically, Spanish households and corporations are seen to be on a debt binge. Much of the rising debt gets recycled externally. Spain's net international investment position deteriorates accordingly. Actually, gross external debts rise by even more since Spain's banks, too, are busy undertaking international adventures (see Febrero and Bermejo, 2013, Febrero *et al.*, 2016, Veld, 2014, Fernández and García, 2018).

When Spain's lending and housing bubble turned from boom to bust many borrowers (household mortgagers, property developers, etc.) were quickly "underwater." As their lenders' solvency got questioned, liquidity—liquidity in those previously highly liquid euro money and capital markets—dried up. The phenomenon resembles a "sudden stop" featuring a "flight to quality." Essentially, the German banks (and others) got too scared to roll over their loans to Spanish banks. Prior to the euro, Banco de España would have acted as lender of last resort to banks, its foreign reserves would have dwindled, the peseta would have plunged, and German banks would have suffered losses on their foreign loans.

Instead, the ECB stepped in with emergency liquidity programs. The Eurosystem's balance sheet filled in for dried up euro money and capital markets, keeping Spanish banks above water and allowing German banks to get out largely unharmed, too. As German banks' foreign claims shrunk, their claims on the Bundesbank and the Bundesbank's claims on the ECB (TARGET2) rose accordingly. In this way, German banks' troubled risk exposures got mutualized/socialized on the Eurosystem's balance sheet (Bibow (2012)). With exchange rate realignments no longer an option, asymmetric struggles with "internal devaluation" under adverse conditions got under way. Today, as banks in euro crisis countries are still working off their legacies of a deep and drawn-out crisis, Germany refuses to go along with more "risk sharing"—even as Germany got its own under-the-radar risk sharing deal done earlier thanks to the ECB.

The Spanish economy started recovering in 2013. To claim that austerity and wage repression (through structural labor market reform) did the trick is fake news. Instead, monetary easing and a weak euro have helped, and so has the pausing of fiscal austerity. A long tourism boom surely did no harm. Internal devaluation has contributed toward shifting from domestic to external demand, from producing nontradables to tradables, but mainly because Spain moved ahead of France and Italy.

Figure 3
Per Capita Incomes in the "Big Four": Falling behind Germany



Source: IMF

Looking at the "big four," the situation in Spain almost appears to be less unfavorable compared to France and Italy. The "big three" were not far apart in terms of per capita incomes prior to the euro, with Spain catching up fast since the mid-1980s until crisis struck. Spain suffered a heavy setback, though it appears temporary, as it is making up lost ground today. By contrast, France and especially Italy have fallen sharply behind Germany since the crisis. If non-German Europeans feel that the German euro has only served Germany but not Europe at large, this perception may not be too farfetched (see figure 3). Will Europe ever get a euro that delivers on its promises of convergence and shared prosperity?

THE UNRESOLVED EURO CRISIS: WILL EUROPE FINALLY GET A EUROPEAN EURO?

The euro crisis has exposed existential flaws in the euro regime. Intra-area divergences and the corresponding buildup of imbalances had remained unchecked prior to the crisis. As those imbalances eventually imploded, member states were found to be extremely vulnerable to systemic banking problems and abruptly deteriorating public finances. Debt legacies and high unemployment continue to plague euro crisis countries. Its huge current account surplus highlights that the euro currency union, toiling under the German euro and trying to emulate the German model, has become very vulnerable to global developments. The euro regime is flawed and dysfunctional. Europe has to overcome the German euro.

Three reforms are essential to turn the euro into a viable European currency.

First, divergences in competitiveness positions must be prevented in future. National unit labor cost trends must stay aligned with the ECB's common price stability norm. An effective MIP that deserves that name is essential.

Second, market integration must go hand in hand with policy integration. The belated banking union and capital markets union projects need to be completed. EMU urgently needs a common safe asset.

Third, the euro is lacking a safe footing as long as the ECB is missing a federal treasury partner, therefore establishing the vital treasury–central bank axis that stands at the center of power in sovereign states is essential (Goodhart, 1998). The current regime leaves all players vulnerable. The lack of fiscal union is central to the euro's underlying ailments. The euro is a currency without a state, featuring the oddity of decoupling the monetary and fiscal authorities. This decoupling of fiscal and monetary powers is the ultimate euro flaw. It can only be fixed by pairing up the ECB with a common euro treasury (Bibow, 2013b).

These key issues should have been addressed before 1999. It is so much harder to resolve them today because of pressing crisis legacies, rising political fragilities, and worsening distrust among the partners and euro nations. But kicking the can down the road is highly risky and will only work for so long.

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BEYOND THE EURO: LIMITS TO ECONOMIC POLICY IN THE EU

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Abstract

The euro's crisis is often theorized as that of a fixed exchange-rate monetary system, whose rigidity in the face of heterogenous national economies is the main factor behind the Eurozone's troubles. We argue instead that the euro should be primarily considered as a successful attempt to further the integration of the European economy within an ordoliberal framework, part of an institutional continuum stretching from the European Single Market to the present. Further, we note that the constraints placed by the euro on national economies are deeply entangled with those deriving from EU membership, so that both are likely to weigh on any attempt to break with neoliberalism at national level.

Keywords: *E6, F45.*

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INTRODUCTION

The Global Financial Crash is often regarded, this side of the Atlantic, as the "crisis of the euro", so that the end-result of three decades of neoliberalism in Western countries –economic and financial instability alongside growing inequality and labour precariousness– presents itself as a crisis of European integration.

This narrative gained some credence after the panic of public debt markets that engulfed the continent in 2010, after which the Eurozone underwent a round of significant reforms: the enhancement of the Stability and Growth Pact into the Fiscal Compact, to curtail public spending, the creation of the European Stability Mechanism, to monitor bail-outs to Member States, and that of the Single Resolution Mechanism, to centralize banking supervision; all of which were meant to address the fiscal profligacy and financial excesses that were blamed for the Eurozone's woes. Indeed, these reforms avowed goal was to stop the over-spending of private and -specially- State debtors before the markets struck: as they had done on mortgage, and later public debt markets, between 2008 and 2010.

No symmetric mechanism was placed on those creditor states whose accumulating surpluses were on the other side of the EMU's imbalances. Any attempt at a balanced response to the Eurozone's crisis, by breathing some Keynesianism into the monetary union -whether by increasing sizeably its budget or providing for automatic transfers between regions- has proven politically unfeasible: a state of affairs whose chronification spells dire consequences for European democracy itself. It is therefore not surprising that amongst the radical Left, the break-up of the Eurozone is no longer a taboo subject.

The first part of this article reviews the existing debate on the euro, questioning the popular idea that the crisis of the Eurozone is, mutatis mutandis, an example of traditional balance-of-payments problems in a fixed exchange-rate system (such as the Gold Standard or the European Monetary System). In particular, we point to the evidence that structural drivers different from relative unit costs are central in explaining the divergences between Member States. We highlight, specially, the effects of supply-chain restructuring and cheap credit that (monetary) economic integration has facilitated. Seen in this light, euro-exit is more likely to benefit peripheral countries by increasing their autonomy vis-à-vis the capital flows re-organizing Europe's economy, than from the ambiguous expansionary effects of exchange-rate devaluation. In addition, we underline that the euro has not merely accompanied the reshaping of national economies by private capital flows -but rather, it jeopardizes the possibility of an alternative economic policy through the institution of an independent central bank that limits the power of national policy-makers.

The second part of the article is concerned with this ordoliberal set-up of the EU, highlighting the links between the euro and other mechanisms of European integration, particularly those of the Single Market, whereby public policy is constrained to replicate and enhance "market discipline". This entanglement defies any attempt to picture the euro as an anomaly within the process of European integration or to provide an easy separation between the limits placed upon national economic policy by the Eurozone and the EU. This necessarily extends any discussion on euro-exit to a consideration of the costs and benefits of EU membership in the definition of alternative policies to the current austeritarian framework.

In our conclusions, we review these arguments with two warnings. Firstly, given how the divergences within the European economy provide tangible benefits to relevant actors in the process of EU integration, the latter is unlikely to reform itself from within. Some break with the current integration process is therefore required in order to develop a progressive economic strategy: one that does not shy away from recovering the State as a starting base for economic policy. Secondly, any such depart must take into account the exhaustion of national Keynesianism in the European peripheries: requiring us to revisit the economic policy alternatives available to the Left.

THE "CRISIS OF THE EURO" AND ITS CRITICS

In the Great Recession, the dominant discourse delinked the 'US-imported' crisis from the euro and the EU. Instead, the single currency was first portrayed as an overall success that contributed to macroeconomic stability, even if the 2008 crisis had "revealed weaknesses in the governance and crisis management capabilities of the euro area" (Pisani-Ferry and Posen 2009: 2). Thus, the logic of further integration continued to apply: "current events […] have highlighted the advantages of a single currency and shown the value of deepening euro area coordination", argued the Commissioner for Economic and Financial Affairs (Almunia 2009).

Following the 'sovereign debt crisis' of 2010, the blame for the troubles of Eurozone shifted to the alleged fiscal profligacy of the peripheral countries. Accordingly, the original EMU set-up, in particular the system of macroeconomic and fiscal surveillance, had to be strengthened to ensure fiscal austerity and neoliberal structural reforms –the only possible cure for the excesses of national governments whose over-indebtedness had ultimately provoked the crisis (Schäuble 2011, Trichet 2010).

But public debt in the periphery, with the exception of Greece, had soared only after the 2008 crisis with the socialisation of private banking debt and through the effect of countercyclical measures (see, for example, Storm and Naastepad 2015, Seccareccia 2017). Thus, the 'fiscal profligacy' story was soon replaced with the view that the Southern periphery has been suffering from "existing rigidities in product and labour markets", which had caused unsustainable macroeconomic imbalances in the Eurozone (Juncker 2015: 3),[2] which had later required public intervention.

A sometimes alternative (e.g. Wyplosz 2013), sometimes complementary explanation (e.g. Calmfors *et al.* 2012), argued that the creation of the single currency, in particular through the harmonization of nominal interest rates, had induced financial flows from the core to the periphery that fuelled credit booms and excessive domestic demand, which resulted in current account deficits and reduced competitiveness through higher inflation. Similarly, other authors argued that the lower perceived risks of the periphery fuelled a boom in cross-border investment to it that boosted demand and prices there while deflating the core, again making the former uncompetitive because of accumulated differences in relative cost levels (e.g. Krugman 2013; Stiglitz 2016).

Overall, what we may term the "orthodox" view argues that the "linchpin of the EZ vulnerabilities stem from the build-up of large current account imbalances" (Baldwin and Giavazzi 2015: 35), whatever their origins, and the associated debt flows, which ended with a "classic sudden-stop" that uncovered a balance-of payments crisis that could not be corrected through changes in the exchange rate. The intervention of peripheral governments to tackle the crisis, in particular the banking crisis, without the possibility of monetising government debt was the amplifier of this initial "shock", by generating a State-banks 'doom-loop' debt crisis (Baldwin and Giavazzi 2015).

From this analysis, rebalancing foreign accounts *through changes in relative unit costs between countries* is a necessary condition for a sustainable recovery. The conservative side of the mainstream favours further neoliberal austerity and product-market and labour-market reforms (e.g. Sinn 2014), Wyplosz 2016), a view with significant leverage in Brussels. The more progressive side considers going back to domestic currencies in order to recover the alleged equilibrating forces of the exchange rate and regain autonomy in fiscal and monetary policy ('less Europe'), at least as an alternative to the more popular 'more Europe'-route, that would reshape the monetary union in a more Keynesian vein (essentially moving

[2] A similar though more nuanced hypothesis was elaborated by the "Varieties of Capitalism" approach, that argued that the existence of institutional asymmetries in different countries of the same monetary union would promote divergent costs dynamics that could not be corrected through the exchange rate (Hall 2018).

towards a fully-fledged banking, fiscal and even political union in the medium run and in the short run by inflating prices and demand in the core) (e.g. Krugman 2013, Stiglitz 2016).

"Heterodox" approaches also increasingly identify the causes of the euro crisis with a balance-of-payments crisis (Bellofiore *et al.* 2015). Indeed, many "heterodox" commentators tend to conceptualise the single currency as essentially a fixed exchange-rate system that became unsustainable when divergent production costs led to the current account imbalances between the core and the periphery (e.g. Lapavitsas 2019: 67-80, Mazier and Petit 2013), often in analogy to the crisis of emerging economies within the world monetary system (Frenkel 2014, Eichengreen *et al.* 2014). In this view, as summarised by Cesaratto (2015: 142), "the original sin is in the current account imbalances brought about by the abandonment of exchange rate adjustments and in the inducement to peripheral countries to get indebted with core countries". Though these explanations of the imbalances typically differ from the "orthodox" ones by engaging with more "political" topics such as the German 'neo-mercantilist' strategies (Bellofiore *et al.* 2011; Cesaratto and Stirati 2010; Flassbeck and Lapavitsas 2015, Cesaratto 2017), which are largely left unaddressed by mainstream authors, they also tend to focus on the rigidities of the euro as a currency as the main reason for the build-up of current account imbalances between Member States.

There are, however, some problems with this analysis. First, empirical evidence indicates that changes in competitiveness, especially in price competitiveness, played a more nuanced role in shifting the economic structure of the Eurozone (Celi *et al.* 2018, Syrovatka *et al.* 2018). We should note the endogeneity of cumulative divergences in productive specialisations and technical capabilities within countries (Felipe and Kumar 2014; Storm and Naastepad 2015); along with companies' global offshoring strategies, resulting in shifting strength of domestic and foreign upstream and downstream linkages well beyond the Eurozone, including the formation of the Central European Manufacturing Core with the integration of the Eastern periphery in the German productive network (see Stehrer and Stöllinger 2015) against a general pattern of deindustrialization or 'impoverishment of the productive matrix' (Simonazzi *et al.* 2013)

At the same time, current account imbalances were mostly driven by aggregate demand. Indeed, of the period, the most significant trend was the asynchronicity between the German real estate cycle --much attenuated compared to that of almost all OECD countries- and the boom in the periphery; along with the income effects of the precarisation of labour and rising inequality (Celi *et al.* 2018, chapter. 5, Portella-Carbó 2015, Schröder 2015, Storm and Naastepad 2015, Storm and Naastepad 2016, Stockhammer 2015).

Given productive capabilities and structural interrelations of Eurozone countries, changes in aggregate demand necessarily entailed growing trade imbalances (Portella-Carbó and Dejuán *forthcoming*), which reflected symbiotic modes of demand growth (the core is 'led' by exports and the periphery by consumption and residential investment) and worsening, hierarchical centre-periphery production relations (Celi *et al.* 2018).[3]

Most importantly, while current account imbalances may cause a BoP crisis, the latter is ultimately triggered by the lack of international reserves necessary to finance current imports and meet immediate obligations, in particular servicing external debt. However, in the Eurozone there is no reserve constraint because the European Central Bank (ECB) has the means to provide the necessary reserves to the financial system that cover capital withdrawals and finance current account deficits (Lavoie 2015a, 2015b, Bellofiore *et al.* 2015). In this respect, the TARGET2 payment system, which operates like Keynes' International Clearing Union but with less restrictions (Lavoie 2015a, Cesaratto 2013), combined with the refinancing operations by the Eurosystem, has avoided any shortage of liquidity in deficit countries.

[3] As Celi *et al.* (2018: 17) explain: "new peripheries now gravitate around a changing core, the baricentre of the EU moving from North–South to North–East".

Moreover, as Febrero *et al.* have argued (see also Febrero *et al.* (2015)):

> "The ECB had no choice but to provide reserves to countries experiencing a massive capital outflow. Otherwise: (i) it would have lost control over the overnight interest rate; (ii) the payment system would have collapsed because deposits in euros in the periphery could not have been used as means of payment in the whole EZ; and (iii) it could not deny the provision of reserves to banks holding eligible collateral" (Febrero *et al.* 2018: 229).

Creditworthiness, not reserves, is thus the real constraint on the symbiotic modes of demand in the centre and periphery. In other words, the common currency would have eased, rather than enhanced the need for contractionary policies in the face of current account deficits, thus contributing to the expansion of the European periphery before the crisis - at the cost of expanding private (and in the Greek case, public) over-indebtedness and asset bubbles facilitated by capital movements.

What triggered the debt crisis in Europe was not, in the end, the worsening current accounts, but rather the contagion effects of a revision of credit risk following the US real estate collapse – which, with capitals flying for safety to Germany, Luxemburg and The Netherlands, among other countries, soon led over-exposed peripheral financial systems and the Governments that were called to bail them out into a crisis (see Celi *et al*. 2018: 143-155 and references therein).

The role of the ECB in the crisis appears crucial in understanding the true nature of the limits placed on policy-makers by the EMU: it declined to intervene, at first, and only did so later with harsh conditionalities -though it had the means to provide credit to the countries of the periphery after they were drained of private liquidity from the very start of the crisis.

Thus, the ECB has pressured Member States to adopt neoliberal reforms in exchange for its aid (e.g. by threatening to cut banking liquidity and stop bond-buying programmes). A case in point is that of Spain: in August 2011, when attacks on Spanish sovereign had escalated following the lack of purchases by the ECB in the secondary market (De Grauwe and Ji 2013), the President of the ECB 'reminded' the Spanish President that support was conditional on furthering labour reforms, public spending cuts and the liberalisation of markets (Trichet and Fernández Ordoñez 2011), which were finally undertook by the Spanish Government.[4] And it has been a major player in the collective reforms shaping the Eurozone (e.g. by promoting, shaping and decisively influencing the workings of what would become the European Stability Mechanism, which regulates the IMF-style bail-outs of EMU states, and the Fiscal Compact, a stricter Stability and Growth Pact to reduce and control national public budgets) (Beukers 2013, Braun 2017), always in concert with other EU institutions. Because of the decisive powers that the ECB continued to yield, the "crisis of the euro" is not due to a "flawed currency union" that makes a balance of payments crisis an ever-present possibility. Rather, as the monopoly issuer of an international reserve currency, the ECB had sufficient mechanisms as to maintain the liquidity of the financial system and the solvency of the sovereign.

By choosing not to defuse crisis situations and to expose fiscal policy to financial market's discipline, the ECB proved instrumental in advancing the austeritarian framework shared by the EU i.e. the precarisation of labour and anti-egalitarian reforms in public spending and taxation. That such actions could proceed unchallenged, whilst political crisis engulfed those national Governments that were implementing them, can only be attributed to the manner in which key elements of European economic policy-making (which are well exemplified by the workings of the ECB) are institutionally insulated from democratic control.

[4] Another letter was sent to the Prime Minister of Italy Silvio Berlusconi on the same day, with analogous content (Trichet and Draghi 2011).

MONETARY AND ECONOMIC INTEGRATION IN EUROPE

Ordoliberalism may be seen to provide a theoretical underpinning to the aforementioned monetary arrangements (*cf.* Cesaratto 2017: 982-984). A succinct summary of ordoliberalism's core tenets has been provided by Blyth (2013: 157): "the appropriate state policy was not to set the conditions of investment or to manipulate the level of prices via monetary stimulus, as the Keynesians argued. Instead, given its concern with limiting private power, competition policy, supported by the monetary policy of a politically independent central bank, formed the institutional core of the economic constitution. A dedicated monopoly office would ensure that the economy as a whole conformed to the metarules of competition, while an independent monetary authority would play the supporting role of keeping prices stable. Both institutions would be separate from and would not directly answer to the parliamentary state", prescriptions which obviously apply to the workings of the ECB along with those of the Commission's DG Competition.

Contrary to the Hayekian focus on the spontaneous ordering of "free markets", ordoliberals maintain that strong public regulation is required in order for market mechanisms to continue operating upon capitalist economies (Dardot and Laval 2009: 187-218). While only one of several strands of thought within the German post-WWII conservative movement in which it took shape (Storey 2017), ordoliberalism (and its strong rhetorical appeal to public regulation and rules-based economic policy) provided an alternative framing for the neoliberal counter-revolution against the more consumerist and individualistic tones of its Anglo-American counterparts, eventually matching the rising German hegemony in the European continent from the 80s to the present by embedding itself into the very fabric of European integration.

Cast in this light, the workings of the euro are not a striking anomaly, but rather stand in close affinity to the wider set of institutions related to the EU (namely, the Single Market and Economic Governance rules), whose main aim is to constrain economic policy in a pro-market direction, isolating it from democratic pressures (Gill 1998, Bonefeld 2016).

The continuity between the euro and other EU policies is not but one of shared intellectual origins. Historically, the transition from the Common Market to the Single Market from the mid-80s onwards (including the strengthening of competition policy, which had been only lightly applied beforehand (cf. Akman and Kassim 2010, Buch-Hansen and Wigger 2010) and the path towards monetary integration coincide (Eichengreen 1996: 236-242, Fazi and Mitchell 2017: 86-92). This is not by chance: the liberalisation of capital movements (one of the "four freedoms" enshrined in the Maastricht treaty) entails the abandonment of either an independent exchange rate or an independent interest rate policy (as per Mundell's Trilemma). Given the fear that exchange rate fluctuations could severely limit the level of trade and services flows within the European economy and the difficulties of maintaining fixed exchange rates in the absence of coordination on interest rates, the eventual communautorisation of monetary policy seems, in retrospect, almost inevitable (Padoa-Schioppa 1994).

In reverse, the introduction of capital controls in case of euro-exit seems equally unavoidable. But the TFEU allows for unilateral restrictions on capital movements only for reasons of public order, fiscal nature or financial supervision (art. 65). Indeed, during the crisis of the Eurozone, two countries (Cyprus and Greece) have introduced capital controls for lengthy periods. In both cases, the EU and the IMF have only agreed to these measures in exchange for the introduction of hard austerity measures, but it seems improbable that this consent could be gained in other circumstances -opening such restrictions to be challenged by European institutions.

In fact, the European Court of Justice has already explicitly ruled out the possibility of capital controls on the basis of strengthening the "competitive structure of the market concerned or modernising and increasing the efficiency of means of production" (C-367/98 Commission vs. Portugal), that is to say, for precisely those ends that might tempt a "heterodox" policy-maker.

These restrictions arise from the nature of competition policy, which mostly operates under the discretion of the Commission. Competition policy, and particularly the rules on State Aid (art. 107-109 TFEU), only allow industrial policy, economic planification or public management of a sector or firm when it does not distort private competition; meaning that with the exception of social services and public goods (under the 'SGEI' definition), public intervention in the economy must be "non-discriminatory", that is to say, run its operations as if privately-owned and allowing entry for private competitors. In this, the EU imposes itself a restriction which does not operate at the level of the global economy, since the WTO only applies the notion of "non-discriminatory" treatment to commercial operations involving imports and exports (Anderson *et al.* 2018).

Another limit to public intervention comes, as we discussed before, from the fact that fiscal authorities and the financial systems of Member States can only resort to lender-of-last-resort liquidity by the ECB if they do not challenge the general outlook of neoliberal political economy, which makes it almost impossible for any national Government to pursue any anti-austerity politics against the will of private capital.

Consider the difficulties of pursuing straight-forward Keynesian expansionary policies from the public purse. Fiscal policy may not be backed by direct monetary financing (art. 123-125 TFEU) and the mandate of independence to central bank authorities (art. 130 TFEU) in all its activities (Gooodhart and Lastra 2017), that apply equally outside the Eurozone. Taken together, they leave the State vulnerable to the pressures of financial markets whenever it is forced to meet its liquidity requirements. At the same time, the Fiscal Compact sets limits to the levels of deficit and indebtedness, imposing a long-term balanced budget rule on public spending growth over time whose violation may be sanctioned by the ECJ; while deficit-spending itself may be fined on the basis of article art. 126 TFEU. Finally, the maintainance of unanimity rule on matters of taxation (that is to say. the possibility for any single Member State to yield a veto) naturally favours tax competition between Member States over tax harmonization, further eroding the ability of Member States to finance their spending - specially in the presence of several tax havens within the EU itself (Chardonnet and Langerock 2017).

Taken together, these restrictions are designed to frame a particular mode of economic integration, where there are no limits to the mobility and operation of capital and thus, to the ability of private profit-seeking capitals to organize production in the international level, forcing countries to compete amongst themselves in order to remain attractive for private investment. Though these effects are generally regarded as a product of the economic logic of "globalisation" (that is to say, the effects of the internationalisation of capitalism against a fragmented pattern of polities), they are in fact *politically* enhanced by European integration[5] .In these conditions, a Member State that left the euro while staying in the EU might gain some space for expansionary policies , but may still lack sufficient tools to shape its economy away from the current mode of development.

It seems, therefore, that the contours of an alternative may not be those of "pump-priming" Keynesianism, where manipulating the level of aggregate demand was the solution to all economic problems. Indeed, in those countries most affected by the economic crisis, the room for expansionary manoeuvres is extremely limited by its peripheral insertion in European and global supply-chains, which create an almost-permanent risk of external crisis: one that is only exacerbated by the departure from the European bloc.[6]

By losing access to a reserve currency, a peripheral country leaving the euro would be limited by the need to ensure a balanced current account, a problem that is highly unlikely to be solved through devaluation

[5] On the distinction between the "economic" and "political" logics of capitalism, see Wood 2006.
[6] This barrier to development and its consequences in the form of mass unemployment has been important in Spain at least since the events leading to the Stabilization Plan of 1959, (Portella-Carbó 2017).

alone (Krugman and Taylor 1978, Nouira and Sekkat 2012).[7] While easing the external constraint becomes the pre-condition for an acceleration of economic growth (Thirwall 2011), in the short-run the latter may prove insufficient to absorb the high rates of unemployment in the European periphery.

This means, on the one hand, that a re-balancing of aggregate supply towards higher value-added production is necessary. But it also means that the (re)distributional aspect of progressive policies (including the regulation of the labour market) should be enhanced so that a fair distribution is not made conditional on a return to growth. Neither are they likely to be easily pursued within the EU.

CONCLUSIONS

Exit from the EU need not be anymore an abstract occurrence. The United Kingdom has begun the negotiations to establish the terms in which it is to cease membership, and though the final outcome of this process is still unknown (and the result of the referendum may yet be reversed), it sets a precedent for other Member States.

The dynamics of the Brexit popular vote point to a real problem of European integration (the growing discontent against the loss of popular sovereignty), but also to a real danger of European disintegration: a resurgence of nationalism. It hence tasks the Left with imagining, concretely, a departure from the EU: not as a goal in itself, but as a means to an alternative.

Gill (1998) spoke of a Gramscian "historical bloc" that could be formed around a German-dominated process of European integration, with finance, globalized capital and associated interests at its centre. This was a prescient view. Finance, of course, has been well-served by the solution to the "euro-crisis". It is obvious that the financial system of core countries has been protected from their heavy exposure to debtors in the periphery (recall that in the middle of 2008 French and German financial institutions were the largest creditors of the Southern periphery, which were already in dire straits due to the financial crisis (O'Connell 2016). The socialisation of enormous amounts of private debt in the periphery, especially in Spain and Ireland, protected creditors in core countries and their government from another blow –in addition to facilitating the transfer of relatively 'healthy' assets at sale prices to dominant financial groups.

Equally, globalized capital has found an inexhaustible "reserve army" in the impoverishment the popular classes in the periphery, who were especially vulnerable to the cuts in public expenditure and increased taxation, the privatization of public assets, and liberalisation of labour and product markets -and so have those less-successful fractions of capital that have boosted profits at the expense of falling wages in the periphery; while rapid growth in exports to Asia and the US has delayed the consequences for the Central European Manufacturing Core of the drying up of internal demand in Europe (see Celi *et al*. 2018, especially Ch. 6). In these circumstances, it seems unlikely that the EU will reform itself -least of all because of its Byzantinean process of decision-making, which still requires the Council's unanimity for a reform of the Treaties.

At the same time, one should be cautious about the type of economic policies that could be pursued outside of the EU. One may wish to revisit the abandonment of national Keynesianism in Western Europe throughout the 70s and 80s (i.e. before the re-launch of European integration in 1986, through the Single European Act), from the end of Bretton Woods in 1971 to Mitterrand's *tournant de la rigueur* in 1983 (Glyn 2001, Fazi and Mitchell 2017), through the lenses of the external constraint, which severely reduces the abilities to reflate in an increasingly integrated national economy, regardless of the flexibility of the monetary system -requiring a long-term effort to channel investment towards the modernization of

[7] In a review article, economic historian B. Eichengreen (2008: 4) writes that the statistical evidence is not overwhelming" when the real exchange rate is analysed as a determinant of economic growth. He concludes, however, that it can be considered "a facilitating condition", though, the general evidence should be regarded as mixed at best.

productive structures . Given the unprecedented levels of inequality and poverty in the periphery, strong redistributive programmes will simultaneously be needed to improve the well-being of the majority -that will be deeply contested if, as we have argued, a swift return to growth cannot be guaranteed. To build a "historical bloc" for this progressive form of *austerità*[8] (an alternative to neoliberalism that does not entail a faster pace of economic growth) is a collective task for the Left to perform: for such is the most likely form of a break with the model that European integration forces on the EU's Member States.

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8 We use the Italian term to echo Berlinguer's call for a working-class-led form of austerity, most famously in his closing speech at the *Convegno degli intellettuali* (1977), as an opportunity for transforming (Italian) society beyond the logic of capitalism.

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THE EURO AT TWENTY: FOLLIES OF YOUTH?[1]

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Abstract

This paper overviews the early history of the euro and argues that the euro was sub-optimally designed, without monetary sovereignty of Eurozone (EZ) Member States, in order to comply with political goals set by wealthier Member States. Given this constraint, the euro architects designed a single currency in which its irreversibility is achieved through the EZ banking system, with recourse to the TARGET2 payment system. This allowed the banking systems of deficit Member States to fund large cumulative current account deficits in the first decade of the euro. The euro crisis led EZ policy makers to define new far more demanding fiscal rules and a new Banking Union to constrain the ability of EZ banking systems to fund sovereigns and current account deficits. As a result, the euro at twenty has become more fragile.

Keywords: *Euro crisis, fiscal rules, banking union, Eurozone, austerity strategy*

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INTRODUCTION

The history of the euro, which just celebrated its twentieth anniversary on 1 January 2019, can be divided in three phases. The first, which spans decades but that grows in intensity and importance in the 1990s, is its design phase, where the euro was idealized and implemented, and new legislation (e.g. The Maastricht Treaty, the Treaty of Amsterdam, and the Statutes of the ESCB and of the ECB) as well as new institutions (e.g. the ECB) were put in place. The second was, to paraphrase the person widely seen as the 'father of the euro', Otmar Issing (de Grauwe 2008), its "striking success" phase (Issing (2008: 2)), between its launch on January 1, 1999 and 2009, during which in appearance the euro worked smoothly as the single currency of 11 growing to 16 Eurozone (EZ) Member States, until the outset of the crisis in Greece (Issing 2008, Buti and Gaspar 2008). The third is its post euro-crisis phase, which occurs following the 2010-2012 euro crisis as European authorities in a knee-jerk fashion respond not only with the ECB President's, i.e., Mario Draghi's, promise to do "whatever it takes to preserve the euro" in July 2012, which led to a very large quantitative easing programme by the ECB, but also by providing lending with strict conditionality to Member States that were unable to refinance their sovereign debt (Cabral 2013), and by changing the EZ institutional and legal framework in a dramatic manner (Cabral 2018) in order to prevent a similar crisis from ever happening again.

In this paper we focus on the third phase and its implications for the future of the euro, but we draw on key elements of the earlier two phases to better understand the constraints faced by the euro as a single currency of 19 EZ Member States, as of the present.

Our key message is that the euro is not only, as widely argued, a straitjacket (Sachs and Larrain 1999, Jespersen 2004, Otero-Iglesias 2017), which, while bringing benefits, also imposes non-trivial unnecessary costs on the economic activity of EZ Member States (McKinnon 2002, Ching and Devereux 2003), but that the euro is also itself in a straitjacket, in that its inherent contradictions, which arise from conflicting and overarching political goals from key EZ decision makers, imperil its use and its survival as the single currency of the EZ.

BRIEF HISTORY

The euro is a political project, as is well known. But it is further the result of political beliefs and the political aims of its architects in the institutions that designed the euro, namely the Monetary Committee (which was later replaced by the Economic and Financial Committee)[3] and the European Monetary Institute (that preceded the ECB).

Of the complex agenda of those negotiations, for the sake of simplicity and focus, we would emphasize the following aspect. The key challenge faced by the architects of the euro was how to design an irreversible single currency while precluding (significant) fiscal transfers.

Thus, we do not focus here on other more often analyzed 'features' of the single currency, namely the single mandate on inflation targeting of the ECB, nor the stark independence graced upon the ECB, both equally symptomatic of strongly held political beliefs of the euro architects and 'features' on their own right not without implications or consequences, as is well known.

But our argument is that those and other characteristics of the euro architecture are of secondary importance in understanding the key and defining constraints of the euro.

For the architects of the euro the overriding fear was that the single currency might result in monetary financing of 'profligate' Member States. An interrelated concern was that the euro might become a means

[3] See https://europa.eu/efc/about-efc_en

to promote fiscal transfers, as key decision makers in wealthier EZ Member States believed and argued that the EZ, like the EU, had to be a Union without (significant) fiscal transfers.

Thus, the architects set out to design a euro that sought to mitigate those fears by minimizing the risk of sovereign debt monetization and of fiscal transfers between Member States.

That is, Member States 'had to be' forbidden from monetizing government debt, in particular, Member States should not be able to order the new EZ central bank (the ECB) to monetize government debt, and there are various provisions in the European Treaties and in the Statutes of the ESCB and of the ECB to that effect (e.g. Art. 123, 124 and 125 of the TFEU). And the ECB 'had to be' forbidden from direct purchases of Member States government debt in the primary markets or from directly monetizing Member States' government debt (Art. 21 of the Statutes and Art. 123 of the TFEU), though leeway was left in the letter of the law, if not in the spirit, perhaps unintentionally, which allowed for the ECB to conduct outright purchases of Member States' government debt in secondary markets, an interpretation of ECB powers polemic at first, but that grew consensual (Buiter and Sibert (2005)) even before a ruling on the validity of the Outright Monetary Transactions (OMT) programme of the ECB by the European Court following a case put before the German Constitutional Court.[4]

That constraint imposed on the euro by its architects has been recently popularized by de Grauwe and other authors as the lack of monetary sovereignty explanation of the euro crisis (de Grauwe 2013), de Grauwe and Ji 2013, Cesaratto 2015a, Lavoie 2015, Febrero *et al.* 2018), in opposition to the thesis that the euro crisis was a balance of payments and external debt crisis (Baldwin and Giavazzi 2015, Cesaratto 2013, 2015a and 2015b, Andini *et al.* 2016). More on this below.

Thus, using present-day terminology and concepts, the key challenge was how to ensure the euro was irreversible, with an 'irrevocable' conversion exchange rate to former national currencies, with no monetary sovereignty of the EZ Member States.

The solution devised by the euro architects was ingenious: to use the EZ banking system to achieve the irreversibility of the euro (Cabral 2018).

The EZ approach to the single currency has thus important differences to the monetary union of the US. For one, the US Congress is ultimately able to order the Federal Reserve to monetize federal debt. But also the monetary architecture and monetary policy strategy, instruments and procedures differ. For example, in contrast with the US monetary union, in the EZ there is no federal debt that could be used as collateral in liquidity providing repo operations with the central bank and the Federal Reserve does not set a minimum rating threshold (investment grade or A-) to accepting Federal Government debt as collateral. Further, in contrast to the Federal Reserve, the Eurosystem accepted a wide range of financial assets as collateral, including private-sector debt. Finally, some technical features of the EZ TARGET2 payment system differ in significative aspects from the US Inter-District Settlement Account (ISA) payment system (Cabral 2018).

4 Outright Monetary Transactions case (2014), preliminary ruling of the Court of Justice of the European Union, Judgment of 16 June 2015, Gauweiler, C-62/14, EU:C:2015:400, in response to the referral of two questions of the original case by German Constitutional Court (BVerfGE 134, 366). See also BVerfG, Judgment of the Second Senate of 21 June 2016 - 2 BvR 2728/13.

As a result of the euro design adopted, the EZ Member State banking systems could in theory finance, without limit other than that set by international rating agencies, a restriction only imposed from late 2005 onwards,[5] Member States' government budget deficits as well as current plus capital account deficits.

Nonetheless, it is obvious that even during the early years of the euro, the impact of this new regime of the euro was particularly felt as increased vulnerability in the peripheral economies (Damásio *et al.* 2018).

During the 'striking success' era of the euro (Issing 2008: 2), in short, the EZ Member States banking systems performed its designed functions, financing, in practice, nearly without limit, large and recurring current account deficits of some Member States (debtor Member States) mostly with loans from the banking systems of EZ Member States with current account surpluses (creditor Member States). Until 2008, these loans were foremost provided directly between banks through the interbank and the repo market. Following the outset of the Global Financial Crisis (GFC) of 2007-2009, the banking systems of the creditor Member States refused to rollover loans or withdrew deposits from the banking system of debtor Member States, with the ensuing funding gap being financed in a growing degree through Eurosystem regular and Emergency Liquidity Assistance (ELA) refinancing facilities (Cabral 2012).

While in debtor Member States, nominal GDP and nominal government expenditure grew robustly in this era (between 1999 and 2008), particularly in Ireland, less so in Italy, in some Member States the current account deficits were accompanied by government budget balances which were, on average, either in surplus or nearly balanced (e.g. Ireland and Spain). In Italy and Portugal, the current account deficits were accompanied by moderately-sized average government budget deficits of 2.9% and 4.2% of GDP, respectively, i.e., close to the 3% of GDP threshold of the Stability and Growth Pact. Greece's average government budget deficit was higher (6.7% of GDP).

THE EURO CRISIS ILL-ADVISED POLICY DECISIONS

The EZ decision makers were unprepared for the 2010-2012 euro crisis. The very public dithering and division and a nearly autistic belief by Angela Merkel and Wolfgang Schäuble in the 'no-bailout clause' of the Maastricht Treaty (Art. 125 of the TFEU), in late 2009 and early 2010, almost lead to a chaotic default by Greece.

But the effects of such a default on the banking systems of creditor Member States likely contributed to a significant policy change from early 2010 onwards, resulting in the first bailout of Greece in April 2010, which were followed by bailouts of Ireland, Portugal, Cyprus, and Spain's banking system.

Despite the bailout of Greece, the uncertainty about the future of the euro and rise in sovereign debt interest rates resulted in financial contagion foremost to Ireland's, Portugal's, Spain's and Italy's sovereign debt markets.

The narrative that was imposed and prevailed, in part because the banking system funding crisis was hidden from public view through Eurosystem funding and ELA funding by the national central bank, was that the euro crisis was a sovereign debt crisis, implying that profligate fiscal policy in debtor Member States explained the euro crisis.

[5] On November 2005, an article in the Financial Times by Atkins and Schieritz indicated that the ECB would change its procedures whereby the Eurosystem committed to not accepting securities with ratings below A- as collateral for open market transactions and for the (overnight) marginal lending facility (Buiter and Sibert (2005)). The policy change, first described in the 2006 edition of the annual "ECB General Documentation On Eurosystem Monetary Policy Instruments And Procedures" should be seen in the context of a Financial Times article of 1 April 2005 by Joachim Fels of Morgan Stanley and a May 2005 working paper by Buiter and Sibert (2005), revised in December 2005, pointing out that the format of the ECB open market operations created moral hazard by not discriminating differing risk of Eurozone government bonds.

Various *ad-hoc* decisions, namely ECB policy decisions loosely related to 'monetary policy', for example the 2012 Securities Market Programme and the decision to authorize the Central Bank of Ireland to monetize 25 billion euro of Irish government long term bonds to substitute ELA financing in February 2013,[6] sought to alleviate financial market conditions or other EZ authorities' concerns.

But the EZ authorities' policy response progressively gained structure and evolved towards a three-pronged strategy (Cabral 2013).

First, bailout programmes consisting of loans with strict conditionality *a la* IMF, particularly loans by a new multilateral institution that later became the European Stability Mechanism under the control of the Eurogroup.

Second, accommodative monetary policy response and an ECB waiver of the 2005 A- rating requirement rule for Member States under a bailout programme. The accommodative monetary policy of the ECB ultimately led to the adoption of significant non-conventional policy measures, such as a large quantitative easing programme and negative reference interest rates.

Third, changes in EZ governance with the goal of ensuring that the euro crisis would not occur again and that no fiscal transfers between Member States would be necessary. An additional objective was to prevent debtor Member States from unilaterally defaulting or restructuring their sovereign debt, namely sovereign debt restructuring achieved through changes in national laws (Buchheit and Gulati 2010, Gelpern and Gulati 2013). The various governance 'reforms' led to a panoply of new legislation and rules, institutions and to further transfer of executive powers from Member States to EZ authorities.

The thrust of the EZ governance changes was to achieve greater central control and command of fiscal policy and of the banking system of debtor Member States.

We focus our analysis on the first and third elements of the EZ authorities' policy response strategy.

THE AUSTERITY STRATEGY

The austerity strategy that was adopted in response to the euro crisis is evidently a result of political decisions of key EZ policy makers in office at the time of the events. However, these policy makers sought and obtained a scientific rationale for their policy approach, as evidenced by the presence by Alberto Alesina at an Ecofin meeting in April 2010 (Alesina 2010) and by explicit references to his research by key EZ policy makers (Chowdhury 2012). This occurred despite the opposing views of other preeminent macroeconomists who argued that such a macroeconomic policy - the austerity strategy - would be counterproductive (Chowdhury 2012, de Grauwe and Ji 2013, Blyth 2013, Stiglitz 2016) and according to Chowdhury 2012 reflects an "ideological aversion to counter-cyclical fiscal policy" of some EZ policy makers.

In fact, important academic literature contributions have focused on governments' budgetary adjustments and on external adjustments of a country's economy. Alesina and other authors (Alesina *et al.* 1998, Alesina 2010, Alesina and Ardagna 2010) are among the main proponents of the thesis of 'expansionary fiscal austerity' arguing, in particular, that "that fiscal corrections relying mostly on spending cuts that are concentrated on government wages and transfers tend to be expansionary, whereas those relying mainly on tax increases are contractionary" (Alesina *et al.* 1998: 198).

On the other hand, also favoring the adoption of an austerity strategy, Blanchard and other authors (Blanchard and Muet 1993, Blanchard 2007, Blanchard *et al.* 2013) put forward the thesis of 'internal devaluation' known as 'competitive disinflation' (Blanchard 2007, Andini 2008), advocating the adoption of

[6] Brennan (2017).

a policy of nominal wage cuts in order to respond to crises arising from lack of international competitiveness of countries in a monetary union (or closely linked to one) with high current account deficits and high external debt, even though some of the empirical evidence is questionable (Andini 2008).

There was a recent academic debate on whether the euro crisis was a monetary sovereignty crisis or a balance of payments and external debt crisis (see Febrero *et al.* 2018, for an overview of the debate).

Nonetheless, in the absence of the ability to command the monetization of sovereign debt into euros, in 2010, several of the debtor Member States had a net external debt position that was very negative, much higher than in prior balance of payment crises. These stocks of debt resulted from the accumulation of recurring and large current account deficits.

Thus, the true primary aim of the EZ austerity strategy was to promote a large external adjustment of debtor Member States that would prevent the further accumulation of current account deficits (Andini *et al.* (2016)). This is the case even if one considers that the adjustment programmes were formally specified in terms of budgetary targets.[7]

On the fiscal front, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, TSCG, commonly known as Fiscal Compact, was a intergovernmental treaty quickly put in place. It was signed on 2 March 2012 and went into force on 1 January 2013 (de Grauwe and Ji 2013). It was complemented by additional pieces of regulation and legislation known as Two-Pack and Six-Pack. These new fiscal rules and procedures were imposed in addition to the rules on budget deficits and debt foreseen in the European Treaties and in the Stability and Growth Pact, namely the convergence criteria of the Maastricht Treaty.[8]

In short, the new fiscal rules created four main additional criteria and constraints[9] on the budget balance, on government debt levels, on government expenditure, one or more of which may be a binding constraint at any one time.

The old and the new fiscal criteria and targets create in combination a *de facto* EZ *quasi*-constitutional EZ balanced budget regime "in disguise", which recent EZ reform proposals aim to further strengthen (Bofinger 2018).

The new fiscal rules also translated in a *menu a la carte* where different Member States were obliged to comply with different fiscal targets, as was seen in the contrasting reaction of the European Commission to the 2019 Budget Proposals of Italy (initial rejection, for a budget deficit proposal of 2.4% of GDP, then negotiated for a slight reduction) and of France (approval, for a budget deficit proposal of 2.8% of GDP, which will likely be revised higher following the 'yellow-vests' protests in France).

[7] Clearly, given the balance of payments accounting identity, a large improvement to the current plus capital account will most certainly also result in a large improvement to the public sector net borrowing requirements. That is, external and budgetary adjustments are partly correlated, but there are significant differences in the aims, policy instruments, and effectiveness of budgetary and external adjustment programmes, as is well known.

[8] For a short overview of the Stability and Growth Pact History until 2015 see https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/history-stability-and-growth-pact_en.

[9] In addition to the requirements of a budget deficit of less than 3% of GDP and government debt close to 60% of GDP still demanded by the European Treaties (Maastricht Treaty convergence criteria later incorporated in the Stability and Growth Pact), the new rules include the obligations: (i) to reduce by 1/20 the level of government debt above 60% of GDP each year; (ii) to achieve a structural budget deficit of 0.5% of GDP each year or be on a convergence path towards this objective, for countries with government debt levels larger than 60% of GDP; (iii) to improve the structural budget balance regularly and sufficiently rapidly towards a 5-year Medium-Term-Objective (MTO). Both the MTO and the size of the yearly structural adjustment varies between Member States. The MTO, in theory, should be defined by each Member State, but in practice, it is conditioned by 'minimum targets' defined by the European Commission; and (iv) to ensure that nominal government expenditure, net of some expenditure items, does not grow faster than a upper-threshold estimated by the European Commission for each country on the basis of 10-year estimates of average potential GDP growth, if not accompanied by policy measures to augment structural (fiscal) revenues. At the same time, tighter and quasi-automatic sanctions and voting procedures have been defined if a member country does not comply with the new rules.

NO MORE "STEALTH BAILOUTS"

But, importantly, the Banking Union was also a key reform that aimed to correct what some policy makers perceived as a 'flaw' or 'loophole' of the euro architecture: Member State banking systems could finance 'profligate' fiscal policy and current account deficits (Cabral 2018), in practice, almost without limit. The Banking Union also aimed to respond to growing criticism in Germany of "stealth bailout" through the Eurosystem TARGET2 payment system (Sinn 2011, Sinn and Wollmershäuser 2011).

The aim was to restrict (debtor) Member States banking systems from promoting excessive credit growth or from financing expansionary fiscal policy, i.e., to finance current account deficits.

This was accomplished by transferring the oversight of the banking systems to a central authority (foremost, the ECB), and by significantly limiting and constraining the policy instruments to respond to failing banks or banks 'in difficulties' through new European legislation (Avgouleas and Goodhart 2015, Cabral 2018).

In particular, with the new legislation (foremost, the Bank Recovery and Resolution Directive or BRRD), national government bailouts of banks were starkly hindered and various triggers were created that permit or require the resolution of a bank by public authorities (EZ supervisory or resolution authorities in the case of significant EZ banks, which would be the standard procedure). Moreover, if resolution of the failing bank were not possible or if the bank was deemed by authorities as not having an impact on financial stability, it would have to be liquidated by national authorities (Cabral 2018). This could, in theory, occur regardless of whether the affected bank fully complied with capital requirements regulations.

The liquidation policy instrument should be seen as a 'stick' to induce (debtor) Member States to accept the application of a resolution measure (the 'carrot') by the EZ authorities. After all, it makes little economic sense to liquidate a functioning large bank with millions of depositors, particularly if the bank is not technically insolvent.

As a consequence of these features of the legislation, the Banking Union has encouraged bank runs in various EZ member states, which have then served as a basis to trigger the application of a resolution measure. Since 2014, the EZ has seen the application of several bank resolution measures, particularly in (debtor) Member States, one of which the second largest resolution measure ever, worldwide (Banco Popular in Spain, favoring the concentration of banking assets in Santander).

In response to the Banking Union, banks in the EZ, and particularly banks in (debtor) Member States of the EZ, have increased capital levels, reduced NPLs, have been acquired by foreign banks, and in at least some Member States, bank credit has fallen. Importantly, EZ banks are subject to regular stress tests where their exposure to EZ Member States sovereign debt is considered, in breach of Basel III capital requirements rules, thus limiting the ability of banks to finance their respective sovereign (Cabral 2018).

In sum, the Banking Union legislation, rules, and institutional framework starkly constrain the ability of banks to provide credit to both the private sector and to acquire Member States sovereign debt, in effect limiting the ability of the banking system to finance current plus capital account deficits and to finance the sovereign.

