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Europe: What Future?

By Dr. Robin Harris

Margaret Thatcher Center for Freedom

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Abstract

The pretense that the European Union is successful and stable—and that the euro is a successful and stable currency—has been exploded by events surrounding the financial bailout of Greece. No one knows where the contagion will spread or how it may end. The world's financial markets have occasionally teetered on the edge of panic. But the full implications of what has gone wrong still need to be grasped by euro-zone countries, European countries outside the zone, and the United States. The global lessons to be learned are both political and economic; they relate especially to the danger of allowing politics to prevail over economics, as has happened repeatedly in Europe. The crisis in the euro zone goes to the heart of the European project itself. That project needs to be rethought, and European institutions and arrangements need to be remodeled. America, which for decades urged European countries (including Britain) to create a Union that has turned out to be the opposite of what was hoped, has an interest in this. Today, America has only limited power to help put the difficulties right, but it can and should offer advice before events once again spiral out of control. It should also watch where it is going.

Introduction

The pretense that the European Union (EU) is a successful and stable entity—and, as part of that pretense, that the euro is a successful and stable currency—has been exploded by the events surrounding the financial bailout of Greece. No one knows where the contagion will spread or how it may end. The world's financial markets have, on occasion, teetered on the edge of panic. But the full implications of what has gone wrong have still to be grasped at a deeper level: by euro-zone countries, by European countries outside the zone, or, indeed, by the United States.

The state of Europe is a global headache, but despite the pain, it can teach some global lessons. These are both political and economic, and they relate especially to the danger of allowing politics to prevail over economics, as has happened repeatedly in Europe.

The crisis in the euro zone goes to the heart of the European project itself.

Certainly, a return to business as usual, to the extent that it were possible, would lead to even greater long-term problems. The crisis in the euro zone goes to the heart of the European project itself. That project needs to be rethought and European institutions and arrangements remodeled. Countries outside the zone have an interest in this. So also does America, which for decades urged European countries (including Britain) to create a Union that has turned out to be the opposite of what was hoped.

Today, America has only limited power to help put the difficulties right, but it can and should offer advice before events once again spiral out of control. It should also watch where it is going.

Section I

Greeks Demanding Gifts

German *Angst*

Germany's victory in the Eurovision Song Contest was the least—or perhaps the most—that the European countries could do in gratitude for the reluctantly German-led euro-zone bailout. The song from Greece, which also reached the top 10, contained the optimistic assertion, "I paid what I owed." There followed a penitent chorus, "hot tears, too many lies." This also seemed appropriate.[1] Naturally, the United Kingdom, outside the euro and thus loathed and envied by those incarcerated within the system, received the fewest votes and came last.

More dignified symbolism was apparent a little earlier in the German industrial city of Ludwigshafen at the home of former Chancellor Helmut Kohl, whose 80th birthday celebrations coincided with the currency meltdown. Mr. Kohl, speaking from his wheelchair, implored his guests to support the proposed bailout. "The Euro is the guarantee of peace in Europe," he told them. "We have to help the Greeks."[2]

Not many of his fellow Germans agreed. That was made painfully apparent to Mr. Kohl's party and to his successor, current Chancellor Angela Merkel, at the state elections in North Rhine–Westphalia held on May 9. Again, it could hardly be more appropriate. That date is designated by the European Union as "Europe Day." This was, in fact, its 60th celebration. (It commemorates French Foreign Minister Robert Schuman's declaration proposing the European Coal and Steel Community, the predecessor of the European Common Market and so ancestor of the European Union).

But on this occasion, no one, least of all in Chancellor Merkel's Christian Democratic Union (CDU) party, was rejoicing. The CDU dropped 10 percent of its 2005 vote, while its liberal Free Democratic Party (FDP) coalition partner saw half of its support melt away. There were local factors, but in surveys, most people said that the Greek crisis played a role in their vote. Mrs. Merkel lost a majority in the German upper house, the Bundesrat. What else she and her government may finish up losing—the prospect of promised tax cuts has already disappeared, in the Chancellor's words, "for the immediate future"—is a matter of conjecture. The political damage was certainly immense. Mrs. Merkel had been savaged in the German press for appearing at first to stand up for German taxpayers, then dithering, and then ignominiously selling out to the Greeks and their backers. The mass-market *Bild* newspaper bitterly complained: "Once again, we're Europe's fools."[3]

To add insult to injury, German public opinion was then treated to loud Gallic crowing. It was widely reported—and less than convincingly denied—that at the crucial discussion, President Nicolas Sarkozy of France slammed his fist on the table and threatened to pull France out of the euro unless Germany helped bail out Greece and the euro zone.[4] Subsequently, Mr. Sarkozy was said to have claimed that the agreed rescue plan was "95 per cent French."[5]

The impact of these events on German sentiment has been traumatic—doubly so because of the nature of German politics. The German political class imposed the European single currency, in the first place, on a nation that

1. Rowena Mason, "Greece Sings for Its Supper at Eurovision," *Daily Telegraph*, May 30, 2010.
2. Martin Fletcher, "The Greeks Retire Early—but Here in Germany We Have to Work Till We Fall Over," *The Times*, May 25, 2010.
3. "Angela Merkel's Chancellorship," *The Economist*, May 15, 2010.
4. Henry Samuel, "Sarkozy Threatened to Ditch the Euro to Secure Deal on Greek Bail-out," *Daily Telegraph*, May 15 2010.
5. "Those Damned Sceptical Germans: Charlemagne," *The Economist*, May 29, 2010.

The German political class imposed the European single currency on a nation that was, by a large majority, firmly set against losing the reassuringly stable deutschmark.

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Germany was not, it is true, selfless in its pursuit of ever closer European union: What nation would be? It needed Europe, especially after reunification, as a respectable framework within which to assert itself. The former British ambassador to Germany, Sir Christopher Meyer, recalls a visit to a small town in the Rhineland, where Helmut Kohl, then in his formidable prime, was making a speech to an otherwise all-German audience. He said that a united Europe, of which the euro would be an essential component, best served German national interests because it would allow Germany to be the most powerful nation in Europe without reawakening fears of German domination.[6]

There were other, more immediate benefits as well, of which Germany's industrial moguls were well aware. The substitution of a relatively weaker euro for the ultra-strong deutschmark offered welcome opportunities for German industry to penetrate markets inside and outside Europe, despite the high social and regulatory costs which the traditional German model of "Rhenish capitalism" imposed. These advantages—which Mrs. Thatcher's Trade Secretary Nicholas Ridley was forced out of office in 1990 for indiscreetly describing in *The Spectator* as a "German racket"—were, German politicians concluded, worth the costs: namely, the need to pursue foreign policy by Europe-wide consensus and to make large transfer payments to the weaker, poorer economies. What the corporatist and incestuous German political model, unlike that prevailing in the robustly argumentative Anglo–Saxon world, prevented from occurring was any open debate about the issues. Hence, the majority of Germans have only slowly and angrily understood the sacrifices involved. And hence today's eruption.

