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Summary: This paper analyzes the anatomy of the U.S. debate about the euro crisis. It traces why U.S. economists see the European crisis as relevant and harmful to U.S. interests. It reviews the historical skepticism in the United States about the European common currency and assesses the impact of this skepticism on current perceptions of the crisis. It examines how the historic U.S. journey toward full federalism impacts the advice U.S. officials and analysts offer to Europe. And it describes the battle of economic schools that is often mistakenly portrayed as some sort of cultural divide between the transatlantic partners. In the end, a relatively unflattering portrait of Europe emerges — the Europe perceived by U.S. analysts of the eurozone.

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Crisis Talk

How the United States Discusses Europe's Woes

by Thomas Kleine-Brockhoff and Peter Sparding

Concern, Pessimism, Alarmism

When it comes to the euro crisis, Americans and Europeans do agree on one point: both publics simply want this crisis to go away. More than two years after the first international assistance package for Greece was passed, crisis fatigue has set in on both sides of the Atlantic. The desire for a magic solution is growing as fast as the realization that magic wands are hard to come by.

In many ways, however, the U.S. debate is distinct from the European conversation. On the most basic and obvious level, it is an elite discourse rather than a broadly based public deliberation. In Europe, the populace is bombarded with news and commentary about the crisis, and citizens are faced with the consequences of the crisis on a daily basis. Fifty-four percent of Germans see the euro crisis as the most important political topic by far, according to a poll from July 2012.[1] This result may not be surprising, given that German taxpayers have been asked to shoulder a substantial portion of the bailouts for other eurozone members. By contrast, only 17 percent of U.S. respondents say they closely follow the news about the economic malaise in Europe. The Pew Research Center, which conducted the poll in May 2012, sums up the U.S. sentiment over the euro crisis: "Public yawns at European economic woes."[2]

But at the same time, U.S. elites have engaged in a lively debate about Europe's crisis and its impact on the U.S. economy. Criticism of Europe's handling of the crisis and its inability to end it dominates the discussion in U.S. policy circles and the U.S. press. Any sampling of headlines will uncover how, at best, "the euro baffles America."[3] More likely, the euro's future is seen as "debatable."[4] Europe seems to be stuck in one "great illusion"[5] or another. For months, readers of U.S. periodicals have been led to believe that "Eurogeddon" is near, that European leaders will "bumble their way into the worst

1 Politbarometer, "Euro-Krise gewinnt stark an Bedeutung," July 13, 2012, http://politbarometer.zdf.de/ZDF/zdfportal/web/ZDF.de/Politbarometer/2942200/23440882/33c54a/Euro-Krise-gewinnt-stark-an-Bedeutung.html

2 Pew Research Center, "Public Yawns at European Economic Woes," May 17, 2012, http://www.people-press.org/2012/05/17/public-yawns-at-european-economic-woes/

3 Berman, Russell A., "Why the Euro Baffles America," Hoover Institution, July 13, 2012, http://www.hoover.org/print/publications/defining-ideas/article/122371

4 Eichengreen, Barry, "The Euro's Debatable Future," *The Wall Street Journal*, March 8, 2011, http://online.wsj.com/article/SB10001424052748703775704576161932116761902.html?KEYWORDS=the+euro%27s+debatable+future

5 Krugman, Paul, "Europe's Great Illusion," *The New York Times*, July 1, 2012, http://www.nytimes.com/2012/07/02/opinion/krugman-europes-great-illusion.html

case scenario,"[6] and that the "eurozone will collapse," even "this year,"[7] a prediction that, at the time of this writing, had only weeks to become true. While the source of this quote, Nouriel Roubini, is well known as a Cassandra-type figure amongst U.S. economists, it seems as if Cassandra's long arm reaches well into newsrooms and editorial page offices across the country where Mr. Doom and Ms. Gloom appear to be on duty. A recent issue of *The Atlantic* magazine, for example, encouraged Americans to "start panicking."[8] It is this pessimism, bordering on alarmism, that became a distinct feature of the U.S. conversation in 2011 and most of 2012. Mostly absent from the conversation is the idea that Europe is going through a painful process of restructuring, at the end of which it will emerge as a stronger economic entity.

