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### **EUROZONE'S FUTURE: CONVERGENCE, RESTRUCTURING OR "MUDDLING THROUGH"?**

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#### **Abstract**

The mixture of the recent EU policies – mainly the “fiscal compact” and the OMT approach by the ECB – restored the nominal stability for the Eurozone and therefore preserved the common currency. However, the same steps resulted in a widening gap between the Northern tier and the Mediterranean countries – the real divergence. To address this issue – which is potentially a mortal threat to the Eurozone in its present configuration – the three policy options are available: A restoration of a real convergence, the Eurozone's restructuring or a “muddling through”. The first two require radical policy steps which in the present political and economic climate are very unlikely. That leaves “muddling through” as the likeliest future approach. However, its inherent ad hoc nature breeds uncertainty, which, combined with a complacency stemming from the recent “successes” increases the possibility of a destructive future dynamics.

**Keywords:** EU North – South Divergence, Nominal Convergence vs. Real divergence

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#### **1. Introduction**

The goal of this paper is to analyze the outlook of the Eurozone countries, with the emphasis on the “original 12” – Germany, France, Austria, Netherlands, Belgium, Luxembourg, Finland, Greece, Italy, Spain, Portugal and Ireland. The restoration of the long term growth is commonly considered to be the key for both the Eurozone and the whole EU's future.

It is important for the success of a monetary union to analyze the longer term trends. This is especially so in the organization like EMU (Eurozone), where the monetary centralization operates in the environment of decentralized fiscal structures, limited fiscal transfers between the participating entities (independent states) and a very limited labor mobility.

In such an environment, the diverging trends between the participating entities (states) are unlikely to be automatically compensated for by induced factor movements and/or structural changes (not to mention fiscal transfers etc.), as happens in the similar dynamics within the centralized political entities (individual states).

Political response to the diverging trends (if such trends can be identified) is difficult to predict. On the extreme poles, two responses are possible. On the one side radical structural reforms can be attempted to obtain the convergence processes, perhaps accompanied by an increase of both interstate fiscal transfers and (to a degree) political centralization in the

decision making processes of EMU. On the other side, the EMU in its current form can disintegrate. But, indeed, many “in between” results are certainly imaginable.

Eurozone (and perhaps all the EU) can be restructured. However, the nature of such restructuring remains unclear and politically controversial. The most likely is the “muddling through” – basically the continuation of the current approach, with the hope that the existing policy steps combined with the upswing of the global economy will address the existing problems.

However, as recent developments demonstrated, unless addressed, divergence trends combined with the persistently sluggish world economy may constitute a significant, and perhaps the ultimate, threat to the Eurozone cohesion and even to its existence.

Part II reviews the dynamics of the Eurozone economies from the inception of the common currency in 1999. Part III then shortly discusses the measures the Eurozone and the EU adopted in response to the “great recession” which commenced in 2009. Part IV then looks critically at the above mentioned “long term” solutions – convergence, restructuring and “muddling through”. Conclusion then constitutes the part V.

## 2. Eurozone Economies

The overall performance characteristics of the 12 “original” Eurozone economies (see the list above) are in Figure 1. The indicator is GDP per capita. The countries are divided into two groups. North is composed of Germany, Austria, Netherlands, Luxembourg, Finland, Belgium and France. South then composes of Italy, Spain, Greece, Portugal and Ireland.

The illustrations are divided into pre-crisis (1999:Q1 – 2009:Q1) and crisis (2009:Q2 – 2013:Q4) periods. Relevant data for Figures were obtained from the Eurostat.

The Figure 1 shows that the performance of the countries in both groups in the pre-crisis period is roughly similar and reasonably successful, seemingly justifying the euphoria expressed by the EU authorities at the occasion of the common currency Euro 10<sup>th</sup> anniversary (DG ECOFIN, 2008). However, the crisis period shows entirely different dynamics. GDP per capita growth became negative everywhere except Germany and Austria. And, indeed, a large gap can be observed between the North and South.

