

# Euro In Danger, Europe Races For Debt Solution

**BY GREG KELLER, PAN PYLAS AND PAUL WISEMAN**  
 AP Business Writers

PARIS — European leaders rushed Monday to stop a rampaging debt crisis that threatened to shatter their 12-year-old experiment in a common currency and devastate the world economy as a result. One proposal gaining prominence would have countries cede some control over their budgets to a central European authority. In a measure of how rapidly the peril has grown, that idea would have been unthinkable even three months ago. World stock markets, glimpsing hope that Europe might finally be shocked into stronger action, staged a big rally. The Dow Jones industrial average in New York rose almost 300 points. In France, stocks rose 5 percent, the most in a month.

More relevant to the crisis, borrowing costs for European nations stabilized. They had risen alarmingly in recent weeks — in Greece, then in Italy and Spain, then across the continent, including in Germany, the strongest economy in Europe. The yields on benchmark bonds issued by Italy and Germany rose, but only by hundredths of a percentage point. The yield fell 0.1 percentage point on bonds of France, 0.14 points for those of Spain and 0.22 points for Belgium. Allowing a central European authority to have some control over the budgets of sovereign nations would create a fiscal union in Europe in addition to the monetary union of the 17 countries that share the euro currency. Some analysts have said that would be a leap toward creating a United States of Europe. More delicately, it would force the nations of Europe to swallow their national

pride, cede some sovereignty and agree to strengthen ties with their neighbors rather than fleeing the euro union during the crisis. “The common currency has the problem that the monetary policy is joint, but the fiscal policy is not,” Germany’s finance minister, Wolfgang Schaeuble, said in a meeting with foreign reporters in Berlin. The monetary union has existed since the euro was created in 1999, but the European Union, which includes the 17 euro nations and 10 others that use their own currencies, has no central authority over taxing and spending. Countries like Ireland, Portugal, Spain, Greece and Italy overspent wildly for years and racked up annual budget deficits that have left them with monstrous debt. Italy holds (euro) 1.9 trillion in debt, or 120 percent of the size of its economy. A fiscal union could prevent excessive

spending in the future. More important, it would be a step toward addressing today’s debt crisis: It could provide cover for the European Central Bank to stage a massive intervention in the European bond market to drive down borrowing costs and keep the debt crisis under control. So far, the ECB has resisted, in part because of concerns that bailing out free-spending countries would only encourage them to do it again, a concept known as moral hazard. Enforced budget discipline would ease those concerns. A fiscal union would also pose a practical problem — how to make such a body democratically accountable. Another option is for the 17 nations in the euro group to sell bonds together, known as eurobonds, to help the countries in the deepest trouble because of debt. Germany has resisted such a plan, because it would raise borrowing costs for it

and other nations that have good credit ratings. While Europe buzzed over the possible solutions, finance ministers of the euro nations prepared for a summit beginning Tuesday evening in Brussels, to be joined the following day by ministers from the rest of the European Union. Italy readied an auction of bonds designed to raise (euro) 8 billion, or about \$10.6 billion, and steeled itself for the high interest rates it will have to pay. In Washington, President Barack Obama huddled with European Union officials, but the White House insisted Europe alone was responsible for fixing its debt problems. Obama said failing to resolve the debt crisis could damage the U.S. economy, which has grown slowly since the end of the recession in June 2009 and still has 9 percent unemployment.

## Lesterville

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fighters did not feel they could safely enter. Again, thermal-imaging was used and authorities believed they had put out the blaze following about 2 1/2 hours at the scene. But the fire still found life. Members of the Lesterville Fire Department went out to the residence again Sunday afternoon because smoke was emanating from the crawl spaces. “That’s when they found out the whole floor was on fire on the east part of the house,” said Fire Chief Joe James.

The whole department was paged to the scene at 6:35 p.m. and stayed for approximately an hour. “Apparently we got it, because the house was still there this morning,” Scherschligt said. Fire investigators from the South Dakota State Fire Marshal’s Office, the federal Bureau of Alcohol, Tobacco, Firearms and Explosives, the South Dakota Division of Criminal Investigation and an insurance company were on the scene Monday, according to Scherschligt. He said that it was determined that the barn fire and the garage fire had nothing to do with one another. As local authorities suspected, it was confirmed that a spark from a controlled burn Wednesday ignited the barn.

“The garage fire started in the attic,” Scherschligt said. “They knew right where it started.” The investigators could not find the specific cause of the garage fire, though. Consequently, Scherschligt said, the cause will be labeled as undetermined. “They couldn’t find any piece of equipment that was the specific cause, so they are ruling it undetermined with a good chance that it was something electrical,” he added. “(The investigators) were in total agreement that there was no foul play and that it was all accidental.” Scherschligt said he has never experienced a case like this, where firefighters were called back to one scene so many times in so few days. However, cases of fires rekindling after an extended period of time are not unknown. “One of the investigators said hotspots can go three days to a week without being detected,” Scherschligt said. “Until it comes out and gets something that can burn a little hotter, it just kind of creeps along.” James was grateful that no firefighters were injured during the incidents and expressed his condolences to the Bauder family. “It’s a bad deal,” he said. Pat Bauder is a member of the Lesterville Fire Department. According to Scherschligt, the Bauder family is currently staying at a Yankton motel as they work out their future.

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