This paper aims to analyze the anatomy of the U.S. debate about the euro crisis. It traces why U.S. economists see the European crisis as relevant and harmful to U.S. interests. It reviews the historical skepticism in the United States about the European common currency and assesses the impact of this skepticism on current perceptions of the crisis. It examines how the historic U.S. journey toward full federalism impacts the advice U.S. officials and analysts offer to Europe. And it describes the battle of economic schools that is often mistakenly portrayed as some sort of cultural divide between the transatlantic partners. In the end, a relatively unflattering portrait of Europe emerges — the Europe perceived by U.S. analysts of the eurozone.

The "I Told You So" Argument

U.S. criticism of Europe's common currency is not a new phenomenon. Many U.S. economists have been skeptical of monetary unification in Europe since its inception. This was especially true in the 1990s, before the actual introduction of the common currency. Whereas many European elites saw monetary union as an essential step in the historic integration of the continent, U.S. experts typically had a much gloomier outlook. Writing in *Foreign Affairs* in 1997, Harvard economist Martin Feldstein concluded that a European monetary union and further political integration would not lead to a more unified or even harmonious Europe, but would result instead in "increased conflicts within Europe and between Europe and the United States."[9] It is no surprise then that the current crisis in Europe has led to several U.S. economists feeling vindicated by their earlier predictions: "I told you so." They do not want to be right and overheard twice. This explains much of the tone and volume level of the public discourse. And why shouldn't they feel that way? Almost all of the initial design flaws of the euro, today considered either causes of the crisis or reasons for the inability to fix it, had been predicted by U.S. economists. They don't want to be right and yet overheard once again.

Most of the early research about the Economic and Monetary Union (EMU) conducted by U.S. economists was based on the theory of Optimum Currency Area (OCA) as developed by Robert Mundell and others, which looks at the trade-offs between the benefits of permanently fixed exchange rates (currency union) and flexible exchange rates.[10] Many U.S. economists used these criteria to analyze the readiness of European countries to form a successful currency union, frequently citing the United States as a benchmark. These studies often concluded that Europe was not as optimally suited as the United States to adopt a common currency.[11] Barry Eichengreen and Tamin Bayoumi (1992), for example, found that supply (and, to a lesser extent, demand) shocks to the core countries (at this point German, France, Belgium, Luxembourg, the Netherlands, and Denmark) were both smaller and more correlated across neighboring countries than in the periphery (the United Kingdom, Italy, Spain, Portugal, Ireland, and Greece), thus signaling a danger of asymmetric occurrences of shocks in the monetary union. Similarly, differences could be observed between regions in the United States, but the study found that U.S. regions could adapt much faster than European countries, a result that Eichen-

6 Weissmann, Jordan, "Eurogeddon: A Worst-Case Scenario Handbook for the European Debt Crisis," June 12, 2012, http://www.theatlantic.com/business/archive/2012/06/eurogeddon-a-worst-case-scenario-handbook-for-the-european-debt-crisis/258368/

7 Monaghan, Angela and Fletcher, Richard, "Eurozone will collapse this year, says Nouriel Roubini,: *The Telegraph*, January 28,2012, http://www.telegraph.co.uk/finance/financialcrisis/9046365/Eurozone-will-collapse-this-year-says-Nouriel-Roubini.html

8 Weissmann, Jordan (2012).

9 Feldstein, Martin, "EMU and International Conflict," *Foreign Affairs*, November/December 1997, http://www.foreignaffairs.com/articles/53576/martin-feldstein/emu-and-international-conflict

