

**the
Enigma
of Europe**

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**Edited by
Walter Baier, Eric Canepa
and Eva Himmelstoss**

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The Enigma of Europe

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PREFACE

Never before in the history of our network and journal has there been a year like 2015 in which the radical left – along with many unpoliticised people – has learned so much about what its possibilities and limits are within the European Union’s neoliberal architecture. Syriza’s electoral victory in January and the victory of the OXI vote in July’s referendum demonstrate that radical left parties can build electoral majorities around a platform for political change. But, at the same time, it became clear what the limits are of what can be achieved with the current balance of forces within the European institutions and amongst Member States and to what extent a single country can resist when going it almost alone, with social movements, militant trade unions, and political parties of the European left still too small to defend it. People are thinking about strategy more intensely than ever before during the neoliberal era. Assessing the experience of the clash between Greece’s left government and the Troika, Yanis Varoufakis offers detailed proposals for an investment-led recovery and currency, banking, and debt policy as part of a feasible programme for the immediate future in the context of a new European network or platform now being put together. Without reducing the inner-party conflicts in Syriza to one between a ‘radical’ and ‘conservative’ wing, Michalis Spourdalakis draws a balance sheet of the first months of the left-led government and the loosening of contact with the party’s social base, maintaining that Syriza needs both to return to the social arena *and* stay in government.

The question of the kind of Europe that has to be fought for, and the national/international dialectic the left needs to master in resisting the governance of a globalised financial market are addressed by Étienne Balibar and Walter Baier. The left has always been internationalist, but it cannot afford to be in any way identified, by dint of its internationalism, with the actual neoliberal European project; this will necessarily allow a large part of the oppositional space to be claimed by the radical right and its nationalism. The post-democratic and neoliberal nature of the EU institutions is documented by Riccardo Petrella, the nexus of financialisation

and austerity by Joachim Bischoff, and the labour regime the EU enforces is laid out by Karola Boger, while Adoración Guamán and Raúl Lorente show how EU policies have affected labour legislation in Spain and what attempts have been made to resist them. The question of how much can be changed within the framework of the Treaties, how much flexibility there can be for different national approaches, along with specific policy proposals, is debated by Axel Troost and Peter Wahl. But despite differing viewpoints one thing is certain: for the left, the labour movement, and other social movements, there can be no return to organisation on a purely national basis.

Michael Brie addresses the question of transformation on a general level – the origins of the idea in the French Revolution, gradual changes and rupture, changes within the system and pointing beyond it, the problem of absorbing the positive achievements of capitalist society while transcending them – of which the European dilemma is a specific case. Uta von Winterfeld addresses the crisis of the regenerative capacity of society and nature in her résumé of her studies on the structures of masculine bourgeois rationality which would have to be overcome in an ecological social transformation. Along with Winterfeld, Gabriele Winker's thesis on transformation strategy via the care revolution addresses the crisis of social reproduction, and, as with the contributions on the commons, Winker offers readers the opportunity to become familiar with a considerable body of new theory and practice. Reproductive and care work, like the commons, are an integral aspect of any contemporary concept of social transformation.

In recent decades the radical left has devoted too little attention to concrete alternative industrial policies. However, the financial crisis and more especially the showdown with Greece within the crisis of the EU have begun to bring this kind of thinking into the foreground. Jürgen Klute documents in detail the continuing market orientation of the European Commission but also the small but significant shift towards recognising the need for investment in industry and of greater social and ecological protection as seen in recent communications and initiative reports of the European Parliament. Maxime Benatouil indicates the recent work organised by transform! Europe on productive reconstruction, and Javier Navascués discusses it in the context of Spain and other countries of Europe's south.

Transformation and productive reconstruction cannot be conceived outside the context of the enormous movement, wide variety of projects, considerable body of theory, and, most dramatically at the local level, impressive impact of the new appreciation of common goods and the commons. Michel Bauwens, Vasilis Kostakis, and Alex Pazaitis, Pierre Dardot and Christian Laval, Wolfgang Hofkirchner, Theodora Kotsaka,

Alfonso Gianni, and Roberto Musacchio offer an excellent opportunity to get abreast of the present state of theory and practice of the commons. Gianni and Musacchio, in particular, provide important information on the history of mutualism and cooperativism in Italy.

Last but not least, Transform continues to provide reports on the state of the left and the challenges it faces in the context of particular countries. Michalis Spourdalakis, Ilona Švihlíková, Anna Ochkina, Felicity Dowling and Kate Hudson, Murray Smith, and Leo Panitch and Hilary Wainwright's interview with Jeremy Corbyn, help bring us up to date on developments in Greece, the Czech Republic, Russia, Great Britain, and Scotland in particular.

The volume closes with Maxime Benatouil's report on activities and events organised by transform! europe network in 2015.

The transform! europe network was established in 2001 during the World Social Forum in Porto Alegre by a small group of intellectuals from six different European countries, representing left research institutions or journals, who wanted to coordinate their research and educational work. Today transform! consists of 28 member organisations and observers from 19 countries.

The network is coordinated by a board of eight members, and its office is located in Vienna. transform! maintains a multilingual website and publishes a continuously growing number of reports, analyses, and discussion papers on issues related to the process of European integration.

Just like the biannual journal which transform! published from 2007 to 2013, the yearbook is simultaneously published in several languages; it now appears in English, French, German, Greek, and Italian. Expanding our audience and broadening the horizon of the experiences reflected in *transform!* are not the only reasons why we publish our yearbook in several languages. We do not see translation as a mere linguistic challenge but consider it a way to bridge political cultures that find their expression in different languages and in the varied use of seemingly identical political concepts. This kind of political translation is of particular importance when set against the current historical backdrop of the left in Europe, and it focuses on finding unity in diversity by combining different experiences, traditions, and cultures. It is at the heart of transform! europe's work.

We would like to thank all those who have collaborated in producing this volume: our authors, our coordinators for the various language editions, and finally our publishers, Merlin Press.

Walter Baier, Eric Canepa, and Eva Himmelstoss

THE ENIGMA OF EUROPE

More Than Ever: For Another Europe! August 2015 Theses¹

Étienne Balibar

The general impression one has today is of an impasse in the structure of the European Union as a democratic project benefiting its populations and contributing to a better world. As an adherent of 'left-wing Europeanism',² I want to emphasise in what follows that today, more than ever, *there are only two paths to follow in Europe and for Europe*, even if it is not easy exactly to define their content and describe the concrete way in which they 'bifurcate'.

'The other Europe'

I would like to take up the rallying cry 'another Europe', in whose name many recent political mobilisations have been organised. What it affirms is that *there are alternatives*, and that they are part of a *grand alternative*. On the one side, neoliberal Europe, on the other, democratic Europe or, better, the Europe of democratisation (which implies a reclaiming and reinvention of 'social Europe', seeing as the negation of the 'social' dimensions of citizenship is at the heart of the 'de-democratisation' strategies). The former is seen in the enormous complex of structures, institutions, and hegemonic discourses. The latter is still largely *virtual*, for it only exists in the form of heterogeneous resistance and initiatives, but that does not mean that it is utopian or represents nothing more than an empty 'ideal', for its virtual existence is based on the very real *contradictions* of the former.³

This view is only meaningful if we begin by admitting that in Europe today *there is indeed much that is irreversible*. We could say that, in a general sense, nothing is irreversible in history. Why should Europe's structure, with its 'material constitution' inspired by neoliberal principles, be irreversible? However, 60 years of European construction have transformed society and the countries such that a return to the preceding state of affairs is no longer possible. The idea of a return to national independence, whether meant *definitively* or just as a *temporary transition* to 'taking back' the EU

on foundations that would this time be ‘healthy’, is a dangerous myth; but the extent to which this ‘mix’ of national autonomies and supranational unity that henceforth constitutes Europe is evolving is still an open question. On the other hand, the idea of irreversibility in turn becomes oppressive mystification if it excludes the possibility of bifurcations and new changes to come.

Transformation ‘from inside’ or ‘from outside’?

Another debate, sparked by the Greek events, turns around the question of knowing whether it is possible to transform a political system like the EU from within without violating its operating rules and breaking with its underlying consensus. This is a heated debate because it not only implies a decision on tactics, and on the recent past’s attitudes regarding ‘firmness’ or ‘compromise’, but also on the very analysis of EU institutions and the possibility of subjecting them to transformations or reforms contradicting the objectives incorporated in their *modus operandi*.

However, the necessary distinction between ‘inside the system’ and ‘being enclosed within its logic’ omits a more fundamental aspect of the question of transformation. There are, in fact, two kinds of ‘outside’ the system and its logic that are involved here. On the one hand, we see the conservative forces that benefit from the system, or try to transform it in a still more inequitable direction, relying on something ‘outside’ the EU, that is, the *anonymous global financial market* whose interests they represent and requirements they transmit. This ‘outside’ is solidly established but beyond the reach of citizen action. There is, however, another ‘outside’ – the mass of ‘passive citizens’ shut out of discussions about the political and social system, whose very lives are at stake, and the demands they express. In the struggle unfolding within the system, the only way to compensate for the surplus power (and surplus capacity to make the ‘rules’ of this power apply) that gives the dominant forces the support of the *globalised outside* is to provoke to action this ‘*internal*’ outside – ‘*outside*’ in relation to the ‘*system*’ and its ‘*rules*’ – consisting of ‘excluded’ or ‘self-excluded’ citizens, whose silence is required for the rules to function.

For a transfer union

The name Germany’s ruling class gives to the kind of European Union it does not want is ‘transfer union’, meaning a form of economic solidarity in which the ‘creditor countries’, and more generally all those whose economies are the winners of globalisation, would have to ‘compensate’ for the advantages they have through financial aid to over-indebted countries, by using a part of their tax resources to aid the development of others. Not only should we

not skirt this issue but we should actually demand a transfer union in loud and clear terms, as long as we specify its contents and objectives.

There *already* is an enormous mass of ‘transfers’ between European countries, and the European Union rests on the existence of these transfers. But these transfers are, in part, hidden and skewed in favour of a part of Europe. Our project of a transfer union should be presented as a *reversal* of the direction of these transfers and not as if it is ‘introducing’ the idea from scratch. It could not be limited to financial compensation mechanisms, especially if these take the form of *new loans* that would only increase the indebtedness of the ‘beneficiary’ countries; this only benefits the banks and lending institutions by feeding the ideological representation of these countries as welfare-dependent nations. By the same token, the transfers should not be seen from a perspective of simple social *redistribution*, even if their object is to counteract the regional development inequities and the unequal access of citizens to resources, which tend to make Europe into a ‘dual’ society. Instead, the transfers should introduce a common budgetary structure, mutualising a not negligible part of those European resources that come from taxes and putting them at the service of co-development projects between European nations, and at the service particularly of Europe’s ‘transition’ towards the new industries and new energy regime required by global warming.⁴ Robert Salais and other economists have made the point that this perspective makes it possible to envisage a reconversion of the debt (in its totality – public and private debt in all European countries and not only of over-indebted countries) to long-term productive uses instead of short-term speculation.⁵

These kinds of perspectives involve a reform of the institutional ‘construction’ of the euro, of monetary policy (as an economic incentive policy), and the role of the European Central Bank. It is not just a matter of redoing what was done badly but entering a new epoch of European federalism that would finally really be federative. It is *only* in such a framework that collective authority (represented by the ‘institutions,’ of which European Parliament *representation* would have to be a part) would be legitimised to require and control administrative reforms such as those dealing with corruption or the efficiency of tax regimes.

For an alter-globalist Europe

Let us be brutally frank here. *It is not in the power of European peoples to place themselves outside of globalisation.* Globalisation as a ‘total’ phenomenon – that is, economic, political, and cultural (and anthropological, we should add) – is an *irreversible* process, much more so than Europeanisation because it is

not an institutional construction but a new stage in the history of humanity. Naturally, capitalism has been its driving force and has determined its present main characteristics – and at the same time its contradictory effects. But its significance goes beyond capitalist conditions themselves; in any case, it exposes them to unforeseeable feedback effects that we have to take account of in our thinking.

In particular, this means that the ‘disconnection’, or the ‘de-globalisation’, proposed by various theorists claiming to be Marxists is a confused and probably false idea.⁶

This does not mean that the course of globalisation is not untenable and unbearable for millions of people, in Europe and outside Europe. Indeed, this is the case on many levels: the increase in inequality, the intensity of forms of exploitation, cultural expropriation, and the destruction of the environment, the exercise of political power in the form of national sovereignty, etc. Every day capitalist globalisation is producing catastrophes that will only multiply and produce violence whose limits have not yet been reached.

Under these conditions, it is essential to be clear that ‘another Europe’, that is, the building of a solidary and democratic Europe, is among the instruments we need to operate against the current within globalisation itself, and thus act upon it.

An alter-global Europe, a Europe that (in coalescing with other forces, other cultures) ‘changes the world’ in the sense that has become necessary, that is, *changes the world’s mode of globalisation*, can only be a Europe that profoundly changes itself, while keeping permanent watch over its own evolution and global issues. It would be a Europe that works to articulate strategies to *protect* social relations, historic gains, the European populations themselves, and strategies to regulate international processes of circulation and transformation, thus with both a local and a global perspective. *These two types of strategies* are necessary for envisaging a real exit from the crisis and are, in the longer term, a contribution to the transformation of humanity’s mode of existence.

This is why Europe has at the same time to take the path of using and reforming *international institutions*, from the IMF to the International Court of Justice and the United Nations, whose present make-up reflects the inter-imperialist relations and balance of state powers of another age. But in order to do so, Europe has first to *exist* as a power.

Invent a transnational democracy

The single currency is the instrument par excellence for facilitating negative, that is, non-egalitarian, transfers within the EU. To the extent that it was

conceived essentially as a means of intensifying competition and not of economic policy it is also the instrument of the ‘dictatorship’ of the financial markets over Europe’s economy and policies. But above all it is the lynchpin of the process of de-democratisation in Europe, which is already at an advanced stage.

The democratic regression began long ago. From the beginning, the EU’s structure was seen as a technocratic machine, even if the countries themselves (essentially the western-most ones) were then the locus of a more intense, more conflictual democratic life. The nation-states and political classes that managed them were opposed to the introduction of forms of representation and democratic control at the European scale that would have deprived them of their monopoly as mediators between the people and the executive and administrative powers. In a sense, the major turning point towards neoliberalism annulled both the vestiges of 1945 and of 1968 in European countries. It has opened the way to a ‘governance’ of society that is neither representative nor deliberative in the strong sense of the term (even if Europe continues to guarantee many individual rights that do not exist or are suppressed elsewhere in the world, although these are now endangered by the growth of security mechanisms). On top of this, Europe has practically ‘constitutionalised’ a co-management of political institutions by a grand coalition of conservatives and social democrats rallied to neoliberalism, which neutralises any political discussion of *alternative paths* or leaves them to nationalist populist movements to define. Has democratic regression reached a point of no return? Under what conditions and through what forms could a *reversal of the reversal* take place?

I shall confine myself to three points. *First*, democracy can never be ‘acquired’. Fundamentally, it is not a ‘regime’ but an ensemble of practices, institutions, and historical conditions that *maximise the capacity of people* (the *demos*) to defend their own interests and manage their own affairs in an egalitarian manner. This is why, at levels at which it exists, it involves uncertainty: *either it is advancing or regressing*. There is no denying that at this moment the democratic quality of our societies is regressing because the power relationships are too skewed, with real power beyond the reach of popular control, and the deliberative function of representation has been neutralised by ideological consensus. But we can also see the great dissatisfaction caused by ‘passive citizenship’, a demand for participation and control of ‘common goods’, and the invention of forms of social struggle and of goals of solidarity.

Second, this leads to the following proposition: In every way possible, we need to seek out all opportunities to conquer (or reconquer) rights

and guarantees; to acquire powers (which include powers of control over ‘technical’ administrations and governing organs at the European level); and, finally, to build collective *capacities* – capacities of deliberation, decision-making, and reflection. These capacities are not fundamentally an institutional matter: the capacity of reflexion cannot be prescribed to citizens. But it does depend on institutional conditions – this is why the most innovative movements of recent years in the area of participatory democracy, like Spain’s *indignados* movement from which Podemos has emerged, find their main strength in local assemblies and do not easily flow into the party form. It is clear that prospects for ‘reversing the reversal’ represented by the current de-democratisation depend on the emergence of such democratic inventions at the national and above all *transnational*, level. This brings me to my *third* point.

A good deal of thinking about democratic objectives in Europe continues to be blocked by a belief that *democratic capacity cannot materialise at the European level without diminishing at the national level*, and, inversely, that *the defence of national democratic gains requires foregoing the construction of organs of ‘federal’ power*. This idea is completely contradicted by what we are experiencing today, for we see that degeneration of democratic life and the reduction of popular powers are occurring *simultaneously* at the national and supranational levels with opposition to democratisation of the EU’s structures at the two levels mutually reinforcing each other, in a sort of negative *feedback*. Conversely, if we start from the principle that the *distribution of power through several levels* is an historically acquired reality – that is, if we do not take the ‘nihilist’ position of a historic dissolution of the European Union – we have to posit the existence of *counter-powers* wherever there are institutionalised powers. That many democrats are reluctant to abandon the possibilities of popular control, of the representation and ‘sovereignty’ that national parliaments offer (on condition that they *keep* effective rights), is understandable, but it does not follow that the national level can be the only one that involves popular control. This is why projects to extend the European Parliament’s powers of control and the improvement of its representativeness (for example, through the introduction of double representation: of European citizens as holders of individual rights, and of national communities following a weighted territorial principle), even if these are not enough to stimulate civic participation, are intrinsically important.⁷

The general idea ought always to be the same: to reinforce national democracy by instituting a federal democracy with real powers and to give life and substance to federal democracy by regenerating national and local democracy. The orientation should be the *simultaneous (and combined) growth*

of the power to act at different levels.

Another point: Europe can only exist 'legitimately', that is, with the consent of its people, themselves consisting of citizens, if it becomes (essentially by dint of their efforts) *at least as democratic* as its constituent nations, in fact *more democratic*, in other words, if its composition corresponds to progress in the history of the principles and practices of democratic government. This is to say that it must *add* democratic levels to already existing ones and *invent* new forms. Without this demonstration of superiority, the combination of technocratic tendencies and the demoralising effects of the crisis will lead to reactions that are *simultaneously* anti-democratic and anti-European, which we are already seeing now. The obstacles are formidable, one of the most elementary and effective being the linguistic heterogeneity of the European *demos* (which is not an *ethnos*) that tends to affect the younger generations less, in particular through the use of 'standard' English, although in a very uneven way according to social class origin.

What sovereignties?

A brief remark on the question of 'sovereignty'. There is a tendency to confuse different realisations of the idea of sovereignty, which are heterogeneous and can even become antithetical: *national* sovereignty, *state* sovereignty, and *popular* (thus 'democratic') sovereignty. No one can deny their close interdependence, both in the history of *republican* nations and in the application of the principle of *self-determination* by dominated or colonised peoples. But if we fail to clearly differentiate among these we are led to believe that their articulation is fixed once and for all, which is one of the bases of 'sovereigntism' and produces the worst political confusions. At this moment in history, the articulations of sovereignty are diverging, and, consequently, 'sovereigntism', even if motivated by a concern to resist the dominant order, is becoming an obstacle to thought and action.

Two closely interrelated reasons make this confusion a particularly tempting one at this time, and they could lead to a dangerous mistake. The first is that the central bank in charge of managing the euro and consequently credit and debt policy has been able to acquire a *discretionary power in Europe* that sometimes puts it in conflict with the interests of particular nations and beyond the control of citizens. It is central to the set of de-democratisation mechanisms and seems to exist above the laws and other powers. The 'counter-projects' of reforming the euro, like Michel Aglietta's, do not go to the heart of the political problem, because they are attempting to 'complete' the construction of the currency (or to 'repair' the flaw of its original creation) by instituting a *European sovereignty* analogous to that of a state.

They insist on the necessary existence in the Eurozone of a federal public budget (and its use for purposes of general interest), but they put aside the question of democratic control of financial and economic policies. They tend to compensate for this lack by appealing to a *political myth* – that of a ‘social contract’ whose incarnation would be the currency.⁸ On the other hand, we see how, during ‘negotiations’ with the Greek government and after the affirmation of popular sovereignty represented by the 5 July referendum, another component of Europe’s technostucture, the Eurogroup, succeeded in *splitting the democratic entity* and, in a certain sense, ‘playing’ the idea of popular sovereignty against itself – by proclaiming that ‘the will of a single people cannot prevail over those of all the others’ (especially, it should be added, when the use of ‘their money’ is at stake). This was the *sole argument* that a democratic point of view could not purely and simply reject – unless it rejected it in the name of the superior historical legitimacy of resistance to oppression – but the presumed will of Europe’s people was never expressed, other than by delegation, or inferred through opinion polls.

A ‘national’ democratic sovereignty only ever made sense to the extent that it opposed the independence of the nation to the claims of an empire or the encroachments of other nations. The most ‘totalitarian’ power that Europe’s peoples have to confront has become that of the *global financial market*, which, in relation to the states and to the peoples it ‘represents’, is in the position of a *quasi-sovereign*. For this reason, there is only effective popular sovereignty to the extent that there is, within nations and above all *between them*, an effective resistance to the ‘omnipotence’ of the financial market, or a capacity to implement policies other than those it prescribes or favours. In today’s Europe, this capacity can only belong to *coalitions* of democratically associated nations, each of which ‘multiplies’ the power and capacity for autonomy of the others. The only real democratic sovereignty is a *shared sovereignty* – ‘compensating’ what it seems to take back from the independence of each people through the collective power it gives them. In contrast to sovereigntism, a *politics of effective sovereignty* defines the domain in which it is possible to speak of a ‘post-national’ historical stage – but on condition that the ‘sharing’ is equitable, egalitarian, and permanently reactivated through public opinion and control. Otherwise, the power ‘multiplier’ will not work, and the sharing of sovereignty is a mere cover for the abuses of those in dominant positions.

Nationalism, populism, Europeanism

The concentration of power in Europe in the hands of a technocratic caste tied to the interests (and the owners) of financial capital, as well as the

neutralisation of politics through a grand coalition of centres whose anthem is the intangible ‘rules’ on which consensus rests, leads to a strong tendency among adversaries of budget austerity and neoliberal transformation to *express their resistance in terms of anti-Europeanism* (preferring no Europe at all to the rulers’ mantra ‘no other Europe is possible’). This anti-Europeanism is founded on sovereigntism, which tends to include nationalism. The nostalgia for a past epoch of democracy and for the popular struggles that brought it alive is accompanied by an indulgence in ‘identitarian’ myths, which are not always opposed to internationalism. The inverse temptation is to proclaim: ‘*nationalism is the enemy!*’ But since, historically, nationalism is far from monolithic and often changes content according to conjunctures, I would propose a more prudent formula: ‘*nationalism today is the main danger for the left!*’ and a fortiori the kind of nationalism that is susceptible to being ‘captured’ by extreme-right populism.

To work against this we need to oppose the current de-democratisation with a defence and exemplification of the idea of the *sovereign people* that is resolutely *anti-nationalist* in prioritising cross-border mobilisation and activism on the part of *European* citizens or virtual ‘co-citizens’, making room, at the very heart of each state, for a community of destiny that equally embraces ‘nationals’ and ‘non-nationals’ integrated into the life, and sensitive to the problems, of *all residents* on European territory.

A ‘party’ of Europe

As we believe, a continuation of the status quo is impossible, and there are two paths in Europe and for the transformation of Europe, neither of which we define as being for or against ‘the construction of Europe’ as such but as alternatives leading to the self-destruction of the European project or going in the direction of its reconstruction or refoundation. Given these conditions, which one is more likely to reverse the current balance of power? Waging a battle on this terrain, as the Italian historian Luciano Canfora wrote recently, is ‘possible’:⁹ it opens up perspectives for transforming the relation of forces as long as there are favourable circumstances and there are forces that interpret them correctly. The crisis of the EU’s structure, which could come to a head and lead to alternatives that are ideologically and politically violent, is one of these circumstances that we need to be able to take advantage of and interpret, but the crisis in no way assures a ‘democratic solution’ (or a ‘left’ solution). A good solution therefore requires the emergence, the presence, and reinforcement of a ‘party of Europe’ that is at the same time a *European party*, recruiting throughout the continent, and that remains a *movement*, preserving its internal diversity and benefiting from

contradiction with the aim of overcoming the problems of the particular *party form* that was perfected by the class-struggle organisations emerging from the labour movement.

This point is all the more important that the clear tactical objective of such a ‘party’ is to contribute to the breaking up of the grand coalition that at present is politically co-managing neoliberal Europe and thus to provoke conflict at the heart of the social democratic tradition (if possible ‘inside it’, as in the rise of Jeremy Corbyn within Britain’s Labour Party). The contradictions undermining the grand coalition and the social democratic parties are the reflection of contradictions affecting austerity-policy Europe. And, for a growing number of European citizens, these contradictions have made the inequalities, the precarity, and the technocratic governance that excludes the people increasingly unbearable. But still more important would be the capacity of such a ‘party’ to enlist the *autonomous* forces – still unorganised, heterogeneous, and in struggle, following participatory models that are everywhere overflowing into parliamentary practices but lack a common ‘programme’ – in the horizon of expectation of a ‘discourse of Europe’ based on the relative irreversibility of a European polity, the strategic issue that this represents within globalisation, and its essentially inadequate present form in terms of the development of democracy.

Notes

- 1 These theses represent an abridged version of a more complete text edited and developed after the introductory remarks I made on 29 August 2015 at the discussion ‘Change Europe, Change in France’, in the framework of the Summer University of the French Communist Party in Karellis (Savoy). For the complete version, see Dominique Crozat and Elisabeth Gauthier (eds), *Écrits sur la Grèce. Points de vue européens*, Collection ‘Enjeux et débats d’Espaces Marx’, Paris: Éditions du Croquant, 2015.
- 2 See Étienne Balibar, Sandro Mezzadra and Frieder Otto Wolf, ‘Le Diktat de Bruxelles et le dilemme de Syriza’, *Mediapart*, 19 July 2015, <<http://blogs.mediapart.fr/blog/ebalibar/190715/etienne-balibar-sandro-mezzadra-frieder-otto-wolf-le-diktat-de-bruxelles-et-le-dilemme-de-syriza>> and Stathis Kouvelakis: ‘Turning “No” Into a Political Front. Some Lessons from Syriza – and Where We Go From Here’, *Jacobin*, 3 August 2015, <<https://www.jacobinmag.com/2015/08/tsipras-debt-germany-greece-euro/>>.
- 3 See Sandro Mezzadra, ‘Per un movimento costituente europeo’, *EuroNomade*, <<http://www.euronomade.info/?p=71>>.
- 4 See Michel Aglietta and Nicolas Leron, ‘À la recherche du souverain en zone euro’, *Libération*, 26 August 2015; also Michel Aglietta, *Europe. Sortir de la crise et inventer l’avenir*, Paris: Éditions Michalon, 2014.
- 5 Gabriel Colletis, Jean-Philippe Robé, and Robert Salais, ‘The case for Euro-investment’, *Le Monde diplomatique*, July 2015.
- 6 See Jacques Sapir, *La Démondialisation*, Paris: Le Seuil, 2012; Samir Amin, *Delinking*:

Towards a Polycentric World, London: Zed Books, 1990.

- 7 Jürgen Habermas, *Zur Verfassung Europas: Ein Essay*, Frankfurt a.M.: Suhrkamp, 2011.
- 8 Aglietta, 'Europe'.
- 9 Luciano Canfora, 'La battaglia possibile', *Il Manifesto*, 26 August 2015, <<http://ilmanifesto.info/la-battaglia-possibile/>>.

The First Months of a Long Struggle*

An Interview With Jeremy Corbyn

On 12 November 2015, Leo Panitch and Hilary Wainwright spoke with Jeremy Corbyn on a train to London from Birmingham where he had been meeting with union shop stewards.

Leo Panitch: *Your remarkable campaign for the leadership not only doubled the party membership but galvanised some 400,000 people overall to associate with the party. This is frankly unheard of anywhere in terms of party mobilisation on the left in recent decades. What do you think this reflects about the possibilities for a new politics, not only in Britain but more broadly – especially in Europe?*

Jeremy Corbyn: I think our campaign excited people who were very depressed by the election result and very depressed by the analysis that was being offered at the end of it, which was essentially that Labour wasn't managerial enough and we had to be better managers in order to do better in the future. I only really got on the ballot paper because of a combination of people – from those who just absolutely wanted an alternative to be put, to those who thought that there ought to be a democratic debate in the party. This kicked off the social media campaign that encouraged others to get involved. We finally made it into the ballot – which required 35 MPs to sign on to a nomination – with one vote to spare and one minute to go. Then at the hustings where the party leadership debates were held, the point of view I put got quite a good reception. And as we started organising fringe meetings around them, the campaign suddenly took off. The first one was Nottingham where we organised a meeting in a room for 100, and 300 turned up. From then on they just grew and so by the end of July, beginning of August, we were getting 1,000 people at every rally we organised. Most of them were filled up with one day's notice. One place, we filled a hall for 1,500 with only four hours of notice on Facebook.

* This interview is jointly published by *Red Pepper*, *Transform*, and *Jacobin*.

LP: *Is it your sense that the same type of thing is happening elsewhere?*

JC: Yes. Because this wasn't anything to do with me. This was to do with people wanting a different way of doing politics – particularly the young people who came in and were very enthusiastic. Our campaign was a combination of the young and the old, very little in between, the middle-aged weren't there. They were either under 30 or over 60, most of the people that came in to work on the campaign, and the phone-banking they did was quite extraordinary. There was one of them where I witnessed this 18-year-old Asian girl with a burka – a Muslim Asian girl – explaining to a 90-year-old white woman how to operate the mobile phone to make calls, and they were both getting on just fine. And it was kind of lovely. We had 400 people on a phone bank one night. It was quite extraordinary. I'm not sure how much phoning they did – they did a great deal of chatting to each other. Most of our funding was raised by crowd-funding, small donations, the average donation was £25, and we got union money in. So about half of it was union-funded and the other half was fundraised.

Hilary Wainwright: *What was it exactly that you were tapping in public consciousness?*

JC: The basis of the campaign was anti-austerity—that was the whole basis of it.

HW: *And the appeal for the 'new politics', the new way of organising politics – how do you see the connections between these two themes?*

JC: Oh, they're two sides of the same coin. Austerity is essentially making the social systems of all of Europe pay for the banking crisis and with this comes a popular sense of either resignation or anger. So the idea that there is an alternative, that we can do things differently, is very important. That is why we have had the most unremitting attacks on me from day one of the campaign. Some of it is so bizarre it's funny.

LP: *Worse than what Tony Benn experienced?*

JC: Hard to tell, different time, different age. It feels bad at times, although I just never respond to any of it, whereas Tony tried to at times and I think that's a mistake. I mean, I don't blame him for it. At that time, those days, I was with Tony in responding to all this. But if you respond to this kind of ludicrous personal attacks you then end up in a swamp or a trench with these people. I'll give you an example. Last Sunday I was accused of not bowing properly to the Queen. I decided I wouldn't respond. Had I responded, the debate would have been about at what angle one should bow. And by now, five days on from it, anyone who hadn't followed the story closely would

say, why is the leader of the Labour Party engaged in a public debate about how one should bow to the Queen? They'd think, is that all he's interested in? I'm about to lose my house and he, the leader of the Labour Party, has got nothing to say about that. So I just took the view from the very beginning that I'm not responding to any of it.

HW: That links to a question I was going to put, which was that you have this reputation that's sometimes symbolised for example in Steve Bell's cartoons in the Guardian by you as the wise, calm wizard facing Darth Vader in Star Wars or the wise wizard in Harry Potter. You appear fearless. Have you always been fearless, is it something that comes from your family and background – or is it something you've gradually, intuitively learned or cultivated through your experiences, your 30 years as an MP? When you've been taking on powerful interests, diving in at the deep end every day as an MP? Have you ever been fearful?

JC: There's two points here, really. One is that I have this 18th-century religious view that there is some good in everybody. Sometimes you have to search quite hard for it. Sometimes it's very hard to find and you wonder if it really is there. Secondly, because I've never had any higher education of any sort, I've never held in awe those who have had it or have a sense of superiority over those who don't. Life is life. Some of the wisest people you meet are sweeping our streets. A friend of mine, a building worker – he sadly died, committed suicide last year, I was very sad about that and I'm very sad I wasn't there for him at the time – whose house was very simple, lots of reused this and reused that, and somebody said to him: 'Jim, why do you live like this?' He said, very wise, he said: 'I live simply, that others might simply live.' And you think, hang on, that's actually very profound. So you've got to have a bit of respect for people. I do have a respect for people and I actually, genuinely enjoy meeting the wide variety of people I do. My constituency has probably about 70 different languages spoken within it, people from all over the world. There's the great, there's the good, and there's lots of people who have been in the prison system. They're all there.

What is fundamental is the attitude with which you approach people, it's an attitude towards your environment, your attitude towards other people. Interestingly, the first leader of the Labour Party, Keir Hardie, who was a more thoughtful man than he's often given credit for, was much more bothered about education and opportunities for women than about nationalisation.

LP: *It's interesting in that connection that before you were elected in 1983, you were already associated with the attempt to change the Labour Party's old statist and parliamentarist politics. Tony Benn had articulated very well in the 1970s the notion that the real problem is not about more state or less state, it's about a different kind of state and, above all, a much more democratic British state – that would be capable of introducing a cooperative, egalitarian, and democratic economy. He would be so proud of you for having achieved what he wanted so badly – to be the Labour Party leader committed to this.*

JC: I wish he was still here. I knew Tony very, very well for a very long time. The difference between Tony and me was that whereas he was one of those very unusual politicians who was actually very successful in a conventional career pattern, I have been monumentally unsuccessful in the conventional career pattern. The first time I met Tony was the 1969–70 period, was when he was reflecting on his experiences as a cabinet minister in the '60s. What was interesting about him then was that, whereas most of the cabinet ministers reflecting on the experience talked about the ministerial car, the mendacity of the opposition, and how they were going to win again, Tony had quite different and more interesting personal reflections on what he had done or not done.

LP: *Yes, and on the basis of such reflections, he wrote a Fabian pamphlet in 1970 called *The New Politics: A Socialist Reconnaissance*, in which he surveyed all the anti-authoritarian social movements in the late '60s – black power, women's movement, anti-Vietnam War – and said, we need to bring that spirit into the party, that's what we're missing.*

JC: I remember those discussions with him, and then I worked very closely with him in the mid-'70s on industrial democracy. Sometimes he was idealistically too excited. He'd sort of say: 'Yes, it's all going to happen now.'

LP: *You were quoted in Tony's diaries as saying that you attributed the defeat in the 1983 election to 'the great incompetence of the party machine'. So what I want to ask you is, did you mean this in the sense of its incapacity to project the promise of the new politics you shared with Tony beyond the active party membership — and does this remain the case today?*

JC: I honestly can't remember saying that but I can imagine the thought processes I was having, which was that the party in '83 presented a very interesting electoral platform, but lots of people in the party were quite frightened of it, and the Tories were running essentially a fairly xenophobic election surrounding the Falklands war, which we never challenged. We also were faced with the SDP being set up by those leading Labour parliamentarians who left the Labour Party at that time so it was a very interesting period. I

felt the party didn't really understand what was happening.

