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NICOLA GENOVESE AND MARIA GRAZIA LA SPADA¹

RESTRICTIVE ECONOMIC POLICY OF EUROPEAN ECONOMIC AND MONETARY UNION

"I hope that Angela Merkel understands that austerity leads economies to operate in a worst manner, increasing unemployment, lowering wages and increasing inequality. No big economy grew by austerity" (2014).
Joseph Stiglitz, Nobel Prize winning economist and former Chief Economist of the World Bank"

SUMMARY: 1. Introduction. 2. The Ordoliberalism as the Origin of German Conception of Economic Policy. 3. Austerity: Consequences and Negative Aspects. 4. Alternatives to Austerity: Attempts and Proposal for its Overcoming. 5. Euroscepticism: a Sudden Increase. 6. Possible Positive Developments in the 2018. 7. Conclusions, Bibliography, Appendix

1. *Introduction*

European economic policy has always been implemented according to German dictates for which monetary stability is the primary objective in order to launch proper economic development, determined by market forces, with full employment and price stability. This type of economic policy was effective in the past for the economy of West Germany, separated from Eastern Germany.

This separation endowed the broad and efficient German industrial system with a domestic market of limited size and thus its production

¹ Nicola Genovese has elaborated chapters 1., 2. and 3.; Maria Grazia La Spada has elaborated chapters 4., 5. and 6.

was mainly directed towards the international market. For this reason, domestic price stability was essential to maintain the high level of exports and ensure its further increase if other nations registered an increase in prices.

For this purpose also the wages were kept to below their productivity, given that for Germany was more important to increase the external demand rather than the inner one, which would never be sufficient. The "economic miracle" of post-war Germany in the 50s was instead attributed to the so-called Social Market Economy, resulting from Ordoliberalism School, whose most important representative was Eucken. His contribution goes back to thirty years. The second section of this article will indicate what were the origins of this kind of Eucken economic policy, which differed from Keynesianism, prevailing since the period after World War II, and from the monetarism that prevailed especially from the Eighties onwards. In the same second section, it will be highlighted how Germany succeeded to using the principles provided by the above Ordoliberalism, as regard the creation of European Central Bank (ECB). Moreover, another negative factor was that the conditions for entering European Monetary Union (EMU) were imposed to the same degree on all participating nations, notwithstanding their different levels of economic development, especially between Northern and Southern countries of Europe. The third section will be dedicated to the analysis of these problems, which led to hard austerity policies. They were imposed particularly on Southern countries of Europe, worsening their social and economic situation. The fourth section will present the opinions of major economists and examine their suggestions for resolving the serious EMU crisis, while in the fifth section it will be demonstrated how distrust has increased in almost all participating countries in EMU. Distrust turned out in a very serious manner during the 2007/2008 crisis which will be reported in the appendix. It led to the exit of England from EMU. The fundamental thesis of this article is that to save the Euro a prompt review of the Maastricht Treaty is essential: to extend the tasks of the ECB, currently limited to ensuring price stability or their limited increase of no more than 2%, and to create a community fiscal policy. This must achieve a tax reduction, permitting an increase of public deficit more than the 3%, financed by the ECB, for starting economic development, eliminating social disparity, ensuring full employment.

2. The Ordoliberalism as the Origin of German Conception of Economic Policy

The German idea of monetary policy was decisive for the foundation of the ECB, but first it is necessary to recall the origins of this type of policy.

In literature there is a broad consensus that its fundamental principles reside in "Ordoliberalism"².

The post-war "social market economy" and the "economic miracle", created in the German Federal Republic in the 1950s, were considered as a spectacular result of Ordoliberalism principles founded by the "Freiburg School" in the 1930s. Their aim was to investigate the interdependency of legal-institutional structures and economics. In his book "Grundsätze der Wirtschaftspolitik" (Principles of Economic Policy) Eucken³ the principal follower of this school, distinguishes the "Ordoliberalism policy type" from interventionist policy-making. According to this ideal distinction, the government should provide a constitutional rule based framework to shape markets, but it should not intervene in day-to-day economic decisions. Great trust was placed in the operation of the free market which functions according to the optimal choices of individual operators. State intervention in the market was only allowed to fight monopolies and oligopolies.

As regard the properties of this framework, Eucken was convinced that a prudent economic constitution must be based on fundamental principles, two of them being monetary stability with the Central Bank, which does not finance the commercial banks to avoid an excess of credit, and liability for government debt.

This was considered sufficient to achieve full employment without the intervention of monetary policy to influence market demand. It need only ensure price stability. From this the contrast between Ordoliberalism and Keynes's theory is clear. For Keynes monetary policy was an essential tool to achieve full employment in the face of a fall in global

² For a wide exposition of this important principle and an analysis of its inadequacy for the foundation of Eurozone, especially during the severe global crisis of 2008, see S. DULLIEN – I. GUEROT, *The Long Shadow of Liberalism: German approach to the Euro Crisis*, *European Council on Foreign Relations*, February 2012.

³ Walter Eucken, "Über die Verstaatlichung der Notenbank", report not published, Walter Eucken Archiv, Frankfurt a. M. 1946. This is an important document on the origins of Eucken ideas. They were fully developed in his book, *Grundzüge der Wirtschaftspolitik* (Principles of Political Economy) Tübingen 1952. It was fundamental as a guide of German economic policy in the years 1950s.

demand and the central bank had the characteristic of bank of banks⁴. This Keynesian theory recently rose to prominence under the label of Newkeynesianism⁵. But in Germany after the War II has never been a fall in demand, the famous "Economic Miracle" was determined by foreign demand and low wage policy, that increased the competitiveness of German companies on the international market, providing significant positive levels of the surplus of balance of payments. On this topic we need a pause to show that this type of policy, implemented with low levels of real wages, was continued even after the Eurozone creation. This contributed decisively to create the imbalances that occurred before and after the 2007/2008 crisis that led to the implementation of policies on the basis of austerity. An Eurozone crisis narrative that does not account for the effects of the German wage moderation is incomplete. Germany is by far the largest Eurozone economy and it is a very open economy with strong trade links to all other Eurozone member states. It would be difficult to explain why such a strong internal devaluation, which is regarded as a key determinant of Germany's success story in the 2000s⁶ (Dustmann et al. 2014), did not have significant repercussions for the rest of the Eurozone.

Wage moderation led to decline in unit labor costs and to a German Harmonized Index of Consumer Prices (HICP) inflation rate below the ECB's target value. As this compensated for above target inflation in the rest of the Eurozone, the ECB was not able to increase its policy rate although there were signs of overheating in the deficit countries. Wage moderation caused stagnation in German domestic demand, which had a negative impact on the German demand for goods and services from the rest of Eurozone. Wage moderation improved the price competitiveness of Germany gradually which led to a deterioration of the bilateral current account of the rest of the Eurozone. Finally, wage moderation caused higher profits in the corporate sector, which led to a higher

⁴ J. M. Keynes, *A Treatise on Money*, Harcourt, Brace and Company, New York, 1930. Keynes already in this book gave to Central Bank the important role to assure the stability of Bank system. For to compare keynesian monetary theory with Ordoliberalism to see J. Bibow, *Majnard Keynes on Central banking and the Structure of Monetary Policy*, History of Political Economy 2002.

⁵ The New Keynesians, on the other hand, see full employment as being automatically achieved only in the "long run", since prices are "sticky" in the short run. Government and Central-bank policies are needed because the "long run" may be very long. To see Jordi Galí, *Monetary Policy, Inflation and the Business Cycle: An Introduction to New Keynesian Framework*, Princeton University Press, Princeton 2015

⁶ C. Dustmann- B. Fitzenberger- U. Schönberg and A. Spitz-Oener, *From Sick Man of Europe to Economic Superstar: Germany's Resurgent Economy*, CReAM Discussion Paper Series 1406, Department of Economics, University College London 2014

saving rate of this sector. Household saving in Germany has been more or less constant since 1999.

