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# Visions of Europe: European Integration as Redemption from the Past and as a Monetary Transaction

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## **Forum: Visions of European Integration Across the Twentieth Century**

H A R O L D J A M E S

Visions of Europe belong to a particular time. They carry with them the hallmark, the dominant patterns of thought, of their birth. But there also exist substantial continuities between three of these crucial moments: 1848, 1945 and 1989. At these times the process of building nation states also reached a peculiar moment of crisis – or a turning point. The idea of Europe, reformulated at these times of political collapse, existential angst and an explosion of the imagination, stands in an intricate relationship – Hegelians might like to call it a dialectic – with the conception of national cultures and national politics.

1848 was the year of the European Revolution, a movement that was regarded in European terms as the ‘springtime of the peoples’. They were national revolutions, of the young nations, young Italy, young Germany, even young England: but they were revolutions which started with an emphasis on commonality and ended with an assertion of national particularity. In the short term, the failure of 1848 looked as if it discredited the idea of a liberal European revolution.

Victor Hugo in 1849 told the universal peace congress that had been convened in Paris that:

The day will come when we will see these two vast groups, the United States of America and the United States of Europe, face to face, stretching out a hand over the oceans, exchanging their products, their trade, their industries, their arts, their genius, clearing the globe, colonizing the deserts, improving creation under the eye of the Creator, and together combining, for the good of all, those two infinite forces, the fraternity of men and the power of God!<sup>1</sup>

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<sup>1</sup> Victor Hugo, *Douze discours* (Paris: Librairie nouvelle, 1851).

This thought remained an obsession of Hugo. Later, in exile from Napoleon III's *grande nation* on the Channel Islands, he prophesied a vision of the world in a hundred years time:

In the twentieth century, there will be an extraordinary nation. That nation will be great, which will not stop it from being free. It will be illustrious, rich, thoughtful, pacific, and warm to the rest of humanity . . . . That nation will have as its law a facsimile, the closest possible, of natural law . . . . Unity of language, unity of money, unity of measurements, unity of time, unity of legal code; fiduciary circulation of money at its highest; paper money with a coupon making a rentier of anyone who carries twenty francs in their waistpocket; an incredible gain resulting from the abolition of parasitism; the enormous expenditure of sentry-boxes suppressed; the cost of permanent armies transferred to the pockets of citizens . . . . This nation will have as its capital Paris, but will not be called France. It will be called Europe in the twentieth century, and in subsequent centuries, transfigured again, it will be called Humanity.<sup>2</sup>

The discussion of Europe took place in the framework of a radical uncertainty about where the geographic borders lay: how much of the Eurasian landmass was involved? With the expansion of formal empire in the late nineteenth century, often a result of disappointments to the European ambitions of the major states (notably France after 1871), did Europe include the colonial empires? Was it possible to think of Eurafrique, as Joseph Bohling asks in his contribution to this collection? In the twentieth century, with a Cold War between the superpowers, was Europe divided by the Cold War and did it need to think of a neutralist alternative in order to realise its identity, as Christian Bailey invites us to think in his essay?

Almost a century after the 1848 revolutions, the European world looked quite different to the fantasy of Victor Hugo. But in the aftermath of the complete collapse of civilisation and the annihilation of decency as well as culture, the vision looked more compelling than ever – and was set out in terms almost identical to those of Hugo by Europe's greatest statesman. In 1940, faced by a radical threat, Winston Churchill had been prepared to sacrifice even national sovereignty and proposed a union of France and Britain. After the catastrophe, he went further. In Zurich in September 1946 Churchill appealed for a United States of Europe:

This noble continent . . . is the home of all the great parent races of the western world. It is the fountain of Christian faith and Christian ethics. It is the origin of most of the culture, arts, philosophy and science both of ancient and modern times. If Europe were once united in the sharing of its common inheritance, there would be no limit to the happiness, to the prosperity and glory which its three or four hundred million people would enjoy. Yet it is from Europe that have sprung that series of frightful nationalistic quarrels, originated by the Teutonic nations, which we have seen even in this twentieth century and in our own lifetime, wreck the peace and mar the prospects of all mankind.<sup>3</sup>

After 1989, with the collapse of communism and Soviet rule over Central Europe, a similar discussion began, with answers provided in similar terms. Most eloquently, the Czech dissident Vaclav Havel warned that 'The demons that have so fatally tormented European history – most disastrously of all in the twentieth century –

<sup>2</sup> Jean-Claude Fizaine, ed., *Victor Hugo, Oeuvres complètes: Politique* (Paris: Robert Laffont, 1985), 6.