Germany's difficulties reflect a Europe-wide political propensity to wriggle out of any obligation to be straight with electorates.

In fact, Germany's difficulties reflect a Europe-wide political propensity to wriggle out of any obligation to be straight with electorates. The European Union's post–Lisbon Treaty President, Herman van Rompuy, has frankly acknowledged the result:

> Nobody ever told the proverbial man in the street that sharing a single currency was not just about making people's lives easier when doing business or travelling abroad, but also about being directly affected by economic developments in the neighbouring countries. Being in the Euro-zone means, monetarily speaking, being part of one "Euro-land."[7]

The political fallout from recent events is now so far-reaching that it has begun to match and may eventually dwarf the financial and economic consequences. The latter, though, are quite bad enough.

Greek Tragedy—or Farce?

In October 2009, the new Greek government admitted that national finances were in a much worse state than previously acknowledged. The budget deficit was said to be twice the level declared to the European Commission and, on inspection, turned out to be larger still, at 13.6 percent. The debt-to-GDP (gross domestic product) ratio had burst through 100 percent. This was only news of a sort. The details were fresh, but the suspicions, verging on assumptions, were of long standing.

The European Central Bank (ECB) had expressed concern about Greek public finances as early as 2000, though this did not prevent Greece from joining the euro. In 2004, when the EU opened its first proper investigation into

6. Christopher Meyer, "The Death of the Euro," *Daily Mail*, May 22, 2010.
7. Bruno Waterfield, "Europeans Were Misled over Euro, Admits EU President," *Daily Telegraph*, May 27, 2010.

the Greek deficit, it found that the figures presented were completely unreliable. Greek spending on the 2004 Summer Olympics—precisely the sort of high-cost, high-prestige public event that poor countries should never touch—also seriously worsened the position: The bills were double the estimates. The culture of high spending, inefficiency, and corruption continued unabated until international realities caught up and the bubble was finally pricked.

Why, one might ask, should Greece matter? Despite its glorious classical era and its remaining cultural splendors, Greece is not, by most criteria, a significant global player. It has a population of about 11 million. Its economy represents perhaps 3 percent of the EU total. It has some international significance because of its role in the future of Cyprus and because of its obstruction of Macedonia's entry into the EU and NATO.[8] But it is not in a position to expect favors.

Greece has huge problems, and its later history is more revealing than its classical past in explaining them. Like other Balkan nations, Greece was cursed with economic, social, and political underdevelopment that stemmed from centuries of Ottoman rule. It was hard to shake off. In the struggle for independence and in later struggles, the Greeks developed a fighting spirit but not much of a middle class. Monarchs, dictators, authoritarians, liberals, nationalists, populists came and went. After the devastation of World War II, Greece became the scene of an equally bitter civil war (1946–1949). An overgrown security establishment was one result, and this later toppled into military dictatorship, isolation, pariah status, and, in Cyprus, humiliation (1967–1974). Democracy was restored, but it was only democracy of a sort. A few powerful, wealthy families dominated the state; hence, for example, the recurrence of the names of Papandreou and Karamanlis at the top. Influence, patronage, corruption, a swollen state sector, a plethora of misdirected subsidies, and generalized scorn for law undermined institutions.

In such a world, the European Common Market/European Community/European Union seemed a God-given way of escape. If rich Northern Europe did not exactly run with milk and honey, at least it supported inefficient farming methods, was generous with transfer payments, and offered stability and markets—and Europe proved eager to help.

Welcoming Greece as a member of the European Community (EC) in 1981 was one of Europe's nobler gestures. Perhaps that is why it led to so much trouble. A central purpose of the European project was in the eyes of statesmen, among them Margaret Thatcher, the strengthening of democracy. This was important in its own right but was especially significant at the height of the Cold War. So it seemed sensible to overlook Greek internal problems and open the arms of friendship. Just a few years after the end of dictatorship, Greek democracy was to be rewarded. The same thinking would apply to Spain and Portugal, but not in such a rush. They would have to wait another five years. (Much richer Austria, Finland, and Sweden, also strategically pivotal in their way, would have to wait 14 years.)

A central purpose of the European project was in the eyes of statesmen, among them Margaret Thatcher, the strengthening of democracy.

The smiles soon faded. From the start, the Greeks showed themselves adept at holding the EC to ransom. European Councils were regularly at risk because of Greek demands for special treatment.[9] As a result, though Greece grew richer, its underlying problems went unresolved. The failure by the rest of Europe to make the Greeks confront them explains also the otherwise inexplicable decision to allow Greece to participate in the euro.

This was not the original intention. Benefiting from generous European subsidies, the Greek economy was growing healthily at some 3 percent. But it failed to meet the benchmarks for deficits (3 percent of GDP) or inflation (also 3 percent).[10] Given that background, Greece was not among the 11 participating countries—Austria, Belgium,

8. See Sally McNamara, "It Is Past Time for Macedonia to Join NATO," Heritage Foundation *WebMemo* No. 2784, January 29, 2010, at *http://www.heritage.org/Research/Reports/2010/01/It-Is-Past-Time-for-Macedonia-to-Join-NATO*.

9. For example, Margaret Thatcher describes in her memoirs as "Greek Danegeld" and a "bonanza" the terms which Greece demanded (and obtained) to agree to Spanish and Portuguese entry. Margaret Thatcher, *The Downing Street Years* (London: Harper Collins, 1993), p. 546.

10. Under the 1997 so-called Stability and Growth Pact, members which persistently failed to play the game were to be fined. In fact, no country has ever been fined, even though most euro zone countries have at one time or another breached the rules. Both France and even Germany, traditionally advocates of fiscal discipline and monetary sternness, broke the guidelines. In 2005, they came together to get the rules relaxed, but by then, no one took them seriously anyway.

Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain—when the euro was officially launched on January 1, 1999.[11]

Now, though, there was a breathing space. Euro notes and coins would be issued only on January 1, 2002, and national currencies would be withdrawn only two months later. The Greek statisticians got to work. Miraculously, it appeared that just two years after Greece was blackballed from the euro club, the Greek deficit had shrunk to meet the requirements, and while its debt did not meet the rule (a maximum of 60 percent of GDP), it could point out that neither did Italy's. In any case, Greece duly joined the euro on January 1, 2001. The die was cast.

Financial Fallout

To intervene and help Greece—if it had to be and could be helped—would be costly. To do the same for other suspected but as yet undefined euro-zone casualties was bound to be far more costly. So, as it turned out, to save the euro, a truly colossal outlay of different countries' taxpayers' money was agreed in the early hours of May 10 in Brussels. The EU, the ECB, and the International Monetary Fund (IMF) jointly cobbled together a hugely expensive rescue package worth some €750 billion ($952 billion). This was on the heels of the smaller, €110 billion ($140 billion) bailout specifically for Greece.

