

AN AMERICAN LOOKS AT EUROPE, MARCH 2017

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Had *The Tocqueville Review* not solicited from me “an American view” of the state of Europe in the early spring of 2017, I would have hesitated to undertake this exercise in unbridled speculation shamelessly untethered to empirical research. Even with the editors’ kind invitation, I do so with abundant misgivings. This caveat aside, I offer in what follows an inevitably tenuous and intrinsically perishable assessment of Europe’s present predicament (as of March 29, 2017).

The story of Europe today begins, however, in the United States, where a winter of discontent and bitterness arrived with shocking abruptness on November 9, 2016. A century after America’s entry into World War I, which initiated its rise to global dominance, the election of Donald Trump cast a pall over more than half the country while bringing unaccountable joy to the slightly smaller number of voters who believed the candidate’s account of an America on the brink of ruin. It also cast a pall over the rest of the world, including Europe.

It may be too soon to declare that the American Century is over, but it is hard to view Trump’s election as anything other than a signal that the US has for the time being ceased to think of itself as a vanguard nation. It has abandoned hope and allowed fear of the outside world and of its own inner demons to sap its once unshakable confidence in the future. An age in which the world was dominated by the West, and the West by the United States, is now over. The new

world that will emerge from the ensuing chaos is still too inchoate to have a name. At this point in time it seems unlikely to merit the epithet “Free”—an epithet that the dominant West appropriated, not without justification though also not without dissent—for more than half a century. I will try to end on a more optimistic note, but at the outset I must concede that the mood of the moment is somber, not to say desperate.

FROM ECONOMIC COOPERATION TO MILITARY ENTANGLEMENT

The outcome of the American election holds dire implications for Europe as well as for the United States. During the campaign, Trump offered characteristically braying support for Brexit. With equally characteristic contempt for reality he did so in Scotland, which had voted to remain in the European Union. The EU, the new president said, was nothing but a consortium organized against American interests, a free rider on American military might, and a thorn in the side of Russia, led by Vladimir Putin, whose style of leadership he admires.

NATO was also obsolete, Trump further insisted, and its guarantees to defend tiny Baltic states of little consequence for America interests should not be taken as coin of the realm. The warning to Europe was unmistakable: a new world order was about to be instituted, and the United States would no longer be looking out for its former partners in what used to be called the Free World. Made “great” again, at least by Trump’s egocentric measure of greatness, the once “indispensable nation” would henceforth be looking out only for itself. History, whose end Francis Fukuyama had famously proclaimed in 1989, promptly resumed its march.

American ambivalence about NATO comes at an awkward time for Europe. Russia has annexed Crimea, and Russian-backed separatists have a foothold in the Donbass region of Ukraine. Some in Europe—including French presidential candidates François Fillon, Marine Le Pen, and Jean-Luc Mélenchon—believe that Russia’s aggressiveness in the East was provoked by Western overeagerness to bring Ukraine into the EU and that Russia deserves deference to its desire to maintain hegemony over its “near abroad.”

German Chancellor Merkel and Foreign Minister Gabriel are more suspicious of Russian motives, as are leaders in most of the countries

of Eastern Europe, long wary of Russian encroachment. In any event, Putin has been quick to exploit European differences, and allegations have been raised that Russia has sought to influence elections in EU member states by circulating fake news, cyberhacking, and injecting money into selected campaigns (similar charges are currently under investigation in the United States).

Paradoxically, Trump's disdain for Europe may be precisely what Europeans need to galvanize a sufficiently urgent response to their own multiple crises. America can no longer be depended on to defend them or bail them out. In March 2017 [the EU created](#) a headquarters for military planning in Brussels. Britain's impending exit facilitated the move, to which British governments had been lukewarm.

