Articles

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PART I

Global Crisis, Eurozone Crisis and European Integration: The Institutional Debate

What is Europe?

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Abstract

Never before has Europe been so present in public debate. From 2009 onwards, not a month has gone by without new twists in the melodramatic rifts and reconciliations between EU governments and institutions. As the region dips further into recession and social desperation, the showdown between supporters and opponents of austerity renders the macro-economic dispute the central issue, leaving the future of Europe and its people woefully unclear. But exactly what is 'Europe'? The concept is difficult to grasp, as 'Europe' is both multifaceted and unstable. In a bid to break open the 'black box' this article proposes to set aside the events to focus on the crisis behind the events. To engage in such a discussion, one must decipher the deceptively simple question of what Europe is. Which are the forces and the principles, from post-war to the euro crisis, which animate this politico-institutional process?

Keywords: European integration, supra-national institutional transformation, state, ortholiberalism, neoliberalism, internationalisation of capital, financial capitalism, austerity measures, class struggle

The United States: Birth-Givers to Europe?

According to the official history, European construction originated with the determined actions of the 'founders of Europe', Jean Monnet foremost.[1] Without 'the energy and the motivation' of its 'visionary leaders' motivated by the ideal of 'one peaceful, united and prosperous Europe', 'the space for peace and stability that we take for granted would have never seen the day'.[2] This heroic

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1 Since the 1950s and 1960s, associations, such as the Jean Monnet and the Robert Schumann foundations as well as political organisations like the European Movement and Christian democratic parties have worked to establish a history, underlining the nobility of the cause and constructing in a retrospective manner the coherence of the project of the 'fathers of Europe'. The historiographical tradition masks the role of American foundations, also the role of the Alfred Toepfer foundation (Toepfer is a controversial figure for his role in Nazi Germany); see also A. Cohen (2007) 'Le "père" de l'Europe' [The 'Father' of Europe], *Actes de la Recherche en Sciences Sociales,* Vol. 166–167, No. 1, pp. 14–29 and C. Constantin (2011) '"Great friends": Creating Legacies, Networks and Policies that Perpetuate the Memory of the Father of Europe', *International Politics*, Vol. 48, No. 1, pp. 112–128.

2 European Union internet site. Available at: [http://europa.eu/about-eu/eu-history/founding-fathers/index_fr.htm], accessed on 29 March 2014.

narrative is rooted in the trauma of two world conflicts which devastated the continent. However, although the pacification of Europe is a major preoccupation, European integration is not a project rooted in the people; friendship between the founding fathers is celebrated as a symbol of fraternisation of peoples which never really took place. In fact, the post-war impetus behind the process of European integration can be traced to the mobilisation of a very small transnational elite. Moreover, the project owes its success to its convergence with the United States government strategy, thus laying the foundation for global capitalism.

Already in the 1920s, there was a progressive realisation that the fragmentation of the European political space tended to convert economic rivalries into geopolitical conflicts. This is the thesis of Count Coudenhove-Kalergi, the instigator of the pan-European movement: 'Can the various political and economic pieces that comprise Europe assure peace in the face of growing world forces? Or to save its existence will it be constrained to organise a federation of states? Simply asking the question is a response'.[3] Fiscal union becomes the key element of a unification aimed at preventing wars internal to the continent and averting the economic decline. In spite of World War II, this project was not supported by the dominant European classes. Rather, the geopolitical pressure of the Soviet Union and a significant workers' movement led the USA to impose the agenda of European integration. The objective was twofold: secure Federal Germany and force the reorganisation of national bourgeoisies discredited by their collaboration with the Nazi regime.[4] Accordingly, in 1949, Paul Hoffmann, administrator of Economic Cooperation Administration (ECA) responsible for the allocation of the Marshall plan funds, asked Europeans to quickly move towards economic integration: 'The substance of such integration would be the formation of a single large market within which quantitative restrictions on the movement of goods, monetary barriers to the flow of payments and eventually, all tariffs are permanently swept away'. To ensure US-level prosperity, Europe required capital restructuration to be achieved by changing production scales: 'The creation of a permanent freely trading area comprising 270 million consumers in Western Europe would have a multitude of helpful consequences. It would accelerate the development of large-scale, low-cost production industries. It would make the

3 F. Théry (1998) 'Construire l'Europe dans les Années Vingt. L'action de l'Union Paneuropéenne sur la Scène Franco-Allemande, 1924-1932' [Building Europe in the Twenties. The Action of Pan-European Union on the Franco-German Scene, 1924-1932], EURYOPA, Etudes [Studies] 7, Institut Européen de l'Université de Genève, pp. 16–17. Available at: [www.unige.ch/ieug/publications/euryopa/thery.pdf], accessed on 20 March 2014.

4 J-C. Defraigne (2004) *De l'Intégration Nationale à l'Intégration Continentale. Analyse de la Dynamique Supranationale d'Intégration Européenne des Origines à Nos Jours* [From National to Continental Integration: An Analysis of the Dynamics of Supranational European Integration from its Origins to Today], Paris: L'Harmattan, pp. 147–166. G. Carchedi (2001) *For Another Europe. A Class Analysis of European Integration*. London/New York: Verso. For a historic perspective of the European Union, see C. Georgiou (2010) 'The Euro Crisis and the Future of European Integration', *International Socialism* (14 October 2010). Available at: [http://www.isj.org.uk/?id=682], accessed on 29 March 2014.

effective use of all resources easier, the stifling of healthy competition more difficult'.[5] In other words, the majority of economic arguments used to plead for European unification were already present.

Driven by the United States, the European Payments Union (EPU) was established to thwart the dollar liquidity shortage which hampered the development of intra-European commerce. Mainly through Jean Monnet, the USA actively supported the Schumann Declaration of 9 May 1950; this Declaration launched the European Coal and Steel Community (ECSC), the first supranational European institution. Clearly anti-trust, the ECSC followed the Federal Trade Commission; on the one hand, it prohibited the creation of cartels and prevented corporations from establishing a dominant position, and on the other hand, it favoured fusion and acquisitions operations that allowed the costs of production to be decreased through the realisation of scale economies.

The ostensible alternative between national wars and European peace[6] masked a crucial facet of the origins of the process of integration. The American intervention affirmed a new kind of empire, one which needed no territorial conquests and did not fear helping rival industries to emerge since its objective was to promote free trade. And free trade feeds on the construction of states and strong economies.[7] To ensure the success of this long-term project of constructing global capitalism, US leaders and European modernisation functionaries had relative autonomy from domestic capital interests. This explains why Jean Monnet and his group carefully kept steel industrialists who were hostile to all supranational authority that might oppose privately reached agreements out of ECSC discussions.[8] This relative autonomy of the state *vis-à-vis* capital certainly does not imply a disconnection between the state and the capitalist classes; rather, it refers to the state's ability to overcome the partial and short-term point of view of the different sectors of capital to foster the development of the system as a whole.[9]

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5 'Discours de Paul Hoffmann lors de la 75e réunion du Conseil de l'OECE' [Paul Hoffman speech at the 75th Meeting of the Council of OEEC] (31 October 1949), *Centre Virtuel de la Connaissance sur l'Europe*: Available at: [http://www.cvce.eu/viewer/-/content/840d9b55-4d17-4c33-8b09-7ea547b85b40/fr], accessed on 29 March 2014.

6 The argument has generally been mobilised to disqualify critiques. During the debate on the TSCG (Treaty for the Stability, Coordination and Governance), for example, the Socialist Party's representative for economic affairs wrote: 'The euro was not invented for economic reasons. It was set up so that people lose the habit of killing one another. Our priority is thus simple: to make all seventeen members of the Eurozone remain there and continue the march of integration' ['L'euro n'a pas été inventé pour des raisons économiques. Il a été mis en place pour que des peuples perdent l'habitude de s'entretuer. Notre priorité est donc simple: faire que les dix-sept membres de la zone euro y restent et reprendre la marche de l'intégration] K. Berger (2012) 'Il Faut Voter le Traité Budgétaire Européen' [It is Necessary to Vote on EU Fiscal Treaty], *Le Monde*, 20 Septembre 2012.

