Chapter Three

Chronicle of a European Crisis Foretold

Building Neoliberalism from Above
and Options for Resistance from Below

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In 2001, the European Commission released a draft directive “On Market Access to Port Services” that would have granted port users the right to hire workers other than recognized and unionized dockers. The response from dockers was dramatic:

Concerted action culminated in the first ever pan-European dock strike in January 2003, involving twenty thousand dockers. This was followed by mass demonstrations outside the [European] parliament in Strasbourg in March 2003. In September 2003 the ITE/ETF [union] organised street demonstrations involving nine thousand dockers in Rotterdam in protest against the final text to be debated in the European Parliament, and the IDC [union] did the same in Barcelona with six thousand dockers.¹

In response to this mobilization, the European Parliament voted against the directive. The directive was reintroduced but without the most controversial provisions, reflecting the fact that “port unions [had] developed their capacity and demonstrated their willingness to engage in unconventional action, and in the process inflict significant costs on both global capital and the supranational [European] state.”² Even this watered down directive was again rejected overwhelmingly by the Parliament in 2006, after more than six thousand striking dockers from sixteen different countries demonstrated on the streets of Strasbourg.³ Writing in 2007, Turnbull notes that of the more than one thousand directives put forward by the Commission after 1999, this was one of only three to have been thrown out by Parliament.⁴
THE NEOLIBERAL LOGIC OF THE EU PROJECT

The EU has long helped institutionalize the neoliberal policies of the European Union (EU) through its promotion of free-market principles, deregulation, and globalization. This has led to a shift away from traditional state intervention and towards market-driven solutions for economic and social issues. The EU's neoliberal policies have been instrumental in encouraging competition and efficiency within the European market, fostering international trade, and attracting foreign investment. However, these policies have also contributed to increased inequality, environmental degradation, and social polarisation.

As a whole, the EU's neoliberal agenda has been supported by various institutions, including the European Commission, the European Central Bank, and the International Monetary Fund (IMF). The EU's neoliberal policies have been further reinforced by the adoption of the Single Market Programme, the implementation of the Schengen Agreement, and the establishment of the Eurozone. These initiatives have facilitated the integration of European economies and the free movement of goods, services, capital, and people within the EU.

The EU's neoliberal agenda has also been facilitated by the expansion of its membership to include new member states with different economic and political systems. The EU's neoliberal policies have been promoted as a means of promoting economic growth and stability, but they have also been criticized for their negative impact on social welfare, environmental protection, and democratic participation.

In conclusion, the EU's neoliberal agenda has played a significant role in shaping the European economy and society. While it has brought about significant changes, it has also raised questions about the EU's capacity to address the complex challenges facing the continent. The future of the EU will depend on its ability to balance the demands of neoliberalism with the needs of its citizens and the protection of democratic values.
subversion of the welfare state is a key component of the EU elite’s response to the crisis we are now living through.

THE CURRENT CRISIS: THREAT AND ELITE OPPORTUNITY

Causing the Crisis

From the mid-1990s onwards, Europe witnessed a growing competitiveness gap between core and periphery Eurozone members. German wages were systematically suppressed throughout this period as labor markets were liberalized and austerity lionized, a trend that made Germany very much an outlier in the Eurozone. Labor costs constitute only one aspect of competitiveness and many high-wage economies (such as that of Finland, and indeed Germany itself) are also highly competitive due to high levels of technological investment among other factors. But for the Southern European countries in particular, labor costs are a relatively important aspect of competitiveness due to the high labor intensity of vital industries such as tourism. Therefore, the growing disjunction between their labor costs and those of Germany constituted an especially problematic development. It is important to emphasize that the peripherals were not behaving in a manner inappropriate to the maintenance of a currency union: wages tended to rise in line with inflation and the growth of productivity, whereas it was Germany’s suppression of wages below trend growth in inflation and productivity that created an imbalance.

Although the peripherals were becoming increasingly less competitive—relative to the outlier Germany—they no longer had available to them the “traditional” response of currency devaluation. Instead the peripherals mostly ran up substantial balance of payment deficits that were financed by borrowing. This, in essence, is what underpinned the European debt crisis: core country banks lending to the public and/or private sectors of the periphery, facilitated by a low interest rate policy on the part of the ECB, an equalization of countries’ credit ratings (see below) and by lax regulation of such cross-border lending by the ECB or any other authority.

