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## THE LECTURE OF PROFESSOR TAMAMES

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### THE EUROPEAN UNION FACING ITS FUTURE: FROM DECLINE TO ECONOMIC RECOVERY.

### THE ROLE OF EUROPE IN A FUTURE MULTIPOLAR WORLD

**SUMMARY:** 1. The Great Recession in the European Union (EU).- 2. Tackling the economic crisis in the European Union.- 3. About Brexit.- 4. About the euro.- The Juncker proposals .- Prospects on the side of President Macron.- End of the crisis, inequality, government and homogeneity.- 5. The future role of EU in globalization and a multipolar world

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#### 1. THE GREAT RECESSION IN THE EUROPEAN UNION (EU)

The European Union (EU), as has happened with many other countries and integration areas, suffered a great economic crisis between 2008 and 2013. A process of economic decline which at present is already known as the *Great Recession*, by historical comparison with the *Great Depression* (GD, 1929-1939). Although the economic consequences were not so dramatic as in the 20<sup>th</sup> Century due to the present 21<sup>st</sup> Century advanced degree of cooperation in a highly globalized economy (G-20, IMF, OECD, WTO, etc.).

The nature of that crisis, as was the case with GD, is still being discussed both by theoretic analysts and politicians all over the world, but with a very new aspect in the EU: it was the first time that many special economic policy interventions had to be jointly implemented by the European Commission (EC), the Central European Bank (CEB), and the International Monetary Fund (IMF). To prevent a possible disintegration effect on the European Monetary System, a very danger-

trade agreements are settled, looking for partial advantages, instead of having the target of a more globalized world economy.

Summing up, what is urgently needed –this is the first key remark of this paper— is for the present global situation to change to a new world economic order, inside a planet where hegemonic superpowers are not possible any more. We mean by that the last American Century cannot be substituted for a new kind of hegemony arising from the fact that China is already the biggest economy in the world (on the basis of ppp GDP), besides progressing in so many other fields. What we really need is to recognize the convenience of a new multi-polar order.

## **2. TACKLING THE ECONOMIC CRISIS IN THE EUROPEAN UNION**

In the times of Great Recession (2008/2013), many believed the Europe Monetary Union could disappear. On the contrary, many economists, never accepted the idea of the European currency not surviving anymore, and we always emphasized that the Eurosystem had to be completed with a number of federal institutions –we shall see which of them— to fight the dramatic forecast of the demolition... something that never happened.

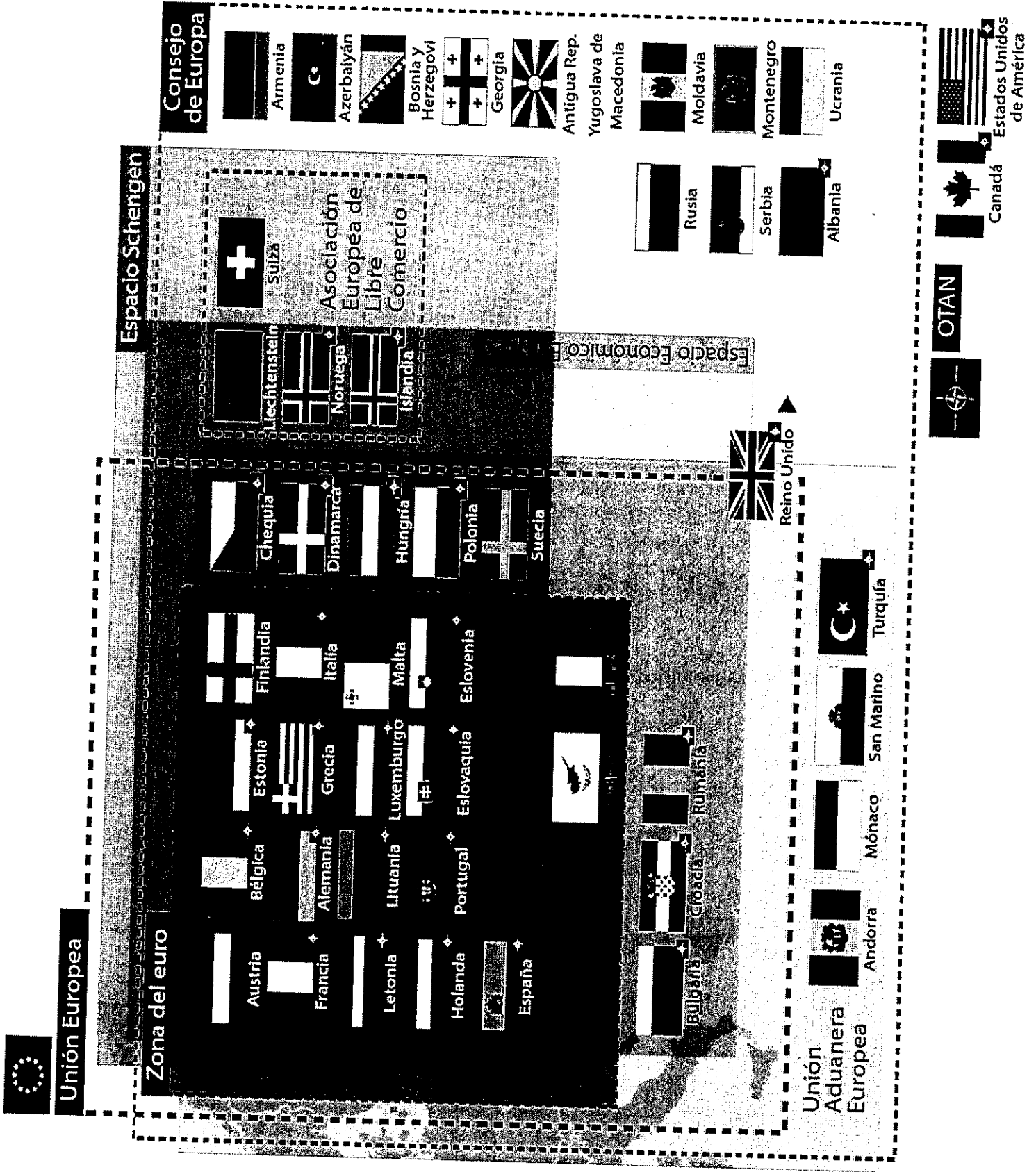
And why did it not disappear? Because the rationale itself of the European Monetary evolution, that can be appreciated with a great similarity to the American case. So that, if we ask: How was the dollar system formed? We can answer: first, the US Treasury Secretary Alexander Hamilton promoted the *Coinage Act* (1792), to have a unitary dollar for all the US; the 13 independent American States, with the same weight in silver and identical value everywhere (by the way, based on the *Spanish Milled Dollar* or *Real de a ocho*).