The drive for closer military cooperation, which actually began before the US election, is being led by Germany and France. There is of course nothing in the treaties to preclude military cooperation between the EU and a non-member state, and Britain and Germany will [sign](#) a separate military cooperation pact at the end of March. (Although the British have traditionally been averse to anything that smacked of a centralized European military force, they are open to bilateral treaties, and Germany, eager to keep the UK tethered to the continent despite Brexit, sees a military agreement with the British as a means to that end.)

With progress on closer economic ties stymied by deep differences over the wisdom of a centralized EU budget, mutualized debt, and transfer payments between member states, the military and diplomatic fronts may be the only areas where forward motion toward "ever closer union" is possible. It would be ironic if the concept of a united Europe, initiated by leaders who believed that commerce would foster closer relations among nations and suppress nationalist passions, were to take on the alter ego of a military partnership, or even more strangely, a tangle of pacts and ententes among different groups of countries, as in the period prior to World War I. Contrary to the expectations of the founders, the globalization of trade has spurred the very nationalist passions that trade was meant to suppress, while the cost of defense in a highly competitive world of technologically advanced powers is so high that military requirements themselves generate incentives for cooperation.

THE RISE OF ANTI-EU SENTIMENT

Meanwhile, the continuing influx of migrants from Africa, the Middle East, and Asia has forced EU member states to cooperate more closely on border controls. To date, however, the total budget for defense and border security remains far too small to justify or require the kind of parliamentary controls that have been advocated by institutional reformers in France and Germany.

At the same time, Europe has lost popularity in most member states, but there is no clear trend. To take a case in point, the evidence on French sentiment toward the EU is mixed. Although the most recent Eurobarometer shows that only 51 percent of the French feel “attached” to the European Union, [a La Croix-CSA poll](#) published five months later on March 20, 2017, in the final weeks of the presidential campaign, indicated that 66 percent felt attached to the EU and 67% to the euro. It may be that the overtly anti-EU platforms of two of the candidates have provoked reactions among voters fearful—especially after the Brexit vote in the UK—that the election could lead to disintegration. It is one thing to grumble about “bureaucrats in Brussels” in tranquil times but another to face the possibility of actual collapse.

Marine Le Pen on the far right and Jean-Luc Mélenchon on the far left are calling for “Frexit” on the grounds that there is no other way to restore exclusive national sovereignty over budgetary and regulatory matters—sovereignty which they insist is both necessary and sufficient to resolve the problems that have bedeviled two successive French presidents. The Socialist candidate Benoît Hamon has taken up economist Thomas Piketty’s proposal for a revamped Eurozone Parliament to bring greater democratic management (and legitimacy) to the common currency, but European commissioner for the economy and monetary affairs Pierre Moscovici has rightly [criticized](#) the plan as an impractical “dream”: “One has to start with Europe as it is, not as one dreams it ought to be.” Although the CSA poll indicates that only 28% of the French favor exiting the EU, Le Pen, the more strident of the pro-Frexit candidates, is the preferred choice of almost that proportion of voters by herself, and Mélenchon claims an additional 13%. Support for pro-Frexit candidates is thus considerably more widespread than support for Frexit itself.

The reason for this is not far to seek. Opposition to “Europe” now functions as opposition to capitalism used to function: it is a rhetorical badge of “radicalism,” proof that one is not in any way complicit with the existing “system,” the disappearance of which is taken to be the prerequisite for any improvement in the status quo. The EU reaps the blame for everything that is not right. The causal mechanism is seldom specified or analyzed, however, nor is the superiority of any putative alternative convincingly demonstrated. This is radicalism on the cheap, predicated on the assumption that what is different can only be better. The inertia of what exists is minimized, and the transformative, disruptive power of the unknown and untried is magnified as only a projection on a *tabula rasa* can be.

In contrast to the radical options of exit or impossible institutional reform, the centrist candidate Emmanuel Macron characteristically prefers to “strengthen the Franco-German couple” that is at the heart of European construction. Ultimately, he, [like his erstwhile German counterpart Sigmar Gabriel](#), envisions institutional change similar to that advocated by Hamon: a centralized budget to be decided by the European Parliament. But Macron promises to get there incrementally, and only after demonstrating to Germany that France can honor its commitment to achieve stricter budget discipline.