A number of important interests would have lost out heavily if Greece had been thrown out of the euro zone, had defaulted on its debts, or (in the worst-case scenario) both. Most immediately at risk were institutions which had bought Greek debt denominated in euros. More than 80 percent of the bonds issued by the Greek state were held by banks in other European countries. The Greeks would have lost their credit rating if the country had defaulted, but the banks would have lost the money.

Still more significant—and this was what alarmed not just the euro-zone members, but also countries that are outside the zone—was the risk of cumulative, pervasive loss of financial confidence that goes under the heading of "contagion."

Still more significant—and this was what alarmed not just the euro-zone members, but also countries, like Britain and the United States, that are outside the zone—was the risk of cumulative, pervasive loss of financial confidence that goes under the heading of "contagion." Next in the line of fire after Greece would be other overspent, overborrowed South European countries, notably Portugal, Spain, and Italy. All three introduced sharp cuts in spending and deficits. Italy, for example, which has the largest debt in the euro zone both in absolute terms and as a proportion of GDP, has brought in a package described by Prime Minister Silvio Berlusconi's spokesman as involving "very heavy, very tough sacrifices." Spending cuts and tax rises worth some €24 billion over two years are involved.[12]

One can argue about whether the Greek and wider euro-zone bailouts were necessary or desirable. They have, for example, been criticized as too late, inadequate, or simply counterproductive.[13] They were almost certainly illegal. Article 125.1 of the Treaty on the Functioning of the European Union forbids the Union or EU governments from bailing out other governments or public authorities. This has led to a challenge in the German courts that so far has been unsuccessful.

But will the measures work? At one level, what matters is the judgement of markets, not of statesmen, officials, and commentators. Euro-zone politicians, though, stubbornly refuse to accept that.

11. From this point on, the ECB took over from the earlier European Monetary Institute (EMI) and ran the zone's monetary policy, defined and implemented in euros.
12. John Hooper, "Market Turmoil: Europe—Italy Takes the Austerity Medicine as Markets See Signs of Spanish Flu," *The Guardian*, May 26, 2010.
13. Cf. the arguments in Sally McNamara and J. D. Foster, "Five Reasons Not to Support a Bailout of Greece," Heritage Foundation *WebMemo* No. 2889, May 6, 2010, at *http://www.heritage.org/Research/Reports/2010/05/Five-Reasons-Not-to-Support-a-Bailout-of-Greece*.

Germany has, for example, attempted to defeat "speculators" by outlawing so-called naked short-selling of euro government bonds and related credit default swaps within Germany, as well as of shares in the country's 10 leading financial institutions. The immediate effect was to provoke financial panic. The euro sank to a four-year low. The general mood was worsened by Chancellor Merkel's hyperbolic language: "If the Euro fails, then Europe fails. The current crisis of the Euro is the greatest challenge that Europe has faced for decades. The Euro is in danger. If we don't deal with this danger, then the consequences for us in Europe are incalculable."[14]

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What is not arguable, however, is the gradient of the hill that underperforming euro-zone economies will have to climb if they are to pull themselves out of their difficulties. Greece looks, on almost any criteria, beyond saving, and it clearly looks like that to many Greeks. There is an air of hopelessness rather than repentance and resolve in the words of former Greek Finance Minister Yannos Papantoniou, who eased Greece into the euro: "Now we are paying the price for the fact that we lived above our means with amazing profligacy, and failed to reduce the role of the state. Some say we should have done more."[15]

Too true. Greece has allowed public-sector wages nearly to double in a decade. It went on funding one of the world's most generous pension schemes, whereby people retire early and workers usually receive a pension equal to 92 percent of their pre-retirement salary. The cost has kept and will keep mounting because Greece has one of the fastest-aging populations in Europe.[16] The scale of tax evasion is a joke, though no longer a funny one, even in Greece. A crude witch hunt has begun. Athens doctors, who declared improbably low incomes, have been "named and shamed" in the press. The services of Google Earth are being employed to scan villas with swimming pools as an indicator of possibly undeclared wealth.

Persecution of the middle classes for ingenious tax evasion is unlikely to yield results. Working practices, especially in the public sector, would need to change first. Greece has a high minimum wage which prices people out of legal work. Working hours are short. Bonuses are ubiquitous. Kickbacks are accepted (if resented) as an ordinary way to conduct business, or even to receive public services.[17] Interests in the public sector are well entrenched. An explosion of violence marked the powerful trade unions' response to planned wage and pension cuts. In the burnt-out Marfin Egnatia bank in central Athens, three employees died, including a pregnant woman, when the building was torched by protesters.

The international authorities put on a brave face. IMF Managing Director Dominique Strauss-Kahn, has declared: "The Greek Government should be commended for committing to an historic course of action that will give this proud nation a chance of rising above its current troubles and securing a better future for the Greek people."[18]

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On paper, Greece has indeed agreed to go on an alarmingly severe crash diet. The deficit is targeted to drop to below 3 percent of GDP by 2014. Radical action on the deficit is overdue and necessary. But one does not have to be a devotee of John Maynard Keynes to query whether such a major fiscal contraction is compatible with a return to economic growth as early as 2012—a goal upon which the plan depends.

That worry has also been highlighted by Spain, the latest (at the time of writing) of the weaker Euro-brethren to be in the line of fire. Spain already has plenty of self-induced problems. Its unemployment rate is over 20 percent,

14. Hugo Duncan, "Markets Panic After Merkel's Short-selling Ban," *Evening Standard*, May 19, 2010.
15. Dan Bilefsky, "Greece's Stumble Follows a Headlong Rush into the Euro," *The New York Times*, May 5, 2010.
16. Harry Wallop, "How the Failure to Tackle Spiral of Debt Led to Disaster," *Daily Telegraph*, April 29, 2010.
17. Bronwen Maddox, "How the Greeks Broke Europe," *Prospect*, May 27, 2010.
18. International Monetary Fund, "IMF Executive Board Approves 30 Billion Euro Stand-by Arrangement for Greece," press release, May 9, 2010, at *http://www.imf.org/external/np/sec/pr/2010/pr10187.htm*.

and unemployment benefits account for half of the budget deficit. But in terror of the Greek contagion, Spain's Socialist government rushed to introduce an emergency package to cut its 11 percent deficit to 6 percent next year. Prime Minister Jose Luis Zapatero managed to force it through the Spanish Cortes, though by just one vote.[19]

Yet the notion that tightening the fiscal belt alone would satisfy the markets was immediately exploded as the Fitch global rating agency downgraded Spain's credit rating from AAA to AA+. Fitch worried "that the process of adjustment to a lower level of private sector and external indebtedness will materially reduce the rate of growth of the Spanish economy over the medium term."[20] Put more simply, countries have to grow out of indebtedness, and if measures taken either impede or just fail to accelerate economic growth, they may prove counterproductive or unsustainable.

