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DEMOCRACY AND AUTHORITARIAN NEOLIBERALISM AFTER THE EUROZONE CRISIS[1]

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Democracy is once again in question throughout the European Union. In its first decades, the then European Community played its role in assigning plausibility to the originally Wilsonian Cold War contention that capitalism and democracy had been reconciled and compared favourably to totalitarian socialism. Together with the 'embedded liberal' 'double screen' of the Bretton Woods system,[2] the Common Market was an essentially intergovernmental, pragmatic, construct that enabled scale-economies required to realize the Fordist formula in western Europe.[3] Hence, the Common Market played its role in securing the material requisites of Marshallian social citizenship, which were essential for combining civic (property) rights with the political rights of representative democracy.[4] The quality of this democracy had its limitations and hypocrisies. It is a conveniently forgotten, though well recognised at the time, that the debacle of the Suez Crisis was a key catalyst for the conclusion of the Treaty of Rome. There has always been an important post-, or perhaps more to the point, neo-colonial and imperialist dimension to European integration.[5] But above all it is the stability and the limitations of the historical conditions of existence of the post-war equation of capitalism and European democracy that need to be recognised. Already the 'second project of European integration'[6] that formally commenced with the Single Market project in 1985, but which above all was conditioned by the creation of an Economic Monetary Union (EMU) and before this the 1983 realignment of the Exchange Rate Mechanism (ERM) in the European Monetary System (EMS), significantly curtailed the scope of democratic deliberation and the content of social rights. When now also the second project of integration finds itself in crisis, Europe stands at a stark watershed.

At its essence, the second project of integration constituted a system very much akin to Hayek's idea of an 'inter-state federation'.[7] It dealt with what neo-conservatives conceived of as 'excess democracy' by constitutionalizing market relations and property rights of increasingly transnational capital whilst at the same time drawing on the disciplinary force afforded by the mobility of the same.[8] Arguably, curtailing such 'excess' had always been a central function of the EC as the imprint of the German Ordoliberalism can be traced to the Treaty of Rome itself.[9] But if this is so, then the centrality and extent of the curtailing powers were of a different order after the EMS, the Single European Act and the EMU. That this was a system that from the outset was constituted by and through state executives and the state-system is vividly illustrated by the 'Emminger Letter', which positively specified in negative terms the caveats to, and highly restrictive conditions under which, the Bundesbank would honour commitments to support other currencies through the European Monetary Cooperation Fund (EMCF) and Very Short Term Financing (VSTF).[10] But also this ‘disciplinary neoliberal’ and ‘new constitutional’ system[11] arose in particular circumstances and was limited by its conditions of existence. The question of democracy in Europe today needs to be posed in the context of its crisis, that is, the Eurozone crisis as a particular manifestation of the global financial crisis and ultimately finance-led capitalism.

This chapter is concerned with the question of whether the crisis in Europe today is engendered with a dialectical quality. With this, I wonder, when the European system lacks the ‘self-healing powers that are necessary for a recovery’, and when its subjects find themselves, like the dramatis personae in classical tragedy, in a situation akin to the ‘turning point in a fateful process’, whether they ‘are able to summon up the strength to win back their freedom by shattering the mythic power of fate through the formation of new identities’.[12] A reasonable *prima facie* case for doing so is the observation that the Eurozone crisis seems to have had the silver-lining of engendering a rich pan-European heterodox debate over visions of if not democratic socialist, then at least Kaleckian, alternatives to European disciplinary neoliberalism. Whilst the focus of this debate is economic, it does by necessity more or less explicitly raise the question of whether or not the EU can be democratised, or more fundamentally, can be seen as an emergent polity with an emergent demos. This ‘economic’ approach has the benefit that it adds much-needed content to overly formalist debates about democracy and the EU. In broad terms, this heterodox economic debate is one between left-federalists (or as I call them, federalist Kaleckians), who envisage radical reform of EU structures, and left intergovernmentalists who envisage a fundamental break, where the immediate conjuncture entails a return to struggles in the field of the nation state and inter-state relations.

