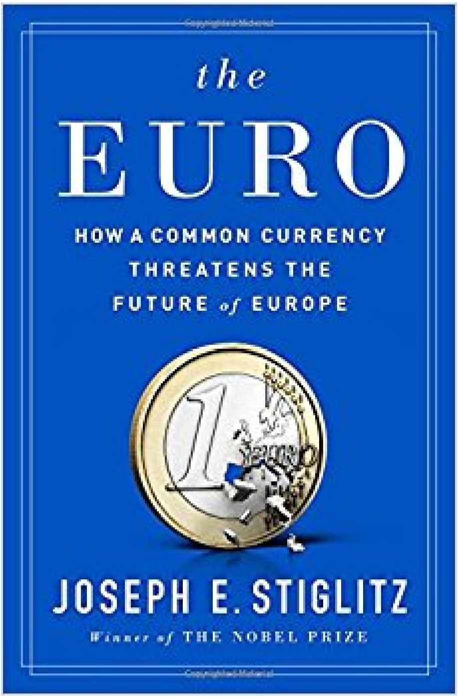
The Euro: How A Common Currency Threatens The Future Of Europe



Synopsis

Can Europe prosper without the euro?In 2010, the 2008 global financial crisis morphed into the â œeurocrisis.â • It has not abated. The 19 countries of Europe that share the euro currencyâ •the eurozoneâ •have been rocked by economic stagnation and debt crises. Some countries have been in depression for years while the governing powers of the eurozone have careened from emergency to emergency, most notably in Greece.In The Euro, Nobel Prizeâ “winning economist and best-selling author Joseph E. Stiglitz dismantles the prevailing consensus around what ails Europe, demolishing the champions of austerity while offering a series of plans that can rescue the continentâ •and the worldâ •from further devastation.Hailed by its architects as a lever that would bring Europe together and promote prosperity, the euro has done the opposite. As Stiglitz persuasively argues, the crises revealed the shortcomings of the euro. Europeâ ™s stagnation and bleak outlook are a direct result of the fundamental challenges in having a diverse group of countries share a common currencyâ •the euro was flawed at birth, with economic integration outpacing political integration. Stiglitz shows how the current structure promotes divergence rather than convergence. The question then is: Can the euro be saved?After laying bare the European Central Bankâ ™s misguided inflation-only mandate and explaining how eurozone policies, especially toward the crisis countries, have further exposed the zoneâ ™s flawed design, Stiglitz outlines three possible ways forward: fundamental reforms in the structure of the eurozone and the policies imposed on the member countries; a well-managed end to the single-currency euro experiment; or a bold, new system dubbed the â œflexible euro.â •With its lessons for globalization in a world economy ever more deeply connected, The Euro is urgent and essential reading.

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Customer Reviews

â œMuch more than a demolition job. These chapters are full of constructive proposals - a glimpse of what the â ˆrescuesâ ™ would have looked like had the troika, perish the thought, hired their critic Stiglitz to design them.â • - Marin Sandbu, Financial Timesâ œ[Stiglitz] is surely right. Without a radical overhaul of its workings, the euro seems all but certain to fail.â • - The Economistâ œTerrific and clarifying.â • - Peter Goodman, The New York Timesâ œMany of Mr. Stiglitzâ ™s most damning observations are on target.â • - Wall Street Journalâ œThe euro is a modern tragedy.â |As its embarrassments have mounted, its supporters club has teemed with political romantics and Europhile journalists. Stiglitzâ ™s message to such people is that they are inadvertently destroying what they most cherish.â • - Paul Collier, Times Literary Supplementâ œA cogent and urgent argument of compelling interest to economists and policymakers.â • - Kirkus Reviews

Joseph E. Stiglitz is a Nobel Prizeâ "winning economist and the best-selling author of The Great Divide, Rewriting the Rules of the American Economy, The Price of Inequality, Freefall: America, Free Markets, and the Sinking of the World Economy, and Globalization and Its Discontents. He is a columnist for the New York Times and Project Syndicate and has written for Vanity Fair, Politico, The Atlantic, and Harperâ ™s. He teaches at Columbia University and lives in New York City.