19. Ambrose Evans-Pritchard, "Spain Is Trapped in a 'Perverse Spiral' as Wage Cuts Deepen the Crisis," *Daily Telegraph*, May 31, 2010.

20. Angela Monaghan, "Credit Rating for Spain Cut by Fitch," *Daily Telegraph*, May 29, 2010.

Section II

Problems with the Euro Zone

The problems experienced by the members of the euro zone are not primarily ones of implementation, though particular decisions of the ECB can be and have been criticized, but rather of conception. In the run-up to the launch of the euro, only one side of the argument was heard, at least in mainland Europe.[21] The single currency would, it was stated, increase transparency, reduce transaction costs, promote efficiency, increase confidence—and so reduce interest rates—and at the same time control inflation. All of these advantages, except for a rigorous anti-inflation policy, which came at the price of sluggish growth in Germany, turned out to be greatly exaggerated. The main benefit has been that a single European currency is convenient to European travellers, although with cash transactions shrinking and electronic transactions growing, that advantage is also diminishing rapidly.

By contrast, little or nothing was heard of the other side of what constitutes (or, more important, does not constitute) what economists call an "optimum currency area." Few seriously questioned whether the euro zone, let alone the wider European Union, was one.[22] Nor was due attention paid to the likelihood and consequences of such a currency area, so constituted, facing the global financial equivalent of a "perfect storm" of the kind experienced recently. Above all, the suspicion—voiced in Britain but rarely elsewhere—that the performance of some European countries would remain significantly behind others, that the only way they could compete would be on price, and that the alternative to devaluation (which surrendering monetary sovereignty ruled out) would be severe and destabilizing wage cuts was regarded as a kind of heresy.

The problems experienced by the members of the euro zone are not primarily ones of implementation, but rather of conception.

In truth, the assumption that a single currency, a single monetary policy, and a single interest rate could be made to work for all European countries was fundamentally misguided, for reasons discussed at length below. The effects have been precisely the opposite of those which the Euro-enthusiasts intended and predicted.

On entering the euro, countries like Ireland, Spain, Portugal, Italy, and, of course, Greece found their costs of borrowing cut, and they began to overborrow prodigiously. The result was a series of asset bubbles. These have been or are being burst, with devastating consequences. Among the Southern European states—Ireland, for all of its problems, mainly pursued private-sector rather than public-sector expansion, albeit too fast—the lax monetary conditions served not to promote economic reform but to escape it. *Dolce far niente* and its Iberian and Greek equivalents rather than any shift to a Weberian work ethic was the prevailing ethos, particularly within the swollen state sector. Healthy economic growth rates based on transfer payments, consumer spending, and construction concealed the underlying realities. A mood of self-congratulation spread throughout the euro-zone countries and the European political class.

21. See Martin Feldstein, "A Predictable Crisis: Europe's Single Currency Was Bound to Break Down," *The Weekly Standard*, Vol. 15, No. 37 (June 14, 2010), at *http://www.weeklystandard.com/print/articles/predictable-crisis*.

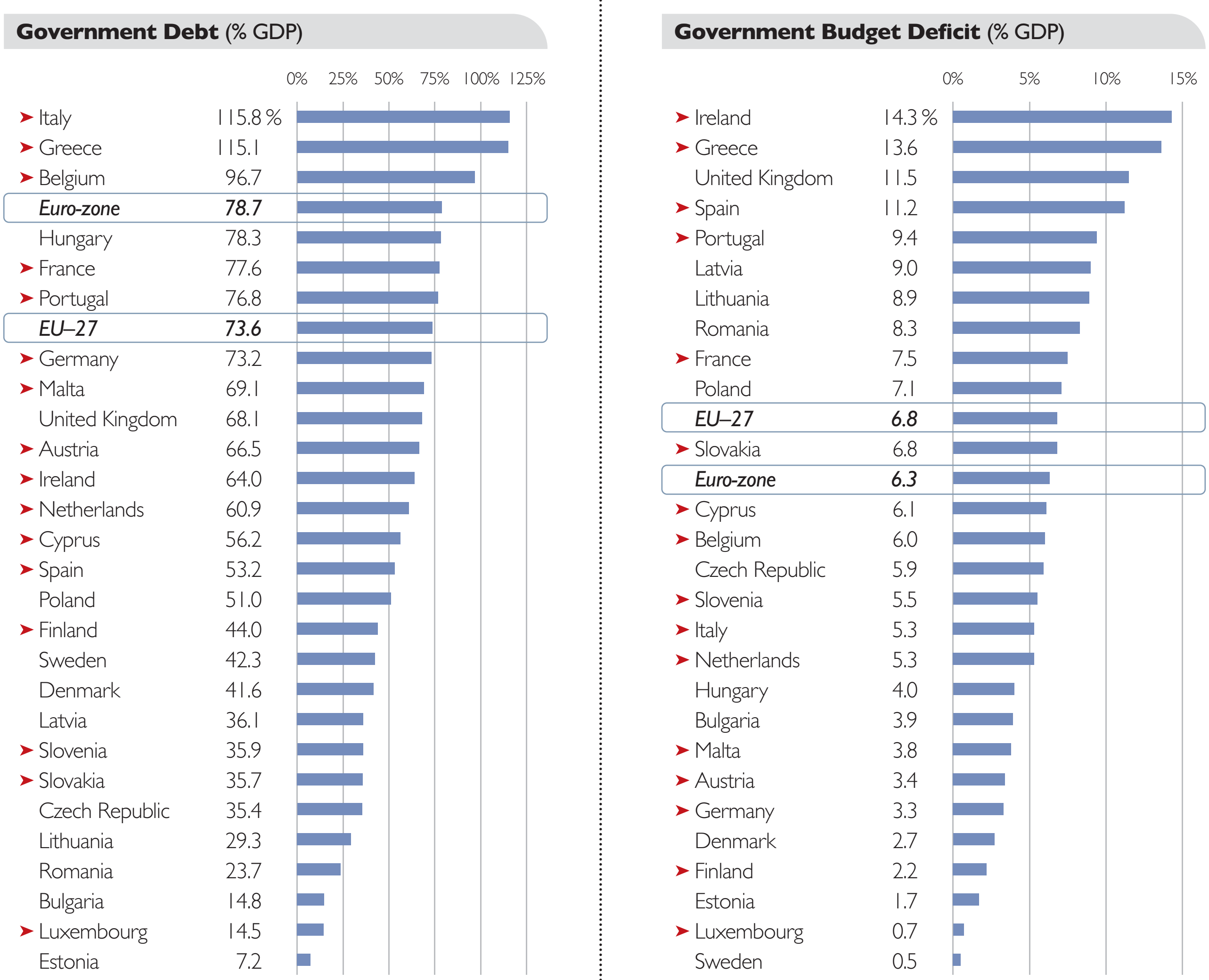
22. For a discussion of this question in the light of historical experience from Bretton Woods to the present day, see John H. Makin, "The Folly of Currency Pegs," American Enterprise Institute for Public Policy Research *Economic Outlook*, May 2010, at *http://www.aei.org/outlook/100954*.