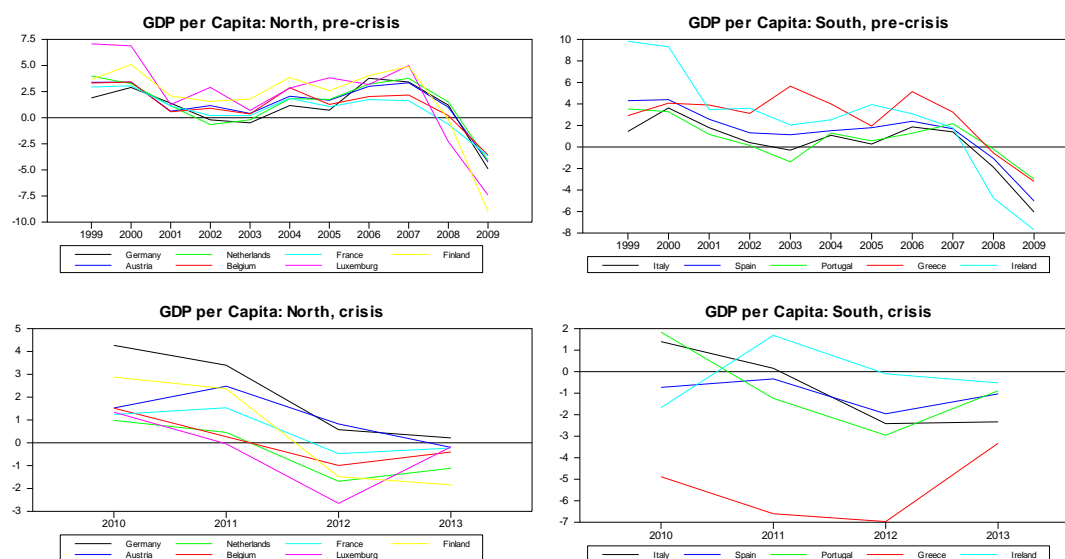
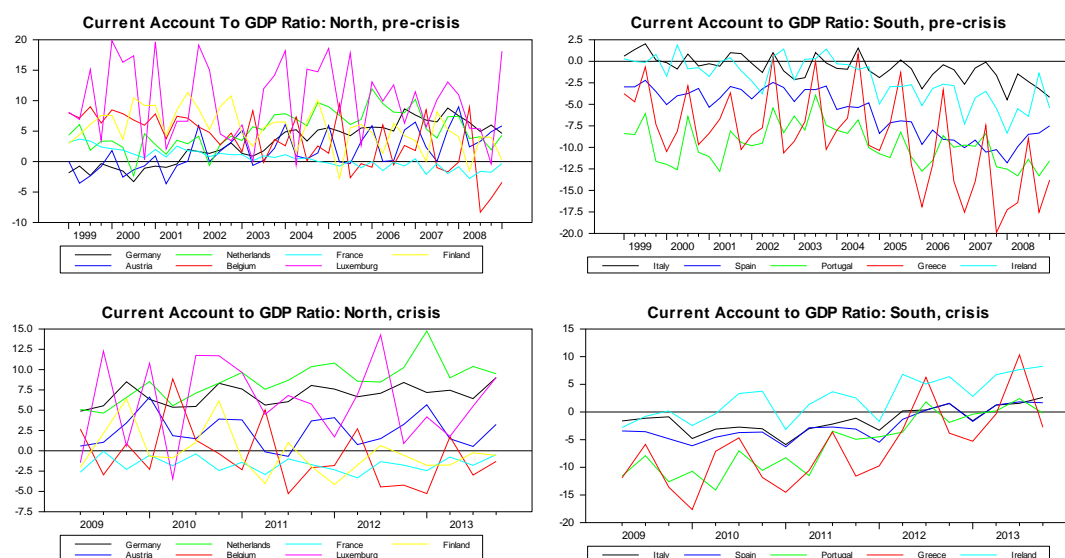


Figure 1. GDP per capita

Figure 2 shows the dynamics of current account balances (measured as percentages of GDP).



**Figure 2. Current account to GDP ratios**

The capital flow from North to South in the pre-crisis period is clearly indicated, confirming the results of Hobza and Zeugner (2014), which argue that the economic growth in the South in the pre-crisis period was to a significant degree financed by the Northern savings. The “debt crisis” stopped this flow, which forced the South to reduce their current account deficits and eventually reach surpluses needed to service the previously accumulated liabilities. Simultaneously the North basically preserved its current account surpluses in the crisis period. That may indicate that the surplus of savings over investments in the North can be, at least to a degree, structural.

Figures 3 and 4 show the relationship between the productivity dynamics and employment. Following the analysis of di Mauro and Forster (2008), the productivity may be considered a better measure of competitiveness compared to conventional indicators.

