Monnet's Brandy and Europe's Fate

A determined Frenchman’s vision of integration serves as a guide to ending the eurozone crisis

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Money is an instrument of governance as well as commerce. It enables citizens to participate in the economic life of their societies while reminding them where political authority resides and where their loyalties belong. So it has been since ancient times, when visages of Nebuchadnezzar and Caesar were stamped on the coins of their realms, and so it is today. In almost all 195 countries on Earth, the change in people’s pockets and the banknotes in their wallets are an assertion of national sovereignty.

But today there is an exception to that general principle: the euro, which is the common currency of 18 of the member states of the European Union. The eurozone puts them in the vanguard of the greatest experiment in regional cooperation the world has ever known.

However, that venture has had a rough five years. In the wake of the global financial and economic meltdown in 2008, the euro has become economically disruptive and politically divisive, pitting the states of northern and southern Europe against each other.

The crisis is not over, but Chancellor Angela Merkel of Germany, President François Hollande of France, and their fellow heads of government and state are determined to keep the eurozone intact. They are reinforcing accords on national budgets, spending, and financial regulation,
pushing ahead with a banking union, and tackling unemployment.

In taking those and other remedial measures, today’s European leaders, like their predecessors in the middle of the last century, are heeding the wisdom of Jean Monnet. He died 35 years ago, long before the euro went into circulation. Still, he would have understood the purpose that monetary union is meant to serve: binding up the wounds of the most bloodstained continent in modern history and turning it into a zone of peace, prosperity, democracy, and global clout, animated by common values and governed by common policies and institutions. That is the European Project. As its master architect, Monnet would also have understood the mistakes, dilemmas, and dangers that threaten that project now.

The method that guided him throughout his long life put a premium on the careful sequencing of innovations in economic policy so as to make irreversible the overall process of political integration. Unlike Monnet, however, the leaders responsible for the adoption of the euro in the 1990s failed to ensure that the necessary political conditions and institutions were in place, thus making the current troubles of the European Union all but inevitable.

The relevance today of this historical figure is all the more striking in the light of his idiosyncratic career. Monnet spent much of his life as a private citizen. He never held elective office or a ministerial post. He was an effective advocate, who used his carefully cultivated mellifluous speaking voice and forensic skills to good effect in interviews and declarations. But it was primarily from behind the scenes that he influenced generations of major actors on the world stage: in his youth, Georges Clemenceau, Arthur Balfour, Neville Chamberlain, Winston Churchill, and Franklin Roosevelt; in his middle years, Dean Acheson, Konrad Adenauer, and John F. Kennedy; in old age, Willy Brandt, Helmut Schmidt, and Shimon Peres. At crucial moments and on vital issues, these leaders and others took his counsel and adopted his ideas as their own.

In a sense, Monnet is once again exerting his influence, this time from beyond the grave. The crisis in the eurozone has focused minds in key capitals on cobbling together institutional measures of the sort that he believed were necessary for monetary union. As a result, his vision of a united Europe may well survive and, over time, succeed.

MONNET HAS BEEN HAILED as a statesman. In fact, he was something far rarer and more consequential—a key figure in the transformation of statehood itself. Modernization, he believed, was more than the exploitation of new technologies to improve industry, transportation, and communication; it also meant adjusting to the ways in which individual nations were joined by an ever-thickening skein of economic transactions, increasingly unobstructed by physical distance and national boundaries. Truly modern nations needed to learn how to retain their independence where they must, while making a virtue of their interdependence where they could.

In promoting that belief, Monnet revised for the better the consequences of a seminal event in European history: the Peace of Westphalia of 1648. That treaty, which ended the Thirty Years War, attenuated the sway of the Holy Roman Empire over subsidiary domains that were roughly unified by shared language and culture while separated by borders approximating those on the map today. The term scholars later assigned to these autonomous territories was “nation-states.” The hyphen suggested that nationality and statehood were closely aligned.

There was an element of willful delusion in the concept. Monnet’s own homeland is a case in point. France is often cited as the archetypal
Westphalian nation-state, but it also illustrates the elusiveness of the construct. Centuries of conquest and accretion fused Normandy, Brittany, and Gascony, which had been distinct and often combative nations until they were suppressed and absorbed into France. The Treaty of Westphalia also ceded to France most of Alsace on the west bank of the Rhine. The local élites—notably including Charles de Gaulle’s ancestors—learned French, while the common folk continued to speak German. As a result, for the next 300 years Alsace, and later its neighbor Lorraine, would be a source of tension between France and Germany and, on several occasions, a casus belli.

Westphalia brought nationalism to the surface in two troublesome forms: secessionism within nations and animosity between them. In both cases, the result was often political violence, which Monnet regarded as the ultimate evil.

Westphalia also perpetrated the fallacy of absolute national sovereignty. Even in the 17th century, and much more in the 20th, borders were porous; nations’ economies were intertwined, their populations intermixed, and their fates bound together, for good and ill.