In the end, however, it had to stop. Now it has. In a brutal but irrefutable analysis of why the euro zone has failed, President Vaclav Klaus of the Czech Republic has authoritatively listed the main shortcomings:[23]

1. "The Euro-zone project has not succeeded in delivering the positive effects that had been rightly or wrongly expected from it…. Extensive studies published prior to the launch of the European single currency promised that the Euro would help to accelerate economic growth and reduce inflation and stressed, in particular, that the member states of the Euro-zone would be protected against all kinds of external economic disruptions (the so-called exogenous shocks). This has not happened."
2. "After the establishment of the Euro-zone, the economic growth of its member states has slowed down compared to previous decades, increasing the gap between the rate of growth in the Euro-zone countries and that in other major economies."

European Union: Government Debt and Budget Deficits in 2009

➤ *Euro-zone countries*



Source: Eurostat news release, "Euro area and EU27 government deficit at 6.3% and 6.8% of GDP respectively," at *http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-22042010-BP/EN/2-22042010-BP-EN.PDF* (July 12, 2010).

Chart 1 • SR 81 heritage.org

23. See Vaclav Klaus, "The Euro Zone Has Failed," *The Wall Street Journal*, June 1, 2010.

3. "During its first ten years the Euro-zone has not led to any measurable homogenisation of its member states' economies."

The truth of this analysis is demonstrable. Concentration on deficits and debt ratios reveals some of the picture, though not all. The figures in Chart 1 show that it is not just the Southern European economies which are overspent and overborrowed. In 2009, the euro-area countries as a whole had a government debt-ratio of 78.7 percent and government deficits averaging 6.3 percent. The wider EU-27 countries had similar figures of 73.6 percent and 6.8 percent, respectively. (Britain's huge deficit contributed substantially to the latter.) So those who are rallying round to cure the sick men of Europe—including, of course, the mightily indebted United States—are by no means in robust financial health.

Those who are rallying round to cure the sick men of Europe—including, of course, the mightily indebted United States—are by no means in robust financial health.

But deficits and debts are not the whole story. European countries as a whole have long been weighed down by excessive state spending and control, and their markets are often inflexible and uncompetitive—the result of pursuing a now widely discredited "European social and economic model." The scores achieved by these countries according to The Heritage Foundation/Wall Street Journal *Index of Economic Freedom* measurement—which, other things being equal, will be reflected in performance and prosperity—confirm this. The scores of the weaker economies, like Greece, are seriously bad. (See Chart 2.)

Economic Freedom in European Union Countries

➤ *Euro-zone countries*

Country	World Rank	Overall Score
➤ Ireland	5	81.3
Denmark	9	77.9
United Kingdom	11	76.5
➤ Luxembourg	14	75.4
➤ Netherlands	15	75.0
Estonia	16	74.7
➤ Finland	17	73.8
Sweden	21	72.4
➤ Austria	22	71.6
➤ Germany	23	71.1
➤ Cyprus	24	70.9
Lithuania	29	70.3
➤ Belgium	30	70.1
Czech Republic	34	69.8
➤ Slovakia	35	69.7
➤ Spain	36	69.6
➤ Malta	48	67.2
Latvia	50	66.2
Hungary	51	66.1
➤ Slovenia	61	64.7
➤ Portugal	62	64.4
Romania	63	64.2
➤ France	64	64.2
Poland	71	63.2
➤ Greece	73	62.7
➤ Italy	74	62.7
Bulgaria	75	62.3

Source: Terry Miller and Kim R. Holmes, *2010 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2010), at *www.heritage.org/index*.

Chart 2 • SR 81 heritage.org

An equally important factor in the prospects of the EU-27 and the euro-zone 16 countries is demography, not least given the growing resentment, during a time of recession, of large-scale immigration and the perverse incentives offered by different countries' welfare arrangements for unemployed people to stay put and draw benefits. Again, there are real, general problems for much of Europe, with deaths projected to outnumber births in the EU 27 from 2015 on and almost three times as many people aged 80 or more in 2060. These trends, though, arguably are dwarfed in significance by the big differences between countries. (See Chart 3.)

For example, the old-age dependency ratio—the population aged 65 and older, divided by the working-age population—is projected to increase in 2060 to more than 60 percent in Bulgaria, the Czech Republic, Latvia, Lithuania, Poland, Romania, Slovenia, and Slovakia but to remain under 45 percent in Denmark, Ireland, Cyprus, Luxembourg, and the U.K. An especially significant contrast for the future is that between Germany (60 percent) and France (45 percent). To expect those with healthy replacement fertility rates and those with rapidly aging populations (and thus mounting pension and health costs and large requirements for immigration) to coexist without tension under the same monetary regime is to expect the impossible.

European Population Projections

➤ *Euro-zone countries*

Euro-zone	Country	Population (Figures Are in Thousands) 2008	2060*	Population Change (2008–2060)
➤	Cyprus	795	1,320	+66.0%
➤	Ireland	4,415	6,752	+52.9%
➤	Luxembourg	482	732	+51.9%
	United Kingdom	61,270	76,677	+25.1%
	Sweden	9,183	10,875	+18.4%
➤	France	61,876	71,800	+16.0%
➤	Belgium	10,656	12,295	+15.4%
➤	Spain	45,283	51,913	+14.6%
➤	Austria	8,334	9,037	+8.4%
	Denmark	5,476	5,920	+8.1%
➤	Portugal	10,617	11,265	+6.1%
➤	Finland	5,300	5,402	+1.9%
➤	Netherlands	16,404	16,596	+1.2%
➤	Italy	59,529	59,390	–0.2%
➤	Greece	11,217	11,118	–0.9%
➤	Malta	410	405	–1.2%
	Czech Republic	10,346	9,514	–8.0%
➤	Slovenia	2,023	1,779	–12.1%
	Hungary	10,045	8,717	–13.2%
➤	Germany	82,179	70,759	–13.9%
	Estonia	1,339	1,132	–15.5%
➤	Slovakia	5,399	4,547	–15.8%
	Poland	38,116	31,139	–18.3%
	Romania	21,423	16,921	–21.0%
	Lithuania	3,365	2,548	–24.3%
	Latvia	2,269	1,682	–25.9%
	Bulgaria	7,642	5,485	–28.2%
	EU–27	*495,394*	*505,719*	*+2.1%*
	Euro-zone	*324,919*	*335,110*	*+3.1%*

* Projected

Source: Europa press release, "Population projections 2008–2060," at *http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/08/119&format=HTML&aged=0&language=EN&guiLanguage=en* (July 13, 2010).