The method used for ascertaining the dialectical quality of the crisis is inspired by Friedrich Engels’ *Socialism: Utopian and Scientific*[13], which directs us to consider whether the protagonists in the aforementioned debate base their arguments on compelling diagnoses of the ‘historical-economic conditions’ in which the EU and attendant social forces find themselves today or whether the protagonists in the debate ‘merely’ are ‘ingenious brains’ producing ‘stupendously grand thoughts and germs of thought that everywhere break out through their phantastic covering’.[14] Ultimately, this piece is the bearer of bad news. Subjects seem not to be up to the task of summoning the formidable strength required to break out of the disciplinary neoliberal, or rather Ordoliberal, iron cage in which Europe finds itself.[15] The key symptom of this is the current ‘radicalisation’ of disciplinary neoliberalism whereby, in the wake of the crisis, it becomes an authoritarian neoliberalism and loses its constitutional quality.[16]

The latter is indicated by the increased use in EU governance and law of what Franz Neumann once called ‘general clauses’ (*Generalklausulen*) associated with increasing arbitrariness of the executive in the dying days of the Weimar Republic, which then continued and proliferated in the Nazi era. Neumann’s key antagonist was, in this context, Carl Schmitt who justified the increased use of general clauses and executive power with reference to a ‘permanent state of exception’.[17] According to Neumann:

> General clauses…are not specific laws with true generality. They embody rather a spurious generality. A legal system which derives its legal propositions primarily from such principles…is nothing but a mask under which individual measures are hidden…The renaissance under the Weimar democracy of the notion of the generality of laws and its indiscriminate application…., was thus used as a device to restrict the power of the Parliament which no longer represented exclusively the interests of big landowners, or the capitalists, or the army, or the bureaucracy. Now the general law, within the economic sphere, was used in order to preserve the existing property system and to protect it against intervention where such was regarded as incompatible with the interests of the above-named groups.[18]

There is a strong parallel between this development in Weimar jurisprudence and the usage of executive arbitrary power in the current European Union by the so-called Troika (The European Commission, the ECB and the IMF). From Lukas Oberndorfer forensic analysis, one can identify four key manifestations of the exercise of arbitrary executive power in the New Economic Governance (consisting in the the so-called Two-Pack, Six-Pack, and the Fiscal Compact) that the EU instituted as a response to the Eurozone Crisis.[19] The first two of these are symptomatic of Neumann's 'spurious generality'. First, there is an increase in the scope of reforms encompassed by the Excessive Deficit Procedure (EDP) to not only include adjustment to permissible macroeconomic indicators, but also so-called 'structural' reforms to enhance 'competitiveness'. This domain is rife with spurious generalities as the relationship between, for instance, wage policies, the degree of regulation of labour, product and service markets and competitiveness are highly uncertain and contested and therefore open to arbitrary interpretation by the executive. Second, there is a reduced minimal threshold for a state to fall within the EDP (0.5%/GDP structural deficit). Not only does this reduce the threshold for a 'state of permanent exception' of Troika intervention to occur. The 0.5 'cyclically adjusted' figure is highly spurious as it relies on the equally spurious concept of 'reference medium-term rate of potential GDP growth'. Third, there is the introduction of Reverse Majority Voting (RMV), which seriously curtails the ability of democratically elected governments in the Council of Ministers to curtail the power of the Troika. Whereas it used to be the case that EDP's were enacted through Qualified Majority Voting in the Council, the Council now requires QMV to stop such enactment. This brings us to the fourth point, which is the disregard of the New Economic Governance for procedures as stipulated in EU treaties themselves. There is no legal basis for RMV in EU Treaties. To the contrary, according to Article 121 of the Treaty of the Functioning of the European Union (TFEU) the European Commission must not adopt a decision, which consequently receives its validity through inactivity by the Council as implied by RMV. A particular case of procedural infringement is the de facto authority of the Eurogroup over economic affairs, though, as opposed to ECOFIN, it has no legal personality in the Treaties.[20]

The aim of the subsequent parts of this chapter is to substantiate and amplify this argument. The next two part outlines the heterodox debate in Europe over economic starting with what I call the federalist Kaleckian side of the argument before turning to the left intergovernmentalists. In each case I focus on the more or less explicit reading of the socio-economic situation that the different positions in the debate imply. The argument is that the two sides in the debate are mutually limiting as, in different ways, they rely on overly economistic theories of imperialism, of which Poulantzas offered a compelling critique already in the 1970s. In the course of the review, I advance an alternative reading of the current European situation, based on Poulantzas so-called 'interiorisation thesis'. From such a perspective, I argue that the development of authoritarian neoliberalism in Europe is symptomatic of ever more acute difficulties by EU governance to mediate capital accumulation and legitimation imperatives, which have been under development for some time but which became ever more apparent in the course of the Eurozone crisis.

