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Title: **Representation of “EURO” monograph**

Subtitle: **“How common currency threatens the future of Europe”**

Authors: **Joseph E. Stiglitz**

Publisher: **Akademija knjiga Novi Sad**

Year: **2016**

Number of Pages: **380**

During 2016, "Akademska knjiga" from Novi Sad (edited by NUMMUS) published in the Serbian language this important work of the world-renowned economist J. Stiglitz. The scope of this monograph is over 380 pages, excellently structured in four special parts of equal volume, largely interdependent regarding treated issues (with a foreword, afterword and an index of terms and guidelines, as well as many bibliography items expressed in more than 200 footnotes, citations and explanations.

The first part entitled "European crisis" (29-108) is very comprehensive because it introduces the reader into the issue of the crisis caused by earthquakes in the eurozone. It consists of three related, turbulent chapters: 1) The European crisis, 2) Euro expectations and reality, and 3) The sad effect of Europe.

The author states that the global financial crisis of 2008 seamlessly turned into a European crisis. It is caused by events that present symptoms, not causes, of deeper problems in the eurozone structure: interest rates rose on government bonds of Greece and some other eurozone countries and some other countries could not get access to finance in any possible way. Although many factors contributed to the troubles of Europe, the basic error is only one: the creation of a common currency, the euro or more specifically, the creation of a common currency without creating a set of institutions that would enable authorities to the area as diverse as Europe to function effectively with one single currency.

The second part entitled "The upside from the beginning" (109-202), also consists of three chapters: 1) Can a common currency succeed at all? 2) Euro: split system, 3) Monetary Policy and the European Central Bank; The second part of the book (from 4 to 6 chapter) reviews the necessary conditions for a successful monetary union, what Europe has actually done and how the discrepancy between what should have been done and what has been done has led to the failure of the euro, to the crisis that followed soon after its creation, and to a fork, where the rich get richer and the poor get poorer - which further complicates the success of a single currency system.

The third part entitled "The wrong Policies" (203-266) consists of two chapters: 1) Crisis measures: how Troika politics deteriorated imperfect structure of the eurozone and guaranteed a depression, and 2) Structural reforms that deepened the failure; This part of the book (chapters 7 and 8), describe in detail how the eurozone reacted to the crisis and how those countries "came for help" with programs that actually deepened and prolonged the consequences.

The fourth part entitled "What next?" (267-352), consists of four chapters: 1) Creation of a functional eurozone, 2) Is the amicable divorce possible?, 3) To flexible euro, 4) What next ... This part (9 to 12 chapter) explains what can be done to restore prosperity to Europe. A key hypothesis of this author is that the eurozone cannot survive because it was wrongly placed in the very beginning. Thus, he argues that the single currency in the region with enormous economic and political differences cannot easily succeed. In fact he argues that the single currency requires a fixed exchange rate between the member states and a uniform interest rate. Besides, the rules must be sufficiently

flexible to allow adaptation to different circumstances, beliefs and values.

For example, the central bank should focus on inflation (as opposed to the authority of the Federal Reserve in the US, which also includes the unemployment, growth and stability). However, the problem is not only that the eurozone is not structured to adapt to the economic diversity in Europe, but that the structure of the eurozone, its rules and regulations are not set in order to encourage growth, employment and stability.

The author has devoted this highly topical manuscript to the future of Europe and the European project of which many things depend hoping that this book "will contribute to policies that guarantee their prosperity and improve their solidarity". From the very foreword, the author expresses an attitude that is repeated as the key motto through the entire monograph, and it is a concern for the future of Europe. The crisis in the Greek economy, the crisis of the "secession" of Catalonia, Scotland, Veneta and strengthening of the right wing in France and Germany, rising of unemployment and public debt have been taking place awhile. Europe is shaken by the problems. In the introductory dilemma the author offers an easy answer of "the fatal decision in 1992" about introduction of a common currency, without the introduction of an institution that would enable its functioning. Stiglitz believes that the euro crisis was prepared for years and having participated in numerous discussions about the future of the euro he expresses gratitude to professors, political leaders, participants in the financial market and citizens. Stiglitz considers the introduction of the euro to be "euro experiment" that is so fascinating that it incorporates a number of lines of thoughts, many issues and economic integration, which is essentially the key to the global topic. Thus, neither the saving nor structural reforms managed to restore prosperity in the affected countries. Blaming those countries and focusing on the fiscal deficit, Germany and other countries in the eurozone have wrongly identified the source of the problem.