Chart 3 • SR 81 heritage.org

In crude political and economic terms, however, it is the differences now, not those which are coming, that matter most. Here, the sharp contrast between living standards between different countries, themselves largely reflecting probably ineradicably different productivity levels, is what counts.[24] This huge gap spells ruin for a single-currency area that has neither the effective means to allow poor countries to catch up nor any collective sense of identity and obligation, which makes pain for the rich tolerable. These differences are shown in Chart 4.

To expect those with healthy replacement fertility rates and those with rapidly aging populations to coexist without tension under the same monetary regime is to expect the impossible.

In the light of these difficulties, it is hard to see why the European Community should have decided that, in its evolution into a formal European Union, a single European currency had any useful role to play at all. Why not proceed incrementally? Why not have different countries go at their own speed? Why not accept differing kinds and levels of cooperation? Why not stick with reality, leavened perhaps with idealism, and keep ideology in the closet? But to entertain such thoughts is, in truth, to misunderstand the essence of the European project—a misunderstanding that is still entertained by, among others, the United States.

European Living Standards

GDP per Capita, 2008, in Purchasing Power Standards (EU=100)

➤ *Euro-zone countries*

➤ Luxembourg	276
➤ Ireland	135
➤ Netherlands	134
➤ Austria	123
Sweden	122
Denmark	120
➤ Finland	117
➤ Germany	116
United Kingdom	116
➤ Belgium	115
➤ France	108
Euro-zone	*108*
➤ Spain	103
➤ Italy	102
EU–27	*100*
➤ Cyprus	96
➤ Greece	94
➤ Slovenia	91
Czech Republic	80
➤ Portugal	78
➤ Malta	76
➤ Slovakia	72
Estonia	67
Hungary	64
Lithuania	62
Latvia	57
Poland	56
Bulgaria	41
Romania	n/a

Source: Eurostat, GDP per capita in PPS, at *http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tsieb010* (July 13, 2010).

Chart 4 • SR 81 heritage.org

24. For an analysis of these productivity differences and their implications, see Richard Conquest, "Is the Euro Sustainable?" The Bruges Group, 2009.

Section III

The European Project

Europe, as well as being a geographical entity of somewhat uncertain limits, is a cultural reality, though this too has disputable features and implications. A sophisticated reading would draw attention to Europe's Roman (or Latin) identity while also emphasising development rather than stasis. It would not be "Euro-centric."[25] Much less sophisticated, however, is the historicist propaganda.

The official Europa Web site invokes the words of Victor Hugo: "A day will come when all the nations of this continent, without losing their distinct qualities or their glorious individuality, will fuse together in a higher unity and form the European brotherhood." It goes on to describe the EU as a "pact between sovereign nations which have resolved to share a common destiny" of "peace, economic and physical wellbeing, security, participatory democracy, justice and solidarity" and to claim that "half a billion people have chosen to live under the rule of law and in accordance with age-old values centred on humanity and human dignity."[26]

On closer inspection, there is a large degree of contrived confusion about all of these uplifting objectives. As Margaret Thatcher has observed:

> The European idea is, it seems, almost infinitely variable. Therein lies its appeal. If you are pious, it is synonymous with Christendom. If you are liberal, it embodies the Enlightenment. If you are right-wing, it represents a bulwark against barbarism from the Dark Continent. If you are left-wing, it epitomises internationalism, human rights and Third World aid. But the fact that this portentous concept of Europe is so infinitely malleable means that, in truth, it is simply empty.[27]

There is a still deeper confusion about what the European Union exists to do or even what it really is. It has, after all, many of the trappings of statehood and is keen to acquire more. It has its own passport (in use since 1985). It has its own citizens (since Maastricht, 1993). It has its anthem (Beethoven's "Ode to Joy"). It has its flag (a circle of 12 stars on a blue background). And, as noted, May 9 is "Europe Day." That said, however, what actually is this European entity? Even sympathetic analysts have doubts. One, for example, has observed:

> [The European Union] is interesting as much for what it is not as for what it is. It passes laws but has no government; it has a defence policy but no army; it dabbles in social policy but not in matters pertaining to the welfare state; it has a currency but little or no access to the other levers of economic policy.[28]

That, of course, may change. The essential problem of the European Union since the project's inception has not, however, been its incoherence but its preference for top-down rather than bottom-up development. Mrs. Thatcher, in a speech in 1992, drew attention to what she termed the "central intellectual mistake" made by the project's post–World War II originators:

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25. See Rémi Brague, *Europe, la Voie Romaine* (Paris: Gallimard, 1992).
26. See "The EU at a Glance: Europe in 12 Lessons," at *http://europa.eu/abc/12lessons/lesson_12/index_en.htm*.
27. Margaret Thatcher, *Statecraft: Strategies for a Changing World* (London: Harper Collins, 2002), p. 328.
28. Anand Menon, *Europe: The State of the Union* (London: Atlantic Books, 2008), p. 3.

> They assumed that the model for future government was that of a centralized bureaucracy that would collect information upwards, make decisions at the top, and then issue orders downwards.... Hierarchical bureaucracy may be a suitable method of organizing a small business that is exposed to fierce competition—but it is a recipe for stagnation and inefficiency in almost every other context.[29]

In fact, association between enthusiasm for a "United Europe" and authoritarian thinking is close, long-standing, and somewhat troubling.[30] Although Jean Monnet, the widely acknowledged "father" of Europe, cannot be bracketed with these authoritarians, his democratic credentials did not translate into liberal methods. His view, which essentially reflected that of the intelligentsia of the defeated European powers, was that peace could be assured only by suppressing the nation-state, no matter what nations themselves wanted. This would be achieved by avoiding dramatic visions and sweeping generalities and by concentrating on the building of common European-wide institutions. His private thinking, which is set out in detail in his memoirs, was given public expression in the already mentioned declaration by Robert Schuman of May 9, 1950. This asserted that Europe would "be built through concrete achievements which first create a de facto solidarity."[31]

At each stage, whatever the problem or the threat, it was closer union, centralization, and a strengthening of common institutions that were advanced as the solution.

What seemed a pragmatic, *ad hoc* collaboration between governments—above all France and Germany—had, therefore, an ideological goal. Others might seek to arrest its fulfilment or even to divert it to different objectives, but it is Monnet's and the European federalists' ideas which have prevailed. The most striking outcome is that at each stage, whatever the problem or the threat, it was closer union, centralization, and a strengthening of common institutions that were advanced as the solution.

So, piece by piece, the structure was assembled according to plan.

