

“One-Europe”: Destiny or Fallacy?

July 14, 2011

“From the rubble of the Second World War – starting in 1950 – we have created out of formerly warring nations, the Europe of today. It stands between the anvil of the USA and the hammer of Russia. It is one economic zone across 27 countries united by one currency. It has built the future structure of one European government through institutions in Strasbourg, Brussels, Luxembourg and Frankfurt. Its present partnership of 27 governments is unprecedented in the history of man...

“How can we let this construction fail because of financial stresses experienced by some of Europe's smaller nations? How can we let our currency, the euro – symbol and facilitator of our economic unity – lose even one member let alone disappear altogether? How can we let bond markets and their understandable need to protect their narrow, moneyed interests determine the political and cultural destiny of a continent that began its journey when Pope Leo III crowned Charlemagne Emperor^[1] in 800 A.D.?...

“It is unthinkable that a leader of any European country or institution would be the agent of Europe's demise. Ours is a Europe that for over 65 years has prevented war and brought prosperity; has generated a new person – the European person; has nourished a common culture incorporating and transcending the 23 languages and multiple national and ethnic cultures of the continent....

“We cannot turn our backs on history. We, the leaders of Europe, must do whatever it takes to make the One-Europe of tomorrow possible through our actions today. Stay calm as we navigate through the current turbulence. Know that we are on the side of history building what is destined to be.”

I made this speech up. But it could be given by any of, or any composite of, Angela Merkel, Nicolas Sarkozy, Jean-Claude Trichet, Jean-Claude Juncker and endless members of the Elites of Europe – political leaders, Brussels bureaucrats, academics, business leaders and so on.

The “Europe-is-destiny” or “Europe as a one-way street with no turning back” ideas in this speech, represent **the** central premise behind everything the European Elites are doing to attack the euro-financial crisis you read about each day. It is **the** premise that lays behind political leaders’, central bankers’ and top officials’ defense of sovereign debt. It is **the** premise behind their defense of the euro. It is **the** premise behind actions taken to deal with the daily barrage of problems about the essentially technical details of default likelihoods, interest rate spreads, fiscal health etc.

Believing in and following the logic of this premise **might** lead Europe’s elites to resolve this crisis once and for all. It **might** lead to real fiscal union. It **might** lead to a common Europe-wide bond backed jointly and severally by all the European countries (and notably Germany). It **might** lead to an assumption by taxpayers of wealthier countries of the debt-repayment obligations of the weaker ones.^[2]

But, at the point where the “Europe-is-destiny” premise meets the reality of that premise’s cost, something else “unthinkable” might happen. People might reexamine the premise. It is never easy for any single human being, let alone a collection of human beings who all think like-mindedly and reinforce their like-mindedness, to truly reexamine a thought deeply burned into their mental circuitry. It is even more difficult to discard a premise that has been guiding their lives. In fact, the task is so hard that only the persistently high costs of some negative reality can ever have a chance of shaking people's attachment to what they believe is truth.

Interestingly such a negative reality with all its attendant costs is now upon Europe. The negative reality that Europe is now experiencing is so great that I suspect we will hear more in the coming years

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from intelligent skeptics of the “Europe-is-destiny” premise. Listen to what one of them has to say:

“I am fully aware of the attraction of the European experiment. Yes, there is this entity called “Europe”. It does have a culture with many common traits. It does have geographic contiguity. It does have good and sound reasons for the common economic area it has created – giving every business in every country the productivity benefits of accessing one large marketplace. It does have reasons for a joint-defense force currently embodied in NATO to deal with the event, however remote now, of Russia resuming its historically aggressive, expansionary policies...”

“But let me tell you what is fallacious about the “One-Europe” the European Elites believe is so destined to happen. Let me re-describe for you the last 1,200 years of Europe’s history to show you why we are at a stage today which is very unlikely to evolve into the One-Europe they expect. I believe there have been 4 stages of Europe’s history. The dates are approximate and different countries went through each stage at different dates. But I believe these stages roughly tell a story.

“Stage 1 was the “Partnership Stage”. It began in the days before Charlemagne – say 700 A.D. – and lasted till about 1500. The King was like a senior partner; the Lords partners; and other vassals’ junior partners. The commoners and peasants were non-partners, like employees-at-will. Ties among the partners were complex. There were also ties between partners and non-partners. This partnership system was called Feudalism...”

“Stage 2 was the Sole-Proprietorship Stage. It lasted from about 1500 to 1800 (in places like Germany till 1917.) This was the era when the Monarch (or whoever had executive power – for example, even the US Presidency in 1776) gained power at the expense of former partners and junior partners. The old feudalistic partnership model fell away. The Monarch (or whoever had executive power) largely ran the show. He was aided by an organizational discovery – bureaucracy – which enabled him to exercise his control (including taxing powers) deep into the country he ruled...”

“Louis XIV was the quintessential sole-proprietor executive. He had former Lords and junior partners leave their power bases in the countryside and caged in the gilded palace of Versailles where he had them under his thumb. He ran the country with a powerful bureaucracy that later made it possible for “usurpers” like Napoleon to take France over in one lightning coup d’état...”

