The Bruges Group

Monoculture

A Metaphoric Analysis of European Integration

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The Author

Josef Filipowicz has a Bachelor's Degree in Urban and Regional Planning (Town and Country Planning) from Ryerson University in Toronto. He is currently undertaking an MA in political science at Wilfrid Laurier University in Waterloo, Canada, which is affiliated with the Centre for International Governance Innovation (CIGI), a think tank specializing in the study of global governance. Having lived in France, where he has strong family connections, and the UK, where he attended Birmingham City University on academic exchange, Josef developed a keen interest in the process of European integration, which is his primary academic focus.

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"Uniformity is not nature's way; diversity is nature's way"

Vandana Shiva

Introduction: Monoculture

The 1840s in Europe are referred to by many historians as 'the Hungry Forties' due to a number of crop failures, most notably that of the potato. *Phytophthera infestans*, a particularly potent fungus, spread across the continent, causing blight from Sweden to Spain. The resulting famine was felt most acutely in Ireland, where an *Gorta Mór*, the Great Famine, wiped out approximately one million people, and catalyzed the exodus of half the island's population over a century. The reasons for Ireland's particularly severe case are many and often debated — such as the role played by the British government of the time — but the basic fact of the Famine's occurrence was due primarily to the rapid spread of the fungus, facilitated by the overwhelming use of a single variety of potato, the Irish Lumper.[1]

Fast-forward to present-day Peru, where changes in temperature and soil, combined with the increasingly mechanized harvesting of only a handful of crop varieties – a global trend known as *monoculture* – have presented unique, yet universal challenges to Andean potato farmers; unique because of site-specific issues, such as drought and temperature fluctuations, yet universal because of the challenges presented by monoculture such as soil erosion and crop vulnerability, often leading to dependence on pesticides. As the birthplace of the potato, Peru offers an age-old response to such challenges: biodiversity. There are over 4,000 varieties of potato native to Peru alone, which developed over millennia of evolution based on factors such as altitude, soil, and temperature. The preservation of potato diversity by institutions such as the Lima-based International Potato Center (CIP) is essential in assisting Andean farmers adapt to external factors influencing their livelihoods.

This dichotomy between monoculture and biodiversity is of fundamental relevance to students of European integration. It provides a metaphor for the rift between short-term gain — exemplified by the widespread use of the Irish Lumper, which grew well in poor soil and fed many — and long-term *resilience* — as ensured by the preservation and evolution of distinct potato varieties. This dichotomy is increasingly evident in the European trend of 'ever-closer union'. By applying such a frame to the attempted cultural, political, and economic integration of postwar Europe, this paper seeks to provide an additional lens through which the European Union (EU) may

1 IrishCentral. "Great Famine potato makes comeback after 170 years." *IrishCentral,* March 3, 2013.

be studied. The three (non-exhaustive) areas it will briefly assess are the common currency (the euro) as well as its predecessors; the bailout programmes that have resulted from the European financial crisis of the late 2000s; and foreign policy, both national and EU-wide. It will ultimately argue that, based on the monoculture-versus-biodiversity metaphor, an increase in cultural and political diversity in Europe through national self-determination would render the continent more resilient and better prepared for what the future carries with it.

Monetary Monoculture

Monetary convergence in the EU has evolved over the past four decades, since the 1971 Nixon Shock (which effectively ended the gold standard in the US two years later) inspired the implementation of Werner's *snake in the tunnel* system in several European countries the following year. The 'snake' being a member state currency's central rate, and the 'tunnel' being a ± 2.25% permitted fluctuation from the value of the US dollar as well as other participating European currencies, this system aimed at addressing a number of long-standing European concerns over exchange rates. Bryon Higgins, of the US Federal Reserve, argues that the high level of trade-based economic interdependence between European countries, coupled with the still vivid memory of the disastrous currency fluctuations of the interwar period, created a strong political will in favour of exchange rate stability.[2] However, with the advent of the Oil Crisis of 1973, various member states broke out of the *tunnel,* which was itself in fluctuation due to US monetary policy.

