IT IS TIME TO RELAUNCH EUROPE

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TO CONVINCE THE SYRIZA government to accept measures to rebalance public finances and their economy, measures they had fought against ever since they took power, it took bank closures since June 29 and the clear perception that Greece was going to find itself outside the euro in a matter of days. At the time this commentary was written, the Greeks have managed to get the corrective measures prescribed by Eurozone leaders passed through parliament. The Bundestag has approved the new bailout plan. Assuming no more stumbling blocks emerge, one might hope that this phase of acute emergency will soon end. The markets have already celebrated.

The new bailout plan includes all the capitulations Europe had asked of Greece. It contains primary budget surplus targets (albeit reduced with respect to the initial proposal), an increase in fiscal pressure, a reform of public administration and the pension system, and privatization of certain governmental services. Some measures will go into immediate effect starting next week.

But let us not delude ourselves. Everything is going to be very difficult for Greece. The economy has already returned to a state of freefall (many fear a -3.5% economic growth rate this year), and the sustainability of public debt is worse than it was before. The International Monetary Fund (IMF) is pushing for the inclusion of at least a grace period for servicing the debt, if not outright debt relief, allowing debt due in twenty years to be repaid in forty.

What the Eurogroup thinks about this suggestion is as yet unknown. Of course, they anticipate a new round of difficult negotiations and perhaps the inability on the part of Greece to meet past obligations. It is still uncertain whether the prescribed adjustment program is economically sustainable for an already exhausted country.

Recent events have confirmed a weakness in the construction of the common currency. The threat of expulsion was used as a negotiating tactic to bring a reprobate country to heel—a threat delivered while the Greek banking system hovered on the brink of a precipice. The mere suggestion of this temporary exit made it clear to all that membership in the euro is reversible.

Thanks to the Greek government's foolish decision to call a referendum regarding the Eurogroup and European Commission's proposal, only to later run to Brussels to conclude the exact same agreement the majority of Greeks had voted against, the distance between European institutions and national public opinion has never been wider. But a monetary union can't survive without increasing convergence between national economies and the institutions of economic governance. A common currency requires a lender of last resort in the market of sovereign debt, along with elements of a fiscal union that guarantee investors against the risk of insolvency of participating member states.

There is a supranational element of the economic policy. Surplus countries should contribute to the correction of current account imbalances within the eurozone; belonging to a common currency limits the ability of individual member states to intervene counter-cyclically, therefore there is the need to implement joint mechanisms to combat these problems.

Given the lack of a political union and a common budget of adequate size, neither of which seem on the horizon, these mechanisms can be instituted by reinforcing the existing instruments of the European economic governance. But these instruments need to be managed by common institutions, with clear and few indications, and with the control of the European parliament—basically, the opposite of the current case-by-case quagmire of intergovernmental negotiations, which creates an environment unconducive for public acceptance and legitimization.

The European Stability Mechanism (ESM) needs to be "communitarized" (right now it exists outside the Treaties), and its decisions can neither be subject to the veto of individual countries, nor, even worse, of individual national parliaments. The European Central Bank (ECB), which has already taken the necessary authority during this time of crisis, cannot be subject to continuous sniping in an effort to prevent it from doing what it needs to do when instability threatens the common currency.

These ingredients, to a significant degree, are already part of the Four Presidents Plus One Report presented by president Juncker last June. All that remains is creating a consensus within the European Commission to make it a reality. The crisis in Greece has made these changes more urgent. The injuries inflicted on the credibility of European institutions are deep and need to be taken care of immediately. It would be a grave error to postpone it again, in anticipation of the German and French elections in 2017.