THE FEDERALIST KALECKIANS

If Europe presently does not have advocates for a socialist federation, it certainly has advocates of a Kaleckian one. Central in this regards are networks of prominent, mainly post-Keynesian economists,[21] whose thoughts also appear in publications of organisations such as the European Trade Union Institute (ETUI) and the International Labour Office[22], as well as in the so-called Euromemorandum Group.[23] Some of the research produced is funded by the European Commission Framework Programmes itself.[24]

Central to the diagnosis of the problems behind the Eurozone crisis is the post-Keynesian conception of the problematic co-constituted relationship between income distribution and capital accumulation arising from the tendency in capitalism towards underconsumption. The Single Market and Monetary Union form part of a broader constellation of neoliberal finance-led capitalism, which has resulted in increased inequality and a falling wage-share.[25] Aggregate demand was maintained artificially and on an unstable basis through the extension of private debt underwritten by asset values facilitated by financialization and securitisation. The United States was the centre of such 'privatised Keynesianism' (or 'debt-led financialization').[26] The design of the Eurozone reflects the export-oriented accommodation of Europe's strongest economy, Germany, to American privatised Keynesianism ('export-led financialization'), which was based on wage growth rising below productivity growth.[27] The Euro removed the threat of competitive devaluations to such export orientation and has resulted in industrial polarisation, concentrating Europe's industrial capacity in the north-western industrial core. At the same time 'peripheral financialization' sustained growth in southern and eastern European peripheries through debt-fuelled consumption and housing bubbles but without the positive network capacities of the financial centres of the United States (and the United Kingdom).[28] The global financial crisis arose out of the ultimate unsustainability of extending debt to the poor and Minsky-style Ponzi-finance leading from euphoria to panic. The protacted Eurozone crisis is ultimately a story or general stagnation because of competitive austerity and the polarisation between the conditions in the export-oriented and peripheral financialisation models. These have put to a head the problems of maintaining a monetary union in a non-optimal currency area without a federal financial mechanism. Current attempts to manage the crisis through a one-sided adjustment by the southern deficit countries are responsible for a catastrophic equilibrium, with some models predicting the rigid application of such a course (and other things remaining equal) resulting in the equivalent of two 1930s style depressions.[29]

On the basis of such diagnoses, federal-Kaleckian alternative policies are prescribed. The Euromemorandum Group is probably the organisation of the longest duration to have done so. The overall objective is to return to a full employment, environmentally sustainable European social model. The prescribed policy package include: A European Central Bank with true lender of last resort functions. A reduction of the size and power of the financial sector via a number of measures: such as the separation of commercial and investment banks; the promotion of cooperative, public sector and other non-profit banks; a ban of most derivatives; a requirement that all securities trading take place on public platforms; a tax on all financial transactions including on foreign exchange transactions; and publicly owned credit rating agencies. It should be recognised that all debt will not be paid back. There should be selective default based on a debt audit. Wealth taxes should be introduced. All remaining government bonds should be swapped for mutualized Eurobonds. Rather than relying on finance led and debt-financed stimulus of aggregate demand, a Europe-wide common fiscal policy should boost demand for the purpose of generating good work. Governments with primary deficits should be given financial support to facilitate expansive policies; public investments should be boosted and funded by mutual European Investment Bank (EIB) bonds; tax harmonisation should make possible higher and more progressive tax rates; and the constitutional requisites for balanced budgets should be repealed. Wage policy should be coordinated with the purpose of increasing the wage share. The basic norm in this context is that wages in surplus countries should be above productivity growth and those in deficit countries at productivity growth. Europe's structural funds should be refocused on high-tech investments especially in non-renewable energy. Cooperatives should be promoted and union rights augmented. There should be a new approach to Association Agreements and trade agreements, which should support autonomous policy making space for developing countries.[30]

It is difficult for any European leftist not to be moved by the vision conjured up by this set of economic policy alternatives. But it raises two difficult and possibly insurmountable political questions. The first one pertains to the political form through which this policy content could be delivered and legitimated. The second pertains to the political agency that may deliver on the form as well as the content.

With regards to form, the left Kaleckian vision requires a root and branch revision of European treaties and the creation of a democratic European federation. This is the project of DiEM 25, founded by Yanis Varoufakis, who as the Finance Minister of the Greek Syriza Government experienced first-hand the power and constraints exercised by existing EU structures. DiEM 25 returns also returns to the federalist conception of European integration, with the attendant need of a constitutional moment. Hence, a Constitutional Assembly should be formed with the view of having a federal structure in place by 2025. The vision is a 'full-fledged democracy with a sovereign Parliament respecting national self-determination and sharing power with national Parliaments, regional assemblies and municipal councils.[31]

