Conference Report

Integration or Disintegration?
Europe at the Crossroads in 2016
The view from Germany, Greece, Poland and the United Kingdom ¹

28 April, 2016

¹ This conference was hosted at St. Antony's College, Oxford University, in partnership with the Oxford Martin School, which hosted the preceding companion conference on The Future of Europe: The Drivers of Change on April 27, 2016. The two-day conference was, inter alia, part of a series of events in celebration of the fortieth anniversary of the founding of the European Studies Centre at St. Antony's College.
Integration or Disintegration? Europe at the Crossroads in 2016
The view from Germany, Greece, Poland and the United Kingdom
Oxford, 28th April, 2016

This report draws on discussions at the conference on the “Integration or Disintegration? Europe at the Crossroads in 2016”, which was held in Oxford (at St. Antony’s College) on 28th April, 2016, and was jointly organised by the European Studies Centre (ESC), the programme on the Political Economy of Financial Markets (PEFM), and the Oxford Centre on Global History (OCGH). This conference comprised the second of a two day conference in Oxford, and focussed on issues affecting the European Union, through the eyes of four countries (Germany, Greece, Poland, and the United Kingdom). The participants included academics and practitioners from Europe and the U.S.A., as well as from Oxford University itself. The report represents the organizers’ interpretation of discussions at the workshop and does not purport to reflect the views of any of the participants (except where specified).

One hundred years after the bloodiest battles of World War 1 were fought in Northern France (and as their centenaries were being solemnly commemorated), and some 60 years after the first steps were taken toward the establishment of the European Union (EU), Europe in 2016 faced again a profoundly dangerous concert of destabilizing events. For the first time since the inception of its earliest manifestations in the 1950s, there was a very real threat that the EU could begin to disintegrate. If this were to happen, it could unravel an evolving cooperative arrangement that had been designed—in part—in its origins to banish forever the possibility of conflict between European nations.

In April 2016, when this conference was held, the Eurozone crisis was quiescent but only partly resolved, the migrant crisis was straining the EU’s consensus, and the referendum on Britain remaining in the EU lay only two months ahead. Those at the conference were all too aware that the summer of 2016 had the potential to be a crucial turning point for Europe’s destiny.

Things have changed enormously since the Brexit referendum. Nevertheless, the discussions at the conference ranged much more widely than just over the position of Britain within the EU, and they remain of interest because of this. It is not possible to provide an overall summary of what was said, since speakers seemed to be pointing in so many different directions. The only common feature which in fact emerged from the remarks was a sense of unease and pessimism.

---

2 The conference was convened by John Darwin (Director of OCGH), David Vines (Acting Director of PEFM), and Jan Zielonka (former Director of ESC), organized by Adam Bennett (Deputy Director of PEFM), Mahnaz Safa (Citi), and Stuart Sweeney (OCGH), and supported by Citi, which contributed to its funding.

3 The conference on the first day (April 27th, 2016) was held at the Oxford Martin School and focussed on the longer term issues facing Europe as a whole, including geopolitics, demographics, pension provision, and trends in innovation and competitiveness. This conference is covered by a separate report http://www.oxfordmartin.ox.ac.uk/publications/view/2174
It is worth reviewing the discussions that underlay this foreboding, as policymakers in Britain, and in the other EU member states, begin to make decisions about what to do next.

This conference was set up to analyse the EU’s developing existential crisis from the perspective of four countries: Germany, Greece, Poland and the United Kingdom. The first was a founding member of the EU, the rest were later arrivals in successive decades, and all of them had different reasons for joining. Two were members of the Eurozone, two were not. One was (for the moment) the undisputed hegemonic power in the EU, another found itself returned to its historic role of semi-vassal state, while the other two operated in less obedient orbits around the centre. Few seemed entirely happy in this constellation.

The sessions in the conference were structured around the following three key questions, each of which formed the basis of one of the sessions.

(i) What were the original ambitions of these four countries in joining the EU, to what extent had these been met, and what were their current concerns?

(ii) What were we to make of the economic and financial architecture of the EU—was it doomed or would it work—and how did all this fit into the evolving globalized economy?

(iii) In what way and how strongly did these four countries feel “European”, was there a common European identity which they can all recognize, and how did this square with nationalist identities? Was this European identity strong enough to meld the EU into “ever closer union” or not?

