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Little-Known History of the Euro: Crisis Was Baked In from the Start

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You've heard that the Euro was created to provide two benefits for Europe:

> 1. Unite Germany, France and other countries in a peaceful political situation, to prevent repeats of World War I and II
>
> 2. Create a macro-zone to compete against the economic strength of the U.S.

So how did we get to this … austerity and meanness of spirit, as typified by the grim expressions sported by German Finance Minister Wolfgang Schäuble in talks with Greece?

Because the Germans don't view the Euro as a utopian idealistic way to help promote peace and prosperity for all of the EU nations.

Instead, Germany sees the Euro as a way to weaken its currency to increase exports. As Ben Bernanke notes today:

> Germany has benefited from having a currency, the euro, with an international value that is significantly weaker than a hypothetical German-only currency would be. Germany's membership in the euro area has thus proved a major boost to German exports, relative to what they would be with an independent currency.

Moreover – in a little-known slice of history – the Euro was really *created* for very different purposes than peace in Europe or competition against the U.S.

Specifically, *this* guy – a North American named Robert Mundell – is the father of the Euro:

Mundell is not the *least bit* European. Born in Canada, Mundell taught at the University of Chicago for 7 years, and has since taught at Columbia University in New York for more than 40 years.

But didn't Mundell create the Euro to *help* Europe?

Not according to Guardian, Independent and BBC investigative journalist Greg Palast, who explained in his book *Vulture's Picnic*:

> Who spawned this cruel little bastard coin?
>
> I called its parent, Professor Robert Mundell. Mundell is known as the Father of the Euro. The Euro is often spoken of as a means to unite post-war Europeans together emotionally and politically and to give this united Europe the economic power to compete with the U.S. economy.
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> That's horseshit.
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> The Euro was invented in New York, New York, at Columbia University. Professor Mundell invented both the Euro and the guiding light of Thatcher-Reagan government: "Supply Side Economics" or, as George Bush Sr. accurately called it, "Voodoo Economics." Reagan-Thatcher voodoo and the Euro are two sides of the same coin. (Ouch! Some puns hurt.)
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> Like the Iron Lady and President Gaga. the Euro is inflexible. That is, once you join the Euro, your nation cannot fight recession by using fiscal or monetary policy. That leaves "wage reduction, fiscal constraints (cutting government jobs and benefits) as the only recourse in crisis," The Wall Street Journal explains with joy—and sell-offs of government property (privatizations).
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> Why the Euro, Professor? Dr. Mundell told me he was upset at zoning rules in Italy that did not allow him to put his commode where he wanted to in his villa there. "They've got rules that tell me I can't have a toilet in this room. Can you imagine?"
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> I couldn't really. I don't have an Italian villa, so I cannot really imagine the burden of commode placement restriction.
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> The Euro will eventually allow you to put your toilet any damn place you want.
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> He meant that the only way the government can create jobs is to fire people, cut benefits, and, crucially, cut the rules and regulations that restrict business.
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> He told me: "Without fiscal policy, the only way nations can keep jobs is by the competitive reduction of rules on business." Besides bowl location, he was talking about the labor laws, which raise the price of plumbers, environmental regulations, and, of course, taxes.
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> No, I am not making this up. And I am not saying the Euro was imposed on the Old Country just so the professor could place his toilet at a place of maximum pleasure. The Euro is fashioned as an anti-regulation straitjacket that would eliminate gallons-per-flush laws, flush away restrictive banking regulation, and all other government controls.

Now does the destruction of Greece's sovereignty make a little more sense?

As Palast pointed out in the Guardian:

> The idea that the euro has "failed" is dangerously naive. The euro is doing exactly what its progenitor – and the wealthy 1%-ers who adopted it – predicted and planned for it to do.
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> ***
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> For him, the euro wasn't about turning Europe into a powerful, unified economic unit. It was about Reagan and Thatcher.

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> And when crises arise, economically disarmed nations have little to do but wipe away government regulations wholesale, privatize state industries en masse, slash taxes and send the European welfare state down the drain.
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> ***
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> Far from failing, the euro, which was Mundell's baby, has succeeded probably beyond its progenitor's wildest dreams.

In other words, the Euro was intended to impose a Shock Doctrine straightjacket on Europe, where the big banks are stripping Greece and other countries of their public assets, pillaging, plundering and looting them of their natural resources and wealth.

Postscript: Mundell is also the creator of supply side economics … also known as "trickle down" or "piss on the poor" economics.

Many of Reagan's top economic advisors subsequently admitted that supply side economics don't work to help the economy. See this, this this and this. (Washington's Blog is for free market capitalism … but supply side economics is crony capitalism, *not* free market capitalism.)

Moreover – as Martin Armstrong has warned for decades – letting countries like Greece join he Euro without first structurally adjusting their debts was a recipe for disaster. For example, when the Euro double in value a couple of years ago, Greece's debt doubled in real terms. That's when Greek really started sliding towards crisis …

So the wealthy nations like Germany – intentionally or unintentionally – and the other wealthy nations laid the groundwork from the start for asset stripping in Greece and other indebted states.

Indeed, Armstrong and Nigel Farage (member of the European Parliament and leader of the UK Independence Party) say:

> The Greek people never voted to enter the euro … it was forced upon them by Goldman Sachs and their politicians.

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