Monnet believed that the ideal way to correct these flaws in the Westphalian system was federalism, a layered system of governance whereby authorities at various levels have responsibility for those issues in which they have the most legitimacy and competence. Federalism was a European concept going back centuries. It usually operated within individual states, where power and responsibility were distributed among local, provincial, and national levels of government. Monnet, however, wanted to elevate it to being the basis for a federated Europe. It was a radical, distant goal, which he helped make possible through the practical, iterative steps he prescribed during his lifetime.

The place to start, he believed, was in the spheres of finance and commerce, particularly in mineral resources, where independence and sovereignty are most contingent, and where interdependence is most beneficial and comes most naturally to all parties. Because Monnet concentrated on this aspect of the endeavor, he came to be regarded as an economist—and arguably one of the most important of the 20th century, along with his contemporary John Maynard Keynes. Yet he had no formal training in the dismal science.

In fact, Monnet may well have been so effective in the field of political economy precisely because he was neither an academic economist nor a professional politician. From his teenage years forward, his education in the uses and misuses of money was in the world of business—and his exposure to politics took place in a Clausewitzian world that was, throughout his life, either preparing for, embroiled in, or recovering from war.

A Man with a Plan

Monnet quit school when he was 16 to enter a profession that, directly or indirectly, sustained nearly everyone in the commune of Cognac: the manufacture and marketing of the spirits that bear its name. In his late teens and early twenties, he absorbed the basics of accounting and administration while working for the House of Monnet, which had been in the family since 1838.

At the end of his long life, Monnet described his birthplace as a “brandy town [where] one did one thing, slowly and with concentration.”
could have served as a motto for the singular purpose of his own life: the cultivation and marketing of a grand plan that would bring lasting peace to Europe.

Long after Monnet left the brandy trade, it continued to be a rich source of the metaphors he used to explain his lifelong undertaking. On brisk morning walks with friends in the countryside around his farmhouse in Houjarray, a village outside of Paris, Monnet would sometimes depart from discussion of the great issues of the day to reflect on what it took to make a fine cognac: harmony between the blessings of nature (climate, soil, and vines) and the virtues of human agency (patience in husbandry; care in fermentation, distillation, blending, and aging; thrift in good times, resilience in bad). He especially valued consistency of method and order: hanging the vines on meticulously laid-out trellises, fermenting the juices of the grapes for weeks, distilling them twice, then storing the result in neatly arrayed oak casks in dark cellars for anywhere from two years to five decades.

Once the contents were bottled, the final stage of the process—selling cases around the world—required this young man of country stock to become a globe-trotting cosmopolitan. He learned English as a child because it was “the language of our clientele,” and traveled widely around Europe as well as North America and the Middle East to promote the Monnet brand with its salamander emblem and, for the longest-aged, top-of-the-line product, the X.O. (“Extra Old”) rating.

The firm was competing against the superpowers Hennessy and Martel. But brandy merchants also depended on cooperation with each other in order to broaden the global market for the benefit of all. An environment conducive to vigorous trade was a common good. That was an ethos that suited Monnet’s temperament. His inclination to listen carefully, combined with his ability to respond convincingly, argue tactfully, and probe for compromise made him a good businessman; it also turned out to be good training for diplomacy.

Monnet’s transition to what would become his life’s work occurred in the summer of 1914, shortly before the guns of August shattered the grand illusion that global interdependence would keep the major powers from ever again going to war. On his way home from London he learned, during a stop at the Poitiers railway station, that Germany had declared war on Russia and begun moving troops into Luxembourg, and France was mobilizing.

With the help of a family friend, Monnet went straight to the top of the French government to volunteer his services. Premier René Viviani was so impressed that he authorized the 25-year-old to negotiate an agreement between France and Britain to coordinate their production of armaments. Within three years, Monnet was helping Étienne Clémentel, the French minister of commerce and industry, develop a proposal for a post-war “new economic order” based on Franco-British cooperation but open to other European countries as well.

The allies rejected that proposal at Versailles, but by then Monnet had patrons at the highest levels in Paris and London. When the League of Nations was established in 1919, they arranged for him to become its deputy secretary-general. Unfortunately, the unanimity principle under which the League was supposed to make decisions and take action kept it from doing much of either, and it was doomed almost from the start. Disillusioned, Monnet quit his post in 1923 to help his father cope with the family business, which was struggling.

After several years, Monnet became a peripatetic banker assisting governments with the modernization of their finances and infrastructure. He helped several Central European countries stabilize their currencies and advised Chiang Kai-shek on how to upgrade the Chinese railway
system. Operating in a private capacity, Monnet had found a way to promote the integration of national economies as a basis for international commerce and peace.