What follows provides a summary of what was said in each of these three sessions.

*Whither Europe?*

The conference began with two keynote speeches outlining the overarching political and economic issues bearing on the EU. Lord Patten argued that the British 2016 “Brexit” Referendum on Europe had its roots in the long-standing split within the Conservative party over Britain’s place in the EU. He felt that it was ironic that the origins of Britain’s entry into the EU should lie with the pro-Europe stance of Conservative leaders from Harold Macmillan onwards. Even Margaret Thatcher’s famous ‘Bruges speech’ of 1988 was viewed widely as pro-Europe at the time (although her vision was more inspired by the single market than the prospect of political union). Thatcher also provided support for qualified majority voting (QMV), now often viewed as part of ‘federalism’ within the EU. In Patten’s opinion, Thatcher would likely have avoided recourse to a Brexit referendum. She had a long-standing aversion to referenda in general, which she saw as the preserve of ‘dictators and despots’. He observed that some of the Conservative grandees now most visibly associated with euro-scepticism were earlier enthusiastic proponents of the European project. With the fall of Thatcher in 1990 (which was more poll tax than EU-related) the Conservative Party began to display divisions on Europe that have been present ever since. These divisions have been exploited and widened

---

4 Delegates to the conference were welcomed by Margaret MacMillan, Warden of St. Antony’s College (which hosted the event), and Andrew Pitt, Head of research at Citi (which contributed to funding the event).
by the popular press in Britain, which demonstrated more profound euro-phobia than the press in other European states. Indeed, Patten worried about the influence of Fleet Street on the Brexit Referendum. This played on the natural bias of older readers who tend to be more euro-sceptic than the young. Indeed, he perceived a nihilism among today’s ageing ‘baby boomers’ towards Brussels which could be seen as part of a more general tendency towards ‘inter-generational theft’ within the UK. For the younger generation, Brexit might spell amongst other things the decline of Britain’s leading higher education establishments, including Oxford. Patten believed that the long term European migration challenge needed to be recognized. He saw this as a much larger problem than the Syrian refugee crisis of 2016. With the population of Africa likely to continue to rise rapidly, from 1 billion today to 2.5 billion in 2050, the tendency for large economic migrations from Africa to Europe will be relentless. Should it remain part of the EU, Britain (with its expertise) could play a useful role in helping Europe address these foreign policy and development challenges.

**Willem Buiter** introduced himself as a born and bred Pan-European, having lived in various parts of the continent. His family of four were entitled to at least twelve European passports between them. Having seen events unfold from the perspective of various parts of Europe, he had never been in any doubt that the European Project had always been ‘political’ and never about free trade *per se*. The EU should be viewed as a ‘political project in economic clothing’. As an institution, the EU sits somewhere between a ‘federation’ and an ‘inter-governmental’ organization. The history of the EU has been characterized by frequent conspiracy theories about elites seizing control of the project. For example, in the 1950s there were accusations of a ‘Papist conspiracy’, while by the 1960s and 1970s this had evolved in the minds of trade unionists (in the UK especially) into an EEC ‘capitalist conspiracy.’ Despite these concerns about elites, and the opacity around the purpose of the EU, Buiter saw huge economic opportunities for member states. The much-vaunted ‘single market’ actually only covered manufacturing and agriculture. This means that some 80 percent of EU GDP, represented by service industries, still remained outside Europe’s open and deregulated market place. There was therefore huge potential to enlarge the scope of the single market. Buiter believed that the EU could meanwhile afford to be flexible on integration. In particular, he argued that focus on monetary integration through EMU did not require full fiscal integration. Instead, the EU could construct ‘monetary stabilisation’ arrangements to bolster existing arrangements and protect against future Euro-crises. This would require further progress on bank ‘bail in’ protections and some ‘shared burden’ between EMU central banks on asset purchases, for stressed commercial banks. Indeed, without a sharing of this burden, national central banks would simply exploit their own commercial banks as primary ‘stuffees’ for unsaleable government bonds.

