Europe 1957, 2011 and 2020: a Christmas carol

Foreword

‘If we want to build a decent and sustainable future we must not only be aware of the past, it must be at the forefront of our minds at all times.’

Konrad Adenauer

‘And downtown, in higher circles of interest, people may have been saying: What is with this professor, what is he talking, his pilot light has gone out.’

Saul Bellow, The Dean’s December

Today, in 2011, we are living in a changing and unpredictable world, in a crisis and the EU has tried to build a powerful strategy towards 2020 for fostering EU’s growth influencing our everyday lives in a positive way.

The EU has established three ambitious pillars for the EU 2020 strategy: The EU economy should become a smart, sustainable and inclusive economy for the mutual benefit of EU member states and sustain their effort to deliver high levels of employment, productivity and social cohesion.

To measure the achievement of the Europe 2020 goals, the EU formulated in 2009 five ambitious targets on employment, innovation, education, social inclusion and climate/energy. This set of EU-level targets is translated into national strategies in each EU country, reflecting different situations and circumstances.

My fellow Europeans, this sounds nice and technical but let’s face it: 2020 is far away. Maybe too far away if we are honest. If we look at all the urgent problems and challenges of today. Shaping 2020? Shaping the future? Or should we rather worry about today? About the danger today for the EU growth machine, due to instability, debt and the euro. Without a well functioning Internal Market there will be no smart growth, no sustainable growth and no inclusive growth: without a well functioning Internal Market there will be no growth at all!

Today is the only moment that our life takes place. Let me convince you today that it is worthwhile to travel in time, back to where we came from in Europe in 1957, forward to what we want to be in 2020, looking in the mirror of 2011 to see who we really are. We need the understanding of the past, the mirror of today to have the power, the courage to do what we have to do in the future.

Let me convince you that the German Chancellor of 1957 Konrad Adenauer, one of the founding fathers of the European Union was right when he said that a good understanding of the past is necessary if you want to have a decent and sustainable future.

My fellow Europeans, today I am going to speak to you not only about the future of the EU 2020 but also on Europe 1957 when it all began, and on Europe 2011, Europe present. Like in the story of the
Christmas Carol (1843) of Charles Dickens (1812-1870) I will haunt you with ghosts, three ghosts, from the past, the present and the future. So I hope that you are ready this morning for some time traveling. As human beings we have the habit of looking forward. Looking forward to something nice, meeting with friends, a holiday, a visit. Looking forward also to something that is not so nice but that we have to do, going to school, visiting a doctor, going to court, planning work to do. To use the motto of this symposium: we look forward to prepare and shape a sustainable, smart and inclusive future. At least if you are not a crook. We also look forward if hope is the only thing we have left, if we think a brighter day will come. If we are bouncing back after a deep fall. As Annie sang it in the great musical: Tomorrow, tomorrow, the sun will come out tomorrow. The sun will come out tomorrow, bet your bottom dollar that tomorrow they’re be sun!

You all know that story that Charles Dickens told us in his Christmas Carol. Miser Ebenezer Scrooge is awakened on Christmas Eve by spirits who reveal to him his own miserable existence, what opportunities he wasted in his youth, his current cruelties, and the dire fate that awaits him if he does not change his ways. Scrooge is faced with his own story of growing bitterness and meanness, and must decide what his own future will hold: death or redemption.

The Ghost of Christmas past has already appeared on the stage of this symposium room, it is 1957, look, the ghost says, and see: Look at Europe 1957, still recovering from the Second World War, there is still hunger and food distribution, Western Germany is still occupied territory. The losing countries of the War want to shape their common future by taking care that the past of war, the past of nationalism and protection will not happen again. They form a Community for Ever Closer Union and to remove borders. They sign the Treaty of Rome.

The Treaty of Rome that laid the foundations of European integration was signed in 1957 with great symbolism. The signature took place near the graves of the apostles Peter and Paul. This Treaty was a serious thing. Comparison was made by several speakers such as the Dutch finance minister Witteveen between the European Community and marriage.