IMPLICATIONS AND LIKELY CONSEQUENCES

The austerity strategy adopted by EZ authorities is both a fiscal austerity strategy *a la* Alesina *et al.* and an internal devaluation strategy *a la* Blanchard *et al.*, but its most significant dimension is related to the latter. The thrust of the austerity strategy is to respond to a balance of payments and external debt crisis, which occur as a consequence of the absence of monetary sovereignty by EZ Member States and in the absence

ECONOMIC AND POLITICAL ASPECTS OF THE PERSISTING CRISIS IN SOUTHERN EUROPE[1]

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Abstract

'Globalist' discourse became largely hegemonic in our cultural environment, one of the consequences of such hegemony, albeit mostly a performative one, being the crisis of nation-state and sovereignty. This nadir of sovereignty really expresses and reinforces a political process of mass disfranchisement, whereby democratic institutions are rendered irrelevant. The Euro experiment and the correspondent 'Europeanist' discourse ought to be understood fundamentally within this generic frame, although with a number of important specificities.

Meanwhile, a big economic crisis has deeply injured the social fabric of most Southern Europe countries, worsening Euroland's regional discrepancies and producing a situation of seemingly permanent 'zero-growth' for various countries, namely Italy, Greece and Portugal. This can, however, become an occasion to interrupt the dogmatic slumber induced by Europeanism, a discussion that directly implies the consideration of multiple political aspects, relevant not only for the countries more directly impoverished, but really to all Eurozone members.

This paper regards the evolution of various southern European economies since the beginning of this century, with particular emphasis on the Portuguese case, and suggests a confrontation with aspects referring to political attitudes.

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The central ideas argued in this paper are that integration in the Eurozone has been rather injuring, indeed almost catastrophic to Portuguese economy and society; and that there is a high probability that it will continue to be so. The reasons for such state of affairs are manifold, having been argued by a number of authors, among whom a mention is due at least to Lapavitsas *et al.* (2010a, 2010b, 2011), Krugman (2012a, 2012b), Weisbrot and Montecino (2012), Jacques Sapir (2013, 2014), Streeck (2014, 2016) and Stiglitz (2016), besides various Portuguese commentators, namely João Ferreira do Amaral (2013, 2014), Octávio Teixeira, Jorge Bateira, João Rodrigues and Nuno Teles. The perception of facts constitutes, however, a totally different subject-matter. In Portugal, as besides in most southern European countries, a vast, overwhelming political and cultural consensus favorable to the Euro persists, including the so-called 'arch of governance', i.e. the two alternating dominant parties (PS and PSD), plus center-right CDS-PP, adding also the Europeanist Left: mostly Left Block but also a number of smaller groups.

This consensus is nourished by an important number of private associations, think-tanks, clubs, foundations, etc., and above all by the mainstream media, both private and public. In generic terms, this huge constellation of forces has endorsed, and fundamentally still upholds the ideas that European integration, and specifically European currency integration, has predominantly been a good thing for Portugal (the country's presumable situation thus being worse in the hypothetical case of Portuguese previous exit); and/or that *another Europe is possible*, meaning that the possible wrongdoings that European integration may have caused to Portugal have mostly been unintended effects, or merely 'collateral damage', a set of reforms incorporating the fundamental Portuguese interests thus being possible, and indeed feasible with the present institutional European framework.

SOME PROBLEMS WITH ACTUALLY EXISTING EUROPEAN INTEGRATION

To make things clear, our opinion is neatly opposed to those above expressed; in other terms, we sustain that European integration, and especially currency integration, tends to hinder the long run evolution of Portuguese economy, a fact that is sometimes obfuscated by the data referring to very short term evolution, the one that is more often presented and discussed. The reasons are offered with more detail below, but we must mention immediately that the unfeasibility of competitive devaluations is arguably the single most important aspect concerning this problem. However, the impossibility to ensue discretionary polices supporting this or that economic sector is also something to carefully take into consideration. As a matter of fact, the very prevalence of European laws and deliberations over national laws and deliberations, one important constituent part of European integration, frequently tends also to be harmful in the long run to the less develop regions/countries (thus increasing regional discrepancies), and therefore the reduction of the margin of political decision of European nation-states to the one of typical federal states, or indeed mere entities such as administrative regions, is something worth considering with more detail, although that is not the main focus of this paper.

Besides these strictly economic aspects, though, it should also be mentioned that the very spirit of European currency integration is arguably unconstitutional from a Portuguese perspective, and is clearly associated with a generically antidemocratic purpose. Having a rather long pedigree in terms of economic ideas, and particularly referring to the group of cogitations usually known as *public choice*, the main purpose in this case was, from the very incept, to render the European political life somehow 'elections-free', by building a group of central (supranational) institutions openly independent from the so-called 'electoral cycle' of each and every member-country: which refers to both the parliaments of each member-state and also the allegedly 'proto-federal' European Parliament, indeed a mostly decorative, politically all but empty institution.

The important, indeed decisive political disenfranchisement that in practical terms directly results from Eurozone membership, its relevant antidemocratic aspects notwithstanding, would however likely go mostly unnoticed under the frequent *low-profile*, gradual, smooth, slow-motion techniques of procedure that are usually the main characteristic of European integration, if it hadn't been the eruption of the economic crisis starting in 2008. This crisis has really revealed not only the miserable economic condition of various countries of the European southern periphery, but also their/our even more miserable political condition. By this time, via the so-called 'Troika' interventions in countries such as Portugal and Greece, it must be rather obvious that this institutional framework transformed the political systems of these countries in mere holograms of democracies, destined to 'minor' peoples, societies of political castrati as undeniably 'we the European peoples' became, and particularly 'we the Southern European peoples'.

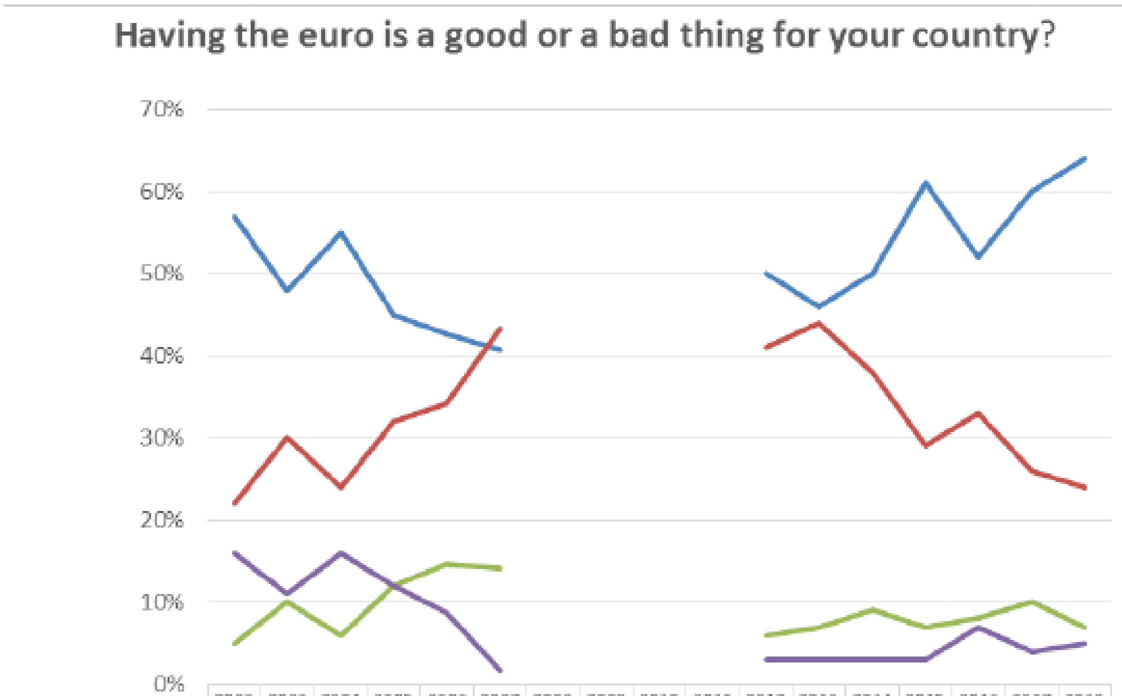
Mainstream perceptions of this state of things are, however, very far from the brief diagnosis we just presented, especially because of the permanent propaganda (or consensus-manufacturing) of EU's alleged virtues, and particularly the notions that it is intrinsically well-intended; that it will take care of 'us' (meaning the southern European nations) and not let 'us' down; that it is quite susceptible of a group of 'reforms' that will suppress its potentially 'nasty' aspects and enhance the 'nice' ones, etc. This broad intellective framework has a clear ideological bias. The essential fact is that the economic, political and academic elites of most of these countries tend themselves to be largely beneficiary (although, as to academic elites, really mere side beneficiaries) of this generic condition. For the sake of argument, imagine, for an average researcher in social sciences or economics, the endeavor of submitting a project on any topic, and doing more or less the same ceteris paribus, but emphatically appealing to 'European' facets: obviously, the chances to obtain a financial support immediately multiply; but on the other hand if the results from research start pointing seemingly into the 'wrong' direction, it will much probably be rapidly downsized, if not completely shut down…

The fact remains, however, that the vast majority of the population of these countries is not in conditions to 'spontaneously' obtain an enlightenment (much less a clairvoyance) that would explicitly induce the formulation of the idea of 'exit' as a solution, rather on the contrary. One of the regrettable side-effects of this state of things has been, in various European countries, the irruption of ultra-nationalistic, xenophobic political tendencies (usually designated under the very ambiguous expression of "populism"), that tend themselves to be mostly a 'part of the problem', but above all must be considered a consequence of mainstream Europeanism and European integration, although simultaneously configuring an equivocated, misguided response to it. In other cases, and more specifically in the Portuguese case, the majority of the population remains captive of a 'dependency' vis-à-vis the EU that seems to reside in the collective psyche as much as in the economic and political structures; which is at least as much a mental or psychological condition (and of course also a sociological one, at least in the sense that it configures a generalized trait) as it is an economic and political one: somehow a variety of the celebrated 'Stockholm syndrome' that arguably would be more aptly designated in this case as 'Lisbon syndrome'. The way ahead in order to obtain popular information/education constitutes thus a rather long, and presumably also a very rugged trail. The main purpose of this text is, however, to start treading it.

PORTUGAL WITHIN THE SOUTHERN EUROPEAN CONTEXT: A SOCIOECONOMIC PORTRAIT

Let us begin this digression with a typical sociological enquiry. What is the majority's opinion regarding the goodness (or not) of Portugal's belonging to Euroland. Our data were obtained via the Eurobarometer. The main aspects to notice are: the initial (2002) prevalence of "Yes", followed by a progress of negative answers, which become a majority in 2007, but positive answers recovering and prevailing again since 2012 (for the years 2008-2011, somewhat mysteriously, there are no data available), and moreover resuming a predominantly upwards trajectory. Those considering the Euro to be a good thing for Portugal are indeed a higher number in 2018, sixty-four per cent of the inquired, than those producing the same judgement back in 2002, fifty seven per cent (see Graphic 1, cf. also Lunas-Aroca *et al*. 2001; Graça et al 2011).

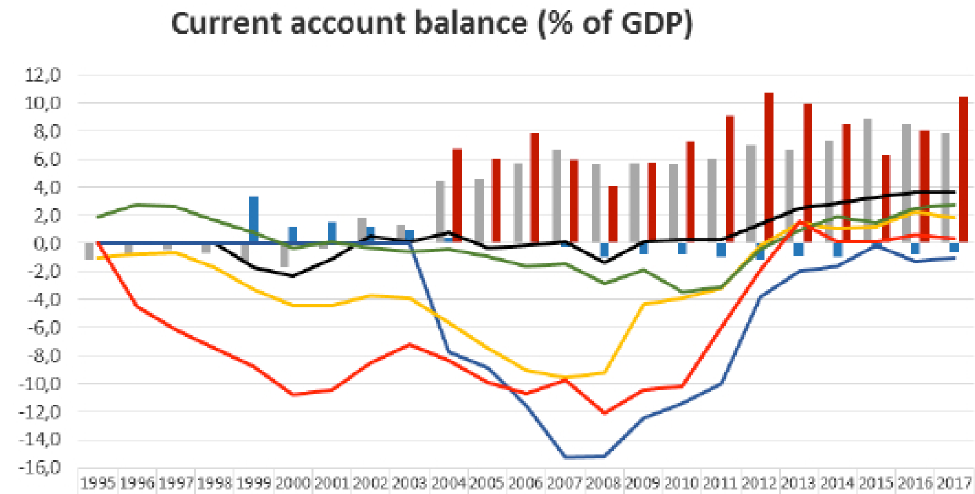
GRAPHIC 1



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
A good thing	57%	48%	55%	45%	43%	41%					50%	46%	50%	61%	52%	60%	64%
A bad thing	22%	30%	24%	32%	34%	43%					41%	44%	38%	29%	33%	26%	24%
Can't decide	5%	10%	6%	12%	15%	14%					6%	7%	9%	7%	8%	10%	7%
Don't know	16%	11%	16%	12%	9%	2%					3%	3%	3%	3%	7%	4%	5%

Exchanging the incursions on the realm of perceptions for the analysis of economic factuality, we must start by highlighting, when we consider the European situation since the decade of the 1990s (the period when exchange rates were rendered constant, immediately before the creation of Euro), the consistent trend for the accumulation of deficits in the current accounts of most peripheral countries, the so-called 'PIGS': Portugal, Italy, Greece and Spain. This tendency was practically the exact reverse of the center's trend for the accumulation of surpluses, as evidenced in Graphic 2 (below). On the whole of Euro Area (19 countries) the current account may be said to be balanced. After 2008 (in the case of Italy, after 2010), given the 'austerity' measures inflicted, the peripheral countries obtained a balancing of their accounts, mostly via substantial reductions of imports (induced by the shrinkage of incomes, see below). Globally, after 2011, with the reduction of deficits in PIGS and the persistence of surpluses in the core, the EU apparently reveals a slow trend for a global surplus, arguably indicating the possibility, or even the convenience of a slight appreciation of the common currency vis-à-vis third countries.

Graphic 2



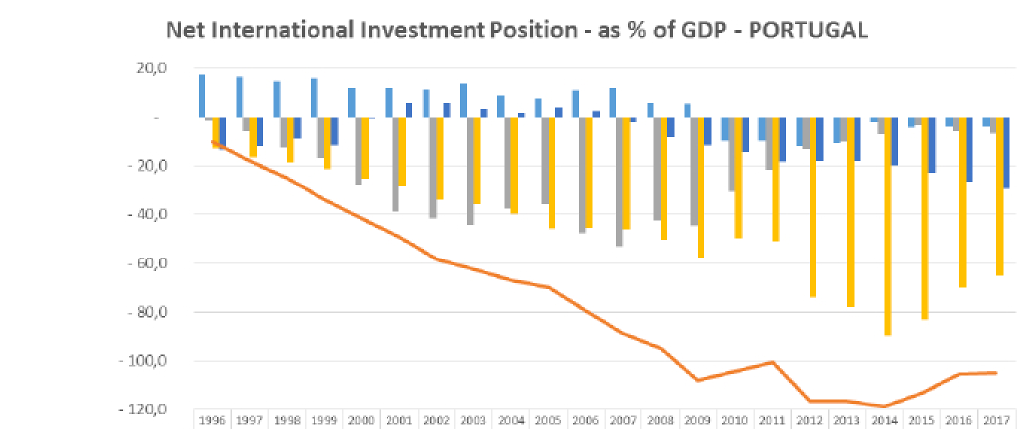
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Germany	-1,2	-0,7	-0,5	-0,7	-1,4	-1,7	-0,4	1,9	1,4	4,5	4,6	5,7
France					3,4	1,2	1,5	1,2	0,9	0,4	0,0	0,0
Netherlands										6,8	6,1	7,9
Euro area (19)					-1,7	-2,3	-1,1	0,5	0,1	0,8	-0,3	-0,2
Greece										-7,7	-8,9	-11,
Spain	-1,0	-0,8	-0,7	-1,7	-3,3	-4,4	-4,4	-3,7	-3,9	-5,6	-7,5	-9,0
Italy	1,9	2,8	2,6	1,7	0,8	-0,3	0,1	-0,3	-0,6	-0,4	-0,9	-1,6
Portugal		-4,5	-6,2	-7,5	-8,8	-10,	-10,	-8,5	-7,2	-8,3	-9,9	-10,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	6,7	5,6	5,7	5,6	6,1	7,0	6,7	7,4	8,9	8,5	7,9
France	-0,3	-1,0	-0,8	-0,8	-1,0	-1,2	-0,9	-1,0	-0,4	-0,8	-0,6
Netherlands	6,0	4,1	5,8	7,3	9,1	10,8	10,0	8,5	6,3	8,1	10,5
Euro area (19)	0,1	-1,4	0,1	0,3	0,3	1,4	2,5	2,9	3,3	3,7	3,7
Greece	-15,	-15,	-12,	-11,	-10,	-3,8	-2,0	-1,6	-0,2	-1,3	-1,0
Spain	-9,6	-9,2	-4,3	-3,9	-3,2	-0,2	1,5	1,1	1,2	2,3	1,8
Italy	-1,5	-2,9	-1,9	-3,5	-3,1	-0,4	1,0	1,9	1,5	2,5	2,8
Portugal	-9,7	-12,	-10,	-10,	-6,0	-1,9	1,6	0,1	0,1	0,6	0,4

Small discrepancies aside, the 'big picture' of Euroland thus evidences, previously to the economic crisis starting in 2008, a currency that was overvalued regarding the needs of the periphery, with the correspondent occurrence of big deficits here. In the core countries, oppositely, the trend was for the accumulation of surpluses, arguably the consequence of an exchange-rate that presumably should be corrected via a small appreciation. With the subsequent 'internal devaluation' of the peripheral countries the problems of their imbalances disappeared, but at the same time the surpluses grew in Germany and the Netherlands, with the EU globally getting a neatly positive balance. Regarding this, the most relevant national aspect is probably the fact that France has shifted during this period from a globally positive into a slightly negative position.

The corollary of this situation was the accumulation of an enormous external debt, or net 'international investment position', in the case of peripheral countries, and more specifically Portugal. Synthetically, economic agents have consistently consumed 'above their possibilities' in the accounting sense of the expression, meaning that facing the lack of competitiveness of Portuguese products and the competitiveness of foreigners (both of them a consequence of currency's overvaluation, see above), there was a visible tendency to consume by appealing to credit, which took banks to get indebted abroad, an operation in turn rendered easier by the lowering of the interest rates. Considered under another perspective, this trend for external indebtedness expresses a dislocation of resources from the production of 'tradeable' unto 'non-tradeable' goods, and particularly real estate. Regarding Portugal, let us make this clear: it was not mostly the Portuguese state (and initially not the Portuguese state at all) to get indebted, although in the end that also occurred. Basically, it is fair to say that too many people bought their houses via credit in the decade previous to 2008, that interest rates were reduced and that therefore this branch of businesses was particularly enhanced. Such an 'imbalance' would, under 'normal' circumstances, have been corrected by a therapy mixing currency devaluation and a raising of interest rates. In the absence of such measures, the obvious alternative was the so-called 'internal devaluation' to which the country was explicitly submitted at least since 2011. As to the evolution of Portuguese external 'net debt', see Graphic 3 below).

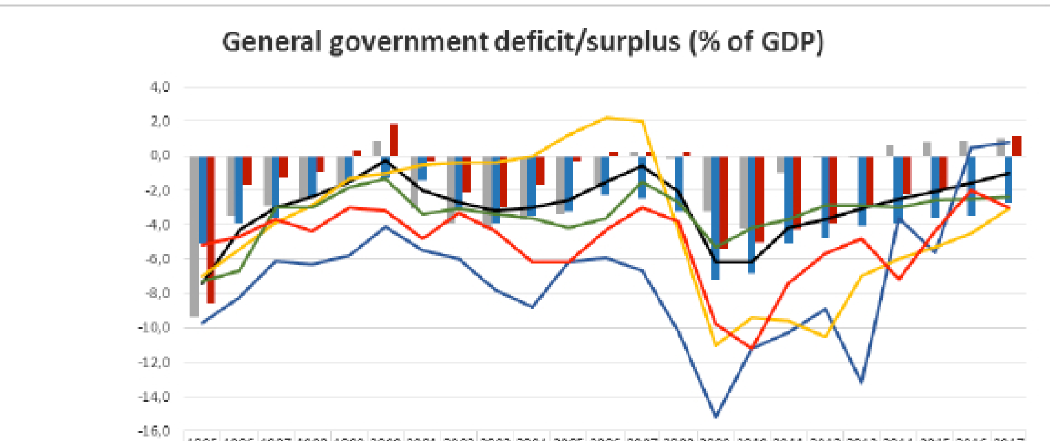
Graphic 3



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Monetary Authority	17,5	16,4	14,7	15,7	12,0	12,1	11,3	14,1	8,9	7,6	11,2	12,1	5,7	5,4	- 9,8	- 9,8	- 11,9	- 10,3	- 1,8	- 4,1	- 3,9	- 3,9
Banks	- 1,5	- 5,7	- 12,4	- 16,7	- 27,8	- 38,8	- 41,6	- 44,2	- 37,5	- 35,7	- 47,7	- 53,2	- 42,2	- 44,5	- 30,5	- 21,6	- 12,9	- 10,0	- 7,2	- 3,4	- 5,5	- 6,7
General Government	- 12,6	- 16,5	- 18,6	- 21,4	- 25,2	- 28,2	- 34,0	- 35,7	- 39,8	- 45,7	- 45,3	- 45,9	- 50,5	- 57,4	- 49,9	- 50,9	- 73,7	- 78,1	- 89,8	- 83,1	- 69,7	- 64,8
Other Sectors	- 13,5	- 11,8	- 8,5	- 11,6	- 0,4	5,8	5,9	3,4	1,6	3,9	2,4	- 1,8	- 8,2	- 11,4	- 14,1	- 18,4	- 18,0	- 17,9	- 19,9	- 22,6	- 26,4	- 29,5
Total	- 10,1	- 17,7	- 24,9	- 34,0	- 41,5	- 49,0	- 58,4	- 62,4	- 66,7	- 69,9	- 79,3	- 88,8	- 95,1	- 107,	- 104,	- 100,	- 116,	- 116,	- 118,	- 113,	- 105,	- 104,

The most important problem of Portuguese economy, at least previously to the international crisis, should therefore be diagnosed as one of low competitiveness and thus an excessive leaning to external deficit. However, the public opinion (both internally and abroad) was instead presented mostly the assertion that there was an allegedly excessive public deficit. As a matter of fact, given the Maastrichtian orthodoxy the Portuguese economy presented deficits above the 'sacrosanct' limit (3% of GDP), thus presumably evidencing a problem. Yet still, that deficit was very far from deserving full condemnation, and it is deemed to be 'unbearable' only within the strict neoliberal mind frame underlying the 'European construction'. Besides, regarding this criterion the Portuguese situation is clearly less dramatic than the ones of various other European countries, such as evidenced by Graphic 4.

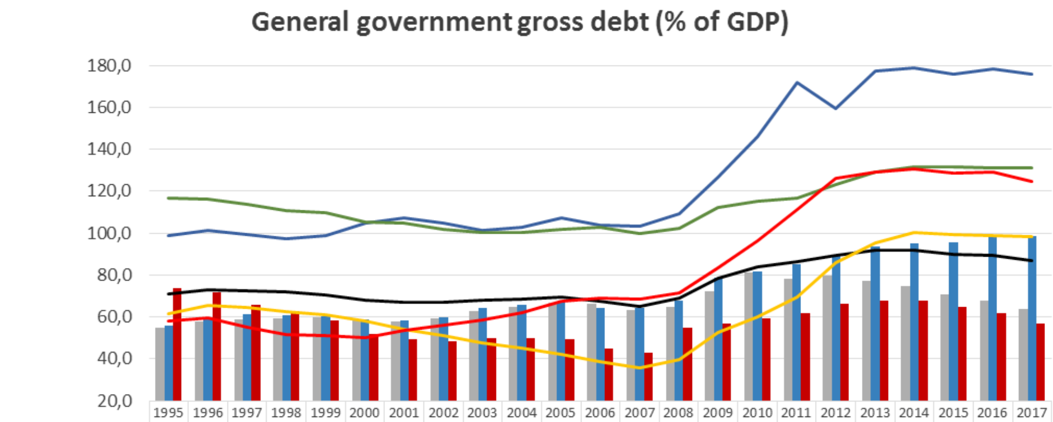
Graphic 4



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	-9,4	-3,5	-2,9	-2,5	-1,7	0,9	-3,1	-3,9	-4,2	-3,7	-3,4	-1,7	0,2	-0,2	-3,2	-4,2	-1,0	-0,1	-0,1	0,6	0,8	0,9	1,0
France	-5,1	-3,9	-3,6	-2,4	-1,6	-1,3	-1,4	-3,1	-3,9	-3,5	-3,2	-2,3	-2,5	-3,2	-7,2	-6,8	-5,1	-4,8	-4,1	-3,9	-3,6	-3,5	-2,7
Netherlands	-8,6	-1,7	-1,3	-0,9	0,3	1,9	-0,3	-2,1	-3,0	-1,7	-0,3	0,2	0,2	0,2	-5,4	-5,0	-4,3	-3,9	-2,9	-2,2	-2,0	0,0	1,2
Euro area (17)	-7,4	-4,3	-3,0	-2,4	-1,5	-0,3	-2,0	-2,7	-3,2	-3,0	-2,6	-1,5	-0,6	-2,1	-6,2	-6,2	-4,2	-3,7	-3,1	-2,5	-2,1	-1,6	-1,0
Greece	-9,7	-8,2	-6,1	-6,3	-5,8	-4,1	-5,5	-6,0	-7,8	-8,8	-6,2	-5,9	-6,7	-10,2	-15,2	-11,2	-10,3	-8,9	-13,2	-3,6	-5,6	0,5	0,8
Spain	-7,0	-5,4	-3,9	-2,9	-1,3	-1,0	-0,5	-0,4	-0,4	0,0	1,2	2,2	2,0	-4,4	-11,0	-9,4	-9,6	-10,5	-7,0	-6,0	-5,3	-4,5	-3,1
Italy	-7,3	-6,7	-3,0	-3,0	-1,8	-1,3	-3,4	-3,1	-3,4	-3,6	-4,2	-3,6	-1,5	-2,7	-5,3	-4,2	-3,7	-2,9	-2,9	-3,0	-2,6	-2,5	-2,4
Portugal	-5,2	-4,7	-3,7	-4,4	-3,0	-3,2	-4,8	-3,3	-4,4	-6,2	-6,2	-4,3	-3,0	-3,8	-9,8	-11,2	-7,4	-5,7	-4,8	-7,2	-4,4	-2,0	-3,0

If the previous graphics immediately evidence the falsehood of the diagnosis pointing to excessive public deficits or public spending previously to 2008, the next ones, referring to public debt, permit to make clear that the Portuguese situation was really less problematic than European Union's average, or at the most in the vicinity of this one. Only after the bursting of the bubble correspondent to the crisis of 2008, public intervention in the rescuing of private financial institutions and the so-called 'crisis of sovereign debts' did Portuguese public indebting decidedly surpass the European average as a percentage of GDP, such as demonstrated by Graphic 5, where the Portuguese case is compared both with the situation of other 'PIGS' and the evolution of core countries.

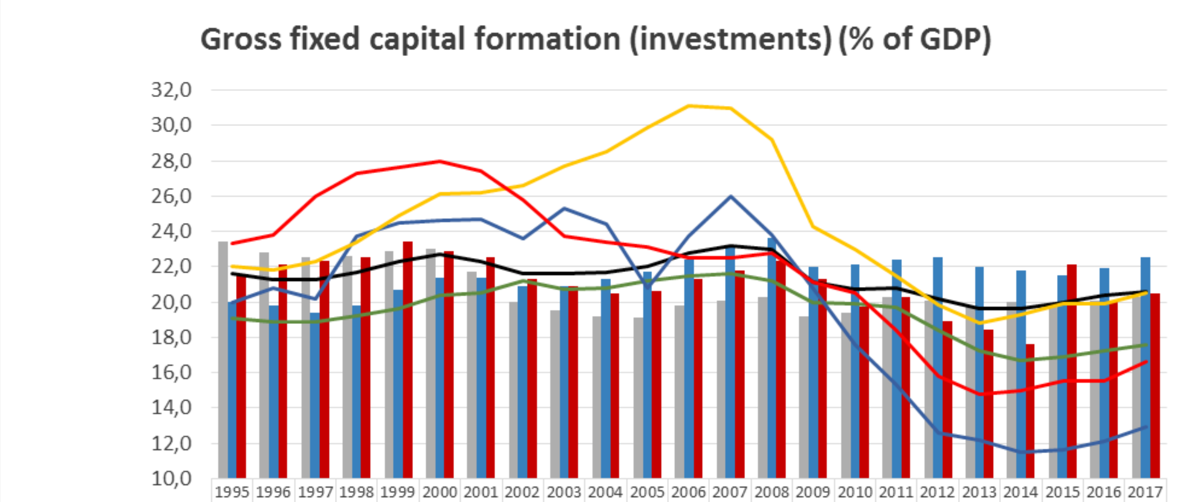
Graphic 5



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	54,8	57,6	58,8	59,4	60,0	58,8	57,6	59,2	62,9	64,7	66,9	66,3	63,5	64,9	72,4	81,0	78,3	79,6	77,4	74,5	70,8	67,9	63,9
France	55,8	59,7	61,1	61,0	60,2	58,6	58,1	60,0	64,1	65,7	67,1	64,4	64,3	68,0	78,9	81,6	85,2	89,5	93,4	94,9	95,6	98,2	98,5
Netherlands	73,6	71,6	65,9	62,8	58,5	51,8	49,2	48,5	49,7	49,9	49,3	44,8	42,7	54,8	56,9	59,3	61,6	66,4	67,7	67,9	64,6	61,9	57,0
Euro area (18)	70,9	72,8	72,3	71,9	70,7	68,1	67,1	67,0	68,2	68,6	69,3	67,5	65,1	68,8	78,5	84,0	86,3	89,6	91,7	92,0	90,0	89,2	87,0
Greece	99,0	101,3	99,5	97,4	98,9	104,9	107,1	104,9	101,5	102,9	107,4	103,6	103,1	109,4	126,7	146,2	172,1	159,6	177,4	178,9	175,9	178,5	176,1
Spain	61,7	65,6	64,4	62,5	60,9	58,0	54,2	51,3	47,6	45,3	42,3	38,9	35,6	39,5	52,8	60,1	69,5	85,7	95,5	100,4	99,3	99,0	98,1
Italy	116,9	116,3	113,8	110,8	109,7	105,1	104,7	101,9	100,5	100,1	101,9	102,6	99,8	102,4	112,5	115,4	116,5	123,4	129,0	131,8	131,6	131,4	131,2
Portugal	58,3	59,5	55,2	51,8	51,0	50,3	53,4	56,2	58,7	62,0	67,4	69,2	68,4	71,7	83,6	96,2	111,4	126,2	129,0	130,6	128,8	129,2	124,8

Briefly, the assertion is true that until 2008 Portugal had no problem of excessive public spending. It was the period of the furious 'austerity', not the previous one of the alleged and much defamed 'spending orgy' that generated the present dramatic situation. Another aspect worth separate consideration, and with more detail, is the one of the negative evolution of the 'gross fixed capital formation', a variable very closely associated with the economy's levels of productivity in future periods. In the Portuguese case, GFCF as a percentage of GDP has declined in a worrisome way: see Graphic 6.

Graphic 6

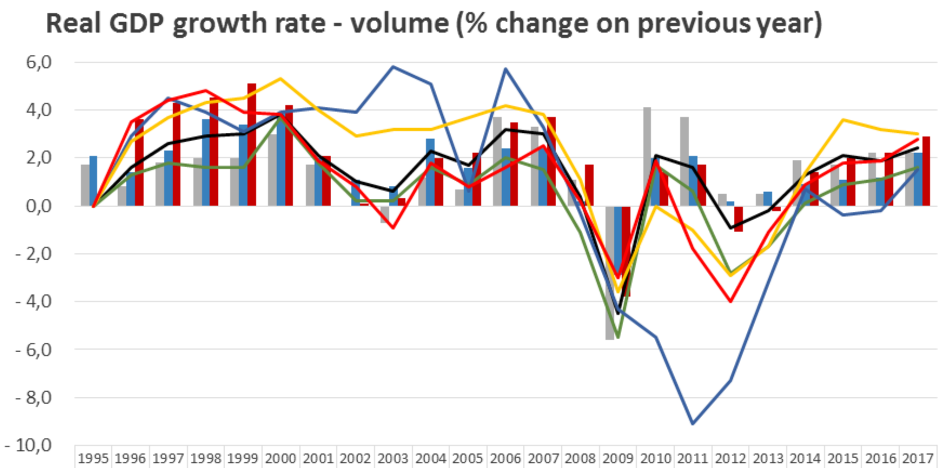


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	23,4	22,8	22,5	22,6	22,9	23,0	21,7	20,0	19,5	19,2	19,1	19,8	20,1	20,3	19,2	19,4	20,3	20,1	19,7	20,0	19,9	20,1	20,3
France	20,0	19,8	19,4	19,8	20,7	21,4	21,4	20,9	20,9	21,3	21,7	22,4	23,1	23,6	22,0	22,1	22,4	22,5	22,0	21,8	21,5	21,9	22,5
Netherlands	21,6	22,1	22,3	22,5	23,4	22,9	22,5	21,3	20,9	20,5	20,6	21,3	21,8	22,3	21,3	19,7	20,3	18,9	18,4	17,6	22,1	20,0	20,5
Euro area (19)	21,6	21,3	21,3	21,7	22,3	22,7	22,3	21,6	21,6	21,7	22,0	22,8	23,2	23,0	21,1	20,7	20,8	20,2	19,6	19,6	20,0	20,4	20,6
Italy	19,1	18,9	18,9	19,2	19,6	20,4	20,5	21,2	20,7	20,8	21,2	21,5	21,6	21,2	20,0	19,9	19,7	18,4	17,2	16,7	16,9	17,2	17,6
Greece	20,0	20,8	20,2	23,7	24,5	24,6	24,7	23,6	25,3	24,4	20,8	23,7	26,0	23,8	20,8	17,6	15,3	12,6	12,2	11,5	11,6	12,1	12,9
Spain	22,0	21,8	22,3	23,4	24,9	26,1	26,2	26,6	27,7	28,5	29,9	31,1	31,0	29,2	24,3	23,0	21,5	19,8	18,8	19,3	19,9	19,9	20,5
Portugal	23,3	23,8	26,0	27,3	27,6	28,0	27,4	25,8	23,7	23,4	23,1	22,5	22,5	22,8	21,1	20,5	18,4	15,8	14,8	15,0	15,5	15,5	16,6

In the case of GFCF we are referring to investments to be rendered profitable within a considerably long time spam, and therefore the repercussions in future levels of productivity are, we repeat, a very serious subject-matter. Again, austerity's official 'therapy' has mostly made problems worse, and in a considerable degree: regarding this variable, Portugal is below the European average since 2010, when instead its condition as a relatively poor country renders levels above the European average desirable, and indeed expectable. Considering the evolution of GFFC in volume we obtain a generic confirmation of this trend.

The repercussions of all this in the rhythms of growth of GDP are undeniable. Moreover, membership of the imaginary 'rich people's club' that Euroland would supposedly constitute has revealed to be a sharply negative, indeed disastrous thing, if we consider the fact that until de Euro experiment Portuguese economy grew systematically quicker than the European average, with the situation experiencing a permanent inversion ever since. Until the Euro Portugal systematically 'catches up' with those ahead, but since then it gradually lags behind: see Graphic 7.

Graphic 7



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	1,7	0,8	1,8	2,0	2,0	3,0	1,7	0,0	- 0,7	1,2	0,7	3,7	3,3	1,1	- 5,6	4,1	3,7	0,5	0,5	1,9	1,7	2,2	2,2
France	2,1	1,4	2,3	3,6	3,4	3,9	2,0	1,1	0,8	2,8	1,6	2,4	2,4	0,2	- 2,9	2,0	2,1	0,2	0,6	0,9	1,1	1,2	2,2
Netherlands		3,6	4,3	4,5	5,1	4,2	2,1	0,1	0,3	2,0	2,2	3,5	3,7	1,7	- 3,8	1,4	1,7	- 1,1	- 0,2	1,4	2,0	2,2	2,9
Euro area (19)		1,6	2,6	2,9	3,0	3,8	2,1	1,0	0,6	2,3	1,7	3,2	3,0	0,4	- 4,5	2,1	1,6	- 0,9	- 0,2	1,3	2,1	1,9	2,4
Italy		1,3	1,8	1,6	1,6	3,7	1,8	0,2	0,2	1,6	0,9	2,0	1,5	- 1,1	- 5,5	1,7	0,6	- 2,8	- 1,7	0,1	0,9	1,1	1,6
Greece		2,9	4,5	3,9	3,1	3,9	4,1	3,9	5,8	5,1	0,6	5,7	3,3	- 0,3	- 4,3	- 5,5	- 9,1	- 7,3	- 3,2	0,7	- 0,4	- 0,2	1,5
Spain		2,7	3,7	4,3	4,5	5,3	4,0	2,9	3,2	3,2	3,7	4,2	3,8	1,1	- 3,6	0,0	- 1,0	- 2,9	- 1,7	1,4	3,6	3,2	3,0
Portugal		3,5	4,4	4,8	3,9	3,8	1,9	0,8	- 0,9	1,8	0,8	1,6	2,5	0,2	- 3,0	1,9	- 1,8	- 4,0	- 1,1	0,9	1,8	1,9	2,8

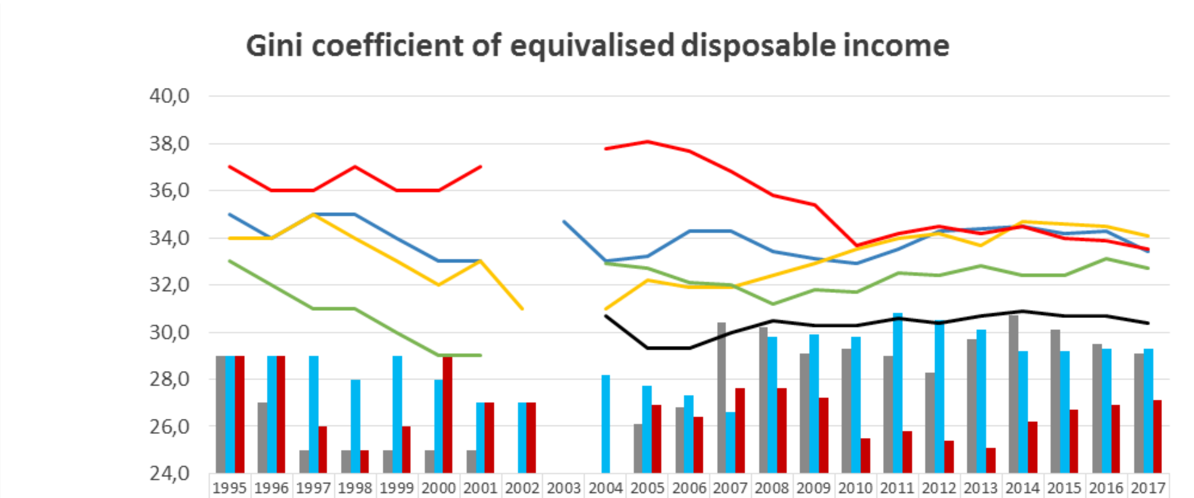
Confrontation with various European countries confirms the diagnosis exposed above. In the case of 'PIGS', Portugal shows up in close proximity with Italy, Greece first growing faster than average, but after 2010 experiencing an 'adjustment' more brutal than the Portuguese one. Comparison with core countries underlines the dramatism of the Portuguese backwardness, which Euroland membership and 'austerity' made really much worse: see the group made of Portugal, Italy and Greece, and confront it with the trio composed by Germany, France and the Netherlands. Spain, however, configures a different situation, a process of 'catching up' continuing until 2009 and resuming since 2014.

Considering a longer time spam, the diagnosis referring to Portugal is emphatically confirmed. Previously to Euro, Portuguese GDP (with and without democracy, with and without colonial empire, with and without early European integration) grows usually more than the European average, in spite of cycles being more pronounced, with occasionally bigger downwards shifts. After the Euro, and in a context where Europe's global economic growth rhythm is itself in decline, Portuguese economy sinks faster, registering values that are systematically below those of European average: see Graphic 8.

Graphic 8

As to inequalities referring to distribution of income, measured under the form of Gini coefficient, we must notice: a) Portugal is traditionally a country more unequal than the European average, and even more unequal than the other 'PIGS' (with these in turn being more unequal than the European core); b) the lag between Portugal and the European average was however suffering a slow reduction until 2010; c) the starting of the furious 'austerity' since the 'Memorandum of Understanding' has annihilated this small novelty, with Gini coefficient growing from 2010 to 2014, but d) after that, with the attenuation of austerity, it returned to the levels of 2010); e) the difference between Portugal and the average of EU remained more or less stable since 2010: see Graphic 9.

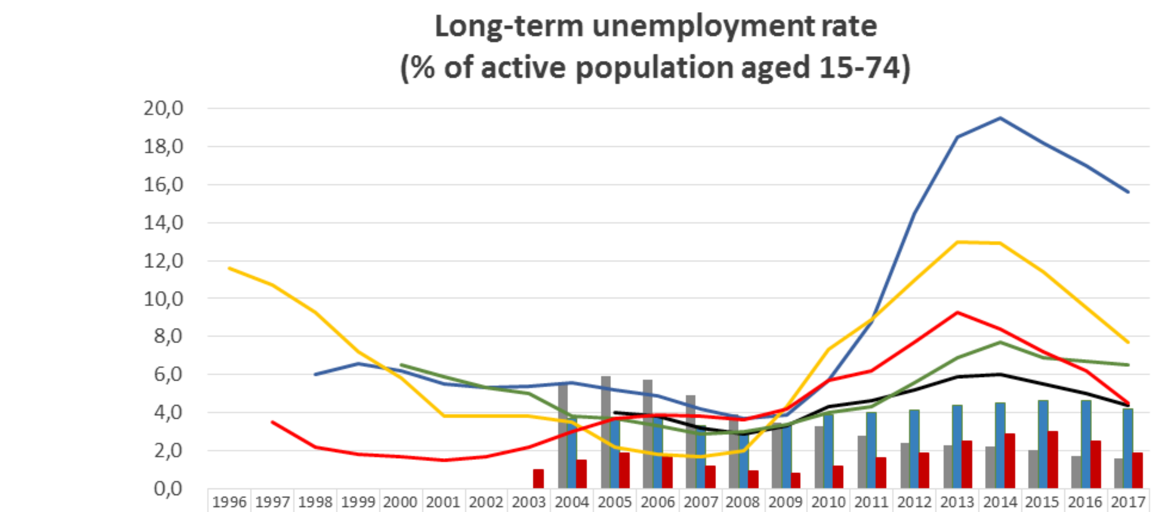
Graphic 9



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	29,0	27,0	25,0	25,0	25,0	25,0	25,0				26,1	26,8	30,4	30,2	29,1	29,3	29,0	28,3	29,7	30,7	30,1	29,5	29,1
France	29,0	29,0	29,0	28,0	29,0	28,0	27,0	27,0		28,2	27,7	27,3	26,6	29,8	29,9	29,8	30,8	30,5	30,1	29,2	29,2	29,3	29,3
Netherlands	29,0	29,0	26,0	25,0	26,0	29,0	27,0	27,0			26,9	26,4	27,6	27,6	27,2	25,5	25,8	25,4	25,1	26,2	26,7	26,9	27,1
Euro area (18)										30,7	29,3	29,3	30,0	30,5	30,3	30,3	30,6	30,4	30,7	30,9	30,7	30,7	30,4
Greece	35,0	34,0	35,0	35,0	34,0	33,0	33,0		34,7	33,0	33,2	34,3	34,3	33,4	33,1	32,9	33,5	34,3	34,4	34,5	34,2	34,3	33,4
Spain	34,0	34,0	35,0	34,0	33,0	32,0	33,0	31,0		31,0	32,2	31,9	31,9	32,4	32,9	33,5	34,0	34,2	33,7	34,7	34,6	34,5	34,1
Italy	33,0	32,0	31,0	31,0	30,0	29,0	29,0			32,9	32,7	32,1	32,0	31,2	31,8	31,7	32,5	32,4	32,8	32,4	32,4	33,1	32,7
Portugal	37,0	36,0	36,0	37,0	36,0	36,0	37,0			37,8	38,1	37,7	36,8	35,8	35,4	33,7	34,2	34,5	34,2	34,5	34,0	33,9	33,5

Simultaneously with this group of trajectories, the levels of unemployment, traditionally low in Portugal, and indeed regularly below the European average until 2006 or 2008 (according to the data used), have grown vary rapidly from 2009 to 2012 (or 2013, again according to data), consistently shifting above EU's average, and they remained above European levels until 2017, although now on a downwards trajectory, and converging with the EU in this year: see graphics 10 and 11. This additional element regarding the portrait of the Portuguese socioeconomic situation is rather important, especially considering that public social supports, and more broadly the Portuguese 'welfare state', is indeed a very weak, fragile reality.

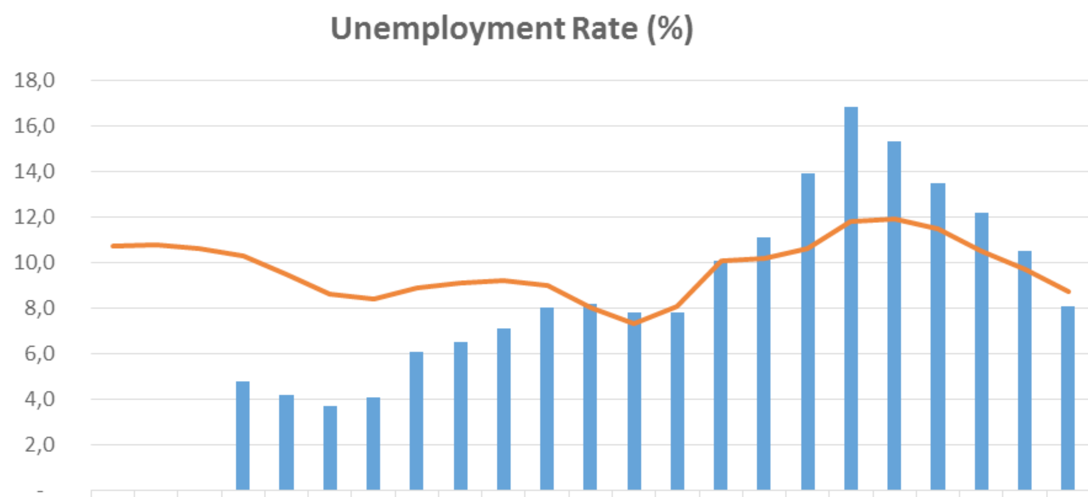
Graphic 10



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany									5,5	5,9	5,7	4,9	3,9	3,5	3,3	2,8	2,4	2,3	2,2	2,0	1,7	1,6
France									3,7	3,7	3,8	3,3	2,9	3,3	3,9	4,0	4,1	4,4	4,5	4,6	4,6	4,2
Netherlands								1,0	1,5	1,9	1,7	1,2	0,9	0,8	1,2	1,6	1,9	2,5	2,9	3,0	2,5	1,9
Euro area (19)										4,0	3,8	3,2	2,9	3,3	4,3	4,6	5,2	5,9	6,0	5,5	5,0	4,4
Greece			6,0	6,6	6,2	5,5	5,3	5,4	5,6	5,2	4,9	4,2	3,7	3,9	5,7	8,8	14,5	18,5	19,5	18,2	17,0	15,6
Spain	11,6	10,7	9,3	7,2	5,8	3,8	3,8	3,8	3,5	2,2	1,8	1,7	2,0	4,3	7,3	8,9	11,0	13,0	12,9	11,4	9,5	7,7
Italy					6,5	5,9	5,3	5,0	3,8	3,7	3,3	2,9	3,0	3,4	4,0	4,3	5,6	6,9	7,7	6,9	6,7	6,5
Portugal		3,5	2,2	1,8	1,7	1,5	1,7	2,2	3,0	3,7	3,9	3,8	3,6	4,2	5,7	6,2	7,7	9,3	8,4	7,2	6,2	4,5

If we use data from a different source, numbers for Portugal only and referring to the last trimester of each year, we basically confirm the portrait previously made: unemployment values are below the European average until 2008, above that level ever since, but on a downwards trajectory after 2012 and converging with the EU. In 2017, finally, Portugal is again slightly below the European average, with values very close to the ones of the immediately pre-crisis period: see Graphic 11.

