When the European Monetary Union was founded, its prospective benefits appeared clear and its costs reasonable. Fourteen years later this has changed radically. Despite high unemployment, EMU institutions insist on restrictive policies and on blaming “irresponsible” government in the most troubled countries. These positions have been determined by the economic doctrine that has informed EMU institutions since their founding.

A European recovery requires changing the official economic model, especially in its applications to the labor market and monetary policy. Redistribution of responsibilities among national governments would follow as a consequence.