Ultimately, without such burden sharing, the solvency of central banks cannot be assured, and EMU central banks could go bust. On migration, Buiter acknowledged that Europe had a ‘ dodgy’ track record at integrating immigrant populations. Yet the extent of the burden is not even-handed across Europe at present, and does not end at the EU’s ‘single external border’. While the large EU states (France, Britain and Germany) have comparable percentages of foreign-born residents (10-12 per cent) in the anxious Eastern European EU states of, for example, Poland and Hungary the non-European numbers are negligible. Ironically, the more
insulated from foreign migration these states are, the more they seemed to worry about the issue. At the same time, Switzerland, which remains outside the EU, has the most open borders of any European state, with 30 per cent of the population born outside Switzerland.

Motivations, Aspirations and Level of Satisfaction with EU

Timothy Garton Ash reflected on the extent to which Britain’s long experience of ‘parliamentary sovereignty’ has dominated the debate about Britain’s place in the EU in recent years. Yet this idea of sovereignty being exercised in Britain, outside the reach of continental Europe, does not square with the history of Britain and Europe. The image of the ‘white cliffs of Dover’, representing an impassable barrier between Britain and the continent, was a visual metaphor that has been refuted by historians. For example, Norman Davies, in his opus The Isles, stressed the importance of links across the English Channel in influencing events in Britain throughout British history. In 1975 during the previous ‘Brexit’ referendum debate, parliament was rather more concerned with how membership of the EEC could strengthen national security in the context of the still ongoing Cold War. Yet by 2016, despite the belligerent antics of Vladimir Putin and the shadow he cast over Europe, security matters had largely disappeared from the debate. The economic and national revival in Britain that occurred after Britain’s EEC entry in 1973 is meanwhile viewed by eurosceptics as having been attained ‘in spite of Europe’. Garton Ash was concerned that even the ‘Bremain’ camp was considerably more Eurosceptic than in 1975, seeking to slow down the pace of European integration, with exemption from “ever closer union”, and staying apart from the core group and the Euro. Thus, even with a Bremain vote, Germany will need to be the (sole) ‘motor of European integration’. Britain will continue to be disengaged and France will continue to struggle economically and socially. This detachment will hinder Britain’s traditional role within the EU, of curbing excessive power for Germany and France. In short, inside or outside the EU, Britain’s role in Europe is uncertain. Doubting voters should instead be reminded of the overall performance of the EU since its inception—its ‘performance legitimacy’. Garton Ash hailed President Obama, in his observations on the Brexit Referendum, as being entirely right to highlight the EU’s status as the preeminent symbol of an ‘international liberal order’ and beacon for the world.

Ulrike Guérot represented the German perspective of the EU. She reported that Germany’s young voters had lost their bond with the EU. This could be partly explained by the failure of the ‘elite’ of Europe, which had succeeded in ‘losing the system’ during the Euro-crisis. Meanwhile, some 70 percent of Europe’s population desired a ‘democratic Europe’, which could perhaps be associated with the sense of a ‘Republic’ of Europe. Moving toward this concept should be distinguished from the present choice of ‘more integration or nothing’. This change of approach is necessary because the EMU project had abandoned all semblance of ‘equal liberty’ for Europe’s citizens. In pursuing end enforcing EMU, Europe had effectively jettisoned the Lockean ideals of liberty, and any relationship to England’s ‘Putney Papers’. 5

5 The Putney Papers comprise the minutes of a debate (in 1647) before the General Council of the (New Model) Army during the English Civil War to discuss the Case for the Armie, representing a radical viewpoint that
Worryingly, however, more integration appears to be the continued focus of EU policy-makers. Indeed, the Five President’s Report of July 2015 sets out a vision of further integration, enunciated by the five Presidents of the European Commission, ECB, European Parliament, Euro Summit and Euro Group. Germany’s dissatisfaction with the EU runs deep. Some 80 per cent of Germans believe that Germany ‘overpaid’ for the Euro, extracting less advantages than their investment would have warranted (despite the fact that McKinsey research on the implications of the Euro for Germany show this to be false). This depiction of Germany as a ‘victim’ of EMU has been deployed by German finance minister Schäuble and by other supporters of the EU’s austerity policies. But the victims and victors in the single currency project should not be defined by nation state, but rather by the division between the centre and the periphery. Contrast the performance of East Germany, which struggles to export to the single market within EMU, with Northern Italy, which benefits from a strong manufacturing sector and operates within EMU with ease. Meanwhile, this distorted depiction of national victims has prompted renewed nationalism, even at the core of the Euro-zone. Marine Le Pen (for the National Front) increased her share of the vote by 15 per cent in France over 2012-15, and commanded a proportionately higher share of the vote within France’s 18-25-year-old cohort. At the same time, the migration crisis in Europe has left Eastern Europe relatively unscathed. But Moslem migration has also revealed deep fissures within the EU. Poland, for example, has happily taken in 1.5 million Ukrainian immigrants on short term working contracts, but has refused to embrace migrants from North Africa or the Middle East. Furthermore, the Polish Catholic Church has played an ambiguous role in these attitudes towards non-European immigration.

