

Adam Tooze: Did they really save the euro?

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The euro is unfinished business, and not only because its banking and fiscal unions remain incomplete but, more importantly, because it still raises serious questions about democratic legitimacy at a time when democracies are under ever-growing pressure. Adam Tooze's new book *Crashed* offers an account of the euro crisis that makes the reader wonder whether the single currency was saved at the expense of democracy and ultimately whether it was saved at all.

The European Central Bank (ECB) has been widely credited with saving the euro. Most would name Mario Draghi's *whatever-it-takes* speech in July 2012 as the turning point for the currency crisis. *Crashed*, however, arrives at a very different conclusion. It details how the ECB time and again used everything in its power to thwart debt cuts that involved private banks (so-called private sector involvement, PSI). In the case of Ireland, the ECB would "fight restructuring to the last ditch". There is a good case to be made that PSI would have caused severe spill-over effects without the necessary backstop mechanisms in place. What seems remarkable, however, is the ECB's unrelenting position rejecting any compromise: "Debts would be honoured", Tooze notes, and "the population of Ireland paid the price."

Once a country depended on the support of the ECB, the bank left no doubt about the kind of reforms it demanded in exchange for its willingness to buy bonds. "It wanted austerity across the board." In secret letters to the governments of Spain and Italy the ECB demanded the privatization of local public services and the deregulation of labor markets. Again Tooze: "It was a blatant attempt to shift

the balance of social and political power by means of monetary policy..." But it could not be done by the ECB alone.

It might still be too early to write the definitive history of the euro crisis, but against the backdrop of the democratic crises we face today, Tooze's account is jaw-dropping. He recalls how elected politicians like Jean-Claude Juncker went on record about eurogroup meetings, saying: "I am for secret, dark debates... I'm ready to be insulted as being insufficiently democratic, but I want to be serious... When it becomes serious, you have to lie."

Even more importantly, Tooze marshals evidence from the memoirs of the then US Treasury Secretary, Timothy Geithner, to show that the German and French governments under Angela Merkel and Nicolas Sarkozy were seeking the help of the US administration to "unseat the Italian prime minister." He concludes by quoting a German chancellery official as saying: "We do regime change better than the Americans." This, indeed, would be very heavy stuff, that, if corroborated, calls for a thorough investigation of the role of the German government in crisis management during that period.

Add to this blistering analysis of crisis management Tooze's superb material account of the "interlocking matrix of corporate balance sheets – bank to bank" and you have the building blocks for a new, more democratic and just way forward.

Tooze, Adam: Crashed: How a decade of financial crises changed the world. New York. Viking (2018).