The European Union

From Jean Monnet to the Euro

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Many members of this audience have savored the pleasure of a trip to the Fondation Jean Monnet on a lovely university campus just west of Lausanne. They have enjoyed the serene atmosphere, not to speak of the art bargains, in the picturesque towns on the borders of Lac Léman. On those special occasions when the sun breaks through the mist, they have thrilled to the spectacle of mountains rising to the sky along the further shore. One cannot help thinking of Baudelaire's verses:

> Là, tout n'est qu'ordre et beauté,
> Luxe, calme et volupté.

In such agreeable surroundings, everything seems possible. No wonder we prove unusually susceptible to the message conveyed in those many red-covered books with which the Fondation staff plies us as we leave off work each evening. It is hard to break intellectually free from that massive production of monographs and occasional papers purveying the Gospel according to Saint Jean.

There is indeed much to celebrate. In 1945 Europe lay in ruins, devastated by round two of the most destructive civil war in history. Half a century later, a largely peaceful and prosperous continent has reached a stage of integration that few would have thought possible in that span of time. The cumulative changes in economy, governance, society, and attitudes are overwhelming. With the adoption of the Single

European Act in 1986 and the initiation of a common currency starting in 1999, further progress toward national harmonization and closer integration now seems in the cards. It is tempting to attribute some teleological design to that process. It is seductive to perceive in the creation of a new Europe a stunning confirmation of the Whig view of history. Some of the true believers who have crafted the "red books" strongly embrace that view. And it is right that we honor the vision of the founders and of those who labored for "the European idea."

But it would be historically inaccurate to focus exclusively on the hopes and aspirations of the founding generation of Europeanists. Jean Monnet, Robert Schuman, Paul-Henri Spaak, Alcide de Gaspari, and Konrad Adenauer are not comparable to the founding fathers of the American Constitution—a coterie of men with a common ideology endeavoring to build a framework for the ages. We cannot seek through an exegesis of Monnet's vision a blueprint for the developments of fifty years. Rather, the European Union as it exists today derives from thousands of political bargains, large and small. Those deals, by nation-states above all, take place also among regional lobbies, private pressure groups, industrial and agricultural interests, strong-willed individuals, and an expert bureaucracy growing in esprit de corps, acting through a dense thicket of informal relations as well as through a byzantine structure of formal governance. In a paradoxical turn of phrase, Alan Milward has called the European Union "the rescuer of the nation-state." Yet it is in fact the amorphous and flexible nature of European institutions that have accommodated a multiplicity of self-seeking political interests, calculations of advantage, and provincial subcultures. All this makes for a messy descriptive history, but perhaps for a more stable process of mutual adjustment in the end.

Despite the voluminous biographies by François Duchêne and Eric Roussel, Jean Monnet remains for our generation an enigma wrapped in a self-generated mystique. He was not highly educated, nor an intellectual or political philosopher; he exhibited no special eloquence as a writer or public speaker; he had too little tolerance for detail to make a model bureaucrat. He possessed, however, extraordinarily shrewd judgments about politics and economics, combined with an uncommon gift for networking and for friendship. He had, we would say today, the best Rolodex on three continents. Monnet also boasted an exquisite sense of timing. He possessed an unusual knack for appropriating an idea whose time had come, talking it through the successive stages of acceptability and adoptability, identifying the effective decision makers both in and outside the relevant bureaucracies, and selling ideas across national boundaries like a preternaturally gifted salesman.

Looking back, it seems that Monnet's whole life served as a preparation for launching the European idea in 1950. Monnet is commonly thought of as the heir to a large brandy fortune, and he certainly lubricated social relations with cases of the stuff. In fact, he stood but two generations away from the peasant growers of his native Cognac; his father had worn wooden clogs as a boy and, far from starting as a merchant aristocrat, had worked himself up by founding a smallholder cooperative to compete with the Hennesseys and the Martells. All his life Monnet despised the hard-hearted captains of industry, be they in liquor, steel, or coal. He retained a romantic sympathy for the working man. That proved a key to his ideological compatibility with New Dealers like Harry Hopkins during the war and with the socialist ideologues of the Fourth Republic afterward. If truth be told, Monnet also cultivated communist leaders like François Billoux and Benoît Frachon of the Confédération Général du Travail (CGT) until the attempted revolution of November 1947 diminished his lingering innocence. Monnet could not have succeeded either at the Commissariat du Plan or in the Schuman Plan negotiations if he had not enjoyed the confidence of the working class and if he had not believed in a European union that would defend the interests of the common man.

