

World Knowledge Forum 2012

October 10th, 2012_John Bruton_Austerity is the Only Solution

In the midst of the financial crises that have faced Eurozone countries such as Spain and Greece over the past few years, solutions for returning to a state of economic prosperity have been few and far between. At the 13th World Knowledge Forum today, Former Irish Prime Minister John Bruton brought forth a number of solutions - approaches that the current leadership of the Eurozone may want to consider.

Mr. Bruton, one of the leaders who helped transform Ireland into the “Celtic Tiger,” spoke on the current financial climate in the Eurozone and laid out a plan to return the Eurozone to financial stability.

“I do believe that austerity, for many of the developed countries in the world, is an essential part of the solution to the current economic crisis,” said Mr. Bruton. He further elaborated on this viewpoint, citing rapidly aging societies and the financial burden they cause, the possibility of reduced economic growth rates in many already well-established economies, and the inherent material limitations of the world.

Mr. Bruton saw change as a necessity, given the current global economic climate. He stressed, “What this means is that we have to readjust the social contract that we make with ourselves. A certain measure of austerity was going to be needed, whether there was a financial crisis or not.”

Mr. Bruton also expounded upon the various dilemmas affecting the European Union, and offered his viewpoints on how to rectify the situation. “The truth of the matter is that structural reform is necessary in our economies to enable our economies to achieve their potential.” He cited possible reform measures, some as large scale as the removal of corruption, and others as narrow as adjusting the times stores are open.

The former Prime Minister seemed optimistic about the current economic instability, saying, “We have problems in the Eurozone because we are an immature currency union. Therefore, we are more the victims of the speculation and the fears of the market than the United States or Japan.” If Mr. Bruton’s rosier assessments are correct, stability may indeed be achieved, perhaps like a toddler learning to stand with time.

Mr. Bruton went on to talk about the changes necessary to resolve the crisis in the Eurozone, which he divided into five distinct components. “First of all, we have to remove Greek uncertainty.” He was emphatic about the irreversibility of the euro, as well as the impossibility of Greece abandoning the currency.

“If Greece were to leave the euro, the financial contagion and the doubt would be enormous. We would be transforming the currency into a temporary marriage of convenience. And marriages of convenience don’t last.” Mr. Bruton saw a possible solution in further writing down Greece’s debt in the future.

“The second thing we need to do is to set up a credible firewall against financial contagion and loss of confidence,” said Mr. Bruton. He cited “legacy debts” in Ireland and Spain as issues that need to be dealt with.

The reorganization of the European banking system, installing a democratic system for governing the Eurozone economy, and instituting policies for growth were also cited as measures that need to take place in order to place the Eurozone on solid footing.

The need for and the impact of successful leadership has been at the forefront of this year’s World Knowledge Forum, and Mr. Bruton was sure to offer his opinion with respect to a key component of successful leadership. “It’s important in the judgment of a politician not to get in the way of something that’s working.”

The way Mr. Bruton tells it, some politicians in the Eurozone had better start getting in the way.