Today, many of the countries of Europe (France, Greece, Italy, Spain, U.K.) have an output/capita (adjusted for inflation) well below that prior to the 'Great Recession of 2008.'The Euro was supposed to enhance commercial ties, erode borders and foster a spirit of collective interest - partly through economies of scale and comparative advantage. But in the 17 years since that currency came into existence, it has instead reinvigorated conflicts and a spirit of distrust while making economic inequality worse and dividing Europe into adversarial debtor and creditor camps. Interest rates on Greek bonds and several other Eurozone countries has soared, peaking at 22.5% for Greece in 2012. The migrant crisis and terrorist threats have taken front stage - despite the euro supposedly bring about closer integration.Nobel Prize-winning economist Robert Lucas declared in 2003 that the 'central problem of depression prevention has been solved.' Market fundamentalists believe that if the government would simply ensure that inflation was low and stable, markets would ensure growth and prosperity for all - this is especially true within the Eurozone's dominant power, Germany. Greece is now in a depression, with half its youth unemployed, the extreme right has made large gains in France, a majority of those elected to Barcelona's regional parliament support independence from Spain, and large parts of Europe have a lower GDP/capita lower than before the 2008 global financial crisis. Even what Europe celebrates as a success is actually a failure - eg. Spain's unemployment rate has fallen from 26% in 2013 to 20% at the beginning of 2016 - but nearly half of young people remain unemployed and that would be even higher if so many young workers hadn't left to look elsewhere for jobs. Why?Stiglitz's answer is that the 1992 Euro adoption failed provide support for the institutions that would make it work - specifically, the fault lies in currency pegs,' where the value of one country's currency is fixed relative to another or relative to a 'commodity.Continuing, Stiglitz contends that our depression at the end of the 19th century was linked to the gold standard - with no new large discoveries of gold, its scarcity led to a fall in the prices of ordinary goods in terms of gold. This made it increasingly difficult for farmers in America to pay back their debts. The gold standard is also widely blamed for deepening and prolonging the Great Depression - those that abandoned the gold standard early recovered more quickly.In spite of this, Europe decided to tie itself together with a single currency, creating within Europe the same kind of rigidity that the gold standard had inflicted on the world. Worse yet, the structure of the Eurozone built in certain ideas about what was required for economic success - that the central bank should focus on inflation, ignoring unemployment, growth, and stability as well, as does the Federal Reserve.Portugal, Ireland, Greece, Spain, and Cyprus were also importing more than they were exporting, with the resulting insufficiency of domestic demand depressing the economy. One needed to make import-substituting activities more productive and encourage consumption of local goods. In Greece, for example, the opposite - Greece was ordered to change milk labeling so that 11-day-old milk from northern Europe could still be called 'fresh' and undercut Greek producers.Why were Europe's leaders even focusing on milk, the size of loaves of bread, and what OTC drugs could be sold outside of pharmacies as Greece's GDP plummeted about 25%? Stiglitz observes that special interests, eg. big dairy companies of Holland, appear to be behind the reforms, and the chairman of the Eurogroup is the Dutch Finance minister. Stiglitz also notes that hardly any of the money loaned Greece went to help the Greeks, but rather private-sector creditors - German and French banks.Germany holds itself out as a success - an example of what other countries should do. Its economy has grown by 6.8% since 2007 - just 0.8%/year, a number that normally would be considered close to failing. (The U.S. growth rate in the same period averaged 1.2%.) Stiglitz also points that prior to the crisis (early 2000s), Germany adopted reforms that aggressively cut into ordinary workers' safety net, especially those at the bottom. Inequality increased, and real wages stagnated. Germany is a 'success' only by comparison with other nations in the Eurozone. Regardless, its strategy cannot be universally followed - based in part on strong trade surpluses.Stiglitz also contends that the European Central Bank's monetary policy and the macroeconomic policies imposed by the official creditors on crisis countries have been largely responsible for the economic damages done. Tightening monetary policy during the credit crunch following the 2008 crisis, along with the imposition of sharp fiscal deficit cuts threw the Eurozone into a self-inflected second recession in 2011-12. In Greece, for example, measures intended to lower the debt burden have left it more burdened than in 2010 - the debt-to-GDP ratio has increased from 117% when the crisis began to 177% today. Many Germans insist it was hyperinflation that led to Hitler, and so tend to support central bank policies that guard against that problem rather than the more worrisome spector of joblessness - thus, Germany is the problem, not Greece.Sitglitz endorses significant debt write-downs, raising both taxes and spending by the same amount (Stiglitz blames a hidden agenda of downsizing government for the latter), and banning excessive trade deficits. Instead, he believes the Eurozone will further unravel. He also criticizes the European Common Bank for 'resisting quantative easing,' yet argues that the most important effect of QE has been contributing to 'growing inequality,' which he says hurts growthBottom-Line, per Stiglitz: The Euro has failed to achieve either of its two principal goals of prosperity and political integration. European countries now view each other with distrust and anger.