- On April 18, 1951, the European Coal and Steel Community (i.e., cartel) was established under the Treaty of Paris by the six founding countries: Belgium, West Germany, France, Italy, Luxembourg, and the Netherlands.
- On March 25, 1957, the creation of the European Economic Community (EEC) enlarged the scope to an internal market, a tariff union, and supranational intervention with respect to a whole range of goods and services (crucially including agriculture).
- In 1973, the U.K., Ireland, and Denmark joined, but without securing any substantial changes in the Common Market's operation. The later arrival of Greece (1981) and Spain and Portugal (1986) only reinforced the prevailing *étatiste* ethos.
- In the 1980s, under pressure from Mrs. Thatcher, some progress was made with reform of EC finances. Amid great fanfare, the Single Market program was launched in order to remove so-called non-tariff barriers and thus create a real common market. The British thought it was their program. The federalists ensured, however, that it was theirs. The conditional *quid pro quo* of giving the European Commission more powers only so that it should promote competition was never honored. The Single Market became a further means of imposing centralized decision-making.
- The fall of the Berlin Wall (1989) and the subsequent collapse of the Soviet Union (1991) meant a transformation of the geopolitical framework of Europe. The European Community had made a modest contribution simply by becoming rich while Soviet-controlled Eastern Europe stayed poor. Now more was expected of it. Europe did expand hesitantly to bring in new members, but this "widening" was never allowed to get in the way of "deepening" (as the jargon had it). The European Union (as it now became)

29. "Speech to the Global Panel, The Hague, May 15, 1992," in Margaret Thatcher, *The Collected Speeches*, ed. Robin Harris (London: Harper Collins, 1997), p. 519.
30. See John Laughland, *The Tainted Source: The Undemocratic Origins of the European Idea* (London: Little Brown, 1998).
31. Cf. Jean Monnet, *Mémoires* (Paris: Fayard, 1976), pp. 353 *et seq.*

thus developed more and more functions proper to a federal state. A Common Foreign and Security Policy (CFSP) and a Common Security and Defense Policy (CSDP) were launched, though European countries' failure to keep up defense spending has reduced the latter's significance. Less debated but arguably more significant is the rapid development of a "European Judicial Area" with new institutions covering Justice and Home Affairs: Eurojust, Europol, and the European Arrest Warrant.[32]

Progress toward the goal of a United States of Europe—an expression now judiciously avoided—has not, of course, been without setbacks; but at each stage, economic pressure, as with the breaking of the Exchange Rate Mechanism (ERM), has been met with some larger institutional leap forward, as with the creation of the euro zone. Similarly, the European élite, true to Monnet's injunctions, has found ways of circumventing occasional outbursts of democratic sentiment.

- The Maastricht Treaty was rejected by Denmark, but the Danes were given an opt-out from the euro and capitulated on terms.
- In France, a Maastricht referendum was passed only on the overseas vote (from areas that received high EU subsidies), but it was enough.
- France and the Netherlands voted against the proposed European Constitution in referenda in 2005, but the European leaders then renegotiated a treaty at Lisbon which contained the great majority of measures in the Constitution, gave it another name, and forced it through without popular consultation.
- When Ireland voted "no" on the Treaty, it was told to think again, and in the prevailing straitened economic circumstances, the Irish prudently decided on reflection to vote "yes."

It is against this background that European leaders' response to the current crisis in the euro zone must be considered. They have not previously been thrown off their course of "ever closer union" (in the words of the Treaty of Rome) by either economic or political considerations.[33] Perhaps, for the first time, they now may be—but eating so many words will not be pleasant.

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32. For the wider implications of the European JHA, see Brendan Donnelly, "Justice and Home Affairs in the Lisbon Treaty: A Constitutionalising Clarification?" *EIPASCOPE*, 2008/1, pp. 19–23.

33. In fact, the only significant defeat for Monnet's conception has been the collapse of the strongly American-backed European Defense Community (EDC), from which Britain stayed apart—Churchill contemptuously describing it as a "sludgy amalgam." See Geir Lundestad, *"Empire by Integration": The United States and European Integration, 1945–1997* (Oxford: Oxford University Press, 1998), p. 47.

Section IV

Ways Out

A range of options for dealing with the problems facing the euro-zone countries and the wider EU is available.

The **first option**, to which most EU leaders will be instinctively attracted, is simply to battle on and muddle through. This requires not only defending the creditworthiness of Greece and the other vulnerable euro-zone states, no matter how much it takes or costs, but also browbeating the electorates of richer euro-zone countries (and some other non–euro-zone countries because IMF support will be required).

This approach might just work, but it raises large questions: Can the underperforming and overborrowed states in fact reform themselves, whatever cushions are offered or sticks and carrots brandished? How long will the rest of Europe put up with the investment of so much time and effort, let alone money, in a venture of doubtful result—and one, moreover, which distracts Europe's attention from so many other pressing issues? European leaders were shocked when they were excluded from the key decisions at the Copenhagen climate summit last year. They have made no progress in asserting their role as a global power, and it rankles. The crisis in the euro symbolizes Europe's wider failure and at the same time compounds it.[34] A normally complacent European élite is becoming desperate and increasingly wants a way out—and even, perhaps, forward.

The crisis in the euro symbolizes Europe's wider failure and at the same time compounds it. A normally complacent European élite is becoming desperate and increasingly wants a way out—and even, perhaps, forward.

The **second option**, which has logic behind it but also entails high risks, is to transform monetary union into a full fiscal union and accept the transfer of sovereignty from member states to the European Union. Paradoxically, given Charles de Gaulle's determined resistance to the erosion of national sovereignty through European supranationalism, it is now France that is openly pushing this option.

The French Europe Minister, Pierre Lellouche, commenting on the euro-zone bailout, told the *Financial Times*: "It is an enormous change. It explains some of the reticence. It is expressly forbidden in the treaties by the famous no bail-out clause. *De facto, we have changed the treaty*."[35] French opinion on the matter was also summed up by former socialist Prime Minister Laurent Fabius:

> Politicians must draw lessons from this situation. There can be no durable success for the Euro without common economic policies. How can Europe function when tax rates vary from one country to the next? We need common investment programmes, harmonised budgets.[36]

The French have long wanted a "gouvernement économique" (tactfully mistranslated for the benefit of Anglo–Saxons as "governance" rather than "government") for the euro zone, and indeed for Europe. The Germans distrust this option and instead want tough limits on spending and borrowing to be imposed on European states before they

34. Cf. Richard Youngs, "Europe and the Euro," *The World Today*, June 2010, pp. 8–9.

35. Ben Hall, "French Minister Says Bail-out Alters EU Treaty," *Financial Times*, May 27, 2010. Emphasis added.

36. Matthew Campbell, Bojan Panchevski, and Philip Pangalos, "Europe Cracks in the Heat of Greek Flames," *Sunday Times*, May 9, 2010.

make decisions. Mrs. Merkel realizes that this—like French plans, despite Mr. Lellouche's nonchalance—would require a treaty change. That prospect, though, fills the European Commission with dread because a further treaty means further opportunities for Britain to raise other unwelcome questions and, even worse, might imply more consultation of mutinous electorates.[37] It will therefore take stronger nerves than those currently shown by European leaders if the final leap toward a European federal state is to be made.