The casual inspection of the graphs does not reveal any obvious relationship between the productivity and employment except for South, the crisis period (Figure 4, lower panels), where it appears that whereas the productivity per person increases, the employment rate among 15-64 years old declines. This negative relationship between improvements of productivity and employment activity is confirmed by Rusek (2014)

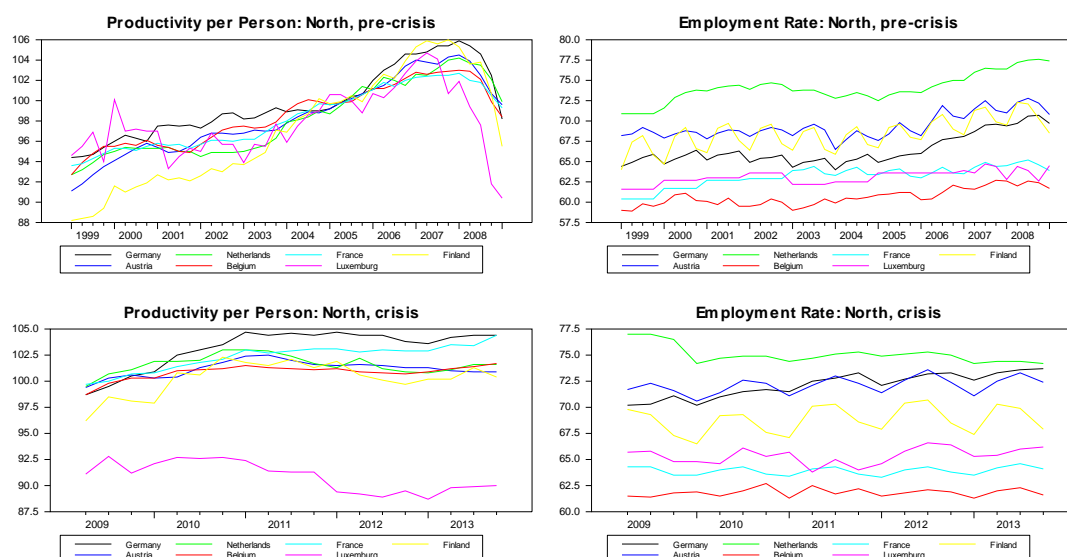


Figure 3. Productivity per Person - North

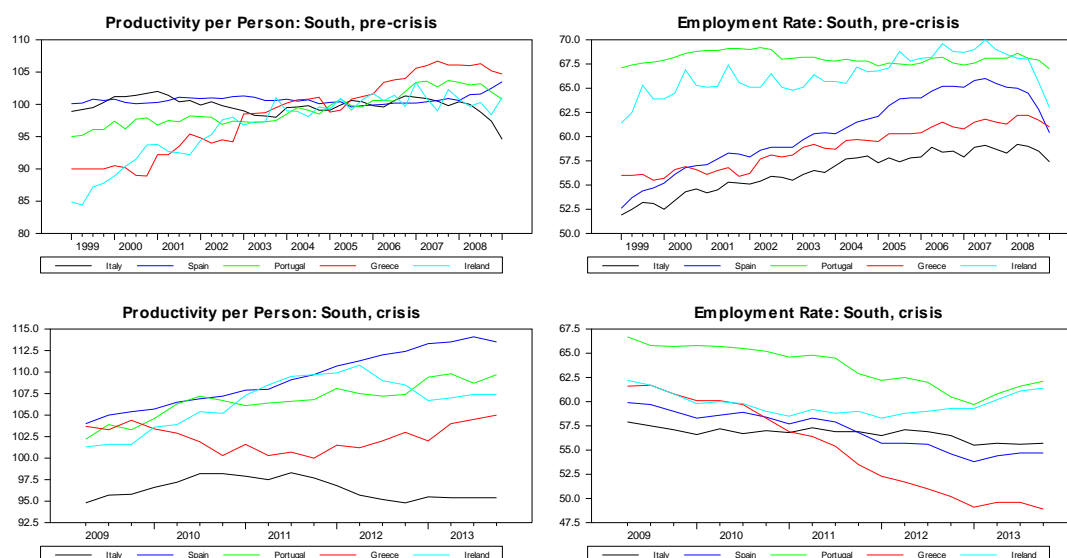


Figure 4. Productivity per person - South

The ratios of public debt to GDP are illustrated by Figure 5. Two things should be noted. First, after the period of stability (or even a slight decline), public debt relative to GDP started to increase at 2005 – 2007 period – i.e. before the onset of the crisis. And whereas the public debt to GDP ratios stabilized in the North during the crisis, they continued to increase in the South (that, indeed, may reflect the GDP declining even if debt stabilizes).

