Europe: between dream and reality?

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On 29 June 1919, exactly five years after the assassination of Archduke Franz Ferdinand, the Palace of Versailles witnessed the signing of the Versailles Treaty. The war to end all wars gave way to the ‘peace’ that set the stage for a second global conflagration in Europe. Skip forward 99 years to January 2018, and 140 business leaders were invited to the same palace en route to their annual jamboree in Davos for a ‘Choose France’ summit hosted by the French President Emmanuel Macron. Neither war nor peace featured prominently; only commerce seemed to matter.

It would be all too easy to see these two hugely different occasions as emblematic of the profound shifts in the nature of the international relations of the European continent. Over the course of a single century, Europe moved from war-war to jaw-jaw, from high politics to low, from anarchic conflict to mutual interdependence, from modern to post-modern. Along the way, French, Germans, Italians and others focused less on their national identities than on the sense of being ‘European’. The world no longer depended upon whether Europe would remain pacific; instead, Europe and Europeans depended upon whether the world was still open for business.

Certainly, this is the way that many of the debates in the literature on the international relations of Europe encouraged us to view developments at the century’s most recent turn. The vision scholars offered pitted extremes of the untrammelled anarchy of neo-realism in the outside world against the domesticated politics of the European Union. Once Europe’s Great Powers bestrode the world like colossi; now those historic nations focus more attention on building a life together than on projecting their interests abroad. Robert Kagan cast this dichotomy in a negative light, reminding Europeans that some power must tend to the needs of Mars even if Europeans prefer to follow Venus; Robert Cooper offered a more positive gloss, arguing that the European experiment with the ‘breaking of nations’ could lead the rest of the world by example.¹ Both accepted, however, that Europe and the rest were now somehow fundamentally different both from each other, and from their own past experience.

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Alas, this binary clarity, however easy, is neither accurate nor helpful. The world was never as anarchic as people imagine it to have been in 1919, nor is it as domesticated as they claim today. Moreover, what is true for the world is also true for Europe. Europe has obviously seen extremes in the past 100 years, but always mitigated by countervailing tendencies—rules existed in apparently anarchic periods; power is still relevant now. This argument does not repudiate the insights of Kagan and Cooper. It contextualizes them. There was a time when Europeans shared a dream of Camelot, to borrow from T. H. White’s *The once and future king*: they aspired to end violent conflict, embrace the rule of law and right the world’s wrongs. Nevertheless, they were (and remain) human and therefore fallible. In their moment of greatest triumph, they overlooked the potential for its undoing.2

This blurring of the extremes arises primarily from the relationship between the domestic and the international. Europe today may be greater than the sum of its parts, but—just as in 1919—that Europe is stable only so long as the ‘parts’ agree to play along. The mistake was to assume that negotiated consensus, no matter how deeply or strongly institutionalized, necessarily equated with lasting agreement. Under the right domestic circumstances, European states can always change their minds. They can also use their common institutions either to enhance their individual voices at the global level or to constrain their worst impulses at home. As the British government admitted in its white paper on withdrawing from the EU, ‘Parliament has remained sovereign throughout [the UK’s] membership of the EU’ even if ‘it has not always felt like that’.3

The tension arising from changes in domestic politics has never been far from the surface, and Britain’s referendum on continued membership of the EU is not the only illustration.4 Europe’s history is rich with similar and related temptations. Consider France during the waning days of the Fourth Republic or during the tumult that surrounded Algerian independence, Germany in the period of Ostpolitik, or Italy during the ‘years of lead’. The difference now is that the tensions between national imperatives and European ambitions are so widespread. Poland, Hungary, Italy and others do not have to follow Britain’s example to challenge the dream of union.5

This timing is not coincidental. Debates over the nature of international relations in Europe came to the fore at the height of the eurozone crisis in 2011 and 2012, as national governments struggled—and failed—adequately to respond to the sudden change in economic fortunes.6 Increasingly, it also became common to speak of a return of geopolitics.7 In part that was a reflection of the startling

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rise of China, the Russian invasion of Georgia and the instability unleashed by the Arab Spring. Within Europe, however, the danger came from the combustible combination of social and economic instability, electoral volatility and deep disagreement about how Europe’s integrated economy should be governed and who should pay the cost of returning to something more normal.

The two factors together—a restless global system and an increasingly tumultuous domestic European politics—suggest that much of the stability of the past century was fragile or conditional. As Jean-Claude Juncker put it:

Those who think that the question of war can never be raised in Europe any more may be massively wrong. The demons are not gone, they are only sleeping, as the wars in Bosnia and Kosovo have shown. I am astounded to what extent the European situation today is similar to 100 years ago.  

Juncker’s assertion stands in stark contrast to the aspirations of European statespersons at the end of both the First and the Second World Wars. Twice during the first half of the twentieth century, Europe’s leaders sought to banish violence and to shackle the nation-states and national emotions that caused it. To say the demons of nationalism are only sleeping and not vanquished is to admit that the struggle continues.

Juncker’s assertion also refutes the scholarly insights into the nature of contemporary Europe that predominated as recently as a decade ago. Mark Leonard borrowed a leaf from Cooper’s book to argue that Europe would run the twenty-first century. Steven Hill touted the virtues of the European social model. Andrew Moravcsik suggested that European integration had achieved a stable multilevel equilibrium that could be understood as a de facto constitutional settlement. And Jeremy Rifkin argued that the European dream would overtake the American dream as the beacon for world progress.  