7 L. Panitch and S. Gindins (2012) *The Making of Global Capitalism*. London/New York: Verso, cf. chapter 3 in particular: 'Planning the New American Empire'.

8 J-C. Defraigne (2004), *op. cit.*, pp. 165–166.

9 L. Panitch and S. Gindins (2012) touch on the Gramscian tradition when they explain: 'In this respect, capitalists

Fusion or Disarticulation: What Political Economy for European Integration?

The subservience of European states to the US project was only just beginning. Once the dollar liquidity shortage receded, industrial, financial and political leaders who continued to define their strategies primarily in national terms abandoned the Payment Union and rejected the European Defence Community that would have led to a federal Europe.[10]

How can we explain the upheavals and the resilience of the process of European integration from the beginning of the 1950s? This is a difficult theoretical problem, and the dominant theories in the field of international relations are hardly satisfactory.[11] Those who underscore institutional imbalances generating a cumulative process of integration draw on a neo-functionalist logic according to which each European crisis produces the conditions which precipitate the following step. Such arguments are, at best, descriptive. Those who put state interests at the heart of European agreements take a rational choice approach, one which does not necessarily account for the economic dynamics. Further, constraining state entities conceals conflicts which cross and go beyond nation-states.

Two striking interpretations were formulated in the 1960s and 1970s by Ernest Mandel and Nicos Poulantzas, both derived from an international analysis of capitalism. According to the Mandelian approach, domination of US capital compels European states' national capitalist classes to reorganise for fear of being eliminated. The nation-state space is too confined to allow the enjoyment of the advantages deriving from scale economies, specifically with the re-composition of the property of large capitalist firms at the continental level. This amalgamation leads to the supranationalisation of several state functions. Mandel says:

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are less likely to be able to see the forest for the trees than officials and politicians whose responsibilities are of a different order from that of turning a profit for a firm. But what these states can autonomously do, or do in response to societal pressures, is ultimately limited by their dependence on the success of capital accumulation. It is above all in this sense that their autonomy is only relative'; see *The Making of Global Capitalism, op. cit.*, p. 4.

10 J-C. Defraigne (2004), *op.cit.*, pp. 167–169: 'La Communauté Européenne de Défense a été Rejetée par les Parlementaires Français' [The European Defence Community was rejected by the French Parliament]. On the intra- and anti-integrationists inside the French bourgeoisie; see C. Parsons (2006) *A Certain Idea of Europe*. Ithaca, New York: Cornell University Press.

11 For a critical presentation, see P. Anderson (2011) *Le Nouveau Vieux Monde. Sur le Destin d'un Auxiliaire de l'Ordre Américain* [The New Old World. The Fate of an Auxiliary of the American Order], Marseille: Agone Publisher. Magnus Ryner (2012) points to the ways academics adopt an instrumental approach to European construction in which general scientific pretension is abandoned for the logic of knowledge oriented towards a predetermined objective: integration. They pose a simplistic cleavage distinguishing between, on the one hand, a rational option maximising economic wellbeing of the agents by going beyond the nations, and on the other hand, emotive-affective nationalist reactions. This literature is anchored in the modernising ideology that largely takes the USA as a model and relies on the neoclassical economic synthesis. See 'Financial Crisis, Orthodoxy and the Production of Knowledge about the EU', *Millenium*, Vol. 40, No. 3, pp. 651–653.

> 'The growth of capital interpenetration inside the Common Market, the appearance of large amalgamated banking and industrial units which are not mainly the property of any national capitalist class, represent the material infra-structure for the emergence of supra-national state-power organs in the Common Market. The larger the growth of capital interpenetration, the stronger the pull for transferring certain given powers from the national states of the six countries towards the Common Market supra-national units.'[12]

According to Mandel, the expanded reproduction of capital and rivalry with the USA should generate the formation of a sociopolitical European bloc. Poulantzas violently rejects this interpretation, accusing Mandel of 'going along with all the current bourgeois propaganda about the "United Europe"'.[13] The disagreement is constructed around notions closely intertwined with imperialism and the state. To Poulantzas, the simple distinction between inter-imperialistic competition and centre-periphery polarisation is no longer applicable. He highlights the 'establishment of a new line of demarcation in the metropoles' camp between the USA and the other metropoles of imperialism, in particular Europe, on the other. The structure of domination and dependence of the imperialist chain organizes the relations of uneven formations of the centre'.[14]

The new line of demarcation implies that there is no inherent contradiction between the national bourgeoisie and US capital and, thus, no automatic rivalry between Europe and the USA. Dependence on the USA dismantles autochthonous capitals in the diverse European economies; the resulting labour processes integrate elements of US capital at the level of production (machines, technologies, inputs), forms of work organisation, relations of competition (concurrence) and sub-contracting. Put otherwise, the political and ideological conditions of American imperialism are consubstantial to European societies. This entails that 'the currently dominant form of interimperialistic contradiction is not that between "international capital" and "national capital" or between imperialist bourgeoisies understood as juxtaposed *entities*'.[15] Because of this imbrication of US capital and the disarticulation of domestic capital, there can be no systematic opposition between the two.

The second element of the controversy, according to Poulantzas, is that there is not necessarily a correspondence between forms of capital organisation and state forms:

> 'The state is not a mere tool or instrument of the dominant classes, to be manipulated at will, with the entire stage of the internationalization of capital automatically provoking a "supranationalisation" of states. The state, the apparatus of cohesion, the apparatus of unity of a

12 E. Mandel (1967) 'International Capitalism and 'Supra-Nationality', *Socialist Register*, Vol. 4, p. 31. Available at: [https://jps.library.utoronto.ca/index.php/srv/article/download/5368/2268], accessed on 29 March 2014.

13 N. Poulantzas (1973) 'L'internationalisation des Rapports Capitalistes et l'État-Nation' [Internationalisation of Capitalist Relations and the Nation-State], *Les Temps Modernes*, No. 319 (February), p. 1489.

14 *Ibid.*, p. 1465.

15 *Ibid.*, p. 1487.

> formation and of reproduction of its social relations, concentrates and epitomizes the class contradictions of the *social formation as a whole*, by sanctioning and legitimizing the interests of the dominant classes and fractions in the face of the *other classes* of the formation, at the same time as assuming world class contradictions It follows that the problem we are concerned with does not, moreover, reduce to a simple contradiction of mechanistic composition between the base (internationalization of production) and a superstructural envelope no longer "corresponding" to it.'[16]

In short, a new scale of organisation of capitalist economic activity does not entail the formation of a political apparatus at that level.

Poulantzas notes the economic and political processes associated with the internationalisation of capital, without indicating the specific logic behind European integration. Mandel, on the other hand, proposes a simple but poignant hypothesis: the inter-imperialist rivalry *vis-à-vis* the United States leads to the European amalgamation of national capitals, an economic reorganisation which leads to the reordering of the political.