In the process towards the formation of a Constitutional Assembly, DiEM 25 envisages intermediary steps, which include increased transparency and the addressing of the on-going crisis through 'creative reinterpretations of existing treaties and charters'.[32] The 'modest proposal' that Varoufakis put forward together with Stuart Holland a number of years ago (and before he became Greek finance minister) outlined what this might entail.[33] Like the Euromemorandum Group, they advocated debt mutualisation through the transfer of member state debt to ECB and the issuing of Eurobonds, though the debt would still be serviced by the individual nation states (at lower rates); they endorsed the policy of refinancing of banks through the European Stability Mechanism though for them this should be in exchange for public equity in the banks. Finally, again in line with the Euromemorandum Group, they advocated an industrial policy pursued through a beefed-up European Investment Bank (EIB). The authors argue that this is all perfectly legal within existing EU treaties, and indeed would not require any other forms than the current Outright Monetary Transactions (where the ECB may intervene on the bond market) and ECB's Long Term Refinancing Operations lending to private banks.

But who is the agency that may deliver the intermediary steps let alone the longer term Constitutional Moment? However attractive in principle, DiEM 25's response is merely rhetorical and leaves the difficult questions unanswered: 'we the people of Europe…united by different cultures, languages, accents, political party affiliations, ideologies, skin colours, gender identities, faiths, and conceptions of the good society'. The only apparent power resource at hand is the symbolic appeal of the celebrity status of some the members of its Coordinating Collective and Advisory Panel. These include, apart from Varoufakis himself, Brian Eno, Noam Chomsky, Vivienne Westwood, Julian Assange, James Glabraith, Ken Loach, Saskia Sassen, Slavoj Zizek, and interestingly John McConnell whose British Labour Party has accepted the verdict of the British referendum on Brexit, and imposed a three-line whip on the vote to trigger Article 50.

In the absence of an answer from DiEM 25 itself, one might turn to the work of Jürgen Habermas, who has since long argued for the need of a European constitution and the engendering of a 'constitutional patriotism' to replace European communitarian nationalism.[34] The answer provided is the only analytically available one, which in fact is the conventional neo-functionalist one of mainstream integration theory:[35] Communicative channels as such are supposed to offer the deliverance.

> Expanding and intensifying markets or communication networks ignite a modernisation dynamic of opening and closure. The proliferation of anonymous

> relations with ‘others’ and the dissonant experience with ‘foreigners’ have a subversive power. Growing pluralism loosens ascriptive ties to family, locality, social background and tradition, and initiates a formal transformation of social integration. With each new impulse toward modernization, intersubjectively shared lifeworlds open, so that they can reorganise and then close once more.[36]

There is, however, very little historical evidence that communication as such has delivered the substantive outcomes that federalist Kaleckians advocate, which, after all is a Europeanisation of the social democratic welfare state. The state of the art of political sociology remains that these outcomes only are delivered through the effective collective organisation of wage earners, through unions with high union density and politico-strategic coherence and therein supported by political parties committed to that cause and reproducing attendant power resources[37] Furthermore, this is not itself sufficient but requires a capitalist class with compromised structural power resources and that finds it in its interests to bargain with such a wage earner collective. There is very little evidence that, notwithstanding an increased density of communicative interaction, these conditions obtain in Europe today.[38] The actually existing European Union is both an outcome and a generator of a structural power balance unfavourable to labour and favourable to capital that makes the federalist Kaleckian politically implausible. It should be stressed that this is not only a question of lack of power resources, but also the lack of unifying coherence between wage earners. Working class organisations in Europe, such as trade unions, are not only historically weak. They are also deeply divided, not the least as a result of the uneven development and core-periphery divisions generated by the problematic structural coupling of export-led and peripheral financialisation. Especially unions operating under export-led financialisation are very reluctant to support the federalist-Kaleckian vision as they are deeply implicated in existing EU economic governance through competitive corporatism.[39]

THE LEFT INTERGOVERNMENTALISTS

This takes us to the left intergovernmentalist position, which rejects the federalist Kaleckian position for reasons similar to those just outlined. One of the most articulate proponents of that position is Costas Lapavitsas and his collaborators.[40] Lapavitsas and the aforementioned federalist Kaleckian proponents of a ‘good Euro’ agree on much in their critique of finance-led capitalism and a Euro that is asymmetrically favouring capital over labour. However, for Lapavitsas et. al. this is still the manifestation of an inter-state alliance, and expresses uneven development and an inter-state hierarchy with Germany at its apex. Hence, the nation state and inter-state relations still constitute the locus of contestation.

