AS TRICHET DEPARTS A CRISIS FELDSTEIN POISED TO SECURE VICTORY OVER EURO

Harvard University Professor Martin Feldstein, who predicted in 1998 that the euro would prove an ''economic liability,'' said the single currency will survive for the time being, even as he bets Greece quits sometime within the year. ''With the exception of Greece leaving, I don't think the whole thing is going to fall apart anytime soon,'' Feldsteing said in a November 14 interview over the phone. ''The Greek situation is impossible.'' Feldstein's views on Europe carry increased weight as the region's two-year debt crisis validates all of his warnings in the 1990s until so many disparate nations under the same exchange and interest rates could backfire. Although he says he doesn't like to ''use the word vindicate,'' Feldstein, who will turn 72 next week, says he recently reviewed his euro-skeptic articles and ''thought they were pretty much on target, even though they were written over 20 years ago.'' His conclusions often left him at odds with now-former European Central Bank President Jean-Claude Trichet, who continually rejected as 'absurd'' any speculation the euro area would shrink and warned that a member shouldn't be allowed to default. In the final months of his eight-year term, which ended on Oct. 31, Trichet used three whole speeches in the U.S. to take on American economists such as Feldstein by arguing the euro is built to last and its economy's strengths, including tame inflation, are always ''overlooked.'' Julian Jessop, who is the chief international economist at Capital Economics Ltd. in London, said that the views that are similar to Feldstein's once were dismissed by those who argued Europe's political masters wouldn't let the euro fail, so its economic weaknesses didn't matter. He said that with leaders this month raising, for the first time, the prospect of the euro area splintering and economic pain deepening across the region, the debate is shifting. Jessop, who is a former U.K. Treasury economist, said that skeptics like Feldstein, who is based in Cambridge, Massachusetts, once were ''loan voices in the wilderness, but such views are more commonly heard.'' Capital Economic said in early 2010 that the euro would break up within at least fives year. A week after debt-strapped Greece and Italy lost their sitting prime ministers, Feldstein, who is chaired President Ronald Reagan's Council of Economic Advisors and has advised the President Barack Obama, drew distinctions between the very likely economic futures of the two nations. ''Even if they wipe out the debt, they still have a current-account imbalance they can only resolve by leaving the euro so they can devalue,'' said Feldstein. When asked if that would occur by the end of next year, he replied, ''I think so.'' Not defaulting and devaluing would mean that ''negative growth rates as far as the eye can see,'' he says.