In 1957 the Second World War, its victims, misery and hunger was still close, in the minds, in the streets and in the economies. The situation was totally different from today. In fact the original founding countries of the EEC were all World War II losers in one way or the other. They lost the War, were collaborating or lost a major part of their industrial capacity. Western-Germany did not even have full sovereignty and was still occupied Allied Territory. But the Treaty built on Hope and a New Deal. The Treaty in many respects, in particular in economic terms, was prophetic and showing that lessons were learned from what happened in the nineteen thirties, the nationalism and protectionism. The market economy played a bigger role than it had before the War. Germany e.g. had entered the War as a planned economy, its major banks had been nationalized not long before the War. The Treaty of 1957 postulated in article 107 that in a Common Market, that was the main objective, the vehicle of Peace in the Treaty, there must be some form of Monetary Union, a common currency or something very close to it, fixed exchange rates. In 1957 there was no urgent need for a common currency as all EC countries were in the Bretton Woods System pegged to the US dollar and the US dollar to gold. In 1957 the Treaty stated that exchange rate stability per se is necessary if that is seen from the broader perspective of European integration. In 1957 it was understood that the difference between the crisis of the 1930s, nationalism and protection on the one hand and peace and prosperity on the other was a Common Market. In 1957 it was understood that a Common Market required free movement of capital and labour. In 1957 people were poor but there was a sense of Community, of solidarity, of having a stake in each other; of sharing, of suffering when other countries and persons were suffering.

Please Spirit of Europe’s past, haunt us no longer, this past is painful to see. A new Spirit is entering to show us ourselves as we are today. Look, the Ghost of Europe present already appears on the stage.
Today key lessons of the Treaty of Rome, e.g. on the need for Monetary Union in an Internal Market as was laid down in article 107 EEC, seem forgotten and its great Spirit disappeared. If this remains like this the EU2020 Strategy will be difficult to realize. EMU, European Economic and Monetary Union, will be threatened further. At present wages are too low and profits are too high to make a social economic success. At present we think that in a Europe with completely free movement of capital, 27 EU countries, very large and very small can go to the capital market individually and independently. It does not work.

At present we have forgotten that once our countries were young and were all poor. We have forgotten that we needed one currency for all the countries participating in the Single Market. We have forgotten what we learned from the 1980s and 1990s namely that in the Exchange Rate Mechanism exchange rates were under attack until we moved forward to monetary union. At present the smart, sustainable and inclusive growth is sacrificed to cutting debt. If every country is cutting back debt at the same time we get the crisis back of the nineteen thirties.

The Ghost of Europe future pushes away the Ghost of Europe present. It looks grim and merciless. As Ebenezer Scrooge puts it in the Christmas Carol when meeting the Ghost of Christmas Future: Ghost of the Future, I fear you more than any specter I have seen.

The Ghost of the Future shows us a grave. Countries and people are nevertheless happy. Dying is the nicest thing you could do for us they sing. It is Europe in the grave. There is no social Europe, no smart Europe, no sustainable Europe any more. There is social misery and danger of war.

Suddenly we all wake up and realize that change in our behavior and thinking is needed. We understand that we are brothers and sisters and we have a stake in each other. Let us clear all the over 60% of GDP debt of all countries collectively, also the German one of € 600 billion.

Only if all the key concepts of the 1957 Treaty, solidarity, efficiency, stability, equity, are respected the EU2020 Strategy can be a big success in terms of smart, sustainable and inclusive growth. This entails e.g. EMU clearing, the collective refinancing of excess government debt (above 60% of GDP) of EU Member States [see table]. Thus the project of EU2020 will be saved like Tiny Tim is saved by a changed Scrooge in the Christmas Carol Story.

Let us create real complete mobility in Europe and allow immigration that is needed for growth and humanity. Let us introduce the euro in all EU countries or fix the exchange rate with the euro. Let us stabilize the Internal Market if needed by a European fiscal policy e.g. by lowering EU contributions, transfer stability funds. Let us in exchange for that and because of the lower potential growth decrease the maximum national deficit to 1,5% or lower. Let us build a framework where labour gets a fair share of the economic production which ensures enough demand and provides for profitable investment opportunities for financial capital owners. Let us for solidarity sake in an aging Europe work longer every working week, half of the Saturday e.g. and retire later and get a higher pay that compensates and partly compensates for working longer. Let us really go for lifelong learning and provide for a second formal education period half way of our lives. Let us further enlarge Europe and foster growth outside Europe where people starve and lack water and security.

Europe will flourish: yes we can. And the final words will be those of Tiny Tim: God bless us. Every one.

Andre Kolodziejak

Professor of Economics, the Netherlands, Economist at the European Commission

andre.kolodziejak@gmail.com