10 Jonung, Lars and Drea, Eoin, "The euro: It can't happen, It's a bad idea, It won't last." US economists on the EMU, 1989-2002, p 10, November 10, 2009. Compare also Krugman, Paul, "Revenge of the Optimal Currency Area," June 24, 2012, http://krugman.blogs.nytimes.com/2012/06/24/revenge-of-the-optimum-currency-area/; Frankel, Jeffrey A. and Rose, Andrew K. , "The Endogeneity of the Optimum Currency Area Criteria," p. 3, September 24, 1997, http://faculty.haas.berkeley.edu/arose/ocaej.pdf

11 For an extensive overview over the analysis of and conclusions about EMU by U.S. economists, see Jonung, Lars and Drea, Eoin 2009.

green and Bayoumi attributed to greater factor mobility in the United States.[12] Furthermore, Xavier Sala-i-Martin and Jeffrey Sachs found in a 1991 study that the impact of regional shocks in the United States had been mitigated significantly by federal transfers. They thus concluded that the creation of a unified currency in Europe "without a federal insurance scheme… could very well lead the project to an eventual failure."[13]

Given such scholarship, some U.S. economists concluded that EMU made little sense economically and was therefore likely pursued for political reasons. One of the most ardent proponents of this argument was the Harvard economist Feldstein, who described the political driving forces behind EMU as "a strange mixture of pro-European internationalism and the pursuit of narrowly defined national self-interest."[14] In this narrative, the decisive nations were Germany and France, and the decision in favor of EMU — as Barry Eichengreen stated — was a result of a bargain between France, which wanted to "recapture some control over the continent's monetary policy," and Germany, which wanted "political integration in order to acquire a foreign policy role in the context of an EU foreign policy."[15] Others, including Thomas Willet, argued that European political elites "didn't know when to stop" and misguidedly came "to think of economic integration as an institutional process that must always be ongoing." According to Willet, these individuals subsequently pushed monetary union as the next logical next step following the single market negotiations.[16]

The inclination among many U.S. observers to view the European monetary union as a political project "driven by murky motives and based on insufficient institutional foundation" thus contributed to a pessimistic general outlook for the euro.[17] In this view, the EMU as pursued by Europe's political elite clearly did not meet the criteria for an optimal currency area and was consequently created with significant and inherent design flaws. It is worth noting that much of the U.S. debate about Europe was (and still is), to a large degree, informed by British news outlets. The influence of the British press on this issue might further contribute to such skeptical views about all things Continental European. Accordingly, the mocking title of a European study about U.S. perceptions of the euro reads: "The euro: It can't happen. It's a bad idea. It won't last."[18]

Lessons from the United States?

The fact that the EMU has generally been analyzed through the paradigm of OCA and often in comparison to the successful currency union of the United States helps to explain the nature of some of the advice being proffered across the Atlantic today. If the EMU is lacking critical elements of a sustainable currency area, it could look for lessons from the United States' experience in establishing a lasting monetary union. One such example is the famous assumption of state debts by the new federal government pushed by Alexander Hamilton in 1790.[19] However, this lesson comes with decisive caveats, namely that U.S. federal debt has been "supported by the full system of federal powers, including a sweeping power to tax" ever since the early Federal period, whereas the eurozone, for now, lacks such authority.[20]

It follows that one way to remedy the structural deficiencies of the euro would be, as Paul Krugman of the *New York Times* notes, "full integration, American-style — a United States of Europe."[21] Krugman acknowledges that there is one stipulation: the United States of Europe is nothing but a vision. If a vision is to turn into a solution, it will be a long-term solution at best. In one important strain of U.S. thinking, federalism is at the heart of any solution for the

12 Bayoumi, Tamim and Eichengreen, Barry, "Shocking Aspects of European Monetary Union," National Bureau of Economic Research, Working Paper No. 3949, p. 35f., January 1992, http://www.nber.org/papers/w3949.pdf?new_window=1

13 Sala-i-Martin, Xavier and Sachs, Jeffrey, "Fiscal Federalism and Optimum Currency Areas: Evidence for Europe from the United States," National Bureau of Economic Research, Working Paper No. 3855, p. 20, October 1991, http://www.nber.org/papers/w3855.pdf?new_window=1

