

# A salutary shock for bien pensant Europe

To judge the significance of the French and Dutch rejections of the so-called EU Constitution, we need some assessment of what the nature of the current EU project actually is. Mainstream academic answers to this question take for granted two ideas about the EU: first, that there has been a basic continuity of the EU project since 1958; and second, that the central logic of the project is ‘uniting’ or ‘integrating’ Europe. This orthodoxy then offers us a debate on who the key actors uniting Europe are and what their goals are. Some think the key actors are member state governments responding to economic interdependence through policy coordination; others see the key actors as business groups within states and EU institutions (the Commission and Court), pushing governments towards market integration at a European level.

Yet this orthodox debate focuses on a rather minor issue. National state executives, the Commission, the Court judges and business groups have been the key actors and they all have a great deal in common. The much more important puzzle is why the EU policymaking initiative is monopolized by these groups alone. Writing in the early 1990s, Shirley Williams captured this puzzling reality well: ‘Brussels ... is accessible to professional lobbyists – many, incidentally from the United States and Japan – with credit cards in their pockets ... but not to Greek peasants, Portuguese fishermen, Spanish factory workers and Scottish bank clerks.’ Quite. These business lobbyists have easy access to the Commission, which has a formal monopoly on policy initiative in the EU. But ‘Brussels’ also houses the top officials – most centrally, top civil servants – of the executives of the member states. Why do these people and the social groups they represent own the EU project? Connected to this is a second big puzzle, in the first instance a factual one: just what does this EU ‘uniting’ or ‘integrating’ activity actually change; what social relationships are reshaped by it? When we explore this we find that the EU project has been marked by major discontinuities, since the late 1950s.

West European governments and business groups have used the EU since the 1950s to change the pattern of business exchanges both between the EU and the rest of the world and between the member states within the EU itself. But since the mid-1980s, the EU project has acquired an entirely new character because it has been turned into a mechanism for transforming relations between social classes *within each of the member states themselves*. Of course, one could say that the Common Agricultural Policy (CAP) had already been doing this since the 1960s for relations between farmers and non-farmers. But this mid-1980s turn has been qualitatively different in its scope and depth, affecting relations between labour and capital not just in economics but in politics and social life more generally.

This reshaping of social relations *within* its member states is presented as a reshaping of economic relations *between* member states and between the EU as a whole and the rest of the world. If class restructuring appears at all it thus appears as a side effect of ‘uniting’ and ‘integrating’. The two key instruments for this reshaping of domestic class relations are, after all, the Single Market Programme and ‘competition’ arrangements, and the Economic and Monetary Union instruments. But a dispassionate analysis suggests that the specific forms of these instruments have been fashioned precisely and above all to achieve the domestic class reshaping effects. Their declared ‘uniting’ *economic* goals are secondary.

## Integration as economics or class restructuring?

The Single Market Programme cum ‘competition’ instrument is a central pillar of the post-1985 EU project. It has pride of place in Article 12 of the so-called ‘Constitution’, which spells out: ‘The Union shall have exclusive competence to establish the competition rules necessary for the functioning of the internal market.’ From the perspective of a superficial orthodoxy this seems reasonable: the need to legislate a competitive level playing field of markets for the whole EU.

But this is not what the ‘competition rules’ instrument is about. There is very little positive legislation for new, European-wide capitalist economic institutions in the EU. It doesn’t ‘do’ positive integration of this kind. Furthermore, the Commission’s micro-economic policy model has not, for twenty years at least, been based on some kind of free-market competition model, but on a concept of oligopolistic markets in which quasi-monopolies gain the economies of scale for global market dominance, and the Commission’s so-called Competition authority is all about that. What Article 12 is really about is privatizing all sectors and then establishing regime competition between the domestic market governance regimes of the member states. This mechanism is perfectly illustrated by the Bolkestein scheme for a so-called single market in services – hurriedly withdrawn because of the upcoming French referendum. It allows any services company in the EU to incorporate itself in the state with the most minimal labour rights, thereby unleashing a dynamic to level downwards labour rights across the entire EU. This is a system to generate ‘races to the bottom’ to the disadvantage of labour. It is often said that the reason why the EU only does ‘negative’ integration on market governance is because of resistance by nationalistic member states. But this is false. While member states do often sabotage integration where it may disadvantage their capitals, they back this kind of sweeping class restructuring through races to the bottom despite – or rather because of – the fact that it affects labour in the largest and most powerful EU states. In so far as there is any economics in all this, it is of the most vulgar class-power sort: the more we can squeeze labour’s wealth and power the better it will be for European big business.