Graphic 11



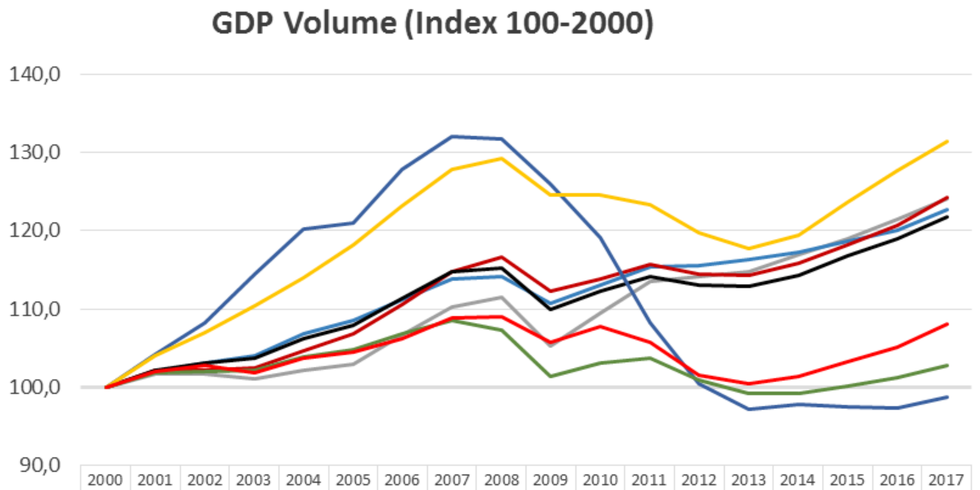
	T4 1995	T4 1996	T4 1997	T4 1998	T4 1999	T4 2000	T4 2001	T4 2002	T4 2003	T4 2004	T4 2005	T4 2006	T4 2007	T4 2008	T4 2009	T4 2010	T4 2011	T4 2012	T4 2013	T4 2014	T4 2015	T4 2016	T4 2017
Portugal				4,8	4,2	3,7	4,1	6,1	6,5	7,1	8,0	8,2	7,8	7,8	10,	11,	13,	16,	15,	13,	12,	10,	8,1
Euro Area	10,	10,	10,	10,	9,5	8,6	8,4	8,9	9,1	9,2	9,0	8,0	7,3	8,1	10,	10,	10,	11,	11,	11,	10,	9,7	8,7

Other general trends are detectable in the evolution of Portuguese economy. Amongst those we should notice the tendency of imports and exports to converge in rhythms of growth, and in the present decade also of imports to experience a significant reduction, mostly because of austerity measures, an aspect that propitiated the correction of deficits in current account balances, as we have seen above. However, instead of such a correction occurring predominantly via the promotion of exports, which would arguably have been the case with a hypothetical currency devaluation, the actual evolution expresses a collective impoverishment of the country, inevitably producing a reduction of imports. 'Internal devaluation' indeed corrects the external deficit problem, but apparently does so in a rather more miserable way. (Again: the alternative to this 'internal devaluation'/'austerity' trajectory would have implied leaving Euroland.)

This evolution is confirmed by the generic trend of prices to a pattern of zero growth: as a matter of fact, instead of inflation there was even (in the period 2011-2013) a tendency for deflation, which could really constitute an additional reinforcing factor of generalized economic crumbling. Simultaneously, industrial production, which was already practically stagnated since the adhesion to Euro, suffered also an additional set back, going into 'negative growth' in this period. Private consumption and public spending, always very far from the imaginary orgy of expenses that was emphatically propagated by the usual 'pro-austerity' rhetoric, verified also a substantial decrease during the same period, a factor inducing a considerable reduction of the aggregate effectual demand and thus (via 'cumulative circular causality') a generalized economic collapse that seriously threatened the Portuguese economy during these years.

The true character and the dimension of this process are traceable, above everything else, by the graphical representation of the evolution of GDP, instead of its growth rates (see infra, Graphic 12). Starting with base values of 100 for the year 2000, it is clearly perceptible that in the period 2008-2013 three European countries, Portugal, Italy and Greece, have seen their accumulated economic growth of this century completely destroyed. There are, however, relevant differences even within the trio: Greek economy having a sharply 'cyclothymic' behavior (initially growing very fast and 'catching up' with the European average, only to afterwards suffer a catastrophe of epic proportions), whereas the Italian one is probably more adequately described saying that this is a 'depressed' economy, and Portugal is situated somewhere in between, but closer to the Italian model. The Spanish case is however rather different from all of these, its economy registering a higher growth than the European average, and thus a continued convergence with EU.

Graphic 12



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	100,0	101,7	101,7	101,0	102,2	102,9	106,7	110,2	111,5	105,2	109,5	113,6	114,2	114,7	116,9	118,9	121,5	124,2
France	100,0	102,0	103,1	103,9	106,9	108,6	111,2	113,8	114,1	110,8	113,0	115,3	115,6	116,3	117,3	118,6	120,0	122,7
Netherlands	100,0	102,1	102,2	102,5	104,6	106,9	110,6	114,7	116,6	112,2	113,8	115,7	114,4	114,2	115,8	118,1	120,7	124,2
Euro area (19)	100,0	102,1	103,1	103,7	106,1	107,9	111,4	114,7	115,2	110,0	112,3	114,1	113,1	112,9	114,3	116,7	118,9	121,8
Greece	100,0	104,1	108,2	114,4	120,3	121,0	127,9	132,1	131,7	126,0	119,1	108,3	100,4	97,2	97,8	97,4	97,3	98,7
Spain	100,0	104,0	107,0	110,4	114,0	118,2	123,2	127,8	129,2	124,6	124,6	123,3	119,8	117,7	119,4	123,7	127,6	131,5
Italy	100,0	101,8	102,0	102,2	103,8	104,8	106,9	108,5	107,3	101,4	103,1	103,7	100,8	99,1	99,2	100,1	101,2	102,8
Portugal	100,0	101,9	102,7	101,8	103,6	104,5	106,1	108,8	109,0	105,7	107,7	105,8	101,6	100,4	101,3	103,2	105,1	108,1

RECENT DEVELOPMENTS

In the subsequent period of 2014-2017, though, the Portuguese economy somehow recovered, especially thanks to a new economic policy (by a government of the Socialist Party, critically supported by smaller parties on the Left), expressing a conscious deliberation of attenuating 'austerity' measures. This tempering of austerity induced a modest enhancement of internal demand, unequivocally with very positive repercussions in the evolution of GDP. However, even with the retrieval of recent years the Portuguese economy verifies an extremely low economic growth: a level of 108.1 was registered in 2017, still below the all-times-best of 109.0 recorded in 2008, with roughly 0.4 per cent of average yearly growth during the entire period since 2000, and still rather divergent from the European average. Moreover, recent small progresses regarding GDP have immediately jeopardized the situation referring to the current account balance, because of the rapid upsurge of imports and the permanent difficulties in promoting exports, given the excessively evaluation of Euro (from the perspective of Portugal's needs).

This is, therefore, a rather precarious situation, that could only continue until now given a number of a rather favorable group of conditions, including the persistence of a low level of interest rates, the good panorama concerning oil prices (one of the country's crucial imports), and also the boost of real estate induced by the auspicious evolution of tourism, Lisbon and other Portuguese cities apparently having become rather *à la mode* internationally. However, it should also be noted that this panorama coexists with the exacerbation of Portugal's regional asymmetries (the touristic bonanza obviously not reaching most of the country), and that such a pattern of growth fundamentally replicates, albeit in an attenuated form, the events occurred in the early years of the century, immediately before the crisis. Finally, in the long run this appears to be a rhythm of growth remaining below Europe's average, and therefore we may say that Portugal seems to consistently diverge from richer countries, instead of catching up. Besides, the basic European institutional constraints have in recent years globally experienced a reinforcement, which from a Portuguese perspective mostly spells increased coercion. Some authors have, with a considerable amount of reasonability, recently voiced opinions even more severe and more drastic regarding the European integration than the ones expressed here, both regarding the interpretation of the past and the present, and the future prospects. Such is the case of, for instance, João Rodrigues:

> "What was really a crisis of competitiveness, of external accounts, was transformed into a problem of public debt, since it was via the (due to the crisis) more difficult and more expensive financing of growing public deficits that the turbulence found expression in the European periphery. A huge program was then set of socialization of losses of the European core's banks. The Troikas were thus born, and the Euro revealed its nature. In countries having abandoned basic instruments of economic policy, the costs of adjustment are paid by direct and indirect salaries, welfare state and the rules protecting those who work. To conventional wisdom, 'reforms' are a synonym of systematic income transfers from labor into capital, as those occurred during the Troika.
>
> In the meantime, hundreds of thousands [of Portuguese citizens] have voted with their feet, emigrating. The country sold strategic assets at sales prices. Lots of productive capacity was destroyed by a counterproductive austerity. The substantial attenuation of austerity and the conduct of ECB permitted a slow and fragile recovery. Portugal reinvented herself: a sort of European Florida, based on tourism and lots of precarious and relatively cheap labor, discovering that real estate is rendered a tradeable good by hitch-hiking a bubble. The reforms of Euro reinforced the loss of budget sovereignty, without solving the fundamental problems. The so-called Banking Union was instrumental to apply the principle 'you Portuguese pay, we in the European political center tell you how to do it': foreign banks are ever more imperative. Meanwhile, the Eurozone exports instability into the international system, now that the deficits of the peripheries have disappeared, without attenuation of the surpluses of the center. There you have Trump, his finger pointed at Germany. The Euro was and will be a factor of instability, division and lack of protection" (Rodrigues 2019, our translation).

European average of GDP growth, in turn, is far from having had what we might name a bright evolution, with the level of 115.2 being reached in 2008, followed by a decline to 110.0 in 2009, full recovery occurring only in 2015, with a mark of 116.7 (see Graphic 12, supra). Within this scenery, though, 'cyclothymic' Greece and 'depressed' Italy are unquestionably the champions of misery, Portugal coming third, not exactly something to be proud of. All these three 'PIGS' were unquestionably victims of Euro belonging, but the collective reactions have mostly approached the model of 'escape from freedom', a deep mistrust in each country's capacity to survive based on its own energies and resources, and instead the massive persuasion that salvation was somehow to be expected from heavenly Brussels, even after the facts having massively shown otherwise. It is fair to say that the Portuguese public opinion has something like a neurotic phobia of leaving Euroland, somewhat similar to the popular belief, promoted during the last decade and a half of existence of 'Estado Novo' (the 1960s and early 1970s), that the country would simply not be *able to survive without its colonies*. If this popular belief was during those times promoted (and simultaneously exploited) in order to pursue a policy of die-hard colonialism, now we are arguably facing an analogous promotion and exploitation of similar fears in order to promote a die-hard 'Europeanism' that insists and persists in stubbornly going ahead against all advice and in contradiction of all evidences.

In case we confront the Portuguese evolution in the years 2000-2017 with the one of European core countries, such as Germany, France and the Netherlands, the previously expressed diagnosis is immediately reinforced by the fact that in this period all these countries have behaved slightly better than EU's average, that is to say, they diverged upwards, notwithstanding the important fact that until the crisis of 2008 both France and Germany seemed to be slowly losing speed: only after 2008 they recovered, and specially Germany, thus surpassing European average. These comparisons, yet still, regard a 'championship' of poor performers, within a generic frame characterized by economic mediocrity. Evidently, Euroland is globally rather far from constituting a model of economic health, but within it the three poor 'PIGS' (Greece, Italy and Portugal) are definitely and obviously a trio of losers. That much, at least, may be taken for granted beyond any reasonable doubt.

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of significant fiscal transfers from creditor to debtor EZ Member States (Andini *et al.* 2016), Febrero *et al.* (2018)).

The focus on maintaining a no fiscal transfers Union with a single common currency means that, for the EZ to function, Member States have to maintain a current plus capital account that is either approximately balanced or in surplus. The austerity strategy adopted by EZ authorities in essence aimed to achieve that goal, thus ensuring no significant fiscal transfers would be necessary.

In fact, the EZ current account balance has risen substantially from -0.1% of GDP in 2010 to +3.2% of GDP in 2017, with most EZ Member States registering a surplus.

That is, the governance reforms implemented following the euro crisis have reinforced the mercantilist character of the EZ, one where all Member States tend to be 'internationally competitive' surplus countries, i.e., savers rather than borrowers. Therefore, the EZ austerity strategy is akin to replicating the German mercantilist model to the whole of the Eurozone, i.e., to creating a German Eurozone, with recurring large current account surpluses, an approach that the German writer Thomas Mann prophetically warned against in a famous speech in 1953. The consequences of such a strategy are immense, both economically and politically, and are at the roots of the inability of the national and European authorities to manage the successive crises and, thus, are a major factor for the explanation of the rise of resentment and populism.

Clearly, the EZ authorities' austerity strategy only worked because China was willing to reduce its current account surplus since 2010, but the current policy strategy, with current account surpluses in excess of 3% of GDP, is unsustainable as the EZ economy is much larger than Germany's, and before the euro Germany never dared to run very large current account surpluses, namely due to political and commercial pressure from the US government. In the framework of Trump's current aggressive strategy, this option is clearly in risk.

Furthermore, not only is the austerity strategy foolish and unsustainable but the economic cost and the welfare loss have been immense, particularly in the generally less developed (debtor) Member States of the EZ.

In Portugal's case, for example, the external adjustment has been extremely large. The trade balance has improved by 11.2 p.p. of GDP between 2008 and 2017. The current and capital account balance has improved by 12.6 p.p. of GDP in the same period. Portugal, a country of recurring trade deficits for centuries, has registered consecutive trade surpluses since 2012, nearly as many yearly trade surpluses as in its entire recorded history. The external adjustment was achieved through a drastic reduction in domestic demand, which fell 4.3% in real terms between 2008 and the year to the third quarter of 2018, with real GDP only in 2018 surpassing the level first reached in 2008. Unemployment, particularly among the young, rose dramatically, though it has recently fallen, since this austerity strategy has been challenged and somewhat changed. Emigration of young cohorts rose substantially affecting the country's demographic prospects.

Still using the Portuguese economy as an example for a simple counterfactual exercise, based on extending the historical nominal GDP growth rate trend of 3% to between 2008 and 2015,[10] was it good economic policy to forsake €63bn in nominal domestic demand (€41 bn in nominal GDP) in order to improve nominal net exports by somewhat more than €19bn?

The bang for the euro seems on the low side… suggesting that the austerity strategy was likely not a very efficient economic policy.

[10] In late 2015 a new government came to power, with parliamentary support of the three left-wing parties, which advocated the end of the austerity strategy. This government promoted the reversal of wage and pension cuts, though maintaining an excessively demanding fiscal consolidation policy strategy in order to comply with the new EZ fiscal rules.

However, the question that we should be making is what happens if a debtor Member State is unable to maintain sufficiently large current account surpluses to be able to service its large legacy external debt.

Clearly, the escape valve of the past, bank financing with recourse to Eurosystem lending (via TARGET2), has been starkly limited through the Banking Union.[11] But as argued above, it is also the irreversibility of the euro that has been further curtailed with the batch of governance reforms implemented since the 2010-2012 euro crisis. Member States have no monetary sovereignty and their banking systems linkage to the euro has been constrained and weakened.

CONCLUSION

The euro always was and still is a political project at twenty. And by this we mean that the political demands on the euro as a currency verge on the impossible.

We are not denying that the euro has had significant successes as a currency. It is used widely, it is trusted as a currency by EZ citizens, it has survived for 20 years and defied its naysayers, particularly in the US. Clearly, it has also had some benefits for economic activity throughout EZ member states, namely greater price transparency, lower transaction costs, better store of value. It may also have anchored inflation expectations better than prior national currencies.

But it has also imposed significant costs, far beyond what was ever anticipated by its critics, and increasingly it seems that the costs may outweigh the benefits, with leading policy makers of Member States, like in the newly elected government of Italy, openly defending exit from the euro, even if still not moving in that direction.

It is not just the argument that the euro is a 'straitjacket' on Member States economies, leaving them with no monetary sovereignty, starkly constrained fiscal policy, lack of ability to use exchange rate policy, and now hampered banking systems, to which one should add other EU restrictions such as its competition, state-aid, and industrial policy rules.

It is also the case that the contortions by which EZ policy makers have sought to maintain the euro alive increasingly condition the euro, negatively affecting its normal functions as a currency.[12]

In sum, our main argument is that the euro at twenty has become more fragile and its future does not look promising.

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[11] It is not a topic for this paper, but it should be mentioned that the Banking Union itself is and presumably will remain incomplete, since a common mechanism of depositors' guarantee is fiercely opposed by the governments of Germany and other Member States, precisely because it implies the possibility of fiscal transfers in a situation of banking crisis.

[12] One of us was co-author of a book discussing the concrete implications of the re-creation of a national currency for the case of Portugal, indicating both the relevant difficulties and some measures to counter them (Louçã and Amaral, (2014)).

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ECONOMIC AND POLITICAL ASPECTS OF THE PERSISTING CRISIS IN SOUTHERN EUROPE[1]

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Abstract

'Globalist' discourse became largely hegemonic in our cultural environment, one of the consequences of such hegemony, albeit mostly a performative one, being the crisis of nation-state and sovereignty. This nadir of sovereignty really expresses and reinforces a political process of mass disfranchisement, whereby democratic institutions are rendered irrelevant. The Euro experiment and the correspondent 'Europeanist' discourse ought to be understood fundamentally within this generic frame, although with a number of important specificities.

Meanwhile, a big economic crisis has deeply injured the social fabric of most Southern Europe countries, worsening Euroland's regional discrepancies and producing a situation of seemingly permanent 'zero-growth' for various countries, namely Italy, Greece and Portugal. This can, however, become an occasion to interrupt the dogmatic slumber induced by Europeanism, a discussion that directly implies the consideration of multiple political aspects, relevant not only for the countries more directly impoverished, but really to all Eurozone members.

This paper regards the evolution of various southern European economies since the beginning of this century, with particular emphasis on the Portuguese case, and suggests a confrontation with aspects referring to political attitudes.

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The central ideas argued in this paper are that integration in the Eurozone has been rather injuring, indeed almost catastrophic to Portuguese economy and society; and that there is a high probability that it will continue to be so. The reasons for such state of affairs are manifold, having been argued by a number of authors, among whom a mention is due at least to Lapavitsas *et al.* (2010a, 2010b, 2011), Krugman (2012a, 2012b), Weisbrot and Montecino (2012), Jacques Sapir (2013, 2014), Streeck (2014, 2016) and Stiglitz (2016), besides various Portuguese commentators, namely João Ferreira do Amaral (2013, 2014), Octávio Teixeira, Jorge Bateira, João Rodrigues and Nuno Teles. The perception of facts constitutes, however, a totally different subject-matter. In Portugal, as besides in most southern European countries, a vast, overwhelming political and cultural consensus favorable to the Euro persists, including the so-called 'arch of governance', i.e. the two alternating dominant parties (PS and PSD), plus center-right CDS-PP, adding also the Europeanist Left: mostly Left Block but also a number of smaller groups.

This consensus is nourished by an important number of private associations, think-tanks, clubs, foundations, etc., and above all by the mainstream media, both private and public. In generic terms, this huge constellation of forces has endorsed, and fundamentally still upholds the ideas that European integration, and specifically European currency integration, has predominantly been a good thing for Portugal (the country's presumable situation thus being worse in the hypothetical case of Portuguese previous exit); and/or that *another Europe is possible*, meaning that the possible wrongdoings that European integration may have caused to Portugal have mostly been unintended effects, or merely 'collateral damage', a set of reforms incorporating the fundamental Portuguese interests thus being possible, and indeed feasible with the present institutional European framework.

SOME PROBLEMS WITH ACTUALLY EXISTING EUROPEAN INTEGRATION

To make things clear, our opinion is neatly opposed to those above expressed; in other terms, we sustain that European integration, and especially currency integration, tends to hinder the long run evolution of Portuguese economy, a fact that is sometimes obfuscated by the data referring to very short term evolution, the one that is more often presented and discussed. The reasons are offered with more detail below, but we must mention immediately that the unfeasibility of competitive devaluations is arguably the single most important aspect concerning this problem. However, the impossibility to ensue discretionary polices supporting this or that economic factor is also something to carefully take into consideration. As a matter of fact, the very prevalence of European laws and deliberations over national laws and deliberations, one important constituent part of European integration, frequently tends also to be harmful in the long run to the less develop regions/countries (thus increasing regional discrepancies), and therefore the reduction of the margin of political decision of European nation-states to the one of typical federal states, or indeed mere entities such as administrative regions, is something worth considering with more detail, although that is not the main focus of this paper.

Besides these strictly economic aspects, though, it should also be mentioned that the very spirit of European currency integration is arguably unconstitutional from a Portuguese perspective, and is clearly associated with a generically antidemocratic purpose. Having a rather long pedigree in terms of economic ideas, and particularly referring to the group of cogitations usually known as *public choice*, the main purpose in this case was, from the very incept, to render the European political life somehow 'elections-free', by building a group of central (supranational) institutions openly independent from the so-called 'electoral cycle' of each and every member-country: which refers to both the parliaments of each member-state and also the allegedly 'proto-federal' European Parliament, indeed a mostly decorative, politically all but empty institution.

The important, indeed decisive political disenfranchisement that in practical terms directly results from Eurozone membership, its relevant antidemocratic aspects notwithstanding, would however likely go mostly unnoticed under the frequent *low-profile*, gradual, smooth, slow-motion techniques of procedure that are usually the main characteristic of European integration, if it hadn't been the eruption of the economic crisis starting in 2008. This crisis has really revealed not only the miserable economic condition of various countries of the European southern periphery, but also their/our even more miserable political condition. By this time, via the so-called 'Troika' interventions in countries such as Portugal and Greece, it must be rather obvious that this institutional framework transformed the political systems of these countries in mere holograms of democracies, destined to 'minor' peoples, societies of political castrati as undeniably 'we the European peoples' became, and particularly 'we the Southern European peoples'.

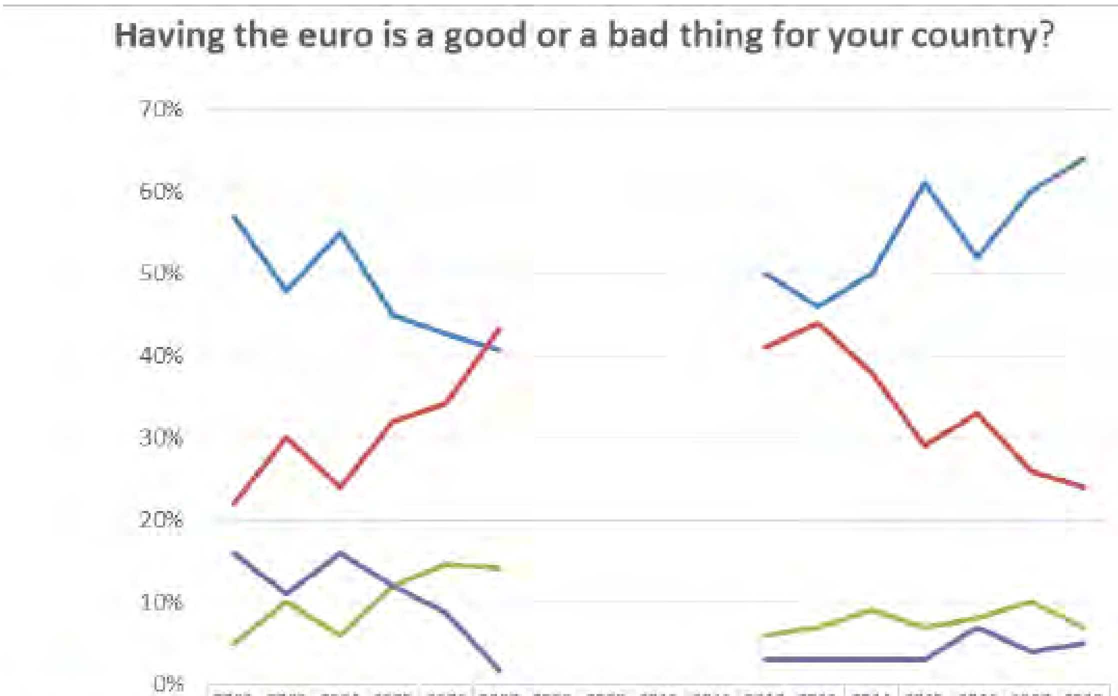
Mainstream perceptions of this state of things are, however, very far from the brief diagnosis we just presented, especially because of the permanent propaganda (or consensus-manufacturing) of EU's alleged virtues, and particularly the notions that it is intrinsically well-intended; that it will take care of 'us' (meaning the southern European nations) and not let 'us' down; that it is quite susceptible of a group of 'reforms' that will suppress its potentially 'nasty' aspects and enhance the 'nice' ones, etc. This broad intellective framework has a clear ideological bias. The essential fact is that the economic, political and academic elites of most of these countries tend themselves to be largely beneficiary (although, as to academic elites, really mere side beneficiaries) of this generic condition. For the sake of argument, imagine, for an average researcher in social sciences or economics, the endeavor of submitting a project on any topic, and doing more or less the same ceteris paribus, but emphatically appealing to 'European' facets: obviously, the chances to obtain a financial support immediately multiply; but on the other hand if the results from research start pointing seemingly into the 'wrong' direction, it will much probably be rapidly downsized, if not completely shut down…

The fact remains, however, that the vast majority of the population of these countries is not in conditions to 'spontaneously' obtain an enlightenment (much less a clairvoyance) that would explicitly induce the formulation of the idea of 'exit' as a solution, rather on the contrary. One of the regrettable side-effects of this state of things has been, in various European countries, the irruption of ultra-nationalistic, xenophobic political tendencies (usually designated under the very ambiguous expression of "populism"), that tend themselves to be mostly a 'part of the problem', but above all must be considered a consequence of mainstream Europeanism and European integration, although simultaneously configuring an equivocated, misguided response to it. In other cases, and more specifically in the Portuguese case, the majority of the population remains captive of a 'dependency’ vis-à-vis the EU that seems to reside in the collective psyche as much as in the economic and political structures; which is at least as much a mental or psychological condition (and of course also a sociological one, at least in the sense that it configures a generalized trait) as it is an economic and political one: somehow a variety of the celebrated 'Stockholm syndrome' that arguably would be more aptly designated in this case as 'Lisbon syndrome'. The way ahead in order to obtain popular information/education constitutes thus a rather long, and presumably also a very rugged trail. The main purpose of this text is, however, to start treading it.

PORTUGAL WITHIN THE SOUTHERN EUROPEAN CONTEXT: A SOCIOECONOMIC PORTRAIT

Let us begin this digression with a typical sociological enquiry. What is the majority's opinion regarding the goodness (or not) of Portugal's belonging to Euroland. Our data were obtained via the Eurobarometer. The main aspects to notice are: the initial (2002) prevalence of "Yes", followed by a progress of negative answers, which become a majority in 2007, but positive answers recovering and prevailing again since 2012 (for the years 2008-2011, somewhat mysteriously, there are no data available), and moreover resuming a predominantly upwards trajectory. Those considering the Euro to be a good thing for Portugal are indeed a higher number in 2018, sixty-four per cent of the inquired, than those producing the same judgement back in 2002, fifty seven per cent (see Graphic 1, cf. also Lunas-Aroca *et al*. 2001; Graça et al 2011).

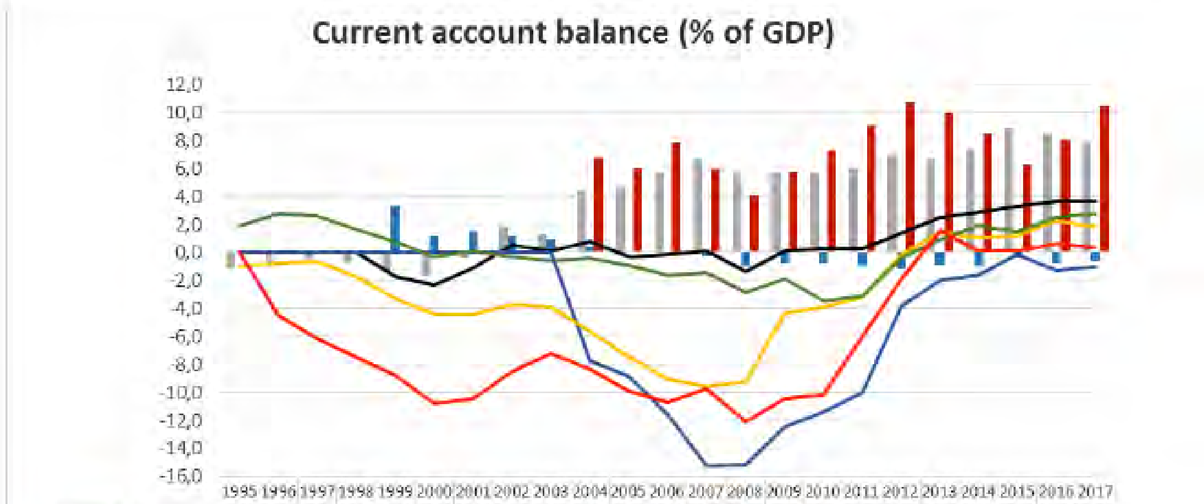
GRAPHIC 1



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
A good thing	57%	48%	55%	45%	43%	41%					50%	46%	50%	61%	52%	60%	64%
A bad thing	22%	30%	24%	32%	34%	43%					41%	44%	38%	29%	33%	26%	24%
Can't decide	5%	10%	6%	12%	15%	14%					6%	7%	9%	7%	8%	10%	7%
Don't know	16%	11%	16%	12%	9%	2%					3%	3%	3%	3%	7%	4%	5%

Exchanging the incursions on the realm of perceptions for the analysis of economic factuality, we must start by highlighting, when we consider the European situation since the decade of the 1990s (the period when exchange rates were rendered constant, immediately before the creation of Euro), the consistent trend for the accumulation of deficits in the current accounts of most peripheral countries, the so-called 'PIGS': Portugal, Italy, Greece and Spain. This tendency was practically the exact reverse of the center's trend for the accumulation of surpluses, as evidenced in Graphic 2 (below). On the whole of Euro Area (19 countries) the current account may be said to be balanced. After 2008 (in the case of Italy, after 2010), given the 'austerity' measures inflicted, the peripheral countries obtained a balancing of their accounts, mostly via substantial reductions of imports (induced by the shrinkage of incomes, see below). Globally, after 2011, with the reduction of deficits in PIGS and the persistence of surpluses in the core, the EU apparently reveals a slow trend for a global surplus, arguably indicating the possibility, or even the convenience of a slight appreciation of the common currency vis-à-vis third countries.

Graphic 2

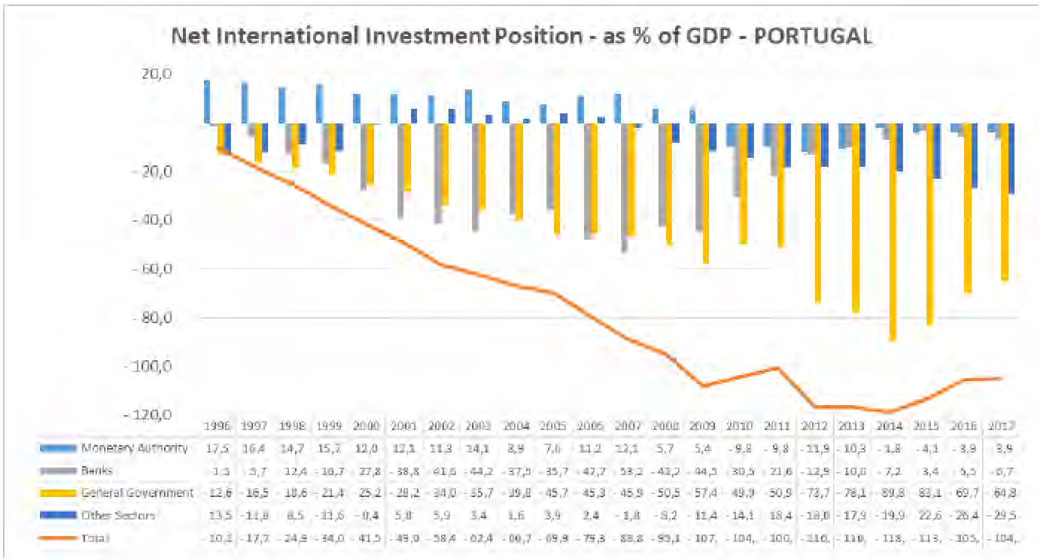


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	-1,2	-0,7	-0,5	-0,7	-1,4	-1,7	-0,4	1,9	1,4	4,5	4,6	5,7	6,7	5,6	5,7	5,6	6,1	7,0	6,7	7,4	8,9	8,5	7,9
France					3,4	1,2	1,5	1,2	0,9	0,4	0,0	0,0	-0,3	-1,0	-0,8	-0,6	-1,0	-1,2	-0,9	-1,0	-0,4	-0,8	-0,6
Netherlands										6,8	6,1	7,9	6,0	4,1	5,8	7,3	9,1	10,8	10,0	8,5	6,3	8,1	10,5
Euro area (19)					-1,7	-2,3	-1,1	0,5	0,1	0,8	-0,3	-0,2	0,1	-1,4	0,1	0,3	0,3	1,4	2,5	2,9	3,3	3,7	3,7
Greece										-7,7	-8,9	-11,	-15,	-15,	-12,	-11,	-10,	-3,8	-2,0	-1,6	-0,2	-1,3	-1,0
Spain	-1,0	-0,8	-0,7	-1,7	-3,3	-4,4	-4,4	-3,7	-3,5	-5,6	-7,5	-9,0	-9,6	-9,2	-4,3	-3,9	-3,2	-0,2	1,5	1,1	1,2	2,3	1,8
Italy	1,9	2,8	2,6	1,7	0,8	-0,3	0,1	-0,3	-0,6	-0,4	-0,9	-1,6	-1,5	-2,9	-1,9	-3,5	-3,1	-0,4	1,0	1,9	1,5	2,5	2,8
Portugal		-4,5	-6,2	-7,5	-8,8	-10,	-10,	-8,5	-7,2	-8,3	-9,9	-10,	-9,7	-12,	-10,	-10,	-6,0	-1,9	1,6	0,1	0,1	0,6	0,4

Small discrepancies aside, the 'big picture' of Euroland thus evidences, previously to the economic crisis starting in 2008, a currency that was overvalued regarding the needs of the periphery, with the correspondent occurrence of big deficits here. In the core countries, oppositely, the trend was for the accumulation of surpluses, arguably the consequence of an exchange-rate that presumably should be corrected via a small appreciation. With the subsequent 'internal devaluation' of the peripheral countries the problems of their imbalances disappeared, but at the same time the surpluses grew in Germany and the Netherlands, with the EU globally getting a neatly positive balance. Regarding this, the most relevant national aspect is probably the fact that France has shifted during this period from a globally positive into a slightly negative position.

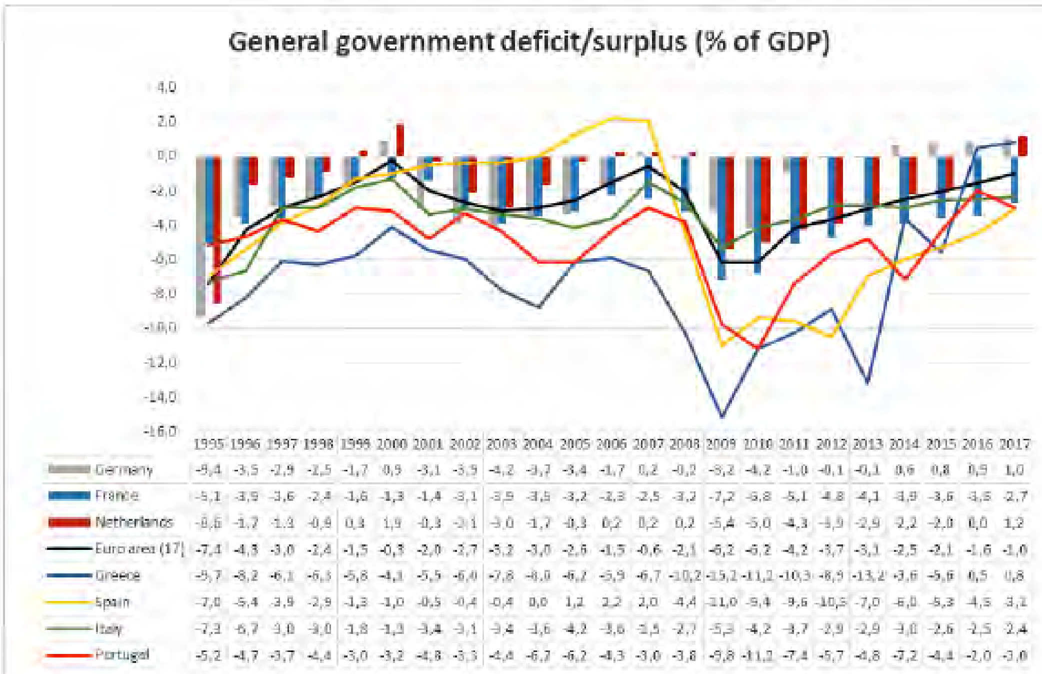
The corollary of this situation was the accumulation of an enormous external debt, or net 'international investment position', in the case of peripheral countries, and more specifically Portugal. Synthetically, economic agents have consistently consumed 'above their possibilities' in the accounting sense of the expression, meaning that facing the lack of competitiveness of Portuguese products and the competitiveness of foreigners (both of them a consequence of currency's overvaluation, see above), there was a visible tendency to consume by appealing to credit, which took banks to get indebted abroad, an operation in turn rendered easier by the lowering of the interest rates. Considered under another perspective, this trend for external indebtedness expresses a dislocation of resources from the production of 'tradeable' unto 'non-tradeable' goods, and particularly real estate. Regarding Portugal, let us make this clear: it was not mostly the Portuguese state (and initially not the Portuguese state at all) to get indebted, although in the end that also occurred. Basically, it is fair to say that too many people bought their houses via credit in the decade previous to 2008, that interest rates were reduced and that therefore this branch of businesses was particularly enhanced. Such an 'imbalance' would, under 'normal' circumstances, have been corrected by a therapy mixing currency devaluation and a raising of interest rates. In the absence of such measures, the obvious alternative was the so-called 'internal devaluation' to which the country was explicitly submitted at least since 2011. As to the evolution of Portuguese external 'net debt', see Graphic 3 below).

Graphic 3



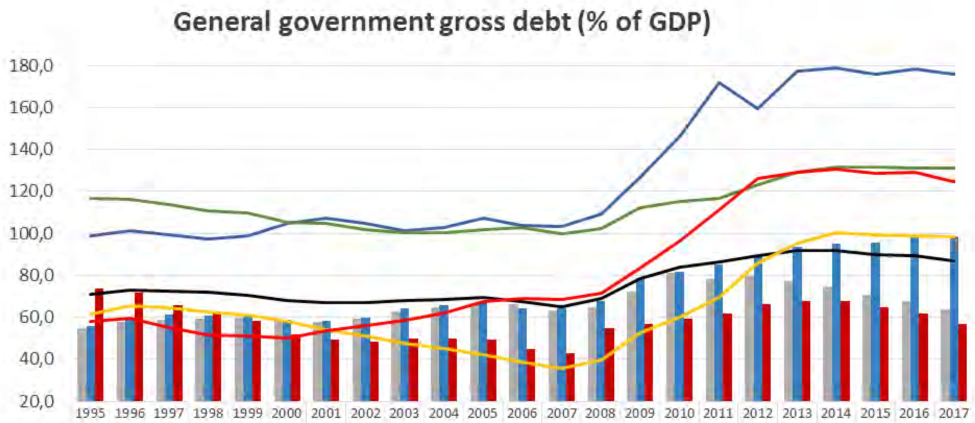
The most important problem of Portuguese economy, at least previously to the international crisis, should therefore be diagnosed as one of low competitiveness and thus an excessive leaning to external deficit. However, the public opinion (both internally and abroad) was instead presented mostly the assertion that there was an allegedly excessive public deficit. As a matter of fact, given the Maastrichtian orthodoxy the Portuguese economy presented deficits above the 'sacrosanct' limit (3% of GDP), thus presumably evidencing a problem. Yet still, that deficit was very far from deserving full condemnation, and it is deemed to be 'unbearable' only within the strict neoliberal mind frame underlying the 'European construction'. Besides, regarding this criterion the Portuguese situation is clearly less dramatic than the ones of various other European countries, such as evidenced by Graphic 4.

Graphic 4



If the previous graphics immediately evidence the falsehood of the diagnosis pointing to excessive public deficits or public spending previously to 2008, the next ones, referring to public debt, permit to make clear that the Portuguese situation was really less problematic than European Union's average, or at the most in the vicinity of this one. Only after the bursting of the bubble correspondent to the crisis of 2008, public intervention in the rescuing of private financial institutions and the so-called 'crisis of sovereign debts' did Portuguese public indebting decidedly surpass the European average as a percentage of GDP, such as demonstrated by Graphic 5, where the Portuguese case is compared both with the situation of other 'PIGS' and the evolution of core countries.

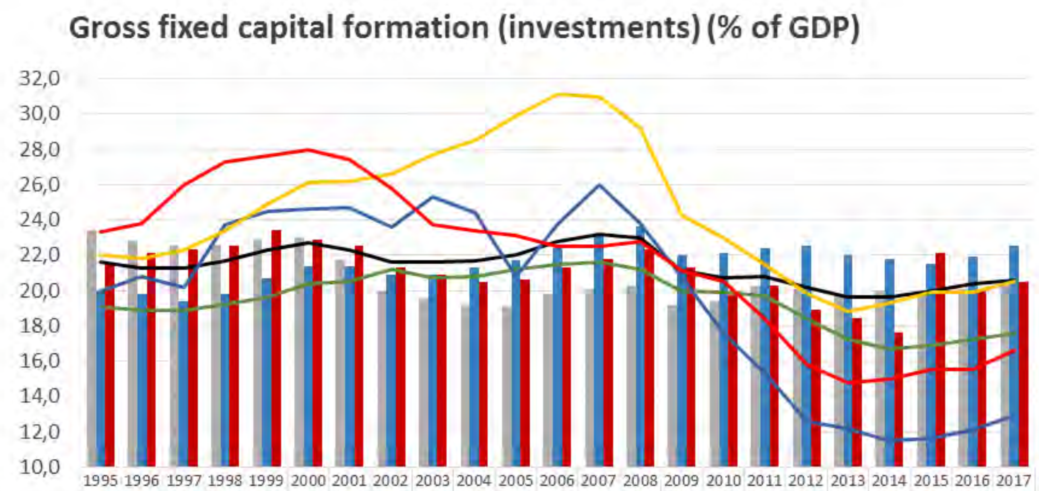
Graphic 5



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	54,8	57,6	58,8	59,4	60,0	58,8	57,6	59,2	62,9	64,7	66,9	66,3	63,5	64,9	72,4	81,0	78,3	79,6	77,4	74,5	70,8	67,9	63,9
France	55,8	59,7	61,1	61,0	60,2	58,6	58,1	60,0	64,1	65,7	67,1	64,4	64,3	68,0	78,9	81,6	85,2	89,5	93,4	94,9	95,6	98,2	98,5
Netherlands	73,6	71,6	65,9	62,8	58,5	51,8	49,2	48,5	49,7	49,9	49,3	44,8	42,7	54,8	56,9	59,3	61,6	66,4	67,7	67,9	64,6	61,9	57,0
Euro area (18)	70,9	72,8	72,3	71,9	70,7	68,1	67,1	67,0	68,2	68,6	69,3	67,5	65,1	68,8	78,5	84,0	86,3	89,6	91,7	92,0	90,0	89,2	87,0
Greece	99,0	101,3	99,5	97,4	98,9	104,9	107,1	104,9	101,5	102,9	107,4	103,6	103,1	109,4	126,7	146,2	172,1	159,6	177,4	178,9	175,9	178,5	176,1
Spain	61,7	65,6	64,4	62,5	60,9	58,0	54,2	51,3	47,6	45,3	42,3	38,9	35,6	39,5	52,8	60,1	69,5	85,7	95,5	100,4	99,3	99,0	98,1
Italy	116,9	116,3	113,8	110,8	109,7	105,1	104,7	101,9	100,5	100,1	101,9	102,6	99,8	102,4	112,5	115,4	116,5	123,4	129,0	131,8	131,6	131,4	131,2
Portugal	58,3	59,5	55,2	51,8	51,0	50,3	53,4	56,2	58,7	62,0	67,4	69,2	68,4	71,7	83,6	96,2	111,4	126,2	129,0	130,6	128,8	129,2	124,8

Briefly, the assertion is true that until 2008 Portugal had no problem of excessive public spending. It was the period of the furious 'austerity', not the previous one of the alleged and much defamed 'spending orgy' that generated the present dramatic situation. Another aspect worth separate consideration, and with more detail, is the one of the negative evolution of the 'gross fixed capital formation', a variable very closely associated with the economy's levels of productivity in future periods. In the Portuguese case, GFCF as a percentage of GDP has declined in a worrisome way: see Graphic 6.

Graphic 6

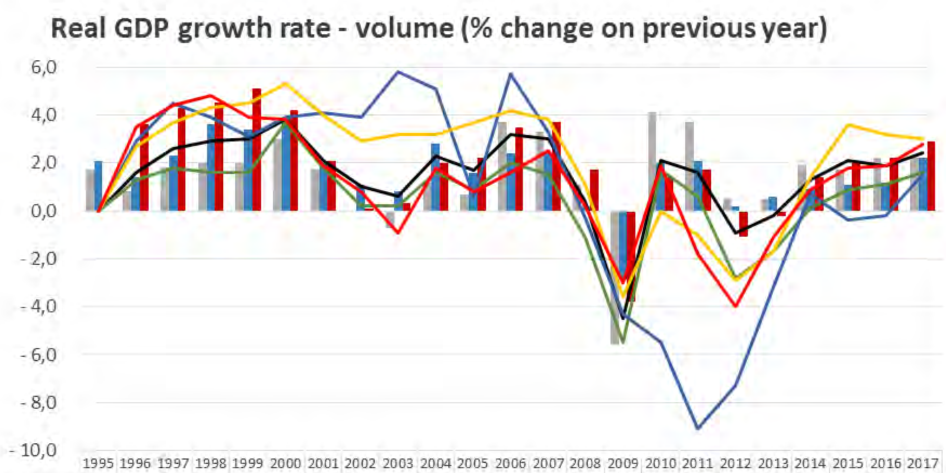


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	23,4	22,8	22,5	22,6	22,9	23,0	21,7	20,0	19,5	19,2	19,1	19,8	20,1	20,3	19,2	19,4	20,3	20,1	19,7	20,0	19,9	20,1	20,3
France	20,0	19,8	19,4	19,8	20,7	21,4	21,4	20,9	20,9	21,3	21,7	22,4	23,1	23,6	22,0	22,1	22,4	22,5	22,0	21,8	21,5	21,9	22,5
Netherlands	21,6	22,1	22,3	22,5	23,4	22,9	22,5	21,3	20,9	20,5	20,6	21,3	21,8	22,3	21,3	19,7	20,3	18,9	18,4	17,6	22,1	20,0	20,5
Euro area (19)	21,6	21,3	21,3	21,7	22,3	22,7	22,3	21,6	21,6	21,7	22,0	22,8	23,2	23,0	21,1	20,7	20,8	20,2	19,6	19,6	20,0	20,4	20,6
Italy	19,1	18,9	18,9	19,2	19,6	20,4	20,5	21,2	20,7	20,8	21,2	21,5	21,6	21,2	20,0	19,9	19,7	18,4	17,2	16,7	16,9	17,2	17,6
Greece	20,0	20,8	20,2	23,7	24,5	24,6	24,7	23,6	25,3	24,4	20,8	23,7	26,0	23,8	20,8	17,6	15,3	12,6	12,2	11,5	11,6	12,1	12,9
Spain	22,0	21,8	22,3	23,4	24,9	26,1	26,2	26,6	27,7	28,5	29,9	31,1	31,0	29,2	24,3	23,0	21,5	19,8	18,8	19,3	19,9	19,9	20,5
Portugal	23,3	23,8	26,0	27,3	27,6	28,0	27,4	25,8	23,7	23,4	23,1	22,5	22,5	22,8	21,1	20,5	18,4	15,8	14,8	15,0	15,5	15,5	16,6

In the case of GFCF we are referring to investments to be rendered profitable within a considerably long time spam, and therefore the repercussions in future levels of productivity are, we repeat, a very serious subject-matter. Again, austerity's official 'therapy' has mostly made problems worse, and in a considerable degree: regarding this variable, Portugal is below the European average since 2010, when instead its condition as a relatively poor country renders levels above the European average desirable, and indeed expectable. Considering the evolution of GFFC in volume we obtain a generic confirmation of this trend.