Although Ordoliberalism is little known elsewhere, it has been hugely influential in Germany, particularly on the centre right. Merkel's economic advisers strongly sustain Ordoliberalism ideas especially on the role of the ECB. For them, the role of a central bank is above all to maintain price stability – and thus promote growth only indirectly – rather than intervening to expand the money supply.

At this point we need to address some fundamental obligations imposed on countries participating in the EMU: they should not register a budget deficit exceeding 3% of Gross Domestic Product (GDP) and maintain a public debt not exceeding 60% of the same value. These are sufficient indications, in addition to the constraint imposed on the ECB, in order to recognize that the old principles of Ordoliberalism were fully implemented. Fidelity to these principles has also been confirmed in times of crisis, when the imposition of austerity was registered even in periods when unemployment was high and the crisis had the characteristic of being globalized, to ensure liability (one of the two main characteristics of old Ordoliberalism) of the governments of all countries belonging to EMU, but with greater intensity those of the peripheral area of the EMU, such as Ireland, Italy, Spain, Greece and Portugal, to prevent their expected default. The danger was greatly exaggerated, as it would have been possible to deal with it through monetary policy actions. Because these nations lacked liquidity but were solvent. However, this was prohibited by the Treaty, therefore they had to implement highly restrictive economic policies, incurring serious social and economic problems. This subject will be discussed in more detail in the third section.

The former ECB chief economist Jürgen Stark – who called Eucken's book, *Principles of Economic Policy*, “a constant source of inspiration throughout my career” – resigned after the ECB purchased Italian and Spanish government bonds⁷. Bundesbank president Axel Weber quit for similar reasons. His successor, Jens Weidman formerly

⁷ P. Müller- C. Pauly – C. Reiermann, *Chief Economist Quits: Jürgen Stark's Resignation is Setback for Merkel*, *Der Spiegel*, September 12, 2011. These Journalists say: “In its official announcement, the Chief economist of ECB cited “personal reasons” for the step. For a top central banker, however, personal reasons are always professional reasons as well. It was known that Stark had long questioned the policy of the ECB and its president, involving the purchase of large quantities of the government bonds of ailing Eurozone countries. According to a friend, Stark made his decision to resign in early August, when the majority of the ECB Governing council voted for the purchase of Italian and Spanish government bonds”.

an adviser to Merkel equally opposed to the ECB's bond purchase programmed.

Despite the money utilized for this program being sterilized, thus keeping unchanged the amount of money in circulation, these personalities believe in the archaic and selfish way that an increase in the money supply has no effect on the real values of the economy, such as production and employment. Their opinion is that they must be the result of free market forces, on which it is possible to act, as I have just said, only to prevent the emergence of monopolies and oligopolies. An intervention dictated by Ordoliberalism principles in a situation of price stability.

The Ordoliberalism ideas have led Germany to pursue economic policies that are in its own interests rather than those of the Eurozone as a whole. Germany's "stability culture" may be influenced by the collective memory of hyperinflation, but there is also another both more rational and selfish reason: even a moderate increase in inflation would reduce the competitiveness of Germany's exports around the world and the value of its savings.

Ahead of this selfishness, it must be remembered that Federal Germany put aside the Ordoliberalism doctrine when it was reunified with East Germany. In this situation,

one mark of the latter was exchanged for a mark of the former with significant intervention by the Central Bank and the creation of a large public debt, which has still not healed, rather it has increased. This operation outside of Ordoliberalism dictates was considered as an example of positive pragmatism by German Central Bank.

This characteristic, pragmatism, was not used in determining the strict rules imposed on all the countries that have chosen to join the EMU, without considering their uneven level of development and thus their inability to meet them. Perhaps this lack of pragmatism, to use the same German definition, is one of the main causes of the crisis situation in which the entire EMU find itself.

The charge to Germany about the lack of pragmatism comes from a famous American journalist Charles Lane (2014), which highlights the considerable surplus of its balance of payments, which in 2013 reached the colossal figure of \$ 276billion, even more than China. "German's exports engulf Europe and the globe, denying market shares to depressed and indebted countries of European Union, which desperately need them. Loosen the austerity policy - explains the columnist - would go against the ethics developed in Germany after the Second World War, which treated currency savings as a value in itself. The economic crisis of the Eurozone is not solvable with moralism, but with

pragmatism". According to this journalist, Germany with its products invades all international market, avoiding not only an expansion of German domestic demand, but also that of the EMU countries, which for the most part have been forced from hegemonic country, Germany, to adopt strict austerity policies⁸. At each stage of the Euro crisis during the past few years, Chancellor Angela Merkel has seemed to do the absolute minimum needed to keep the single currency together, but no more⁹. This minimalist approach to the euro crisis may have ultimately cost Germany more in terms of bailouts than it would have if it had acted sooner and more decisively. On the other hand, it has kept inflation down and the Euro weak, both of which are good for German exports. In fact, a cynic might say the situation of a weak but still existent Euro is ideal for the German export-driven economy. However, minimalist approach not was so good for many other Eurozone countries. This was illustrated by figures showing the highest levels of employment in Germany since reunification, but higher than ever unemployment in Spain, a country that was not fiscally irresponsible and, indeed, had a lower debt-to-GDP ratio than Germany itself (see chart in appendix). Also, in Italy, where in the face of a high debt-to-GDP ratio there was the real possibility of reducing this ratio with a significant revival of the GDP growth rate, through appropriate reduction of taxation (which was not feasible because of strict rules of admission to EMU, especially regarding the levels of deficit and indebtedness), a lower level of wages and an immediate intervention to revival money supply in order to

⁸ C. Lane, *A Critics on German Economic Policy*, Washington Post, November 16, 2014. Lane makes another important observation: "A country which has transformed the ugly Berlin Wall in a symbol of progress can not be able to recognize that it is leading Europe to a political and economic dead end building another wall. Perhaps even worse". Merkel said that during her lifetime EMU will not change. Stiglitz argues that the euro will disappear before the end of her life. J. Stiglitz, *Merkel Needs a Change in Attitude to Save Euro*, The Week, June 29, 2012. This words has been said after a severe and critical analysis of the actual situation of EMU, which would have conduct Stiglitz to sustain a prompt change of Maastricht Treaty for permitting EMU to leave austerity policy. Stiglitz has given numerous contributions regarding EMU, which are cited in bibliography.

⁹ P. De Grauwe . *Who Cares about the Survival of the Eurozone*, CEPS Document, November 16, 2011. P. De Grauwe was the first to criticize the austerity imposed to the European countries. In his view, the austerity programs should must be softened and spread over a longer period of time, allowing the automatic stabilizers in the national budgets to prevent the economies from spiraling downwards. Furthermore, he reiterates his argument that the ECB should take up its role of lender of last resort in the government bond markets of illiquid but solvent member countries of Eurozone. Objections to this approach appear increasingly trivial. The problem today is fear and panic in the sovereign debt markets. This panic risks engulfing the whole banking system in the Eurozone, and ultimately the Eurozone itself. When the Eurozone risks collapsing, the strength of objections is reduced to zero at least for those who care about its survival

increase domestic demand, avoiding high unemployment, especially for young people. Finally Greece, Portugal and Ireland have sustained enormous sacrifices with the threat of expulsion from EMU.