Critics denounce this as merely more of the same, “muddling through,” a recipe for continued dominance of German ordoliberal preferences for rules over discretion, austerity over stimulus, and for the famous *schwarze Null*, the zero-deficit nirvana that is supposed to give backbone to otherwise spineless politicians inclined to spend their way out of whatever troubles arise. Macron is accused of promising a continuation of François Hollande’s submissive stance toward German hegemony. Since Hollande’s timid efforts at reform are widely regarded as an abject failure, there is considerable skepticism that Macron can do any better with nothing to offer but more of the same.

The possibility that some reforms work slowly—*il faut donner du temps au temps*, as François Mitterrand put it—is discounted, as is the possibility that a shift in the balance of power in Germany’s Grand Coalition, from Christian Democratic to Social Democratic dominance, might make Macron’s cautious gradualism a more attractive (because less risky) choice than more radical alternatives. Of

course, it is too early to say whether polls showing Martin Schulz for the first time ahead of Angela Merkel in the race to become the next chancellor will prove prophetic. The SPD's disappointing performance in the Saarland regional election in late March is a sign that Schulz faces an uphill fight. What is certain, however, is that if any of the candidates proposing a French exit from Europe should win the presidency, the pressure in the European pressure cooker will build to dangerous levels.

Yet right-wing, anti-EU populism is by no means certain to win. This was the lesson of the March 2017 Dutch elections, in which Le Pen ally Geert Wilders, another anti-Islamic, anti-EU xenophobe, did less well than expected. It was also the lesson of the 2016 presidential race in Austria, which the populist Norbert Hofer lost (lost twice, actually, after a court ordered a second election because of procedural flaws in the first). But the French presidential runoff on May 7 will be decisive: if Marine Le Pen loses, the populist wave will have been turned back, although the Front National will remain a powerful force in French politics, perhaps powerful enough to subsume the faltering party of the mainstream right, Les Républicains, who have struggled to regain their footing as the candidate chosen in their first-ever primary, François Fillon, has had to contend with nepotism and influence-peddling charges after rashly making his scandal-free past a central element in his campaign against rivals Nicolas Sarkozy and Alain Juppé.

If Le Pen wins, however, the consequences for Europe are likely to be catastrophic. She promises to hold a referendum on taking France out of the EU and reverting from the euro to the franc. A "Frexit" would be far more devastating than the "Brexit" for which UK voters opted in June 2016. Unlike France, Britain was not a founding member of the EU and never entirely overcame its initial Euroskepticism. It did not embrace the euro and in several respects negotiated a special relationship for itself, neither wholly in the EU nor unambiguously outside it. Although the Brexit vote is now nearly a year in the past, the British parliament has only just voted to authorize a formal filing under article 50 of the relevant treaty, which will begin the exit negotiation process. Hence the complications of exit will not be fully apparent to French voters before they go to the polls to elect a new president.

Mme Le Pen is painting the exit option as a return to halcyon days of low unemployment and high growth but without explaining how she intends to achieve those miracles in a global economy that no longer resembles the economy of Les Trente Glorieuses. Frexit would thus be a leap into the unknown. Yet current polls show that more than 40% of the French (of both left and right) are so dissatisfied with the status quo that they would be prepared to take the risk—or at any rate to cast a protest vote threatening to jump in the hope that it will concentrate the minds of the people currently in power. Those contemplating such a protest vote—and the *ras le bol* protest vote has always been a part of the FN's strength—will be gambling dangerously, since there might just be enough of them to push Le Pen at last through the glass ceiling that has previously blocked the party's rise whenever it came close to power, as in the last regional elections.

IF NOT COLLAPSE, THEN WHAT?