The repercussions of all this in the rhythms of growth of GDP are undeniable. Moreover, membership of the imaginary 'rich people's club' that Euroland would supposedly constitute has revealed to be a sharply negative, indeed disastrous thing, if we consider the fact that until de Euro experiment Portuguese economy grew systematically quicker than the European average, with the situation experiencing a permanent inversion ever since. Until the Euro Portugal systematically 'catches up' with those ahead, but since then it gradually lags behind: see Graphic 7.

Graphic 7

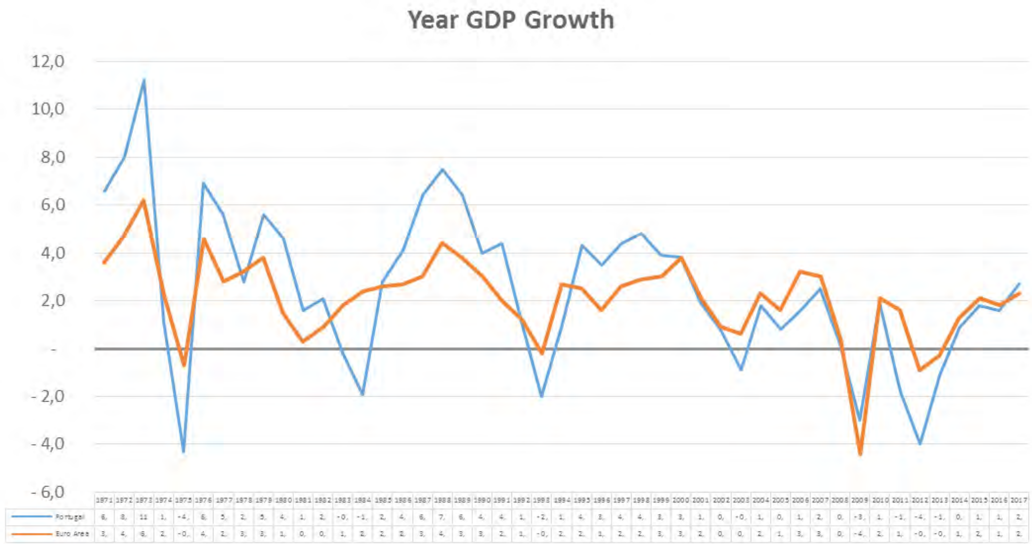


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	1,7	0,8	1,8	2,0	2,0	3,0	1,7	0,0	- 0,7	1,2	0,7	3,7	3,3	1,1	- 5,6	4,1	3,7	0,5	0,5	1,9	1,7	2,2	2,2
France	2,1	1,4	2,3	3,6	3,4	3,9	2,0	1,1	0,8	2,8	1,6	2,4	2,4	0,2	- 2,9	2,0	2,1	0,2	0,6	0,9	1,1	1,2	2,2
Netherlands		3,6	4,3	4,5	5,1	4,2	2,1	0,1	0,3	2,0	2,2	3,5	3,7	1,7	- 3,8	1,4	1,7	- 1,1	- 0,2	1,4	2,0	2,2	2,9
Euro area (19)		1,6	2,6	2,9	3,0	3,8	2,1	1,0	0,6	2,3	1,7	3,2	3,0	0,4	- 4,5	2,1	1,6	- 0,9	- 0,2	1,3	2,1	1,9	2,4
Italy		1,3	1,8	1,6	1,6	3,7	1,8	0,2	0,2	1,6	0,9	2,0	1,5	- 1,1	- 5,5	1,7	0,6	- 2,8	- 1,7	0,1	0,9	1,1	1,6
Greece		2,9	4,5	3,9	3,1	3,9	4,1	3,9	5,8	5,1	0,6	5,7	3,3	- 0,3	- 4,3	- 5,5	- 9,1	- 7,3	- 3,2	0,7	- 0,4	- 0,2	1,5
Spain		2,7	3,7	4,3	4,5	5,3	4,0	2,9	3,2	3,2	3,7	4,2	3,8	1,1	- 3,6	0,0	- 1,0	- 2,9	- 1,7	1,4	3,6	3,2	3,0
Portugal		3,5	4,4	4,8	3,9	3,8	1,9	0,8	- 0,9	1,8	0,8	1,6	2,5	0,2	- 3,0	1,9	- 1,8	- 4,0	- 1,1	0,9	1,8	1,9	2,8

Confrontation with various European countries confirms the diagnosis exposed above. In the case of 'PIGS', Portugal shows up in close proximity with Italy, Greece first growing faster than average, but after 2010 experiencing an 'adjustment' more brutal than the Portuguese one. Comparison with core countries underlines the dramatism of the Portuguese backwardness, which Euroland membership and 'austerity' made really much worse: see the group made of Portugal, Italy and Greece, and confront it with the trio composed by Germany, France and the Netherlands. Spain, however, configures a different situation, a process of 'catching up' continuing until 2009 and resuming since 2014.

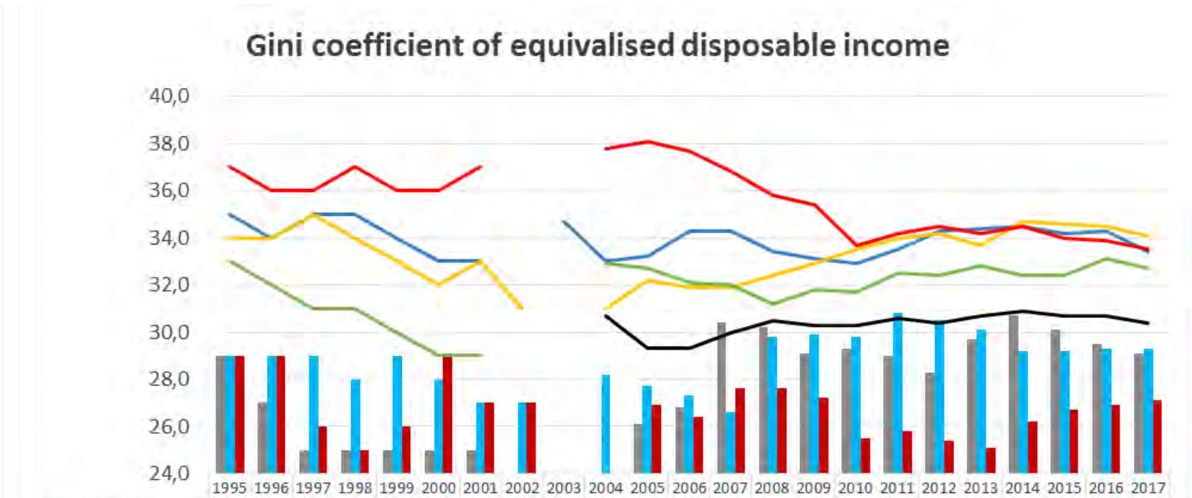
Considering a longer time spam, the diagnosis referring to Portugal is emphatically confirmed. Previously to Euro, Portuguese GDP (with and without democracy, with and without colonial empire, with and without early European integration) grows usually more than the European average, in spite of cycles being more pronounced, with occasionally bigger downwards shifts. After the Euro, and in a context where Europe's global economic growth rhythm is itself in decline, Portuguese economy sinks faster, registering values that are systematically below those of European average: see Graphic 8.

Graphic 8



As to inequalities referring to distribution of income, measured under the form of Gini coefficient, we must notice: a) Portugal is traditionally a country more unequal than the European average, and even more unequal than the other 'PIGS' (with these in turn being more unequal than the European core); b) the lag between Portugal and the European average was however suffering a slow reduction until 2010; c) the starting of the furious 'austerity' since the 'Memorandum of Understanding' has annihilated this small novelty, with Gini coefficient growing from 2010 to 2014, but d) after that, with the attenuation of austerity, it returned to the levels of 2010); e) the difference between Portugal and the average of EU remained more or less stable since 2010: see Graphic 9.

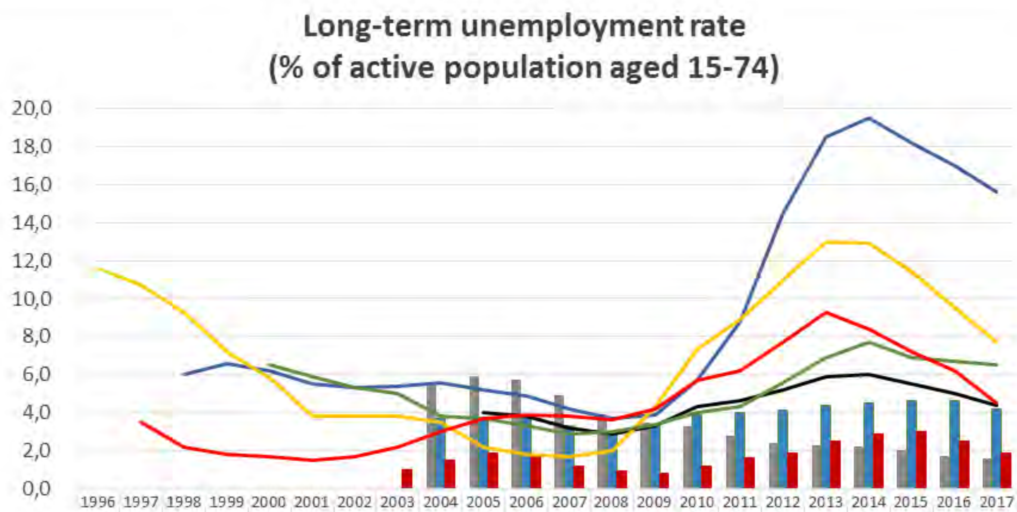
Graphic 9



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	29,0	27,0	25,0	25,0	25,0	25,0	25,0				26,1	26,8	30,4	30,2	29,1	29,3	29,0	28,3	29,7	30,7	30,1	29,5	29,1
France	29,0	29,0	29,0	28,0	29,0	28,0	27,0	27,0		28,2	27,7	27,3	26,6	29,8	29,9	29,8	30,8	30,5	30,1	29,2	29,2	29,3	29,3
Netherlands	29,0	29,0	26,0	25,0	26,0	29,0	27,0	27,0			26,9	26,4	27,6	27,6	27,2	25,5	25,8	25,4	25,1	26,2	26,7	26,9	27,1
Euro area (18)										30,7	29,3	29,3	30,0	30,5	30,3	30,3	30,6	30,4	30,7	30,9	30,7	30,7	30,4
Greece	35,0	34,0	35,0	35,0	34,0	33,0	33,0		34,7	33,0	33,2	34,3	34,3	33,4	33,1	32,9	33,5	34,3	34,4	34,5	34,2	34,3	33,4
Spain	34,0	34,0	35,0	34,0	33,0	32,0	33,0	31,0		31,0	32,2	31,9	31,9	32,4	32,9	33,5	34,0	34,2	33,7	34,7	34,6	34,5	34,1
Italy	33,0	32,0	31,0	31,0	30,0	29,0	29,0			32,9	32,7	32,1	32,0	31,2	31,8	31,7	32,5	32,4	32,8	32,4	32,4	33,1	32,7
Portugal	37,0	36,0	36,0	37,0	36,0	36,0	37,0			37,8	38,1	37,7	36,8	35,8	35,4	33,7	34,2	34,5	34,2	34,5	34,0	33,9	33,5

Simultaneously with this group of trajectories, the levels of unemployment, traditionally low in Portugal, and indeed regularly below the European average until 2006 or 2008 (according to the data used), have grown vary rapidly from 2009 to 2012 (or 2013, again according to data), consistently shifting above EU's average, and they remained above European levels until 2017, although now on a downwards trajectory, and converging with the EU in this year: see graphics 10 and 11. This additional element regarding the portrait of the Portuguese socioeconomic situation is rather important, especially considering that public social supports, and more broadly the Portuguese 'welfare state', is indeed a very weak, fragile reality.

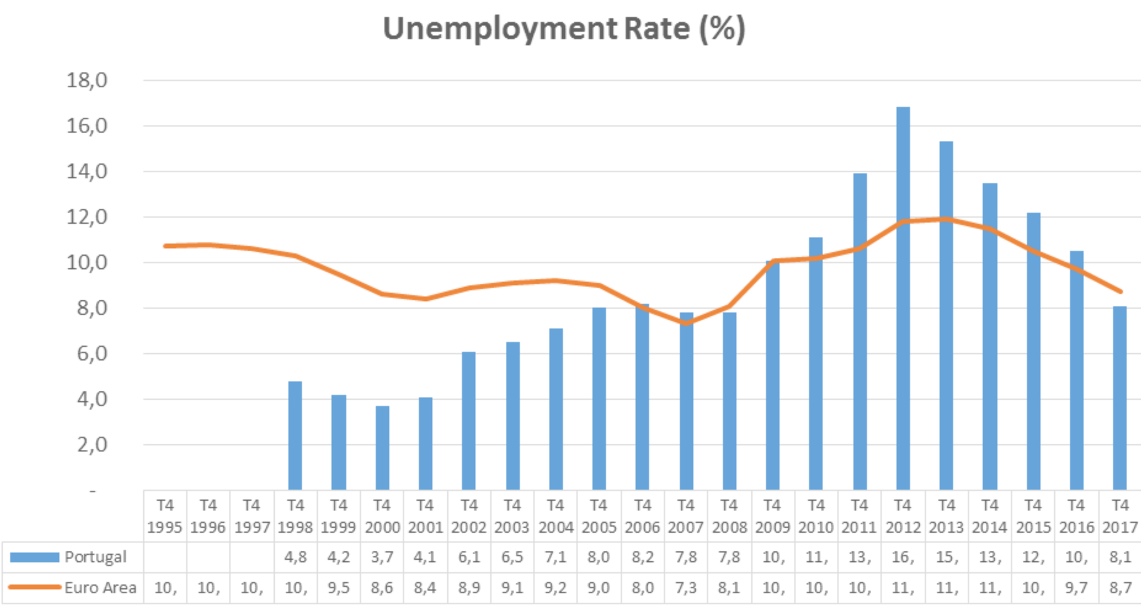
Graphic 10



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany									5,5	5,9	5,7	4,9	3,9	3,5	3,3	2,8	2,4	2,3	2,2	2,0	1,7	1,6
France									3,7	3,7	3,8	3,3	2,9	3,3	3,9	4,0	4,1	4,4	4,5	4,6	4,6	4,2
Netherlands								1,0	1,5	1,9	1,7	1,2	0,9	0,8	1,2	1,6	1,9	2,5	2,9	3,0	2,5	1,9
Euro area (19)										4,0	3,8	3,2	2,9	3,3	4,3	4,6	5,2	5,9	6,0	5,5	5,0	4,4
Greece			6,0	6,6	6,2	5,5	5,3	5,4	5,6	5,2	4,9	4,2	3,7	3,9	5,7	8,8	14,5	18,5	19,5	18,2	17,0	15,6
Spain	11,6	10,7	9,3	7,2	5,8	3,8	3,8	3,8	3,5	2,2	1,8	1,7	2,0	4,3	7,3	8,9	11,0	13,0	12,9	11,4	9,5	7,7
Italy					6,5	5,9	5,3	5,0	3,8	3,7	3,3	2,9	3,0	3,4	4,0	4,3	5,6	6,9	7,7	6,9	6,7	6,5
Portugal		3,5	2,2	1,8	1,7	1,5	1,7	2,2	3,0	3,7	3,9	3,8	3,6	4,2	5,7	6,2	7,7	9,3	8,4	7,2	6,2	4,5

If we use data from a different source, numbers for Portugal only and referring to the last trimester of each year, we basically confirm the portrait previously made: unemployment values are below the European average until 2008, above that level ever since, but on a downwards trajectory after 2012 and converging with the EU. In 2017, finally, Portugal is again slightly below the European average, with values very close to the ones of the immediately pre-crisis period: see Graphic 11.

Graphic 11

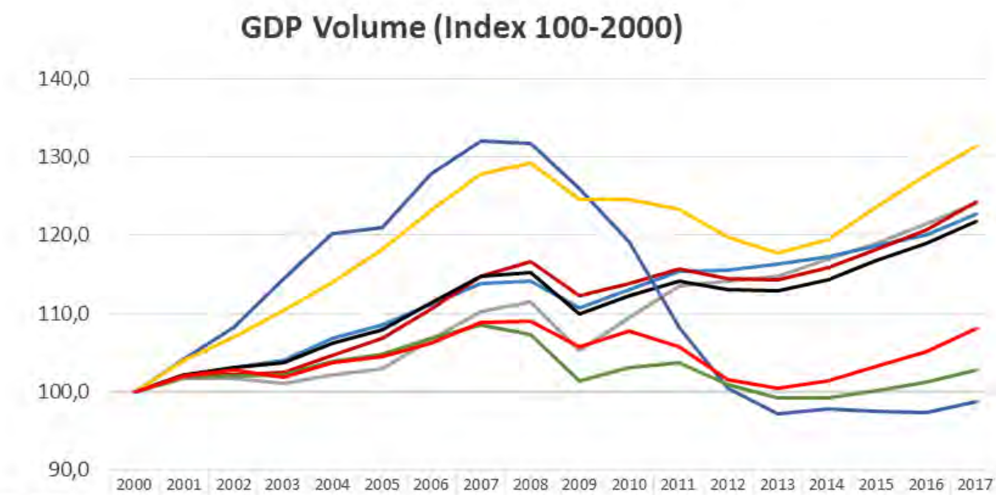


Other general trends are detectable in the evolution of Portuguese economy. Amongst those we should notice the tendency of imports and exports to converge in rhythms of growth, and in the present decade also of imports to experience a significant reduction, mostly because of austerity measures, an aspect that propitiated the correction of deficits in current account balances, as we have seen above. However, instead of such a correction occurring predominantly via the promotion of exports, which would arguably have been the case with a hypothetical currency devaluation, the actual evolution expresses a collective impoverishment of the country, inevitably producing a reduction of imports. 'Internal devaluation' indeed corrects the external deficit problem, but apparently does so in a rather more miserable way. (Again: the alternative to this 'internal devaluation'/'austerity' trajectory would have implied leaving Euroland.)

This evolution is confirmed by the generic trend of prices to a pattern of zero growth: as a matter of fact, instead of inflation there was even (in the period 2011-2013) a tendency for deflation, which could really constitute an additional reinforcing factor of generalized economic crumbling. Simultaneously, industrial production, which was already practically stagnated since the adhesion to Euro, suffered also an additional set back, going into 'negative growth' in this period. Private consumption and public spending, always very far from the imaginary orgy of expenses that was emphatically propagated by the usual 'pro-austerity' rhetoric, verified also a substantial decrease during the same period, a factor inducing a considerable reduction of the aggregate effectual demand and thus (via 'cumulative circular causality') a generalized economic collapse that seriously threatened the Portuguese economy during these years.

The true character and the dimension of this process are traceable, above everything else, by the graphical representation of the evolution of GDP, instead of its growth rates (see infra, Graphic 12). Starting with base values of 100 for the year 2000, it is clearly perceptible that in the period 2008-2013 three European countries, Portugal, Italy and Greece, have seen their accumulated economic growth of this century completely destroyed. There are, however, relevant differences even within the trio: Greek economy having a sharply 'cyclothymic' behavior (initially growing very fast and 'catching up' with the European average, only to afterwards suffer a catastrophe of epic proportions), whereas the Italian one is probably more adequately described saying that this is a 'depressed' economy, and Portugal is situated somewhere in between, but closer to the Italian model. The Spanish case is however rather different from all of these, its economy registering a higher growth than the European average, and thus a continued convergence with EU.

Graphic 12



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Germany	100,0	101,7	101,7	101,0	102,2	102,9	106,7	110,2	111,5	105,2	109,5	113,6	114,2	114,7	116,9	118,9	121,5	124,2
France	100,0	102,0	103,1	103,9	106,9	108,6	111,2	113,8	114,1	110,8	113,0	115,3	115,6	116,3	117,3	118,6	120,0	122,7
Netherlands	100,0	102,1	102,2	102,5	104,6	106,9	110,6	114,7	116,6	112,2	113,8	115,7	114,4	114,2	115,8	118,1	120,7	124,2
Euro area (19)	100,0	102,1	103,1	103,7	106,1	107,9	111,4	114,7	115,2	110,0	112,3	114,1	113,1	112,9	114,3	116,7	118,9	121,8
Greece	100,0	104,1	108,2	114,4	120,3	121,0	127,9	132,1	131,7	126,0	119,1	108,3	100,4	97,2	97,8	97,4	97,3	98,7
Spain	100,0	104,0	107,0	110,4	114,0	118,2	123,2	127,8	129,2	124,6	124,6	123,3	119,8	117,7	119,4	123,7	127,6	131,5
Italy	100,0	101,8	102,0	102,2	103,8	104,8	106,9	108,5	107,3	101,4	103,1	103,7	100,8	99,1	99,2	100,1	101,2	102,8
Portugal	100,0	101,9	102,7	101,8	103,6	104,5	106,1	108,8	109,0	105,7	107,7	105,8	101,6	100,4	101,3	103,2	105,1	108,1

RECENT DEVELOPMENTS

In the subsequent period of 2014-2017, though, the Portuguese economy somehow recovered, especially thanks to a new economic policy (by a government of the Socialist Party, critically supported by smaller parties on the Left), expressing a conscious deliberation of attenuating 'austerity' measures. This tempering of austerity induced a modest enhancement of internal demand, unequivocally with very positive repercussions in the evolution of GDP. However, even with the retrieval of recent years the Portuguese economy verifies an extremely low economic growth: a level of 108.1 was registered in 2017, still below the all-times-best of 109.0 recorded in 2008, with roughly 0.4 per cent of average yearly growth during the entire period since 2000, and still rather divergent from the European average. Moreover, recent small progresses regarding GDP have immediately jeopardized the situation referring to the current account balance, because of the rapid upsurge of imports and the permanent difficulties in promoting exports, given the excessively evaluation of Euro (from the perspective of Portugal's needs).

This is, therefore, a rather precarious situation, that could only continue until now given a number of a rather favorable group of conditions, including the persistence of a low level of interest rates, the good panorama concerning oil prices (one of the country's crucial imports), and also the boost of real estate induced by the auspicious evolution of tourism, Lisbon and other Portuguese cities apparently having become rather *à la mode* internationally. However, it should also be noted that this panorama coexists with the exacerbation of Portugal's regional asymmetries (the touristic bonanza obviously not reaching most of the country), and that such a pattern of growth fundamentally replicates, albeit in an attenuated form, the events occurred in the early years of the century, immediately before the crisis. Finally, in the long run this appears to be a rhythm of growth remaining below Europe's average, and therefore we may say that Portugal seems to consistently diverge from richer countries, instead of catching up. Besides, the basic European institutional constraints have in recent years globally experienced a reinforcement, which from a Portuguese perspective mostly spells increased coercion. Some authors have, with a considerable amount of reasonability, recently voiced opinions even more severe and more drastic regarding the European integration than the ones expressed here, both regarding the interpretation of the past and the present, and the future prospects. Such is the case of, for instance, João Rodrigues:

> "What was really a crisis of competitiveness, of external accounts, was transformed into a problem of public debt, since it was via the (due to the crisis) more difficult and more expensive financing of growing public deficits that the turbulence found expression in the European periphery. A huge program was then set of socialization of losses of the European core's banks. The Troikas were thus born, and the Euro revealed its nature. In countries having abandoned basic instruments of economic policy, the costs of adjustment are paid by direct and indirect salaries, welfare state and the rules protecting those who work. To conventional wisdom, 'reforms' are a synonym of systematic income transfers from labor into capital, as those occurred during the Troika.
>
> In the meantime, hundreds of thousands [of Portuguese citizens] have voted with their feet, emigrating. The country sold strategic assets at sales prices. Lots of productive capacity was destroyed by a counterproductive austerity. The substantial attenuation of austerity and the conduct of ECB permitted a slow and fragile recovery. Portugal reinvented herself: a sort of European Florida, based on tourism and lots of precarious and relatively cheap labor, discovering that real estate is rendered a tradeable good by hitch-hiking a bubble. The reforms of Euro reinforced the loss of budget sovereignty, without solving the fundamental problems. The so-called Banking Union was instrumental to apply the principle 'you Portuguese pay, we in the European political center tell you how to do it': foreign banks are ever more imperative. Meanwhile, the Eurozone exports instability into the international system, now that the deficits of the peripheries have disappeared, without attenuation of the surpluses of the center. There you have Trump, his finger pointed at Germany. The Euro was and will be a factor of instability, division and lack of protection" (Rodrigues 2019, our translation).

European average of GDP growth, in turn, is far from having had what we might name a bright evolution, with the level of 115.2 being reached in 2008, followed by a decline to 110.0 in 2009, full recovery occurring only in 2015, with a mark of 116.7 (see Graphic 12, supra). Within this scenery, though, 'cyclothymic' Greece and 'depressed' Italy are unquestionably the champions of misery, Portugal coming third, not exactly something to be proud of. All these three 'PIGS' were unquestionably victims of Euro belonging, but the collective reactions have mostly approached the model of 'escape from freedom', a deep mistrust in each country's capacity to survive based on its own energies and resources, and instead the massive persuasion that salvation was somehow to be expected from heavenly Brussels, even after the facts having massively shown otherwise. It is fair to say that the Portuguese public opinion has something like a neurotic phobia of leaving Euroland, somewhat similar to the popular belief, promoted during the last decade and a half of existence of 'Estado Novo' (the 1960s and early 1970s), that the country would simply not be *able to survive without its colonies*. If this popular belief was during those times promoted (and simultaneously exploited) in order to pursue a policy of die-hard colonialism, now we are arguably facing an analogous promotion and exploitation of similar fears in order to promote a die-hard 'Europeanism' that insists and persists in stubbornly going ahead against all advice and in contradiction of all evidences.

In case we confront the Portuguese evolution in the years 2000-2017 with the one of European core countries, such as Germany, France and the Netherlands, the previously expressed diagnosis is immediately reinforced by the fact that in this period all these countries have behaved slightly better than EU's average, that is to say, they diverged upwards, notwithstanding the important fact that until the crisis of 2008 both France and Germany seemed to be slowly losing speed: only after 2008 they recovered, and specially Germany, thus surpassing European average. These comparisons, yet still, regard a 'championship' of poor performers, within a generic frame characterized by economic mediocrity. Evidently, Euroland is globally rather far from constituting a model of economic health, but within it the three poor 'PIGS' (Greece, Italy and Portugal) are definitely and obviously a trio of losers. That much, at least, may be taken for granted beyond any reasonable doubt.

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RETHINKING THE EURO AS A COMMON CURRENCY FOR EUROPE: KEYNES'S PLAN REVISITED

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Abstract

This paper sets off from the monetary–structural origins of the euro-area crisis, which is not a sovereign debt crisis, but a crisis due to a lack of payment finality at international level. The first section explains that international payments across the euro area are not, to date, final for the countries concerned, as the European Central Bank does not operate as settlement institution for the national central banks involved thereby. The exploding TARGET2 imbalances observed in the aftermath of the euro-area crisis are an empirical evidence of this monetary–structural flaw. The second section suggests therefore that at the euro-area level there should be an international monetary institution issuing the euro as a common (instead of a single) currency for the euro-area member countries. Thereby those countries that are currently much in trouble within the euro area may reintroduce a national currency that allows them to recover monetary-policy sovereignty as a tool that can be used, together with fiscal policy, to steer the domestic economy in the country's own interest. The third section concludes with some policy-oriented remarks, putting to the fore the major merits of transforming the euro from a single into a common currency in order to contribute to European (monetary) integration for the common good.

Keywords: *euro area; financial crisis; Keynes's Plan; TARGET2 system*

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INTRODUCTION

This paper sets off from the monetary–structural origins of the euro-area crisis, which is not a sovereign-debt crisis, but a crisis due to a lack of payment finality at international level. The first section explains that international payments across the euro area are not, to date, final for the countries concerned, as the European Central Bank does not operate as settlement institution for the national central banks involved thereby. The exploding TARGET2 imbalances observed in the aftermath of the euro-area crisis are an empirical evidence of this monetary–structural flaw. The second section suggests therefore that at the euro-area level there should be an international monetary institution issuing the euro as a common (instead of a single) currency for the euro-area member countries. In such a monetary–structural reform, the euro will be used by central banks only, allowing the residents of any euro-area country to use their own national currency for the settlement of both their domestic and cross-border transactions. Thereby, those countries that are currently much in trouble within the euro area may recover monetary sovereignty, hence monetary policy, which, together with fiscal policy, will allow national policy makers to steer the domestic economy in the country's own interest. The third section concludes with some policy-oriented remarks, putting to the fore the major merits of transforming the euro from a single into a common currency in the spirit of Keynes's Plan in order to contribute to European (monetary) integration for the common good.

THE EUROPEAN MONETARY UNION IS NOT A SINGLE-CURRENCY AREA

The euro-area crisis that erupted at the end of 2009 has shown a number of open issues as regards European Monetary Union (EMU). The original sin of the euro is indeed that the latter is "a currency without a State" (Padoa-Schioppa 2004: 35).[2] This means that the euro has no economic governance at the EMU level, since the monetary policy of the European Central Bank (ECB) has no parallel set of macroeconomic policies at the same institutional level. This concerns particularly fiscal policy, which remains at the country level, even though with a number of constraints imposed by the EMU and its institutions – which ignore the importance of co-ordinating economic policies across a currency area, as already pointed out by Kenen (1969: 45-46). As a matter of fact, the euro-area crisis showed dramatically that there is no co-ordination between monetary and fiscal policies across the EMU. Further, there are also no fiscal transfers between EMU member countries, which do exist in many countries like the United States and Germany in order to make the country's monetary union viable over the long run, as Draghi (2014) pointed out cogently.

In this regard, and in light of the tremendous damages elicited by the euro-area crisis, it is plain that the euro should be abandoned as a single currency for any EMU residents – as long as there are no permanent fiscal transfers between its member States and a truly European federal Treasury – to become a common currency for the euro-area national central banks only. This allows any country within the euro area to reintroduce its own currency in order to make it less prone to crisis and to contribute to financial stability and maximum employment across the euro area. All this will be much instrumental in curbing fiscal deficits with respect to GDP (we will expand on this in the next section).

To be sure, in its present form the euro area is not an optimum currency area (OCA), because the relevant criteria (see Mundell 1961) have never been met so far by euro-area member countries. The most difficult OCA criterion to respect refers to labour mobility across national borders: even after the eruption of the euro-area crisis at the end of 2009, workers' geographic mobility across the euro area remains weak compared to the United States (which also have a single currency for their member States). Indeed, the comparison between the euro area and the United States is interesting on various accounts. US fiscal and monetary policies are very different from those in the euro area on institutional grounds: they

[2] In fact, beyond the "original sin" pointed out by Padoa-Schioppa (2004: 35), there are other factors that explain the euro-area crisis, notably German neo-mercantilism as well as functional and personal income distribution both within and across euro-area member countries. See Stockhammer et al. (2009), Cesaratto and Stirati (2010), Simonazzi et al. (2013), and Cesaratto (2015).

consider notably unemployment across the US federation of member States, particularly since there are permanent fiscal transfers between them, in order to reduce unemployment in those US member States most suffering from it. The US Federal Reserve (Fed) is also part of this process, because (according to the Federal Reserve Act) it must "promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates" (Board of Governors of the Federal Reserve System 2018a, Section 2A). This "dual mandate" should inspire the ECB as well as European political leaders (particularly in so-called "peripheral" countries in the euro area) to revise the ECB's statutes, making sure the latter central bank has for the whole euro area a "dual mandate" similar to the Fed's. This will become necessary (at the latest) when the EMU sets up a European federal Treasury with the capacity to tax and spend, as clearly explained by Kenen (1969) and recalled by Bibow (2016). In the meantime, the ECB mandate must be rapidly revised, to include in it the obligation for the ECB to purchase (without any limits or conditions) the government bonds of those countries that are still most suffering from the euro-area crisis, to wit, the "peripheral" countries around the Mediterranean Sea.

As a matter of fact, the introduction of the euro led many financial market participants to speculate that a single currency is the best guarantee against exchange-rate risks. This gave rise to a mushroom growth of capital flows into some "peripheral" EMU countries during the first ten years of the EMU. Their country risk was thus ignored, considering that the euro area is too big to fail. Indeed, despite several "excessive public deficits" in a number of euro-area countries that did not respect the relevant Maastricht criterion during the first ten years of the EMU, all these countries' residents (in both the public and private sectors of the economy) continued to pay much lower interest rates than they should have paid normally (Rossi and Dafflon 2012). Hence, a credit bubble has inflated – notably in the private sector of "peripheral" countries like Spain and Ireland with regard to the housing market. In this framework, the single monetary policy carried out by the ECB aggravated the situation, since it contributed to inflate the credit bubble, which, once the euro-area crisis burst, ravaged a number of banks' balance sheets also in so-called "core" EMU countries like Germany. ECB interest rates were clearly too low for "peripheral" countries such as Spain, where they inflated a credit bubble that initially benefited their domestic economy as well as their foreign creditors, but later on induced a systemic crisis across the euro area. As Vernengo and Pérez-Caldentey (2012) noted, monetary union and financial deregulation allowed "core" EMU countries to put to practical use their export-led strategy for economic growth against the interest of their neighbours. In particular, German savings that reflect Germany's huge current-account surpluses have been lent to deficit countries, which have thereby financed their current-account deficits before the crisis burst. The resulting economic growth induced by the indebtedness of "peripheral" countries has strongly increased and sustained their domestic demand, thus allowing "core" countries such as Germany to record increasing current-account surpluses before the eruption of the global financial crisis in 2008 after the demise of Lehman Brothers in the United States (Rossi 2013, 2015).

Now, rather than supporting with permanent fiscal transfers those EMU countries most in trouble because of the crisis, the European institutions (influenced by Germany) have obliged the hardly-hit countries to adopt a series of "fiscal consolidation" policies that aggravated their macroeconomic situation eventually. These austerity policies in fact reduced public spending (first and foremost as regards health, education, and social security) and increased taxes (on consumption rather than on wealth and financial transactions). As a result, domestic demand weakened in both the private and public sectors of these countries, notably in those economies where the demand on the market for produced goods and services should have been increased to support economic growth and the employment level. The negative consequences of austerity policies hit also the labour market, because the downward pressure on the wage level aggravated the economic situation rather than increasing the country's competitiveness. Hence, financial market participants have been considering that countries implementing "fiscal consolidation" policies will not be in a position to reimburse their debts when the latter fall due, which increases the spreads on their public debt with respect to Germany and the pressures on their own government to adopt further austerity policies in a never-ending vicious circle. This is so much so that an economic recession may distress the whole euro area, as intra-euro-area trade is affected negatively by "fiscal consolidation" (see Mastromatteo and Rossi 2015, 2019).

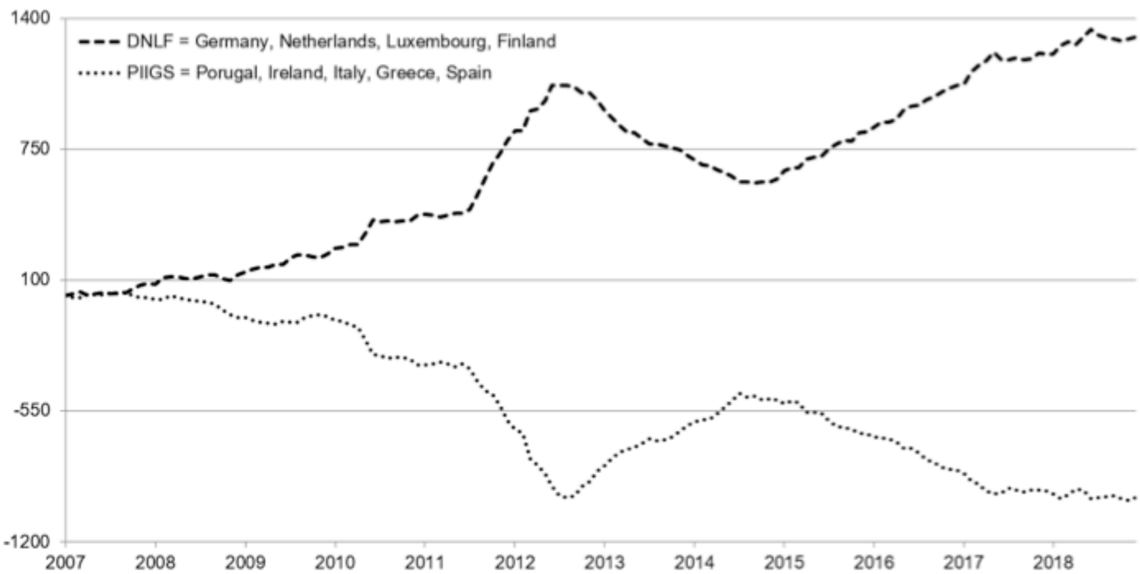
All in all, the neoliberal economic policies adopted before as well as after the bursting of the euro-area crisis cannot solve the problems that they have induced themselves. A monetary–structural reform of the euro area can be the right solution, provided that the logical and conceptual flaws of the EMU are eradicated. The next section expands on this in the spirit of the proposals that Keynes presented at the Bretton Woods conference in July 1944 unsuccessfully.

A MONETARY–STRUCTURAL REFORM TO ACHIEVE EUROPEAN MONETARY INTEGRATION

Paradoxically, the EMU is not a monetary union. This cannot be explained, as De Grauwe (2013) maintains, by the fact that the euro is a foreign currency in all EMU countries, since the latter have abandoned their monetary sovereignty to the ECB. The lack of monetary union across the euro area results from the fact that the payment and settlement system called TARGET2 still lacks a settlement institution between national central banks (Rossi 2013).

Before the bursting of the euro-area crisis, in 2009, the positive TARGET2 balances credited to net exporting countries (like Germany) were spent by their own residents, purchasing the (private or public) bonds that deficit countries (such as Greece) sold in order for them to finance their net imports. As a result, TARGET2 balances have been kept to a minimum before the bursting of the euro-area crisis. Since then, by contrast, surplus countries are much less prone to lend their positive TARGET2 balances to net importing countries. This explains the mushroom growth of TARGET2 imbalances since 2009 (Figure 1).[3]

FIGURE 1
THE EVOLUTION OF TARGET2 BALANCES, 2007–2018 (BILLION EUROS)



Source: www.eurocrisismonitor.com (author's elaboration).

[3] For different explanations of TARGET2 imbalances, see Cecchetti et al. (2012), Cecioni and Ferrero (2012), Auer (2014), and Febrero et al. (2018).

TARGET2 imbalances are the empirical evidence of the fact that, to date, any euro-area country's foreign trade does not give rise to a final payment for the countries concerned when the TARGET2 system credits the relevant national central banks. Indeed, a final payment between the payer and the payee means that the latter has no further claims on the former (Goodhart 1989: 26). This amounts to saying that those payments that national central banks carry out in the TARGET2 system are not final, as they leave the exporting country with a claim on the importing country[4] – each country being represented by its own central bank within TARGET2. To date, as a matter of fact, the ECB acts as a settlement *agent*, keeping the books of TARGET2, instead of being the settlement *institution*, which issues the means of final payment for the parties involved thereby (that is, national central banks in the euro area).

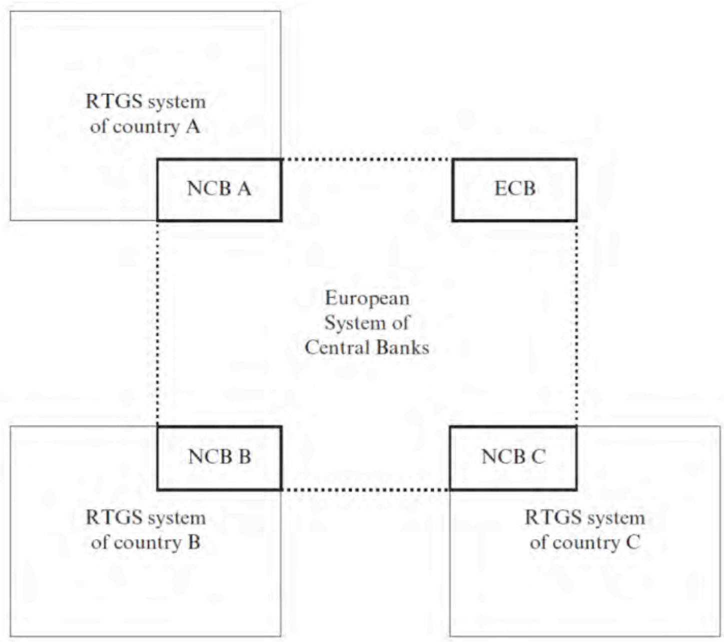
As pointed out by the European Central Bank (2007: 34), "[c]ross-border TARGET payments are processed via the national RTGS [Real Time Gross Settlement] systems and exchanged directly on a bilateral basis between NCBs [national central banks]". To be more precise in this regard, "[o]nce the sending NCB has checked the validity of a payment message and the availability of funds or sufficient overdraft facilities, the amount of the payment is debited irrevocably and without delay from the RTGS account of the sending credit institution and credited to the Interlinking account of the receiving NCB" (p. 35).[5] This means that the ECB does not issue (central bank) money, contrary to what occurs within any national payments system, where the national central bank intervenes as settlement institution, issuing its own money units in order to make sure that the interbank payment is final for all banks concerned (see Rossi 2007a: 67-78).

Indeed, the TARGET2 system is much different on structural grounds from the Federal Reserve Wide Network (Fedwire) that makes sure all interbank payments are final for the parties concerned in the United States. Fedwire is actually in charge of payment finality for all payment orders across the 12 Fed Districts in the United States. These payments are recorded in the Interdistrict Settlement Account (ISA) by a centralized accounting system. As the Board of Governors of the Federal Reserve System (2018b: 50) explains, "[t]he daily settlement between Districts is conducted by the centralized accounting system, which captures the data needed to conduct settlement. Once settlement has been effected, the appropriate entries are posted directly to each Reserve Bank's accounts", as a result of the final payment between the relevant Districts. Hence, "[p]ayments between commercial banks of different Districts [in the United States] are done via the Fedwire system and are settled via the accounts of the commercial banks at the corresponding District Fed. The payments are booked in the ISA, which is a real-time gross settlement system" (Sinn and Wollmershäuser 2012: 496).

Now, TARGET2 is also a RTGS system, but this does not suffice to conclude that both the US and the EMU payments systems have the same monetary–structural architecture. Actually, these systems differ on a major point: in the United States, a District Fed must finally pay its yearly average increases of its ISA negative balances through a transfer of financial assets, whilst the euro-area national central banks have not such an obligation (yet). Hence, their negative TARGET2 balances may increase without any limitations, thereby increasing the positive balances of net exporting countries in the same system. This essential distinction between the Fedwire and TARGET2 systems stems from the fact that the ECB does not act as a settlement institution between the relevant national central banks, as already pointed out (Rossi 2013). Indeed, the TARGET2 system has two rather than three institutional levels: the first level is composed by the ECB and the national central banks of EMU countries, whilst the second level is made of banks and non-bank financial institutions in the latter countries (Figure 2).

[4] This does not imply, however, that the paying resident does not pay finally. In fact, cross-border payments are final for the agents concerned, but are not so (yet) for the countries within which these agents reside (see Rossi 2009a, for analytical elaboration).
[5] The "Interlinking account" is an account that each national central bank has within the Interlinking mechanism, which designates "the infrastructures and procedures which link domestic RTGS systems in order to enable the processing of inter-Member State payments within TARGET" (European Central Bank 2011: 58).

FIGURE 2
THE TWO-TIER PAYMENT INFRASTRUCTURE OF TARGET2



Let us point out in this regard that the ECB to date acts at the same institutional level of national central banks. This means that it is not their settlement institution, as it should be according to its specific role (Rossi 2012).

Now, the current monetary–structural disorder within the euro area must be eradicated, as it is a major factor of financial instability that can give rise to a systemic crisis. The solution to this problem may occur in two steps. In the first step, as we explain in this section, the euro must become a purely supranational currency, reintroducing national currencies in those EMU countries that are most in trouble, thereby allowing them to recover their monetary sovereignty in order for them to have an additional economic policy instrument to address the origins and consequences of the euro-area crisis. Later on, in a second step, which might take many years to occur owing to political reasons, the ECB must become a settlement institution within the TARGET2 system, issuing its own units of (central bank) money to make sure that all payments across the euro area are final for the national central banks involved thereby.

Before the ECB becomes the central bank of national central banks in the EMU, each of its member countries can reintroduce its own national currency and use the euro only for the settlement of international transactions. This recalls the Keynes Plan, which was put to the fore in the early 1940s to set up an International Clearing Union, on top of which Keynes put an International Settlement Institution (ISI) issuing bancor as supranational currency (see Keynes 1980, but also Schmitt 1973, and Rossi 2007b, 2009b).[6] We do not discuss in this paper the merits and shortcomings of the Keynes Plan (see Rossi, 2007b: 100-103 for such a discussion), but focus on how it will be possible for EMU member countries to recover their monetary sovereignty and transform the euro into a means of final payment for all their international transactions across the euro area (and beyond it). The main point of the suggested reform is to make sure that all cross-border payments are final for the countries involved thereby – and not just for their own residents, as it occurs to date. This is essential to make sure an international monetary order

[6] Lavoie (2015) argues that there exist some similarities between Keynes's Plan and the actual working of the TARGET2 system, whilst Barredo-Zuriarrain et al. (2017) put forward a proposal of reforming such a system in the spirit of Keynes's Plan.

exists as regards the euro area. An ancillary, complementary point of the monetary–structural reform that we propose in this paper is the recovery of monetary sovereignty by those euro-area member countries whose population has been most suffering from the "fiscal consolidation" policies adopted by their national governments in the aftermath of the crisis that burst at the end of 2009 across the EMU.

Let us suppose, for instance, that the government of country A (in the euro area) decides to reintroduce its national currency (money A, MA) for the settlement of its residents' domestic transactions. If so, then the euro will be used only for paying the cross-border transactions of its residents, who nevertheless will pay and be paid in MA for them. The euro will be used only by the central bank of country A, which represents this country as a whole within the international monetary space. In such a case, every cross-border payment concerning this country will imply two currencies, MA and the euro, the latter being the "vehicle" of the former in the international monetary space (Table 1).

TABLE 1
THE RESULT OF A CROSS-BORDER PAYMENT FROM A NON-EURO EMU MEMBER COUNTRY

Central Bank of Country A			
Domestic Department		External Department	
Assets	Liabilities	Assets	Liabilities
Bank B1 (importer) +x MA	External Department +x MA	Domestic Department +z euros	Central Bank of Country B +z euros

with x MA = z euros.

When an importer in country A sends a payment order (for an amount of z euros) to the paying bank (B1), the latter will not carry out this order as it does to date, that is to say, through the payee bank (B2) in the exporting country (see previous section). The cross-border payment will occur through the national central bank, which to this end needs to split its book-keeping in two departments: the domestic department records in money A every payment concerning the rest of the world, whilst the foreign department records the same payment in euros, to make it final at the international level as noted by Keynes (1980: 168).[7] Thereby, country A can replace the euro with its own national currency and recover its monetary sovereignty, that is, the possibility to implement its monetary-policy decisions in order to steer the domestic economy according to its own needs. If also country B replaces the euro with its own national currency (money B, MB), the book-keeping entries in its banking system are analogous (*mutatis mutandis*) to those recorded in Table 1 for country A. By contrast, if country B sticks to the euro, its cross-border payment is carried out as it occurs to date, to wit, by crediting the commercial bank (in which the exporter has an account) through the TARGET2 system.

Let us now suppose that a resident in country A receives a payment from a resident in country B for an amount of z´ euros. Table 2 shows the relevant entries.

[7] The creation of these two departments within the national central bank is not necessary in order for our monetary–structural reform proposal to be successful, because its objectives can be achieved even if the national central bank keeps its actual single-department book-keeping. In the latter case, however, each commercial bank must keep two accounts with its central bank: one in national currency and another one in euros. This solution gives rise to a problem, nevertheless, as it does not avert the possibility that a bank uses the euros deposited with its central bank, submitting thereby the country's residents to the monetary policy decisions of the ECB (as this occurs to date).

TABLE 2
THE RESULT OF A CROSS-BORDER PAYMENT TO A NON-EURO EMU MEMBER COUNTRY

Central Bank of Country A

Domestic Department		External Department	
Assets	Liabilities	Assets	Liabilities
External Department +x' MA	Bank B1 (exporter) +x' MA	Central Bank of Country B +z' euros	Domestic Department +z' euros

with x' MA = z' euros.

Similarly to Table 1, Table 2 shows that any cross-border payment concerning country A is recorded twice in the central bank ledgers: there is a double-entry in money A and an equivalent double-entry in euros simultaneously. This is indeed necessary in order to separate the circuit of MA from the euro circuit. If the latter does not interfere with the former, then country A recovers its monetary sovereignty, becoming simultaneously a member of the international monetary space defined by the circuit of euros involving national central banks only.

