POST-CRISIS PERSPECTIVES IN EUROPE ON STATE INTERVENTION IN THE ECONOMY: SO LONG TO "UNITED IN DIVERSITY"?

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Abstract

This article explores the current debate among European economists and legal thinkers about the crisis, its causes, and its possible remedies. In particular, the article focuses on two French books, taken as paradigmatic examples of two opposite views on the crisis, one that blames it on a lack of government intervention in the economy, and the one that blames it on too much state interference in the market. The books are respectively La crise, et après? *by Jacques Attali and* Revenir au capitalisme. Pour éviter les crises *by Pascal Salin. In the final part, the article considers what the analysis of these works tells us about the European understanding of the crisis, and more broadly if the famous European Union motto of "united in diversity" corresponds to what is actually the state of current thinking among European writers, governments, and peoples.*

I. THE UNSETTLED DICHOTOMY "FREE MARKET V. STATE INTERVENTION": A CHAMPION OF EACH POLE

It would be naïve to think that the centuries-long philosophical battle between the free-market and state intervention in the economy will ever see a definitive winner and loser. In other words, it would probably be utopian to imagine that either the proponents of the free market or of state intervention will someday raise the white flag and declare that they were wrong, and instead it was their opponents who got it right. While the opposition of these two perspectives is quite clear in theory, however, it is much less so in practice. It is hard to identify many people on either end of the spectrum, since most intellectuals and ordinary people tend to stand somewhere in the middle.

Nevertheless, even taking all that into consideration, there were good reasons to expect that the great turmoil caused by the recent financial crisis would cause people to move closer to one or the other end of the spectrum, because nothing so serious can happen without changing many people's minds. Whatever direction the ideological swing may take, it would seem

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likely that some substantial change of this kind would occur.

What might have been considered a likely outcome, though, does not seem to have occurred in fact. Indeed, a general European consensus seems to have formed around the need for new and more rules to regulate the economy, in order to prevent such turmoil from happening again. This does not mean that free-market supporters are on the defensive. To be sure, they seem to have returned to the attack. Their team may have suffered some significant losses in numbers, but they seem to be trying to make up for that by insisting on the quality of their arguments.

Although the crisis has not yet been resolved, it seems that the current state of the never-ending intellectual fight we have described can be summarized in this way: independent of the *numerical* shifts towards either point of view, what has happened *qualitatively* is an increased polarization of the opposing views. Those who were in favor of a deregulated marketplace are all the more so, blaming government for the crisis; those who favored strong intervention by the government in the economy call for even more, blaming the free-market for the crisis. I will refer to the former as "libertarians" and the latter as "interventionists."

The purpose of this article is to look at the confrontation between them in the European context. In particular, I have chosen one champion of each point of view, both from the same country, but who could not disagree more with each another. That country, situated in the heart of Europe, provides the perfect location for looking at the ongoing debate in Europe over these issues; a country where passionate debate on such issues has always been a traditional feature. That country is France. The two French economists and thinkers I will consider are Jacques Attali and Pascal Salin.

In the next two parts of this article, I will try to summarize the main arguments of recent books on the crisis by Attali (II) and Salin (III), and in the final part (IV), without siding with one or the other, which is not my goal here, I will consider what this debate tells us about the current views of "intellectual Europe." In doing this, I will try to answer questions like the following: now that European countries are coordinating their economies through the EU, is there any coherent European way of thinking about the role of the state (or EU) in the economy? Is there anything that one could call a "European perspective"? What philosophy (if any) dominates at the EU level? And I will conclude by arguing that the EU motto "united in diversity'" does not seem to reflect the current views of the European ruling or "thinking" class, or of public opinion more generally, which results in a risk of unfilled aspirations.

II. JACQUES ATTALI: THE NEED TO REESTABLISH "*L'ÉTAT DE DROIT*"

If one has to describe the thought which *La crise, et après?*, by

Jacques Attali,[1] stresses the most, it would definitely be the urgent necessity of reestablishing "*l'état de droit*"[2] or the "rule of law," over the excessive freedom enjoyed by the markets in recent years. In order to achieve a harmonious growth, Attali maintains, we need to "*rééquilibrer à l'échelle de la planète le pouvoir des marchés par celui de la démocratie. Et d'abord celui des marchés financiers par celui du droit.*"[3] [To restore, on a planetary scale, the power of markets and that of democracy. And first of all that of financial markets and the law.] This quotation, taken from the beginning of the book and repeated with almost no change towards the end,[4] is probably the key finding of *La crise, et après?* What comes between these two quotations is Attali's version of why the crisis happened, which is what in the end leads him to claim that the sole possible response is a new wave of global regulation.

First of all, Attali makes it very clear that what is crucial to him, like in the thought of John Maynard Keynes, is the *demand side*: "*le marché est . . . incapable de créer par lui même l'état de droit dont il a besoin, ni la demande nécessaire au plein usage des moyens de production*"[5] [the market is . . . incapable of creating by itself the legal regime which it needs, nor the necessary demand for the full utilization of the means of production.] And then comes the answer: "*Pour qu'une société de marché fonctionne efficacement, il faut à la fois qu'un état de droit . . . crée une demande par des salaires décents et des commandes publiques; ce qui suppose une intervention politique, si possible démocratique et non totalitaire, dans la répartition des revenues et des patrimoines.*"[6] [For a market economy to

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[1] JACQUES ATTALI, LA CRISE, ET APRÈS? (2008).