LP: *But what about the incompetence of the machine?*

JC: In some cases just the actual organisation on the ground was very poor.

LP: *Are you worried about this now?*

JC: No, not at all. The party now is in a very different place. The ground operation, as we call it, in the General Election was actually very good.

LP: *Was it?*

JC: Oh, yeah. We had more people active than many I can remember. I went to quite a lot of constituencies, key constituencies. And the membership is now much bigger, it's double what it was. What I am worried about now is that the party needs to reach out and involve a wider range of people. That's my main message. I've just been speaking in Birmingham, to a very big Unite shop-stewards' conference. I said actually every one of you in this room is an expert, every one of you has an opinion, every one of you has optimism, every one of you has hopes. I want a party structure and a union structure that allows your intelligence to come forward and be part of our policy-making. So we don't go through to 2020 where I, as the leader, go away and write a manifesto. We go through to 2020 where it's patently obvious to everyone in the country what our manifesto is going to be – on housing, on health, on jobs, all those things – because everybody's had a part in it. So the need is to reach, to widen our organisation to make us a community-based party.

LP: *And you think the party's regional organisers know how to do this?*

JC: Well, it's not so much do organisers know how to do it – do we all know how to do it? I'm not an expert on this but I'll try. We're going to try various experiments in how we reach out and how we involve people, how we use social media, how we use digital tools to share ideas and knowledge. The idea is that we have a community conference on policy in which some people are there, some people are on Skype, some people are on a live stream feed, some people are sending in emails, whatever. All saying something because they've all got something to say. It's reaching out to people and understanding that what we couldn't do in '83 was win parts of the national media because the story was written by the Radio 4 Today programme and *The Sun*. Radio 4 Today is still there and it's influential, *The Sun* is still there and it's influential, but they're both much less influential than they were. I do this weekly YouTube video, the lowest viewing figures we've had have been 400,000, the highest we've had is over a million. That's the numbers of people who want to watch it. So, we're doing all of that, and I'm spending

a lot of time as well travelling around on trains, like this.

HW: *This links in to what we've done to prepare this interview. Inspired by your approach to Prime Minister's Question Time in the House of Commons, we've asked people what questions they want us to ask you.*

JC: Dave from Witney, what's his question?

HW: *Well, Dave from Witney did not come up with anything, but Tim, from Barking, has a question about democratisation of the state: he asks what your views are on a federal UK, given that New Politics and democratisation surely involve sharing power?*

JC: Yeah, I'm glad that question has come up because of the problems that have arisen out of the UK being such a highly centralised state. It is changing, because Scotland is obviously very different now – as government in Scotland is devolved it now has tax-raising powers which they may or may not want to use. But whatever the outcome in Scotland – whether independence or otherwise – England is still not decentralised at all. George Osborne is offering city-devolution to some places – over which I have some concerns because it is devolution to big cities and it doesn't necessarily include adequate funding of the services that have been devolved. So you could end up with a form of devolution that doesn't include any kind of financial autonomy or alternative source of income. You negotiate every year on limited funding with a central government which relies on you running even more services on its behalf. The other end of the scale is the total federal model that Germany has, with not only the very powerful Länder levels of regional governments but also very powerful cities and a relatively weak federal state. I think there is a very interesting debate on federal models to be had here. I don't want us to go into government in 2020 saying simply that we are going to think about it. So I've asked Jon Trickett to set up a constitutional convention, which he's doing – it's under way now. It is looking at powers of government, powers of Parliament, powers of the House of Lords, an elected second chamber. Then issues of rights and accountability in society, bill of rights kind of thing – protecting the Human Rights Act but moving on from that, of course, to how you sort English regional government. Because there are no effective regional voices it means there is a disproportionate level of capital investment in London and the south-east compared to the north-west and north-east, for example. The East Midlands actually does the worst of every region. I put some ideas together on this during the leadership campaign as one of our consultative papers. I did 13 consultative papers on lots of different stuff. They are on the Jeremy4Leader website. Look at those and you'll see some ideas there.

All of those are open to comment. The difficulty we have at the moment is simply the capacity we have to respond to all this, because of the volume of stuff we're getting in.

LP: *And to raise the stakes even higher, what about democratising European institutions?*

JC: Well, European institutions: I want us to approach the European referendum on the basis of demands for a social Europe, demands for workers' rights across Europe, demands for environmental protection across Europe, and turn it into a debate about: do you want a free market Europe that controls people or do you want a Europe where the people control the market? Essentially advancing that kind of alternative. Now I'm not sure how far we've got with that debate, there's a long way to go. I'm having a lot of discussion with a lot of union people on this at the moment.

Our problem is simply the capacity to respond to everything. After only two or three weeks in office we discovered we had a backlog of a hundred thousand emails sent to me. We had a backlog of a thousand invitations to speak at places all over the country, and all over the world for that matter. We started from scratch with our office, so just the sheer management of issues off this is huge. It's now much better, it's getting better. We've got more staff in place, a better team in place, it's growing but it is quite difficult. Also I'm quite concerned that if I spend time in the office someone will always find something for you to do. There's always a crisis that needs your urgent attention. If I wasn't there, either the crisis wouldn't happen or it wouldn't need your urgent attention. But the fact I'm there means that it becomes my problem, not somebody else's. So I'm quite assertive about the need to ensure I go travelling round the country. I'm doing basically three days travelling every week. So we're going everywhere. I did over a hundred events during the leadership campaign and by the end of the year I will probably have done 400 to 500 public meetings.

HW: *How do you organise the input you get through those meetings?*

JC: That's the hard part. It can't all reside in my brain – it's not capable of retaining all this information. That is actually the problem area, how we deal with all this. And so, when we've finally got the rest of the team in place, we're going to look at much more interactive websites and interactive ideas. A lot of it is depending on computers and social media. You couldn't do this without computers and social media. I think back to the Tony Benn deputy leadership campaign in 1981. I think of the miners' strike in 1984. I think back to the industrial democracy movement in the early 1970s. All of which I was very involved with, but they would have been so much more

successful and so much better if we'd had better forms of communication. We had to write letters to everybody, and spent a lot of time licking stamps.

HW: *This leads into another question concerned with the party. It's from Thomas Barlow: his question is how are you going to open up the party – both the party apparatus and the parliamentary party – to democratic inputs and participation in policy-making? And I might add, how far could your own Islington North constituency party be a participatory model for the rest of the party?*

JC: There's no perfect model, but what I say to anyone active in the party is that we've recruited 200,000 new members, but please don't take them to the branch meetings. You get to your average branch meeting and you're discussing the minutes of the last meeting but one, it's not necessarily very attractive. My constituency party is not perfect but we have a very large membership. We've got 3,300 members in my CLP [constituency Labour Party] and 2,000 registered supporters. So we've got 5,000 people and the Labour vote is 30,000 – so one in six of the Labour vote are members of the party.

HW: *So how do you involve them?*

JC: We have thought a lot about how we conduct meetings. Our normal monthly meeting has a guest speaker, a discussion, a report from me and then after an hour and three quarters, we do the business in 20 minutes.

LP: *So have you sent this out to other CLPs, to the regional organisers?*

JC: This is where it's going. We've organised a very interesting national executive 'away day' where I'll be presenting ideas on this.

LP: *This isn't widely known ...*

JC: It will be, don't worry. The word will get out there and one day the BBC will mention it.

HW: *Maybe you could do a little film of sort of your local party in action showing what meetings could be like ...*

JC: Yeah, but the whole thing should not be personal around me ...

HW: *Then, moving on beyond the personal, how far could this model influence the Parliamentary Labour Party – so the issue is less whether MPs will be reselected as candidates for the next election by each of their constituency parties, but more that they face local parties that are so full of energy and capacity that they can't resist the new politics agenda by clinging to the old politics.*

JC: Abraham Lincoln had a point when he said: "With charity to all and malice towards none, we go forward."

LP: *Are there red lines you won't cross, apropos of this?*

JC: Yeah, I mean, my views on nuclear weapons are very well known. My views on social justice are very well known. My problem is all my views are extremely well known on everything. To be fair, you get a lot of noise from a small number of members of the Parliamentary Labour Party. But there's a much larger group that are actually very interested – very interested in who has joined the party, very interested in the fact that their membership has doubled. Some are nervous, some are concerned, some are excited. We're all humans. We have to try and understand people. My natural, default position is to work with somebody, not against them. It does make my life quite busy.

HW: *So this relates to another crowdsourced question which is from Finn Smith, who is asking how do you envisage changing the present political culture? He says that you're 'respected because you're humble, modest, and caring but you're up against a dominant narrative of personal gain, competition, private entrepreneurship. How do change the mentality of this neoliberal sort of narrative?'*

JC: Well it's about the psychology of our society. It's exactly where we started. Is socialism just about state power, state control, state ownership, and so on, or is socialism about a state of mind of people. I think the response across Europe to the humanitarian crisis of Syrian refugees is very interesting. The Hungarian government are not very nice people, and very nasty towards asylum seekers and refugees. But when those poor Syrians were trying to walk through Hungary to get to Austria, ordinary people came out and gave them clothes and water. They could've been throwing rubbish at them. They could've been attacking them. They weren't. There is a basic humanity towards other people. Of course, you have to unlock this when young people are brought up to understand their history and their culture largely in terms of consumerism, competition, and self-advancement. So my absolute passion is that, starting with pre-school facilities, the emphasis should be on schools as places of social interaction, where people learn to play together, and where they are asked, is the advance of a community the ability of somebody to get very rich at the expense of others; or is the advance of the community when there is nobody homeless, nobody unemployed, nobody sleeping rough? We have to insist it is only about 'getting ahead' if we all get ahead. Somebody said to me 'you don't speak for aspiration'. So I said, 'Oh yeah I do, I've got a real aspiration.' And he said: 'Okay, so what's that?' And I said: 'Everybody to have a house.'

HW: *What about how to appeal to UKIP voters. Does it require redefining patriotism?*

JC: No, it just requires reaching out and saying, well actually, the housing shortage is created by not enough houses, the doctors shortage is created by not enough doctors, the limits on school places by not enough school. Stop blaming people. Look to ourselves how we solve it.

LP: *So, it sounds like you are actually enjoying yourself in this new leadership position?*

JC: Yeah, of course I am.

LP: *Seriously?*

JC: Yeah, I was pushed into this, but I'm happy I was.

HW: *Are there any surprises? I mean, is it as you expected? Or are there things that are different, for good or ill?*

JC: I feel constantly concerned that I'm spending all this time doing everything involved in all my leadership activity and sometimes I feel a tear between that and my responsibilities to the community that I represent. So I have a weekly fight over the schedule set out in my diary. That's where I do get quite assertive because I insist on spending time with those people and groups I always have represented even while now also travelling across the country – and also I make sure that I have time for myself. Half a day, or a day a week, so I can dig my allotment.

HW: *Ok, just one final question. You are known for your exemplary lack of sectarianism. You work with whoever is on board for the cause. You worked with the Greens, for example, in Stop the War, on anti-austerity platforms and so on. Now people are worried – and this is reflected in the crowdsourced questions – about the party's electoral approach to the Greens, and in particular whether the Labour Party should stand down in the next election from challenging their leader, Caroline Lucas, in the Brighton constituency for she is MP for. How does a non-sectarian ethic extend to that level as a party leader?*

JC: That's tomorrow's problem, that's not today's. We've got to build the ideas, then develop the movement, and then we'll see. Today is what we've achieved so far.

When Winter Came in July: The Left Has to Rethink Europe

Walter Baier

After the Paris attacks, Europe froze into a winter of icy fear. But contrary to the media's image, the threat, which is to be met with surveillance and tightened border controls, is at least as internal as it is external. The arrested terrorists' papers were all in order, they moved about legally in the Schengen area, and could buy their weapons here. They found their base in the peripheries of the large cities that were abandoned by the political system and where the state is only experienced through police repression. There, where hopeless social conditions are combined with the lack of democracy, agitation finds fertile ground.¹ Politically, too, Europe's problem lies primarily within. The goal and legitimacy of European integration is in crisis. The connection between the proclaimed goals, the deployed means, and the visible results has been ruptured, and the attempt to hide this behind the rhetoric of war and military activism will lead to the loss of whatever credibility is left.

Historians are likely to remember 2015 as a turning point. From January to July it seemed possible that through rational arguments and supported by a pan-European solidarity movement Greece's left government could win over most particularly Europe's social democratic heads of government. In the OXI expressed by the Greek people in the 5 July referendum, democracy triumphed over fear. A Greek springtime seemed to be opening up. But winter came exactly one week later, not with tank divisions but from the combined violence of the European Central Bank and the Euro Group. The failed ideas² of austerity were confirmed in the subjection of a country that represents no more than 2 per cent of the population and economic output of the EU.

Christian democrats and social democrats, who (still) govern both main countries and the institutions of the EU, have rejected the policy change demanded by Alexis Tsipras. In order to continue as they have been doing

they want to introduce an authoritarian centralism into the EU. On 22 June, as the negotiations with the Greek government headed towards their denouement, EU Commission president Juncker presented a plan for the future of the European Union: *Completing Europe's Economic and Monetary Union*, commonly referred to as the Five Presidents' Report.³ The goal is to reconstruct the EU, from now until 2025, so as to prevent confrontation with and within the institutions from becoming public, as happened in the case of Greece. And for this they are prepared to pay a high political price: the political space denied to Tsipras has been occupied since the early summer of 2015 by Orbán and the radical right whose discourse is the antithesis of the left's. Their target is not the austerity policy carried out in the name of the EU but European integration itself, and their goal is a national Europe rather than a social one.

The new right is not as new as it would appear. In some cases, the ties between it and the old fascist right are evident. In other instances, right-wing radical and right-wing extremist parties exist alongside each other (FIDESZ and Jobbik in Hungary and PiS and Kukiz 15 in Poland). Lumping these phenomena together leads to overlooking the new factors and confronting the parties of the new right exclusively with traditional anti-fascist rhetoric. This cannot work.

The right-wing radical parties the True Finns and the Danish People's Party were the big winners in the parliamentary elections held in Finland and Denmark this spring; in November Poland elected a right-wing nationalist Prime Minister; in September Viktor Orbán captured the EU's political agenda by building border fences. We have to analyse this carefully. It is not the arrival of more than a million refugees at the EU's outer borders that provoked the political crisis, in the course of which the axis of political discussion shifted still further to the right, but the incapacity of the governments and the European institutions to reach a consensus between the countries and within their societies around the practical organisation of a refugee policy that is solidary and observes human rights. The parties of the political centre are eroding because they are identified with the prevailing ills.

Until 2009 Poland had been governed by its social democrats; in 2011 they suffered a crushing defeat, and in 2015 they lost their parliamentary representation. In Hungary, the social democratic MSZP, which governed until 2010, is under 10 per cent in all current opinion polls. Certainly, in both countries the after-effects of the system change play an important role. However, in Austria we see a similar tendency with the conservatives and social democrats together scoring only slightly more than 50 per cent in

the regional elections held in fall 2015, while polls see the FPÖ nationwide in first place. Finally, in France, even François Hollande's nationalistic war rhetoric in the wake of the terrorist attacks could not head off the Socialists' debacle in the December regional elections.

The political landscape is polarised, but this dynamic is not due only to the radical right. There is a counter-tendency. Even under the catastrophic conditions of a third Memorandum, Syriza could hold its own in the September elections as the governing party; in Portugal the socialists, against the resistance of the state president and the EU Commission, formed a government supported in parliament by the Left Bloc and the Communist Party, which has already introduced its first measures to mitigate austerity policy. In Spain, Podemos, a new radical left party which arose from a large social movement, has managed to smash the bi-partisan system within only three years of its foundation. Possibly also of great significance is the election of Jeremy Corbyn as leader of Britain's Labour Party, who will likely run against the Conservatives in the 2020 national elections.

Polarised Democracy

1. Parliamentary elections 2015				
Country (electoral month)	Left	% of votes	Far right	% of votes
Greece (January)	Syriza	36.3	Golden Dawn	6.3
Denmark (June)	Red-Green Alliance/Unity list	7.8	Danish People's Party	21
Finland (August)	Left Alliance	7	True Finns	17.7
Greece (September)	Syriza	35.5	Golden Dawn	7
	KKE (Communist Party of Greece)	5.6		
	LAE (Popular Unity)	20.9		
Portugal (October)	Left Bloc	10.2		
	CDU (PCP)	8.3		
Poland (October)	Razem	3.6	Law and Justice Party	37.6
			Kukiz '15	8.8
Switzerland (October)	Party of Labour	0.5	Swiss Peoples' Party	29.4
Spain (December)	Podemos	20.7		
	Izquierda Unida	3.7		

2. Provincial elections 2015				
Country	Left	% of votes	Far right	% of votes
Austria (4 provinces)	CPA	1	FPÖ	29
France (first round, December)	Front de Gauche	4.04	Front National	27.7

In the elections held in 2015, including the regional elections in Austria and France, left parties, despite the outstanding electoral success in Greece and Spain, received a weighted average of 11 per cent, while those on the radical right received 22 per cent.

Right-wing radicalism, populism, nationalism

European politics is approaching a critical juncture, which begs comparison with the inter-war years. Antonio Gramsci characterised as an *interregnum* the unsettling of existing certainties that functioned to hold together the state, that is, the dissolution of the *hegemony* of specific concepts and ideologies: ‘The great masses have become detached from their traditional ideologies, and no longer believe what they used to believe previously, etc. The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear.’⁴

Two decades later, the Hungarian–Austrian economic historian Karl Polanyi described the raging political struggle in the 1920s and 1930s between two diametrically opposed ways out of the crisis: on the one side, socialism, which rejected the ruling classes in both its reformist and revolutionary variants and, on the other side, fascism, which left their privileges untouched and to which they therefore surrendered. In the latter Polanyi saw one of two possible reactions to the failure of the ‘utopian endeavor’ of erecting societies and international relations on the basis of a ‘self-regulating market system’.⁵

Today, again, it is the frustration spreading throughout the popular strata that allows the radical right to present itself as the *antagonistic option*⁶ vis-à-vis the political establishment. As the popular Argentinian political scientist Ernesto Laclau writes, *populism* consists in the discursive production of an opposition between *the people* and the *elites*. But here there is an analytical gap: no description of the rebellion to which right-wing radical parties incite is complete which does not take account of its characteristic relation to the dominant order and its crisis. The anti-system rhetoric of right-wing populism is not aimed at a social revolution. Its essence is to stabilise the existing social inequality by authoritarian means. Right-wing radical parties

have a rebellious appearance, but what is involved is a conservative rebellion that leaves the existing property and power relations intact.⁷

Populism, with its mystified concept of 'the people', cannot simply be inverted and activated in the sense of left hegemony, which must instead aim at rational knowledge of material interests and power relations. The way of thinking from which right-wing populism draws its discursive material is that of reactionary prejudices. When Gramsci uses the term 'national-popular' he means basing oneself on the rational elements of generally diffused world outlooks – not in the sense of a unilateral accommodation to common sense but as a catharsis, an intellectual and moral renewal. This is the opposite of nationalism and populism.

That is why for Gramsci the struggle for power is not limited to the conquest of the state but requires the acquisition of the necessary knowledge and cultural formation on the part of the people. He arrived at this formulation in part by critically reworking Niccolò Machiavelli's writings, although it would be erroneous to interpret him as a kind of discursive Machiavelli.

Between nationalism and European unification

In Hungary, it is clear how a right-wing radical party secures its power through authoritarian changes made in the state. There is a similar process underway now in Poland. Both cases involve the previous bloc being driven out of power by a new one whose cohesive element is authoritarianism and ethnic nationalism. This also has a European dimension. The coming to power of right-wing radical parties is not a development taking place in parallel among states but is a European development. The point of convergence towards which the concepts of these parties tend is their antagonism to the specific arrangement of national relations institutionalised in the European Union, which distinguishes today's Europe from that of the inter-war period. Just as right-wing populism in general indicates a crisis of democracy, at the European level it represents a crisis of integration. Nationalism is both the distorted projection surface of an economic and social crisis and the expression of a deficient democracy. The radical left has to respond to both on both levels – the national and the European.

The radical left is thus facing a complicated challenge: It has to oppose the march towards authoritarian neoliberalism, with which Europe's elites are responding to the crisis, just as much as it must oppose the Renaissance of nationalism that the radical right is extolling as the alternative. And this kind of navigation between Scylla and Charybdis requires dialectical agility.

The European Union and its predecessors, the European Coal and Steel Community, EURATOM, EMU, the European Economic Community,

and the European Community, were never the projects for peace and human rights they claimed to be. One can only be disappointed if one is deluded in the first place.

But illusion is the material on which all foundation myths are built. For this reason, the radical left cannot retreat from a European perspective on politics. Already before the First World War, the left was interested in European unity as an alternative to nationalism. However, the conception the communists had under Lenin of an unconditional application of the right of nations to self-determination carried the day over the cosmopolitan conceptions of Rosa Luxemburg and of Otto Bauer who proposed a European federation based on national-cultural autonomy. But the nation-state principle anchored in the 1918 peace treaties proved to be a disastrous bomb that exploded into fascism and war.

It was thus logical that anti-fascists of all parties wanted to see the new Europe united and socialist, as we read in the Manifesto of Ventotene written in 1941 by the Communist and resistance fighter Altiero Spinelli.

This hope was dashed when the Cold War split Europe into two hostile halves. The economic integration of western Europe proved to be compatible with social progress, at least as long as there was broad social consensus for it within the countries. This changed in the mid-1970s in the wake of the capitalist crisis.

Europe's present acute crisis had a long period of latency. Through the Treaty of Maastricht in 1992, a currency union was established according to the standards of the German Bundesbank. Neoliberalism became *de facto* – and with the 2007 Treaty of Lisbon *de jure* – the *fundamental norm* of the EU. Whenever its implementation met with resistance the screws of authoritarian governance were tightened. Thus its 2011 reform, the Stability and Growth Pact, and the European Fiscal Compact, which the Member States of the Euro Group were required to import into their legal systems, were symptoms of a deteriorating crisis. Each step was the result of political decisions taken with the consensus of the governing parties in the EU and the countries. The 18 heads of state and government of the Euro Group, which on 13 July 2015 forced Greece into a new round of austerity, could not hide behind economic constraints or European treaties. Theirs was a politically motivated decision to have a country made economically defenceless serve as a warning to others. And Europe's social democrats did nothing to prevent it.

Europe's contemporary political and institutional form was not what the radical left had wished. Even if it has to move within this framework it cannot afford in any way to misunderstand this as *its* Europe. The left also

has to deconstruct, geographically and in terms of international law, the confusing narrative according to which the European Union is identical with Europe.⁸ The European unity for which the left is struggling will not consist of an increasingly greater extension of the EU's territory and sphere of influence. In this respect, the military crisis in the Ukraine provides ample material for critical reflection.

Despite this, the obvious failure of neoliberal integration should not mislead us into any ambiguity in terms of European unity. What relationships between European countries do we consider to be the most appropriate for tackling the big problems – the economic crisis, solidarity with the refugees, climate change, security, etc.? A Europe of 28, 35, or 50 national currencies, nation-states, and border regimes in which the most powerful countries compete with all their means for supremacy? Is that the way we imagine the international environment in the single countries for social progress and transformation?

We want a Europe in which a Thessaloniki Programme can be implemented – this is how a French trade-unionist expressed it at a transform! seminar. Countries in which parliamentary majorities are available for this purpose are still exceptions. The defeat that the Greek government had to swallow in the negotiations with the Euro Group shows what the current limits are. In retrospect we know that from a position of weakness no break is possible within the European institutions. Despite this, the Syriza government has for the time being survived and kept open the possibility of a comeback under more favourable conditions.

Qualitative leaps in the relations of force are possible, but in quite a few European countries the trend is to the right. This will deepen the divisions between regions and countries. The challenge is to find a strategic answer to this fragmentation of Europe without falling into the traps of nationalism.

Programmes cannot substitute for strategy. Solidarity and self-interest demand that the radical left struggles to make it easier to keep bridgeheads to another Europe alive. If the EU, as a whole and not in the short term, can be set on a new course the strategic issue would be an expansion of the political possibilities nationally.

Even a debate on the euro or an exit from the EU is now no longer taboo. It is not impossible that in individual cases and under certain conditions this could in fact increase the political room for manoeuvre. But as a programme of the whole European left this could only help us if we also believed that the major problems facing societies today could be better solved without institutionalised, international cooperation. However, this is irrational, and it was never a left outlook. What is more, the nationalist terrain is

occupied. Can anyone believe that we could compete, precisely with the right, in this sphere? Aside from objections based on principle, historical and contemporary examples show how hopeless such an attempt would be.

Deficient democracy in the EU and in the countries

It is doubtless true that without an end to austerity – and without a broad pan-European movement against austerity and for socio-ecological reconstruction – nationalism cannot be defeated. However, the crisis requires more than dealing with the debt, more than redistribution and the implementation of a new industrial and growth policy. It requires a political change.

The popular sovereignty that was wrested from Europe's dynasties through revolutions has not been won at the European level. Responsibility for this lies not in the absence of a European *demos* but in the resistance of the elites who do not want their privileges threatened by real democracy. The occasional ground that the European Parliament has managed to gain in recent years does not change this reality. Democracy is indivisible, and so the consequences of deficient democracy on the European level are not confined to the European level. The confusing combination of technocracy, inter-governmentalism, and constrained parliamentarism enables governments not only to be immune to parliamentary control on the European level but also to control by their national parliaments.

At both levels, the European and country levels, parliamentarism suffers from a well-calculated ineffectiveness that gives free rein to those who pursue their interests through free trade and deregulated financial markets. It disappoints and incapacitates those who need the protection of democracy and who therefore would have to be its protagonists. The gap created in this way has been filled by nationalism and populism, whose rise cannot be stopped by pan-Europeanism, however well-meaning it is, or an appeal to political correctness as long as politics does not change.

What is decisive is that the radical left rejects the false dichotomy of European integration versus national self-determination. It is indeed so that under conditions of globalised capitalism, national self-determination can only be exercised where space is created for it by democratically institutionalised, transnational cooperation. But it is equally true that the only kind of Europe that can be considered democratic is the Europe that links supranational democracy to the respect of national self-determination. It only makes sense to think of national and transnational democracy as reciprocal conditions.

This principle needs to be concretised through a transparent, functionally sensible division of authority. This is not a question of experts arguing over

the depoliticised niceties of constitutional law; it is the clash of opposed interests.

In those areas in which globalised capitalism creates a need for transnational policies – banking oversight, supra-regional investment and infrastructure policy, ecological and social standards, taxation of profits, etc. – it is not primarily the interests of states that are confronting each other, as the present institutional arrangement of the EU would make it appear, but the interests of antagonistic social actors. Only in a sovereign European Parliament, directly elected on the basis of a unified proportional system, can their conflicts be argued out transparently and democratically also at the European level.

Here governments dupe parliaments and the public in passing off negotiations between national interests, such as occur in the Council of the European Union and its connected bureaucracy, as European policy. They prove to be the descendants of the Holy Alliance with Wolfgang Schäuble as their Metternich.

The pan-European perspective is not the only perspective for a European politics. A *post-national* age, with the withering away of the state, is not in the offing. This indisputable fact, however, is no justification for the control of the EU by the national governments through the Council of the European Union, which is not a parliamentary organ and therefore is shielded from democratic political contestation.

This mechanism shapes political antagonisms into antagonisms between states that appear to be between peoples. Greece against the 18 members of the Euro Group – rather than austerity against a European New Deal – is the way the fronts were portrayed in the meetings between January and July. Here it became apparent that in terms of the Treaties all Member States of the EU are equal but in reality some are more equal than others and one more so than all others. Instead of unifying, the neoliberal fundamental norm of the EU split its members socially and economically. Anyone who seeks the causes of Europe's growing nationalisms cannot overlook these facts.

A developed democracy can only exist in the EU if this system is abolished and the Council of the European Union is replaced by what would be a second legislative body: a parliamentary assembly of Member States, nations, and national minorities, whose composition – via direct election or delegation by the parliaments – would be representative of the political forces active in the countries and therefore enable an open and transnational process of opinion formation.

But, in view of the existing political relations of force and their foreseeable development, what would the purpose be of a debate over the institutional

architecture of a democratised EU?

The fact is that the EU itself has now been called into question. If the idea of Europe's peaceful integration is to be protected from growing nationalism, then its meaning has to be redefined. But the debate over the purpose and goal of the EU cannot factor out the multifaceted question of democracy. The radical left is headed towards confrontation with the European institutions. The Five Presidents' Report only makes this clearer. This document ought not to be read only from the point of view of economic efficiency, for the problem of Europe also consists in its deficient democracy. In that context sensible policies become hard to implement. The demand for expanded European powers therefore only becomes acceptable on condition that they are tied to the democratisation of the EU, that is, to the upgrading of the European Parliament to become a fully-fledged sovereign legislative body that shares its powers with the national parliaments. This applies especially to the domains of military policy and domestic security.

The European Union will either be social or will be unusable; a choice has to be made. The EU will democratise itself or be discredited; it will be peaceful or it will perish. In the light of the experience of two world wars, and still more that of today's problems, the radical left can be nothing less than a protagonist of European integration. However, between today's EU and a European integration on democratic and social foundations there is a political and institutional chasm. If the demand for a refounding of the European Union has a meaning, then this meaning is that of discontinuity. In politics, continuity and discontinuity do not constitute absolute antitheses. However, there are times when politics moves within the continuity of what exists and only allows of gradual changes. And there are times of breaks. It seems that we are now in just such a time.

Notes

- 1 <<http://www.zeit.de/politik/ausland/2015-11/integration-gegen-radikalisierung-vorstaedte-europa>>.
- 2 See Steffen Lehndorff (ed.), *A Triumph of Failed Ideas. European Models of Capitalism in the Crisis*, Brussels: European Trade Union Institute, 2012.
- 3 The five men are the presidents Jean-Claude Juncker (European Commission), Donald Tusk (European Council), Jeroen Dijsselbloem (Euro Group), Mario Draghi (European Central Bank), and Martin Schulz (European Parliament). The disregard for constitutionality and separation of powers is clear from the very composition of the group. The Parliament and the Council are the legislative bodies, while the Commission is the executive of the EU; the ECB is conceived as a politically independent authority, and the Euro Group, as an informal entity, has no anchoring at all in EU law.
- 4 Antonio Gramsci, *Selections from the Prison Notebooks*, Quintin Hoare and Geoffrey Nowell Smith, eds, (New York: International Publishers, 1971), p. 210.

- 5 Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon Press; Boston, 2002 (1944), p. 31.
- 6 Ernesto Laclau, *Politics and Ideology in Marxist Theory: Capitalism, Fascism, Populism*, London: NLB, 1977.
- 7 Walter Benjamin, 'The Work of Art in the Age of Mechanical Reproduction', Walter Benjamin, *Illuminations* (ed. Hannah Arendt, transl. Harry Zohn), New York: Schocken, 1969. Always worth rereading: 'Fascism attempts to organize the newly created proletarian masses without affecting the property structure which the masses strive to eliminate. Fascism sees its salvation in giving these masses not their right, but instead a chance to express themselves.'
- 8 The Council of Europe founded by the 5 May 1949 Treaty of London consisted of 47 countries with 820 million citizens.

What Happened in Greece – What Was Possible – What Is a Feasible Europe-wide Programme Now?

Yanis Varoufakis

Interviewed by Haris Golemis

Haris Golemis: The goal of Syriza before the elections of 25 January 2015 and of the government that was subsequently formed was to negotiate with the creditors over the abolition of the memoranda, to write off a large part of government debt, and to implement an anti-austerity economic programme. This goal was not achieved. After tough negotiations that lasted for seven months, and even though in the 5 July referendum the Greek people rejected the proposal put forward by the institutions, the government was forced to sign a new, harsh Memorandum, under the threat of bankruptcy and Greece's forced exit from the Eurozone.

As Finance Minister, from the formation of the first Tsipras government up to your resignation the day after the referendum, you were in charge of the Greek team that conducted the negotiations with the institutions.

What were, in your opinion, the basic reasons for this undesirable result of the government's efforts? Did you overestimate what you could achieve in the context of the existing balance of power in the EU and the lack of alternatives? Or did it have to do with mistakes made by the Greek government during the negotiation? Or was it, perhaps, something else?

Yanis Varoufakis: Our negotiating aim (that PM Tsipras and I had agreed upon from the outset) was fivefold:

1. a debt restructuring (not necessarily a haircut) that would allow Greece to return to the markets within 2015 (with the help of the ECB's Quantitative Easing programme, which would also be activated by the debt restructure);

2. a medium- to long-term primary surplus target below 1.5% of GDP (thus a significant reduction in austerity);
3. the creation of a Development Bank that would use public assets as collateral for the purpose of triggering a home-grown (and supported) investment-funding flow in the same public assets (for the purpose of increasing their value and stimulating growth);
4. the creation of a Bad Bank that would allow us to manage the banks' non-performing loans in a manner consistent with our social agenda and in line with the task of enabling banks to lend again to potentially profitable private sector enterprises; and
5. deep reforms in the realms of tax administration, public administration, procurement, energy, and product markets.

One reason we failed to secure an agreement with the Troika on these five issues was the Troika's ironclad determination not to reach *any* agreement that would seem like a Syriza success. From the beginning, the Troika set out to beat us back into the original Memorandum of Understanding (MoU), for the well understood purpose of demonstrating to the rest of Europe that resistance to its programmes is futile. Clearly, our task was always going to be extremely hard, especially in view of the German Finance Minister's conviction that any re-negotiation of the MoU would be highly detrimental to him personally and to the task of keeping the Eurogroup united and on track towards his *particular* vision for the Eurozone.

Did I underestimate the task's difficulty? No, I do not believe I did. Months before we were elected, I had warned Alexis Tsipras, and his 'inner cabinet', that the Troika would be using our banks as a lever by which to subdue us. On 30 January, a few days after our government was formed, I warned my colleagues that the Eurogroup's strategy would be to exhaust us (through a politically engineered bank run and a liquidity squeeze – courtesy of the ECB) before shutting the banks down. I also argued, repeatedly, that an 'honourable' agreement might only come if we were prepared to fight back following an enforced bank shutdown using the three weapons at our disposal: first, a haircut of the €27 billion of Securities-Markets-programme Greek government bonds belonging to the ECB; secondly, the announcement of a parallel (though euro-denominated) payments system; and, lastly, the amendment of the law governing the Bank of Greece so as to enable Parliament to replace its Governor.

In summary, my view had been, from the beginning, that we would face a major fight and that, to have a chance of succeeding, we needed to do two things:

- (A) state our position clearly from the beginning in the form of a moderate, financially sophisticated document that explained our government's *Plan for Greece* (something like our alternative to the toxic MoU) and which would prove to the rest of the world that we had a credible programme that had to be taken seriously by our partners and by the IMF;
- (B) stand tall, defend our proposal's basic logic and not budge under extreme pressure, preparing for the moment the Troika would threaten us with bank closures, at which point we should deploy our three weapons (see above).

To this day I believe that the combination of (A) and (B) would have given us a good chance of success – at least of an honourable agreement within the Eurogroup. I also believed that pursuing (A) and (B) was the mandate that the Greek people had given us on 25 January.