In our stylized example, at this stage there exists a current-account imbalance, because the payment of country A's imports (x MA or equivalently z euros) is not of the same amount as the payment of this country's exports (x´ MA, that is, z´ euros). Let us thus suppose that country A records a trade deficit for an amount of x–x´ MA (z–z´ euros). In fact, this is also a *payment* deficit, which then must be settled to avoid international monetary disorder. This disorder affects the actual working of TARGET2: contrary to the Fedwire system – in which (let us recall it) each District Bank must settle, once a year, the yearly average increase of its negative balance through a transfer of financial assets – the national central banks participating to the TARGET2 system have not (yet) such an obligation. As a result, their negative balances can go on increasing without any limitations, thereby increasing also the positive balances of those national central banks whose countries record a trade surplus like Germany. This, as we already pointed out, stems from the fact that the ECB does not act as settlement institution for the national central banks in the TARGET2 system.

Hence, if EMU member countries reintroduce their national currencies, their central banks must be obliged to settle (at least once per year) their negative balances within TARGET2 through a transfer of financial assets to the central banks of those countries that have a positive balance within that system. Let us analyse this with an example.

Suppose that the central bank of country A must sell financial assets for an amount that corresponds to this country's trade deficit (worth x–x´ MA, that is, z–z´ euros). This financial-market transaction may occur with the central bank of country B or with any other market participant. The important point in this regard is that the central bank of country A is credited with an amount of (z–z´) euros corresponding to this country's trade deficit, which is thereby paid finally in the international monetary space. If such a transaction occurs between countries A and B, the relevant entries are those recorded in Table 3.

TABLE 3
THE RESULT OF THE SETTLEMENT OF A NON-EURO EMU MEMBER COUNTRY'S TRADE DEFICIT

Central Bank of Country A

Domestic Department		External Department	
Assets	Liabilities	Assets	Liabilities
Financial assets -(x-x') MA External Department +(x-x') MA		Central Bank of Country B +(z-z') euros	Domestic Department +(z-z') euros

with (x–x´) MA = (z–z´) euros.

Let us point out that the sale of financial assets by the central bank of country A (that will occur once the monetary–structural reform that we propose in this paper is carried out) does not boil down to the sale of government bonds that deficit countries have been doing during the decade preceding the bursting of the euro-area crisis. The central bank of the deficit country, in fact, will have to dispose of these assets in its own portfolio. In this case, the deficit country will be obliged to export more during the relevant year – at the end of which the negative balances within TARGET2 must be settled, in real terms, through a transfer of financial assets between the participating national central banks.[8] To be sure, the payment for financial exports will occur similarly to any payments for commercial exports: the national central bank will record the relevant entries in its two book-keeping departments to finalize the payment order and to make sure that the euro circuit does not interfere with the circuit of its national currency.

All in all, the current-account deficit of country A will be finally paid at international level through an export of financial assets that transfers a purchasing power from A to the rest of the world, settling thereby the external debt of the foreign department of this country's central bank (Table 4).

TABLE 4
THE RESULT OF PAYMENT FINALITY FOR A TRADE DEFICIT NON-EURO EMU COUNTRY

Central Bank of Country A

Domestic Department		External Department	
Assets	Liabilities	Assets	Liabilities
Bank B1 (x-x') MA Financial assets -(x-x') MA		0 euros	0 euros

Now, if no financial-market participant buys those financial assets that a deficit country (like A) needs to sell (through its central bank) in order to pay this deficit finally, there must be an international financial intermediary – such as the ISI – which intervenes in this respect. Indeed, although country A might be

[8] The ISI could verify, for instance on a quarterly basis, that each national central bank has enough financial assets in its own portfolio, in order to settle the current-account deficits of its country's balance of payments. To do this, the ISI may consider the criteria adopted by the European Commission with regard to the macroeconomic imbalance procedure, which has set a limit of 6 per cent of the country's GDP for its trade surplus and a limit of 4 per cent for its trade deficit. This implies that a country like Germany will prefer to import more goods and services rather than buying financial assets, in order for it to avert to be sanctioned within that framework. See Rossi (2017) for analytical elaboration.

asked to reduce its imports and/or to increase its exports to balance its foreign trade over time, any trade deficit must be paid finally, to avoid international monetary disorder. It is at this stage that the ECB must intervene, as explained in the previous section, to make sure that the government bonds of country A are considered as eligible financial assets for monetary-policy operations. If so, then the government bonds of deficit countries in the euro area will be demanded again by financial-market participants, since the latter may dispose of these bonds when they want to obtain liquidity from the Eurosystem. This should be enough to make sure that the ECB is not under political pressure to purchase these government bonds (on the primary market), even though this purchase should be possible once the ECB's statutes are revised to adopt the "dual mandate" of the Fed (as explained above).

In the meantime, the lender-of-last-resort role of the ECB as regards the governments of the EMU member countries can be carried out by the ISI, which would thereby act as an international financial intermediary as far as it would lend to deficit countries (like A) the positive balances denominated in euros that are saved by surplus countries (like B, in the above stylized example). To reject the critiques of those economists who refuse a lender of last resort for national governments in the euro area, it is enough to consider that, in fact, no central bank grants a credit from scratch to any government that would ask it for a loan. As a matter of fact, any national central bank that, to date, intervenes as a lender of last resort – be it for the government or any financial-market participants – merely transfers to deficit agents the savings recorded in the bank accounts that other agents possess. Let us show this with regard to our stylized example (Table 5).

TABLE 5
AN INTERNATIONAL FINANCIAL INTERMEDIARY IS NOT A LENDER OF LAST RESORT

Central Bank of Country A

Domestic Department		External Department	
Assets	Liabilities	Assets	Liabilities
Financial assets sold to the ISI -(x-x') MA External Department +(x-x') MA		ISI +(z-z') euros	Domestic Department +(z-z') euros

International Settlement Institution

Assest	Liabilities
	Central Bank of Country B (External Department) -(z-z') euros Central Bank of Country A (External Department) +(z-z') euros

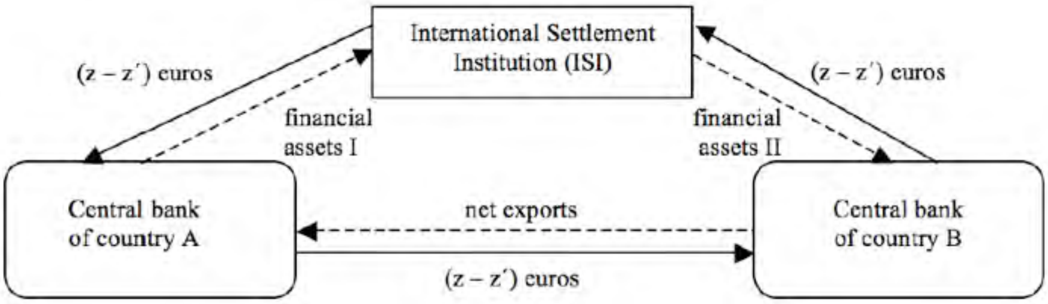
Central Bank of Country B

Domestic Department		External Department	
Assets	Liabilities	Assets	Liabilities
Financialk assets bought from the ISI +(y-y') MB	External Department +(y-y') MB	Domestic Department +(z-z') euros	ISI +(z-z') euros

with (x-x') MA = (z-z') euros = (y-y') MB.

As Table 5 shows, the central bank of country B (a surplus country) spends the amount corresponding to the trade surplus of this country in the payment of the financial assets that it purchases from the ISI, which transfers thereby to the central bank of country A (a deficit country) the purchasing power that the latter needs to pay finally its net imports by selling financial assets to the ISI. Figure 3 illustrates the relevant flows.

FIGURE 3
THE TWO CIRCUITS INVOLVING THE INTERNATIONAL SETTLEMENT INSTITUTION



As Figure 3 shows, the ISI intervenes merely as an international financial intermediary, that is, it does not originate the credit that it provides to the central bank of country A. This credit is eventually financed by the income that country B earns owing to its net commercial exports, which is recorded for an amount of (z–z´) euros by this country's central bank. All in all, it is the surplus country (B) that acts as a lender of last resort indirectly, to wit, through the ISI as an intermediary, in order to grant a credit to deficit countries like A for the amount necessary to settle their current-account imbalances and with a payment that is final not just for all agents concerned but also for their countries.

CONCLUSION

The monetary–structural reform of the euro-area payment system that we propose in this paper has two objectives. On the one hand, it aims at transforming promises of payment into final payments for the countries concerned by the cross-border transactions of their residents. On the other hand, it intends disposing of "fiscal consolidation" that, at the time of writing, affects negatively both the economic situation and the life of much of the euro-area population. The first objective is a factor of financial stability, because it limits the possibility that banks inflate a bubble when opening credit lines in the current monetary system. Actually, the TARGET2 system does not make sure that a payment is final for the countries concerned by it. The second objective, by contrast, is meant to induce surplus countries, like Germany, to contribute reducing imbalances across the euro area, by increasing their commercial imports from deficit countries within it. This does not only rebalance austerity policies in those EMU countries most suffering from the euro-area crisis: it also induces the creation of new jobs, hence also of fiscal revenues, both of which are extremely necessary in all these countries.

In spite of the fact that this reform is certainly very difficult to put into practice, owing to the power relations between EMU countries as well as between social groups in each of them, such a reform can gather a large political consensus both within these countries and at the EU level, considering the increasing risks of a euro-area implosion when, for instance, a country like Italy or Spain has to leave the EMU without a valid solution like the monetary–structural reform proposed in this paper. As Machlup (1963: 259) put it, "bank managers and others with practical experience ought to stop regarding anything that has never been tried as impractical, and the theorists ought not to give up attempts to advance their favorite schemes just because the bankers refuse to listen." By the way, the monetary–structural reform proposed in this paper has some similarity with the European Payments Union (EPU) that existed in the 1950s. As Triffin (1978: 15) noted in this regard, "[t]he EPU agreement was a remarkably clean and simple document, embodying sweeping and precise commitments of a revolutionary nature, which overnight drastically shifted the whole structure of intra-European payments from a bilateral to a multilateral basis." The merit of the EPU was to give a multilateral character to those international payments that were recorded by the Bank for International Settlements (BIS). Now, the problem of the EPU was indeed related to the BIS, which acted just as a settlement *agent* (recording the results of these transactions in its own unit of account) instead of operating as settlement *institution* (issuing the means of final payment for the EPU member countries). In fact, no foreign deficit can be paid finally with a simple unit of account: a truly international money is necessary for this purpose (see Rossi 2009c for analytical elaboration on the EPU).

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COMPLETING THE EURO: THE EURO TREASURY AND THE JOB GUARANTEE

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Abstract

The problems with the design of the Eurozone came into focus when, late in 2009, several member nations – notably Greece – failed to refinance their government debt. The crisis that followed was not entirely a surprise. When the Euro was launched in 1999, many economists warned that the single currency was unworkable. Even Eurozone optimists argued that the Euro project would eventually need to be completed. More than 10 years after the crisis, unemployment rates remain elevated and continue to threaten the social, political and economic stability of the Eurozone. The institutional constraints of the single currency however preclude bold action to address these challenges. In this paper, we suggest that tackling the twin problems of the Eurozone – its institutional flaws and mass unemployment – could be addressed by creating a Euro Treasury that would finance a Job Guarantee program, which would eliminate mass unemployment, enhance price stability, and foster social and economic integration across Europe.

Keywords: *Euro, Euro Treasury, Job Guarantee, Monetary Sovereignty*

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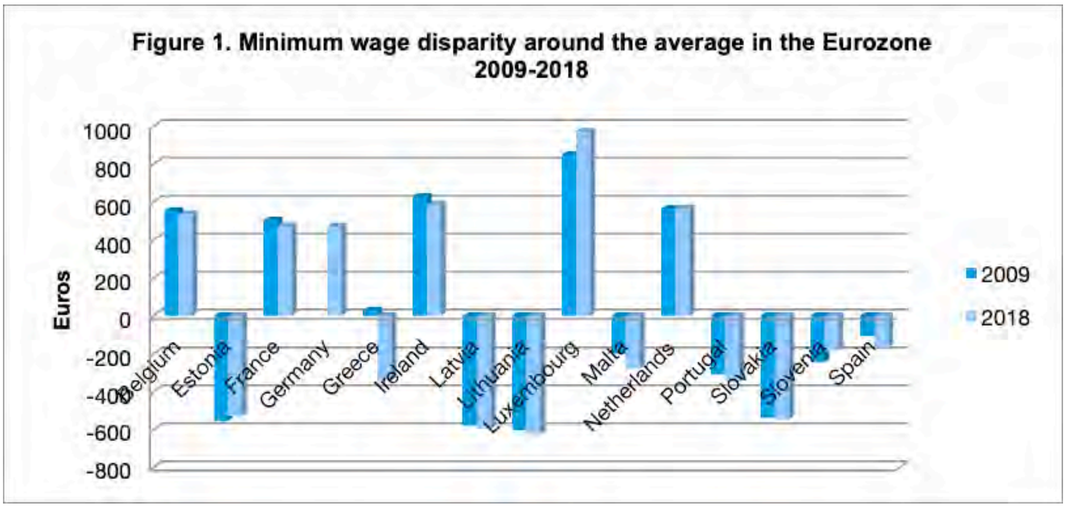
INTRODUCTION: ALARM IN THE EUROZONE

The Eurozone crisis started in late 2009 when Greek government bond yields spiked and diverged from those of other Eurozone countries. That caused European and especially Eurozone unemployment rates to increase above those of other non-European economies. The Eurozone (EZ) crisis, which was in part triggered by the Great Financial Crisis (GFC) experienced in the rest of the world, is a decidedly European phenomenon, much like the double dip recession that followed in late 2012. The underperforming economy of the Eurozone was subjected to various reforms, both at the European and national levels, none of which (in our view) tackled the essence of the European problem. In this chapter we argue that the economic troubles are macroeconomic in nature and largely stem from the Eurozone design. We propose that they could be corrected by two reforms in the Eurozone (one institutional and one policy reform), namely the creation of a Euro Treasury and the implementation of a Eurozone wide Job Guarantee program.

There is an inherent, if not immediately obvious connection between the two policies (the Eurozone-wide Treasury and the Job Guarantee), which resides in the nature of modern currencies. In the modern world, the imposition of mandatory and non-reciprocal obligations (e.g., taxes) by a government and the requirement that they are settled in the very currency the government issues, creates a particular type of 'monetary unemployment'—one where people are compelled to obtain the currency to settle their obligations. Since, normally, nation states retain the monopoly power over the issue of the currency, they have the ability to eliminate this type of monetary unemployment by devising a method of provisioning the currency in a manner consistent with full employment. Even though few nation states have done so (for reasons beyond the scope of this paper), Eurozone nations don't even have this prerogative because they have abdicated monopoly power over the currency. What we wish to stress is that, while monetary unemployment due to deficient aggregate demand and Keynesian liquidity preference constraints exists, there is also a type of monetary unemployment that is due to the nature of the monetary system. For this reason we propose the creation of a European Treasury as a method of correcting the institutional flaw in the unprecedented historical design of the Euro, which gave birth to a stateless currency. The Job Guarantee is a particular method of providing the currency that is distinct from traditional aggregate demand management methods. Even if Maastricht criteria were relaxed and a European Treasury established, long run full employment is not guaranteed through conventional aggregate demand management measures. Indeed, we have observed periods of robust growth that still experience joblessness. The Job Guarantee is a targeted demand approach to solving the problem of unemployment at all stages of the business cycle by an innovative policy design of direct bottom-up employment, which can also address other public purpose objectives such as Green investment. It is also superior to conventional pump priming measures because it acts as a robust Euro-wide anti-cyclical fiscal policy — one that neither creates too much, nor too little spending to produce and maintain tight full employment over the long run.

Since the Job Guarantee builds on the idea that money is a creature of the State and that the State is normally the monopoly issuer of the currency, to us it seems a logical step to first introduce a Euro Treasury and then proceed with the implementation of a macroeconomic policy for achieving full employment and price stability in the form of a Job Guarantee. In short, what we propose is for the Euro Treasury to establish a new fiscal institution that would issues sovereign securities. For simplicity, we call these eurobonds. The eurobonds would be eligible as collateral to borrow from European Central Bank (ECB) to the full extent possible. As the ECB is only prohibited to finance national governments directly, it could put its full support behind the eurobonds, meaning that it could promise to buy up as many eurobonds as necessary. Acting as a buyer of last resort it would guarantee that investors would always be able to sell eurobonds at a fair price without creating a large fall in the price of eurobonds. Thus, the ECB would ensure sufficient liquidity in the market for eurobonds. De facto, the Euro Treasury would spend first and tax later, thus removing the need to finance the European Union's budget by transferring money from the budgets of the Eurozone's member countries. [2]

Having reestablished a sovereign currency issuer at the European level, a European Job Guarantee could be put in place. The Job Guarantee would offer all Eurozone citizens who are willing and able to work a job that is funded by the European government and that pays the minimum wage. While not all Eurozone countries have a minimum wage, it is not necessary to require them to introduce one, since the Job Guarantee wage would become the de facto minimum wage. Figure 1 below shows existing minimum wage levels. Denmark, Italy, Cyprus, Austria and Finland have no national minimum wage. The jobs would be created at the community level and offered on demand to anyone who needed one. Assistance with transitioning from the Job Guarantee employment safety-net would be offered to those seeking better paid private sector employment. The program would have key cyclical stabilizing features that are explained below.



Source: Eurostat

Introducing a Euro Treasury and a Job Guarantee together allows the rate of unemployment in the Eurozone to fall much faster than under current conditions and alleviate social stress caused by joblessness. This is an original proposal, as we will see, different from those that have been launched from within the European Union itself.

In the following sections, we first discuss in greater detail the institutions of the Eurozone that were set in in the 1990s and evaluate them in the light of the Great Financial Crisis and the Eurozone crisis. We then explain the Euro Treasury in more detail, adapted to the European Union's institutional framework. This is followed by a discussion of the Job Guarantee, first in general terms and then in terms of adapting it to the European context. The conclusion summarizes our findings and comments on the feasibility of these reforms.

[2] This is akin to Lavoie's notion of post-Chartalims (Lavoie 2013). Our point is logical, not descriptive. The fact that to save the self-imposed restriction the support of the ECB can be seen as an introduction of "latent" high-powered money within the banking sector. The money that will be used to buy these bonds from the banks comes from the ECB via open market purchases backed from the beginning. In this sense, the bonds would be involved in public spending. The Treasury spends first. If these bonds were not backed by the Central Bank, there would not be any increase in the money supply, producing only a change in the composition of the financial assets of the private sector (see Tymoigne 2016:1324-1325). Therefore the bonds would not be risk free, which would affect their price.

A DYSFUNCTIONAL DESIGN

The European Monetary Union (EMU) was completed in 1999 by irrevocably fixing the exchange rates of the currencies of participant countries. The previous decade of European deliberations, witnessed the emergence of fault lines, not between left and right, but between those whose economic thinking was rooted in monetarism and those who based their ideas on Chartalism (Goodhart 1997, 1998).

It seems that by 2019, eleven years after the Lehman Brothers crash and ten years after the start of the Euro crisis, it is now established that those warning that the Euro would not work have been correct. Without the stabilizing role of fiscal policy, unemployment rates and economic growth in general have diverged. With hindsight, it is clear that government spending in the Eurozone has been too low to achieve full employment, is too low and, given recent institutional reforms, will continue to be too low.[3]

Among heterodox economists linked to the post-Keynesian approach, there are authors who suggest that the design of the Euro is a deliberate "strategy to institutionalize neoliberalism in the European Union" (López-Castellano and García Quero 2019:10). There is a broad agreement that "the original sin of the euro is the separation between fiscal policy and the sovereign currency" (Soy 2014:6), beyond the debate on whether the Eurozone crisis is a problem of balance of payments (Cesaratto 2015:152) or monetary sovereignty (Lavoie 2015:14).

Spanish heterodox economists have favored the following policies to enhance the sustainability of public finances:

a. A combination of public income and expenditure that guarantee annual GDP growth of 3% thanks to the multiplier effect. (Uxo *et al.* 2018).

b. Reform of the TARGET 2 mechanism (Barredo-Zuriarrain *et al.* 2017)

c. Debt restructuring through the ECB (Ayala 2018).

d. The creation of a supranational fiscal authority (Portella-Carbo, Dejuán 2018; Febrero *et al*. 2018).

The first proposal has been dubbed "(partially) balanced-budget multiplier" and aims to increase the fiscal space of the Spanish economy without expanding the public deficit. Uxó, Álvarez y Febrero warn that it is an imperfect measure (Uxó *et al.* 2018:5) , because "the need to take into account the effects of fiscal expansion on the public debt over GDP ratio is derived from the particular institutional framework of the eurozone" (Uxó *et al.* 2018:22).[4]

Barrero-Zurriarain, Molero-Simarro and Quesada Solana (2017) focus on reforming the TARGET 2 mechanism by adding a feature of the international monetary system outlined by Keynes after the Bretton Woods agreements of 1944 with the aim of the symmetric burden sharing between deficit and surplus countries. With the objective of "reducing the debt to release resources superior to the Marshall Plan, or the North American New Deal" (Ayala 2018:26), Ayala adheres to the PADRE Plan (Politically Acceptable Debt Restructuring in the Eurozone) proposed by Pâris and Wyplosz (2014), which suggests that it can be "a consensus that allows generating a paradigm of progressive growth within the integration process" (Ayala 2018:22).

Finally, we have the reform that implied a deepening of the European integration, namely the creation of a supranational fiscal authority. Coordinating the money-issuing capabilities with fiscal policy would

[3] One might think of the national debt brakes instituted at the constitutional level.
[4] An additional issue that Uxó, Álvarez y Febrero add is the conceptualization of their proposal as "Functional Finance" (Uxó *et al.* 2018:8). Functional Finance is defined by Lerner as "the full acceptance, by the State, of the task of avoiding inflation and deflation, and leaves no room for budgetary balance or for a great concern for the volume of debt public" (Lerner 1957:112). Neither maintaining a public debt target nor reaching a certain growth rate are objectives of Functional Finance.

allow "a federal fiscal authority to incur deficits that are proportional to the private spending gap", as Mitchell points out and as was already recognized by the Werner reports and MacDougall of 1970 and 1977, respectively (Mitchell 2016:67). Despite this recognition, the recommendation was abandoned by the 1989 Delors Report, culminating in the Treaty of Maastricht, leaving the European Central Bank as the only supranational institution to carry out macroeconomic policy, blinded by neoliberal thinking and the misuse of the notion of subsidiarity. The advance towards a federal Europe is perhaps one of the best-known reforms, although the recommendations for implementation have been very heterogeneous. Ehnts (2016) proposed two possible solutions for the economic and institutional deficiencies of the EMU. The first is to return to the national currencies and the second is to institute a Euro Treasury. Recognizing that politics plays an important role in the decision, we are aware that the economic dimension is one among many. Since the economics of national currencies is well established we turn to the second alternative of creating a Euro Treasury. Its main task would be to finance the European Job Guarantee program, which is explained in the following section.

The Job Guarantee will operate with the objective of "keeping spending at the level for which the total demand of the system does not originate neither inflation nor deflation" (Lerner 1957:329); so we can define it as an instrument to achieve full employment and price stability. This alternative does not depend on the rate of growth to create jobs like the traditional Keynesian strategies of pump-priming aggregate demand. Traditional Keynesianism fails to end unemployment decisively because "employment is at the end of the transmission mechanism", a bi-product of a pro-growth strategy that increasingly doesn't materialize (Tcherneva 2014:54); whereas the Job Guarantee prioritizes employment creation and ensures pro-employment growth, banishing jobless recoveries altogether. The policy "treats full employment, better income distribution, and sustainable growth as complementary goals" (Tcherneva 2014:58), as we will explain in the section 3 of this work.

The idea of a Euro Treasury is not a new one. It appeared in the 1970s in both the Werner and MacDougall report. In the context of the Eurozone crisis, the idea has resurfaced. The European Commission (2015) published the Five-Presidents-Report, including a Euro Treasury. However, the proposal was weak because the Euro Treasury would not have the power to issue bonds. We believe that only a genuine Euro Treasury with that power would constitute a step forward. It is by now clear that handing the power over public budgets over to "the markets" is not feasible at all and needs to be reversed if the Eurozone is to survive. The only way to remove "the markets" from influencing public policy is to have a Eurozone Treasury run constant deficits that cause public sector surpluses for the national Treasuries of member states. Constant and significant surpluses, together with the ECB's promise of sustained buying of government bonds on the secondary markets, will remove pressure from speculators completely and so remove one of the major flaws of the Eurozone design. The Stability and Growth Pact will continue to exist and can remain in place.

The Euro Treasury will work as a regular national Treasury. It will issue bonds – Eurobonds – to fund itself. The bonds can be bought by banks, which will be able to borrow at the ECB using the Eurobonds as collateral.[5] This mechanism works just as when the national Treasuries want to spend. They issue Treasury bonds, sell them to banks that can borrow from the ECB (against collateral), and spend the central bank deposits that accumulate at their national central bank's account. The reserves are created by the ECB on the initiative of the banks.

The Eurozone government's budget will depend on the political decisions of the democratic bodies. Proceeds from bond issuance will then make available deposits at the ECB to spend. The so-called "sound

[5] In our opinion, the ratings of sovereign debt given by rating agencies should not be used in monetary policy making. Even if they could be used, the Eurobonds whould - beyond any doubt - have the highest rating all of the time, given the promise of the ECB to buy up the entire issuance in times of crisis.

finance" or "golden rule" will be replaced. An important issue is what the Eurozone government will be exactly. Bibow (2014) suggested that the Euro Treasury should be "established as a means to pool eurozone public investment spending and have it funded by proper eurozone treasury securities".[6] Ehnts (2016:201) proposes that Brussels would take over the European provision of some public goods, like education.

As it stands, the European Commission is the quasi government of the European Union (EU). However, not all EU countries are part of the Eurozone. The question naturally arises which institution(s) should determine how and for what purpose the funds will be spent. The Eurozone government could take on many forms. It might be a chamber that is added to the other institutions and replaces the *ad hoc* Eurogroup or even the European Parliament. Alternatively, there might be a reform so that the European Commission becomes a more democratic institution. Members of the EU parliament could automatically become members of the Eurozone parliament if their home country is a Eurozone member state. These details need to be worked out and put up for public discussion.

The introduction of a Euro Treasury does not by itself lead to "more Europe" or "bigger government". The additional government spending coming from the European level might include transfers to local or regional governments, increasing their fiscal possibilities. One can imagine Europe as a collective of regions that can be thus strengthened. On the other hand, it would also be possible to give more clout to Brussels and let Brussels pay for the provision of some public goods and maybe other European social schemes. The question of what to do is ultimately political. It would be wise to design institutions that make it possible for the European Union to adjust to the changing ideas about the level of political and economic integration that the majority of Europeans have. As to the size of the European government, it is also up to the electorate to express it preferences. As in the European nation states before the introduction of the Euro, the idea of government spending is not simply because of macroeconomic reasons but importantly also because the government can provide essential resources, goods and services that the people want. In our proposal, the Job Guarantee substitutes old school Keynesian "priming the pump" policies with a superior automatic macroeconomic stabilizer.[7]

THE JOB GUARANTEE AS A DEMOCRATIZING MECHANISM

A Treasury may be a necessary but not sufficient condition for the resolution of the economic woes that have befallen the Eurozone. What is also needed is a clearly defined fiscal policy for the Eurozone as a whole. The minimum necessary conditions for such a Euro-wide fiscal policy are: a) public expenditure large enough relative to Eurozone GDP to offset swings in private sector spending and investment; b) a funding mechanism via Euro Treasury and ECB coordination that cannot be jeopardized in sharp downturns, precisely when it is most needed; c) policy design around the principles of functional finance which focus on the economic and human impact of policy rather than a specific budgetary outcome (more below).

We propose a Eurozone-wide Job Guarantee program that would avoid the main pitfall of conventional aggregate demand management, namely its inability to tackle the key casualty of recessions, mass unemployment. Jobless recoveries have become endemic, even in countries with large-scale countercyclical swings in fiscal policy, as in the United States (Tcherneva 2012). This policy failure stems from demoting public spending as a policy of first response when dealing with crises, but also from the manner in which it has been deployed. In the early postwar era direct job creation and public investment were common responses to recessions and mass unemployment. In the neoliberal era, however, fiscal policy has largely been confined to tax cuts (particularly at the top of the income distribution), increasingly weakened income transfers (mainly unemployment insurance and other temporary cash assistance) and firm subsidies, which

[6] Bibow (2019:64) reiterates this approach, proposing "a minimalist fiscal union that features a common public investment budget funded by common euro bonds".
[7] See Tcherneva (2013b) for a more detailed critique.

after the 2008 crises largely went to the financial sector. The ideology that drove these responses dictated that, so long as the banking sector is made solvent and the tax burden on wealthy families falls, investment, growth and job creation would follow.

None of these measures delivered the job creation the world so desperately needed. The United States, which enjoyed a large fiscal impulse – more than 10% of GDP – saw its longest and most protracted jobless recovery in history. And while the US managed to bring its jobless rates down a decade later, the unemployment numbers hide deeper problems of economic insecurity (for example real incomes of 90% of families have not grown during 1997-2017, whereas incomes of the top 0.01% of households have increased a whopping 60% during the same period). Across the ocean, Europe struggles with elevated levels of unemployment, which have remained at depression levels for young people throughout most of the continent.

The pain and distress that come with joblessness, economic insecurity and diminished prospects for stable and well-paid work are nothing short of a quietly brewing social crisis that may well be, as Junker had warned, the undoing of Europe. Joblessness masks a large number of other social and political problems – from suicides to crime to health problems, political unrest and social antagonism and increasing xenophobia. A Europe that was meant to unite has created more divisions than the architects could have imagined.

The Job Guarantee is much more than a policy for job creation, it is as a tool for social and macroeconomic policy integration across the Eurozone. The proposal aims to replace the NAIRU with a policy of macroeconomic stability that produces tight full employment and enhances currency and price stability. The Job Guarantee embodies Lerner's functional finance approach, which recommends that any policy must be undertaken and evaluated on the basis of its economic effects and human activity, not by an ex-post accounting identity called the budget balance (Lerner 1943:354).

The Maastricht deficit targets at the national level can be hit with effective Eurozone-wide fiscal policy. However deficit spending in general is endogenous and thus an inappropriate policy objective—both spending and tax revenue move independently from one another and depend on underlying economic conditions. No case better illustrated the endogeneity of the budget than the structural reforms imposed on Greece. In 2009, Greek debt to GDP was 112%. By the end of all structural reforms in 2015, it had exploded to 177%. The severe austerity had the effect of crushing output, incomes and tax revenue, necessitating further social expenditures (despite the draconian cuts the country had already experienced).

In sum the government was forced to borrow and deficit spend, despite the Troika's insistence that reforms would bring the budget into balance. Indeed the IMF's own estimates of the decline in GDP that would result from structural reforms were woefully inadequate. At the end of the reforms, Greece had lost a quarter of its economy, a protracted decline in GDP that made the downturn longer and more severe than that of the Great Depression in the US and UK. The result was national unemployment rate and youth unemployment peaking at 25% and 60% respectively, child and elderly poverty of 40%, suicides jumping by 35%, and 60% of Greek families experiencing food insecurity.

The functional finance approach argues that there is no economic rationale to subjecting the real economy to some budgetary considerations in nation states with independently funded fiscal and monetary policy. With a Eurozone Treasury in place, Eurozone nations can pursue functional finance around the principles of full employment and price stability.

The Job Guarantee not only replaces the NAIRU as a policy guide but the program also serves as a safety-net that addresses the scarring effects of unemployment. It also acts as a preventative measure—guarding against massive spikes in joblessness such as those from the 2008 crisis. Finally, the Job

Guarantee is a policy of harmonization that can secure economic convergence by instituting a base wage for the Eurozone area as a whole.

a) What is the Job Guarantee?

The Job Guarantee (JG) (Tcherneva 2018), also sometimes referred to as the Employer of Last Resort (Tcherneva 2012) is a voluntary employment opportunity in the public service sector available to any unemployed individual in need of work at base, above-poverty pay. It is a public option for jobs that is funded by the Eurozone Treasury but implemented and administered at the local level. Indeed a similar proposal exists in Europe called a Youth Guarantee (YG), which aims to tackle the enormous social costs and scarring effects of youth unemployment. However the YG program is largely ineffective because it places the burden of program funding on cash strapped member nations, which have no incentives to proceed with implementation. While the Youth Guarantee can serve as a model to be expanded, for our purposes, it is important to note that the Job Guarantee is a specific macroeconomic mechanism for economic stabilization.

b) Macroeconomic stabilization through the Job Guarantee

With respect to macroeconomic stabilization, policy can be designed around two options –to either use unemployment as a buffer stock that fluctuates with the business cycle and tames the forces of inflation or deflation, or use an employment buffer stock for the same purpose. The NAIRU is the former--unemployment fluctuates around it, expanding in recessions and shrinking in expansions. All social expenditures on unemployment serve as the 'stimulus' that prevents a collapse in aggregate demand and partially offsets deflationary forces, whereas in expansions as unemployment shrinks, so do fiscal expenditures. If the expansion is deemed too strong, monetary policy steps on the breaks, slowing down credit growth and employment. In essence policy explicitly targets a given pool of unemployment (the NAIRU).

The Job Guarantee serves the same purposes except it is a vastly superior automatic stabilizers as it prevents the scarring effects and large social costs of unemployment. If Europe were to institute a standby policy of hiring the unemployed at all stages of the business cycle at a base (non-competitive) wage, the Job Guarantee pool would expand with recessions as people are laid off and enter the program. The expenditure of employing them is the very stimulus that resuscitates the European economy. As the private sector recovers, the program helps JG workers transition to better-paid private sector employment opportunities. Macroeconomic and price stabilization are achieved in a similar way as with the NAIRU except by a fluctuating pool of public service sector workers.

c) Superior price anchor

Unemployment Buffer Stocks based on the NAIRU use unemployment to control inflation. Governments fix their budgets and pay floating market prices for product. The Job Guarantee is designed in a way to anchor prices by establishing a fixed JG wage and allowing the budget (i.e., the expenditures on hiring the unemployed) to float counter-cyclically. The JG essentially buys all excess labor available for sale and provides a floor to the price of labor for the Eurozone economy as a whole (thus it becomes an effective minimum-wage policy). This mechanism is well understood with respect to other commodities. There have been many buffer-stock programs through history for the purposes of stabilizing the price of gold, wool, corn or silver. The JG operates on a similar principle, what can be termed as NAIBER (*Non-Accelerating-Inflation-Buffer Employment Ratio*; see Mitchell, Mosler 2002).

Because labor is an input of production of virtually every other commodity, once the JG wage is set exogenously, it becomes an anchor -- a stable benchmark -- for all prices. Furthermore, the JG is more 'liquid' because the buying and selling of the 'employed commodity' is superior to that of the 'unemployment commodity'. Put simply, firms do not wish to hire the unemployed. This creates the paradoxical situation of firms complaining of labor shortages at a time when there is mass unemployment. This occurs because firms equate even a short spell of unemployment with a very significant loss of human capital and productivity (Eriksson, Rooth 2014). By contrast the JG produces useful output. It increases both aggregate demand and aggregate supply. This volume of labor, when added to the mass of labor mobilized by capitalists in private production activities, offsets the negative effects on the value of money that stem from failed commercial bets financed by private banks (Cruz-Hidalgo *et al.* 2019:11-12). Having an employment buffer stock allows the Eurozone economy to operate at higher level of non-inflationary output than with an unemployment buffer stock.

To recap, the JG moderates price fluctuations much more effectively than the pool of the unemployed. JG workers are hired by private sector firms when there are inflationary pressures and hired by government when there are deflationary pressures. As such they ensure that spending on the JG (the JG budget) is never too big or too small. It is always just enough to produce full employment with price stability. Such an employer of last resort program would effectively establish a standard for the value of labor as suggested by Mosler (1997:175). The manner in which money is introduced into the economy matters, because it has implications for the level of prices, the value of the currency, and overall employment (Tcherneva 2013a).

d) Structural reform, safety net, and prevention tool

More significantly for Europe, which has struggled with prolonged structural unemployment, the JG becomes a critical structural reform program as it targets distressed areas and combines on-the-job training and experience with other human capital investments. Not only is human capital maintained and enhanced, bringing productivity gains, but the JG also reduces the enormous social and economic direct and indirect costs of unemployment. The scarring effects, loss of lifetime income, increase in mortality and medical costs, adverse impact on children and spouses of the unemployed are well documented (Tcherneva 2017). The JG has important preventative features and reduces the large cost of unemployment society already bears. It also prevents large collapses in aggregate demand, investment and profits, while automatically reducing unemployment insurance, welfare and other aid. It prevents mass poverty and economic insecurity from joblessness, youth idleness and delinquency, while fortifying the public services that have been neglected due to the radically reduced fiscal space at the national level. JG may be directed toward public works and other infrastructure development that promotes private sector productivity growth, efficiency, and competitiveness.

As a large-scale employment program, the Job Guarantee can also become the key institutional vehicle for achieving other broad public purpose goals. For example, in the United States, the Job Guarantee has been called the most crucial component of the Green New Deal agenda (*Atlantic* 2018). Europe too is looking for ways to answer the looming global climate change. As a policy that puts unemployed resources to productive uses, the Job Guarantee, can be the coordinating mechanism for launching many needed green projects across the continent.

e) Labor mobility and social and economic integration

Today labor mobility in the Eurozone happens under duress. Workers from periphery countries seek employment opportunities in the economic core of the Eurozone. This process, in turn, places a heavy burden on the infrastructure and public services in core countries. Currently many governments in Europe struggle with large income support programs to address joblessness, and feel an acute need to create decent employment opportunities for all, especially for the young generation. Various programs experimenting with job creation exist, from the Austrian program for the long term unemployed, to the youth guarantee program in Brussels, which is being expanded to all unemployed, to the zero unemployment schemes in France, to the short-lived but very effective Future Jobs Fund in the UK.

Yet none of these programs are able to tackle mass joblessness nationwide, much less serve as the large scale countercyclical, structural, and preventative program for the Eurozone as a whole that we describe here. And none of these efforts will be entirely successful without a dedicated source of funding and institutional commitment to stem the large costs of joblessness and replace the current policy orientation of using the unemployed for the purposes of price stability.

Finally, the artificial fiscal restrictions of the Maastricht criteria have ensured that the public sector in many nation states struggles to provide basic public services, at a time when many people go without decent employment. The Job Guarantee is the coordinating mechanism that allows the unemployed to be reemployed and serve the public purpose. To begin addressing the seemingly intractable unemployment problems in Europe, policy must take the contract to the worker, so to speak, and implement direct, targeted and deliberate labor market interventions in the form of direct employment, training, and wraparound services to allow the structurally unemployed workers to begin transitioning to sustainable employment solutions.

CONCLUSION. A BOTTOM-UP APPROACH TO TRANSFORM EUROPE

The Euro turned twenty in 2019. It was to be expected that it would not work smoothly from the start, since establishing monetary systems usually takes decades or even centuries. Monetary regimes must then be adjusted constantly in order to cope with change. We propose that the Eurozone institutions be amended by a Job Guarantee in order to address the unemployment problem and a Euro Treasury in order to make sure that government spending is forthcoming on a permanent basis (without the interference of financial markets) and especially in times of economic crises. This would set the Eurozone on a path to full employment and price stability that is superior to current arrangements; with the replacement of the NAIRU with the NAIBER and, de facto, to promote convergence at the bottom substituting the disperse minimum wage with a Job Guarantee on equal terms for all European citizens.

The creation of monetary sovereignty in the Eurozone as a Federal level is the result of a fiscal authority supported by the ECB. Such institutional innovation is compatible with the current mandate of the ECB, and eliminates the risk that the treasury bonds could have to establish the link with the currency issuer. Not being a mere customer of the currency, as member countries are, would allow the Euro Treasury to spend and introduce money into the economy without the need to finance the European Union budget by transferring money from member countries' budget of the Eurozone.

The dysfunctionality that implied that the fiscal and monetary arms of the Eurozone were separated is corrected as well, allowing a functional Treasury liable for filling the lack of spending that creates a level of mass unemployment unevenly distributed among the countries of the Eurozone. The Job Guarantee creates jobs directly, it does not go through any strategy of flooding the top ones with easy credit and expecting the drip to come down. It can be conceptualized as a bottom-up approach, different from the traditional Keynesian trickle-down economics. The Job Guarantee financed by the Euro Treasury for managing full employment and stability allowing, besides, the design of policies that focus on the economic and human impact of the policy instead of a specific budget result. Instead of the inefficiency of pushing the workforce to unemployment and discouragement, with the enormous economic and social costs that this "epidemic" of unemployment entails, we could mobilize the citizens through Job Guarantee programs to take care of the environment and the people, and everything we can imagine doing to improve our societies and that we do not do for a bad design of the monetary system. Increasing spending without raising taxes it is possible, but above all absolutely essential.

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THE EURO SYSTEM AND THE OVERALL EUROPEAN PROJECT: FAILURE OR FULLY-FLEDGED SUCCESS?

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ABSTRACT

Some critical economists appear to believe that the European monetary union (EMU) has gone somewhat astray, and that the working of the euro area could be made significantly better if only the flawed nature of a few key theoretical underpinnings of the project was duly recognized. Quite to the contrary, it is maintained in this article that EMU has indeed been fully successful from the point of view of its actual objective, which has never been that of increasing the overall welfare of the majority of the population concerned. In the light of actual experience, EMU can be interpreted as a deliberate project to undermine wage earners' bargaining power throughout the Continent. The building of the euro system is shown in the article to have been but the way in which the epoch-making policy shift suffered by advanced capitalism as a whole since the early 1980s was brought about in continental Europe. Differently from the USA and the UK, in continental Europe that shift, with its attack on the material living conditions of wage earners, developed gradually and indirectly through the progressive draining away of national economic sovereignties. It is the removal of the nation state, coupled with the absence of a supranational political power, that the building of the euro system has largely achieved. The preservation and strengthening of this double absence is what the strenuous safeguard of the system is currently aiming at.

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AN EPOCH-MAKING POLICY SHIFT

With the decisive contribution of what once was the European Left, the building of the euro system has indeed achieved a few significant structural changes in the economic and social conditions of continental Europe. To a greater or lesser extent, each member country has been made a hostage to international financial markets - to the creditors' world, that is to say, a world naturally obsessed by one and just one policy objective: price stability. Price stability and monetary unification as "catalysts" for political integration were successfully sold to the European peoples as their "common cause", their fundamental aspiration worthy of the giving up their national sovereignties in the monetary and fiscal spheres, as well as in all the other chief domains of economic policy.

This epoch-making policy shift has impoverished the Continent. No relevant aspect of social life was spared some form of degradation, thereby ensuring the majority of its population as much distress as possible. As the historian Adam Tooze has remarked, "the eurozone, through willful policy choices, drove tens of millions of its citizens into the depths of a 1930-style depression. It was one of the worst self-inflicted economic disasters on record" (2018: 15)[2]. At the same time, however, the system has been a complete success from the point of view of its actual goal, which has never been that of increasing the overall welfare of the majority of the population concerned. EMU can be interpreted as construing a deliberate project to undermine wage earners' bargaining power throughout the Continent. Let us elaborate a little on this interpretation of the European project. A few analytical steps should in fact suffice for convincing oneself that the building of the euro system has been but the way in which an attack on the material living conditions of wage earners, experienced by advanced capitalism as a whole since the early 1980s, was actually brought about in continental Europe.

THE DEPARTURE FROM THE ORIGINAL VIEWS OF THE PROJECT

Arguably, the just-mentioned attack was prompted by a general slackening of the social discipline, and the bringing of the distributive conflict to a possible critical stage, consequent upon a long period of high levels of employment, a situation eventually aggravated over the 1970s by two dramatic rises in oil prices. I have maintained elsewhere (see Pivetti, 2013) that these facts, plus a reduced fear of communism linked to the worsened performance of the Soviet system since the late 1960s, can be regarded as the decisive factors in the shift in emphasis away from high employment and income redistribution, which eventually brought about, both in Europe and the USA, rates of unemployment and income inequalities that would not have been considered politically acceptable in the 1950s and 1960s. But while in the USA and in the UK the attack on the material living conditions of wage earners occurred openly and frontally between the end of the 1970s and the beginning of the 1980s[3], in continental Europe it developed more gradually and indirectly, through a *change* in the European project.

There can be little doubt that the project departed markedly over the 1980s from the views previously expressed in such official documents as the Werner report (1970), the Mac Dougall report (1977), the Jenkins report (1977) and the Marjolin report (1979). In those documents it was acknowledged that a common currency in Europe would have required large-scale fiscal transfers between countries; removal of

[2] But Tooze writes also that those tens of millions suffered "for no good reason", in that the management of the euro zone had no rationale being just "the story of a train wreck, a shamble of conflicting visions, a dispiriting drama of missed opportunities, of failures of leadership", which benefited nobody but a tiny minority of bondholders and bankers (*ibid*.). The view put forward in this article could hardly be more distant from this last contention of Tooze's.
[3] In the UK, recourse to a severe deflationary policy stance brought the rate of unemployment from 5.4% in 1979 up to 11% in 1984. The year 1984 was in the UK also that of the 12-month strike of miners, then the country's best-paid blue-collar workers, which ended up with the defeat of their union, the strongest British union, and the promulgation of new rules markedly restrictive of strike rights. To the most emblematic defeat of British wage earners, there corresponded in the USA that of air-traffic controllers: in 1981 their strike ended up with thousands of lay-offs, the suing of many union leaders and the promulgation of anti-strike laws. As in the UK, also in the USA the frontal attack on wage earners was preceded by a phase of stern deflationary policy, which increased the rate of unemployment from 5.8% in 1979 to 11% in 1982.

capital controls was envisaged to take place only in the final stage of the process, when, together with the establishment of a common balance of payments, both monetary and fiscal functions had been centralized to a significant extent, so that, between the individual member countries, transfers of funds corresponding to intra-union surpluses and deficits could take place in just the same way as they do between different regions in one and the same country. In short, over the 1970s emphasis was on public finance, as a major underpinning for the formation and holding together of a monetary union, and the role of public finance in European integration was analyzed in the light of the part played by inter-regional flows of public finance in the normal functioning of any modern integrated economy[4].

In the Delors report (1987), and eventually in the Maastricht treaty, all stress was put instead on the creation of an independent central bank dedicated to price stability and on restraints on national policies. No collective policy formation was envisaged to compensate for the progressive draining away of national sovereignties in the economic sphere. Removal of capital controls at the beginning of the process, not at its end, was recommended, together with the complete centralization of monetary functions. Rules were established that would impose upper limits on budget deficits of individual member countries and exclude access to direct central bank credit and other forms of monetary financing. Not only did an institutionalized budgetary union cease to be seen as a prerequisite for the full liberalization of capital movements and the creation of a joint monetary authority, but an increasingly shared view started to insist on the merits of monetary unification as a vehicle and decisive step towards political integration.

This very insistence on the notion that *political* gains were the true prize worth struggling for through the carrying out of the project – that the rationale for monetary unification was political rather than economic – lends support to the interpretation of EMU as a deliberate continental project to undermine wage earners' bargaining powers. In fact, the message that an increasing official stress on monetary unification as a catalyst for political integration kept sending to the populations concerned was that no significant positive impact on Europe's overall employment and growth was to be expected from monetary unification; rather, that political unification and permanent peace in Europe were to be looked at as the true eventual compensations, capable of making worthwhile the acceptance of any hardship that the project implementation might have caused.

ON FACTS AND THEORY

The above interpretation of EMU may be further corroborated by the fact that its theoretical underpinnings can hardly be counted among its ultimate sources of inspiration. Rather, the institutional changes linked to the new concept of the project and its implementation, with the progressive surrender of national sovereignty in the economic sphere, were simply given some useful theoretical and ideological support by economic principles and ideas originally developed in American academic circles, but whose impact on actual policy making in the US context has always remained pretty close to zero. Think of vertical Phillips-relationship arguments, according to which, provided that there are no real effects of monetary policy and monetary arrangements, the only reason for countries not wanting to sacrifice monetary autonomy would be just a difference in preferred inflation rates, which is of course incompatible with fixed exchange rates, or a single currency, in the medium to longer term. Think also of the notion of full capital mobility as a fundamental source of discipline for government spending, as well as of the notions of credibility and commitment to policy rules, born out of the rational expectations 'revolution' – especially the notion that, in order to avoid the 'inefficiency' that would arise when policy is formulated in a discretionary manner, the best solution is to delegate it to bodies insulated from national governments. One could hardly deny that the European project as actually realized was given especially strong support by the idea that overall policy

[4] *Cf*. on this Pivetti (1998), cf. also Barba and De Vivo (2013), on the comparison between the European Target system and the ISA system, the US counterpart of the Target system.

making – that is, both monetary and budgetary policy – in the hands of independent technocrats, rather than politicians, had to be seen as the most appropriate route to economic stability and long-term welfare. But the very success of this idea in the European context should be seen as an effect, rather than a cause, of the change suffered over the 1980s by the EMU project.

