

Is de-globalisation an option?

One of the important features of unification of the countries of Western Europe is coming in effect of the euro, the single or unique currency, though all the countries of European Union (EU) have not yet adopted euro. Several of them still use their own currency while being part of EU. But the effort has been to gradually replace national currency by euro. All the country within EU who have adopted are commonly known as Euro zone. Even the Britain, before the Brexit happened, was supposed to be a candidate to join the Euro zone.

Be that as it may, paradoxically, a new debate has started after the Brexit vote last year: a segment of the population in some countries, who have adopted euro many years back, have started to think whether it would be a good idea to abandon euro and go back to their original currency. One such country is France. Of course, there is no visible talk of “Frexit” yet. We must not forget that France and Germany are two big pillars of EU. If a debate in either of the two happens on the subject of continuing with euro or abandoning it is a very serious matter for the very existence of EU. Even though the Britain had not yet adopted euro, the uncertainty created by Brexit is already a big headache for EU and Euro zone; any thought of going to old national currency is bound to have much more serious consequences.

In recently concluded elections for the post of President in France, the major points raised by the party of the Far Right were economic stagnation, unemployment, national security and immigration. Exiting from Euro zone and adopting French franc was being highlighted as one of the options to solve economic woes of the county. Though the elections are now over and the candidate of a Centrist political ideology has become the president. However, it would be a good idea to examine what it would mean to abandon euro and adopt franc *de novo*. After all, the sentiment raised by such a debate still persists and will continue to persist in future as well.

In a scenario where abandoning of euro and adoption of franc were to become a reality, the foreigners who hold French debt, denominated in euro, may like to exit by selling the French Government debt on a large scale. This would mean the French Government bonds would lose value and the yield on these bonds would go up. European Central Bank may try to help out, to some extent, through its intervention in form of Quantitative Easing. This would possibly require printing of more of euro currency. Fearing higher inflations, the French who have placed their savings in France would like to move them to foreign market. This capital flight might force the government of France to bring in capital controls. In a situation of mounting inflation and capital controls, the investments and employment are bound to be affected adversely. The costs of inputs, especially raw materials, will rise, thus restricting economic activity. The very problems, particularly, unemployment which is usually the outcome of shrinking economic activity, supposed to be solved by exiting euro are likely to aggravate further.

Another important aspect which is of purely legal nature cannot be overlooked. The foreign debt holders, even if they do not sell their debt in panic, would not like it to be converted into franc. The French Government may like to do so by law but the debt holder can challenge such a law: this can be considered a wilful default by debt holders. The rating agencies would view all this in a negative way and would probably downgrade the country rating.

Any move by a “big” member of EU to go back to pre-Euro stage cannot be limited in its consequences to only itself; it is bound to have a contagion effect on neighbours. Imagine a



situation where Italy, Spain and some other countries also follow the logic of going to pre-Euro period. It is unthinkable, in such a scenario, that EU would survive. It would be a big blow to globalisation! The voices of de-globalisation may become more audible.

In fact, the globalisation is still only a work-in-process. In real ultimate sense, what does globalisation mean? It means the whole planet, the earth, inhabited by the human race, is one single unit, with freedom for everyone to go and live anywhere, pursue an activity of their choice. Obviously, it would also mean a single currency. In such a scenario, there would be no need for passports and visas. One could travel anywhere, without restriction, as long as one could afford the cost to do so. In fact, there is an old philosophical idea, available in ancient text of Sanskrit language, namely, *Udaara Charitaanaam Vasudhaiva Kutumbakam*. It means that, for liberal thinking people, the whole earth is like a family or all those living on the planet, earth, are kinsmen. At the moment, such a thought is a *utopia*. The utopia can turn into a reality, perhaps in distant future! Or would the reverse happen, that is, de-globalisation leading to more and more restrictions?

The readers may like to develop alternative scenarios and present pros and cons of existing march of globalisation as against the attempts at de-globalisation.

Surendra S. Yadav and Ravi Shankar