The second phase of monetary cooperation in the EU (then the European Economic Community) was the European Monetary System (EMS). Inaugurated in 1979, the EMS was designed with the *snake's* failure in mind. It differed from its predecessor in that, as opposed to the US dollar as the anchor, a common basket of European currencies, known as the European Currency Unit (ECU), was to provide an averaged benchmark. A new *tunnel* of fixed margins of ± 2.25% from the ECU's value, known as the Exchange Rate Mechanism (ERM), was also established. Though the ECU was meant to represent an average exchange rate between all of the members, the relative weight of the West German economy, coupled with its low inflation had rendered ERM member states *de facto* dependent on decisions made by the West German central bank –the Bundesbank. This was exacerbated by the effects of German reunification, which in part drove up the value of the

2 Higgins, Bryon. "Was the ERM Crisis Inevitable?" *Economic Review - Federal Reserve Bank of Kansas City,* no. 78 (1993): 27-40.

deutsche mark while other member currencies were simultaneously undergoing significant downward pressure. The result of these polarizing circumstances was the abandoning of the ERM by Britain (known as *Black Wednesday*) and Italy in 1992, as well as a dramatic increase in the permitted fluctuation of member currencies to ± 15% from the ECU the following year, as a response to speculative attacks on various EU currencies, most notably the French franc.

The third and most recent phase of EU monetary integration is the convergence of monetary policy, known as Economic and Monetary Union (EMU). In addition to the creation of a common currency –the euro- EMU includes an updated version of the ERM, called ERM-II, which uses the euro as its anchor, and serves as a prerequisite for member states aiming to join the eurozone. No country has abandoned the common currency as of yet, but the ongoing European financial crisis has greatly strained the limits of the currency union, while exposing a number of structural flaws and unapplied rules, such as the convergence criteria regarding national debt and deficit levels.

In all three phases of monetary convergence, there is a common thread of *vulnerability* to extra-national or extra-EU factors. The *snake in the tunnel* approach created an overreliance on US monetary policy, the EMS produced a similar overreliance on (West) German monetary policy, and the currency union effectively removes the ability of eurozone member states to react independently to their particular challenges; the crisis in Cyprus is not the same as in Greece. Though the intention of avoiding significant currency fluctuations may be noble in itself, EMU causes for similar inequalities. Currency stability and convergence aims in part to curb the tendency towards competitive devaluation. However, it is widely argued that the euro is undervalued with regards to the German economy (estimates range from 20-30%)[3], while it is overvalued in many other eurozone countries, most notably Greece. As such, the common currency artificially boosts German exports –a clear majority of which are to other EU countries- while effectively undercutting the ability of other member states to react. Whatever the argued merits or faults of monetary policy mechanisms such as quantitative easing, such tools may not be used by Greece (or other eurozone countries) in parallel to their fiscal belt-tightening, as is the case in the UK. What becomes evident in this scenario is that the systematic favouring of German exports, which hit a record high in 2012[4], coupled with the

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3 Keohane, David. “Euro: Why strength could be the single currency’s undoing.” *Financial Times,* April 17, 2013.

4 Federal Statistical Office (Destatis). *National economy & environment - Foreign trade.* 2013. https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/ForeignTrade/ForeignTrade.html;jsessionid=3E26DDE8319A6782089A357331BE1D05.cae1 (accessed April 20, 2013).

inability of crisis-stricken eurozone countries to react exacerbates their decline in productivity, and augments their subsequent need for bailouts. This vicious cycle, as well as the structure of the two previous phases of monetary integration favour perceived short-term gains (exchange rate stability), while rendering national economies ill-equipped to stave off negative externalities when they arise (such as the 1970s Oil Crisis and subsequent US response). Such externalities are comparable to blight; they are best dealt with through diversity, which creates a natural quarantine to their spread.

Bailout Monoculture

The aforementioned inequalities built into the eurozone (the artificial propping of German exports) come at a price. The consumer bases of EU member states importing German goods and services must be maintained in order for the model to continue. This lays bare a key paradox: an artificially low euro as an essential element of Germany's export-based economic success, yet also as an asphyxiating element in the ongoing crises of an increasing number of EU states –upon which Germany's exports still largely depend. The resulting tradeoff is the use of bailout mechanisms to avoid the default of insolvent eurozone states, which would undermine the 'irreversibility' of the common currency. The application of these bailouts has been relatively uniform concerning their terms and demands: bailout loans approved and funded by the Troika (the European Commission, the European Central Bank, and the International Monetary Fund) as well as other member states, most notably Germany, in return for the application of austerity measures aimed at reining in public spending. Differences between the eurozone bailout plans do exist, such as the unprecedented confiscation of private bank deposits in Cyprus, but the essential model remains the same.