Monnet's brandy business had taken him often to North America. He made many fast friends in the London. During World War I, he became a representative in England to Minister of Commerce Etienne Clémentel. In the Allied Maritime Transport Council he developed both a faith in international cooperation and the high-level inter-Allied contacts that would afford him access to governing circles over the next generation. Curiously, Monnet had no early exposure to Germany. Indeed, the plans that he and the Clémentel circle drew up for the 1916 Paris Conference foresaw an economic war after the war in which Germany would remain a permanent pariah. Monnet subsequently accepted appointment as deputy secretary-general of the League of Nations and after 1920 carved out a reputation as a progenitor of the accommodationist "Briand line" toward postwar reconstruction. But he wearied of the league routine and what he called its "little solutions to big problems." He turned to merchant banking instead. Unable land a post at J. P. Morgan's firm, he accepted a job as the European representative of Blair and Company, a Chase National Bank affiliate, and placed loans in Eastern Europe. Monnet never rose to the pinnacle in high finance, however, and he moved to New York in 1935 to run a third-tier boutique specializing in the China market, largely so that his wife could escape the long arm of the law. Having lost custody of her daughter to a prior husband in patriarchal Italy, Silvia Giannini Monnet acquired Soviet citizenship and absconded with the child so that she could obtain an outcome more in line with feminist precepts from the New York family court.

The 1930s did not figure as Monnet's finest hour. Thomas Lamont of J. P. Morgan described him as "very narrowly removed from [an] adventurer pure and simple because his sole motive is the 'rake-off' to Monnet which must come from the importation of capital to China." At the tail end of the decade Monnet helped to arrange the sale of Jewish assets in Eastern Europe to the Nazis at fire-sale prices and to facilitate the more profitable liquidation of German assets in America. Monnet later professed to have only a "sketchy recollection" of those activities, and the U.S. Treasury continued to investigate him for alleged income tax violations through 1942. The coming of war, however, provided enlarged opportunities for someone with such wide contacts. Monnet helped the Daladier government to negotiate the purchase of airplanes in the United States; he acted as chairman of the Anglo-French Coordinating Committee and served as a prime mover behind the abortive proposal for Anglo-French union in 1940. Following the Allied landings in North Africa, he masterminded the flow of Lend-

Lease material to the Free French and sought to keep a shaky truce going between Generals Henri Giraud and Charles de Gaulle. The latter assignment was not devoid of danger. De Gaulle did not conceive of politics as beanbag. He denounced Monnet as "the mouthpiece of the foreigner," and on at least two occasions the latter narrowly escaped from most suspicious accidents.

In 1943, de Gaulle and Monnet also confronted each other for the first time about the shape of postwar Europe. As a general idea, European union figured as a hoary chestnut. As early as the fourteenth century, visionaries had dreamed of creating a united Christian Europe on the model of the Roman Empire, the better to organize military defense of the Occident against the Turk. William Penn, Jean-Jacques Rousseau, Henri Saint-Simon, and Jeremy Bentham had all elaborated schemes for a European parliament, and the success of the Zollverein after 1834 suggested to free-traders in Western industrial states that the notion of lowering tariffs should be capable of further expansion.