Absolutely central to Lapavitsas analysis is the idea of the Euro as a contender to the Dollar as ‘world money’, and hence as a vehicle of contender status of German imperialism as the leader of a broader alliance of European imperialism.[41] Above all ‘it aim[s] to meet the paying and reserve requirements of large European enterprises and facilitating global operations of European states’, and it ‘determined by the large European banks and enterprises that primarily deploy the Euro’.[42] According to Lapavitsas, the ‘good Euro’ alternatives would fail because they fail to take into account that existing Euro policies are internally related to the credibility that the Euro needs to accumulate in world markets to secure its world money status. Hence, the ‘good euro’ alternative may mean ‘no euro’.[43]

For Lapavitsas et al, therefore, the only alternative is a structural break and ‘progressive exit’ from the Eurozone. It would entail a return to national currencies, allowing deficit countries to adjust through devaluations, cessation of debt payments, nationalisation of banks, the introduction of capital controls, and comprehensive industrial policy. Democracy, in this context, would be in the form of the reintroduction of national sovereignty and representative democracy, and presumably also economic and industrial democracy. In a text written together with Oskar Lafontaine's former chief advisory, Heiner Flassbeck, Lapavitsas argues that ideally, such an alternative would proceed through European intergovernmental cooperation, including progressive and enlightened German leadership. Recognizing that 'the entirety of its economic policy is based on export surpluses', Germany would need to radically revise its model towards strengthening aggregate domestic demand and weakening foreign demand, restoring wage growth and increasing corporate taxes and using proceeds for public investments. Such a turn would require 'an honest and serious discussion inside the country'.[44] Acknowledging that such changes would provoke massive resistance from within Germany, Flassbeck and Lapavitsas propose two possible scenarios. First 'combined political pressure by other European states, including France' might compel Berlin to accept such a leadership role. Alternatively, an EMU implosion in which one or more states moved towards exit might generate 'a coalition of debtor countries'.[45]

The merit of the left intergovernmentalist position is that it thematizes the questions of agency that the supranatioanlists cannot answer, and consequently, the political forms required seem less fanciful.[46] The questions is, however, how much less fanciful they actually are. The nation-state based progressive alternatives that is advocated here have been tried before, most notably in the 1970s, and with very little success. Mitterand's U-turn comes to mind, and one wonders that if the Euro struggles generate credibility, what would be the case with national currencies? The argument is very much premised on the assumption that it is the obstruction of German agency as such that constrains this alternative, and that German agency also is a possible source of a solution. This, however, overstates the power of German agency, which in turn is based on a questionable conception or 'world money'. Above all, it understates the extent to which the Euro, as a successor to the European Monetary System, was all along a *defensive response* and accommodation to the vagaries of American monetary hegemony post-Bretton Woods and the dominance of America in financial structures.

The question can be posed in the following terms: If the Euro is world money, why should the 'good Euro' supranational alternative in principle be impossible? After all, the ability to pursue expansionary policies without the international system imposing adjustments is the 'exorbitant privilege' usually associated with 'world money'. Indeed Lapavitsas himself states that this is the reason why the status is coveted. His argument as to why the Euro cannot exercise these privileges is that it is a 'unique' form of world money that is in the process of establishing its status. [47] This strikes me as a rather economistic conception devoid of geopolitical content.

More conventional realist international political economy has a real lesson for heterodox economics in this context. After the collapse of Bretton Woods, through the structural power exercised via global financial markets, and the Dollar reserve currency status, the United States was able to pursue discretionary economic policies without the need for internal adjustment, by 'delaying and deflecting' adjustment requirements onto the rest of the world, including Europe.[48] As Randall Henning has demonstrated, every major and successful initiative towards European monetary integration has been in response to turbulence in Europe generated by such American policy.[49] German current account surpluses have been central to protecting states participating in European monetary cooperation on the capital account. Of course, this has come at the price of accepting the Germany-imposed conditionalities and as the analysis of Lapavitsas and other show the benefits are very dubious. But that does not negate the function that the EMS and the EMU has served to shield the member states from the vagaries of Dollar hegemony. The conclusions are sombre: they enforce Lapavitsas argument as to why a 'good Euro' is unlikely to work, but they similarly shed doubt over any progressive alternative arising out a nation state based exit-strategy, whether under German leadership or not.