But in the 1930s, the world was heading in another direction. Throughout modern history, economic distress has stoked the politics of fear, anger, and irrationality. Those, in turn, have often led to extremist, paranoid, repressive, protectionist, and sometimes aggressive government policies. This was never more true than during the Great Depression, which heightened the economic misery of war-torn nations, undermined democratic governments, and incubated fascism.

Monnet had long feared that the interwar period would be just that—a respite between global conflagrations. Like Keynes, he considered the “war guilt” clause in the Versailles Treaty, which demanded reparations in the form of payments and transfers of property and equipment from Germany, to be a mistake. It was based, he believed, on “discrimination,” a violation of the core principle that “equality is absolutely essential in relations between nations, as it is between people.”

For Monnet, this was not just an ethical principle but a pragmatic one. Versailles had imposed a Carthaginian peace that would come back to haunt winners and losers alike by inciting, in little more than a decade, the worst kind of nationalism and racism. In 1935, at a dinner party on Long Island, Monnet heard from John Foster Dulles, then a Wall Street lawyer, the news that Hitler had just issued the anti-Semitic Nuremberg laws. “A man who is capable of that,” Monnet said to the table, “will start a war.”

By 1938, Monnet had returned to active public life, traveling around the Continent and across the English Channel as an adviser and envoy. His task, as he put it, was to convince “civil servants to cooperate and exchange information between different ministries and different countries, so much so that the teams needed for joint action were already formed when the time came for decision. This is the dynamic of the balance-sheet, a page of figures which looks very much like those great account-books that my father taught me to read in Cognac when I was 16.”

For him, the life lesson was that statecraft depends on sound economics as well as skillful politics—and the blending of the two into a single process in order to achieve the long-sought goal of the harmonization of international relations.

Monnet also shuttled back and forth across the Atlantic during those years. He already knew North America well, going back to a trip he made to Canada as a brandy salesman when he was 18 and numerous subsequent visits to the United States. He had quickly become an Americaphile and would remain one all his life.

In Monnet’s view, American federalism proved itself during the 1930s as the best system of governance for countering the depredations of the Great Depression. The New World offered the Old World a model for its own future in another respect as well: the United States was the opposite of a Westphalian nation-state (France for the French, Germany for the Germans). On one of his many visits to New York, a Turkish taxi driver, seeing that his passenger was burly, swarthy and mustachioed, assumed he too was a Turk. Monnet found the incident more than amusing; it captured what he saw as America’s distinctive advantages. Here was a country-in-progress with an open door, constantly refreshing its citizenry with an influx of immigrants, drawing strength from their kaleidoscopic diversity. Even its food reflected the variety he so appreciated. While Monnet had a sophisticated palate, he enjoyed the occasional hamburger when traveling in the United States, not least
because this iconic staple of American cuisine had a German name.

The government that he dealt with in Washington pulsed with pragmatism, energy, and activism at a time when those back home had been sleepwalking into catastrophe for a decade. Monnet’s principal task in 1940 and the early months of 1941 was to urge President Roosevelt to come to the aid of Britain, and to pave the way for America’s entry into the war. Keynes believed that Monnet’s arguments were particularly effective with FDR.

Even in the dark hours when the Axis dominated most of the Continent, Monnet was thinking ahead about how to break the cycle of total war followed by a false peace. In 1943, he declared at a meeting of the French government-in-exile in Algiers, “There will be no peace in Europe if the states are reconstituted on the basis of national sovereignty…. The countries of Europe are too small to guarantee their peoples the necessary prosperity and social development. The European states must constitute themselves into a federation.”

There are few instances in history when a single statement of prescription and prophecy would so soon come to pass, and fewer still when the prophet himself would be a major agent in making that happen.

Two years later, after Germany and its allies surrendered, Monnet had his chance to begin the process of realizing his vision, though he got off to a rather uncertain start. As commissioner-general of the new French National Planning Board, Monnet advised de Gaulle, the president of the provisional government, on how to reconstruct the French economy. One obvious means was to tap into Germany’s industrial potential, much of which was still intact. The sweeping recommendations he proposed are collectively known as the Monnet Plan. Its most conspicuous feature—the expropriation of coal from German mines in the Ruhr and Saar areas to fire the furnaces of French steel factories—was euphemistically called l’Engrenage (The Transmission). In addition to hastening the recovery of France, it inhibited Germany’s ability to rearm, a measure that was intended to be both punitive and preemptive.

Therein lies the irony: the Monnet Plan had an unmistakable aspect of Versailles déjà vu. It violated its namesake’s own principle of equality in inter-state relations. If it had remained in place for long, it would have crippled Germany’s own recovery and, very likely—just as Versailles had done—sown dragons’ teeth in the soil of Europe rather than the seeds of permanent peace.

