

The Implosion of Solidarity: A Critique of the Euro Zone Crisis

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Introduction

The post-2007 global financial crisis was, fundamentally, an ethical crisis.¹ This crisis and its aftermath presented in a distinctive way within the euro zone. What distinguishes the euro zone crisis has been the collapse of ‘solidarity’, considered both as a social virtue and as an integral part of the Schumann–Monnet model of a new European order, a renewal of Europe from the ashes of World War II. Unless and until the true meaning of solidarity is rediscovered and reanimated within the political leadership of the EU, there is unlikely to be economic stabilisation and recovery. In other words, a failure to move the Franco–German dominant consensus away from the hegemony established in the wake of the euro zone crisis, and towards a rediscovery of solidarity, will result in the serious risk of the ‘Balkanisation’ of Europe within a generation.

In Ireland, the disastrous policies adopted in the years leading up to December 2010 were compounded by the acquiescence of the Irish authorities in ‘Troikanomics’, the price of assistance from the ‘Troika’ (i.e., the European Commission, the European Central Bank and the International Monetary Fund). These policies, fixated on austerity, have impelled Ireland down an economic *cul de sac*. In effect, the terms of the ‘bailout’ were directed towards protecting the balance sheets of continental countries from their own failure in risk management and its consequences. The price has been the emaciation of Ireland’s economic capability, with all of the human as well as economic costs this has entailed and, also, the emasculation of Ireland’s constitutional integrity. Great damage has been done to solidarity within Ireland and across the euro zone, as well as in the wider EU.

Essentially, the combination of the ascendancy of a culture which had economic power and political hegemony at its ‘centre’, alongside bad economics, has resulted in a haemorrhage of trust in the European ideal, and in the erosion of the euro zone’s credibility in financial markets. Inevitably, it has generated political instability, particularly in the peripheral countries impacted by the imposition

of ‘Troikanomics’. The rejection by the French and Greek voters, in 2012 elections, of a nihilistic economic and political orthodoxy may provide a catalyst for change and a new economics based on solidarity. To date, the response by those in power – in Germany and in the economies it effectively controls – has been a refusal to understand, much less respond to criticisms.

We believe that ‘There *is* an alternative’, contrary to the assertions of those whose policies have compounded the problems confronting the euro zone.

The argument we make in this paper regarding the ‘crowding out’ of solidarity within the euro zone, and the effects of this, is not predicated on what is euphemistically dismissed as ‘bleeding heart liberalism’. The systematic deconstruction of the Greek economy – consequent on the ‘bailout’ terms imposed on that country – shows clearly just why hearts *should* bleed. The analysis by international economists of the impact of the policies insisted upon,² and the data on the effects of the bailout programme on the health status of the Greek population³ – to cite but two examples – highlight the seriousness of the consequences of the measures which have been imposed.

Nor is our critique based on a wistful rejection of a need for adjustment in deficit countries, with all of the political challenges and social costs that such adjustment requires. It is clear from the data on, for example, Ireland and Spain that economies had been over-leveraged because of household and also corporate and sovereign indebtedness levels. This has made them vulnerable to the ‘perfect storm’ unleashed in the global financial crisis of 2007 and to its ‘after-shocks’ as this collapse progressively impacts on the real economy. The need for reform and change is evident. What is really at issue is the timescale for adjustment and questions as to whose fundamental interests are being served in the reforms being carried out.

The crucial question is whether, or not, there is place for a form of solidarity that allows policies be adopted that go beyond the destructive paradigms,

and beyond the self-interest of those who stand to gain from the suffering imposed on populations other than their own.

Two Pillars of Solidarity

At the core of solidarity are two pillars. The first is rooted in the unique dignity of the individual.⁴ This innate dignity arises directly from the individual being made in the image of God. From this flow rights and responsibilities on the part of those charged with maintaining the welfare of peoples. There is, in the great theistic faith traditions, a common understanding of the individual's relationship with God, mediated through mutual respect between individuals. In community, this finds expression in laws, institutions and governance in which the dignity of the individual is held as the locus upon which these are pivoted.