[2] This expression is used seventeen times in the book (211 pages long), mostly in the opening and closing pages.

[3] ATTALI, LA CRISE 9-10.

[4] On pages 181-182. There are only slight differences: the ambition is "*rééequilibrer à l'échelle des nations, du continent, du monde, le pouvoir des marchés par celui de la démocratie. Et d'abord rééquilibrer le pouvoir des marchés financiers par celui de l'état de droit.*" Actually, after the first quote, the sentence goes on: it is also necessary to "*rééquilibrer le pouvoir des 'initiés' par celui des citoyens.*" As I will show, the notion of "*initiés*" ("initiated persons" or "insiders") is a recurring theme in Attali's book.

[5] ATTALI, LA CRISE 10-11.

[6] ATTALI, LA CRISE 11. The author states that the problem was that in the US, the demand was nourished by debt. It was in order to make this debt "*tolérable*," that the Fed had to lower interest rates starting from 2001. As we shall see, the Fed's policy on interest rates is the key element in Salin's reasoning. Attali acknowledges that low interest rates imposed by the Fed played a role in the crisis (although not comparable

function effectively, the legal regime must . . . create demand both by [requiring] decent salaries and by [engaging in] public procurement. This presupposes government intervention, if possible democratic and not authoritarian, in the distribution of income and wealth.] Government intervention is therefore the solution to the imbalances created by unregulated markets: what happened "*trouve sa source dans le déséquilibre entre le marché et l'état de droit: ce déséquilibre réduit la demande, la transfère sur la dette et crée des rentes financières majeures*" [finds its source in the imbalance between the market and the rule of law: this imbalance imbalance reduces demand, converts it into debt, and creates major financial returns]. In what Attali percieves to be an absence of rules, markets and globalization developed anarchically, and only those who were "*initiated*" were able to take advantage: the asymmetrical distribution of crucial information on the actual value and nature of assets was "*la cause profonde de la crise*" [the fundamental cause of the crisis].

Attali's view is that nobody disposing of valuable information (being an "*initié*"), if left free from constraints, will refrain from selfish behavior, that is, from exploiting the information she has in order to enrich herself, incapable of resisting her own avidity. This amounts to a claim for the need for rules imposed from the exterior in order to forcefully constrain the avidity of the "*initiés*." No such rules were in force before the crisis, and indeed the financial markets had experienced some substantial deregulation in the recent years. According to Attali, there was too much freedom for the initiated, and not enough law (*droit*) to counterbalance it.

This lack of rules, of "law" in general, was not coincidental: in fact, it was the implementation of the so-called "Washington consensus," which dictated a series of "ultraliberal" policies, including the freedom of financial markets, the decrease of state intervention, and labor flexibility: in summary, "*la globalisation des marchés sans globalisation de l'état de droit*" [the globalization of markets without the globalization of the rule of law].

The only chance to respond to the global challenge of deregulated markets is to act on a global scale and to devise some global democratic counterweights. We need "*une socialisation de l'essentiel des fonctions monétaires, instruments de la souveraineté, un égal accès au savoir, une demande mondiale stable, un salaire mondial minimal, un état de droit mondial, prélude, à terme, à un gouvernement mondial*"[7] [a socialization of essential monetary functions, [which are] instruments of sovereignty, equal

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to the one they had according to Salin), but considers it inevitable if one wanted to keep sustaining demand, like he himself deemed necessary, given the high debt of American households.

[7] ATTALI, LA CRISE 19-20. This would also help to prevent competition among financial hubs to establish the most favorable regulation for the initiated (*see* p. 172).

access to knowledge, stable global demand, a minimum world salary, a worldwide rule of law, as a prelude, eventually, to a world government]. Or, to put it even more clearly, "*pour établir l'équilibre du marché et de la démocratie, . . . il faudrait . . . créer les instruments nécessaires à l'exercice d'une souveraineté globale: un parlement (un homme, une voix), un gouvernement, une application planétaire de la Déclaration universelle des droits de l'homme . . . , une mise en œuvre des décisions de l'OIT en matière de droit du travail, une banque centrale, une monnaie commune, une fiscalité planétaire, une police et une justice planétaires, un revenu minimal planétaire, des notateurs planétaires, un contrôle global des marchés financiers*"[8] [to rebalance the market and democracy, . . . we must create the instruments necessary for the exercise of global sovereignty: a parliament (one man, one vote), an executive authority, a global application of the Universal Declaration of Human Rights . . . , an implementation of the decisions of the ILO on workers' rights, a central bank, a common currency, a global system of taxation, a global police force and court system, a global minumum wage, a global rating system, and global regulation of financial markets.]

Attali argues for the counterattack of democracy on free markets. A key part of his program would be to create a world central bank that issues a single world currency (like Keynes's "bancor"), and to enact, through an international body similar to the United Nations, rules, detailed and continuously updated, valid in every country, that are also enforced in every country by some sort of global legal authority. Also, it would be necessary to nationalize credit rating agencies and to launch a massive world-wide program of counter-cyclical (i.e. Keynesian) public spending to finance infrastructure and to help the creation of small enterprises.[9] Utopian as this program might seem to be, Attali deems it would be the only way to avoid the worsening of the current crisis, which would end up by endangering the survival of democracy itself.[10] Indeed, there is the risk of an uprising by undemocratic forces favoring protectionism, militarism, quasi-totalitarianism, and theocracy. From another point of view, the danger is the eruption of an unprecedented mass movement of protest and violence, stirred up by renewed class hatred. After all, that would only confirm the validity of

[8] ATTALI, LA CRISE 197-198.

