

## One Step at a Time

**T**HE story of European integration begins with coal and steel.

The decision in 1951 by six European nations to pool coal and steel production under a common “High Authority”—the European Coal and Steel Community—marked the beginning of European integration amid the ruins of World War II.

French statesman and political visionary Robert Schuman, who dreamed of a continent united politically and economically, knew when he proposed the coal and steel community in 1950 that Europe would not come together in one fell swoop. Action on a “limited but decisive point”—pooled coal and steel production—would pave the way for greater integration and, ultimately, lasting peace in Europe.

What a great example of pursuing a long-term vision one step at a time—of not taking on too much at once.

Schuman’s plan, so narrow and specific at first, gave rise to a vast enterprise. Today, Europe is a closely integrated region with some of the world’s highest living standards. The 28-member European Union, built around common policies and shared institutions, has proven robust to many challenges and has accommodated great change—from the fall of the Berlin Wall and the associated wave of new EU members to the launch of the euro—used by 18 countries. For these accomplishments and more, the European Union was awarded the 2012 Nobel Peace Prize.

Amazing progress, yes, but as headlines over the past five years make clear, Europe’s journey toward greater integration is far from over. The 2008 global financial crisis laid bare fault lines, exposing tensions between EU members and stresses and gaps in institutions and policies that Europe’s political leaders are working hard to address. The crisis was damaging to Europe, and even though a recovery appears to be taking hold, too many people are still out of work—underscoring the urgent need for national and regional reforms.

This issue of *F&D* examines Europe’s drive toward economic integration—the forces bringing it together and those pushing it apart. The IMF’s chief for Europe, Reza Moghadam, opens with a short history lesson and argues that what Europe needs is more integration, not less. Oxford Professor Kevin O’Rourke takes a less sanguine view, questioning the future of the euro. The package is rounded out by articles on Europe’s jobless, the push for a banking union, the continent’s ambitious low-carbon energy goals, and, in a nod to the continent’s favorite pastime, the liberalization of the players’ market in European soccer leagues.

Elsewhere in the issue, we profile Lucrezia Reichlin, former Chief Economist at the European Central Bank and a pioneer of real-time economic forecasting. We also look at the impact of aging on monetary policy in advanced economies and at how changes in asset prices can predict economic downturns. Other articles look at macroeconomic policy and natural disasters and why the dollar is unlikely to be dethroned anytime soon as the world’s global reserve currency.

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