In the interwar period, the idea of regional trading blocs made significant progress outside Europe. The Ottawa Agreement for the British Empire, the American scheme of reciprocal trade in the Western hemisphere, and the Japanese Co-Prosperity Sphere showed that the idea could take both benign and malign forms. In Europe, the Hapsburg aristocrat Count Richard Coudenhove-Kalergi founded a Pan-European Union with a view to preserving peace and organizing the Continent for effective competition. A number of statesmen later prominent in European integration lent their names to the Coudenhove-Kalergi movement, but it achieved no practical results outside of evanescent press notices. By contrast, after the Locarno settlement of 1925 had cleared away political problems, European steelmakers managed to reach an accord on a private basis to regulate the export markets of Lorraine, Luxembourg, Belgium, the Ruhr, and the Saar. The British and even the sanctimonious Americans surreptitiously joined that cartel, and similar arrangements evolved to control overproduction in chemicals, potash, and other industries. Industrial coordination became a buzzword. But, like the stipulations for central-bank cooperation under the gold-exchange standard, the industrial cartels failed to withstand the pressures of the Depression. Nor did such arrangements prevent political conflicts from erupting again. In 1927, as the Franco-German tariff negotiations moved wearily toward conclusion, Louis Loucheur and like-minded compatriots engineered a World Economic Conference. The gathering examined tariff levels and nontariff barriers, commercial-policy rules, the extension of production quotas, and the eventual creation of a European front against American export supremacy in the high-tech industries. Given the persistence of unresolved conflicts over reparations, war debts, and monetary regimes, the 1927 negotiators made no headway even toward a common customs system. In May 1930, finally, after the shaky European tariff truce collapsed, Foreign Minister Aristide Briand of France offered a broad scheme for a European Federal Union and common market. Whether Briand and his inspirers aimed to shore up the Young Plan, to head off a German drive for Anschluss with Austria in the wake of Gustav Stresemann's death, to bind Britain closer to the Continent, or to tweak Uncle Sam's beard remained unfathomable: the scheme fell everywhere on unreceptive ears. In any case, the real political and economic unification of Europe was subsequently achieved by Adolf Hitler. Although national resistance movements objected violently to Hitler's methods and goals, it was in resistance circles themselves that the notion of post-Nazi European integration first took concrete shape.

But what form precisely should the postwar European order assume? De Gaulle, Monnet, René Mayer, and the economist-bureaucrat Hervé Alphand debated the matter in October 1943 in Algiers. Monnet had earlier conceived of a supranational political entity that could control the key steel and coal areas of Western Europe. But his deputy, Etienne Hirsch, considered it utopian to think of "gouging areas . . . out of sovereign states and, after a gap of a thousand years, dream up a new Lotharingia." Eventually, Monnet retreated to a more modest idea—the division of Germany into several states, but then equality among all European countries to form a single economic entity, with international control of basic industries. De Gaulle thought more expansively.

France was aligned with no one in this war. The United States, he reckoned, had entered an era of imperialism and colonial expansion, and Churchill, with incredible stupidity and malice, had turned Britain into an American dominion. De Gaulle sought to conjure a Western federation grouped around France, Benelux, Italy, and Austria, possibly drawing in Spain and Switzerland, and certainly embracing the western and southern provinces of Germany, including the resource-rich Rhineland and Ruhr. Such an organized bloc, with a population exceeding 100 million, could defend the values of European civilization against the Americans, and if necessary the Russians. The areas east of a line down the middle of Germany would of course be reduced to Russian conditions, but that could not be helped. The protagonists would rehearse the issues repeatedly and in various contexts over the next seven years, but gradually the circumstances of the Cold War and France's slow recovery from the last conflict would push the nation toward the Monnet solution rather than that of de Gaulle.

In the immediate postwar period, de Gaulle lobbied vigorously for his unique approach to European integration, one based squarely on the restored power of France. In the fall of 1945, de Gaulle sent Couve de Murville to London and Washington to elaborate his plan for an international Ruhr state dominated by France, with two or three buffer states for security purposes tacked on in the Rhineland as well. Significantly, the French Foreign Ministry file on the subject begins with General Charles Mangin's scheme of 1923, not even redated for the occasion. Yet de Gaulle faced an insurmountable obstacle: outside his perfervid imagination, France enjoyed no restored power. The United States and Britain, already involved in bitter disputes with Russia in Germany and elsewhere, tacitly opposed French schemes and postponed the problems of setting German borders.

