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Andrew Moravcsik

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From the start, the euro has rested on a gamble. When European leaders opted for monetary union in 1992, they wagered that European economies would converge toward one another: the deficit-prone countries of southern Europe would adopt German economic standards—lower price inflation and wage growth, more saving, and less spending—and Germany would become a little more like them, by accepting more government and private spending and higher wage and price inflation. This did not occur. Now, with the euro in crisis, the true implications of this gamble are becoming clear.

Over the past two years, the eurozone members have done a remarkable job managing the short-term symptoms of the crisis, although the costs have been great. Yet the long-term challenge remains: making European economies converge, that is, assuring that their domestic macroeconomic behaviors are sufficiently similar to one another to permit a single monetary policy at a reasonable cost. For this to happen, both creditor countries, such as Germany, and the deficit countries in southern Europe must align their trends in public spending, competitiveness, inflation, and other areas.

Aligning the continent's economies will first require Europe to reject the common misdiagnoses of today's crisis. The problem is not primarily one of profligate public sectors or broken private sectors in debtor countries. It is rather the result of a fundamental disequilibrium within the single currency zone, which applies a single monetary policy and a

Andrew Moravcsik is Professor of Politics and International Affairs and Director of the European Union Program at Princeton University's Woodrow Wilson School of Public and International Affairs.

single exchange rate to a diverse group of countries. Policy proposals for budgetary austerity, the micromanagement of national budgets, fiscal federalism, bailouts, or large funds to stave off speculators are insufficient to solve this problem alone. Instead, Europeans should trust in the essentially democratic nature of the EU, which will encourage them to distribute the costs of convergence more fairly within and among countries. The burden must be shifted from Europe's public sectors and deficit countries to its private sectors and surplus countries. If this does not occur, the survival of the euro will be called into question and Europe will face a long-term economic catastrophe that could drain its wealth and power for the rest of this decade and beyond.

A RISKY BET

SINCE EUROPE began cooperating on monetary issues in the 1970s, nearly every agreement has been negotiated on terms set primarily by Germany. The 1992 Maastricht Treaty, which committed Europeans to the euro, was no exception. Germany's main motivation for a single currency, contrary to popular belief, was neither to aid its reunification nor to realize an idealistic federalist scheme for European political union. It was rather to promote its own economic welfare through open markets, a competitive exchange rate, and anti-inflationary monetary policy. Most German business and government leaders believed then and believe now that the European economy would be best supported by independent central banks that are like their own Bundesbank, which almost always prioritizes low inflation over growth or employment.

In France, Italy, Spain, and other countries that have traditionally had weaker currencies, politicians viewed monetary union in part as a means to emulate Germany's success by committing themselves to low inflation and low interest rates, reforming the structures of their economies, and encouraging cross-border investment. Yet they also saw the euro as an instrument to bring Germany closer to their own economic models, thereby relaxing external constraints and competitive pressures on their economies. These weak-currency countries had suffered many debt and exchange-rate crises in the 1970s and 1980s that were driven by the gaps in prices, spending, and wages between themselves and Germany. To avoid repeating this, they hoped to encourage

Germany to accept a European structure that would allow for higher domestic spending, wage increases, and inflation. The two approaches would meet somewhere in the middle.

It didn't work. Even Jacques Delors, who was president of the European Commission from 1985 to 1995 and who is often considered to be the father of the euro, told me shortly after the Maastricht Treaty was negotiated that he saw the single currency as a failure because he had been unable to persuade the Germans to compromise. Berlin's nonnegotiable demand in exchange for monetary union was a European central bank that would be even more independent in its design and even more anti-inflationary in its mandate than the old Bundesbank. No provision was made for fiscal transfers or bailouts among European states.

From the start, then, the single currency imposed high risks on some European governments. If deficit countries, such as Greece and Italy, could not persuade Germany to change its behavior, then they were betting their future prosperity on their own abilities to adopt German standards of wage discipline, government spending, and international competitiveness. These were ambitious goals, because such standards are deeply embedded in national social compromises and political histories. The eurozone had to become more of what economists call an "optimal currency area," in which economic behavior is similar enough to justify a single monetary policy.