14 Feldstein, Martin, "The Political Economy of the European Economic and Monetary Union: Political Sources of an Economic Liability," National Bureau of Economic Research, Working Paper No. 6150, p. 5, August 1997, http://www.nber.org/papers/w6150.pdf

15 Eichengreen, Barry, "EMU. An Outsider's Perspective," Finlay-O'Brien Lecture, delivered at University College, Dublin, October 7, 1996, p. 2 and p. 11, http://emlab.berkeley.edu/~eichengr/research/c96-97.pdf

16 Willet, Thomas D., "Some Political Economy Aspects of EMU," p. 6, January 2000, http://www.claremontmckenna.edu/rdschool/papers/2000-17.pdf

17 Jonung, Lars and Drea, Eoin 2009, p. 22.

18 Jonung, Lars and Drea, Eoin 2009.

19 Cooley, Thomas; Richardson, Matthew; and Schoenholtz, Kermit, "What Alexander Hamilton can teach the euro zone," *Politico*, Dec. 6, 2011, http://www.politico.com/news/stories/1211/69839.html

20 Henning, C. Randall and Kessler, Martin, "Fiscal Federalism. U.S. History for Architects of Europe's Fiscal Union," Peterson Institute for International Economics, p. 19, January 2012.

21 Krugman 2012.

European crisis. Whether mentioned explicitly or not, the envisioned shape of Europe is that of a nation state, making it akin to the United States of America. This perception of European integration has a long history in U.S. discourse. It was George Washington who once wrote to the Marquis de Lafayette that "one day, on the model of the United States of America, a United States of Europe will come into being."[22] Little wonder, then, that even today, and especially during this crisis of European integration, steps toward European unification are often measured in the United States in relation to the degree of centralization and federalization they achieve. Europe's postmodern idea of shared sovereignty and policy coordination within a largely intergovernmental framework has always been met by a good dose of skepticism. It seemed only feasible as a way station towards full federal integration. The euro crisis represents a good opportunity for U.S. commentators to remind themselves of what they have thought for a long time: that this Europe isn't going to work the way it has been constructed and will need a healthy injection of Americanism to function effectively.

Largely absent from the debate is the idea that the current intergovernmental framework could be improved and strengthened to fit the needs of a currency zone. In this conceptualization, the end of European nation states in order to create a European nation state is not in the offing. Instead, a monetary union of European nation states would ideally be based on treaties and commitments. It would continue to operate under the principle of "no bailout." In instances where a European state does offer limited assistance, such programs would based on strict conditionality in order not to undermine the will to reform (i.e. so as not to create a political moral hazard).[23] An intermediate solution would foresee some sort of quasi-federalism, rigorously restricted to the realms of banking and fiscal policy.[24]

Instead of allowing themselves to consider such a scenario, U.S. experts seem to focus on steps that will eventually lead to full federalism. The problem with this approach is the yardstick used to measure the success of any European action to address the crisis. If federalism is the goal and the only solution, all European answers thus far have fallen short. European analysts sometimes complain that such an interpretation understates what Europe has already achieved to overcome the crisis.[25] One can confidently predict that this pattern will continue to dominate the interpretation of the European crisis in the United States.

An exception to this rule is the work of C. Fred Bergsten and Jacob Funk Kirkegaard. These Peterson Institute economists distinguish themselves by acknowledging that full federalism is unlikely, but solutions are possible. They describe what they term the "only on the brink" theory. In this reading, far-reaching structural reforms are only possible in periods of crisis, such as the present. The deployment of overwhelming financial force is impossible in an area of distributed sovereignty where political moral hazard "will remain the overarching political concern shaping the intergovernmental crisis response."[26] But they assume that, in the end, the main parties interested in the survival of the eurozone (Germany, France, the European Central Bank) will do what they need to in order to get the job done. However, "the problem for the markets is that these central players cannot say that this is what they will do."[27]