The second pillar can be approximated by 'universals' – that is, fundamental values acknowledged across all cultures and which find their social and political expression in the common good. These values embody justice, equality, and love – which is charity, and is the epicentre of fraternity. 'Solidarity' strives to give expression to these truths which are held in common, and which embody the aspirations that have guided the community in its growth. These values extend into the future as the essential guarantor of the inalienable rights of the individual and of the best interests of a free people.

There is a continuum between the two pillars of solidarity, noted above, which may be expressed in different institutional forms across cultures. But the fundamental integrity of the two pillars is recognised for what they are: foundational values from which the internal governance *of*, and relationship *between*, countries flow.

A measure of the true extent of radical solidarity is therefore that it embraces the totality of all individuals. Within the context of Christianity, its first expression was solidarity of *service to the person* and an equality of all individuals before God. The solidarity was therefore rooted in 'the brethren'; 'the disciples'; 'the community' – whichever of these, not identical but over-lapping, terms one chooses. That is, the individual never loses his or her individuality, and all that it implies, in terms of innate rights and dignity. But this individuality is expressed within community and the rights and responsibilities which this entails.

A Long Lineage

In Europe, the lineage of these ideas can, in their different dimensions, be traced back to Greece. Justice is an important example. It provides a benchmark against which to assess the nature of the Greek 'bailout' – and the dynamic of the underlying *relationships* – as to whether, or not, it can be validly seen as a practical exercise in solidarity.

Appropriately perhaps the concept of justice was critiqued by both Plato and Aristotle. Very broadly, Plato emphasised the eternal and unchanging dimension of justice *within* the individual. Aristotle shed new light on the extent to which justice was shared *amongst* individuals – and without doing violence to his analysis, across countries. The Christian anthropology which was developed against this background, and which absorbed these traditions, emphasised the over-riding importance of love, being '... the only basis for human relationships that respect in one another the dignity of the children of God created in his image ...'.⁵ This is a dynamic of western, and in particular European, civilisation writ large.

The French Revolution represented a major historical catharsis. The nature of this revolution forged a solidarity encompassed within the principles of equality, fraternity and liberty. But it 'crowded-out' charity and was driven by a reactionary intolerance.

More generally, the post-revolution history of Europe can be seen as a progressive process of *political* liberation, developed around essential political freedoms but without encompassing the whole of the human person. It failed to give full expression not alone to the twin pillars of solidarity but, more importantly, to link these ideals to 'universal values' and to animate this whole construct by drawing on its Christian heritage.

The single most radical expression of authentic solidarity is to be found in the Gospels. This takes the whole Judaic tradition of political liberation and imbues it with the new dignity to which we are called and the solidarity that this creates. The Kingdom of God is not *of* this world, but it begins to take root and grow within this world and within the everyday experiences of individuals. This is the context within which the Greek and Irish 'bailouts', and their effects on the community and the self-esteem of the countries, must be assessed. There is little evidence in the policies adopted

of the political principles of equality, liberty and fraternity. Still less is there evidence of Christian solidarity, as mediated through the Schumann–Monnet ‘new’ Europe.

The Schumann–Monnet Plan

The Schumann–Monnet plan for a new beginning, built from the wasteland of World War II, was crafted around a wholly new approach to achieving solidarity across nations. In terms of all that had gone before it, this plan, which was endorsed by German Chancellor Adenauer, expressed in a transformational way shared fundamental truths.

At the heart of these truths was a rejection of a culture of *power and domination*, of which World War II was a most malign expression. The shared values embraced freedom and justice, equality and mutual respect among members, and governance that extended so far beyond pure self-interest as to constitute something completely new in modern European history.

All of this can be best understood in the light of the deep Christian principles of its primary architects. In the absence of these principles, a very different template for Europe’s post-war future might well have emerged. The whole precept of, for example, fraternity – distinct from, but overlapping with, solidarity – can only be properly understood where it has, at its epicentre, charity as well as justice.

Of course, such solidarity was already embedded within Europe. It was a necessary expression of Judeo–Christian values. The descent into conflict that became World War II reflected the negation of solidarity and the assertion of a culture based on power rather than on service and mutual respect.

