

Let the dice fly

A painfully negotiated agreement may have staved off the immediate threat of Grexit, but the structural inconsistencies of the eurozone will be a source of uncertainty for years or even decades to come, warns David Rowe

Upon crossing the Rubicon in January of 49BC, Julius Caesar is reported to have uttered a Greek (not Latin) phrase commonly translated as “The die is cast”.¹ This does not mean “The metal template has been moulded”. A better translation would be “Let the die be cast”, or as Colleen McCullough rendered it in her massive *Masters of Rome* series, “Let the dice fly”. Few words could better characterise the motivations behind the emphatic No vote in the Greek bailout referendum.

Greek prime minister Alexis Tsipras campaigned on a claim that a No vote would deliver a favourable settlement to the crisis within 48 hours of the vote. Delusional as this claim was, it resonated powerfully with the Greek people. After experiencing a literal economic depression for the past five years, many voters were content to “let the dice fly”, since they felt any change had to be better than more of the same.

Two inconvenient truths should be kept in mind as we watch the destructive consequences of this continuing Greek tragedy. First, nationalism is and will remain the most powerful source of popular loyalty, regardless of obeisance to internationalism among the political elite. Second, privileges, once established, are vastly harder to eliminate than they are to withhold in the first place.

The entire European project has been an attempt to counter the first of these realities. For its first four decades, from 1952 to 1992, the pace of integration was conducted with an implicit recognition of the constraints posed by popular nationalism. The Maastricht Treaty of 1992 (formally, the Treaty on European Union) represented a departure from this measured pace of integration. Among other things, it set the gears in motion towards the establishment of a common currency among EU members. The belief among its proponents was that a shared currency would hasten, indeed propel, the pace of political integration. It is unsurprising that some have referred to those behind this change as a group of “old men in a hurry”.

The post-World War II political leaders of Europe were motivated by a widely shared desire to avoid the horrors of another such conflict. The history of the past 70 years is a testimony to the great success achieved in this area. Today, however, younger generations do not share their ancestors’ deep-seated fear of another violent war; they consider such a thing virtually unthinkable. What is more tangibly obvious to the current generation of Europeans is a seemingly endless stream of intrusive and detailed one-size-fits-all mandates from an authority in Brussels that

appears distant, bureaucratically hidebound and unresponsive to popular demands. The Greek No vote is only the latest and most dangerous manifestation of this public dissatisfaction.

The second underlying reality is also much in evidence amid the continuing euro crisis. Another generational shift began unfolding in earnest just as European leaders attempted to accelerate the pace of political integration, namely the emergence of third-world countries as effective competitors in the global economy. The leading example of this was China. The country experienced a tumultuous period after the death

of Mao Tse Tung, culminating in the violent suppression of protests in Tiananmen Square in June of 1989. By the time of the Maastricht Treaty, the new dynasty had effectively cemented its control. Most of the energy of the younger generation was effectively channelled away from political protest towards economic advancement.

The impact of this emerging market challenge was particularly acute in Europe. US labour markets have always been more open and lightly regulated than those in Europe. By 1992, many formerly burdensome labour market constraints had been dismantled under the Conservative government in Britain and the Labour government of Bob Hawke in Australia. Much less was done on this front in much of Europe. This left many eurozone countries, particularly Greece, Italy and Spain, with inflexible labour markets that were, and are, ill-equipped to

meet the challenge of emerging market competition. Yet the second inconvenient truth means relaxing these long-established protections inevitably results in political unrest such as we have seen in Greece.

Even though the authorities may have steadied the ship in the face of a possible Grexit², the inherent contradiction in monetary union without political union remains unresolved. This situation was always dangerous in theory and has now proven to be all too dangerous in practice. Investors are sure to harbour doubts about the “irrevocable” nature of the euro as a single currency. Long-term stability of the eurozone requires rapid development of greater political integration. Unfortunately, this collides directly with eroding popular support for the entire European project. As a result, it is likely that eurozone instability will be a chronic and not just an acute disease. This alone should prompt Europe’s political elite to reconsider the wisdom of allowing “ever closer union” to trump all other considerations. **R**



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¹ Shakespeare has Richard III utter a directly analogous thought when he says: “I have set my life upon a cast, And I will stand the hazard of the die.”

² At press time, several hurdles remain before new bailout money begins to flow to Greece.