

New Developments in Europe and the Disunion of Western Civilization

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Introduction

When French citizens rejected the proposed European Constitution in the national referendum on May 29, 2005, this did not come at all as a surprise to European intellectuals. As early as in October 2004, London's *Financial Times* had predicted the outcome and had laid out six post rejection scenarios, while even a book had been published in late 2004 to elaborate on each of these scenarios. The cover design of the May 28, 2005 issue of the *Economist* featured a musical score titled "A Song for Europe." It was the score of the French national anthem, "La Marseillaise," with the lyrics consisting solely of "non", "non" from the beginning to the end. Rejection by French voters was that predictable.

While these media expressions undoubtedly exhibited an element of anxiety on the part of the British, who had been feeling left out in the process of European integration, more conspicuous here was the characteristically British twisted sense of victory based on confidence in the predicted outcome of the French national referendum. It was as if to make fun of the impertinent French who had been excited about the prospect of a federalized Europe.

A week after the referendum, the June 4 issue of the *Economist* rubbed salt in the French wound with a cover design featuring the scene of the assassination of the Jacobin radical Marat and a caption reading “The Europe that died.”

Is Europe Dead ?

I believe the second *Economist* cover design went too far. Europe is by no means dead yet. Europe, on the contrary, is steadily advancing toward pacifism and the neo welfare state along the consensus that Europeans have taken the time to achieve. The European constitution was rejected this time on the grounds that it was too Anglo Saxon centered and excessively market oriented. Europe is expected to further increase its inclination toward greater social welfare and protection of the weak, presenting itself as an antithesis to American type capitalism.

A Portuguese minister of European Union affairs delivered a speech at the European Parliament in 2000 in which he claimed that the “American model of capitalism is an extremist model that can produce tremendous injustice as its byproduct. It has bundled off its people and discarded them. Europe does not aspire to that kind of model.” In fact, criticism of American type capitalism on this level is daily heard throughout Europe. Study meetings, for example, are often started with a round of criticism of the American way as if this were a form of greeting.

Since this is the basic stance of Europe, the European commitment to create, through further integration, a new, more kindhearted capitalism, with its law of the jungle largely tamed, remains unshaken despite the French rejection of the referendum. There will be no change to the fundamentals of European policy, as symbolized by President Jacques Chirac’s statement the day after the referendum. Chirac said that the “[French government] will put priority on employment. It will pay high regard to the French style of labor and employment.”

European integration will no doubt advance further, and it is expected that Europe will sooner or later ratify a constitution quite similar to the one that was rejected in France in May. European integration was forced to take one step backward by the rejection this time, but it will surely leap two steps forward shortly. Besides, while the rejection may mark the end of the political life of some political leaders, it hardly affects day to day economic activities or people’s life in Europe.

This is because as much as some 80 percent of the proposed 463 articles is

actually a copy of previously ratified treaties such as the Maastricht Treaty and the Amsterdam Treaty, which enables the European Union to proceed with the creation of a social market economy even without endorsement of the constitution. Breaking with the American conviction of the market fundamentalism, which necessarily calls for a small government, the European Union is likely to follow, with firm conviction, the path of a welfare state that makes much of social integrity and the important role of the government while cleverly utilizing the market mechanism.

Why Was the EU Constitution Rejected ?

Why, then, was the EU constitution rejected when it would only have endorsed the existing and ongoing programs ? I believe the rejection was an expression of dissatisfaction on the part of French voters with the low economic growth and rising unemployment that have plagued Europe in recent years. The results of a polling station exit survey during the national referendum in France show, in fact, that unemployment was by far the number one reason voters rejected the referendum. Rejection was expressed, thus, more toward the incumbent government leaders than toward the content of the proposed constitution.

To begin with, it is hard to believe that many people in France have actually read through the entire 265 page (when downloaded and printed out on A4 size paper) draft constitution. Given the unemployment rate of 10.2 percent only several days before the referendum, the typical psychology of the French voter might well be to vote against anything that Chirac proposed regardless of content and, in fact, ignorant of the content of the proposed European constitution.