Peripheral borrowing was made especially easy by the fact that it was assumed the ECB would back all Euro-denominated debt equally, the costs of borrowing fell to more or less German levels for all other member states of the EMU. For example, Greek borrowing costs fell from over 20 percent for a ten-year bond before the introduction of the Euro to within half a percentage point of the German bond rate by 2001. What the peripheral countries used the borrowed money for differed from case to case. In Spain and Ireland, for example, money flowed into overheated property markets and created huge property price bubbles. In Greece, large public debt was incurred, though much of this was for purposes that did not necessarily serve the public good—such as armaments imports and infrastructural projects whose costs were bloated by corruption. Most countries did not, prior to the crisis, have significant government budget deficits nor debt problems—for example, in 2007, Ireland’s net debt-GDP ratio was 12 percent, that of Spain was 26 percent, while Germany’s ratio was 50 percent.

Dealing with the Crisis

This was not, for the most part, a crisis caused by irresponsible government spending: it was predominantly a crisis caused by the irresponsible activities of private sector agents. But it would become a crisis of government budgets, mainly because national governments guaranteed the debts of their “own” banks. As the crisis deepened, the ECB became increasingly alarmed at the prospect of “contagion” spreading to the core-country banks (i.e., German, French, and other banks not getting back the money they had lent to the periphery). Estimates for early 2010 indicate that the collective exposure of Eurozone banks to Spain was $727 billion, exposure to Ireland was $402 billion, and exposure to Greece was $206 billion. In total, French and German banks alone had, in 2010, outstanding loans to Greece, Ireland, Italy, Portugal, and Spain of almost $1 trillion. Preserving the financial sectors of their own countries was the first priority of core country leaders and it remains important today. This imperative was very evident, for example, in the run-up to the Irish “bail out” of 2010, when the ECB insisted that Ireland continue all bank bondholder payments.

However, the crisis could be an opportunity as well as a threat: an opportunity to continue the longer-term EU project of shifting power further away from labor and towards capital, and further “locking in” pro-corporate policies. Paul Krugman has observed that “the drive for austerity was about using the crisis, not solving it.” Thus, between 2010 to 2013, Greece, Ireland, Portugal, and Cyprus, finding themselves no longer able to borrow at affordable rates from the financial markets, were obliged to seek loans supervised by the “troika” of the European Commission, ECB, and International Monetary Fund (IMF). And those “bail out” loans (partly intended to ensure bank bondholder repayments) came at a price: public spending cutbacks, taxation increases, privatization, deregulation, and so on.

As Zacune puts it, “The dark irony is that an economic crisis that many proclaimed as the ‘death of neoliberalism’ has instead been used to entrench neoliberalism.” The Commission, for example, has gone so far as explicitly supporting water privatization conditionalities for bail-out countries, contrary to its own purported neutrality (as set out in Article 345 of the EU Treaties) vis-à-vis company ownership. In June 2011, a referendum in Italy saw 96 percent of the electorate vote to overturn laws that promoted the privatization of water management and the management of other local public utilities.
Two months later Mario Draghi (again not entirely focused on inflation) sent a secret (subsequently leaked) memorandum to the Italian government calling for "a comprehensive, radical and credible strategy of reforms, including the full liberalisation of public services . . . through large-scale privatisations." 

As this last example illustrates, it is not just the bail-out countries that have been the subjects of the drives to entrench neoliberalism. Spain and Italy have also adopted programmes of austerity under EU pressure, while in Italy (as in Greece) an elected prime minister was replaced by a "technocrat" to try to push through the required measures. Similar trends— austerity and neoliberal conditionality—are evident in much of Central and Eastern Europe, and new Commission proposals for fiscal governance (going even further than the Fiscal Treaty) may extend bail-out-style economic austerity rules, and neoliberal reforms more generally, to all member state governments of the Eurozone. For example, in March 2013 the Commission presented two communiques, one of which— on "structural reforms"— envisages the Commission signing a contract with each Member State to implement agreed reforms: "measures addressing competitiveness, promoting financial stability and improving the functioning of labor, product and services markets."

