

Wither social Europe

How to delineate European Left political economy in times of dislocation?

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This is no breaking news: European Union is in disarray. “*At least in part, in an existential crisis*”¹ according to its commander in chief Jean-Claude Juncker. Unable to foster growth, convergence, human rights and democracy, the EU failed on its own terms. In peripheral countries, its very architecture is responsible for one of the ugliest socioeconomic trauma of modern history, hardly contained by a brutal bureaucratic Caesar: the Troïka². The management of the migrant crisis has broken with the most elementary human rights standards. Bitter icing on the cake, the faces of the European Union, its most prominent public figures, resemble satirical puppets: Jean-Claude Juncker is a veteran tax evasion organizer who considers that “*there can be no democratic choice against the European treaties*”. Former Goldman Sachs vice-president and now acting as ECB president Mario Draghi buried the European social model in a 2012 interview to the Wall-Street Journal. Manuel Barroso, former commission president, embarrassed his own colleagues as he ran as rapidly as he could through the revolving door to Goldman Sachs. The Euro-group president, Jeroen Dijsselbloem, lectures without fatigue countries broken to their knees by the very poisonous pills he prescribed.

¹ <https://www.ft.com/content/8754dfb4-7a55-11e6-ae24-f193b105145e>

² Razmig Keucheyan and Cédric Durand (2015), « Bureaucratic Caesarism: A Gramscian Outlook on the Crisis of Europe », *Historical Materialism*, vol. 23 (2).

Ten years from now, considering such a complete disaster could only have been perceived as a pure dystopian fantasy. But it is real. And there is no surprise that peoples of Europe – not just the Britons – are seceding from the European project. Trust in the European Union has dropped to rock bottom in the aftermath of peripheral debt crisis. Except in Germany and Poland, a majority of peoples disapprove EU's handling of the economy and, everywhere, there is an overwhelming rejection of the perspective of further deepening of integration. Popular resentment against the EU is refracted on both end of the political spectrum with a pro-Europe "extreme center" losing ground in every single country. Reflecting this growing popular anti-EU stance, divisions also grow at the intergovernmental level. In addition to its own domestic tensions, the German core is challenged on two fronts: from the left, Alexis Tsipras – politically imprisoned in its own country- attempted to get some fresh air early september with the Athens summit, a gathering of Mediterranean countries which vaguely called for the softening of austerity policies; in the East, more assertive Visegrad countries are launching right-wing attacks against the EU, trying to roll-back EU involvement in migration, societal and political rights issues. In sum, from below and from above, centrifugal forces are growing stronger, leaving essentially the sole floods of ECB liquidity on financial market as an ailing countervailing power.

EU is on the brink of dislocation. This unexpected development puts most left-leaning economists in a very uncomfortable situation. Spontaneously we are all Europeists. At the turn of the millennium, we were orphans of any left alternative. Communism was history, and Blair and Schröder turned social democracy into a zombie political vehicle.

However, at least, a vivid European integration seemed to put something positive on the table. Our collective memory is plagued with the ravage of twentieth century nation-states warfare and our hearts are full of a just detestation of racists and nationalist forces. This is the reason why our internationalist affects drove us to welcome the deepening continental integration, which we loosely associate with a broad perspective of solidarity and openness values. In addition to that pro-EU politico-sentimental inclination, awareness of the global dimension of social, economic and ecological challenges make us sensitive to the advantages of a larger scale in order to delineate alternative policies... Of course, we were critical of the EMU architecture and the obsessive emphasis of the Commission on competition. But still. As we wanted another Europe, we welcomed progress in European integration.

We should have been more cautious. From the darkest day of our recent history, Walter Benjamin warned us against this storm that we called progress³. One variant of this idea, Stagism, is deeply rooted in the ideology of a mechanistic Marxism, which supposes that history evolve in successive necessary and progressive stages towards human emancipation. Such an idea of an irresistible process of improvement is deeply misleading and resulted in dramatic misjudgment in the 1920ies and 30ies in the face of the rise of fascist parties. As there is no such a thing as a direction of history, thinking in terms of stages is a recipe for failure. When one thinks in terms of progress, one is prone to blindness to disaster.

