

# EUROS, DOLLARS AND MORALS

The Greek people overwhelmingly rejected the austerity demanded by the European Elites on Sunday, and the media filled up with opinions about what should happen, and predictions for what will happen, none of which is worth a bucket of spit. What we do know is that whatever happens next will mean more misery for the people of Greece. There are two lines of thinking that seem sensible to me.

First, there is the historical line. Steve Randy Waldman at Interfluidity writes about the history of and rationale for European Unification, including currency unification. In the wake of the last war, the leaders of Europe wanted to avoid more wars. Unification was a long-term project. All such projects face tremendous hurdles and should expect huge problems. The projects succeed or fail based on the skill with which the problems are managed.

Everyone has always known that Greece has weak governmental institutions, but once the Euro was rolling, private lenders poured money into the country. That was stupid. These lenders would be punished if they were operating in a capitalist economy. They would have taken huge haircuts, their managements would have been fired, their shareholders would have lost money. But in neoliberal land, the debtor is required to pay. If the nation has to sell its assets, its ports, water supplies, gas companies, whatever, so be it. If the people are condemned to misery for years, with unemployment among the young at 50%, so be it. If the government has to be replaced with one acceptable to the lenders, so be it. Democracy and the individual lives must be sacrificed to the demands of the creditors.

If the debtor still cannot pay, then the money has to come from taxpayers in other countries, or so the neoliberals tell them. There are no circumstances in which the creditors can lose

money in a neoliberal society.

The leader of this tribe is Germany, with strong assistance from Finland and the Netherlands. None of these countries are explicitly neoliberal. Foucault calls the German system of governance Ordoliberalism in *The Birth of Biopolitics*. Ordoliberalism is a market system where the government has a powerful role in assuring functioning competitive markets through regulation, and through steps to insure that the interests of workers are considered in the operation of businesses, among other things. This system can work in a state with strong institutions, a strong central bank, and a general acceptance by the citizenry. That's the opposite of Greece as Waldman describes it.

If things had worked according to plan, the failure of Greece would just be one of the obstacles in the progression to a unified state of some kind. Lenders to Greece would take their losses and would be recapitalized or bailed out, and life would go on. That would impose losses on the rich. As Waldman puts it:

And explicit bank bailouts are humiliations of elites, moments when the mask comes off and the usually tacit means by which states preserve and enhance the comfort of the comfortable must give way to very visible, very unpopular, direct cash flows.

The choice Europe's leaders faced was to preserve the union or preserve the wealth, prestige, and status of the community of people who were their acquaintances and friends and selves but who are entirely unrepresentative of the European public. They chose themselves. The formal institutions of the EU endure, but European community is now failing fast.

In a similar historical vein, we find Thomas Piketty, in an interview with Die Zeit. There

was a nice translation up, but apparently it ran afoul of German copyright law and was taken down. Here's a link to the article in German, and google translate is your friend. Piketty is famous for his long-term historical approach to economic matters. The interviewer is blunt; his questions come from the overt position that German intransigence with Greece is just. Piketty is his usual calm self, secure in his knowledge of history. Here's the money quote, with some of my feeble German in the last sentence:

Piketty: When I hear the Germans now say that they maintain a very moral dealing with debt and firmly believe that debts must be repaid, then I think: That's a big joke! Germany is the country that has never paid his debts. It has no lessons to teach other countries.

He is referring to the reparations demanded of Germany after the two world wars. Germany did not pay either time. In both cases, the reparations were substantially reduced and forgiven because they were deemed to be unpayable and unreasonable. In the second case, the elites thought that the reparations in the Treaty of Versailles contributed to the rise of Hitler and to WWII, and they didn't want that.

Piketty compares that to the British Government's payment of bonds incurred to fight the Napoleonic Wars. As he explains it in *Capital in the Twenty-First Century*, Britain ran a primary budget surplus to pay those bonds which were all held by the rich. In other words, the British could have taxed the rich to pay for those wars, which, after all, were fought solely for their benefit. Instead, they borrowed from their richest citizens, and repaid those bonds with enormous interest, mainly with taxes on the poor. The French and the British incurred enormous war debts themselves in both world wars, and paid those with a judicious combination of inflation, taxes on wealth and something unrecognizable, maybe haircuts.

The German interviewer agrees that the debts of Germany were slashed in 1953, saying it was the desire of the creditors to forgive the Germans for their sins. Piketty says it's nonsense to talk of morals. It was a practical decision. It's not right to punish the children of Germany for the sins of their parents, and it's not right to punish the children of Greece for their parent's (lesser) sins. The interviewer claims that the German people think the Greeks are bad and just want to continue high government spending. Piketty points out that it would have been easy for Europe to make a similar argument against Germany in 1953, and as a side note, a bit of research shows that many historians think Germany could have made the payments at that time.

More importantly, like Waldman, Piketty points out that the German stance threatens the European Union. People must have a future. Piketty suggests a debt conference like the one that ended German reparations, and thinks it should include all of the nations still facing financial problems.

The worst part of this is that this punitive attitude towards debtors is everywhere. The comment sections and the twitter are full of people fulminating about how they pay their debts, so why doesn't Greece? Here's one from [@JustinWolfers](#) who ought to know better.

Hey @WellsFargo, what gives? This morning my family voted 60-40 to stop making mortgage payments but you still haven't restructured our debt

This is one of the milder forms of the morality about money that we see in every context of debtors who can't pay, whether it's homeowners with underwater mortgages, students with heavy debt, or citizens of Ferguson going to jail because they can't pay ridiculous traffic fines. The notion that not paying debts is a Sin pervades the public discourse.

I'm used to it: I practiced bankruptcy law for 25 years. When I counseled people, I always told them that their duties, their responsibilities, ran first to themselves, because if you can't take care of yourself, you can't take care of anyone else. Then their duties run to their families. Only then should they consider the interests of their creditors, and only to the extent that it would not interfere with their primary duties.

That's how I understand this situation. First take care of yourself. Then take care of your family. Tsipras and Syriza understand that. They are taking care of themselves by keeping their electoral promises. Then they are working to take care of their Greek families.

The Troika practices the morality of a leg breaker for a loan shark.