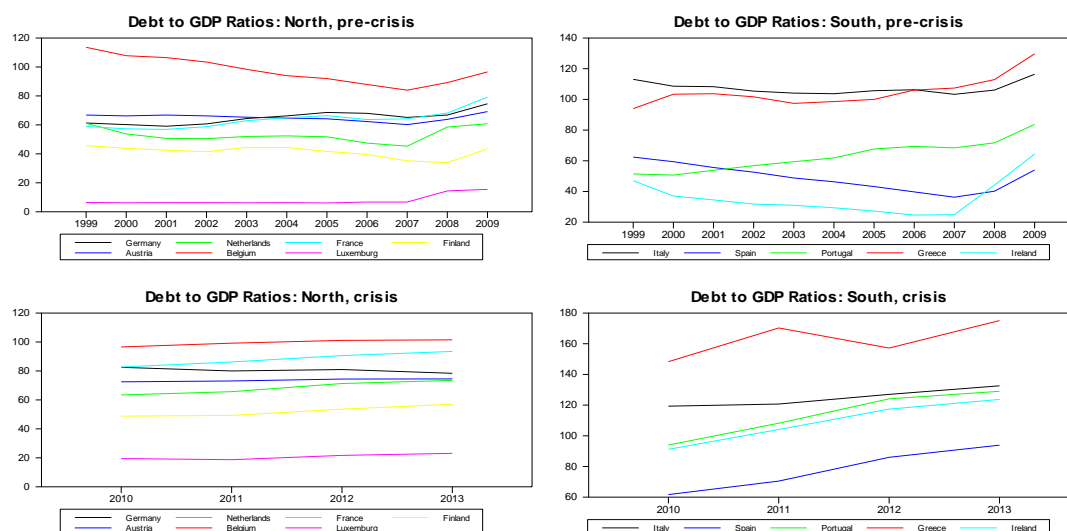


Figure 5. Public debt to GDP ratios

The variable which is seldom the subject of discussion regarding the Eurozone crisis – the ratio of private debt to GDP – is illustrated in Figure 6.

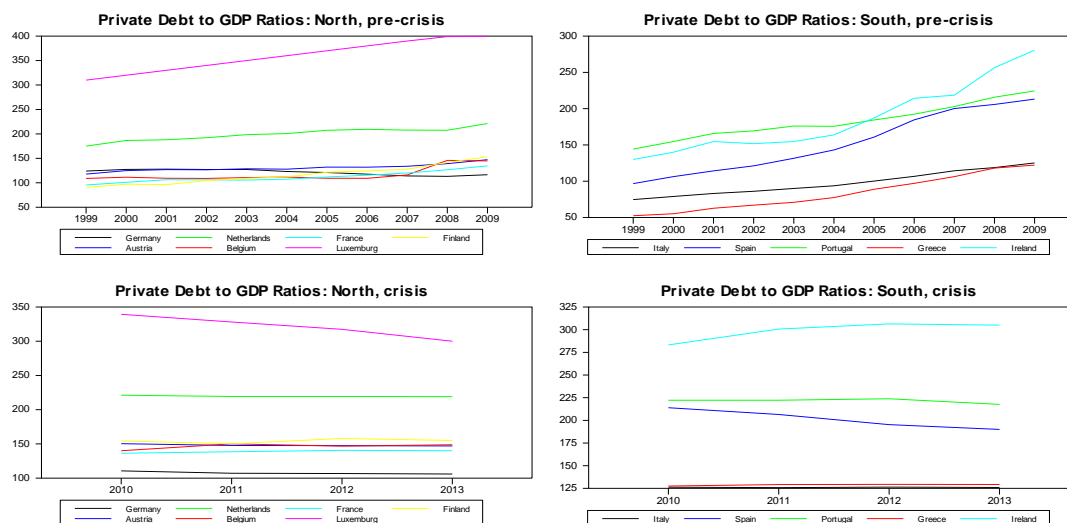


Figure 6. Private debt to GDP ratios

Interestingly enough, the share of the private debt in GDP in the North remains steady in both pre-crisis and crisis periods. In contrast, the private debt to GDP ratio increases significantly in the South in the pre-crisis period, before stabilizing (with a slight tendency to decline) during the crisis.

The Figures 1 - 6 above show the basic characteristics of the “Euro era” in Europe. First, there is a clear distinction between the across the board economic performance in the pre-crisis and crisis periods. An economic slump lasting almost 5 years – and again worsening recently – cannot be called shock. Policy may be at fault according to some, but the length and duration of the “crisis” points clearly to unaddressed structural problems.

Second, data show an unmistakeable and growing divergence between the “North” and the “South” in the Eurozone – basically between the Mediterranean countries and the rest of the monetary union. Whether this is attributed to a differentiated impact of globalization (Chen *et al.* 2012), to historically distinct economic and political systems and traditions (Hall, 2013) or to different and diverging economic and social policies (Rusek, 2012a); the fact remains that this growing divergence makes mutually beneficial common policies – the key rationale for the European integration – increasingly difficult.