Ioannis Papadopoulos claimed that most Greeks believe that the EU has benefitted from their membership. Greek EU entry in 1981 pre-dated that of the other formerly ‘non-democratic’ Southern European states, namely Spain and Portugal, relying on support from Giscard d’Estaing and Helmut Schmidt to achieve early membership. But Greece also shares with other Orthodox Christian states (Russia) a degree of detachment from Western Europe, and the Greek left (unlike in Spain) has remained opposed to further European integration. Some 75 per cent of Greeks now believe that the EU is dominated by Germany and that the EU wishes to ‘subjugate’ Greece. Nevertheless, Greece has chosen to remain in the Euro-project. Indeed, even after the ‘third Greek bailout’ of 2015, some 75 per cent of Greeks continue to support membership of the Euro.

Boguslaw Chrabota observed that Polish support for the EU rose steadily from the application to join in 1994 through to 2002. However, support for Euro currency membership (which Poland eschewed) fell steadily from 30 per cent down to 9 percent over 2002-14. Nevertheless, as of mid-2016, Polish support for EU membership remained remarkably high at 80 percent, despite the Euro crisis and Europe’s migration problems. Poland’s two most important benefits included stripping the King of his power. The radicals wanted a constitution based upon manhood suffrage (“one man, one vote”), biennial Parliaments, and a reorganization of parliamentary constituencies. Authority was to be vested in the House of Commons rather than the King and Lords. Certain “native rights” were declared sacrosanct for all men: freedom of conscience, freedom from impressment into the armed forces and equality before the law. These records were lost until 1890 when they were rediscovered in the library of Worcester College, Oxford.
from EU membership include the policy of open borders (which favours its outward migration of labour) and EU development funding (which provides substantial support for the poor regions of the state). This could be described as Poland’s placing ‘interest before values’.

Globalization, Trade, Financial Crisis and the European Union

The second panel discussion moved onto the topic of economics and finance. David Vines applauded the role of the single market in opening up trade within the EU. This was pushed as forcefully by the UK as any other state, and has been a ‘constructive policy for the world’. But in more recent years, with the launch of EMU, Brussels policy has been deeply flawed. Germany, for example, with its persistent trade surpluses, should have engineered a more accommodative fiscal policy, and higher inflation. Indeed, Berlin has enforced a system-wide veto on any fiscal expansion. The Euro single currency is therefore comparable in its effects to the inter-war gold standard, and has become an inflexible and damaging arrangement for its membership as well as for Europe as a whole. The EU has also made little progress on any coherent sovereign debt reconstruction policy. Against this background of policy failures, the EU has delivered relatively slow economic growth, especially since the onset of the crisis, and failed to seize opportunities elsewhere in terms of foreign trade. In forty years’ time, some 75 percent of world GDP will likely be produced in Asia, leaving the EU overly reliant on internal EU trade.

Wolfgang Munchau argued that Germany’s commitment to EMU happened relatively late in the game, only being agreed in the wake of German reunification in 1990. While Chancellor Helmut Schmidt had been an enthusiastic supporter prior to this, the Bundesbank had been sceptical. But Helmut Kohl’s conversion to this ‘political’ initiative was central to EMU’s birth, and Kohl agreed with Mitterrand that ‘stability pact’ ratios would provide discipline, notably through a maximum limit of 3 percent for members’ fiscal deficits (in relation to GDP). Of course, these rules were flouted from the outset. They continued to be ignored when the financial crash of 2008 made such fiscal constraints unrealizable (other than in Germany).