In practice, getting there would be very difficult, because the euro system required governments to surrender the tools that they had traditionally used to offset their gap with Germany. These had included unilateral control over interest rates and the money supply, restrictions on capital flows, and the manipulation of exchange rates. Faced with a debt or competitiveness crisis, a country would have to act directly to push down economic activity through wages, private consumption, business investment, and government spending. This is a risky course for any government, because it imposes immediate and visible costs across the entire society. Yet the creators of the euro apparently thought other European countries would be able to converge on something resembling the German model, or that Germany itself would relent, because they made few provisions to address bank collapses, sovereign debt crises, or other potential consequences of failure.

GROWING APART

At first, other European economies seemed to bring their policies in line with Germany's, as optimists had expected. Weak-currency governments restrained wages, government spending, and consumption—or presented statistics that made it seem as if they had done so. Adopting the euro reduced interest rates for these countries and encouraged northern European lending to their economies, stimulating growth.

Yet underneath the surface, the eurozone was a ticking time bomb. Europe's economies once again grew apart, the consequences of which were made clear after the U.S. and British financial collapses in 2008. Deficit governments immediately came under pressure from international markets: speculative domestic markets crashed, interest rates rose, external debts ballooned, and growth plummeted. By contrast, Germany, after a short hiccup, has enjoyed an unprecedented economic boom. These disparate trajectories have called into question the viability of the euro.

According to conventional wisdom and the official rhetoric in Germany and elsewhere, the crisis was caused primarily by excessive public spending in a few extravagant eurozone countries. Solving the crisis, and preventing future ones, would therefore simply require imposing tight restraints on government budgets in deficit countries. To this end, the so-called fiscal compact recently negotiated by EU members would, if ratified, enforce budgetary austerity across the continent. Some economists, including Mario Draghi, who now heads the European Central Bank, also believe that cutting budgets is good for growth.

Yet this is a misleading diagnosis. Although some southern European countries, like many Western democracies, might do well to cut government deficits, public profligacy was not the main cause of the crisis. The eurozone countries have relatively prudent fiscal policies; most have run up smaller deficits than Japan, the United Kingdom, and the United States. Greece is the only eurozone country with an average deficit above three percent of GDP, the maximum level permitted by the Maastricht Treaty, and Portugal was the only other one plagued by major public-sector deficits before the crisis. Spain was actually running a surplus. Far more important in causing the crisis was shortsightedness in and lax regulation of the private sector, which bred imprudent banking policies in Ireland, insufficient competition in markets in Italy, and a housing boom gone bad in Spain. Nor is there any reason to blame the crisis on the bankruptcy of the continental social model. The recent solvency and competitiveness of northern European economies suggest that prudent welfare and labor-market reforms can keep the European model viable.

A chorus of German critics, from the tabloid *Bild* to Josef Joffe, the editor of the respectable *Die Zeit*, have blamed the crisis on a unique southern European culture of corruption and inefficiency, which they contrast with northern sobriety. Yet this dichotomy is also misleading. Severe housing and banking crises are hardly specific to southern Europe; they have recently occurred across the Western world. Between 1999 and 2008, despite tough competition from emerging markets and central and eastern Europe, the Greek economy grew by almost a third. All the countries in crisis have nearly matched or surpassed Germany in some combination of growth in gross national product, labor productivity, and hours worked. This explains why ill-fated investment in southern Europe did not come solely from domestic sources; those sober French and German bankers and bondholders helped finance it with low-interest loans.

Germany is acting like the China of Europe.

Although big deficits and broken private sectors may have been part of the problem, the deeper cause of today's crisis lies in contradictions within the euro system itself. Ten years after adopting a common currency, Europe is still not an optimal currency area. Instead, the single currency exaggerates existing differences and eliminated the policy instruments required to overcome them. Bankruptcy in southern Europe and prosperity in Germany are two sides of the same coin.

Greece, Italy, Portugal, and Spain have spent the last decade accumulating large and increasing current account deficits, and so they are accused of inefficiency and overspending. But German policies are equally to blame for the deficits. At the founding of the euro in 1999, the European Central Bank set a continent-wide two percent target for inflation, based on trends in Germany's labor market. Yet Germany subsequently moved the goalposts by dampening its price and wage growth below that level. To see how this helped cause the crisis, consider the most important component in measuring an economy's external competitiveness: the cost of labor per unit produced, also called unit labor costs, which should ideally rise at the same rate as inflation. Between 1999 and 2008, the average unit labor costs in Greece, Italy, Portugal, and Spain rose by one percent per year over the target, slowly rendering their economies uncompetitive and signaling the need for reform. During the same period in Germany, by contrast, sluggish wage growth, weak domestic consumption, labor-market reforms, and cuts in government spending meant that unit labor costs rose by an average of less than one percent per year, well below the European target. Over a decade, this combination of excessive rises in unit labor costs in some places and wage suppression elsewhere generated a 25 percent overall gap in competitiveness between Germany and its European partners. This chiefly benefited Germany's export sector—the only part of its economy to enjoy net growth over the decade—at the expense not just of foreigners but also of German workers and taxpayers, whose wages were not keeping pace with inflation.