Afterwards the coins, Treasury notes (*greenbacks*), were introduced during the Civil War as official paper bills, in order to substitute previous banknotes issued by private banks. And third, the Federal Reserve System was created as a US Central Bank, by President Wilson, in 1911 to coordinate the whole US monetary system.

In fact, the same was done, although with different phases and speed, by the European Union: first, after due preparation, the European Central Bank (ECB) was created in 1998 as the centre of the Eurosystem (the original National Central Banks), and coins and notes in euros entered into circulation in 2002.

During the crisis 2008/2013, the Europlan banking system had to be saved as we saw before with the difficult cases of Greece, Portugal

# 1. EUROPE IN CURRENT EVENTS



Greece, Portugal, the Irish Republic, and Cyprus. Among them, the European Mechanism for Financial Stability, with a figure of 500 billion Euros available, in case of need, to help Euro countries in the worst conditions.

In that sense, after the crisis, the Guarantee Fund for Deposits and a Resolution Mechanism have been settled, to handle the next financial crisis without asking for any help from the tax-payers citizens.

Furthermore, there is already agreement inside the Eurozone to create a Treasury Secretary, which is necessary for the Eurogroup, in analogy to what happened in the United States in 1790, when Alexander Hamilton was designated for that kind of activity.

In that sense, the European Union will be prepared to issue Treasury Bonds, like the *Fed* in the States. This will be a very important financial asset in world markets.

Additionally, as we have already stated, the European Mechanism for Financial Stability could be transformed into a real *European Monetary Fund*, so that it allows Eurocountries in difficulties to be helped as soon as possible, not waiting until the crisis has already started and even developed.

Another question not yet translated into reality is the problem of possible Debt Restructuring in the Eurozone. That is to say, to reduce the weight of a very high level of indebtedments through some kind of special mechanism. In that direction, there have been a few meetings to propose a *Politically Acceptable Restructuring in the Eurozone* (PA-DRE). A programme that was offered by two economists (Pierre Pâris and Charles Wyplosz), and that was included in the *Geneva Special Report on the World Economy 3*; by a very well known think tank, the *International Center for Monetary and Banking Studies* (ICMB) and the *Centre for Economic Policy Research* (CEPR).