Indeed, there is now extensive and detailed literature regarding the Eurozone’s performance and the impact and effects of Euro crisis. The few we mention here are Obstfeld (2013), Degryse *et al.* (2013), Stracca (2013). An interesting and original approach can be found in Hassel (2014).

### 3. Response to Crisis

The outbreak of the crisis was a surprise to European policy makers. The crisis exposed both the policy and structural weaknesses in some member states and the lack of institutional mechanisms and policy tools on the EU level which would facilitate the effective community response.

The new institutions (on the EU level) established between 2011 and 2013 (and still in the process of being created – i.e. the “banking union”) aimed at the creation of a mechanism which would facilitate stabilizing, both fiscally and financially, the most affected countries. The primary goal was (and is) to prevent the countries under a growing stress to be forced to abandon the common currency and perhaps even the EU itself. Simultaneously the institutional structure was established designed to coordinate (and supervise) the policies of individual Eurozone member states (with emphasis on fiscal sustainability). The goal is to prevent future crises.

The most important among those steps is the adoption of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), commonly called Fiscal Stability Treaty. The TSCG became the integral part of the EU legal system (even if it is formally specified as “intergovernmental treaty”, not the “EU law”). For details and precise formulations, see TSCG (Eurozone Portal, 2012).

Simultaneously, the EU commission adopted the so called “sixpack” – the set of five regulations and one directive (hence “sixpack”) aimed at the strengthening of the fiscal discipline (including the budgetary and debt limits and the disciplining corrective measures) and preventing and correcting macroeconomic and competitiveness imbalances. (Details are available on the ECOFIN webpage.)

Both TSCG and “sixpack” are intended to run simultaneously in the future, reinforcing the one another and subsequently creating the budgetary stability and competitiveness environment conducive to the stabilization and growth in the common currency area.

The third “longterm” set of the new policies is the so called European Semester. It introduces the cycle of the economic policy coordination via the processes of consultation, evaluation and adjustments of national budgets. The goal is to ensure the more stability and a better synchronization of the national fiscal policies in the line with conditions and restrictions of TSCG (Eurozone Portal, 2014).

Finally, in May 2013, the new legislative measures (the so called ‘two-pack’) were enacted. Their goal is to improve the budgetary coordination via a common budgetary timeline for the euro area member states and the possibility for the European Commission to assess the national budgetary plans prior to their adoption. Secondly, the “two-pack” improves the economic and financial coordination in the euro area by facilitating the enhanced surveillance (by the European Commission) of a member state experiencing serious financial difficulties or a financial sector instability.

To provide resources for a conditional financial assistance to the Eurozone member countries in difficulties, the EU decided to establish a large permanent fund called the European Stability Mechanism (ESM). To overcome the legal ambiguity, the ESM was established as an amendment to the Lisbon treaty, currently the ruling EU document.

In this context, the two aspects of the above mentioned measures (TSCG, "Sixpack", the European semester and "two-pack") should be stressed. The first is that the politically very important concept of EU (and Eurozone) as the community of the intergovernmental treaties is preserved. Even the dominant element (TSCG) is based on the idea that its rules, restrictions and regulations will become the organic parts of the individual nations legal systems – preferably constitutions.

Secondly, no resource transfers beyond the previously existing agreements (preexisting EU budget, regional and convergence funds) are either involved or envisaged. Significantly, within the agreed upon fiscal limits and surveillance procedures, the structures of taxation and spending remain solely in national jurisdictions, reflecting the diversity in national preferences, history, culture and differing political constraints.

All measures described above constitute the framework designed to address the perceived shortcomings of the eurozone's architecture. The purpose is twofold. On the one side it is to provide for the medium to long term enforceable stability of public finances, preserving to a significant degree the autonomy and decision making structures of the participating states. On the other side, the ESM provides the institution designed to deal with unpredictable structural shocks to the member states finances.

The establishment of the "new Eurozone stability architecture", together with the ECB's OMT program were successful in what they intended to do – namely stabilizing both fiscally and financially countries most affected by the crisis and "calming" the financial markets. The underlying purpose – to save the Economic and Monetary Union and the common currency Euro was, for a time being, achieved. And the main purpose of the "banking union" (currently under construction) is to cement this achievement and to close an important avenue of the financial instability.

However, many analysts and commentators consider the above described "new Eurozone stability architecture" insufficient. The criticism is levied on several levels. But the main areas of concern are a persistent economic weakness and the unemployment in the Southern countries, which leads to growing economic, political and social divergencies.

As far as the medium to long term Eurozone's outlook is concerned the good representative opinion here is Nicholas Veron (2012). He stresses the desirability of establishing the "four unions" – fiscal union, banking union, competitiveness union and the political union. At the root of his argument (and others in similar vein) is the conviction that the monetary union cannot strive in the environment of the decentralized economic decision making, with only limited constraints and coordinations provided by the intergovernmental agreements like TSCG and the "European Semester" processes and the explicit ex ante limits on the debt sharing and interstate transfer payments.