The key commonality between bailouts of eurozone countries is the goal of *internal* devaluation. This differs from the traditional approach of currency *(external)* devaluation in that, rather than devaluing one's currency in relation to foreign currencies with the goal of cheapening the cost of domestic labour vis-à-vis foreign labour, internal devaluation consists of directly cutting wages while preserving the local currency's value. Internal devaluation is vigorously prescribed by the Troika, and especially by the European Commission, who view it as the best way of preserving the common currency. No example is likely to be as touted by the Commission as Latvia, which has not yet joined the common currency, but is a member of ERM II, and whose currency, the lats, has not diverged by more than

1% from the euro. The Latvian banking sector was hit particularly hard during the 2008-9 financial crisis, causing a cumulative 25% drop in the Baltic nation's GDP over two years[5]. Faced with the decision to abandon the policy of pegging the lats to the euro in order to externally devalue, the Latvian government preferred the pursuit of a strong policy of austerity, involving significant cuts in government spending in a number of areas, from salaries to services such as schools and hospitals. This caused a severe drop in wages and employment (unemployment surpassed 17% in 2009[6]), an exodus of young Latvians, and caused the government to seek a bailout from the troika. Not only did the government refuse to use the entirety of the €7.5 billion loan, but the Latvian economy returned to growth in 2010, consistently surpassing 5% annually –much to the delight of Latvia's international creditors.

The Latvian scenario and its propagation as a poster child of the bailout-for-austerity approach to the European financial crisis are reflective of similar approaches in industrial agriculture to sustaining monoculture. The troika's application of a relatively similar model to solve the issues of ailing member states is comparable to the use of pesticides to fight blight; if the virus persists, more must be applied. Within this logic little regard is given to the differing situations of crisis-stricken countries. In Latvia's case, the lack of trade union culture, coupled with the still-vivid memory of Soviet rule allowed for more complacency among Latvians towards the harsh government measures[7]. This is not the case in Greece, which has a strong tradition of labour rights. In addition, though the lats is *de facto* pegged to the euro, it is still arguably undervalued, due to higher purchasing power parity (PPP) in Latvia than in the eurozone[8]. This differs significantly from the economies of Spain and Greece, both of which are struggling with a significantly overvalued euro. Even in the case of Cyprus, which traditionally had a strong banking-based currency, the recent collapse of its banking sector, combined with the inability to devalue perpetuates its ever-bleaker economic forecast. The island nation cannot turn to tourism as an economic strategy when significant capital controls have been instated, and while neighbouring Turkey has devalued its currency considerably, to the benefit of foreign tourists. Conversely, Iceland provides an example of a small island economy

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5 —. *The World Bank DataBank.* 2013. http://databank.worldbank.org/data/views/reports/tableview.aspx (accessed May 4, 2013).

6 World Bank. *Data - Unemployment, total (% of total labor force).* 2013. http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS (accessed May 4, 2013).

7 Higgins, Andrew. "Used to Hardship, Latvia Accepts Austerity, and Its Pain Eases." *The New York Times,* January 2, 2013: A1.

8 The Economist. *Interactive currency-comparison tool: The Big Mac Index.* 2013. http://www.economist.com/content/big-mac-index (accessed April 20, 2013).

that severed itself from its bloated banking sector, which was devastated by the economic crisis of the late 2000s. The result was the reinvention of the Icelandic economy based on culture and tourism, and fueled by a devalued króna[9]. The Icelandic approach was that of quarantine (dropping its failed banking sector and devaluation), rather than dependence on pesticides (the bailout-for-austerity cycle). Without national monetary sovereignty, such policy innovation would likely not have been possible, as Iceland would be subject to the EU culture of groupthink.