An alternative reading of the situation in which the European left finds itself starts with Nicos Poulantzas interiorisation thesis, which has been the basis of a number of more concrete and contemporary analyses of American political economy, transatlantic relations, as well as European integration.[50] The interiorisation thesis does not deny that European, especially German, capitalist economic groupings amalgamate to form autonomous competitive units of considerable significance in the global economy, and as Lapavitsas has pointed out, the euro has to be seen as a product of this. However, it goes one step further by pointing to the importance of certain sectors for strategically structuring the global economy. Banking and finance is one of them, as is the military sector, and by extension the energy sector. These sectors are dominated by American capital and as a result Europe remains dependent on America.[51] The American dominance in these sectors determine a whole series of corporate 'practices, know-how, modes and rituals to do with the economic sphere' that are organic to the American social formation but not the European ones.[52] The emulation of American business models, including shareholder value, must be seen in this context. This is also a decisive structural context for the endurance of the Dollar as the world currency, and why the Euro is not a serious contender.[53]

Consequently, transatlantic capitalist relations are characterised by a finance-led structure that developed as a response to post-Fordist stagnation in the 1970s and the attendant fiscal crisis of the state. Streeck is one of many who has pointed out that financial innovation has been the key mechanism through which capitalist contradictions have since then been managed through temporal displacement.[54] But though in his argument for a structurally driven transition from a 'debt-state' to a 'consolidation-state' Streeck captures the specific situation in Europe, also he fails to adequately capture the geopolitical situation and that is despite passing references to American seignoriage. It is not the case that the US is a model 'consolidation state' which has more of a propensity to pay off (public or private) debt as such. This would seem to be contradicted by the origins of the 2008 financial crisis itself or for that matter a stylized reading of basic national accounts over the last 30 years. It is rather Dollar seignoriage, and the 'interactive embeddedness' between global finance, and domestic (corporate and retail) finance, that has given the US a unique capacity to convert debt into capital accumulation and hence secured its apex in the hierarchy of capitalist states.[55]

Streeck is more on the mark in capturing the dynamics in second and third tier of the hierarchy of capitalist states, which defines the dynamics between the European core and periphery. Lacking seignoriage privileges, it is these states that require fiscal consolidation as a 'confidence building measure' to ensure that they remain as attractive as possible to creditors on financial markets by making it clear that they intend to service their debt.[56] The varied capacity to institutionalise a consolidation state is crucial for understanding the hierarchy between the core and the periphery in that regard, and this in turn depends of more straightforward economic variables such as terms of trade. For that reason, the corporatist states in northern Europe, most notably Germany, have been relatively successful in this endeavour. But this does not mean that they can easily behave as the first-tier hegemonic state. The states in Europe's periphery, which do not have favourable terms of trade, but in fact are increasingly caught in a middle income trap, where they directly compete on costs with emerging markets, have much weaker capacities to institutionalize consolidation, and have in fact, as Henning suggests, drawn on EMU membership to obtain the requisite credibility. This is taking place, however, on increasingly harsh terms as in the wake of the Eurozone crisis, the northern states, mainly Germany, is using its leverage to generalise a European a consolidation state-structure.[57] As pointed out in the first section, this is done through increasingly authoritarian means through executive prerogatives and a permanent state of exception. More broadly, according to the interiorization thesis, this reflects a situation where Europe capital has adjusted itself to the structures of the global economy in such a way that they have become relatively dislocated from Europe's social formations.

CONCLUSIONS

Summary and Conclusions

This paper posed the question of whether there is prospective agency that could deliver either on a 'progressive exit' from the Euro or a democratised 'Kaleckian' federal alternative. The paper is a bearer of bad news as European integration into the world economy on terms that are subordinate to the US social formation (what Poulantzas called interiorisation) poses problems for both possibilities. The increasingly authoritarian form of neoliberal governance in Europe as expressed in the increased use of general clauses is also held to be a consequence of this mode of integration after the crisis.

This raises the question of whether Europe has entered a curious phase of 'catastrophic equilibrium' characterised my immobilism and stagnation. The idea of authoritarian neoliberalism is inspired by another concept of Poulantzas 'authoritarian statism' (1978), which he argued was a rigid and therefore weak form of state. A number of authors, starting not from the articulation of 'stupendous grand thoughts' of European alternatives, but with the weaknesses and rigidities of current modes of rule, have started to aske whether embryonic alternatives can be identified in 'disruptive agency', and then especially 'prefigurative pragmatic agency' which has arisen in the reproduction crisis of a Eurozone characterised by austerity (Bailey et. al., 2016). A fruitful avenue of research would consider these developments in relation to the heterodox alternatives articulated above. However, such analysis should have no illusions about the formidable problems in scaling up such agency, and insofar as Syriza, Podemos and other movements have their basis in them, the ending is not necessarily a happy one.

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14 Friedrich Engels, *Socialism: Utopian and Scientific*, p. 403.