³ Walter Benjamin, « Theses on the philosophy of history », 1940. Michael Löwy, *Fire Alarm: Reading Walter Benjamin's "On the Concept of History"*, Verso, New-York and London, 2006.

The same is true of scalism. Scalism could be as erroneous as stagism, it operates in the same way the mystification of progress operates. By scalism, I am referring to the idea that merging some attributes of national states at a wider scale – in this case at the European scale – is inherently a positive move. This could be the case, but the contrary can also be true as exemplified by the recent record of European integration. Supranational integration processes must thus be judged no a priori but on a case-by-case basis, depending on their own internal dynamics

I do not consider myself as a proponent of the *souverainisme* current in the French left. My political affects are 100% internationalist. My point is that facing the current European deadlock we have to look for a *Ruse of the Internationalist reason*. We have verified with Syriza's first government failure that there is no political room for a confrontational stance within the Eurozone; ultimately, a left government must choose: it is or its ambition of social transformation, or the Euro. I'll not detail my assessment of this experiment here, but I consider that the economic and financial risk associated to a Grexit were grossly exaggerated. As most of the fiscal and external adjustment was already made, there were plenty of space for a negotiated exit which would have been rapidly very beneficial for the Greek people and the European left in general.

My argument here will be more general. Considering the exclusion of labor from European institutions, and the desynchronisation of class struggles resulting from endogenous core-periphery dynamics, neither a democratization of European institutions nor a Pan-European democratic surge are viable options. The popular rejection of the European Union is thus legitimate. The task of the left is not to abandon this fair anger to right-wing nationalists forces but building on this rejection to delineate an

internationalist strategy for the continent anchored in working class interests and forces. Such strategy implies a selective disintegration of the European union – in particular concerning the Euro - as a necessary detour prior to the re-launch of a regional socio-ecological integration.

Rescaling statehood to change policies⁴

As Immanuel Wallerstein, wrote, “*it is possible for particular social groups to alter advantage by altering state boundaries*”⁵. More technically, one can say that with statehood rescaling, there is a reconfiguration of what Nicos Poulantzas and Claus Offe called the strategic selectivities of the state, a restructuring that precludes policies changes.

⁴ This paragraph draws on our article with Razmig Keucheyan (Razmig Keucheyan), « Financial hegemony and the unachievement of European statehood”. *Competition and change*, 19 (2), 2015.

⁵ Wallerstein I (1979) Class Conflict in the World Economy. In: Wallerstein I *The Capitalist World Economy*. Cambridge: Cambridge University Press, p. 292.

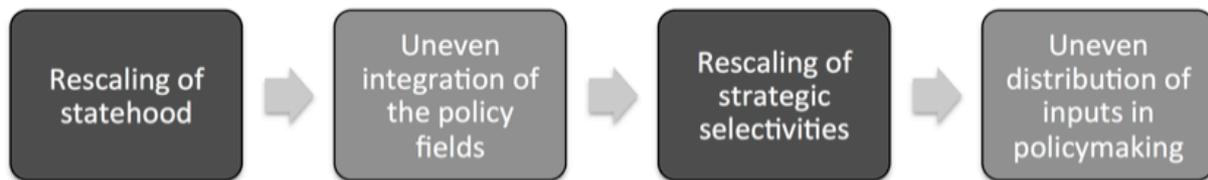


Figure 1 : Rescaling statehood to change policie

Structural selectivity of the state consists in “*a complex set of institutional mechanisms and political practices that serve to advance (or obstruct) particular fractional or class interests*” (Jessop, 1999, 58). Selectivity is unevenly distributed across state structures because the modern state is not a unified “subject”. It is composed of different institutional apparatuses or “power centres”. These different power centres are tied or subordinated to contending sectors of the dominant classes. Some of them may also express the interests of subaltern groups. Since the modern state is in part the result of the social struggles, they have become a shaping force in the emergence of some of these selective mechanisms. As Pierre Bourdieu put it, the state has a “left hand”, the one shaped by the struggles of the subalterns, and a “right hand”, which is linked to the different fractions of the dominant classes (Bourdieu, 1999). Structural selectivity thus denotes the structurally embedded political “biases” that constitute the strategic field of the state.