Even as of 2016, the Italian premier Matteo Renzi continues to avoid any significant fiscal reform. Yet the financial crash was mostly a bank crisis, rather than (initially) a sovereign debt crisis. In most EU states bank crises evolved into sovereign debt crises, as the collapse in bank lending and the bursting of asset price bubbles filtered through to reduced growth and the resulting inability to sustain sovereign debt mountains. Only in Greece was the underlying primary crisis related to the risk of sovereign debt default, as accounting chicanery was exposed, and stability pact numbers were shown to be worse even than originally understood. After the crisis, Germany has pressed fiscal austerity, which has delivered eight consecutive years of Euro-zone inflation below the ‘target’ 2 percent level. This is a policy failure, which has attracted surprisingly little attention. Meanwhile the onset of real QE in the Euro-zone, under the guidance of Draghi, has delivered ‘partial debt monetization’ but muted economic growth. Munchau points to the alternative of a ‘helicopter drop’ as a means of achieving full debt monetization, although there is little obvious support for this approach in Germany. Instead, Germany seems content to continue with its policy of building ever-larger current
account surpluses. Finance Minister Schäuble overrode earlier restrictions on individual trade surpluses above 6 percent of GDP. At the same time, Germany resisted the price inflation required to balance trade and other imbalances. Today, Germany generates an astounding 8 percent current account surplus with the rest of the world, while the entire Euro-zone as a whole is running at a deficit of 3 percent. There is little sign in Germany of the ‘innovation famine’ that Edmund Phelps and his team have identified for the EU as a whole. Instead, Germany is able to compete easily with the rest of the world. At the same time, Munchau contended that the popular observation that Germans are less wealthy than their counterparts in France and Italy is a misrepresentation. Although 40 percent of Germans do not own their own homes, and their pension pots are relatively small, with pay-as-you-go arrangements still dominating, crude measures of per capita wealth in Germany are misleading. In fact, Germans enjoy relatively high (and rising) incomes, supported by a solvent state balance sheet. At the same time, the ability to measure and tax French and Italian wealth may have advantages, in gathering wealth taxes for EU coffers, to help balance Germany’s contributions. Elsewhere, were Britain to remain in the EU, leading a credible ‘outer core’ of floaters, Munchau believed that the Euro-zone would shrink as other EU countries sought to benefit from exchange rate flexibility. Heavily indebted EU states, for example, might be expected to seek currency depreciation, outside EMU, to inflate their way out of problems. Italy is the largest and most prominent of such states.

According to George Pagoulatos, up until the global crisis struck, Greece’s economic performance within the ERM, and later EMU, looked impressive. Over the period from the mid-1990s to 2007 the economy grew on average at 3.5 percent per annum. But after the crash, with the imposition of German-led austerity, there was a dramatic reversal of fortune, as growth moved into negative territory and stayed there for years. Pagoulatos contends that QE has arrived too late to improve matters for Greece. The only solution for Greece, and other less competitive states, would be a sharing of monetary, fiscal and financial risks by EMU participants. Without such collective responsibility Greece is doomed to prolonged economic stagnation. In short, there is no other economic model that delivers economic growth to a state, which is ‘non-competitive’ and ‘non-export led’, while having no recourse to deficits.

As an ex-central banker of Poland and Mayor of Warsaw since 2006, Hanna Gronkiewicz had been at the heart of the Polish economy for many years. She had seen the improvements wrought by liberalized markets on the Polish economy, as it emerged from communism after 1989, entering the EU in 2004 at enlargement. Yet the overhang from Poland’s state sector remained burdensome. In the 1990s, for example, public sector state pensions made up an astounding 16 percent of Poland’s GDP. And with the large-scale emigration of Poland’s younger workers to Britain and Germany, the burden on Poland of pension provision and demographics is unlikely to improve, without counteracting migrations into Poland.

---

6 See report of the discussion in the companion conference on April 27 on the Future of Europe [http://www.oxfordmartin.ox.ac.uk/publications/view/2174](http://www.oxfordmartin.ox.ac.uk/publications/view/2174)
Europe, EU and nation-states: competing identities and loyalties

