

Stiglitz and the EURO: A short memory

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Extended abstract

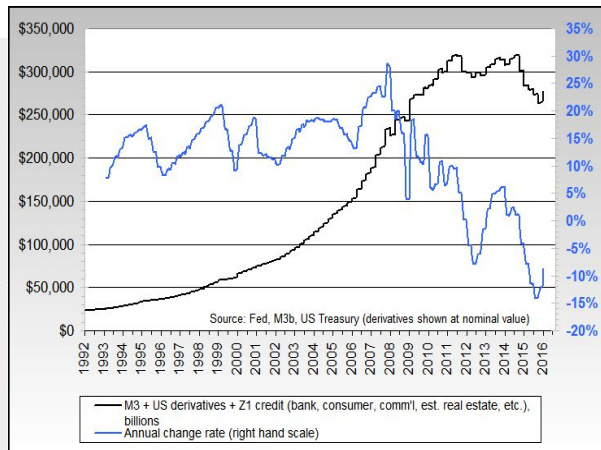
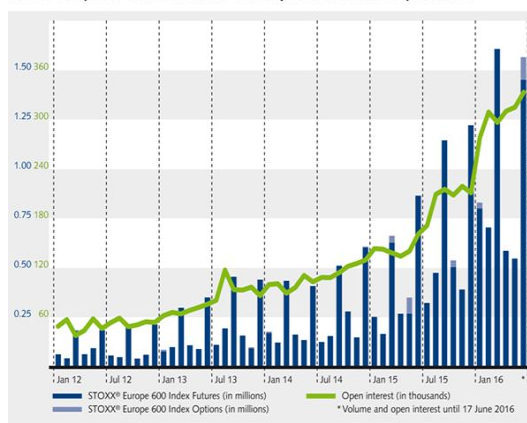
Several newspapers have recently reported the statements of Joseph Stiglitz on the inadequacy of the euro as a key element of the monetary union and how its inadequacy is evident in the different development conditions that would favor some countries over others. On the subject and the specific question, he is absolutely right, yet the problem is not the euro as a currency but the rational sociocultural and monetarist model behind the monetary union that should first be based on social and political sharing. The economy and currency as the sole unit of measure are detached from society and from man as a person to become something abstract and ungovernable. The real problem is the failure of the cultural model elevated as sacred truth that led to finance devoid of scientific foundations and to assume a role of governance, measuring complex realities that are not completely measurable, as in the case of human societies. We are using an infinite currency to value a finite word, is it logical and possible? Absolutely No!

Money has no value in itself but should represent a real asset that guarantees its value. As soon as this link ceased to exist, the value of the dollar-currency was no longer objective as conceived at Bretton Woods - 35 dollars per ounce of gold. The United States under pressure from internal and external problems found itself without gold and an untold and unrestrained monetary supply with a risk of its devaluation and collapse. For this reason, in 1971 Nixon unilaterally declared the discontinuation of the convertibility of the dollar into gold, switching abruptly from a fixed exchange rate system to a floating exchange rate system and thereby throwing the world into chaos.

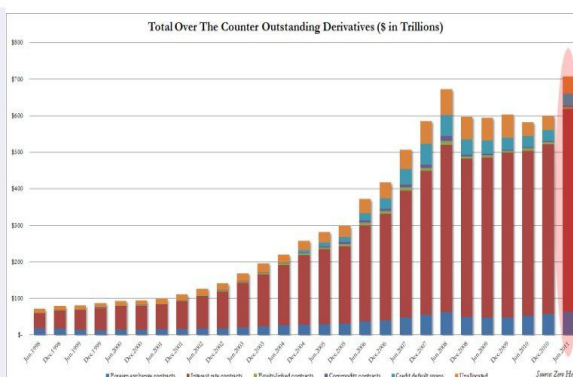
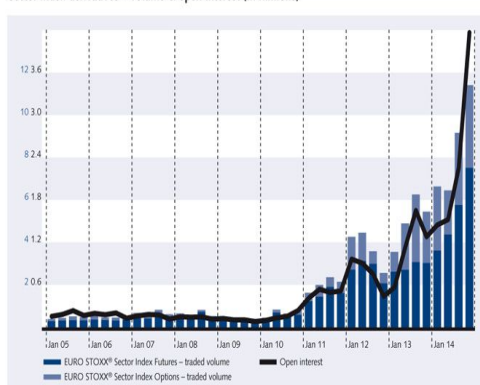
In the absence of real constraints, money assumed an infinite dimension and finance espoused this infinity, which is exactly and logically the opposite of a finite reality. Science allegedly affirmed that infinity, which in itself does not have a unit of measure, can be used to measure the real world that is instead finite and measurable. Aristotle's principle of non-contradiction states "A" cannot simultaneously occupy the position of "not-A" but is invalidated by contradicting the principles of logic and manipulating the facts. This ushered the era of infinite money with a dominant role based neither on scientific grounds nor on simple logic. The material finite became prey and hostage of the immaterial infinite and everything turned into a play of light and shadow as in the Chinese theatre where something is seen and constantly eludes.