<sup>3</sup> Speech of 19 Sept. 1946, <http://www.churchill-society-london.org.uk/astonish.html>.

are merely biding their time. It would be a tragic mistake to ignore them because of technical preoccupations with transfer funds, quotas, or tariffs.’ He looked for a longer terms answer:

We need only to remind ourselves of the anthem of the European Union. Does not Schiller’s ‘Ode to Joy’ offer an answer to this question? When it points out that life in the sacred circle of freedom requires giving allegiance and commitment to “the judge above the stars”? What else can this mean but that freedom and responsibility are two sides of the same coin and that freedom is thinkable only when it is based on a sense of responsibility toward an authority that transcends us?<sup>4</sup>

It is striking how much of the language of Europeanness, generated at moments of intense crisis, was built around Christianity, as Rosario Forlenza reminds us in his contribution to this collection. At such moments, Europeans needed an inspirational, profoundly ethically motivated, concept of freedom and responsibility. How was that need met? How did the vision map onto reality?

The vision is disconnected, and appears to bear no relation to, the actual process of European integration. There is an academic industry devoted to showing how European developments are not the outcome of what Alan Milward termed the ‘European saints’, Monnet, Schuman, Spaak, Adenauer, de Gasperi: ‘men who held fast to their faith in European unity and through the righteousness of their beliefs and the single-mindedness of their actions overcame the doubting faithlessness of the world around them’.<sup>5</sup> Instead, as Milward and Andrew Moravcsik eloquently demonstrate, the process was the outcome of national strategies for the management of bread and butter issues, notably the social protection of the initially politically important agricultural sector.<sup>6</sup> Europe begins with the stars and the saints and ends with the plough herds and the clods of heavy European soil.

The saints were quite aware of the processes and the calculations that actually drive politics. Jean Monnet formulated this view in the often cited formula that Europe is driven by crises. In his *Memoirs* he provides an eloquent account of the characteristic frenetic all night discussions to establish the European Coal and Steel Community, the antecedent of the European Economic Community and hence of the European Union. As he left the French Foreign Ministry on the Quai d’Orsay, the sun was rising, and he spoke to a French official:

‘Now we have a few hours to test and a few months to succeed. After that –

‘After that’, said Fontaine, smiling, ‘we shall face great difficulties, and we shall use them to make further progress. That’s it, isn’t it?’

‘It is indeed,’ I said. ‘You’ve understood what Europe is all about.’<sup>7</sup>

The problem is that this method is not very appealing to people outside the limited circle who enjoy the logic of late night discussions sustained by cold Belgian

<sup>4</sup> Vaclav Havel, ‘The Hope for Europe’, *New York Review of Books*, 20 June 1996.

<sup>5</sup> Alan S. Milward, *The European Rescue of the Nation-State* (Berkeley: University of California Press, 1992), 318.

<sup>6</sup> Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Ithaca, N.Y.: Cornell University Press, 1998).

<sup>7</sup> Jean Monnet (transl. Richard Mayne), *Memoirs* (London, Collins, 1978), 371.

sandwiches – the *demos* neither likes nor understands the process. Havel castigated ‘the erroneous belief that the great European task before us is a purely technical, a purely administrative, or a purely systemic matter, and that all we need to do is come up with ingenious structures, new institutions, and new legal norms and regulations’.<sup>8</sup> As a result, any serious political figure has to talk a different language – the language of the saints – while performing a different sort of operation, the calculation of the clods. The exercise induces a political schizophrenia. The result is evident in the most far ranging exercise in European integration since the 1950s, the making in the 1990s of a European monetary union.

The politicians spoke in the language of Monnet and Adenauer – and in effect of Hugo and Churchill – about avoiding European war. Monnet was proud to record the dialogue of two young soldiers on a French beach in the early 1950s and how one said, ‘with the Schuman Plan, one thing is certain: We shall no longer have to go to war’.<sup>9</sup> Helmut Kohl understood this language perfectly. For him, the greatest moments were those of Franco-German reconciliation, most strikingly when he held the hand of President François Mitterrand on the site of the carnage of the battlefield of Verdun. It reflected a deep psychological, familiar, impulse: he had lost his elder brother in the Second World War and his mother’s brother had been killed in the First World War. Kohl’s most recent biographer, Hans-Peter Schwarz, rightly emphasises the centrality of his promise to his mother that there should not – never – be another European war.<sup>10</sup>

In the early 1990s, as Havel was analysing the problems of the vision that drove Central Europeans after the collapse of communism, the language of the saints reached a crescendo. The problem was that there was no technical preparation, no administrative capacity to take the steps needed to ensure that there would never be a war: no one in the European defence ministries, for instance, was willing to contemplate setting up a single European army; no one in the foreign ministries was prepared to make the compromises needed for a single external policy; and – as Havel lamented – the official European response to the disintegration of Yugoslavia was tragically confused and its effects destructive.

