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THE POLITICS OF REGIME SHAPING IN THE EU

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The purpose of this paper is to raise some questions about the EU project and to suggest a possible way of conceptualising and explaining its reshaping.

There seem to be two general perspectives within which much of the work to explain the EU reshaping project is tackled. One of these we could call the horizontal international-economics-to-politics perspective. And the other we could call the vertical business-group-politics-to-economics perspective. What we want to try to do is to find a way of thinking about and explaining the dynamics of EU change that transcends while incorporating both these other perspectives. To achieve this, we want to draw on some Marxist approaches, especially that of Robert Cox's Neo-Gramscian theory.¹

PART 1: TYPES OF THEORETICAL PERSPECTIVES

We will first outline in a rather crude way the horizontal and vertical perspectives. And we will then try to sketch the outlines of an alternative perspective.

The Horizontal International Economics to Politics Perspective

This could be described as the mainstream perspective in the Anglo-Saxon theorising about the EU. It argues that we should seek an explanation for the EU project in the impact of international economic logic on the state and market institutions of Western Europe. One paradigmatic explanation of this sort is Andrew Moravcsik's impressive book, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (UCL Press, 1999). This argues that changing international economic logics have generated new international economic interdependencies which in turn have made purely national economic policy-making difficult to achieve. West European states have then sought and gained new political institutions for internationally co-ordinated economic policy-making capable of coping with the new economic interdependencies. The new institutions have been, in the main, those of the EU. The Moravcsik pattern is thus: international economics – EU political institutions – new collective economic policy capacity – enhanced economic outcomes.

Another somewhat different variant of the basic perspective, offered by Sweet and Sandholtz,² also stresses transnational economic logics and economic developments

¹ See Robert Cox, *Production, Power, and World Order. Social Forces in the Making of History* (Columbia University Press, 1987) Cox's way of conceptualising the state is also similar to that of Nicos Poulantzas in *Political Power and Social Classes* (New Left Books, 1973)

² Wayne Sandholtz and Alec Stone Sweet (eds.), *European Integration and Supranational Governance* (Oxford University Press, 1998)

as the driving force. But they see two other groups of actors, rather than the national governments, as playing crucial roles in EU institutional development: sub-national economic actors and supranational EU institutional actors (the Commission and the ECJ) as important in engineering institutional changes.

Other such perspectives conceive of the economic logics as those of economic globalisation as being the best way of understanding the EU reshaping project, notably the emergence of new patterns of global business activities and financial operations which require collective EU-level responses. EU leaders themselves frequently legitimate the EU transformations as reactive responses to economic globalisation in one sense or another.

Leaving aside the fact that on occasions the causal arrows seem to go in reverse – with the EU initiating moves to increase the economic penetrative pressures on economic actors within the EU and to increase interdependencies – both the Moravcik and Sweet-Sandholtz theories capture real processes and mechanisms. Cox would accuse them with some justice of being American problem-solving theories of value for American government (since both elucidate problems which would be of central concern to an American government: at what points and through what mechanisms can be intervene in the politics of regime shaping within the EU. But even if their foci are very narrow they cast light on real mechanisms of change.

The Transnational Business-Group Vertical Politics to Economics Perspective

This perspective argues that the driving force for EU change is a transnational business class which has collectively risen above a purely national political focus and seeks to use the construction of international legal and other institutions to impose Neo-Liberal ‘disciplinary constitutionalism’ upon labour and subordinate classes; at the same time this transnational business class uses such international regimes as the EU or the WTO to drive through sweeping privatisation measures of state assets and services and to undermine full employment and the welfare state. Stephen Gill’s work on these developments has been path-breaking and paradigmatic.³

This perspective stresses the development of a transnational ruling class or class alliance not only at EU level but on a wider transatlantic and even global level, expressed both in a common Neo-Liberal programme but also in such transnational institutions as the Davos system, the Trilateral Commission, the Transatlantic Business Dialogue and the European Round Table of European industrialists.

The institutional structure of the EU’s policy-making system can be cited as an ideal mechanism for advancing this vertical capital versus labour programme. The policy-making mandate derives not from the institutions of popular sovereignty within member states but from international law: treaties designed and ratified by state

³ See S.R.Gill, 'Globalization, Market Civilization and Disciplinary Neoliberalism', *Millenium*, Vol.24, No.3 1995. S.R.Gill, 'European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Disciplinary Neoliberalism in Europe', *New Political Economy*, Vol.3, No.1 1998. S.R.Gill, *American Hegemony and the Trilateral Commission* (CUP, 1990)

executives without, in the main, popular consent but trumping domestic (municipal) law made by democratic parliamentary institutions.

