

Swimming Lessons

It's in murky waters and every attempt rescue it seems to fail, practically abandoned by the same Europe that wanted it in the first place. Will the Euro stay afloat? ACADEMIA compares the answers of an economist - **Maurizio Murgia**, Dean of the School of Economics and Management of the Free University of Bolzano-Bozen - with those of a jurist and an expert in EU law - **Edoardo Chiti**, Full Professor of Administrative Law at the University of Tuscia.

Interviews by **Valentina Bergonzi**



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01 Maurizio Murgia

Professor Murgia, how much longer can the Euro survive?

Murgia: For a long time, I believe. The Euro will survive this crisis, although probably not in its current form, but rather in two variants: a 'Euro 1', or 'strong Euro' (in circulation in the more stable countries, such as Germany and other Nordic countries), and a 'Euro 2' or 'weak Euro' (in use in the countries that are finding themselves in trouble, such as Greece, Spain, Portugal and Italy). The latter Euro would be partially devalued to a 'near-drachma', 'near-peso', or 'near-lira' level, and would allow those countries which are not currently managing to keep up to catch their breath. This solution will no doubt irritate stronger countries because in their view, the weaker countries would be keeping the currency without paying the real costs of the crisis.

Well then, between local nostalgies and irritated European colleagues, what will guarantee the survival of the Euro?

Murgia: The will to defend that which has been built up thus far and the awareness that this two-speed solution would

be less catastrophic than a return to national currencies.

What does the Euro mean to the European Union?

Murgia: The Euro was designed by the founding fathers of the European Union to reinforce the EU's institutional framework and to set up a counterpart to the dollar and to other strong currencies. Even though the process lasted for years, the Euro was put together in a hurry, and there are cracks in its foundations which are being paid for now. To cite just one of them, the European Central Bank does not have the freedom to act, which other analogous central banks have, such as the American Federal Reserve or the Bank of England. These banks can intervene in a much more brutal but effective way, such as by cutting interest rates; the ECB remains bridled within a treaty that is too rigid.

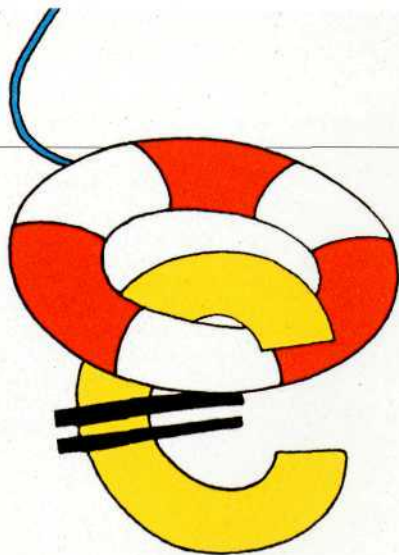
So the European Union is itself an impediment to the Euro?

Murgia: The actions undertaken by the European Union until now—defensive measures and everything else one reads about in the newspapers—will only have a short-term palliative effect on the cri-

sis. I am convinced they are trying to save the Euro as a single currency, but this is becoming a big challenge. For now, the exhausting crisis drags on, one which technically could be brought to an end by restructuring the Euro into two speeds. The process would certainly be painful, especially now that we have waited so long to start, but it may well be the only path for ferrying Europe away from collapse.

Would returning to national currencies be the gloomiest scenario? What would the consequences be for the individual citizen?

Murgia: It would entail a cost that is too high for everyone. The decision would have to be made with so much urgency—within the space of one night—that it would mean the collapse of the entire European banking system. I do not believe that things will get to that point. On the other hand, citizens are already footing the bill for this crisis which will continue to require 'blood, sweat, and tears' for years to come.



02



02 Edoardo Chiti

Professor Chiti, and how much longer do you think the Euro can survive?

Edoardo Chiti: It's impossible to answer that question. Some of the initiatives that have been defined by the institutions of the European Union over the last eighteen months are laying down the conditions for handling the financial crisis and the public debt with which Europe is struggling. At the same time, we have to recognise that these initiatives are not capable of guaranteeing the survival of the economic and monetary union. We find ourselves half way there, so to speak. The survival of the Euro depends upon further initiatives that the EU will undertake to build upon the current framework. Of course, this all brings into focus the reasons why the EU has so much difficulty working out a definitive response.

What is it that could cause the collapse or the survival of the EU?

Chiti: The economic and monetary union will break apart if European institutions are not capable of defining institutional instruments that are able to transform the EU from being a 'community of (only) benefits' to a 'community of risks'. In this

case, the economic and monetary union would rapidly break up, remaining alive for a very restricted number of states. It can only survive if the European institutions are capable of defining institutional instruments that are able to guarantee a progressive sharing of the risks that are connected with the economic imbalances among the states. This implies, among other things, the anticipation of a genuinely new European competence in fiscal matters and the creation of new European institutions that hold relative powers.

What does the Euro mean to the European Union? If national currencies would be like a cold shower. What would be the impact on individual citizens?

Chiti: Because of its function within the European economic structure and because of its strong symbolic dimension, the Euro and the economic and monetary union are essential to the project of European integration. If this union were to be shipwrecked, all the ambitions of the EU would end up being dramatically downsized.

And what does the European Union mean to the Euro?

Chiti: The European Union is necessary to the Euro. The rescue of the Euro and of

the economic and monetary union have to be realised in such a way so as to not jeopardise the entire architecture of the European Union. That is an aspect which is obvious, but one which seems to have been missing from the awareness of the institutional and political discussion on the management of the public debt crisis in Europe. In the attempt to resolve the Euro crisis, European institutions have given rise to an institutional crisis related to the constitutional dimension of the EU.

For the European Union, a return to national currencies would be like a cold shower. What would be the impact on individual citizens?

Chiti: Individuals would be directly affected by the exit from the Euro in various ways: as economic players (consumers, entrepreneurs, etc.) because they would find themselves operating within an internal market that was scaled back and lacking significant possibilities for development; as political subjects because they would be citizens of an order with limited ambitions; as human beings because they would return to living in a legal space characterised by barriers and obstacles. *



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