Despite their disagreements, the two authors underscore the difficulties of the situation from the point of view of revolutionary strategies. Mandel does not fetishise the European scale. He anticipates that in the short or medium term, there will not be parallel economic, social and political development in European countries. Historic differences between social structures and labour movements are translated by power relations between classes which vary from country to country, leading to different possibilities for the conquest of power by the working classes. Mandel insists that internationalism does not consist of waiting for conditions to be mature simultaneously in different countries before taking over; instead, 'socialists should continue to work for the overthrow of capitalism within the boundaries of "their" own country inside the Common Market, as long as this is *objectively possible*'.[17] Meanwhile, when the process reaches the point 'where the workers of the six countries face the new "European" employers' class, the whole struggle for socialism will have to be lifted to the new international dimension'. At the same time, however, 'one should not underestimate the tremendous difficulties on the road to the practical, international coordination in a struggle for political power, if only because of the differences in language and the levels of centralisation needed for such a struggle'.[18]

The internationalisation of productive processes within global chains of commodities has grown significantly in recent decades. Already in the 1970s, however, Poulantzas noticed this trend and commented on the accompanying problems:

> 'Whilst the struggles of the popular masses are developing more than ever on a world *foundation* determining the concrete conjunctures, and whilst the establishment of world relations of

16 *Ibid.*, p. 1491.

17 E. Mandel (1967), *op. cit.*, p. 38.

18 *Ibid.*, p. 39.

> production and the socialization of labour *objectively* reinforce the international solidarity of workers, it is the national form that prevails in their essentially international struggle.'[19]

A number of factors contribute to this paradox: the specificities of each social formation, the particularities of forms of organisation of the working classes, the petite bourgeoisie and peasantry nationalisms that stem from their unique relations to the state, and the social categories of state apparatuses whose role is derived directly from the national state. He draws the following political conclusion:

> 'In this uninterrupted revolutionary process, there cannot be an individual stage of "national" liberation or of "new democracy" based on forms of alliance with a "national bourgeoisie" against "foreign" imperialism and its "agents". Indeed, dependence of the national capital vis-à-vis the USA capital is such that "the rupture of the imperialist chain in one of its links becomes terribly difficult", and it can only be carried out by making a direct attack on, among other things, the labour process itself and on the forms of social division of labour in the processes of production.'[20]

Interestingly, from the point of view of the analysis of European construction, what we now call globalisation and its strategico-political problems, the controversy between these two authors remains valid. They leave unexplored however, the hypothesis of a counter-revolutionary nature to the process of European integration. Lenin's penetrating intuition that 'the US of Europe is, in capitalist regime, either impossible, or reactionary'[21] captures this aspect. Such a construction would not only inscribe in a logic of geopolitical competition aiming to 'contain the more rapid development of America' and to 'protect in common the struck colonies against Japan and America' but also 'aim to stifle in common the socialism in Europe'.

A Counter-Revolution in Advance

Jan Werner Müller says the following of the 'reconstruction' of Europe:

> 'Insulation from popular pressures and, more broadly, a deep distrust of popular sovereignty, underlay not just the beginnings of European integration, but the political reconstruction of Western Europe after 1945 in general. (...) The European elites in the late 1940s and 1950s consciously opted for a restrictive understanding of democracy – and of the EU, since its origin, functions on this basis.'[22]

19 N. Poulantzas (1973), *op. cit.*, p. 1491.

20 *Ibid.*, p. 1500.

21 Lénine [Lenin] (2002) 'Du Mot d'Ordre des États-Unis d'Europe' [The Slogan of the United States of Europe], *Social-Démocrate*, No. 44 (23 August 1915). Works–XXI (August 1914–December 1915) No. 73. Available at: [http://www.marxists.org/francais/lenin/works/1915/08/vil19150823.htm], accessed on 29 March 2014.

22 J-W. Müller (2012) 'Beyond Militant Democracy', *New Left Review* Vol. 73 (January/February). Available at: [http://newleftreview.org/II/73/jan-werner-muller-beyond-militant-democracy], accessed on 29 March 2014.

The experience of Nazism, the Cold War, totalitarianism and the pre-eminence of a Christian democracy defiant of popular sovereignty are all contributing factors in the establishment of limitative institutions of democracy. The trend towards an insulation from popular pressure participates thus in a general context but it takes a more radical and straightforward form in the course of the EU integration. The change in the spatial scale of the politico-economic organisation was not a neutral phenomenon; rather, the construction of the supranational level was a means to reinforce the freedom of capital.

To Friedrich Hayek, arguably the most significant neoliberal thinker of the twentieth century, the main asset of a federation is its ability to reduce public power over economic politics. As he writes, not without irony, 'If the price we have to pay for an international democratic government is a restriction of power and scope of government, it is surely not too high a price (and all those who genuinely believe in democracy ought to be prepared to pay it)'.[23]

What are the consequences of removing obstacles to the circulation of goods, people and capital, and of monetary integration? First, nation-states are deprived of the possibility for industrial politics since these distort competition. Further, they cannot regulate the quality of products, working conditions or even taxation since free competition renders these instruments inoperative. Nor are unions or professional organisations in a position to impose protections. Finally, by definition, a common monetary politics cannot fluctuate according to the interests of a particular state.

Should we not fear (in Hayek's perspective) the reaffirmation of these political economic tools at the federal level? Simply stated, no. The basic principle of industrial politics is lost once the size of the market becomes such that the main competitors are in the union; protection of or support for a particular sector becomes extremely difficult; and in a vast market, there are not sufficient solidarity relations. Hayek asks: 'Is it likely that the French peasant will be willing to pay more for his fertilizer to help the British chemical industry?'[24] More fundamentally, differences in the level of development are an obstacle to all sorts of interference in the market. In the end, Hayek says, once fundamental economic liberties are established at the federal level:

> 'There seems to be little possible doubt that the scope for the regulation of economic life will be much narrower for the central government of a federation than for national states. And since, as we have seen, the power of the states which comprise the federation will be yet more limited, much of the interference with economic life to which we have become accustomed will be altogether impracticable under a federal organisation.'[25]

23 F. Hayek (1939) 'The Economic Conditions of Interstate Federalism', reprinted (1948) in *Individualism and Economic Order*. Chicago: University of Chicago Press, p. 271.

24 *Ibid.*, p. 262.

25 *Ibid.*, p. 265.

Federal power consists mainly of preventing the legislators of different entities from hampering the functioning of the free market: 'this means that the federation will have to possess the negative power of preventing individual states from interfering with economic activity in certain ways, although it may not have the positive power of acting in their stead'.[26]

Once the foundations of a capitalist economy are in place, the possibility that people with different cultures and histories will accept a federal power capable of organising production and consumption seems unlikely. And 'yet, at the same time, in a federation these powers could not be left to the national states; therefore, federation would appear to mean that neither government could have powers for socialist economic planning'.[27] The federalist form is, to Hayek, a means of protecting the capitalist order from the socialist threat.

Although the history of European integration cannot be reduced to this negative integration à la Hayek, before the global turn towards neoliberalism had begun in the 1970s, the superiority of a social order founded on free competition was a founding principle of the European project. The treaty of Rome in 1957 set as a primary objective 'the institution of a system ensuring that competition in the common market is not distorted' (part 1, art. 3).[28] The key actors were well aware of the stakes. Some, like Hans von der Groeben, one of the authors of the Treaty for Germany, applaud the change. He says, 'If we bring together fixed objectives in this treaty and given instrument under a form of rules and of institutions (...), it appears that all the essential characteristics of a market economic system are brought together'.[29] Others despair; for example, Pierre Mendès-France denounces a liberal logic in which 'pure and simple competition resolves all problems'. He warns of the risk of a 'race to the bottom' in social and fiscal matters and warns against the 'abdication of a democracy' which can take the form of subservience 'to an external authority, which, in the name of a technicality, will exercise in reality the political power; for in the name of a healthy economy we easily come to dictate a monetary, budgetary, social and finally "a political" politics, in the big sense of the word, national and international'.[30]

The obstacles created by governments to attempts to build a common competition policy are numerous, and implementation will take several decades. For example, the longstanding refusal to sanction/ratify the primacy of the international community law over the national law runs

26 *Ibid.*

27 *Ibid.*, p. 266.