Germany's analysis of what needed to be done was wrong. The ECB was slow to come up with a stimulus package designed to offset the demand-sapping impact of wage cuts and the highest decrease in public spending. In other words the rigid application of restrictive principles of austerity proved unjust for countries most affected by the economic crisis and also detrimental for all other countries of the EMU, including Germany itself. This is demonstrated by International Institute for Labor Studies (ILO) Report regarding the years 2010-2013, in appendix of this article, which presents a very critical period subsequent the increase of austerity policy after the 2007/8 international global crisis¹⁰. The severe global economic crisis and the related crisis in the Eurozone will not be solved either by cutting wages, pensions, social services, education, research, culture and essential public services or directly or indirectly increasing tax burden on employment and weak social groups. There is the grave danger that the introduction in Italy and Europe of so-called "policy of sacrifices" further accentuate the profile of the crisis, resulting in a higher rate of growth of unemployment, insolvencies and mortality of businesses, and may at one point forcing some member states to exit EMU. That's what happened to England, after a referendum It left the EU.

¹⁰ ILO Report on World of Work 2013: EU Scenery. This report regards the crisis situation of the EU countries, and specially those of the Eurozone, in the period 2008-2013, when austerity was strengthen. It refers to the level of occupation and underlines that in the EU, there was almost 6 million jobs to return to the employment of pre-crisis situation, the condition of a very high unemployment, which in 2013 continued to worsen in most countries and affects worstly young and low skilled workers. Moreover, the report gives information on increasing atypical forms of employment, which likely reflect the uncertainty of business regarding the prospects of demand. At the end the report refers about the increase of social disorders and compare the situation of EU, which presents risks much superior than other countries of the world. Regarding the problem of permanent unemployment in Europe indicated by ILO, this situation can be referred to a Blanchard and Summers study, which applied the theory of hysteresis to this type of unemployment, embodying the idea that the equilibrium unemployment rate depends on the history of the actual unemployment rate. Theirs paper summarizes two directions of research on hysteresis that appear especially promising. Membership theories are based on the distinction between insiders and outsiders and explore the idea that wage setting is largely determined by firms' incumbent workers rather than by the unemployed. Duration theories explore the idea that the long term unemployed exerts much less downwards pressure on wages than does the short term unemployed. Olivier J. Blanchard and L. H. SUMMERS, *Hysteresis in Unemployment*, *NBER Working Papers*, No 2035, October 1986

The key point to understand is that current instability of the EMU is not merely the result of trick accounting or easy spending. It actually is the outcome of a far deeper interweaving between the global economic crisis and a series of imbalances within the Eurozone, which mainly derive from unsustainable profile of Ordoliberal European Union Treaty and its orientation in direction of a restrictive economic policy even of member countries with a systematic external surplus. An economic policy always followed by Germany.

The world crisis that exploded in 2007-2008 is still underway. Without no intervention on its structural causes, we never actually will go out from it. As has been recognized by many, the main explanations for this crisis is the greater worldwide gap between increasing labor productivity and the stagnating or even declining consumption capacity of the workers themselves. For many years this gap was compensated by an exceptional escalation in financial speculation and in private debt which, starting from the United States, acted as a stimulus for global demand.

There are those who are counting on a return to world growth based on a new boom in American finance. Downloading on public budgets a huge pile of unrecoverable private debts is hoped to give new impetus to finance and related mechanism of accumulation. On this basis a credible world recovery is highly unlikely, and in any case it would be tenuous and short-sighted. Indeed in the first quarter of 2016 the United States are experiencing a slowdown in their economy which has alarmed economists. At the same time it is illusory to hope that without a profound reform of the international monetary system, China would be willing to drive the global demand gives up its commercial profits and the accumulation of foreign exchange reserves. We are facing the dramatic situation of a world economic system that lacks a primary source of demand, a "sponge" that can absorb the production. This situation which has alarmed economists giving credit to those scholars who have recently asserted the possible existence of a secular stagnation.

In 1937, the American economist Alvin Hansen spoke of "secular stagnation" to describe the economic depression that continued to plague the United States since 1929 despite the efforts of Roosevelt's New Deal, launched four years ago. Attributing the causes of the stagnation to demographic decline and the absence of technological innovations, Hansen the "American Keynes", saw in public spending deficit the only way to revive demand, prices and growth. Then came the Second World War, which with its new technology was the fuel of the US recovery so as population growth following the end of the conflict. The circumstances discredited predictions of Hansen and the theory of continuing depression desperately wicked, because it is linked not to contingent

events but rather to structural problems, was shelved. However, prolonged malaise which afflicts the "advanced" economies, manifested in all its gravity since 2008, recently recalled in academic debate the prospect of secular stagnation, dormant spectrum but never disappeared¹¹

The unsolved global crisis has been particularly felt in the EMU. The evident vulnerability of the Eurozone derives from profound internal structural imbalances, whose main cause lies in the liberal economic policy of the Maastricht Treaty imposed by Germany with the expectation that market mechanisms alone can remove the disequilibrium between different areas of the Union, and in the restrictive deflationary economic policy of systematically trade surplus countries. Among them is particularly important Germany, which has long been oriented towards keeping wages down compared to productivity, limited demand and imports for the penetration of foreign markets in order to increase market share of German companies in European and World markets. With such policies the 'surplus' countries like Germany do not contribute to the development of the Euro area but paradoxically are pulled ahead by the weaker countries. Germany, in particular, accumulates a considerable surplus towards foreign countries, while Greece, Portugal, Spain and even France tend to get into debt. Also Italy, despite the very low growth of its national income, finds itself buying more from Germany than it sells, thus accumulating growing debts. In the next section austerity shall be examined in order to clear its liaison with the old Ordoliberalism sustained by Germany and applied to EMU, especially for assuring the liability (one fundamental principle of this type of Economic policy) of the countries participating.

¹¹ The hypothesis of secular stagnation was advanced for the first time by Alvin H. Hansen in 1938, when the US economy still had not recovered from the Great Depression of the years 29/33. After, with the acceptance of Keynesian theory, of which he became a great follower, this hypothesis was abandoned. The concept of secular stagnation was taken up recently by Summers at Conference of the IMF of November 2013, which highlighted the inability of the expansionary monetary policy to influence the level of aggregate demand and therefore employment and distribution of wealth. The Summers's thesis has provoked numerous comments and was shared by some prominent economists, among which Krugman. He had studied the problem, especially from the point of view of the possible existence of a permanent liquidity trap, but he showed envy against Summers for his utilization of magic words "secular stagnation". A. H. Hansen, *Full Recovery or Stagnation?*, Norton, New York, 1938. P. Krugman, *The Return of Depression Economics and the Crisis of 2008*, New York Times, Paperback, 2009. Krugman signals the peril that the economic maladies which caused Great Depression have made a come back, like diseases that have become resistant to antibiotics. Therefore, he considers inadequate austerity in Europe, as it happened in the United States during the period prior to the Great crisis of 1929

3. *Austerity: Consequences and Negative Aspects*

This section will highlight the negative consequences created by the adoption of the principle of austerity in EMU countries, especially in Mediterranean countries such as Greece, Italy, Spain, Portugal, and Ireland. The request to implement austerity policies came from the Community authorities in order to follow one of the fundamental principles of Ordoliberalism, that of liability, in our case regarding the individual governments that came to be considered in danger of default.

The traditional IMF cure for a country in trouble is a solid dose of structural adjustment – tax cuts, reduction of public spending, privatization, reforms of the labor market with wage cuts – designed to make the domestic economy more efficient, coupled with a devaluation that makes exports cheaper and imports dearer. In other words a policy of austerity. However, it is useful to see what are the main messages of an important International Monetary Fund (IMF) intervention of November 2015. It regards the debate about how the Eurozone would have to respond to the problems that affected aforesaid five of its members Greece, Ireland, Portugal, Spain and Italy. The traditional recipe was obviously not available to countries inside the Eurozone because they all share the same currency. Also, accepting the request for tax cuts would require strongly reducing public spending to keep the deficit at 3%, creating unemployment and the drastic reduction in the quantity, quality and efficiency of public services. Initially, an IMF paper asks whether the traditional policy actually works. Its conclusion is that if a single country cuts wages, the effect is positive both for that economy and for the Eurozone as a whole. But if in the Eurozone five important countries, which account for 30% of Eurozone population and output, adopt the same strategy at once, it would be necessary the action of the Central bank to offset the demand-sapping wage cuts. Put simply, if millions of workers across Europe have less money in their pockets, they will consume less. That will affect their own economies and the economies of other non-crisis Eurozone countries that export to them. But, as the IMF economists note, there is a problem if official interest rates are already at rock-bottom levels. In those circumstances, Central banks have to be a bit more creative if they want to counteract the recessionary impact of wage cuts. One solution is to resort to quantitative easing (QE), something the Bank of England and the Federal Reserve did back when the slump was at its worst in 2007-08.

