

Rutte and Cameron are gazing in the wrong direction

Kees Swart

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René Smits

“States with whom we share the euro, should be able to exit the euro area.” This was the message on the future of Economic and Monetary Union given by Dutch Prime Minister Mark Rutte at the World Economic Forum in Davos at the end of January.

[Lees de column in het Nederlands: De verkeerde blikrichting van Rutte en Cameron](#)

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Rutte looks at the exit. He wants to show neighbours the door or hold it wide open if they wish to leave out of their own motion. This attitude belies a misunderstanding of the functioning of markets. And of the European project.

First the markets. Financial markets demonstrate irrationality and herd behaviour when it comes to the monetary union. For ten years, they made little distinction between the creditworthiness of Germany and Greece. Both governments were able to place bonds at roughly the same rates. Since the beginning of the financial crisis, financial markets looked at Germany as if being in the middle of Europe and at Greece as laying somewhere in Latin America, forgetting their joint link by a single currency.

Introducing an exit option in the currency union is unwise. As soon as a Member State risks leaving out of its own volition or being pushed out, there is a huge danger of infection. The markets will immediately ask: “Who’s next?” The insurance premium on holding funds of Member States considered weak members will tower high. And the single currency may unravel. It was for good reason that Protocol No. 10 was annexed to the Treaty of Maastricht which laid down the irreversibility of the euro project.

This protocol was designed to make all Member States contribute to the transition to the final stage of EMU, even if they themselves were not yet ready or had negotiated an opt-out, like the United Kingdom and Denmark. But the protocol also underlined that the introduction of the euro is a one-way street: once the single currency is introduced, this is final. The deletion of this Protocol from the Lisbon Treaty was a short-sighted move by politicians who believed that EMU had already been firmly established.

These same politicians, notably Mark Rutte and his British counterpart David Cameron in his recent speech about Europe, keep looking to the exit and to the past. Times are gone when one could be autonomous in Europe. Sovereignty is a fiction in a world as interconnected as ours. Working together is needed.

Not only in the case of external effects, such as odour from a French factory crossing the Channel and leading to false reports of gas leaks in England, but also in order to be reckoned with on the world stage. Repatriating sovereignty is a mirage objective. But phantom battles are what modern politicians are good at.

Like the one about the new multiannual budget of the European Union, which made Commissioner Neelie Kroes to remark in this newspaper last Saturday that Europe is too important to be left to politicians. The European project requires vision, not arithmeticians who seek personal gain, in the form of votes and approval rates in their home states.

A vision that could imply that we introduce at the European levels mechanisms already at our disposal at national level in case of derailing local authorities: placing a Member State that has made a mess of its finances under strict guardianship. The legislative proposals from the Commission (the so-called 'two pack'), go a long way in this direction.

It marks a step forward to require a Member State to adapt on the basis of breaking norms instead of only when in crisis. This amounts to learning from the crisis and moving forward, instead of inwards and towards the exit. In line with what Neelie Kroes wrote, I'd say: Europe deserves better.

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