The policy-making institutions of the EU are also shielded from democratic control: the Commission, ECB and ECJ are all staffed by decisions made by member state executives. And the non-elected Commission has a monopoly of legislative initiative. And the Commission, working with member state executive-level civil servants in the Coreper system and the Council Secretariat, engages in unaccountable policy-making with only weak and essentially negative blocking powers in the European Parliament and member state parliaments. While many have imagined that only the institutions of popular sovereignty could generate constitutional laws trumping ordinary democratic policy-making, some clever lawyers (probably on Wall Street in the early post-war years) grasped that international treaty law could also trump ordinary democratic law just like any other entrenched constitutional law. And the member states of the EU find that the entrenchment of their EU treaty law is infinitely deeper than the entrenchment of their own constitutions: the latter can be changed by the citizens of their own state; the former can be changed only by the unanimous decision of all the EU member states.

At the same time, the EU's elitist policy-making system is very open to inputs from big business groups. Amsterdam School scholars have done interesting work on this front by examining the links between both the Commission and the European Council and business interest groups. They have noted the formation of the European Round Table in the early 1980s and have argued that this has played a central role in setting the agenda for EU transformation from then up to the present. They have demonstrated close links between statements and papers from the Round Table and the work programmes of the Commission and the agenda issues and approaches addressed by the Council.⁴

Critique of these Alternative Perspectives

We would argue that both these perspectives highlight important dimensions of the reality of the EU reshaping project. There evidently are powerful international economic pressures driving regional policy and institutional changes in Western Europe. And there evidently also is a transnational business coalition for a platform of Neo-Liberal socio-economic changes. Furthermore, the institutions of EU policy-making are evidently elitist and open above all to business pressures and Stephen Gill's idea of Neo-liberal disciplinary constitutionalism is evidently accurate and important.

⁴ See Kees van der Pijl: 'America Over Europe. Atlantic Unity and Rivalry From Gorbachev to Kosovo', paper for the British International Studies Association, Manchester 20-22nd December, 1999; Henk Overbeek: 'Towards a Neo-Gramscian Theory of European Integration – The Example of the Tax Harmonisation Question' (Paper to the Marburg Centre for European Integration Studies, Mimeo 1999) Bastiaan van Apeldoorn: 'Transnational Class Agency and European Governance – the Case of the European Round Table of Industrialists' (Paper to the Marburg Centre for European Integration Studies, Mimeo 1999)

But the problem with both these perspectives is they are not comprehensive accounts of the EU project. Thus the International-Economics logic simply ignores the powerful symbolic politics of the EU idea of European unification and the important roles of Christian Democratic and Social Democratic politics in the EU construction. It similarly ignores the obvious fact that building a large political economy concert of capitalisms in the International Political Economy is scarcely an apolitical fact. It also ignores the evident development of the EU as a political caucus in international politics since the collapse of the USSR, however weak this caucus may be in many respects. Something more must be going on, which cannot be explained in terms of international market pressures and flows.

Similarly, the reality of the emergence of a body like the ERT in the early 1980s was very significant and its involvement in setting the policy agenda and the legitimating language of a neo-liberal turn has also been important. But the Neo-Liberal Platform remains a good deal less than a full capitalist class programme. And there remains the question whether we have a genuine transnational capitalist class or just a coalition of some national capitalist groups on some questions of class politics. Thus the German capitalist class may perhaps agree with British capitalists on most of the items in the Neo-Liberal programme but they evidently have disagreed on many other questions of social organisation, political economy and politics. From some angles these tensions may be more important than the points of agreement. The more extreme versions of the transnational capitalist class thesis would have us believe that American and German capitalist class leaders share the same approach to political economy principles or that the Neo-Liberal platform is enough to treat French and American capitalists as a united class. Is it not counter-intuitive to believe that in conditions where labour's challenge to capital internationally is extremely weak, the capitalists of the world are rallying together and uniting as never before for an international relations structured overwhelmingly by a drive against labour.

If capitalist classes were aggregates of business organisations and their executives, we could understand that they move their property around all over the world, share common nostrums, life-styles and tastes, etc. and face common business problems: the problem of employees, of organising international sales, of whether to go into China, or of handling exchange rate movements, etc. But capitalisms as opposed to individual capitalists remain social class relations between capital and labour in particular, highly organised and complex national social settings. American or Japanese capitalism are social realities with national bases.

And one very important issue that analysis of the EU faces is precisely whether the EU consists of separate national capitalisms or consists of an achieved or emergent European capitalism. This issue leads us back to the ontological categories we use for understanding international politics and economics.

If we use a mix of a realist approach to ontology⁵ and some substantive Marxist ontological concepts we could aspire to transcending the two opposed perspectives we have outlined above.

⁵ See A. Sayer, *Method in Social Science: A realist Approach* (Routledge, 1992), R. Bhaskar, *A Realist Theory of Science* (Harvester Press, 1978) and Sean Creaven, *Marxism and Realism: A materialistic application of realism in the social sciences* (Routledge, 2000)

Elements of an Alternative Approach to a Perspective

First, we will adopt the realist idea that reality has a foreground and a background, each of which is interpenetrating the other. Secondly, while accepting that the two perspectives above offer many analytical insights into the foreground activities of actors in the institutional orders of markets and political/policy-making systems, they still need to be situated in the background realities of deeper social structures. Without the background structures we can't grasp the deeper determinations of change in the foreground activities and institutions; just as, without the a grasp of the foreground activities and institutions, we can't grasp how the background structures are shaped and fixed.