28 Hayek's work influenced the Treaty of Rome through the European Movement. See F. Denord and A. Schwartz (2010) 'L'économie (très) Politique du Traité deRome' [The Economy (very) Policy of the Treaty of Rome], *Politix*, No. 89, pp. 35–56. However, for an Austrian author, John Gillingham, European integration remains clearly inside the radicality of the desired model. See P. Anderson (2011), *op. cit.*

29 Cited by Denord and Schwartz, *op. cit.*

30 Speech by Pierre Mendès France on the risks of the common market at the National Assembly, Paris, 18 January 1957. Centre Virtuel de la Connaissance sur l'Europe. Available at: [http://www.cvce.eu/obj/discours_de_pierre_mendes_france_sur_les_risques_du_marche_commun_paris_18_janvier_1957-fr-c81bfdc2-20a9-4eaa-82ec-c2117fa1f3c2.html], accessed on 29 March 2014.

counter to the principles of such a treaty. Also causing problems are sectorial politics in the agricultural, transport and atomic energy domains.

Meanwhile, on the ideological level, the size of the markets allows the creation of scale economies, the better allocation of resources, and heightened competition. Ultimately, the arguments used to justify a large market, based on the principle of unfettered competition, such as those presented a decade earlier by Hoffman, the US representative, were accepted and the Single European Act in 1986 authorised the creation of a large internal market in the 1980s and 1990s. As noted by Denord and Schwartz, 'the Treaty gives neoliberal ideas sustainability that governments often lack'.[31]

The process of European integration was hampered by the inter-war experience and the persistence of a problem central to the bourgeoisie: 'the intrusion of the masses in a capitalist relation'.[32] In this context, the idea of a social market economy[33] played a key role in thinking the containment of democratic pressures. The concept was popularised in 1946 by Alfred Müller-Armack, an ordoliberal economist[34] who represented Germany in the European negotiations. It figured in the Treaty of Lisbon as one of the main objectives of the European Union.[35]

The notion of the social economy of the market was successful due to the ambiguities of the term 'social'. In Müller Armack's thinking, the social refers, on the one hand, to the political nature of the market economy set against a liberal classical vision of the market as a natural order and, on the other hand, to the benefits society can draw from an undistorted system of competition. The *social economy of the market* is thus opposed to the logic of a social state.[36] It situates the source of prosperity for all in the functioning of the market and seeks to limit as much as possible public intervention in matters of income redistribution and living conditions. As explained by Michel Foucault:

31 Denord and Schwartz, *op. cit.*, p. 55.

32 W. Bonefeld (2002) 'European Integration: The Market, the Political and Class', *Capital & Class*, Vol. 26, No. 77, p. 125.

33 On this notion and the role of the ordoliberal school in the European construction see P. Dardot and C. Laval (2009) *La Nouvelle Raison du Monde* [Because of the New World], Paris: La Découverte, chapters 7 and 11. On ordoliberalism see Foucault (2004) *Naissance de la Biopolitique* [Birth of Biopolitics], Paris: Gallimard-Seuil, p. 150. For a more general presentation of German ordoliberalism and the controversies raised by its interpretations, see S. Audier (2012) *Néolibéralism(s). Une archéologie intellectuelle* [Neoliberalism(s). Intellectual Archaeology]. Paris: Grasset, especially pp. 401–424.

34 Ordoliberalism is a theoretical thread of neoliberalism which appeared in Germany in the 1930s.

35 The concept was integrated into the German Christian-Democrat doctrine in 1949, then a decade later, adopted by Social-Democrats at the Congress of Bad-Godesberg. In France, it took half a century to be accepted. In June 2008, the French socialist party espoused 'a social and ecological economy of the market' ['une économie sociale et écologique de marché'], and abandoned all revolutionary references.

36 On the notion of social state, see C. Ramaux (2012) *L'État Social. Pour Sortir du Chaos Néolibéral* [The Social State. Out of Neoliberal Chaos], Paris: Mille et une nuits.

> 'The fundamental form of social policy must not be something that works against economic policy and compensates for it; social policy must not follow strong economic growth by becoming more general. Economic growth and only economic growth should enable individuals to achieve a level of income that will allow them insurance, access to private property, and individual or familial capitalization with which to absorb risks.'[37]

The anthropological project of this school of thought has as a fundamental principle the centrality of competition as a mode of inter-individual relation. The social order affirmed through the notion of the social economy of the market opposes Marxism by denying class antagonisms. Foucault shows that such a project, besides rejecting socialism and social politics, is founded on the neutralisation of Keynesian economic politics. Social policy should enable everyone to take part in the competitive order: the government should 'intervene in society so that competitive mechanisms can play a regulatory role at every moment and every point in society and by intervening in this way its objective will become possible, that is to say, a general regulation of society by the market'. In this sense, what this project implicates 'is not an economic government, it is a government of society'.[38]

The elevation of competition to the level of a superior norm in ordoliberalism meets the needs of an economic concern for efficiency and a moral claim of human freedom. It is fulfilled by an institutional hierarchy in which market regulation (i.e. free and undistorted competition) is ensured by extra-democratic authorities. The process of European integration participates in this project. It does not endorse concessions in terms of social rights granted to workers in the post-war full employment context; rather, it counterbalances these achievements in the socialisation of the economy by establishing loci of decision-making that escape popular influence. Thus, the technocratic government, through rules and independent authorities, shelters large segments of the economic politics from discretionary political decisions.

European integration asserts a class power: 'the "national" guarantee of the rights of private properties is conserved due to Europe which protects the law of the market from embattled masses at the national level'.[39] The European bourgeoisie accepts mass democracy; but, rather than resorting to a police state, as Rosa Luxemburg had anticipated, it strives to contain the threat through institutional barriers which constitute the substance of the process of European integration: 'the creation of the European community is thus read as a "preventive counter-revolution" against democratic majorities, that is European working classes'.[40]

37 M. Faucault (2004) *Naissance de la Biopolitique* [Birth of Biopolitics], *op. cit.*, p. 150/145.

38 *Ibid.*, p. 151.

39 Bonefeld (2002), *op. cit.*, p. 132.

40 *Ibid*, p. 130. The concept of '*pre-emptive counter-revolution*' belongs to Johannes Agnoli.

In this perspective, the *European civil war* of 1914–1915, as analysed by Enzo Traverso, is the breeding ground of contemporary Europe.[41] The period's profound crisis of liberal democracy jeopardised the political and legal foundations of capitalism and became the point of negative reference for the post-war institutional architecture.

The European scale, because of its supranational character, remains partly untouched by the relationship with the social forces expressed in the frame of European nation-states. It constitutes a new ground for transnational politico-economic networks and neoliberal ideas. According to Hayek's logic, the rise in power of the federal scale facilitates the reinforcement of free market principles at the expense of the public authority interventions. European construction is a ground-breaking attempt to pre-emptively address the threats posed by social and political movements to the capitalist order.