I've read this book twice. It has a lot of good information, especially about the crack-pot policies pursued in the eurozone during its period of crisis around 2010. The author is pretty critical of the economic decisions made to deal with Greece and the other countries that struggled. Overall, this is a good, informative discussion. For example, he lays out the very obvious problem with the lack of exchange rate flexibility that plagued countries desperate to improve their trade balances. He explains how the policies pursued (austerity, internal devaluation) were disastrous. I came away with heavy suspicions on whether the eurozone is truly an economic partnership or just an opportunity for stronger members to take advantage of the weaker.The author does take some liberties in his assessment of the underlying cause of the eurozone's problems. He blames neoliberal ideology but doesn't spend any time wrestling with the ideas or explaining how they might have been implemented differently to help them work. The free market is a great asset to an economy; unfortunately the orchestrated approach set into place by the eurozone's powers is what made this experiment suffer as it has. With that said, the book discussed a very trying time in our world's economy being the aftermath of the Financial Crisis; I think a little more caution is in order before making the conclusion that free market capitalism was the cause of the crisis (pg 247) and therefore shouldn’t be trusted.The real value of this book is in the early sections on pointing out what the eurozone’s current problems are and walking through the poor policy making done to remedy the situation. The latter part of the book is what the author thinks ought to be done to make things better. His system of import/export chits is interesting, but almost sounds too simplistic and a means of government trying to manipulate trade levels in order to fine tune economic health. Centrally planned options like this almost never succeed. Country or region specific euros? How is this much different than going back to separate currencies? I found entire chapters (e.g. Ch 10) unhelpful as the author attempts to explain, for example, how Greece can reestablish its own credit market despite not having any savings to jumpstart the system. His answer is that credit nowadays is just often created out of thin air so...it’ll be alright. He builds a lot of suggestions off of shaky assumptions throughout the last third of the book.With all this said, it is overall a decent book and will sit on my shelf for some time. It’s an interesting read and will help you hold your own should someone bring up the pretentious question of "will the eurozone survive?" at a cocktail party. Just look at them stupefied and say "not if the Troika thinks internal devaluations will ever truly replace the benefits of exchange rate flexibility!"

This is a superb treatment of the subject and an advanced course for most aspects of contemporary economics. What he teaches us applies far beyond the Euro situation.For content the book deserves five stars plus But as an author Stiglitz acknowledges he requires assistance with his writing. So readers have to pay attention.Of course two generations were spoilt by Paul Samuelson, who not only was a leading economists but an extraordinary explainer of complicated issues. One could do well on advanced exams in economics by just rereading Samuelson’s relevant chapter in his introductory book.

Excellent analysis and solution. Travels to other countries is necessary to observe the problems. Stigliitz’ theme that the major countries benefit at the expense of the poorer countries carries weight by manipulation.

I bought this book for a friend who is also an economics professor. He enjoyed it very much --- said I saved his life on a trans-continental cruise to the British Isles. Thanks for the quick delivery. He accidentally left it at his home. His cruise left Tuesday and I learned at lunch on Saturday. Your 2-day free shipping saved the entire 3-weeks.

Nobel prize winner Joseph E. Stiglitz successfully dismantles the conventional consensus about what ails Europe, demolishing the champions of austerity while offering a cure that can rescue the continent--and perhaps the world--from the next crisis. It is recommended reading for the next President of the United States and for the European Central Bank.E. Ray Canterbery, author of The Rise and Fall of Global Austerity

The Euro: How a Common Currency Threatens the Future of Europe Euro Atlas: Benelux: Belgium, Netherlands, Luxembourg (Euro atlases) (English, German and Multilingual Edition) Europe’s Orphan: The Future of the Euro and the Politics of Debt Hedging Currency Exposures: Currency Risk Management (Risk Management Series) Warman’s U.S. Coins & Currency Field Guide (Warmans U S Coins and Currency Field Guide) Warman’s U.S. Coins & Currency Field Guide: Values and Identification (Warman’s Field Guides U.S. Coins & Currency: Values & Identification) Toxic Inequality: How America’s Wealth Gap Destroys Mobility, Deepens the Racial Divide, and Threatens Our Future Never Out of Season: How Having the Food We Want When We Want It Threatens Our Food Supply and Our Future The Stormrider Guide Europe Boxed Set - includes Stormrider Guide Europe: The Contintent and Stormrider Guide Europe: Atlantic Islands (English and French Edition) Prague: Prague Travel Guide: 101 Coolest Things to Do in Prague, Czech Republic (Prague Travel, Travel to Prague, Travel Eastern Europe, Europe Travel, Backpacking Europe, Czech Republic Travel) Prague: Prague Travel Guide: 101 Coolest Things to Do in Prague (Prague Travel, Travel to Prague, Travel Eastern Europe, Europe Travel, Backpacking Europe, Czech Republic Travel) The Offshore Renminbi: The Rise of the Chinese Currency and Its Global Future Economic Crisis: Surviving Global Currency Collapse: Safeguard Your Financial Future with Silver and Gold Common Worship: Morning and Evening Prayer from the Book of Common Prayer (Common Worship: Services and Prayers for the Church of England) The Mystery of the Shemitah: The 3,000-Year-Old Mystery That Holds the Secret of America’s Future, the World’s Future, and Your Future! Deadly Choices: How the Anti-Vaccine Movement Threatens Us All Doubt is Their Product: How Industry’s Assault on Science Threatens Your Health Endangered Economies: How the Neglect of Nature Threatens Our Prosperity The Crisis of the Middle-Class Constitution: Why Economic Inequality Threatens Our Republic Weapons of Math Destruction: How Big Data Increases Inequality and Threatens Democracy