Meanwhile, the Nazis had run French industry into the ground; the Resistance had made improvident promises that could not be redeemed on the basis of French workers' and peasants' reduced productive powers; and the weak French state had no way to compel the return of private deposits in the United States. Monnet came to the rescue with one of his familiar conjuring tricks. France needed to modernize and reduce production costs, but with Lend-Lease over and the French people declining to tighten their belts, the necessary investment capital could only come from American pockets. Monnet did not really have a detailed plan in mind, but he could use the postwar fashionability of planning in general to win public support and American backing for industrial restructuring, inevitable nationalizations, and modest monetary reform. It made little economic sense for Monnet to privilege the public sectors of energy and transport and to leave capital markets to look after the private sector. But that strategy made good political sense and brought socialists and communists around to tolerating industrial restructuring.

By spring 1947, nevertheless, the French and other European economies had run into trouble. Lacking the necessary fuel, food, and fiber (primarily coal, fertilizer, and shipping), France and other countries ran a widening payments deficit with the United States. The Anglo-Saxons did not want the Russians in the Ruhr and had blocked an international settlement there; meanwhile, German productivity remained so low that the Ruhr could not provide coal for France and for German industrial revival as well. The Americans offered the Marshall Plan to break the key bottlenecks in Europe. But they insisted that the Europeans develop a common plan to foster intraregional trade and to take pressure off the dollar; they likewise required that France accept German revival as an integral part of the plan. The Marshall Plan proved a bitter pill for both France and Britain to swallow. Alphand and other Gaullist hangovers at the Quai d'Orsay opposed lifting the limits on German industry before a settlement on the Ruhr. The British would have preferred bilateral aid and complained that they should not have to recast domestic socialization schemes just because the Continentals chose to run payments deficits with Afro-Asian lands in the sterling bloc. Most all of the Europeans thought that American insistence on diminished trade barriers represented Hullian-Claytonian prejudice and would prove beside the point. Nevertheless, American money talked. The Europeans made an outward show of cooperation in such agencies as the Organization for European Economic Cooperation (OEEC) and the European Payments Union. Even so, the continental trading partners reduced tariffs and quotas on a strictly business basis. De facto currency convertibility did not return until the mid-1950s. Schemes for bolder free-trade areas such as Finabel and Fritalux foundered on the details. And the British, still riveted on trading links with the Commonwealth and the special relationship with America, saw no economic advantage in tying up promiscuously with the continent. After their unilateral devaluation in 1949, the British made clear in OEEC talks that they might liberalize trade with the Netherlands and Scandinavia, but would link their fate with other Continentals only so far as the Americans forced their hand.

Far from wishing to depend exclusively on the United States, Monnet and other progressive Frenchmen still hankered for restoration of the Entente Cordiale in a form that would help keep Germany down. In March 1949, Monnet made a pitch for solidarity to Sir Edward Plowden of H.M. Treasury: "Western Europe was a vacuum, on either side of which were the two great dynamic forces of communism and American capitalism. . . . This vacuum could be filled either by one of these two outside forces or by the development of a Western European 'way of life.' . . . The only dynamic force in Western Europe was in the United Kingdom, which had in the past few years carried out a redistribution of wealth on a massive scale while at the same time retaining the freedom of the individual." The OEEC, Monnet went on, consisted of nineteen sovereign nations and could not consider European problems in a European way. Yet if England and France were to consider their problems "as if they were one nation," they could address the relationship of a resurgent Germany to Western Europe and develop a common line. Despite this and similar overtures, the British Treasury and Foreign Office rejected the proposition that "political considerations should compel us to go further in the way of integration with the French than seemed wise from the economic point of view. . . . We should obviously not agree . . . to anything which would render us incapable of sustaining an independent resistance if France were overrun."