The experience of Europe with EMU suggests a picture of the relationship between facts and theory that may be described by the following sequence: 1) practical circumstances determine the basic stance of economic policy as well as its changes over time – such as the shift away from the objective of full employment to that of eliminating inflation that took place at the end of the 1970s; 2) this basic policy stance obtains support from a theory, or a theoretical restoration, which tends *as a result* to become the new orthodoxy; 3) the new orthodoxy strongly supports certain specific policy prescriptions (for example, that for the good performance of the economy central banks should become independent from governments); 4) those prescriptions tend to be actually followed. The presence of a similar causal sequence is in my view confirmed by the study of the inter-relationship between facts and theory that underlied previous major shifts, both in practice and theory, such as that experienced by advanced capitalism over the first three decades following WWII. The 'Keynesian revolution' became then the new orthodoxy thanks chiefly to the effective danger that a return to pre-war unemployment would have posed for social stability, in a situation in which the Soviet Union had won the war and the alternative social system was displaying great capabilities (see on this Pivetti, 2011).

THE RESPONSE TO THE CRISIS

The response of the euro system to the 2008 crisis constitutes perhaps the strongest evidence that the project had never just rested upon some new theoretical orthodoxy, whose flawed nature was all that was ultimately required to be acknowledged in order to have its course significantly altered, or the whole project altogether got rid of. In Europe, contrary to what would have been reasonable to expect, the outbreak of the crisis did not bring about any policy shift. A fall back on state intervention did occur, but just in the form of massive bank bailouts. Apart from these, the response to the crisis consisted simply in a tougher reaffirmation of a policy course which had proved itself to be completely alien to social welfare and growth: the post-crisis austerity imposed by the system was but a dramatic recrudescence of its previous deflationary stance. In this respect, one should remember that, in terms of average growth rates, the decade from the establishment of the ECB to the outbreak of the crisis in Europe – thus excluding the economic and social disaster inflicted by austerity in the following decade – was for the euro zone member countries by far that of their worst performance of the entire post-war period up to 2008.

In 2008 one would have expected some expansionary coordination of economic policies, quite simply achievable through the stabilization of the public debts to GDP ratios of the euro zone countries – a stabilization perfectly compatible with primary *deficits*, provided that long-term interest rates were kept below the rates of growth of GDPs. In the face of the crisis, an overall expansionary policy stance would have just required the pursuing of a cheap and uniform monetary policy for all the member states, accompanied by a primary deficit budget policy on the part of each one of them, aimed at sustaining its growth rate. Given the high degree of integration existing among the economies of the euro zone, such a combination of interest rate and budget policies, on the part of the ECB and the national governments, would have afforded to each member state a positive impact on its activity levels *also* through the budgetary policy stance pursued by the others. A virtuous circle of expansion could thus have been set in motion, instead of the contractionary vicious one triggered by simultaneous recourse to austerity, insistently sold by the system's authorities as the safest strategy for an eventual return to 'normal' growth.

ON THE STRENUOUS SAFEGUARD OF THE SYSTEM AND THE ROLE OF GERMANY

Within each member state the primary objective of its Establishment has kept being the preservation at all costs of the euro system, with the changes in domestic power and distributive conditions it has brought about throughout the Continent, from its smallest and weakest country to its largest and strongest one. Indeed, not only in Greece did the majority of the population suffer a marked fall in its living standards – as was only to be expected with the cancellation of the presence of the state in the economy, the collapse of output, the tripling of the unemployment rate and the pervasive cancellation of labour rights[5]. Also in 'successful' Germany, distribution changed significantly over the last 20 years in favour of non-wage earners (see Figure 1, based however on data which unfortunately include also supervisory employees), and the richest 10 percent of households, according to the Hans Böckler foundation, now possess nearly 60 percent of the entire net household wealth[6].

The role played elsewhere in the euro zone by unemployment in the decline in wage-earners' bargaining power, has been played in Germany by the explosion of atypical labour contracts[7]. As a result of extensive reforms of the labour market, the wages of around 40 per cent of all employed workers have ceased to be acted upon by whatever rise collective wage bargaining may bring about; in fact, already before the outbreak of the crisis in Europe, the incidence on total employment of low wages, those lower than 2/3 of the median national wage, had become in Germany higher (25%) than in England and about as high as in the US and currently nearly one-third of all wage-earners have insecure or short-term jobs. In sum, a low-wage sector has surged in Germany over the last two decades employing millions of workers who can scarcely afford basic necessities.

[5] In Greece, the impact on wages of the decline in output and workers' bargaining powers was by no means mitigated by the public tax and transfer system. Increases in the indirect tax burden and severe cuts in social spending, especially in the fields of public health and pensions, have on the contrary seriously contributed to worsen the overall living conditions of the Greek population.
[6] On income and wealth distribution in Germany, *cf*. also Fratzcher (2016: 9-11 and 38-65).
[7] See on this the contributions in Bosch and Weinkopf, eds. (2008), see also Salverda and Mayhew (2009), Bosch *et al*. (2010), and Knuth (2013).

Recourse to some sort of economic terrorism has become, on the Continent, the chief device for discouraging any temptation that may arise here and there to leave the euro or to emancipate from the union (think of the reactions to Brexit throughout the Continent, on the part of both the political authorities and the media[8]). The fact is that any defense of the system, on whatever ground, has been rendered wholly impracticable by the depth of the socio-economic disaster of Greece. But also Germany's economic performance can hardly be insisted upon as a promising example, susceptible of being eventually replicated by anyone member country willing to stick to the system's rules. Germany has successfully operated, through the reforms of its labour market and "fiscal discipline" à la Schäuble, to bring about an 'internal' devaluation and an export-led growth – that is, a growth path obviously non reproducible within the euro zone as a whole, since one member's net exports are to a significant extent the others' net imports[9]. In addition to historical and cultural factors, the very fact that Germany keeps on growing through net exports, instead of through a sustained expansion of its 80-million people domestic market, is bound to produce in due course a widespread acknowledgement of the leading role played by that country as something altogether absurd. It is however a role that the authorities of the other euro zone countries are all too eager to *let* Germany play; it is the result, in other words, of a generally shared big game aimed at facilitating the preservation of the euro system. In this game, Germany's growth performance may keep being pointed to as evidence of the merits in unprejudiced reforms of the labour markets, as well as of each member country convenience not to discontinue its overall neoliberal restoration. At the same time, if the socio-economic conditions in this or that part of the zone become especially tough and problematic, national governments may easily impute them to the somewhat 'excessive' sternness and rigidity of the leading nation.

CONFLICT AMONG NATIONS OR CLASS CONFLICT WITHIN EACH NATION?

The game just outlined suggests that it is misleading to believe that what we are currently facing in Europe is some contrast or conflict among the different nations making up the euro system. There is fundamentally no such conflict. Also such tensions as there are within the euro zone on the question of immigration should not be overrated. Free immigration has never ceased to be seen with favour by both entrepreneurs and policy makers throughout the Continent (as was rendered especially manifest in 2015 and early 2016 by the choice of the German government to let in 1.2 million Syrian migrants and in 2017 by the proposal of its finance minister to encourage migration into Germany of young unemployed people of the Southern European countries especially hit by austerity). No serious effort has yet been made by the system, through some generally agreed-upon measure, to check the entry of cheap labour from outside of the euro zone. Current tensions and disagreements among its member countries chiefly reflect the need of each European government to do something to contain the exasperation of the majority of its population in the face of rising immigration, and thus cope with the political rise of its domestic 'populists'.

Since the very inception of the euro system, the true conflict has never ceased to be the class conflict within each one of its member countries, with the consolidation of an overall defeat of wage earners in that conflict being what has been constantly at stake in the strenuous efforts continuously made to preserve the system. The point is that the undermining of wage earners' bargaining power throughout the Continent, together with the attack on the material living conditions of the majority of its population, were greatly facilitated by the progressive erosion of national economic sovereignties. An erosion of the possibility of having recourse to all the chief policy tools extremely more radical than the erosion that each European nation would have suffered in any case as a consequence of the overall globalization drive. In fact, for a

[8] In England, before the referendum, the Remain campaign had made heavy recourse to terrorism, which, as observed by A. Spence, had one message: "British voters will never love the European Union. But maybe they can be terrified into voting not to leave it" (quoted in Tooze 2018: 549).
[9] On competitive deflation and German 'monetary mercantilism', cf. Cesaratto and Stirati 2011 and Cesaratto 2017.

hypothetical socially progressive policy course, one thing would be to have to cope with a generic reaction of global markets, another with a reaction ignited and fed by politically irresponsible institutional bodies to which fundamental policy powers and decisions have been formally delegated.

In sum, it is a pervasive removal of the nation state, coupled with the absence of a supranational political power, that the setting up of the euro system has largely achieved. And the preservation and strengthening of this *double absence* is precisely what the strenuous efforts to safeguard the system are currently aiming at.

Unfortunately, the outcome of the European project as to the state of the class conflict on the Continent seems bound to increase the likelihood of its persisting over time. This is simply because, throughout the Continent, the political and bargaining powers of the social class which is especially interested in the dismantling of the machine have been almost completely annihilated. On the other hand, the very successful performance of the machine from the point of view of its basic task – its *excessive* success, one would be tempted to say – might eventually lead to its distruction. Historical experience shows that any context is susceptible to being changed drastically by unexpected circumstances, or by some denied or forgotten truths. To have obtusely lost sight of the fact, on the part of the European elites, that social stability was long ensured in the past thanks precisely to full employment and redistributive policies, might end up generating reactions such as to 'suggest' re-establishing full national sovereignties as the first step of a general run from the worse. It goes without saying that it would be unforgivable, on the part of any socially progressive political movement, to be taken unprepared by such an eventuality.

SOVEREIGNISM AND NATIONALISM

The social state and overall welfare are by their very nature eminently national, being based on redistributional mechanisms that presuppose the presence of some social, cultural and territorial cohesion. Workers may thus be regarded as the section of society with the keenest interest in a full sovereignty of the nation state, the ultimate condition for an effective protection of their living standards.

Sovereignism has nothing to do with nationalism, but for the fact that a self-inflicted weakening of national sovereignty – the diminution of its worth on the part of politicians, the media, artists and the 'educated people' in general – tends to feed some form of defensive nationalism among the populations concerned. Think of the strengthening in Europe, over the last few years, of the so-called populist parties, whose nationalism, however, is but very slightly connected to ethnic and racial aspirations of a 'fascistoid' character. It has rather to do with the fact that the setting up of a supranational technocratic and authoritarian system could hardly have failed to feed, as a reaction, widespread aspirations to the restoration of the nation such as it had gradually formed itself around a state, a territory and a language, and which had eventually brought about sufficient social cohesion as to make it possible to set working significant redistributive mechanisms.

But the crucial question is that class conflict can only effectively take place in the national context. It is only within the nation that the relative strength of the combatants can lead to social changes, and the state is the tool by which that relative strength can bring them about[10]. Social progress may come into being to the extent that the working class succeeds in turning the economic power of the state to its advantage. Without sovereignty of the nation state in the economic sphere such a possibility is basically removed, i. e. what matters to social progress cannot be done. In the same way as all democracies are nations but not all nations are democracies, one can think of sovereignty as simply a necessary condition

[10] In much the same vein, Cesaratto has pointedly referred to "the agenda of the conservative European elites aimed at dismantling nation states as the natural contending terrain of social conflict" (2017: 984).

for social progress, in the sense that without sovereignty of the nation state in the economic sphere, the things that chiefly matter to the welfare of the majority of the population are simply not achievable.

SOVEREIGNTY AS A NECESSARY BUT NOT SUFFICIENT CONDITION OF SOCIAL PROGRESS

Sovereignty is, of course, not by itself conducive to social progress; it is an indispensable tool, not a sufficient condition. One can well conceive of nations which enjoy full sovereignty in the economic sphere, or try to conquer as much of it as possible, but whose domestic strength relations are such as to generate national governments to whom the defense of the interests of wage earners and of the majority of the population constitutes the last of their worries. In Europe, for example, even in a hypothetical context of formal persistence of national sovereignties – that is, if no European project à la Delors had ever seen the light – the general deference of the Left to dominant economic principles and ideas would in any case have opened the door to neoliberal policy shifts (think of the experience of Britain's New Labour).

To acknowledge that no true social progress is conceivable without national sovereignty in the economic sphere amounts to have taken just a first step. The next and decisive step is to persuade oneself that sovereignty as a route to social progress involves public control of the economic transactions with the rest of the world: capital and import controls, as well as restrictions on immigration. It essentially requires, in other words, an advanced emancipation from the tutelage of global market forces.

Without capital controls, both monetary and fiscal sovereignty are hardly conceivable. Suppose that in France, Italy or Spain an eventual emancipation from the euro system led to re-establish monetary policy as a component part of general economic policy, subject to the latter's overall expansionary stance, with the political independence of the central bank having got rid of and money creation and the monetary financing of public deficits having been fully re-included among the chief sovereign powers of the state. Even in such conditions, without capital controls, balance of payments constraints would not permit national authorities to govern domestic interest rates in accordance with the government policy stance[11]. Nor would they permit the return to markedly progressive taxation, a crucial component of any redistributive and expansionary policy course. Moreover, capital controls would be required to hinder delocalizations, thereby checking and inverting the process of deindustrialization, together with the degradation of the wage structure that it has brought about.

Besides capital controls, also quantitative restrictions of imports would be called for to check deindustrialization. More generally, without import control and import substitution industrial policies, balance of payments constraints would sooner or later compel the abandonment of the objective of high employment and a more equitable distribution of income. Actual experience leaves no doubt about this. Balance of payments constraints and the eventual decision not to cope with them through strict controls on the transactions with the rest of the world and import substitution policies were the root causes of the two most significant episodes of renunciation of progressive policy programs in the post-war history of Europe: that of the British Labour government in the second half of the 1970s, which eventually led to its defeat and the beginning in 1979 of the Thatcher era, and that of the U policy shift operated in 1982-1983 by the

[11] As a matter of fact, also the question of the status of the central bank, i. e. of who should decide monetary policy, whether those who are accountable for general economic policy or a politically independent body, really arises only in the presence of capital controls. It is in fact substantially devoid of sense to pose and discuss the question of central bank independence with reference to any situation in which monetary autonomy and the ability to determine interest rates have been given up through full liberalization of capital movements. And once it were acknowledged that the main reason for keeping capital movements under control is that of not wanting to sacrifice national independence in matters of money and interest, in that they are believed to exert a significant impact on the behavior of the real economy, then also the question of the political status of the central bank should be easily disposed of: if interest-rate decisions are a crucial aspect of general economic policy, endowing the central bank with a politically independent power of decision on interest rates will be an ill course of policy action, no less than any deliberate step towards losing national control on the level of the domestic rate of interest (cf. Pivetti 1996, see also the old and excellent Radcliffe report (1959: 273-4)), for a very clear-cut statement against central bank independence, most representative of the overall cultural climate in economics that prevailed during the first 30 years following WWII).

French government of the united Left, under the presidency of Mitterand, which marked the beginning of the end of the entire continental Left[12]. In the current conditions, restrictions of imports of luxuries as well as of a wide range of manufactured goods from overly-cheap labour countries would have to become the core of import policy, together with bilateral trade agreements with large non-European countries – the US, Russia and Brazil - aimed at ensuring the provision of a few basic commodities.

Finally, without restrictions on immigration, neither the wage earners' bargaining power nor the general living conditions of the majority of the population could be duly protected. The change itself in political strength relations, in the direction necessary to bring about a progressive policy shift, is unthinkable today in Europe without restrictions on immigration. This is simply because the consensus and involvement on the part of the working classes would completely evaporate in the face of substantially liberal attitudes and policies towards immigration.

CONCLUDING REMARKS

The rationale for emancipating from the euro system, for any one of its member countries, would obviously be that to bring back employment and distributive conditions similar to those which prevailed in a large part of Europe over the post-war decades, before the neoliberal restoration. Re-establishing overall national sovereignty in the economic sphere, starting from monetary and fiscal sovereignties, is what would be primarily needed to make this possible.

The fundamental constraint with respect to the policy goal just indicated would be the balance of payments constraint. Recourse to a regained freedom to devalue one's currency cannot possibly be looked at as the solution to the problem of the balance of payments constraint. This, precisely in the light of the rationale for emancipating from the euro. In a context in which wage earners' bargaining power has been brought close to nil, the inflationary impact of devaluation would undoubtedly further depress real wages and increase income inequalities. It would also seriously affect small and medium savers, a substantial section of the population, thereby further depressing domestic demand. It is indeed my contention that defense of the domestic and external value of the currency should constitute an essential component part of the policy stance of any one country that emancipated from the euro with a view to promoting overall welfare and growth, based on the stable expansion of its domestic market.

In the context of an expansionary and redistributive policy stance, the only alternative to devaluation to cope with the balance of payments constraint is strict governments controls of all transactions with the rest of the world. Capital control, in particular, together with what it would entail in terms of some form of direct public control of the domestic credit system (see Pivetti, 2017), should be regarded as the mother of all the changes that would make it worthwhile to emancipate from the euro, whether by a single member country or by an eventual agreed-upon dismantling of the whole machine.

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CLASSIC AND FORGOTTEN AUTHORS

CLÁSICOS U OLVIDADOS

ROSA LUXEMBURG (1871-1919): REVOLUCÍON, IMPERIALISMO Y TEORÍA ECONÓMICA

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El pasado 15 de enero se conmemoró el centenario del asesinato de Rosa Luxemburg (y de su camarada Karl Liebchnekt) a manos de los "freikorps". Se cumplía el título de su último escrito (del 14 de enero) "El orden reina en Berlin". Eran tiempos convulsos. La revolución rusa de 1917 constituyó el primer gran estallido social derivado de la Primera Guerra Mundial. La guerra acabó en parte porque hubo revueltas y protestas de una población agotada y dolorida, especialmente en Alemania. El fin de la contienda dio lugar a nuevas revueltas e intentos de establecer regímenes socialistas en diferentes partes de Alemania. El orden se restableció por un pacto entre el Partido Socialdemócrata y las fuerzas de orden. Los "freikorps", formados por veteranos de guerra (muchos de ellos de orientación derechista), realizaron el trabajo sucio y aplicaron todo tipo de atrocidades. Rosa Luxemburg fue violentamente torturada y su cuerpo lanzado al canal Landwehr donde fue hallado al cabo de unos días.

Rosa Luxemburg había nacido en Zamosc (Polonia, entonces parte del imperio ruso) en 1871 en el seno de una familia de comerciantes judíos liberales. Tuvo acceso a una buena educación y desde muy joven fue absorbida por la actividad revolucionaria. En 1886 ya formaba parte del grupo *Proletariat*. Perseguida policialmente pudo huir en 1889 a Zurich (Suiza) donde pudo ingresar en la Universidad. Allí combinó su actividad académica con su activismo político. Se doctoró con una tesis dedicada al "Desarrollo Industrial de Polonia" (1898). Fundó el Partido Socialdemócrata de Polonia y Lituania y paulatinamente fue afianzando relaciones con el Partido Socialdemócrata de Alemania (SPD). Desde 1906 fue profesora de economía política en la Escuela Obrera Superior de Berlin, el centro de formación de cuadros del SPD. Siempre estuvo situada en el ala izquierda del partido. Sus principales diatribas teóricas se centraron en combatir el reformismo del ala conservadora del SPD (*Reforma o Revolución*, 1910), en discutir la relación del Partido con las organizaciones de base (*Huelga de masas, partido y sindicato*, 1906) y en oponerse al apoyo de las organizaciones obreras a la Guerra Imperialista. La posibilidad de una guerra entre grandes potencias fue una cuestión de debate entre la izquierda europea a principios del siglo XX. Antes de 1914 ya habían tenido lugar la guerra de los Boers en Sudáfrica (1899-1901), la guerra ruso-japonesa (1904-05) y las dos guerras balcánicas (1912-13), lo que hacía presagiar que un gran estallido era factible.

Rosa Luxemburg, con posiciones netamente internacionalistas, defendía que los partidos obreros debían oponerse a la guerra, convocar huelgas y derrocar al capitalismo. Al final, los intentos de coordinar estas iniciativas a escala internacional fracasaron, el SPD votó masivamente los créditos para financiar la guerra y el ala izquierda quedó marginada. Rosa Luxemburg mantuvo una intervención política contra la guerra, lo que por una parte le alejó del SPD y le llevó a cofundar la Liga Spartaquista, y, por otra le llevó a la cárcel, en la que estuvo recluida hasta finales de 1918. A la vuelta a Berlin, en una situación tumultuosa participara en la creación del Partido Comunista Alemán y apoyará por solidaridad una revuelta que consideraba prematura. Los últimos días de su vida estarán marcados por una cruel persecución policial, que no le privará de escribir sus últimos artículos.

Rosa Luxemburg es en muchos aspectos una figura social e intelectual fascinante. Especialmente si se sitúa en el contexto histórico en el que le tocó vivir. Forma parte del núcleo de mujeres socialistas que entendieron que la emancipación social y la de género debían ir de la mano. Así escribió: "La feminista que no es socialista carece de estrategia. El socialista que no es feminista carece de profundidad". Y en su vida privada practicó el mismo modelo de libertad que el que se desprende de su vida política e intelectual. Sus debates con Bernstein o Kautsky dan fe de ello. Cuando lo habitual en muchos partidos es plegarse a la voz de los líderes ella dedicó un enorme esfuerzo en argumentar intelectualmente sus discrepancias. Y, a pesar de que ahora su argumentación pueda resultarnos demasiado devota de los textos de Marx, vale la pena destacar que algunas de sus reflexiones nos sitúan en debates que aún hoy siguen vigentes.

En *Huelga de masas, partido y sindicato* lo que está detectando es la complejidad de relaciones que se establecen entre, por un lado, una organización jerarquizada, centrada en una actividad parlamentaria, con una estrategia gradualista y con una voluntad de control de la acción de sindicatos y asociaciones y, por otro, la fluidez y la autonomía de las acciones de la gente. Aunque el contexto en el que sitúa esta reflexión es el de la Revolución rusa de 1905, muy alejado del actual, resulta premonitorio de lo que hoy vuelve a estar planteado respecto a la relación de partidos, movimientos sociales y participación. Y aún más importante es su texto sobre *La revolución rusa* escrito en la cárcel en 1918, en el que intuye el autoritarismo subyacente en la cultura de los bolcheviques rusos y abre dudas sobre la marcha futura de esta revolución. Que alguien situado en el sector revolucionario de la socialdemocracia pusiera negro sobre blanco sus objeciones en un momento tan temprano del proceso ruso indica una honestidad intelectual y una capacidad de percepción notable. No hace falta suscribir todos sus razonamientos para entender que lo que está planteando es una cuestión capital que afecta a toda la política y la economía alternativa. El fracaso de la experiencia soviética constituye uno de los elementos que han facilitado el retorno al capitalismo desatado y uno de los factores que bloquean la formulación de proyectos igualitarios. La brutalidad del régimen stalinista no sólo significó uno de los períodos más infames de la historia humana. La ausencia de libertades, de voces disidentes, de deliberación política, constituye un elemento central a la hora de explicar el anquilosamiento del modelo y su capacidad de provocar tragedias sociales (como la hambruna ucraniana, los desplazamientos masivos de población) o ambientales (Aral, Chernobil). Por esto, aunque se trata de textos políticos, también en ellos subyacen cuestiones e ideas que no puede ignorar un pensamiento crítico con visión abierta.

La vida de Rosa Luxemburg fue fundamentalmente la vida de una activista de la época. Forma parte de la vieja guardia de marxistas que se creyeron la última tesis sobre Feuerbach y trataron de aunar teoría y praxis. Su producción intelectual no puede compararse con la de un académico y está a años luz del marxismo que hoy se practica en algunas universidades. No puede por tanto valorarse su obra económica como el trabajo de una vida intelectual dedicada al estudio. Es una producción corta. Aparte de su tesis doctoral, orientada a situar el capitalismo polaco, se limita a dos trabajos: *La acumulación de capital*, publicada en 1913, y la *Introducción a la Economía Política* publicada tras su muerte, sobre la base de los apuntes de sus cursos en la Escuela Obrera Superior que se dedicó a redactar mientras estaba en la cárcel.

LA ACUMULACIÓN DE CAPITAL: IMPERIALISMO Y MACROECONOMÍA

La acumulación de capital es su texto teórico más elaborado. El objetivo fundamental del trabajo es analizar la dinámica del capitalismo para detectar sus posibilidades de supervivencia. El eje sobre el cual construye su análisis es el de los esquemas de reproducción de Marx que forman el eje básico del tomo II de *El Capital*. Cabe destacar que la idea central que recorre todo el texto es la de la reproducción, de la capacidad de un determinado sistema económico de mantenerse a lo largo del tiempo de forma dinámica. Y constatar también que el punto en el que ahora los marxistas ortodoxos consideran esencial para determinar la teoría económica marxista- la caída de la tasa de ganancia- no tiene en su análisis ningún papel fundamental.

Lo que ella trata de indagar es en qué medida el capitalismo en su conjunto puede expandirse indefinidamente y cuáles son los mecanismos que lo posibilitan. Y para desarrollar su análisis realiza una larga lectura de todos los autores que se han dedicado a estudiar la reproducción del sistema económico desde Quesnay en adelante.

El trabajo se inicia con la presentación del esquema de reproducción simple de Marx. Una economía capitalista caracterizada por dos sectores productivos –el de bienes de consumo y el de bienes de producción– y donde el valor del producto se distribuye entre tres elementos: capital constante (valor de los medios de producción utilizados), capital variable (salarios) y plusvalía (beneficios). En una economía sin acumulación la condición de equilibrio que permite al sistema reproducirse indefinidamente es que la parte que se dedica a capital constante sea equivalente al valor producido por el sector de bienes de producción y el valor del sector de bienes de consumo equivalga a la suma de capital constante y plusvalía (o sea la suma del consumo de los obreros y los empresarios). En una economía de reproducción simple no hay ni ahorro ni acumulación. Por esto se trata de un esquema teórico que permite detectar interacciones fuertes pero que no refleja la dinámica real de las economías capitalistas.

Los problemas surgen cuando se pasa de la reproducción simple a la ampliada. Cuando una parte de las ganancias capitalistas en lugar de dedicarse al consumo se dedican a ampliar los medios de producción. El problema aparece porque se trata de una economía monetaria de intercambio donde cada capitalista individual necesita vender primero todas las mercancías producidas y con el dinero obtenido adquirir nuevos medios de producción, pagar a los trabajadores que contrata y pagar su consumo. En su análisis realiza una lectura detallada y crítica de la obra de Marx para concluir que este no resuelve el problema de cómo los capitalistas consiguen vender toda la producción realizada antes de emprender una nueva fase de producción. Para ella el proceso no tiene solución a menos que se considere que hay unos compradores externos a la economía capitalista que son los que compran parte de la producción y proveen de medios monetarios para llevar a término la inversión en nuevos medios de producción y la contratación de más empleados.

La segunda parte del libro está dedicada a revisar los principales autores que han abordado el tema de la reproducción. Una muestra de que se trataba de una autora concienzuda, es que analiza los diferentes debates téoricos, incorporando en su viaje tanto a los economistas clásicos (Say, Ricardo, Malthus, Mc Culloch) como a sus críticos (Sismondi, Rodbertus) y las diversas escuelas rusas (Woronzof, Nikolai-on, Bulgakof, Tugan-Baranowski). Es un lento debate con cada uno de estos autores, a veces farragoso, pero demostrativo de que estamos ante un problema complejo.

En la tercera parte del texto se desarrolla su propuesta teórica. Su argumento fundamental es que el esquema teórico de Marx no es una representación completa de la dinámica real del capitalismo. Este se desarrolla en un medio ambiente en el que coexisten otras formas sociales de producción. El capitalismo se expande colonizando otros medios de producción, y son los compradores no capitalistas los que facilitan la circulación monetaria que permite la acumulación ampliada del capital. El análisis crítico de la obra de

Marx le conduce a destacar el papel que juega el imperialismo en el desarrollo capitalista. De cómo las colonias y los sectores internos no capitalistas han facilitado un proceso de acumulación que de otra forma habría colapsado o habría experimentado muchos más sobresaltos. Y esta conclusión le lleva a mostrar los mecanismos que se utilizan para esta expansión y a concluir que, como la capacidad expansiva del capitalismo lo llevará a internalizar todos estos espacios externos, la reproducción ampliada acabará por colapsar. El imperialismo y el colonialismo eran por tanto parte esencial del "capitalismo real" y por ello la guerra interimperialista formaba parte de las preocupaciones de la vanguardia revolucionaria del momento (y en gran medida sus previsiones se cumplieron). Y ello negaba, y esta es la consecuencia política de su análisis, la posibilidad de una expansión armónica del capitalismo que diera espacio a un cambio social por la vía de las meras reformas.

Mirándolo con perspectiva actual su análisis genera algunas dudas. Su modelo de capitalismo está basado en un modelo de capitalista individual y el crédito no parece tener un papel esencial. Por lo que conocemos de la dinámica posterior del capitalismo el crédito (y el endeudamiento) se han constituido como un mecanismo esencial para facilitar la acumulación ampliada y permitir que empresas y consumidores generen demanda antes de haber vendido el producto. Pero esto que ya forma parte del análisis de economistas teóricos como M. Kalecki quizás era difícil de percibir a principios del siglo pasado. De la misma forma que era difícil en 1913 adelantar el papel dinamizador del gasto público que se inició con la Primera Guerra Mundial.

Más allá de que se trate de un trabajo con resultados satisfactorios, *La acumulación de capital* contiene dos méritos innegables. El primero es analizar la dinámica del Capital desde la óptica de la reproducción del sistema, continuando un trabajo que K.Marx dejó inacabado y que coloca el trabajo de Rosa Luxemburg en el camino de la elaboración de una dinámica del capitalismo. No es casualidad que la primera ola de postkeynesianos (Kalecki, Joan Robinson) tuvieran de alguna forma en cuenta su contribución. Y en segundo lugar su intento de situar adecuadamente el imperialismo como un elemento estructural del desarrollo capitalista. Un elemento que aún en la actualidad sigue constituyendo un componente central de la estructura económica mundial, donde siguen proliferando guerras que tienen su origen en pleitos económicos. Y donde sabemos que el papel que juegan las periferias económicas es mucho más variado que el de constituir una fuente de demanda solvente. Una periferia que provee de materias primas, a la que se exportan residuos, que alimenta el mecanismo del Ejercito Industrial de Reserva, que se utiliza como fuente de evasión fiscal…

***INTRODUCCIÓN A LA ECONOMÍA POLÍTICA:* APUNTES PARA UNA VISIÓN ECONÓMICA DE LA HISTORIA HUMANA**

El segundo texto económico de Rosa Luxemburg tiene otra intención. Es la recopilación, posiblemente inacabada, de sus cursos para cuadros obreros. Redactada en la cárcel durante la Guerra Mundial su texto fue rescatado por Paul Levi y publicado tras su muerte.

Contiene seis capítulos. Uno introductorio (¿Qué es la economía política?). Dos de historia económica pre capitalista. Un cuarto capítulo orientado a explicar la producción mercantil y los dos últimos donde se analizan las sociedades capitalistas.

El capítulo introductorio contiene una buena crítica de las definiciones sobre la economía que aportaban los principales economistas académicos alemanes de la época. No tan diferentes de muchas de las nociones que pueden encontrarse en alguno de los manuales actuales. Al realizar está crítica introduce además un aspecto sumamente interesante y de extrema actualidad: critica la visión de la economía nacional y realiza una amplia digresión argumentada sobre el carácter universal del sistema económico imperante, donde los distintos territorios están conectados entre sí por numerosos flujos de bienes. Aquí aflora su internacionalismo y su voluntad de combatir el chovinismo nacionalista. Toda la digresión está orientada a mostrar que el contenido de la economía política está orientado a analizar el funcionamiento del capitalismo. Aun reconociendo que en todas las sociedades humanas hay producción, necesidades, trabajos, lo que diferencia al capitalismo del resto es el peso de la producción mercantil, el nivel de división del trabajo y de unas reglas institucionales que hacen enormemente complejo captar las lógicas de funcionamiento. Y que al mismo tiempo provocan efectos que no tienen lugar en otras sociedades.

Con este punto de partida resulta lógico que el siguiente paso sea realizar un recorrido por las distintas formas de organización social anteriores al capitalismo, mostrando la creciente división del trabajo, el surgimiento de clases sociales y la creciente complejidad de la organización económica. También en este caso sorprende la riqueza de fuentes que aporta para reforzar su argumentación. Es posible que hoy alguna de estas fuentes puedan considerarse superadas, pero la evidencia de un pasado humano bastante igualitario sigue contando con una evidencia bastante sólida. El análisis histórico está también orientado a explicar la historia de las colonizaciones y cómo estas destruyeron sociedades que funcionaban con reglas diferentes. La historia culmina con el asentamiento de la producción mercantil, donde el dinero juega un papel crucial y donde surgen problemas de coordinación entre sus miembros

El capítulo sobre la ley del salario tiene el objetivo de formar en los entresijos de la lucha laboral. Es un magnífico resumen de las ideas de Marx y en el que cabe destacar los aspectos esenciales de la explotación capitalista, de la interacción entre productividad, salarios y conflicto laboral. Del papel del Ejercito de reserva y su formación.

El capítulo final, que reproducimos, parece un capítulo inconcluso aunque apunta de forma sintética ideas que también están presentes en *La acumulación de capital*. Aunque es un texto formativo y en algunos aspectos un poco retórico, la claridad de muchas de sus exposiciones lo sitúan muy por encima de las vulgatas marxistas que circulaban en el período anterior al surgimiento del neoliberalismo (posiblemente la última vez en que los textos marxistas alcanzaron una amplia audiencia). Rosa Luxemburg había leído atentamente lo que explicaba y era una crítica dura pero respetuosa con sus oponentes.

COMENTARIO FINAL

Sin duda la obra económica de Rosa Luxemburg no es muy prolífica. Su activismo y su implicación en muchos debates políticos no lo hicieron posible. Pero en lo poco que hizo hay material valioso. Su comprensión de la economía capitalista como un todo entrelazado es fundamental para entender el mundo. Y muestra que era completamente comprensible mucho antes que se pusiera de moda el término globalización. De hecho su visión de un capitalismo que se desarrolla sobre la base de otras formas sociales de producción permite entender la fase neoliberal como una nueva etapa de un proceso que lleva siglos desarrollándose.

En otro orden de cosas el que adoptara la idea de reproducción como eje de su análisis de la dinámica capitalista resulta una opción inmejorable que tiene muchas posibilidades de desarrollo más allá de los ámbitos en los que ella lo utiliza. Sus ideas conectan bien con las preocupaciones de la escuela postkeynesiana, donde la demanda agregada juega un papel esencial y donde es posible mostrar que las economías capitalistas tienen muchas fallas estructurales que generan crisis. Pero el concepto de reproducción puede también ser relacionado en la interacción del capitalismo con las condiciones materiales que hacen posible la actividad productiva, con los recursos naturales y con la vida humana. El concepto de reproducción resulta esencial para desarrollar una teoría que relacione las diferentes corrientes de la economía crítica (la corriente roja, la verde y la violeta). Rosa Luxemburg no se planteó estas cuestiones, vivía en otra época. Su enfoque principal era la crítica socialista al capitalismo, en su posicionamiento vital y en alguno de sus escritos adopta posiciones feministas, lo ecológico estaba lejos. Pero su forma de acercarse al análisis del capitalismo es compatible con una crítica ecológica al sistema. Y su preocupación por el imperialismo y la explotación colonial nos sitúa una vez más frente a otras características persistentes de las economías capitalistas reales: el militarismo, la xenofobia nacionalista, y las desigualdades basadas en la etnia y la nacionalidad.

NOTA BIBLIOGRÁFICA

Para la realización de la presentación sobre Rosa Luxemburg me he basado en sus dos textos básicos:

Luxemburg, Rosa (1978): *La acumulación de capital*. Mexico: Grijalbo.

Luxemburg, Rosa (1925): *Introducción a la economía política*. Madrid: Siglo XXI, 2015.

Una personalidad tan importante como Rosa Luxemburg ha sido objeto de numerosos estudios y biografías. Posiblemente la más completa es la de J.P. Nettl, (2009): *Rosa Luxemburg*. London: Verso Books.

En español contamos con dos buenos textos de presentación a cargo de Maria José Aubet, (1978): *El pensamiento de Rosa Luxemburgo*. Barcelona: Serbal; y el reciente de Ana Muiña, (2019): *Rosa Luxemburgo en la tormenta*. Madrid: La Linterna Roja, que incluye alguno de los textos políticos más relevantes

Hay, así mismo, traducciones de sus obras políticas más importantes:

Luxemburgo, Rosa (1906): *Huelga de Masas, partido y sindicatos*: Madrid: Siglo XXI, 2015.

Luxemburgo, Rosa (1900): ¿Reforma o revolución? Madrid: Akal, 2015.

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Para una lectura moderna de la obra económica de Rosa Luxemburg:

Bellofiore, Riccardo (editor), (2009): *Rosa Luxemburg and the Critique of Political Economy*. London: Routledge. Y también la contribución de Riccardo Bellofiore y Marco Pasarella (2009): "Finance and the Realization Problem in Rosa Luxemburg: a 'Circuitist' Reappraisal" en: J.F. Ponsot and S. Rossi, (2009): *The Political Economy of Monetary Circuits*. London: Palgrave.

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Finalmente, cabe destacar que las ideas sobre acumulación de Rosa Luxemburg han constituído una de las bases teóricas del trabajo del geógrafo David Harvey, (2004): *El nuevo imperialismo. Acumulación por desposesión* Madrid: Akal.

LAS TENDENCIAS DE LA ECONOMÍA CAPITALISTA[1]

Rosa Luxemburg

I

Hemos visto cómo, después de la disolución gradual de todas las formas de sociedad dotadas de una organización de la producción planificada —de la sociedad comunista originaria, de la economía esclavista, de la economía servil medieval— surgió la producción mercantil. Luego hemos visto cómo la economía capitalista de hoy creció a partir de la economía mercantil simple, es decir de la producción artesanal urbana, a fines de la Edad Media, en forma completamente mecánica, es decir, sin la voluntad y la conciencia del hombre. Al comienzo planteamos la pregunta: *¿Cómo es posible la economía capitalista*? Es ésta, por lo demás, la pregunta fundamental de la economía política como ciencia. La ciencia nos proporciona, al respecto, una respuesta suficiente. Ella nos muestra que la economía capitalista que, en vista de su total carencia de plan, en vista de la ausencia de toda organización consciente, es a primera vista una cosa imposible, un enigma inexplicable, se integra pese a ello en un todo y puede existir:

- mediante el intercambio de mercancías y la economía monetaria, todos los productores individuales de mercancías, así como las comarcas más alejadas de la Tierra, se ligan unas con otras económicamente, y se impone la división del trabajo en todo el mundo;
- mediante la libre concurrencia, que asegura el progreso técnico y, a la vez, transforma constantemente a los pequeños productores en proletarios, con lo que proporciona al capital fuerza de trabajo comprable;
- mediante la ley capitalista del salario que, por un lado, controla automáticamente que los obreros no se sustraigan nunca a su condición de proletarios, evadiendo el trabajo bajo las órdenes del capital, y por otro posibilita una acumulación siempre creciente de trabajo no retribuido, como capital, y con ello la siempre creciente acumulación y expansión de los medios de producción;

[1] Este texto reproduce las páginas 216-224 del libro de Rosa Luxemburg, *Introducción a la Economía Política*, Madrid: Siglo XXI, 2015 (e.o. 1925, traducido por Horacio Ciafardini). La *Revista de Economía Crítica* agradece a la editorial Siglo XXI su amable autorización para reproducir el texto.

- mediante el ejército industrial de reserva, que permite a la producción capitalista expandirse ampliamente y adaptarse a las necesidades de la sociedad;
- mediante la nivelación de la tasa de ganancia, que determina el permanente movimiento del capital de una rama a otra de la producción, regulando así el equilibrio de la división del trabajo; y finalmente
- mediante las oscilaciones de los precios y las crisis, que determinan en parte día a día, en parte periódicamente, un ajuste de la ciega y caótica producción con las necesidades de la sociedad.

De este modo existe la economía capitalista, mediante la acción automática de aquellas leyes económicas que surgieron por sí mismas, sin que se inmiscuya conscientemente la sociedad. Es decir que, de este modo, pese a la ausencia de toda ligazón económica organizada entre los diversos productores, pese a la total carencia de plan en el movimiento económico de los hombres, se hace posible que avancen la producción social y su ciclo integrado con el consumo; que la gran masa de la sociedad sea mantenida en el trabajo, las necesidades de la sociedad satisfechas mal o bien, y asegurado, como base de todo el progreso de la cultura, el progreso económico, el desarrollo de la productividad del trabajo humano.

Estas son las condiciones fundamentales para la existencia de toda sociedad humana y, mientras una forma de economía históricamente surgida satisface estas condiciones, puede subsistir, constituye una necesidad histórica.

Sin embargo, las relaciones sociales no son formas rígidas, invariables. Hemos visto cómo, en el curso de los tiempos, experimentaron numerosas transformaciones, cómo están sometidas a eterno cambio al que abre camino el propio progreso cultural humano, la evolución. Los largos milenios de la economía comunista originaria, que conducen a la sociedad humana desde los primeros comienzos de la existencia aún medio animal hasta un grado elevado de desarrollo de la cultura, a la formación del lenguaje y de la religión, a la cría de ganado y a la agricultura, a la vida sedentaria y a la constitución de aldeas, sigue la gradual descomposición del comunismo originario, la formación de la esclavitud antigua que, a su vez, trae consigo nuevos progresos en la vida de la sociedad para finalizar luego con el ocaso del mundo antiguo. A partir de la sociedad comunista de los germanos, se desarrolla en Europa central sobre los escombros del mundo antiguo, una nueva forma —la economía de la servidumbre, sobre la cual se basó el feudalismo medieval.

La evolución retoma nuevamente su avance ininterrumpido: en el seno de la sociedad feudal de la Edad Media, surgen en las ciudades gérmenes de una forma de economía y de sociedad enteramente nueva, se desarrollan la artesanía gremial, la producción mercantil y el comercio regular que finalmente descomponen la sociedad feudal basada en la servidumbre; ésta se desmorona dejando sitio a la producción capitalista, que ha crecido de la producción artesanal de mercancías gracias al comercio mundial, al descubrimiento de América y a la vía marítima hacia India.

El modo de producción capitalista, considerado desde un comienzo desde la inmensa perspectiva del progreso histórico, no es por su parte inalterable y eterno, sino que constituye una simple fase de transición, un escalón de la escala colosal del desarrollo cultural humano, al igual que cualquier otra de las formas sociales precedentes. Y, en efecto, cuando se examina cuidadosamente la cuestión, se ve que el desarrollo del capitalismo mismo lleva a su propio ocaso y a su rebasamiento. Hasta aquí hemos indagado los vínculos que hacen *posible* la economía capitalista, de modo que ya es tiempo de tomar conocimiento de aquellos que la hacen *imposible.* Para ello sólo necesitamos seguir las leyes internas de la dominación del capital en sus efectos ulteriores. Son ellas mismas las que, en cierto punto del desarrollo, se vuelven contra las condiciones fundamentales, sin las cuales no puede existir la sociedad humana. Lo que distingue el modo capitalista de producción de todos los anteriores es, principalmente, que él tiene la tendencia interna a expandirse sobre todo el globo terrestre, desplazando todo otro orden social anterior.

En tiempos del comunismo originario, todo el mundo accesible a la investigación histórica se encontraba ocupado por igual por economías comunistas. Pero entre las diversas comunidades y tribus comunistas no existían relaciones; o las había, débiles, sólo entre las comunidades cercanas entre sí. Cada comunidad o tribu vivía, en sí misma, una vida cerrada y si, por ejemplo, encontramos hechos sorprendentes como aquel de que la comunidad comunista germana medieval y la del Perú antiguo, en Sudamérica, tenían prácticamente el mismo nombre, ya que aquella se llamaba "mark" y ésta "marca", esta circunstancia es todavía para nosotros un enigma inexplicado, si no una simple coincidencia. Igualmente en los tiempos de la difusión de la esclavitud antigua encontramos *similitudes* mayores o menores en la organización y las relaciones reinantes en las diversas economías o estados esclavistas de la Antigüedad, pero no una comunidad en su vida económica. Del mismo modo, se reiteró la historia de la artesanía gremial y de su liberación, con mayor o menor grado de coincidencia, en la mayoría de las ciudades medievales de Italia, Alemania, Francia, Holanda, Inglaterra, etc., sin embargo, se trataba las más de las veces de la historia de cada ciudad en sí misma. La producción capitalista se extiende a todos los países, ya que no sólo los conforma económicamente a todos del mismo modo, sino que los articula en una única, gran economía capitalista mundial.

Dentro de cada país industrial europeo, la producción capitalista desplaza incesantemente la producción de pequeña industria, la artesanal y la pequeña producción campesina. Simultáneamente, incorpora a la economía mundial a todos los países europeos atrasados y todos a los países de América, Asia, Africa, Australia. Esto procede por dos vías: a través del comercio mundial y a través de la conquista colonial. Uno y otra se iniciaron de la mano; con el descubrimiento de América a fines del siglo XV, se expandieron más allá en el curso de los siglos siguientes, pero alcanzaron especialmente en el siglo XIX su máximo auge y continuaron expandiéndose incesantemente. Ambos —tanto el comercio mundial como las conquistas coloniales— actúan juntos del siguiente modo. Comienzan por poner en contacto los países industriales de Europa con todo tipo de sociedades de otros continentes que se basan en formas de cultura y de economía más antiguas: economías esclavistas campesinas, economías feudales de servidumbre, pero preponderantemente con formas comunistas originarias. El comercio, al que estas economías se ven incorporadas, las arruina y descompone rápidamente. Con la fundación de sociedades mercantiles coloniales en territorio extranjero, o con la conquista directa, la tierra, fundamento más importante de la producción, así como los rebaños de ganados allí donde los hay, pasan a manos de estados europeos o de las sociedades comerciales. De este modo se ven aniquiladas, en todas partes, las relaciones sociales naturales y el tipo de economía de los aborígenes; pueblos enteros se ven diezmados y la parte que queda de ellos es proletarizada y puesta de uno u otro modo, bajo el mando del capital industrial y comercial, como esclavos u obreros. La historia de las décadas de guerras coloniales, que se prolonga durante todo el siglo XIX; levantamientos contra Francia, Italia, Inglaterra y Alemania en África; contra Francia, Inglaterra, Holanda y los Estados Unidos en Asia; contra España y Francia en América, en la larga y tenaz resistencia de las viejas sociedades autóctonas contra su exterminio y proletarización a manos del moderno capital, lucha de la que finalmente surge en todas partes el capital como vencedor.

Esto entraña en primer término una enorme ampliación del ámbito de dominación del capital, un desarrollo del mercado mundial y de la economía mundial en la que todos los países habitados de la Tierra son recíprocamente productores y compradores de productos, trabajan unos para otros, son participantes de una y la misma economía que abarca todo el globo.

Pero el otro costado consiste en la pauperización progresiva de porciones cada vez más amplias de la humanidad, y la creciente inseguridad de su existencia. Mientras las viejas relaciones, comunistas, campesinas o de servidumbre, con sus limitadas fuerzas productivas y poco bienestar, pero con sus condiciones de existencia firmes y aseguradas para todos, se ven remplazadas por las relaciones capitalistas coloniales, y junto a la proletarización y a la esclavitud asalariada, para todos los pueblos implicados en América, Asia, África, Australia, se alzan amenazantes la miseria brutal, una carga laboral inusitada e insoportable y, por añadidura, la completa inseguridad de la existencia. Después que el fértil y rico Brasil fuera transformado, para satisfacer necesidades del capitalismo europeo y norteamericano, en un gigantesco desierto y en una plantación de café ininterrumpida después de que masas enteras de aborígenes fueron transformados en esclavos asalariados en las plantaciones, estos esclavos asalariados, por añadidura, se ven abandonados por largo tiempo, repentinamente, al desempleo y al hambre a raíz de un fenómeno puramente capitalista: la llamada "crisis del café". La rica y enorme India fue sometida por la política colonial inglesa a la dominación del capital, después de una resistencia desesperada que duró décadas; y desde entonces las hambrunas y el tifus exantemático, que arrebatan millones de víctimas cada vez, son huéspedes periódicos de la comarca del río Ganges. En el interior de África la política colonial inglesa y alemana ha transformado en esclavos asalariados a pueblos enteros en los últimos 20 años, y ha aniquilado por hambre a otros dispersando sus huesos en todas las regiones. Los[2] levantamientos desesperados y las epidemias de hambre del gigantesco imperio de China son consecuencia de la pulverización de la antigua economía campesina y artesanal de ese país por la irrupción del capital europeo. La irrupción del capitalismo europeo en los Estados Unidos, fue acompañada inicialmente por el exterminio de los indios aborígenes norteamericanos y el despojo de sus tierras por los ingleses inmigrantes; luego por la puesta en marcha, a comienzos del siglo XIX, de una producción capitalista primaria para la industria inglesa; luego por el esclavizamiento de cuatro millones de negros africanos enviados y vendidos en América por tratantes europeos, para ser puestos al mando del capital como fuerza de trabajo en las plantaciones de algodón, azúcar y tabaco.