The reason why we were defeated is that, sometime in April (maybe a little earlier), the Prime Minister was convinced by some other members of the 'inner cabinet' to heed Jeoren Djisselbloem's demand that I get 'side-lined'. Driving a wedge between the Prime Minister and his Finance Minister was the Troika's tactic from day one. In the same context, PM Tsipras was also convinced that Greece would make crucial concessions on the primary surplus targets – concessions that annulled (A) above, and which I was not told about (let alone consented to). The Troika, correctly, interpreted these concessions (and my effective sidelining) as evidence that (B) would also not hold. Free of the fear of any retaliation from our side, they just waited for our side to concede without a fight. Which is precisely what happened: When the Eurogroup shut our banks down on 30 June, my recommendation immediately to deploy our three weapons (described above) was vetoed by the inner cabinet and by the Prime Minister.

This is why we lost. It was an avoidable defeat.

HG: *What is your prediction for the future economic, social, and political developments in Greece? Will Syriza manage to tackle the unfavourable effects of the programme included in the new Memorandum? Do you believe that the goal of disengagement from the Memorandum before its completion is feasible? If so, how can this disengagement be achieved?*

YV: Let's be clear on this: The third bailout programme (and the associated MoU) was designed to fail. Its purpose was to humiliate Alexis Tsipras and Syriza – to make us accept a package that the Troika representatives themselves, behind closed doors, acknowledge as toxic. Here are some examples:

More than 600,000 farmers will be asked to pay additional back taxes for 2014 and to pre-pay over 50% of next year's estimated tax. Some 700,000 small businesses (including low-wage workers who are forced to operate as private service providers) will have to pre-pay 100% (you read that right) of next year's taxes. As of next year, every merchant will face a 26% turnover tax from the first euro they earn – while being required to pre-pay in 2016 a full 75% of their 2017 taxes. I could list many more examples of measures which, beyond reasonable doubt, are the kind of measures one implements if one wants to destroy an economy – certainly not the measures that a neoliberal (let alone a progressive) could defend as pro-growth.

The new Tsipras administration is attempting to erect two lines of defence against the coming tsunami of pain (and thereby minimise popular discontent). The first line is to press the Troika to make good on its promise to enter into debt-relief negotiations once its recessionary agenda has been fully implemented. The second line of defence is based on the promise of a 'parallel' agenda aimed at ameliorating the worst effects of the Troika programme. But both lines are porous, at best, given the harsh realities of Greece's economic circumstances.

There is little doubt that the Greek government will gain some debt relief. An unpayable debt is, one way or another, a haircut. But Greece's creditors have already had two haircuts, first in the spring of 2012, and another the following December. Alas, those haircuts, while substantial, were too little, too late, and too toxic in terms of their financial and legal parameters. The question now is whether the next haircut will be more therapeutic than the last. To help the Greek economy heal, debt relief must be both sizeable and a lever for eliminating most of the new austerity measures, which merely guarantee another spin of the debt-deflation cycle. More precisely, debt reduction must be accompanied by a reduction in the target for the medium-term primary budget surplus, from the current 3.5% of GDP to no more than 1.5%. Nothing less than that will allow the Greek economy to recover.

Is anything of this sort politically possible after our July surrender? I do not think so. Klaus Regling, the head of the European Stability Mechanism, returned recently to the Troika's mantra that Greece does not need substantial debt relief. Regling may not be a major player in his own right, but he never speaks out of turn or contradicts the ECB and the German government.

This leaves Tsipras with only his second line of defence: the 'parallel' programme. The idea here is to demonstrate to the electorate that the government can combine capitulation to the Troika with its own agenda of reforms, comprising efficiency gains and an assault on the oligarchy, which

may liberate funds for the purpose of lessening austerity's impact on weaker Greeks. The problem with this worthy 'project', however, is that the MoU the government signed in August (and which I voted against) denies the government the instruments that are necessary to fight the oligarchy. For example, Athens has now given to the Troika *complete* control over the fight against tax evasion, over the bankers, over the use of Greece's public assets, over the statistical service, over all levers of effective power. Given that the Troika is the Greek oligarchs' best friend, the chances that the present government will succeed in putting into effect its 'parallel' programme is very close to zero.

HG: *The Greek case brought to the fore the antagonisms between the European governments as well as the structural problems of the Eurozone. On this basis, how do you view the future of existing European integration?*

YV: The good news from our saddening surrender is that Europeans now know much that previously they ignored. They learned, for instance, how undemocratic and downright inane the Eurogroup is. They understand better than ever that the world's most significant economy – the euro area – is administered inefficiently and by a process that fails the test of basic rationality. They can now sense that Europe will either consolidate (by means of a pooling of debts, banking systems, a Green New Deal to boost aggregate investment, and a continental anti-poverty programme) or the euro will fragment. This recognition is not sufficient to bring about proper democratisation and closer integration. But it is a necessary condition nevertheless.

HG: *You travel around Europe, give lectures, and have political contacts. Do you believe that the outcome of the negotiation of the government with the institutions has left a positive legacy of the effort of promoting a substantial, progressive change in Europe? Or has the unfortunate ending increased disappointment and the feeling that there is no alternative?*

YV: Absolutely! Wherever I go I come across a groundswell of political energy and excitement at the prospect of a new European movement that will draw a line under the crisis and reverse the misanthropic process that is threatening our communities, including the European Union, with a combination of authoritarianism, permanent recession, deflation, and racism. The craving is there. What we now need is a means of allowing it to turn into action.

HG: *Recently, you expressed your intention to create a pan-European movement with the aim of radically changing the Eurozone and the EU. Could you give us some more details about this initiative of yours?*

YV: One lesson I have learned in the past year is that the old model of conducting politics in Europe is finished. Currently, political activity continues to be based on national parties that still try to engage the citizens of a Member State with political programmes of social welfare and economic reform. Alas, Member State governments soon discover that they have no policy space for implementing anything that deviates significantly from the Brussels-Frankfurt self-defeating austerity agenda. They also discover that there is no scope for forging meaningful alliances with other national parties at the level of the EU Council (or of the mostly irrelevant European Parliament). This political model, I argue, is finished.

If I am right that the Eurozone cannot become a realm of shared prosperity through political action at the level of national parties, there is only one logical conclusion: Political action must now shift from the realm of the Member State to a pan-European realm.

Of course, this is a tall order. Organising a hierarchical Europe-wide political party is both impossible and undesirable. It is impossible for obvious organisational reasons. And it is undesirable because a hierarchical political organisation from Dublin to Athens and from Riga to Lisbon will provoke antagonism from existing national parties while resorting to degrees of discretionary power (on behalf of its leaders) that is precisely not what Europeans want.

For these reasons, we are proposing something quite different. Instead of creating yet another nationally based party, several of us are working towards a European network – a platform that will facilitate a conversation amongst Europeans who share a deep concern that democracy in Europe has, in effect, disappeared, thus reinforcing a never-ending economic crisis, increasing levels of authoritarianism (from Brussels and Frankfurt), and strengthening the racist right and assorted enemies of European democracy.

Who will participate in this network? It will be open to everyone who shares basic democratic, humanist principles that we intend to lay out soon in the form of a short manifesto appealing to all European citizens, to all grassroots organisations, to municipalities, to unions, to political communities everywhere, to Europe's body politic.

What will the purpose be? Our purpose is to spawn a Pan-European movement for democratising the sources of power that have, for some time now, been 'liberated' from any significant political control or

authentic democratic process. The purpose is to reverse the sequence of doing politics in Europe. Instead of beginning with national parties which then attempt to forge European alliances, we want to see the creation of a European progressive movement, which, at some point, finds its expression spontaneously at the level of local and national government elections.

What should a realistic set of practical objectives be? For the movement to take root, it is crucial to go beyond timeless principles. Here are some tangible aims and a timeline for achieving them:

- *Very short term (next week):* Demand complete transparency in the decision-making process that determines Europeans' lives: for example, campaign for live streaming of Eurogroup and European Council meetings, for the publication of the minutes of the ECB's Governing Council, for the immediate uploading on the web of the documents constituting the basis for Europe's TTIP negotiations, etc.

- *Short term (within six months):* Aim at the utilisation of existing European Union institutions (without new treaties and within the letter of current ones) in order to stabilise the four crises making up the never-ending euro crisis: public debt, banking, under-investment, and poverty. (See the Appendix below for examples of how this could be achieved within existing rules, charters, and treaties – i.e., within a few months)

- *Medium term (in two years):* Once Europe has been stabilised and its governance rendered transparent, a Constitutional Assembly should be convened, with representatives elected on pan-European tickets (rather than nation-based ones), to begin the process of imagining the new institutions and the new constitution that must underpin the long-term democratisation of the Union.

- *Long term (ten years hence):* Implementation of the decisions of the Constitutional Assembly

APPENDIX: Examples of policies to be effected in the medium term so as to stabilise the Eurozone's social economy (19 October 2015)

Policy I: A proper investment-led New Deal for Europe

The euro is currently kept together by the ECB's Quantitative Easing programme (QE). However, there are two problems with QE.

Problem 1: The ECB charter's no-bailout clause and the absence of Eurobonds forces the ECB to buy bonds in proportion to Member State shareholdings – i.e., to buy more bunds than, for example, Spanish bonds. This is a problem for Germany (where the pension funds face negative yields

on their investments) and, for example, for Spain, Portugal, etc. (where commercial interest rates do not fall sufficiently).

Problem 2: QE is ineffective in fostering real investment but effective at inflating asset bubbles (and social inequality).

Here is something that the ECB could do that overcomes these two problems while spearheading investment-led recovery without new government debt and without violating any treaties (including the ECB's own charter). The proposal is for QE to focus exclusively on European Investment Bank (EIB) bonds. The idea is simple:

The European Investment Bank (and its smaller offshoot, the European Investment Fund) should embark on a pan-Eurozone investment-led recovery programme, focusing on green technologies and green energy, worth between 6% and 8% of Eurozone GDP. The EIB would concentrate on large-scale infrastructural projects and the EIF on start-ups, SMEs, technologically innovative firms, etc.

The EIB/EIF can issue bonds to cover the funding of this pan-Eurozone investment-led recovery programme in its totality; that is, by waiving the convention that 50% of the funds come from national sources.

To ensure that the EIB/EIF bonds do not suffer rising yields, as a result of these large issues, the ECB will be ready to step into the secondary market and purchase as many of these EIB/EIF bonds as are necessary to keep the EIB/EIF bond yields at their present, low levels.

In this scenario, the ECB enacts QE by purchasing solid Eurobonds – i.e., the bonds issued by the EIB/EIF on behalf of *all* EU states. In this manner, the concern about which nation's bonds to buy is alleviated. Moreover, this form of QE backs productive investments directly, as opposed to inflating risky financial instruments, and has no implications in terms of European fiscal rules (as EIB funding need not count against Member States' deficits or debt).

The ECB's QE support of EIB bonds will guarantee that the EIB yields will remain ultra-low for a long while, alleviating any pressure from credit-rating agencies viz. EIB bonds. By purchasing large quantities of EIB bonds, the ECB can, in partnership with the EIB, help shift idle savings (which currently depress yields on all investments) into productive activities. This would be tantamount to a European New Deal.

Policy 2: An anti-poverty programme that binds Europe together

The European Central Bank System's Target2 account should, under normal circumstances, balance out. Indeed, it did balance out before 2008. Even though countries like Greece had a chronic trade deficit in relation

to Germany, capital was flowing the other way (from Frankfurt's banks to Greece, in the form of private and public debt) thus balancing out Target2.

As the Euro Crisis exploded, and capital fled the periphery, the peripheral countries suffered a debt crisis and a credit crunch, which pushed Target2 into permanent imbalance. Austerity-caused poverty and Target2 liabilities for peripheral countries grew in unison. These Target2 liabilities, as per the original ECB system design, accrued interest payments from the central banks of the deficit to the central banks of the surplus Member States. Billions of such interest has accrued over the past five years, eventually distributed to the treasuries of the surplus Member States by their central banks. (Indeed, in Germany there is a ritual every year when the Bundesbank proudly announces how many euros it directs from its Target2 earnings to the federal government.)

These monies are not taxes or a return to risk taken as part of some investment the surplus countries make in the deficit revenues. They are concocted interest payments reflecting nothing more than the Eurozone's faulty architecture. Indeed, they are accounting units, expressed in euros, that grow in proportion to the internal imbalances of the monetary union. Put differently, they are the flipside of balance-of-payments imbalances, of the failure of Eurozone-wide investment to rise to the level of savings, and of austerity's 'success' in boosting poverty. The surplus Member States receive billions every year at the expense of the deficit Member States, not for any services rendered but solely because of the Eurozone's failure to equilibrate.

The proposal here is simple: Use these funds to pay for an American-style food stamp programme that puts an end to hunger. Imagine if the ECB were to fund, using these accrued billions, a Eurozone-wide food stamp programme. Imagine if a family in eastern Germany, another one in Greece, a third in Ireland were to receive a cheque in the post (to be used in the local supermarket) with which to feed its children, signed by Mario Draghi on behalf of the Eurozone! Imagine the impact this would have on creating genuine consolidation and solidarity throughout the monetary union!

Policy 3: A step-by-step (proper) banking union

The banking union was created in name to deny a banking union in practice. Without a common deposit guarantee fund and a common (ECB/ESM-funded) backstop for the resolution of failing banks, the banking union we have is exhausted in common rules which, of course, led to the re-nationalisation of the banking resolution process – i.e., to a banking dis-union. For example, Greek and Portuguese banks remain under the threat of a bail-in whereas German and Dutch banks are not (since the German

and Dutch states have sufficient capacity to ensure that the banks domiciled there will not be bailed in). Which, of course, means that a million euros in a Greek or a Portuguese bank account is far less valuable than a million euros in a German bank account. Ergo, a banking union in name but not in substance.

Dr Schäuble opposes a proper banking union because the Bundestag will never accept the (effective) fiscal union that is implied by a sudden (proper) banking union (that is, he rejects making all Eurozone taxpayers the final backstop of all 6,000 Eurozone banks). However, there is an alternative. Instead of creating this (proper) banking union in one go, we could do the following:

Every time a Eurozone bank needs to be recapitalised with public funds, e.g. with ESM funds, the government of the Member State in question will have the option of allowing the particular bank to drop out of its national jurisdiction. That bank then is admitted to a new (special) Eurozone jurisdiction (EJ). Once under EJ, the ECB appoints a new board of directors (who have never served on any board of the bank's previous national jurisdiction) with a remit to cleanse the bank and to work together with the ESM-ECB to resolve or recapitalise the bank. Funding will come directly from the ESM which will receive (and hold) the bank's shares in return for the capital provided. Once the bank has been rendered solvent again, the ESM will sell its shares and will get its capital back with interest.

That way, the money that goes to failing banks does not count as part of the national debt of the country in which that bank used to be domiciled. The death embrace between insolvent banks and fiscally stressed states is thus broken once and for all. At the same time, the European taxpayer knows exactly where his or her money has gone, can see who is supervising its return to the private sector, and is confident that the cosy, toxic, often corrupt relationship between national politicians and 'national' bankers becomes a thing of the past. Lastly, a new Eurozone-wide banking jurisdiction is built step by step, putting us in good stead for a future where there will be a single, Eurozone-wide jurisdiction.

Policy 4: A limited debt conversion plan for Eurozone Member-State public debt

Policy 1 replaced the current ineffective QE-based strategy for re-equilibrating the Eurozone with an investment-led New Deal for Europe, to be implemented by means of a particular form of QE (with the ECB exclusively purchasing EIB bonds). The question now is: And what about public debt? What will replace the ECB's current efforts to stabilise yields of,

for example, Italian bonds if QE is directed toward buying EIB bonds (in the context of the European New Deal)? Here is a suggestion:

The German government's rejection of Eurobonds may have problematic motives but is, essentially, understandable. If Eurobonds are jointly and severally guaranteed state bonds, their yields would be closer to Germany's than to, say, Greece's. Still, they would be too high for Germany and possibly not low enough for Greece.

Germany is a successful economy, but it is not large enough to guarantee the debt of the whole of the Eurozone. Nor should it. If Germany had to guarantee those Eurobonds Eurozone-wide, then its own solvency would be in question, its own yields would rise, and certainly the Eurobond would be seen as an undesirable, inefficient compromise. So, here is my suggestion:

The European Central Bank makes the following announcement Monday morning: From today, every time a bond of any Eurozone country matures, that Member State will have the right to request that it participates in the ECB's Limited Debt Conversion Programme (LCDP).

Suppose for example that an Italian government bond matures. Italy has approximately a 120% debt-to-GDP ratio. The permitted Maastricht level is 60%. So Italy has twice as much debt as it was allowed to have by Maastricht. What we can then do, under the proposed LCDP, is to separate the debt of every Member State into the Maastricht-compliant part and the rest – the good debt and the bad debt, if you want. And the ECB undertakes to service the good part of the debt, the part of the debt that the Member State was allowed to have – let's call it the Maastricht Compliant Debt (MCD).

So, in the case of Italy, the LCDP stipulates that 50% of every maturing bond will be serviced by the ECB – not purchased, but serviced. That means that the ECB pays the bondholder 50% of the maturing bond so as to help 'extinguish' it. But before anybody starts protesting that 'this is not permitted because the ECB is not allowed to monetise debt', my proposal is not that the ECB *monetises* it; it is not that it prints the money and pays for the debt (as it does now under QE).

The LCDP suggests that the ECB act as a go-between between the money markets, investors and Italy. And it will do this, according to LCDP, through the ECB issuing its own bonds on behalf of Italy (or, equivalently, backing such an issue by the Italian government or even the ESM) to service the 50%, the MCD part of the maturing bond.

Let's say that the ECB issues a ten-year ECB bond in order to do this. Simultaneously, it opens a debit account for Italy within the ECB and Italy commits to pay into that debit account, over the next ten years, the sums necessary to redeem the ECB bond and its coupons. Italy, in short, will

cover the complete cost of this ECB-bond issue.

What is the benefit for Italy of doing this? The benefit comes from the fact that the ECB has much, much greater credit-worthiness, and the ECB bonds would have much, much, much lower yields, even lower than Germany's and certainly lower than Italy's. And if we do this for the 'good' debt, for the MCD only, of every Eurozone Member State that wants to participate in this debt conversion scheme, a total reduction of more than 35% of the Eurozone's total debt servicing costs (for the next twenty years) will result. Effectively, the European debt crisis goes away.

Now the question is, why will the ECB bonds be credible and fetch very low yields? They will be credible for three reasons. Firstly, for Italy to participate in this scheme, it will have to sign a super-seniority clause with the ECB, just as countries that borrow from the IMF accept a super-seniority clause with the IMF. In other words, even if Italy in ten or fifteen years' time is fiscally in trouble, its payments into the ECB debit account take priority status. It has to be repaid before anything else is repaid. That is one reason why those ECB bonds will be credible. Another reason is that Italy will be asked to insure its debt to the ECB by making regular (small) payments to the ESM with the ESM providing this insurance cover to all participating members. Finally, the third reason is the common knowledge that the ECB is a ... central bank – without whatever connotations that has.

Finally, note two additional merits of this proposal:

1. Unlike the current QE, the ECB does not violate the letter of its charter in the sense that it does not print money to buy Member State debt (instead, it borrows money on behalf of Member States, with guarantees that the Member State will, directly or indirectly, pay these debts back).
2. The limited debt conversion scheme proposed here actually strengthens the Maastricht rules since it gives rise to a substantial interest-rate spread between a Member State's Maastricht-Compliant Debt (the 60% of GDP) and the rest of the debt that the Member State was not allowed to have under Maastricht. This feature of the scheme answers concerns regarding moral hazard.

The Fall of Europe and the Ceding of Sovereign Power to the European Central Bank

Can a Democratic Europe be Built By De-privatising
Political Power?

Riccardo Petrella

The transformation of the global framework within which the new monetary and financial policy has been dictated

For ten years now, Europe's political stage has been enriched by a new character, not always friendly and liked but feared because of its power: the European Central Bank (ECB). It is not a scarecrow. The ECB is generally seen for what it is, that is, a directorate of people with very precise goals and tasks heading the institutions with political decision-making power in monetary and financial areas, a power greater than that of national governments and other institutions of the European Union. The ECB has played a key role in the conceptualisation, enacting, and policing of the policy defined as 'austerity', which has brought sovereign states (with the exception of the most powerful state, Germany) to their knees, has trampled on the already weak 'sovereignty' of the European Parliament, and has swept away what little is left of the welfare state, which the masters of economic globalisation were still not able to eliminate between 1970 and 2005.

In this role the ECB has found two valuable and efficient fellow travellers: on the one hand, the EU's European Commission whose task it is to define and promote Europe's general interest. In the last twenty years, as an autonomous organ that is the motor of Europe's political, economic, and social integration, the Commission has turned into an arrogant executive and extremist defender of the interests of the globalised European financial, industrial, and commercial world. On the other hand, the International Monetary Fund (IMF), a technocratic international institution whose policies

since its creation in 1945 have always notoriously served United States interests and those of the dominant holders of capital in the international markets. These three protagonists together make up the Troika, which – either through its permanent representatives sent to the Member States (as in the case of Greece) or its continuous on-site inspections – controls and guides the national governments’ observance of the many stipulations of austerity policy, which were adopted by the EU even before the 2008 financial crisis.

Austerity, in its strict sense, indicates the totality of measures intended to reduce public debt primarily through the selective reduction of public expenditures, in particular social expenditures (military expenditures are not required to be reduced), and tax cuts for economic actors (to favour the competitiveness of businesses) accompanied by an increase in indirect taxes (on consumption and access to public services that are increasingly privatised). In reality, the Troika is the ultimate instrument that Europe’s rulers and big players in the international markets are using *within the broader context of strategy aimed at eliminating the state – as a sovereign agent of policy, the guarantor of human rights and responsible for collective social security as well as the institutional location of representative democracy – in favour of ‘world economic governance’ and the promotion of a world society guided by the logic of global private finance and market mechanisms.*¹ These (finance and the market) form one side of the clamp that is now suffocating and imprisoning the evolution of both the western societies of the north and those of the emergent (BRIC) countries.²

In what follows we will review the cornerstones of the provisions that symbolise European austerity policy, looking then at the role of the ECB as a sovereign power in more detail, also asking what its consequences are, and, finally, outlining proposals for dismantling the present state of things.

Austerity, the tool of the newly rich and powerful: more market with zero state @ single currency

Starting in the 1970s, Europe’s ruling classes faced a series of major problems: The environmental crisis of ‘development’, the collapse of the world financial system (1971-73), the end of the western countries’ control of oil prices (1973, 1978), the emergence of ‘Third World’ countries, and, above all, the revolt of capital holders against the reduction of the rate of profit for private capital, a result of the welfare state in the 1960s and 70s. The welfare state had allowed a redistribution of the produced wealth towards income earned by labour and collective wealth (goods and services of general interest) at the expense of holders of income on capital, which was unacceptable for them.

The dominant social groups thought they could resolve the problems by regaining control of regulation and the economy ('the house rules') through leaving the problems to the 'market' and 'finance' to resolve, the two key mechanisms seen as 'creators of wealth' in a capitalist economy.³

In the name of the principle of liberalisation, marketisation, and the privatisation of goods and services, they created the European 'common market' in 1992 and advocated the creation, in 1994, of the World Trade Organization (WTO). Through the 'market', the dominant groups wrested from the collective domain and elected political representatives the power of setting priorities and defining and measuring the value of 'things', subjecting these to the principle of the maximisation of competing individual utility. Thus, within a few years, the European Union established the principle that any intervention on the part of public powers in areas subjected to Europe's internal market is harmful and therefore illegal because it would distort the regulatory mechanism of the market. More market with the goal of zero state has been the iron block forming the first arm of the clamp.

It is, however, difficult to make integrated markets work without a common currency with which to develop financial activities and organise the 'financial markets'. Whence the creation of the second iron arm of the clamp: the creation of the euro, the single currency. Its creation occurred in the absence of two conditions thought to be absolutely necessary by all advocates of a unified Europe since the end of the 1950s: a) the convergence of the economic structures of the Member States of the currency union, which the single market was supposed to have promoted – instead, the liberalisation of markets accentuated the economic differences between the countries of Europe's north and those of Mediterranean Europe; and b) the existence of a European political public authority that would be responsible for monetary and financial policy, a condition that was clearly far from being satisfied in the second half of the 1990s, which is why *monetary policy* was entrusted to a new institution, the European Central Bank, politically independent of the other institutions of the EU. The creation of the 'common' currency *without a European political government* was a deliberate choice in order to transfer responsibility for *financial policy* to the financial operators themselves, who in the meantime had become increasingly globalised, free, and powerful. Let us recall the abandonment of controls on international capital movements during the 1980s, the explosion of the currency markets, the proliferation of tax shelters, the privatisation of all the financial actors, the elimination of the distinction between insurance and banking activities, between deposit banks and credit banks, and between various banking sectors (agricultural, industrial, commercial, artisans' banks, working people's banks), and the

legalisation of highly speculative *hedge funds*, out of which the derivative products emerged that were at the root of the deep financial crises of 2001 and 2008, which destroyed tens of millions of jobs.⁴

This complex of measures gave birth to a financial system known as the ‘total bank’ – hyper-oligopolistic, characterised by the emergence of enormous private financial agglomerations so powerful as to become ‘too big to fail’, because their failure would bring with it the global collapse of the world capitalist system. The whole economy is thus ‘beyond public control’: political power has been privatised, and the political sovereignty of national states has been reduced to a pure formality. The 2012–2014 Fiscal Compact was the final step in crushing the sovereignty of the EU’s Member States.⁵

The role assigned to the European Central Bank – objectives, tasks, and powers

The ECB is one of the constituent institutions of the European Union, along with the European Council, the Council of the European Union, the European Commission, the European Parliament, and the Court of Justice of the European Union. It is vested with legal personality. It was created in the framework of the Treaty of the European Union (TUE), known as the Treaty of Maastricht (1992). The ECB is the principal element of the European System of Central Banks (ESCB), consisting of the ECB and the national central banks (NCBs) of the states that are in the currency union and which comprise the Euro System. *The ECB’s capital is owned by the central banks of the Euro System – or ‘Euroland’ as it has been disparagingly dubbed. Since the capital of many NCBs is held by private agents (banks, firms, and other economic actors) the ECB’s capital is also largely in the hands of private subjects. Formally, the ECB is a ‘public’ banking institution but with mixed public–private capital, as is the case by now with the great majority of ‘public’ economic and financial subjects (for example, the deposit and lending banks in Italy and France, respectively the Cassa Depositi e Prestiti and the Caisse des Dépôts). Being a separate legal entity and having full political independence, the ECB has no need of a European political government in order to legitimately govern the EU’s monetary policy according to the mandate given it by the Treaty of Maastricht. It is the European government in the monetary sphere.*

The ECB acts in conformity with the ‘free competition’ principle of a capitalist market economy. In this context, the *ECB’s objective* is the *maintenance of price stability*. To stabilise prices, the Treaty has established an annual rise of less than 2 per cent in the Harmonised Index of Consumer Prices (HICP) for the euro area. The ESCB upholds the EU’s general economic policies in order to contribute to the meeting of the EU’s goals

as stipulated in Article 3 of the TUE. The goal of full employment is not a concern of the ECB, as it is for the Federal Reserve Bank (The United States' central bank).

Among the tasks of the ESCB, under the guidance of the ECB, are the establishment and carrying out of the Union's *monetary policy*; *carrying out foreign exchange operations*; *maintaining and managing the official reserves of foreign currency* of the Member States; and (since 2014) the *prudential supervision of credit institutions* within the framework of the Single Supervisory Mechanism (SSM). These are extremely crucial tasks for monetary (and financial) policy, which were previously entrusted to national central banks. With the taking on of this new function, the ECB is enhanced as a supra-national European power in the monetary realm.⁶

The ECB's powers are considerable:

- The Treaty stipulates that the ECB's functions are of a constitutional nature. This means that modifying a statute involving the objectives and functions of the ECB requires modification of the Treaty of Maastricht and subsequent treaties. Although theoretically possible, every statutory modification, however, requires the agreement of all the Member States of Euroland, a very long and onerous procedure (requiring about 20 years). For all practical purposes then, the Treaty has ensured the stability and security of the ECB's activity and thus its complete decision-making independence.
- The ECB has the exclusive right to authorise the issuing of euro notes. The other NCBs of the Euro System can do this but must be given authorisation by the ECB regarding the size of the issue. The capacity to create money, however, belongs *de facto*, and increasingly so, to the banks and other actors on the financial markets, as is clearly affirmed by the ECB's Governing Council.⁷
- The ECB has the power to intervene in the cost of capital in circulation by modifying the *interest rate*. This is its most important power, even if by now the ECB has ceased fixing the discount rate: this function has been transferred to and captured by the principal world banks (see the LIBOR – London Interbank Offered Rate – scandal). The ECB reacts to the rate fixed by the financial markets in order to raise it, with the purpose of cooling down an economy if it is over-heated, or to lower it in order to stimulate the availability of credit and the drive to invest and consume.
- The ECB fulfils the function of a *lender of last resort*, that is, it guarantees its intervention in support of the banks in the event of their insolvency. This is a very controversial function, and the most rigid monetarists are against

it. What is prohibited to the ECB is to intervene as a lender of last resort to national governments by acquiring the bonds of member countries, especially if the free market does not want to absorb them. However, it can intervene to guarantee loans to the banks that have a liquidity crisis through the operations called refinancing. Ultimately, given the gravity of the situation, as with Greece, the ECB has also intervened in matters of states' debts.

- And finally, the ECB has, since 2014 as mentioned above, acquired the power of *prudential supervision of credit institutions* in the member countries of Euroland.

The political independence of the ECB and its consequences

Article 130 of the Treaty on the Functioning of the European Union (TFEU) established the principle of the *ECB's full political independence*. It could not be clearer: '*When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body.*' It stipulates the obligation of the government of Member States to abstain from any form of interference in the ECB's activities.⁸

The principle of *the ECB's political independence constitutes a major juridical, institutional, and political reality that is anomalous not only in the context of central banks of the world but even in relation to the rest of the European Union's architecture*. The ECB is the 'most independent' central bank in the world, more so than the US Federal Reserve Bank, and even more than Germany's Bundesbank. Moreover, considering that the Treaties limit the ECB to giving sole priority to price stability, it has great difficulty in orienting and adjusting European monetary policy in the service of the major more general objectives of the EU that do not directly depend on monetary policy. This gives rise to a series of major dysfunctions, contradictions, and adverse consequences for European integration and for European societies on the political, economic, social, and cultural levels.

Above all, *European monetary policy lies outside the reach of democracy*. The ECB is the only central bank in the world that has been granted political independence. Other central banks are *autonomous but not independent*. Behind this anomaly is the idea, accepted in the last thirty years by the national political powers, that it is necessary to detach the economy from politics and entrust the tasks of managing it, and in particular monetary policy, to technical (that is, 'independent') organs able to make the financial

markets confident of the ‘stability’ of the banking and economic system of the country in question. This explains why the EU, under pressure of the international financial markets and economic agents, accelerated the creation of the ECB and the adoption of the euro *even in the absence* of a federal European state. *The presumed apolitical character and ‘neutrality’ of the technical organs*, which are entrusted with functions of great political impact, *is a pure deception*. How can one think that interest-rate manoeuvres are not political acts? Money is politics. Furthermore, in what way is the ECB apolitical when Trichet, Draghi’s predecessor as ECB President, and Draghi himself, have since 2011 sent letters to the Spanish and Italian governments in which they emphasise the urgent need to ensure price stability in their countries by requesting them, explicitly and directly, to privatise public services, reduce social expenditures, make changes in labour legislation, and reduce taxes? To speak of the ECB’s neutrality is the umpteenth confirmation of its deception when it participated in writing and signing the last memorandum dictated to the Greek government, which despite the mandate it received from its own population through the referendum, was obliged in August 2015 to accept it under the real threat of an immediate non-negotiated expulsion from Euroland. The apolitical character of the ECB was imposed by the dominant social groups that are against the intervention of civic public authorities (including parliaments) in the economy and think that politics must be subject to the ‘laws of the market economy’.

In the second place, *the only sovereign authority within the European Union is the ECB*. There are no formal limits to the decision-making power of the ECB – a ‘technical’ organ. *The ECB has sovereign political independence*, without any control and counterweight on the part of the other institutions of the EU. In contrast to the other organs with public authority, the ECB’s members are not chosen through a democratic process but co-opted by their peers. Always by virtue and in the name of the confidence that the markets must be given, it is stipulated that the markets are to be outside the political system of *democratic checks and balances*. The European Commission has the exclusive power to propose a European legislative act. In addition, once a directive or decision is approved by the Union, the Commission becomes an executive organ. None of the three political institutions of the EU is sovereign. Legislative and executive powers are shared. This is a *sui generis* political engineering, conceived to ensure the functioning of an institutional system in continual evolution and to avoid imbalances at the level of formal decision-making power. Each one of the three institutions mentioned depends, for decisions and action, on the others and is responsible in the face of the others. *By contrast, in deciding and acting the European Central Bank does*

not depend on the other institutions or on any other entity. It is sovereign; it need not ask for any authorisation nor open negotiations with other institutions. Its power is endogenous and self-referential.

Adopting the articles of the Treaty of Maastricht relating to the ECB, *Europe's states have put into effect a formal and real surrender of democracy and sovereignty.* For several years now, the ECB has, it is true, agreed to present an annual report on its activity to the European Parliament, but only for information purposes. The Parliament is not authorised to vote on the report nor to propose guidelines and binding recommendations for the current year or the future. The ECB has also accepted a meeting every three years between its directors and the Commission of the European Parliament to discuss economic, monetary, and financial matters, but exclusively for purposes of information. Clearly, these procedures have nothing to do with reinforcing democracy – not even representative democracy.

The European Parliament continues to accept the situation. The two political groups that make up the great majority that for years now ‘governs’ the Parliament (the European People’s Party and the Progressive Alliance of Socialists and Democrats) have approved the political independence of the ECB and in general support its monetary policy even if with some minor but increasing discomfort. It is not facile populism to say that it is *an unacceptable scandal that the European Parliament, composed of people elected by the populations of the Union, and the legitimate sovereign representatives of 509 million European citizens, has to beg a technical organ of the European Union, composed of 18 people, chosen without any responsibility towards the other EU institutions, to agree to publish the minutes of their decision-making meetings.*

The arguments deployed by those jurists, economists, politicians, and journalists who assert the democratic character of the existing system are quite weak. On the website www.banningpoverty.org, I have examined arguments that the ECB is in fact accountable on the basis of ‘democratic legitimacy as a function of the procedures’ and has ‘legitimacy as a function of the results’.⁹

In the third place, we are seeing the *inversion/overturning of the constitutional objectives of the European Union.* An instrument has substituted the objectives. We are looking at a political-social and historical-ideological mutation of European integration.