To understand why such ambitious claims have proved ill-founded, it is useful to retrace the arc of history in Europe that stretches from the end of the First World War to the present. At each step along the way we offer a brief overview of developments related to the unity of Europe, the strength of democracy, the influence of nationalism and the role played by the United States. We also reflect on the conventional wisdom in the scholarly community about how Europe is organized and what the relationship is between developments within European countries and the interactions among them. We conclude by suggesting where Europe and Europeans are headed, pointing in particular to the ongoing tension, which has characterized much of the past 100 years, between ambitious hopes for a continent that could overcome the demons of its past, and the continued struggle against the divisive force of European nationalism.

8 Quoted in Valentina Pop, ‘Europe still has “sleeping war demons”’, EUobserver, 11 March 2013.
When Italy’s representatives came back from the Paris peace conference, Gabriele D’Annunzio accused them of having signed away the country’s pride, standing and national interest. Ostensibly, D’Annunzio was upset about the fate of Istria and Dalmatia. These are Croatian lands that D’Annunzio (and others) believed (wrongly) had been promised to Italy both as compensation for its role in fighting the Austro-Hungarian empire and as a reflection of Italy’s longstanding interest in the region. The Republic of Venice had a strong influence on the development of the Balkan coast of the Adriatic, and many of the major port cities had significant Italian-speaking populations. When the Paris conference allocated these lands to the newly formed Kingdom of Serbs, Croats and Slovenes—later known as the Kingdom of Yugoslavia, or the ‘south Slavs’—D’Annunzio insisted that Italy had accepted a ‘mutilated peace’. He then rallied a group of nationalists, invaded Istria, and captured (and ruled) the major port town Fiume (or Rijeka—both words meaning ‘river’) on the southern side of the Istrian peninsula. D’Annunzio ruled in Fiume until the Treaty of Rapallo, which set up Fiume as an autonomous free state and so made it possible for the Italian Navy to kick him out. Four years later, the free state of Fiume was annexed by Benito Mussolini.

This story about the conflict over Fiume reveals four areas of tension in Europe at the end of the First World War. First, the countries were divided, not just between victor and vanquished but also among the victors themselves: both Italy and Serbia were affiliated with the Entente. Second, the democratic institutions were fragile: although Italian political leaders were able to outflank D’Annunzio at the ballot box in the November 1919 elections, it was only a short time before Mussolini was able to take control (or, perhaps better, received control as a gift from the country’s economic and political elites). Third, much of the instability Mussolini exploited arose from the ambiguity around nationalism as a political ideology: Italy existed by dint of the success of national unification, and yet nationalists like D’Annunzio could not be controlled by the country’s political institutions. Fourth, the influence of the United States was inconsistent and often unpredictable: Woodrow Wilson came to Rome and then spoke over the Italian government and directly to the people; he promoted an ideal of self-determination and yet weighed in over Fiume on the side of pragmatism rather than idealism; and he made it clear that Italy was not only not an equal to the United States but also not a Great Power on a par with the United Kingdom or France.

These four areas of tension were ubiquitous and increased in importance across the interwar period. European countries diverged and often worked at cross-
purposes. Democratic institutions struggled to contain domestic political tumult. Nationalism emerged as a dark force both for the mobilization of ‘the people’ and for the victimization of ‘outsiders’. And US policy tended to exacerbate the divisions between European countries, the weakness of their democratic institutions and the ambiguities surrounding nationalism as a political force.

The divisions unfolded across every possible dimension. France and the United Kingdom each feared abandonment by the other. Germany resented the war guilt clause it was forced to sign by Britain and France. The larger and wealthier countries tended to ignore those that were smaller or poorer. Northern Europe looked down on southern Europe and western Europe looked down on those countries to the east. There were moments of reconciliation, such as the 1925 Treaty of Locarno, but they were at best only partial and short-lived. Meanwhile, the implicit assumption of national sovereignty and the consolidation of communist rule in the Soviet Union fractured the continent more enduringly. Adam Tooze identifies the importance of sovereignty, pointing out that there was no obvious reason for Germany to remain integral as a state at the end of the conflict, particularly given the very recent German experience of unification by conquest:

Across the sweep of modern history since the emergence of the modern nation state system in Europe in the seventeenth century, the assumption of German national sovereignty marks the treaty of 1919 as unique. Most, if not all, of the problems peculiar to the Versailles Treaty system arose from it.

Following Tooze’s argument, the assumption of sovereignty was used by the peace negotiators to focus attention on both national self-determination and lines on the map, and hence to reinforce the idea of the nation-state as the predominant model for economic and political organization. Within that context, the challenge of communism did not come from insurgents or Soviet intervention. Rather, it took form by fostering a pattern of political and economic organization antithetical in many respects to the uneven mix of liberal democracy and national self-determination that predominated in countries to the West.

This alternative mattered because the performance of democracy was so uneven. Moreover, there were good reasons for this unevenness. Democratic institutions were often a poor fit with the monarchical or oligarchic arrangements onto which they had been grafted. Those institutions also struggled to cope with the massive expansion in suffrage that followed the First World War. The extension of the vote to working-class men and, in some cases, also to women, necessitated new forms of political communication and mobilization, which in turn created space for new ideologies to take root—including ideologies that called for the use of democratic institutions to achieve non-democratic objectives, as when political elites in central Europe and the Balkans sought to mobilize their citizens

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Kershaw, *To hell and back*, pp. 180–82.
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along ethnic lines. The November 1919 Italian elections are a good illustration of this trend. Those elections brought forth a conservative Catholic people’s party and a radical socialist party that disliked one another but both rejected the ‘democratic liberalism’ of the country’s ruling elites. Fascism did not immediately rise to prominence in this context; rather, it inherited the wreckage created by the three-way competition. Not all countries were affected to the same extent: democracy in Great Britain proved resilient, while Hungary lay on the other side of the spectrum. Nevertheless, the fragility was so widespread that ‘by the 1930s many asked why it should ever have been expected that democracy would flower in Europe’.