The Schuman Plan that Monnet drew up in May 1950 and that the

French foreign minister honored with his name derived both from inspiration and desperation. At the 1948 London Conference, the British and Americans made plans to restore a West German state with full sovereignty over the Rhineland and Ruhr. Couve de Murville and Michel Debré, the archetypal Gaullists, maintained that France should ignore the blather about economic constraints and just say no. In the end, less impassioned heads prevailed. The French received some modest sops for public opinion—an International Ruhr Authority and the promise of a Mutual Security Board—but by the spring of 1950 it became evident that those frail institutions would fail to restrain the recovery of German steel production and the preemption of German coal supplies for domestic use. The Schuman Plan figured as a "hail Mary pass," a final attempt by creative Europeanists to bypass the sterile negativism of the Quai d'Orsay and to invent a formula that would contain the former Reich within a voluntary international architecture while paving the way for political rapprochement. In that objective, it succeeded. At the conference to confirm adoption of the Schuman Plan in April 1951, the atmosphere had so far improved that a boisterous Walter Hallstein could ease into a parody of the "Horst Wessel Lied":

> Die Preise hoch, Kartelle fest geschlossen,
> Monnet marchiert, mit ruhigem festen Schritt!

In theory, the European Coal and Steel Community (ECSC), as it came into effect in July 1952, aimed to utilize a supranational authority in order to rationalize the production and sale of coal and steel, break the power of the German coal sales organization, decartelize Ruhr steel into French-size units, and foster labor rights in the six participating nations. But as an economic institution, the ECSC never worked smoothly. Monnet and his allies imposed the scheme over the vociferous objections of technical experts both in the French and the German steel industries; the rise in raw-material prices during the Korean War upset all material projections; the supranational bureaucrats never developed the competence to overcome trade distortions and discriminatory practices by fiat; within a few years the main German firms expanded back to an economically rational size; yet paradoxically the availability of oil resources ended the dependence of European industry on Ruhr coal.

Politically, however, the Schuman Plan proved a stunning success. The Germans accepted the temporary economic disadvantages because the plan presaged their reacceptance into the community of democratic nations. The plan gave Chancellor Adenauer the requisite maneuvering room to anchor the Federal Republic firmly in the West and to resist the siren lure of reunification on Russian terms; it allowed him to outmaneuver Economics Minister Ludwig Erhard, who would have preferred a return to the world market rather than the deepening of European commercial ties; and it permitted him to place the Saar problem on ice until mutual passions had cooled. Above all it provided a framework for the initiation of Franco-German reconciliation on every level from state visits to the exchange of academics and schoolchildren.

Monnet's next proposal, the European Defense Community (EDC), can also be categorized as a practical failure but a potent lever for influencing hearts and minds. In 1949 the Council of Europe opened its first assembly in Strasbourg. It rapidly became manifest that the British would use the council of ministers to obstruct political integration. Paul Reynaud quipped acidulously that the Council of Europe consisted of two bodies, "one of them for Europe, the other against it." In the summer of 1950, despite the presence of a European-minded West German delegation, the British dug in their heels against any supranational authority. Concomitantly, the Americans put mounting pressure on the French to endorse German rearmament. Everyone knew that there could be no defense of continental Europe without German troops. The French were preoccupied with Indochina, the British fixated on the Middle East; and as Field Marshal Bernard Law Montgomery said of the Dutch in that politically incorrect era, they "couldn't hold their own against a field of naked savages." Yet French public opinion was not ready for a rearmed Germany. In those delicate circumstances, Monnet persuaded Premier René Pleven to propose a

European Defense Community—a true supranational army that would integrate German troops in manageable units of battalion size. The EDC made little sense militarily; in August 1954 the French themselves refused to ratify it. The Germans were eventually integrated into NATO, which had constituted the sensible military plan all along. In the meantime, the EDC had served as a useful agent for advancing the agenda of integration.

The next step, the Treaty of Rome (1957), also emerged as the by-product of a fortuitous political process. The indifferent success of the European Coal and Steel Community dampened hopes for sectoral unification. Monnet's next scheme, a joint European program for the peaceful use of atomic energy called Euratom, foundered first on the hesitation of the United States to share its uranium and then on the desire of France to keep its military options open. Nor did the Beyen Plan for creation of a customs union over twelve years win much support outside Benelux. Even within Benelux, skeptics feared that a Common Market might simply resuscitate Napoleon's Continental system through the back door. Grass, said one chamber of commerce official, would "grow on the quais of Rotterdam." Here again, a concatenation of political accidents led to a convergence of interests and the signing of the Treaty of Rome. A Socialist coalition under Guy Mollet, stung by the failure of the Suez invasion and a collapse of the British alliance by which Pierre Mendès-France had set such store, cast around for a public-relations success. Adenauer was happy to play up in order to strengthen bilateral ties, while the German Socialists under Ollenhauer moderated their heretofore fierce resistance to a Western orientation. Fearful that de Gaulle might return to power and end all supranational experiments, the other countries gladly paid the baksheesh demanded by France—acceptance by its partners of expensive social legislation, and lucrative subsidies for grains, sugar beets, and other French farm products under the Common Agricultural Policy.