With this approach to ontology, we will then adopt a number of concepts from Marxist theories of capitalism. First that capitalism is a social system of classes and not an aggregate of individuals and organisations living in separate economic and political institutions (which are the foreground actors and structures). The foreground institutions fix the capitalist social system (or try to fix it) into institutions of individuals in markets and in political institutions. But these foreground institutional matrices are themselves shaped and reshaped by regimes of capital accumulation and socio-political and cultural integration: the structures of capitalist social systems. We will thus see the state-market institutional patterns being reshaped by class strategies and conflicts embracing both political and economic institutions.

Thus, for example, historical institutionalists are surely right to stress the fact that institutions are not just goal-directed organisations manipulated easily by means-ends rationality, but acquire by being institutionalised normative cultures which give them a 'life and logic of their own'. But this insight does not invalidate the deeper reality that such institutions rest on background structures of social class relations and if the configuration of class relations shifts, the institutions can enter crisis and disintegrate. So theories which concentrate exclusively on foreground institutional orders while missing what Cox calls 'social structures of accumulation' miss the dialectic of change.

We will further assume that capitalism as a social system is integrated as a unity of two opposing principles: the principle of 'vertical' integration in geographically articulated states understood as 'social formations' and the opposing principle of integration through 'horizontal' transnational linkages.⁶ The task of both states as policy-making systems and of international institutions is to mediate the flows and impulses acting along these two 'opposing' axes to achieve dynamic unity: states as policy-making systems engage in reshaping the 'internal' class political and economic relationships in line with the 'external'. And international institutions generally work to facilitate the efforts of powerful states to reshape not only the international/transnational linkages of weaker vertical social formations but also the internal class relations of these vertical formations. Thus while the IMF is, as a formal institution, an inter-state organisation involved in an 'external' relationship with a member government it will typically reshape not only the horizontal linkages of the social formation with other political economies but also the internal 'vertical' relations between social classes within the social formation through its

⁶ I am using these terms vertical and horizontal in a purely metaphorical sense.

conditionalities and loans, impacting not only on economics but on social power and politics..

Powerful capitalist centres can use international institutions for reshaping the 'external' in line with the 'internal'. Weaker social formations must accept that both their horizontal and internal vertical relations will be heavily shaped by the horizontal international institutions of powerful centres. Both the vertical and horizontal axes of capitalist social systems are political and cultural as well as economic.

We can illustrate this foreground-background approach and Marxist ontological concepts with a simple schema concerning the EU. We can view the EU as a set of central institutions in particular institutional relations with member states and engaging in policy-making that affects employees, employers, interest groups etc. within the EU, through its policies on markets and its macro-economic policies. It also shapes policies on economic exchanges with economies outside the EU.

Into this picture we can insert the external market economic pressures of our first perspective and we can also insert the neo-liberal policy platform stressed in our second perspective.

But we could also look at the EU's policies through a different optic. If we have a collection of capitalist social formations within the EU, then we would track how the EU's policy substance intervenes in and mediates/fixes the following class relations: those between the member capitalisms, those between the classes within each member capitalism, those between all its member capitalisms and, say American capitalism, and those between them and capitalisms to the East and the South. And we would also notice how the EU along with its member states has many instruments to shape the internal class relations within the social formations to the East and South, while fewer for reshaping the internal relations of American capitalism.

And when we look at these kinds of interventions by the EU in class relationships it becomes difficult to make what are almost entirely cognitive analytical distinctions between politics and economics, since the EU will be shifting social power relations between these classes, strengthening some groups' economic and political capacities and weakening others.

And calling the EU an economic organisation will not alter the fact that it is in reality reshaping power relations on a wide scale. It will therefore become the object of international politics whatever it calls itself.

Against this background, a crucial question for theorising the EU would be how we can distinguish one state-as-social-formation from another. What are the crucial institutions of the vertical axis in the sense of an integrated capitalist social system?

The vertical axis concerns the organisation of social forces for capitalist reproduction: a monetary system; the mechanisms for organising and integrating the social forces of the industrial system, the mechanisms for organising and steering the financial system and its relation to the productive system; the mechanisms for organising the other crucial infrastructures of a capitalist socio-economic system – health, education, social security, pensions etc; and the mechanisms for organising the interface between the capitalist system and others. Crucial for all these

mechanisms are legislative, tax and public administrative systems backed by coercive instruments and all of which are wielded authoritatively. The political system provides the legitimating basis for this authority by providing a clear claim of an identity between state and people. This political system resolves tensions and conflicts within the society, and has the capacity to mobilise the population for transforming the social power configurations between classes. And the political system also requires an integrated information space with instruments for shaping the subjectivity of the population in line with the directions of the regime of accumulation and the socio-political system.