The Making of a World Currency

Following the Maastricht Treaty signed on 7 February 1992, the euro became the single currency across countries, the culmination of a project sketched out in the aftermath of World War II. The groundwork was laid in the 1970s and supported in the 1980s when the socialists in France agreed, albeit reluctantly, to remain within the frame of the European monetary system. The subsequent prioritisation of decreasing inflation led to budget restrictions and increasing unemployment. Francois Mitterand declared: 'I am torn between two ambitions: constructing Europe and (bringing about) social justice. The EMS (European Monetary System) is necessary to achieve the first, and it limits my ability to (bring about) the second'.[42]

The dilemma was resolved by the adoption of a single currency. As elaborated in the 1989 Delors report and formalised in the Treaty of Maastricht, the project took an ordoliberal line. In one of his first speeches delivered as President of the European Central Bank (ECB), Mario Draghi pays tribute to Ludwig Erhard, Federal Republic of Germany's first Minister of Economy, and his decisive role in the establishment of ordoliberal ideas. He notes Erhard's support of the principle of independence of the central bank and his conviction that the 'social economy of the market cannot be thought without a consequent politics of price stability'.[43]

This new stage in European unification has allowed monetary politics to be freed from democratic deliberation. The freedom of capital to circulate is justified by the premise of financial market efficiency; the struggle against inflation supported by a monetarist syncretism has taken on

41 E. Traverso (2007) *A Feu et à Sang. De la Guerre Civile Européenne 1914–1945* [A Fire and Blood European Civil War 1914–1945], Paris: Stock.

42 François Mitterrand, Saturday, 19 February 1983, in Jacques Attali, *Verbatim* [Verbatum – testimony in three volumes], tome 1. Published in Paris by Fayard in 1993.

43 Speech by Mario Draghi, President of ECB, 'The Euro, Monetary Policy and the Design of a Fiscal Compact', Ludwig Erhard Lecture, Berlin, 15 December 2011. Available at: [http://www.ecb.int/press/key/date/2011/html/sp111215.en.html], accessed on 29 March 2014.

a constitutional value. In addition, the complexity of the economic processes redistributing the costs and the advantages amongst the population is intended to limit the desire for contestation: 'the likelihood that groups within Europe will either recognise EMU as the source of their economic difficulties or will mobilise against EMU as the first-best means of redress is very small'.[44] The much desired de-politicisation of financial and monetary questions is crucial to the project. Indeed, with no exchange rates, or any substantial European budget and with a uniform monetary policy, labour remains the only variable through which the various national economies can adjust their differentiated dynamics and absorb any shocks.[45] This logic is plainly anticipated in the Delors Report (1989), which indicates that in the frame of the monetary union, 'wage flexibility and labour mobility are necessary to eliminate the differences in competitiveness in different regions and countries of the Community'.[46]

Currency sharing and the use of a central independent bank – fixed on price stability – raise a whole set of new issues, however. The arguments of economic theory do not come down clearly in favour of a single currency, yet the majority of the major political parties in continental Europe, even the big employers' organisations, supported the creation of the euro. This apparent paradox is explained by the advantages expected from the ability of *a world money* to control competition between capitals and states at the international scale. The passage to a single currency would accelerate the Europeanisation of capital and ensure its extra-European internationalisation at a moment when finance affirmed its hegemony.

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44 E. Jones (2002) *The Politics of Economic and Monetary Union*. Boulder: Rowman & Little, p. 12. Quoted by M. Ryner (2012) 'Financial Crisis, Orthodoxy and the Production of Knowledge about the EU', *op. cit.*, p. 660. Sweden is one of the few countries to have had a profound public debate on the costs and advantages of the euro; as a result of the debate, it did not adopt the single currency. R. Boyer (2012) 'Overcoming the Institutional Mismatch of the Eurozone', Seminar Classes of CEPN-AMPK, 16 November 2012, pp. 25–27. Available at: [http://www.univ-paris13.fr/cepn/IMG/pdf/texte_cepn_ampk _301112.pdf], accessed on 29 March 2014.

45 To substitute for adjustment through exchange rate adjustment via prices, wages and employment is extremely slow and very costly in terms of lost growth and unemployment. See V. Duwicquet, J. Mazier and J. Saadaoui (2013) 'Désajustements de Change, Fédéralisme Budgétaire Etredistribution: Comment s'ajuster en Union Monétaire' [Misalignment of Exchange, Fiscal Federalism and Re-distribution: How to adjust Monetary Union], *Revue de l'OFCE*, Vol. 127, pp. 57–96. Also see O. Chagny, M. Husson and F. Lerais (2012) 'Les Salaires aux Racines de la Crise de la Zone Euro?' [Wages are the Roots of the Crisis in the Euro Zone], *La Revue de l'IRES*, Vol. 73, pp. 69–98. Stockhammer and Sotiropoulos (2012) say that to rebalance the commercial balances of Spain, Portugal, Italy, Ireland and Greece through international devaluation, the PIB [GDP] should be reduced by approximately 23% to 47% in relation to the 2007 level. E. Stockhammer and D. Sotiropoulos (2012) 'The Costs of Rebalancing the Euro Area', Post Keynesian Economics Study Group (PKSG) working paper, PKWP1206, 38 pages. Available at: [http://www.postkeynesian.net/downloads/wpaper/PKWP1206.pdf], accessed on 29 March 2014.

46 The Delors Report (Report on Economic and Monetary Union in the European Community), 17 April 1989. Available on line in the Archive of European Integration (AEI), University of Pittsburgh at: [http://aei.pitt.edu/1007/1/monetary_delors.pdf], accessed on 29 March 2014.

Dubious Benefits of Monetary Union

The European Monetary Union is meant to heighten the benefits of the common market, including better allocation of resources, scale economies and stimulation of competition thanks to the disappearance of uncertainties related to the fluctuations of exchange rates and to the suppression of transaction costs. The freedom of capital circulation should enhance liquidity in the financial markets, encouraging investment and helping to develop new industries by reducing the cost of capital.[47] A single currency would bring rapid growth, increase employment, assist profitability and, in the long run, lead to higher salaries.

This reasoning of the European business community is, however, a source of controversy amongst economists. Robert Mundell's dominant optimal currency zones theory claims that income generated through participation in a particular monetary zone is conditional: countries must have similar economic structures if the impact of the economic shocks they face are to become correlated, labour markets must be flexible to absorb the asymmetric shocks and finally, commercial integration must increase for transaction costs to decrease and present a significant advantage.[48] In the early 1990s, a number of economists considered that these conditions were not met, echoing the conclusion of the European Commission in the 1970s who said only a common budget would allow fiscal transfers and render the single currency viable.[49]

In the early 1990s, freedom of capital circulation brought turmoil to foreign exchange markets through successive waves of speculation, reinforcing the need for a single currency as a means to protect the countries. The monetary union was a logical consequence of capital market integration.

Shortly thereafter, a variant of the optimal currency zones theory was used to justify the choice of the single currency by pointing to the endogeneity of the optimality criteria.[50] The theory had the following logic: the decision to set up a monetary union has a self-fulfilling character. Economies will adapt to this new situation by activating a series of mechanisms: monetary union

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47 These arguments are developed in the reports Cecchini, Padoa Schioppa and Sapir sponsored by the European Commission to prepare the single market, the single currency and then the Lisbon agenda. For an approach through regulation theory of the euro trajectory and of the institutional inadequation of the zone, see R. Boyer (2012) 'Overcoming the Institutional Mismatch of the Eurozone', *op. cit.*

48 For a synthesis of the theoretical debates on the Eurozone as an optimal currency zone, see P. De Grauwe (2006) 'What Have we Learnt about Monetary Integration since the Maastricht Treaty?', *Journal of Common Market Studies*, Vol. 44, No. 4 (November), pp. 711–730.

49 D. MacDougall (1977) MacDougall Report, *Report of the Study Group on the Role of Public Finance in European Integration*, Vol. I. Brussels: European Commission. Available at: [http://ec.europa.eu/economy_finance/emu_history/documentation/chapter8/19770401en73macdougallrepvol1.pdf], accessed on 29 March 2014.

50 J.A. Frankel and A.K. Rose (1996) 'The Endogeneity of the Optimum Currency Area Criteria', *NBER Working Paper*, No. 5700, Issued in August 1996. Available at: [http://www.nber.org/papers/w5700], accessed on 29 March 2014.

will increase commercial integration and the benefits from a single currency; financial integration will facilitate the implementation of prevention systems to offset the asymmetric shocks, and the labour markets will be compelled to become flexible.