The greatest dangers to the current arrangements – and hence to the short term stability of the Eurozone and the common currency Euro – are political. The stabilization policies generate a lot of resentment and the growing political opposition not only in Greece and Spain, but in Portugal and Italy as well. Moreover, the need to stabilize the Greek Cyprus and Slovenia, albeit economically trivial, may pose a large moral hazard type of threat to the existing stabilization arrangements in the "problem" countries.

#### **4. Long Term Solutions: Convergence, Restructuring or "Muddling Through"**

The basically political nature of the threats to the Eurozone (and perhaps to the whole EU as well) makes them inherently unpredictable. Hence, the short term stabilization requires a

supportive long term design, aiming at not only the fiscal and financial (i.e. the banking) stabilization, but at the arrangements which will restore the economic growth – and therefore the “real convergence” – in the “crisis countries” of the Mediterranean littoral. The issues of the competitiveness, capital flows and, indirectly, the resource transfers must be addressed in the medium to long term horizon.

The nominal convergence is deemed necessary for the functioning of the common currency and the effectiveness of the ECB. The relevant criteria were established by the Maastricht treaty. Today they are formally still important as the key elements of the

ERM II process – the series of conditions a country has to comply with before it is accepted as a member of the Eurozone. Some authors argue that one of the reasons behind the kind of policy steps utilized as a response to the financial crisis is the desire to restore (as much as possible) the nominal convergence (interest rates, prices, the fiscal stability) as the *sine qua non* of the effective ECB stabilization policy.

However, the nominal convergence remained incomplete. Nominal interest rates converged, but inflation differentials remained, especially between North and South. Resulting differences in the real interest rates triggered the consumption (especially housing) expansion in the South which, given the dearth of Southern savings, was financed by the capital inflow from the North. The resulting southern economic expansion exercised an upward pressure on both prices and wages, perpetuating a higher inflation (and hence the mechanism just described) and rising unit labor costs. Global competitiveness of the South declined. Finally, the anticipated future growth – and hence anticipated increases in the tax revenues – led to increases of both government expenditures and public debt.

The onset of financial crisis revealed the precariousness of the pre-crisis model. Capital flows stopped and were only partially compensated from the ECB's ELA. To stabilize their suddenly rather unfinanciable positions, both private and public sectors had to engage in what is technically called deleveraging – the effort to restore the financial positions by reducing the net indebtedness. European policy makers encouraged this approach via the policy setup referred to above. Indeed, as things stand in the September 2014 (time of this writing), the nominal stability (akin to the nominal convergence) was restored. The threat to the common currency existence disappeared – certainly for now.

However, the effort for nominal stabilization has perhaps inevitable, but the very serious real consequences. The Eurozone economy remains sluggish. The GDP and perhaps more importantly the GDP per capita remains below 2007 level. In Mediterranean countries economies are basically stagnant with a downward bias. Unemployment in those countries is in double digits in fourth year. Macroeconomic competitiveness statistically improved, but there is a reason to think that this improvement is the result of the liquidation of low productivity activities due to crisis (Rusek, 2014). (I.e. the productivity and unemployment are positively correlated.)

This dynamics is compatible with a nominal stabilization – indeed, it is caused by it. But it has destabilizing political consequences (Sinn, 2014). And it is this political instability, with governments unable to rectify the situation and bring their countries on the expansionary path via either fiscal and/or the nominal depreciation means, which threatens today the existence of not only the Eurozone, but perhaps the EU itself. (The TSCG treaty limits significantly the use of fiscal tools. The Eurozone membership implies the fixed nominal exchange rate – i.e. the real devaluation can be achieved only via so called internal devaluation, that is the lower wages relative to GDP (unit labor costs)). But this is exactly the cause of the current instability.

The lack of an ability to act under the current treaties conditions with a goal to restart the growth and reduce the unemployment makes alternatives to the common currency more attractive, however costly they might be.

The restoration of the real convergence is indeed the ideal and the most desirable answer. (The term real convergence is used here to indicate basically the restoration of growth



and a significant reduction of unemployment in the Mediterranean countries, together with the competitiveness preserved at least on the current level.)

Growth today needs investment, human capital and labor flexibility. Given the low savings in the Mediterranean countries, an increase in investments means the restoration of capital inflows. Steps should be taken to channel such capital flows into the productive uses (those which increase the productivity and competitiveness and reduce the unemployment). The use of the capital inflows to directly accelerate domestic consumption (after all, this was the accelerator of the financial crisis in EU) should be strongly discouraged, if not prevented.