Structural selectivities of the state have also a spatial dimension. In order to implement their new hegemonic project, the dominant classes could foster a restructuring of statehood to alter the class power balance. Building new layers of state-power beyond the nation-state could be a way of overcoming the institutional obstacles embedded in national states. Rescaling statehood is thus a way to restructure selectivities and, ultimately to change policies. This is the rationale of European integration since the mid eighties: spatial restructuring of statehood is a way to promote embedded political biases more favourable to financial and transnational interests, a spatial fix to get rid of inherited class compromises.

Robert Boyer has provided a comprehensive interpretation of the dynamic of EU integration that we can read in this light. In his regulationist perspective, the re-launch of the European project in the eighties was an attempt to overcome mounting problems in the accumulation process. The completion of the single market and the creation of the Euro resulted in a complete reversal of the hierarchy of structural forms, a crucial transformation of capitalist regulation that could be summarized in the following way:

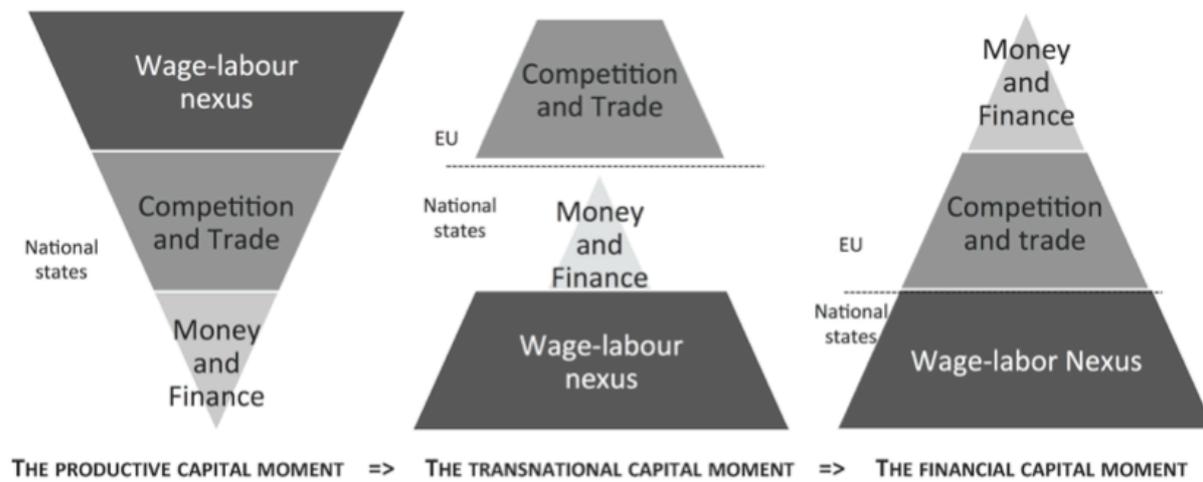


Figure 2 : The changing hierarchy of structural forms in the course of EU integration

1. During the Fordist era, in most European countries — but not in Germany — “*monetary policy used to be the ‘servant’ of the capital–labour accord and oligopolistic competition. (...) In a sense, national monetary policy had the role of alleviating tensions in income distribution, and the exchange rate was a discretionary tool when inflation became too important*”⁶.
2. The slowdown of productivity gains in the late sixties and seventies and the subsequent monetarist neoliberal revolution precipitated a retreat of labour. This is the time when, at the invitation of the Delors Commission, the European Roundtable of Industrialists (ERT) inspired the new impetus given to the European integration process with the completion of the single market⁷. The European competition body was thrust to the forefront of European polity while the DG Trade headed the international trade talks, which

⁶ Boyer R (2000) The Unanticipated Fallout of European Monetary Union: The Political and Institutional Deficits of the Euro. In Crouch C (ed) *After the Euro*. Oxford: Oxford University Press, p. 36.

⁷ Ross G (1995) *Jacques Delors and European Integration*. Cambridge: Polity Press.

resulted in the creation of the WTO. The new “priority given to the forms of competition”⁸ implied a trickle-down effect across the entire economic institutional architecture to the point where, in the nineties, “*the wage–labour nexus [had] become dominated by the logic of competition and the objective of a ‘lean state’*”⁹.