It took the ECB five years before embarking on its QE program, by which time sucking demand out of the Eurozone economy had achieved

predictable results: a double-dip recession, double-digit unemployment rates and a descent towards Japan-style deflation. In an article explaining the paper, two IMF economists, Jorg Decressin and Prakash Loungani, stress that their organization has “always advocated a comprehensive package that addresses both aggregate supply and aggregate demand”. They add that the Fund was “one of the early advocates of supportive monetary policies, including quantitative easing, to boost aggregate demand in the euro area”.

The phrases “always advocated” and “early advocates” are significant. Mario Draghi, the ECB president, finally wore down German resistance to QE, but only after a protracted struggle and when it was clear, even to Berlin, that the Eurozone was suffering from a severe lack of demand.

In one sense, the IMF analysis is a bit disingenuous. If, as the paper says, the IMF knew from the start that internal devaluations on their own would not have worked, it makes the Fund’s willingness to back bailout packages rather curious. But leaving to one side this blatant back covering, the analysis is right. The Eurozone has begun a slow and tentative recovery since the ECB stepped up its macroeconomic stimulus. Usually it is said better late than never, but what has been determined by this delay? First of all a profound popular distrust not only in the Eurozone countries but also in the other part of European Economic Union (EEU). Among the latter the United Kingdom has already set the date for a referendum in 2016 for its participation in EEU, which determined its current exit from the Eurozone.

As mentioned the fourth section will be devoted to that topic. Moreover, the consequences have been different in the various countries that presented considerable differences in the degree of development as regard growth rate and employment.

This situation was not taken into account when the ECB was created, requiring the same conditions all participating countries. The explanation may be that, as already noted, there was confidence in a trickling down process between the economies of Northern Europe with a higher level of development and those that were in a significantly more backward economic situation. Admitted that this process might occurred, it has been blocked by the serious economic global financial crisis. Before this, the least developed countries of the EMU (which had already implemented highly restrictive economic policies to meet the strict conditions imposed for participation in the Eurozone) found themselves in a situation of great difficulty that infected much of Europe.

The pursued austerity consistently for four years, 2008-2012, showed its results in the fourth quarter of 2012. The Eurozone as a whole contracted for the first time ever. Portugal's economy fell by 1.8%, Italy's by 0.9% and even the supposed powerhouse of the region, Germany, saw its economy contracts to 0.6%. The only surprise is that any of this should come as a surprise. After all, the International Monetary Fund warned in July 2012 that simultaneous cuts to state spending across interlinked economies during a recession, when interest rates were already low, would inevitably damage the prospects for growth. And that warning came on top of the already ample evidence that every country that had embraced austerity had significantly more debt than when it started. Portugal's debt to GDP ratio increased from 62% in 2006 to 108% in 2012. Ireland's more than quadrupled, from 24.8% in 2007 to 106.4%. Italy from 107.00% in 2007 to 127.55%. And Latvia's debt rose from 10,7% of GDP in 2007 to 42% in 2012.

These statistics don't even begin to give a measure of social cost of austerity, which includes unemployment levels not seen since the 1930, in the countries that now make up the Eurozone. So why do governments keep on treading this path?

Austerity became and remains the default policy response. When the serious global financial crisis presented itself in 2007, in the 2008 the United States was immediately able to bail out their banks because they had a Central Treasury and a Central Bank able to accept any sort of collateral they wanted.

The EMU had to prop up its failing banking system (which was three time as large and twice as leveraged as the U.S. banking system) with little more than some additional liquidity and other spending cuts and incantations of its "unshakable commitment to the euro". The U.S. banking system eliminated its debt and recapitalized and it was ready to grow, assuring the nation of a significant rate of growth and a notable increase in employment. EMU gave its institutional makeup. As a result, the Eurozone economies continued to contract, in spite of the increasingly dubious promises that confidence was returning.

Ideologically, it is the intuitive appeal of the odd idea of austerity that suggest not spending more than you have that really casts its spell. Also, austerity is a seductive idea because of the simplicity of its core claim that you can't cure debt with more debt. This is true for a single family or individual but for a state, as Keynes thought, it does not go far enough. Three less obvious factors undermine the simple argument that countries in the red need to stop spending.

The first factor is distributional, since the effects of austerity are felt differently across various levels of society. In Italy, in 2012 the

majority of Italian families (about 62%) reported a net income inferior to the average annual amount (29,426 euro approximately, 2,452 per month). Moreover the 90% of income was concentrated in the 10% of population leaving the remaining 90% in a difficult situation.

Trying to get the lower end of the income distribution to pay the price of austerity through cuts in public spending is both cruel and mathematically difficult. Those who can pay won't, while those who can't pay are being asked to do so.

The second factor is compositional. Everybody cannot cut his way to growth at the same time. To put this in the European context, although it make sense for any one state to reduce its debt, if all states in the currency union, which are one another's major trading partners, cut their spending simultaneously, the result can only be a contraction of the regional economy as a whole.

Proponents of austerity are blind to this danger because they get the relationship between saving and spending backward. They think that public frugality will eventually promote private spending. But someone has to spend for someone else to save, or else the saver will have no income to hold on to.

Similarly, for a country to benefit from a reduction in its domestic wages, thus becoming more competitive on costs, there must be another country willing to spend its money on what the first country produces. If all states try to cut or save at once, as is the case in the Eurozone, then no one is left to do the necessary spending to drive growth.

The third factor is logical. Austerity is based on the notion that economic operators can anticipate and incorporate all government policy change into their lifetime budget calculations. The argument goes in this direction. When the government signals that it plans to cut its expenditures dramatically, consumers realize that their future tax burdens will decrease. This leads them to spend more today than they would have done without the cuts, thereby ending the recession despite the collapse of the economy going on all round them. The assumption that this behaviour will actually be exhibited by financially illiterate real world consumers who are terrified of losing their jobs in the midst of a policy induced recession is heroic at best and foolish at worst.

The austerity policy has not been utilized in the "theory of optimal currency union". This argument was advanced by Krugman (2013), who spoke about "the revenge of this theory". He put in evidence that Mundell and Kenen suggested different measures for single countries of a currency union, which are in a situation of asymmetric shocks. Krugman remember that Mundell (1961), the founder of this theory, suggested the necessity to utilize the existent fluidity of labour as regard

a country which records an elevated level of unemployment respect the others in a currency union.

Obviously in this situation it is impossible for this country to devalue its currency, it can regain competitiveness and full employment through the mobility of production factors, such as labour which is the more important. This mobility has two advantages for the currency union, namely to reduce unemployment in the country that has suffered an asymmetric shock and keep wage low in other countries of monetary union by strengthening their competitiveness. Kenen the other economist which gave a fundamental contribute to the Currency Union Theory, sustained the argument that fiscal integration with a large "federal" component to spending at the regional or local level can help a lot in dealing with asymmetric shocks. In summary, optimum currency area theory suggested two big things to look at labor mobility and fiscal integration. And on both counts it was obvious that Europe fell far the two examples over indicated, with limited labour mobility and virtually no fiscal integration. This should have given European leaders pause, but they had their hearts set on the only single currency and on the austerity. Owever, we can not compare the ideal situations hypothesized by the authors who have treated the theoretical model regarding an optimal monetary union with the one in which the European Union was found first and particularly later with the EMU, both aimed at the creation of a future Democratic European Federal State, founded on a complete political Union.