Subsequent steps toward European union have generally followed the early pattern. Specific political problems or exogenous forces require a search for compromise. Practical men, usually cultivated members of the elites with a general disposition toward European cooperation but with a primary responsibility toward the bureaucracy they serve, look for pragmatic solutions. The solutions themselves may prove satisfactory or not. But slowly, in an incremental way, often interrupted by long periods without notable progress, the institutions of Europe solidify and deepen.

The return to power of Charles de Gaulle in 1958 opened a characteristic period of stagnation for European institutions. With a new wind blowing, Edward Heath, Macmillan's Lord Privy Seal, initiated a reappraisal of Britain's place in Europe. Recognizing that the mix of British commerce was changing, Heath and his team offered to reconsider long-held positions on Commonwealth trade, the European Free Trade Association (EFTA), and British agriculture. In 1963, however, de Gaulle vetoed British entry, not really on technical grounds, but rather because he viewed Britain and its Scandinavian partners as a Trojan horse for American dominance. Instead, without meaning to abate French sovereignty, de Gaulle maneuvered on political grounds for closer political integration of the original Six. This led to the Franco-German treaty of 1963 and the strengthening of what David Calleo has called Europe's "Franco-German engine." It also inclined de Gaulle, notwithstanding his inclinations and ideology, to allow acceleration of the agreed pace for dismantling internal tariffs, which ended two years ahead of schedule in 1968. Trade within the EEC rose more than six-fold from 1958 to 1971, belatedly justifying the prediction of Will Clayton in 1947 that Europe could meet a greater proportion of its needs through intraregional exchanges.

A further impetus toward integration derived from the problems of the U.S. dollar in the 1960s. Economists from Robert Triffin to Jacques Rueff observed that the United States was using its seignorage over the world monetary system to run a chronic payments deficit and in effect to oblige European central banks to finance the Great Society as well as American military programs. A series of monetary disturbances in 1968 and 1969—the collapse of sterling, the creation of a two-tier gold market, the devaluation of the franc, and the revaluation of the mark—impelled a search for regional solutions and the eventual formation of the Economic and Monetary Union (EMU). Meanwhile, the shift of power from de Gaulle to Pompidou allowed the French to reconsider Community enlargement. Britain, Denmark, and Iceland won entry to the EC in 1973. Free-trade arrangements with the other EFTA states followed. The missed opportunities of the 1950s, when Britain had stood aside, were apparently to be made good.

Despite those auspicious signs, 1973 ushered in another decade of stagnation in European integration. The first oil crisis marked the start of a deep depression in the Western world. The felicitous economic conditions of the previous generation—rapid technological innovation, full employment, a successful incomes policy, the apparent success of Keynesian fiscal management—rapidly disappeared as commodity prices spiraled upward relative to industrial prices. The next decade signaled the start of Eurosclerosis. It compelled the agonizing recognition that the profligate welfare state, which had kept the social peace in Europe, had also become a drag on economic growth.