A Transatlantic Philosophical Rift? Keynes v. Hayek

Quite apart from the conversation about the viability of Europe's governance structures, a transatlantic rift is evident in the economic policy debate. Put simply, there is a clash of philosophies: on the one side a perceived Anglo-American (mostly American) interpretation of the crisis and most promising policies to end it, and on the other a Northern European (mostly German) interpretation. Or, simplified even further: John Maynard Keynes vs. Friedrich August von Hayek. While the actual economics of Keynes and Hayek are not always at the center of this debate, the two economists stand in for a variety of views. "Keynes" and "Hayek" have become catchwords to describe broad strategies: the former can be described as advocacy for further debt-financed stimulus, more activist central banking, and a postponement of structural reforms until growth has returned; the latter warns of moral hazard

22 Letter from George Washington to the Marquis de La Fayette, http://en.wikiquote.org/wiki/Europe

23 Issing 2012.

24 Kleine-Brockhoff, Thomas, "Germany can't save Europe on its own," CNN Opinion, June 21, 2012, http://www.cnn.com/2012/06/20/opinion/brockhoff-germany-euro/index.html

25 Matthes, Juergen, "Rebalancing Works," GMF EuroFuture Paper Series, August 2012, http://www.gmfus.org/archives/rebalancing-works-the-prospects-for-the-euro-zone-reconsidered/

26 Bergsten and Kirkegaard 2012, p. 2.

27 Bergsten and Kirkegaard, 2012, p. 2.

and argues for austerity, budgetary as well as monetary restraint, and immediate structural reforms, even if they might reduce (or eliminate) growth in the short term.

The Keynesian view that dominates public opinion in the United States seeks more decisive actions *now,* and as a result perceives European efforts at "muddling through" as insufficient. Many U.S. observers have faulted European leaders for only doing what is needed to avert total disaster, but never enough to solve the crisis. They have criticized the Europeans for always being "a day late and a euro short."[28] In this view, the primary goal of policies in the eurozone should be to lower debt and borrowing burdens and to spur economic growth as soon as possible, because without growth, the stabilization of the situation seems unrealistic. Accordingly, advocates do not see brinkmanship as a viable solution. They worry that such an approach "threatens to undermine the cohesion of the European integration project."[29] As his biographer Robert Sidelsky points out, Keynes himself had warned in *The Economic Consequences of Peace* that there was a limit to national capacity to service debts, leading Sidelsky's co-author Marcus Miller to conclude that "sovereign debts must be managed in ways that do not destroy the economy or the political centre."[30] According to this line of thinking, current European crisis management is unsustainable. Austerity policies, prescribed by the Northern European/German economic view, have caused economies to shrink further and have made it ever harder for countries to repay their debt. A solution, accordingly, can only be achieved if growth enhancing measures are adopted.[31]

Some advocates of this view are careful to acknowledge that long-term deficit bias (the tendency to increase public debt) is "a serious issue, both in the eurozone and outside."[32] But, they argue, true Keynesianism actually "demands more, not less, fiscal rectitude in normal times than does the orthodox theory of balanced budgets," as Keynes proposed that "surpluses should be accumulated during good years so that they could be spent to stimulate demand during bad ones."[33] Similar to current European policies, fiscal rules are required, but in contrast to the rules of Europe's Stability and Growth Pact and the Fiscal Compact, these rules should "encourage governments to set counter-cyclical rather than pro-cyclical fiscal policy."[34]

