

# Do not resuscitate

The euro is almost certainly dead.  
Brussels would be wise to accept that. It won't

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**N**o one can fault the doctors: they are using every tool available to them to save their very ill patient. But they will probably fail in their efforts to save the euro in its current form.

And this will be because the regimen they originally prescribed did more harm than good. Economists were almost unanimous in warning that it is beyond the wisdom of man to set an interest rate that suits 16 countries without also unifying fiscal policy, creating income transfer mechanisms, and a common language to reduce barriers to labour mobility.

So we have Ireland, a country that devised a low-tax path to prosperity. Rather than raising interest rates to cool its overheating economy, the European Central Bank kept area-wide interest rates low to suit Germany. The result was a property bubble followed by financial bust.

Before that we had Greece. For political reasons the eurocracy turned a blind eye to its creative bookkeeping and invited it into Club Euro. Investors immediately lowered the interest rate demanded of this Brussels-backed nation, enabling its government to borrow low and spend high. Until it couldn't pay its bills. Unable to devalue the currency for which it had sacrificed the drachma — a one-size exchange rate is no better a fit for all than a one-size interest rate — Greece had to accept an austerity programme as the price of a bailout, and is watching its economy shrink at an annual rate of 4 per cent.

Not to worry. The eurocracy will save the euro by doubling the dose of the medicine that has so far almost killed the patient. What is needed, it seems, is as much central control over the fiscal policy of members — how much they may tax, and whom, and how much they can spend, and on what — as there is control over their money. One of the three presidents of Europe, Herman Van Rompuy, says the notion that the nation state can survive 'is more than an illusion. It's a lie!' He believes the end of the euro would bring down the EU and end the 'European Project', i.e., restore democratic accountability to the governing of European nations.

As baseballer and philosopher Yogi Berra famously advised, 'When you come to a fork in the road, take it.' One path being travelled is the one preferred by the euro-

cracy: more bailouts. The other, preferred by Germany, is revision of the Lisbon Treaty to reduce reliance on government bailouts by making sure that private investors take at least some of the losses and threatening the profligate with disenfranchisement and fines. What Germany wants, Germany will get.

But giving control over fiscal policy to the same crowd that believed it could produce a successful unified economy with a one-size-fits-all interest rate is doubling down on a bad bet. Consider only this: Van Rompuy & co are pressuring Ireland to raise its prosperity-inducing 12.5 per cent corporate tax rate, which even now is attracting investment, and they want a new eurotax imposed on top of national taxes. A growth-deadening policy best described by Ronald Reagan: 'If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidise it.'

In the short term, the bailouts will continue as euroland institutions and members fight desperately to prevent contagion after the inevitable restructuring — the polite word for default — in Greece. They will fail. After that, it is likely, although not certain, that the 16-nation eurozone will split into a euronord and eurosud, so that the periphery countries can devalue their currency and become competitive in world markets. The eurocracy might accept this in the hope that the north and a newly competitive south might one day unite again.

In the longer run, however, Herman Van Rompuy and friends might have to find new work. Even dedicated Europhiles will notice the decline in their standards of living relative to those in countries that can set their own monetary and fiscal policies.

Meanwhile, the turmoil might give David Cameron an opening to renegotiate some of the terms of the treaty that now binds Britain to Brussels. That he will take it is far from certain. So far, perhaps out of deference to his coalition partners, and despite his pledge to prevent further erosions of British sovereignty, he has permitted Brussels to take control of regulation of the City; help itself to hundreds of millions of pounds to finance an increase in the EU budget; and risk some tens of billions more by participating in the EU bailout fund. Unless the Prime Minister rediscovers his inner Eurosceptic, Britain will have to wait for the collapse of the eurozone to recover some of its lost sovereignty.