15 Max Weber's conception of an iron cage is a useful antidote against the teleological assumptions that virtually all European integration scholarship shares, and to which the left is far from immune, namely that European integration is a largely benevolent process that unfolds so as to progressively represent the rational aspirations that are potential in human nature. By contrast, the iron cage denotes a deeply troubled situation from which it is impossible to escape, despite the disenchanted realization that the Celestial City will never be reached. See Magnus Ryner, 'Europe's Ordoliberal Iron Cage: Critical Political Economy, The Euro-Area Crisis, and Its Management', *Journal of European Public Policy,* 22 (2) 2015, pp. 275-94; Ryner and Cafruny, *The European Union and Global Capitalism.*

16 Lukas Oberndorfer, 'From New Constitutionalism to Authoritarian Constitutionalism: New Economic Governance and the State of European Democracy', in Johannes Jäger & Elisabeth Springler eds., *Asymmetric Crisis in Europe and Possible Futures*, London: Routledge, 2015, pp. 186-207.

17 Carl Schmitt, *Political Theology: Four Chapters on the Concept of Sovereignty,* Chicago: University of Chicago Press, 1985.

18 Franz Neumann, 'The Change in the Function of Law in Modern Society,' in *The Democratic and Authoritarian State,* New York: The Free Press, 1964, pp. 135-57.

19 Oberndorfer, 'From New Constitutionalism to Authoritarian Constitutionalism: New Economic Governance and the State of European Democracy',

20 This was famously revealed when Yanis Varoufakis queried the legal basis for excluding him, as Greek Minister of Finance, from the deliberations of the Eurogroup and he

was told that the Eurogroup had no obligation to include him as it was not an official institution of the EU.

[21] Together with figures such as Piero Sraffa and Joan Robinson, Michal Kalecki are among those who post-Keynesians invoke in their radical interpretation of Keynes, whereby they seek to develop a general theory of growth from Keynes' analysis of the short term, which is based on the postulates of fundamental uncertainty, liquidity preference, and a tendency in capitalism towards underconsumption because of the distributive relations between capital and labour. See for instance Engelbert Stockhammer, 'Neoliberal Growth Models, Monetary Union, and the Euro Crisis: A Post-Keynesian Perspective', *New Political Economy*, 21 (4), pp. 365-79. Kalecki is of particular interest in this context because of posing the question of aggregate demand and full employment policy in class terms. Rather presciently, in an article published in 1943, 'Political Aspects of Full Employment', *The Political Quarterly*, 14 (4), pp. 322-31, he predicted the development of a 'political business cycle' where business would only support measure to stimulate employment policies in a slump but a 'rentier bloc' would resist such policies at the peak of a business cycle because of its tendency to blunt the disciplinary mechanism of 'the sack'. To pre-empt the development of such a political business cycle, Kalecki argued that the entrepreneur should not be the exclusive or main medium through which full employment policy is conducted. He advocated ambitious programmes public investments, public (welfare) consumption and subsidies of private consumption, and broadly the development of social and political institutions that reflected the then increased power of the working class. The programmes for a European alternative outlined here by post-Keynesian federalists can be called Kaleckian because they seem to be exactly in line with these principles and this spirit.

[22] E.g. Eckhard Hein, Torsten Niechoj, Thorsten Schulten, and Achim Truger, *Macroeconomic Policy Coordination in Europe and the Role of Trade Unions,* Brussels: ETUI Press, 2005; Marc Lavoie and Engelbert Stockhammer eds., *Wage-Led Growth: An Equitable Stategy for Economic Recovery*, Basingstoke: Palgrave Macmillan/ILO, 2013.

[23] http://www.euromemo.eu/ (accessed June 4, 2017)

[24] A prominent example is the 2011-2016 FESSUD project (How Finance Can Better Serve Economic, Social and Environmental Needs). The Principal Investigator of this project was the prominent post-Keynesian economist Malcolm Sawyer. http://fessud.eu/ (accessed June 4, 2017), who also plays a leading role in the Euromemorandum Group.

[25] Özlem Onaran and Georgis Galanis 'Is Aggregate Demand Wage-Led or ProfitLed?', International Labor Office, Conditions of Work and Employment Series, 40, Geneva, accessed at http://www.ilo.org/wcmsp5/groups/public/ ---ed_protect/---protrav/---travail/documents/publication/wcms_192121. pdf, accessed on 03.05.2016

[26] Colin Crouch 'Privatised Keynesianism: An Unacknowledged Policy Regime,' *British Journal of Politics and International Relations*, 11 (3) 2009, pp. 382-99.

[27] E.g. Engelbert Stockhammer 'Some Stylized Facts on the Finance-Dominated Accumulation Regime', *Competition and Change* 12 (2) 2008, pp. 184–202.