Consider that the initiative towards European integration should have been undertaken a mere five years after the ending of the war. This is something so remarkable that it can best be understood in the context of a Christian anthropology of redemption. This was, without doubt, embedded within the mindset and thinking of the foundational fathers of Europe. It is extraordinary that Europe committed itself to a future that rejected utterly a culture of any form of domination – that is, a Europe which was imbued with the twin pillars: respect for the individual, and institutions founded on fundamental rights and on an equality of nations.

It is also extraordinary that this voyage should have been embarked on side by side with the imposition

of communism – an ideology predicated on the subjugation of the individual and a deterministic perspective on history – on the countries of Eastern Europe. The true extent of this historical dichotomy played out in a divided Europe is aptly reflected in the purported justification on the part of a centralised Soviet State for the invasion of Hungary in 1956, and of Czechoslovakia in 1968, in order to enforce ‘fraternal solidarity’ between a hegemonic centralised authority and its vassal states.

(Even more remarkable – and it is hardly a coincidence – is the fact that the catalyst for the collapse of the Soviet empire was the assertion of those fundamental truths and shared principles which were at the heart of the Polish freedom movement, ‘Solidarity’. This movement encompassed all that Poland was and aspired to be again. It was reinforced by the momentum imparted by the return to his native Poland of the newly-elected Pope John Paul II, whose early life was marked by the nihilistic philosophies of Nazism and communism – the very antithesis of solidarity, justice and charity. What ‘Solidarity’ aspired to were the very truths and principles on which the European Community – and, in passing, the Irish nation – was founded.)

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It was, then, the principle of solidarity which provided the dynamic for the emergence of something wholly new in European history: a solidarity which stretched across the foundation states – former adversaries – and progressively opened out to other European countries and to the wider international community. This process in turn provided the impetus for reconstruction, growth and acknowledgement of mutual interdependence in achieving higher living standards for the peoples of Europe. Internationally, it became a witness to the innate ‘good’ of solidarity. *That is what has been ‘crowded-out’ in the management of the euro zone crisis. That is why we argue that only in rediscovering this solidarity can the crisis be resolved, allowing Europe, true to its roots and mission, to move on.*

An Absence of Vision

There are, we suggest, three fundamental forces which have in recent times impelled Europe down a *cul de sac*. The first of these was the rise of corporate capitalism, particularly in the wake of the fall of communism in Eastern Europe. The second was the progressive emergence of a ‘hegemonistic’ centralisation of economic power, in place of the ideal of equality across member nations which was an essential characteristic of the European initiative and embedded in the term ‘community’.

The third factor was the emerging tensions of a Europe that was progressively expanding, but without due regard for structural differences and without adequate institutions, such as fiscal federalism. Most importantly, the expansion was occurring without the legitimacy of popular support across Europe. Politicians are apt to be a little wary of trusting ‘the people’ – except when they are seeking election. In these terms, ‘enlargement’, and ‘deepening’ of the European Union were embarked upon without any fully articulated expression of what such a Europe stood for and, equally, without regard to the architecture which would be required to give expression to such a process – one characterised, above all, by the centrifugal force of solidarity, and with the whole process grounded in the spiritual and cultural heritage of Europe. It was a strategy and an opaque one at that – but it was not a vision.

What had defined the foundations of the European Community was ‘the vision’: institutions followed and acquired their legitimacy from this same vision. In the euro zone crisis, Europe and its institutions have allowed themselves to become semi-detached from the peoples of Europe. There has also been the rise of a Franco–German political economic dominance.

This has occurred against the backdrop of a transfer of progressively greater powers to European institutions – notably, the EU Commission and the European Central Bank (ECB). Indeed, the context of the frenetic and unavailing political ‘summitry’ of the crisis years has been the assertion of power by the ECB, which has taken the lead in pushing ‘economic governance’ – effectively political union, under conditions that the founding fathers would not have countenanced and with neither preparation nor legitimacy. (This is apparent in the rejection of such policies in the 2012 elections in France and Greece.)