The argument that democratic legitimacy exists as a function of the results goes as follows: If the ECB achieves its objective of stabilising prices below their 2% increase, the ECB’s independence is in the interests of Europe’s peoples because price stability (would be) based on the economic growth and well-being of all EU citizens. The ECB would therefore be acting in a

responsible way in relation to the EU's peoples. This argument is completely unfounded. There is complete conflict between absolutist monetarism tied to price stability and the complexity and variety of objectives involving the socio-economic well-being of all the Union's citizens. Monetarist absolutism translates in fact into the ECB's constitutional incapacity to serve, harmoniously, cooperatively, and by evolving, the needs of European societies on the economic, social, human, political, and institutional level. Money's 'genetic' *raison d'être* has been radically modified. Now money – a means, an instrument at the service of short-term action – has substituted for historical long-term societal goals. Price stability obeying the logic of the financial markets in the epoch of financial transactions occurring every millisecond, that is, in a senseless financial system, has turned out to be a useless and irrational political parameter. More than 124 million EU citizens are paying an unspeakable social and human price on the altar of the monetarist dogma of wealthy social groups. As could have been predicted, austerity has in no way permitted shared economic growth but rather the growth of processes of impoverishment and inequality among Europeans. Eurostat, the statistical office of the EU, has calculated that in 2014 the EU's poor have reached a record 124.3 million people within a total of 509 million inhabitants. From 2010 to 2014 their number grew by three and a half million, although the EU's Europe 2020 strategy aimed at reducing the level by 20 million between 2010 and 2020.¹⁰

In the fourth place, European integration is falling apart on the level of socio-economic policy, and the EU is becoming a financial-mercantilist technocratic system with a twofold political hegemony (that of Europe's strong globalised economic groups and of one country: Germany), and, on the political-military level, within NATO under US hegemony.

Everyone recognises that the euro is a currency that does not have a state, a situation that exists nowhere else in the world. The other central banks exist because a state created them. *The constitutionalisation of the political independence of the ECB* occurred before and in the absence of a sovereign European state. The fact that of 28 Member States only 19 are part of Euroland shows the *exceptionality of the ECB's supra-national sovereignty 'without a state'*. In the context of the present European Union, *the ECB is the only institution – even though it is a technical organ – given real supra-national powers – a true paradox*. Until recently, the countries involved in the European Community openly declared that their final objective was that of creating the unity of Europe. Today, the European Union (the term which replaced that of 'European Community' in vogue through 1992 and not by accident) is essentially a political entity whose working principles are similar to those of active

inter-governmental, international organisations. There is no lack of impulse towards forms of European supranationality, but there is no more talk, in the context of the EU, of common European policies. The rule is to speak of the ‘coordination of the Member States’ policies’. *The ECB is the macroscopic example of the primacy of the logic of money/finance at the service of the dominant social groups and over the rights and power of the people.* The 2012 European Fiscal Compact (the European budgetary compact formally known as the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union), which takes from EU Member States their sovereignty in the sphere of budget, and the various national investment compacts, adopted following the measures known as ‘Quantitative Easing’, are its key tools. Quantitative Easing responds to the needs of banks, debtors, and creditors. It does not aim at putting money (and finance) at the service of social justice within and among Member States for a really ‘sustainable’ development. In this respect, the EU’s current monetary (and financial) policy is fundamentally contrary to the principle of a nations of laws and the various international human rights conventions and treaties.

Some proposals

As we see, the juridical, institutional, political, and social paradox represented by the current EU system with its ECB is great indeed. This EU needs to undergo a profound rethinking and revision.

It is illusory to believe that a system, which by the wish of its own political ruling classes has privatised political power, handed over to private interests all economic power, and favoured the growth of injustice and social inequalities, can give birth to a new European communitarian political ‘architecture’ that is democratic, just, cooperative, solidary, ecologically sane, and free. We need to further the conceptualising and promoting of a new European Community, starting with a) the dismantling of the principles of the European Monetary Union (EMU) and its constitutive elements, above all the abolition of the political independence of the ECB, and b) the reconstruction of the social fabric of a European common life, by constitutionalising the common public goods (and services) that are at the root of any form of a ‘community of life’, namely water, land, knowledge, and healthcare. The struggle against the private appropriation and accumulation of the ownership and control of life on a planetary scale is part of the work of retransforming the world, of which the construction of a new ‘community of European life’ should be the strong propelling force.

To this end, two fundamental proposals, one medium-term and the second long-term:

First, as European citizens, we have to intensify and maintain, up through the end of the present European legislature, our pressure on European parliamentarians until they revoke a series of decisions they have made, in particular the Markets in Financial Instruments Directive (MIFID) on European financial markets. The most well-disposed Members of European Parliament, with the committed support of European civil society (this time really united and cooperative at the European level) would have to put in place a parliamentary plan to ‘SAVE EUROPEAN DEMOCRACY’. The plan would have to aim at, and have the EP approve, a coherent series of ‘small’ legislative initiatives originating in parliament whose purpose is to alter various procedural mechanisms for allocating institutional tasks, for increasing the powers of the Parliament, and for revising some of the norms and forms of action – with the overall purpose of destabilising the EMU and giving back a modicum of dignity and strength to European representative democracy.

Second, a European campaign of consciousness-raising and citizen mobilisation ‘END THE ECB’S INDEPENDENCE. FOR A CURRENCY THAT SERVES CITIZENS AND PROMOTES SOCIAL JUSTICE’ needs to be launched. Precisely because we know that the Treaties cannot be modified in the short term it is essential, and of enormous political-pedagogical value, to promote a long process of political and cultural mobilisation supporting the great founding principles of the cohabitation of more than 500 million people. The structural changes need time to be fuelled by a strong utopian capacity and broad horizons. Let us begin with water – a public common good without barriers and a universal human right.

Notes

- 1 On the Troika, see the short but substantial and through analysis in Bruno Amoroso, *Figli di Troika, Gli artefici della crisi economica*, Rome: Castelvecchi Editore, 2013.
- 2 On the idea of the clamp see Riccardo Petrella, ‘La tenaglia di mercato e finanza’, *Il Manifesto*, 26 April 2014.
- 3 On these processes see the Group of Lisbon, *Limits to Competition*, Boston: MIT Press, 1997 and my *Le bien commun. Eloge de la solidarité*, Brussels: Éditions Labor, 1996.
- 4 I analysed this phase of the transformation of the world economy in *Una nuova narrazione del mondo*, Bologna: EMI, 2007.
- 5 For a critical analysis of this last phase of competitive economic globalisation under the hegemony of a predatory extractive technology, see Riccardo Petrella, *Au nom de l’humanité. L’audace Mondiale*, Brussels: Editions Couleur Livres, 2015.
- 6 On the objectives and tasks of the ECB, see Martin Selmar and Chiara Zilioli, *La Banca Centrale Europea*, Milan: Giuffrè Editore, 2007.
- 7 On the ECB’s powers and the question of its political independence, see especially

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- 8 <<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:12012E/TXT>>. And see Decision of the European Central Bank of 6 December 2001 on the issue of euro banknotes, comma 3, <<https://www.ecb.europa.eu/ecb/legal/pdf/cl2001d0913en0050010.0001.pdf>>.
- 9 See <www.banningpoverty.org/tag/stop-indipendenza-bce>.
- 10 <http://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion>.

Financialisation – Secular Stagnation – Neoliberal Austerity

Joachim Bischoff

The political, social, and cultural upheavals of recent decades can be understood as aspects of an epochal transformation of capitalism. The social practice of regulated capitalism growing out of the catastrophes of the first half of the 20th century had different regional expressions. In the US, for example, economic regulation was used rather than nationalisation to control key sectors of the economy. The US approach was more market-oriented than the policies adopted in Europe and the developing countries, and this difference is reflected in the commonly used expressions ‘Rhenish capitalism’ and ‘Anglo-Saxon capitalism’.

My basic hypothesis is that the revolutions in production typical of capitalist society with its continual social convulsions – the increasing insecurity that accompanies this ever more hectic dynamic – and the dominance of the capital and financial market in recent decades, have been leading to a profound worldwide change in the social formation itself. The rise of finance-driven capitalism – also known as financialisation – poses new challenges for the trade-union-based left and the political left in terms of the control, social regulation, or embedding of financialisation and above all the strategising of alternatives to overcome it.

There are differing views on the periodisation of capitalism’s historical development.¹ Following Kocka and Merkel, we can look at different types of capitalism according to the relation of market and state.² Applying this criterion to the last two centuries, they identify three types:

Market-liberal capitalism as in most of the 19th century in Europe and North America, characterised by the dominance of the principle of competition between firms and by great reluctance to use state intervention in economic and social policy.

Organised capitalism: The main driving forces that led to an

increasing organisation of capitalism were (a) capitalism's internal need of coordination and regulation under changing technological-organisational conditions, and (b) the growing social unrest caused by an almost completely unregulated capitalism. [...] The 20th century then saw two variants: liberal and social democratic, for example, in respectively the New Deal of the 1930s and 40s in the US and the social market economy of the Federal Republic of Germany and other European countries, or, still more, in the highly developed Keynesian-welfare-state capitalism in France and Scandinavia. [...]

Neoliberal capitalism: [...] A new phase of capitalism appeared, characterised by deregulation, privatisation, and the partial dismantling of the welfare state. With the rapid advance of globalisation, international financial capitalism became immensely more important, and socio-economic inequality began to grow again.³

Neoliberal capitalism and the expansion of the financial sphere

During the last few decades of the 20th century, the first signs of an interregnum began to appear: the characteristic combination of strong growth in productivity, the welfare state's modification of the distribution of wealth, and the increasingly pluralist way of life now began to unravel. The waves of deregulation aimed against the Fordist welfare state have been occurring at a constantly accelerating tempo, and the question of ruling class 'leadership' has surfaced again. This interregnum has international dimensions, even if the core capitalist countries have been affected differently by its upheavals.

In industrial production, changes are occurring in the organisation of the enterprise and of work, the structure of the social collective worker, the conditions of accumulation, and the political forms of regulation. Market-driven activity is penetrating all sectors of society, and a continually accelerated accumulation of financial capital is developing from the over-accumulation in the real economy. There is no consensus on whether the current restructuring processes still represent an accommodation to the crisis of Fordism or already point to a post-Fordist path of development. Nor is there consensus about the levels of the total social capital at which qualitative changes in the conditions of accumulation can be discerned.

The expansion of credit

The huge financial and economic crisis of 2007/2008, the consequences of which are still being felt, was triggered by the multi-year boom in the property and mortgage sector that ended with the collapse in housing prices. The Great Crisis beginning in 2008 revealed the long-term trend

towards the financialisation of the whole economy. Everything was being financialised – from student loans and people’s homes to healthcare and insurance. The commodities exchanges have financialised energy and food, that is, turned them into financial products, and even public pensions were ultimately absorbed into the international system of loan capital. These dark clouds over many classes of assets portended the financial crisis.

The expansion of capital is mediated through credit. Within certain limits, credit gives the individual capitalist absolute access to outside capital and the property of others, and consequently to external labour. Access to social capital, not their own capital, gives capitalists access to social labour. Capital itself, which one possesses in reality or simply in the mind of the public, becomes a mere basis for the superstructure of credit. All standards, all justifications that are more or less valid within the capitalist mode of production disappear at this point. What the speculative capitalist risks is social property, not his own. Successful or unsuccessful investments equally lead to the centralisation of capitals and thus to expropriation on the most enormous scale. However, expropriation within the capitalist system has contradictory forms; it appears as the appropriation of social property through the few, and through credit these few increasingly take on the appearance of fortune hunters.

The ‘financialisation’ of the global capitalist economy – the expansion of the financial sector and the explosion of credit – has several causes. In the early stages of capitalism, credit was a rather subordinate factor in the circulation of the total social capital; now the credit system is an immense social mechanism for the centralisation of capital. The growing importance of hedge funds and investment companies in recent years underlines this development, as do the public debt and the transactions made by private households. This enormous importance of money capital and the credit system reflects the advanced age of capitalism as a social formation.

Although this financialisation is an expression of a hugely transformed social mechanism, it does not represent an independent stage of development in the social formation that Marx defined as characterised by manufacture and large-scale industry, or, as we have known it, in 20th-century Fordism. Financial-market-driven capitalism is no new stage of development in the history of this social formation; this would require a more strongly developed social mode of operation.

Debt sustainability is currently coming up against the limits of the system. The capitalist system is not stable, and the equilibrium of the system that theoretical economists have established is nothing more than a tendency in the process of development from one disequilibrium to the next. In this

process the financial sector plays the main role. Credit is generated in the process of value creation; the long-term expansion of the credit system, combined with falling interest rates, is based on the underlying over-accumulation, and thus on the ‘savings glut’ – a term used by former chair of the US Federal Reserve Ben Bernanke to describe a backlog of savings for which there are insufficient opportunities for investments.

If this movement of expansion comes up against limits – for instance, when there is a slight increase in interest rates due to overexpansion or to a shortage of money capital – then the prices of assets such as real-estate and equities fall, the income streams of households and enterprises dry up, and debtors can no longer service their debts. This is when a crisis breaks out, as happened in the second half of 2007 in the US.

An exogenous shock is not needed for a crisis to break out; instability arises from the mechanisms inside the system, not from outside. The capitalist economy is not unstable because wars or the price of oil send it into shock; it is unstable because limits are inherent in the expansion of credit. There is no corrective for the two extremes of disequilibrium – a speculative boom or a process of deflationary debt liquidation. Booms feed themselves, while an economy in depression keeps spiralling downwards. The only way to stop these processes is through state intervention. In a depression, this means support through fiscal and monetary policy to stop the self-destructive, deflationary debt liquidation.

Since the outbreak of the Great Crisis eight years ago, we have seen a plethora of its different phenomenal forms. Between phases of intensified contradictions calm returns to the financial markets and the social process of reproduction picks up, though not to the same extent in all countries. In contrast to what occurs in nothing more than a serious cyclical crisis, the point of departure of the structural crisis in many countries was a drastic price correction in the real-estate sectors due to non-performing mortgages. This led to a banking crisis and later a public debt and banking crisis. This avalanche of crises was accompanied in many countries by recession and then worries about a new downturn in the US as well as a hard landing for China’s economy.

At the beginning of the 21st century, capitalist economies are confronted with a secular capital surplus and thus a global flood of ‘savings’ due to chronic over-accumulation. The expansive monetary policies of central banks are reproducing the polarisation between the stagnating real economy and the over-abundant levels of money-capital accumulation. In responding to the global crash of seven years ago, the central banks have shifted into crisis-management mode: led by the Fed, they have deployed an expansive

monetary policy to do everything possible to prevent the markets from collapsing. But we now see that the central banks have become prisoners of their own bail-out policy.

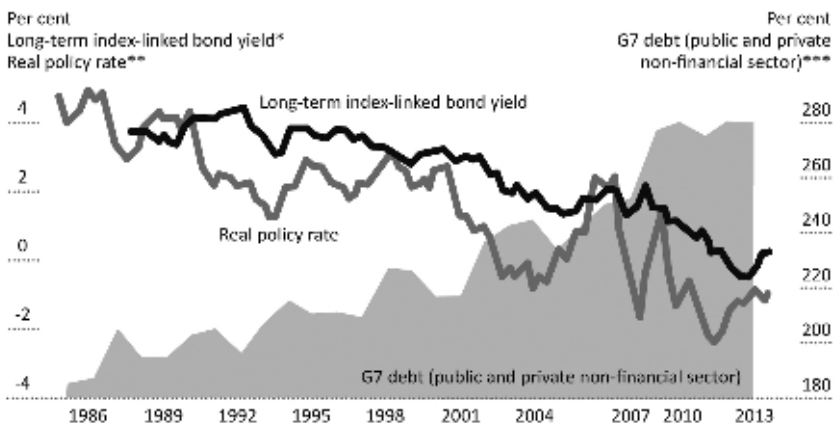
The next few years will be shaped by attempts to deal with, that is, clear up, the mountains of debt that have accumulated in the past. Private households will have to reduce their debt and countries consolidate their budgets. However, if investment levels and private consumption still sink then aggregate demand will be depressed. Debt forgiveness is a long process; all historical precedents indicate that it takes years. It began with the outbreak of the financial crisis in 2007 and we still have several more years of it ahead of us.

Debt reduction and austerity

Despite its dismal practical results, neoliberal austerity policy is still politically dominant and anchored in society.

- Investors continue to buy bonds with low or even negative interest rates, as well as high-valued shares and overpriced property;
- zero interest rates constitute a considerable anomaly in financial markets, particularly at times of exuberant levels of debt;
- according to the Bank for International Settlements (BIS), debt in the twelve largest world economies has increased by 50 per cent since 2007. Similarly, McKinsey has calculated the debt increase in 47 countries at US\$ 57 trillion over the same period. This makes their total debt around US\$ 200 trillion, which means an increase of 20 percentage points to 290 per cent of GDP.

Graph 1: Low interest rates in a time of debt



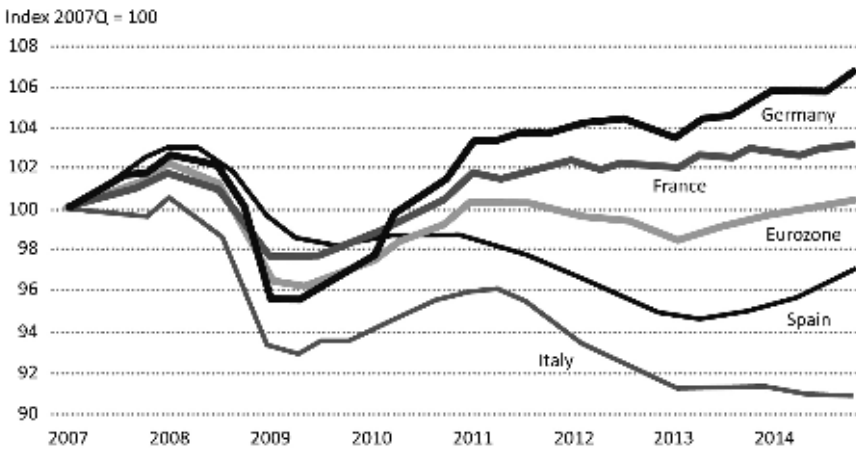
* From 1968, simple average of France, the UK and the US, otherwise only the UK; ** Weighted average for G7 economies based on 2005 GDP and PPP exchange rates; *** Sum across G7 countries converted to \$ at market exchange rates.

Sources: IMF, national data, BIS estimates

The ongoing crisis in the Eurozone has led to serious social dislocations. Neoliberal ‘structural reforms’ in countries like Greece, Ireland, Portugal, and Spain have only aggravated the explosion of debt. For example, in 2011 Portugal, which had a socialist government at the time, negotiated an emergency loan of 78 billion euros with the ‘Troika’. The ‘adjustment programme’ had consequences: after three years of recession, GDP was supposed to grow again in 2013, but it only did so in 2014, and then by a mere 0.9 per cent. Economic output in the Eurozone as a whole has still not recovered to the pre-crisis level of 2007. Deficit reduction is still being enforced, and Portugal, for example, is to reach a budget surplus of 0.2 per cent of GDP in 2019. Moreover, besides its deficit ratio, Portugal’s public debt now amounts to 129 per cent of GDP. As convincing prospects for economic restructuring are nowhere to be seen, there is considerable doubt about the country’s debt sustainability.

Overall, it would be hard to describe the neoliberal structural reforms in the Eurozone as a success story. And a large number of EU Member States are still not complying with the Fiscal Pact.

Graph 2: European GDP



After several years of financial repression policies (the Fiscal Pact and the crackdown on budget deficits) it is clear that the socio-economic disparity between Member States has intensified since the onset of the Great Crisis, and the popularity of the EU as a political project has clearly declined.

The interim results of financial repression

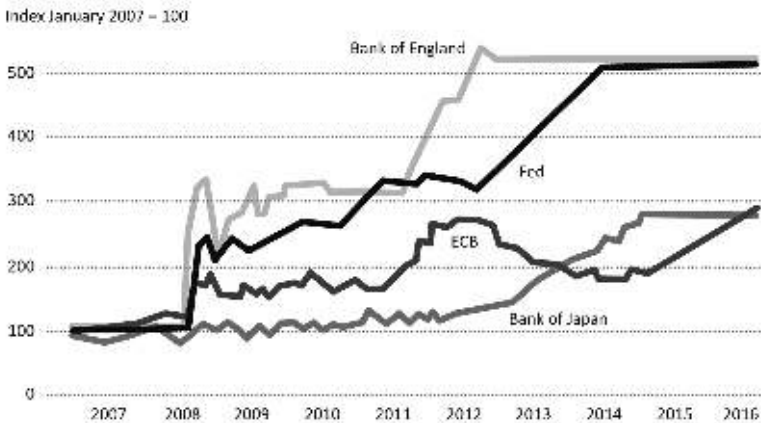
Empirical trends show that financial repression since 2010 in the main capitalist countries has come at the expense of between 5 and 10 percentage points of

GDP growth. Moreover, the very tasks of reducing budget deficits and state debt relative to GDP are made much more difficult by the brakes put on growth. As has become clear, reducing public expenditure is not tantamount to reducing the deficit because it impedes economic development.

‘It is extremely sad that European countries are voluntarily restricting their public spending and thus plunging their economies over the fiscal cliff. The US, instead, has learned its lessons from Japan. With their strong warnings about the fiscal cliff, academics and policy makers were able to prevent a new recession in the US. And the US is now much better off than Europe. [...] Fiscal stimulus is important because the state is the only debtor that remains in a balance-sheet recession. [...] A balance-sheet recession is a malady of an entirely different order from a normal recession. [...] If the private sector, despite zero interest rates, pays its debts, the state has to spend money to prevent economic collapse.’⁴

Monetary policy has become continually more unconventional in reaction to the Great Crisis and weak growth. Quantitative Easing is a direct consequence of the wish to not repeat the economic policy mistakes of the 1930s. This is the main reason why debt is higher today than in 2007. The central banks have accepted a policy of zero interest rates and, combined with Quantitative Easing, this has made borrowing easier. In so doing, however, the central banks have accepted drastic changes in exchange rates. In the United States, the expectation of higher interest rates has been driving up the exchange rate, whereas lax monetary policy in Japan and Europe have caused the yen and the euro to drop in value.

Graph 3: Balance sheet total of selected central banks



Source: *Frankfurt am Main: Jahresbericht des Jahres, spring 2016*
 (based on data from the ECB, Bank of England, Federal Reserve, and Bank of Japan)

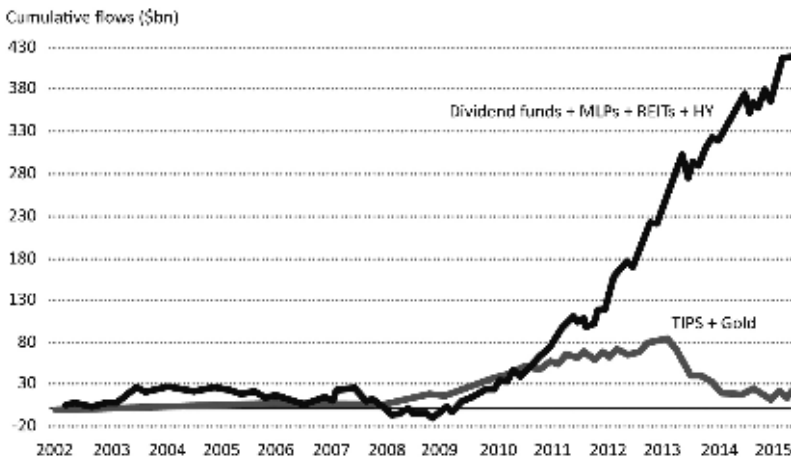
However, it is not just exchange rates that these policies distort; they also deepen the social divide and cause deformations in the available regulatory tools. The immediate consequences of zero interest rates and Quantitative Easing have been the inflated prices of assets and, at the same time, devalued savings. In the US, pension funds and broad sections of the population have overwhelmingly invested in equities and less in bonds and savings. In Germany, on the other hand, a majority of the population provide for their retirement not through stocks, but through state pensions, life insurance, company pensions, or savings. Yet all of these categories are losing value because of zero interest rates. This means that the full consequences of the European Central Bank’s current policies will only become evident in the near future.

Companies, on the other hand, are swimming in cash. Given the continued sharpening of the social distribution of wealth and the excessive volumes of credit, there is no incentive to increase investment. Debt has now reached levels that make it impossible to return to a normal cycle of interest rates because doing so would have serious consequences for the economy and for the political balance of power.

The real damage done by these policies, however, is probably in the area of the distribution of wealth. During the last seven years, annual real consumer spending has only risen by 1.4 per cent. The assets effects of expansionary monetary policies has mainly benefited the rich, as they hold the majority of equities. The squeezed middle class, on the other hand, has been unable to recover.

The dangerous fragility of the financial markets is quite clear from the movement of investments. As the following graph indicates, gold and

Graph 4: Mania for high yield



Source: BofA Merrill Lynch Global Investment Strategy, Fitch Global

inflation-protected bonds (TIPS) have only seen investment of about US\$ 20 billion, whereas more than US\$ 410 billion net has flowed into various securities since the end of the financial crisis. The hunt for high yields is clearly shaping current economic developments.

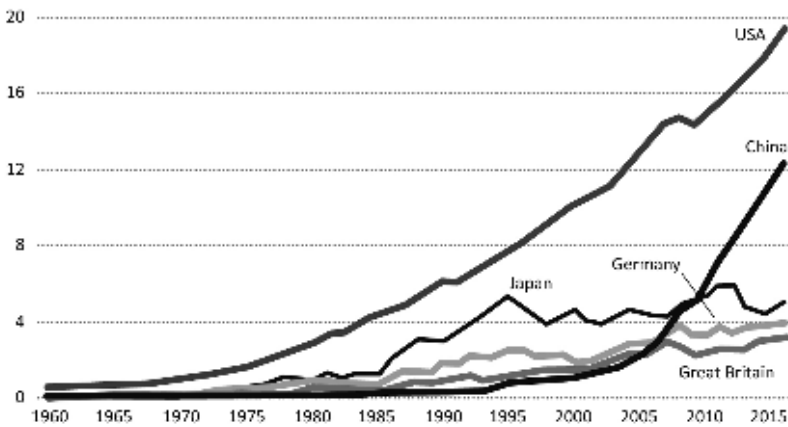
The current upward trend is thus fragile for the reasons outlined above. Due to the weak euro, low interest rates, the ECB's expansive monetary policy, and the low prices of raw materials, Europe is facing a modest recovery that could last about four or five years. It is unlikely to be as strong as those of the past given the current structural barriers. Low oil prices, the weak euro, and low interest rates will of course support recovery in the Eurozone, and there is now consensus among forecasters that Eurozone growth will increase by 1.5 % rather than only 1.0 %. Still, 1.5 % only means a slight upward trend that is far from a brilliant recovery.

Strategically relevant key trends:

1. The Fed is steering the US economy towards the first interest rate increase since the beginning of the crisis, the only major central bank in the world to do so. Since 2008, the prime interest rate has been at a record low of between 0.00% and 0.25%. Hypothesis: the Fed will administer this rate increase and subsequent steps in homoeopathic doses. The extremely high levels of debt in the public and private sectors will lead the dynamic of accumulation to slow down significantly over a long period. The debt problem has yet to be solved after the recent crisis; instead, the central banks have implemented measures that force everyone deeper into the red.
2. The rise of the so-called Islamic State in the Middle East constitutes an even more significant factor: the possible collapse of the decades-old economic and political order in the region. States are no longer the only entities wrestling for power; statehood itself, as a structural element, is beginning to unravel. The gap between the winners of globalisation (in China and the West) and the losers (in other parts of the world) has deepened rapidly. State structures are beginning to fall apart in many places. Above all in the Islamic world, there is a frightening increase in the number of 'failed states' in which despite rivalling power structures, there is nothing that could be described as a monopoly of state power, and there is no longer a governmental authority that can represent its country at an international level. The international order is out of joint, and the age of Europe – including its US variant – is coming to a close.

Graph 5: China approaches the US

gross domestic product (\$bn)



Source: Kromberg

3. Global economic growth is no longer being decided in Europe. Although events in Europe are still relevant, whether the Eurozone continues to stagnate or whether Germany's economy – as Europe's hegemonic power – will grow by 1.5% or 1.9% is now of secondary importance. Far more important is whether China's economy will grow by 6.5 % or 7 % and whether its party and state leadership will be able to keep the country's more or less serious decline under political and social control.
4. Credit-driven growth in the Eurozone is largely over. Productivity and potential growth have been eroded by high levels of long-term unemployment. Globalisation has provided little stimulus, and the expansion of trade and of the division of labour has decreased worldwide. And the gap between the financial sphere and the real economy has been stretched to breaking point, just as in 2007.

A return to the accumulation dynamic of capital?

After 2007, when policies were being enacted to counter the financial crisis, debt reduction was accepted as the obvious goal. The supersession of the capitalism of easy credit was said to begin with financial repression policies or widespread deleveraging. The problem with this is that a focus on deleveraging by governments and private actors has a dampening effect on the economy. Private households in four central countries of the financial crisis (the US, the UK, Spain, and Ireland) have been able to reduce their debts, but in many other countries the debt-income ratio has actually risen, even to a level higher than had been reached in the crisis countries. After the financial crisis, governments have continued to get themselves into debt or

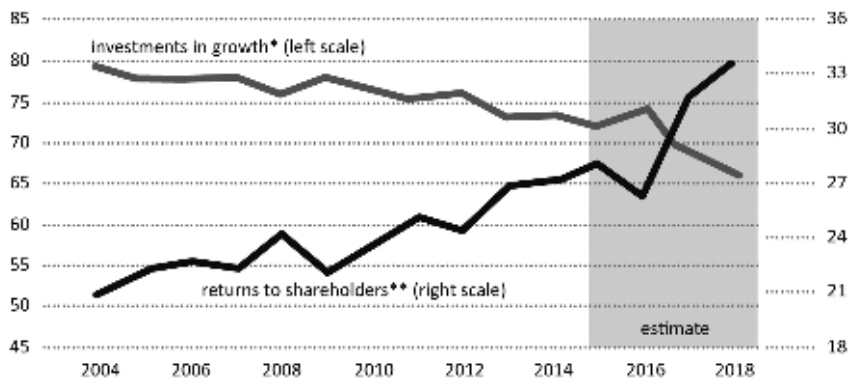
believed they had partly been compelled to do so. Deleveraging in the most indebted countries is based on the assumption of growth rates and/or budget cuts, both at levels that are completely unrealistic.

The control centre of capital accumulation (interest) has been damaged

The most recent IMF study (2015) demonstrates that between 2008 and 2014 private investment in rich western countries has lagged behind by 25 per cent when compared to past trends. Cheap money is driving stock prices to ever-loftier heights, and fewer funds are flowing towards new machinery, equipment, and know-how.

Graph 6: Better stock buybacks and dividends than investments

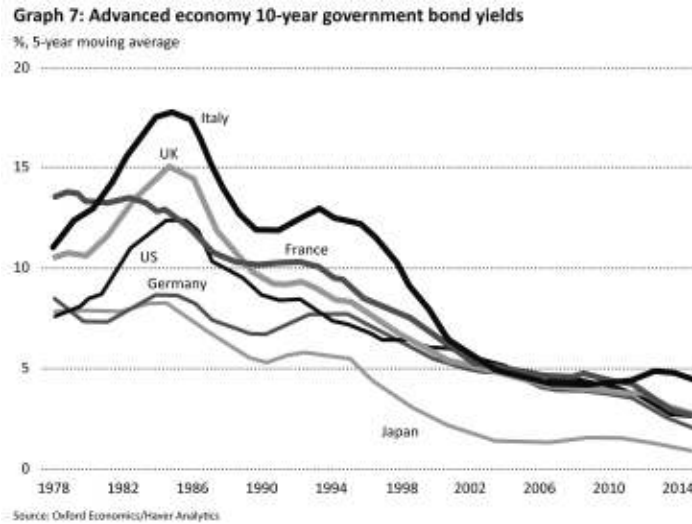
share of the use of liquid assets, excluding financial companies, in %



*equipment investments, research and development, fixturs and takeovers; **share buybacks and dividends
Source: Goldman Sachs Investment Research

The main capitalist countries have a plentiful supply of investment-seeking capital, which is expressed in a strong tendency towards low interest rates – in the context of a strong aversion to private-capitalist or public investment. The major central banks are giving in to this trend and boosting it through low interest rates.⁵

The reasons for this ‘secular stagnation’ are the subject of a fierce international debate, which has not resulted in any coherence between different positions.⁶ However, there is far less disagreement about the consequences: the capitalist economies are in a liquidity trap, and the tendency towards ‘secular stagnation’ means greatly flattened economic growth and very low inflation rates (also known as deflation). At the same time, central banks are working with the lowest possible interest rates, as these cannot be set much lower than zero.



At the same time, the international financial markets are feeling very insecure about this undisputed instability. The current situation is seen as extremely unstable. Since the beginnings of the financial crisis, there has been no global debt-forgiveness – instead debt has sharply risen; derivative products have not become any less complex, and their enormous volume has only grown further. The general view is that politicians and central bankers – with their policies of high levels of debt and risky, untested measures – have shirked their responsibilities to citizens by implementing policies that were not geared towards strengthening growth or increasing financial stability, but towards more inflation.

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Notes

- 1 Seven years now after the outbreak of the 2007–2008 global economic and financial crises, there can be no question of a return to dynamic capital accumulation. This has led to a debate within establishment economics on 'secular stagnation'. See Coen Teulings and Richard Baldwin (eds), *Secular Stagnation: Facts, Causes and Cures* (London, 2014), <http://www.voxeu.org/sites/default/files/Vox_secular_stagnation.pdf>. Hans G. Despain contrasts 'mainstream ideas of secular stagnation (MISS)' with monopoly theories from Marxian traditions (Hans G. Despain, 'Secular Stagnation – Mainstream Versus Marxian Traditions', *Monthly Review*, 67, 4 (2015)).
- 2 Jürgen Kocka and Wolfgang Merkel, 'Kapitalismus und Demokratie', *perspektive 21*, No. 60 (2014), p. 20.
- 3 Kocka and Merkel, 'Kapitalismus und Demokratie'.
- 4 Richard Koo, 'Die Europäer lassen ihre Wirtschaft abstürzen', *Finanz und Wirtschaft*, 2 March 2015. The effectiveness of Fed policy in combination with a moderate policy of restructuring is also questionable.
- 5 On the role of the central banks, see Ben S. Bernanke, 'Why are interest rates so low?', 30 March 2015, brookings blog, <<http://www.brookings.edu/blogs/ben-bernanke/posts/2015/03/30-why-interest-rates-so-low/>>.
- 6 The most important aspects of the explanation for the oversupply of money capital are: A) The impact of changes in the democratic structure on savings behaviour, which has been influenced by state regulations on retirement income. B) Modern production's low capital depth – today's leading industries (particularly in the software sector) require far less capital than former heavy industries and therefore also significantly less investment. C) The lower price of capital goods. D) Greater inequality (the rich consume proportionately less, which corresponds to a larger asset accumulation or savings). E) Former Fed chair, Ben Bernanke, stated that the fallen and persistently low interest rates and the international savings glut were particularly caused by countries with net export surpluses – in the past China, today Germany.

Notes on Nature, Crisis, and Domination

Uta von Winterfeld

In preparing for this congress,¹ I thought back to a paper I delivered together with Adelheid Biesecker in 2014 on multiple crises and social contracts.² Our point of departure was that political responses to these crises are firmly rooted in old rationality paradigms. And since these paradigms are one of the causes of the crises, the responses cannot see beyond the logic of the present.