PART 2: ANALYSING THE EU

In turning towards an attempt to produce an overall analysis of the evolving EU, we will therefore lay stress on trying to grasp the background structures as described above. And a crucial issue is to work out whether the EU is a support system for continuing national capitalisms or is itself a largely integrated Europeanist capitalism.

But it is worthwhile to underline that our starting point already rules out one possibility and makes another possibility interesting but problematic. The possibility that is ruled out is that there could be a global capitalism or transatlantic capitalism without that capitalism being vertically integrated as a social formation as outlined above. Without that we can talk of an individual global capitalist or transatlantic capitalist but not of a transatlantic capitalism without the accompanying instruments for integrating and shaping a social formation. The only institution uniting the United States and Canada with Europe on an exclusive basis is NATO: not enough.⁷

An American Empire Perspective?

The interesting but problematic possibility is that the EU has been an instrument of an American Empire. This perspective is broadly held in the work of Leo Panitch and Sam Gindin. But they really mean, I think, two claims which do not necessarily directly affect analysis of the EU: first the US's ability to use Europe as a base for its military power, to police Europe's boundaries militarily and maintain Europe within its geopolitical sphere of influence; and secondly that American capitals and what we might call American business systems are dominant in EU markets, shaping the actual pattern of capital accumulation, sectoral development etc.

We can agree with the factual point concerning American military power projection across Europe and around its borders. But while this is very important in preventing Western Europe from building its own geopolitical sphere of influence independently of the US its broader political significance is open to doubt since the end of the Cold War. Similarly, even if US capitals are the leading businesses in the leading sectors within the EU this does not necessarily mean the EU an political economy subordinated to an American imperial centre. That would be true only if the EU policy-making institutions could be shown to be pro-actively shaping social relations of production within the EU in order to ensure that American capitals dominated.

⁷ Hardt and Negri nonetheless mount a brilliant set of arguments along these lines in *Empire*.

There is a case to be made for this concerning the original design of the West European political economy in the 1950s. The US-West German 1955 Economic Agreement accompanying the ending of the Occupation gave US capitals an open door to establish themselves and acquire national treatment in the FRG. And the EEC Treaty of 1957, written with a strong American input, then opened all other EEC product markets to German-based American capitals. And American businesses were treated as European companies for purposes of national treatment within the EEC (unlike, say, Japanese companies). But these benefits, while enabling American business to gain a huge base in Western Europe did not ensure that EU policy would subsequently be controlled by the US. And while the 1955 Economic Agreement was cited by the Clinton Administration in its very tense (and successful) battle with the Kohl government to force the privatisation and opening of European telecoms markets to US operators, this was a demonstration not only of the US's great political bargaining power but also of the fact that it did **not** control the EU policy-making system. And today, the American business system's form of expansion is very strongly through financial groups engaging in often hostile mergers and acquisitions. And much to Wall Street's ire, this has been blocked within the EU (for the moment) through a deal between the German and British governments on corporate governance issues.

But the question of American empire is very pertinent to any discussion of the nature and evolution of the EU.⁸ Our theory of capitalist social formations implies that capitalist classes have leaders, people respected for their ability to think and act strategically for their class. Western Europe's capitalisms suffered a catastrophic loss of power in the 1940s and 1950s after earlier being the organising centre of world politics. And the leaders of European capitalist classes harboured ambitions to rebuild their national strength. And many of them realised that this could only be done in concert with other West European capitalisms. This was evidently an important ambition amongst some of those involved in establishing the Treaty of Rome. Thus that treaty was not only a valuable transmission belt for the expansion into Europe of American capitals. It also offered the possibility of building a support system for the revival of West European capitalisms or perhaps even for the construction of a European capitalism which would be a competitive social formation for US capitalism.

Efforts by European leaders to combine the EU's role as a political-economy framework with structures of a 'political union' failed during the Cold War: de Gaulle's efforts in the 1960s were rebuffed by the Bundestag; the caucus achieved by

⁸ Christopher Chase-Dunn has provided an interesting conception of what the functional necessities of such an American empire would be, in his book *Global Formation*. It would have to have the capacity 'to end the operation of the balance of power system', preventing the diffusion of military technologies to other core states, to prevent them mounting a military challenge to the empire-state. It would also have to be able to prevent other core states using their sovereignty to challenge the hegemon in the productive field. It would have to prevent drives for world government from other core capitalist states, perhaps in alliance with other, subordinate social groups. It would also have to prevent other core centres from ganging up to undermine its control over the IPE and bloc its predatory drives. At the same time, it would have to assure its satellite core states that it was not going to undermine their internal political-economy and juridical autonomy and it must thus have the resources to maintain its empire as a capitalist international system empire and not as a command or juridical empire. And it must persuade other capitalist classes that the empire enables their own capitalist expansion and is effective in integrating subordinate classes and destroying anti-systemic movements

Pompidou, Brandt and Heath in the early 1970s was broken up by Kissinger. Attempts by Mitterrand to develop a caucus through the WEU's revival in 1984 did not work and European Political Co-operation remained weak. But conditions changed with the collapse of the Soviet Bloc.

