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**EUROPEAN CONFERENCE**  
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**CANNES, FRANCE**

**Speakers Summary – William Bryce Jamieson**

**EURO ZONE: WHERE TO FROM HERE?**

We are flying blind through history. Europe in a situation without modern precedent. Why have Euro debt concerns re-erupted? Why should Spanish bond yields excite such apprehension? What are the likely scenarios from here?

Journey will take us to some difficult and troubling places. We need to be honest with ourselves. But I do intend to end on a note of confidence that will give hope for the future.

Overview: putting Euro zone and Europe in global context. History is broken. We are in a new era. The Western world's debt explosion, central bank emergency policies without precedent – in America as well as in Euro-zone. Rise of China as leading world economy; profound competitive challenges – but opportunities as well.

But real origin of crisis is in explosion of both government and personal debt – US sub-prime debt was a symptom not a cause of a larger failure of a post-war generation to grasp debt dynamics and the insidious dangers of debt and deficit economics.

Currency union was intended to facilitate trade and investment and improve Europe's competitiveness. But instead of order and predictability Euro-zone is in the grip of paralysing economic and financial turmoil.

Origins of Euro zone crisis. The ECB perspective. The German perspective. The Greek perspective, Ireland, Spain Italy and Portugal. Is austerity economics working – or making things worse?

Spanish sovereign debt concerns an expression of anxiety that Euro-zone would not be able to cope with a Spanish bail-out.

Where to from here? Fan chart of possibilities:

1. We muddle through
2. ECB launches QE
3. Greek exit from Euro-zone but Spain buttressed
4. Greek exit triggers domino exodus

Enter GEORGE SOROS: PLEA FOR NEED FOR COLLECTIVE ACTION TO AVOID OUTCOMES 3 and 4.

But: - immense practical difficulties:

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Political difficulties with common tax/budgetary policies (see French presidential election-Sarkozy and Hollande vying to amend/scrap stability pact)

Deeper problems within Euro-zone that make collective action difficult:

Rise of nationalist politics

No shared narrative or sense of common gain

No shared language

No shared education system

No European Demos

BUT, on the plus side:

Growing concern over unemployment/social dislocation will prioritise growth strategies

We are governed by cycles – and cycles turn

Relentless, constantly renewing human drive for adaptation innovation and improvement.

JOSEPH SCHUMPETER and the role of innovation/entrepreneur. Cycles turned in the 70s and 80s.

US auto industry in The Great Depression saw huge innovation to spur car purchase

Equivalent today: revolution in electronic communication (boom sales of iPads, iPhones, eReaders, iPods)

1000s of SMEs across EU and Euro-zone actually doing well in difficult macro conditions.

The MICRO CAN TRUMP THE MACRO

M&A will return as companies need to advance and expand.

Summary of immediate issues and decision points: dates to look out for.

But the cycle will turn. We will look back on this decade and wonder at what we were able to achieve in the face of gloomy prognostication.

Schumpeter joke.

Q&As