Europe in Confusion: Is There Sufficient Political Will to Save the Union?

Prashanth Bharadwaj, Indiana University of Pennsylvania

The CE Mark (Conformité Européenne), as it has been formally called since 1993, is a mandatory conformity mark for certain categories of products distributed and marketed in the European economic area. It was designed to convey that companies have met the health, safety and environmental regulations of the European Union (EU). However, by the late 1990s the implementation of the regulations in various countries in Europe had become so complex and overwhelming for companies around the world that the CE mark was sarcastically dubbed Confusion Europe!

The recent events pertaining to the Eurozone, especially the Euro-crisis and the response by different political and economic establishments in Europe, have given a new meaning to the term Confusion Europe! This past summer I had the opportunity to travel within five of the six original members of the European Communities (EC), the predecessor to the European Union. In Germany, France, Italy, the Netherlands and Belgium, I met with investment bankers, professors, students, deans, engineers, executives and entrepreneurs and the only thing that they agreed on is that the current economic predicament is the worst crisis that Europe has faced since the second half of the last century. However, there was no consensus among them on what has to be done to get out of this troubling crisis. Unfortunately, that disagreement is also common among the governments and economic institutions in the region. The sovereign debt crisis, particularly that of Greece and of other Mediterranean countries, the high unemployment in Spain and the woes of its banks, the devastating effects of contagion and other related aspects have all been discussed at length and documented in detail during the last two years. The troika of the European Union, European Central Bank and International Monetary Fund has been working on fixes for the short-term. But is the union strong enough for the long haul?

In his State of the European Union address last year, José Manuel Durão Barroso, President of the European Commission asserted that “This crisis is financial, economic and social. But it is also a crisis of confidence. A crisis of confidence in our leaders, in Europe itself, and in our capacity to find solutions.”

The European Union was formed with the hopes of preventing conflicts that led to the two world wars in the last century and with the aspirations of economic well-being for the people on the continent. This in turn led to the creation of the Economic and Monetary Union (EMU) of the EU. This Union is one of the world’s biggest trading blocs rivaling the one in North America. The aim of this 20th century experiment was to create political and economic affinity among the countries of the Union. Critics and pessimists have, from the start, dubbed the EU and the EMU a failure. Optimists, however, believe that the Union is still a work-in-progress. Realists are of the opinion that the tangible and intangible costs of letting the Union and the Euro fail would be significantly more than to save it. It is the realists who are at work today. They may even help Europe recover fully from the current crisis, but unless the optimists are right--that there is broad-based long-term political conviction to convert the work-in-progress into a win-win Union for all countries--any solution in the near future will be like placing a band-aid over gangrene!

The EU, a surrogate for the united states of Europe, can seek some solace from the history of the United States of America. It took the U.S. more than 125 years from the time of its founding before its fiscal and monetary policies made a positive impact on building a strong nation. The State of Virginia and some of the southern states of the nascent United States were financially stronger at that time than the northern states. Virginians were reluctant to assume the debt of other states when Alexander Hamilton proposed the Federal debt assumption to help states that were in the red and to establish strong international credit for the U.S. History reports that things changed during a serendipitous dinner in 1790 which included Virginian stalwarts and future Presidents Jefferson and Madison and the Federalist Hamilton. A deal to place the country’s new capital in Virginia helped Hamilton secure the support of the Virginians for the Federal debt assumption (Hamilton apparently knew from Washington that it would be proposed that the capital be situated there anyway, next to the first President’s sprawling Mt. Vernon estate across the Potomac). In today’s EU, the equivalent of Virginia is Germany, somewhat unwilling and resentful of bailing out Greece (the late 18th century Massachusetts) and other southern European nations.

However, the states of the United States did not have the same long history of adversarial relations as the nations of Europe have had (in many cases). In addition, the U.S. states did not have the extent of differences in language and culture as that of