Outlook Monoculture

The gradual but unrelenting convergence of foreign policy between EU countries reflects another form of monoculture in European integration. The alignment of stances shared by member states regarding issues beyond their borders has met many barriers in the past, including the refusal of a common defence force and divisions over participation in foreign conflicts. Nevertheless, the EU's Common Foreign and Security Policy (CFSP) was established in 1993 by the Maastricht Treaty, and furthered in 2009 by the Lisbon Treaty, which created the office of High Representative of the Union for Foreign Affairs and Security Policy –the EU's foreign minister in all but name. Pundits such as Tony Blair praise such convergence as a means of amplifying the voices of member states –particularly Britain- in a world of rising foreign powers, and see it as the only way of ensuring a place of power at the table of global affairs[10].

Underlying Blair's stance are a number of assumptions. First, it assumes that, of the varying foreign policies held by member states, one is correct. Even if the CFSP is reached as a compromise between nations, it is perceived to benefit all as *the* position to hold and project onto the world. This implies that all remaining foreign policy approaches within the Union must be subdued or abandoned. Such dogmatism is detrimental, as it suggests a certain orthodoxy in a field that is neither black nor white, but contains many shades of grey, such as the decision to place economic sanctions on a foreign dictatorship rather than increasing aid efforts aimed at the people it oppresses.

Second, a stance in favour of foreign policy convergence assumes that it would be largely representative of all member states' policies. In practice, a common European foreign policy would likely be (and already largely is) written by the

9 Verdú, Daniel. "Journey to Iceland's cultural miracle." *El País,* March 22, 2013.

10 Blair, Tony. "Tony Blair warns against leaving European Union." *Daily Mail,* January 26, 2013.

largest member states. A *Directoire* consisting of France and Germany at its core, but also including Italy and the UK, steers EU foreign policy (or blocks it) based on their specific interests first and consideration for smaller member states second. Authors such as Catherine Gégout would further point out the significance of US influence in EU foreign policy, as was the case during the Balkan conflicts.[11] Rather than projecting a strong pan-European stance, it would seem that a common foreign policy is more vulnerable to centralized (Brussels-based) decision-making, larger member state interests, and foreign influence. Stated otherwise, rather than amplifying the voices of individual member states it tends to dilute them.

Lastly, a pro-common foreign policy stance assumes that plurality is undesirable. To veer from a perceived norm is to be 'anti-European'. Quite to the contrary, the European Union has unwittingly been aided by differing national stances on international issues. Perhaps the most evident example of this is the 2003 Iraq War, during which certain member states were favourable to helping the US, while others were against it. This allowed the EU to 'hedge its bets' in terms of whom to back. Moreover, for the Union to follow a single path is to ignore significant differences in foreign policy that have formed between member states over their respective histories. The approval, by the EU, of intervention in Mali was largely in alignment with the initiative spearheaded by France. However, traditionally neutral member states have been faced with the perceived obligation to align themselves with the CFSP. This has been at the root of controversy in customarily non-interventionist nations such as Ireland, but also produced significant transformations in national stances, as evidenced by the following quote by the Finnish Prime Minister, Matti Vanhanen, in 2006, when he addressed the European Parliament as rotating Council President:

> *"Mr. Pflüger described Finland as neutral. I must correct him on that: Finland is a member of the EU. We were at one time a politically neutral country, during the time of the Iron Curtain. Now we are a member of the Union, part of this community of values, which has a common policy and, moreover, a common foreign policy."*[12]

What Vanhanen implied by the deceptively eloquent term 'community of values' is that hard-earned neutrality, which gave such countries unique brokerage positions (such as Sweden's participation in the Neutral Nations Supervisory Commission,

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11 Gégout, Catherine. "The Quint: Acknowledging the Existence of a BigFour-US Directoire at the Heart of the European Union's Foreign Policy Decision-Making Process." *Journal of Common Market Studies* 40, no. 2 (2002): 331-344.

12 Vanhanen, Matti. "Wednesday, 5 July 2006 — Presentation of the programme of the Finnish presidency (debate)." *Debates.* Strasbourg: European Parliament, 2006.

which facilitated dialogue between North and South Korea), was an inconvenience to be swept aside in favour of a monoculture of outlook and thought. It is this form of groupthink that prevents alternative viewpoints –and therefore solutions- from flourishing.