It is one of the ironies of the present crisis that it is precisely the ECB, whose principles and mandate were essentially transposed from those of the Bundesbank, which has allowed its balance sheet (a mirror image of its policies) to become subverted in the defence of an ideology which is at variance with its foundational mandate.

In important respects, the over-leveraging and the indebtedness, measured against conventional ratios such as household and/or national income, and the resultant structural weaknesses in western economies, were a manifestation of a deeper ethical malaise.⁶ Significantly, this malaise was anticipated by Galbraith as far back as the late 1950s.⁷ It reflects the subversion of solidarity through the inculcation of a culture of consumerist ‘wants’, funded by banks driven by the primacy of short-term profits, and impelled forward by advertising fixated on the siren call of private affluence.

It gained traction in the ideologically-driven financial ‘reforms’, notably in the US and the UK, in the 1980s, and became progressively more pronounced in the emergence of an ‘idolatry of the markets’ – to use the evocative phrase of the *Compendium of the Social Doctrine of the Catholic Church*.⁸ All of the clichés retrospectively fitted to the post-2008 crisis are evident in this lineage. They highlight the progressive erosion of solidarity.

But this does not go far enough. The greatest single cause of the implosion of solidarity was the systematic exclusion of God from Western Culture – which is precisely why we define the crisis as ethical. This process is evident right across the spectrum, from public discourse to the manner in which the centre of gravity of private morality has shifted decisively towards the exclusion of social virtues. If one were to look for a ‘sign’ for all of this, it was the exclusion of God and of Europe’s spiritual heritage from a proposed European Constitution.

The overall effects – and it is a telescopic view that we offer – were three-fold. Firstly, there was the progressive growth of a ‘culture of control’. The true extent of this should not be underestimated and has been forcefully argued by, for example, Noam Chomsky. Secondly, there was an associated shift in the moral mindset *away* from the concept of solidarity. Solidarity without charity conflates to ideology. Thirdly, and related to this, history teaches that when a society ceases to believe in objective fundamental values which constrain us

from going beyond the siren calls of our own egos, we end up, either as individuals or as countries, being held hostage.

A Failure of Leadership

The consequence of these processes was a lack of legitimacy – a marginalisation of the people of Europe from the decision-making process, a process that came to be opaque, jaded and centralised. This was political cowardice. The combination of institutional weaknesses and political cowardice came back to haunt Europe. This is reflected in the nature of the policy response to the euro zone crisis that threatens all that had been achieved by European cooperation.

Mitigating seismic ‘shocks’ is a defining challenge of leadership. The reference point is always the dignity of the individual, the integrity of the family and the overriding societal importance of universal values. In the post-2008 economic crisis, leadership within the EU and, more specifically within the euro zone, has failed this test.

The euro zone system has been taken to the very brink of collapse because of its fixation on protecting the balance sheets of the banks of the core European countries and of the US, rather than on recovery based on sustainable growth.

Troikanomics – or *the politics of austerity* – has been imposed on a structurally imbalanced set of countries, at different points in their macro-economic cycle, which have been impacted by the greatest shock since World War II. This austerity has, predictably, failed to restore stability. Instead, a financial contagion has metastasised into a still-spreading fiscal crisis.

The necessary condition for stabilisation is a rebalancing of the debt–GDP ratio so that, pursuing necessary reforms and generating sustainable economic growth within an appropriate time frame, countries and their systems may extricate themselves from the fiscal trap in which they are now mired. In other words, ‘a focus on GDP growth is the key to national solvency’.⁹

The markets are betting on a fragmentation of the euro. Yet, the prevailing orthodoxy has fixated on reducing the debt burden. This has proved to be an illusion – an economic fallacy that has imposed extraordinary suffering, particularly on the peripheral nations.

The reference point for both the dominant euro zone countries and for the euro zone institutions is currently far removed from any concept of the common good. In the foundational Schumann Monnet Plan, ‘equality’ was seen as having a pivotal role to play in guiding relationships across the countries that were to constitute a whole new European order based on solidarity and subsidiarity. *In the post-2010 period, the European Union has fragmented and the concept of solidarity has been all but excised from governance.* This has been subversive not alone of Europe, but also of the global economic order.