3. In the meantime, financial liberalisation opened the landscape for emerging strategies of financial accumulation. Transnational firms championed the common currency as a way to increase funding opportunities for their international expansion while policymakers were eager to address the problems resulting from the domination of the Deutsche Mark. The Euro helped to complete the financial integration of the European economy and to deepen financial markets, which fostered the rise of financialised forms of corporate governance imported from Anglo-Saxon countries. The financial crisis and the financial and trade imbalances accumulated in the early 2000s put the Euro at risk and, with it, the integration of financial markets. Consequently, financial stability became the first priority on European policymakers’ agenda, and European institutions were empowered in the past few years with new competencies to deal with the issue. This new emphasis on financial stability emerges as the expression of the dominance of finance over the other structural forms, which regulate capitalist relations in the continent.

⁸ Petit P (1999) Structural Forms and Growth Regimes of the Post-Fordist Era. *Review of Social Economy* 57(2): 220-243.

⁹ Boyer, op. cit, p. 40.

This interpretation of European integration as a progressive shift of structural forms of dominance from the wage-labour nexus to competition, and then to money and finance has tremendous consequences. It helps to understand why the possibilities for establishing an outline of European social legislation to counterbalance the advances in the competition and finance fields never materialise. It also explains the vulnerability of European institutions.

Over the years, a common mind-set and an institutional materialisation of techno-political procedures reflected structural selectivities, making organised labour's attempt to play the European institutional game less and less relevant. This became evident with the financial and sovereign debt crises, when the radicalisation of neoliberal restructuring initiated by the EU institutions was accompanied by the open marginalisation of unions in European polity. More generally, to the exception of some limited dimensions – environment regulation being a very noticeable one, European institutional politics is not a battlefield for the left. For left political and social movements there is nowhere to push positively because trade, competition and financial and monetary issues monopolize most of the European politico-administrative processes. Contrastingly, social issues are victim of negative integration: they are not considered for themselves, but only as adjustments variables to the requisites of the structurally dominant economic and financial issues. As the preoccupation of the left are structurally marginalized in European institutional process, one should not be surprised that alternative economic policies never made their way, even in the rare occasions when left leaning governments expressed their will to push for a social Europe.

This non-existence of labour in the European political game explains why a reorientation of social and economic policies away from neoliberalism have not materialised and seems highly unlikely to emerge at this level. Moreover, as EU institutions are more and more directly linked to the neoliberal restructuring of welfare, public services and labour markets, the consent dimension associated with the ‘social Europe’ perspective fades away, across the continent. The authoritarian side of the European state-project comes to the fore. Bar meaningful negotiations with organised labour and institutionalised compromises between classes, the European proto-state may be strong in promoting the immediate interests of a finance-led power bloc, but it is also more vulnerable to socio-economic shocks or, as we see nowadays, external pressure such as the refugees’ crisis.

Desynchronization of class struggle

I am very sceptical with Varoufakis’ Diem 25 proposal of “a surge of democratic opposition” at the European level¹⁰. I would love that, no doubt, but the odds are pretty bad. Indeed, adverse structural selectivities of European institutions not only have very detrimental effects on policies outcomes. They also alter political processes. As there is no reasonable hope of gains, the incentives for people to put skin in the European game are very low. This is a crucial explanation of the lack of vibrant social movements at the European scale in the past decades and a reason to doubt that they will emerge in a near future.

¹⁰ <https://www.jacobinmag.com/2016/09/european-union-strategy-democracy-yanis-varoufakis-diem25/>

The desynchronization of class struggles is another reason that makes me sceptical about the possibility of a pan-European democratic surge. In a recent paper that I co-authored with Engelbert Stockhammer and Ludwig List we establish that already during the boom preceding the Euro crisis there has been a divergence in working class experiences across Europe¹¹. Our stylized analysis distinguish between three groups of countries - the East, the North and the South - and find that countries had different experiences in terms of their growth driver, in terms of the degree of financialisation they experienced and how their working classes fared.