But since 2000 and increasingly with the economic crisis, there has been serious doubt. Many stress that the flux of financial resources in the peripheral regions, a result of the elimination of exchange risk, can potentially destabilise levels of indebtedness and commercial deficits.[51] They argue that the massive flux of capital, fed by differential inflation rates and the illusion that risks related to international financial operations vanished with the creation of the euro, will nurture unsustainable imbalances and dramatically exacerbate competitiveness gaps.[52] In this sense, the euro crisis is the work of the euro itself; far from creating optimality, the single currency creates the conditions of its own destabilisation.

An Attempt at Global Projection

Since its creation, the single currency has failed to live up to its promises of growth; the Euro-zone is one of the least dynamic of the globe. The crisis has also shown that the euro had nothing to do with speculation, having simply displaced speculation from the exchange market to the public debt market.[53] The attachment to a single currency needs further clarification. The will, already mentioned, to reinforce the position of a class power is clearly present. The other significant factor

51 Some of this work is written by ECB economists. These studies do not explain why the supposedly efficient financial markets provide inadequate capital allocation oriented towards real estate rather than new technologies. For a brief discussion of this work, see M. Ryner (2012) 'Financial Crisis, Orthodoxy and the Production of Knowledge about the EU', *op. cit.*, pp. 657–658. In a post-Keynesian perspective, E. Stockhammer warned of the destabilising effects of commercial imbalance before the outbreak of the European crisis: E. Stockhammer (2007) 'Some Stylized Facts on the Finance-Dominated Accumulation Regime', *Political Economy Research Institute Working Papers*, wp142, University of Massachusetts at Amherst. Available at: [http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_101-150/WP142.pdf], accessed on 29 March 2014.

52 A number of publications have described the mechanisms at work since the Eurozone problems. A good example is the book coordinated by C. Lapavitsas (2013), *Research on Money and Finance*. Available at: [http://www.researchonmoneyandfinance.org/], accessed on 29 March 2014; another (in 2012) is *Crisis in the Eurozone*. London: Verso. See also M. Aglietta (2012) *Zone Euro: Eclatement ou Fédération* [Eurozone: Break Up or Federation]. Paris: Michalon.

53 See also the work of J. Sapir (2012) 'Pour l'Euro, l'Heure du Bilan a Sonné. Quinze Leçons et Six Conclusions' [For the Euro, the Time of Reckoning has Come. Fifteen Lessons and Six Conclusions], 18 June 2012. Available at: [http://halshs.archives-ouvertes.fr/FMSH-WP/halshs-00710375], accessed on 29 March 2014; 'Mythes et Préjugés Entourant la Création et l'Existence de la Monnaie Unique' [Myths and Misconceptions Surrounding the Creation and Existence of the Single Currency], summary analysis, Centre d'Études des Modes d'Industrialisation (CEMI), EHESS, 14 September 2012. Available at: [http://f.hypotheses.org/wp-content/blogs.dir/981/files/2012/09/Mythes-Euro.pdf], accessed on 29 March 2014.

is the European attempt to improve the position of its capital in the global scene of accumulation.[54] In the world market – this particular space where private international capital meets the interstate system the euro aspires to be a common language for capital and states[55] to benefit European entities. This inevitably raises the question of competitiveness *vis-à-vis* the dollar.[56]

Such an attempt to construct what Marx calls a 'world money'[57] is unprecedented. It is not a question of the transformation of an already existing domestic currency, linked to a state economy, but the creation *ex nihilo* of a currency through the monetary union of different countries. To achieve this, the euro should become a *reserve currency*, a secure and accepted means of payment: it also must be recognised as the basis for price fixing. Unlike the dollar whose acceptability relies on institutional and contractual arrangements already in place, as well as on a unique political and military power, the euro needs to build its credibility. The size of the domestic markets supports this, but the political fragmentation of the zone constitutes an intrinsic fragility that requires an irreproachable monetary stability. This is behind the anti-inflationist obsession of the ECB and explains the vigilance over the evolution of the international usage of the euro.[58]

Its function as the means of payment of the international balance is a primary attribute of the world money. The *monetary power* associated with the control of the world money, or 'the exorbitant privilege of America' as denounced by de Gaulle, is measured in terms of the degrees of

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54 EU imperialism is not restricted to monetary issues. In the commercial and military sectors, the European construction has an imperialist dimension, partly complementary to national imperialisms. See G. Carchedi (2001) *For Another Europe*, *op. cit*., pp. 114–117; C. Serfati (2012) 'L'Impérialisme et la Place de l'UE dans le Dispositif Économique et Géopolitique Mondial' [Imperialism and the Role of the EU in the Global Geopolitical and Economic System], symposium *Penser l'Émancipation* [Thinking Emancipation], 27 October 2012 at UNIL, Lausanne. Available at: [http://www.youtube.com/watch?v=7LE7_EngVEw], accessed on 29 March 2014.

55 On the euro as 'a world money' see C. Lapavistas (2013) 'The Eurozone Crisis through the Prism of World Money', in M. Wolfson and G.A. Epstein (eds), *The Handbook of the Political Economy of Financial Crises*. USA: Oxford University Press, pp. 378–394.

56 The possibility of the euro becoming the major international reserve currency, replacing the dollar, along with the resulting difficulties for the funding of the US commercial deficit are discussed by M. Chinn and J. Frankel (2005) 'Will the Euro Eventually Surpass the Dollar as Leading International Reserve Currency?', *NBER Working Paper No. 11510*, August 2005. Available at: [http://www.nber.org/ papers/w11510], accessed on 29 March 2014; see also K. McNamara (2008) 'A Rivalry in the Making? The Euro and International Monetary Power', *Review of International Political Economy*, Vol. 15, No. 3, pp. 439–459.

57 Karl Marx (2009) *Le Capital*, Vol. I. Paris: Quadridge/Press Universities of France (PUF), pp. 160–164.

58 The ECB publishes a yearly report accounting for the euro's value in global foreign exchange reserves (around 25% against 62% for the dollar), the share of debt expressed in euros (around 26% against 50% for the dollar) or the weight of the euro in exchange operations (40% against 90% for the dollar) but also the role of the euro as a parallel currency beyond the zone. For 2011, the report shows that despite the crisis, there is strong resilience in the international use of the euro. See ECB, *The International Role of the Euro* (2012) (July). Available at: [http://www.ecb.int/pub/pdf/other/euro-international-role201207 en.pdf], accessed on 29 March 2014.

autonomy of the national macroeconomic politics at the heart of the global monetary system, essentially, an economy which can escape the costs of adjustment which lead to imbalances in the payment balance.

The EMU is meant to increase the monetary power of country members, on the one hand, by diminishing the external vulnerability of currency fluctuations and on the other hand, by improving the capacity of states to finance their commercial imbalances thanks to the depth of a large, unified financial market.[59] The expected reinforcement of the monetary power should generate additional benefits by increasing the authority of Europe on the global economic and financial scene. The Delors Report sustains that, 'The establishment of the EMU would give *the Community a greater say in international negotiations* and enhance its capacity to influence economic relations',[60] notably in commercial and monetary matters and in the macroeconomic management of the world economy.