On the other hand, there was a well established mechanism for negotiating about international monetary and currency issues. I now need to tell a rather technical story. The mundane truth about the evolution of Europe’s monetary order is that it was in fact the outcome of global debates about currency disorder. European monetary integration appeared urgent in the late 1960s, as the Bretton Woods regime disintegrated, and in the late 1970s, when US monetary policy was subject to big political pressures and the dollar collapsed.

The most decisive push for a European solution to a global problem occurred in different circumstances. When the dollar was soaring in the mid-1980s, when US manufacturing was threatened and when there appeared to be the possibility of a

<sup>8</sup> Vaclav Havel, ‘How Europe Could Fail’, *New York Review of Books*, 18 Nov. 1993.

<sup>9</sup> Monnet, *Memoirs*, 339.

<sup>10</sup> Hans-Peter Schwarz, *Helmut Kohl: Eine politische Biographie* (Munich: Deutsche Verlags Anstalt), 2012.

protectionist backlash, the finance ministers of the major industrial countries pushed for exchange rate agreement. At the G-7 finance ministers Louvre meeting in 1987 they agreed to lock their exchange rates into a system of target zones.

In practice nothing came of that global plan, but then Edouard Balladur, the French finance minister who had largely been responsible for the Louvre proposal, came up with a tighter European scheme. When German foreign minister Hans-Dietrich Genscher appeared sympathetic, Europe's central bankers were asked by the president of the European Commission, Jacques Delors, to prepare a timetable and a plan for currency union. The result was a report, presented in April 1989, when no one in Bonn or Paris was thinking about any possibility of a profound geopolitical transformation of Europe, that laid the basis of the Maastricht Treaty negotiated in 1991.<sup>11</sup>

Because the Treaty *was* negotiated in the aftermath of a seismic geopolitical shift, the result gave rise to highly influential – but completely wrong – theories that currently circulate about how and why the Euro was created that both inflame political passions but give no guidance at all on how to find solutions. Both focus obsessively on the politics of the German role in driving monetary union, so that it again appears as solving the German question is central to the future of Europe. Both are mirror images of each other: in one Germany appears as uniquely virtuous, in the other as terribly vicious. Looking at the real history of the Euro can clear up misconceptions but also highlight the real problems that remain to be tackled.

In the first view – the virtuous German story – the currency union was a high-minded European political project that ignored economic realities. It was needed to stop the recurrence of war between France and Germany. Both proponents of the Euro project, such as the veteran German Foreign Minister Hans-Dietrich Genscher, and opponents, such as the economist Martin Feldstein, have touted this theory. But it is implausible. Americans are perfectly aware that they have not had a war with Canada or Mexico recently (although in the long past there were indeed such conflicts) and that they don't need a currency union to improve relations with neighbours.

Then there is the vicious view, a conspiracy theory about a deep-seated German masterplan. Some of its earliest proponents were British (like the former Chancellor of the Exchequer Denis Healey), but now it is circulating widely in southern Europe. Since Germany had lower rates of wage inflation than France and much lower rates than the Mediterranean countries, a locked currency would guarantee increased export surpluses at the price of misery elsewhere. A German grab for European economic primacy would succeed at the end of the twentieth century and in the new millennium where a similar German military plan had failed one century earlier. Some critics focused on the frightening similarities between the late twentieth century dynamic of integration and the plans for a New Order as a solution to Europe's

<sup>11</sup> Harold James, *Making the European Monetary Union: The Role of the Committee of Central Bank Governors and the Origins of the European Central Bank* (Cambridge, Mass.: Harvard University Press, 2012).

currency and debt chaos as laid out by the Nazi Economics Minister Walter Funk in 1940, expertly examined by Stephen Gross in this collection.<sup>12</sup>

The conspiracy view seems as absurd as the first myth about peace and money. If this is what the Germans were aiming at, wouldn't other countries have gotten a whiff of the nefarious plot? And more importantly, if this were really a strategy it is a pretty short-sighted one (not really that much better than the disastrous Schlieffen Plan of 1914 to defeat both France and Russia at the same time). Plunging one's neighbours into national bankruptcy is not a good way of building any kind of stable prosperity.