The final panel explored the competing vision of European versus nationalist identities and loyalties. In the run-up to the impending Brexit referendum in the United Kingdom, Simon Jenkins confessed that his sympathies on the Brexit referendum had been shifting indecisively from one side to another. His instincts—at least on this particular day of the conference—were to support Brexit on the basis that the whole EU project was being misrepresented to the British from the outset by the Remain camp. The European project was never just the ‘common market’ that Britons discussed on entry to the EEC in 1973, and again at the time of the first referendum in 1975. In fact, the EU has developed resemblances to the old Holy Roman Empire as rather a dysfunctional federalist arrangement, with a weak centre. Equally, the economies of scale, which the EU supposedly delivers on trade and manufacturing, are problematic. In particular, Jenkins sees strength in the traditional European arguments for ‘small is beautiful’, which has a respectable intellectual lineage from the writings of, inter alia, Schumpeter and Schumacher. At the same time, Jenkins wonders how much difference a vote on Brexit—one way or the other—will really make to the EU project, or to Britain itself. In a rapidly changing world perhaps the EU has ceased to matter quite as much. He cited Dieter Helm, who had argued that in ten years’ time, Britons will no longer remember which way they voted in the Brexit referendum.7

As a sociologist, Christian Joppke, who had long observed the German-speaking world from the perspective of French and Swiss universities, was sceptical of the claim that a defining European identity will follow EMU. He argued that a coherent European identity died with the EU’s enlargement in 2004. The sense of European identity for Germans and other EU ‘citizens’ does not extend much beyond Europe ‘as the Christian continent which allows secularism.’ Moreover, Germany and Europe had little sense of how to incorporate Islam into their sense of European identity. The recent controversy over Angela Merkel’s agreeing to the prosecution of a German comedian, over his disparaging remarks on the Turkish premier, is a case in point. The question ‘does Islam belong to Germany’ is unanswerable. Yet Joppke disagreed with the late British social anthropologist Jack Goody and his assertion that ‘Islam is Europe’.8 In fact, polling of German citizens on the question of identity would suggest that identity relates to possessing something, rather than being something. The most popular response to the question ‘what makes you German’ is neither religion, nor place of birth, nor German nor European cultural affiliation. Instead it is ‘having a job’ in Germany, which 90 percent of respondents highlighted as important. Meanwhile, Germany is having difficulty maintaining its central partnership with France as the engine for European integration. France itself struggles with its controlling its ‘elites’, as it always has. These well-meaning French elites have helped preserve Paris as a ‘museum city’ with immigrants and poor people located safely outside the peripherique, a festering social configuration that the recent terrorist incidents in Paris had brought rudely to prominence.9 Joppke contrasted this French ‘museum’

7 Dieter Helm is Professor of Energy Policy at the University of Oxford, and a Fellow of New College.

8 Sir John Goody was William Wyse Professor of Social Anthropology at Cambridge from 1973 to 1984.

culture with the more vibrant multi-cultural aspects of London, where change seemed to be embraced more enthusiastically.

Kalypso Nikolaidis saw the Euro-crisis that still dominates life in the EU as the ‘end of the eurocrats dream’. While she and others in academia had posited arrangements that might embrace a monetary union around ‘democratic’ arrangements, where the ‘periphery could save the core’, the highly centralized system of German-dominated EMU has instead taken hold. The crisis in Greece, and elsewhere, had prompted Berlin to ask simply ‘who is to blame’. This avoided efforts to rearrange the EU into a more decentralized arrangement. Centralization in Europe served to strengthen the old ‘echoes of Empire’ that further blighted the EU project. In this narrative, some have argued that Greece had become a ‘debt colony’, which may seem like strong language but does refer to the real tendency in Europe today to ‘govern at a distance’, which is the hallmark of colonial rule. If the EU was to return to its former, pre-EMU crisis agenda, it needed to be more faithful to what she referred to as its ‘democratic core’ – i.e., the practice for this Union of peoples (plural) to ‘govern together but not as one’. Instead of preempting democracy at the national level, EMU governance needed to return to the goal of strengthening member states’ capacity to internalize externalities and govern in an ‘other-regarding’ manner.