The greatest weakness of democracy was the lack of a legitimating narrative. The virtue of government by ‘the people’ is self-evident only when the identity of the people can be taken for granted. When that identity is contested, then democracy looks more like a tyranny of the majority. One possible solution to that problem is the principle of self-determination, in so far as ‘the people’ are free to self-select to govern and be governed together in a liberal sense. For much of Europe, however, national identity is not a matter of choice. National identification may look like choice where the population is relatively homogeneous in ethnic, cultural, religious and linguistic terms, but that appearance vanishes quickly in the face of reinforcing cleavages—which is to say, where the differences between ethnicity, class, culture, religion and language all line up the same way. That is particularly true wherever self-identifying groups spill across political boundaries, or fail to fill them, or both.

After the First World War, the Germans and Hungarians spilled across political boundaries; isolated minorities like the Ruthenians failed to fill them; and truly unfortunate populations like the Jews and the Poles did both. Hence, as Timothy Snyder points out: ‘The most persecuted European national minority in the second half of the 1930s was not the four hundred thousand or so German Jews (the number declining because of emigration) but the six hundred thousand or so Soviet Poles (the number declining because of execution).’ Moreover, as Snyder explains, the Soviet identification of ‘Poles’ as a threat to Soviet communism led the NKVD (People’s Commissariat for Internal Affairs) inexorably towards the belief that they should ‘destroy the Poles entirely’. The combination of German national expansionism and Jewish vulnerability unleashed that dynamic in even more potent form.

The role of the United States in this drama was ambivalent. Woodrow Wilson came to Europe to broker the peace but also to assume the mantle of world leadership and to promote American liberal values. This threefold agenda was rife with tension in so far as peace depended upon compromise and American leadership

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20 Kershaw, To hell and back, pp. 241–6.
22 Mazower, Dark continent, p. 25.
23 Mazower, Dark continent, pp. 51–63.
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meant nothing unless the US President could get others to follow. Moreover, the tension only increased as Wilson returned home—in part owing to the reluctance of many if not most Americans to support a commitment to the constraints implied by the League of Nations or the obligations that centred on the maintenance of European security, and in part owing to the complex interdependence that arose at the nexus of trade, finance and reparations. America’s retreat into isolationism and, after the 1920s, economic nationalism exacerbated European divisions, put increasing strain on democratic institutions, and created space for nationalist mobilization and other forms of ideological competition.26 This is not to imply that Europe would have been better off if the United States had never existed or had never thrown its weight behind the Entente powers in the conflict; nor is it to suggest that there is any realistic scenario where economic interdependence across the Atlantic could have been avoided. Rather, the point is that the United States never lived up to the promise of American leadership and Europe suffered in many ways as a consequence.27

A pragmatic form of realism is probably the best description of the conventional wisdom that emerged from this European experience.28 The structure of power was not completely anarchical. European states continued to adhere to rules, norms and conventions even in the moments of greatest tension. Moreover, national political leaders exercised power through many different and often subtle forms—including by holding out the attraction of national prosperity, by working to influence public opinion and by crafting complex narratives to bolster the legitimacy of their actions. In this sense, the European state system of the interwar period bore many similarities with that which existed before the First World War.29 It was hierarchical, structured, even deliberative. Nevertheless, the Europe created by the peace of Versailles was anything but pacific. On the contrary, it was capable of the extreme violence unleashed during the Second World War.

The European rescue of the nation-state

The Europe that emerged from the Second World War was very different. If the Fiume crisis was emblematic of the interwar period, the formation of the West German state was indicative of what was to follow. The Second World War did not end with a single peace treaty, nor did its legacy rest on an assumption of German sovereignty. Instead, when the fighting stopped, Germany was made subject to four-power occupation. Germans did not govern themselves; they did not have a market economy; and they could not defend their own territorial boundaries.

The problems for the occupying powers were considerable. They could not agree on a future organization for Germany and they could not maintain the

26 Kershaw, To hell and back, pp. 197–216; Tooze, The deluge, pp. 504–7.

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occupation indefinitely. The German economy was in a shambles, the currency did not function and the Germans hoarded whatever they had rather than bringing it to market. The German economist Ludwig Erhard came up with a solution to the economic problem: the western occupying powers, meaning the United States, the United Kingdom and France, had to provide the political space for that solution to take root.

The economic solution was to create a new currency that could replace the depreciated Reichsmark and so soak up excess liquidity in order to restore the meaningfulness of prices. This new currency, called the Deutschmark, was introduced in the western zones of occupation on 21 June 1948 and an end to rationing and price controls followed rapidly. Almost instantly, the result was to integrate the western zones into a single market as producers brought their goods out of hiding, workers began to receive real value in exchange for their labour and consumers found things they wanted to buy in the shops. The implications for the Russian occupation zone were exactly the opposite. Germans in those areas could still use the old currency but found themselves flooded with even more worthless money from black-marketeers who could not access the new Deutschmarks. The Soviet governors closed the borders to their occupation zone to prevent a further collapse of the economy. When the western powers began to send the new Deutschmarks to Berlin on 23 June, the Soviets blockaded land access to the western part of that city as well.