But a world currency also provides more direct benefits, which explains the attachment of large financial and non-financial corporations to the euro.[61] The wide acceptance of the euro in international transactions has facilitated the expansion of European banks and favoured acquisitions of industrial firms abroad. The financial costs of international operations (exchange rate, insurance, credit) are thus significantly diminished. As a result, the European share in foreign direct investments (FDI) jumped from 42.6% in 1999 to 55% in 2008. At the same time, in the USA, FDIs fell from 39.3% to 18.9%.[62] Intra-European operations play a role in this outcome, as almost 70% of European FDIs are internal to the EU.[63]

The increased influence of European companies is equally visible in new alliances between management councils in the north-Atlantic heart of globalised capitalism. In the early 1990s, the main links were regroupings around big American companies; in 2005, the big American

59 D.M. Andrews (ed.) (2006) *International Monetary Power*. Ithaca, NY: Cornell University Press. For a brief discussion of the Eurozone see M. Vermeiren (2012) 'Monetary power and the EMU: Macroeconomic Adjustment and Autonomy in the Eurozone', *Review of International Studies*, Vol. 39, No. 3 (November), pp. 1–33.

60 The Delors Report (Report on Economic and Monetary Union in the European Community), *op. cit.*, p. 25.

61 Lapavitsas (2013), 'The Eurozone Crisis through the Prism of World Money', in M. Wolfson and G.A. Epstein (eds), *The Handbook of the Political Economy of Financial Crises*. USA: Oxford University Press, pp. 378–394.

62 United Nations Conference on Trade and Development (UNCTAD), *FDI Statistics* (2012). Available at: [http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx?sRF_ActivePath=P,5,27&sRF_Expanded=,P,5,27], accessed on 29 March 2014.

63 Eurostat, 'European Union Foreign Direct Investment Yearbook' (2008), p. 89; available at: [http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BK-08-001/EN/KS-BK-08-001-EN.PDF], accessed on 29 March 2014. See also: [http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Foreign_direct_investment_statistics#EU27_FDI_stocks_with_moderate_growth_in_2010], accessed on 29 March 2014.

companies and to a lesser extent the French and Swiss were connected to US firms.[64] If the Europeanisation of firms is an essential component of internationalisation, it is not all of it.[65]

Amalgamation under Financial Hegemony

Talk about European capital raises complex empirical and theoretical issues. Is there, as Mandel contemplated, an amalgamation of national capitals at the level of firm ownership? Do the different national capitals in Europe take a subordinate position to American capital as argued by Poulantzas? Addressing these issues goes beyond the scope of this article. It is, however, worth noting two elements: first, the property of capital and second, the firms, the assets they control and the national sociopolitical regularities in which they operate, that is, the technical and institutional arrangements organising the valorisation of capital.

The EMU has accelerated major transformations in the structures of property and governance of large firms, reinforcing the financial grip.[66] From the post-war period to the 1970s, managers played a dominant role in the structure of the governance of large firms and maximised their power by reinvesting the profits; starting in the 1980s, we see a progressive transformation marked by the rise in power of shareholders and the alignment of the managers' behaviour based on the income they distributed. This evolution translates into increased distributed profits in the form of interest, dividends and share repurchasing. Originating in the USA and GB, the norm of value creation for the shareholders became generalised in a developed world, albeit at unequal rhythms depending on countries and sectors, as the integration of financial markets became increasingly organic.

This transformation in Europe has been concomitant with turmoil in shareholding structures. In France, the turning point arrived in the second half of the 1990s.[67] The 1986 and 1993 privatisations, along with those in the period 1997–2001, deprived public authorities of their

64 K. Van der Pijl, O. Holman and O. Raviv (2011) 'The Resurgence of German Capital in Europe: EU Integration and the Restructuring of Atlantic Networks of Interlocking Directorates after 1991', *Review of International Political Economy*, Vol. 18, No. 3, pp. 384–408.

65 M. Dietsch, E. Mathieu and M. Chopra (2003) 'Mondialisation et Recomposition du Capital des Entreprises Européennes' [Globalisation and Capital Re-structuring of European Companies'], General Planning Commission, Paris, December 2003. Available at: [http://www.ladocumentationfrancaise.fr/docfra/rapport_telechargement/var/storage/rapports-publics/044000028/0000.pdf], accessed on 29 March 2014.

66 On this globalisation school, see F. Chesnais (ed.) (2004) *La Finance Mondialisée. Racines Sociales et Politiques, Configuration, Conséquences* [Globalised Finance, Social and Political Roots, Configuration, Consequences], Paris: La Découverte.

67 F. Morin and É. Rigamonti (2002/5) 'Évolution et Structure de l'Actionnariat en France' [Evolution and Structure of Ownership in France], *Revue Française de Gestion*, No. 141, pp. 155–181 and B. Coriat (2008) 'L'Installation de la Finance en France' [Installation of Finance in France], *Revue de la Régulation*, No. 3/4 (Autumn). Available at: [http://regulation.revues.org/6743], accessed on 29 March 2014.

strategic power over most big firms. They initially sought to maintain control of the privatised via cross-shareholdings between large corporations. But since the mid-1990s, shareholders have been split by the pressure of the evolution of European regulations on the freedom of capital circulation. Foreign shareholders and individuals now seek to control corporation managers. Finally, increased competition is driving the internationalisation of corporation strategies.

To accommodate the EMU's desire to accelerate European consolidation, banks and financial firms will be relieved of non-strategic participation and become able to use the capital available to finance expansion. For example, France moved from a situation where big corporations were controlled by a financial heart dominated by six main banking and insurance companies, to a situation where the shareholding structure became dispersed and internationalised with an important role for institutional investments (pension funds, hedge funds, insurance companies and in the second half of 2000, sovereign funds).

In Germany, the toppling took place later but the logic was similar.[68] The starting situation was a shareholding structure controlled by the banks. By controlling by proxy the majority of the small shareholders' votes, they exercised major control over big corporations. They played the role of the white knight fighting back hostile attempts to take control of the industrial firms; they were linked by cross-shareholding and by administrators, thus guaranteeing the stability of the ownership structure. Here as elsewhere, however, the changes in European regulations and the construction of global strategies caused the model to rupture. The critical moment was in 2000, when the Schröder government made the decision to eliminate taxes on capital gains on stakes held for at least one year (against a rate of approximately 50% to date). This reform allowed big German corporations, led by the Deutsche Bank, to finance their expansion projects. The advantageous tax system led to the arrival of new international investors.

Deconcentration of property and the internationalisation of big corporations' capital attest to the remarkable transformation of capitalist structures in France and Germany[69] but the tendency to internationalisation is observed elsewhere in the EU.[70] With the FDIs, the phenomenon is

68 C. Lantenois (2011) 'La Dissolution du Cœur de la *Deutschland AG* [Dissolution of the Heart of the Deutschland AG], *Revue d'Économie Financière*, No. 104, pp. 91–106.

69 Between 1999 and 2007, the share of the three major shareholders in the firm capital of the CAC 40 –the CAC 40 takes its name from the Paris Bourse's early automation system Cotation Assistée en Continu [*Continuous Assisted Quotation*] – dropped from 42.6% to 24. 9%; for German firms of the Dax 30, it fell from 33% to 17.5%. At the same time, the share of foreign investors in the major five shareholders jumped from 16% to 49.5% and from 7.7% to 61.3%. See C. Lantenois and B. Coriat (2011) 'Investisseurs Institutionnels Non-résidents, *Corporate Governance* et Stratégies d'Entreprise' [Non-Resident Institutional Investors, *Corporate Governance* and Business Strategies], *Revue d'Ééconomie Industrielle*, [online] No. 134, Doc. 3 / 2nd trimester, pp. 51–84. Available at: [http://rei.revues.org/4994], accessed on 29 March 2014.