Turning to the second big pillar, the European Monetary Union (EMU), we see again how ‘economics’ is subordinated to class restructuring through an ingenious combination of ‘positive’ and ‘negative’ integration. The monetary union machinery of the European Central Bank (ECB) is called independent, but it is not: it is *sovereign* over the macro-economic policy of Euroland. Central Bank independence normally refers to independent implementation of policy targets set by others. But the ECB makes its own targets. Its single goal is low inflation and it has set its inflation target at the ludicrously low figure of less than 2 per cent. At the same time EMU contains two striking negatives. First, there is no integration of fiscal policy and tax rates. One result is pressures for a race to the bottom on tax regimes. Another result is that if member states seek reflation through fiscal stimulus, the ECB can sabotage this effort by refusing to allow the state’s money supply to be increased to accommodate the expansion. The other negative in the EMU has been noted, often with puzzlement, by economists of every colour and stripe: the absence of any redistributive mechanism to counteract the divergent effects of a single monetary policy across Euroland. They are right. But, as they also note, this forces all the adjustment costs onto labour in the negatively affected regions. And this is precisely the point, as ideologues of the ECB like Issing endlessly repeat: the monetary union is all about forcing upon member states something called ‘economic reform’. This is code for undermining pay and working conditions for labour and slashing welfare state entitlements for labour. Thus, on this reasoning, the more deflationary the monetary policy the better. If the ‘competition rules’ and monetary union regime had really been about technical economics, they would have been ditched long ago. After all, two decades of ‘Single Market’ and ‘competition rules’ reform

and twelve years of the EMU framework have produced abysmal economic results. Of course, the EU elites claim this is all the fault of European labour, not them. But such attempts to claim that European labour has been dominating the EU all this time are simply laughable.

### The EU's post-1985 Hayekian class mission

Padoa-Schioppa, the main intellectual architect of the monetary union, has been honest enough to spell out what this mid-1980s programmatic turn in the nature of the EU project was all about. He writes: 'the rise ... of a political philosophy based on "minimum government" provided the ... combination of minimum harmonization and mutual recognition ... that unlocked the full implementation of the single market.' And he goes on to acknowledge that Thatcher's role was key in pointing the way to 'the doctrine of minimum government' and in 'deflecting proposals to complement monetary union with fiscal union.' Padoa-Schioppa's description of the shift in class programme in the mid-1980s as a change in 'political philosophy' is euphemistic. But if we wish

to speak in these terms, it was a shift to Friedrich Hayek. Like so many other European liberals at the time when he was reaching adulthood in the interwar years, Hayek saw the source of Europe's problems as deriving from the rise of the ideas of popular sovereignty and democracy. His solution, first published in 1939, was a European federation that would block the democratic road to what he later called 'serfdom' by Europe's main states making treaty commitments to each other to end popular, democratic control over state economic (and social policy). His brilliant insight was to grasp that international law could be used as a juridical weapon against popular sovereignty and national constitutions derived from it. Under international treaty law, the ordinary parliamentary laws and policies of individual states can be trumped by the higher treaty law. So a treaty about *domestic issues* can block democratic policymaking.

Hayek's nostrums were represented in the drafting of the Treaty of Rome, mainly through figures in the German government: Erhard, the author of the West German 'economic miracle' was a devotee

of Hayek, as was his lieutenant Eucken, involved in framing the original treaty. But for twenty-five years the Treaty's Hayekian language remained largely a dead letter, since France and some other member states embraced the ideas of Hayek's nemesis, Keynes. Hayek's European hour would come in the mid-1980s, as his ideas were adopted both by the Thatcherites in Britain and by what we could call the Giscardian elites within the continental EU. Since then, Hayekian concepts and even phrases are littered all over the EU project. Take, for example, a favourite Blair phrase, denouncing any project for a so-called European 'super-state'. This is Hayekian code for a democratic EU federation. As he put it in the *Road to Serfdom* (1944), Hayek opposed states having