The political space created by the western occupying powers was already in place. The currency reform happened against a backdrop of disagreement between the Soviet Union and the other occupying powers over whether the Germans should be allowed self-rule. The United States, the United Kingdom and France wanted to allow the Germans to build a government; the Soviets insisted that could happen only if all zones of occupation were involved. As early as March 1948 the western powers agreed to move forward without Soviet participation. The imposition of the Berlin blockade only accelerated that process. While the western occupying powers engaged in a heroic airlift to maintain supplies to West Berlin, representatives of the Germans in the three western zones of occupation met in a parliamentary council to draft the Basic Law of the Federal Republic of Germany. The western occupying powers approved this draft on 12 May 1949—the same day the Soviets called an end to the Berlin blockade.

The creation of the Federal Republic of Germany was a major step on the path of European integration. It was also a major source of division in Europe—and in Germany—between East and West. By implication, the resolution of the Berlin crisis revealed that unification would be a drawn-out, incremental process. That process depended critically on the robustness of democratic institutions. And, it followed a pragmatic, functionalist logic that did not depend upon national identi-

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33 Bark and Geiss, *A history of West Germany*, vol. 1, p. 225.
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ification. Some Germans were included; others were left out, at least initially. The dream of eventual unification did not die, persisting in both parts of Germany. Moreover, the agreed settlement only restored part of West Germany’s sovereignty, to be reviewed over time and extended only gradually. Most important, perhaps, the United States played a consistently supportive role. The US military governor, Lucius Clay, accepted Erhard’s proposal for currency reform despite strong advice to the contrary; the Truman administration provided critical resources to foster economic recovery; and the US Senate agreed to allow Truman to make a binding, long-term commitment to secure Europe against the threat of violence (including from Germany).

The history of Cold War Europe follows a similar pattern of incremental, functionalist integration, democratic strengthening, softening of national identification, and supportive transatlantic relations. The process was not always easy, and there were frequent conflicts and setbacks along the way, but it was progressive and, to a certain extent, orderly: integration pointed in a particular direction of travel towards the eventual unification of the European continent; it involved the elaboration of ever stronger rules, norms and conventions; it gave rise to new, supranational forms of identification; and it held out the prospect that Europe could share hegemony over the West with the United States. The implications for sovereignty in this new Europe were ambiguous. National governments would have to accept increasingly binding forms of cooperation. In exchange they would receive new opportunities for influence and greater shelter from the outside world.

The integration part of the story is the best known and runs from the foundation of the European Coal and Steel Community in 1951 through to the Single European Act of 1986 and the completion of the internal market. This process is ‘functional’ in two senses of the term. In the first place, European integration focuses only on discrete elements of state policy, usually centring on economics. This is functional in the sense that integration gave rise to a more efficient distribution of resources and division of labour, a more influential external commercial policy, a deeper pool of resources for precompetitive or basic research, a more effective means for subsidizing key industries or policing market competition, and a wider variety of goods and services for all those who participated.

This notion of functional integration is perfectly compatible with the idea that member states remain in control of the process. Of course, integration gives rise to complex forms of interdependence that are often difficult for national governments to manage, but it is not necessarily transformative of what it means to be a national government. If anything, this kind of functional Europe can shore up the weaknesses of the traditional nation-state: it can help Germany regain the trust of its European partners; it can help France move from agriculture to industry; it

34 DePorte, Europe between the superpowers, p. 154.
36 Bark and Geiss, A history of West Germany, vol. 1, pp. 213, 222.

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can help Italy join the ranks of advanced industrial democracies; and it can help Belgium close down its unproductive mines and wind up its mature industries. 39

The other notion of ‘functional’ is more problematic in the European context because of what it implies for democratic legitimacy. As governments cede discrete functions to some common enterprise, they encounter unforeseen obstacles that force them to redouble their commitment, they establish new and potentially powerful actors who might take control of the process, and they create incentives for other, domestic actors to shift the focus of their attention and perhaps even their allegiance elsewhere. 40 This other dynamic threatens national sovereignty and national identity. Moreover, Europeans were constantly aware of that prospect. The debate over the Fouchet plan in the early 1960s is one illustration, but far from the only one. 41 Hence the challenge has been to strengthen European democracy alongside the integration process.

This democratic strengthening is the normative underpinning for the European project and centres on the promotion of peaceful dispute resolution and the rule of law. The roots go back into the Convention for the Protection of Human Rights and Fundamental Freedoms signed in Rome in 1950 and extend down through time via both the European Court of Human Rights and the European Court of Justice. The basic idea is liberal, in so far as it implies limits on the reach of the state; but it is also more than that, in so far as it creates opportunities for governments to ‘pool’ sovereignty or to ‘share’ it. 42 It is also liberal in so far as it makes it easier for individuals to form associations and pursue their interests across national boundaries. Moreover, this normative promotion of democracy was not limited to the European Community in any of its various guises. It lay at the heart of the Council of Europe and it animated the third basket in the 1975 Helsinki Final Act alongside more functional measures to facilitate economic exchange across the Iron Curtain. Ironically, while communist negotiators thought they were securing sovereignty in a geographic sense, they were in fact limiting and pooling it. 43

The success of integration was uneven over time, but it was cumulative. Each decade expanded the reach of Europe’s influence and also the number of member states formally associated with the process. Sometimes the enlargements had more functional characteristics, as when the Common Market expanded to include Great Britain, Ireland and Denmark in the mid-1970s; at other times the emphasis was more clearly on democratic stabilization, as when Greece joined in the early 1980s or Spain and Portugal followed later that decade. In turn, each enlargement created new opportunities and new challenges. Decision-making became more complicated; cross-subsidies became more obvious and more expensive; and the complex mix of institutions and regulations became harder to manage. In this way, enlargement necessitated a deepening of European institutions and competencies.