[9] ATTALI, LA CRISE 198-199. This program of massive public spending is coupled with the increasingly popular idea of the green economy, meaning that government spending should be very concerned about the environment and foster the decrease of pollution.

[10] ATTALI, LA CRISE 179.

Marx's thesis on the inevitable consequences of capitalism.[11]

In any case, while this plan may be very hard to put into practice on a global scale, each country should immediately start working in this direction. As for France, the *Commission de libération de la croissance française*, presided by Attali himself, is trying to do precisely this. As far as the European level is concerned, the EU should adopt new regulations in order to reestablish the supremacy of the law over excessive individual liberty, which for Attali equals intolerable anarchy. The EU should introduce effective governance of the financial markets, creating new authorities in charge of supervising all the financial actors (especially non-bank institutions), as well as forbidding transfers to offshore centers and fiscal paradises and other such practices. Also, Europe needs to establish a lender of last resort different from both the European Central Bank and the European Investment Bank, as well as from national governments. It must be a new entity that has the mission of helping European financial institutions that are experiencing difficulties (if they can be saved), by participating in their capital or by giving them contingent loans. The EU Commission should also be empowered to nationalize companies when necessary and to isolate the toxic assets of European banks in an *ad hoc* institution.

Finally, there is one recurring theme in the final pages of Attali's book, which is the climax of his reasoning: this program would help to restore the "social contract." Indeed, the preference for individual liberty leads to the possibility of the rupture of all interpersonal bonds and therefore all consensual arrangements, including the social contract. If freedom has no limits, no one has a reason to abide by an engagement, if she just feels like not keeping her word.

Given the presence of asymmetries of information, the state has the duty to reestablish the social contract: "*l'État doit imposer un contrat social fixant des principes d'équité et de sécurité valables pour tous, évitant l'aggravation des inégalités entre les 'initiés' et les autres. . . . La politique économique, monétaire et budgétaire peut dès lors réguler les cycles économiques, soutenir la demande, la production et l'emploi, et mettre en place une réglementation . . . pour écarter les conséquences des déséquilibres cumulatifs liés à l'accaparement par les 'initiés' des profits liés à leur connaissance privilégiée des risques et des potentialités.*"[12] [The State must impose a social contract which sets forth principles of equality and security applicable to all, preventing the aggravation of inequality between the 'initiated' and others. . . . Economic, monetary, and budgetary policy should from now on regulate economic cycles, sustain demand, production,

[11] ATTALI, LA CRISE 156.

[12] ATTALI, LA CRISE 168.

and employment, and put in place regulation . . . to deal with the consequences of cumulative imbalances linked to the appropriation by the 'initiated' of the profits that derive from their privileged knowledge of risks and potentialities.]

In the end, this will allow us to put into practice "*un véritable projet de société, au service des vrais gens, et donner à un État planétaire les moyens . . . d'organiser une justice sociale*," [a real plan for society, in the service of real people, and to give to the world State the means . . . to establish social justice], to take advantage of the the opportunities, offered by new technologies, "*pour inventer un monde neuf, un monde d'abondance dont les marchés ne seront plus qu'une des composantes efficaces et non plus, comme aujourd'hui, les maîtres absolus. Un monde où les seules crises seront celles de la vie privée avec ses chagrins et ses joies, ses rassurantes routines et ses glorieuses surprises.*"[13] [to create a new world, a world of abundance whose markets will be only one of its components and no longer, like today, its absolute master. A world in which the only crises will be those of private life, with its sorrows and its joys, its reassuring routines and its glorious surprises].

III. PASCAL SALIN: THE NEED TO REESTABLISH CAPITALISM

The huge distance between Attali's and Salin's theses is already clear from the title of Salin's book: *Revenir au capitalisme. Pour éviter les crises.*[14] Salin's book is a classic response, from a libertarian, free-market point of view, to arguments of the sort advanced by Attali. The title of the first chapter speaks for itself: *Pour en finir avec les idées fausses sur les vraies causes de la crise* [To put to rest the false ideas on the true causes of the crisis]. Salin tackles the interventionist self-styled "true explanations" of the crisis, and gives his own alternative version. He finds several causes combined, which is a common feature, probably the only one, among the many books on the crisis that have been published in the past few years.[15]

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[13] ATTALI, LA CRISE 198-199, 202, 211.

[14] PASCAL SALIN, REVENIR AU CAPITALISM. POUR ÉVITER LES CRISES (2010).

[15] For example, the Director of the London School of Economics, Howard Davies, in his THE FINANCIAL CRISIS. WHO IS TO BLAME? (2010), recognizes thirty-eight different explanations of the crisis given so far, and concludes in his thirty-ninth chapter that the most plausible account is that the crisis was provoked by a "combustible mixture" of some of the factors which he had previously identified. Salin is not mentioned in Davies' book; what comes closest to his views is the American economist John Taylor's thought, described by Davies in chapter 4 of his book, "*Too loose for too long - US monetary policy*," but the two are not equivalent, so some of Salin's arguments seem to have been overlooked by Davies' account.