Monnet, who generally eschewed the first person singular, rarely, if ever, referred to the plan by his own name. In his final years, he acknowledged that what the world knew as “the Monnet Plan” was an instance of French foreign policy “returning to the habits of the past.” The closest he came to justifying it was his observation that merging French and German resources vital to war-making “would reduce their malign prestige and turn them instead into a guarantee of peace.” At best, the plan that to this day bears his name was a temporary expedient—one that would be replaced by the proudest and most important accomplishment of his life.

OVER THE NEXT FOUR YEARS, Monnet worked on a long-term successor arrangement that would be negotiated with Germany, not imposed on it. The agreement lowered duties and restrictions on coal and steel trade between France and Germany, bringing two vital sectors together under the aegis of a joint state-sponsored authority.

This bilateral accord was an exemplar of Monnet’s strategy for overcoming the national sovereignties that stood in the way of his vision.
Applying the lessons of his youth in Cognac, he was laying the foundations, “slowly and with concentration,” for the “one thing” he knew he must do to bring about a federated Europe: create new economic facts on the ground. With the passage of time, national political leaders would see the virtue in thinking, deciding, acting, and, ultimately, governing on the pan-European level.

Monnet felt he had history on his side. The leaders of what had long been nation-states, along with the vast majority of their citizens, were used to buying and selling across borders. Commercial cooperation and its regulation had been an established norm of European life, since at least as far back as the 12th century, when the Hanseatic League had knitted together the economies of commercial centers, primarily along the North Sea and Baltic coasts. Immanuel Kant, a professor in the Hanseatic port of Königsberg (now Kaliningrad), had called the League a “confraternity of trade” and predicted that it might someday evolve into a united, democratic, and federative Europe.

Konrad Adenauer, the chancellor of post-Nazi West Germany, embraced Monnet’s vision of a 20th-century Hanseatic League that would end French control over the Ruhr and Saar coalmines, release Germany from economic purgatory and restore its prosperity. The result—a virtual merger of France’s and Germany’s coal and steel production—was to their mutual benefit, both economically and geopolitically. The agreement, it was said, would make another Franco-German war “not merely unthinkable but materially impossible.”

That jubilant claim captured Monnet’s conviction that commercial cooperation could defuse the most fraught relationship on the Continent. The arrangement came to be known as the Schuman Plan, after France’s Minister of Foreign Affairs, Robert Schuman, who negotiated it with Adenauer. Monnet seemed not to mind; he cared more about the consequences of his brainchild than credit for it.

Those consequences were dramatic and almost immediate. Monnet and Schuman moved quickly to open up the bilateral agreement to others. The 1951 Treaty of Paris brought in Italy, Belgium, Luxembourg, and the Netherlands. The result was the European Coal and Steel Community.

That last word was close to Monnet’s heart, not least because it ended in unity, his ultimate goal. The E.C.S.C. was the progenitor of the European Union and the fulfillment of the overarching plan Monnet had been developing and advocating for over 30 years. In a joint statement, Adenauer and Schuman proclaimed the magnitude and potential of their endeavor: “By the signature of this Treaty, the participating Parties give proof of their determination to create the first supranational institution and [to lay] the true foundation of an organized Europe.”

In his own writings, Monnet tended to steer clear of the word “supranational.” To him, it implied a superstate with power concentrated at the top rather than delegated, as much as possible, to subsidiary and largely self-governing units. But he wholeheartedly supported the rest of Adenauer and Schuman’s joint declaration.

In Monnet’s view, the key to solidifying the E.C.S.C. as a foundation for further expansion was the treaty’s establishment of an effective institution—the High Authority—to implement, oversee and administer its terms and goals. As Monnet often said, “Nothing is possible without men, but nothing lasts without institutions,” which he regarded as “the pillars of civilization.”

The High Authority of the E.C.S.C. was headquartered in Luxembourg. It was the community’s executive branch, empowered to make decisions on behalf of the six member states regarding the modernization and improvement of production, the development of a common
export policy, and the improvement of working conditions in the coal and steel industries. Monnet was the natural choice for its presidency.

Other than his stint at the League of Nations 30 years earlier, this was the only post Monnet would ever hold at or near the top of an international institution. Significantly, in both cases, they were newly created international organizations. Also in both cases, his tenure was brief—only three years. As he often said, he loved inventing and starting organizations but not running them. Management bored him, and being an haut fonctionnaire made him uncomfortable: “No one has ever succeeded in making me do anything which I did not think desirable and useful, and in this sense I have never served a master. But I, in turn, have rarely obliged anyone to act against his will.”

Throughout his life, no matter what his position, his power was less ex officio and more that of persuasion. The cause he most wanted to advance was not administering European trade in coal and steel but laying the ground for an all-inclusive European federation. He resigned from the High Authority in 1955 to found an independent advocacy group referred to by everyone but him as the “Monnet Committee.” Its formal name was the Action Committee for the United States of Europe, which left no doubt as to its purpose and inspiration.