While directed at European crisis management in general, this criticism more specifically aims at what is perceived to be the German economic view behind it. Indeed, as Ulrike Guérot and Sebastian Dullien point out, "German solutions to the euro crisis are quite different to those demanded by the financial markets and the international press."[35] One reason for this, they argue, is the "long shadow of Ordoliberalism,"[36] a uniquely German variant of neoliberal economic thinking that was fundamental in creating the German economic model after World War II. With its strong emphasis on price stability and opposition to Keynesian interventions into the economy, Ordoliberalism prepared the ground for what Guérot and Dullien today identify as a mainstream consensus among the German economic elite, heavily influenced by rational expectations and supply side thinking.[37] In this view, imbalances within the eurozone, seen as a major cause of the crisis by many U.S. observers, are a consequence of a largely self-inflicted loss of competitiveness and excessive consumption in the periphery and must thus be fixed in those countries, but not in Germany. In this German view, austerity measures combined with immediate structural reforms, deemed devastating by many in the Anglo-U.S. mainstream, constitute the only way to return economic confidence to the periphery. The "Anglo-American über-Keynesians" and

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28 Stokes, Bruce, "Moment of Truth. Germany's chancellor can save Europe. But it means betraying her voters," *National Journal*, December 3, 2011, p. 33.

29 Truman, Edwin M., "The Terrible Cost of Inaction in Europe," Real Time Economic Issues Watch, Peterson Institute for International Economics, July 2, 2012, http://www.piie.com/blogs/realtime/?p=3001

30 Miller, Marcus and Sidelsky, Robert, "How Keynes would solve the eurozone crisis," *Financial Times*, May 15, 2012, http://www.ft.com/intl/cms/s/2/55d094cc-9e74-11e1-a24e-00144feabdc0.html#axzz24V3Ct1UM

31 *The New York Times*, "The Crisis This Time," Editorial, May 24, 2012, http://www.nytimes.com/2012/05/25/opinion/the-euro-crisis-this-time.html

32 Wren-Lewis, Simon, "The work of John Maynard Keynes shows us that counter-cyclical fiscal policy and an easing of austerity may offer a way out of the eurozone crisis," August 23, 2012, London School of Economics and Political Science, http://blogs.lse.ac.uk/europpblog/2012/08/23/keynes-counter-cyclical-fiscal-policy/

33 Farrell, Henry and Quiggin, John, "How to Save the Euro – and the EU. Reading Keynes in Brussels," *Foreign Affairs*, May/June 2011, p. 100.

34 Wren-Lewis, Simon 2012.

35 Dullien, Sebastian and Guérot, Ulrike, "The Long Shadow of Ordoliberalism. Germany's Approach to the Euro Crisis," European Council on Foreign Affairs, January 2012, p. 1, http://www.ecfr.eu/page/-/ECFR49_GERMANY_BRIEF_AW.pdf

36 Ibid.

37 Ibid.

their policies are rebuffed as having created "gargantuan deficits" while having barely "dented unemployment."[38] In countries that have trouble retaining access to financial markets, a strategy of stimulus based on more debt is seen as self-defeating.

On further analysis, however, these economic and philosophical fault-lines are not unique features of the transatlantic debate. In fact, they represent rifts between two different factions both in Europe and in the United States. The same divisions that characterize the transatlantic dispute are key features of the current domestic U.S. debate about economic policies. While their names are "lurking mostly out of sight," both Keynes and Hayek have provided "intellectual underpinnings to each side," with the White House following a more Keynesian approach, and many Republicans following the school of Hayek and his mentor, Ludwig von Mises.[39]

In addition, while it is true that the economic discourse in Germany is dominated by "the long shadow of Ordoliberalism," there is nevertheless a vocal Keynesian minority in both the political sphere and academia. In fact, much like the rest of the global economy, Germany responded to the 2008 financial crisis by implementing a large-scale fiscal stimulus, although the country has since "returned to its traditional anti-Keynesian stance."[40] Moreover, while Germany and other Northern European countries seem to be driving much of the policy response to the crisis, their mainstream economic views only receive limited support elsewhere in Europe.[41] Even inside the Northern European camp, fissures are becoming visible, as demonstrated by the growing support for Keynesian prescriptions in the Netherlands. Similarly, while Keynesian policies are still playing a major role in the U.S. debate (most notably, the president's proposed $447 billion Jobs Act), a strong and outspoken opposition persists and might well gain more influence. The appetite for further stimulative measures seems low and, with 2012's debt ceiling showdown between the White House and the Republican-controlled House of Representatives looming, attention has increasingly shifted to a focus on deficits and debt.