Both national and EU wide policies are necessary in this area. On the national level the structural reforms are needed to increase the labor markets flexibilities, both on supply and demand sides. (The details of these reforms are indeed a national economy specific – hence beyond the scope of this analysis.) And, indeed, the measures to facilitate the increased labor mobility should not be ignored. In addition, the deregulation of both goods and services markets, aimed at simplifying the entry of new firms – with appropriately structured tax incentives – is another important policy to be executed on the national economy level. (Again, the details of these reforms are indeed the national economy specific – hence beyond the scope of this analysis.)

On the EU wide level, a kind of an “investment union” should be considered, in the form of perhaps several “investment funds”. These could be formed as public-private partnerships. The public participation could be financed from the current account surpluses of the “Northern” countries, but other forms should not be excluded. As far as these “investment funds” would aim at the financing of the profitable endeavors with a positive expected return (hence the term “investment”), they should have an ability to attract the private participation. To encourage the participation, the private partners could be offered tax incentives. The loss of the tax revenue could then be compensated by returns on public participations.

The second “step” is for the EU and the Eurozone authorities to engage in the active support and promotion of the venture capital funds, especially those whose activity is aimed at the countries in the Mediterranean littoral. The major act in this would be the integration of the Eurozone’s financial markets – both administratively and via the binding common rules, settlement procedures, trading regulations etc. That should facilitate the new, innovative and dynamic private business creation in the Mediterranean littoral countries, creating the more opportunities for the “investment funds” as well.

Advantage of just mentioned measures is that they basically preserve the existing governance structures of both the EU and the Eurozone. Resource transfers would certainly be involved, but, being strictly market based, they would not involve any “involuntary” commitments of public funds. And, again, if successful these steps would enhance the economic dynamism in the Mediterranean littoral countries with all its positive results not only for those countries but for the Eurozone as such. And, indeed, these arrangements are compatible with the important nominal convergence and the nominal stability culture of the ECB.

Finally, it would be preferable to finance the renewed capital flows via markets, circumventing banks. They were, after all, the connections via interbank markets which were instrumental in the contagion and the fast spread of the financial crisis.

The structural reforms of labor markets (mentioned above) are indispensable for the real convergence (i.e. the restoration of economic growth and employment). But in this context the improvements of human capital should be considered complementary. It is in this context that the productive labor force of the future, indispensable for the productivity growth and hence the increase of competitiveness without an internal devaluation, can be provided. Indeed, the reforms of the educational systems are by the reason of language and cultural heritage the issues for individual states. However, even here the EU can (and should) participate by providing common standards and goals and by redirecting some EU budget funds (perhaps

from agricultural subsidies or regional development funds) towards the goal of improving and expanding the human capital factors.

The analysis above indicates in the broad outline the steps which should be undertaken to achieve the real convergence – the precondition for the long term stabilization of the Eurozone. It preserves the current EU and the Eurozone political and governance structure, and indeed the Eurozone itself in its current scope and scale.

Despite that it is unlikely that many steps in this direction will be actually taken. The reason is threefold. First, the implementation of measures like investment funds and the labor market reforms require cooperative steps (between North and South). That is necessary so that the North will be willing to provide the necessary financing, But the conditions required in this respect will be perceived by South as intrusive and limiting their sovereignty. This will be especially galling given the recent history of the nominal stabilization which indeed imposed requirements mostly on South.

Second is the “reform exhaustion” keenly felt in the Mediterranean countries and blamed by some writers for the recent political setbacks of the integrationist forces (elections to the EU parliament in May 2014). It is unlikely that the necessary political will is there (in the Mediterranean countries) to commit themselves fully to the necessary reform program.

Third is the fact that the underlying logic of the lack of a real convergence is almost impossible to address via policy. The economies of North and South differ not only by the recent performance. They differ by historical traditions, culture, behavioral stereotypes etc. (for a detailed discussion of these phenomena, see Spolaore and Wiarczarg, 2013 and Hassel, 2014). The differences build over centuries cannot be easily overcome by a policy design.

But, difficulties in designing policies for the real convergence do not eliminate the ongoing processes of the real divergence and the threat these processes pose not only to the EU and the Eurozone cohesion, but to their very existence.

Failing to agree on the steps to institute the real convergence stability policies, the Eurozone members may resolve to a restructuring of the architecture of the Eurozone itself. The solution appealing to a certain group of economists, commentators and analysts is to change the mandate of the ECB itself, permitting the pursuit of inflationary policies and monetary financing of at least some new debt of the most affected countries (basically the Mediterranean littoral and France) The idea is that easing the restraints of the nominal convergence would permit some domestic fiscal expansion leading to an increase of economic growth and a reduction in unemployment.