Many observers, and not just in Germany, view Germany's competitiveness as the well-deserved fruit of a decade of domestic reform and restraint, during which the government and unions worked together to deregulate labor markets and dampen wages. Southern European countries, they maintain, should simply emulate Germany's success. There is some truth to this view, but it misses the fact that Germany's wage suppression was excessive, fueling both trade imbalances and imprudent international lending. Because Germany is in the eurozone, its external competitiveness was not offset by a rising currency. Germany's real exchange rate today, under the single currency, is roughly 40 percent below where it would be if the deutsche mark still existed. The result: Germany's trade surplus, at $200 billion a year, is the world's largest, even greater than China's. Forty percent of the surplus comes from Germany's trade within the eurozone—a total roughly equal to the combined deficits of the crisis countries.

Accumulating export surpluses and suppressing domestic consumption, moreover, generated a surplus of capital. German banks and investors lent their extra cash to southern Europe at historically low interest rates, ignoring the longer-term risk. So southern Europe's deficits are as much the fault of northern European lenders as they are the fault of southern European borrowers. In using an undervalued currency to accumulate trade surpluses, Germany is acting like the China of Europe. Yet its eurozone membership spares it from the kind of criticism that China regularly suffers.

This euro-induced disequilibrium helps explains why Germany's export-driven economy has recently been growing at three to four percent per year, while neighboring economies remain mired in crisis. Such large imbalances have historically been more than enough to trigger severe crises in debtor economies. Yet in trying to catch up to Germany, southern European governments are further hampered by the euro system, which stripped them of the main tool they had traditionally employed to keep up with their economically competitive neighbors: currency devaluation. Devaluation reduces the price of exports and increases the price of imports, shifting some of the burden of adjusting to deficits to foreigners whose products have become relatively less competitive. The euro has also forced southern European governments to surrender unilateral control over interest rates and inflation as instruments to tweak prices or reduce their debt burdens. The only remaining policy option deficit countries have to make up for the 25 percent competitiveness gap is to drastically cut wages, private economic activity, and government spending, leading to a reduced level of aggregate consumption. In any country, such direct cuts tend to be controversial, politically costly, and difficult to carry out. Germany, meanwhile, although it bears a large part of the blame for the gap, faces no immediate market pressure to share the cost of adjustment.

MONEY IN THE BANK

In the face of these tensions, keeping the eurozone together requires European governments first to address the crisis of liquidity by stabilizing debt-ridden countries and shoring up European banks and then, in the long term, to bring about the fundamental convergence of European economies. The eurozone countries appear to have successfully, if perhaps only temporarily, addressed the first challenge. After two years, bank balance sheets have stabilized, stock and bond markets have rebounded, and the immediate pressure on debtor countries has been relieved. To achieve these goals, the EU, reputed to be slow and cautious, has acted with remarkable flexibility.

Starting in May 2010, European leaders created a series of funds that totaled nearly 800 billion euros, including commitments from the International Monetary Fund (IMF) and agreements reached between individual countries, aimed at preventing uncontrolled defaults. A permanent European stability mechanism is slated to take over the function of many of these funds in July of this year, potentially with even more money. The European Central Bank bought bonds from the distressed countries, which were subsequently discounted, although doing so may have violated clauses of the Maastricht Treaty that ban bailouts and monetary financing of budget deficits. In February, European governments forced Greek bondholders to accept a 53 percent loss and lowered the interest rates on the country's remaining debt.

The EU has also stabilized its financial sector. In recent months, the European Central Bank shored up the continent's banking system by offering banks 600 billion euros in three-year loans at the very low interest rate of one percent. It has hinted that it might supply more such loans, if necessary. The EU has passed important new banking regulations, which increase the amount of capital banks must keep on hand, and has clarified its responsibility in regulating banks.