Monnet would spend the rest of his life pushing for the eventual incorporation of France into a robust European system of governance modeled on what was essentially an Anglo-Saxon invention developed by former British colonials. To that end he worked at mobilizing labor unions and political parties to support the carefully worded proposition that the nations of Europe “should delegate some of their powers to federal bodies.” The committee’s headquarters were in Paris, on Avenue Foch, about three miles from the Élysée Palace, which was the epicenter of a passionate, often obstinate dedication to national independence and exceptionalism so indelibly associated with Charles de Gaulle that it was called Gaullism.

Few political leaders in modern history have been more adamant about upholding the sovereignty of their nation—and in his case, protecting France against a resurgent Germany—than de Gaulle. He had been out of office when the Treaty of Paris was signed, and had opposed the creation of the E.C.S.C. In the late 1950s, he founded France’s Fifth Republic and assumed its presidency. While de Gaulle did support the creation of a common market in the late 1950s for what he called “the Europe of Nations,” he vituperated publicly against the very idea of an integrated and federative Europe, which he denounced as “the Europe of Jean Monnet,” warning that it would become a puppet of a “federator that is not even European”—i.e., the United States.

De Gaulle and others sometimes mocked Monnet as “the great American.” Monnet did not much mind. To the bemusement of friends on both sides of the Atlantic, he fantasized, as he grew older, about taking an extended sabbatical to Arizona, in part because he thought that the climate would be good for his ailing lungs.

He never attained that goal, or two others that he wistfully confided to his friends: winning the Nobel Peace Prize and living to a hundred.

In 1975, when he was 86, and in declining health, Monnet decided that the Action Committee had served its purpose. The de Gaulle era was over, and the integration of what was then known as the European Community was gathering steam. He settled into his home in Houjarray and plunged into writing a 500-page reflection on his life and work, often with his wife of 40 years, Silvia, an Italian artist, painting at an easel nearby.
Monnet’s memoirs, which he finished three years before he died, radiated pride in the progress Europe had made and optimism about what the future held. But he registered disappointment over missed opportunities and failed projects, notably the stillbirth of a European Defense Community in the early fifties and, a decade later, the rejection of the United Kingdom’s application for membership in the European Economic Community (E.E.C.), as the common market was formally known. Both setbacks were largely the result of Gaullist resistance. Yet despite Monnet’s distaste for French nationalism—and, for that matter, exceptionalism—he saw himself as a patriot whose dream of a European federation was entirely consistent with what was best for his native land.

A Legacy at Risk

Monnet died at 90 in March of 1979, a seminal year in the evolution of Europe. That same month, the E.E.C. created the European Currency Unit, the precursor to the euro. The ECU (an acronym pronounced écu, the French word for shield and also the name of a coin circulated in the Middle Ages) was not money that could be used to buy a croissant. Rather, it was a single-denomination bookkeeping artifice, backed by a portfolio of currencies whose exchange rates were stabilized by an imposed limit on how much they could fluctuate. Together, these devices made it easier to conduct international financial transactions.

Three months later, citizens of the nine member-states of the E.E.C. went to the polls for history’s first truly international parliamentary election. The European Parliament, to be based in Strasbourg, initially served as a consultative body that rendered nonbinding opinions on proposals from the European Commission, the executive branch of the European Community. But at least there was a European Parliament, and it was intended to take on more power over time.

Together, these innovations were steps toward two prerequisites for a federal democratic state: a representative legislature and a common monetary system. But in each case, progress toward that ultimate goal was counterbalanced—and, to a degree, contradicted—by the still-powerful instinct to protect the sovereignty of the nation-state. The European Community had introduced representation, but without taxation. In the realm of fiscal policy, there was still no institution of the sort that Monnet believed was crucial to every sector and aspect of integration.

In 1988, President François Mitterrand, a staunch proponent of European integration, marked the centenary of Monnet’s birth by directing that his ashes be moved to the Panthéon, the ultimate honor for un fils de la patrie. That vindication of Monnet’s vision by his own government was itself auspicious. Moreover, it anticipated by a year the annus mirabilis of 1989, when the Berlin Wall fell. During the years that followed the Warsaw Pact dissolved, and the Soviet Union itself broke into 15 self-declared independent states. In a number of cases, their newly empowered reformist leaders—most notably Russia’s President Boris Yeltsin—were eager to join “the political West.”

The absorption of East Germany into the Federal Republic in 1990 came as a shock on both sides of the old Iron Curtain, stirring widespread unease over the bigger, stronger country that would result from unification. Chancellor Helmut Kohl was convinced that, for its own good as well as for the peace of mind of its neighbors, Germany must be embedded in an integrated Europe. Mitterrand, who had been a prisoner of
war in Germany, agreed. The two pushed to accelerate integration immediately, with an eye to expanding the process down the road.

