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The euro-crisis will continue for a long time to come

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The German Constitutional Court supports the European emergency fund and the European Central Bank is throwing itself and therefore into the bathtub to finance the debt of the Eurozone's economic weaklings, on the condition that they first submit to a European program of budgetary discipline. Are these newest developments the beginning of the end for the long-winding euro-crisis, or just another pour into a bottomless barrel? The answer to that question requires an understanding of what the euro-crisis is or has become. What started as a financing problem for Greek public debt has by now mutated several times. The so-called "euro-crisis" has become a metaphor for several, overlapping crises.

There is, of course, the matter of government debt: national, regional, and local. The age of public debt that started with the oil shocks of the 1970s, is in its dying hour. Its legacy of debt will have to be shouldered, its debt-addiction will have to be kicked-off by European governments everywhere: crisis number one. Europe's economic potential, particularly in its the Southern rim – masked and doped by credit in the previous years – turns out to be structurally poor: crisis number two. The welfare states that Europe has so lavishly established are therefore squeezed just as ageing requires more outlays: crisis number three. The European Union itself lacks the infrastructure to tackle its monetary crisis adequately and needs to reinvent itself while the clock ticks: crisis number four.

For Europe, the euro-crisis has become an existential political crisis: crisis number five, the outcome of which will determine the fate of the other four. A central bank with a limited mandate being the only common institution, European crisis management is really permanent conflict management between seventeen euro-countries. Diverging national interests sow deep mistrust between the European partners, up to and over the edge of ethnical stereotyping about lying Greeks, lazy Italians, or imperial Germans. The European machine that was invented to unite the European peoples is itself re-dividing them along age-old tension lines. The euro that was supposed to crown the European project is instead unravelling it from within. The currency that would offer the world a European alternative for the American dollar is now marginalizing Europe while China and its RMB take the open road.

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To be fair, the euro-countries have already taken important decisions: a common stability fund, debt restructuring for Greece and beyond, a collective pact for budgetary discipline, and the blueprint for a banking union that should offer European stability in case of national banking crisis. None of these steps would have been conceivable politically without the euro-crisis. But none of them go far enough: the stability fund is insufficient, debt restructuring too limited, austerity too one-sided and thus economically counterproductive in the short run, the banking union more a process than a realization with immediate impact.

Europe is constantly running behind the facts. At every turn it does more, but it is always “too little, too late” because the crisis keeps getting bigger and more complex. For many – including Chancellor Merkel – a divided Europe cannot and must not do more than advance with baby steps. Only at the end of the line will we then be able to gauge who and what remains of the European monetary union. In the worst case disintegration; in the best case a full political union in whose final mosaic the present steps will fit as separate pieces; in the most likely case some sort of guided crash landing in between. The mosaic theory is a very dangerous poker game if one cares for the broader European project. It assumes that all Eurozone countries will have sufficient time, money, and political will to reach the eventual goal together. Those are many weak links in a very long chain. In the meantime, the crisis deepens ever further and the moment nears when Europe will be unable – even if it were ready and willing – and the fate of the euro will be sealed.

What is needed, then, to tackle the Euro-crisis in full and regain the confidence of investors and markets? Europe simply has to solve each of its overlapping crises. These are not all entirely rooted into the euro, but the euro has tied them all together. Only by dealing with them comprehensively and simultaneously can the sky over euro-land clear up for good. For us Europeans, this implies tremendous questions. Do we want to organize the mother of all debt restructurings and face the consequences of yet another banking crisis, thereafter sustain iron budget discipline to gradually cut down our debt overhang, and forever remain thriftier with the public purse? Do we want to lift the entire Eurozone to a sufficiently comparable level of economic development, i.e. a lengthy operation of economic reform and financial transfers from North to South? Do we want to purify social protection and adjust it to the fiscal and economic reality? Do we want to trade summitry and bargaining for centralized European power on crucial domains as budgetary policy, competitiveness, and taxation?

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If the answer to these four questions is positive, then the future if the euro is secure and the European political crisis will be turned into a great European leap forward. If one of the questions appears unsolvable, then the euro is unsustainable in its current composition and its reconfiguration should become the prime political objective instead. Enormous doses of European solidarity and transfer of national sovereignty are therefore required to salvage the euro as we know it. For the richer Eurozone countries this primarily means lots of money, for the poorer lots of cutting and changing one's ways, for all a great loss of autonomy.

The ECB certainly does not answer any of the crucial questions; indeed it cannot because they are all political decisions in het hands of governments. But the ECB's new move can work as their catalyst. It ensures European money for the ailing countries, what is tantamount to European solidarity without the wrenching choices on financial transfers in the stronger countries. It requires submission to European austerity or reform, what is tantamount to a loss of national sovereignty without its formal transfer. In short: the ECB presents itself as the shortcut to reaching the same goals with other means. Therein lays a core weakness. If the ECB's plan works, than it will bridge a certain crisis period while postponing the final reconstruction of the euro and burdening it with a new monetary legacy. If it fails, than the European debt problem will have a new dimension and the ECB will have become a Bad Bank.

In the meantime, one cost is already obvious: the ECB has become a full political actor who has smothered the German Bundesbank for the time being. That will have implications, certainly in the German public opinion. Germany is not (yet) ready to take the leap of solidarity that will imply sheer-permanent transfers from German taxpayers to those in Southern Europe. France does not (yet) want to yield much national sovereignty because that will mean the end of the French model. And so forth, in seventeen different national variations. We therefore muddle through, and the ECB steps controversially where politicians should have stood.

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Moreover, the ECB's new plan is not open to those countries that are already on European life support. These are the subject of high-stakes political poker, with the price of maintaining or breaking the Eurozone on the table. More time and more money for the Greeks looks therefore a given, for now. Europe cannot afford a Greek failure before Spain and Italy are genuinely under control, otherwise those "too-big-to-fail, too-big-to-bail"-countries would immediately be sucked into the maelstrom. However, if Italy and Spain were to use the new lifeline of the ECB and thus submit themselves to stabilizing European control, the likelihood of a Greek exit will certainly increase.

And so the slow motion train crash otherwise known as the euro-crisis continues. Whatever its final trajectory, it will last for several years still. Whatever its final destination, it will require much additional sacrifice and much additional money from all the citizens in all the member states. At stake is nothing less than the role of Europe for the Europeans and in the world, in this 21st century. During the American revolution, Benjamin Franklin famously united the rebellious colonies with the wisdom that "*we must all hang together, or most assuredly we shall all hang separately*". Without Franklin's spirit, the euro-crisis can and will not end well for all countries involved, nor for the process of European unification. As long as they do not trade short-term national interest for long-term common interest, our European leaders effectively remain the architects of their own demise.

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