Jacek Rostowski disagreed with the Dieter Helm view that people would not even remember how they had voted in the Brexit referendum. Instead he viewed the result as potentially being of great historical significance, akin perhaps to August 1914 or the shooting of JFK in 1963. Parts of the London elite saw itself as cushioned from change by the extent of their London property gains in recent years. But this was delusional since London property prices would be far from immune to Brexit. Rostowski has spent several years in EU finance ministers’ meetings as Polish finance minister and as deputy to Donald Tusk. He witnessed the moves by Schauble to exclude Germany’s giant trade surpluses from EU control. German economic and political dominance has allowed Berlin to achieve a preponderance in Europe akin to that of Wilhelmine and Bismarckian Germany. The accompanying German-inspired austerity within the Euro-zone was underpinned by a policy architecture which deliberately excluded Keynesian demand management policies, except unusually (as part of an international response at the onset of the crisis) in 2008. Reversion to ‘stability pact’ rules, and associated austerity policies, deprived the Euro-zone of the ammunition needed to react to events in Europe as they unfolded after 2008. If German-enforced economic austerity was the obvious problem, the related though less visible political problem was ‘the economic degradation of France’ and its associated loss of political power. During European construction it was always understood that German power could not be allowed to expand without a countervailing rise in French power. But Germany now believed that it no longer needed France to jointly guide the European project. The deal between Paris and Berlin, to rebalance their relationship, would be for Paris to offer structural reforms on labour markets and welfare, and for Berlin to make concessions on expansionary fiscal policy. But Germany views accommodative fiscal policy as off limits, and seems truly to believe that the export oriented policy suitable for a medium sized open economy can work for a largely closed bloc which is economically three times larger. The political consequence of the failing Paris-Berlin axis is the rise of Marine le Pen in France. In
Paris, Le Pen is the only politician vocal on the claim that France’s main problem is Germany. At the same time, her National Front, as well as other nationalist and extremist parties in Europe, are being financed by Putin’s Russia, making the whole power structure in Europe complicated and toxic. For 25 years the EU has provided Europe with one of the most important aspects of its security by ensuring domestic and international political stability. But in the present crisis it is unable to fulfil this role. This places more of the responsibility on NATO, as the next line of defence against Russia and other threats to Europe. Rostowski argued that Germany will never agree to the ‘true political integration’ needed in the Eurozone, unless forced to do so by imminent collapse of the single currency. The danger is that such an understanding of the threat will come too late. Meanwhile, Poland has elected an ultra-conservative and nationalist government, which is undermining democracy and the Polish constitution. Like Viktor Orban in Hungary, Polish nationalists believe they can safely implement their agenda since the EU will not be around to discipline them, or if it is, will be too focused on ensuring its own survival. In short, German refusal to reconfigure Eurozone economic and political arrangements has fatally weakened the whole edifice, unleashing populist sentiments in Britain, France and Poland.
Conference Participants

Speakers:

Willem Buiter, Chief Economist, Citi
Boguslaw Chrabota, Editor of Rzeczpospolita
Timothy Garton Ash, Professor of European Studies, Honorary Chair, European Studies Centre and Isaiah Berlin Professorial Fellow, St Antony’s College, Oxford
Hanna Gronkiewicz-Waltz, Mayor of Warsaw
Ulrike Guerot, Director, European Democracy Lab, European School of Governance, Berlin
Sir Simon Jenkins, The Guardian newspaper
Christian Joppke, Professor of General Sociology, University of Bern, Switzerland
Margaret MacMillan, Professor of History, University of Oxford; Warden, St Antony’s College, Oxford
Wolfgang Munchau, Associate Editor, Financial Times
Kalypso Nicolaïdis, Professor of International Relations and director of the Centre for International Studies, University of Oxford
George Pagoulatos, Professor of European Politics and Economy, Athens University of Economics and Business
Yannis Papadopoulos, Professor of Public Policy, University of Lausanne; Visiting Fellow, St John’s College, Oxford
Lord Patten of Barnes, Chancellor of University of Oxford
Andrew Pitt, Global Head of Citi Investment Research, Citi
Jacek Rostowski, Former Minister of Finance and Deputy Prime Minister of the Republic of Poland
David Vines, Professor of Economics and Fellow, Balliol College, Oxford; Acting Director, PEFM

Chairs:

John Darwin, Professor of History and Fellow, Nuffield College, University of Oxford; Director of OCGH
Edmund Phelps, Director, Center on Capitalism and Society, Columbia University, New York, USA
Jan Zielonka, Professor of European Politics and Ralf Dahrendorf Fellow, St Antony’s College, Oxford

Convenors:

John Darwin, David Vines, Jan Zielonka

Organizers:

Adam Bennett (St. Antony’s College), Mahnaz Safa (Citi), and Stewart Sweeney (OCGH).