

IS IT WORTH IT?

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Whether facing everyday choices or matters of fundamental significance, thinking people ask the seemingly simple question – is it worth it?

Elaborate systems of thought have been devised by economists and others to organize and regularize the consideration of the issues involved in that question. However, in practice, the simple question raises three constituent ones. Each will be looked at here to examine the recent economic policies of the EU and more specifically, of the eurozone. Particular emphasis will be placed on the third of the three.

The first is --What is the goal? At the most fundamental level, the goal of the economic policies required of eurozone members is the preservation of the euro as a unified, multi-national currency. At least at the moment, that has not been achieved. Thanks to the penalties and restrictions required by agreements with Cyprus, a euro in Cyprus is not equivalent to a euro elsewhere in the zone. The hallmark of a unified, multi-national currency has been violated. It may be that this is a temporary situation (future events will tell) but for now there are faint reminiscences of the surgeon who says his procedure was a success even though the patient died from it.

The second is – Does more than one alternative path to the goal exist? When more than one route does exist, prudence requires that the burdens and benefits of each be considered. Recently, one of the creators of the policy, the IMF, has acknowledged that it made mistakes. Clearly, this implies that en route to the goal, there were policy alternatives that were not utilized. This is exactly what economic history and theory would argue, as did dissenting policy makers. More equitable and less burdensome routes to the goal existed, they agree, which were not taken.

The third is – What are the short and longer term burdens of the chosen path likely to be? Everyday observation tells what the short term burdens are: recession, depression, unemployment (particularly among the young), falling incomes, falling wealth, diminished public services, sales of public assets, social distress leading to social demonstrations, loss of confidence in public and private institutions – the list could be extended. In all, it speaks to an unraveling of the fabric of society, a harbinger of longer term consequences.

Everyone knows that in recession and depression incomes and output are below their potential, to the detriment of all. But experience tells us that when young members of the labor force experience extended unemployment, their economic contributions to society are diminished even during their later working years. The investment society made in their nurture and education has a smaller payoff, not only because of the period when they did not work but also because they are less productive when they do go to work. Their lives and society's life are scarred.

That scar becomes evident fairly quickly. Family formation and birth rates fall and so does life expectancy. One need only look at data from Russia in the 1990s to see this.

Other longer term social burdens from present policies may be harder to quantify but are no less real. Trust in the political and economic systems inevitably diminishes when guarantees are violated, values altered, incomes lessened, rights reduced, life dislocated – all with the ostensible purposes of preserving those very systems.

Europe of all places should remember what comes with widespread social frustration and dislocation. The rise of totalitarianism, fascism and nazism has repeatedly been described as stemming from the social calamities of the inter-World Wars period. Despots capitalize on social turmoil.

What we see happening in Europe – in Greece, in Italy, in France, in Scandinavia, elsewhere – is the empowering of nihilism, of racism, of fundamentally undemocratic movements. It stretches credulity to think these developments are unrelated to current economic policies.

Logically, this leads to the question – Is it worth it?