The French economy has been experiencing stagnation for several reasons. One is the loss of international competitiveness in the manufacturing sector, which has dampened production growth. The French manufacturing sector has been left behind by the United States and Japan in the area of high technology, while it has been chased harshly by newly industrialized economies in Asia in the areas of textiles and low-tech machinery. Perhaps the only competitive manufacturing sector in all of Europe is the mid tech German machinery industry. Now that the European Union has expanded to include 25 countries, manufacturing sectors have moved their factories to the former central and eastern European countries where wages are lower. Working conditions in factories that still remain in Germany and France, meanwhile,

have deteriorated.

In Europe, globalization has been increasingly viewed as a race to the bottom. Voices are becoming louder in Europe, therefore, demanding the strengthening of unified control of working conditions throughout the European Union and opposing labor liberalization in the service industry. But opposition to liberalization cannot be the correct response to globalization on the part of Europe. Instead, Europe should strive to upgrade its rapidly upcoming information technology (IT) industries to a level on a par with its American and Japanese competitors and to expand employment opportunities.

Second is a restricting element that can be called the “spell of the euro.” The euro, the European common currency that was introduced in 2002, has been controlled by the European Central Bank (ECB). The ECB’s one and only mandate is to stabilize the prices. The bank is not accountable to the European Parliament, nor can individual EU member governments give instructions to or make requests of the ECB. Unparalleled in the world, the ECB is a unique and totally and powerfully independent institution dedicated to fighting inflation. In contrast, the Federal Reserve Board, the American central bank, is requested by law to make efforts to achieve the twin goals of full employment and price stability and its president (currently Alan Greenspan, chairman of the Federal Reserve Board) is requested to testify before Congress twice a year. Europe has less leeway to boost the economy through the relaxation of monetary policy as necessary.

The spell of the euro is not confined to monetary affairs. It has also severely restricted fiscal policy options in Europe. For example, euro member countries are requested to maintain fiscal deficits of their annual budgets within 3 percent of the GDP, to limit the ratio of the outstanding amount of government bonds to total gross domestic product to 60 percent, and so on. One may think that, if each government cannot run a major fiscal deficit, the EU government should be able to issue its own bonds, but this, unfortunately, is not allowed. Because the EU government is required to maintain fiscal balance at all times, borrowing from the market is inconceivable.

At the heart of the European Union’s fiscal/monetary systems is the mandate to develop the euro into a strong currency that is widely trusted by the international community by stabilizing macroeconomic conditions through severe restrictions on fiscal as well as monetary policies. This strategy has been functioning quite well, and

the euro's exchange rate has risen by as much as 50 percent against the U.S. dollar in the past two and a half years. It is undeniable, however, that this strategy has also contributed to the lower growth rate of Europe.

But the more fundamental reason behind European stagnation is the inevitability of slower economic growth with the shrinking and aging of the population—which is, so to speak, the law of nature. Left unattended, countries with dwindling populations will have zero or even negative growth. This is also applicable to Japan.

A country's volume of production is obtained by multiplying per capita productivity by the number of the working population. Once the working population (between ages 18 and 69) starts decreasing, domestic production of that country will not continue to expand unless per capita labor productivity is pulled up drastically. This is universally true. Yet every business is always making continuous efforts to increase productivity, making it impossible to orchestrate large leaps in productivity at will.

A similar formula applies to consumption. A country's total consumption is calculated as per capita consumption multiplied by the entire population. It is therefore only logical for the domestic market to shrink when the population decreases. The only way a country can stop this causal relationship is to increase per capita consumption drastically enough to offset the population decline. But one can easily imagine that, unlike younger consumers, senior consumers will not indulge in binge buying or blind buying for the sake of style.