But it is easy to single out Salin's principal idea about the crisis; it is the complete opposite of Attali's main idea. It is the state which is to blame for the crisis, and particularly the central banks. What must be done is to restore unfettered capitalism and free markets by eliminating the unbearable interference by governments.

The central banks played the major role in the crisis because of a policy that even Attali considers "*à terme, désastreuse*,"[16] namely, the monetary policy followed by the United States Federal Reserve Bank (the Fed) and other central banks since the beginning of the 2000s. As we shall see, governments bear certain other responsibilities, but these other faults would not on their own have provoked a major crisis had it not been for the Fed's monetary policy. Very briefly, the interest rate, which was 6.5% in 2000, was lowered to 1.75% at the end of 2001, and then again to only 1% in 2003. Starting from 2004, the Fed started to slowly raise interest rates, but then came the crisis. Artificially low interest rates, the purpose of which was to encourage the giving of credit by banks and thereby to keep the economy expanding, led to a huge excess of liquidity. This provided banks with incentives for extending credit to many people who were not normally credit-worthy (through subprime mortgages). The banks relied on the fact that the housing market had been steadily growing, and would continue to do so, to project that their borrowers, even though not credit-worthy, would end up with a property with value that increased over time, and that this would have provided the borrowers with the money needed to repay their debt. But when the Fed started to raise interest rates again towards a more reasonable level, real estate values started to decrease, the housing market collapsed, and the bubble burst.

Without going into greater detail here, Salin's explanation of the crisis follows the approach of the Austrian school of economics, particularly that of Friedrich Hayek and Ludwig von Mises. Following the Austrians, Salin rejects Keynes's teachings,[17] and regards the Fed as by far the main party responsible for the crisis. Moreover, he asserts, we should never forget that the Fed is part of the government; it is an arm of the state. It has nothing to do with markets, so this should in itself be sufficient to conclude that markets do not bear any responsibility for what happened, and therefore should not be blamed for it.

But, as I have already mentioned, according to Salin, states also have

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[16] ATTALI, LA CRISE 66.

[17] Chapter 3 of the book is devoted to the rhetorical question: *Keynes a-t-il vraiment gagné?* [*Did Keynes Really Win?*]. In particular, Salin challenges Keynes's argument that crises are caused by an excess of savings, claiming instead that the current crisis was a perfect example that crises happen for the opposite reason, namely an insufficient level of savings. I will shortly come back to this issue.

another set of responsibilities, the most significant of which I will now briefly consider. First of all, by imposing high levels of taxation, they discourage saving, which is the basis for a healthy capitalistic system. Also, discouraging saving exacerbates the problem caused by the fact that today's banks are not run by the owners of capital, but by people who do not risk their own money. There is something wrong with this, but if one looks at it carefully, it is not caused by capitalism; it is in fact due to too little capitalism.[18]

Second, several public entities played a major role in altering the housing market, because their policy was to encourage in any way possible the ownership of homes by American families. The Fed urged the banks to use far laxer criteria in choosing to whom to lend money, encouraging them to give mortgages to people to whom they would normally choose not to. The Department of Justice brought a number of legal actions for unlawful discrimination against some banks that had refused to lend money to certain people. And also, a boost for the subprime mortgage market came from securitization by Fannie Mae and Freddie Mac, two government-sponsored entities.

Another responsibility governments have is for the actual rules that were adopted before the crisis. Contrary to what Attali argues, Salin thinks that there was actually no deregulation. In fact, there were (too) many rules in place, and they created the wrong incentives. The most important ones are the following: the very low capital requirement imposed by the so called *Basel* agreements, which led to a great use of leverage by banks and therefore to the creation of an incredible amount of artificial money,[19] which has nothing to do with capitalism; the government insurance on deposits, which favors risky behavior and alters risk evaluation; the legal barriers to

[18] And to a capitalism without capitalists: ". . . *s'il est vrai que les* "*excès*" *constatés proviennent du fonctionnement d'un système capitaliste sans capitalistes, on peut se demander pourquoi on en est arrivés là. La réponse n'est pas simple. Il est certes indéniable que cette situation est en partie le résultat du phénomène central que nous connaissons bien, l'insuffisance de fonds propres, elle-même explicable par les politiques économiques destructrices de l'épargne*" [. . . if it is true that the perceived "excesses" derive from the operation of a capitalist system without capitalists, one might ask why this has come about. The answer isn't simple. It is certainly undeniable that this situation is in part the result of the key phenomenon of which we are quite aware: the insufficiency of personal investment capital, which can be explained by economic policies inimical to saving] (even though other phenomena were also important) (SALIN, REVENIR AU CAPITALISME 99).

[19] Banks eventually found an easy way to get around the already lax rule, by bundling all the mortgages into newly issued securities and then selling them to other institutions, thus being able to lend more money and still fulfill the capital requirement.

entrance into the market of credit rating agencies, consisting of the need to be licensed by the SEC in order to be allowed to operate as a credit rating agency, and of the soft-law rules that end up making the rating by these agencies the main reference for institutional investors.

