



## Could 'Europe' cease to exist? Let's hope so

By John Robson  
December 3, 2010

If there were a WikiLeaks dump regarding the European Union's fiscal, monetary and existential crisis I wonder if it would be full of things like: Whoa, Nelly, we're in the soup! Who thought of this fake currency with fake historic scenes anyway? Does anyone remember Bismarck dismissing "Europe" as merely a geographical expression?

Or would there be no recognition at all that anything fundamental was wrong?

I'm not suggesting there should be such a thing, by the way. You may count me among those who think WikiLeaks editor Julian Assange should be put in jail for about 100 years with not just a copy of the New York Times but some of its staff to keep him company.

This leak was clearly both illegal and malevolent. Of course citizens have a right to know, when it comes to foreign policy as with any other activity of government. But it must be exercised through responsible members of the elected legislature, if any can be found, because it is flatly impossible to conduct national security without some kind of discretion and a constitution, formal or implicit, is not a suicide pact.

The EU, I'm not so sure about. Economically it appears to be a way of ensuring that bad policies are rewarded with immense sums of money skimmed off from good ones, that well-governed countries must pick up the tab for their incompetent neighbours at great cost in ill will, and that excessive centralization will impede any effort at reform. Politically it looks like a device for protecting the European penchant for smug elitism against popular indignation.

In defence terms, the original impulse was to so intertwine the economies of European nations, especially Germany and France, that war would become impossible. I can think of better reasons for avoiding war than that we just can't figure out how to make the weapons for both sides separately, but if that's all you got I'll take it. Unfortunately, Europe is now conspicuous for its unwillingness to use force to defend its vital interests and, moreover, its apparent determination to erase its historical identity in such a way that its inhabitants have no idea what those interests might be.

As long ago as the Nixon years there was this idea that Europe would become another major power centre in the world that would stand apart from American policy but fundamentally on the same side, in favour of liberty and decency. We seem to have gotten one out of three.

Consider the determination of the EU, whose governmental structure is a breakfast no dog would touch, to "bail out" hideously mismanaged governments including that of Ireland. But it's not bailing when you dump water into the boat. When the financial crisis hit in 2008, the Irish government believed the people who said the pragmatic course was to throw good money you didn't have after bad money you couldn't retrieve. Now the EU's doing the same.

The Irish weren't alone, of course. When the 2008 crisis hit, we were told without bailouts "the system" would collapse. It was nonsense. The system, in one sense, could not collapse because it is a set of arrangements for safeguarding private property rights so individuals can manage their affairs as they think best. Particular fortunes may collapse in hard times and so may firms. But the rules persist, as an exemplary instrument for allowing people to pick up the pieces and start over without wasting time and effort on spilt money.

In another sense, the system had already collapsed anyway. The specific configurations of assets and asset-holders that seemed so prodigious in early 2008 were revealed by year end to have been an interlocking set of illusions no combination of profligacy and obtuseness could re-establish.

Even those who understand the key economic truth that people respond to incentives sometimes don't grasp that people respond to what they think is happening, so when a lot of them realize simultaneously they've been wrong their behaviour changes abruptly and dramatically in ways you neither should nor can reverse. When the crisis hit, all those banks and investment houses did not become insolvent, they were revealed to be insolvent. Schemes for retrieving value that was never there were thus doomed to fail. And were adopted worldwide by "practical" men and women who dismissed more logical approaches as ideological.

Well, who's laughing now? The Irish government tried to bail out insolvent banks and now it's insolvent, so the EU is trying to bail out insolvent Ireland and might go bust itself. I wouldn't miss it if it did. But let's at least learn some lessons.

For instance, that make-believe economics is bad economics. And that make-believe politics is worse politics. This crisis is not threatening to destroy "Europe," as some politicians there fear. It is revealing that the EU was never really there.

I wonder if they know they're an illusion.

John Robson's column appears weekly.

© Copyright (c) The Ottawa Citizen