Societies where neither production nor consumption rises while the medical bills of senior citizens and pension payments mushroom are on the rise. This is the reality of Europe today, which is quite similar to the situation in Japan. In these situations, citizens may be advised to modify their expectations of the economy. It will be important for their governments to switch the aim of economic policy from higher economic growth to the improvement of the quality of life.

Europe's Quest for the New Welfare State

It will be an eternal theme for the European Union to simultaneously pursue the path of a welfare state that is congenial to the weak and the old, on one hand, and that of an economy with efficiency, dynamism, and higher growth, on the other

hand. The European Economic Community (EEC), predecessor to the European Union, had, since its founding in 1958, proposed the establishment of a “social fund to improve living standard of laborers” in Article 3 of its Treaty of Rome. Even this is evidence enough to claim that Europe has pursued something quite different from the American type free market system, the sole concern of which is economic efficiency through liberalization and market expansion.

Europe has, thus far, pursued its own path with conviction, but the progress toward the welfare state has now encountered a new kind of difficulty. It is inherently difficult to establish and maintain a welfare state under a mature economy and, in the case of Europe, this difficulty is amplified by the overall globalization, the introduction of the euro, and the decreasing population.

Faced with various economic issues in the 21st century, Europe adopted the Lisbon Declaration in March 2000, which called for numerous reforms in order to make the European Union one of the most competitive and dynamic knowledge economies in the world by 2010. The document, reporting on the midpoint review of this ten year plan that was conducted in January 2005, states, “The growth rate may fall to 1 percent shortly due to international competition and population decreases. It will be necessary to increase the effectiveness of the unified market, upgrade research and technical innovation, and improve education.” This document underscores the determination of EU member countries to continue on the path toward a more humane welfare state Europe in the age of globalization by investing more in human resources and upgrading people’s intellectual standard, rather than heading down the path of dissolving the welfare state and aiming for smaller government.

After the EU constitution was rejected in France, the *Wall Street Journal*, a representative voice of the American conservative wing, carried an editorial on June 3 analyzing that “EU bureaucracy has led to heavy taxes and overblown welfare payments.” The editorial continues, “Europe is now paying a high penalty to the failed experiment of welfare state socialism.” The editorial discarded the “European option” itself and dared to propose the restructuring of Europe through the adoption of the American style market principle.

But not all Americans share this blind belief in American conservatism as represented by the *Wall Street Journal* editorial. There are definitely some Americans who recognize the value of the European constitution, including Jeremy Rifkin, who values highly the historical significance of the European Union’s determination to

integrate the region in order to achieve global peace and universal human rights.

The “American dream” has always been, so far, about fulfillment of material satisfaction, such as owning a suburban house with a garage for two cars. The constitution of the United States, which guarantees individuals’ right to protect their property and pursue (materialistic) fulfillment, does not refer to social solidarity or consideration for the human community.

In contrast, the European constitution, once ratified, would contain altogether 54 articles on human rights out of the total of 463 articles. The constitution even declares that it would be the European duty to help the developing countries achieve sustainable growth and eradicate poverty, protect the dignity of senior citizens, provide a lifetime education, abolish the death penalty, and protect the global environment. The direct objects of the EU constitution are, of course, the citizens of member states, but the spirit of the constitution apparently encompasses the entire human race. It would be an epoch making constitution consolidating the concept of universal human rights, when ratified. Rifkin predicts that in the 21st century the “European dream” aimed at world peace and universal human rights might overtake the “American dream” that is only about materialistic wealth.

Modern History of Government/Market Relations

The constitutional draft further opens up a new debate on the desirable relationship between market and government in a capitalist society as well as on the fundamental shape of a nation state. Looking back over modern history, we see that 18th century 19th century England had this concept of a “night watchman state.” Conceptualized in the forerunner of industrialization in those days, this British concept advocated limiting the role of government to that of protecting law and order and private property, while the private sector would be in charge of economic welfare. In contrast, such countries as France, Germany, and Japan, which were playing catch up to British industrialization, adopted the developmentalist state path, mandating their governments to facilitate the industrialization process and nurture the financial and manufacturing sectors so that they could match British affluence.