Finally, a very important issue is the "too big to fail" topic. Large banks knew that they would never be allowed to go bankrupt; the government would eventually bail them out, because they were "too big to fail." With some exceptions, the biggest of which is obviously Lehman Brothers, this is exactly what happened. The problem is that this government interference alters in an irreparable way an essential feature of capitalism, the sense of responsibility: the possibility of failure is crucial to capitalism, because it allows a proper evaluation of risk; and when failure actually occurs, it allows resources to flow from a use that turned out not to be profitable to a hopefully more productive one. If one is able to operate in the markets essentially free from the risk of paying the consequences of going bankrupt, one will inevitably take potentially unlimited risks. This is no longer capitalism.

Given this diagnosis, the cure for Salin is very simple: much less government (the financial markets are already one of the most regulated areas throughout the world), and much more confidence in the ability of markets to adjust on their own and to correct by themselves their own mistakes and possible failures. It is very important to point out something that Salin makes very clear, to which I will return in the last part of this article: from the libertarian perspective, markets are not perfect, simply because they are institutions created by humans, and humans cannot be perfect. Salin's claim is simply that markets just work much better than government policies.

Government policies, particularly the Fed's lax monetary policy, and an abundance of useless additional legislation, alter the equilibrium that markets are able to establish by trial and error, thereby creating misleading incentives. So, government policies are at the root of the crisis; even the infamous avidity of bankers was nothing more than a response to government-created incentives. Therefore, contrary to what Attali argues, government certainly cannot be the solution to the crisis; it is not the savior to whom we should turn to put our economies back on track. Despite the fact that the majority of people seem to expect the government to intervene in the economy, especially in crisis situations, to take care of their citizens' welfare and prosperity, government is not the solution. Since politicians do not risk their own money, they, too, have misleading incentives. What is more, like anyone else, politicians will never possess the knowledge that would be necessary to enact wise and useful regulations and to know how to use money intelligently. In fact, knowledge, as Hayek taught us, is dispersed, and only the markets can progressively approach it, by trial and error. No human being can seriously think she has it all. That would be "a fatal conceit." This "fatal conceit" actually seems quite common nowadays; and yet, Keynesian stimuli to increase demand, government spending, and printing even more money to increase liquidity will only make things worse. Governments cannot create wealth; they can only appropriate taxpayers' wealth[20] and decide in their place what to do with it.

Of course, if this is true for national governments, there is no reason to think that things should be different on the global level: Salin devotes his Chapter 6 to "*L'illusion de la coopération internationale*." [The illusion of international cooperation] All governments responded incorrectly to the crisis. Coordinated or global mistakes do not magically provide a remedy; instead, they are a way of making things even worse. But there is also another, more serious, reason to reject Attali's and others' ideas for global governance; it is the fact that we can rely on the great advantages of competition. Competition is highly beneficial in the private realm, but it is all the more so in the public sphere: we should let governments compete on ways of responding to the crisis, at least that way some will do better than others, and the latter will be able to imitate the former. On the contrary, with global governance, there is no guarantee that the option chosen is the best one possible; in fact, it could very well be the worst.

Salin's conclusion is probably utopian like Attali's, though in a totally different way. For Salin, it would be necessary to discontinue monetary policies, taking away this power from governments, and doing away with central banks. If this is not possible, monetary policy would need at least to be very stable, the complete opposite of what we have had so far, particularly, but not only, in the United States. This would help us to go in the only desirable direction: to restore capitalism, a true capitalism, not the fake version that we have been experiencing. Capitalism is indeed the only authentically moral system of government, being based on a strong sense of individual responsibility and the golden rule that everyone has to pay for their own mistakes. What has to be "moralized" is therefore not capitalism. What needs to be moralized is the state itself, and its coercive power to appropriate taxpayers' money to pay for somebody else's mistakes, be it regulators or bankers or their managers, who should have been left to take responsibility for their own behavior.

IV. "DIVIDED IN DIVERSITY" OR "UNITED IN UNITY"?

What can we say about today's Europe from these two books? A first, natural conclusion is how different the two perspectives are. Actually,

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[20] Both with taxes and with deficits, and even through the inflation produced by the increase of liquidity, which should also be considered a form of taxation.

there are some minor issues on which the two agree: besides the responsibility of the Fed, that, as mentioned, is also Attali's view, both he and Salin are decidedly opposed to the bailout of banks with taxpayers' money. But interestingly, where Attali attributes this evil to capitalism, Salin takes the contrary view, claiming that this has nothing to do with capitalism.

Also, it is worth noting that Attali does not advocate a complete paradigm shift, for example, the adoption of socialism. In fact, he acknowledges the importance and the positive role of free markets, international free trade, property rights, individual freedoms, freedom of enterprise, etc.[21] But the perspectives of the two writers are very different even on this point: for Attali, markets, individual freedom, and property rights do not seem to be values *per se*, but only to the extent that they contribute to establishing the full utilization of the means of production; even more importantly, they need government protection in order to exist and to work properly without becoming self-destructive. Salin, arguably, would never agree with either of these claims.

The distance between Attali and Salin seems unlikely to be bridged on another level, where their perspectives are truly radically divergent: the state's role and purpose. Attali, in the final sentences of his book, makes it clear that the state should aim at pursuing its citizens' happiness; so that their only source of pain is what they themselves bring on in their private lives. Salin is utterly opposed to such a view, rejecting the idea that it should be up to the government to take care of people's well-being. He thought that everyone should be left free to pursue his or her own welfare and happiness, as they conceive it, and which no government can possibly know.