4. Alternatives to Austerity: Attempts and Proposal for its Overcoming

In Europe we are not facing a danger of collapse of major banks, which do not seem at risk, and long-term interest rates are extremely low, now close to zero. However it is clear that the measures adopted by the ECB have not had the same effect as American QE, also because their monetary policy actions were sterilized on the securities market with a subsequent sale of the same, albeit with a more short-term maturity, to maintain the obligation not to alter the amount of money in circulation. The ECB intervention has not been sufficient to increase real incomes, lower unemployment and lower the ratio of government debts to GDP. It is true that the Draghi "bazooka" accelerates the depreciation of the euro against the dollar and boosts extra-EU exports, which are half of our total exports. But it is also true that, in principle, by increasing the liquidity of the financial system more money is available for business investment and household expenses. However the European QE falls in a very different context from that in which the US

Federal Reserve operated in 2008, when it began its massive purchase program. Then, it was necessary to save a series of banks and financial institutions on the brink of collapse after the failure of Lehman Brothers. There was the risk of a chain of collapses due to lack of inner confidence in relations between banks, but the emergency measures of Ben Bernanke, an important member of the Great Depression scholars, avoided a repetition of the disaster of the 1930s.

In 2008, in addition, interest rates on 10-year US Treasury bonds were close to 4%. The massive purchase of unsterilized securities by the Fed precipitated rates down to 1.5%. The fall of interest rates prompted investors to buy stocks augmenting their prices. This lowered the cost of mortgage resuming the supply and prices of houses. The result was a sharp increase in the income of households that moved on consumption, and so in production and employment.

In Europe, the effect on the stock market of a further fall in interest rates appears minimum, because the ownership of shares by European families is not as prevalent as in America. The rise in stock prices, therefore, does not increase household wealth much and will not stimulate consumption as in the US situation. The main beneficiaries of the bond purchase program by the ECB will therefore be banks and governments of the Union's member countries. Governments should have benefit especially in terms of debt service reduction, which could allow tax cuts, if they could abandon the initial austerity program, but I will return to this issue later. In addition, banks will receive an injection of capital that under normal circumstances should permit major lending to businesses for increasing investment. However this is unlikely to happen, because a) the European interest rates were already very low; b) soft interest rates do not drive companies to borrow funds to invest without demand for their products, c) individuals and families do not borrow money to increase their consumption if they are worried about their future.

The increase in demand on which to restart the European economy cannot therefore come from the ECB's monetary policy only, or from the private sector, which is not motivated to create it.

Everything depends on the ability to take the necessary decisions. The basic problem in order to get out of the stagnation of these years is political and not economic. The resources are available, as shown by those at disposal of the ECB, which belong, after all, to the citizens of Europe.

If the ECB "bazooka" was directed at finance, through appropriate measures, a great plan of investments in infrastructure, information technology, education, research and innovation - then it would be

realistic to expect as a result a boost in demand, production and employment all inside the European Union.

On paper this plan already exists, and is the so-called Junker Plan, presented by the President of the European Commission as the vehicle to escape from austerity. However, the Junker Plan has been discredited, because it was conceived in terms of a semi-scam. In the face of the 500 billion euro considered available to finance it, there are actually only 20, and distributed over ten years. The Draghi measures, however, are not a scam, because they amount to 1 trillion and will be placed into the financial system in just two years.

Why keep these funds on the one hand and on the other the Junker Plan? A broad consensus has formed that in order to boost growth in Europe, we need a revival of public spending. It is believed that there is a great need, even in Germany, for investment in infrastructure.

Otherwise the billions of Euros printed by the ECB, through QE, instead of reviving, as in the US, employment and prices, are likely to create a bubble of certain activities. Supporters of this proposal, who had previously criticized the Junker Plan, in the end wonder: why can't these two measures - the Junker plan and QE - be unified into a single growth pattern? They are both EU plans that should be at the service of its interests and those of its citizens, who want more growth and more jobs. However, the intention to finance the recovery as soon as possible cannot be satisfied with public spending which sometimes takes time long enough to be carried out efficiently in sensitive areas such as those mentioned just now, and especially in public works. Currently measures are needed that can promptly revive aggregate demand. The failure of the austerity policy, applied in a most rigid way, in 2007-08, when the world had a severe global financial crisis, with the consequences described in the previous section, has made clear the need to find a more effective alternative. The latter can be sought primarily in a new approach by Eurozone countries and not just of those that are considered in danger of default. Such behavior should cover the increase in aggregate demand accompanying the reduction of public expenditure with a new monetary policy from the ECB and a solid agreement for a decisive and general change in European expansionary fiscal policy. On this scenario, there is a broad consensus among economists. Some of them are already been cited, but I want remember others.

One of the first was the same Draghi. Economic integration and exchange rates variations" he was very critical versus the project on EMU. Instead today the ECB president sustains the irreversibility of Euro, but the years and career are able to convert every idea and theory. Draghi has been a pupil of Federico Caffè and between the others pupils of this important economist were Giovanni Palmerio, the

first, Nicola Acocella¹² Ignazio Visco, Ezio Tarantelli, Nino Galloni and Alberto Bagnai.

What someone try to prove in this days, distorting his thought, is to approach the name of Caffè to the rhetoric of an United Europe and of European dream. Caffè certainly was pro-Europe, but he would not been by no means a supporter of this Europe. He seems to have foreseen the inability demonstrated by EU to make a positive contribution to the creation of an operating system of balanced powers, designed to prevent an effective subjection of a broken up European economic area respect global hegemonic powers.

Caffè (1975)¹³ said: "No one can escape, beyond the rhetoric of words and messages, that the European future, with its configuration by prevaricating and economically obsolete teutonic vision, does not correspond to the ideals which moved European community building. This, in the general auspices, should have been based on relations of real equality between various members, and on the realistic understanding that the different economic levels of member nations were bound to create tensions during the unification process and on the need for adequate measures in order to advance together avoiding the onset of directors " It seems to read something written yesterday, but this scripture was written in June 3, 1975.

Macroeconomic policy in the Eurozone is no longer a national prerogative as it has been to now with the prevalence of German dictates. If there is insufficient demand, then a solution can only be found at a European level.

To solve the current problems of the Euro the only difficulties are of political nature, since the Maastricht Treaty, as has been highlighted in the second section, was elaborated following the fundamental principles of "Market social economy" set out by old Euchen Ordoliberalism. These do not allow for a common measure for expansionary fiscal policy supported by monetary policy. Therefore, it

¹² N. Acocella is the first signer of "A Letter from Economists" with this introduction: "A restrictive policy worsen the crisis, adds fuel to speculation and can bring to the disintegration of the Eurozone. The direction of economic policy needs to be changed to prevent another breakdown of income and employment". This letter, who had numerous signers, was directed to the Members of Italian Government and Parliament, to the Italian representatives in the European Union Institutions, to the representatives of the political parties and the trade unions, to Italians representatives in the European Union Institutions and the ESCB and to the President of Republic

¹³ This very important Italian economist was favorable to European Union, but he was not a supporter of this Europe. He was one between the first to intuit the antidemocratic drift that the process of forced unification would have determined, under the hegemony of German economic policy

would be opposed by Germany and perhaps a few other European countries.

It is hoped that this will not happen and this hope is based on the fact that Draghi has said several times that he is "ready to do whatever it takes", and on the reaction of other countries.. His party had great success in the recent European elections, exceeding the votes obtained by the parties of other countries, including that of Merkel, and especially in regard to those who declare to be EMU opponents.