These efforts were always a source of concern to American leaders. The EC was always seen by them in the context of a division of labour with NATO. Western Europe's power political relations with the outside world were to be processed through NATO, organised as a hub-and-spokes hegemonic alliance in which there was to be no West European caucus. But NATO lost its strong, disciplining political character with the Soviet Bloc collapse. Thus if this NATO structure could be described as a de facto imperial instrument blocking the emergence of a West European political concert, this imperial capacity was gravely weakened by the Soviet Bloc collapse.

Three Options on the Character of the EU

This leaves us with three options on the character of the EU, using our schema of vertical structures representing organised social formations ('states') and international institutions representing support systems for powerful states to reshape their horizontal social (economic and political) linkages with other social formations.

The EU could be:

1. An embryonic new vertical structure: a new integrated capitalist social formation.
2. A horizontal support system for a concert of European capitalisms.
3. An incoherent field of conflicts between national capitalisms with a largely paralysed decision-making system.

1. A Europeanist capitalism Perspective

This approach would posit an institutional transformation geared to building and strengthening an integrated European capitalism, fashioning an organising centre for it so that it could act strategically and autonomously in the IPE and in geopolitics. This perspective would suggest a conflictual political and political-economy relationship with the US, simply because of the size and scale of the Europeanist capitalism's resources and because of the inevitability that it would engage in reshaping horizontal relations between itself and other capitalist social formations in line with its own expansive logics rather than those of the US.

2. A European Concert of Capitalisms Perspective

This would suggest an alliance of European capitalisms which would have hybrid features but would fundamentally consist of separate capitalist social formations with important collective interests, served by the EU institutions. This could be an alliance for a range of projects against a range of different types of class opponents: for example, an alliance against the domestic working classes of each capitalism; or an alliance against other core capitalisms or an alliance for imperial regime transformation in the South, or an alliance for a combination of these objectives. But the assumption would be that while there would be a unity vis-à-vis the given target of the alliance, the core organising roles of capitalist state organisation would remain at the member state level. The three most commonly mentioned targets of the concert-alliance are: labour and claimants on the welfare states of the member states; the American international monetary regime and the scale of business organisation in

the US and Japan; and the political economies of the South and East and of the new growth centres.

3. An incoherent amalgam involving contradictory arrangements, gridlock and ultimate disintegration

This would suggest that the EU project had a coherence in an earlier phase of its development but that this coherence has been lost. One source of internal incoherence and tension could be conflictual regimes of accumulation emerging: for example, the regime of one or more of the EU capitalisms disrupting the regime of others. Another could result from the fact that the hybrid character of the EU weakened the functioning of the national vertical formations within it, without producing viable compensating mechanisms at an EU level, producing strong disintegrative tendencies. Another could be that different EU capitalisms have different international horizontal linkage patterns and these produce internal tensions. Another source of gridlock or disintegration could be revolts from below by subordinate classes, splitting the EU: for example, if one or more EU capitalisms or powerful groups within them considered that the EU regime was undermining their social interests, their could be moves to gridlock (or exit). Each of these cases of gridlock and internal crisis could be either temporary and transitional or structural.

A Schematic History of the Main Phases of EU Evolution

It would be a mistake, obviously, to adopt an essentialist view of the EEC/EC/EU institutional ensemble as if this ensemble has been one thing throughout its history – a patently false proposition.

We will very schematically outline some of the main phases:

1. A trade protection regime, Agricultural Bloc and Neo-Colonial framework: 1958-1979.

This was the phase when Western Europe was a new growth centre for the American core capitalism and when there was no other important new growth centre for industrial capitalism other than Japan. The international political economy framework laid down by Washington enabled national industrial capitalisms to flourish mainly by deepening their domestic markets but also by exporting.

During this whole period the EC was evidently a concert of capitalisms on a narrow range of issues. It anchored the EC member states into giving German industry access to their markets and played a role in international trade policy. Agricultural support was its most important policy sector. But it also was an important framework linking Europe's ex-colonies to Western Europe after independence. The crisis of the Western economies during the 1970s placed severe strains on the EEC even as a trade policy body.

2. The Big Turn of the Early 1980s: the shift towards the German Paradigm and Leadership

This period was marked by the competitive crisis of overproduction in the Atlantic world and the rising industrial ascendancy of Japan in electronics. But it was also marked by the new growth centre for industrial capitalism in other parts of East Asia. It was also marked by the destabilising new dollar-system for international monetary relations.

A qualitative shift in the character of the EC can be seen with the establishment of the EMS and ERM in 1979, constructing a currency bloc around the D Mark. This was a direct response to the American transformation of the international monetary system into a fiat dollar system unconstrained by rules and run in the interests of US capital accumulation. French acceptance of the DM Bloc ensured its success and turned the ERM states into a stable monetary zone, thus strengthening horizontal linkages between national economies greatly.