### **The Juncker proposals**

In reference to reforms, last September 13th, Jean-Claude Juncker, President of the European Commission entered the debate on the *State of the European Union*, to express his point of view on what the Monetary Union will be in 2025: to complete the Banking Union, the capital markets, the digital agenda, and a few more things that we summarize as follows:

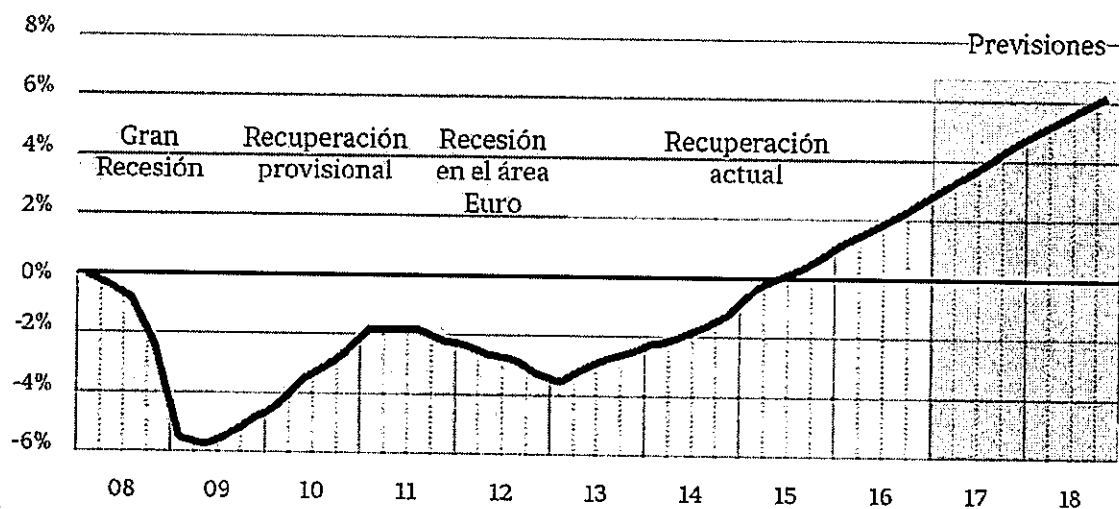
- *Creation of a European Monetary Fund*. A topic that we have already considered above.

## End of the crisis, inequality, government and homogeneity

According to the European Commission, the economic crisis that started in 2008, has ended in 2017, and the summing up of this appreciation can be seen at the next graph with the evolution of the European GDP from 2008 to 2018.

But of course, after the crisis it is generally estimated that inequality has increased greatly inside the European Union. It is not only a question related to the book by Piketty, but an account resulting from different methods to measure the great difference in incomes among the population groups. That is why the Fiscal Council of the European Union is preparing a survey on the question to remove the idea that EU is only a temple for merchants. On the contrary, the present government of the Union is much in favour of a social attitude to measure social consequences on all economic decisions.