Certainly, economic policy disputes between the transatlantic partners are a reality. Some are influenced by differing mainstream economic views and political traditions, while others might be a reflection of which political parties and leaders are currently in power on either side. For the past few years, center-right governments have mostly been in power in Europe, while a center-left administration has governed the United States. With the arrival of Socialist Francois Hollande as president of France, the policy outlook has shifted noticeably. For the United States, the perceived rift with the German/Northern European mainstream economic view is as much an actual transatlantic dispute as a reflection of the domestic U.S. economic policy debate since the start of the financial crisis.

The Euro Crisis and the U.S. Elections

It will take some time for Europe to recover from the 2012 U.S. presidential campaign given the bugaboo it was made out to be. Europe was rarely mentioned, and when it was, it was only in a derogatory way. Europe entered the debate either as a justification for the sluggish U.S. recovery or as a synonym for excessive government debt and spending. In the process — as is to be expected during a political campaign — historic, economic, and political details were often lost, and more nuanced views were overlooked.

For President Obama, the situation in Europe had been of crucial importance. Over the summer of 2012, it appeared as if his chances for re-election could be seriously hampered if Europe were to pull the global economy back into recession, threatening to knock "the president out of office."[42] The president thus took a keen personal interest in developments across the Atlantic. According to some reports, he formed a "near-obsession"[43] with the continent's woes. This may have further explained the U.S. Administration's focus on a quick-fix solution to the euro crisis, and it accounted for the disconnect with those Northern European leaders who worried about adverse long-term effects of any swift crisis resolution (i.e. moral hazard and permanent transfers). As the Obama administration had few means to impact the situation in Europe in the short-term,

38 Joffe, Josef, "I come to praise Ms. Merkel, not to bury her," *Financial Times*, June 19, 2012, http://www.ft.com/intl/cms/s/0/a438a8a6-b8ab-11e1-a2d6-00144feabdc0.html#axzz24V3Ct1UM

39 Rattner, Steven, "The 2012 rivals can be named. Hayek v Keynes," *Financial Times*, September 12, 2011, http://www.ft.com/intl/cms/s/0/0cebaa1a-dd47-11e0-b4f2-00144feabdc0.html#axzz24V3Ct1UM

40 Farrel, Henry and Quiggin, John 2011, p. 100.

41 Dullien, Sebastian and Guérot, Ulrike 2012, p. 1.

42 Ibid.

43 White, Benm, "Obama's Europe fixation," *Politico*, August 25, 2012, http://www.politico.com/news/stories/0812/79846.html

it was condemned to sit tight and hope that "any news from abroad waits until after November 6."[44]

Europe didn't fare much better with the U.S. political right. To its critics, the administration's frequent references to headwinds from Europe were little more than "economic alibis" for the "Excuse-Maker-in-Chief," as *Wall Street Journal* columnist, Bret Stephens, wrote.[45] In this view, the president simply attempted "to divert attention from his failed policies by pinning blame on Europe — and most especially on Frau Merkel."[46] In the Republican narrative, the eurozone was seen as supposed proof of the dangers of government debt, overregulation, and spending. The Republican challenger, Mitt Romney, frequently connected President Obama to developments in Europe, arguing that if "we stay on the road we're on, we're going to become like Europe, with a bigger government demanding more and more, promising more and more, and taking more and more."[47] He also made clear that Europe should not expect to be bailed out by the United States.[48] Other Republicans cautioned that the administration's policies were a "roadmap to Greece."[49] Similarly, the GOP vice presidential candidate, Paul Ryan, warned that "we will turn out just like Europe if we stick with European policies."[50] Therefore, in the run up to November 6, the Republican Party held that, as another analyst noted, "a second Obama term would mean the consolidation of a European economic and social model on U.S. soil."[51]