‘unfettered sovereignty in the economic sphere ... [But] ... this does not mean that a new super-state must be given powers which we have not learnt to use intelligently even on a national scale.’ The powers which he considered we have been too stupid to exercise responsibly are those of representative parliamentary government to shape economic and social life. Precisely those democratic powers for Hayek lead to ‘serfdom’. A super-state means, for Hayek and for Blair, precisely a federation with authority through democratic government. The federation’s task is to limit national democratic authority, not to transfer it upwards. The federation should have precisely a Hayekian ‘constitution of liberty’ at a European level, blocking the exercise of democracy in the field of social and economic organization. And this is precisely what we have been offered in the so-called European Constitution. It is Hayekian at its core, despite threadbare tricks to persuade us otherwise.

We could very easily have had an EU Constitution-making process governed by popular sovereignty, electing a constituent assembly with full sovereign power to decide a Constitution. Instead we got the trappings without the substance: a ‘convention’ whose membership was appointed from above and whose powers, just to be on the safe side, were purely advisory. And in any case this convention advised against putting EU-level policymaking in democratic hands: no ‘super-state’. The essence of parliamentary democracy is that elections throw up the authoritative leaders who have policymaking initiative. The EU, in the Constitution as before, has the trappings of this, but not the substance. There is a parliament and elections. But there is no connection between these institutions and those with policymaking initiative. The latter is in the hands of the Commission, which has an exclusive monopoly on legislative initiative but is appointed through bargaining among the executives of the member states. A British equivalent would be that after the elections of the Commons, the Lords appoints a prime minister from wherever it likes. If the Commons rejects the Lords’ choice, the Lords picks another person. The prime minister then picks his/her cabinet from lists drawn up by the Lords. Thus candidates for the European Parliament cannot honestly say, ‘Vote for us and we will introduce this or that policy’ because they have no right to introduce any policy.

And Hayek’s 1940s thinking presages the so-called economic aspects of the EU turn as well: in *The Road to Serfdom*, he spelt out the federation’s role very clearly as ‘a power which can restrain the different nations ... a set of rules which defines what a state may do, and an authority capable of enforcing these rules. The powers which such an authority would need are mainly of a negative kind: it must above all be able to say “no” to all sorts of restrictive measures.’ The so-called Constitution is adorned with some fifty or more pages of this ‘negative kind’ in matters of economic policy, all designed to pre-empt the exercise of democratic will by means of an entrenched treaty.

### **Burying Europe’s unique progressive achievement**

For the pro-Constitution Left, these Hayekian features of the EU are viewed, often, as certainly unfortunate and undesirable. But they view them as false notes, not the tune, and they believe that they can be overcome piecemeal. For them, the main tune is the steady advance towards European unity. But the false-note theory lacks credibility. We are dealing here with the very core of the EU as a political and economic project. And when we string the false notes together we get a very clear Austrian tune, and it is certainly not Beethoven (not to speak of Mozart). Also, the tune does not end on a note of uniting Europe politically, since there can be no stable unity in Europe unless it is rooted in democratic institutions, rather than purely liberal ones. What the Constitution does is actually to entrench a Europe of states while limiting the democratic government of their economies. While the pro-EU Constitution Left believes that its Hayekian core is the means to the great goal of European unity, the sad truth is that real means





and ends have been reversed: heady (though always vague) symbols of the goal of European unity have been used as the means to the goal of Hayekian class restructuring of the states and social systems of the European states.

The reality and significance of this project emerges clearly enough by taking a longer historical view. Postwar Western Europe's genuinely unique and creative contribution to capitalist civilization was the creation of the multi-class polity within capitalism. This was a genuine advance on American liberalism, whose free-market individualism was – and is – a patently ideological scheme for a polity entirely dominated by the business class. The European innovation involved recognizing that capitalism entails the presence of different social classes with conflicting interests, instead of trying to deny that obvious fact. It then went on to argue for a non-naïve liberalism that included the working class as an organized force within the polity and insisted that public policy should be the product of class compromises, albeit within a capitalist framework. This social liberalism did not fall from the sky. It followed more than a century of rather intense and bloody, not to say barbaric, class warfare across Europe, culminating in the confrontation between the continent's ruling classes grouped around Hitler and its working classes drawn towards the USSR and Communism. That history of class-against-class civil war in Europe was again a distinct consequence of the fact that capitalism first emerged within Europe, and emerged as a social form internal to European societies, at a time when Europe dominated very large parts of the rest of the world. These phenomena ensured that, more than anywhere else, the different, antagonistic classes in Europe organized themselves independently in politics. 1945 was a terrible defeat for Europe's ruling classes. They had to do a flip-flop and accept a new type of class collaborationist polity, a Keynesian-type capitalism and welfare state to match.