Evolución del PIB en porcentaje respecto a 2008



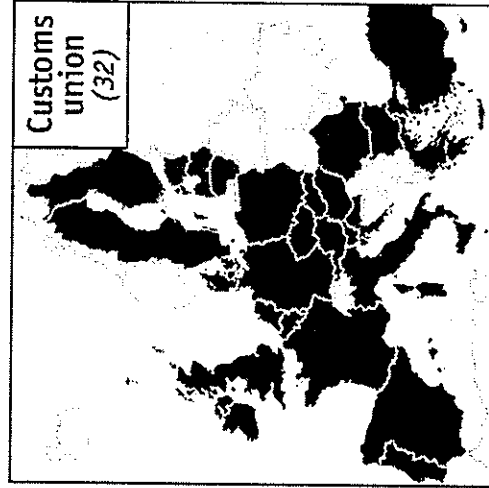
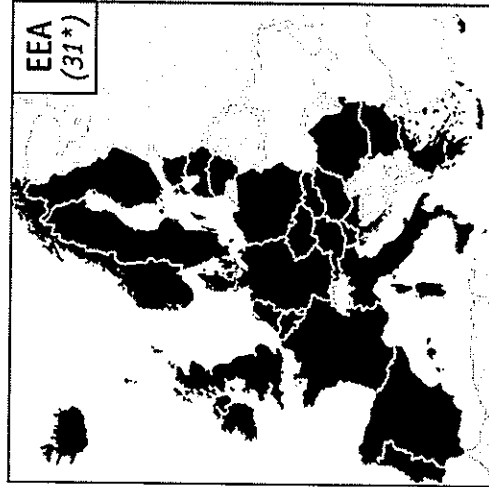
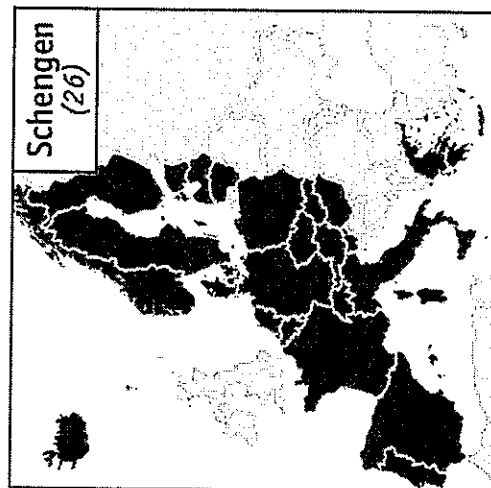
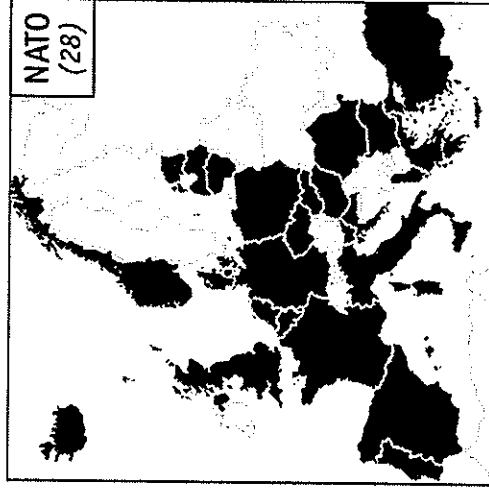
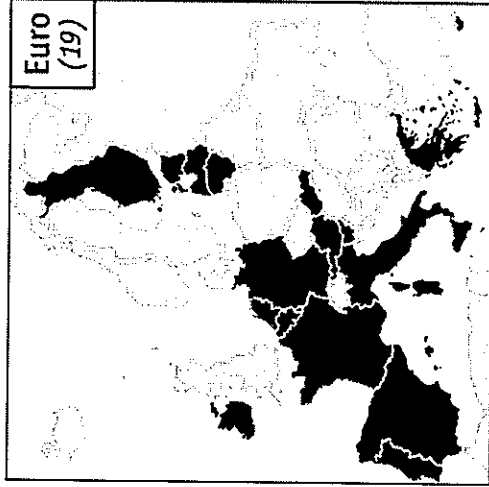
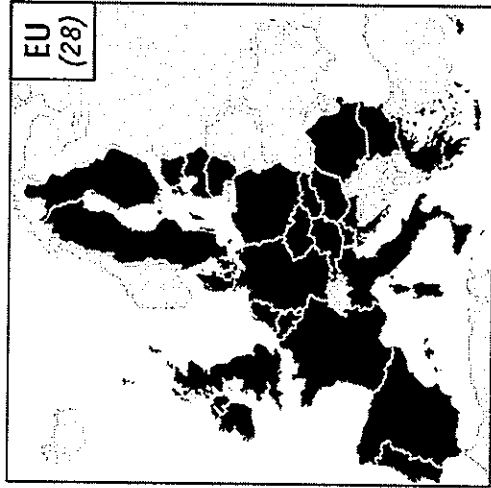
ABC, 2.VII.2017.

Regarding EU organization, we reproduce an organization chart of the European structure, with the Council, the Commission, the Parliament, and a few other boxes for governing structure. The *five presidents*, as they are called at present (Tusk, Juncker, Tajani, Dijsselbloem and Draghi), have assumed, as it seems, the common government of the Union, so that after the Great Recession and the Brexit we have a real new Europe. Although it seems that a *first Super-president* is necessary to be designed to supervise the whole EU activity.

And to end with these topics, we include a very interesting series of maps with the memberships of the European States to European Union, Euro, NATO, Schengen, European Economic Area (EEA), and Customs Union.

## Which Europe?

Memberships of various groupings



Source: *The Economist*

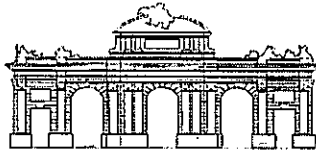
[Economist.com](http://economist.com)

\*Croatia currently a provisional member

it will be necessary to create a new universalist feeling in that dialogue, as Henry Kissinger proposed in his book *On China* (2011): *do negotiate now. Before it is too late*, and Prof. Allison has mentioned to prevent the effects of the Tucidides trump, when the new superpower (China) seems to be a possible enemy by the previous hegemonic superpower.

And for that purpose, the EU could assume the role of preparing and promoting the necessary talks and negotiating a world conference, like the one in San Francisco 1945: to set a path towards a New World Order, to prevent risks such as deglobalization, increasing inequality, catastrophic climate change; and the nuclear danger, that far from being solved today is becoming more and more dangerous.

In fact, what we need in our time is to make the Earth a *hospitable habitat for everybody*, forever. As the great Philosopher Kant looked for in 1795, with his essay on *Perpetual Peace*, when he designed the necessary tool: the Cosmopolitan Government, to put an end to wars and other extreme difficulties.



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