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41 Willis, France, Germany, and the new Europe, pp. 292–9; DePorte, Europe between the superpowers, pp. 223–9.
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Nevertheless, there were limits. European integration did not expand effectively in foreign and security policy, for example. Instead, European governments focused on maintaining or even strengthening their relations with the United States, both bilaterally and through NATO. For its part, the United States engaged with Europe on different levels—at times negotiating as partners over multilateral trading relations or the stabilization of international exchange rates, and at times collaborating in the development of global financial regulations and sharing management of the main global economic institutions.

Scholarly understanding of this arrangement built on three fundamental insights—about the sources of domestic legitimacy, about the structure of the international system and about the costs of global leadership. If Europeans were to downgrade nationalism, for example, then they had to find some other formula for promoting domestic legitimacy. That formula centred on the welfare state. So long as major political groups felt their interests were being represented and provided for, they would not mobilize against the system. This was the essence of Europe’s ‘great transformation’ at the end of the Second World War. 44

The genius of the postwar international economic arrangement was to leave enough space for national political leaders to cope with multiple and overlapping domestic political accommodations simultaneously. 45 The problem with this arrangement, however, is that the costs fell disproportionately on the United States. Hence it was important for Europeans to share in the burdens of global leadership. In that sense, partnering with the United States in the management of major institutions was not just a privilege but also an obligation. 46 Given the tight economic relations across the Atlantic and the enduring threat to European security from the Soviet Union, however, there was no reason for that situation to change.

After history’s end

The fall of communism in Europe at the end of the 1980s was both a natural outcome of the integration processes set in motion during the postwar period and wholly unexpected. It was natural in so far as the peoples of central and eastern Europe wanted the prosperity and liberty of those in the West. 47 It was unexpected in so far as this was also true of many of their leaders. 48 If abandoning the communist state was the price to be paid for a higher standard of living and greater freedom, then so be it. Certainly, it made more sense than using—or watching others use—excessive violence to maintain what amounted to only a modest amount of privilege compared to what was on offer elsewhere (and against

44 Karl Polanyi, The great transformation: the political and economic origins of our times (Boston: Beacon, 1957).
the prospect of a popular uprising that could not be suppressed). If there were opportunities to plunder state resources along the way, even better. 49

The process was most startling in Berlin. Although pressure on the East German regime had been building for some time, the sudden collapse of control over the movement of people from East to West was unforeseen even by those most active in bringing it about. 50 Almost overnight, this development raised the prospect not only that Germany would restore national unity but also that it would regain national sovereignty. 51 German Chancellor Helmut Kohl struggled to reassure his counterparts both in western Europe and in the United States that he would bind German might to the norms developed during the postwar period. He went further to propose the creation of a more formal and constraining European Union. Even so, however, the spectres of Germany’s past were not easily dismissed. 52

The process of German unification was critical for what happened in the rest of Europe, but it was not representative. The demographic challenges, political dynamics and resources deployed were unique. Indeed, no country has gone through a similar experience. The collapse of Yugoslavia during the decade that followed was also unparalleled. Communist leaders elsewhere may have abandoned the state, but they did not use that opportunity to launch an orgy of violence. 53 That catastrophe bore tragic echoes of the past and may bode ill for the future, but it was far removed from contemporary events on other parts of the continent.

A better harbinger of developments during the two decades that followed the fall of communism is the Danish referendum to ratify the Maastricht Treaty on the European Union in June 1992. That treaty was negotiated as the next major step in European integration and at least partly, as Kohl suggested, to bind a unified Germany to the West. It created the notion of European citizenship (including the right to vote in local elections), it established new institutions to address concerns related to elements of foreign policy and cooperation in internal affairs, and it introduced the euro as a common currency. In other words, the Maastricht Treaty had both normative and functional dimensions. Crucially, the Danes did not have to embrace each and every aspect of it. As a result of the negotiations, the Danish government maintained the right not to allow foreigners to purchase holiday homes and and secured the right not to participate in the euro, for example. 54 The euro opt-out was not as comprehensive as the one secured by the British government, which asked also to be excused from the procedures for correcting excessive deficits, but—taken together with the exception about holiday homes—it strongly suggested that Denmark’s European partners were not seeking to ride roughshod over Danish interests.

54 These opt-outs are listed in protocols attached to the Maastricht Treaty.
The Danish government chose to hold a referendum on the treaty’s ratification, but it is likely that it would have had to do so for constitutional reasons in any event. Moreover, roughly 80 per cent of the Danish parliament supported the treaty and so the government had little fear that it would suffer a setback. Since the outcome would be binding, however, the government chose to undertake a comprehensive information campaign. It sent copies of the treaty to every household and ensured that there would be substantial coverage in the media. The treaty document itself is unintelligible to anyone not a lawyer, and yet surveys show the Danes were aware of and understood the issues at stake.

When the vote was held on 2 June 1992, just over 83 per cent of the electorate participated. Just under 51 per cent of the population voted against the treaty, including almost 62 per cent in Copenhagen. The explanation found by pollsters is that the Danish people worried about the loss of national sovereignty implied by any further political integration. They would even be willing to give up economic benefits if that were necessary to ensure their political freedom. Moreover, they were uninterested in the guidance they received from politicians.