For its critics, Germany's currency manipulation was a mercantilist strategy of securing permanent trade and current account surpluses that would give Germany a commanding control of resources. In each phase of the negotiations about European monetary integration, Germany's partners tried to devise an institutional mechanism to control German surpluses and believed that an institutional move to Europeanisation would admirably do that job. Until 2009–10, when the global financial crisis reached Europe, the strategy seemed to be working, even though overall Europe was struggling to compete in a global economy.

The management by crisis approach has led to a perception that the broader rationale is being hidden; and that in turn produces suspicions that the crisis, when it arises, is being used instrumentally. The more the crisis management is combined with a mantra like repetition of a general message of the 'Europe brings peace' variety, the more scepticism swells up. The linkage between the assertion of the interests of the particular and the ritual invocation of the very general sometimes takes extreme forms. A fine instance was the insistence of Finance Minister Giulio Tremonti in the dying days of the Berlusconi government in 2011 that 'if I fall, then Italy falls. If Italy falls, then so falls the euro. It is a chain.'<sup>13</sup> Angela Merkel had previously offered another version of the same logic, to which Tremonti was clearly alluding, with her famous claim that 'if the Euro fails, Europe fails'.<sup>14</sup> These statements inevitably invite the question: really?

The problem is that hitching the European ideal to money creates a series of poisonous identifications: that Europe is all about money and material advantage, and that money can be an alternative language of community, one that is more convenient because it is a way of sloughing off responsibilities for the past. It sets

<sup>12</sup> On this theme there is a voluminous literature. See David Marsh, *The Bundesbank: The Bank that Rules Europe* (London: Heineman, 1992); the conspiracy theory of continuity is pushed very heavily by Pierre de Villemarest, Danièle de Villemarest and William D. Wolf, *Faits et chroniques interdits au public – Tome 1* (Slough: éd. Aquilon, 2003) and *Faits et chroniques interdits au public - Tome 2 : les secrets de Bilderberg* (Slough: éd. Aquilon, 2004), as well as the Dr. Rath Foundation Brussels: [http://www4.dr-rath-foundation.org/brussels\\_eu/roots/index.html](http://www4.dr-rath-foundation.org/brussels_eu/roots/index.html). The theme is also taken up in John Laughland, *The Tainted Source: The Undemocratic Origins of the European Idea* (London: Little Brown, 1997) and the work of the Paris-based Russian-financed Institute of Democracy and Cooperation: [www.idc-europe.org](http://www.idc-europe.org). Stephen Gross's essay gives an important and balanced corrective to the hyper-conspiracy accounts.

<sup>13</sup> 'Weakened Italian government fears market attacks', *Financial Times*, 10 July 2011.

<sup>14</sup> 'Scheitert der Euro, scheitert Europa', *Die Welt*, 7 Sept. 2011.

up Europe for a fall at the moment when finance explodes and money becomes questionable. As Martin Wolf put it, ‘in creating the Euro, the Europeans took their project beyond the practical into something more important to people: the fate of their money’.<sup>15</sup>

For both France and Germany, the countries that have historically been at the core of the process of European integration, the management of money has been at the core of a certain vision of identity. De Gaulle was warned by an international civil servant as he stepped into the ruins of Fourth Republic politics that ‘no country can gain international esteem if it has not a good currency. That the French franc has not been a strong currency has been very damaging to French prestige in recent years. The French are a hard-working and saving people. If they have monetary stability they can stand a great deal of political instability.’<sup>16</sup> For Germany historical memory depicted the destruction of monetary stability in the post-First World War hyperinflation as the beginning of the undermining of morality, democracy and a liberal political order.