The concept of a multiple crisis is frequently used today to grasp contemporary phenomena as a whole: the *ecological crisis* encompassing the loss of biodiversity, scarcity of resources, exhaustion of the ecological carrying capacity, and climate change – synthesised also as the loss of the productivity and reproductivity of nature and its natural regenerative capacity. The total process also encompasses the *social crisis* in the form of the loss of care and social services, as a crisis of the welfare state or the loss of ‘good work’, and also as the loss of social solidarity and social cohesion. The notion of social depletion as the loss of the capacity for social regeneration has been used to capture the full breadth of the phenomenon. And the crisis includes the *financial crisis* – speculative finance capital tends to overshadow the real economy, draining and exploiting the latter – leading to economic burnout and state bankruptcies. And, finally, another principal component is the *cultural crisis* as the loss of plurality with a new tendency to devalue or liquidate the Other due to the loss of recognition, the fear of expropriation, and the growing feeling of being an alien in one’s own society.

The core of the crisis, as Adelheid Biesecker and I understand it, is a crisis of the regenerative or regenerative capacity. The major future projects, the proposed solutions, for example the 2011 report of the German government’s Advisory Council, *World in Transition: A Social Contract for Sustainability* (aimed particularly at overcoming the climate crisis), largely overlook this aspect of the crisis.³ In so doing, the new proposed solutions time after time stay within the old rationality paradigms and are fundamentally not pertinent to a Great Transformation. And in constructing a new social contract feminist

critiques are once again ignored.

In 1988, the feminist political scientist Carole Pateman⁴ studied the way in which the social contracts of classical social contract theory are underpinned by a gender contract: Before free and equal brothers conclude a (fictitious) contract with each other they have already secured the right to control the bodies and labour of women. But women are not simply left in a so-called state of nature. They are, instead, needed as something that is dissociated, that can be had use of, without having its own worth and voice – they are involved as something dissociated. From this we concluded that externalisation is not just a matter of dissociating the costs; rather, there is need of something that is valueless so that value can come into existence: A capitalist economy requires externalisation – social feminine labour and natural productivity – as a principle. Rosa Luxemburg spoke of this in the context of imperialism theory,⁵ and for some time now the idea has become associated with the concept of colonisation, out of which the Bielefeld subsistence approach developed the concept of ‘housewifisation’.⁶

As I was preparing for this congress and thinking about the possible strength of my critique, I was attracted to the idea of connecting our analysis with two strands of the critique of domination.

One of them is my study of the contemporary roots and traditions of the domination of nature, ‘Nature Patriarchies: The Emergence and Dilemma of the Domination of Nature in the Works of the Intellectual Fathers of Modernity’.⁷ As Ernst Ulrich von Weizsäcker put it in his preface, I am trying to track the roots of destructiveness. I studied the natural philosophies of René Descartes, Francis Bacon, and Giordano Bruno – as well as the witch persecutions that took place during the lifetimes of all three. This history overwhelmingly plays out in the 17th century (as Carolyn Merchant showed in *The Death of Nature* already in 1980⁸), at the dawn of modernity. Much of what is hard to perceive today in the complexity of social differentiation, or is already made out of date by the dizzying speed of innovation before it can even be recognised, was more transparent at the beginning of the modern age. It was a period of emerging nation-states, the rise of capitalism, and the beginnings of modern science. It was in this period, for example, that Thomas Hobbes, in his *Leviathan*,⁹ theorised a justification for the authoritarian state and its security policy: in a state of nature (which for Hobbes is also a state of war) people are afraid of each other; life without a social contract is poor, nasty, and brutish. The constant fear of being murdered leads people to surrender their rights of self-determination to a strong sovereign who in turn guarantees their protection and security. In a state of nature, people are little inclined to peace because they are constantly contending for scarce goods. In

his theory of possessive individualism, Crawford B. Macpherson argues that, with his scarcity postulate, Hobbes essentially equates the emerging capitalist market society with a state of nature.¹⁰

Alongside my own approaches to the critique of domination and the history of ideas there is my excavation and salvage work of recent years. I encouraged my old dissertation advisor Wolf-Dieter Narr not to let his 1989 work on domination fall into complete oblivion. And as a result we worked on his book 'Nobody's Domination: Introduction to the Difficulty in Understanding Domination', a sort of anachronistic political-science textbook.¹¹ 'Nobody's Domination' is inspired by Hannah Arendt's *Eichmann in Jerusalem: A Report on the Banality of Evil*. The common thread is that there is no one, nobody who is responsible, there is no door on which we can knock, no political entity where responsibility is located or which could keep track of history. There is only a bureaucratic, abstract nobody's domination.

I find that in order to develop critical strength the most attractive strategy for me now is to relate these two backgrounds to each other, and so in this light I will try to add something in what follows: The linking of the domination of nature to nobody's-domination with respect to specific categories.

First note: On the identificatory as the primary principle of domination

Narr establishes the identificatory as the primary principle of domination. The identificatory sorts what is political from what is not political, and what is economic from what is not. It is the principle that identifies what is Self and what is the Other; it operates primarily by including or excluding what does or does not belong.¹²

In my postdoctoral thesis,¹³ I developed the idea that modernity has an inherent incapacity to relate to the other. It can only exterminate it (witch hunts, genocide, etc.), subjugate it (colonisation, the harnessing of nature and other peoples to one's purposes, etc.), or attempt to make it similar to itself (assimilation). I saw this most clearly in the case of Descartes. His concept of Reason can be defined as reason based on the logic of identity – I think, therefore I am. A doubting self, self-assured with divine help, a self for which everything that it is not appears as alien, restricting, and threatening. This is conspicuously the case with witch persecutions – a demonisation of the Other or the Others, in which the story has in part to be so told that men separate out from themselves what they deny in themselves: their evil flesh-and-blood nature.

The free, equal, fraternal man is identified as political. In classical social contracts he gives birth to so-called political life. Nature is seen as pre-societal, as society's Other. That which is economic is the competitive action of men with commodities in the market. Value arises because nature is transformed through labour into private property, according to John Locke (who is still regarded as the father of liberal democracy) in chapter five of the second of his *Two Treatises of Government*.¹⁴

Through the principle of the identificatory, politics and the economy have created what in relation to them is the Other, the invisible, caring feminine force within private space as the precondition for the politically active man in the public sphere; she is the entity in the home that is responsible for regeneration, as a precondition of capitalist economic activity in the marketplace. The identificatory is also what makes nature into a means to an end without its own end – nature for us, a resource. The identificatory is furthermore well-suited to legitimization purposes, for there is no need to take account of human rights or fairness when it comes to evil 'rogue states' or lazy 'welfare freeloaders'. But sustainability calls for another narrative. Inter-generational justice means taking account of *other*, future generations whom we cannot yet know; it means capacity to relate to the Other instead of eliminating it.

Second note: On separations, dualisms, and objectification

From the outset, through a domination-driven sorting process, an identificatory-based separation takes place. The two sides of what is separated do not confront each other on an equal footing but are hierarchically ranked. Thus for the dualist Descartes, there is a thinking substance (*res cogitans*) and extended substance (*res extensa*). He sees the latter as mechanical and without a soul.¹⁵ Descartes needs this dualism in order to ground the immortality of the soul. By connecting the superior thinking substance, animated by a soul, to the Divine, he can provide the unattached self, which is in itself weak and doubts everything, with an immortal soul. And nature, seen as a mechanism, becomes measurable and controllable.

Bacon distinguishes a mind, conceived as male, from nature conceived as female and would like to see the bridal bed adorned for both.¹⁶ At his time, the marriage contract was a submission contract. For example, women could have property but not the use of it, and that is the distinction Bacon draws in order to accommodate the logic of domination. For him, the Cartesian 'I think, therefore I am' becomes 'I act, therefore I rule'. The new science was to be an active one – may the mechanical arts win in the competition with nature! It is the mechanical arts, today's technology, and it is male fire,

that brings the world progress and intervenes in self-sufficient, nourishing nature, the female earth. This technical progress, which can force nature to serve human objectives and convenience, justifies human intervention into nature.

In the new modern science, nature became an object of the dominating knower and the active researcher. Narr indicates that the mode of objectification first became established in the natural sciences.¹⁷ A central element in this science is the dominational order of subject and object. This mode has now been developed to the absurd extent that it could destroy itself – for, as Narr points out, if everything is objectified, if there is no longer a recognisable subject, then the objects also become unknowable.¹⁸

Despite all objectification and all appropriation of objects, something else happens that Theodor W. Adorno deals with in his *Negative Dialectics*.¹⁹ The dominational separation leads to the researching subject becoming blind and deaf to the object being researched. Narrating history differently requires the capacity to get close to the object and hear its voice.²⁰ This brings movement into what has been rigidly separated – not in the sense that now everything is one (with no differentiation of subject and object), but that the relations are different and less dominational. This is where Val Plumwood²¹ intervenes to criticise the Cartesian self, the male conception of an unbound, dominating-knowing, autonomous self and counterposes a ‘self in relation’.²² Plumwood sees the conception of the human self separated from nature as the broad, overarching problem. It is tied to an instrumental view of nature. In this perspective, Others can only be regarded as resources. They do not have value for their own sake but because of the profit they generate.²³

Third note: On instrumentalisation and abstraction

The sorting that is carried out by the process of domination, as its fundamental identificatory principle, the dissociative thinking in dualisms and especially objectification, are in themselves close to being instrumentalisation. In terms of the theory and practice of domination it is legitimate that the Other, the object that is in itself worthless and inferior, the lifeless, soulless thing, is reshaped, used, and exploited. But instrumentalisation does not stop at the limits of the separation process; it does not commandeer the Other and leave the active self free. Instead, the instrumental permeates all, both technical-instrumentally and in the form of instrumental scientific rationality.²⁴ I would like to illustrate this with examples from developments in the world of scientific work.

We are living in the age of science’s refinanceability. Women scientists, therefore, are compelled to refinance their own jobs. In this situation, what

is valued is not thought for its own sake but results and their utility. Projects include project management, which today is carried out electronically through project-management systems. In accordance with the *zeitgeist*, this software language has no place for concrete individuals. What it manages are abstract resources without characteristics or quality, which have nothing of their own, nothing particular, but are simply available for use. The instrumental aspect of science is growing – it occurs through abstraction, scientific mathematisation and modelling, economic calculation (money, costs, and the continually intensified, indeed totalising dictate of cost efficiency), and the political nobody's-domination, all of which is embedded in bureaucracy. A bureaucracy that increasingly does not recognise the particular, the special, the specific, things that have their own characteristics. An increasingly automated bureaucracy, without concrete people (because salaried bureaucrats are too expensive, and personal clients with their individual concerns too labour intensive). The abstract nobody's-domination bureaucracy and its fill-out form have long since ceased to live exclusively in the office place. It is everywhere and shapes and determines everyday life and activity.

Thus the modern, abstract domination of nature, the rewriting of natural history in the language of mathematics, commandeering, and instrumentalisation are not limited to the spheres of the (technical) domination of nature that are, apparently, divorced from society. Instrumental and abstract nobody's-domination means that people cannot become themselves and do so with others. The person as such becomes insignificant for society; what counts is his or her capacity to produce exchangeable value.

The interconnectedness of societal domination and the domination of nature is not a new theory; it was developed by Max Horkheimer and Theodor W. Adorno in the *Dialectic of Enlightenment* (1969).²⁵ What is important now is to apply it to the critical analysis of the current crisis from the angle of socio-ecological transformation processes.

For example, we are not in good shape when it comes to the ongoing challenge represented by the Other and the capacity to take the Other into consideration. The loss of recognition, the fear of expropriation and the growing feelings of alienation in society are breeding grounds for prejudices, racism, sexism, and xenophobia. The crutch of self-realisation through the devaluation of others is increasingly used; plurality is constantly diminishing. It is therefore time to tell another, a critical and feminist history of sustainability with others.

Notes

- 1 This paper was presented in German at the International Congress ‘The Strength of Critique: Trajectories of Marxism-Feminism’, Berlin, March 2015, organised by the Feminist Section of the Berlin Institute for Critical Theory (InkriT) and the Rosa Luxemburg Foundation with the participation of transform! europe and SDS.Die LINKE. The German version appeared in the journal *Das Argument*, November 2015.
- 2 Adelheid Biesecker and Uta von Winterfeld, ‘Notion of Multiple Crisis and Feminist Perspectives on Social Contract’, paper at the Eighth International Interdisciplinary Conference ‘Gender, Work & Organization’, 25 June 2014, Keele.
- 3 Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen, *Welt im Wandel. Gesellschaftsvertrag für eine Große Transformation* (Berlin, 2011), <<http://www.wbgu.de/en/flagship-reports/fr-2011-a-social-contract/>>; note that the German title quotes the title of Karl Polanyi’s book ‘The Great Transformation’.
- 4 Carole Pateman, *The Sexual Contract*, Cambridge: Polity Press, 1988.
- 5 Rosa Luxemburg, *Die Akkumulation des Kapitals* (1913), *Gesammelte Werke* 5, Berlin: Dietz, 1981, pp. 314f, 363.
- 6 For further details see Veronika Bennholdt-Thomsen, Maria Mies, and Claudia von Werlhof (eds), *Frauen, die letzte Kolonie. Zur Hausfrauisierung der Arbeit*, Reinbek bei Hamburg: Rowohlt, 1988 (1983); see also Adelheid Biesecker, Sabine Hofmeister, and Uta von Winterfeld, ‘Draußen? Zur Dialektik von Enteignung und Aneignung und zu deren aktuellen Erscheinungsformen’, *Das Argument* 303,4 (2013), pp. 522–38.
- 7 Uta von Winterfeld, *Naturpatriarchen. Geburt und Dilemma der Naturbeherrschung bei geistigen Vätern der Neuzeit*, Munich: Oekom, 2006.
- 8 Carolyn Merchant, *The Death of Nature: Women, Ecology, and the Scientific Revolution*, San Francisco: Harper and Row, 1980.
- 9 Thomas Hobbes, *Leviathan: Or the Matter, Forme, and Power of a Common-Wealth Ecclesiasticall and Civill*, ed. Ian Shapiro, New Haven: Yale University Press, 2010.
- 10 Crawford B. Macpherson, *The Political Theory of Possessive Individualism: From Hobbes to Locke*, Oxford: Clarendon Press, 1962.
- 11 Wolf-Dieter Narr, *Niemands-Herrschaft. Eine Einführung in Schwierigkeiten, Herrschaft zu begreifen*, ed. Uta von Winterfeld, Hamburg: VSA, 2015.
- 12 Narr, *Niemands-Herrschaft*, p. 63.
- 13 Winterfeld, *Naturpatriarchen*.
- 14 John Locke, *Two Treatises of Government: and a Letter Concerning Toleration*, ed. Ian Shapiro, New Haven: Yale University Press, 2003.
- 15 René Descartes, *Discourse on the Method, and Meditations on First Philosophy*, ed. David Weissman and William Theodore Bluhm, New Haven: Yale University Press, 1996.
- 16 Francis Bacon, *Instauratio Magna Part II: Novum Organum and Associated Texts*, eds and trans. Graham Rees and Maria Wakely. Oxford: Clarendon Press, 2004.
- 17 Narr, *Niemands-Herrschaft*, pp. 62ff.
- 18 Narr, *Niemands-Herrschaft*, p. 315.
- 19 Theodor W. Adorno, *Negative Dialektik*, 1966 (*Gesammelte Schriften* 6), Frankfurt/M, 1997, pp. 7–408.
- 20 Adorno, *Negative Dialectics* (pp. 24, 36, 56 of the German edition: Theodor W. Adorno and Max Horkheimer, *Dialektik der Aufklärung. Philosophische Fragmente* (1944), *Gesammelte Schriften* 3, Frankfurt am Main: Suhrkamp, 1997).

- 21 Val Plumwood, 'Nature, Self and Gender: Feminism, Environmental Philosophy and the Critique of Rationalism', *Hypathia* 6, 1 (1991), pp. 3-27.
- 22 Plumwood, 'Nature, Self and Gender', p. 20.
- 23 Plumwood, 'Nature, Self and Gender', p. 10.
- 24 Narr, *Niemands-Herrschaft*, p. 13, 37.
- 25 Theodor W. Adorno and Max Horkheimer, *Dialectic of Enlightenment*, trans. Edmund Jephcott, Stanford: Stanford University Press, 2002.

European Employment Policy: A Political Landscape

Karola Boger

The European Commission plays a leading role in shaping European employment policy through programmes and legislation. The following is a brief outline of the European Parliament that was elected in 2014 and the new Commission and their priorities in the area of employment policy, as part of the political landscape within which European employment policy is determined.

The New European Commission

For the first time ever, nominations for the Commission President were put forward by the European Parliament (EP). The proposed candidates were: Alexis Tsipras, Ska Keller, and Jean-Claude Juncker. Juncker prevailed. The Council – led by Angela Merkel – was not comfortable with the idea of approving the EP majority-supported candidate as President of the Commission, as it could set a precedent for future nominations. Nevertheless, the conservative majority could hardly reject the conservative Jean-Claude Juncker. The EP was obliged to ratify *en bloc* the future cabinet of the Commission, comprising a Commissioner in and from each Member State. Before this, however, each of the Commissioners had to be grilled by the committees corresponding to their areas of responsibility.

The run-up to this process was characterised by various disturbances, by deal-making, scandals, and ‘strange coincidences’: a finance commissioner coming from the private financial sector in England; a Spanish environmental commissioner with connections to the Spanish oil industry, etc. – these all raised questions. One candidate had to be replaced because the EP would not have accepted her. Otherwise, the entire slate would have had to be rejected.

The Commission proposed Marianne Thyssen from Belgium as Commissioner for Employment, Social Affairs, Skills, and Labour Mobility,

although this is not her area of expertise, and she has remained rather bland from the outset. Due to the new structure of the Commission, this time three Commissioners were grilled by the Employment and Social Affairs Committee (EMPL). In addition to Marianne Thyssen, the Commissioner for Economic and Monetary Affairs Valdis Dombrovskis is now also involved, since matters of social dialogue are within his remit. Jyrki Katainen is one of seven Vice-Presidents of the Commission and is responsible for coordination of matters concerning jobs, growth, investment, and competitiveness.

The Commission's Employment Programme

The Commission's employment programme¹ declares its primary goal to be the provision of new impetus for jobs, growth, and investment, although jobs can be understood more as a result of growth and investment than as an independent objective. Of the ten priorities, the digital agenda, the energy union, and a single market with a reinforced industrial base are most closely associated with the question of employment. It is striking that social integration and the struggle against poverty will not be accorded an important place, as they were during the last Commission.

Among the new initiatives are the investment plan (the so-called Juncker Plan, or European Fund for Strategic Investments - EFSI), promoting integration in the labour market and the capacity to work, the Digital Agenda Packet, the Labour Mobility Package, and the Aviation Package.² The Juncker Plan has since been adopted. The Mobility Package was launched in the autumn of 2015. The Aviation Package is not explicitly connected with employment, but it is to be feared that it will (also) amount to wage reduction.

'Better Lawmaking' and 'REFIT'

The programme 'Better Lawmaking',³ with its REFIT (Regulatory Fitness and Performance Programme) component, is a little-noticed or underestimated programme involving all areas of the EU's competence.

It is difficult to criticise a programme that sounds so good. No reasonable person could be against its objectives: better legislation procedures, simplification, more efficiency, reduced bureaucracy, and cost savings in the examination of existing and planned legislation and of other Commission measures.

When the issue is simply one of establishing a standard form for declaring value-added tax the concern for simplified and more efficient procedure sounds reasonable. However, subjecting the legislative framework for European occupational health and safety to a 'fitness check' under the rubric of cost saving and reducing bureaucracy calls the whole purpose of the

guidelines on employee occupational health and safety anchored in Article 153 (1), d Treaty on the Functioning of the European Union (TFEU – one of the two treaties of Lisbon), into question. This form of bureaucracy and cost reduction unilaterally supports only the employer.⁴

The idea of ‘Better Lawmaking’ is not entirely new, and it does make sense to regularly look into the growing number of EU legal instruments to see whether they have stood the practical test. The objective here, however, has been changed over time: ‘The initial goals of simplification and qualitative improvement have been replaced by the fight against bureaucracy and the contribution to competitiveness.’⁵

However, with the appointment of former Prime Minister of the German Federal State of Bavaria Edmund Stoiber as Chair of the High Level Group on Administrative Burdens,⁶ the programme now has a face. Stoiber is a member of the very business-friendly Bavarian CSU. Although the Group is only a panel composed of internal and external experts conferring on administrative issues, the Commission does generally adopt their recommendations. The recommendations of the final report of the Stoiber Group have not found favour everywhere. Even some of its individual members have expressed a minority opinion critical of these recommendations.⁷

On 19 May 2015, the Commission presented its latest 500-page comprehensive communication on better regulation to the public.⁸ The announced purpose is to reduce bureaucracy and improve efficiency by means of an evaluation of all existing and pending policies and regulations by internal and external groups of experts (whose composition and competences have to be considered very critically). One of the key aspects of this programme is that it commits the Commission to this process.

However, the danger here is that legislative proposals will be stifled by the Commission before they reach the two co-legislators, the Council and the Parliament.

Moreover, one of the papers is about an inter-institutional agreement to be adopted between the Commission, Council, and Parliament. This agreement is intended to bind the Council and Parliament to the new regulations as well. The European Trade Union Confederation (ETUC) is critical of this project.⁹ It could lead to a self-limitation or partial disempowerment of the Parliament. Taken as a whole, ‘Better Lawmaking’ has to be considered dangerous for workers’ rights. Individual trade unions also view it very critically.¹⁰ Better Regulation Watchdog, a new platform of trade unions and NGOs in the areas of social policy, and in environmental and consumer protection, has since been established to keep a critical eye on ‘Better Lawmaking’.¹¹

The most important projects that the Commission has included in the Better Lawmaking / REFIT agenda are:¹²

- Summarising and simplifying the three directives on information and consultation of employees;¹³
- revising the Framework Directive on Workplace Health and Safety;¹⁴
- reviewing the Part-Time Work and Fixed-Term Employment Directive;¹⁵
- reviewing the directive for written proof of employment contracts.¹⁶

The Commission had already previously made it known that it wished to withdraw the proposal on the Parental Leave Directive and present a new one. In addition, the Commission announced it would not present the European social partners agreement in the hairdressing sector to the Council for adoption in the form of a binding directive under Article 155 TFEU.

Not only do trade unions view these measures critically; the consultation and information directives deal with three completely different regulatory areas. Moreover, it is unclear what is meant by ‘simplification’. Considering the political majorities in the Parliament and Council, a positive outcome is improbable.

The situation is still more delicate in the case of the directives on part-time and temporary employment, for they involve European social partner agreements that were then proposed by the Commission under Article 155 TFEU and adopted by the Council as a Directive. Just by providing an evaluation, the Commission is interfering with the autonomy of the social partners because an evaluation exerts pressure.

So far the Commission has refused to submit the Agreement on Occupational Health and Safety in the Hairdressing Sector to the Council. The informal justification is that the Member States would block its adoption. This kind of refusal by the Commission is unprecedented. It ignores the role of the European social partners as laid down in the Treaty of Lisbon. Here, the Commission is pre-empting the Council’s actions, thus excluding the social partners.

The entire Better Lawmaking / REFIT programme falls under the responsibility of Frans Timmermans. He is the Commission’s Vice-President, and is accumulating unprecedented influence and power in all of its spheres through the cross-sectoral application of the programme. His importance is in part due to Juncker having been considerably weakened by the ‘Lux-Leaks’ affair involving tax-evasion and saving schemes in Luxembourg, for which he bore responsibility as Prime Minister. The de facto power given

to Timmermans, moreover, limits the scope for action of the Commissioner for Employment.

The interplay of the Commission, Parliament, and Council

The new Commission was eagerly awaited, as many were glad that José Manuel Barroso's second term had come to an end. However the prospect of Juncker as Commission President was no cause for euphoria. The important Social Dialogue component has been trimmed from the area of employment, a Vice President presides over and coordinates it, and through the all-powerful Better-Lawmaking programme Juncker's Vice President is clamping down on the whole area.

Even if the Troika is now referred to as 'the institutions', there are no signs that the infamous disciplinary measures associated with the Troika will end. Even if the European Parliament's involvement were permitted – as demanded by some – the resultant whiff of legitimacy would not change the brutality of the measures. Consequently, the cuts to wages, salaries, and pensions, and the destruction of collective agreements and collective bargaining structures will probably remain. Even if they were to end, the collective bargaining structures that have been destroyed in the affected Member States, especially Greece and Portugal, cannot be easily reversed. So far, even the classification of some measures as illegal has not had any effect on the reality.

The majorities in the European Parliament are conservative. In employment policy, the conservatives (EPP), ultra-conservatives (ECR), and portions of the liberals (ALDE) tend strongly to economic stimulus through promoting small and medium-sized business and self-employment, gearing education and training to the needs of economy, and through the privatisation of public services.

In the EMPL Committee, the Socialists, Greens, parts of EFDD (Italy's Five Star Movement), and GUE/NGL often work with the same set of objectives, but this is still usually insufficient to reach majorities within the Committee. Majorities in the Parliament as a whole are much more difficult to change.

The Committee is chaired by the trade-unionist Thomas Händel (GUE/NGL), who can have some influence on internal decisions in the Parliament but cannot change the direction as a whole. It is still hard to foresee how the newly formed ENF group led by Marine Le Pen will alter EP's political landscape.

The majorities in the European Council, which is to say the governments of the Member States, are also conservative. There are only a few socialist

governments, and up to now the only radical left government is Greece's, headed by Alexis Tsipras.

Workers' rights and employment policy projects can only be won in coalition with certain allies. Among the best mobilised and most assertive of these are the unions. However, the situation in recent years has by no means been rosy. The trade unions and the workers organised in them have fought against relocation, outsourcing, sub-contracting, fictitious self-employment, precarious working conditions, bogus posting, temporary work, zero-hour contracts, crowd-working, and all forms of downward pressure on wages and deterioration of labour conditions. At the same time, the banking and financial crisis has spilled over into the real economy. This has resulted in massive redundancies and cuts in social spending in most EU Member States.

NGOs are nothing new. But there are also other forms of civil-society organisations that have in some cases emerged because activists did not identify with the established parties and/or organisations, or because their issue (right-to-water, Blockupy) took on particular current relevance. The lower participation in parties, trade unions, and in elections is, the more unions, parties, and NGOs have to work together to achieve results.

Outlook

It is certainly positive that the Commission has put combatting youth unemployment at the top of the agenda. But the Youth Guarantee is not enough; investment is also urgently needed. The 315-billion-euro EFSI – with approximately 21 billion contributed/guaranteed by the EU and the rest to be co-financed by the private sector – will not be sufficient for reasonable and adequate investment.

Juncker's statement on the situation of posted workers – that equal pay for equal work should apply – is very positive, and the last legislature saw the adoption of the Enforcement Directive for the Posting of Workers Directive (as well as REFIT). However, the main problem – the obligation to pay the minimum wage rather than equal pay for equal work – was not addressed, and thus the possibility for all forms of use and abuse remains. We shall see what the Commission means by a 'targeted' revision of the Posting of Workers Directive as part of the Mobility Package.

The new Commission is counting on the mobility of workers. As long as this is voluntary and does not lead to a quasi-forced migration, there is nothing to object to. The Commission intends to present the Mobility Package in the autumn.

There is also a ticking time bomb hidden within the Five Presidents' Report: the proposal for the establishment of national 'Competitiveness

Authorities' to monitor national competitiveness.¹⁷ The social partners shall continue to be responsible for collective bargaining policy. However, the positions expressed by these Authorities are meant to serve as guidelines in collective bargaining processes. For trade unionists, this smacks of an encroachment on the bargaining autonomy of the social partners.

The direction of the Commission is clear: economic growth and the competitiveness of the EU in the wider world. Profits are to be generated from technical competitive advantages, from depressed wages, and from savings in the social systems.

The fight against poverty and for social inclusion no longer has priority status for this Commission. So far, there have been little or no proposals on countering precarious employment, for example, by increasing controls to enforce compliance with working-conditions regulations. On the contrary; the Better Lawmaking agenda reduces binding regulations, preferring non-binding agreements between Member States, whose instrument is the Open Method of Coordination (OMC).

Overall, the question arises as to whether in the future we want to or should see employment and social policies determined by what amounts to Catholic social doctrine: charity instead of legal rights and statutory benefits, begging rather than asserted demands, gratitude instead of emancipation.

But burying our heads in the sand is no option. Employment and social policy are the primary objectives of European policy and not byproducts of international competitiveness. Granted, the struggle against the Bolkestein Directive (Directive on Services in the Internal Market) has long since been won. But for two to three years now there has been successful protest – throughout Europe – against the privatisation of water, in the EP in the form of the Directive on the Award of Concession Contracts 2014/23/EU, as well as through the first European Citizens' Initiative: the Right to Water. Currently, major protest is being mobilised against TTIP, the free trade agreement with the United States; the movement is active across Europe and partly in North America and is supported by many parties, trade unions, and NGOs. Mobilisation against TTIP has been far more successful than initially expected.

Should the Commission intend to revise yet again the Working Time Directive during this legislative period, a total fiasco can only be avoided if trade unions, civil society, and the Parliament work closely to organise joint actions.

In these times of the Better Lawmaking programme and the establishment of Competitiveness authorities, it is not only possible but all the more necessary to mobilise. To do so, alliances with trade unions and civil-society

organisations are necessary. The trade unions and many NGOs have been working intensively and closely with the Parliament, even if unions have been significantly weakened in recent years. But it remains truer than ever that the EP deputies who are committed to employment and positive social policy need the support and mobilisation of trade unions and civil society in order to achieve anything.

Notes

- 1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Commission Work Program 2015. A New Start. COM(2014) 910 final, <http://ec.europa.eu/atwork/pdf/cwp_2015_en.pdf>.
- 2 Annex 1 of COM(2014) 910 final, <http://ec.europa.eu/atwork/pdf/cwp_2015_new_initiatives_en.pdf>.
- 3 <http://ec.europa.eu/smart-regulation/better_regulation/key_docs_en.htm> (accessed: 6 October 2015). Here are all the documents for ‘better regulation’, but not in all languages. They are usually available in all EU languages using the document number.
- 4 Follow-up measures by the Commission on ten major SME consultations on EU regulation: COM(2013) 446 final, COM(2013)122 final, and the ‘Small Business Act’. These ideas have already seeped into the 2010 EP – EMPL Study *Implementation of the Directives on Health and Safety at Work as a Cost Factor* IP/A/EMPL/ST/2009-10, <<http://www.europarl.europa.eu/document/activities/cont/201107/20110718ATT24264/20110718ATT24264EN.pdf>>.
- 5 Eric Van den Abeele, *The EU’s REFIT Strategy: a new bureaucracy in the service of competitiveness? ETUI Working-Paper 2014.054* (Brussels, 2014), p. 27, <<http://www.etui.org/Publications2/Working-Papers/The-EU-s-REFIT-strategy-a-new-bureaucracy-in-the-service-of-competitiveness>>.
- 6 <http://ec.europa.eu/smart-regulation/refit/admin_burden/high_level_group_en.htm>.
- 7 <http://ec.europa.eu/smart-regulation/refit/admin_burden/docs/annex_12_en_hlg_ab_dissenting_opinion.pdf>.
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- 10 <https://www.etuc.org/documents/etuc-declaration-better-regulation#.Vfb7_U3ouUk> and <<http://www.etui.org/Publications2/Reports/The-European-union-s-better-regulation-agenda>>.
- 11 <<http://www.betterregwatch.eu/>>.
- 12 Commission Work Programme COM(2014) 910 final, Annex 3.
- 13 2002/14/Framework Directive on Information and Consultation, 98/59/EC on mass redundancies, Directive 2001/23/EC on transfers of undertakings.
- 14 89/391/EEC.

15 97/81/EC, and 1999/70/EC.

16 91/455/EC.

17 <http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf>.

TRANSFORMATION STRATEGIES:
Productive Reconstruction
and the Commons

Twofold Transformation: Strategic Challenges for the Left

Michael Brie

The origins of transformation: The Great French Revolution and the Declaration of Human and Civil Rights

All of us, whether we are politically on the left or the right, act in the light cast by the Great French Revolution of 1789. All concepts we employ the world over, including those of 'left' and 'right,' all strategies we invoke, particularly those of 'reform' and 'revolution,' and our understanding of the nation and of humanity have passed through the fire of this revolution. Socialism and communism, liberalism and conservatism, nationalism and internationalism are the intellectual children of 1789. It was Hegel who found the decisive words: 'Never since the sun had stood in the firmament and the planets revolved around it had it been perceived that man's existence centers in his head, that is, in thought, inspired by which he builds up the world of reality.'¹ This thought was the idea of human rights.

What was proclaimed as the self-conception of free, white owners of private property intending to establish their bourgeois society was universally interpreted by the 'disinherited' who demanded its practical implementation: equal access of the propertyless to work, education, social security, and political influence; the right of women to independence and equal participation, and as the right to liberate oneself from slavery, including through violence. François Noël Babeuf, Olympe de Gouges, and Toussaint Louverture are the best-known martyrs of the decade following 1789. Violations of human dignity are always concrete; every wrong has a particular face; exploitation is not abstract; violence is experienced first-hand, physically and psychologically. Human rights, however, cast a common light on this diversity and provide particular social movements with a common goal, situated on the horizon of universal emancipation. Albert Camus conveyed the assertion of a human right in this way:

What is a rebel? A man who says no, but whose refusal does not imply a renunciation. He is also a man who says yes, from the moment he makes his first gesture of rebellion. [...] In a certain way, he confronts an order of things which oppresses him with the insistence on a kind of right not to be oppressed beyond the limit that he can tolerate.²

The Great French Revolution laid the foundation for all movements of universal emancipation. It has since been clear that every political, social, and economic order, in every country and globally, will be judged by whether it is capable of implementing human rights for each and every person – under constantly changing circumstances. Karl Marx, at 25 years of age, formulated this as an action-oriented imperative: It is a matter of ‘overthrow[ing] all relations in which man is a debased, enslaved, forsaken, despicable being’.³

Jürgen Habermas expressed the same idea in a more detached way: ‘The affirmation of the first human right created a legal obligation to put into practice a surplus moral content, which has become deeply embedded in human memory.’⁴ The content is human rights. They constitute a constantly redefined ‘realistic utopia’. Measured against an understanding of human rights that is transformed through the struggles of citizens, classes, social, and cultural groups, as well as entire peoples and continents, every given order appears in need of change. It is in this sense that the Great French Revolution is the starting point for what we call transformation today. Transformation is a very particular form of social change. *It is a deliberate process of social reconfiguration aimed at the realisation of human rights.* It can appear in a revolutionary form or as reform, can encompass entire societies or only particular subdomains, humanity in its entirety or only certain regions.