These are well known Commission euphemisms for advancing privatization and dismantling collective bargaining rights and other labor protections. This thinking has been made explicit in Commission economic recommendations issued in May 2013, which argue for continued "fiscal consolidation" (albeit at a reduced pace) coupled with further deregulation of labor, product, and service markets, with French labor laws and minimum wage regulations amongst those targeted for "reform."

These and other measures may be consolidated in a proposed new Competitiveness Pact. To help draft such a Pact, German Chancellor Angela Merkel invited French President Hollande and Commission chief Barroso to a meeting in Berlin in March 2013 with fifteen members of the European Roundtable of Industrialists, all of them chief executive officers of large corporations—two of whom were asked to chair a "working group on competitiveness." The report of that group calls for, amongst other things, reduced taxation, a roll-back of (limited) bank regulation, further erosion of labor protections, the facilitation of mergers and acquisitions, and privatization. Again, the Competitiveness Pact would constitute a contractual arrangement between Member States and the Commission. Scharpf describes such arrangements in the following terms:

> supply-side policies in view of their disastrous impact on unemployment, poverty and social inequality. But, as we have seen, this is a very significant advantage from the point of view of elites who have long sought to "inscribe . . . the neo-liberal policy of market freedom . . . through the creation of supranational institutional devices." 

**Constructing a Narrative, Dismissing Democracy**

At the same time as this policy conditionality was being imposed, so also was a narrative of the crisis being developed—that the crisis had been caused by fiscal profligacy on the part of the peripherals and that the Fiscal Treaty and other similar measures would ward off future such crises by preventing countries from running up excessive deficit and debt levels. As discussed above, however, government spending was not the primary driver of the crisis—rather, that spending has been discursively constructed as a scapegoat in order to advance the long-term process of locking in neoliberal policies and insulating them from democratic debate and alteration.

Steve McGiffen's prescience (and that of his neoliberal informant) regarding the impact of the Euro on welfare states was noted earlier. McGiffen also correctly observed that the *raison d'être* of the EMU was to remove "the tiresome influence of popular, democratic institutions on macro-economic policy." And a fine example of that are the words of German Chancellor Merkel during the 2012 debates on the Fiscal Treaty: "The debt brakes will be binding forever. Never will you be able to change them through a parliamentary majority."

Related sentiments vis-à-vis democracy have been expressed in a report by the European economic research unit of JP Morgan bank:

> Political systems around the periphery typically display several of the following features: weak executives; weak central states relative to regions; constitutional protection of labour rights; consensus building systems which foster political clientelism; and the right to protest if unwelcome changes are made to the political status quo. The shortcomings of this political legacy have been revealed by the crisis.

As Phillips puts it, this is a call for the diminution of parliamentary sovereignty, for the erosion of decentralized democratic structures, and for the curtailment of labor protections and of the right to protest. The unswerving commitment of the EU elite, and its corporate backers/sponsors, to neoliberalism is matched only by their distaste for democracy. This is not surprising. Mark Blyth compares EMU and its predecessors to the gold standard, and claims that "attempts to maintain an anti-inflationary currency peg fail be-
cause they are not credible on the following point: you cannot run a gold standard (where the only way to adjust is through internal deflation) in a democracy.” To which the EU has responded by seeking to maintain the EMU at the expense of democracy, advancing its agenda through increasingly coercive methods.

PROSPECTS FOR RESISTANCE

The prospects for resistance to European neoliberalism are constrained by a number of factors. One is the aforementioned limit placed on democratic deliberation through the exclusion of much economic policy from electoral debate by enshrining it in Treaty and other legal or quasi-legal forms. Another is the tendency on the part of much opposition to seek to maintain national-level social protections. This is especially true of Scandinavia, which means that attention is less focused on the contestation and potential transformation of the European-level structures and policies themselves. This reactive and defensive stance was also evident to a large extent in the rejection by Dutch and French voters of the proposed EU Constitution in referenda in 2005. A third relevant factor is the co-option of potential oppositional forces, especially the trade unions and the traditional social democratic political parties, most of which have become ardent supporters of the EU project despite its increasingly neoliberal character.

European Unions?