Then came the argument for a welfare state at the beginning of the 20th century. Laissez faire capitalism widened the gap between the rich and poor, leading to severe class struggles and, as a result, in 1924 the Labour Party took over the

government in the United Kingdom. This Labour Party government launched the march toward a welfare state, which was enthusiastically adopted by the Conservative Party government that succeeded the collapsed Labour government, eventually creating a highly effective welfare system that takes care of citizens “from cradle to graveyard.” The United States started creating its own welfare state in the 1930s when the New Deal policies were adopted to overcome the Great Depression. Japan and other European countries followed suit after the end of World War .

But this drive toward the welfare state led to cases of overkill, leading in some countries to heavier tax burdens to support bigger governments, excessive governmental regulations, and overblown welfare programs that resulted in the revolt of the middle class, which was described in the 1980s as the conservative revolution. A vision of the market oriented state became fashionable in the West, a modern vision reminiscent of the “night watchman state” in the early 19th century.

The European Union's Goals

Thus, relations between the market and government have been repeatedly altered over the years. Europe has constantly explored the philosophy of integration and social ideology to support it for close to 50 years since the Treaty of Rome was signed, and it finally projected its own vision of a new welfare state when it adopted the European constitution in October 2004. The future prospects of all welfare states, including Europe, seem to be rocky, but Europeans appear to be convinced that their type of capitalism will become the world mainstream after the imminent collapse of American capitalism.

Europeans' zealotry is well expressed in the preface to the European constitution, which states that they drafted the document as an answer to the question of “how to develop the European Union into a stabilizing factor and a model in the new world order.” The preamble to the constitution also states that “the universal values of the inviolable and inalienable rights of the human person” stressed throughout the constitution are drawing inspiration from “the cultural, religious and humanist inheritance of Europe.”

It is worth noting that the word “religion” is used only once in the entire document. And it is the simple “religion” and not “Christian religion.” It is said that the late Pope John Paul II personally pleaded for “Christianity” to be included in the

constitution, but the EU constitutional draft committee adamantly rejected this plea. Having experienced enough wars and repressions caused by religion, Europe seems to be fully awake from religious fanaticism and determined to sail into the 21st century as a post religious, secular state. Here lies perhaps the greatest difference from the United States.

As to the foreign policy toward the developing countries, the constitution states that the EU's goal is to help developing countries eradicate poverty and achieve sustainable growth. It means Europe has resolutely parted with its dark history, stained with bloodshed from religious warfare and colonial rule.

As far as foreign relations are concerned, the European Union attaches importance to peacekeeping and the resolution of international conflicts through negotiation and dialogue. For this purpose, the European Union has already decided to prepare a 60,000 member strong rapid reaction forces for peacekeeping operations by 2006.

World peace and universal human rights have now become two new basic philosophies driving the further expansion and deepening of European integration. Historically, prevention of conflict between France and Germany, on one hand, and development of a social market economy, on the other, had been the two pillars of European integration, but the new social ideology of Europe has gone far beyond this point to aspire toward a farther horizon. Fifty years effort of deepening and widening of integration has carried Europe to a higher plane, where it aspires toward an even higher goal. Those Americans who see "failure of the welfare state socialism" in the rejection of the French national referendum must have been out of mind, haunted by the recent fever of conservative ideology and totally at a loss as to the direction of history at large.

The Unites States under President George W. Bush

American conservatism is composed of Christian fundamentalism, market fundamentalism, and militarism. Geographically, it originates in smaller cities and towns in the Midwest and the South where it boasts powerful organizational capability. In the past ten years or so, conservatism has consolidated the vote gathering machines and fund raising machines in these areas. President George W. Bush, with his religious fanaticism, belligerence, and single minded belief in tax and welfare

cuts as economic policy, must be the ideal politician for the conservatives.