On March 11, 2016, the very recent and sudden measures taken by Draghi acquired a special significance. Some of these measures deserve to be mentioned for their particular characteristics. The ECB will be ready to finance banks at a negative rate of -0.40%, if they lend to households and finance investments, and will apply the same negative rate to those banks wishing to deposit liquidity exceeding the required reserve that is fixed at 1%. All this in addition to increase in the level of QE of 180 million euros.

Immediately after the announcement of these measures Draghi, however, has made clear that the monetary policy action is not enough to boost the economy if it is not accompanied by the intervention of EMU governments, tending to reduce taxes and prepare structural reforms. Otherwise, he said, it will increase the dangers for EMU, such as depression and deflation.

These statements give more hope for a revision of the Maastricht Treaty, with the adoption of political decisions that make it possible for the governments of EMU to realize an expansionary fiscal policy without the existing limitations concerning their balance deficit and the level of their debt. In other words without the austerity policy.

Otherwise, with this austerity policy the Eurozone will remain depressed, fueling antieuropean sentiments among its citizens.

5. Euroscepticism: a Sudden Increase

It was once seen as a British disease. Currently this disease has reached the goal, the occurrence of fully Brexit, and then England's exit from the European Union, through a referendum, the consequences of which have not yet been evaluated. But Euro scepticism has now spread across the continent like a virus. As data from the Euro barometer shows, trust in the European project has fallen even faster than growth rates. Since the beginning of the euro crisis, trust in the EU has fallen from +10 to -22 per cent in France, from +20 to -29 per cent in Germany, from +30 to -22 per cent in Italy, from +42 to -52 per cent in Spain,

from +50 to + 6 per cent in Poland and from -13 to - 49 per cent in United Kingdom. What is so striking is that everyone in the EU has been losing faith in the project: both the countries in the creditor situation and debtors in the Eurozone countries would be members, with “opt-outs”. Back in 2007 people thought that the UK, which scored - 13 per cent in trust, was the only Eurosceptic country.

The charts in the appendix will show how Euroscepticism has expanded in truly remarkable ways.

The old explanation for Euro skepticism was the alleged existence of a democratic deficit within the EU. Decisions, critics said, were taken by unaccountable institutions rather than elected national governments. However, the current crisis has arisen not from a clash between Brussels and the member states but a clash between the democratic wills of citizens in northern and southern Europe, the so called center and periphery. Both sides are now using EU institution to advance their interest.

The most serious mistake, as I have said, was to impose on all signatories to the Maastricht Treaty the same conditions: the upper limit of the budget deficit within 3% of GDP and a public debt not superior to 60 % of GDP; and this without considering the varied level of development of their economies. The situation is significantly different between the countries of Northern Europe and those of the Southern Europe, including Italy, which faces the serious problem of Southern regions, with an income and a production capacity far below the European average, as well as differences in their financial situation.

As regard the latter, we must consider the imposition on countries, such as Italy itself, to implement an immediate reduction of the public debt to bring it within a short time to 60% of GDP, through drastic reductions in public spending, reckless privatizations and a sharp increase in taxation not only on income, but on houses ownership, even on the home of taxpayers. In the past, there was an unwritten rule that EU institutions would police the single market and other technical areas of policy, from common standards of products to lawnmower sound emissions, while national governments would continue to have a monopoly on the delivery of services and policymaking, the most sensitive areas on which nation elections depended.

Since the crisis began, citizens in creditor countries have become resistant to taking responsibility for the debts of others without having mechanisms for controlling their spending. With the Fiscal compact and demands by the ECB for comprehensive domestic reform, Eurocrats have crossed many of red lines of national sovereignty, extending their reach to exert control over pensions, taxes, salaries, the labour market

and public jobs. These areas go to the heart of welfare states and national identity.

To an increasing number of citizens the EU looks like the International Monetary Fund (IMF) with its intervention in Latin America: a golden straitjacket that is squeezing the space for national politics and emptying their national democracies of content. In this new situation governments come or go but policies remain basically the same and cannot be challenged. Meanwhile in northern European countries, the EU is increasingly seen to have failed to control the policy of the southern rim. Creditors have a sense of victimhood that mirrors that of the debtors.

If sovereignty is understood as the capacity of the people to decide what they want for their country, few in either northern or south Europe today feel that they are sovereign. A substantial part of democracy has vanished at the national level but it has not been recreated at the European level.

In a fully functioning national political system, political parties would be able to voice these different perspectives and hopefully act as a referee and find common ground between them. However, that is precisely what the European political system cannot deliver. Because it lacks true political parties, a proper government, and a public sphere, the EU cannot compensate for the failures of national democracies. Instead of a battle of ideas, the EU has been marred by a vicious circle between anti-EU populism and technocratic agreements, between member states that are afraid of their citizens. Is the rise of anti-EU populism here to stay? The hope is that as growth picks up, Euro scepticism will weaken and eventually recede, but the collapse of trust in the EU runs deeper than that. Enthusiasm for the EU will not return unless the EU profoundly changes the way it deals with its member states and its citizens.

It is time to take note of what was not done at the time of constitution of the Eurozone, through the Maastricht Treaty, and make the necessary changes. The most important changes must regard the diversity of the countries that are part of the Eurozone and subsequently of those that aspire to participate.

It was a very serious mistake to impose on all nations the same conditions for joining the single currency, whatever the structures and the problems of their economies. It should not be underestimate that a single market was created among the largest in the world that would determinate a fundamental basis for intensive exchanges and creations of wealth thanks to a long-lasting and balanced economic growth, with full employment of productive factors and a significant boost in

investments and innovations, with new jobs, especially for young people and for those who are forced to leave their jobs.

What I have said above now takes second place: bureaucracy and mistrust have won. Much of the responsibility must be attributed to Germany, which wanted to impose its concept of economic policy, based on the old Ordoliberalism, but also to the countries that were part of the previous Common Market, because they accepted such imposition.

In addition, the creation of a central bank, which must maximize its neutrality as regards any expansionary fiscal policies of individual countries to respect the German Ordoliberalism principles, proved to be a dangerous chain for almost all the countries of the Eurozone.

These principles have not only been disavowed by Eurozone experience, but also New Keynesian economics theoretical contributions, in which there is close cooperation between fiscal policy and monetary policy.

As it has been said in this article, in the global financial crisis, which began in 2007 in the US, with the failure of the Lehman Brothers, thanks to the immediate and intense intervention of the Federal Reserve guided by Bernanke all banks were saved.

At the same time, this liquidity expansion policy enabled the US economy to experience a revival of investments including financials and an increase in consumptions, which led to a high level of employment and a remarkable GDP growth rate of 4.5%

In the EMU, however, as already mentioned, the same much-needed shot in the arm for the economy did not happen, indeed there has been only austerity, fearing possible defaults, with the collaboration of the so-called Troika (Commission of Europe, ECB and IMF). Stiglitz thinks this organism has repeatedly produced erroneous prevision and instead of admits them has always accused his victims. Furthermore, after the entry into operation of the European body called the Stability Mechanism Pact the bail out interventions of the Central Bank, with the greatest difficulties, to rescue the European banks and purchase government bonds of countries, were immediately sterilized, without creating in the Eurozone no increase of liquidity, unlike what had happened in the United States and in the United Kingdom. The results have already been proven and in this section the impact on confidence in the Euro has been presented.

6. Possible Positive Developments in the 2018

The 2018 seems to open up in the name of trust for the European

Union. The crisis that have followed in recent years have had the merit of inducing a broad debate on the future of Europe, which in some sectors is already bearing fruit. However, this process of reconsideration and transformation will only be successful if the countries of the Union succeed in making prevalent the points of convergence and if the gap between the EU and the citizens can be progressively overcome through concrete proposals that can regain their confidence. One of the areas, in which more than any other it is fundamental to act, is certainly the economic and social one, with the completion of the Economic and Monetary Union, on the one hand, and the strengthening of the European social dimension, on the other. The economic crisis of these years has made evident the shortcomings of this construction and now that things seem to improve it is time to take action.