This episode mattered immediately because it showed the limits of European integration, both in substance—where the Danes refused to pool or share sovereignty—and as a process, because the treaty could not be implemented without Danish ratification. The longer-term implications were even more important. The Danish referendum revealed the sharp contrast between representative and direct democracy, a point underscored by the French referendum that followed at the end of the summer. French President François Mitterrand called the referendum expecting an easy victory, only to find that the electorate was deeply divided and at odds with much of the consensus among elites. The Danish referendum also revealed the weakening bonds between voters and their representatives, and hence the increasing incentives that elected politicians face to connect directly with their constituents. Some in France and elsewhere were quick to appreciate the significance of that division, which in part explains the intensity of the French referendum campaign.

At a deeper level, the Danish referendum suggested the continuing relevance of nationalism. This can be seen in policy terms by looking at the concessions Danish politicians had to acquire before holding a second referendum—promising to stay out of the single currency, downplay European citizenship, maintain control over immigration, and keep a distance from European foreign policy endeavours. In symbolic terms, it shows up in the jubilant reaction of the Danes to their victory over Germany in the UEFA European Cup just weeks after the referendum. As Bo Lidegaard notes, Danish Foreign Minister Uffe Ellemann-Jenssen showed up...
at the European Council immediately following the match with a scarf bearing the slogan: ‘If you can’t join them, beat them!’ 60

These lessons should not be exaggerated. Clearly, Europe is different from other regions, given the number and density of institutions that structure politics and public policy within and between its various member states. 61 It is difficult to deny the extent to which the institutions of the EU have shaped and constrained states, and added a new layer of institutional and legal constraints to their interactions. The authority of the European Commission when it comes to adjudicating over matters of competition policy provides one striking example; another is the binding nature of EU law adjudicated by the European Court of Justice. Moreover, there is evidence to suggest that the autonomy and influence of these central institutions have been enhanced by recent enlargements. 62 The impact of the Union has led some to argue that the EU represents a systemic change towards something that looks less like the European system of nation-states and more like the multinational empires that preceded it. 63

Nevertheless, it is worth noting just how difficult it was for the political leadership of the EU to prepare their institutions for enlargement to encompass the countries of central and eastern Europe. Neither the Amsterdam Treaty nor the Nice Treaty proved adequate to adapt the institutions for decision-making and both proved to be controversial. When the Nice Treaty came up for ratification in Ireland in June 2001, for example, a majority of the Irish population voted it down. Like the Danish veto of the Maastricht Treaty, this Irish veto was ‘corrected’ with a second referendum (as was the Irish veto of the Lisbon Treaty later that decade). In that sense, controversy is not the same as crisis. The point is simply that direct democracy placed a brake on integration—a point most evident in the outcome of the French and Dutch referendums that put an end to the European Constitutional Treaty in 2005. 64

The rise of populist movements at the end of the 1990s and beginning of the 2000s is also important. These movements do not share much in terms of left–right political identification, but they share a lot in their distrust of political elites and in their willingness to engage in identity-based political mobilization. 65 The strength of the Northern League and the National Alliance in centre-right Italian governments is one illustration; other examples include the success of the Austrian Freedom Party, the emergence of the Dutch firebrand Pim Fortuyn, and the ability of Jean-Marie Le Pen to get to the second round of the 2002 French presidential elections. The reason for highlighting these examples is to underscore that European populism and identity-based political mobilization were gaining support even before the economic crisis triggered in late 2007. Moreover, that support was not limited to western Europe: it was accorded also to Simeon II in

60 Bo Lidegaard, A short history of Denmark in the twentieth century (Copenhagen: Gyldendal, 2009), pp. 331–3.
64 Simon Hix, What’s wrong with the European Union and how to fix it (Cambridge: Polity, 2008).
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Bulgaria, Vadim Tudor in Romania, Viktor Orban in Hungary and the Kaczynski brothers (Lech and Jaroslav) in Poland. The EU tried to temper these impulses, but only on the margins and with little success.

The influence of the United States in Europe after the end of the Cold War was ambivalent. The George H. W. Bush administration was important in supporting Germany through the unification process, but his administration stepped back from the Yugoslav crisis, insisting that it was Europe’s responsibility. The next two presidents (and four administrations) also preferred selective engagement. This story about the United States connects to the Danish veto of the Maastricht Treaty through the substantive constraints that it implied for the process of integration. The peace dividend widely expected to follow the end of the Cold War rapidly evolved into a protracted debate about burden-sharing. The United States was the sole remaining superpower, but it did not want to govern the world alone and looked to Europe to carry more of the burden. The challenge on the European side was to come up with some framework for asserting a coherent foreign and security policy—or admit it was not up to the task.

The main project the transatlantic partners had in common was the extension of European institutions, meaning NATO as well as the EU, to the former communist countries of central and eastern Europe. Part of this process was centred on democracy promotion and part on stabilization and security-building, including the strengthening of civil–military relations. Engagement with Russia and the other post-Soviet countries was also a critical component. The challenge for both Europeans and Americans was to create an appropriate mix of incentives and reassurances. The exercise of power in the European state system remained a subtle and complex endeavour.