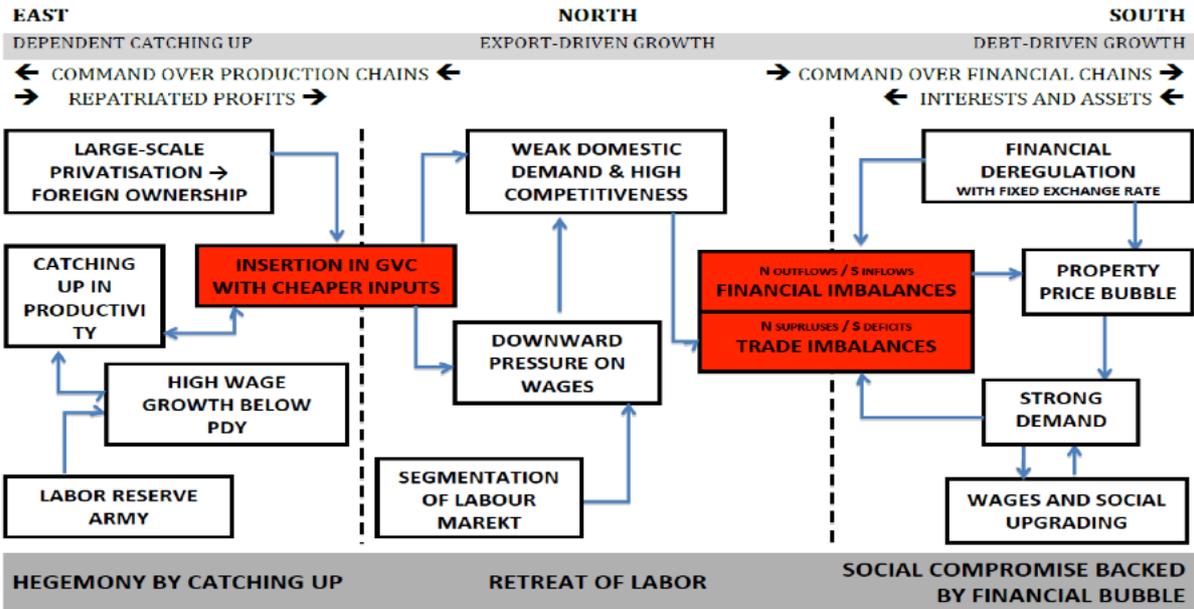


Figure 3 : Interactions of growth regimes and working class restructuring in Europe prior to the crisis

¹¹ E. Stockhammer, C. Durand and L. List), « European growth models and working class restructuring. An International post-Keynesian Political Economy perspective”, *Environment and planning A*, Only first May, 2016.

1. In the aftermath of post-socialist transition, Eastern countries experienced a strong industrial upgrading thanks to their insertion in global value chains. This had contradictory effects on the working classes: while real wages grew much faster than in other countries, this group also experienced an increase in wage dispersion and it suffered a decline in welfare expenditures and sharp decline in union density. We call this disintegration of the working class coherence ***hegemony by catching up***. High productivity gains allowed rising living standards while most other indicators of working class conditions deteriorated sharply.
2. The northern growth model paragon is Germany. It starts from a high level of development. It developed an export orientation supported by a cheap industrial hinterland in the East. It maintained its industrial sector and experienced solid productivity growth. While real wages grew moderately, wage dispersion grew substantially and union density declined. This is a case of a ***retreat of labour***.
3. The southern countries experienced a strong wave of financialisation with sharply increasing levels of household debt and a property price boom. This resulted in moderately high levels of growth, but at the same time an accelerated de-industrialisation and trade imbalances. Real wage growth was moderate and wage dispersion was comparatively stable. Union density declined, but substantially less than in other country groups and the size of the welfare state increased relative to GDP. The financial bubble was

used to generate improvements for the working. We call this a ***social compromise backed by financialisation***.

One key point of our analysis is that these diverse national experiences of uneven development are related to each other; they are in large part the product of the interaction of these various growth regimes and class restructuring. De-synchronisation of class struggles is endogenous to the internal dynamic of the Europe Union, it is in part the result of European integration itself. This one explanation of why it is so difficult to develop a left working-class vision, to align subaltern subjectivities and to organize pan-European mobilizations.

To put it simply, European integration and, particularly the Euro, not only produces the structural imbalances that you are familiar with. In the absence of meaningful central fiscal policy, it also fosters cross-country heterogeneity. Such de-synchronisation of class struggle makes almost impossible any left victory directly at the continental level.