Many social democrats may have imagined, in the postwar heyday of the multi-class polity, that Europe's ruling class had really come to accept the big innovation. On this reading, the likes of Giscard d'Estaing may have started out on the Vichyite wing of French politics at the end of the 1940s, but had been assimilated to the progressive model of European polity. But no such assimilation took place. We know that because we can see the Hayekian turn, effected through the ingenious mechanism of the EU. This turn is about obliterating Europe's progressive invention. And as we watch the project to obliterate this invention, we cannot but notice that large numbers of the social-democratic leaders of Europe have gone along with it. The (shall we say?) enigmatic figure of Mitterrand was at the very heart of the turn. And others

followed. We thus see how, outside Scandinavia and perhaps Germany, postwar social democracy on the continent was a rather artificial and corrupted phenomenon. Social democracy was more the beneficiary than the builder of the West European invention: what drove the invention's construction was the Communist threat after Stalingrad. It was fitting, then, that the Maastricht Treaty was signed at the moment when the USSR disintegrated.

## The Constitution and the Anglo-Saxons

Many in Britain consider there is a big difference between the Giscardian EU project and Thatcherism–Blairism. There has been a big difference, but *of means* rather than Hayekian ends. The British means was the politics of Thatcherism: a nationalist, authoritarian populist confrontation with labour. In the language of Gramsci, Thatcherism was the Caesarist form of passive revolution. For the continental Giscardians this national 'Caesarism' was far too risky because mobilizing the social forces of the Hard Right on the continent risked pulling interwar skeletons out of the cupboard: summoning up the populist–nationalist–authoritarian traditions in Germany, France and Italy from the interwar period could have generated 'misunderstandings' and could have backfired. And in many parts of Europe, the working class was politically rather different from British labour – potentially far more dangerous. So *trasformismo* was the preferred means: going for the same Hayekian goal by capturing the social-democratic and ex-Communist political organizations of labour for a step-by-step social transformation, dressed up in symbols dear to the European Left – above all, those of uniting Europe, but also those of political liberalism. The continental *trasformismo* way to Hayek is more attractive since it can involve embracing lots of good causes in the field of liberal individual rights, 'human' rights, 'fundamental' rights and even extremely fundamental rights – why not?

This does not mean that there are no other kinds of differences between the continental Giscardians and the Anglo-Saxons. Of course there are big differences. The Giscardians do not just want to restore the kind of class power their parents had before the war. They also want to restore Europe's power in the world, if not to what it was before the war then at least to end its Cold War protectorate status under US hegemony. And they have been trying to do just that since the start of the 1990s. The euro is also part of that, as is the so-called European Security and Defence Identity. This is, of course, not about uniting the world against the new Anglo-American imperialism. It is about sharing the spoils of Atlantic expansionism. But it upsets Washington a lot. But with Blair there and with his efforts to build the pro-American caucus in East Central Europe, the USA should feel fairly safe.

Not for the first time in European history, French popular republicanism has thrown a spanner in the works of bien pensant Europe. The French electorate has grasped what the so-called Constitution is about. Apart from streamlining decision-making in the EU's European Council and Council of Ministers, the main innovation in the so-called Constitution was precisely this name – Constitution. But names matter in politics and the name change was evidently designed to exalt the authority of the Treaties: it is better politics to denounce the government of a member state for acting 'unconstitutionally' than to denounce it for breaking some Treaty of Rome. And a 'Constitution' gives an air of finality to the EU's institutional arrangements. But all that now lies in ruins, at least for the moment. The French and Dutch electorates have offered a banner around which the European Left can rally to defeat the Hayekian turn. Will the social democrats pick that banner up and insist upon a democratic federation and a democratic constitution-making process?

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