The price of the futile and doomed defence of the paradigm has been the collapse of solidarity, played out in slow motion in the financial markets and in the wasteland of the economies of the peripheral countries within the euro zone.

Defending a Failed Paradigm

It is characteristic of failing paradigms that they will be defended to the death. The strongest evidence of this in the current crisis is that the euro zone orthodoxy not alone suffocated solidarity in the policies imposed on the weaker countries, but subverted those institutions – notably the ECB – actually charged with the *preservation* of stability.

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The sense of ‘denial’ is palpable. It is this denial that has undone the whole fabric of solidarity embedded within the Schumann–Monnet Model. Specifically, it is the denial that, in the face of the greatest shock to the whole western economic system, the preservation of solidarity is more important than the nihilism of ‘austerity’. It is the denial of a need for transformational *political* change, beyond any ‘reform’.¹⁰ It is the denial that it was absurd to reconstruct a financial system that had failed *for reasons integral to the system itself*. It is the denial that other systems, including Islamic finance and models crafted around the Judeo–Christian social ethic, might offer a superior template to the reconstruction of a system that had imploded. Finally, it is the denial of the human costs of these same denials.

So, our analysis of solidarity is not predicated on ‘liberalism’, or indeed on a rejection of the need for a major structural adjustment in western economies. What we assert is that solidarity was the casualty of a primarily ethical crisis which, in turn, was a manifestation of a move away from the foundational principles of the EU itself.

It was also the consequence of seriously bad economics. This is no coincidence, since one of the reasons for the expansion of the post-war international economy was precisely the respect for markets and, in Europe, the commitment by European countries to the fundamental values which had taken Europe away from a culture of power to one based – in effect – on Catholic social teaching.

The credibility of euro zone policies is so badly impacted and the ability to back-track so compromised that any kind of economic recovery will be a lengthy and difficult process. The markets were never convinced by ‘summitry’. When markets made the right call by downgrading the credit status of a widening group of core European economies, they were castigated by the euro zone leadership. The euro zone ‘authorities’, in defence of a failed orthodoxy, threw an unprecedented array of monetary interventions at the financial system in an attempt to shore it up.

It hasn’t worked. In reality, the priorities adopted were the wrong ones. It was always the case that the emphasis should have been on adjustment and reform through growth.

The final line of defence began in 2011 with the insistence on a move to full political union by way of ‘economic governance’. The process was premature, lacked legitimacy and, at least in economic terms, was as close to a cry of despair as can be imagined. In effect, the euro zone ‘leadership’ was bartering the Schumann–Monnet legacy of which it was the trustee and, in the process, eviscerating the spirit of solidarity which was at its heart.

The euro zone economy is in a worse state today than it was at the outset of the crisis, not least because so many of the options have been used up and because, instead of a vision that engages the people in the process of transformation, there is nothing left to fall back on except the mantra: ‘There is no alternative’. There is, of course, an alternative, but the rediscovery of trust and

solidarity and the rebuilding of dialogue with the peoples of Europe and the markets will take a lot longer and take a lot more.

Conclusion

In summary, the current situation within the euro zone represents the culmination of a reversal in the foundational philosophy of Europe, combined with short-term, counter-productive and destructive economic policies in defence of national self-interest and embedded within what we have termed ‘Troikanomics’. What has happened, and been acquiesced in, strikes at the heart of solidarity at a number of levels.

- It offends against justice. That is, the policies pursued have created a generation of unemployed, encompassing millions mired in long-term unemployment, many of whom will not work again and so be left dependent on the state. The policies offend against justice in that in Spain, to take one example, almost 50 per cent of those under twenty-five are now unemployed. No amount of economic sophistry based on ‘flexible labour markets’ can detract from the reality that this generation has been cut off from the right to work, and to give expression to their talents and their capacity to support a family. Whole new segments of society have been cast into poverty and this offends against justice and the shared values which once animated the European ideal.
- It deconstructs the ideal of equality among the members of what was once conceived of as a genuine community. A young worker or householder in Greece or Ireland cannot be said, without doing violence to language, to be equal to his or her peers in Germany. Again, this is not to argue in defence of economic policies which were profligate (albeit incentivised by a financial system which has wholly detached from its constitutive purpose).
- At an institutional level, equality has been crowded-out. One notable example makes the point. In late 2011, at a time of protracted debate on the Greek bailout, Germany moved to impose a ‘Budget Commissioner’ on what remained on Greek democracy, in order to do the will of the economically and politically strong.
- Subsidiary, a central characteristic of the Schuman–Monnet initiative, has also been

