

## **Building Strength: What Way Out for Europe?**

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Europe is in the grip of a debt crisis and a political crisis. Debt can be a political poison, or it can become what Alexander Hamilton hopefully styled "the strong cement of our union." History offers two contrasting models of how apparently excessive debt can be handled, coming from two contrasting political traditions. They are associated with two revolutions, one peaceful and wealth-enhancing (1688 in England), the other violent and destructive (1789 in France).

Europe has not gone about constitutionalization in the way traditionally associated with state formation, and with the British example of 1688, or with the often-cited case of the United States, where the fiscal framework provided by Alexander Hamilton's controversial debt mutualization followed a constitutional settlement deeply influenced by the lesson of 1688.

Europeans find it hard to find a positive way of describing the exercise in which they have been engaged for the past half century. One common interpretation is that integration is simply the best or most convenient way of making people better off. But such a basis for identity leads to big backlashes when there is no growth and no prosperity. The essay examines what can be done to create a better framework for solidarity and political coherence.

What is needed is a new flexibility: not a replication of any sort of existing state. The primary goal of such flexibility should be to avoid the build up of expectations about support – or bailout – from common political institutions; and at the same time build an awareness of Europe's unique interconnectedness. Such a flexible solution would involve regional variations in monetary policy (through differing collateral requirements); and transfers that are handled as individual payments and entitlements, rather than from state to state. A European-wide social security system would not only be a logical completion of the labor mobility requirements of the single European market.

Preserving democracy in the face of antagonistic competing claims on the state involves the elaboration of mechanisms for giving citizens a share in a joint project – both materially and imaginatively. That was essentially the lessons of 1688: payments can become an act of solidarity when people believe they may benefit, and know that they

won't be expropriated, because overall liabilities are legally and politically fixed. The alternative lesson is that of 1789, that when claims become too complex as well as too large they trigger a distributional free for all in which solutions can no longer be negotiated, and need to be violently imposed. Europe today should be looking for its 1688, and not for a reenactment of 1789.