Assuming the EU survives the French election, then what? The continent has been beset by slow growth in the wake of the Great Recession, which began in 2008 and whose end is not yet in sight anywhere but in the United States. Is there any hope of restoring economic growth? The euro has come in for more than its fair share of blame. Like the gold standard, a currency union imposes restrictions on its members. When trade deficits increase, members of such a union cannot restore balance by devaluing, hence deficit countries must lower the cost of their exports by cutting wages. Euphemistically, this is called “internal devaluation,” but what it means in practice is imposing hardship on wage-earners, whose indebtedness and cost of living does not decrease with their wages.

Of course, the necessary adjustment can also occur if countries with trade surpluses allow their unit labor costs to rise. Both mechanisms have been seen in Europe in recent years. The Germans, whose export-led growth strategy relies on strict wage discipline, have responded to the cries of pain from southern Europe, which bore the brunt of the adjustment cost in the early years of the crisis. Over the past three years, however, German unit labor costs have risen more than 5 percent while Spain's have held fairly steady.

Despite this and other signs of increasing German flexibility in the face of continued slow growth and concomitant exacerbation of

intra-European tensions, some economists argue that the Eurozone is so far from an optimal currency area that more drastic reforms are needed if the single currency is to be made viable. Joseph Stiglitz, for example, [has proposed](#) a “two-speed” Europe, with different currencies and rules for countries of the north and south. The Eurozone could, for instance, discourage trade surpluses by taxing them, and it could further apply the proceeds to investments in deficit countries. It is not clear, however, that policymakers are yet prepared to countenance such radical measures. For the moment, they prefer to muddle through, with a good deal of help from the ever-resourceful Mario Draghi at the European Central Bank. As the US begins to move beyond the Great Recession, however, and as European inflation shows signs of returning despite the absence of robust growth, Draghi’s task will become increasingly complicated.

Among the unfortunate consequences of the euro crisis is the way it has distracted attention from far-reaching structural changes in the broader European economy. The “broadening” of the EU has led to a reorganization of supply chains. Germany, in particular, was quick to take advantage of a plentiful supply of relatively cheap labor in the countries of what used to be called Central Europe, with which it had deeper historical ties than other founding member states. The German ability to capitalize on broadening, coupled with pre-existing German advantages in worker training, industrial organization, and stable sources of long-term industrial financing, firmly established the Federal Republic as the dominant economic force in Europe and at least temporarily compensated for potential weaknesses such as an aging population, low home ownership rate, and excessive savings.

In some respects, Germany’s embrace of more than a million refugees may be seen not simply as an act of compassion but also as an investment likely to pay future dividends. If the newcomers are successfully integrated into the economy, they will rejuvenate the work force and support future retirees more generously than the native population alone could have managed. There are risks, of course, and only time will tell whether they can be effectively contained.

CONCLUSION

If these are far from the happiest times Europe has known, they are also far from the worst. The concatenation of the euro, refugee,

and Brexit crises has spawned innumerable prophecies of gloom and doom. The pessimism may be overdone, however. Indeed, there are signs of a backlash against the backlash, such as the sharp decrease in anti-EU sentiment in France mentioned above. Since the advent of the EU, it has been a habit of both European governments and European peoples to externalize blame, to suggest that present woes could be eliminated if only the European straitjacket could be eliminated. But as nationalist movements threatening to remove the straitjacket have gathered strength, many have begun to question the efficacy of that easy nostrum. 2017 may well prove to be a crucial year in testing the resiliency of Europe's bonds.

ABSTRACT

This speculative essay considers, from an American perspective, the state of Europe in late March 2017. With the United States seeming to distance itself from Europe both militarily and economically in the wake of the election of Donald Trump, the EU finds itself facing new challenges. Will member states seek closer cooperation on border and security matters owing to their inability to make further progress toward economic integration? Will populist opposition to the EU intensify the crisis provoked by the British vote to leave? What implications do impending elections in France and Germany hold for the future of "ever closer union?"