Berlin has exceeded most expectations by consistently supporting such bold actions, in the process taking on great costs and risks. But it has not done so out of idealism or charity, despite Chancellor Angela Merkel's well-timed inspirational calls for greater European political union. Germany is the greatest beneficiary of financial stability and the common currency. A sudden default by a eurozone country or the collapse of the currency itself would devastate the German economy, particularly its export industry. Moreover, because bailouts are unpopular in Germany, EU support for deficit countries has so far offered the most cost-effective and politically expedient way for Berlin to ensure that German banks and bondholders get paid back for their imprudent international loans. It is no surprise, then, that strong support from German businesses has been decisive in ensuring a multiparty majority in the Bundestag behind committing resources to defend the euro.

It is less clear whether the euro serves the long-term interests of the deficit countries. In these countries, the strongest argument for staying in the eurozone has been that the costs of pulling out would be prohibitive. Were Greece to abandon the euro, for example, the costs imposed by the rapid outward flow of capital, the mass bankruptcy of banks and businesses, and the adjustment to a national currency would likely total one trillion euros. And the risks of a Greek collapse pale in comparison to those of the contagion reaching Italy or Spain.

The American and European media have criticized Merkel for her indecisive leadership, which they say has produced a slow European response focused more on imposing austerity than on rekindling growth. It is true that facing unrealistic expectations for recovery, Germany initially opposed bailouts and debt restructuring and then organized loans at punishing interest rates. Only in October 2011, and largely at the insistence of the IMF, did Europe begin to trim Greek sovereign debt. The best technocratic solution might instead have been for Germany to back a swifter and more generous restructuring of Greek debt, with private bondholders in northern Europe taking their share of the losses, and for the EU to provide more generous funding to pull distressed economies through the recession. This might have prevented those economies from accumulating debt, leaving better prospects for tighter budgets and structural reforms in the long term.

> A more balanced eurozone is not just a pragmatic necessity; it is a democratic imperative.

Yet expectations for that kind of outcome underestimate the inherent political difficulty of debt negotiations, which involve bargaining with deficit and creditor governments while worrying about the responses of financial markets and taxpayers. Had Greek debt been forgiven sooner, or had a larger "firewall" been created to protect Italy and Spain from collapse, the incentives for the debtor countries to reform would have diminished. Germany is rightly committed to squeezing significant domestic change out of the process, particularly given its willingness to risk funding other countries without a firm guarantee of repayment. In coping with the short-term consequences of the debt crisis, and in saving a system from which they benefit, German leaders have displayed bolder political leadership than at any other time in the history of European monetary integration.

WHEN IN ROME, DO AS THE GERMANS DO

UNFORTUNATELY, MANAGING the short-term symptoms of the crisis is not enough. Resolving the immediate liquidity crisis has bought European governments several years to address the deeper challenge: how to encourage fundamental economic convergence. For as long as the eurozone countries continue to take such radically different trajectories regarding labor costs, government spending, private-sector behavior, and competitiveness, Europe will remain no more of an optimal currency area than it was when the euro entered circulation.

Now that they know this, most member states today would probably not opt for a common currency. At the eurozone's founding, proponents justified the currency with the claim that painful short-term adjustments would generate long-term economic health. Now, the argument has been flipped: it may have been ill advised to create the euro, but now that it exists, the short-term benefits of sticking with it (compared with the catastrophic alternative) outweigh the long-term costs.

New reform-minded governments have taken office across Europe, led by Mario Monti in Rome, Mariano Rajoy in Madrid, Pedro Passos Coelho in Lisbon, Lucas Papademos in Athens, and Enda Kenny in Dublin. These governments are committed to making the euro work, but they face tough choices. Opposition politicians in Greece and elsewhere increasingly advocate leaving the eurozone rather than enduring austerity. Meanwhile, prominent German business and economic leaders have suggested that Germany could survive in a smaller northern eurozone or with its own currency, as Sweden has. These issues will be resolved not in Brussels or Frankfurt but in national capitals. Preserving the euro in its current form depends on crafting a politically sustainable compromise on which countries and which groups within those countries will shoulder the burden of getting Europe's disparate economies to converge.

The German view—that the future of the euro rests on countries' making tough reforms and cutting public spending—is partially correct. It would be foolhardy for Germany to assume liabilities for deficit countries without such reforms. That is why Berlin has insisted that the EU fiscal compact require governments to incorporate balanced-budget provisions into their national constitutions. Yet this still leaves unresolved two crucial questions about how to distribute the costs of Europe's adjustment, both within countries and among them.