70 The share of foreign investors in the European stock exchanges varied from 35% to 41% between 1999 and 2007. Federation of European Securities Exchanges (FESE) and Economics and Statistics Committee (ESC), *Share Ownership Structure in Europe*, December 2008, p. 12. Available at: [http://www.fese.be/_lib/files/Share_

mainly intra-European. European stock exchanges, as a whole, are controlled by as much as 80% by European capital. If in the 1990s and 2000s, the entry of US investors was an important phenomenon, the continuous rise in the strength of foreign investors and collective funds marks the result of the growth of European funds and the diversification of their investments from a national to a European space. By 2008, collective funds comprised more than half of the capitalisation in the majority of EU countries, with US money playing a minor role. In sum, the Europeanisation of capital was a reaction to the entry of US funds and was manifested by the rise of collective European funds.[71]

The amalgamation of European property anticipated by Mandel has finally taken place but in relation to modalities that no one would have imagined three decades ago. A decisive element is the fact that the liberalisation of capital circulation accompanying the EMU is not limited to intra-European transactions but extends to operations in the rest of the world. The US played a significant role in this;[72] the EMU represents European insertion into the North American project of global capitalism as described by Panitch and Gindins. The irreversible entry of American investment funds on the continent in the second half of the 1990s was the result. The disarticulation of structures of national property and the pressure of activist shareholders produced the intra-European amalgamation of the 2000s which imitated the forms of dominant property in the Anglo Saxon world. The shift in scale of the property of European capital indicates a qualitative transformation, delivering European products to global financial markets. More than an opposition to the USA, the EMU represents a key moment in Europe's financial trajectory: the force of institutional investors was increased, shareholders were broken apart, and performance requirements were made uniform. In this way, finance became a globalised institutional apparatus to consolidate the power of capital over labour.

The Fragility of an Unequal Europe

The question of the nationality of property lost significance at the very moment when the imperial privilege conferred by the creation of the euro reinforced the position of Europe as a space of capital valorisation. But this is not a homogenous space. The EMU intensified the dynamics of unequal development by introducing a semi-colonial logic, something which became clear during the economic crisis. The ensuing polarisation derives from the reorganisation of corporations and the

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Ownership_Survey_2007_Final.pdf], accessed on 29 March 2014.

71 T. Auvray and C. Granier (2009) 'La Crise Financière en Europe: Vers une Convergence des Modèles de Détention Actionnariale? [The Financial Crisis in Europe: Towards a Convergence of Activist Shareholder Models]', chapter 5, in C. Dupuy and S. Lavigne (eds), *Les Géographies de la Finance Mondialisée*, La Documentation Française, Paris, pp. 79–95.

72 B. Coriat (2008) 'L'Installation de la Finance en France' [The Installation of Finance in France], *Revue de la Régulation*, *op. cit.*

financial flux; it translates into the differentiated macro-economic vulnerability of national economies and, in particular, the progressive affirmation of Germany as the new hegemon.

In the background of the bubble of trade surpluses and of German profits in the 2000s, we see a two-level capture of the labour liberated by the fall of the socialist regimes. In the internal plan, reunification has meant a considerable economic cost, but it has also provided corporations with millions of workers. The abundance of labour, market reforms drastically reducing the rights of the unemployed, the breakdown of collective conventions, and a majority unionism acquired through the principle of congestion are at the basis of over 15 years of salary stagnation, with salary decreases in the services sector. This class offensive against German workers has increased the profitability of corporations and improved the competitiveness of German exportations at the expense of the rising number of poor workers.[73]

In the external plan, meanwhile, one of the most spectacular aspects was the absorption of the East-European periphery into global chains of commodities. Most of the industrial activity in these countries is now dominated by multinationals, essentially German, who found close-proximity cheap labour.[74]

If the domination of German capital in the East takes the form of integrating this region into the industrial chains, this is not so in the South of Europe. During the 2000s, demand was sustained by the abundance of low cost credit resulting from the establishment of the euro, and salaries rose due to the dynamism of non-exchangeable activities (services, real estate). During the boom, the illusion of 'catching up' was accompanied by the loss of competitiveness and the weakening of the industrial apparatus. This was accompanied by the accumulation of debt to German and French financial institutions.[75]

The euro crisis has revealed the strictly hierarchized structure of European economies. In the economies of the East, of whose financial system is entirely dominated by German, French and Austrian banks, the debts are in euros. The collapse of their currency due to repatriation of capital by investors at the peak of the financial crisis in Autumn 2008 created a crisis typical of developing

73 International Labour Law (ILO) (2014) *Global Employment Trends 2012. Preventing a Deeper Jobs Crisis*, Geneva, p. 46. Available at: [http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_171571.pdf], accessed on 29 March 2014. See also the following article summarising the absence of minimum salary available at: [http://www.reuters.com/article/2012/02/08/us-germany-jobs-idUSTRE8170P120120208], accessed on 30 March 2014.

74 On the expansion to the East of multinational firms see D. Bohle (2006) 'Neoliberal Hegemony, Transnational Capital and the Terms of the EU's Eastward Expansion', *Capital and Class*, Vol. 30, No. 1, pp. 57–86; D. Bohle and B. Greskovits (2007) 'Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe', *West European Politics*, Vol. 30, No. 3, pp. 443–466; A. Nölke and A. Vliegenthart (2009) 'Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe', *World Politics*, Vol. 61, No. 04 (October), p. 670.

75 F. Chesnais (2011) *Les Dettes Illégitimes: Quand les Banques Font Main Basse sur les Politiques Publiques* [Illegitimate Debts: When Banks are Hands on Public Policy]. Paris: Liber.

countries: it was extremely violent but partly absorbed, in a some cases by an adjustment in the exchange rate. The Southern periphery, however, only had to bear the brunt of the burden when investors realised the German debt in euros was not offering the same guaranties as the Greek debt in euros. The transformation of the imbalances of payment in the crises of public debt has thus rendered visible the extremely unequal distribution of *monetary power* in the zone.

The monetary orthodoxy of the ECB, exclusively focused on price stability, is implicitly associated with a politics biased towards an appreciation of the euro. Such an orientation has been favourable to the development of production in economies whose competitiveness to export depends more on the quality than on the price of goods; mainly, they have managed to keep salaries low, especially in Germany and in a certain number of other economies of the North such as the Netherlands.[76] Conversely, economies adjusting their competitiveness by recurrent devaluations, as on the Southern periphery of Europe, but also in France, have seen their commercial balance degraded. For the weakest amongst them, the crisis of the Eurozone has revealed the brutal implications of the degradation of their relative position: accumulated debts are paid politically; imperialism follows the discontent of creditors.

A fraction of German management, notably around Bundesbank, was initially reluctant to embrace the single currency idea, aware of the long-term economic and political problems it could engender. The regulations imposed in exchange for their agreement favoured domestic companies, allowing them to generate commercial surpluses which now place the government in a position of strength. France has not been so lucky, and, in the absence of a European sovereign democracy, Germany finds itself at the centre of the financial game.[77] Exercise power has nothing *d'aisé* for this new hegemon. As we observe with the adjustment Troika programmes (European commission, ECB, IMF), obtaining a maximum reimbursement of the accumulated debts leads to the dispossession of a large part of the population and violates the sovereignty of the countries concerned. The wave of mobilisations since the 1970s is unprecedented in the region and represents both a class and a socio-economic resistance. But underlying these struggles is an anti-colonial dimension arising from a centre-periphery polarisation in the Euro-zone itself.

This double contradiction undermines the unique currency and threatens to fracture a Europe without legitimacy. The absence of political unification is both the cause and the symptom of the impasse. A supranational construction has been conceived to protect capital from the democratic intervention of the people, but the widespread social unrest and governmental instability remind us of its cost and signal the growing subaltern collective desire for an alternative.

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76 M. Vermeiren (2012) 'Monetary Power and the EMU: Macroeconomic Adjustment and Autonomy in the Eurozone', *op. cit.*

77 B. Mahnkopf (2012) 'The Euro Crisis: German Politics of Blame and Austerity – A Neoliberal Nightmare', *International Critical Thought*, Vol. 2, No. 4, pp. 472–485.

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