Europe's leaders are playing with fire

After the proposed European constitution was rejected by French and Dutch voters in 2005, David Rowe argued for a rethink on the pace of integration. After the latest elections to the European Parliament, a change of direction is even more urgent, he argues

Not since the 'double no' in 2005 – when referendums in both France and the Netherlands rejected the proposed European constitution – have voters delivered such a scathing rebuke to their political class. I wrote then that Europe's leaders needed to rethink the pace of integration or risk losing the many benefits already achieved.

This might sound like a purely political issue, of tangential interest to risk managers, but it should not be. As with many projects that require broad public support to succeed, straining the foundations of consensus to breaking point may not simply result in the work stalling – it can rapidly unwind, leaving a vacuum. This is my fear for the EU, and risk managers should be taking this particular form of exposure as seriously as they would more traditional financial risks, which means understanding where it comes from and its potential consequences.

The determination "to lay the foundations of an ever-closer union among the peoples of Europe" was the opening line of the Treaty of Rome in 1957, and it remains the guiding principle for leading advocates of the European project. It is easy to understand why this goal was given such prominence so soon after the deadliest war in human history, but the objective has also had some negative consequences. It became a too handy excuse for ignoring or dismissing the very real linguistic, cultural and historical divisions characterising the original member countries, and this became more significant as more countries were admitted.

An additional issue relates to the principle of subsidiarity, the concept that any specific matter ought to be handled by the least-centralised level of authority capable of addressing it effectively. While this principle is technically enshrined in both the Maastricht Treaty and Treaty of Lisbon, it has been blithely ignored in practice. The political instinct for centralised command and control has proven to be too strong, and it has been reinforced by the European Union's founding mantra.

The EU has insisted on meddling in social policy issues such as parental leave, working hours and signage. It has sought to impose standards for ventilation and energy efficiency in buildings. Even the US lacks a national energy code, leaving this to the common sense of state and municipal officials responding to diverse local conditions and citizen pressure.

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Where to strike a balance between personal and collective responsibility is universally contentious. Various countries within the EU have resolved this issue in diverse ways consistent with national customs and sustained by the solidarity that characterises a viable nation state.

Nevertheless, some EU politicians seem determined to impose their own preferred solution across the board, wrapping their ideological stance in the language of human rights. Such an attempt runs headlong into a lack of solidarity across so many widely diverse countries.

Where the EU has been successful is in opening up a continental free trade area, and in greatly enhancing the free movement of labour and capital. The privilege of EU citizens to take up employment in any member state has generally been a boon to the whole continent.

On the other hand, this privilege has been interpreted to impose an obligation on host countries to extend the same social benefits to migrants as to native citizens, regardless of how long they have resided or paid taxes there. Inevitably, the varied economic conditions and widely differing generosity of social support programmes across the expanded EU have given rise to fierce debates about welfare tourism. This has prompted resentment among locals whose taxes support such benefits and is an important contributor to the rise of anti-EU parties.

In 2005, I pointed out that it took more than a century before US citizens began to view themselves as Americans first and New Yorkers, Pennsylvanians, Virginians or South Carolinians second. Almost a decade later, the European project is still little more than half that old. Furthermore, the divisions of language, history and culture are far greater in today's Europe than they were in the US when it was founded. In this light, it is folly to expect a workable United States of Europe to emerge within the career horizon of currently active politicians.

Europe's political elite did not get the message in 2005 and it is not clear they are any more receptive today. It is well past time, however, for them to recognise that they are playing with fire. If they continue trying to forge their ever-closer union at a pace that is demonstrably unacceptable to vast numbers of their citizens, they risk creating a political crisis that could bring the entire project to an end. **R**