Estimates put nearly 30 percent of the entire population in the United States as Christian fundamentalist. Fifty five percent of the voters who voted for Bush's reelection is said to belong to the religious right. It has been pointed out that these people deny Darwin's theory of evolution, believing in each and every word in the Bible literally. They seriously believe that God created all earthly creatures in six days and rested on the seventh.

Bush himself was once quoted as saying, "The jury is still out on creationism." He has allowed several states to drop the theory of evolution from the school curriculum. After Bush became president, visitors to Grand Canyon National Park began receiving a pamphlet that states, "The common belief that the Grand Canyon is a product of 2 billion years of tectonic activities is wrong. The Grand Canyon is undeniable proof that God created the universe."

Bush, in his acceptance speech at the Republican national convention in September 2004, declared in earnest that, "It is not the American power that brings democracy to Iraq. It is the almighty God." His speech was said to have triggered thunderous applause from the crowd.

Among the new initiatives that Bush introduced was the Faith Based Initiative (FBI, not to be confused with the Federal Bureau of Investigation). This initiative enables the federal government to entrust non governmental religious organizations with the mission of distributing subsidies to continuing education and enlightenment activities, rather than for the federal government to disburse the subsidies directly. While it is too early to evaluate the effect of this initiative, it has contributed to reducing the federal welfare budget and promoting such Christian fundamentalist organizations as Baptist and evangelical groups at federal expense.

Public opinion in the United States was split in March 2005 concerning a Florida woman's right to die. When the husband of Terri Schiavo, who had been unconscious for 15 years with no prospect for recovery, appealed to the district court to take his wife off life support, the Republican right wing controlled U.S. Congress intervened, while the Supreme Court also issued an emergency ruling. In the end, the husband's plea was granted and his wife passed away shortly.

This big fuss should be understood in the context of the nation wide debate between the pro life believers and the pro choice advocates. Christian fundamentalists denounce abortion even in the first and second month of pregnancy as an act of

murder because all life is a gift of God; this is the position of the pro life believers. In contrast, pro choice advocates, whose stance is not based on religion, claim that women should be able to choose freely whether to give birth.

It must be noted that this is by no means a mere academic debate. Some members of the religious right have decided to take the law in their own hands, killing seven abortionist physicians and burning/bombing 209 abortion clinics. Bush, on his part, made remarks about the possibility of making abortion constitutionally illegal, although he has not yet taken a formal step in that direction.

According to pro life arguments, even euthanasia for a person in a vegetative state should be made illegal. Governor Jeb Bush of Florida, the U.S. president's younger brother, went as far as to dispatch the National Guard to "protect" Schiavo and tried to transport her out of the hospital. This move by the governor was enthusiastically applauded by right wing Republicans, making him a leading candidate for the next Republican Presidential nomination.

As highlighted by this incident, religion is one major factor in American politics. In fact, the relative weight of religion in American politics is quite similar to the influence of religion in the politics of Islamic countries. Needless to say, state and religion are clearly separated in the United States, but President Bush seems to have attempted to infinitely lower the fence between the two.

The United States single handedly spent 47 percent of the world's military expenditure in 2004 and 80 percent of world expenditure for military research and development. With abundant R&D funding, the United States is conducting, among others, research on the use of nuclear weapons in a conventional war, including a nuclear bomb contained in a suitcase and a ground penetration atomic bomb that detonates at 30 meters below ground. The nuclear weapon has always been regarded as the last resort that annihilates both the attacked and the attacker, because the attacked will retaliate with its own nuclear weapons. But if these innovative weapons are actually developed and deployed, they can be used as just another conventional weapon to destroy an enemy's underground military facilities.