“It was during this Sole-Proprietorship Stage that European states as we know them today coalesced. Without very strong proprietor-executives at the top, development of modern European states would not have happened. Germany was a prime example. It was the last of the big European states to form. Between the 1850s and 1870s Bismarck as agent for the Kaiser merged with Prussia a host of principalities to create the Germany of today. Bismarck proved that centralized power, force and state-building were inseparable...”

“Stage 3 was the Corporate Model Stage. It overlapped with and replaced the Sole-Proprietor model with elected parliaments, executives and elections. It began taking hold from 1750 to 1850. In most countries it has lasted up to the present. But in Europe it began to give way to a successor – Stage 4 – about 1950. I will talk about Stage 4 in a moment. The distinguishing features of the Corporate Model were three. Institutions (like Parliament or the Presidency) became more important than personalities. Personalities were replaced on a regular schedule – at election time. Commoners of the old feudal and sole-proprietorship eras – now called “The People” – gained power and in fact “The State” more and more served “The People”. The Corporate Model is still with us today. It runs the individual states of Europe. But remember the Corporate Model owes its existence to the “blood and iron” wielded by the

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sole-proprietor Kings and Queens of ages past: the territory it has power over and the bureaucracy it uses to wield its power were all established by sole-proprietor monarchs (or in the exceptional case of the US in reaction to them and by an expansive Presidency and Federal Government)...

“Stage 4 is the Modern Partnership Stage. Among all the nations of the world, only Europe has entered this stage. I call it the Modern Partnership Stage to distinguish it from the old Feudal Partnership. The Modern Partnership Model is a hybrid. Twenty-seven European states each running individually on the Corporate Model are trying to build an entity called “One-Europe” where all 27 are more or less equal. Some partners (Germany and France) are more senior than others (Belgium and Greece). But like all partnerships everyone has a seat at the table, a vote and a veto. No partner, however senior, can act as sole proprietor and dictate what it wants...

“Yet Europe is doing something even more complicated. The 27 states of Europe trying to build One-Europe as partners have an end-game. One-Europe will eventually morph back into the Corporate Model. For example, the partners generally accept that “some day” One-Europe will have “One European Treasury” with “One Consolidated Fiscal Policy” and “One Eurobond”...

“But here’s the problem. History shows that, in the political realm, creating a Corporate Model with one boss at the top is not what partners do voluntarily. Someone has to seize the nettle, take over the show, and have the last word over the partners. In addition, the Corporate Model of each European state is an elected democracy. This is not an era when any state can take any leadership role without the acquiescence of its population. And tell me, do you think the populations of the individual European states want the partner role that each of their states has now to be sacrificed for “employee status” in the future One-Europe Corporate Model which the European elites say is destined to be?...

“In the commercial world how many times have we heard that “bigger is better” and then seen huge mergers or acquisitions lead to the opposite? How often have blockbuster mergers and acquisitions in the business world led to divestitures and breakup? And in the business world do we regard these reversals of corporate empire-building as horrible regressions down history’s one-way street or as healthy corrections of corporate structures that were too big for their own good?...

“To go back to Europe, could it be that the elites’ obsession with historical destiny is taking a good thing too far? After all, Europe in its current state has had four big achievements. It is now a much-expanded and healthy economic region. It has brought Europe closer together culturally particularly at the level of the elites. As long as it maintains a common defense it will be a relatively independent force between America and Russia. And it has made a thing of the past any ambitions by one European country to attack and dominate another...

“Could it be that a desire for a common currency and the dream of a One-Europe Corporate Model is going too far? Might it be that history means Europe to be a partnership of well-put-together states in a relatively open economic market and no more? Have the European states that make up this partnership perhaps found their “right size” and don’t need to be “super-sized” into some giant merged Corporate Model?...

“Could the elites, in short, be defending a model that, far from being destined, is a fallacy – all the more alluring because the elites themselves would have more power over a more powerful One-Europe Corporate Model than they have in their own states today?...

“Maybe the common sense of the average German, Greek, Irishman, and Spaniard is sending a signal

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to these one-way-street elites: "stop the mega-merger of One-Europe; its costs are too high; its benefits not clear"...

“And if I am wrong, what harm is there in taking time out to review the premises on which all this energy for One-Europe is being channeled. Speaking of historical lessons, haven't we had enough troubles from elites over the past few centuries who thought they knew – and had theories to rationalize what they thought they knew – what destiny was for their nations and peoples?”

Of course, I have also made up the character who spoke these lines. Let's call him (or her) a Lone European Voice. I have given The Voice a longer part because the content of its speech is so rarely discussed that it requires more space in which to explain itself.

Does this Lone Voice have a better read on historical realities unfolding before our eyes? Or do the Elites of Europe? One thing I know for sure: the fact that I could make the case so easily on either side of the destiny/fallacy divide tells me, and us, that a debate on the future of Europe will be more involved than is generally recognized for the simple reason that it has not even begun to seriously examine the central premise on which it rests.

— John Allison

^[1] Precisely: Holy Roman Emperor.

^[2] Or another variation of this: it might lead to European countries, individually or severally, using taxpayer funds to recapitalize their banks in an amount that would allow these banks to realistically write down both bad sovereign and private debt.

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