With this in mind, last December 6 the European Commission presented a roadmap for deepening of the economic and monetary union, whose completion is expected by 2025. Objective The declared objective of the initiative is to strengthen the unity, efficiency and democratic responsibility of the EMU. According to roadmap, 2018 will be crucial to lay the foundation for important initiatives to increase democratic accountability and make governance more effective in this area. In particular, there are three proposals to be examined in the coming months: the establishment of a European Monetary Fund (EMF), the inclusion of so-called Fiscal Compact in the Union legal framework and the establishment of a European Minister for the Economy and Finance. The idea of a European Minister for the Economy and Finance had been in the air for some time, recently relaunched by President Emmanuel Macron. In the Commission communication of president Junker, the new figure - which should bring together the posts of Commissioner for Economic and Financial Affairs, Vice-President of the European and President of the Eurogroup (as well as President of the Council of Governors of the European Stability Mechanism, the ESM, or what will be the European Monetary fund)-will have the task not only to promote the general interest of the European economy and to strengthen the coordination of the Union's policies, but also to represent the Eurozone at international level. However, to have a more concrete idea of what its tasks and tool will be available to it, we must wait the development of the proposal and the search for consensus among Member States in the EU Council, this year chaired first from Bulgaria and then from Austria. On the other hand, with reference to the European Monetary Fund, on the basis of Commission proposal, this should come about on the basis of the existing EMF through its inclusion in EU legal framework and maintaining the fundamental objective of ensuring the financial stability of the euro area

. However, some innovations are proposed with respect to the current version of the EMF: among them, the possibility of the EMF to provide support to the Single Resolution fund envisaged by the Banking Union; the introduction of strengthened qualified majority voting (85%), rather than unanimously, for decisions on support for stability, disbursement and activation of support; the introduction of the approval by the Council for some decisions taken by the Board of Governors or by the Board of Directors; an explicit reference to the application of the Charter of Fundamental Rights of the European Union in the activities of the future EMF. In spite of the changes in the EMF, as presented by the Commission, the role of the Member States, especially those with the highest subscription shares, remains predominant. In the coming month, the Council will examine these and other proposals put forward by the Commission, having set for June 2018 the moment in which to adopt the first concrete decisions on the future of Economic and Monetary Union.

7. Conclusions

After this broad overview on the Eurozone current situation, the conclusions that can be drawn are particularly evident. The most critical moment regarding the future of the EU was the creation of the ECB and the euro, according to the dictates of Germany, with greater ability to influence their characteristics than the other participating countries.

Germany has imposed its traditional policy based on Ordoliberalism principles, to which has been wrongly attributed in the post WWII period and made the so-called Economic Miracle, based on the Social Market Economy.

In the second section, there is the explanation of this phenomenon, which certainly could not be repeated in the EU nor could be considered desirable in this new reality.

The Ordoliberalism principles that prevailed in the signing of the Maastricht Treaty are at odds not only with the creation of EMU, given the realization of a broad market among the largest in the world, but with the most modern economic theories which have recently been elaborated by so-called New Keynesian Economics. The negative consequences of this situation have been discussed in this article, especially by analyzing the contrast between the measures taken by the United States and Great Britain, and those adopted by EMU. The two former countries at the beginning of the global financial crisis in 2007-8 have abandoned the undertaken austerity measures by intervening massively with an expansionary fiscal policy, helped by significant

support from monetary policy, resolving the consequences of the crisis almost immediately. In the EU, instead, the austerity policy has been maintained, creating negative growth rates and exacerbating the economic and social imbalances of the participating countries as a whole and within individual countries, particularly in those regions economically less developed, such as the South of Italy.

The article concludes with an examination of the lack of confidence in the Euro, established in a consistent manner in virtually all EU countries, after explaining the proposals put forward by the major economists who almost unanimously ask for some changes to the Treaty of Maastricht, especially as regards the ECB. The above problems which I have dealt with extensively can also be considered as the consequence of the existence of a single central bank, which must maximize its neutrality with respect to any development policy of the various governments participating in the EMU, principally because we are still distant from the realization of an European Political Union. However, waiting for this political unit to be created, in order to get a central bank that has other goals in addition to price stability such as those to be the Bank of banks and to support governments in a policy of increasing domestic demand can destroy the same EMU. To avoid such destruction, it would be necessary to implement an Eurozone reform that points to a real banking union, unique deposit guarantees, the ability to issue Eurobonds, an integrated industrial policy and especially change to the ECB Statute, setting as its objectives also employment and growth, not just only price stability.

The current problem, in short, is that Brussels obstinately persists in applying rigid models stuck in the past, which have already demonstrated their ineffectiveness on several occasions. The European and the World market have become much more volatiles, and therefore we need to rethink a new approach to prevent single blackout creates engagement in the whole system, determining the end of Euro. At this point it would be possible to do credit to the words of Paul De Grauwe who said: "Does Frankfurt want seriously the Euro?"¹⁴ To not end up

¹⁴ P. De Grauwe (2011) was the first to criticize the austerity imposed to the European countries. In his view, the austerity programs should must be softened and spread over a longer period of time, allowing the automatic stabilizers in the national budgets to prevent the economies from spiraling downwards. Furthermore, he reiterates his argument that the ECB should take up its role of lender of last resort in the government bond markets of illiquid but solvent member countries of Eurozone. Objections to this approach appear increasingly trivial. The problem today is fear and panic in the sovereign debt markets. This panic risks engulfing the whole banking system in the Eurozone and ultimately the Eurozone itself. When the Eurozone risks collapsing, the strength of objections is reduced to zero at least for those who care about its survival

with this sentence full of doubts about the fate of the Euro, we cite a recent meeting of representatives of the first four powers of the European continent: François Hollande, Angela Merkel, Paolo Gentiloni and Mariano Rajoy made in Versailles March 7, 2017 with the participation of some journalists including that of the Italian “Stampa”. This meeting has sanctioned a promising turning point, assuming a European Union with different speed for the countries belonging to it. This initiative will be brought for approval at the next Summit in Rome for the Sixtieth Anniversary of the European Community. If it is approved on the right terms, we could to see a reduction of austerity at least for some Eurozone members such as Italy and a necessary attenuation of Euroscepticism across the Eurozone.

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Appendix

The tables that will be shown highlight as Euroscepticism has expanded in a remarkable manner

Figure 1
Image of the EU

Source: Authors' elaboration from Eurobarometer data

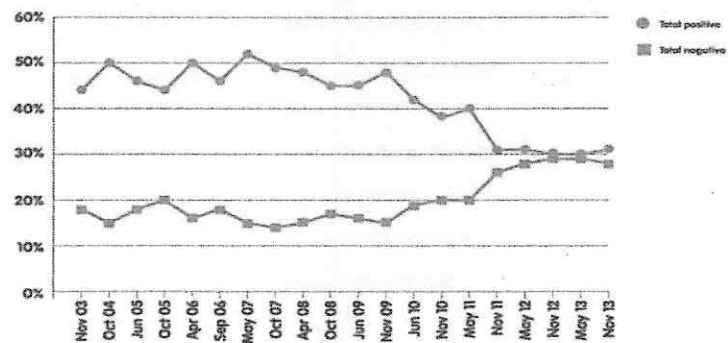
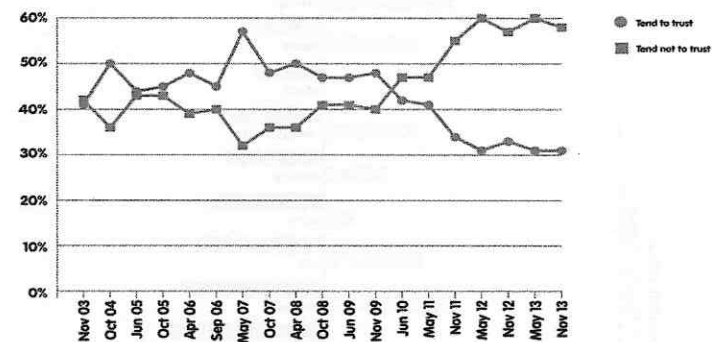