Así, un continente tras otro y, en cada continente, una región tras otra, una raza tras otra, caen inevitablemente[3] bajo la dominación del capital, pero con ello caen, permanentemente, millones de seres humanos en la proletarización, en el esclavizamiento, en la inseguridad de la existencia, en pocas palabras, en la pauperización. La formación de la economía mundial capitalista trae consigo como contrapartida la difusión de una miseria cada vez mayor, de una carga insoportable de trabajo y de una creciente inseguridad de la existencia en todo el globo, que corresponde a la concentración del capital en pocas manos. La economía mundial capitalista significa cada vez más el constreñimiento de toda la humanidad al duro trabajo bajo innumerables privaciones y dolores, bajo degradación física y espiritual, con la finalidad de la acumulación de capital. Hemos visto que el modo de producción capitalista tiene la particularidad de que el consumo humano, que en todas las formas anteriores de economía era un fin, es para ella un medio que sirve para alcanzar el verdadero fin: la acumulación de ganancia capitalista. El crecimiento del capital en sí mismo aparece como comienzo y fin, como finalidad propia y sentido de toda la producción. Pero la insensatez de estas relaciones recién se pone en evidencia cuando la producción capitalista llega a convertirse en producción mundial. Entonces, en la escala de la economía mundial, el absurdo de la economía capitalista alcanza su justa expresión en el cuadro de toda una humanidad que gime, sometida a terribles dolores bajo el yugo del capital, un poder social ciego, creado inconscientemente por ella misma. La finalidad fundamental de toda forma social de producción: el sostenimiento de la sociedad por el trabajo, la satisfacción de sus necesidades, aparece recién entonces completamente patas arriba, ya que se convierte en ley en todo el globo, la producción no por el hombre sino por la ganancia y se convierte en regla el subconsumo, la permanente inseguridad del consumo y, temporariamente, el no-consumo de la enorme mayoría de los hombres.

El desarrollo de la economía mundial trae consigo simultáneamente otros fenómenos importantes, que lo son por cierto, para el propio capital. La irrupción de la dominación del capital europeo en los países extraeuropeos, como hemos dicho, atraviesa dos etapas: primeramente la entrada del comercio y, por este medio, la incorporación de los aborígenes al intercambio de mercancías, en parte también la

[2] Nota al margen de R. L. (en lápiz): India tifus exantemático. *(La Red.)*
[3] Nota al margen de R. L. (en lápiz): Exterminio de los pueblos primitivos. *(La Red.)*

transformación de las formas de producción halladas en aquellos países, en producción mercantil; luego la expropiación, de un modo u otro, de la tierra de los aborígenes y, en consecuencia, de sus medios de producción. Estos medios de producción se convierten, en manos de los europeos, en capital, mientras los indígenas se transforman en proletarios. A las dos primeras etapas sigue, sin embargo, por lo general, tarde o temprano, una tercera: la fundación de una producción capitalista propia en el país colonial, ya sea por parte de europeos inmigrantes, ya sea por indígenas enriquecidos. Los Estados Unidos de Norteamérica, que fueron poblados inicialmente por ingleses y otros emigrantes europeos, constituyeron en un primer momento una vez que hubieron sido exterminados los indígenas pieles rojas en una larga guerra, un *hinterland* agrario de la Europa capitalista que proveía materias primas para la industria inglesa, como algodón y granos; como contrapartida era comprador de productos industriales europeos de todo tipo. Pero en la segunda mitad del siglo XIX surge en los Estados Unidos una industria propia que no sólo desplaza las importaciones procedentes de Europa sino que pronto opone dura concurrencia al capitalismo europeo en la propia Europa y en otros continentes. En la India, igualmente, surgió para el capitalismo inglés un competidor peligroso consistente en la industria local, textil y de otras ramas. Australia ha recorrido el mismo camino de desarrollo, de país colonial a país capitalista industrial. En Japón se desarrolló una industria propia ya en la primera etapa —a partir del impulso del comercio mundial—, lo que lo preservó de ser repartido como país colonial europeo. En China se complica el proceso de desmembramiento y saqueo del país por el capitalismo europeo con los esfuerzos del país por fundar una producción capitalista propia con ayuda de Japón para defenderse frente a la europea, de lo que resultan para la población, por otro lado, sufrimientos doblemente complejos. De este modo, no sólo se extienden por todo el mundo la dominación y el poder del capital mediante la creación de un mercado mundial, sino que se extiende asimismo, gradualmente, el modo de producción capitalista por todo el globo. Pero con ello la necesidad de expansión de la producción y el ámbito en que esta expansión puede tener lugar, es decir la accesibilidad de mercados de venta, se encuentran en una relación cada vez más precaria. Como hemos visto, la necesidad más íntima y la ley vital de la producción capitalista es que no puede mantenerse estacionaria, sino que tiene que expandirse permanentemente y cada vez más rápidamente, es decir producir masas de mercancías cada vez más cuantiosas en empresas cada vez más grandes, con medios técnicos cada vez mejores, cada vez más velozmente. En sí mismas, estas posibilidades de expansión de la producción capitalista no conocen límites, pues no tienen límites el progreso técnico ni, por tanto, las fuerzas productivas de la Tierra. Pero esta necesidad de expansión choca con límites perfectamente determinados, particularmente con el interés de ganancia del capital. La producción y su expansión sólo tienen sentido mientras surge de ellas, al menos, la ganancia media "normal". Pero el que esto ocurra o no, depende del mercado, es decir de la relación entre la demanda solvente del lado de los consumidores y la cantidad de mercancías producidas, así como sus precios. El interés del capital por la ganancia que, por un lado, exige una producción cada vez más rápida y cada vez mayor, se crea a sí mismo, permanentemente, límites de mercado que cierran el paso al fogoso impulso de la producción hacia la ampliación. De ello resulta, como hemos visto, el carácter inevitable de las crisis industriales y comerciales que periódicamente ajustan la proporción entre el impulso de la producción capitalista, en sí mismo libre e ilimitado, y los límites capitalistas del consumo, haciendo posible la prolongación de la existencia y el desarrollo del capital.

Pero cuanto más numerosos son los países que desarrollan una industria capitalista propia, y mayores la necesidad y posibilidad de expansión de la producción, tanto más estrechas se vuelven, en relación con ellas, las posibilidades de ampliación de los límites de mercado. Si se comparan los saltos con los que la industria inglesa ha progresado en las décadas del sesenta y del setenta —cuando Inglaterra era todavía el país capitalista dominante en el mercado mundial— con su crecimiento en los dos últimos decenios —desde que Alemania y los Estados Unidos la desplazaron en grado significativo en el mercado mundial— resulta que su crecimiento se ha hecho mucho más lento con respecto al que tenía lugar anteriormente. Pero lo que fue en sí el destino de la industria inglesa, lo tienen por delante inevitablemente la alemana, la norteamericana y, en definitiva, la industria mundial en conjunto. Irresistiblemente, en cada paso de su propio avance y desarrollo, la producción capitalista se aproxima al momento en que sólo podrá expandirse y desarrollarse cada vez más lenta y difícilmente. Claro está que el desarrollo capitalista tiene por delante todavía un buen trecho de camino, puesto que el modo de producción capitalista, como tal, representa todavía la menor proporción de la producción mundial total. Incluso en los más antiguos países industriales de Europa subsisten todavía, junto a grandes empresas industriales, numerosos pequeños establecimientos artesanales y, ante todo, la mayor parte de la producción agraria —especialmente la de tipo campesino— no se lleva a cabo a la manera capitalista. Además, en Europa hay países donde la gran industria apenas se ha desarrollado, donde la producción local presenta predominantemente carácter campesino y artesanal. Y, finalmente, en los restantes continentes, con la excepción de la parte norte de América, los lugares de producción capitalista representan sólo pequeños puntos dispersos, mientras enormes extensiones de tierra no han llegado siquiera, en parte, a la producción mercantil simple. Cierto es que la vida económica de todas estas capas y países que no producen ellos mismos a la manera capitalista; en Europa, como en los países no europeos, también está bajo la dominación del capitalismo. El campesino europeo, aunque lleve a cabo él mismo, todavía, la más primitiva de las economías parcelarias, depende íntegramente de la gran economía capitalista, del mercado mundial, con el cual lo han puesto en contacto el comercio y la política fiscal de las potencias capitalistas. Del mismo modo los países no europeos más primitivos son puestos bajo el dominio del capitalismo europeo y norteamericano por el comercio mundial así como por la política colonial. Pero el modo de producción capitalista en sí podría lograr todavía una poderosa expansión si desplazase en todas partes todas las formas de producción atrasadas. Por lo demás, como lo hemos mostrado anteriormente, la evolución se da, en general, en esta dirección. Pero justamente en esta evolución se atasca el capitalismo en la contradicción fundamental siguiente: Cuanto más remplaza la producción capitalista producciones más atrasadas, tanto más estrechos se hacen los límites de mercado, engendrado por el interés por la ganancia, para las necesidades de expansión de las empresas capitalistas ya existentes. La cosa se aclara completamente, si nos imaginamos por un momento, que el desarrollo del capitalismo ha avanzado tanto que, en toda la Tierra, todo lo que producen los hombres se produce a la manera capitalista, es decir sólo por empresarios privados capitalistas en grandes empresas con obreros asalariados modernos. La imposibilidad del capitalismo se manifiesta entonces nítidamente.

BOOK REVIEWS

RECENSIONES DE LIBROS

Gemma Cairó i Céspedes (coord.);Ramon Franquesa; Irene Maestro-Yarza; Xavier Martí-González y Juan Carlos Palacios Cívico, *ECONOMIA MUNDIAL. DESCONSTRUINT EL CAPITALISME GLOBAL*, Edicions UB, 2018 (494 pp.), ISBN: 978-84-9168-121-2

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En un contexto de crecientes dificultades para desplegar programas docentes heterodoxos en los estudios de economía de las universidades españolas, la sublimación de este tipo de contenidos en manuales como el que nos ocupa es clave para la supervivencia de estos enfoques, y también poder ofrecer así a los estudiantes la oportunidad de experimentar con el pluralismo académico.

Economia Mundial cumple además la función de cubrir una demanda creciente de la ciudadanía de instrumentos de análisis de la realidad social y económica que ofrezca explicaciones satisfactorias de las disfunciones del sistema capitalista actual, especialmente después de la gran recesión de 2008. Prueba de ello es el éxito de la presentación pública del libro por parte de los autores y animada por el periodista David Fernández, que tuvo lugar a finales de marzo en la barcelonesa librería Obaga (http://www.obagallibreria.cat), a la que acudieron casi un centenar de personas.

Economia Mundial tiene como precedente los dos manuales coordinados por los malogrados José María Vidal Villa y Javier Martínez Peinado, y publicados por McGraw-Hill en 1995 y 2000 con el mismo título. Como continuación de esos trabajos, ahora en 2018 se ha publicado este *Economia Mundial* en Edicions UB — la editorial de la Universidad de Barcelona—, el que la mayoría de autores repiten participación El origen de esta serie de manuales no es otro que la labor docente e investigadora de las profesoras y profesores del área de Economía Mundial de la Universidad de Barcelona, hasta hace poco encuadrados en el Departamento de Política Económica y Estructura Económica Mundial, y ahora por diferentes avatares académicos y administrativos en el Departamento de Historia Económica, Instituciones, Política y Economía Mundial.

El contenido del manual se estructura en seis partes. En la primera de ellas se sientan las bases metodológicas del análisis de la economía mundial que adopta el conjunto de la obra. Con extremado

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rigor, se desgranan los conceptos básicos de la economía política, el análisis estructural, y la dinámica capitalista desde la óptica de la teoría clásica del valor y del neomarxismo. Es una introducción que de hecho puede usarse desligada del resto del libro para comprender las bases del funcionamiento del capitalismo desde un enfoque heterodoxo. En la segunda parte, dividida en tres capítulos, se da cuenta del proceso histórico de formación del sistema capitalista mundial, de la actual configuración de la economía mundial —estructurada en un centro, una periferia y una semiperiferia—, y finalmente de la etapa más reciente de desarrollo capitalista, de la globalización con acento neoliberal.

Una vez sentadas las bases metodológicas y definido el objeto de estudio, esto es, el análisis estructural y el sistema capitalista mundial respectivamente, en las siguientes partes del manual se tratan diferentes aspectos sectoriales y específicos de su funcionamiento. Todo ello acaba configurando un relato completo, detallado y consistente de los fundamentos y la dinámica de la economía mundial. En la parte III, organizada en cuatro capítulos, se analiza pormenorizadamente el papel de los "recursos del sistema", en los que se incluye en primera instancia la población, y los recursos naturales y energéticos. Es decir, la base de recursos del sistema, una parte de lo que Marx define como fuerzas productivas —*produktivkräfte*—. Esta sección incluye también un capítulo dedicado a la agricultura y la alimentación, analizadas por supuesto desde una óptica global, y finalmente un capítulo, que se antoja corto, sobre la crisis ecológica. En la parte IV se dedican dos capítulos al sector manufacturero, uno trata sobre procesos y estrategias de industrialización, y el segundo de ellos sobre las cadenas globales de valor industriales, un elemento central en la era de la globalización y en los procesos de desarrollo contemporáneos de los países periféricos. En la parte V se analiza el comercio internacional, acaso el aspecto más visible del proceso de globalización. En primer lugar se caracteriza el comercio mundial contemporáneo, y seguidamente se explican las teorías —tanto ortodoxas como heterodoxas—, que abordan el comercio internacional. Esta parte se complementa con capítulo sobre las instituciones del comercio internacional, en las que se incluyen los últimos tratados económicos bilaterales y multilaterales en vigor.

La parte VI aborda la que quizás sea la cuestión que más ha determinado la inestabilidad del sistema capitalista mundial en la última década, esto es, el desarrollo y expansión de la esfera financiera del capitalismo. En estos capítulos se explican tanto los fundamentos de la financiarización del capitalismo global como su desarrollo y consecuencias, en un relato que va más allá de los impactos macroeconómicos de la gran recesión. En la parte VII, dividida en dos capítulos, se presenta con rigor uno de los debates más candentes en las facultades de economía en la actualidad, la distribución de la renda y la desigualdad. Finalmente, el lector encuentra un capítulo dedicado al desarrollo económico, donde se desgranan las diferentes teorías del desarrollo, fundamentalmente desde una óptica estructural, y también se aborda la cuestión de la ayuda al desarrollo.

El resultado final del libro es el que se anuncia en su propio subtítulo, *"Desconstruint el capitalisme global"*. En un prolijo ejercicio académico colectivo de casi medio millar de páginas se consigue ofrecer una visión heterodoxa del funcionamiento de la economía mundial cubriendo casi todos los aspectos relevantes de esta. Se trata pues, de una contribución significativa a la construcción de un currículo académico pluralista en las facultades de economía. El manual evita, pues, uno de los peligros del actual debate sobre el pluralismo en economía que es entender que simplemente consiste en sumar añadidos a la visión ortodoxa, sin ir al núcleo del paradigma dominante ni ofrecer paradigmas alternativos. El ejercicio de descolonizar los currículos académicos de la visión dominante neoclásica se empieza por manuales como este.

Otra de las virtudes del manual es el abundante material estadístico desplegado. La digitalización de la academia —en particular de la estadística—, así como la generalización del *open access*, permite disponer de infinidad de series estadísticas robustas y actualizadas con un decalaje de apenas un año o año y medio. Así, en el manual se ofrecen series de datos de todo tipo totalmente actualizadas. Este material de apoyo se complementa también con recursos de consulta en la web, y una particular atención a los recursos videográficos. Esto último muy adecuado para difundir conocimiento y apoyar la docencia en la era de *Youtube*.

Por otra parte, cabe señalar que la primera parte del manual, la metodológica y de marco teórico, se antoja excesivamente técnica y compleja para estudiantes de primer o segundo curso de grado. Desarrollar este contenido con estudiantes poco —o nada— habituados a este vocabulario y estos enfoques es todo un reto docente. Aunque hay que añadir que, paradójicamente, esta es una de las fortalezas del manual, ofrecer un punto de partida teórico rico, robusto y metodológicamente impecable.

En cuanto al contenido, la cuestión de la sostenibilidad ambiental del capitalismo global queda circunscrita a un capítulo, con escasa presencia transversal en el resto del manual. A medida que surgen nuevas inquietudes y los retos de la economía mundial cambian o, metodológicamente resulta complejo transversalizarlos antes de incorporarlos a los paradigmas existentes. La adaptación al cambio climático y sus impactos en el funcionamiento de la economía se perciben, conjuntamente con la desigualdad, los grandes retos emergentes de la economía global. Probablemente, como proclama Naomi Klein refiriéndose al calentamiento global y al cambio climático, "*this changes everything*", y ello incluye también el análisis del funcionamiento de la economía mundial.

Dada la importancia de la propuesta metodológica, eran deseables unas páginas introductorias que explicaran la génesis y desarrollo en la universidad española del análisis estructural aplicado a la economía mundial, con especial mención al magisterio de José María Vidal Villa y Javier Martínez Peinado, *almæ matres* del enfoque del manual. Como explicó en la presentación del manual Irene Maestro —una de sus autoras—, a ellos se debe la incorporación de conceptos propios de la economía marxista y del institucionalismo a este enfoque.

Por último, queremos destacar que la edición original del libro sea en lengua catalana, contribuyendo a normalizar la presencia de esta lengua en el ámbito científico y docente. Parece ser que la propia editorial está preparando la versión en castellano, hecho que sin duda contribuirá a una mayor difusión del manual.

En suma, estamos ante una contribución más que notable a la consolidación de un programa académico heterodoxo de investigación y docencia que debutó hace más de tres décadas en la Universidad de Barcelona. Un programa que a pesar de las dificultades goza de buena salud y cubre la necesidad de mantener el pluralismo de enfoques en las escuelas de economía.

Michel Aglietta, *5,000 YEARS OF DEBT AND POWER*, London: Verso, 2018 (421 pp), ISBN: 13-978-1-78663-4443

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Basado en un gran conocimiento de la historia económica y del pensamiento económico ortodoxo y heterodoxo, el libro pretende demostrar que, en una localidad, país y en el mundo, el dinero es un bien público que se debe regir por principios de cooperación, solidaridad e inclusión social que se concreticen en un orden constitucional estable (*sovereign*). Para el autor, los problemas económicos y políticos actuales se deben a que el sector financiero impide que el dinero funcione como un bien común. Aunque el libro presenta un detallado análisis de Estados Unidos y en parte para América Latina, hay mucha más información para la situación de la Unión Europea en la actual crisis.

Este libro tiene 421 páginas divididas en 8 capítulos. El capítulo 1 está dedicado a demostrar históricamente que el dinero es un bien público que coordina intercambios, es decir precede al mercado. Primeramente, el autor señala que el dinero es lo que permite la medición y el intercambio de actividades humanas haciendo posible el pago de valores; entonces, el dinero es una forma de riqueza y liquidez que surge de una convención social la cual debería ser estable en el tiempo para que los pagos necesarios entre los individuos se puedan realizar con confianza. Cada pago que se hace en una sociedad es una deuda, que debe ser transferible, por tanto, lo mejor, es que se institucionalice para que exista certidumbre en la unidad de cuenta y exista la liquidez necesaria. De acuerdo con el autor, un sistema de pagos consta de tres elementos: (1) la unidad de cuenta que mide valores, (2) la emisión de dinero, y (3) el descuento de créditos y débitos. En este capítulo es importante notar que a diferencia de la escuela neoclásica que considera que el mercado determina los precios de las mercancías ya sea por medio de un *auctioneer* en la idea de L. Walras o de la mano invisible en la idea de A. Smith, la argumentación del autor es que el dinero es creado por la interacción de los seres humanos, pero, asimismo, es el dinero quien coordina las actividades de pagos que son llevados a cabo por estos mismos.

El capítulo 2 explica que un sistema de pagos estable y confiable depende de convenciones, leyes y en la actualidad de un orden constitucional (*sovereign*) el cual es establecido por el colectivo social. La base del *sovereign* es la deuda vertical la cual es de por vida, hay una obligación ética tanto del individuo como del colectivo social a reconocer el orden que se ha formado para fomentar el desarrollo de la vida en

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el largo plazo. Por otra parte, opuesto a la deuda vertical, está la horizontal la cual es la base de las deudas privadas entre ciudadanos con supuestamente iguales derechos. En el capitalismo, se combinan tanto la deuda vertical como la horizontal. Una de las formas imperfectas de establecer el *sovereign* es por medio del Estado al cual recibe impuestos y otorga derechos. Una sociedad tendrá menos problemas y sobrevivirá en el largo plazo siempre que las reglas monetarias establecidas por el orden constitucional produzcan estabilidad, justicia social y crecimiento económico.

El capítulo 3 es una aplicación histórica de lo hablado en el capítulo 2. Si hay un orden monetario que trabaje en el interés público la sociedad tendrá menos problemas políticos y económicos. En cambio, si dominan intereses privados en la sociedad el dinero no cumplirá con su objetivo de la coordinación de pagos y habrá dificultades políticas y económicas. Para que una sociedad se desarrolle adecuadamente es importante que controle la política monetaria y que por medio de la confianza se pueda usar dinero simbólico. El autor señala que mantener imperios, luchar por la independencia nacional y cambios de sistemas económico se deben a innovaciones monetarias. Ejemplos de los tres anteriores hechos son los siguientes. En primer lugar, el poder de realizar reformas monetarias ayudó a Grecia en su guerra con Persia en 527 A.C., y en el año 477 A.C; igualmente, ayudó a Roma durante las guerras Púnicas dónde para resolver sus problemas de endeudamiento e incremento del gasto público el imperio tuvo que suspender el pago de su deuda, confiscar riquezas privadas y vender bienes públicos. En segundo lugar, un conflicto monetario, encendió la chispa de la independencia de Estados Unidos de Inglaterra, este último país, en el siglo XVIII quería cobrar impuestos en libras y negarle la oportunidad a Estados unidos de manejar su deuda y la emisión de su dinero. Por último, en el Edad Media Europea acechó la desconfianza, se deterioraron las comunicaciones, se redujo el volumen de comercio internacional y se exigieron el uso de monedas de acuerdo a su peso. La Iglesia era la institución con más confianza y en complicidad con imperios como el francés, se dividían el excedente generado por los siervos. Sin embargo, los pagos de las contribuciones a la Iglesia por parte de los imperios se hacían en diferentes monedas, razón por la cual surgieron tanto casas de cambio relacionadas con la Iglesia como con comerciantes. Dos grandes innovaciones que permitieron la caída de la Edad Media y el surgimiento del capitalismo fueron el surgimiento de diversas unidades de cuenta abstractas por parte de los imperios como también de banqueros privados y de la letra de cambio. Más tarde, para desarrollar el comercio internacional y financiar las grandes inversiones en capital a largo plazo se necesitaba de estabilidad monetaria y de liquidez, por tal motivo surgieron los bancos centrales. Una revolución monetaria guiaría a una Revolución Industrial.[2]

Que el logro de cohesión social (estabilidad, justicia social y crecimiento económico) por medio de la política monetaria, emanada del orden constitucional, puede ser roto por medio de las innovaciones monetarias es el tema del capítulo 4. Una revolución monetaria es necesaria para lograr una Revolución Industrial (ver el cuadro 4.4, p 178), pero si no se logra imponer a través del colectivo social puede resultar en un total desbarajuste. Durante el siglo XIX se intentó imponer un orden basado en lo privado y en pagos basados en el patrón-oro; en cambio, de 1945 a los años de 1970, países principalmente europeos establecieron el compromiso de brindar empleo y protección social a sus ciudadanos. En el primer caso, se intentó imponer las deudas horizontales sin importar el desarrollo del colectivo social; en el segundo caso, deudas verticales basadas en el *sovereign* ¿Qué papel tienen las innovaciones financieras en las formas de pagos electrónicos en el futuro de la sociedad? Para el autor, las monedas electrónicas locales pueden ser una forma de cohesión social ya que están más basadas en la cooperación, solidaridad, ayuda mutua, proximidad e inclusión. Por otra parte, los instrumentos como el *bitcoin* hasta el momento han mostrado ser un medio por el cual se busca el enriquecimiento privado. Es claro que los primeros desarrollos electrónicos son positivos para el colectivo social y los últimos negativos.

[2] En la misma línea que Vernengo (2016) y Davis (2017).

El capítulo 5 relaciona crisis monetarias surgidas en la desconfianza. Esta última tiene su origen en si el dinero funciona para el colectivo común o para el enriquecimiento privado de un pequeño sector. Devaluaciones de la unidad de cuenta, atesoramiento y una excesiva demanda de liquidez son provocadas cuando el sector financiero maneja el dinero a su provecho. En detrimento del bien público, el acaparamiento del dinero por el sector privado ha causado crisis desde la antigüedad: la guerra del Peloponeso (431 A. C.- 404 A. C.) donde hubo una excesiva demanda de liquidez; la crisis de Roma del siglo IV, donde hubo una preferencia en fijar pagos en oro en vez de en la unidad de cuenta; la etapa temprana de la Edad Media donde se prefirieron los pagos en metálico y se depreció la unidad de cuenta; la inestabilidad presentada en el siglo XVI y XVII, donde los países presumieron su poder económico-político respaldados en la acumulación de metales preciosos y asimismo había una disputa entre algunos banqueros privados *(goldsmiths*) y los Estados por el control del dinero. Finalmente, del siglo XIX a la actualidad, el sector privado también ha originado problemas en algunas ocasiones debido a que ha impedido que los bancos centrales sean prestamistas de última instancia y ha propiciado devaluaciones de la unidad de cuenta (grandes inflaciones) en Alemania a principios de la década de 1950, en China de 1947-1948 y en América Latina desde la década de 1970 a principios de 1990.

En el capítulo 6 se señala que crisis causadas por el dinero pueden ser evitadas o controladas por medio de la política monetaria establecida por un banco central. En el capitalismo, el banco central tiene la ventaja de tener información privilegiada y llevar a cabo las funciones de emitir dinero, controlar la tasa de interés y garantizar el pago de deudas (entre otras funciones). Sin embargo, durante los últimos 40 años se ha privilegiado el interés privado en el control del dinero en lugar del interés público. Hay tres ejemplos de lo anterior. Primeramente, para disminuir la cantidad de crédito e intentar controlar la inflación en Estados Unidos de 1979 a 1982 se impuso el monetarismo el cual se basaba en relacionar la oferta monetaria con la tasa de interés en el corto plazo, como es bien sabido, en este período hubo una gran alza en las tasas de interés. En segundo lugar, en Alemania posteriormente a la segunda guerra mundial los valores de un cierto sector dominan la política monetaria que privilegia en control de la inflación (ordoliberalismo).[3] Finalmente, del período de la década de 1980 a la actualidad, en Estados Unidos, han dominado variaciones de la tasa natural de interés la cual se define como la rentabilidad futura de las nuevas inversiones. Cuando la tasa natural y la tasa real coinciden no hay inflación, sin embargo, si la tasa real está por encima de la natural puede inhibir nuevas inversiones y viceversa si la tasa real está por debajo. Variaciones del concepto de la tasa natural son la regla de Taylor, la política de manejo de riesgos (*Risk Management*) y la política macro-prudencial (*Macroprudential Policy*).

Los problemas del dólar para funcionar como moneda internacional que sirvan al bien público por medio de ofrecer la liquidez necesaria en los desequilibrios de la cuenta corriente es el tema tratado en el capítulo 7. Principalmente, el autor comenta que la liquidez de la moneda internacional debería ser ofrecida a las necesidades del comercio mundial y no ser controlada por ningún país. En segundo lugar, el capítulo señala que del período que va de la segunda guerra mundial a principios de la década de los 70, el dólar se estableció como moneda dominante en la realización de pagos y atesoramiento lo cual llevó a Estados Unidos a tener una contradicción entre su política interna con la externa y posteriormente (*Triffin Dilemma*), principalmente desde 1980 a tener grandes déficits comerciales. Desde principios de 1970 a la fecha, la confianza del dólar se encuentra minada, sin embargo, sigue siendo la principal moneda en la que se encuentran las reservas internacionales de los países, se hacen préstamos entre bancos, se administran tipos de cambio, se hacen pagos y la mejor manera en que piensan los países periféricos se pueden proteger por problemas surgidos en su cuenta corriente.

[3] El ordoliberalismo combina valores sociales y liberales. De los primeros está la cooperación de la clase media alemana y de los segundos el control de la inflación y la independencia del banco central.

Finalmente, en el capítulo 8 se propone un orden internacional sobre el dinero basado en la igualdad y la confianza. Con cooperación internacional se puede dar soluciones a los problemas planteados por la llamada *Imposible Trinity* la cual consiste en que no se puede tener independencia monetaria, libre movilidad de capitales y tipos de cambio fijo al mismo tiempo; se pueden conseguir dos de estos elementos, pero no los tres. Para que el dinero pueda funcionar como bien común a nivel internacional el autor propone que surjan asociaciones nacionales de cooperación libre que coadyuven a: (1) establecer áreas de pagos regionales basadas en el dólar, el euro y el yuan, (2) tener control de capitales y, (3) reformar el Fondo Monetario internacional para que provea liquidez cuando los países tengan problemas en su balanza de pagos.

Los principales méritos del libro es relacionar el dinero con las crisis económicas y políticas desde el surgimiento de los grandes imperios hasta la actualidad y asimismo proponer una solución a los problemas del presente. En cierto sentido, coincide con autores institucionalistas (Davis 2017) y con algunos Marxistas (Lapavitsas 2013; Maoutt 2015) que señalan que se debe regular el sector financiero y fortalecer a los bancos públicos. Igualmente, es una contribución relacionar el dinero con el espacio económico local, nacional e internacional; así como esbozar el impacto positivo o negativo de los pagos electrónicos. Por otra parte, dudas sobre las propuestas del libro son cómo una asociación entre Estados-Nación basada en la cooperación e igualdad pueda ser creada en el corto plazo y mantenida en largo plazo y cómo el Fondo Monetario Internacional pueda ser reformado para promover el bien común.

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Carlos Taibo, *LA PARÁBOLA DEL PESCADOR MEXICANO. SOBRE TRABAJO, NECESIDADES, DECRECIMIENTO Y FELICIDAD,* Catarata, Madrid, 2016 (94 pp.), ISBN 9788490971420

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"La parábola del pescador mexicano. Sobre trabajo, necesidades, decrecimiento y felicidad" de Carlos Taibo - quien se ha desempeñado como profesor titular del Departamento de Ciencia Política y Relaciones Internacionales de la Universidad Autónoma de Madrid - es un nuevo aporte en las discusiones sobre las que trabaja los Estudios del Desarrollo y, puntualmente, la apuesta del decrecimiento hacia un nuevo rumbo social, económico y político que repiensa a las sociedades contemporáneas.

Este texto, editado y publicado por la Editorial Catarata, continúa por una línea de publicaciones con las que Taibo ha abordado críticamente al capitalismo y la globalización, entre los que se destacan libros como *"Colapso. Capitalismo terminal, transición ecosocial, ecofascismo*[2]*", "¿Por qué el decrecimiento? Un ensayo sobre la antesala al colapso*[3]*"* y *"El decrecimiento explicado con sencillez*[4]*".*

El libro que se reseña, cuenta con una tapa diseñada por Joaquín Gallego, que introduce de manera gráfica la parábola que será el hilo conductor y sobre el que se argumenta todo el libro. En sus 94 páginas, se incluyen la justificación, tres capítulos y dos apéndices.

El autor, desde la primera página inserta seis cuestiones que desarrollará a lo largo del libro, enunciando, lo que ha definido como "los desafueros" del crecimiento económico. Estos son: Genera cohesión social; La relación entre crecimiento y generación de trabajo en ocasiones es difusa; Se agrede al medioambiente; Se agotan de los recursos básicos; El crecimiento de los países ricos se da a expensas de la explotación de los recursos de los países pobre; El asentamiento del "modo de vida esclavo" argumenta

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[2] Taibo, C. (2017). *Colapso. Capitalismo terminal, transición ecosocial, ecofascismo*. Los libros de la catarata.

[3] Taibo, C. (2014). *¿Por qué el decrecimiento?: un ensayo sobre la antesala del colapso*. Los libros del lince.

[4] Taibo C. (2011). *El decrecimiento explicado con sencillez*. Los libros de la catarata.

que hay una correlación directa entre el número de horas trabajadas, los bienes consumidos y el dinero ganado, con al grado de felicidad alcanzable.

Sobre este último elemento se inserta la parábola del pescador mexicano[5], llevándonos al capítulo 1 *"Los protagonistas; la trastienda de la parábola"*, rescatando las características de sus protagonistas. Para el pescador, el trabajo es una actividad, entre muchas otras, que realiza para vivir intentando hacer el menor daño posible al medio ambiente, sin el propósito individualista de acumular o explotar. No usa tecnologías complejas pues solo busca satisfacer sus necesidades reales y esto le basta para llevar una vida tranquila y feliz.

Por su lado, el turista norteamericano, debate la lógica del pescador que no lo lleva a la riqueza. Entre líneas se deja ver una relación de poder en donde el norte presenta al sur los beneficios de la globalización, que se traduce en la explotación de seres humanos y la naturaleza, un modo de vida individual y la mercantilización de las relaciones sociales.

En el capítulo 2 se abordan una docena de cuestiones por las que apuesta el decrecimiento y que, si bien no se hacen explicitas en la parábola, si se usa como instrumento para abordarlas.

La primera de ellas *El trabajo*, que se ha convertido en el elemento identitatario social por antonomasia, naturalizado y poco cuestionado en cuanto a los sacrificios que conlleva. Por ejemplo, y solo por mencionar algunos de estos sacrificios, el deterioro de las relaciones sociales por el tiempo dedicado a la producción, las largas jornadas que *la tecnología* no ha ayudado a reducir y que por el contrario, ha facilitado la explotación de los seres humanos, la naturaleza y la represión de los trabajadores.

La reducción de los salarios y la precariedad de las condiciones frente a *El pasado del trabajo* son herencia del "ennoblecimiento" que desde la revolución industrial se ha hecho de la vida en torno a la producción. Mientras que *Los "pueblos primitivos"* tenían un número muy inferior de bienes, también es cierto que gozan de vidas sociales activas pues solo se le dedica el tiempo estrictamente necesario a las actividades requeridas para la supervivencia. Vale la pena aclarar que hablo en presente porque aún existen comunidades ancestrales y campesinas que llevan una vida sencilla, tranquila y en una relación orgánica con la naturaleza.

Como resultado la concepción de *La prisa y la lentitud,* en términos del tiempo requerido para la realización de las actividades, se ha afectado, incluso, la dieta, la educación y la movilidad de las sociedades "desarrolladas" en beneficio del trabajo, y más específicamente, de los empresarios.

Como se mencionó anteriormente al hablar de *Las necesidades* del pescador, el autor introduce el carácter cultural de estas necesidades que se nos han creado artificialmente al mercantilizar bienes que antiguamente no requerían de trabajo especializado, recordando que toda oferta genera su propia demanda para la economía neoclásica y que hemos experimentado de la mano del trabajo para el consumo.

Esto último abre la puerta para dos temas adicionales que el autor aborda. El primero relacionado con *La pobreza y la miseria,* al hacer una paralelo entre aquello que ahora consideramos pobreza, en términos

[5] La parábola dice: En un pueblo de la costa mexicana, un paisano se encuentra medio adormilado junto al mar. Un turista norteamericano se le acerca, entablan conversación y en un momento determinado el forastero pregunta: 'Y usted, ¿en qué trabaja? ¿A qué se dedica?'. 'Soy pescador', responde el mexicano. 'Caramba, un trabajo muy duro', replica el turista, quien agrega: 'Supongo que trabajará usted muchas horas cada día, ¿verdad?'. 'Bastantes, sí', responde su interlocutor. '¿Cuántas horas trabaja como media cada jornada?'. 'Bueno, yo le dedico a la pesca un par de horitas o tres cada día', replica el interpelado. '¿Dos horas? ¿Y qué hace usted con el resto de su tiempo?'. 'Bien. Me levanto tarde, pesco un par de horas, juego un rato con mis hijos, duermo la siesta con mi mujer y, al atardecer, salgo con los amigos a beber unas cervezas y a tocar la guitarra'. 'Pero ¿cómo es usted así?', reacciona airado el turista norteamericano. '¿Qué quiere decir? No entiendo su pregunta'. 'Que por qué no trabaja más. Si lo hiciese, en un par de años tendría un barco más grande'. '¿Y para qué?'. 'Más adelante, podría instalar una factoría aquí en el pueblo'. '¿Y para qué?'. 'Con el paso del tiempo montaría una oficina en el distrito federal'. '¿Y para qué?'. 'Años después abriría delegaciones en Estados Unidos y en Europa'. '¿Y para qué?'. 'Las acciones de su empresa, en fin, cotizarían en bolsa y sería usted un hombre inmensamente rico'. '¿Y todo eso, para qué?', inquiere el mexicano. 'Bueno', responde el turista, 'cuando tenga usted, qué sé yo, 65 o 70 años podrá retirarse tranquilamente y venir a vivir aquí a este pueblo, para levantarse tarde, pescar un par de horas, jugar un rato con sus nietos, dormir la siesta con su mujer y salir al atardecer con los amigos a beber unas cervezas y a tocar la guitarra'.

materiales - pero que para el autor, dadas sus características de individualismo, insolidaridad, constante deseo de poseer, la competencia en busca del beneficio, hasta llegar a la mercantilización de las relaciones - son características propias de la miseria y no de la pobreza. En este sentido, la pobreza se diferencia por cuanto apela a la sencillez, solidaridad, reparto, equidad y respeto.

El autor deja ver la importancia de *La felicidad* por la relación existente entre esta y las relaciones sociales y con la naturaleza, el tiempo en relación con el trabajo y el disfrute, la educación y la cultura. Es por esto, que el crecimiento económico y los indicadores que intentan medirlo, no reflejan necesariamente una relación, o por lo menos no en todos los casos, entre economías desarrolladas y felicidad.

La apuesta es entonces por *Descomplejizar* las sociedades, reconociendo el papel histórico de *Las mujeres*, de quienes se ha beneficiado enormemente la economía, ya que ellas han asumido labores domésticas y de cuidado, que no han sido redistribuidas, por lo que ahora cuentan con una doble y triple jornada laboral no remunerada. También es necesario darles el derecho a *Las otras especies* a habitar este planeta y su disfrute, reduciendo su explotación desmesurada.

Esta necesidad de descomplejizar debe ir acompañara por repensar *El turismo*, que para el autor debe reducirse al mínimo, incluso pensando en la eliminación del mismo como industria para recuperar el disfrute local reduciendo las distancias, los costos monetarios, de tiempo y energéticos.

En el capítulo 3 se concluye respondiendo a la pregunta ¿Qué hacemos con el trabajo? No se trata de no trabajar sino de generar nuevas formas de hacerlo. Por ejemplo eliminando trabajos inútiles, entre ellos, los relacionados con la defensa, el automóvil, publicidad, entre otros. Frente al exceso de oferta de trabajo provocado, primero, se propone que se dedique ese esfuerzo a satisfacer las necesidades sociales y naturales. Segundo, a distribuir las horas de trabajo de los puestos que se mantienen, por lo que el resultado será el disfrute de más tiempo libre trabajando menos horas y reduciendo el nivel de consumo.

Por último, en los apéndices se recogen algunas versiones de la misma parábola y lo que el autor ha denominado *Historias antieconómicas (o demasiado económicas).*

El texto, por lo tanto, de manera sencilla y en ocasiones pareciendo poco profundo, rescata los debates actuales sobre el decrecimiento de manera pedagógica, siendo así, un texto recomendable para quienes se acercan al concepto y a los Estudios del Desarrollo, incluyendo uno a uno, los elementos que configuran la columna vertebral de la apuesta del decrecimiento y en este caso, haciendo especial énfasis en el trabajo como una apuesta hacia la reconfiguración "la primacía de la vida social sobre la vida afanosa de la competencia, la producción y el consumo[6]".

[6] Ver https://www.youtube.com/watch?v=xopPWI6Mom8

Richard Wilkinson y Kate Pickett, IGUALDAD. CÓMO LAS SOCIEDAD MÁS IGUALITARIAS MEJORAN EL BIENESTAR COLECTIVO, Capitán Swing, Madrid, 2019, (408 pp.) ISBN: 978-84-949667-8-1

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El nuevo trabajo de R. Wilkinson y K. Pickett constituye una obra mayor en el análisis de la desigualdad. Su anterior trabajo de 2009 (aquí traducido como Desigualdad. Un análisis de la infelicidad colectiva) fue una anticipación fundamental a una temática que ha renacido con fuerza en los últimos años. Se anticipó al mucho más citado, por los economistas, trabajo de Thomas Piketty (El capital en el siglo XXI) que en cierta medida abrió un nuevo tiempo de debate académico sobre esta cuestión. R. Wilkinson y K. Pickett no son economistas, aunque muestran buenos conocimientos económicos, sino especialistas en salud pública y epidemiologia. Y quizás por ello se acercan a la cuestión con otra mirada que permite penetrar en muchos aspectos de la cuestión ignorados por las corrientes dominantes del pensamiento económico. Precisamente esta es una de las grandes virtudes de su nueva entrega, que basándose en un amplio conjunto de trabajos científicos permiten explicar gran parte de los impactos que generan las desigualdades, entran en alguna de las "cajas negras" del comportamiento humano que habitualmente quedan fuera del análisis económico, o son completamente ignorados por los adscritos al paradigma del racionalismo individualista.

El trabajo está organizado en cuatro partes: una introducción y tres bloques. En el primero se aborda el impacto mental de las desigualdades, en el segundo se discuten las cuestiones de clase social y se rebate el concepto de meritocracia y, en el bloque final se proponen algunas alternativas a la situación actual.

La introducción presenta dos cuestiones fundamentales. Por una parte, resume los resultados de su trabajo anterior donde se mostraba la existencia de correlaciones fuertes entre niveles de desigualdad de renta y diversos males sociales: a mayor desigualdad de renta mayor proliferación de indicadores de malestar social. En el trabajo anterior estas correlaciones incluían tanto datos de una selección de países como los correspondientes a los cincuenta estados de Estados Unidos de Norteamérica y, en todos ellos, los resultados eran concluyentes. En la introducción del texto actual se incluye una gráfica sintética entre

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la que se aprecia fuerte correlación positiva entre niveles de desigualdad y de problemas sociosanitarios. Estados Unidos de América alcanza en la muestra el mayor grado de desigualdad y de problemas, Japón ocupa el extremo inverso (y España se sitúa en una situación intermedia).

En segunda parte de la introducción muestra el fuerte crecimiento de los problemas mentales en las sociedades desarrolladas (estrés, ansiedad), que consideran que constituye una auténtica plaga. Esta situación se produce en un contexto de creciente aislamiento de la gente, a pesar de que existe evidencia de que la amistad constituye un importante factor de bienestar. Esta paradoja la atribuyen fundamentalmente a que vivimos en sociedades altamente jerarquizadas, estratificadas y donde la gente se siente continuamente evaluada por las personas que ocupan posiciones sociales superiores.

> "La idea que las modernas democracias de mercado se basan en la meritocracia y de que la posición de clase es un indicador de capacidad implica que estas sociedades son en cierto modo justas, ya que las diferencias de estatus estarían justificadas. El resultado es que un estatus social inferior se percibe todavía más como una señal de inferioridad personal y fracaso. Esto a su vez refuerza la tendencia generalizada a valorar la capacidad y la inteligencia de la gente sobre la base de su posición social, y hace que ocupar un estatus social bajo resulte aún más degradante. Estas tendencias no se limitan a cómo juzgamos a los demás. También aumentan o disminuyen la confianza de la gente en su propia inteligencia y capacidad" (p 67-68)

Una gran parte de la población se siente atrapada en está permanente evaluación lo que desarrolla dos respuestas patológicas, que están en la base de los actuales problemas de salud: una elevada ansiedad que exige una persistente batalla por la autoestima, por una parte, o la proyección de una imagen exageradamente positiva por otra. Cuanto más desigual es una sociedad, cuanto más persistente es la evaluación jerárquica, mayores son las probabilidades de que estas dos dinámicas atrapen a grandes masas de población y se extiendan los problemas mentales.

La primera parte, titulada "Las consecuencias mentales de la desigualdad" está fundamentalmente dedicada a elaborar el argumento inicial y a presentar los numerosos trabajos (fundamentalmente de epidemiólogos y especialistas en salud pública) que lo avalan.

Para desarrollar su argumentación se apoyan en el modelo del Dominance Behavioral System desarrollado por la psicóloga Sheri Johnson y su amplia investigación empírica. Esté modelo caracteriza los comportamientos humanos en contextos de desigualdad como una combinación de cuatro elementos. Dos se sitúan en el eje del poder- sumisión y dominio- y los otros dos en el de los comportamientos sociales- calidez y hostilidad. El libro muestra que los comportamientos humanos se diferencian por la posición que cada cual ocupa en la combinación de los dos ejes. Las personas atrapadas en situaciones de subordinación son más proclives a enfermedades mentales. El capítulo se cierra con diversas evidencias empíricas que muestran correlaciones claras entre los niveles de desigualdad de renta, las enfermedades mentales (a más desigualdad más enfermedades) y la participación social (a más desigualdad menos participación).

En el capítulo 3 se analiza otra variante de la desigualdad. La desigualdad no sólo genera patologías mentales asociadas a la sumisión. También genera comportamientos sociales de tipo narcisista como un mecanismo de respuesta al contexto hostil. Está oleada narcisista tiende a erosionar la empatía necesaria para el promover la cooperación y la sociabilidad. En el límite las personas que alcanzan los niveles de renta más elevados tienden a menospreciar los vínculos sociales, considerándose ellos mismos con el "derecho a tener de todo". En muchos casos, además, generan comportamientos psicopáticos respecto al resto de mortales. Si la sumisión inhibe, la vanidad provoca pérdida de empatía.

El capítulo 4 que cierra la primera parte está dedicado a mostrar otros comportamientos patológicos generados por la desigualdad, la jerarquización y la competitividad individual en la que estamos sumergidos. Las adiciones de diverso tipo, la compulsión consumista, la lucha por el estatus (aunque sea meramente simbólico) son respuestas humanas explicables en este contexto de sociedades de alta desigualdad. Hay aquí un nexo de unión entre cuestiones sociales y ambientales, puesto que una sociedad más desigual genera una mayor presión consumista que se traduce en una presión más elevada sobre los recursos. En el capítulo contrastan este aumento del consumismo con los estudios sobre las aspiraciones de los niños en los que se muestra que estos lo que demandan es un mejor sistema de relaciones sociales. Por ello también parece sólida la correlación negativa entre mayor desigualdad y el índice de bienestar infantil. En suma, lo que esta primera parte muestra, con abundancia de referencias a estudios empíricos es que la desigualdad explica una buena parte de las patologías presentes en las sociedades actuales.

La segunda parte incluye tres capítulos bajo el epígrafe general de "Mitos de la naturaleza humana: meritocracia y clase". El primero de los mismos, "La condición humana", constituye una interesante síntesis de resultados aportados por psicólogos y genetistas. El argumento principal es que el mayor desarrollo cerebral de la especie humana, especialmente respecto a los primates superiores, tiene relación con el desarrollo social de la misma. Los primates superiores mantienen estructuras más o menos fuertes de dominio entre sus miembros, pero la larga historia de cazadores-recolectores de la especie humana generó un fuerte desarrollo de la cooperación y el igualitarismo. La epigenética ha mostrado que existe una adaptación que la especie humana tiene una amplia capacidad de adaptación al medio social. A partir del neolítico se rompió el largo predominio de sociedad igualitario- cooperativas y, en cierta medida, volvieron a reforzar los aspectos de dominio presentes en los primates. Y ello provoca un comportamiento humano en el que coexisten "sistema de rango de dominio de la época prehumana" y elementos procedentes del "período igualitarista de nuestra prehistoria". Ambos provocan diferentes impactos de ansiedad: de vernos sometidos a jerarquías y de vernos a través de la mirada de los otros. Por esto la posición relativa que tiene cada cual respecto al resto constituye un elemento crucial de su bienestar

El capítulo 6 está consagrado a "La falsa idea de la meritocracia", según la cual las desigualdades presentes en las sociedades modernas reflejan el mérito personal de cada cual. Sin negar que las personas puedan tener habilidades diferentes, muestra que a menudo estas diferencias son reforzadas por el aprendizaje y el medio social. Dos personas con pequeñas diferencias de habilidad pueden acabar con una mayor diferenciación cuando una de ellas se especializa en aquello en lo que tenía una ligera ventaja, lo que depende del contexto. Hay también una magnífica reflexión sobre el carácter clasista de los test de inteligencia y la forma cómo se evalúan las capacidades humanas. Y en suma hay un predominio del entorno sobre nuestra evolución mental. Hay muchas y buenas anotaciones sobre como todo ello influye en el propio proceso educativo y cómo en gran medida este refleja una buena parte de la jerarquía social. Las desigualdades impregnan la vida social y los procesos educativos. Y la presunción meritocrática simplemente lo camufla, convirtiendo la desigualdad en mérito individual.