Good currency arrangements cannot guarantee prosperity, but wrong currency arrangements may lead to a recession and a depression. Europe has decided to be linked to a common currency - making within Europe the same kind of rigidity as was the gold standard imposed on the whole world. Stiglitz notes that the gold standard was a failure, and apart from a handful of "gold fanatics" nobody wants to renew it. However, Stiglitz says in the preface that Europe does not have to be crucified on the cross of euro - the euro can succeed. Key reforms are needed in the very structure of currency union, not in the economies of individual countries. However Dz. Stiglitz notes that in the absence of reforms, agreed termination would be a much better solution than today's wanderings. "I'll show how disassociation can be done in the best way". The author devoted the most attention in this latest book to this, because for one economist, even if it is of Dz. Stiglitz's caliber, the experiment with the euro is fascinating. He notes that economists cannot conduct laboratory experiments, and we learned a lot from the "operation of the Euro". "It is organized as a mixture of bad economics and bad ideology. It was a system that could not survive for a long time", the author notes in the foreword. He believes that the introduction of euro was a sharp increase in inequality. The main hypothesis of this book is that the euro has deepened the division - causing the poor countries to become poorer, while the strong ones are getting stronger. Neo-liberal economic program may not be able to increase the average rate of growth, but in one we can be sure (the author notes): it managed to increase inequality. Stiglitz has long studied the functioning of economic systems around the world and therefore two other topics are related to this long-standing engagement. Finally, the argument that the economic markets are not effective by themselves and that the crises were integral part of capitalism from the beginning is accepted. Also, the financial systems are obviously essential part of modern economics. The author points out that the eurozone frames and the responses to the crisis worsened problems that are always present in modern market economies.

Finally, Stiglitz handles special topic that relates to values that go beyond the economy: (A) the economy should be the means to reaching a goal, the well-being of individual and society; (B) the well-being of individuals depends not only on the usual conceptions of GDP and when the concept is extended to economic security, but on much broader set of values, including social responsibility and cohesion, confidence in our social and political institutions and democratic participation; (C) the euro was supposed to be a means of reaching a goal, not a goal in itself.

However, Stiglitz states that the means have become goals for themselves, and the ultimate goals are threatened. Europe has lost its compass. However, this roaming is not an exclusively European phenomenon as it often happened in many parts of the world, so this is a global disease of our time. Stiglitz believes that Europe has made a simple and understandable mistake by thinking that it will come to integrated continent through monetary union, by sharing the same currency. The

eurozone and the euro - its structure and policies - must be deeply reformed so that European project could survive. So, although the euro was a political project, political cohesion - especially around the idea of transfer of powers from sovereign countries to the EU – it was not strong enough to create economic institutions that could give euro a chance to succeed. The creators of the euro believed in the market but did not understand its limitations and what is necessary for their success. Market fundamentalists believed, for example, that, if the state only ensures low and stable inflation, the market will ensure growth and prosperity for all.

Stiglitz makes the final conclusion that Europe must renew the vision of noble goals that it had planned during the formation of the European Union. The European project is too important to get destroyed by euro. Finally, these usual current issues are very intriguingly and polemically presented, and Stiglitz is trying to be, so to speak, in the course of the daily events. In the afterword of this book, he analyzes the process of Brexit and its current consequences, and predicts the coming events caused by this process of disassociation.