The Maastricht Treaty of 1992 gave the European Community, which by then had 12 members, a new name: the European Union. It also added to the common market and parliament two new “pillars”: a common foreign policy (a proto-ministry of foreign affairs) and judicial cooperation (a proto-ministry of justice).

However, 13 years after the introduction of the ECU, there was still no proto-ministry of finance or budget authority, nor was one in prospect. Despite the widespread enthusiasm for interdependence and integration, E.U. member-states clung to control over their individual economies. While that was in part because of emotional attachments, it was also an accommodation to reality: their economies were different in fundamental ways, including labor practices and laws, taxes, budgetary priorities, and inflation and interest rates. If those differences were papered over, the result would be a common currency that was inherently fragile, especially in bad times on the Continent.

But the early 1990s were very good times. President George H. W. Bush joined a chorus of euphoria by declaring that Europe finally had a chance to be “whole and free.” The E.U.’s leaders felt that moving forward with a common currency would act as an incentive to grant the European Central Bank, established in 1998, more authority over monetary policy. It was often said that the monetary union would be a locomotive that would pull Europe toward an ever more perfect political union and a truly post-Westphalian future.

However, many economists—particularly those watching from the far side of the Atlantic—were concerned that the train was too heavy for the locomotive to pull. Among the most outspoken Cassandras were Martin Feldstein, a Harvard professor, president of the National Bureau of Economic Research, and advisor to President Reagan; Lawrence Summers, who would occupy the three top jobs in the U.S. Department of Treasury in the nineties; and Barry Eichengreen, a professor of economics at the University of California in Berkeley. They zeroed in on the inherent danger of countries that had divergent and incompatible labor practices and budgetary policies using a single currency. The prudent course, they argued, was to harmonize, over time, the diverse economies of Europe to the point where they could join in a fiscal union. Only then would they be ready for monetary union.

These skeptics were, naturally, arguing from their perspective as Americans and economists. By contrast, the European leaders who decided to move to a common currency were pursuing what was essentially a political project—albeit one with economic advantages as well: they believed that monetary union would boost trade within the eurozone, facilitate commercial transactions, and catalyze growth. Their strategy, however, required the continuation of a healthy regional and global economy. In effect, they were counting on the luck of recent decades to last.

One can only speculate where Monnet would have stood in this debate. But there is reason to imagine he would have sided with the cautionary Americans. Monnet was a full generation older than Kohl, Mitterrand, and the others. He had seen the full force of the Great Depression and might therefore have counseled hedging the big bet Europe was making that good times would continue to roll.

Also, there was the first principle of Monnet’s original profession: a fine product requires a sound method, and at the heart of a sound method is proper sequencing—first the blending, followed by fermentation, distillation, and aging. Europe’s political leaders had yet to muster the political will to undergird monetary union with the necessary fiscal structures and policies.
On New Year’s Day 1999, the process of introducing—and marketing—the single currency began. Within three years euro banknotes and coins began to replace deutschmarks, francs, lire, pesetas, drachmas, and other currencies of the 11 E.U. member-states that chose to accept the new currency. (The United Kingdom and Denmark negotiated formal opt-outs, and Sweden, through a series of parliamentary sidesteps, has adopted a de facto op-out.)

The eurozone thrived as long as its southern tier—despite gargantuan public deficits in countries such as Greece and real-estate bubbles in Spain and elsewhere—was buoyed by the rising tide of global growth and massive influx of German capital. The leaders were not oblivious to the danger that a common currency without fiscal coordination could backfire, especially if the European economy went into a tailspin and bubbles started to burst. With that possibility in mind, they enacted a Stability and Growth Pact in the late 1990s to ensure that all members of the eurozone were committed to limiting budget deficits. But the Pact was never enforced, nor was there any sense of urgency about bolstering the European Central Bank. Continuing prosperity reinforced the illusion that there was no need to prepare for a major downturn.

The complacency in economic policy was abetted by a generally propitious political environment. In 1995 the E.U. had abolished passport and immigration controls among seven of its member states, creating an even greater sense of the E.U. as a single unified entity—and a growing one at that. In 2004, the E.U. admitted eight former communist countries from the east, a dramatic affirmation that the “broadening” of the European Project was well underway. That same year the parallel process of the E.U.’s “deepening” seemed also to be gathering momentum. In October, representatives of the 25 member states signed a treaty establishing a Constitution for Europe that would consolidate, strengthen, and replace existing agreements.

The European Project seemed to be accelerating and solidifying its progress. All this burnished the shine of the euro, encouraging speculation that it might even replace the dollar as the world’s preferred reserve currency.

A few months later, however—in the spring and summer of 2005—there was trouble on the political front. Majorities in two founding member states of the E.U., France and the Netherlands, voted “no” in referendums on the constitutional treaty, a clear sign that a number of European publics were out of sync with their governments. The march toward ratification came to a crashing halt.

Then, in the annus horribilis of 2008, a tsunami roared across the Atlantic and slammed into Europe’s economy.