As I said in the first part of this article, my purpose here is to reflect on European intellectual tendencies in general, so I will not engage in discussing the validity of either position or take a stand in favor of either one. There is, however, something that the majority of people would probably find attractive in the writings of each. Each speaks very clearly and states his respective point of very precisely. This is something rather unusual among the many books and articles on the crisis, and this is really why I selected

[21] *See, e.g.*, ATTALI, LA CRISE 166: "*Alors marchés et démocratie se renforcent réciproquement. La démocratie a besoin du marché parce qu'il ne peut y avoir de liberté politique sans liberté économique. Et le marché, qui n'est ni infaillible, ni juste, ni même efficace, a besoin de la démocratie, ou à tout moins d'un État pour protéger les droits de propriété, la liberté intellectuelle et entrepreneuriale, et pour établir un plein usage des moyens de production.*" [So markets and democracy are mutually reinforcing. Democracy needs the market because there can be no political freedom without economic freedom. And the market, which is neither infallible nor just nor even efficient, needs democracy, or at the very least a State, to protect property rights, freedom of thought and enterprise, and to assure full utilization of the means of production.]

them as perfect representatives of the two ideal poles, state intervention vs. the free market (although I am really oversimplifying: for example, it is hard to number an intellectual like Slavoj Žižek among the interventionists. Indeed he is part of the Marxist tradition,[22] so for him basically no free market should even exist for the government to intervene in or to protect).

If I stopped here, what has been said so far would amount simply to comparison between two very different approaches, hopefully interesting, but which would only tell us that in Europe very different ideas circulate, not only on the level of ideological preferences (the "prescriptive" level), but also on the level of the analytical description of what has occurred (the "descriptive" level). In the last part of my contribution, I would like to go further, namely to enlarge the scope of my consideration by looking at these two books against the background of other books on the crisis and of what is going on more generally in Europe, as regards public opinion and legislative reforms. This will lead me to make a few provocative claims, that I reckon might be considered far-fetched at first sight, but that appear to me to be the only possible logical conclusions.

If one looks at just the most recent books on the crisis by leading European authorities in the field,[23] one immediately realizes one thing: Attali's and Salin's views do not represent two opposite poles that might be described as symmetrical. While Attali shares company with many other interventionists, no other book shares Salin's trust in the unregulated free market. To clarify, I am not saying that all the other books are decidedly interventionist like Attali's, except for Žižek's, which I have already discussed briefly. Many are simply descriptive, or in favor of a milder regulation than the one advocated by Attali. But certainly, no other book defends capitalism and rejects state intervention as passionately and firmly as Salin's.

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[22] Not coincidentally, his book on the crisis is entitled *FIRST AS TRAGEDY, THEN AS FARCE* (2009).

[23] The principal ones are the following: ROWAN WILLIAMS & LARRY ELLIOTT, CRISIS AND RECOVERY: ETHICS, ECONOMICS AND JUSTICE (2010); DAVIES, THE FINANCIAL CRISIS, *supra* note 15; ANATOLE KALETSKY, CRISIS 4.0: THE BIRTH OF A NEW ECONOMY IN THE AFTERMATH OF CRISIS (2010); STEPHEN MIHM & NOURIEL ROUBINI, CRISIS ECONOMICS: A CRASH COURSE IN THE FUTURE OF FINANCE (2010); MARTIN WOLF, FIXING GLOBAL FINANCE (Expanded and updated edition, 2010); JEAN-PAUL FITOUSSI & JACQUES LE CACHEUX, REPORT ON THE STATE OF THE EUROPEAN UNION, vol. 3: CRISIS IN THE EU ECONOMIC GOVERNANCE (2009); ŽIŽEK, FIRST AS TRAGEDY, THEN AS FARCE, *supra* note 22; WOLFGANG MÜNCHAU, THE MELTDOWN YEARS: THE UNFOLDING OF THE GLOBAL ECONOMIC CRISIS (2009); GILLIAN TETT, FOOL'S GOLD: HOW UNRESTRAINED GREED CORRUPTED A DREAM, SHATTERED GLOBAL MARKETS AND UNLEASHED A CATASTROPHE (2009); VINCE CABLE, THE STORM. THE WORLD ECONOMIC CRISIS AND WHAT IT MEANS (2009).

This leads me to identify this alternative: either we ignore quantity, and conclude that Salin's book, even though largely minoritarian, represents one current of thought, that of the free-market anarchist, or the libertarian, that no matter how small, can be considered a proper antagonist of the interventionists; or we take into account the proportions, overlook the libertarians, and conclude that there is a general consensus in Europe on the interventionist thesis.

If we go down the former road, we necessarily have to conclude that while there is certainly considerable "diversity" in Europe, this diversity cannot be reconciled into some hypothetical "unity," like the EU's well-known motto would have it: there is simply too much distance between Attali and Salin on too many important issues. Therefore, Europe could only be described as "divided in diversity." On the other hand, if we choose the second alternative, the motto still does not work, but in this case a more detailed analysis is required.

With the libertarians out of the game, we are left with a significant "unity," because interventionists win by default. What remains to be determined is how much diversity is left. In my opinion, there is not too much. In the remainder of the article, I will try to explain why.

My claim is that, even though they may come from quite different theoretical starting points, the interventionists end up advocating very similar policies to those of the free marketeers, so similar that, reduced to their bottom-line, they can almost no longer be told apart.