The **third option**, also implying a radical review of existing practices and institutions, would be to cast Greece, and probably Spain and Portugal, loose from the euro zone and pull back the euro to a hard core of countries of roughly similar productivity, living standards, and expectations, centered on Germany. It would not quite be a deutschmark zone by any other name, because France presumably would be included, but it would be a return to the discarded concept—popular in the 1990s—of a "two-tier" Europe. The complications and risks involved in managing the transition would be real but by no means insuperable.

The European Single Market and the *acquis communautaire* would presumably remain as they are at present, so the European Union (along with Norway and Switzerland) would remain a single trading zone, albeit without a single currency. Of course, some EU countries which were not part of the hard euro zone might want opt-outs in other fields now that unravelling had become a practicable possibility.

This is indeed the most likely way in which the **fourth option** could emerge as the preferred outcome. A provocative but historically accurate description for it is available: It is the "Bruges Option" because it would broadly follow the model outlined by Margaret Thatcher in her famous Bruges speech, delivered in that city on September 20, 1988.[38]

This model, which preceded the launch of the single currency and would indeed have stopped it, was for a Europe based on voluntary cooperation between independent nation-states. It would have the benefit of ending the failed experiment of the euro. Germany could return to the deutschmark, which within part of Europe would, in effect, act as a common but not an imposed single currency. Other countries could find their own monetary solutions, returning to the issue of their own free-floating currency, or with a peg to the deutschmark, or reaching some other mutually agreed arrangement.

By moving away from the one-size-fits-all blueprint of a fully integrated European Union, [Margaret Thatcher's "Bruges Option"] would also make it easier to tailor arrangements to fit other states which wished to join.

If given effect today, the outcome would have to take into account the further integration of the European economy since the euro was launched and the large and probably irreversible increase in European regulation embedded in the *acquis*. But it would have the great merit of halting the damaging and unnecessary erosion of countries' control of their own domestic affairs—for example, under European "Justice and Home Affairs." It would mean scrapping the CSDP. Individual European countries would simply cooperate in Western defense through NATO under American leadership without duplicating resources through rival Europe-based structures.

By moving away from the one-size-fits-all blueprint of a fully integrated European Union (ideally, one would return to the name "European Common Market"), this model would also make it easier to tailor arrangements to fit other states which wished to join. Turkey, Ukraine, and perhaps even Russia could now be enjoying more harmonious, productive relations with the European countries if Europe's diplomatic approach had been more flexible and less inward-looking. It is time to change that.

The last, but by no means least, of the benefits which such an approach would bring would be the return of Britain from the margins of Europe to become a major player in it, as it was in the 1980s. At this year's general election, the Conservative Party pledged to restore control over U.K. domestic law, particularly social and employment measures; gain a binding opt-out from the European Charter of Fundamental Rights; and resist the incursion of EU criminal justice provisions.

37. "No Going Back: The Euro and the Future of Europe," *The Economist*, May 15, 2010, and "Those Damned Sceptical Germans: Charlemagne."

38. See "Speech at the College of Europe, Bruges, September 20, 1988," in Thatcher, *Collected Speeches*, pp. 315–325.

This program was, in reality, the least that would satisfy Conservative supporters and MPs, but even that minimum will probably not be implemented because of resistance from Liberal Democrat Euro-enthusiasts within the governing coalition. Britain's relationship with Europe is, therefore, fractious and fruitless and in the short run can only become more so. A new start, based on shared recognition by European leaders that the present top-down Europe has failed, offers a way to remove from Britain the unpalatable choice between diplomatic defeat or disengagement and (in the end) departure.

Generally speaking, Europeans do not like being told what America wants them to do, but arguably a new juncture, with new opportunities, has now been reached. America should urge Europe to rethink its purpose and redirect its efforts. For many years, in the post-war period, the United States pressed Europe to integrate and at the same time pressed Britain to subordinate its sovereignty to make that happen.[39] This policy, too, has failed, not least from America's point of view. Europe has emerged not as a useful ally, but as a would-be rival. Though it lacks the means to do much harm, it also lacks the will to help bear the West's global burdens.

America's national interests are at stake. It has a right to speak its mind. The message to Europe should be: "Stop, reflect, reverse direction."

Thus, President Barack Obama delivered precisely the wrong message to Europeans in April 2009 when he apologized for America's past "arrogance."[40] He should have apologized instead—since he was obviously in apologizing mode—for America's having encouraged Europe (and Britain) to wander so far down this strategic cul-de-sac. With its pressing need for a strong and united NATO, for a Britain that plays a positive role in the world, and for a Europe that does not exhaust its resources bailing out busted economies while reinforcing unsustainable structures and pursuing unattainable objectives, America's national interests are at stake. It has a right to speak its mind. The message to Europe should be: "Stop, reflect, reverse direction."

There is, of course, a further duty that the American government owes its citizens. Americans now contemplate a sad spectacle across the Atlantic. The dream of a United States of Europe looks increasingly like a nightmare. The project has not worked, because it could not work except by sacrificing the most basic requirements of the modern state: a liberal economy and a liberal polity. In order to create a single economy from radically contrasting components, Europe has sacrificed free-enterprise capitalism to controls, intervention, and swollen spending. In order to create a single state out of incompatible nations, it has sacrificed national democracy to the interests of a new transnational élite.

The venerable motto of the United States, "E Pluribus Unum," expresses precisely what makes America exceptional. In the United States, a single identity has come "out of" a plurality. Europe's newfangled variant, "Unity in Diversity," to the extent that the motto means anything, hints at the opposite: a single bureaucratic framework imposed on divisive multiculturalism. In exchange for advice on their problems from America, the time is approaching when ordinary Europeans may also pluck up the temerity to advise America: "Don't go there."

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39. See the account of U.S. policy in Lundestad, *"Empire by Integration"*; see also Robin Harris, *Beyond Friendship: The Future of Anglo-American Relations* (Washington, D.C.: The Heritage Foundation, 2006), at *http://www.heritage.org/Research/Reports/2006/05/Beyond-Friendship-The-Future-of-Anglo-American-Relations*.

40. "In America, there's a failure to appreciate Europe's leading role in the world. Instead of celebrating your dynamic union and seeking to partner with you to meet common challenges, there have been times where America has shown arrogance and been dismissive, even derisive." Barack Obama, speech at Rhenus Sports Arena, Strasbourg, France, April 3, 2009, quoted in Nile Gardiner and Morgan Roach, "Barack Obama's Top 10 Apologies: How the President Has Humiliated a Superpower," Heritage Foundation *WebMemo* No. 2466, June 2, 2009, at *http://www.heritage.org/Research/Reports/2009/06/Barack-Obamas-Top-10-Apologies-How-the-President-Has-Humiliated-a-Superpower*.

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