

History will not be rushed

In the aftermath of the 'double no' vote on the draft European constitution, much has been written about the crisis in Europe. David Rowe argues that, while much of this is overblown, trying to rush history can be a risky undertaking

Markets dislike uncertainty in general but detest political uncertainty most of all. This was demonstrated again in the aftermath of the double rejection of the draft European constitution by France and the Netherlands in May. The euro hit recent lows against the dollar, a trend that was exacerbated by open discussion of a desire on the part of some in Italy to withdraw from the eurozone and restore the lira. If anything, however, market reaction was mild compared with the hyperventilated rhetoric that was triggered by this rejection. Much of the reaction could lead one to believe that a new dark age is about to descend on the entire continent. Clearly the current political uncertainty has increased financial and economic risk, but the more important issue is how political leaders respond to the new realities.

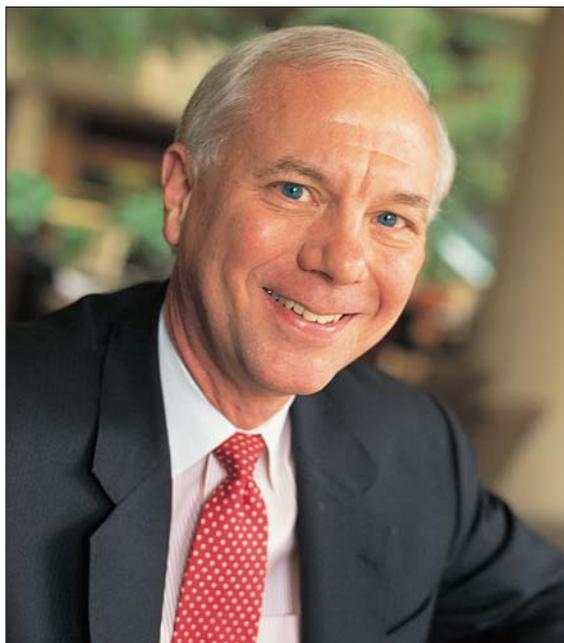
Don't forget the achievements

It is worthwhile at this juncture to pause and appreciate the remarkable achievements of the European project in the past 50 years. In 1952, the Treaty of Paris formed the European Coal and Steel Community. From this small beginning emerged the European Economic Community, the European Free Trade Association and, through the Maastricht Treaty of 1993, the current European Union.

In the process, Europe was transformed beyond all recognition from a collection of warring camps that characterised the first half of the twentieth century. With the help of the Marshall Plan and the leadership of towering figures like de Gaulle and Adenauer, Europe was able to restore its economic foundations and avoid the vindictive imposition of tribute on the defeated nations that followed World War II. It is now hard to conceive a circumstance in which one of the 25 members of the expanded EU would seriously contemplate initiating an armed attack on another. All these things represent accomplishments for which both Europeans and the world at large should be deeply grateful.

The people speak

Nevertheless, there is deep significance in the 'double no'. It has been clear for many



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years that deepening European integration was an important objective for a broad spectrum of politicians. In more unrestrained moments, there has even been talk of an eventual United States of Europe, an obvious reference to an entity that emulates the balance of power within the federal model in the US. Quite clearly, however, the political class in Europe has run well ahead of what Europeans in general believe is acceptable. Some historical perspective is helpful.

The US constitution came into effect in June 1788 when it was ratified by the required nine of the 13 states. Nevertheless, 72 years later, in 1860, most people thought of themselves as New Yorkers, Pennsylvanians, Virginians or South Carolinians first and Americans second. Despite a common language, it was not until the late nineteenth century, more than 100 years after the formal creation of the US, that most people began to feel like Americans first and citizens of their states second.

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Clearly, there are deep divisions within Europe regarding appropriate social and economic arrangements. Significantly, both sides in the constitutional debate in France appealed to defence of the French social model to support their case. Condemnation of the Anglo-Saxon model of greater competition, more individual responsibility and fewer social cushions was pervasive. I personally disagree with the French view, but it is hard to deny that it represents a broad national consensus. Why, it must be asked, should one model of the appropriate balance between individual and social responsibility be imposed on states where the internal consensus across them is so diverse?

Reducing or eliminating tariff barriers has contributed enormously to the emergence of world-class European firms in many industries. There are many remaining areas, however, in which harmonising requirements across Europe and reducing national market barriers would be beneficial. Dismantling legal and procedural obstacles to the development of a truly European-wide securities market is one example of unfinished business.

It is worrying, however, that some of the 'no' camp arguments in France and the Netherlands appeared to questions long-settled issues within the EU. Carried to their logical conclusion, these arguments threaten the much freer movement of goods, services, labour and capital that are the central achievement of the European project to date. Trying to rush a deeper European integration risks the possibility of reversing gains of the past 50 years. The resulting political backlash could well prompt increased non-tariff barriers, such as discriminatory application of regulations, hidden subsidies and procedural barriers to migration.

It took more than 100 years for the US to emerge as a truly unified nation. With the divisions of language, history and culture that characterise Europe today, forming a United States of Europe will take at least as long. In the meantime, the slow and difficult work of maintaining and extending the gradual economic integration of Europe must proceed or we risk losing the hard-won gains of the past 50 years. ■