The scholarly community greeted the post-Cold War with a strange mixture of idealism and cynicism. The allusion to the end of history at the start of this section highlights the idealistic view. The reference to Mars and Venus in the introduction is an allusion to the more cynical perspective. This debate was important for understanding the ups and downs in the transatlantic relationship and also fluctuations in the notion of ‘the West’. Nevertheless, it tended to obscure a more fundamental conversation about what Europe is and what Europeans want it to be. That conversation brought together themes related to integration, democracy, nationalism and power that lie at the heart of Europe’s evolution. The debate also

70 Tracey German, ‘NATO and the enlargement debate: enhancing Euro-Atlantic security or inciting confrontation?’, International Affairs 95: 2, March 2017, pp. 291–308.
71 Vachudova, Europe undivided; Ronald D. Asmus, Opening NATO’s door: how the alliance remade itself for a new era (New York: Columbia University Press, 2002).
highlighted the differences in how Europe’s welfare states legitimated themselves from one part of Europe to the next. Such differences were a necessary part of the postwar accommodation, and yet they proved to be increasingly incompatible with the existence of shared institutions, particularly in the economic domain.  

Hence the challenge was to find some way to promote unity alongside this diversity. Europe’s political leaders struggled to find some formula for reconciliation. The onset of the global economic and financial crisis in 2007–2008, however, pulled Europeans’ attention in other directions.

**Might makes right**

Europeans have spent the past decade dealing with a host of separate and yet related crises centring on banks, sovereign debt markets, migration and security. Finding a common theme that runs through these events is difficult. ‘Muddling through’ suggests itself, given how difficult any of these issues is to address definitively, and yet that characterization fails to do justice to the heroic efforts made by Europe’s leaders to engage in complex institution-building while at the same time wrestling with diffuse patterns of interdependence and conflictive domestic politics.  

The worry is that this stress is wearing away at the postwar settlement and exacerbating tendencies already apparent in the first two decades of the post–Cold War period. To illustrate the cause for this concern, it is useful to focus on the bailout of Cyprus in March 2013 and, to a lesser extent, on the Greek crisis that unfolded two years later. These events are important because they show the divisions that have emerged in Europe, the growing fragility of democratic institutions, the rise of nationalist indignation and the use of national stereotypes in making important decisions. The United States is a wary observer of these dynamics but not an actual participant in them. If anything, American influence over these events works primarily through the forces of economic interdependence and what little leverage is held in global economic institutions to change the course of events in Europe. Much of that influence is counterproductive if not irrelevant.

The Cypriot and Greek stories go together because they are interrelated and because they reveal complementary aspects of European integration more generally. The story in Cyprus centres on the banking system. The Cypriot banks operated a business model that offered relatively high rates of return to attract foreign depositors and then used that money to invest in relatively risky assets. This model was successful, and the banks grew to manage assets many times the size of the economy of Cyprus. Such growth was possible only because those banks had access to European financial markets; it was fuelled by the view of depositors from Russia, Ukraine and other post-Soviet states of Cyprus as an

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attractive place to do business. In this sense, Cyprus emerged as a nodal point in European financial integration.

Those Cypriot banks got into trouble during the financial crisis for two reasons: they lost money on their risky assets which they could not easily replace; and they were also exposed to large amounts of Greek sovereign debt. Hence they had to rely on the Central Bank of Cyprus to provide emergency liquidity. In turn, the Central Bank of Cyprus needed permission from the governing council of the European Central Bank (ECB) to offer that assistance. When, on German insistence, the governing council began to restrict access to emergency liquidity assistance, the government of Cyprus had to find some way to wind up the banks. What is crucial in this story is that Cyprus was not allowed to bail out its banks as the governments of Belgium, Britain, Germany and the Netherlands had done earlier in the crisis. Nor was it allowed to access European resources, a recourse that had been promised to the government of Spain in 2012. 77

Instead, the Cypriot government was forced to liquidate the holdings of the shareholders and many of the creditors of the country’s two major banks to finance the resolution of those institutions by closing down one and relocating much of its activities into the other. The government of Cyprus worried that imposing these costs only on large foreign depositors would destroy the country’s financial business model and so insisted that any losses be distributed across small depositors as well. Despite the fact that this would violate the guarantee implicit in deposit insurance, the representatives of the ECB somehow found a way of accepting the proposal. The Cypriot parliament was less understanding and refused to ratify the deal that had been worked out. The result was a major political crisis that almost forced Cyprus out of the euro. Instead, the Cypriot government had to impose capital controls that pulled Cyprus out of European financial markets. 78

The connection between this episode and the 2015 Greek crisis lies in the vulnerability of national financial systems in the context of integrated European financial markets. The free movement of capital across national borders can wipe out even relatively stable banks, particularly when those banks cannot gain access to liquidity. The implications for Greece were immediately apparent in February 2015. This was soon after the formation of a Syriza-led coalition government that was determined to push back against European demands for austerity within the context of the Greek bailout. The governing council of the ECB responded to this political pressure by withdrawing the waiver necessary for Greek banks to use Greek sovereign debt instruments as collateral; the explanation from ECB president Mario Draghi was that such a waiver could operate only so long as Greece remained committed to the terms of the European bailout programme. And the result was to force Greek banks to rely on the Central Bank of Greece for emergency liquidity assistance.

