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**“A Crisis is a Terrible Thing to Waste”:
Franco-American Leadership for a New Economic Agenda**

Daniel S. Hamilton¹

The financial crash and related recession offer France and America both necessity and opportunity to reposition their economies, their bilateral relationship, and ultimately the West itself to deal with 21st century economic challenges.

One of the most important ways France and America can tackle global economic challenges and to seize the benefits of an open world economy is for each to get its act together at home -- to reposition itself as an open, resilient economy fit for globalization. In general, France needs to balance its strong social welfare provisions by endowing its economy with greater suppleness and adaptability, and the U.S. needs to balance its vaunted flexibility with a stronger social safety net to give Americans the reassurance and support they need to compete in an open global economy. The common challenge for leaders in each country is to show their citizens that it is possible to reap globalization's benefits while making its costs bearable to those most directly affected.

A second level economic task for both partners is to capitalize on the profound and growing stake each has in the other's economic success. Bilateral economic ties between France and the U.S. are dramatic testament to the deep integration that characterizes transatlantic commercial relations, and strong evidence that the economic interests and future prosperity of the U.S. and France have never been as interdependent and intertwined as they are today. Two million French and American workers owe their jobs to healthy Franco-American economic ties.

Third, much of the U.S. economic agenda with France must be conducted with the European Union. Transatlantic markets are among the most open in the world, yet various non-tariff barriers prevent the emergence of a more prosperous transatlantic marketplace. Given the immense size of the transatlantic market, even small changes to align domestic regulations could generate far bigger economic payoffs than further transatlantic tariff reductions.

Fourth, to paraphrase an old Chinese adage, “a crisis is a terrible thing to waste.” Economic recessions are invitations for change, for new ideas. The present economic climate is ripe for change, and is thus an ideal time for both the U.S. and Europe to work jointly on such large

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scale initiatives as energy security, sustainable economic development and global climate change. Innovation in these areas could generate new long-term avenues of growth and prosperity.

Europe and North America are better positioned than most other economies to break the link between the generation of wealth and the consumption of resources. Breaking this link is an historic challenge – but also an opportunity to move toward entirely different patterns of consumption and competitiveness. Transatlantic cooperation and innovation could lead the way.