De Gaulle saw the relations of the two countries in elevated metaphysical terms that arose out of narratives of betrayal and decadence. He thought that in the path of constructing Europe, France needed to make the first step because

in western Europe, France suffered most . . . France suffered most because France was more betrayed than the others. That is why it is she who must make the gesture of pardon. Germany is a great people that triumphed, and then was crushed. France is a great people that was crushed and then associated itself [in Vichy] with the triumph of another. It is only I can reconcile France and Germany, because only I can raise Germany from her decadence.<sup>17</sup>

The European drama of the last thirty years has replayed in a dramatic form the European experience with nation building in the nineteenth century. That should not be surprising in the light of the common origins of both of the political languages – origins that lie in the failed revolutions of 1848, with a turn to the politics of interests that could not be fully tied to a satisfactory and universal normative justification (such as was called for in ideas that linked Europe to Christianity). The ex-revolutionary German journalist Ludwig August Rochau, who coined the term *Realpolitik*, wrote memorably about the unimportance of ideals and the importance of interest. Whatever progress had been made in the direction of national unity was a consequence of human self-seeking. A Fatherland was no longer a question of patriotic dreams, or of a ‘longing of the heart’; on the contrary, ‘for Germans, unity is basically a pure business affair [*eine reine Geschäftssache*] in which no one wants to lose, but everyone wants to extract as much as possible for themselves’.<sup>18</sup> That was the course that Otto von Bismarck set. When the unconventional Italian and German states had triumphed by 1871, when Cavour and Bismarck stood supreme, there was

<sup>15</sup> Martin Wolf, ‘Failing elites threaten our future’, *Financial Times*, 15 Jan. 2014.

<sup>16</sup> Per Jacobsson diary, 1958, cited in Harold James, *International Monetary Cooperation Since Bretton Woods* (New York: Oxford University Press, 1995), 107.

<sup>17</sup> Alain Peyrefitte, *C’était de Gaulle* (Paris: Gallimard, 2002), 76–7.

<sup>18</sup> Ludwig August von Rochau, *Grundsätze der Realpolitik II* (Heidelberg: J.C.B. Mohr, 1869), 26–7.

a clear but problematical legacy of the way in which unity had been thought and fought. As Massimo d'Azeglio famously put it, Italy was made: now it was time to make Italians (*'L'Italia è fatta, ora restano da fare gli italiani'*). There was a need for a developmental strategy that fitted with the prevailing sense of the need to create the sinews of a new state.

In 1862 Bismarck stated in his famous inaugural speech to the Prussian Landtag's Budget Commission, a speech that deeply shocked the cautious King Wilhelm I of Prussia:

Germany is not looking to Prussia's liberalism, but to its power; Bavaria, Württemberg, Baden may indulge liberalism, and yet no one will assign them Prussia's role; Prussia has to coalesce and concentrate its power for the opportune moment, which has already been missed several times; Prussia's borders according to the Vienna Treaties [of 1814–15] are not favourable for a healthy, vital state; it is not by speeches and majority resolutions that the great questions of the time are decided – that was the big mistake of 1848 and 1849 – but by iron and blood.<sup>19</sup>

In the age of modern democracies, the Bismarckian language looks extreme. Many modern politicians would not want to talk in this way. They usually specialise in, and survive by, not offending. But not all. In the aftermath of the Euro crisis, Bismarckian language has come back to Europe. Jean-Claude Juncker, the veteran Prime Minister of Luxembourg and chair of the Eurogroup of finance ministers, started 2013 by warning journalists that they should take note of the parallels with 1913, the last year of European peace.<sup>20</sup> He was referring explicitly to new national animosities fanned by the European economic crisis, with a growing polarisation between North and South. The most striking example of the new language of politics was provided during the debate on the first Greek rescue package. On 19 May 2010 Chancellor Angela Merkel told the German Bundestag: 'the rules must not be oriented toward the weak, but toward the strong. That is a hard message. But it is an economic necessity . . . . That must have consequences for the European Union.'<sup>21</sup> The argument was presented in terms of the need for Europeans to provide an appropriate response to financial crisis and to the challenges of globalisation. Europe today is reviving the language of economic necessity and economic strength: and that is also the language of Bismarck. It was the terminology in which the political response to the political, cultural and economic revolutions of 1848 was cast.

<sup>19</sup> Karl-Volker Neugebauer, ed., *Grundkurs deutsche Militärgeschichte. Die Zeit bis 1914* (Munich: Oldenbourg Wissenschaftsverlag, 2006), 331.

<sup>20</sup> Press conference, 7 Jan. 2013, <http://news.rtl.lu/news/national/374419.html>.

<sup>21</sup> Speech in Bundestag, 19 Mar. 2010, <http://www.bundesregierung.de/Content/DE/Bulletin/2010/05/55-1-bk-bt.html>.