

Breaking Up the Euro?

I am not always a fan of The Economist.

But they recently published an interesting article on [Breaking Up the Euro Area](#).

It is well worth the read.

If you wish to become a better investor, or business person, I suggest that you try and learn about economics. Especially on matters that have a global or national impact.

Understanding how fiscal and monetary policies, and their results, affect your wealth and investment opportunities is key for success.

I find the Euro an interesting concept.

I was living in Switzerland when the Euro was introduced. I understood all the reasons why the Euro was a great thing. And there are definitely advantages to its use.

The major concern that I had, and still do, related more to cultural and national interests.

Many cited that the Eurozone would have a similar size to the U.S. So that the Euro could be a true competitor to the U.S. dollar. And that is true. But I do not consider the Euro countries to be like the U.S.

By this I mean in how people see themselves. For me, this is a difficulty for the Euro to succeed as a currency.

I meet someone and talk swings to where they are from. The woman from Melbourne identifies as Australian. The man from Chicago is American. The girl from Paris is French.

And that is the problem with the Euro. The French are still French first. Germans are Germans first. No one I have ever

met has claimed to be a European first and foremost.

When times are tough, people do what is in their own best interests. The Greeks focus on their culture and country. The Germans want what is best for Germany. As we see today, there are differences in opinion as to why Germans should subsidize the Greek lifestyle and welfare state.

In the U.S., there is much less hostility between the have and the have-not states. It is an American first outlook. Much less so a Texas versus Michigan mentality. That said, when I review what states such as California are doing debt-wise, there will soon come a point when more frugal states will refuse to pay for their spendthrift brethren.

Also, there are differences between the countries. The U.S. is more streamlined in key areas, such as retirement age, percent deficits, work hours, etc. However, there are significant differences between countries in the Eurozone. Until everyone actually meets the same criteria, there will be problems. And, as we see currently, residents in many countries do not want to tighten their purse strings and relinquish any of the benefits they receive.

If there is not an alignment in policies and benefits between countries, it will be difficult to maintain the Euro. The politicians and elites will do their best, as they personally profit in creating vast bureaucracies to control. But at some point the people will say enough and demand change.

There will also come a point in the near future, when the U.S. will cease subsidizing Europe for defence. That will also place a strain on Euro countries (should they choose to want to defend themselves). But that is a discussion for another time.

Breaking up the Euro would be an expensive proposition. But unless the weak countries can rein in their spending, some countries may decide that the costs involved in walking away

will be less than the costs of staying.

Fortunately, I kept a few Deutsche Marks as collectibles. I just might be using them for my Weissbier purchases my next trip through Germany.