Normatively speaking, only those processes which seek to reduce the ‘utopian gap’ (Habermas) between human rights and reality and achieve progress in universal emancipation constitute transformations. Just as there are counter-revolutions, restorations, and counter-reforms, there are also counter-transformations. Neoliberalism was one such conscious counter-transformation: a move away from the welfare state and democracy, towards markets and oligarchy, the rule of constraints in the interest of the few, as a shock therapy associated with brutal violence and through the integration of the upper middle classes.⁵ Once again, there was an attempt to impose the dangerous utopia of a market society.⁶

Transformation as a particular type of social change

In the language of the social sciences, one can say that transformation is ‘a deliberate process by which structures, institutions [...] and models are shaped

and reshaped'⁷ – a process that unleashes tremendous momentum when it is implemented. Change can be defined as transformation when both of the following two conditions are fulfilled: (1) the dynamic of social change is shaped by the goal-oriented and means-conscious interventions of actors; (2) the activities of these actors are aimed at changing the basic structures of society (sectorally, territorially, or in terms of society as a whole). This means that such actors are also capable of having a certain impact; it is not merely a matter of intentions without influence. Decisive action can assume an intellectual, political, social, economic, and, last but not least, violent form. Such a transformation-oriented intervention seriously modifies the internal dynamic of complex societies. Since actors can never control the totality of the conditions under which they act, since other actors always have their own specific power of impact (otherwise they would not be actors), since complex societies are characterised by an incalculable number of feedback effects, and since ends and means are never fully commensurate and often contradictory – the list could go on – transformation can never be fully reduced to transition in the sense of the near-total identity of goals and results.

Twofold transformation: within capitalism and beyond

Capitalism turns the basic goods associated with the production of life and exchange – labour, nature, money, and culture – into commodities and subordinates economy and society to capital accumulation. Viewed from this Marxian/Polanyian perspective, capitalism is irreconcilable with emancipation and democratic self-determination. The common foundations of a life in freedom are privatised, and the imperatives of a capitalist market society directly contradict social and ecological democracy. Capitalism and democracy are essentially incompatible. This incompatibility gives rise to the authoritarian, imperialist, and fascist tendencies associated with capitalist societies,⁸ as well as the lethal, cannibalistic character such societies display towards their weakest members.⁹

The flip side of this transformation of the basic goods of life consists in the possibility of combining the conditions of production and reproduction in ever new ways, permanently revolutionising society, and setting in motion an endless process of innovation. Paraphrasing Joseph Schumpeter, one could speak of destructive creation. To this day, Marx and Engels' dictum from the *Communist Manifesto* holds true: 'by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, [the bourgeoisie] draws all, even the most barbarian, nations into civilization.'¹⁰ To this day, the fact remains that 'market society has generated more income,

prosperity, goods, and services than any other form of social organization'.¹¹ As Wolfgang Fritz Haug aptly put it, 'an anti-capitalism that does not go beyond its "anti" stance towards capitalism to come up with a "pro" conception that could plausibly liberate this productivity from capitalism's competitive logic of profit, and thereby from its destructiveness, cannot contest capitalism's right to exist'.¹²

It is out of this ambivalent nature of capitalism that the task of twofold transformation arises. There are two senses in which such a transformation is twofold. First, it has the task of overcoming the exploitative, oppressive, and destructive character of today's capitalist society while simultaneously creating forms that absorb/transcend¹³ the developmental capacity of modern societies in a solidary, democratic, and ecological form. Second, the transformation is twofold in that, given the actually existing possibilities, it occurs *within* capitalism but also points *beyond* it. It is about combining the 'transformation towards a socially and ecologically regulated capitalism with the beginning of a second Great Transformation that takes us beyond capitalism'.¹⁴

Three forms of transformation

Since the beginnings of the socialist and communist movements, there have always been three approaches to overcoming capitalism. The first current began with Babeuf and also with the socialist current within Chartism. Political power was to be seized through insurrection (Babeuf, Blanqui) or elections, in order then to initiate a reconfiguration of property relations, and eventually of society as a whole. A second current, which became influential thanks to Robert Owen and the British cooperative movement, but also thanks to the followers of Fourier and Cabet, placed its faith in the power of examples: settlements organised on socialist/communist principles, producer and consumer cooperatives, worker banks, forms of cooperative housing, and cultural and educational institutions were to serve as the germ cells of a new society. Concrete changes to one's own life circumstances, self-transformation, practical solidarity, and democracy were to show that there are alternatives to capitalism, demonstrating how these alternatives work and proving that they are far superior to capitalism. The third current placed its faith in fundamental reforms, to be struggled and fought for (its protagonists include Lassalle and Bernstein). This current began with the struggle first for the ten- and then for the eight-hour day (a demand first formulated by Owen, who also strongly influenced the British Parliament's restriction of child labour); later it addressed social rights, education, health, and the environment. In discussing these three currents, the Marxist transformation

scholar Erik Olin Wright speaks of ruptural, interstitial, and symbiotic strategies.¹⁵

In my view, the left will only succeed in bringing about the downfall of financial-market capitalism if it proves capable of pursuing all three strategies, operating by means of broad alliances and approaches that are mutually reinforcing rather than in opposition to each other; when it becomes clear that reforms demand a rupture, that ‘germ cells’ cannot spread unless reforms and ruptures create the requisite conditions; when concrete experiences radiate outward and give people the strength to struggle for reforms and ruptures with utmost determination. This is the only way through which a sufficiently broad alliance can be created and the subjective and objective preconditions for a truly far-reaching transformation develop.

At the crossroads

‘What is to be done?’ and ‘Who will do it?’ have always been the key questions for the left. Finding itself mostly on the defensive, confronted with apparently unsolvable problems, and driven by the highest aspirations for radical change, the left feels under more pressure to act than any other political force ever has. An epoch was conceived of primarily as a space of time within which to act. It is no coincidence that it was the brilliant strategist Lenin who associated, more than anyone else, Marxist designations of historical epochs¹⁶ with an immediate orientation to action: who can become active, with what goals and means, transforming, with constructive power, a possible structural break into an epochal event? For Lenin, determining the character of a particular epoch involved clarifying (1) ‘which class stands at the hub of one epoch or another,’ (2) ‘its main content, the main direction of its development,’ and (3) ‘the main characteristics of the historical situation in that epoch’.¹⁷

As Joachim Bischoff has noted, the 1970s saw the gradual emergence of a ‘finance-driven regime of accumulation,’ whose key features he characterises as follows:

The [...] “new” financial regime rests on three pillars: first, the extension of a network of transnational financial institutions working outside the control of central banks and financial-market agencies; second, the rapid rise of institutional investors (property funds and insurance companies); third, the decreased importance of bank loans in comparison to the capital available on the international financial markets.¹⁸

The resulting financial-market capitalism rests on a structure that Judith Dellheim characterises as one in which capital oligarchies exercise control over all the essential technological, material, and energy processes of capital accumulation. She writes: 'Energy, transportation, agribusiness, and the military-industrial complex, all of which are interlinked, are the greatest consumers of resources and the greatest climate/nature killers. Their dynamic is constantly reactivated by high technology and financial movements.' This 'destructive quartet' together with the high-tech and financial sectors (4+2) determine, according to Dellheim, 'society's entire production and consumption structures, its modes of production and of life'.¹⁹ The financial-market capitalism that was gradually unleashed, from 1971 on, by the US and its ally Great Britain, is today in the midst of an organic crisis²⁰ that finds expression in a multiple crisis.²¹ This crisis constitutes at once a danger and an opportunity.

Four paths

Within this organic crisis of financial-market capitalism, four possible scenarios are emerging.²² These scenarios determine the spatial and temporal parameters and character of the epoch with which the left has to work.

First, there is the scenario of a neoliberal-driven 'business as usual' with strong authoritarian tendencies, with very different elements and approaches for dealing with the associated contradictions being experimented with at the levels of the EU and its Member States. This is currently the predominant elite consensus. Great Britain, with the importance London assumes as a financial centre within the whole economy, and Germany, with its strongly export-oriented economy, would be the main beneficiaries of such a development.

Second, we might see a systematic reinforcement of the authoritarian, repressive, and exclusionary tendencies of capitalism. The result would be a Fortress Europe with various bastions dissociating themselves from each other and competing with one another. The predominance of finance-market-driven accumulation would need to be curbed significantly. There are already clear tendencies towards such a development in some European countries. The rise of right-wing populist and nationalist forces indicates that an alliance between sections of the national elite and major segments of the population is possible.

Third, possibilities for further accumulation may be opened up precisely in the field of renewable energies and through an increase in the ecological efficiency of the mode of production, transport, and life. This becomes all the more likely if steps are taken in Asia that lead to more demand for sustainable

technologies – a development Germany is hoping for. Security-policy considerations may also stimulate a turn to this kind of ‘green capitalism’.

Fourth, there are various conceptions that envision tackling the ecological and the new social issues at one and the same time, by carrying out a socio-libertarian Green New Deal. This would profoundly alter the mode of accumulation and the regulatory regime, would have to start from major redistribution, and would initiate a publicly funded and publicly supervised structural break across the whole economy. One part of this approach would be a call for a global ‘Marshall Plan’. Steps towards such a change of course are being developed by, among others, trade union representatives.

The tasks for the left

What do such assumptions and assessments mean for the left in Europe?

Here, briefly, are four points that may help in situating the current epoch as a specific space of action for the left:

First, the left is facing neither conditions of a stable type of capitalism nor those of acute systemic collapse and a foreseeable decline of capitalist-dominated social development. What it is called on to do is (1) end neoliberal ‘business as usual’ with its strong authoritarian tendencies, (2) aggressively counter the drift towards an authoritarian fortress capitalism by means of broad alliances, (3) take seriously approaches towards ecologisation such as those associated with green capitalism, to the extent that they provide opportunities for (4) promoting a development towards a socio-libertarian Green New Deal, ultimately linking it to the left’s own politics of struggling for a socio-ecological social contract, and (5) advancing a ‘green socialist’ project.²³ A multi-dimensional strategy is needed, one that takes seriously the contradictions within and between the scenarios outlined, without losing sight of the ultimate socialist objective of transformation.

Second, we will have to adjust to a period of increased insecurity, as well as to the necessity of rapid changes of strategy. Up to now, extra-parliamentary and parliamentary activities have not led to resounding successes, but this may suddenly change, although it does not have to. It makes sense to be mobile and ready for multiple options at any one time. Clear basic goals are needed, but also strategic and tactical flexibility. Resistance, the development of concrete practical projects, and the search for possible alliances are three elements of such a strategy. This may, under certain circumstances, also involve antagonistic cooperation with parts of the political elite and forces of capital.

Third, it makes no sense, adopting an either-or logic, to oppose activities at the national level to activities at the EU level. The Syriza-led change

of government in Greece has altered the left's conditions for action at the European level, and the power relations at the European level have also affected Greece. As André Brie already pointed out ten years ago,²⁴ the struggle for social justice and socio-ecological conversion needs to be understood as a struggle occurring 'within a multi-tiered political system'. Here, too, flexibility and the capacity for coordinated action across the various levels of activity are needed.

Fourth, the tendency to consider peace and security as a secondary problem needs to be resisted. The passing of the brief historical moment that was US unilateralism is a mixed blessing. It demands the transition to a new round of arms control, security-policy transparency, the renunciation of both especially dangerous offensive weapons and first-strike capability, and ultimately, disarmament – if the new situation is not to end in catastrophe. This will, however, only succeed if, in contrast to what happened in the Cold War, the concept of common security and cooperative development that was developed then is really implemented.

The utopian gap between human rights and reality has become a chasm due to the unleashing of neoliberal financial-market capitalism. Wars and migration have reached a scale unknown since 1945. The destruction of the earth's life environment has been accelerated. Social divisions and the unrestrained accumulation of wealth have escalated. This is why transformation is once more on the agenda. Unless we initiate a genuine and lasting twofold transformation, one that socially and democratically subdues capitalism, bringing elements of socialism into our present, we risk a catastrophe worse than the one that occurred in the wake of 1933. Elements of repressive domination and barbarity are spreading. Only a twofold transformation can prevent them from becoming a new inhuman totalitarianism. Contributing to this is the task of a transformative, solidary left.

Notes

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A Renaissance of Industrial Policy in the EU: The Challenge for the European Left

Jürgen Klute

The EU's continuing financial and economic crisis, which began in 2008, has shifted the focus of political debates at the European Commission and the European Parliament (EP) towards the importance of industry.

This article outlines the European Commission's and the European Parliament's approaches to the current industrial policy debate. It looks at a number of recent policy documents and focuses on areas that deviate from the neoliberal economic policy the EU has practiced up to now. It closes with a critical assessment of these documents and an outline of the key challenges that they pose to the European left in constructing a new integrated EU industrial policy.

The approach adopted by the European Commission

On 28 October 2010, the Commission initiated the debate on industrial policy with a presentation of its new industrial-policy concept: *An Integrated Industrial Policy for the Globalisation Era: Putting Competitiveness and Sustainability at Centre Stage*.¹ It began by highlighting the importance of industry:

One out of four jobs in the private sector in the European Union is in manufacturing [...] and at least another one out of four is in associated services that depend on industry as a supplier or as a client. 80 per cent of all private sector research and development efforts are undertaken in industry – it is a driver of innovation and a provider of solutions to the challenges our societies are confronted with.²

The Commission also pointed out that the manufacturing sector accounts for 75% of all EU exports.

At least rhetorically, the Commission seems to have moved on from its former one-sided emphasis on (financial) services. It has finally admitted

that a significant part of the service sector depends on industry and that it is therefore the precondition for a part of the services sector. According to the Commission, half of all jobs in the private sector depend directly or indirectly on industry. It is on this basis that the Commission has defined its industrial policy:

This communication sets out a strategic framework for a new integrated industrial policy that will stimulate economic recovery and jobs by ensuring a thriving world-class industrial base in the EU.³

The Commission continues by arguing that its new policy approach will ‘provide growth and jobs and enable the transition to a low-carbon and resource-efficient economy’.⁴

A central concept in the Commission’s document is an ‘integrated industrial policy’, which means a systematic linking of the policy areas important for an effective industrial policy. In the Commission’s view, this involves the following spheres: competitiveness, smart regulation, access to finance, infrastructure, research and development, employee training, industry modernisation, standardisation and intellectual property rights, strengthening the EU internal market and promoting exports; trade policy, ensuring access to raw materials; resource, energy and carbon efficiency, reducing structural overcapacities, and corporate social responsibility.

The intention is to align these fields with the aims of the Europe 2020 strategy. The Commission’s new industrial policy is to be coordinated at the EU, national, and regional levels by means of the European Semester and country-specific recommendations, both of which were first implemented in 2011.

However, the Commission’s primary aim – fully in line with previous EU policy – is to strengthen competition and make the EU the most competitive economy in the world. Nevertheless, the document also reveals some shifts of emphasis in terms of the EU’s internal market.

The Commission sees access to financing especially on the part of small and medium-sized enterprises (SMEs) as a central problem. It therefore argues that the financial markets need to become stabler and more efficient and be given incentives ‘to finance the real economy and investments, instead of being involved in speculation on the financial markets’.⁵ This would be accompanied by a shift away from traditional bank loans and towards corporate financing through capital markets, including venture capital or project bonds: in other words, measures that are also the focus of the European Fund for Strategic Investments (EFSI).

Furthermore, the Commission would like to see EU funding programmes better aligned with industrial policy. This includes enhancing the promotion of innovation in the field of environmentally-friendly production processes and products, and the generation of energy from low-carbon sources, as well as simplifying access to funding programmes (particularly for SMEs)

Another key aspect of the document is the call for smart regulation, which requires initial impact assessments and ex post assessments of the effect of legislation on EU economic competitiveness, with a special focus on SMEs.

Further elements of a stable legal framework for its new industrial policy include clear rules for the protection of intellectual property rights (including the regulation of EU-wide patents), the enforcement of clearly defined standards (particularly regarding new technologies), the fight against unfair competition, and the prevention of product piracy. In the interest of SMEs, the Commission is also pushing for the far-reaching harmonisation of laws governing these fields in the internal market, and appropriate tax legislation.

Greater use is to be made of the EU's Cohesion Fund and European Regional Development Fund for expanding energy, transport, and communication infrastructure services. The focus is to be the expansion of modern, high-speed networks throughout the internal market (as part of the Digital Agenda). This is to ensure that the rapidly increasing importance of information and communication technology for industrial production is properly taken into account.

The Commission also views enabling technologies such as industrial biotechnology, nanotechnology, new materials, photonics, microelectronics and nanoelectronics, advanced manufacturing systems, as well as a more efficient use of resources and environmentally-friendly energy production, as the core of 'industrial innovation' and industrial modernisation.

Due to technological and labour market issues, the Commission intends to focus more strongly on industrial value and supply chains and to ensure that any parts of these chains located outside of the EU are returned to the internal market. In this context, it is worth noting that the Commission no longer describes the internal market as a 'highly competitive market economy', and in at least one section of its communication it refers to it as 'a highly competitive social market economy'.⁶

Another factor worth noting is that the public sector is seen as playing an important role as consumer and investor, especially in innovative renewable technologies.⁷ Nevertheless, the Commission continues to express the decidedly neoliberal view that 'competition-driven structural adaptation is quickest and most efficient'.⁸

The Commission views education and training policies, and well-

qualified employees, as an essential element of a successful strategy to combat unemployment and secure existing jobs. It therefore calls for closer coordination between the various political levels, the involvement of social partners, and the strengthening of the European Social Fund in order to deliver better results on these issues.⁹

The document's passages on corporate social responsibility are particularly striking. The Commission calls on companies 'to take into account their contribution to sustainable growth and job creation, and consider the interests of the employees and citizens affected by business decisions'.¹⁰ For this purpose, the Commission has announced a policy initiative on corporate social responsibility, aimed at 'addressing emerging issues such as business and human rights, and company disclosure of environmental, social, employment-related, and governance information'.¹¹ In its 14 October 2011 communication entitled *Industrial Policy: Reinforcing Competitiveness*, the Commission asserts that supporting 'social businesses and the social economy is another important tool for strengthening the competitiveness and the sustainability of the European industry'.¹²

The Commission also focuses on the relatively few raw materials available in the EU. On the one hand, the Commission mentions secondary raw materials (in other words, recycled materials), which it would like to promote. On the other hand, one of the most serious issues the new industrial policy addresses is the securing of better access to primary raw materials. The Commission intends to push through legislation on the global level that will protect the EU's continued access. If access to resources is threatened by market concentration, or anti-competitive agreements, the Commission considers as 'essential' the 'vigorous application of the EU's existing competition rules in cases of anti-competitive agreements or market concentration threatening to endanger access to raw materials'.¹³

The Commission's aggressive commodity policy is related to its commercial policy, and the title of this section of the document – 'Capitalising on globalisation' – clearly conveys the neoliberal nature of the EU's external trade policy.¹⁴ Instead of looking towards cooperation and security partnerships, as well as fair trade, the Commission focuses on expanding and developing export markets. This is probably the most critical point in the document.

On 2 February 2011, the Commission issued a separate communication on this issue: *Tackling the Challenges in Commodity Markets and on Raw Materials*,¹⁵ which space does not permit us to discuss here.

In October 2012, the Commission published a communication entitled *A Stronger European Industry for Growth and Economic Recovery*.¹⁶ Importantly, this

document no longer reflects the Commission's previous line on supporting unconditional competition in the EU's internal market. It sets new priorities, such as 'the social market economy' and 'corporate social responsibility', and calls for the involvement of social partners, consumers, and citizens; it also recognises the importance of public procurement.

In so doing, one of the goals of the Commission is to increase industry's share from 16 per cent to 20 per cent of GDP by 2020. At the time of publication, the Commission gave the level of production in the EU as 10 per cent of GDP, which has led to a loss of more than 3 million jobs.¹⁷

In this document the Commission defines the four pillars of its industrial policy: the creation of an investment-friendly framework, improving the workings of the internal market, better access to capital and credit, and better trained employees;¹⁸ and it specifies the industrial sectors it wants to support and the measures that could improve the framework.

The Commission also notes that labour markets in countries characterised by stronger levels of social dialogue have proven to be more crisis-proof and, as such, recommends improving dialogue at the European and national levels.¹⁹

Finally, the Commission urges the checking of labour market segmentation, an end to the rampant use of non-standard employment contracts, and to abuses of labour law through bogus self-employment; it calls for improvements in the quality of traineeships, including related working conditions.²⁰

The position of the European Parliament

During the 2009 to 2014 legislative period, the European Parliament (EP) set out its position on the Commission's new approach in three initiative reports:

- *European Parliament resolution of 9 March 2011 on an Industrial Policy for the Globalised Era;*²¹
- *Report on Small and Medium Enterprises (SMEs): competitiveness and business opportunities,* 28 September 2012;²²
- *European Parliament resolution of 15 January 2014 on reindustrialising Europe to promote competitiveness and sustainability,* 6 January 2014.²³

Although all three reports view the Commission's approach as encouraging, they also expand on it and endorse a number of other elements.

The EP's first report clearly emphasises certain socio-political and ecological concerns. From the outset, it views the social market economy as

a foundation of integrated industrial policy.²⁴ The most significant element in this report, however, is its treatment of competitiveness, sustainability, and decent work as equally important elements of a triad:

[...] to overcome the effect of the crisis and face those challenges, the EU needs an industry policy approach that combines competitiveness, sustainability and decent work that can at the same time stimulate the economy, boost employment, reduce environmental degradation and improve quality of life.²⁵

Consequently, the EP essentially rejects unconditional competition and instead uses the term ‘fair competition’ quite consistently in its report. For example, on the issue of external trade, the EP argues that future multilateral and bilateral trade agreements should ‘form part of an industrial strategy based on fair global competition and reciprocity by European trading partners’. Moreover, it reasons that as ‘social and environmental concerns and relevant standards should be incorporated in free trade agreements [...] steps must be taken to ensure that European industries are not endangered by unfair practices’.²⁶ On company takeovers, the document calls on the EU to make funds available to prevent them if they ‘prove to be detrimental – in industrial, economic and social terms – to social cohesion and the stability of the internal market’.²⁷

The EP continues by calling on the Commission ‘to reduce social inequalities, to promote the ILO’s Decent Work Agenda’,²⁸ ‘to create a framework for cross-border collective bargaining’,²⁹ and ‘to ensure that [...] employment is placed on the same footing as combating inflation among the European Central Bank’s objectives’.³⁰ Finally, the EP calls for fair pay for employees, a fair remuneration of internships, as well as action against social dumping.³¹ It also supports Eurobonds³² and emphasises the role of public procurement in creating demand,³³ thus not shying away from contentious social issues.

In the EP’s second report – *Small and Medium Size Enterprises (SMEs): competitiveness and business opportunities* – it shows support for the Commission’s broad approach to integrated industrial policy. Its focus is on the economic significance of SMEs and their importance in employment policy in the context of EU industrial policy. Above all, this report calls for greater equality of opportunity for SMEs compared to large companies. The EP specifically calls for cutting red tape, easier access to credit and EU funds, the application of the special SME Test as part of smart regulation, and for improved access to public procurement through simple procedures that can

be carried out by SMEs. Significantly, the EP's report even calls on the Commission 'to include special information on cooperatives in the financial instruments managed by the European Investment Fund'.³⁴

This report, too, emphasises that an integrated industrial policy needs to be built on 'the principles of social market economy and in support of a transition to a sustainable, resources efficient and resilient economy'.³⁵ Consequently, it refers to the potential of SMEs to create jobs and thereby reduce poverty and social exclusion.³⁶ In this sense, the report 'calls on the Commission and the Member States to support SMEs in establishing a working atmosphere that will encourage workers to comply with the standards of labour law, worker protection and health protection, thus also contributing to social prosperity and the fight against poverty'.³⁷ Here, clearly, the self-regulatory powers of the market are no longer the focus of European industrial policy.

The EP's third report – *reindustrialising Europe to promote competitiveness and sustainability* – also supports the Commission's approach; however, it focuses on sustainability and ecological management, as well as on the 'social dimension' of integrated industrial policy, and it deserves to be treated in some detail here.

The report begins with the triad of competitiveness, sustainability and decent work described in the EP's first report (*Industrial Policy for the Globalised Era*).³⁸ It states throughout that industrial policy must create 'new jobs and decent work' and criticises the Commission, saying it 'deplores the absence in the Commission proposal of any measures against wage dumping and social dumping'.³⁹ It calls for an adequate remuneration of internships, equal pay for equal work, and gender equality in labour relations.⁴⁰

More than any other EP document, this one focuses on workers' rights. It stresses 'that workplace democratisation, including active participation by staff representatives and trade unions, needs to be expanded' and points out that informing and consultation in the workplace is a right enshrined in the EU Charter of Fundamental Rights.⁴¹

Furthermore, the report calls on the Commission to investigate whether it 'is permissible under European competition law' for 'a group with worldwide operations to surrender a site that it has decided to close to another group which might take it over or to a public entity for temporary use'.⁴² In addition, the EP 'calls on the Commission to study the US example of allowing trade unions to lodge trade complaints, given that trade distortions can negatively affect industry and therefore workers and to propose similar measures for the EU'.⁴³

In view of the Commission's proposed cluster policy, the report calls on the Commission to make detailed proposals and to ensure that structurally

weaker regions are involved in its policy.⁴⁴ In general, the EP calls for a greater harmonisation of labour and social legislation, and of tax law (in order to prevent tax competition), and a clear definition and coordination of industrial policy between the various political levels in the EU.

Finally, this third report stands out from all the others in its insistence that industrial policy has to be shaped in accordance with the needs of society. It stresses that 'RISE [Renaissance of Industry for a Sustainable Europe] needs an alliance of and partnership with stakeholders from industry in different sectors (including SMEs), trade unions, academia and civil society, such as consumer watchdogs and non-governmental organisations'. It continues by calling on the Commission 'to link supply-side policy tools with demand-side tools by means of the creation of Innovation Partnerships (such as those on smart cities, active ageing, or raw materials) and the development of "lead markets" which aim to promote the market uptake of new products and services living up to societal needs'.⁴⁵

Challenges for the European left

The strong positions taken in the documents outlined here are a result of the social pressure exerted by the crisis; in terms of the EU's internal market, they diverge from the neoliberal path followed up to now by EU economic policy. On the other hand, these documents are merely communications and initiative reports prepared by the Commission and the European Parliament, and that is their weakness. They are only position papers, and not legal texts, and, as such, establish no legislative commitments.

Added to this is the problem that the current Commission, which took office in 2014, is reviewing all of its policy areas with the aim of increasing compliance from now on with the principle of subsidiarity. As a result, we can observe that the Commission's industrial policy is largely bidding farewell to social and environmental concerns and instead being reduced to the achievement of global competitiveness. It is returning to its old neoliberal path, a course that reflects the interests of the Member States represented in the EU Council, which have increasingly focused on their own national interests and egotism since the crisis began.

The European crisis has, nevertheless, opened up cracks in the EU's neoliberal edifice. Although these cracks are unlikely to lead to short-term shifts in the political power structure, it would make sense politically, given the developments in Greece and Spain, and in Portugal, to take these cracks seriously and open them further.

Political power relations normally only change over the medium to long term; that is why we have to develop long-term strategic policies. Industrial

policy is the kind of political issue that lends itself well to this purpose.

It thus makes sense to seek out demands that are close to, or overlap with, left demands, to analyse them accurately, and, if appropriate, refine them and then actively support them. It is essential that strong political pressure be exerted on the Commission and the parliamentary majority to prevent them from completely falling back into their neoliberal rut; the social and environmental dimensions set out above need to become intrinsic parts of the new integrated EU industrial policy. And they must become part of relevant EU legislation, which requires changing the ECB's objectives (as called for by the EP). After this, the left could focus on the shortcomings of the Commission's and the EP's texts and push to have them corrected.

All of the texts outlined above emphasise the importance of smart regulation within integrated industrial policy. Smart regulation can be a useful approach if its impact assessments have the proper social and environmental dimensions, that is, when it assesses the impact on employment, quality of work, social security, and sustainable development, and not only on competitiveness.

The defence industry is always a critical issue in industrial policy, and the Commission's texts also reflect this. The defence industry should be pushed towards conversion and, in cooperation with the unions, moved away from weapons production and towards non-military production.

Although the documents outlined above address the issue of 'industry 4.0', they fail to recognise the significance of this development and its impact on employment, industrial relations, and on the structure and organisation of industrial production. This is no longer an issue for the distant future: Airbus intends to use 3D printers in the serial production of stainless steel, aluminium components, and spare parts starting in mid-2016.⁴⁶ It is thus urgent that the left work together with trade unions and academia to address these developments and to develop policies and demands that ensure evolution is democratically organised and controlled.

In view of these technological developments, it is surprising that none of the reports mentions the issue of working time reduction as a means of combatting unemployment, and instead only speaks of more flexible working hours.

Moreover, all of the documents largely ignore the extremely different situations found in the various Member States. On the one hand, there are strong industrial societies in the EU, such as Germany, which generates about 30 per cent of total industrial and commercial output. (Germany is followed by Britain, France, Italy, and Spain, which together account for 40 per cent.) By contrast, the combined output of the remaining 23 Member

States is equivalent to that of Germany alone. Some of these countries, such as Greece, Malta, Portugal, and Cyprus, no longer even have an industrial base and are now faced with the fundamental question of how to (re)build their industrial sector. On the other hand, some Central and Eastern European countries do still have an industrial base,⁴⁷ and although these have shrunk considerably compared to the situation before 1989, they still account for far more than the EU target of 20 per cent of GDP. These countries need to work out how to maintain their industry. Above all, however, they need to find a way of raising their social, labour, and trade union rights to Western European standards, and of overcoming corruption and oligarchic corporate structures.

An industrial policy that only reflects the Brussels perspective cannot do justice to the differences between these countries. Successful industrial policy thus needs to be anchored at the regional level, and Brussels needs to consider regional problems. From a left perspective, this not only means taking into account the interests of regional enterprises, but also the interests of workers on the ground. It is not a matter of national egos but of regional realities that need to be taken into account. And here the left can develop its own independent approach to a new, integrated EU industrial policy – it is sorely needed because the left has as a rule neglected this issue.

All of these issues are tied to the question of how to fund the new industrial policy, especially for countries without an industrial base or with insufficient resources to develop their industrial production. Although the Commission's and the EP's documents do at least seek to address this problem, what they essentially do is to talk about new possibilities of access to private capital, and in view of the high debt ratio of public budgets, they are emphasising public-private partnerships (PPPs). And so the issue of strengthening public investment remains underdeveloped.

It is indeed reasonable to draw private capital into the real economy, as the Commission intends; however, the state only has limited influence over the behaviour of private investors. Therefore, adequate public funds are also necessary for implementing the new industrial policy. Otherwise, the structurally weak regions of the EU could gain nothing from this policy.

These documents say a good deal about value chains. The concern of the Commission and the EP is to draw more attention to value chains and, for reasons of technology policy and labour market policy, to integrate them more strongly into the internal market, where they reach into several countries. But the documents fail to address a key problem: the companies that dominate these value chains are located within a small number of EU Member States, and especially in Germany whose industry, as already

mentioned, accounts for 30 per cent of the EU's total commercial-industrial output.

During a workshop organised by transform! and the Rosa Luxemburg Foundation and held in Brussels on 27 and 28 April 2015, Italian researcher Matteo Gaddi pointed out that businesses located within value chains are hardly able to make their own decisions and instead are controlled by the company at the top of the chain. The governments of the Member States in which dependent companies are located thus have very little freedom to effect industrial policy: the corporate headquarters at the top of the value chains are simply beyond their reach. It is unrealistic to expect that these very entangled industrial structures can be broken down within the EU internal market; the only chance for solutions is at the EU level.

Activities organised by transform! and the Rosa Luxemburg Foundation

Since 2013, transform! europe and the Rosa Luxemburg Foundation (RLS) have contributed to the debate on industrial policy with a series of workshops,⁴⁸ which have seen the participation of representatives of left parties in EU countries, left members of the European Parliament and of national parliaments, trade unionists, and researchers.

The RLS commissioned country studies for a workshop held on 27 and 28 April 2015 in Brussels. The reports⁴⁹ covered Bulgaria, Germany (Ruhr region), Greece, Italy, Croatia, Poland, Portugal, and Slovenia and provided a detailed picture of the conditions faced by these Member States.

The workshops provided a fundamental understanding of the question of industrial policy, which left parties, foundations, and think tanks need to keep on their agendas, bringing the discussion to a wider public.

In October 2014, to broaden the debate, transform! published an interim report entitled *Project Left Industrial Policy/Productive Transformation for Europe*.⁵⁰ In February 2015, on the initiative of the Bundestag deputy, economist, and vice-chair of Die LINKE, Axel Troost, a discussion paper was published: *Renewing Europe: For a common social and ecological industrial policy in Europe*.⁵¹ It was signed by 41 left politicians, academics, and trade unionists from different EU Member States. Finally, in spring 2015, transform! published the discussion paper *Towards Europe's Productive Transformation – an Emergency. For an Alternative Industrial Policy*.⁵²

Conclusion

The term ‘integrated industrial policy’ implies a complex system that, in order to function, is based on a deep social division of labour and a whole range of socially performed preliminary work. Accordingly, this system needs to be socially and democratically integrated, managed, and controlled, and the surplus value produced has to be socially appropriated, not just individually.

If this new integrated EU industrial policy is ever realised it would have to go hand in hand with rapid technological progress. This is an explicit goal of the EU Commission. But technological progress of course by no means automatically creates jobs; through rationalisation it is much more likely to lead to their loss.

If we define labour politically as the active participation in the shaping of human society, then the goal of a left industrial policy can only be to fight for a society in which the technological progress generated by a new European industrial policy is transformed into social and environmental progress, for the benefit of everyone.

Notes

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- 5 COM(2010) 614, p. 7.
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- 7 COM(2010) 614, p. 12, 20 ff.
- 8 COM(2010) 614, p. 21.
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- 10 COM(2010) 614, p. 22.
- 11 COM(2010) 614, p. 23.
- 12 COM(2011) 642, p. 8, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0642:FIN:EN:PDF>>.
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- 15 COM(2011) 25, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0025:FIN:en:PDF>>.
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- 19 COM(2012) 582, p. 30.
- 20 COM(2012) 582, p. 30f.
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- 26 2010/2095(INI), paragraph 112.
- 27 2010/2095(INI), paragraph 105.
- 28 2010/2095(INI), paragraph 99.
- 29 2010/2095(INI), paragraph 122.
- 30 2010/2095(INI), paragraph 7.
- 31 2010/2095(INI), paragraph 134, 72 and 77.
- 32 2010/2095(INI), paragraphs 31 and 75.
- 33 2010/2095(INI), paragraphs 56-58.
- 34 2012/2042(INI), paragraph 81.
- 35 2012/2042(INI), paragraph 77.
- 36 2012/2042(INI), paragraph 79.
- 37 2012/2042(INI), paragraph 80.
- 38 2013/2006(INI) reason I.
- 39 2012/2042(INI), paragraph 25.
- 40 2012/2042(INI), paragraph 112, 120ff.
- 41 2012/2042(INI), paragraph 103.
- 42 2012/2042(INI), paragraph 55. This proposal overlaps with some of the demands made by the Die LINKE in the German Bundestag, which the party developed in a call to the Bundestag, dated 20 April 2010. These demands were related to the closure of Vauxhall sites run by Opel. See Bundestagsdrucksache 17/1404 from 20 April 2010.
- 43 2013/2006(INI), paragraph 78.
- 44 2013/2006(INI), paragraph 34.
- 45 2013/2006(INI), paragraph 38. These demands are similar to those made by Die LINKE in the Bundestag, (see also footnote 42) and demands formulated by Die LINKE in a 2007 application to the German Bundestag on the future of the German coal industry (Ruhr mining). See Bundestagsdrucksache 16/6392 from 19 September 2007.
- 46 See '*Flugzeugteile aus dem Drucker*' in the online edition of the Luxembourg daily *Tageblatt*, 14 August 2015, <<http://www.tageblatt.lu/wissen/story/Flugzeugteile-aus-dem-Drucker-24710626>>.
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Notes on Productive Reconstruction in the Southern Periphery of the European Union

Javier Navascués

External account imbalances, investments and profits: which come first?