There is no doubt how Monnet would have reacted to the financial upheaval on Wall Street. As an admirer of America—and an investor and banker who attached the highest importance to prudence, transparency, and service to the client—he would have had a tart thing or two to say about the complex, opaque financial schemes that ended up toppling major financial institutions, impoverishing clients, and wreaking havoc on the economy at large.

He would also have understood the macro ramifications of the debacle and the U.S. government’s shortcomings in regulating the financial sector. Much as the Great Depression had exacerbated the unintended economic consequences of the Peace of Versailles, the Great Recession that began in 2008 exposed a fault line in the European monetary union, almost certainly hastening and worsening a crisis that Feldstein, Summers, Eichengreen, and others had seen as virtually inevitable. Because Maastricht had failed to give the European Central Bank regulatory powers to address sudden and crippling pressure on the banking system, there were few mechanisms to staunch the spread of
damage.

Once the weaknesses of the system became glaring, shrinking economies and rampant unemployment devastated the nations of the southern tier, leading some, along with Ireland, to negotiate bailouts.

Portuguese, Spaniards, and Italians chafed at the austerity demanded by Germany and other northern European countries as the price of the bailouts, while the northern governments reciprocated by reproaching the south for its profligacy. The governments in the worst fiscal condition and therefore in most danger of falling out of the eurozone were those in Athens and Nicosia, casting a certain irony on the use of the symbol € for the euro, since it had been inspired by epsilon, the first letter in the Greek word for Europe.

Just as the cohesion of the E.U. was in jeopardy, the ties holding individual states together were also strained. Faltering national economies activated a resurgence of ethnically, religiously, and linguistically-driven centrifugal forces. One particularly ominous flare-up of an old grievance was in Spain: parliamentary elections in Catalonia in late 2012 produced a majority for parties seeking independence from the government in Madrid.

Separatism in outlying regions was accompanied by nativism, xenophobia, and outright racism among national majorities and in capitals. In an interview with Der Spiegel in March 2013, Jean-Claude Juncker, the prime minister of Luxembourg and a former president of the Eurogroup (a conclave of eurozone finance ministers), saw in anti-E.U. and anti-immigrant populism a reminder of 1930s fascism—perhaps the single most vivid and vicious example of the connection between a bad economy and bad politics. “The demons haven’t been banished,” said Juncker. “They are merely sleeping.” Worse, he implied, they were stirring. A specter was haunting the E.U.—the specter of disintegration.

**The Remedy**

While Monnet was a stickler for method, order, and harmony, he also thought that failure, disorder, and discord had their own place in the human enterprise. His variation on Joseph Schumpeter’s concept of creative destruction was a conviction that the threat of destruction could inspire creativity in overcoming setbacks, converting breakdowns into breakthroughs.

“I have always believed,” he wrote in his memoirs, “that Europe will be established through crisis, and that the outcome will be the sum of the outcomes of those crises.” It was a less pithy formulation of what Rahm Emanuel, President Obama’s first chief of staff, famously said in November 2008, at a perilous point in the near-implosion of the U.S. economy: “You never want a serious crisis to go to waste.” Euro-optimists have quoted both Monnet and Emanuel.

At the end of 2013, there were signs of resilience. In October, aghast at the possibility that the United States might go into default, some European investors and money managers transferred assets from dollars to euros.

The otherwise dispiriting drama that has been playing out in Ukraine has had at least two heartening aspects: the protests against the
government’s caving to Russian pressure and bribery attest to a robust civil society, and the ubiquitous presence of E.U. flags is a testament to the gravitational pull of the Project underway in the West.

Despite the splash that anti-E.U. parties have made in recent national elections in the member states, polls across most of the Continent have shown that younger Europeans, much more than their elders, think of themselves as just that: Europeans. So in actuarial terms, time may be on the side of an evolving common identity—precisely the goal that the common currency was meant to advance. That said, resurgent Eurosceptic parties are expected to fare well in upcoming European elections, which poses the ironic danger of producing what Mark Leonard of the European Council on Foreign Relations has called “a ‘self-hating Parliament’ that ultimately wants to secure its own abolition.”

In the near term, the troubles besetting the euro have caused economic distress and political discord that have set back the cause of integration. In the depths of the crisis, in 2011-12, serious figures on both sides of the Atlantic urged a wholesale disbanding of the eurozone—or at least a partial dismantling. George Soros, for example, advised Germany to consider a return to the deutschmark, while others, including some Greeks, advocated Greece’s return to the drachma.

The prevailing view, however, is that even a limited and controlled break-up would not remain either limited or controlled: chaos would ensue. This is the view of Jacob Funk Kirkegaard, a scholar at Brookings’s neighbor on Massachusetts Avenue in Washington, the Peterson Institute for International Economics. (And, yes, despite the slight difference in the spelling of his surname, he is a distant relative of a certain melancholy Dane.) Kirkegaard believes that the prospect of even one country leaving the eurozone could cause a rash of bank runs and panic investors into withdrawing euro-denominated wealth, throwing contracts into default and wreaking havoc in the private sector. Europe—not just the eurozone but the E.U. as a whole—would undergo “economic cardiac arrest.”