casualty. Where once the European Community reached out to embrace regional development, the new orthodoxy led to moves to impose, by *fiat*, control over weaker countries, whose vulnerability was exacerbated by the very policies imposed upon them.

The corollary of our analysis is evident to any serious student of European history. There is a growing disenchantment with the very idea of Europe. If this were to continue, it would be a tragedy. There is a real prospect of the euro zone conflating to a 'Deutsche euro', or to a cluster of countries prepared to accommodate their political and social systems to German monetary and fiscal policy.

In any case, the current situation reflects a fragmentation of what began as a set of treaties and developed as a community driven by the principles of solidarity and subsidiarity. This failure of the euro zone political leadership and the terrible costs that it has imposed on countries has led to growing opposition across Europe. There is little evidence that this same leadership is either willing or capable of listening (although the results of the 2012 elections in France and Greece should, as noted above, give pause for thought). The response by those who acquiesced in this failure is the all too familiar response of repression – both political and economic – backed, as a telling metaphor, by the training of riot police for dealing with 'extremists'.

There has been in the last three years a haemorrhage of trust in Europe – in the ideal and in the institutions. This has succeeded in reversing the enormous achievements of the last half century and more.

The failure of the euro zone leadership to nurture solidarity as a platform for learning from, and mitigating, the damage of the 2008 collapse casts a shadow into the future – the shadow of a Europe upon which an inflexible economic template has been imposed, generating secessionist tensions and with the real possibility of a Balkanisation of the European heartland within a generation. Schumann and Monnet, and those in whose memories they launched their 'new' Europe, deserve better. The people of Europe, inheriting the vision of these men, and the burden of the destruction of these ideals, deserve better.

Notes

1. See Ray Kinsella and Maurice Kinsella, 'Ethical Causes and Implications of the Global Financial Crisis in Ireland: Political Contagion and Political Transformation', *Studies*, Vol. 98, No. 391, Autumn 2009, pp. 285–308.
2. For an insightful analysis, see James K. Galbraith's talk on 'The Global Financial Crisis', given at the Institute of International and European Affairs, Dublin, 9 June 2009.
3. See Alexander Kentikelenis *et al*, 'Health Effects of Financial Crisis: Omens of a Greek Tragedy', *The Lancet*, Volume 378, Issue 9801, 22 October 2011, pp. 1457–58 ([http://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(11\)61556-0/fulltext](http://www.thelancet.com/journals/lancet/article/PIIS0140-6736(11)61556-0/fulltext)).
4. Teresa Iglesias gives an insightful critique in her book, *The Dignity of the Individual: Issues of Bioethics and Law*, Dublin: Pleroma Press, 2001.
5. Pope John Paul II, Homily, Grant Park, Chicago, 5 October 1979.
6. See Ray Kinsella, *Rebuilding Trust in Banking: Regulation, Corporate Governance and Ethics in Banking*, Dublin: Vonier Press, 2009.
7. John Kenneth Galbraith, *The Affluent Society*, Boston MA: Houghton Mifflin Harcourt, 1998. (First published 1958.)
8. Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Catholic Church*, Libreria Editrice Vaticana, 2004.
9. Ray Kinsella 'Why Ireland should Undertake a Managed Exit from the Euro Zone', Presentation to FESTA (The Foundation for the Economics of Sustainability) international conference, 'National Strategies for Dealing with Ireland's Debt Crisis', Dublin, 22–23 September 2011.
10. Ray Kinsella, Presentation to OSCE Parliamentary Assembly Economic Conference, 'The World Financial Crisis', Dublin, 27–29 May 2009.

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