The trade unions constitute an interesting example of the challenges facing civil society in building resistance from below to the European project. This chapter opened with a description of the successful mobilization of port workers against the proposed liberalization of employment practices on European docks, but not all such mobilizations have proven so effective. Part of the problem again lies in the issue of scale: while the supranational state launches attacks on workers’ rights, on a European scale (through Commission directives and/or rulings of the ECJ) most union organization remains at a national level. And, when unions do engage at the European level, they often end up in the embrace of “an elitist system of EU governance in which mobilization and contention are inhibited.” This last point is evident in the case of the Coalition for Green and Social Procurement, an alliance of European unions and non-governmental organizations (NGOs) that campaigned on the issue of public procurement directives between 2000 and 2003.

While the Coalition did influence the European Parliament, the ultimate impact on the directives was minimal, largely because the campaign “stayed not only within the EU institutional structure, but also the ideological structure of neoliberalism.” The coalition lacked a willingness to deploy the “argument of force” as well as “the force of argument” in the way that, for example, port workers showed could be effective.

Not all such link-ups between unions and other civil society actors need carry such limitations. Even before the crisis an uneven but substantive degree of cooperation was emerging between some unions and other social movements that also had a contestatory relationship with neoliberal Europe. This, for example, was apparent at the European Social Forums where unions and other actors were broadly united in their opposition to privatization or commercialization of public services. The European Federation of Public Services Unions showed particular willingness to link with the social movements in resistance to the neoliberal restructuring of the public sector.

In the context of the current crisis even trade union leaderships are being forced to partially rethink their support for the EU: after mobilizations in 2010 and 2011 against austerity, the European Trade Union Confederation opposed the Fiscal Treaty—the first time it had not called for support for a European treaty—and it organized a Europe-wide strike on 14 November 2012 as well as further mobilizations against the Spring 2013 meeting of the European Council. But the leadership by and large is reluctant to confront EU neoliberalism head on. It remains the case that “trade union strategies at the European level mainly take place within the institutional framework of the European level. This ... means that initiatives and policy objectives also remain within the broader political context of neoliberal restructuring, rather than pose a fundamental alternative to it.”

New Actors and Key Questions

However, the union leaderships (especially at a European level) do not reflect the views of most union members or the general public. Across Europe, there has been extensive resistance to the intensified imposition of neoliberalism and attacks on democracy. We have seen, for example, massive strikes in Greece and protests in Portugal, the rise of the indignados/15M movement in Spain and “occupy” movements elsewhere, the opposition to water privatization in Italy and electoral gains for the anti-neoliberal Left in the Netherlands and Greece. Protest movements such as the indignados, as well as political parties such as Syriza in Greece, identify the existing European project as part of the problem, which is a significant advance on the position of most union leaderships. Initiatives have been launched to try and better coordinate these various oppositional currents (including the unions).

But these (often new) actors are confronted with problems of their own. For example, the indignados in Spain were united in their demands for “real” democracy—favoring forms of direct and participatory democracy in local spheres—but, in part because they did not address “traditional” sites of pow-
er, their impact on the policymaking process is hard to discern. This is part of a wider trend identified by Pianta:

new generations of activists—such as the indignados and the Occupy movement—do not necessarily share anymore the view that politics—with all its necessary mediations—is the space for achieving change. Their forms of action—encampments, street protest, media events, etc.—try to establish a direct relationship between participating individuals and the power that is contested. Sometimes, no specific demands are put forward and established political forces (including the traditional left) are viewed with suspicion and held in contempt. Collective identities and forms of mass organization are taking a backseat while priority is given to individual identities, direct participation in local events and personal contribution to decision-making within small activists’ groups. 73

Not only does this organizational pattern tend to leave structural economic and political power untouched, it can itself be read as buying into an individualism that is at the heart of the neoliberal project. 74