Both U.S. political parties were doing their best to keep Europe at bay. They portrayed Europe as a bad influence on the United States, and as a model not to be emulated. Certainly, much of this rhetoric could have been attributed to the campaign. But such anti-European comments also invoked the age-old stereotypes of Europe in the United States. Historically, U.S. fascination with Europe has been mixed with disillusionment and irritation. After all, for most immigrant Americans, Europe was the place to escape from. The United States, on the other hand, was built as an antidote to Europe. "Why," asked George Washington in his Farewell Address, "by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor, or caprice?"[52] Such images, powerful as they are, can easily be recreated in times of crisis and put to good use during political campaigns. All too often, "Europe" is employed as a stand-in for choices that are more a reflection of the inner-American debate than of the specific situation across the Atlantic.

From an Economic to a Strategic Debate

While debating Europe's woes, the public conversation is uniquely American in that it mirrors homespun preferences and policy choices, images, and perceptions. At its most straightforward level, U.S. discourse on the euro crisis reflects a deep concern about contagion; secondly, such rhetoric reiterates some of the favorite themes of U.S. interpretations of Europe; finally, on the level of political campaigning, it props up Europe as a bogeyman.

The very real possibility of the world's largest economy sliding into a double-dip recession is not being overlooked by the United States. Furthermore, Americans are also aware that Europe is economically integrated with the United States in a unique and complex manner. Deep integration[53] can lead to deep contagion. Contagion leads

44 West, Darrell; Gayer, Ted; and Lombardi, Domenico, "Economic signs for November," *The Washington Post*, August 24, 2012, http://www.washingtonpost.com/opinions/economic-signs-for-november/2012/08/24/f454a69e-e8c8-11e1-936a-b801f1a-bab19_story.html

45 Stephens, Bret, "A Presidency of Excuses," *Wall Street Journal*, June 11, 2012, http://online.wsj.com/article/SB10001424052702303901504577460193263617530.html

46 Stelzer, Irwin M., "The Bucks Stops Over There. Blaming Europe for the U.S. economy," *Weekly Standard*, June 25, 2012, http://www.weeklystandard.com/articles/buck-stops-over-there_647321.html

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to concern, deep concern. What started as a niche conversation about financial market contagion has mushroomed into an argument about investment strategies, growth, and jobs. Whether U.S. companies will continue to invest in Europe will depend on whether they expect the continent to remain a solid source of revenue. Some alarmism might be understandable from this perspective.

But over the course of 2012, the debate about the European crisis has started to transcend the economic sphere. The key question is this: will the United States' traditional "whither-Europe" discourse be replaced by a theory of implosion? "What if Europe fails?,"[54] is now a question that analysts seriously ponder. Will Europe suddenly rather than gradually disappear from the world stage? And how will this affect the U.S.-built global order? Clearly, the debate has found a strategic overlay. Unfortunately for Europeans, it took a major crisis and its ripple effects to put the old continent back on the center stage in Washington, at least for a little while.

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About The EuroFuture Project

The German Marshall Fund of the United States understands the twin crisis in Europe and the United States to be a defining moment that will shape the transatlantic partnership and its interactions with the wider world for the long term. GMF's EuroFuture Project therefore aims to understand and explore the economic, governance and geostrategic dimensions of the EuroCrisis from a transatlantic perspective. The Project addresses the impact, implications, and ripple effects of the crisis — in Europe, for the United States and the world.

GMF does this through a combination of initiatives on both sides of the Atlantic, including large and small convening, regional seminars, study tours, paper series, polling, briefings, and media interviews. The Project also integrates its work on the EuroCrisis into several of GMF's existing programs. The Project is led by Thomas Kleine-Brockhoff, Senior Transatlantic Fellow and Senior Director for Strategy. The group of GMF experts involved in the project consists of several Transatlantic Fellows as well as program staff on both sides of the Atlantic.