We have no time to detail the mechanisms at stake. But one way to capture this built-in heterogeneity is to look at GDP per capita growth before and after the crisis within the Eurozone. It shows that peripheral countries experienced the highest growth rate prior to the crisis and full scale depression in the aftermath. Contrastingly, core countries experienced much more modest growth before the crisis and long recession afterwards. We found here a configuration typical of dependency relations where volatility is much more accentuated at the periphery. Far from promoting convergence, European integration during

the past decades has reinforced not only heterogeneity but also economic polarization across the continent.

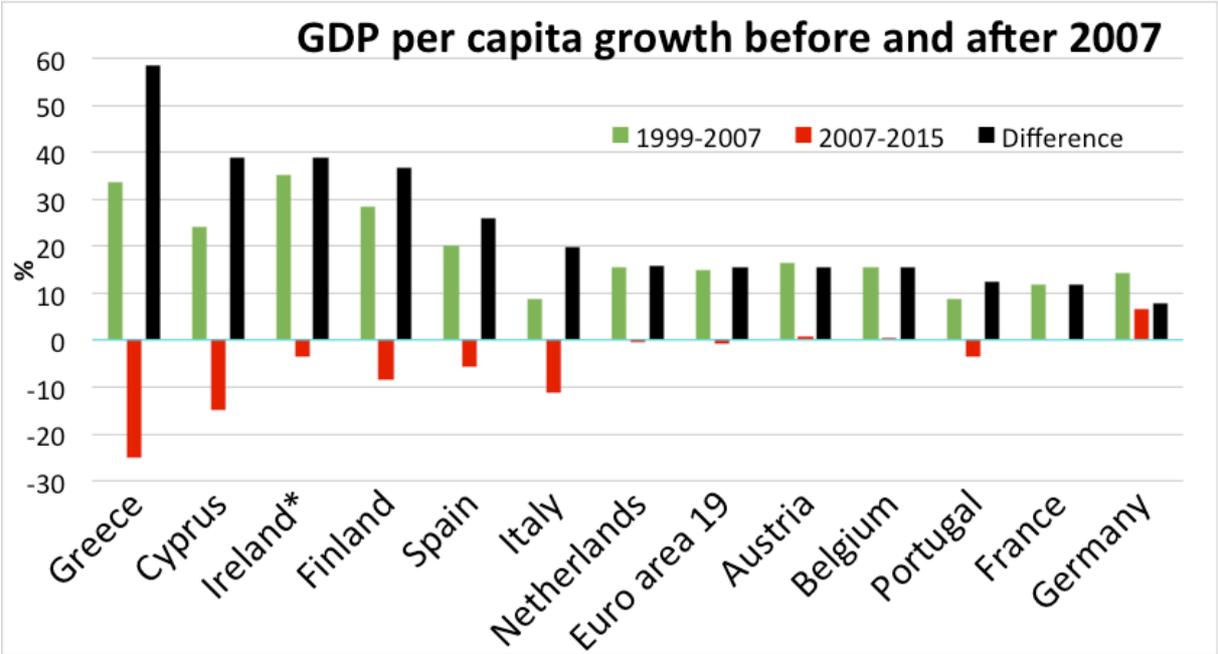


Figure 4 : GDP per capita before and after 2007 in selected European countries

A ruse of the internationalist reason: for a selective disintegration of the European Union

For structural reasons, there is no path towards left economic policies at the European scale while the very existence of European regulation prevent any meaningful economic alternative at the national level, we have to fin a way out. This is where I call for a *ruse of the internationalist reason*.

The precise content of this ruse of the internationalist reason is, of course, heavily dependent on idiosyncratic national coordinates. Economic, financial, political constraints vary tremendously from Uppsala to Lampedusa. However, it is important for the European left to elaborate a common narrative.