The leading countries in the European Community met that challenge in different ways. The British turned to the free market under Margaret Thatcher in order to remove bottlenecks to labor and capital mobility that had built up like barnacles through a generation of heavy-handed socialism. France, meanwhile, as from a time capsule, revived the nostrums of the prewar Popular Front between 1980 and 1983, while Germany muddled along under a more moderate brand of social market economy. The partner countries failed to maintain the monetary "snake" intact until West German Chancellor Helmut Schmidt permitted the deutsche mark to serve as the anchor currency in 1978; and the EC could not agree on a common energy policy despite the severity of the second oil crisis. Few striking innovations originated from the top down. Yet the proliferating Brussels bureaucracy made progress in modest ways—through the harmonization of social action programs, the creation of a fund for regional development, the reform of the Community budget, an attack on sectoral problems in declining industries, and a renewed focus on north-south issues after the admission of

Greece, Portugal, and Spain. There was frequent talk of malaise in the elegant restaurants off the Avenue Louise, and yet in a hundred small ways Brussels became the locus of a pan-European administrative state and of a European-wide jurisprudence, symbolized by the increasing role of the European Court of Justice in settling antitrust disputes.

Building on those modest advances, the European Community got a second wind as national economies turned up after 1983. With Helmut Kohl's accession to power and acceptance by a sobered François Mitterand of a stable price level and a pro-European policy, the Franco-German engine went into high gear again. This time the leaders aspired to proceed beyond a customs union to a true internal EC market that would allow free flow of labor and capital. Implied in a single market were the fostering of technological progress, arrangements for regional development, and subsidized sectoral adjustment. The Single European Act of 1986 thus embodied ambitious objectives—the cementing of the Franco-German core of the EC, the further refinement of the Exchange Rate Mechanism, and an industrial policy that would allow European firms to compete effectually with U.S. multinationals and East Asian tigers. Although the so-called "relaunch" of the EC and the assault on internal barriers owed much to a Thatcher appointee, Lord Arthur Cockfield, Britain and other peripheral nations proved unwilling to swallow the panoply of measures reified in the Single Act. Once again, exogenous events—this time the reunification of Germany and the collapse of communism in Eastern Europe—mandated another effort to reequilibrate the Franco-German relationship.

It is far from surprising that the Maastricht summit of 1992 has led to a "Europe with variable geometry" rather than to the hoped-for "Europe without frontiers." As German unification became inevitable, Mitterand and EC President Jacques Delors came to perceive the adoption of a social charter and a common currency not as mere ends in themselves, but as mechanisms to reanchor the greater Germany in an institutional architecture designed by France. This is a plausible interpretation that we can give to Jacques Delors's 1989 address to the European Parliament: "It will not be enough to create a large frontier-free market nor . . . a vast economic area. It is for us . . . to put some flesh on the Community's bones and to give it a little more soul." The reaffirmation of the Schengen Agreement for open borders among the inner Five, the creation of a Franco-German military corps, and the initiation of a Common Foreign and Security Policy (however embryonic it remains to date) form part of an ongoing effort to make Europe the common project of Franco-German reconciliation.

American economists have voiced numerous technical criticisms of the Economic and Monetary Union. The pessimists claim that one cannot maintain a unified monetary policy without a common fiscal policy and a comparable willingness to tolerate unemployment for the sake of labor market flexibility. The optimists, mostly European, counter that one cannot achieve a true single market without exchange rate stability, that a common currency and central bank will generate pressures toward fiscal convergence, and that a financial market in euros will facilitate a reduction of dollar reserves and buy time for such convergence. A common currency will also make trade in goods and services increasingly transparent, tie wage rates closer to productivity, make capital more available, and promote lower interest rates. But technical controversies largely miss the point. As Hervé de Charette, the former foreign minister, has observed, "La monnaie, c'est bien entendu un projet politique." The common currency is meant to render European integration irreversible. It confirms the choice for deepening Europe as it is and for postponing a widening to the east until the former communist states can meet the economic criteria for entry.

That process may take a very long time. In the more immediate future, there remains an urgent need for reconfiguring the relationship between Europe and the United States. We must elaborate a new transatlantic bargain that takes into account both economics and strategy. The Clinton administration has neglected that task. The solid bonds across the Atlantic so laboriously forged in Jean Monnet's generation have snapped and are no more. Historians, wisely, do not predict the future. I close by noting that Jean Monnet kept in his office a model of the raft *Kon-Tiki*, on which Thor Heyerdahl crossed the South

Pacific. Monnet would surely welcome the challenges to come in the twenty-first century, confident of his ultimate direction, yet ever alert to the pragmatic opportunities of the hour.

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