# Saving the Euro
# Saving the European Union

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The value of a currency with legal tender depends on its reliability. A currency is normally managed by two independent authorities, the State Government and the Central Bank, that have the power to govern all aspects of a country's economy in a coordinated manner. Reliability is based on the stability of the two authorities to exert their joint political and discretional powers showing wisdom and technical competence.  They must ensure that the currency is not used in an arbitrary way and continuously monitor the currency in order to ensure that it adapts to the interests and needs of the collectivity, and regardless of inevitable external pressure, they must succeed in consolidating the characteristic of stability. A model of a reliable and stable currency was the Deutsche Mark from 1950 to 1991. The US dollar also was, still is.

With the Single European Act and the Treaty on the European Union, between 1992 and 1993 a large single market was created and rules were written for a new currency, the Euro. The creation of a single government with authority over the entire market was excluded. A new kind of solution was chosen. The responsibility for the well-being, the including economic well-being, of the individual societies would remain with their respective governments. As for the currency, a distinction was made between states that kept  the original currency (states with exceptions) and states that adopted the Euro (states without exceptions). Without a government that was fully responsible, the reliability of the Euro depended on the rules of the TEU.

There were two kinds of rules: for all member states of the Union (15 members when the TEE was signed; 27 today), a margin of 3% would be allowed in the management of the ratio between GDP debt. For the states aspiring to become members of the Euro (originally 12, today 17), a transitional system would be applied, to be terminated at the latest on January 1, 1999, aimed at achieving conditions of uniformity. On May 3, 1998, an examination was conducted to determine which states had met the conditions for admission. The outcome was positive for eleven countries. For the twelfth country (Greece) uniformity was certified the next year.

On January 1, 1999, the operating rules, 3% for debt and 60% for the GDP/debt ratio (the famous "Maastricht parameters"), became common *to all states, both members of the Euro and non-members* (states with exceptions).  From that time on, the reliability of the Euro and its acceptance by the markets would depend on the adequacy of the rules and on the certainty of the legal foundation.

As for the suitability of the parameters, the possibility of increasing debt by 3% per year and carrying overall debt up to 60% of GDP corresponded to the general experience of the largest economies (except periods of extraordinary emergency). Preliminary studies sponsored by the European Commission (the Cecchini Report and the "One money, one market " Report ) had calculated that the integrated system of the two Treaties, SEA and TEU, due to the elimination of customs, the new freedom of circulation of all factors of production (including short-term capital movements), the elimination of transaction costs as well many other aspects, would produce a consistent GDP increase in all countries, by at least 2%.

All was well, right? Not exactly. The devil put his tail in. In 1999, when the transitional phase was concluded with the certification of the uniformity of member countries' economies and the Euro was launched on the scheduled date, the Commission arbitrarily decided to replace Art. 104 c) TEU; that Art. contained the parameters to be followed in operational terms, 1466/97 and 1467/97. The new rule replaced the debt ratio with one of 0% (budget balancing, to be achieved in the medium-term through strict rules), de facto removed the importance of the 60% parameter (debt), and at the same time changed the procedure for excessive deficit.

Regulations 1466 and 1467/97, applied without interruption for thirteen years until Dec. 6, 2011, are "absolutely incompetent.". We can state this with reasonable certainty because they exòplicity conflict with the SEA and TEU Treaties, which can be modified only by new treaties and certainly not by regulations, which are expressions of an inferior source of law. SEA and TEU had introduced a complex organizational system. The nature of their provisions was "rules of public order," aimed at establishing a new type of system. Therefore, there could not be exceptions, even in the event of consent of the recipient. The flaw in the regulations must be characterized not as simple "illegitimacy," but rather as an "absolute lack of power." It leads to "non-existence," which can be made directly enforceable by anyone interested at any time. It must be added that the Lisbon Treaty, signed on Dec. 13, 2007, which entered into effect on Dec. 1, 2009, reproduced exactly Art. 104 c) TEU in Art. 126 TFEU, thus confirming *ab origine* the ability of states to take on new debt of up to 3% of GDP yearly.

