

Yes or No to the Euro?

by Karl Sigfrid

Since many economists are skeptical about the new euro currency, European politicians have decided to make the issue about something other than economics.

Some claim that the euro is a currency for peace, referring to the fact that the European Union (EU) was founded to prevent another war between France and Germany. When the first notes and coins were issued, Wim Duisenberg, head of the European Central Bank, predicted that the euro would “create a new era of peace” and forever change the way Europeans relate to one another. He is probably right about the prospects for peace—and without the euro, he would still be right. Little indicates that countries within the EU plan to attack each other, regardless of what currency they use.

Swedish members of the European Parliament seek support for the euro by telling people how convenient it would be not having to change money when they go to Spain on their summer vacation. This argument would be legitimate if there weren't credit cards for people who find it difficult to handle more than one kind of coin. The same goes for businesses engaging in foreign trade.

European businesses can already use the euro if they wish, thereby avoiding the cost

of using multiple currencies when trading within the euro bloc. No business owner needs to spend sleepless nights guessing tomorrow's exchange rate. Nor will countries with their own currencies, as the Swedish Liberal Party claims, be unable to participate fully in the decisions that shape Europe's future. Influence is guaranteed by representation in the various EU assemblies, which is based on factors independent of the euro.

If the reasons are invented, what are the real motives for the efforts to expand the euro zone? One answer is that the creation and growth of the European Union has created a new species of European elite politician. Dwelling in Brussels, this politician identifies primarily with EU and not with the citizens of his own country. In addition to a common currency, the European elite discusses having an EU president and a more efficient process for decision-making without veto rights. In short, strong forces push to transform the EU into something that for all practical purposes would be one big country.

Some American economists and economics writers are less than enthusiastic about the euro. In the *Wall Street Journal*, George Melloan expressed well-grounded fears that harmonized taxes are coming along as part of the euro package. Virtuous low-spending states would thereby lose their advantage over those that tax and spend. Thus the euro EU states would not have the option of

Karl Sigfrid (Karl.Sigfrid@moderat.se) is a graduate student in business administration and economics at Stockholm University in Sweden.

attracting business by cutting taxes and regulations, because the common-currency regime would not permit it. Ireland, a country that has recently experienced terrific economic growth, risks its EU subsidies if it goes further in its efforts to create a better business climate.

Melloan also points out that the Maas-tricht Treaty, which created the EU and which was to establish sound financial guidelines, did not result in more responsible economic policies. On the contrary, European governments increased spending in the years that followed the treaty's signing.

The European socialist parties generally prefer centralized solutions to political problems. European nonsocialists are split between those who oppose the EU's growing powers and those who view the euro as a project for openness and free-market solutions. Many free-market advocates in over-taxed countries, such as the Scandinavian welfare states, hope the euro will force the national leaders to cut taxes and reduce deficits. So far nothing of the sort has happened as a result of EU membership, and the Irish example hints that it might be difficult for market-oriented EU governments to deregulate. The EU has provided Europe rule-laden agriculture subsidies that are more expensive for the taxpayers and more difficult for the farmers to handle than anything the national governments ever devised. EU also administers regional redistribution

of economic resources, which is likely to increase with a common currency.

Unhappy Shoppers

People in countries already in the euro club are not satisfied with their new currency. The happy euro shoppers outnumber the unhappy ones only in France and Belgium. In Germany a majority of citizens want to leave the euro bloc and dust off their old marks. This cannot be explained solely by the euro's initially weak performance. Many feel that giving up a national currency is to cut a tie to history. Imagine the U.S. government's deciding to give up the dollar for a newly created multinational currency.

The stagnating European economies are not the result of too many currencies, but rather of a weak private sector and big governments' eating up resources. Overwhelmingly complicated and unfriendly regulations make life difficult for the small businesses the economy depends on for growth and jobs. Strengthening the EU by expanding the euro bloc will only build up the organization responsible for much of the political interference. How the non-euro EU members deal with the pressure to adopt the new currency will send important signals to Brussels. Countries saying yes to the euro will be signaling that they are happy with a growing EU. Countries that say no make it clear that they don't believe in European centralism.□

Missing Mainspring?

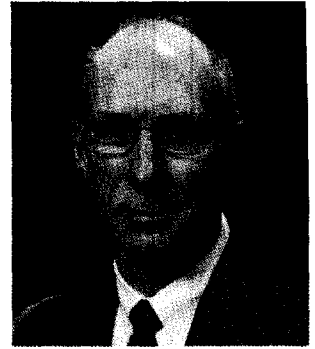
Lacking The Law?

Order all your FEE favorites from Laissez Faire Books! Call 800-326-0996, or go online at www.laissezfairebooks.com. Be sure to mention IOL when ordering.

IDEAS
ON LIBERTY

JULY/AUGUST 2003

Why Grover Cleveland Vetoed the Texas Seed Bill



Grover Cleveland was the last U.S. president with a valid claim to be known as a classical liberal. (By the time “Silent Cal” Coolidge became president, the big-government horse was already out of the barn, and Ronald Reagan as president was as much the big-government problem as he was the solution.)

A lawyer who lacked a philosophical temperament or education, Cleveland derived his devotion to limited government from his reverence for the U.S. Constitution. An honest man—an *extraordinarily* honest man for a politician—he took seriously his oath to “preserve, protect, and defend” that document.

Although nineteenth-century government now appears remarkably constricted, politicians in those days were no less predatory and corrupt than our own. Our forebears, however, kept the government within tighter bounds because so many of them harbored ideological hostility to big government, and therefore they often refused to tolerate out-of-bounds government programs, regardless of the proffered rationale. Many things were still viewed as “not the proper business of government,” an attitude that allowed at least some politicians to survive while resisting raids on the public’s purse and incursions on the people’s liberties. Cleveland was one such political survivor.

As a government officer, Cleveland demonstrated that much good could be done

simply by resisting legislative mischief. As the mayor of Buffalo, New York, for the single year 1882, he became known as the “veto mayor” by virtue of withholding his stamp of approval from the skullduggery of corrupt aldermen. Then, after taking office as New York’s governor in January 1883, he gained a reputation as the “veto governor.”¹ During his two terms as president (1885–89 and 1893–97), he vetoed more congressional bills than any other president except Franklin D. Roosevelt (who held office more than twelve years, as against Cleveland’s eight), and only seven of his 584 vetoes were overridden by Congress.²

Cleveland believed in keeping government expenditure at the minimum required to carry out essential constitutional functions. “When a man in office lays out a dollar in extravagance,” declared Cleveland, “he acts immorally by the people.”³ He fought to lower tariffs, which the Republicans had hoisted to punishing levels, and to hold back the flood of phony pensions that congressmen were awarding in order to buy votes and to placate the Grand Army of the Republic, the most powerful political pressure group of the late nineteenth century.

It should have surprised no one, therefore, when Cleveland vetoed the Texas Seed Bill early in 1887. This legislation appropriated \$10,000—a trifling sum even in those days—to allow the Commissioner of Agriculture to purchase seed grain for distribution to farmers in certain counties of Texas that had suffered from drought.⁴ The president’s veto message read in part as follows:

Robert Higgs (rhiggs@independent.org) is senior fellow at the Independent Institute (www.independent.org), editor of The Independent Review, and author of Crisis and Leviathan.