Conclusion: Blight and Pesticides vs. Diversity and Resilience

The monoculture metaphor provides an alternative portrayal of European integration. Global economic shocks pose important challenges to nations and individuals; they are like blight to fields and gardens. The *phytophthera infestans* of national economies include the negative spillover caused by speculation bubbles bursting, bankruptcies of insolvent banks, and predatory dumping policies by competing nations. So far, the EU's approach to eradicating (or at least pretending to control) economic blight has been the use of bailout loans in return for drastic cuts in public spending and widespread privatizations –a kind of economic pesticide. The model has been applied with limited success to very different nations with very different economies and political cultures, yet there seem to be no changes in ideas, no attempts at different approaches. Such groupthink is evidenced by IMF chief Christine Lagarde, who, when asked whether there existed any alternatives to austerity-based bailouts, replied: "what is the alternative?"[13] Her statement typifies the pursuit of a perceived ideal regardless of what is lost, which in turn perpetuates the spread of economic blight, due to ignorance (conscious or unconscious) of root causes, such as a common currency unfit for many member economies.

The repercussions of this vicious cycle present a great danger to the EU, which has yet to pull itself out from the economic turmoil that has plagued it since 2008. Alternatives do exist, however, as illustrated by the potato metaphor. Where there is blight, there must be quarantine through diversity. The effective use of national sovereignty, exemplified by Iceland, serves to limit the damages caused by bank defaults. The short-term pain of Icelanders is paying off, as the economy returns to growth and employment. Though the Icelandic approach may not work identically for all economically blighted countries, what is certain is that the vulnerability of the continent as a whole is greatly reduced when there are lowered chances of spillover from one country to the next. The global media attention paid to Cyprus following its parliament's refusal of bailout terms was disproportionate to the size and importance

13 Greaney, Frank. "No alternative to austerity — Lagarde." *Newstalk,* May 2, 2013.

of its economy. Its sudden shift as a place of international focus was because its economic situation had placed the entire currency zone in danger. Had Cyprus kept its former currency, the Cypriot pound, the damage would likely have been limited, as well as short-lived, as was the case in Iceland.

The encouragement of diversity through autonomy (which is in no way synonymous with isolation, as some may imply) not only eliminates the current emphasis on groupthink, but also renders the continent more resilient. Independent nations are better prepared to address or avoid negative externalities on their own terms and in their own contexts. The days of European monoculture are limited, though the wait is hard to predict. Until such a transition, the priority becomes the preservation and encouragement of diversity through national self-recognition. The pesticides currently in use are not only unable to address the root issues of member states, but they exacerbate the problem. As the years of ineffective bailout-for-austerity policies accrue, an ever-increasing number of Europeans understand the brutal inefficiencies of forced monoculture. The seeds of change have been sewn, and the future promises to be more diverse, more resilient, and more independent.

Notes

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THE BRUGES GROUP

The Bruges Group is an independent all–party think tank. Set up in February 1989, its aim was to promote the idea of a less centralised European structure than that emerging in Brussels. Its inspiration was Margaret Thatcher's Bruges speech in September 1988, in which she remarked that "We have not successfully rolled back the frontiers of the state in Britain, only to see them re–imposed at a European level…". The Bruges Group has had a major effect on public opinion and forged links with Members of Parliament as well as with similarly minded groups in other countries.
The Bruges Group spearheads the intellectual battle against the notion of "ever–closer Union" in Europe.
Through its ground–breaking publications and wide–ranging discussions it will continue its fight against further integration and, above all, against British involvement in a single European state.

WHO WE ARE

BRUGES GROUP MEETINGS

The Bruges Group holds regular high–profile public meetings, seminars, debates and conferences. These enable influential speakers to contribute to the European debate. Speakers are selected purely by the contribution they can make to enhance the debate.

For further information about the Bruges Group, to attend our meetings, or join and receive our publications, please see the membership form at the end of this paper. Alternatively, you can visit our website www.brugesgroup.com or contact us at info@brugesgroup.com.

Contact us
For more information about the Bruges Group please contact:
Robert Oulds, Director
The Bruges Group, 214 Linen Hall, 162-168 Regent Street, London W1B 5TB
Tel: +44 (0)20 7287 4414
Email: info@brugesgroup.com

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www.brugesgroup.com