The second big step was the common shift in macroeconomic policy framework, a shift to the German model of privileging anti-inflation policy over full-employment in line with Germany's character as a leading industrial capitalism geared to exporting machinery globally. This, together with the D Mark zone implied a restructuring of French and other national capitalisms to bring them into line with the German regime of accumulation.

The third big step in the turn was the Single Market Programme designed to liberalise the movement of private finance and build a wide base for West European multinationals to give them the economies of scale of US and Japanese multinationals. The SEA also enabled Western European capitalisms to have a collective policy on the 'behind the border' 'trade' issues raised by the Reagan Administration for what became the Uruguay Round.

All these changes began the process by which the EU became an institution used by the member states to restructure social relations between labour and capital: using the D Mark anchor and anti-inflation target to restructure class relations and cut back social commitments to citizens on the part of member states.

3. Maastricht and the Formation of the Beginnings of a Political Caucus

This period was marked by the new opportunities for Atlantic political and economic integration into the former Soviet Bloc, by the continuing rise of the industrial capitalist challenge from East and South East Asia and by the eventual take-off of the US economic boom and bubble, the clear emergence of the new Anglo-American finance capitalism and the rise of speculative finance, engaged in all manner of arbitrage and financial market manipulation.

With the Soviet Bloc collapse, the German government decided to maintain its orientation of political-economy leadership in Western Europe and the Mitterrand government remained oriented to Franco-German joint leadership. Both governments agreed to build an EU political caucus, developing new common policies for exerting predominant political influence in East Central Europe. At the same time they drove for tighter macro-economic co-ordination through the EMU project.

But the early 1990s also saw a marked shift to accommodate the Anglo-American programme of sweeping privatisations and deregulation – moves encouraging the growth of stock market capitalism and the rise of elements of the new Anglo-American finance capitalism -- while at the same time toughening the drive for domestic retrenchment of the welfare state and labour rights, above all through the convergence criteria and the later stability and growth pact.

The stagnationist macroeconomic policy pursued by the ECB was consciously designed to act as a forcing lever to generate more flexibilised labour markets but the result was not to undermine the old industrial capital-labour alliance in France and Germany. At a social-institutional level it was maintained, despite big strains in France in the mid-1990s (resulting in the fall of the Juppe government) and in Germany in 2003-4.

At the same time, there have been widespread claims that the French and German linkages between the national financial systems and the industrial systems have been destroyed. But this seems premature, and often propagandistic.⁹ The Mannesman takeover in Germany and Vivendi before its collapse in France were taken as breakthroughs to new financial-industrial structures. But the Mannesman takeover produced a strong backlash involving criminal prosecution of the chief executive for taking the Anglo-Saxon road and similar consequences occurred with the Vivendi collapse. Efforts to produce positive integration of banking and financial systems on a European-wide scale failed and efforts to achieve an Anglo-Saxon finance-capitalism through regime competition between financial systems also failed.

Nevertheless the ECB's policies put the national regimes of accumulation in France and Germany under serious macro-economic strains and parts of the EU have been thrown into the condition of what Gramsci called 'passive revolution': large structural unemployment and the rise of impoverished minorities, popular disaffection from political systems as well as governing parties, etc. The EU policy and institutional framework seemed designed to produce a series of 'races to the bottom' as a result of regime competition. The direction of policy was experienced as conflicting with the established value systems of the old labour-capital alliance.

At the same time, while the German state has remained committed to its traditional regime of accumulation as an industrial capitalism with an export orientation and while the French state has also continued along with path, there seems to have been a shift towards the Anglo-Saxon regime of accumulation within other EU capitalisms.

Thus the possibility that the German capitalist class could become the leadership of a broad, hegemonic bloc of capitalist and subordinate classes across the core of the EU, a possibility that seemed real at the start of the 1990s, has weakened. But no other hegemonic bloc seems to be emerging. Instead the only prospect seems to be that of a long period of 'passive revolution': the 'regime competition' races to the bottom seem to generate institutional malaise rather than dynamic growth.

On the other hand and in part-compensation, the EU has substantially increased its role as a support system for the geo-economic and geopolitical horizontal linkages of the EU member capitalisms during the 1990s. The EU trade regime and single market regime have made it a powerful force in the WTO context. And through the institutions for collective control over external access to the EU market the EU provides its member states with very powerful levers of economic statecraft to open up markets and reshape internal political economies to the East and South of the EU. These operations towards East Central Europe were spectacularly successful in

⁹ See Sigurt Vitols, 'Financial Systems and Industrial Policy in Germany and Great Britain: The Limits of Convergence' in Douglas J. Forsyth and Tom Notermans (eds.), *Regime Changes. Macroeconomic Policy and Financial Regulation in Europe from the 1930s to the 1990s* (Berghahn Books, 1997)

enabling EU capitals to get what they wanted in the new accession economies in East Central Europe. These kinds of operations have been supplemented by the EU's development of a substantial collective aid instrument during the 1990s

And during the 1990s the EU has developed a limited but real capacity to engage in a form of international mass politics to strengthen its ability to politically penetrate other states in the service of economic expansion. This has been achieved through its Human Rights, Democracy, Good Governance (HRDGG) diplomacy and its consequent 'soft power' appeal to the populations of other states. And this appeal had been supplemented by the ability of the EU to protect itself as a champion of international law methods of resolving international conflicts and tackling international problems from arms control through Kyoto. And with the development of the ESDP as a collective conflict resolution/peace enforcement instrument, the EU promises an extra dimension to the expansion of its collective political influence.