First, how will Europe's private sectors be reformed? Different private-sector wage and business practices are a greater obstacle to economic convergence than different public-sector spending. Yet it is often unclear exactly how national governments can encourage reforms of wage and business practices or how the EU can assure that such reforms are actually implemented. It is often easier for governments to slash public spending than to impose solutions on powerful banks, corporations, or unions. As a result, even if a crisis originates in the private sector, the cost of stabilization often falls disproportionately on public-sector beneficiaries.

Second, which countries will need to chart new economic paths? Germany benefits greatly from the current system, in which deficit countries must do nearly all the adjusting by cutting spending and Germany provides the funding to assure that they repay their loans, which also serves to bail out northern European banks and bondholders. The new fiscal compact would institutionalize this. Yet imposing the primary cost of recovery on deficit countries in the form of austerity is likely to fail both pragmatically and politically. Economies without growth cannot support or sustain debt reduction or structural reform. Even official EU and IMF reports do not project that the current policies will generate sustainable competitiveness and convergence. This is why even Monti, the technocratic Italian prime minister, recently made clear that the deficit countries could embrace austerity and reform only if Germany changed its policies to accept a greater adjustment burden.

The EU will remain the most successful example of voluntary international cooperation in history.

The economist Paul Krugman and others argue that such a burden could come in the form of a more centralized European fiscal federalism. If only Europe possessed a common political identity that supported fiscal transfers among governments—not unlike the transfers among U.S. states carried out through the federal government—the eurozone countries could bring their economies into alignment. This analogy is not entirely persuasive; Europe is not America. Washington allows U.S. states to function under a single currency not through fiscal federalism and orderly bailouts but through local balanced-budget rules backed by the often brutal departure of firms, capital, and people to more economically buoyant regions. When traditional manufacturing collapsed in Michigan, federal intervention did not save the state from suffering a decade of a shrinking population and shrinking incomes; Michiganders and their money simply moved south. (The intense controversy over the auto-industry bailout proves what an exception it was.) Moreover, northern Europeans are even less willing to support large direct transfers to their foreign neighbors than Americans in southern states are willing to bail out Michigan. Although northern Europeans have accepted European financial bailouts for the time being, such funds are insufficient to salvage large countries, such as Italy and Spain, and so they have not supplanted the need for a more fundamental convergence.

Since austerity and fiscal federalism cannot bear the entire burden of adjustment, particularly for large debtors, Europe's convergence will also require a shift in the domestic policies of Germany and other surplus countries. Berlin must move to increase its public spending, wages, and consumption at a faster rate. This would help bridge the competitiveness gap between surplus and deficit countries, encourage the deficit countries to grow and export more, and reduce current account deficits across southern Europe. A fall in the value of the euro would have a complementary, if weaker, effect. Within Germany, such a shift might well earn support from unions, service industries, the public sector, and left-wing parties, all of which would benefit directly from the policies. The trick is to convince Germany's export industry, its inflation hawks, and Merkel's own conservative coalition that the long-term benefits of a stable currency outweigh the risks of inflation and of the country's commitments to bail out its neighbors. German chancellors have historically been more willing than neoliberal economists and central bankers to contemplate increases in spending and wages, especially around election time.

There is some evidence that Germany is moving in this direction, despite what its politicians and diplomats sometimes say; the costs of inaction in the short term are too high. But absent a deeper convergence, the eurozone's long-term economic fundamentals are stacked against success. Whether or not Germany will ultimately make the tough political decisions required to save the euro will likely depend on the contours of the next financial crisis.

DEMOCRATIC SURPLUS

Many Europeans complain that the crisis has revealed the EU to be undemocratic. European institutions can appear distant, technocratic, and unfair to the common people, as the scholars Timothy Garton Ash and Larry Siedentop, among many others, have argued. In most cases, such claims contain little truth. The EU remains tightly controlled by elected national politicians. True, each country surrenders some unilateral control over its domestic policy, but in exchange it secures influence over the policies of other countries that affect it. In the EU, concurrent decision-making by national officials and directly elected European parliamentarians amounts to a form of limited government that would make John Locke and James Madison proud. No one's democratic rights are restricted as long as the people of every member state freely choose to act in union, and cooperation preserves the same public input and transparency that Europeans expect in domestic policymaking.

Judged by this standard of democracy, however, the single currency has always come up short. The problem is not the role of technocratic central banks, or even temporary technocratic governments. Nearly every modern country accepts that a credible commitment to monetary stability requires that national central banks be more autonomous than parliaments or presidents. The problem is rather that the European Central Bank is more independent than any comparable national bank—without any obvious technocratic or democratic justification. The reason is instead political; it was Germany's price for creating the euro. The result is a system tilted toward German priorities: low inflation, austerity, and the repayment of creditors.