78 Sandbu, Europe’s orphan, pp. 152–5.
Over the weeks and months that followed, deposits flowed out of the Greek banks even as pressure increased in the governing council to limit Greek access to emergency liquidity assistance. The decisive moment came in July 2015. By then it was clear that the Greek banks were no longer solvent and so the governing council prepared to halt the Central Bank of Greece’s ability to extend the liquidity necessary to keep those banks afloat. The Syriza government called a popular referendum to see whether the people were still determined to push back against European demands for austerity measures. The referendum result went against further austerity but the Syriza government capitulated to the logic of economic interdependence all the same—imposing capital controls to stabilize the banks and then accepting harsh conditions for the receipt of European financial assistance.\(^{79}\)

What was striking in both of these incidents was the widespread acceptance that the two countries somehow deserved their fate, that the imposition of capital controls forcing them to pull out of European financial markets was a reasonable response, and that exiting from the euro might also be a possibility—despite the extraordinary risks this would entail for the viability of the single currency as a whole. Such sentiments reflected an important change in the discourse about Europe that separated national governments into saints and sinners, raising questions about whether the unification of Europe remains a viable goal.\(^{80}\)

The conflicting notions of democracy and democratic legitimacy also rise to the surface. An obvious concern centres on whether the effective violation of deposit insurance undermines the predictability implicit in the rule of law, but there is also a deeper sense that a change from bailing out banks to imposing losses on bank creditors is implicitly retroactive—changing the relationship between risks and returns for people who are already locked into investments. Certainly, there is a popular sense that such treatment is unjust, particularly by those forced to bear losses. The Cypriot Central Bank governor, Panicos Demetriades, had to leave office early under death threats. So did the central bank governor of Slovenia, Bostjan Jazbec, who also had to impose losses on bank creditors under EU instruction.\(^{81}\)

Finally, there is the strange dichotomy that has emerged in the operation of European bailout institutions, whereby the German parliament must be consulted on each new disbursement of aid while the national parliaments in recipient countries are subject to restrictive conditions. This makes sense from a standpoint of power politics between creditors and debtors, but creates the impression that one set of voters (or their representatives) is more important than another.\(^{82}\)

The standoff between Greece and Germany in the summer of 2015 revealed that what suits the needs of one electorate is likely to antagonize the other. This situa-

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\(^{79}\) For an insider’s account of this drama, see Yannis Varoufakis, *Adults in the room: my battle with Europe’s deep establishment* (London: Bodley Head, 2017).


\(^{81}\) This observation is based on authors’ interviews with Demetriades and Jazbec in 2017 and 2018.

\(^{82}\) Manuela Moschella, ‘When are some more equal than others: national parliaments and intergovernmental bailout negotiations in the eurozone’, *Government and Opposition* 52: 2, April 2017, pp. 239–65.
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tion was the culmination of long-simmering tensions between the two countries, and the implications can be exaggerated. Although many harsh words have been exchanged in the media, the situation is nowhere near as bellicose as the jingoism of the early twentieth century. The reference to offensive national stereotypes nevertheless remains important in so far as it fuels identity-based political mobilization and spills over into other forms of discrimination.

The salience of identity politics is everywhere apparent, not just in Europe but also in the United States. This explains part of the distance that has arisen in the transatlantic relationship. Americans no longer identify with Europe to the same extent as they did in the immediate postwar era. That was true particularly under Barack Obama’s two administrations, although the extent of disengagement was less than many Europeans complain. Donald Trump’s presidency shows a different dimension of American identity politics, one that is more self-interested than distracted. Where the Obama administration played the role of interested bystander, the Trump administration has been more actively disruptive, often directly and openly challenging European unity.

The scholarly community is unsure what to make of the current situation. There is a sudden spike of interest in populism, disintegration and the connections between those two dynamics. It is still too early to tell where these events will lead. There are perhaps some parallels with European dynamics in the interwar period, but the resonance is only suggestive. All that is clear is that the trajectory established in postwar Europe has changed. The point of inflection probably dates to the early post-Cold War period, and the change has accelerated in the aftermath of the economic and financial crisis. And of course the ongoing migration crisis is giving that acceleration added momentum. Europe’s fragility once again contrasts with its ambitions for its integrated future.

Conclusions: the once and future union

The challenge of Brexit shows what this confusion means in practice. The June 2016 referendum set in motion a process of extricating the United Kingdom from a host of overlapping institutional relationships, each day revealing some new complication—some more intractable and some less. British democracy is not fragile, and yet it is struggling to accommodate the new cleavage between those who voted to leave the EU and those who wished to remain. Nationalism has re-emerged as a potent force in asserting the right to take back control for the parliament at Westminster, but also fuelling the ambitions of Scottish separatists and the apprehensions of the Northern Irish. Meanwhile the Trump administration in the United States seems intent on exacerbating these divisions, heaping

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scorn on Prime Minister Theresa May’s strategy for negotiating with the EU and suggesting that it would prefer to see even further European divisions.

What is perhaps most important is that neither the UK nor the EU can turn back the clock on this process now that it has started. The British government cannot tell the people who voted to leave that it has now decided to ignore their decision, and even if it did the EU could not trust a British government not to trigger another such crisis at some point in the future.

The dream of a united Europe stretching from the Atlantic to the Urals is not dead. Dreams never die so long as people remember them. That is the moral of Camelot and the story of King Arthur. But certain expressions of a dream do come to an end. The Europe that emerged from the peace of Versailles was deeply and violently divided. There were voices calling for European unity, but they were too easily drowned out by those asserting ambitions for cultural superiority and national greatness. The Europe that emerged from the Second World War sought a particular form of unity in response. That unity was based on a general notion of the rule of law and diverse forms of national accommodation. It promoted common institutional arrangements and drew support from across the Atlantic. And for an unprecedented length of time, it nurtured the peaceful reconciliation of peoples from an ever wider array of European countries.

At some point around the end of the Cold War, however, that formula for unity lost force. The dream of Europe united and free remained attractive, but other concerns became more important. What has followed is the dénouement. Europe has not returned to the post-Versailles period, but it has changed from what it was during the Cold War. The nature of that change is unfolding as we write, another chapter in the history of a century in which European dreams clashed repeatedly with national realities.