Of course, these ways in which the EU acts as a support mechanism on the horizontal axis do not replace the purely national efforts of its member states. These have not only their own export policies but also their own national credit and outward investment policies. And these are supplemented by national geopolitical strategies in different directions and national linkages with other external states and governments.

The result is that the EU is only a support mechanism, not a fully unified concert in the field of international economic and political expansion.

But this development of the EU's capacities as a much stronger support system for West European capitalisms' political and economic linkages has caused hostility in the United States and fears that the EU could become a politically united concert in large areas of its external policies, threatening US hegemony. This has resulted in efforts to split the EU internally on geopolitical lines to ensure that its unity on international issues depends upon American permission. At the same time, the Clinton and then Bush administrations effectively pressured the EU into a wide eastward enlargement before it had adequately restructured its collective policy-making systems to function effectively under Franco-German leadership.

The Current Conjuncture

We will make a series of hypotheses about the current character of the EU:

1. Still a Concert of National Capitalisms

Despite the monetary union for Euroland – a key step towards a Europeanist capitalism but far from a sufficient one – the other key organising institutions of the vertical axis remain at a national level within the EU. These are first of all, control over the shaping of the basic social relations of the production system: capital-labour relations in the production system, institutions for shaping the financial system and its relationship with industrial organisation and for integrating the other main institutions of social life (housing, education, health, social security, pensions etc.) The key instruments here are legislative capacities in the field of corporate governance, labour relations, the regulatory arrangements for the financial system and banks (which remain national) as well as the other key institutions of social life in relation to capitalist reproduction: the tax system, welfare regimes, etc..

Secondly, important vertical axis institutions are those for organising new growth sectors and for facilitating their expansion: R and D, state support through pump-priming via the state market, state help with infrastructure development and with gearing financial institutions towards support, state protection of ownership patterns in the new sectors and national control of export policy (export credit guarantees, etc.). Although the EU plays some role in these fields, they remain overwhelmingly at a national level. The competition policy regulatory regime is a necessary element in maintaining the concert framework rather than a genuine sign of an emergent European capitalism.

The EU intervenes in what we could call the quantitative relations between labour and capital within the member states in ways that help strengthen capital vis-à-vis labour in a number of ways: increasing competitive pressures, forcing fiscal retrenchment, pushing towards making European labour more market-dependent, while the abolition of the exchange rate instrument at a national level further encourages retrenchment rather than devalorising capital through devaluation of the currency. But these are negative, indirect pressures on labour through control over both macro-economic policy frameworks and over the substance of macro-economic policy – not at all linked to positive construction of a new set of European institutions of a unified Europeanist regime of accumulation – have not succeeded in bursting the national regimes of accumulation of the main economies. When the macro-economic frameworks seemed to threaten national regimes in France and Germany between 2002 and 2004, the governments concerned simply broke with the treaty-backed EU policy framework.

Thirdly, the continued national basis of legitimate political authority within the EU and the absence of an alternative centre of popular sovereign authority at the EU level is a crucial support for the maintenance of a concert structure.

2. The EU institutional structure depends on an internal alliance of main national capitalisms

The actual institutional arrangements of EMU and the EC, designed mainly in the early 1990s, depend upon a real political-economy alliance of German, French and some other key capitalisms. It also depends on this alliance resting on a regime of accumulation which seems viable to other European capitalist classes. This kind of situation is necessary for the institutional mechanisms of decision-making to work.

The so-called Neo-liberal platform in the EU in the 1990s was in reality a narrow policy platform that was supported by different capitalist groups for different reasons: it was both a path for making the industrial capitalisms of France and Germany oriented towards exports more competitive and for cutting back on state welfare commitments at the same time; but it was also a platform which could be used by proponents of the Anglo-Saxon finance capitalism model to further their goals.

The performance of the German regime of accumulation has subsequently failed to act as a hegemonic leader of the EU as a whole. Furthermore, there have been evident pressures within the capitalist classes of Europe in the direction of swinging over to a rentier-oriented form of finance capitalism along the lines of the Anglo-American model. This subordinates the class organisation of industrial system to the extraction

of financial returns for rentier interests seeking the highest returns on money-capital from whatever quarter. And this model of finance capitalism also transforms the character of competition between capitals: it opens industrial capital's ownership to takeover by financial groups, making mergers and acquisitions driven by financial groups the centre of gravity of the process of capitalist restructuring. And this system then binds together industrial and financial capitalists, while breaking the old class alliance between industrial capital and labour. This in turn can result in finance-capitalism seeking its labour base overseas and its international activities are principally geared towards gaining access to ownership of assets abroad rather than gaining access to product markets for exports.

