

Forgive our debts and deliver us from the EU! By Tapio Luoma-aho

I could not have intended this prayer had I not heard it once. Is personal freedom possible if we are bonded by a sense of guilt - or debt (Schuld)? Is national freedom possible with the current and rising levels of debt and disunity? Issues related to money and debt are threatening to throw the European nations apart once again. But to whom, in the end are we indebted to? And what should we do about this all? Is there a way out: a forgiveness of debts – a European jubilee?

Finland's path to the EU and EMU

Every country that has ever joined the EU (EC) has had a very different past and had very different expectations towards the union process. When Finland first joined the EU, we had just come from under the “yoke” of the great neighbor in the east. The Soviet Union collapsed and for the first time in decades we again felt free to speak about anything and choose our own path.

In the early 1990 Finland was suffering from the worst economic crisis in recent history. The crisis started as a result of several bad financial policies over the previous decade, as well as from the sudden collapse of the major export market in the Soviet Union. This is where we came from: wanting to feel more European again. Or at least our leaders wanted. Our leaders and the leading Finnish press made a strong case for joining. The 1994 EU referendum was a close call. It could have gone the other way, too.

The same goes with our joining of the EMU. Public discourse over the matter was scant. Our pro-European government of the time, led by PM Paavo Lipponen (SD) made the decision to join the monetary union. Economists, company sector and labor unions were all divided over the issue, and the pro-EMU leaders managed to play their cards well. It was all too easy to blame the national currency (Finnish Mark) for the severe recession of the early 1990s – also because that saved the face of all the then decision-makers. But it was not true to blame the national currency itself.

While the referendum in 1994 could be seen as a moment of democracy, the EMU process was not necessarily so. When joining the EU, we were inferred that the decision would not mean an automatic joining to the EMU and the common currency. However, later in 1998 our leaders concluded that the matter was already decided – and in any case that's what the Maastricht treaty implies. The European story on how the euro came to be is beautifully described, for example in Ashoka Mody's book *EuroTragedy* (2018).

Europe has been integrating, and it seems that the so-called Monnet-method describes the process. The drivers for this integration have been our pro-European leaders. And, surely there have been several points where European co-operation and especially the common market have been good for the economy. Trade and free market economy are ways to secure peace between very different people, as already Voltaire observed. Few of these benefits, however, would have required a common currency.

What does Europe feel like?

A lot has happened in terms of European integration, but how have we, people felt about this? Do we feel more European today than 1995? Have we needed the EU, EMU, the cohesion policy, common market, “four freedoms”, CAP, Energy union, LULUCF, Green Deal and so forth, to feel more united? I am not totally convinced. Is there a European vision that we feel as ours? Do we even think about the EU that much? Maybe we are mostly indifferent of the musings of the distant eurovisionaries, who seem to live in another planet, but not in any particular nation? Europe is far from Paris, far from Rome

and far from Helsinki, isn't it? We average citizens do not have the resource to keep on track on what is going on and how these developments will affect our lives, our taxes, our salaries and so on – let alone understanding what the treaties of the EU really mean.

Maybe the very thing that what has been saving the EU and the EMU so far, has been their distance to our daily lives. The changes have been gradual, or they've been made in the times of crisis and with urgency as is now taking place again. Is anyone in control? Can the EU become a federation, following the footsteps of the USA? That is technically possible, but politically there is a long way to go. And because it is not easy, it must be done in a crisis.

Is nationalism the new progressivism?

As humans we always want to aim at something new, have goals, have a sense that life is going somewhere and that we are somehow in control of the process. This also applies to the society and politics. Until some point we felt that the European integration was progress. European cooperation sure was something new to us back in the 1990s. I remember the faces of the Finnish “no to EU campaign” back in 1994. The leading figures were mostly older men who failed to communicate a vision. Was there one? Preserving the status quo is not much of a vision. And sure enough, every generation wants progress, try something new, be it wise or foolish!

Times have changed in 25 years. Today it no longer is clear, whose message is fresh and “progressive”: that of the “Europhiles” or that of the nationalists. The “euro-elites” in Brussels, they are getting grey hair too, and the only vision they seem to have to offer is that of saving – at any cost – the European project of which no-one really knows any longer what it is for anyway. Well, maybe to fight climate change and fight back China and the USA in the never-ending technological-economic race, perhaps. But one could ask, whether the EU is really helping in even these. Parts of Greece have already been sold out and some governments openly flirt with Chinese collaboration instead of European. The EU climate policy has not been a great success so far. And very importantly, the mounting national debts and rising tensions are making Europe fragile.

Nationalism felt like something fresh, at least for a moment. I do not have difficulty in understanding the frustration of the Brits who voted leave. It may not have been very rational. But then again, what is? It's not rational to break up things, but as humans we just sometimes “have” to do it. Perhaps the EU is felt like it is “bringing people together, without their understanding, for a purpose unknown, by people we don't really know.”

The euro is pulling us apart

The cracking down of the European project really started with the Eurocrisis that birthed many of the nationalist populist movements in all corners of Europe. The crisis was inevitable due to the structure of the EMU. And again, that's how things were supposed to go according to the Monnet-method. Eurocrisis was followed by the refugee crisis and now we are once again discussing solidarity and sovereignty. And we feel powerless. The common currency has been especially harmful to many weaker European economies. Taking the perspective of once so “frugal” Finland, let us imagine that, in addition to the urgent crisis response mechanisms, the EU MFF would be permanently lifted to the 10% GDP that, some say, is the minimum federal budget needed for a currency union to work. How would that affect the tax burden here? Which local social benefits would we need to cut to pay to the EU? Would the labor unions react at some point? Or could we just pay it all with new debt and trust that the economy will start growing again? Or could, say a 5-10 percentage point increase in tax go unnoticed, because, well, Brussels just is so far? If things really go wrong with all the crisis mechanisms, it has been estimated that Finland's national debt could up to double from what it was in 2019.

As many economists, including nobelist Joseph Stiglitz have pointed out, it has been the currency union that is threatening to tear the European nations apart. So, as was in the case of Finland back in 1994, we again have a system, a currency to blame. But unlike in Finland in 1994, this time the case against the currency is quite strong. So, instead of blaming some nations lazy and others stingy, we should work a way out of this. It's useless to blame each other for institutional problems.

Unfortunately, we have not really started discussing what kind of Europe we want. The time is never right.

Is there a way out of debt?

If I knew how to solve Europe's relational problems, I would surely tell. Solidarity is not easy to build in the European level – and the reasons are age-old: we do not know each other well, we are far from each other and we do not even speak the same language. Often the national media isn't helping much either, when it mostly focuses on the issues dividing us. The economic relationships, and therefore all relations between EU countries are damaged by the debt. The currency union has made the debt problems more relational. Could we forgive the debts with some of the many mechanisms that have been proposed? Who would be bailed out and who would be bailed in? My respect to those who have to sit in on the table trying to figure that out. So, whatever will be decided when the night (yes, probably a night) comes to make hard decisions, most likely we, the European peoples are only told later. We can only hope for the best. But much more importantly, we as European citizens need to keep on talking to each other, not just about each other.

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