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Your Majesty, your excellencies, ladies and gentlemen,

This is a great honour. It is also a very surprising honour, for at least three good reasons.

The first is the immense distinction of my predecessors.

The second is my nationality. The British have, after all, said rather firmly that they are not “European”.

The last is that while I am pro-European and pro-the construction of a stronger European Union, I have also been a rather noisy critic of much that the EU has done.

Thus, at the time of the negotiation of the Maastricht Treaty, I argued that a monetary union needed a fiscal and so also a political union. Without that, I thought the Monetary Union would prove fragile, as it did.

In the run up to the eurozone financial crisis, I thought that the huge current account imbalances emerging inside the eurozone, notably here in Spain (and, on the other side, Germany) would cause huge trouble. I even wrote a column on this entitled “Pain Will Follow Years of Economic Gain,” about Spain, which was published on March 29 2007.

Later on, I argued that huge mistakes were being made in the handling of the crisis, especially up to the selection of Mario Draghi as president of the European Central Bank.

I have also long been concerned about the lagging dynamism of the European economy and the failure to carry through the agenda of integration and deregulation that were both so evidently needed.

Given this history, the justification for my selection must be that you consider critics useful. I commend you for your wisdom. Critics may not always be right (of course, I am quite sure that *I* am always right) but they are useful. The toleration — even more, as now, the enthusiastic welcome — given to a critic is a sign of a liberal and democratic society. So, thank you.

I am also a friendly critic.

I am friendly because, in the first place, I am a European. My parents, both Jewish, were refugees from Hitler's Europe, my father from Austria and my mother from the Netherlands. They met in London in 1942, were married in 1943 and had me in 1946. So, I am a child of the Europe of World War II. But I am also the child of a rich and complex European civilisation, that of imperial Austria, bourgeois Holland, liberal Britain and European Jewry.

I am friendly also because I have always shared the ideal of the European integration, which I consider to have three fundamental elements: repudiation of the narrow and intolerant nationalism that turned the continent into a charnel house in the early 20th century; repudiation of the totalitarian ideologies that turned much of the continent into a prison and, at worst, a wasteland of concentration and death camps, where almost all my parents' wider families were slaughtered; and, third, embrace of the complex ideals of democracy, freedom and international co-operation.

Given Europe's embattled history, today's EU is a great achievement. But it has come to a moment of crisis. What worked in the past will not work in the future.

The EU was founded in the aftermath of World War II, under US tutelage and the threat of the Cold War. It embraced the rule of law, within the EU and in the wider world, notably in trade. After the fall of the iron-curtain, it was assumed that these ideas would endure, but even more securely and on a global scale.

The collapse of the Soviet empire in Europe could, after all, be seen as a peaceful triumph. The prosperity and freedom of the West proved irresistible to the imprisoned, oppressed, and impoverished subjects of Soviet communism.

In sum, liberal democracy, the liberal world order, a united West and the EU itself appeared to have emerged triumphant from the catastrophes, crises and conflicts of the 20th century.

These victories have, alas, *not* endured.

Here is a list of some of what has gone wrong, particularly for Europe:

- A series of huge shocks, from the financial crisis of 2007-09 and the eurozone crisis to the pandemic, the attack on Ukraine by an ever-more autocratic Russia, and now the war on Iran by Israel and the US;
- Growing popular dissatisfaction with the outcomes of globalisation, including the mass movement of people;
- The rise of nationalist populism and so the shocks of Brexit, Trump and the strength of these ideas and attitudes across much of Europe

- The arrival of China as a mercantilist, autocratic and economically dynamic superpower with chokeholds over many crucial inputs. including the supply chain for clean energy and electric vehicles;
- Pronounced US hostility towards the EU and Nato, shown most recently in the fact that Trump's US has clearly felt closer to Putin's Russia and Viktor Orban's Hungary than to Volodymyr Zelenskyy's embattled Ukraine.
- The end of the global trade order, after the tariff war launched by Donald Trump.

Behind all this lies even deeper and longer-term challenges:

- A growing awareness that Europe is falling far behind the US and China in the most dynamic new technologies.
- The emergence of the transformative technology of Artificial Intelligence, in which the EU is irrelevant.

I would argue that there are four obvious conclusions.

The first is that the EU is in steep relative decline. Its demographics and relative economic performance suggest that this bound get worse.

The second is that the friendly relationship of dependence with the US has gone.

The third is that today's EU is vulnerable economically, politically and in terms of itssecurity.

The fourth is that the EU's vulnerabilities are simultaneously internal and external.

So, what is to be done?

One option is to hope for the best and do nothing.

Another is to commission excellent reports and, in the end, do *almost* nothing because change is far too difficult. This is the option that has, in my view, been chosen.

A third is to embrace changes that might, over time, change the current prognosis.

I recommend the last.

I have spent the last week reading speeches delivered by Mario Draghi since 2023. His most important point was that “Since 2020 we have lost our growth model, our energy model and our defence model. Growth, energy and defence are the fundamental areas in which governments must provide for their citizens, yet in each one we have found ourselves hostage to fortune and exposed to the unpredictable decisions of others.”

In the famous words of Draghi’s compatriot, Giuseppe Tomasi Di Lampedusa, “Everything has to change if everything is to stay the same”.

Well not quite everything has to change. The objectives do not need to do so. These remain as always, security, prosperity, freedom.

Relevant policies where change is needed include completing the single market; defending EU industry against a predatory China and a protectionist US; encouraging the emergence of a few European clusters of innovation; deregulating labour markets; radically reforming energy markets; supporting high-quality education and, above, all create world-class European research institutions.

If the EU is to do all that, especially in security, it must also integrate more deeply. This will require a fiscal union, with a substantially larger EU budget and substantial quantities of common debt.

An EU divided on national lines, subject to a host of national vetoes, with a tiny common budget and no common bond market and very limited financial and economic integration cannot achieve security, prosperity and freedom in today's world. It is too weak and divided.

Yet, as Draghi also argues, this cannot happen for the EU as a whole. It will have to start, instead, with a new treaty, similar to the one that created the eurozone, initially limited to a few prepared to try, but ultimately open to all.

The riposte to such dreams is that they are entirely politically unrealistic. We are not now in the aftermath of World War II or of German unification. We are in the aftermath of decades of peace, prosperity, boredom and ageing. All this has made the dominant sentiment of our societies highly conservative.

Europe could achieve greater strategic autonomy. But first it must embrace change. It seems unlikely to do so. What is certain is that it would take extraordinary leadership to persuade it to do so,

Yet we need to understand the implications of that,

The choices confronting a slow-growing continent with an ageing population and a long history of political and cultural division are indeed very difficult. Yet in a world of rapid technological change, predatory powers and a rapid rise in authoritarianism, a decision not to change is likely to have even more painful consequences.

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