In addition to these attitudinal and organizational difficulties, any emergent movement in opposition to the neoliberal European project must address other key questions. One is whether some form of alternative European regional governance model (along the lines of “social Europe”) constitutes a feasible demand in the current context. The vast majority of Europeans would probably subscribe to a program for policy reversal that would recast European regionalism in a far-reaching turn away from neoliberalism. 75 Even the EU itself, as mentioned earlier, is not a monolith and some high profile figures (including the Commissioner for Employment) have called for “symmetrical rebalancing” through boosting consumption in core countries—“allowing wages to catch up with productivity” in Germany and elsewhere. 76 But while the balance of evidence may favor such a move, the balance of evidence does not. 77 Specifically, those with the most significant power are wholly unwilling to countenance any deviation from their neoliberal script. 78 We are not living through a crisis caused by the stupidity and misguided policies of these hardcore elites—by and large they know what they are trying to do and they have been working on it for decades. And they plan to plough on even when the evidence overwhelmingly demonstrates that the current strategy is not working on its own claimed terms. When an IMF economist’s study questioned the effectiveness of austerity, EU Commissioner Olli Rehn dismissed the intervention as contributing to “a debate which has not been helpful.” 79

That does not mean the strategy will succeed even for them as the project is beset with its own contradictions and tensions, such as the fact that wage cuts and public expenditure reductions reduce domestic demand—the principal motor of growth for economies. European peripheral economies will, therefore, not recover themselves, while such reforms will also reduce export opportunities for German firms. Recognition of these tensions is probably what is driving the calls for a partial change of course that are coming even from some actors within the Commission. But opponents of the project cannot expect change to come about simply through highlighting the claimed error of our leaders’ ways.

The question then becomes whether Europeans can mobilize sufficient pressure to make the current strategy untenable and build political forces capable of driving the required alternative. This, I argue, demands a willingness to admit that preserving the Eurozone itself, or even the EU, cannot be a point of principle. Some commentators are already arguing that the best scenario would be for countries to exit the Eurozone, ideally in an orderly and negotiated manner. The logic of neoliberalism and exploitation may be too deeply rooted in the rules of the Eurozone, and indeed within the EU as a whole, for it to be dislodged. If that is the case, then exit and break-up may be the only viable means of creating a more humane and sustainable European society, as well as one that might act in a less exploitative manner towards the environment and the rest of the world.

CONCLUSION

A 2013 survey of public opinion in eight European countries notes that “the European project now stands in disrepute across much of Europe,” with those taking a favorable view of the EU in the countries surveyed falling from 60 percent in 2012 to 45 percent in 2013. 80 Eurobarometer survey data for the EU as a whole finds that only 33 percent of respondents express trust in the EU, whereas 57 percent say they distrust it, with the European Central Bank and the European Council the subjects of particular levels of distrust. 81 The same data reveals that two thirds of European citizens do not believe that the EU takes its interests into account. 82

The challenge for European civil society is not to seek to restore this trust and salvage the EU’s reputation, but rather to build upon it in order to dismantle the project. This is not a simplistic call for a return to nationalism, though much resistance will need to be framed and mobilized in national terms in a way that seizes the opportunities created by the “fractures in the old order” 83 that are the results of the increasingly evident bankruptcy of European neoliberalism. Some may object to such opportunism on the grounds that it seems to elevate parochial/national identities and politics over cosmopolitan/regional ones. But the fact is that the cosmopolitan politics of the EU has become a profoundly reactionary space and to persist with it is not only to persist with what Desai calls a “politically enervating cosmopolitanism” 84 but also to vacate the realm of national politics to the forces of
reaction. To create a progressive regionalism in Europe, it has become necessary to abandon rather than seek to reform the regionalism that already exists. We need to foreswear all support for the European project as it is currently constituted.

NOTES

Thanks to Lorenzo Fioramonti, Tom McDonnell, John Maguire, and Maurice Coadley for helpful comments on earlier versions of this chapter.

2. Ibid., p. 133.
3. Ibid., p. 135.
4. Ibid.
42. The ECB timed, and placed conditions upon, its purchases of Italian bonds so as to undermine the Berlusconi government.


44. By stark contrast, proposed new regulations for the banking sector are weak and undermined by loopholes.


46. France, Spain, the Netherlands, Poland, Portugal, and Slovenia have been granted additional time to reduce their budget deficits. See “EU Eases Austerity to Aid Economics,” Irish Independent, 29 May 2013.


51. McGiffen, The European Union, p. 64. Nicol refers to the EU’s tendency towards “dressing upcontestablequestions of economic policy as technical problems to be resolved by an expert elite” (The Constitutional Protection of Capitalism, p. 85).


54. Ibid.


62. Ibid., p. 177.

63. Ibid., p. 178.


Civil Society and World Regions

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Edited by Lorenzo Fioramonti

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