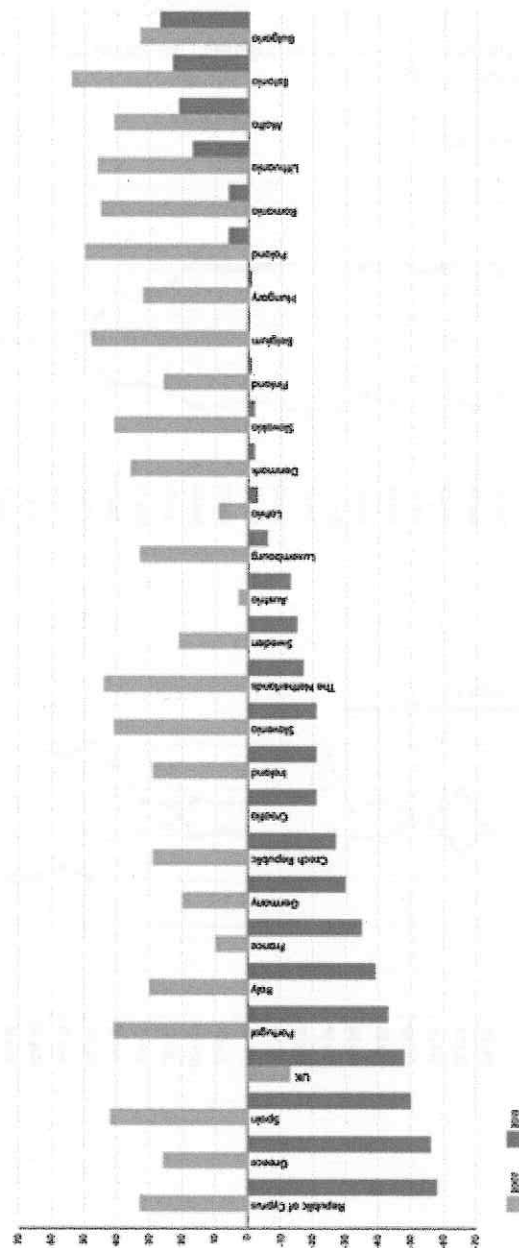
Figure 2
Trust in the EU

Source: Authors' elaboration from Eurobarometer data



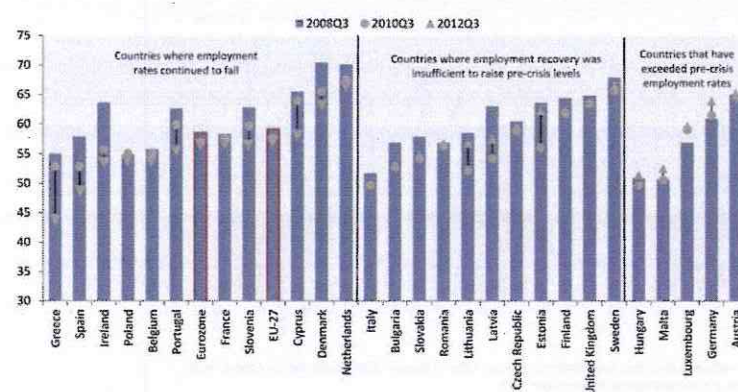
ILO World of Work Report 2013: EU Snapshot

Figure 4
Trust in the EU by member state
EU-28 Trust in the EU (2007–2013) Net Support
Source: Authors' calculations from Eurobarometer and Statista (included only for non-EU-28)



ILO World of Work Report 2013: EU Snapshot

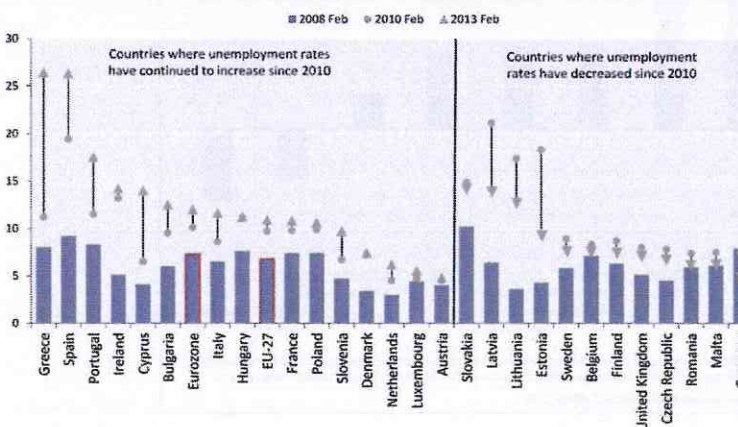
Figure 1. Employment rates in the third quarters of 2008, 2010 and 2012 (percentages)



Note: Employment rates refer to the percentage of people aged 15-64 who have a job.

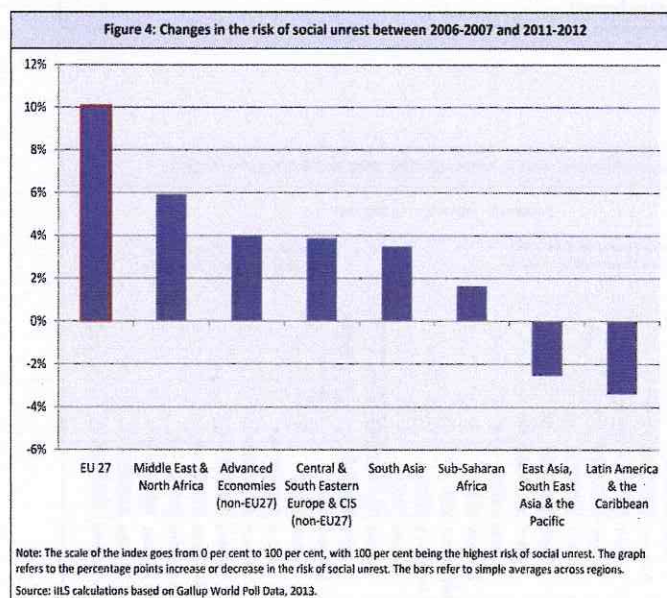
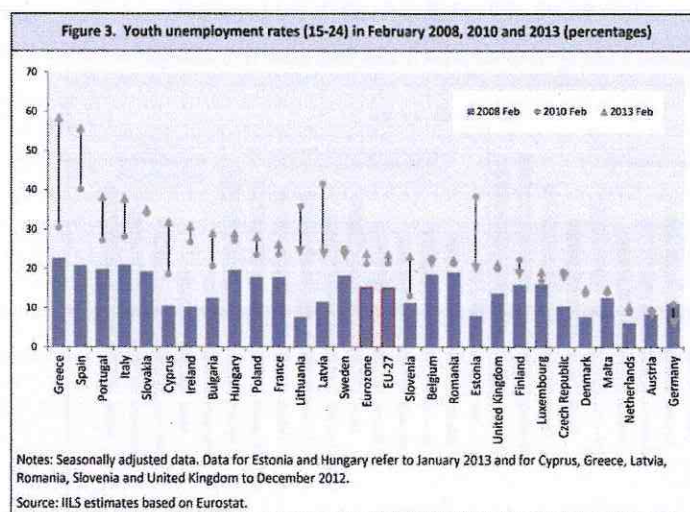
Source: ILS estimates based on Eurostat.

Figure 2. Unemployment rates in February 2008, 2010 and 2013 (percentages)



Notes: Seasonally adjusted data. Data for Estonia and Hungary refer to January 2013 and for Greece, Latvia and United Kingdom to December 2012.

Source: ILS estimates based on Eurostat.



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