From its very beginnings the crisis has generated many interpretations and consequently recipes to solve it. Among progressives, the most popular arguments involve trade imbalances and deflationary policies in the core European countries, principally Germany. According to this thinking, Germany has depressed internal demand and pursued an aggressive mercantilist orientation with deadly consequences for the periphery. The prescription calls for wage raises in Germany to help restore trade balances, as better paid German workers will then hopefully populate beach resorts in the periphery. Furthermore, the EU would need to launch a major investment programme to restart (sustainable) growth. Although not always specified, it is obvious that this programme would be financed by German trade surpluses. The corollary is progress towards debt mutualisation, fiscal federalism, and, of course, a greater role for the European Parliament.

But there are several problems with these proposals, which at the very least make them questionable. On the one hand, there is an alternative view of external balances, which can be expressed by the following question: Could it be that the financial accounts imbalances, although necessarily mirroring current account imbalances, are not a direct result of the latter? Accounting identities are true in themselves but have no explanatory power. Investing in the real-estate boom in southern Europe during the first years of the 2000s may have been a rational choice for core European capitals in view of the expected profits, and of course financing investment in the periphery facilitated exports from the core, but this was a by-product reinforcing the tendency, not the result of deliberate planning. In fact, the share of southern European EU members in Germany's trade surplus declined between 1999 and 2008 from 39.1 per cent to 30.8 per cent.¹

This lending boom financed peripheral consumption and housing investment, pushing up inflation while temporarily fulfilling the promise of profits for all – for realtors, contractors, and bankers. But assuming that profits in the intra-EU trade were recycled into loans to the importing periphery does not even tally with the accounting results. As pointed out by Hale and Obstfeld, ever since the euro was launched European core banks increasingly have borrowed from financial centres like the US or UK and expanded their balance sheets.² This brings us to another accounting identity: the Kaleckian interpretation of causality running from investment to profits instead of the reverse, which is Marx's view. The fictitious character of these investments does not prevent them from reaping profits from the productive processes they finance. The expectations were sufficiently high as to encourage borrowing to fill the gap between trade surpluses and total lending. The periphery trade deficits can be explained as the result of these inward flows of capital both boosting imports and fuelling the inflation differential and thus causing the real exchange rates to deteriorate.

Symbiosis within the EU and the euro

Why do capitalists throughout the EU share the same enthusiasm for the deflationary policies popularly seen as imposed by Germany? In particular, why do the Greek, Spanish, and Portuguese bourgeoisies follow these stringent prescriptions? Perhaps we should look at the EMU as a logical step in the original process of the single market whose central leitmotif is the encouragement of competition. This is the explanation provided by Milios and Sotiropoulos. When a capitalist country has reached a certain stage of development, exposure to increased international competition is the most appropriate strategy for bourgeois power both to constantly reorganise labour and to get rid of inefficient competitors.³ This brings about, they explain, a sort of symbiosis between the different geographical sections of European capital. In this sense, we can read the EU as the institutional embedment of a joint set of rules and commitments to advance the agenda of this transnational alliance. This agenda does not exclusively treat the EU's territory as a kind of hinterland for European capital but is concerned with the global circuit of accumulation. That is why considerable effort is devoted to monitoring permanent restructuring in the pursuit of the Lisbon Strategy goal: becoming the most competitive and dynamic knowledge-based economy in the world, with emphasis on 'most competitive' and 'world'. Therefore, it should not come as a surprise that provisions for preventing intra-EU unbalances are so scarce in the EU institutional framework.

While there is a lively debate over whether the euro affected intra-EU

trade as promised in the 1990s, the undisputed effect it produced is a major restructuring of the productive sectors of all the Eurozone Member States.⁴ Lacking any possibility of competitive devaluation, this restructuring entailed a shift of business focus from production to upstream and downstream activities, such as product design, advertising, marketing, and distribution, and a corresponding reduction in the share of blue collar workers in total economic activity,⁵ as a result of mergers and acquisitions, and outsourcing or plant relocations, the latter reflected in a nominal growth in trade arising, for example, from the movement of assembly parts between parent and subsidiary companies within and across the borders of the EU.⁶

The second very relevant effect of the euro has been the intensification of integration in the financial sector, in fact before commercial integration. We have already mentioned the brokerage of loans to the periphery funded from international financial centres with the large core banks as intermediaries. These funds would never have arrived in the periphery without this intermediary layer armoured with the institutional design of the euro. The levelling of the difference in interest rates implied the need to further assure that risks would be kept low, and so by signing the Stability Pact the Eurozone's members committed to politically imposed fiscal rules that were supposed to rule out 'moral hazard'.⁷ This is a voluntary over-determination to still further reinforce the equalising terrain of competition created by the free movements of capital.

Convergence: theories and practice

Greece joined the EC in 1981; Portugal and Spain followed in 1986. Ever since, there has been much debate on whether a convergence of these relatively backward countries with the European core actually occurred. The most that can be said is that such convergence was, as Karl Aiginger puts it, a 'bumpy road' ... until the crisis came and the road turned into a yawning gap.⁸ The ECB admits that little real convergence has taken place among the original Eurozone countries,⁹ but it relies on orthodox economic conceptions of market failures or distortions to explain why the path to convergence did not lead where its own theories and recipes had predicted. These explanations included the unsuitability of 'human capital', the lack of investment in R&D, coordination failures, which prevent the realisation of scale and/or network economies, faulty institutional design, and even crony-capitalism and corruption. These explanatory models in fact claim to incorporate many heterodox critiques (institutionalist, post-Keynesian, neo-Schumpeterian) wrapped in the appropriate mathematical niceties expressed in exotic production functions. Even radical economists have used them as

analytical frameworks to characterise globalisation and propose alternatives for public intervention.¹⁰

Based on this diagnosis, some kind of state interventionism is justified and called for. Two main avenues for intervention are proposed: ‘factor policies’, that is, the upgrading of infrastructures, ‘human capital’, and the level of technology, on the one side, and institutional reform on the other. The former have been the core of the EU’s regional policies since the European Structural Funds reform in 1988. The latter have pushed Europe towards deregulation and market-friendly reforms combined with the dismantlement of welfare – exactly the opposite of the hope that the southern periphery’s popular classes had of achieving the European social model. By 2004, some years before the crisis, it was obvious that the social goals of the Lisbon Agenda were unattainable although well-intentioned progressives are still obsessed with them.¹¹ Confronted with this reality, they argue that the European institutions have in fact not had the political will to wholeheartedly pursue these social policies, mirroring the arguments of ultra-liberal economists who contend that the marvels of free markets have not yet been realised because their recipes have not been fully applied. But all this is delusion as public intervention from the side of the EU is guided and limited by the interests of the dominant classes in both the core and the periphery. The Ockham’s razor explanation for EU regional policies is, once again, the above-mentioned symbiosis: large infrastructural projects provide markets for core transportation equipment manufacturers and peripheral construction companies; agricultural funds help preserve the coherence of the dominant class coalition while local agriculture goes global. The mantra words are ‘horizontality’ or ‘factor policies’, but what is essentially occurring is the blending of local vested interests with the general trend, with horizontal interventions, in practice, necessarily favouring some activities over others.¹² As with most orthodox economic doctrines, the growth theories invoked by the EU – all their pseudo-scientific paraphernalia notwithstanding – are only convenient alibis for class policies.¹³

How are the peripheral elites faring in this framework?

Examples from Spain

Rooted in historical underdevelopment, the peripheral features of Greek, Portuguese, and Spanish economies seem not to have changed. Even the apparent convergence in terms of GDP per inhabitant during the period before the adoption of the euro should be scrutinised. The three countries acceded to the Common Market amidst the unfolding of a new international division of labour following the crisis of the late 1970s. In this context,

restructuring of the pre-existing indigenous productive fabric consisted in either dismantlement or foreign acquisitions later hollowed out by the acquirers. Nevertheless, at least in the case of Spain, the capitalist class thrived on this restructuring, first by brokering and channelling the financial flows of structural funds and privatisations, and later carry-trading on the gap between uniform nominal interest rates set by the ECB and different national rates of inflation. Meanwhile, the economic structures of Spain underwent great transformations. These transformations follow the path of competition and common currency as means of restructuring but are rooted in the historical trajectory of Spanish capitalism. In that sense, the composition of the dominant fraction of capital in Spain has changed little since Franco's time.¹⁴

An important meeting occurred in spring 2011 between Prime Minister Zapatero and a selected grouping of around forty Spanish entrepreneurs representing their highest echelons to discuss how to implement the Euro Plus Pact.¹⁵ The Spanish economic elites were very supportive and have proven very effective in adapting and successfully inserting themselves into the new globalised economy. This transformation consisted of shedding their industrial investments, through a series of adjustments, privatisations, and mergers taking place during the first stages of accession and concentrating on what they were better at: banking, construction, and all sorts of public activities. During that period the rate of implementation of de-regulatory reforms was selectively synchronised to this restructuring while Structural Funds paved the way. Thus when the single currency was introduced leading Spanish firms were ready for it and began to borrow at interest rates that previously were practically unimaginable, triggering the internationalisation process. The evolution of Spanish transnational companies is quite different from those based in the core countries. Initially, not only was their expansion not based on technological skills, but their activity was focused on just one or two regions, particularly Latin America. Drawing on decades of know-how built dealing at arm's length with the Spanish administration, they gained the markets they were good at and now can position themselves as leading European companies.¹⁶ Only three – two smaller banks and the partially state-owned network of wholesale electrical power supply – of the 35 companies on which the index of the Spanish Stock Exchange (IBEX 35) is based have less than 50 per cent of their revenues in international markets.¹⁷ This shows how successful the insertion of Spanish capital into the global circuit of capitalist reproduction has been.¹⁸

Finally, we can say that aggregate measures of economic performance do not tell the whole truth about the transformations suffered by peripheral

economies due to the fractal nature of inequalities and imbalances in globalised capitalism. This trajectory of survival and adaptation by the dominant classes should serve as a warning against adopting an exclusively geographical or nationalistic view of the imbalances. On the other hand, it makes clear the limits to adopting ‘developmental’ policies in the periphery countries without a major shift in the balance of social power.

Is there space for productive reconstruction in the southern European periphery?

If we want to better understand the problems of the European periphery we need to turn back – albeit critically – to previous theories of development and underdevelopment. As marginalism arose as an apparent remedy for the ‘dangerous’ path taken by classical economics, so did endogenous growth theories as substitutes for theories of polarisation, and unequal-development, core-periphery, and dependency relations. These currently neglected theories allowed for meaningful public intervention that was coherent with practical developmental policies because it did not rely on the absurdities of neo-classical economics.¹⁹ Whether this intervention favoured popular interests or local elites is another question, but it did give rise to some resounding success stories, as in Eastern Asia last century. However, reproducing this dynamic raises several questions.

The lively ‘new productive model’ debate in Spain today is over which sectoral orientation productive reconstruction should have after the crisis. Union spokespeople, ecological activists, left parties, and progressive think tanks agree in pointing towards the environmentally-friendly refurbishing of the traditional sectors, alternative energies, and the provision of social needs (care, health, education), all associated with a broader R&D effort and technology upgrade. These proposals are reasonable enough and to be welcomed, but capital is also welcoming them as new demand for new use values it can commodify and market and through which it can create new growth. The question is thus not one of which sector to emphasise.

More accurately, the problem lies with what Michael H. Best calls ‘social structures of consumption’,²⁰ which are decisive in the Spanish pattern of growth. A new productive model has to break with these structures that underlie the current unsustainable modes of urbanisation, transportation, and energy and natural resources consumption. The same must be said about the gender bias of the insufficient welfare networks for which home (feminine) care substitutes. Changing these structures is a matter of strategic public policies to be carried out with popular participation and transparency, that is, with more democracy, to avoid being captured by elite interests, as happened with Structural Funds.

Should the periphery try to catch up with the core – and how?

There is much emphasis placed on the decline of manufacturing sectors and of productivity in general and consequently on the question of technological dependency. But it needs to be said that the largest exporters in Spain are manufacturing firms, most of them fully integrated into global value chains (automobiles, chemicals, and food and beverages); many of these industries are owned by TNCs and operate in a way that raises the question of the spatial and temporal limits of ‘industrial upgrading’ in a contemporary global economy characterised by excess capacity in manufacturing,²¹ not to mention the limits to technological improvement in such a context.²² These companies are the other side of Spain’s economy. In contrast to the already mentioned ‘indigenous’ firms, these are normally owned by foreigners. Of course, they share the same arms-length closeness to Spanish authorities but, as would be expected, depend less on them.

In terms of trade, Spain is dominated by Germany and France, and, in turn, it dominates Portugal, Morocco, and Algeria, while its relation to Italy is complementary in the global commodity chains; its relationship to Greece is minimal.²³ This means that Spain needs the large countries as an import source and export destination, while only France needs Spain as an export destination. The obverse relation obtains with Portugal, Morocco, and Algeria, although only Portugal is needed by Spain as an export partner. Italy and Spain need each other as exporters. Perhaps the goal should be a rebalancing of these relations, furthering integration with both sides of the Mediterranean basin on a less unequal basis so as to progressively reduce domination by the Central European core.²⁴ But that would also imply major political and structural transformations. For example, one cannot expect Spain’s current financial system to contribute to such a move; therefore a new set of tools and new power relations both at the national and the international levels are needed to support it.

Who are the actors of change?

The last Greek episode shows that the symbiosis is working. Restoring national sovereignty does not appeal to peripheral bourgeoisies. The fiscal federalism proposed by some progressives is not being taken up, even though it would have been in the interest of France and Italy, for example. Despite national dysfunctions the will to hold the EU together is prevailing because it provides the national bourgeoisies with the kind of competitive environment they need to shake free of their national welfare systems. Still, one should not rule out the possibility that a sharpening of these contradictions could divide the core countries, especially France and Italy from Germany and its

allies, but much less can be expected from the peripheral countries within the current inner balance of forces. In fact, we should expect other kinds of inner contradictions developing in peripheral countries, such as what is taking place nowadays in Catalonia or a revival of the North-South Italian divide. As Lutz Brangsch puts it, European integration applies to the whole circuit of reproduction of capital, and macroeconomic national aggregates do not provide an accurate picture; per capita income can stay the same while the basis for income changes, which in turn can entail completely different capital reproduction requirements,²⁵ as we hope to have shown in the Spanish case.

Unity of action against the euro as it currently stands is, of course, what is most needed, and should be attempted while temporarily putting aside the question of Euroexit, Euro-reform, or alternative currency agreements. What we have seen in the September 2015 Greek election is that those favouring immediate Euroexit have no Plan B, or at least it is not credible in the eyes of the Greek people, and most probably the same could be said of other southern-periphery peoples. But if the global economy goes into another slump, the hard-liners of fiscal discipline will become very exposed, and the left should try to provoke a crisis in the political structures, both national and European, and be ready to intervene by denouncing debt and social cuts and demanding a democratic process, perhaps in the way Catherine Samary has.²⁶ How this subsequently develops in terms of currency will depend on the balance of forces and more or less even trajectories between and within countries.

Meanwhile we should take into account another lesson learned from Greece: there can be no change in external relations if it is not accompanied by a change in internal relations. Therefore, in terms of productive transformation, the left needs to develop strategies that take stock of past failures. There are enough guidelines on the table as to what should be done in terms of specialisation, but the problem is how and by whom. Experiments in economic democracy, alternative currencies, and financial institutions, participatory and social economy, public-employment schemes, social auditing, fair trading, and all kinds of practices aimed at creating spaces partially free from the euro rules are needed. This is the only way to break the dependencies imposed by the social structures of consumption and production. Of course, democratic central planning together with socialisation of basic branches is a central part of a productive transformation strategy, along with some form of collective self-reliance among countries,²⁷ but if the agents of change are to be the people, an active response on their part is indispensable, and this can be only achieved through practice.

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Today, Deoleo, a company listed in the Spanish Stock Exchange, is the top olive-oil exporter in the world, surpassing its Italian competitors. The other side of this success story is that a traditionally sustainable crop providing a means of living in many rural zones has turned into an ecological problem with very little social return. Ownership of land remains in the farmers' hands but cooperatives have been swollen by a company controlled by a risk capital firm based in London (CVC Capital Partners) and a couple of Spanish banks (see Manuel Delgado Cabeza, 'La globalización de la agricultura andaluza: evolución y vigencia de la cuestión agraria en Andalucía', Manuel González de Molina (ed.), *La cuestión agraria en la historia de Andalucía: nuevas perspectivas*, Centro de Estudios Andaluces: Sevilla, 2014). Thus the 'agrarian question' remains, but it is a 'new agrarian question'.

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Towards a Society of the Commons¹

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The re-emergence of the commons

For much of the history of industrial and post-industrial capitalism, political conflict has been between state and market, the issue being whether to use state mechanisms for the regulation of the excesses of market players and for redistribution or, conversely, to privatise activities to the benefit of market players. This has been called by some the ‘lib’ (for liberal) versus the ‘lab’ (for labour and its derivative social movements) pendulum. In our current political economy, the latter has been discarded as a historical legacy without future.

Indeed, the remaining physical commons (e.g. land, water resources, minerals, airwaves, public infrastructures, etc.) throughout the world are under threat of enclosure. The recent situation of heavily indebted southern European states point to this tendency. Unable to access the financial markets using their unreliable bonds, the technically bankrupt states are obliged to cede valuable public assets, either in the form of guarantees or under irreversible privatisation schemes in exchange for financial assistance from the EU and international institutions. These are assets that their people have inherited or collectively created, and, instead of passing them on intact or improved to the next generations, they are called to sell them off under threat of an economic collapse.

At the same time, the re-emergence of the digital commons of knowledge, software, and design have celebrated human collaboration and recreated commons-oriented modes of production and market activities around it. In these new systems, value is created through contributions and not labour per se, with the output being commons, not commodities. During the last two decades, several commons-oriented projects, such as a myriad of free/open source software projects (FOSS) or the free encyclopaedia Wikipedia, have highlighted the emergence of technological capabilities shaped by human factors, which in turn shape the physical environment in which human

beings live and work. They create what Benkler² calls new ‘technological-economic feasibility spaces’ for a new type of social practice. These feasibility spaces include different social and economic arrangements where profit, power, and control seem to decrease in importance and be replaced by a commons-oriented process at the core of value creation, while the market is on the periphery.

From this new, communicational, and interconnected environment, a new mode of information production, different from the industrial mode, has emerged, spilling off and finding application in material production as well. We are witnessing the emergence of a new proto-mode of production in what has been called commons-based peer production (or just peer production), based on distributed, collaborative forms of organisation. It is developing within capitalism, similarly, as Marx argued,³ to the way early forms of merchant and factory capitalism developed within the feudal order. Ultimately, the potential of the new mode is analogous to those of previous proto-modes of production: in this case, to emancipate itself from dependency on the old, decaying mode, so as to become self-sustaining and thus replace the accumulation of capital with the circulation of the commons. In an independent circulation of the commons, the common use value would directly contribute to the further strengthening of the commons and of the commoners’ own sustainability, without dependence on capital. How could this be achieved? In what follows we explore one potential path of such a transition.

The partner state approach

In short, in the old vision of value creation in industrial capitalism, value is created by private actors: labour and capital. This value is then captured by enterprises, which redistribute it in the form of wages to the workers; but, since private market players do not take into account the negative social and environmental externalities of their mutual exchange, an institution is needed as an external regulator, that is, the state. Civil society has no clear and recognised role in this relation and is explicitly considered secondary and derivative, as the very terms ‘non-profit’ or ‘non-governmental’ indicate, and mediates few political processes.

In the new vision, value is created by contributors to the common good, as expressed in the digital commons of knowledge, software, design, and culture. Peer production systems are based on open input, which allows both unpaid and free contributions by those motivated by the primacy of utility motivations and, on the other hand, contributions by paid workers and freelancers. For example, the Linux core has 75% paid workers and 25%

unpaid contributors.⁴ Through its contributions, civil society has now become productive in its own right, enabling a leap from contributor communities to a vision of civil society playing a central role in value creation.

For this vision to be realised on the macro-level, supporting infrastructures are needed which would provide economic sustainability while ensuring alignment with the commons, namely in the form of a non-capitalist marketplace. The latter would integrate externalities and re-introduce reciprocity in the market's functioning, while co-creating commons and providing livelihoods for the commoners. Of particular interest in this context is the emergence of FOSS foundations at the micro-level of the commons economy, which are organisations that maintain the flow of cooperation through the maintenance of its infrastructures. It can be argued that they point the way to a new state form, which we have called the 'partner state'.

A partner state would require policies that represent a clear break with the political economy of capital. However, in conditions of a dominant market state, and given the complexities of the state form and the balance of power within its agencies, it is possible to think in terms of pre-figurative experimentation with a 'partner state approach' (PSA) in which the state enables autonomous social production. The PSA could be considered a cluster of policies and ideas whose fundamental mission is to empower direct social value creation and to focus on the protection of the commons sphere as well as on the promotion of sustainable models of entrepreneurship and participatory politics. We see the partner state as the ideal condition for a government to pursue and for the commons movement to fight for.⁵ While people continue to enrich and expand the commons, building an alternative political economy within the capitalist one, the state, by adopting a PSA, would become a player in the meta-governance of the system as a whole, moving away from the binary state-control/privatisation dilemma to the triarchical option of an optimal mix of government regulation, private-market freedom, and autonomous civil society projects. Thus, the role of the state would evolve out of the post-World War II welfare state model, which could arguably be considered a historical compromise between social movements for human emancipation and capitalist interests. The partner state model, in turn, embraces win-win sustainable models for both civil society and certain market-oriented forms that recognise social and environmental externalities and are structurally linked to commons-producing communities.

It should be emphasised that a PSA would not be opposed to the welfare state model, but rather should absorb and transcend it. A partner state should

retain the solidarity functions of the welfare state, but de-bureaucratise the delivery of its services to the citizens. The social logic would move from ownership-centric to citizen-centric. The state should be de-bureaucratized through the 'commonification' of public services and public-commons partnerships. The currently favoured state-outsourcing in the form of public-private partnerships not only adds to the cost of public services and creates widespread distrust, along with the need for control to counterbalance the profit interests of the partners; it is also essentially anti-democratic as it does not provide for citizen participation. Public service jobs could be considered a commons, a pooled resource, and participation could be extended to the whole population. Furthermore, representative democracy would be extended through participatory mechanisms (participatory legislation, participatory budgeting, etc.). It would also be extended through online and offline deliberation mechanisms, as well as through liquid voting (real-time democratic consultations and procedures, coupled with proxy voting mechanisms).

In addition, taxation of productive labour, entrepreneurship, and ethical investing, as well as taxation of the production of social and environmental goods, should be minimised. On the other hand, taxation of speculative unproductive investments, unproductive rental income, and negative social and environmental externalities should be augmented. In these ways, the partner state would sustain civic commons-oriented infrastructures and ethical commons-oriented market players, reforming the traditional corporate sector, in order to minimise social and environmental externalities. Last but not least, of great importance would be the engagement of the partner state in debt-free public monetary creation while supporting a structure of specialised complementary currencies.

Alongside the partner state, an equally important second component of a social knowledge economy would be that of an ethical market. An ethical market process is one that reaps added value from cooperative creation, creating livelihoods for the commoners in the process and thus rendering peer production autonomous and self-reproducible. The difference with capital market forms, as well as with other solidarity economy forms, is in the logic of the operation, output, and relations, rather than in the market process per se. Ethical market players would coalesce around the commons of productive knowledge, eventually using peer production and commons-oriented licenses to support the social economy sector. They should integrate common good concerns and a broad spectrum of stakeholders in their governance models. Ethical market players would move from extractive to generative forms of ownership, while commons-oriented ethical company

forms would be privileged. They should create a territorial and sectoral network of ‘chamber of commons’ associations to define their common needs and goals and interface with civil society, commoners, and the partner state. With the help of the partner state, ethical market players would create support structures for open commercialisation, which would maintain and sustain the commons. Ethical market players should interconnect with global productive commons communities (that is, open design communities) and global productive associations that project ethical market power on a global scale.

The mainstream commercial sector should be reformed to minimise negative social and environmental externalities, while incentives that aim at a convergence between the corporate and the solidarity economy should be created. Hybrid economic forms, like Fair Trade and social entrepreneurship, could be encouraged to achieve this kind of convergence. We have elsewhere outlined the substantial sustainability effects of distributed production, following the logic that what is light (that is, knowledge) is global and what is heavy (material production) is local, that is, an open source circular economy that is designed for use and produces on the basis of need. To this end, distributed makerspaces for (g)localised manufacturing on demand should be created and supported, in order to satisfy local needs for basic goods and machinery. Such spaces can either be hackerspaces, fablabs, micro-factories, media labs, or other co-working spaces equipped with desktop manufacturing technologies and offering collaborative environments where people can meet, socialise, and co-create. Moreover, institutions for the support of productive knowledge should also be created on a territorial and sectoral basis. Education should be aligned with the co-creation of productive knowledge in support of the social economy and the open commons of productive knowledge. All publicly funded research and innovation should therefore be released under a commons-based license.⁶

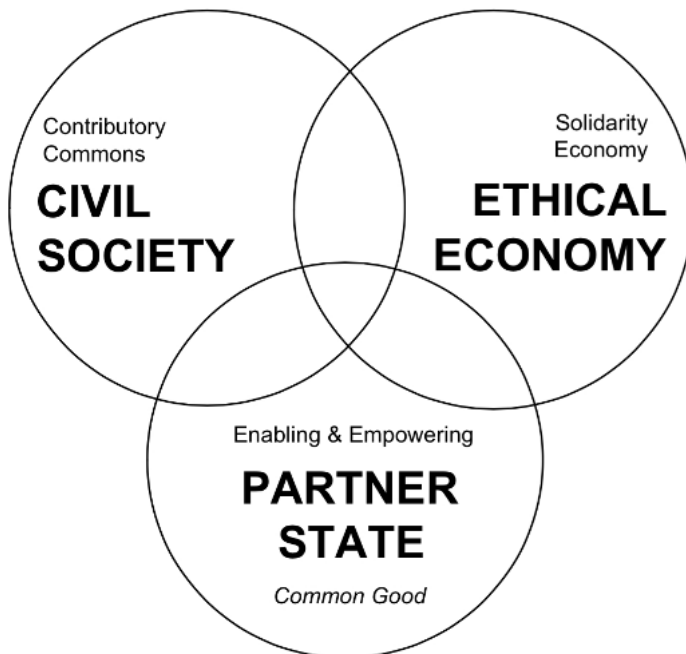
Additionally, commons infrastructures for both non-material and material goods have to be created. In such a political economy, society is seen as a series of interlocking commons, supported by an ethical market economy and a partner state that protects the common good and creates supportive civic infrastructures. Local and sectoral commons would create civil alliances of the commons to interface with the chambers of commons and the partner state. Interlocking for-benefit associations (knowledge commons foundations) would enable and protect the various commons. In addition, solidarity cooperatives should form public-commons partnerships in alliance with the partner state, while the ethical market sector could be represented by the chambers of commons. Also, the natural commons should be managed

by a public–commons partnership based on civic membership in commons trusts.

In a nutshell, the ethical economy would realise the value that is created by the commoners in the common pools, by creating added value for the ethical market sector. The realised surplus would go directly to the workers, who are also the contributors to the commons, thereby realising their self-reproduction independently of the classic capital accumulation economy. In Arvidsson and Peitersen’s sense,⁷ ethical companies could take very different forms with their common goal being to contribute to the common good in general and to the commons specifically. They may be allied as entrepreneurial coalitions around certain specific common pools (but will likely use more than one commons). The different legal regimes may be for-benefit corporations, Fair Trade companies, social businesses, and workers’ or other forms of cooperatives such as solidarity cooperatives,⁸ and integrate the common good into their statutes while being multi-stakeholder governed.⁹

To recapitulate, it can be argued that the commons not only introduce a third term beside the state and the market, that is, the productive commons-producing civil society, but also a new market and a new state. These changes should take place concurrently in all three aspects of our social and economic life. On the basis of these generic micro-economic experiences in

Figure: The commons-oriented economic model



the field of commons-based peer production, it is possible to derive adapted macro-economic structures as well. This would be a civil society that consists mainly of communities of contributors creating shareable commons; of a new state form, which would enable and empower social production generally and create and protect the necessary civic infrastructures; and of an entrepreneurial coalition that would conduct commerce and create livelihoods (see figure).

A concrete and modest proposal for a commons-oriented European productive model

We argue that the commons can pull Europe back from the brink. After long-standing efforts at adjustment and convergence, the creation of new economic options in the areas worst hit by the crisis is evidently a matter of existence and sovereignty for those areas, and one of paramount importance for Europe's social cohesion. The diffusion of technology has provided the ground for sustainable alternatives, harnessing and empowering the dynamics of distributed productive processes and relations that give prominence to future scenarios for a collaborative economy.

Our rough proposal for a commons-oriented European productive model is an attempt to indicate the first step, with the development of the necessary participatory techno-economic blueprints for sustainability. The main idea is based on a possible conjunction of commons-based peer production processes and artefacts with the emerging capabilities of desktop manufacturing technologies, such as three dimensional printing and computerised numerical control machines. Of central importance is the role of the local contributors who create value in the circulation of the commons, focusing on their relation to the means of production. With desktop manufacturing technologies and more widely distributed access to the means of manufacturing, even more aggregations of creative communities and individuals can occur. Contrary to the conventional industrial paradigm and its economies of scale, peer production and distributed machinery could develop commons-based economies of scope. The advantages of scale rest on high-capital entry and cheap global transportation. Instead, the commons-based economies of scope share infrastructure costs in terms of intangible and tangible productive resources, utilising the capabilities of the new manufacturing tools, which, to a certain extent, are computerising the manufacturing industry.

The necessary interventions for this model to function are focused on three levels: (a) a virtual space of the global knowledge commons, (b) a global network of local makerspaces, and (c) local societies. One of the main tasks

is to start building the appropriate infrastructures that would connect the commons-oriented communities and the existing makerspaces with society at the local levels, which are largely unaware of the digital commons. The aim for societies at the local level is to exploit global knowledge in order to develop tailor-made, innovative solutions to address local challenges. These solutions will be materialised in a cost-effective and sustainable manner through the local makerspaces, utilising open source software and hardware technologies within a physical and digital collaborative network environment, thus further contributing to the global commons. The resulting collective intelligence will empower people through participation and interaction to adopt more sustainable productive patterns as well as collaboratively develop innovative solutions to local societal challenges.

We envision a bottom-up participatory paradigm, which would include new, decentralised, and distributed systems of production and provisioning, inclusive governance, and commons-based value and innovation. Some of the least developed parts of the world need some of the most advanced technologies, and ICT and desktop manufacturing are the globally imagined tools that act locally in response to certain problems and needs. A diverse set of stakeholders, from small-scale producers, commons-oriented grassroots communities and individuals, to micro-enterprises, as well as public institutions, benefit from this (g)local process. An emerging production model occurs, whose slogan would be ‘design global – manufacture local’, which is small-scale production, on-demand, decentralised, resilient, and locally controlled but simultaneously developed on a global basis. The on-site local contributors are brought together in networked environments and benefit from the socially produced use value, while enriching and expanding the commons sphere.

In short, the central context of this proposal is to broadly showcase the potential of commons-oriented productive and organisational models. Seeds of this model are observed in several commons-oriented projects, such as Open Source Beehives, Public Lab, RepRap project, Open Source Ecology, the Wikispeed car, the open enterprise Sensorica, or Wikihouse. These cases demonstrate how a technology project can leverage the knowledge commons to globally engage the community in its development.¹⁰ They furnish concrete examples of how commons-based technologies and practices, along with desktop manufacturing, can enhance the autonomy of people and transform all sectors of production in the direction of economic and environmental sustainability. Just as networked computers democratised the means of production of information and communication, the emergence of networked makerspaces are democratising the means of making.

The ‘design global – manufacture local’ approach is arguably a proposal that is concrete in terms of being based on solid, successful experience, and ambitious in envisioning a ground-breaking socio-economic paradigm, though modest in its objective of taking the initial steps towards mature peer production. Such a functional commons-oriented ecosystem would at least demonstrate the social productive dynamics that could revolutionise the global political economy. It is certainly to be expected that, in the course of a socio-economic reformation process, several powerful vested interests will attempt to interfere by creating barriers and restrictions or even by trying to exploit the new productive dynamics through rent-seeking and unproductive ventures. However, a successful demonstration of this model could arguably prove to be of crucial importance for the global class constituted by its contributors. They, in turn, would coalesce around a concrete and feasible alternative, conferring legitimacy on the political forces willing to proceed to a commons-oriented transition.

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Notes

- 1 Sections of this essay are based on Michel Bauwens and Vasilis Kostakis, 'Towards a New Reconfiguration Among the State, Civil Society and the Market', *Journal of Peer Production*, 7 (2015), and Vasilis Kostakis and Michel Bauwens, *Network Society and Future Scenarios for a Collaborative Economy*, London, 2014.
- 2 Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom*, New Haven: Yale University Press, 2006, p. 31.
- 3 Karl Marx, *A Contribution to the Critique of Political Economy*, New York: International Publishers, 1979.
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- 5 As in the case of the FLOK Society project in Ecuador. See Xavier E. Barandiaran and David Vila-Viñas, 'The FLOK doctrine', *Journal of Peer Production*, 7 (2015), <<http://peerproduction.net/issues/issue-7-policies-for-the-commons/the-flok-doctrine/>> (accessed: July 2015).
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- 8 Their emergence has been described by John Restakis. See John Restakis, *Humanizing the Economy: Co-operatives in the Age of Capital*, Gabriola Islands, Canada: New Society Publishers, 2010.
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- 10 George Dafermos, 'Transforming the productive base of the economy through the open design commons and distributed manufacturing image', *Journal of Peer Production*, 7 (2015), <<http://peerproduction.net/issues/issue-7-policies-for-the-commons/peer-reviewed-papers/distributed-manufacturing/>> (accessed: July 2015).

The Common: An Essay on the 21st-Century Revolution

Pierre Dardot and Christian Laval

Our point of departure is that the common is a principle of political activity constituted by the specific activity of deliberation, judgement, decision, and the implementation of decisions. However, this and the fuller definition we present at the beginning of our book¹ does not claim to be universal, trans-historic, and independent of temporal and geographic conditions. In etymological terms (*cum-munus*, literally ‘co-obligation’ and ‘co-activity’), the intention is certainly not to suggest that common always carried the same meaning it does today. In Aristotle, the common (*koinōn*) is that which results from the activity of pooling, which is what constitutes citizenship, an activity that implies the rotation of duties or alternation between those governing and the governed. Today, with a new and unique kind of energy, the movement of the squares (M-15, Occupy, Gezi, etc.) has enriched the concept with new demands.