Albeit very tempting for some (especially for domestic political reasons) there are indeed difficulties. First, it is not clear whether the sought result would obtain, at least on the desirable scale. Suddenly reignited inflation fears may result in the expenditure switching to the inflation-protected assets and some more cost efficient foreign producers (especially in Asia) may take advantage of rising nominal demand. The scope of the fiscal stimulus required to successfully lift the Mediterranean countries may be so much that the resulting inflationary impact may induce the Northern countries to question their participation in the monetary union.

And second, the required changes in the ECB statutes and mandate must be approved by all existing Eurozone members unanimously. And such an approval would certainly not be forthcoming from the “Northern Core” countries – Germany, Austria, Netherlands and Finland.

An alternative restructuring measure is the “out and in” concept suggested by Sell and Sinn (2012). A country experiencing the large and protracted real impact (growth and unemployment) stemming from its effort to comply with nominal convergence requirements could temporarily exit the Eurozone, restore its own currency and rectify the problem using its own fiscal monetary mix. Subsequently, after restoring its economy, a country could rejoin the Eurozone under pre-specified conditions.

Problems with this approach are twofold. On the political side, the Mediterranean countries are (today) extremely reluctant to abandon the Euro. They perceive it as a “pipeline”

for at least some influence on the EU level and a sort of protection against the processes of globalization which they perceive as unfavorable. Economically, abandoning the Euro and re-introducing one's own currency raises the question of the Euro-denominated liabilities to foreign nationals. A forceful redenomination of those liabilities would complicate the access to international financing exactly when the capital inflow would be needed to restore the real growth and employment. Preserving the foreign liabilities denominated in the Euro would saddle the country with a potentially large "foreign" debt. The danger here is that such a debt could derail the domestic restructuring policies – i.e. for all practical purposes a country would be very unlikely to return to the euro.

Finally, a sort of variant to the Sell and Sinn concept is the idea of a parallel currency – i.e. the country would preserve the Euro but introduce a new domestic currency to be used simultaneously with the Euro (for a detailed discussion of the concept, see Rusek, 2012b). This approach would preserve the Euro, hence it would mitigate the political concerns referred to above. The issue of servicing the Euro denominated foreign liabilities would remain, but with a lesser stress. Under this approach the foreign liabilities could be served not only via exports – a country would generate some Euro denominated revenues domestically.

Parallel currency regime would create a way for relaxing the constraints of nominal convergence. These would be preserved for the Euro-denominated part of the economy. The new domestic currency part of the economy could be used to finance the steps used to mitigate the domestic unemployment and to restore, at least partially, the financing to domestic pensions, health care, education and infrastructure.

However, it is rather unlikely that any restructuring approach will be adopted any time soon. Because the acute form of the crisis abated, the pressure of the markets – and hence the political will – are simply not there to undertake anything resembling to radical measures. Besides, the complexity and sometimes a controversial nature of the required steps imply a protracted period of negotiations (even if we exclude the possible need to change the underlying treaties). Hence, the restructuring of the Eurozone as a policy option remains unlikely for the foreseeable future.

The likely absence of any steps made toward the restoration of the real convergence or a restructuring of Eurozone, the most probable and in fact the only remaining policy approach is what is often termed a "muddling through". The agreed upon "banking union" will be gradually established. Otherwise the EU will react to incoming shocks and crises by ad hoc measures, relying on the current system and treaties combined with "bail in" measures to prevent the financial collapse of both states and "systemically important" financial institutions, supported by ECB's OMT policies if necessary. The restoration of the economic growth and the reduction of unemployment will remain the responsibility of individual member states, whose policies, indeed, must comply with the agreed upon treaties and agreements.

## **5. Conclusions**

The real divergence between the North and South, especially as far as the economic growth and unemployment are concerned, will be the greatest problem for the Eurozone in the foreseeable future. What is needed is the restoration of capital flows financing the investments and hence restoring the growth and a sustainable competitiveness in the countries of the Mediterranean littoral. Indeed, structural reforms are necessary in those countries. But without changes in the EU and the Eurozone structural architecture, the southern changes may not be sufficient. Domestic savings are simply insufficient to finance needed investments aimed at the lasting improvements of competitiveness.

However, the analysis above argued why the needed policy reforms are unlikely. This result leaves the cohesion of the Eurozone vulnerable to economic shocks. Support for the Euro is today undoubtedly there, but politics is fickle. Protracted growth difficulties and unemployment

may (and historically did) change the political consensus. The issue of the continent wide currency union may then be in doubt. Caveat consules!

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