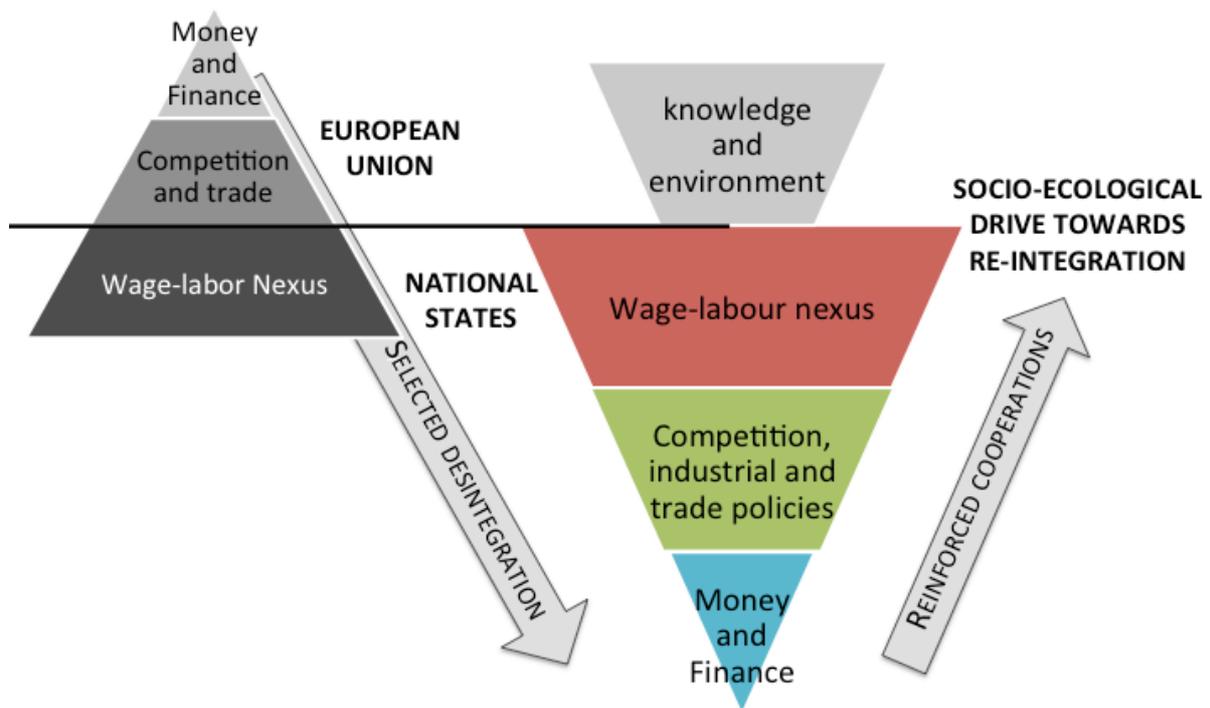


Figure 5 From selective disintegration to restructured re-integration

1. The first element of this strategy is a negotiated retreat from monetary and trade arrangement to relieve the political constraint on fiscal, labor and industrial policy. Concerning the monetary union, several alternative arrangements are on the table. It is good news that Stiglitz recently entered the discussion on the possibility of an amiable divorce with a flexible Euro. But the left must not exclude the possibility for one of its government to secede unilaterally from the EMU. It must be clear that the left will prioritize the popular mandate it receive. To paraphrase Juncker, democracy before the treaties.

The advantages of managed flexible exchange rates and a retreat from the prison of the stability pacts are common knowledge among left economists. But sometimes an objection is raised on

the vulnerabilities related to countries' balance sheets. In a forthcoming paper with a colleague from the OFCE, Sébastien Villemot, we show that to the exceptions of Greek public finance - which absolutely require some debt restructuring – and to the position of intra-european tax heaven (Luxembourg, Ireland..) the exposure of national balance sheet are pretty limited. Moreover, as exposure to redenomination loss concerns both countries with a positive and negative international position, there are some strong incentives on both sides for a negotiated divorce.

2. Left should not backward from its internationalist vision. Any confrontation with the European institutions must be complemented with an engagement to reinforce existing cooperation in some dimensions, for example in the fields of knowledge and environmental policies. More importantly, the proposal of retreat should be complemented, in the meantime, by a proposal to foster reinforced cooperation in terms of social and industrial policy with interested partners, in order to build the first bricks of a new restructured regional integration process led by social and ecological structural forms.

The left must face the fact that the EU is a failed and adverse project. Looking for social Europe in this context is like waiting for Godot and we have to abandon this chimera. Of course, that doesn't mean that we need to align with nationalist forces. On the contrary, opposing the EU on our values of inclusiveness and equality is our only possibility to challenge their rise. Neither do we have to abandon our internationalism. As we say in French, it is sometimes required *de reculer pour mieux*

sauter. A to time go make a few steps back to rebuild the perspective of brighter days in Europe.