In other words, facing the risk of oversimplifying, we can arguably say that European opinion *à la Attali*, even when it does not say so explicitly, or even tends to deny it, considers that the market is essentially a source of trouble, useful and probably (unfortunately?) unavoidable, but with respect to which the state has the right and the duty to impose limits, priorities, and objectives. Other interventionists start from a different perspective, but they reach similar conclusions: they think that in theory the market is essentially good, able to self-adjust most of the time, and therefore usually better performing if unregulated, although they also take into consideration market failures, and more importantly, trust that the government has the ability to find a remedy for them, thus promoting market efficiency.

Essentially, all interventionists, no matter their starting-point, seem to end up in the same place, agreeing with the idea that the government has enough knowledge to remedy market failures. This shared belief is so important that other differences among them become negligible. The only ones who reject it are indeed the libertarians *à la Salin*. But, if one trusts governments to do better than the markets left on their own, then where to set the limit on intervention becomes a matter of nuance: it may be considered provocative, but from a theoretical perspective, the distance between the most extreme positions within this group will always be less than the distance between the least interventionist of the interventionists and "hard-core" libertarians.

If one can find a coherent European understanding of the crisis, and more generally of the role of state or EU intervention in the economy, it seems to be that the crisis was due to a lack of appropriate rules, and therefore we need governments, on national, supranational, and international levels, to coordinate their actions and intervene in the economy, renewing and increasing their regulation of financial markets. Governments, therefore, should be trusted. This is why diversity seems to be lacking, and the European consensus seems much bigger than one may think if viewed from the traditional left-wing vs. right-wing perspective. As controversial as it may be, if we accept this hypothesis, then, with the libertarians out of the game, the remaining diversity left is not *grande chose*. And in summary, what we are faced with seems to be properly described as a Europe "united in unity."[24]

In any case, speaking of the left-right dichotomy, it is important to underline that I have considered here the most renowned intellectuals, newspapers, opinion-making forums, etc., and my analysis has therefore developed on a conceptual and highly theoretical level. In the actual, practical world, however, the political positions, even of the very same people, may not correspond to my analysis. But I am concerned here with the conceptual discourse. My claim is that on the conceptual level, trusting government or not and believing or not that it has more knowledge than the market can ever possibly attain are the real points of distinction between differing perspectives. Even if we take into account the other two major players, public opinion and governments, things do not seem to be particularly different.

As for the "main street" level, according to a very interesting poll by WorldPublicOpinion.org,[25] this predominant European perspective seems to be shared by the majority of European people. The number of people generally in favor of more intervention is so large that it must include people from both sides of the political spectrum. The view that we need a "global regulating body that monitors big financial institutions to make sure they follow international standards" is shared by 70% of the people in France, 71% in Germany, 60% in Great Britain, and 48% in Poland[26]; between 55

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[24] Clearly, the oft-heard claim that the EU on the whole would have pursued "ultraliberal" policies does not seem to me very persuasive, not least because it tells only part of the story.

[25] Public Opinion on the Global Economic Crisis, July 21, 2009, *available at* http://www.worldpublicopinion.org/pipa/pdf/jul09/WPO_FinCrisis_Jul09_quaire.pdf

[26] With only 25% taking the opposite stand, and as many as 27% not answering.

and 59% of the people in each of these countries think that "government should use public funds to help large manufacturing companies in trouble because if they fail it damages the general economy and too many people lose their jobs"; and the idea that "[t]he world economy is so interconnected that nations should agree on standards to regulate banks that operate internationally" is agreed upon by 55% of the French, 56% of the Germans, 48% of the British,[27] and 45% of the Poles.[28]

But "unity" seems to be present also at the governmental level: it is true that, according to the same inquiry, people also want their governments to make more efforts in order to "address the current economic crisis": this is true for 53% of the people in France, 40% in Germany,[29] 58% in Great Britain, and 72% in Poland. But, governments seem to agree in fact with their intellectuals and their citizens: if not from the point of view of the concrete measures to be adopted, at least from the ideological perspective, which is what is more relevant to the topic of this article.

As regards the practical aspect, a relevant measure was actually taken (after the poll was conducted) with the introduction (effective at the end of 2011) of the European Systemic Risk Board (ESRB), charged with the task of a "macro-prudential" oversight of the financial system, and three new supervisory authorities: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority, and the European Securities and Markets Authority.

As regards the "philosophical" stands of most European national governments and highest ranking European institutions, attitudes are even more decidedly interventionist. All the governments of the major European countries are staunchly convinced of their need to intervene, and they pride themselves on all the things they (claim to) have done to respond to the crisis and to fix the economy. Not a single leader of a major country is casting doubt on this assumption, or is taking an uncompromising stand in favor of classical liberalism or less intervention: not José Barroso in the EU Commission, not Nicolas Sarkozy in France (who by the way appointed Attali as the chief of the above-mentioned very influential *Commission de libération de la croissance française*); not Angela Merkel in Germany;[30] not

[27] 48% think instead that "each nation should maintain the freedom to make its own decisions about regulating its banks when they operate internationally," and 4% did not answer.

[28] 42% disagree, and 14% did not answer.

[29] Only 17% of the Germans think the government went too far, 35% thinking that it is "about right" and the remaining 8% not answering.