The United States has already developed such outstanding offense capabilities as the stealth jet fighter, the stealth bomber, a "predator" reconnaissance aircraft that is capable of hovering 3,000 meters above ground and launching a missile at a ground target, and long distance pinpoint bombing using the laser beam. Meanwhile, Bush announced the Bush Doctrine, which aims to facilitate a regime change in noncompliant

states on the basis of these offensive capabilities and, when necessary, by way of a preemptive attack on the enemy's capital. In fact, this doctrine has already been applied, under the pretext of the "war against terrorism" in Iraq and Afghanistan, leading to the regime change in these countries.

In the economic realm, Bush conducted a series of consecutive tax cuts in 2001, 2002, and 2003 that disproportionately benefited the rich in the United States. In 2005, the Bush administration is proposing to privatize part of the social security and pension system. In stark contrast to Europe, these policies that will obviously widen the rich/poor gap and further penalize the weak are somehow supported by the poor and relatively uneducated Americans.

Typical Bush supporters are said to be Caucasian, working class, high school graduates who love to watch American football games with a six pack of beer. They never fail to go to church on Sunday, and they firmly believe in individual independence and free market competition, opposing the idea of a welfare state even though they themselves are not financially well rewarded. This typical Bush supporter is also known as "six pack Joe," which seems to sound rather derogative. Six pack Joe would say, "Small government and liberalization will make the American economy strong"; "We would rather put up with small income than be taken care of by a big government controlled by the Democrats and the East Coast establishment"; and "We never fail to go to church to pray on Sundays." The American Midwest and South have been haunted by these spirits of independence and religious zeal. American conservatism, thus, is a grass root movement surging up from deep inland America, and is totally different from the European ideology of the rich and the elitist.

Bush won a landslide victory in the South and West in the November 2004 election, while he actually lost completely in the East Coast and West Coast states, which had a higher density of intellectuals. American politics has also been thus divided geographically.

It is those workers, likely losers to the outsourcing of industrial manufacturing, that are, ironically, staunch opponents of the first scheme to create a more socially minded state since the New Deal days and strong supporters of the right wing Republicans' destruction of a welfare state. Because at the grass root level people are sold on conservatism, seeking remedies through more conservative policies, and because the Republicans and the religious right have outstanding organizational and fund raising capabilities, American conservatives seem to be invincible. Even the

eminent Democrat Bill Bradley, who once nearly became the party's presidential candidate, predicts that a representative of the right wing Republican party will be elected to the presidency in 2008 and thereafter.

Today's United States can be portrayed as a roaring carriage drawn by three horses of religion, military, and the market. C. Fred Bergsten, director of the Institute for International Economics, published a book in April 2005, warning that, if the United States continues on the road of unilateral military expansion and excessive consumption funded through money borrowed abroad, the collapse of the dollar and perpetual recession are just around the corner. Knowing how lucky and fortunate Bush has been, he might be able to steer through another four year term without such devastation as another terrorist attack or a depression.

Disunion in Western Civilization

Yet many of the welfare states in Europe, too, are likely to face a great many difficulties, forcing incumbent political leaders to step down one after another. Still, I believe the European type capitalism will steadfastly continue deepening and widening. In addition to the traditional goals of preventing French German conflict and consolidating the social market economy, two newer goals of world peace and universal human rights have been added to the dream of Europe—and fulfillment of this dream is looming larger and larger. The house of Europe where 450 million people dwell will be increasingly solid and firm.

At the beginning of the 21st century, in the midst of global economic integration and terrorist conspiracies, the realm we have referred to as Western civilization, encompassing Europe and the United States, ever since the Meiji era seems to have been divided into two, i.e., a Europe that concentrates on creating a welfare state versus a United States that is eager to demolish many welfare state elements. Both are movements deeply supported by respective constituents, making their reconciliation, in a fundamental sense, impossible.

Adoption of the EU constitution on October 29, 2004, on one hand, and reelection of President George W. Bush on November 2, 2004, on the other, were two events that heralded the disunion of Western civilization. This is the kind of historical perspective that we should learn to hold.