When the printable volume of money became unlimited and uncontrollable, monetarism acquired an unnatural role because it raised infinite money above the finite, illogically determining its value and detached from reality. So the "Euro" and other currency are systematically manipulated by an astral finance with derivatives, etc ... and other weapons of mass' destruction, as Warren Buffet said. We can see the real role of unnatural finance in manipulating money "euro" and "dollar" and creating social chaos:

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The cultural clash is now reaching a sort of “Armageddon” between sacred finance and independent from human society, and the latter ultimately seems to understand that beyond a certain level one falls into the abyss. History sooner or later presents the bill to ‘homo’ increasingly less ‘sapiens` and more "stupidus". Lincoln himself said, “You can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time”.

Stiglitz had already criticized the transformation of the economy from a moral science into an exact and rational science to be studied with the same mindset of those who study the positive sciences such as chemistry and physics. In the positive sciences, the cause and effect relations in the facts under study do not depend on man’s emotionality; a mass always falls regardless of the individual who drops it. The social sciences, such as economics, study the relationship between men and not between things, so man's emotionality cannot be summarily denied by markets that are anything but rational. Markets do not exist but there are men who govern them, and their investment decisions are based on expectations and not on certainties. The markets thus seem to predict the future when instead future expectations guide the markets. Stiglitz in "Il Sole 24 Ore" of 21 August 2010 wrote a piece entitled “Dear economists come back down to earth” in which he stated, “The theory of rational expectations has been a flop and revising it is not enough, we need a new paradigm because at stake is more than the credibility of the profession or policy-makers who use the ideas, but the stability and prosperity of our economies”. It was precisely the Wall Street disaster in 2008 and falsely rational finance that led to the need to rethink the ruinous model both economically and socially. Thus, French President Sarkozy called on Stiglitz, Amartya Sen and Fitoussi to create a commission to propose alternatives to the measurement of the degree of socio-economic development based only on GDP. But the dominant interests were still too strong to be addressed, and thus the “Beyond the

GDP" commission vanished in the same way as the justified motivations. In this sense, Stiglitz has a short memory if he limits himself to criticizing the currency and not the cultural model that has elevated it to incontrovertible truth.

The GDP that everyone autistically continues to recall is only an extremely partial and a maneuverable measure that says nothing about society because it monetarily measures only goods and services produced but says nothing about how. GDP growth is possible while society, the environment may be destroyed, creating poverty, inequality and so forth, as we see every single day, unable to stop and reflect on our dramatic lack of thought and courage in proposing different solutions and alternatives to a model that is leading us like so many "lemmings" to a desperate race towards the edge of the abyss.

Stiglitz is right to claim the inadequacy of European unity based only on a monetary measure, as if societies were just a set of things to count, but the reality of man is not such. As Einstein said, "Not everything that can be counted counts and not everything that counts can be counted". It is clear, however, that the debate should be brought to a cultural level reasoning on the ends while instead continuing to reason on the means, proposing a two-, three-speed currency. Yet what will change if we do not question the cultural model at the base? The European Union is a challenge to history and the possibility that countries that have mortally battled for centuries form alliances for the common good is a step towards a future perhaps rich in hope, but we cannot continue waging the War of the Buttons knowing that in this way we are not heading anywhere but towards chaos.

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