[30] The remarkable success of the liberal democrats of the *Freie Demokratische Partei* (FDP) in the 2009 elections does not seem to have given any (classic) liberal

Silvio Berlusconi or the Italian Minister of the Treasury Giulio Tremonti[31] in Italy; not even David Cameron in the UK.[32]

What is even more remarkable is that all these leaders are conservatives. This seems to strengthen the hypothesis that there is not much diversity among European politicians either: right-wing leaders are not promoting a very different agenda than the one that (moderate) left-wing parties would promote were they in power or that they do promote in the countries where they are in power, like in Spain. By the way, this may also explain the apparently paradoxical fact that, with the crisis, socialist parties have suffered many losses across Europe, while conservatives seem to be making headway. This might be because, like the above-mentioned poll shows, the majority of European people currently want more intervention, which is usually a principle associated with the left. Conservatives, however, have shrewdly endorsed it, thus allowing them to attract the votes of many people who used to vote for left-wing parties.[33]

To conclude, it seems to me that, independent of which phrase better describes today's Europe, whether "divided in diversity" or "united in unity,"

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twist to Chancellor Merkel's policies, and in any case the FDP itself is considered not to be sufficiently pro-market by a recently established group of internal rebels, the *Liberaler Aufbruch* (Liberal Awakening), which is trying to push the party towards a less interventionist position.

[31] In 2008, Giulio Tremonti, considered one of the main opinion-makers in the currently ruling center-right, and self-styled (classical) liberal, coalition, wrote a successful book, LA PAURA E LA SPERANZA (FEAR AND HOPE), advocating for the comeback of "God, fatherland, and family," and proudly asserting the need to regulate the excesses of neo-liberalism and globalization.

[32] Among all European leaders, he seems the one who most strongly advocates for a reduction of government interference in the economy; also, the coalition-government he leads has initiated very extensive cuts to the public budget. And yet, on several occasions, he has made statements on the need to reshape markets in order to prevent them from reaching immoral outcomes, he has advocated for an activist monetary policy, and he is quite clearly not willing to fully put himself in Margaret Thatcher's political lineage. Interestingly enough, Tony Blair's recent memoir, A JOURNEY, seems to take some pro-market positions that are much more clear-cut than what one can say of the usual writings or speeches by Cameron. Finally, the British Liberal Democrats are not particularly keen on deregulation or government withdrawal from the economy.

[33] This phenomenon is particularly evident in Italy, where the *Lega Nord* party, a someway extreme example of this new form of social conservatism (that combines the fight against immigration with a growing skepticism towards globalization, protectionist views, and a great concern for security) has been increasingly taking away votes from the socialist and communist parties.

one thing is clear: Europe currently does not seem to be very much "united in diversity." I have insisted on this because this is not just a motto: the attempt to reconcile the apparently irreconcilable seems to be the EU *Leitmotiv* at least in recent years (if not since its very origin), as is clear if only one considers some provisions of the current Treaty on European Union; especially the Preamble and the first Articles, and above all Article 3(3), first sentence, which stipulates the commitment to pursue a "social market economy."[34]

This European obsession for resolving the oxymora may be a source of strength, because it allows Europe to try to lure supporters of both sides of the ideological spectrum. It may also, however, be a source of even greater weakness, because it may end up not appealing to anyone. So in the end, the financial crisis may very well be a very good occasion to verify if this attempt by EU institutions and European governments to make the opposite poles coexist can actually be successful and not just self-gratifying, but ultimately unfeasible, wishful thinking. If the firm belief that "*tertium datur*" (literally, a third (way) is given), which is arguably one of the most original features of European constitutionalism, happens to prove unmanageable, then Europe may eventually be called upon to choose between "Life, Liberty, and the pursuit of Happiness,"[35] on the one hand, and "the establishment of a socialist society,"[36] on the other. And if it refuses to choose, the whole European enterprise would probably be at risk of falling apart. To see if Europe is actually required to make such a fundamental choice, or if it can continue to adhere to its policy of the union of opposites, we still have to wait; but maybe next crisis will tell us!

Résumé

Cet article s'interroge sur le débat contemporain parmi des économistes et des penseurs juridiques sur la crise, ses causes et ses remèdes possibles. En particulier, l'article se concentre sur deux livres français, pris comme exemples paradigmatiques de deux perspectives opposantes sur la

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[34] Fritz W. Scharpf, *The Asymmetry of European Integration, or Why the EU Cannot Be a 'Social Market Economy*, 8 SOCIO-ECONOMIC REVIEW 211 (2010) (arguing that the achievement of a social market economy is for the moment out of reach, even though for completely different reasons than the ones hypothesized here, namely because of the current institutional structure of the EU and the high consensus requirements to pass legislation at the EU level).

[35] This is the most famous phrase of the United States Declaration of Independence.

[36] Article 1, chapter 2, of the 1918 Constitution of the Russian Soviet Federative Socialist Republic.

crise, un qui l'attribue à la manque de l'intervention gouvernemental dans l'économie et un qui l'attribue à trop d'ingérence de l'état dans les marchés. Les livres sont respectivement La crise, et après? *par Jacques Attali et* Revenir au capitalisme. Pour éviter les crises *par Pascal Salin. Dans sa partie finale, l'article considère ce que l'analyse de ces ouvrages nous dit sur la compréhension européenne de la crise, et plus largement si la devise fameuse de l'Union européenne de "l'unifié en diversité" corresponde vraiment à l'état courant de la pensée parmi les auteurs, gouvernements et peuples européens.*