In contrast to the 1990s, this time around most of Europe’s political leaders are on the same side as economists like Kirkegaard. There is a broad consensus that the eurozone will have to hang together. Expulsions or defections are out of the question. It does no good to lament—or, for that matter, to try to justify—the introduction of the euro 15 years ago. Hasty as that decision was, the name of the game now must be stabilizing and strengthening monetary union; to give up on it would be to give up on union itself.

The good news is that even though Europe still lacks a transnational finance ministry, it is developing some of the functions of one through existing institutions. In particular, the European Commission and the European Central Bank (E.C.B.), along with the International Monetary Fund, are empowered to require, monitor, and enforce the fiscal responsibility of national governments.

The E.C.B.’s president, Mario Draghi, has made the bank an increasingly effective agent in imposing discipline on eurozone states—so much so that The Economist has dubbed him “Super Mario.” His family name comes from the Italian word for dragon, which is amusing to those who know him (as we do at Brookings, where he was a trustee until he assumed his current job). He is mild-mannered, courteous, level-headed, and cool under pressure. But he has, on occasion, breathed fire, particularly toward his own country and its former prime minister, Silvio Berlusconi, who had long been obstructive and irresponsible in his conduct. In 2011, the E.C.B. stopped buying Italian bonds, leading to the fracture of Berlusconi’s coalition and his being forced out of office.

The ability of the E.C.B. to, in effect, fire a sitting head of government rebuts the gripe that the eurocracy is feckless if not powerless.
Throughout that and other dramas of the last few years, the E.C.B. has acted in close, behind-the-scenes coordination with Chancellor Merkel and other key European leaders. Given these hopeful signs, the eurozone may, over time, find ways to replicate the U.S. government’s reliance on the Federal Reserve System and the U.S. Treasury to back the dollar, while the larger European Union maintains and deepens the common market as well as shared defense and security policies.

Whether the eurozone and the European Union will be one and the same 10 years from now remains to be seen. Kemal Derviş, the director of the Global Economy and Development program at Brookings, can imagine a Europe consisting of two or three concentric circles. The outer circle would include countries, foremost the U.K., that want to limit the pooling of sovereignty, while the inner circle would be a eurozone that continues to consolidate and deepen integration, gradually becoming more like the United States.

Neither European nor American politicians are likely to belabor—or even acknowledge—this convergence, each for their own reasons. But Monnet would celebrate it. The America he knew and admired was the model for what the Europe he loved might eventually come to be. The progression toward a United States of Europe was the real Monnet Plan, and it may be back on track.

When Merkel, Hollande, and their colleagues next gather in Brussels, they, too, will have something to celebrate: the likely survival of the monetary union, a prospect that was far less clear two years ago. They might even treat themselves to a dinner at la Maison du Cygne, and, at the end of the evening, open a bottle of Monnet X.O. Prestige. At €150, it will be worth every cent if it inspires them to toast—and to channel—the scion of the company who so purposefully and consequentially left the brandy business a hundred years ago.

My thanks to the following who helped me in my crash course on the history of the euro and the life of Jean Monnet: Jacob Kirkegaard and Steve Weisman of the Peterson Institute for International Economics; Dominique Moïsi of Le Institut Français des Relations Internationales; Gilles Grin at the Jean Monnet Foundation in Switzerland; Valerie Rouxel-Laxton at the E.U. Delegation in Washington; Rachel Epstein at the Josef Korbel School of International Studies; Ambassadors Jan Matthey of Belgium and François Delattre of France; Carolyn Meunier of Monnet Cognac; and Jessica Brandt, Kemal Derviş, Douglas Elliot, Jean-David Levitte, Cesare Merlini, and Javier Solana of the Brookings Institution.

For Further Reading

Europe’s Crisis, Europe’s Future
2014, Kemal Derviş and Jacques Mistral, editors

Europe’s Lost Decade
November 2013, Thomas Wright

Europe in 25 Years
October 2013, Kemal Derviş

Saving Europe: How National Politics Nearly Destroyed the Euro
2012, Carlo Bastasin
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Strobe Talbott is president of the Brookings Institution. Talbott, whose career spans journalism, government service, and academe, is an expert on U.S. foreign policy, with specialties on Europe, Russia, South Asia and nuclear arms control. As deputy secretary of state in the Clinton administration, Talbott was deeply involved in both the conduct of U.S. policy abroad and the management of executive branch relations with Congress. He is the author of numerous books including, most recently, *Fast Forward: Ethics and Politics in the Age of Global Warming*, with William Antholis.

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