Cierra esta sección el capítulo 7 "Comportamientos de clase", donde se analizan nuevos indicadores que muestran como las desigualdades de renta se traducen no sólo en acceso diferenciado a la cultura o el arte, sino en que las sociedades más desiguales tienden a despreciar con más fuerza los comportamientos habituales de las clases deprimidas.

La tercera y última sección "El camino por recorrer" plantea la cuestión de alternativas. El capítulo 8 relaciona las desigualdades con la sostenibilidad. Frente al mantra económico de la necesidad de mantener la desigualdad como vía para promover el crecimiento y el bienestar, Wilkinson y Pickett aducen los diferentes trabajos que indican que no hay una correlación fuerte, a partir de ciertos niveles, entre nivel del P.I.B. y bienestar. Y por otra parte recogen la evidencia, ya comentada, del papel que juegan las desigualdades como impulsoras de pautas de consumo incompatibles con la sostenibilidad. La lucha por la igualdad es la lucha por el bienestar físico y mental y la sostenibilidad ecológica.

Por último, el capítulo 9, "Un mundo mejor", está orientado a recoger ideas en torno a la posibilidad de un modelo social más igualitario. El punto de partida son un encadenado de cinco proposiciones que resumen en buena medida las tesis del libro:

- La desigualdad agrava los problemas sociales
- La desigualdad afecta a la mezcla social
- La desigualdad afecta a la cohesión social
- La desigualdad aumenta la ansiedad por el estatus
- La desigualdad potencia el consumismo y el consumo ostentoso

A partir de aquí, concluyen que no existe un nivel de desigualdad que pueda justificarse en base al bienestar e introducen una serie de trabajos que muestran la mayor eficiencia de las organizaciones sociales más cooperativas e igualitarias. No tienen una receta concreta, reconocen que tampoco existe una clara evidencia de hasta donde debemos impulsar el igualitarismo. Lo que sí argumentan es que existe evidencia de que los países más igualitarios ofrecen mejores indicadores de bienestar y de ello deducen que al menos todas las sociedades deberían tratar de aproximarse a estas sociedades. El libro concluye con una llamada a seguir pensando en modelos sociales igualitarios.

Se complementa con un apéndice que incluye información útil sobre centros que trabajan en el estudio de las desigualdades como una batería de impactos sociosanitarios de la desigualdad de ingresos.

Este es un resumen de las muchas cosas que aporta la investigación, de los temas que relaciona y de la invitación a seguir luchando por la igualdad. Para la Economía Crítica es una aportación imprescindible. No sólo porque los argumentos y los trabajos que el libro sintetiza apoyan muchos de los presupuestos críticos en el análisis, por ejemplo, de la educación, el mercado laboral o el consumo y el medio ambiente. Es también notable porque muestra que la conexión de la Economía crítica con investigaciones que se producen en campos tradicionalmente alejados de las ciencias sociales tiende a reforzar la solidez de muchos de los planteamientos críticos que han sido despreciados o ignorados por la Economía convencional. En la medida en que hay la necesidad de mantener un debate abierto en el espacio académico, encontrar buenos aliados es imprescindible. Y, en esta línea los trabajos de Wilkinson y Pickett resultan imprescindibles.

Clément Carbonnier y Nathalie Morel, *LE RETOUR DES DOMESTIQUES,* París: Seuil, 2018 (112 pp.), ISBN 2021399044

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Clément Carbonnier y Nathalie Morel acaban de publicar su libro titulado *Le retour des domestiques* en la colección *La République des Idées* de la editorial Seuil.

Conviene recordar que el primero es profesor de Economía en la Universidad de Cergy-Pontoise, investigador en el laboratorio Thema y asesor científico en el Consejo de Análisis Económico (CAE), además de ser codirector del proyecto titulado "Políticas socio-fiscales" en el Laboratorio Interdisciplinar de Evaluación de las Políticas Públicas (LIEPP). Entre sus ejes de investigación se hallan las políticas socio-fiscales en general y aquellas a favor de los servicios a la persona en particular; las políticas de empleo, de la reducción de las cotizaciones sociales a la mejora de la calidad, de cara a medir los impactos socioeconómicos y estratégicos en materia de crecimiento; la evaluación interdisciplinar del Crédito de Impuesto para la Competitividad y el Empleo. Es autor o coautor de varios libros, como pueden ser *The Political Economy of Household Services in Europe* (2015), escrito junto con Nathalie Morel; *La TVA sociale* (2012); o la obra colectiva *L'économie publique* (2010); y de múltiples artículos en revistas científicas de reconocido prestigio internacional, tales como *Cambridge Journal of Economics, Journal of Economic Analysis and Policy, Public Finance Review* o *Journal of public economics.*

La segunda es profesora en Ciencias políticas en el Instituto de Estudios Políticos (IEP) de París e investigadora asociada en el Centro de Estudios Europeas (CEE) y el Laboratorio Interdisciplinar de Evaluación de las Políticas Públicas (LIEPP). Esta especialista de las políticas sociales europeas, codirige el proyecto "Políticas socio-fiscales". Tras doctorarse en Sociología por la Universidad París I-Panthéon-Sorbonne y realizar una estancia de investigación posdoctoral en el *Institute for Futures Studies* de Estocolmo, se ha centrado en el análisis comparativo de las políticas sociales y los mercados laborales, prestando una atención particular a las políticas de *care*, género, inversión social y servicios domésticos.

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Ha publicado, además de numerosos artículos en revistas relevantes a nivel internacional, la obra *Towards a Social Investment Welfare State? Ideas, Policies and Challenges* (2012), junto con Bruno Palier y Joakim Palme; y la ya mencionada *The Political Economy of Household Services in Europe* (2015).

En la introducción de la presente obra, los autores observan que "las últimas tres décadas se han caracterizado por un auge de las desigualdades en los países occidentales. En el mercado laboral, esta polarización se ha manifestado por una desaparición [progresiva] de los empleos del medio de la distribución de la renta, en beneficio de unos empleos cada vez más cualificados" (p.7). Simultáneamente, "el aumento de los empleos peor remunerados se acompaña de una transformación importante del reparto de estos empleos, con una disminución sustancial de la parte de los obreros cualificados y un aumento de los empleos menos cualificados en el sector servicios" (p.7). La vuelta del empleo doméstico es otra manifestación de esta polarización de la estructura social, ya que este tipo de empleo está en plena expansión desde los años noventa (p.7). La figura del empleado doméstico "que vive en el domicilio de sus dueños ha sido sustituida por la figura del (…) asalariado que interviene en diferentes [hogares] para realizar unas tareas de limpieza, planchado, niñera o cuidado de personas mayores" (p.8). No en vano, el carácter subalterno de estos empleos permanece, "tanto por su infravaloración como por la relación interpersonal y fuertemente asimétrica que se [produce] en su seno" (p.8).

En Francia, estos empleos forman parte del sector de los servicios a la persona que reúne a 1,23 millón de asalariados, lo que representa a alrededor del 5,5% del empleo asalariado total (p.8). La reactivación del empleo doméstico en Europa es asociada, a menudo, "a unos cambios socioeconómicos mundiales, tales como los desequilibrios económicos, los movimientos migratorios transnacionales (…), el crecimiento de la reserva de mano de obra no-cualificada, las mutaciones de las estructuras familiares, la aparición de nuevas necesidades sociales vinculadas al envejecimiento de la población y al incremento del empleo femenino, la ausencia o la insuficiencia de servicios de [guardería] o de ayuda a personas mayores" (pp.8-9). Se considera igualmente "la perspectiva de desigualdad de género en el reparto de las tareas domésticas, a pesar de la entrada masiva de las mujeres en el mercado de trabajo, (…) como una causa de la externalización de las tareas domésticas" (p.9).

A todo ello conviene añadir el hecho de que "varios países europeos ponen en marcha unas políticas que aspiran a fomentar el desarrollo de estos empleos. Es particularmente el caso en Europa continental y en Europa del Norte, (…) donde los poderes públicos han multiplicado las iniciativas para estimular la demanda de servicios a la persona" (p.9). Se le agregan incentivos financieros, como pueden ser "las ventajas fiscales, [reducciones] de cotizaciones sociales y cheques-servicios subvencionados, así como la simplificación de los procedimientos administrativos de contratación y la flexibilización de la reglamentación del trabajo en ese sector" (p.9). En ese sentido, el desarrollo del empleo doméstico "corresponde a una estrategia económica [muy] precisa, es decir a [un modelo] de sociedad" (p.9). Esa polarización de las estructuras sociales está particularmente marcada en Francia y "se caracteriza por el desarrollo de los empleos menos cualificados y más degradados en [cuanto a las] condiciones de trabajo" (p.9).

Por lo cual, la presente obra propone "un análisis de las políticas [implementadas] en Francia para apoyar el empleo doméstico, interrogándose sobre los efectos de estas políticas, [en relación] con sus objetivos afirmados en términos de creación de empleo y de respuesta a las nuevas necesidades sociales" (p.10).

En el primer capítulo, titulado "El trabajo doméstico como estrategia económica", los autores recuerdan que "la domesticidad es uno de los rasgos característicos de la sociedad del siglo XIX. La mayoría de las explotaciones agrícolas tienen un [ayudante] o incluso varios. En todas las capas de la burguesía, es [corriente] tener al menos una criada, [y] los hogares más adinerados [disponen de varios empleados] domésticos" (p.11). El siglo XX, en cambio, "ha estado marcado por un declive del empleo doméstico tanto en Europa como en Estados Unidos. En Francia, [por ejemplo], mientras que se computaban cerca de un millón de empleados de hogar al inicio del siglo XX, (…) el censo de 1930 solo computaba alrededor de 200.000" (p.12). Ese declive se explica, entre otros factores, por "las evoluciones tecnológicas, tales como el desarrollo de los equipamientos electrodomésticos y de la industria agroalimenticia, que han reducido el tiempo consagrado a las tareas domésticas, pero también por una transformación de la oferta de empleo vinculada a la industrialización, que ha generado una [redistribución] de la mano de obra" (p.12).

Sin embargo, desde los años noventa, se observa un retorno del empleo doméstico, especialmente en el Hexágono, donde la parte de los servicios domésticos en el empleo total es tres veces más elevada que en Estados Unidos (p.12). Esta evolución específica a Francia se explica por "las políticas de incentivos fiscales [implementadas] desde finales de los años ochenta y, más particularmente, a partir de 1991" (p.12). Si los primeros dispositivos fiscales son creados en la posguerra "para apoyar las necesidades de ayuda y atención de las personas mayores [vulnerables], estos son circunscritos a un público muy restringido" (p.13). Es a partir de 1986, bajo la batuta del gobierno liderado por Jacques Chirac, que "la política de apoyo a los servicios domésticos empieza a desarrollarse", aunque inicialmente solo sea "a destinación de las personas mayores y de las familias con niños pequeños, para responder a las necesidades de cuidado y de guarda" (p.13). Esta política tiene otro objetivo, el de "crear nuevos empleos, así como de reducir el trabajo ilegal (…) en ese ámbito" (p.13).

En la década de los noventa, inciden Carbonnier y Morel, la promoción del empleo doméstico se convierte en "uno de los pilares de la estrategia de empleo en Francia. Se trata, ante todo, de [reducir] el desempleo, [cuyo auge es propiciado] por el declive de la economía industrial, y de poner de nuevo en actividad a aquellos (…) que se encuentran al margen del empleo" (p.14). En 1991, se aprueba una ley sobre el empleo familiar "que garantiza una reducción de impuestos a todo contribuyente [correspondiente] al 50% del importe del gasto [consentido] para el empleo de un asalariado que realiza unas tareas domésticas en su domicilio o para el pago de servicios domésticas vía una asociación, en el límite [de] 38.000 euros anuales" (p.14). El objetivo es hacer atractivo el trabajo declarado y, sobre todo, "estimular la demanda de servicios domésticos" (p.14). De hecho, "estos servicios son percibidos como un importante yacimiento de empleo, que tiene la ventaja de ser intensivos en mano de obra y [de ser] no-deslocalizables" (p.14).

La estimulación de estos empleos de servicios aspira entonces a "absorber la mano de obra poco cualificada, mientras que la transición de una sociedad industrial a una economía posindustrial se acompaña de una desaparición de empleos poco cualificados" (p.14). La estrategia de promoción de los servicios domésticos se basa en "un análisis específico de las causas del desempleo y de la ausencia de crecimiento del empleo, en relación con la terciarización de la economía" (p.15). Esta perspectiva considera que "un coste del trabajo demasiado elevado, en razón del nivel del salario mínimo, [así como] del nivel elevado de [las] cotizaciones sociales; una reglamentación del trabajo demasiado coactiva; y, [un] escaso nivel de empleo de servicios", son responsables de esta situación, al tiempo que se espera un fuerte crecimiento del empleo en los servicios que exigen una escasa cualificación y que son intensivos en mano de obra (p.15). Ese análisis es ampliamente compartido por los demás países europeos y norteamericanos (p.15). A ello se añade una interpretación que incide en "la revolución de la información [que] ha permitido automatizar los oficios intermedios, para los cuales los empleos disponibles disminuyen. (…) Esta automatización permite aumentar [notablemente] la productividad de los empleos de [la parte] alta de la escala de cualificaciones. (…) En cambio, los trabajadores rutinarios menos cualificados solo pueden [ocupar] unos empleos manuales o relacionales, tales como los servicios domésticos, que no pueden ser sustituidos por máquinas" (p.16).

Ese diagnóstico encuentra cierto eco en el seno de la Comisión Europea que, desde 1993, "presenta el apoyo a los servicios domésticos como una de las principales soluciones ante los desafíos socioeconómicos a los cuales están enfrentadas las sociedades europeas de la era posindustrial" (p.17). Se esperan numerosos beneficios de esta estrategia: "creación de empleos no-deslocalizables para los menos cualificados, mejor relación coste-eficacia para satisfacer nuevas demandas sociales (…), apoyo al empleo femenino, apoyo al crecimiento liberando los trabajadores más cualificados y productivos de las tareas domésticas no-productivas" (p.17). El interés de la Comisión por el desarrollo de los servicios a domicilio aparece por primera vez en el Libro Blanco *Crecimiento, competitividad, empleo*. Ante el elevado nivel del desempleo, se recomienda "la flexibilización del mercado de trabajo y la atenuación de las incentivaciones negativas a la contratación de trabajadores poco cualificados" (p.19). El Libro Blanco de 1994, titulado *Política social europea*, "insiste igualmente en los yacimientos de empleo que constituyen los servicios de proximidad. Estos son presentados como necesarios para apoyar el empleo femenino y poco cualificado" (p.19). Los dispositivos ya creados en varios países son "puestos en valor y su desarrollo es fomentado: instauración de títulos-servicios o cheques-servicio y [adecuación] de dispositivos jurídicos, financieros y fiscales a fin de permitir a los hogares convertirse en empleadores o en consumidores de servicios a domicilio" (p.19). Los mismos argumentos son desarrollados en el *Informe común sobre el empleo* de 1997, poniendo como ejemplos a Francia y Bélgica (pp.19-20).

La Estrategia europea para el empleo (1997) y la Agenda de Lisboa (2000) "marcan un giro en la política social. (…) La cuestión de la tasa de empleo se convierte en un reto importante", lo que modifica la manera de abordar la cuestión del género (p.21). Al imponerse consideraciones económicas, la participación de las mujeres en el mercado de trabajo es menos una oportunidad que una necesidad, que no aspira a redistribuir las tareas domésticas entre hombres y mujeres sino a ayudar estas últimas a asumirlas, gracias a formas de empleo más flexibles (p.21). En ese contexto, sobre todo a raíz de la Cumbre de Barcelona (2002), los servicios a la persona se hallan en el centro del debate. "El desarrollo de los servicios domésticos debe permitir aumentar la tasa de empleo femenino a lo largo de la escala de las cualificaciones" (pp.21-22). Considerando que las tareas domésticas corresponden a las mujeres, "la externalización de estos trabajos en el mercado de los servicios a la persona permitiría, no solamente liberar tiempo para las mujeres cualificadas (…) para aumentar [la] oferta de trabajo cualificado, sino también para crear una demanda de trabajo poco cualificado para las mujeres [situadas] abajo de la escala de las cualificaciones" (p.22). En semejante tesitura, "la promoción por los poderes públicos de los servicios a la persona (…) es cada vez más presentada como una medida de igualdad [de género] que, [liberando] las mujeres de las tareas domésticas, les permitirá [insertarse, en mayor medida], en el mercado de trabajo y tener las mismas oportunidades de carrera [profesional] que los hombres" (p.22). Esta visión es reafirmada en la Estrategia Europa 2020 definida en 2010 (p.22).

Los argumentos desarrollados a nivel europeo hacen eco a aquellos expuestos en Francia (p.23). "Diferentes informes publicados en [el Hexágono] entre 1985 y 2005 evocan la necesidad de apoyar el desarrollo de servicios domésticos para responder a nuevas necesidades sociales [así como] para promover el empleo en un sector percibido como un importante yacimiento de empleo" (p.23). Elaboran igualmente una nueva terminología para designar a estos servicios: "se trata, a la vez, de determinar los perímetros del sector y de alejarse de la imagen de domesticidad en sus formas tradicionales. Así, los términos 'empleos familiares', (…) 'empleos de proximidad' y 'servicios a la persona' sustituyen progresivamente a la antigua expresión 'servicios domésticos'" (p.24). Pero, el cambio de vocabulario no traduce una transformación sustancial de las formas de empleo (p.24).

Los cambios se producen a inicios de los años noventa. De hecho, "una reducción de impuestos equivalente al 50% del gasto por [el pago] de servicios domésticos, independientemente de la naturaleza de los servicios (…) y de los públicos concernidos, es introducida en 1991" (p.24). El techo de gasto tomado en consideración para la reducción de impuestos pasa de 3.811 a 13.720 euros entre 1991 y 1994 (p.24). En ese sentido, "Francia invierte masivamente en una política de subvención de los servicios domésticos" (p.24). Además, se pone énfasis en "la solvabilización de la demanda en lugar de [hacerlo] en la estructuración de la oferta" (p.24). Finales de los años ochenta e inicios de los años noventa están también marcados por "el desarrollo de una variedad de dispositivos más [específicos], como la ayuda a la niñera a domicilio en 1986 y la ayuda a la familia para el empleo de un auxiliar de preescolar certificado en

1990, que ofrecen una exoneración parcial o total de cotizaciones sociales [a los] empleadores" (pp.24-25). Otros dispositivos que incitan a la contratación son introducidos, como "las exoneraciones de cotizaciones patronales para los particulares empleadores o la introducción del cheque-servicio para facilitar las gestiones administrativas. A partir de 1996, las ventajas fiscales son extendidas a las empresas con fines lucrativos prestatarios de servicios" (p.25). A partir de mediados de los años noventa, los servicios a los particulares se hallan en el cruce de dos políticas públicas: la política de empleo y la política social de mantenimiento a domicilio de las personas mayores y de guarda de niños (p.25).

Las primeras críticas surgen a propósito de las desigualdades sociales que generan estas políticas, dado que estos dispositivos fiscales benefician ante todo a los hogares más adinerados (p.25). Esto conduce el gobierno socialista encabezado por Lionel Jospin a reducir a la mitad el techo de gasto que abre el derecho a la reducción fiscal. Asimismo, "la tasa de reembolso de categorías sociales para la ayuda a la guarda de niños a domicilio (…) pasa del 100% al 50%" (p.25). No obstante, de manera general, "las desigualdades que estas políticas [generan] entre los consumidores y los proveedores de estos servicios, además [de aquellas existentes entre] las mujeres que compran estos servicios y las (…) que las producen", no son objeto de una verdadera reflexión (p.26).

Pero, este cuestionamiento de los dispositivos fiscales es temporal, ya que el techo de gasto que abre derecho a la reducción fiscal asciende progresivamente a 12.000 euros en 2005 (p.26). Ese mismo año, se lanza el Plan Borloo "que pretende crear 500.000 empleos en los servicios a la persona en el espacio de tres años. Ese potencial de creación estriba, según los promotores del Plan, en la demanda latente de los hogares, vinculada al envejecimiento de la población y al aumento de la actividad femenina, [así como] a las transformaciones de los modos de vida, que generan una mayor demanda de servicios de confort (…) para [liberar] tiempo para la familia y el ocio. Se trata, para los poderes públicos, de contribuir a solvabilizar esta demanda latente, para transformarla en demanda efectiva" (p.26). El objetivo perseguido, no es tanto responder a las nuevas demandas sociales, como crear empleos de cara a reducir el desempleo (p.27). El Plan Borloo aspira, sobre todo, "a construir los servicios a la persona como un sector económico homogéneo", aunque englobe un gran abanico de servicios, que responden a lógicas muy dispares (p.27). Esta construcción política del sector pasa, asimismo, por "la creación de una agencia especializada (la Agencia nacional de servicios a la persona o ANSP), la remodelación de las categorías profesionales para hacer aparecer estos servicios en las estadísticas, o unas campañas de publicidad (…) que presentan los servicios a la persona como un nuevo producto de consumo" (p.27).

En 2009, el Secretario de Estado al Empleo lanza el segundo Plan de servicios a la persona, reconociendo a 29 actividades, en lugar de 21 hasta entonces (p.28). La política de apoyo a los servicios domésticos "se ha mantenido desde entonces, para un coste estimado de 6,5 mil millones de euros en 2014: un 70% de ese importe toma la forma de reducciones de impuestos y un 30% [toma] la forma de exoneraciones o reducciones de cotizaciones sociales" (p.28). No obstante, el Tribunal de Cuentas galo ha realizado un balance crítico de estos dispositivos a partir de 2010 y, de nuevo, en 2014, sin tener el más mínimo efecto sobre estas políticas públicas (p.29).

En el segundo capítulo, titulado "Una política costosa, para qué empleos?", los autores subrayan que la principal justificación de la política de apoyo a los servicios a la persona es la creación de empleo. Si el número de empleos creados es muy inferior a las expectativas iniciales, "el impacto real de estas medidas sobre el empleo es objeto de controversias importantes", dado que, entre 2005 y 2008, oscila entre 312.000, según la ANSP, y 108.000, para el INSEE (p.31). Estas diferencias son, en parte, imputables a "la dificultad de definir el perímetro de estos empleos, que agrupan a actividades muy heteróclitas (…). Se deben, también, a las diferentes valoraciones de lo que constituye un empleo" (pp.31-32). Estas cifras representan un reto político evidente. No es de extrañar que la estimación optimista de la ANSP sea asumida por los promotores de estas medidas, aunque su concepción del empleo no considere la cuestión de la calidad del empleo y su dimensión social (p.32). De manera general, "la eficacia de las subvenciones fiscales puede ser medida como el número de empleos equivalente [a la] jornada completa creado por una cantidad dada de gasto público" (p.32). Esto plantea la cuestión del "coste de oportunidad" de esta política; sabiendo que esta noción permite comparar "el coste público de esta política de apoyo a los servicios a la persona con inversiones alternativas posibles, que habrían permitido crear otros tantos empleos" (p.33).

Para medir la eficacia de las subvenciones fiscales, "es necesario poder identificar específicamente los empleos creados [como consecuencia] de esta medida, distinguiéndolos de aquellos que habrían existido incluso sin estas subvenciones" (p.34). Es preciso subraya, igualmente, que "una parte de los empleos creados puede corresponder a unos empleos que ya existían, pero bajo una forma no-declarada" (p.34). Para medir esta creación de actividad neta, "es necesario evaluar el impacto de las reformas sobre el consumo de los hogares" (p.34). A ese respecto, los autores proponen medir directamente "los efectos reales de los dispositivos a través del análisis de rupturas temporales en los entornos socioeconómicos" (p.34). Ese enfoque, denominado "análisis en experiencias casi naturales", proviene de la voluntad de explicar los estudios farmacológicos a "doble ciegas" (p.34). Pero, si el análisis en experiencias casi naturales da sólidos resultados, conviene multiplicar estos análisis en ámbitos lo suficientemente diferentes como para poder, posteriormente, "por meta-análisis, intentar inferir un perfil global de los efectos" (p.35). En lo que se refiere a la reducción de impuestos para el empleo a domicilio, existen ciertos ámbitos cuyas comparaciones pueden permitir esbozar un perfil de eficacia (p.35).

Sobre las cuatro reformas llevadas a cabo, tres modifican el techo anual de gasto de los servicios a la persona elegibles a la reducción de impuestos, mientras que la cuarta afecta a la forma de reembolso. De hecho, en 2007, "la reducción de impuestos ha sido transformada en crédito de impuestos, pero solamente para los hogares activos, con el objetivo de permitir a los trabajadores no-imponibles (…) beneficiarse ellos también de la ventaja fiscal a la que solamente los hogares imponibles podían [acceder] hasta entonces" (p.36). Las tres primeras reformas han consistido en incrementar, reducir y aumentar de nuevo el techo de gasto (p.36). Los dos primeros cambios, acontecidos respectivamente en 1998 y 2003, apenas han modificado el empleo en el sector de los servicios a la persona (pp.37-38). En cambio, "la puesta en marcha inicial de la medida en 1992, con un techo relativamente [bajo], ha tenido efectos más importantes sobre el consumo oficial de servicios a domicilio, y, por lo tanto, sobre el empleo declarado. Esta primera reforma ha concernido todos los hogares que podían consumir unos servicios a la persona, [siempre y cuando] paguen impuestos" (p.38). En realidad, la mayoría de estos empleos existían con anterioridad, aunque no estén declarados (p.38).

Aún así, esta medida fiscal ha sido poco eficaz y lo es cada vez menos "a medida que aumenta el techo de gasto anual elegible, [por lo cual] conviene realizar una categorización de los hogares en cuatro grupos" (p.41). "Los hogares, cuyo comportamiento cambia [como consecuencia] de la reforma, son los consumidores incentivados que consumirían sin subvención y [que] aumentan su consumo [en razón] de la subvención; y los no-consumidores incentivados, que no consumirían sin [ella], pero [que] empiezan a hacerlo" (p.42). Otros hogares, "los no-consumidores no incentivados, sacan un escaso [provecho] de tales servicios o encuentran su coste, incluso subvencionado, demasiado elevado; por lo cual, continúan a no consumir, a pesar de la política de incentivación" (p.42). Los consumidores no-incentivados, al contrario, "sacan un beneficio de los servicios tan importante o consideran el coste suficientemente débil comparando con sus recursos, que consumirían unos servicios en cantidades similares incluso si no estuvieran subvencionados" (p.42).

El coste por empleo creado "depende de la suma de los servicios consumidos por los no-consumidores incentivados y los nuevos consumidores incentivados, en proporción de la suma de los consumos de los consumidores no incentivados y de los servicios que los consumidores incentivados habrían consumido incluso sin subvención fiscal" (p.42). Mientras que "la puesta en marcha inicial de la medida puede eventualmente incentivar ciertos no-consumidores a empezar a consumir unos servicios, no es el caso de una elevación del techo, que solo concierne a los hogares que ya consumen a nivel del antiguo techo y para los cuales el precio después del crédito de impuestos de consumos suplementarios varía" (p.42). Si el impacto inicial ha sido relativamente eficaz, la situación ha evolucionado notablemente a lo largo de los veinticinco años siguientes (p.44).

Según los autores, "las evaluaciones del impacto de los dispositivos fiscales sobre el empleo indican un efecto muy [limitado] de estos dispositivos sobre la creación de empleo y efectos de ganga importantes, que inducen un coste público muy elevado para subvencionar estos empleos" (p.45). Pero, "más allá del número de empleos creados y de su coste para las [arcas públicas], se plantea la cuestión del tipo de empleo promovido por la política pública" (p.45). El sector del servicio a la persona se caracteriza, en general, por unas condiciones de empleo deterioradas, lo que está vinculado con "la manera según la cual ese mercado ha sido estructurado por la política pública" (p.45). Conviene recordar, a ese respecto, que, si los servicios a la persona reúnen a actividades muy dispares, la parte fundamental de esa actividad se concentra en dos profesiones: "los auxiliares de vida, por una parte, y los empleados de hogar, por otra parte" (p.45).

Esta escasa calidad del empleo creado se traduce, "no solamente por unas muy bajas remuneraciones, sino también por un acceso limitado a la protección social, unas condiciones de trabajo perjudiciales para la salud, la ausencia de formación y de perspectivas de evolución [de carrera profesional], unas coacciones organizativas y temporales importantes, así como unas coacciones relacionales fuertes; [sin olvidar] la desvalorización simbólica asociada a estos empleos" (p.46). Esta situación desfavorable a los asalariados del sector es el producto "de políticas y de elecciones sociales, en términos de cualificación, de organización colectiva y de estructuración del mercado" (p.46).

Conviene subrayar que "varias formas legales de empleo coexisten en Francia en el sector de los servicios a la persona, cubiertas por diferentes convenios colectivos según el tipo de empleador. El mercado se reparte entre los particulares empleadores, por un lado, (…) y las empresas o asociaciones prestatarias de servicios, por otro lado" (p.46). Las políticas públicas han sido orientadas inicialmente hacia los particulares empleadores (p.46). En ese sentido, "las asociaciones se han fuertemente desarrollado en los años noventa, par [servir de] vínculo entre los asalariados y los particulares empleadores, especialmente en torno a [los] servicios vinculados a la dependencia" (p.47). A su vez, "las empresas prestatarias con fines lucrativos, autorizadas desde 1996, han visto su número crecer muy rápidamente a finales de los años 2000 y a inicios de los años 2010, principalmente para los servicios a domicilio" (p.47).

Otros países, en cambio, han intentado "estructurar el sector de los servicios a los hogares a través de las empresas prestatarias de servicios" (p.47). Es el caso de Bélgica, Suecia y Finlandia (p.47). La elección del modo de intermediación del empleo tiene consecuencias sobre su calidad. De hecho, en Francia, se observa una clara diferencia entre asalariados que efectúan tareas similares. En efecto, "los trabajadores directamente empleados por la persona a la cual [prestan] los servicios, no se benefician en la práctica de ninguna formación continua, [mientras que] los asalariados de empresas de intermediación se benefician prácticamente de la misma oportunidad de formación continua que los asalariados poco cualificados de otros sectores" (p.48). Al problema de la formación continua se añade "la muy escasa toma en cuenta de la antigüedad en el empleo, que solo aporta un aumento de salario mínimo" (p.48).

Más allá de la diversidad de las formas de contractualización, "la fragmentación de la oferta de mano de obra y la ausencia de lugar de trabajo común limitan [notablemente] la constitución de colectivos de trabajo, incluso para los asalariados de las empresas prestatarias" (p.49). La representación sindical es prácticamente nula y "la información sobre los derechos [está] poco disponible, lo que limita la eficacia de los convenios colectivos" (p.49). Los asalariados, están, lo más a menudo, "solos ante sus empleadores o sus clientes" (p.49). Además, "la reglamentación sobre las condiciones de trabajo y conformidad con los reglamentos de higiene y seguridad es especialmente difícil de hacer aplicar" (p.49), dado que la actividad se ejerce en domicilios privados y la inspección del trabajo no está autorizada a penetrar en su seno (p.49). Como consecuencia de ello, "los sectores de la ayuda a domicilio y de limpieza presentan la mayor accidentalidad", debido a la exposición a los productos químicos, a las caídas y a los accidentes durante los numerosos desplazamientos (p.49); sin olvidar una dureza vinculada a las coacciones relacionales (p.50). A su vez, "la dispersión del sector, donde coexisten varias formas de empleo, implica una multiplicidad de acuerdos colectivos, de modo que muchos trabajadores, que combinan diferentes tipos de actividades o de empleadores, son llevados a cambiar de convenio colectivo a lo largo de una misma jornada [laboral]" (p.50).

Aunque, desde la reforma del Código del trabajo de 2008, los empleados de hogar están sometidos a las mismas reglas que los demás asalariados en materia de salario mínimo y de protección social, los salarios siguen siendo muy bajos (p.51). Esto se explica por varias razones. En primer lugar, las jornadas laborales son frecuentemente muy parciales. En segundo lugar, "los horarios están fragmentados entre varios empleadores y los tiempos de trayecto de uno a otro no están pagados" (p.51). En tercer lugar, el modo de cálculo de las horas trabajadas puede reducir el número de horas remuneradas en relación con el número de horas de presencia obligatoria a domicilio del cliente" (p.51). Estos escasos volúmenes de horas trabajadas "tienen un impacto directo sobre el acceso a la protección social de los asalariados, [dado que] la apertura de derechos a ciertas prestaciones sociales (…) está sometida a un mínimo de horas trabajadas" (p.52).

La escasa calidad de estos empleos proviene igualmente del escaso valor simbólico asociado a las actividades de mantenimiento y de limpieza que siguen estando vinculadas, "en el imaginario colectivo, a la domesticidad y la servidumbre" (p.53). Además, "estas tareas domésticas sufren de la competencia de la auto-producción" (p.53). Ese fenómeno de desvalorización simbólica y monetaria está vinculado, asimismo, "a los dispositivos públicos puestos en marcha para promover estos empleos" (p.53). De hecho, los empleos mencionados son definidos como no-cualificados (p.53). "Las características de los empleados concurren igualmente a esta desvalorización" (p.53). El hecho de que las tareas domésticas hayan sido durante un largo periodo exclusivamente femeninas no es ajeno a esta situación (p.53). Y, "si un diploma de Estado ha sido creado en 2002 para el sector de la ayuda a domicilio (…), este solo aporta un pequeño beneficio [financiero]" (p.54). En definitiva, "el objetivo cuantitativo de creación de empleo que ha guiado las políticas [implementadas] se ha claramente [impuesto a] la preocupación por la calidad" (p.54).

En el tercer capítulo, titulado "Una subvención al confort de los más adinerados", los autores indican que, si la creación de empleo es reducida, "ciertos hogares se benefician sustancialmente de esta política, que les permite acceder a unos servicios domésticos a coste reducido" (p.57). El impacto redistributivo de esta política depende de los tipos de hogares que consumen unos servicios a la persona y se benefician, vía [ventajas fiscales], de un [pago] de su consumo por el presupuesto del Estado" (p.57). Lo cierto es que los servicios subvencionados están, en gran parte, consumidos por unos hogares, no en función de sus necesidades, sino de sus rentas. Esto induce "una redistribución vertical regresiva" (p.58).

El perfil redistributivo del crédito de impuesto para el consumo de servicios a la persona deriva, ante todo, "de la distribución del consumo de estos servicios [y] ésta crece fuertemente con el nivel de renta" (p.58). En efecto, "los hogares más modestos consumen muy raramente y solamente en muy pequeñas cantidades, [mientras que] los hogares adinerados recurren mucho más frecuentemente y para unos importes anuales mucho más importantes" (pp.59-60). Además, "el muy fuerte crecimiento prosigue en el interior de la décile más rica" (p.60). Por lo cual, "la subvención por un crédito de impuesto del consumo de servicios a la persona es fuertemente regresiva" (p.60). Así, "la décile más adinerada se beneficia de más del 43,5% de la subvención fiscal total" (p.60). Conviene precisar que "ese reparto de las ventajas fiscales a favor de los servicios a la persona no es específico a Francia" (p.61).

No en vano, desde 2017, "la ventaja fiscal, que era un crédito de impuesto para los hogares activos, pero solamente una reducción de impuesto para los hogares inactivos, se ha convertido (…) en un crédito de impuesto para todos" (p.62). Es demasiado pronto, nos dicen Carbonnier y Morel, para evaluar el impacto de ese cambio, pero es probable que el efecto redistributivo de esta reforma sea muy limitado y que el carácter regresivo perdure globalmente (p.63).

A pesar de su escaso efecto, "dos argumentos son regularmente avanzados para defender la idea de que esta anti-redistribución está justificada" (p.66). La primera afirma que "estas subvenciones fiscales concedidas a los más ricos compensan unas prestaciones en naturaleza ofrecidas a los hogares más modestos" (p.66). La segunda considera que "los servicios a la persona llenan un vacío dejado por una política pública que no tendría [la capacidad de responder] a una parte de los riesgos sociales" (p.66). Más allá de la debilidad del argumento teórico, conviene ser consciente de "la fragilidad de las bases empíricas sobre las cuales se sustenta" (p.68). En efecto, "este gasto fiscal está muy lejos de subvencionar únicamente [los] servicios sociales, [ya que] subvenciona igualmente (…) unos servicios de confort para los más adinerados" (pp.68-69). De hecho, el 54% de las horas de servicios a la persona conciernen servicios de confort, tales como la limpieza y el planchado para personas válidas, la jardinería, el bricolaje, etc. (p.69). Además, "no solamente los servicios sociales constituyen un parte minoritaria de los servicios a la persona, sino que su reparto, lejos de ser equitativo para el conjunto de los hogares, está extremadamente concentrado en los hogares más adinerados" (p.70).

Además de ofrecer servicios y conceder subvenciones, esta política pública estructura ese mercado, teniendo un impacto sobre el tipo de servicios prestados y sobre su calidad. Dado que han preferido subvencionar la demanda (los hogares) en lugar de la oferta (los prestatarios), "los poderes públicos han fuertemente limitado su capacidad de actuar sobre la calidad de los servicios que financian" (p.75). De hecho, "para beneficiarse de la reducción de impuestos, (…) el consumidor solo debe justificar que el trabajo a domicilio ha sido declarado ante los servicios de recaudación de las cotizaciones sociales. Ninguna condición es exigida desde el punto de vista de la oferta" (p.75). Además de la calidad del servicio, su reparto geográfico escapa al control de la administración, dado que "su accesibilidad depende de una oferta local cuyo funcionamiento es mercantil" (p.75). De ese modo, estos servicios se desarrollan ante todo en zonas urbanas, preferentemente adineradas (p.75). Estas disparidades geográficas inciden negativamente en "la igualdad territorial de las poblaciones en materia de bienestar social, [sobre todo] cuando se invierte dinero público" (p.76).

La dualización del sistema tiene efectos no deseados. En particular "perjudica fuertemente la igualdad de acceso a estos servicios" (p.76). De hecho, "la financiación dual para el gasto de ayuda a domicilio crea un mecanismo que, además de [generar] desigualdad (…) en materia de gasto fiscal, (…) excluye de facto a una parte de los más modestos de la parte directa y visible" (pp.76-77). Unos efectos de desigualdad de acceso a la parte visible del sistema de protección social se observan en la atención a las personas mayores y la guarda de niños (pp.77-78). En este último caso, la "desigualdad de acceso tiene un impacto, no solamente sobre el desarrollo social de los niños (…), sino también sobre las oportunidades profesionales de sus madres" (p.79). En efecto, las madres poco cualificadas tienen un problema de acceso a "modos de guarda para sus niños pequeños, incitándolas a guardar sus niños por sí mismas, apoyadas por el acceso a un permiso parental largo pero escasamente remunerado" (p.80). Esto contribuye a incrementar las desigualdades en el mercado de trabajo "entre las mujeres poco cualificadas, que se retiran del mercado laboral durante largos periodos, y las mujeres más cualificadas que toman un permiso corto y, luego, hacen guardar [sus niños a través de] unos modos de guarda colectivos o privados" (pp.80-81).

El hecho de permitir a las mujeres conciliar mejor vida profesional y vida familiar y de favorecer la igualdad de género "forma parte de los beneficios esperados de la política fiscal de apoyo a los servicios domésticos" (p.81). No en vano, es preciso constatar que "son las mujeres más cualificadas las que se benefician de estos servicios, y así de la posibilidad de consagrar más tiempo, a la vez, a un trabajo [lucrativo] y a unos tiempos familiares y de ocio" (p.82). Esta posibilidad de externalizar las tareas domésticas para las mujeres "se basa en el trabajo doméstico realizado por unas mujeres menos cualificadas" (p.82). Así, se produce "una transferencia de la carga de las tareas domésticas de las mujeres más cualificadas a las mujeres menos cualificadas" (p.82). Ese fenómeno contribuye a la "polarización de la economía", fuente de crecientes desigualdades (p.82). "Esta organización, y la importancia del gasto público orientado de esta forma, moldea esta polarización y la refuerza" (p.83).

En el cuarto capítulo, que aborda la estrategia de empleo y el modelo de sociedad, a pesar de que la política fiscal de apoyo a los servicios a la persona sea, a la vez, muy costosa y poco eficaz, es poco cuestionada (p.87). "La principal justificación es que no existiría una solución alternativa para encontrar unos empleos a los menos cualificados" (p.87). En otros términos, esta política no sería eficiente pero sería eficaz, en la medida en que contribuye, aunque sea de manera escasa, a la creación de empleo (p.87). Rechazando la distinción entre eficiencia y eficacia, los autores proponer soluciones alternativas (p.88).

En efecto, "los gobiernos están sometidos a una coacción presupuestaria relativamente [fuerte], que impone medir los efectos de un dispositivo [en relación con] los efectos de su financiación. (…) De hecho, Francia se halla desde la crisis de 2008 en una situación de consolidación presupuestaria, y estos convenios son cada vez más [mencionados] para [justificar] reducciones del Estado social" (p.88). Así, para evaluar el impacto de una política, "conviene comparar sus efectos con aquellos que tendría el mismo presupuesto gastado en la mejor política alternativa [todavía no implementada]" (p.89).

Los países escandinavos han aplicado una política alternativa basada en "un salario mínimo elevado, unos impuestos igualmente elevados y uno de las más elevadas tasas de empleo entre los países de la OCDE" (p.91). Esto implica, entre otros aspectos, invertir masivamente en educación (p.92). Efectivamente, el fortalecimiento del sistema educativo permite aumentar las tasas de cualificación en la población, posibilitando la realocación de la mano de obra hacia profesiones cualificadas en lugar de hacerlo hacia oficios manuales y de contacto (p.92). Además, "las nuevas actividades engendradas por el aumento de [personas] cualificadas incrementan la demanda para el trabajo menos cualificado" (p.93). De ese modo, "aumentar la realocación hacia arriba de la mano de obra permite, no solamente dinamizar la actividad económica, sino también, vía un auge de la demanda de servicios a la persona, mejorar el poder de negociación de los trabajadores menos cualificados en el mercado de los servicios a la persona, y, por lo tanto, su remuneración y la calidad de su empleo" (p.93).

Para permitir semejante alocación hacia arriba, "conviene, no solamente incitar las empresas a innovar, (…) sino [también, y] sobre todo, concederles medios. Además de las infraestructuras materiales, estos medios consisten en invertir colectivamente en la productividad de la mano de obra" (p.94). Esto empieza desde la más temprana edad (p.94). "Dar una oportunidad a todos desde la edad más temprana pasa por un servicio público de la pequeña infancia, de calidad y accesible a todos" (p.95). Por lo tanto, "un gran plan de incremento de las capacidades de acogida colectiva de los [niños] es (…) una primera posibilidad de política alternativa" (p.95).

La educación inicial debe ser completada por una educación continua así como "por la puesta en marcha de condiciones de desarrollo de las capacidades productivas de los trabajadores" (p.96). Invertir en las condiciones de trabajo permite obtener, a término, "no tanto una productividad forzada y [que desgasta], sino una productividad basada en la creatividad, la innovación y la calidad" (p.97). Esto plantea la cuestión de la igualdad de género entre hombres y mujeres. "Permitir a las mujeres tener las carreras [profesionales] que desean, y que corresponden a sus cualificaciones, pasa por una política de igualdad en la esfera familiar" (p.98).

Un estudio piloto ha evaluado el impacto de estas políticas alternativas en términos de empleo comparándolas con las políticas actuales de reducción del coste del trabajo sobre los bajos salarios en Francia. Se trata de comparar "el coste por empleo creado de estas políticas de subvención socio-fiscal con el de la financiación directa de servicios sociales" (p.99). Un empleo a jornada completa en los sectores descritos, es decir de servicios públicos de la guarda de niños y de ayuda a domicilio de las personas mayores dependientes, "dotados de todas las protecciones sociales y con acceso a una formación continua de calidad, costaría un poco menos de 30.000 euros anuales" (p.99). A eso hay que añadir "los empleos inducidos (…), pero restando los empleos destruidos" (p.99). Resulta que los "26 millones de gastos socio-fiscales actuales podrían ser reorientados hacia la financiación directa de servicios sociales, generando un aumento del empleo" (pp.99-100). Además, "crearía empleos de mejor calidad en el sector, con externalidades positivas, a la vez, para los asalariados (…) y para la sociedad en general" (p.100). De manera general, "esta reorientación amplificaría el efecto redistributivo global del sistema nacional de impuestos y de transferencias francés" (p.100).

El mantenimiento de la política actual resulta, entre otros factores, del "trabajo regular de grupos de interés a los cuales la construcción de ese sector ha dado lugar" (p.101). A ello se añade una orientación política determinada según la cual "la extensión de los servicios a la persona debe permitir activar los gastos pasivos de desempleo y, por lo tanto, crear empleos sin coste adicional para la [comunidad], dado que ese coste está financiado por el reciclaje de las ayudas [concedidas] a unas personas que no encuentran trabajo" (p.101). Sus promotores asumen "el desarrollo de un segmento del mercado de trabajo, muy precarizado y fuertemente feminizado" (p.103). Además, "si estos empleos permiten activar unas personas sin empleo, no permiten a los asalariados superar el umbral de pobreza, [siguiendo] dependiendo de otras prestaciones sociales" (p.103).

En el apartado de conclusiones, que se interesa por "el efecto polarizante de las políticas públicas", Carbonnier y Morel subrayan que la estrategia francesa, "que funda la creación de empleo en las desigualdades sociales y en el desarrollo de un precariado femenino subvencionado", no solamente no consigue reducir el desempleo, sino que, además, "contribuye poderosamente a polarizar las estructuras sociales" (p.105). En materia de mercado laboral, estas políticas provocan un debilitamiento de la reglamentación y una profundización de la dualización" (p.105). Esa elección de dualización de la sociedad beneficia doblemente a los más cualificados: "en el mercado de trabajo, por un incremento de las desigualdades de remuneración; y; en el mercado de los servicios de confort, por unos precios reducidos en razón de los bajos salarios, de escasas prestaciones sociales y de subvenciones fiscales" (p.105). En lo que se refiere a la cobertura de las necesidades sociales, el Hexágono se dirige hacia "una privatización del cuidado, con unos efectos [en términos de desigualdad] cada vez más marcados" (p.106). Ese desarrollo del sector privado provoca unas desigualdades territoriales y económicas importantes (p.106). En cuando a los modos de vida, "las políticas públicas contribuyen a la polarización entre los hogares, con la posibilidad para los más adinerados de comprar a bajo coste un suplemento de tiempo libre, delegando las tareas domésticas a mujeres precarizadas" (p.106). Esta política de apoyo a los servicios a la persona marca un retorno de la domesticidad (p.106).

Al término de la lectura de *Le retour des domestiques*, es necesario reconocer el perfecto dominio del objeto de estudio del que hacen gala los autores, tema del que son especialistas reconocidos. A partir de una clara presentación, tanto de las teorías como de los estudios empíricos llevados a cabo sobre todo en Europa y especialmente en Francia, muestran cómo las autoridades galas han apostado claramente por los servicios a la persona para generar empleo, especialmente entre los menos cualificados, en un contexto marcado por la desindustrialización y un nivel de desempleo elevado. Apoyándose en datos precisos, ponen de manifiesto la escasa eficacia en materia de creación de empleo y el hecho de que estas medidas benefician sobre todo a los más adinerados. A pesar de que la obra sea sumamente densa, el carácter didáctico de la exposición, la multiplicación de gráficos y tablas, y la utilización de un estilo fluido convierten su lectura en agradable. No en vano, se echa en falta una mayor profundización del modelo alternativo encarnado y promovido por los países escandinavos.

En cualquier caso, y más allá de esta reserva, la lectura de la presente obra se antoja ineludible para mejorar nuestro conocimiento y nuestra reflexión sobre el empleo doméstico

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