There is more. Regulation 1175/2011, which entered into effect on Dec. 6, 2011, established regulations on all of the subject matters dealt with in rules 1466, 1467/97, therefore abrogating them. The Regulation went even further. It formally replaced the articles of the previous regulations, which established the boundary for budget-balancing of member states and changed the procedure for excessive deficits (see Arts. 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13). Furthermore, point 8 of the preamble of Reg. 1175/2011 formally acknowledges that, on the basis of "acquired experience… mistakes [have been] made in the course of the first ten years of the Economic and Monetary Union." The "ten years" are those in which Regulations 1466, 1467/97 were implemented. Reg. 1175/2011 is an act of ordinary legislation according to the Lisbon Treaty. This means that the formal acknowledgement of the error of the 1997 Regulation has been shared by the Commission (29.9.2010), by National Parliaments to which the proposal was transmitted, by the ECB (16.2.2011), by the European Parliament (28.9.2011), and by the European Council (16.11.2011).

Reg. 1175/2011 abrogated the boundary of budget-balancing. It established rules that could be compatible with Art. 126 TFEU. However, as soon as it was in effect, the regulation was put aside. A chaos of interventions and actions followed, lacking any authority with respect to Art. 126 TFEU. I am referring to; the March 24-25, 2011 summit, which approved the so-called "Europlus" act; the

Treaty (Nota Bene: based not on "European" but on international law) called the Fiscal Compact; and a serious of provisions or implementation plans for the latter. The Fiscal Compact reintroduced the principle of budget balancing (0% of GDP instead of 3% as per Art. 126 TFEU), aggravating the rule. The Lisbon Treaty could have been modified only in accordance with Art. 48 TEU, which was not used. Art. 126 TFEU is therefore still in effect and must be implemented. There are no disputes with the Fiscal Compact because the latter has itself established that (Art. 2.1 and 2): "This Treaty shall apply insofar as it is compatible with the Treaties on which the European Union is founded and with European Union law."

The analysis of the rules and acts conclusively demonstrates that the Euro has been managed applying *principles without a certain legal base*.

As for the results, figures for the three largest continental Euro states, France, Germany and Italy, representing 2/5 of the population and 3/5 of GDP, are devastating. Even if one wants to ignore the average growth of GDP in the forty years before the TEU (respectively of 3.86%, 4.05% and 4.36%), the comparison of current figures with those for the seven years period preceding the TEU (seven years correspond to the "convergence") demonstrates that in the cases of France, Germany and Italy, we went from 2.09% to 0.3%, from 2.61% to 0.2%, from 2.72% to -2.4%, respectively. The definitive data for 2012 will probably be lower than projections.

The Debt/GDP ratio of the three countries in the 1991-2012 period went from 35% to 90.5% for France, (+55.5%), from 40% to 82.8% for Germany (+42.8%), and from 100.8% to 126% for Italy (+25.2%). It must be taken into account that between 1993 and 2005 Italy sold off assets for a total of 889,225 Million Euros, adjusted to 2005 values). The deficit (forecast 2012) is 0.9% for Germany, 4.5% for France and 2.6% for Italy.

The share of world trade, which in 1953 was 5.3% for Germany, 4.8% for France and 1.8% for Italy, became 11.7%, 6.8% and 3% for the three countries in 1973. And then 10.2%, 5.3% and 4.1% in 2003. It fell to 8.5%, 3.5% and 3% in 2010.

While in the three Euro countries a depressive phenomenon of this magnitude was increasingly developing, world trade grew at a rate of 5% and world GDP, which had peaked with growth of 5.4% in 2007, was 3.3% in 2012, against the -5% of the Eurozone. Europe is the largest importer from the USA, a primary importer/exporter from and towards China. Its weaknesses effect the world economy.

If we add to the indisputable statistical figures the acknowledgement that the Euro has no clear and solid legal basis, we are forced to conclude that we are facing a serious danger that no longer concerns individual states, but the Euro as a currency and the Union as a whole. Besides personal responsabilities, it is indispensable for national governments that they are demanded for, and that they make, decisions independently from the bodies of the Union, that any uncertainty be eliminated immediately and concretely. To this end, it must be officially clarified that the acting law on budget discipline in Union and Eurozone member states is only the provision of Art. 126 TFEU (Lisbon Treaty) and that from now on, we will strictly follow the dictates of that law.