The political and social costs of adjusting to a common currency, meanwhile, have fallen disproportionately on the poor and the powerless. Over the past two years, the EU has called for cuts in the minimum wage and government spending, but it has asked less of wealthy citizens, bankers, and the citizens of surplus countries. A fairer system would demand better enforcement of income tax collection (on average, rich Greeks illegally withhold one-quarter of what they owe), as well as reforms to housing and business practices. Watching technocratic governments in Greece, Italy, and elsewhere agree to impose what appear to be one-sided policies, backed by European authorities, naturally makes many citizens nervous.

This problem makes clear that a more balanced eurozone, in which as much is required of Germany as of debtor countries, is not just a pragmatic necessity; it is a democratic imperative. Still, despite its serious structural biases, at the end of the day, if the eurozone collapses, it will be because of an abundance of democracy as much as a lack of it. Divergence among European states reflects local priorities and preferences. No long-term solution to Europe's woes can be imposed on a member state without the consent of its government, and any government—even the technocratic governments that now sit in Athens and Rome—requires an electoral mandate. (Ireland went even further to secure democratic consent when, in February, it announced that it would put the EU fiscal compact to a referendum later this year.) Democratic governments often find it difficult to commit to the types of long-term reforms that both northern and southern Europe require today. In this case, if they cannot, then the euro will not remain viable.

THE END OF THE AFFAIR?

THE EURO crisis will shape not just the fate of the single currency but also the future of the whole continent. The recent turmoil has made clear that the alignment of European domestic policies is a prerequisite for mutually beneficial cooperation. This is typical of the EU. Where basic national interests and regulatory styles have converged, as in the area of trade, governments have developed strong rules to coordinate their policies, and these policies have remained stable through the crisis. In the areas where countries have not brought their policies in line, regulation remains voluntary and largely national. So the outcome to the euro crisis will depend on how well northern and southern Europe can close the gaps in their macroeconomic behavior. But the difficulties in getting European countries to adopt similar monetary policies suggest that the EU's leaders may have pushed integration as far as it will go.

In this regard, the euro crisis is only the latest development in a two-decade-long trend toward the leveling off of European integration. At the time the Maastricht Treaty was ratified, many observers expected the EU to start regulating more and more policies, including those on social welfare, health care, pensions, criminal justice, education, issues of culture and language, local infrastructure, national politics, and, above all, taxation and fiscal priorities. Little of this has occurred, and Europe now puts forward few policies that open up new areas to centralized regulation. Today, European states retain far more control than Brussels over justice and home affairs, immigration, intellectual property, and social policy. And when the EU does launch a new centralized policy, it is rare for every government to sign on or implement it entirely. Not every EU member uses the euro, just as not every EU member adheres to the Schengen agreement, which eliminated border controls, or participates in all EU foreign policy and defense actions.

Yet none of this vindicates the Euro-pessimists. No country has issued a serious challenge to any of the EU's core activities. Nor has a single prominent European politician advocated withdrawal from the EU, as that would amount to economic suicide. Brussels continues to manage about ten percent of national policies, from business regulation to European migration, under a unified legal system. The union has recently expanded, from 12 members at the time of the Maastricht Treaty to 27 today, leaving lasting movement toward open markets, democracy, and the rule of law in its wake. Countries have not responded to the euro crisis by turning to protectionism or refusing to enforce EU policies, because cooperation in these areas is firmly grounded in common interests. The euro crisis itself has even allowed European policy to intensify in existing areas, such as monetary and banking regulation. And even a collapse of the euro would not jeopardize the existence of the EU, despite what such commentators as Walter Laqueur and Wolfgang Münchau have at times suggested. Whatever the outcome of the crisis, the EU will remain without rival the most ambitious and successful example of voluntary international cooperation in world history.

Still, the crisis does signal that the process of European integration is reaching a natural plateau, at least for the foreseeable future, based on a pragmatic division between national policy and supranational policy. The movement toward the "ever-closer union" of which the EU's founding fathers dreamed when they signed the Treaty of Rome in 1957 will have to stop at some point; there will never be an all-encompassing European federal state. But within the increasingly clear mandate of a stable constitutional settlement, Europe will continue to respond to the challenges of an increasingly interdependent world.