

## **Euro, a less-than-zero sum game**

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*Folha de S. Paulo*, June 4, 2012

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Two weeks ago, Greece voted under the sign of protest, and the two parties that are ruling the country during these two years of crisis suffered huge electoral losses and, together, were not able to form a government. In two weeks Greece will vote again, but now the expectation of the establishment is that it will vote under the sign of fear, and defeat the Coalition of the Radical Left (Syriza) that was the great winner of the recent elections.

It is not good to act dominated by anger or fear. And this applies not only to Greece, but also to the Eurozone, that doesn't know what to do in view of the big mistake it made by creating the euro. In normal times, prudence is the best advisor; yet in abnormal times the governments will need to act without fear and to innovate, if they wish to prevent major economic and human damages.

It is already clear that the euro is a less-than-zero sum game – a game in which everyone loses. All social classes lose: rent-seekers and financiers who receive commissions from them, because the interest rates are negative; entrepreneurs, because they do not have the opportunity to invest and make profits; workers, because they become unemployed. And all the countries lose: Greece, that was irresponsible; Spain and Italy, that were fiscally responsible, but incurred current account deficits; Germany, that has no one to sell to and is forced to give discounts. But the weakest players pay more than the other two groups: the workers, because they are the ones who become unemployed for a long time until wages fall in actual terms and the necessary domestic or implicit depreciation occurs; the debtor countries, because they are requested to achieve “austerity”, that is, depression, so that exchange rate devaluation occurs. And, in the end, all of them may lose much more if an uncontrolled crisis breaks out.

It is more rational to abolish the euro in a concerted manner, and, in the same monetary reform, to devalue the currency of the countries in deficit. Given the absurd of the fact that each Eurozone sovereign country has a common “foreign” currency (a currency that they cannot issue nor devalue) and given the cost that is already being incurred, its extinction is just a matter of time.

And, in practice, it is already being made possible. As Martin Wolf remarked (*Valor*, May 30), “with a rising share of cross-border risk now assumed by the European Central Bank, the way to break-up is becoming more open” (because now the banks owe the BCE, rather than owing other countries' banks).

Contrary to what is being said, the extinction of the euro will not destroy the European Union; rather, it will strengthen it, because this remarkable union will no longer be threatened by the euro. And it will not imply chaos nor hyperinflation; rather, it will appease the financial markets, that will work with bonuses that are once again issued by sovereign Nation-states, because the banks will be rescued, and the countries will soon grow again. In the future, after the countries have conceded a much higher fiscal power to the central power, and when they decide to surrender their sovereignty, they may form an European State, and have the euro back. For the moment, they shall have the European Union, which is quite something.