Within the EU context, the British vertical axis represents this finance capitalism model while the German structure continues to represent an industrial capitalism model.

The EU institutional and policy framework is currently geared to creating macro-economic pressures arbitrating these models and re-organising EU capitalisms along one line or the other. It is about 'negative' integration which encourages competition between these different 'regimes of accumulation', but the battle between regimes is still on and pressures are mounting in France and Germany against the current policy framework.

It is paradoxical that the macro-economic policy framework was originally precisely that of the German industrial capitalism model. It is now placing macro-economic pressure on that model. If, on other hand, the German state and capitalist class switched to the Anglo-Saxon finance capitalism model, it would generate a huge centre of private finance in Frankfurt that would tend to undermine London and pull the whole of Europe under its sway.

The US policy of driving down the dollar to generate an organic revival of the US economy (rather than one sustained by 'artificial' emergency policy supports) could be thought to place intolerable strains on the Franco-German industrial export model. But it could also destroy the ECB policy framework.

3. Variants of Future Development

The main variants of EU evolution would seem to be determined by the capacity of the main EU capitalisms to find a way out of the current passive revolution which could lead to gridlock and disintegration. This is all the more necessary given the failure to stream-line the decision-making institutions and the increasing likelihood of popular electoral/referendum revolts, including against the so-called 'Constitution'.

This would depend not only on macro-economic revival within the EU economies themselves, but also on the development of strategies for capitalist expansion that can cope with the main 'horizontal' pressures on the EU: those economic pressures and openings from the East and South East Asian growth centre and the political pressures from the US as well as big impacts of the dollar swings.

The Anglo-Saxon model of finance capitalism¹⁰ could expand greatly in continental Western Europe, colonising pensions, housing finance, health systems etc. and it could then generate deepening waves of consumer debt while simultaneously generating a consumption-led boom. This form of capitalism would then drive into East and South East Asia buying up ownership of local industrial assets and other kinds of assets to generate streams of returns for rentier interests in the home base. At the same time, the husbanding of European industrial assets for an industrial export strategy could be abandoned and European society could be transformed by the type of social and wealth polarisation witnessed in the Anglo-Saxon world.

This strategy can work well in combination with a military-political expansionism assuring the security of financial investments and the maintenance of completely open financial systems underpinned by military threat. This is available to Anglo-American capitalism. But it would not be available to a European concert of capitalisms since such a big European military-political expansionism to create its own geopolitical zone would be unacceptable to the US.

Therefore an alternative could be a strategy which maintained the drive for a high tech, high productivity industrial economy exporting and establishing transplant companies in Asia. This could be combined with strong public health and other public services, cheaper and more efficient than the Anglo-Saxon systems. This could be combined with a common front with East Asian capitalisms on the organisation of the international political economy: a front that could easily include a curb on hot money flows and a co-operation on international monetary arrangements (perhaps including a joint strategy of pegging to the dollar to avoid the dollar gyrations orchestrated by the Treasury and Wall Street). This strategy could be combined with a maintenance and development of the politics of defence of international law and principles of the UN Charter—again a policy that would gain strong support in Asia.

CONCLUSION

Our attempt to find a way of grasping conceptually and explaining the shifting character of the EU project remains, very crude and schematic. It really boils down to a claim that we need to have a sociology of capitalism as both a transnational system and as an inter-national system of distinctive social formations. And we also need a framework of sociology which takes in economics, politics and culture. All this can give a background set of structures against which we can situate the foreground institutions-and-atomistic-actors patterns.

Broadly speaking, we can say that the EEC/EC/EU institutional ensemble could not have been created but for American hegemony over Western Europe in the early Cold War. But the ensemble was simultaneously taken up by West European capitalist leaders with broad ambitions to rebuild the international influence of their national capitalisms in concert with other West European capitalisms. With the US

¹⁰ For a very interesting account of strategic thinking in the early Thatcher administration on the new finance capitalism model see Andrew Baker, 'Nebuleuse and the Internationalisation of the State in the UK? The Case of H.M. Treasury and the Bank of England', *Review of International Political Economy*, 6,1 Spring 1997, pp79-100.

monetary relations turn of the 1970s and the linked triadic crisis, Franco-German co-operation produced a monetary bloc and a co-ordinated turn towards a Neo-liberal/German model of macro-economic management. This was a big step towards a politicised political-economy Bloc in counter-point to American capitalism. The Soviet Bloc collapse and consequent liberation of Germany and the rest of Western Europe from the status of US protectorates offered the possibility of a big for adding a geopolitical centre to the Bloc. But in moving in this direction, the West European capitalist concert was objectively laying down a challenge to the US. The Franco-German regime of capital accumulation was also out of sync with the Anglo-American finance capitalism regime and the former has not performed effectively.

Thus we can see the EU reshaping in the 1990s as a set of speculative gambits that the Franco-German model could compete against the Anglo-American model and that the EU political caucus could survive US efforts to resubordinate or split it.