[28] Martijn Konings 'European Finance in the American Mirror: Financial Change and the Reconfiguration of Competitiveness,' *Contemporary Politics* 14 (3) 2008, pp. 253-75.

[29] Dimitris Sotiropoulos and Engelbert Stockhammer (2014) 'Rebalancing the Euro Area: The Cost of Internal Devaluation,' *Review of Political Economy* 26 (2), pp. 210-33.

[30] This prescribed policy-package is taken from Euromemorandum Group, *Euromemorandum 2010/11: Confronting the Crisis, Austerity and Solidarity.* With slight variations, depending on year on year developments, these capture the rather consistent line that the Euromemorandum group has taken over the year.

[31] https://diem25.org/manifesto-long/#1455748561092-7b8f1d50-a8c2

[32] Ibid.

[33] Yanis Varoufakis and Stuart Holland, 'A Modest Proposal for Overcoming the Eurozone Crisis,' Levy Economics Institute of Bard College Policy Note 2011/3.

[34] Jürgen Habermas, 'Citizenship and National Identity: Some Reflections on the Future of Europe', *Praxis International* 12 (1) 1992, pp. 1-19.

[35] Ernst Haas, *The Uniting of Europe: Political, Social and Economic Forces*, Stanford: Stanford University Press, 1958.

[36] Jürgen Habermas, *The Postnational Constellation*, Cambridge, Mass.: The MIT Press, 2001, pp. 82-83.

[37] Walter Korpi, *The Democratic Class Struggle*, London: Routledge and Kegan Paul, 1983.

[38] This seems to be the central point made by Streeck in his debate with Habermas in the pages of the 2013 volume of *Blätter für deutsche und international Politik*. Adam Tooze seems to rehearse the essence of Habermas argument in his critical review of Streeck ('A General Logic of Crisis', *London Review of Books*, 39 (1), 2017, pp. 3-8). But Habermas and Tooze do not meet their burden of proof and, on this score at least, Steeck has the better of the argument.

[39] Heiner Dribbusch, Steffen Lehndorff and Thorsten Schulten, eds., *Rough Waters: European Trade Unions in a Time of Crisis*, Brussels: ETUI Press, 2017.

[40] Costas Lapavitsas et. al., *Crisis in the Eurozone*, London: Verso, 2012.

[41] As such, Lapavitsas et. al. follow in the tradition of Ernest Mandel. See Mandel, 'International Capitalism and "Supranationality"',

[42] Ibid., pp. 157, 158

[43] Ibid., p. 67.

[44] Heiner Flassbeck and Costas Lapavitsas, *Against the Troika*, London: Verso, 2015: pp. 48, 36.

[45] Ibid, p. 49.

[46] See note 37

[47] Lapavitsas et. al., *Crisis in the Eurozone*, p. 157.

[48] Benjamin Cohen, 'The Macrofoundations of Monetary Power', in David Andres ed., *International Monetary Power*, Ithaca: Cornell University Press, 2006, pp. 31-50.

[49] Randall Henning, 'Systemic Conflict and Regional Monetary Integration: The Case of Europe', *International Organization*, 52 (3) 1998, pp. 537-74.

[50] Leo Panitch & Sam Gindin, *The Making of Global Capitalism*, London: Verso, 2012; Ryner and Cafruny, *The European Union and Global Capitalism*.

[51] According to Panitch and Gindin (2012: pp. 199-203) Wall Street investments banks have dominated Initial Public Offerings and mergers and acquisitions in the Single Market. 65 percent of German M&A's were handled by American investment banks in the 1990s. 80 percent of European software was supplied by American IT companies.

[52] Nicos Poulantzas (1974) 'Internationalisation of Capitalist Relations and the Nation State', *Economy and Society*, 2 (1) 1974, pp. 145-79.

[53] John Grahl, 'Globalized Finance: The Challenge to the Euro', *New Left Review* 8 (new series), pp. 23-47.

[54] David Harvey provided a pioneering analysis in this regard. See *The Condition of Postmodernity,* Cambridge: Polity Press, 1990, pp.

[55] Leonard Seabrooke, *US Power in International Finance: The Victory of Dividends*, Basingstoke: Palgrave Macmillan, 2001; Martijn Konings, *The Development of American Finance,* Cambridge: Cambridge University Press, 2011; Gerard Dumenil & Domenic Levy,

‘The Economics of US Imperialism at the Turn of the 21st Century’, *Review of International Political Economy*, 11 (4) 2004, pp. 657–76.

[56] Streeck, *How Will Capitalism End?* pp. 121-22.

[57] Ibid., pp. 127-41