The common as a principle of struggles

These demands involved a radical calling into question of ‘representative’ democracy, which authorises a limited number of people to act and speak on behalf of the great majority. At the same time, these movements have developed environmental demands around the preservation of the ‘commons’ (especially urban spaces). The *common* seems to us to be the principle that literally emerged from all of these movements. As such, it is not something we invented; it has arisen from current struggles as *their* principle. The term has thus acquired a quite new meaning, that of ‘real democracy’, for which the only legitimate political obligation is that which proceeds not from membership in a given community, however broad this may be, but from participation in the same activity or the same task. There should be no misconception about our purpose: Although our book’s preliminary chapter offers an ‘archaeology of the common’ we had no intention of

interpreting all of human history through this archaeology in the style of those 'grand narratives' that have characterised our modernity. Our aim was quite different; it was to show that from the beginning the common has had a meaning that could not be reduced to 'state-owned' until it was hijacked and adulterated both by the state and by theology. But this does not mean that its 'rediscovery' today is bringing about a return to its Greek or Roman origin. It is about something else: defining a positive political alternative to neoliberal reason oriented to competition.

Such an alternative allows us to overcome the duality of public/state property versus private property. For too long the left has lived on the idea of an opposition in principle between the state and the market that made of the state the best defence against the offensive of market forces. This opposition, along with the strategy it creates, is entirely a thing of the past. For thirty years now the state has undergone a profound transformation, which has made it a fully fledged neoliberal protagonist. It is itself subject to entrepreneurial logic, and, as an enterprise-state, or '*corporate state*', it acts like a strategic partner of the big multinationals in the coproduction of new international norms. Marx's famous formula of a government being no more than the executive committee for the management of the bourgeoisie's affairs is now largely outdated, not because it is an outrageous claim; on the contrary, it falls short of today's reality of the increasing hybridisation of state and market. The statist paradigm needs to be mercilessly deconstructed if we are to work on rebuilding the left. The state is less than ever an instrument that can be deployed for 'political projects' having other ends. On the contrary, it is the state that imposes its own logic on all those who entertain the illusion of its possible transformation into a means of struggle against neoliberal capitalism.

It is here that we see all that separates common, understood in this sense, from state and public. The state/public rests on two completely contradictory requirements: on the one hand, it is to guarantee universal access to public services; on the other, it gives the state administration the monopoly of the management of these services and reduces the users to consumers, as such excluded from any form of participation in this management. It is precisely this deadly division into 'functionaries' and 'users' that the common has to abolish. In other words, the common can be defined as the *non-state public*; it guarantees universal access through the direct participation of users in the management of services. One of our 'political proposals' in the third part of the book is the transformation of public services into institutions of the common. This means that these services do not belong to the state in the sense of the state being their owner or even sole manager. To accomplish

this kind of transformation it is necessary to break with the monopoly of state administration in such a way as to guarantee true universal access to these services: The users therefore have to be considered not as ‘consumers’ but as citizens participating alongside the functionaries in the deliberations and decisions that concern them.

The common and the commons

As can be seen, we are trying to understand the common in the sense of a political principle and not in the sense of an attribute that naturally adheres to certain types of ‘goods’. To understand the expression ‘common goods’ in a literal sense leads first to establishing a classification of goods (private goods, public goods, common goods) according to criteria related to their intrinsic nature. This approach, which can only end by reifying the common, was made into a system by a particular economic policy before it was taken up by jurists. The latter, however, had to introduce criteria external to the mere nature of things in order to distinguish common goods from public goods. For example, the Rodotà Commission defined common goods according to their relation to fundamental rights or human development. However, to start with the classification of goods equally leads to dismembering the common by distinguishing natural commons, knowledge commons, genetic or biological commons, etc. The common (as a principle) is then confounded with *that which is common* (as an attribute or characteristic of certain things).

Our approach similarly rejects the thesis that has been put forward of a ‘spontaneous production of the common’ that is at once the condition and result of the production process (analogous to the expansive dynamic of the forces of production found in a certain brand of Marxism). By idealising the autonomy of immaterial labour in the era of ‘cognitive capitalism’, this thesis does not acknowledge the currently operative mechanisms of subordinating labour to capital. Moreover, and this is doubtless its greatest defect, it does not recognise the irreducible difference between *production* and *institution*: production can be spontaneous, while institution is necessarily a conscious activity.

This is why we are at pains to distinguish between *the common* as a political principle that does not have to be instituted but implemented and the *commons* that has always been instituted within and through this implementation. The essential point is that the commons are not ‘produced’ but ‘instituted’; this is why we are very reluctant to accept the notion of ‘common goods’. It seems to us that the reasoning has to be the reverse: *every common that is instituted is a good, but no good is in itself common*. One has to be careful not to confuse a good in the ethical and political sense (*agathon*)

and a good in the sense of an acquisition that can be exchanged and sold (*ktêsis*); every common is a good in the ethical and political sense, but it is only such in so far as it is *not* an acquisition. Once instituted, a common is not alienable; from then on it appears in the sphere of things that cannot be appropriated, which means that it escapes proprietary logic in whatever form (private or state).

We maintain that a common is instituted through a specific praxis that we call an ‘instituting praxis’, which does not refer to a general method of instituting any kind of common. We need to be attentive here to the oft-abused notion of ‘institution’. An entire sociological tradition tried to reduce the institution to that which is instituted without really taking into account the dimension of the instituting activity. In addition, a political critique very widespread on the left in the 1960s and 1970s identified the institution with a power apparatus coercing individuals who ‘entered’ it in order to belong to it. This critique did not problematise the original dimension of the thing that institutes, which seems so fundamental to us. In fact, to institute is neither to institutionalise in the sense of render official, consecrate, or recognise after the fact what has existed long before (for example, at the level of a habit or custom) nor to create out of nothing. It is precisely to *recreate with, or on the basis of, what already exists*, therefore under given conditions independently of our activity. In this sense, there is no model of an institution, nor can there be, capable of serving as a rule for an instituting praxis. Each praxis has to be understood and carried out *in situ* or *in loco*. This is why one can, and even must, speak of ‘instituting praxes’; in the plural. To re-establish a previously terminated service in a psychiatric hospital after a discussion with the care-givers and patients falls in the category of an instituting praxis, even if in Foucault’s ‘micropolitical’ sense. But to institute a seed bank for farmers or to designate a cultural site for common use falls under the same category. These are practices that prepare and construct revolution itself as a ‘self-institution of society’.

The right of the common as a new type of right of use

We can draw the same conclusions in terms of law. Indeed, we think that the institution of the commons involves a conflict opposing the right of the common to the ancient right of property and that this conflict of rights is the fundamental conflict of our day. This right of the common is a right of use that differs from the ancient right of collective use founded on long-existing customs. Whether we consider use as simple use outside of law (eating, drinking, living in a house, etc.) or as a collective right arising from custom (the right of gleaning or of commonage), use is always understood

to be the action of using an external thing with the goal of satisfying vital needs; use as action implies a certain type of relation to external things that often includes consumption, that is, the destruction of the things in question (*abusus* in Latin designates complete consumption). But one can equally well say in English ‘use with’, with other people, with a particular person, etc. In this case, what is involved is acting or conducting oneself in a certain way with others, so that there is an active relation to others that is signified, far from any relation to external things that would have as a goal complete destruction, that is, consumption. In this new meaning, use takes on the meaning of supervision, maintenance, and preservation. We can then highlight the difference between the ancient and the new right of use.

1) The first appreciable difference with the old right involves the nature of the object to which the use relates. In the right of the common, use is not related to an external material thing but to what we call the commons (in the plural). The commons are not ‘things in common’ (*res communes*). Certainly, things in common are not nothing (the adage *res nullius primo occupanti*² does not apply to them). But the limitation of this category inherited from Roman law is that it cuts things off from activity. The concept of commons emphasises the institutional constructs through which the connection between things and the activity of the collective that takes charge of them come to the fore. Thus there are commons of very diverse sorts depending on the type of activity of the protagonists who institute them and keep them alive (river commons, forest commons, production commons, seed commons, knowledge commons, etc.). A river common is not a river; it is the connection between this river and the collective that takes charge of it. Consequently, that which is non-appropriable is not only the river understood as a physical thing but also the river to the extent that it is taken in charge by a certain activity, and thus also the activity itself. In this sense, the concept of ‘commons’ breaks with the subject/object polarity, the polarity of an object offered to be taken up in exclusivity by the first person (as in the relation between the *dominus* and the *res*), a polarity that so frequently recurs in a certain legal and philosophical tradition.

2) In this sense, the use whose axis is the right of the common presupposes as its condition of possibility a conscious act of institution, exactly what we have called an ‘instituting praxis’. This is why it cannot be confused with the right called customary, which reduces practices to the unconscious perpetuation and transmission of usages. The commons are above all else matters of institution and government. Unlike the theory of property as a ‘bundle of rights’ that makes of the right of usage one right among others, disassociated from the right of management and decisions, the use of the

commons is inseparable from the right of deciding and governing. The praxis that institutes the commons is the practice that maintains them and keeps them alive and takes full responsibility for their conflictuality through the coproduction of rules. Indeed, the logic of pooling ought not to be confused with the search for unanimity, of harmony or consensus seen as an absolute. Instead, it seeks to overcome conflicts through the coproduction of rules and not through some imaginary abolition of conflicts that are necessarily a part of all collective life. This point needs to be stressed: conflict is not bad in itself; it in no way bears the seed of civil war; on the contrary, it is its antidote as long as it has an institutional expression.

3) Under these conditions what does it mean to speak of the use of a common, that is, to always speak of the use of *one* particular common? The notion of 'administrative use' borrowed from Paolo Napoli enables a better understanding of the difference between use as an action of making use of an external thing and use as the supervision and preservation of a common (it should be remembered that *ministrare*, from which administration is derived, means first of all 'to serve' and in no way means 'to avail oneself of'). Indeed, one does not use a common as one does a thing, because a common is not a thing but the relation of a collective to one or several things. Administrative use contrasts with the relationship of an owner to his or her thing. The notion of 'appropriation' should be clarified in order to avoid any confusion. There is *belonging*-appropriation, through which someone appropriates a thing to himself or herself and which excludes any other relationship of belonging that involves the same thing, and *destination*-appropriation, in which a thing is particular to a certain goal. Here too there is a danger of misunderstanding: What is involved is not appropriating the common to that for which it is intended but to appropriate the conduct of the members of the collective to the purpose of the unappropriable thing of which they are in charge. The point is to ensure, through rules of collective use, that predatory appropriation behaviour does not divert from the goal of a specific social destination in common. In other words, the point is to regulate the use of a common without making oneself its owner, that is, without granting oneself the power to dispose over it as its supreme owner.

4) The plurality of the commons poses the question of their coordination through the construction of institutions in common, whence the idea of a federation of socio-professional commons depending on the type of object for which different commons have responsibility. There are no commons that are purely professional, only *socio*-professional commons that must absorb within themselves their own relationship to the rest of society. The example of Italy is uniquely instructive on this point. Naples is a political laboratory

of the common, not only because of its experience in the participatory management of water but also because of the importance assumed by various ‘occupations’ (among them, the occupation of the Asilo Filangeri, which has been converted into a space devoted to cultural activities). However, these experiences can only live if they promote the demand for self-government at all levels, including in the coordination among commons.

Revolution and the institution of political democracy

This demand for self-government is nothing other than the demand for political democracy, which has to prevail in all spheres of social life. It precludes any technocracy or expertocracy to the extent that it has to make everyone’s participation the rule.

‘Real democracy’ is a matter of instituting; this is the essence of what we would like to say. What we must not underestimate is the difficulty of inventing new institutions whose functioning explicitly aims at impeding appropriation by a minority, prohibiting the alteration of its purposes and also preventing the ‘ossification’ of its rules. The experiment underway of *Barcelona en Comú* is exemplary. Electoral victory must not be cut off from what preceded it and made it possible – a great deal of work in the neighbourhoods over four years, especially in the area of housing, which made it possible to bring together the conditions allowing the establishment of an independent electoral list. A mass movement, a sequel of mobilisations, and multiple and continuous confrontations mutated into inventive political forms that made internal democracy into an almost essential operative principle and which fought off any attempt, even attempts from within, to re-establish a vertical hierarchy with the pretext of greater efficiency (a temptation to which some Podemos leaders have yielded). Throughout all of these experiments, the practical question has been posed of the connection between the construction ‘in the here and now’, starting with the extant conditions, of new forms of relations and activities, and the general transformation of society. Their point in common is the rupture they have introduced with an entire oligarchical political ‘system’, closely interlocked with the economic interests of the dominant social groups. However, their irreplaceable value is to have demonstrated that it is impossible to combat the ‘system’ without *at the same time* inventing, at the practical level, new forms of society and politics. It is this inventive dimension of movements that is the most striking phenomenon – the definition of a desirable society is written nowhere, in no programme; it is not the property of a party nor the monopoly of a vanguard. This is the sense in which these movements can be said to be deeply ‘autonomous’, that is, in the etymological sense

of the term; through their acts, they demonstrate the need to *reconstitute all of society* according to the logic of the common. This is why we say that these movements are revolutionary, by restoring to the term ‘revolution’ the very precise sense of the ‘reinstitution of society’. To our mind, this in no way indicates that a violent riot or an insurrection are equivalents of revolution. Revolution involves something else. The revolutionary sense of contemporary movements is not based on the mode of action they adopt, electoral or otherwise, and not even on the clear consciousness of the ultimate objectives the movements want to pursue. Rather, it has to do with transforming the tenacious and courageous resistance of large sectors of society to austerity policies into the will and capacity to change political relations themselves, to go from ‘representation’ to ‘participation’. This is what it means to bring the demand of the common to its highest point of expression.

Notes

- 1 See Pierre Dardot, Christian Laval, *Commun, Essai sur la révolution au 21ème siècle*, Paris: Éditions La Découverte, 2014.
- 2 ‘Things belonging to no one go to the first person to occupy them’.

Mutualism Between Tradition and Modernity¹

Alfonso Gianni

One of the most important trade-union and political leaders of the Italian labour movement, Vittorio Foa (1910–2008), explained the reason for his study on the birth of the labour movement, both Italian and European, at the turn of the 19th to the 20th century by ‘the need for a calm and objective consideration, less burdened by daily tensions, and, if possible, outside current ideological confrontations’. For this reason, Foa sought to examine in depth, ‘in a situation removed from ours in time and space, the relation between labour and power, between workers and capitalists, between the lived present and the imagined future’. When Foa wrote these words we were only at the beginning of the great neoliberal counter-revolution that brought the European labour movement to its knees. Thirty years have passed since then, and the need Foa expressed seems even greater; going back to the beginnings of the labour and trade-union movement can be a great help in understanding the reasons for its enormous regression and its contemporary defeats.

In Italy today we are simultaneously faced with the question of constructing a new left political entity and a social coalition able to interpret and deal with the major transformations engineered by capitalist globalisation, which have fragmented the world of labour and put enormous obstacles in the way of any attempt at social recomposition. Thus the issues that Foa investigated while the major crises of the trade union and the left in Italy were in their early stages have great importance for us today. To understand how the labour movement emerged in Europe and in Italy, through what trade-union, political, and organisational forms it passed, is thus not only valuable from an academic or a generically cultural point of view but also from the political and practical standpoint. This history shows us that social phenomena, especially when they are really major and lasting, cannot be mechanistically derived from the laws of the economy and the market, nor

do they simply come out of the political input of organised forces. Instead, they emerge as a reaction to the former and precede the birth of the latter. In Italy and in other parts of Europe, the mutual and cooperative movement anticipated the emergence of labour unions and even more so of left political parties. We would do well to distinguish within the more general concept of mutuality the various forms it has assumed, at least at the beginning of its development.

Mutualism: the mutual aid societies and the cooperatives

These are essentially of two types: a) the ‘mutual aid societies’, whose purpose was to assist their members in dealing with unemployment, accidents, illnesses, and old age and death itself; in essence, they were a sort of rudimentary welfare state, without the state, based on the free capacity of organisations of the working classes; and b) ‘cooperatives’, those whose purpose was to defend the worker from high consumer prices (consumer cooperatives) and those which responded directly to the lack of jobs (production cooperatives). In the context of their historical development, at least in the case of Italy, we can now say that the mutual aid societies were absorbed and superseded by the welfare state, except for now, under the impact of the neoliberal offensive; while the cooperatives were adapted to the logic of the private market, even to its financial dimension. In both cases, we can understand why there is now talk again of these forms with the aim of updating them to fit the new conditions within the most serious crisis of European capitalism: the chronic reduction of employment and the privatisation of the welfare state.

They emerged because the industrial proletariat began to develop at the same time as the traditional forms of subsistence and protection characteristic of agrarian life dramatically weakened without new forms typical of industrial life having yet appeared. Moreover, the workers of the first industrial revolution lived and worked in places hardly in communication with the outside world, relatively far from the cities that we would today call, though with another meaning, ‘industrial districts’, spread throughout territories that were still prevalently agricultural. For this reason, historians agree that in its incipient stages mutualism answered to the need to face, through the mechanism of solidarity, the problems that arose more in the sphere of reproduction than in that of production. In this sense, from the start, mutualism was considered a movement *for*, rather than *against*.

The capital-labour antagonism influences the nature of mutualism

Nevertheless, the concrete evolution of the conflict between capital and labour prevented the distinction between *for* and *against* from appearing in

as clear-cut a way in practice as it does in theory. The expectation on the part of the ruling classes that these institutions might function as a clearing house for a potential social conflict was soon disappointed, whether for objective reasons – the innate and ineradicable contradiction between capital and labour – or for subjective reasons of the political incapacity and primitiveness of the economic and political ruling classes. An example is the 1878 strikes of the textile workers in the historic production zone of Biella, which disconcerted the ruling classes to the point that they demanded a parliamentary inquest on labour unrest. The suspicion was that hidden behind the mutual aid society of the textile workers of Croce Mosso there was a hotbed of social subversiveness, if only through affiliation with the socialist First International.

Indeed, in general, the study of these examples of unrest leads us to the conclusion that resistance to the pervasiveness of capitalist organisation and the mutualism that emerged to deal with capitalism's historical shortcomings were coexisting elements from the outset, which mark a positive ambiguity of the emergent labour movement. A historical reconstruction that wants to establish a chronological succession in an evolutionary sense, going from mutualism through resistance and trade-unionism to the political representation of the world of labour through a party would be too abstract, completely misleading, and impede any deep understanding of the history of the subaltern classes and popular movements.

Moreover, this reading of history, with sharply contrasted stages, is responsible for an excessive rigidity in the albeit necessary distinction between trade-union and political party organisation, of and within the labour movement. This rigidity resulted in a hierarchical separation between trade-union and political functions. Rather than favouring the autonomy of the former from the latter – apart from certain happy moments in the history of the labour movement – and positively influencing the social conflict, this rigidity has led to a divergence between the represented and their representatives at both levels, that is, both at the social and political levels, with the creation of the 'economic functionary' and the 'political functionary' of the working class.

This separation has historically been clearly manifested in the contrast between the German model and the French model of organisation of the labour and trade union, a division that has mostly to do with the means employed to achieve results: either through the active involvement of the working masses or through the mediation and protagonism of left political forces. It was a contrast reproduced in various ways and forms throughout the last century and also today. Whenever there was an attempt to overcome

it in a non-dialectical way, the result was trouble and defeat for the labour movement.

Management boards and factory councils in Italy

One need only recall the debate that took place in Italy's trade-union movement and Communist Party (PCI) in the crucial years following the hot autumn of 1969. The question turned around the role of the factory councils, which were new kinds of structures emerging from the class and social confrontation. Their main characteristic was that they gathered together and represented all workers, union members and non-members, regardless of which union. This structure provided very effective forms of direct democracy, combined with forms of representative democracy, modified however by effective and constant control on the part of the voters and by the possibility of revoking mandates. The councils therefore seemed to offer the concrete possibility of refounding the Italian trade union on a unified basis. At the same time, the breadth of the issues they dealt with, which broadened the conflict and collective bargaining well beyond the wage issue, led them to call into question the productive targets and purposes of the company. In this sense, there was not only a potential process of refounding the union but also a politicisation of the social question and the possible launching of a constituent power counterposed to the constituted power.

Various aspects of this experience, not accidentally, recall the experience of management boards, post-war organisms characteristic of the early post-fascist years in Italy, in particular the late 1940s, lending substance to what the left called 'progressive democracy', that is, a form of democracy that not only overcame the pre-fascist form but which could have reached the point of overcoming capitalism itself. For this reason, it was indispensable to act at the point where the power of private property was generated, in other words, at the points of production and in the relations of production. For the same reason, this experience was incompatible with the strategic programmes of the Christian Democratic Party and of the USA, and with the division of the world agreed at Yalta. The management board experience was contained, repressed, and then expunged in a process that anticipated and then also imitated that of the expulsion of communists from the Italian government in spring 1947, as also happened in France.

The conditions under which the factory council experience evolved in the early 1970s were obviously completely different from the years of the management councils. However, even with the factory councils we see a capacity for protagonism on the part of the subaltern classes on the direct

terrain of contesting the material organisation of production. But neither the union nor the PCI leaderships were able to use the potential of this movement, and it was defeated by the international counter-revolution of neoliberalism in the 1980s, preceded however by the 12–13 February 1978 trade-union conference called by Italy's major unions, the CGIL, CISL, and UIL.² The event came to be known as the 'EUR turn' after the district in Rome where the conference was held. In it, the unions opted for the 'policy of sacrifices', extinguishing or marginalising every impulse towards, or project for, an economic, social, and political alternative.

The general trend that the history of Italy demonstrates, albeit with its own particularities, is that the issue of mutualism, cooperation, and self-management has continued throughout the long trajectory of the labour movement and is being taken up again today, though in a much more limited form³ as defensive choices in the face of neoliberalism and the crisis. The 'state fetishism', of which some critics accuse the labour movement in general, has also involved the Italian labour movement, though it has never prevented the recurrent re-emergence of mutualistic and self-management issues and experience. But market fetishism has done more damage than state fetishism, as we see in the complete absorption of the great Lega delle Cooperative in the logic of markets and finance, practicing internal relations identical to those of classic capitalist companies.

The question of the 'commons'

In today's debate, the discussion has been enriched by a new element, that of the 'commons', or rather common goods, that is, the determination of things and spaces that can be defined as neither state nor private. It is an idea that is by now international, and it needs to be approached without prejudice or prematurely falling in love with it. First of all, for example, we have to avoid confusing the concept of public with that of state, not because in practice the two things cannot often coincide but because the first term ought above all to indicate the mode of operation and the goal, while the second focuses on ownership. If both terms exclude private property it is not true that all that is state actually functions as public, while it is not necessarily so that what is public needs immediately to be inserted into a state dimension, especially when it appears as a space won through struggles and removed from private property or from the inertia of state bureaucracy.

In Italy, for example, the powerful Cassa Depositi e Prestiti (Deposits and Loans Fund) is a stock company of which 80 per cent is controlled by the Ministry of the Economy and Finance, and yet it acts within a logic of investments that is private and market-oriented, so much so that a mass

campaign has been underway for some time to ‘socialise’ it, that is, to make it available for investments in innovative sectors of environmental value and public usefulness. In this way it could become an important financial lever for a job-creating and ecological transformation of the Italian economy.

Pierre Dardot and Christian Laval, two French scholars who have recently written on the ‘commons’, among other place in the present volume, are, to some extent, presenting a challenging and very stimulating argument. ‘The theme of the *commons*’, they write, ‘has absolutely no rights of citizenship in the conception of historical development elaborated by Marx, at least not in the greater part of his theoretical work.’ In their view, this is because the communist revolution was conceived as having neither the time nor the desire to recover the common goods made obsolete by history, leading, mainly among Marx’s follower, to the wish to actually suppress the commons. By contrast, the historical reconstruction undertaken by Karl Polanyi takes us in another direction. The great Hungarian sociologist and economist gives us a memorable description of the upheavals occurring throughout the 20th century as a reaction to the process of commodification of people and nature, in the form of a gigantic and organised resistance to the pervasiveness of capitalism.

But can we really pronounce such definitive judgement on Marx’s work? A few lines later, it is true, the authors temper this accusation somewhat, remembering that in his later years Marx returned to the question with different emphases. Actually, all of Marx’s thought has its own evolution, at times even non-linear. The philosopher from Trier remained in constant contact with concrete reality throughout his life, studying it passionately up to his last days. His thinking did not give rise to closed theory but to one that is constantly expanded by new elements. Indeed, one of the worst things that can be done – and which unfortunately has been done, creating irreparable damage to the international labour movement – is to isolate one or another of Marx’s concepts, and, worse, one or another of his phrases, and to absolutise it.

Marx and the Russian rural commune

Dardot and Laval do indeed note the exchange of letters Marx had with the Russian revolutionary Vera Zasulich over the Russian rural commune, the *obshchina*. Given the importance that the issue, in my opinion, has for the discussion around the question of common goods, a short historical digression may be in order. *Obshchina* was a term used during the Russian Empire to refer to lands cultivated by peasants in common, in contrast to individual rural property (in Russian *khutor*). The word derives from the adjective *obshchiiy*,

common. This institution was partly scaled back after Stolypin's agrarian reform (1906-1911) and disappeared with the 1917 Russian Revolution and most especially with the following forced collectivisation of the countryside, one of the fatal errors in the construction of Soviet socialism.

The *obshchina* had survived the emancipation of the serfs and the abolition of that type of slavery, which occurred with the famous and very controversial reform launched, after much pressure, by Czar Alexander II in 1861. The Russian peasant in his daily work enjoyed little independence from the decisions taken by the *obshchina* through its governing body, the plenary assembly of the community, the *mir*. Significantly, this word has a double meaning in Russian: 'world' and 'peace'. And it was in this assembly that disputes could be settled and peace made. Its decisions had to do with the control and redistribution of the common land and forests (if under its jurisdiction), the induction of recruits for state military service (every community had to provide the army with a certain number of men) and the meting out of punishments for minor crimes. The *obshchina* also was liable for the tax payment of its individual members. Adjacent to the common lands were the individual noble holdings, on which the peasants, even when freed from servitude, were obliged to work without compensation (*corvée*). This practice is described by Leo Tolstoy in his last novel, *Resurrection*.

The *obshchina* is a unique factor in the panorama of 19th-century Europe, and it distinguishes Russia from other civilised nations. The so-called Slavophiles extolled it as the symbol of the cooperation between the classes of Russian society and their spiritual unity. Much more interesting, however, is the way in which the major representatives of Russian populism considered it as a pre-capitalist institution, seeing in it the basis for a possible liberation of the peasantry. In their view, this radical transformation could have come about even reconciling itself with the private ownership of a parcel of land within the rural commune itself and its structures of social government. In a 21 November 1863 letter to Giuseppe Garibaldi, Aleksandr Herzen wrote: 'The social religion of the Russian people consists of the inalienable right of every member of the *obshchina* to possess a specific section of land.' But the appeal 'To the Young Generation', distributed in St. Petersburg in the summer of 1861, shortly after the emancipation of the serfs, and which cost several of its authors lifelong banishment to Siberia, went even further: 'We want each commune to have its allotment, without the existence of private landowners; we do not want land to be sold like potatoes and cabbage.'⁴ In other words, as we might say today, land is a common good.

Marx's clarification and rethinking

In response to Zasulich, Marx wrote that she had misunderstood his positions, attributing theories to him that he had never espoused. In fact, Marx said, '[...] the analysis in *Capital* therefore provides no reasons either for or against the vitality of the Russian commune. But the special study I have made of it, including a search for original source material, has convinced me that the commune is the fulcrum for social regeneration in Russia.'⁵ Marx was certainly well aware of the dual character of the rural commune, in which the common ownership of land was counterposed to the exclusive dominion by the individual family over the home and the farmyard, but above all to the parcel cultivation of the soil and the private appropriation of its fruits. However, the outcome of this dualism is not given but is determined by the concrete unfolding of the events, by the historical condition in which it exists: 'either its element of private ownership prevails over its collective element, or the latter will prevail over the former', Marx wrote. In the preface to the Russian edition of the *Manifesto of the Communist Party*, written 21 January 1882, Marx is even more direct: '[...] can the Russian obshchina, though greatly undermined, yet a form of primeval common ownership of land, pass directly to the higher form of Communist common ownership? Or, on the contrary, must it first pass through the same process of dissolution such as constitutes the historical evolution of the West? The only answer to that possible today is this: If the Russian Revolution becomes the signal for a proletarian revolution in the West, so that both complement each other, the present Russian common ownership of land may serve as the starting point for a communist development.'

As we know, things did not turn out this way, either as regards the revolution in the West or the survival of the obshchina in the process of the agrarian reforms of the new Soviet power. But what needs to be noted here is the rejection of any kind of historical determinism in Marx – in contrast to many of his followers for whom history always has to pass through specific phases – and thus his far from indifferent attitude towards the survival of forms of common ownership in a society dominated by state ownership of the means of production, an attitude no less present in the later reflections of Engels. Engels was to return to this question in the years after Marx's death, with considerably more doubt that the obshchina could play a positive role. He spoke negatively of an excess of 'faith in the miraculous powers of the agrarian commune, from which one believed one could expect a social palingenesis', an error for which he believed Herzen bore responsibility but also Chernychevsky, the author of *What Is To Be Done?*, whom he greatly appreciated and whose title Lenin was to 'lift' for his famous essay. Engels

mainly insisted on the need for a Russian revolution, which in the mid-1890s still had not yet arrived on the scene, as well as the indispensable leading role of the western proletariat if the rural commune was to be salvaged within the process of a socialist transformation. But all of this appears to be more the result of disappointment determined by the shape of events than a rejection of Marx's late reflections on the *obshchina*.

By way of a conclusion

This voyage through the history of the labour movement is not nostalgic. The forms of productive and social organisation that existed before capitalism or, better, before its complete dominance of every angle of society, do not have to be considered mere relics or, worse, obstacles, on the path of a linear progression between different modes of production. By virtue of their resistance to this totalising dimension of the capitalist system, they can, if updated, also be, or come to be, effective forms of resilience and resistance to this system – on condition that we do not think of reproducing them exactly as they were and are aware that the crisis of modern capitalism is incubating the possibilities both of its transformation – given its protean character – and its overcoming. To express metaphorically what Lewis Carroll wrote: Alice has to go through the looking-glass, not shatter it and then re-assemble it in her own image. And that is what the left has to do to come back into existence.

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Notes

- 1 This article is a reworking of the author's talk at the seminar 'L'autogestione in Europa' organised by transform! europe and transform! italia and held in Rome on 12 and 13 June 2015.
- 2 CGIL (Confederazione Generale Italiana del Lavoro), the largest and left-wing confederation; CISL (Confederazione Italiana Sindacati Lavoratori), the Catholic

confederation; and UIL (Unione Italiana del Lavoro), the liberal confederation.

- 3 Still, in Italy there are around 180 instances of company self-management underway.
- 4 Ed. note: See Mikhail K. Lemke, *Politicheskie protsessy v Rossii 1860-kh gg.*, 2nd ed., Moscow: Gosizdat, 1923, pp. 63–64, 69, 70, 74–75 [1861 item], 508–10, 514–18 [1862 item]; reprinted: The Hague: Mouton, 1969. Full text of the proclamation at <<http://www.sscnet.ucla.edu/history/franks/classes/131b/perm/radicalsdocuments.html>>.
- 5 Ed. note: Karl Marx, 'Reply to Vera Zasulich', 8 March 1881, Karl Marx, *Late Marx and the Russian Road, Marx and the 'Peripheries of Capitalism'*, Theodor Shanin (ed.), New York: Monthly Review Press, 1983; full text at <<https://www.marxists.org/archive/marx/works/1881/zasulich/index.htm>>.

Care Revolution: A Feminist-Marxist Transformation Strategy from the Perspective of Caring for Each Other

Gabriele Winker

Concern for one's own wellbeing is as essential to human existence as concern for others. Beginning with, and especially at, birth, people are dependent on the care of others, without which they could not survive. But also beyond childhood and youth, and beyond times of illness and frailty, people are dependent on others in their everyday lives. Through interaction, people simultaneously learn to understand themselves and their environment better and to meet their needs together. Thus, it is important to have enough time to shape both individual and collective living conditions. This prerequisite for a good human life seems self-evident, but it is faced with a capitalist society in which time for activities beyond wage labour and the most urgent of reproductive work in families is scarce.

The neoliberal credo of personal responsibility calls on people today to balance high professional requirements with increasing tasks of self-organisation and with the growing everyday demands of familial reproductive work. Women in particular live with a permanent feeling of not being able to meet these requirements. There are, depending on the available financial resources, and depending on the extent of the care responsibilities, a number of very different strategies for coping with this, but none of them meet the criterion of good care and self-care.¹ Thus many people currently lack the time and financial resources to keep themselves healthy, continue their education, and to organise their own lives while being confident of having social security. Friendships suffer. For some people, their very existence is under threat, while others are too exhausted to take care of those close to them as they would like to. Still others feel oppressed by the excessive familial tasks that they have been left alone with. These developments are accompanied by great pressure and permanent overexertion, and can lead to

fatigue, burnout, and other mental illnesses.² While it is generally recognised that the ongoing process of profit-led growth is destroying the earth's ecosystem, it is also destroying its people.

Accordingly, the starting point for the following discussion is the discrepancy between the desire for a good life in community with others and the narrow limits imposed on care and self-care by the capitalist economy. This is especially true at a time when capital is in a crisis of social reproduction, which I will outline below from the German perspective.

Crisis of social reproduction

The capitalist mode of production is based on the combination of wage labour and unpaid reproductive work, private owners' discretionary power over the results of societal work, and the primacy of capital accumulation. The production of use values and the meeting of basic human needs are not the purpose of an economy organised in this way. It requires a highly skilled, motivated work force at the lowest possible wages, with the lowest possible cost of their reproduction and provision.

In dealing with the crisis of over-accumulation resulting from neoliberal policies that began to appear in the mid-1970s, the gap between what would be possible with the current state of technology and education and the real level of inequality and insecurity has become particularly striking. There are increasing attempts to reduce the costs of the reproduction of labour power as comprehensively as possible. As a result, real wages are driven down, especially in the lower income groups, and wage labour itself is intensified and expanded through unpaid work in the evenings and during holidays. Mini-jobs without social insurance benefits are on the rise, as are irregular working conditions. At the same time, all people of working age – regardless of gender, marital status, and number of dependent children and relatives – are expected to cover the cost of their own livelihood by selling their labour power. Furthermore, state benefits in the social sector are being reduced, as is individual security through social transfer payments. Cuts are being made in care and education expenditure as well as in healthcare provision and support for elderly and sick people.

At the same time, it is clear that, notwithstanding cost savings, the reproduction of labour power must be maintained. This is because the consumption of labour power in the production process is a prerequisite for profit. Thus, labour power must be available in sufficient quality and quantity. However, due to extensive austerity policies, the task of keeping oneself employable increasingly falls to individuals. They and their families are responsible for performing the socially necessary reproductive work in

familial contexts.

Due to gender stereotypes that remain in effect despite increased female employment, this reproductive work is assigned to women. At the same time, this socially necessary labour is often invisible in the hegemonic discourse and devalued as typical women's work. The fact that the work of self-care and care for children and relatives goes unpaid, and is performed in isolation and in private by women, allows this development to remain largely unnoticed. And this is all the more true because even many on the left do not systematically identify as a problem, either in the domain of wage labour or reproductive labour, the fact that people dependent on both wages and transfer payments are divided along heteronormative, and/or racist, classist, and bodyist lines.³

However, the continued success of this policy, imposed by business and government, is by no means certain. Currently, the costs of the reproduction of labour power are being minimised to such an extent that there is barely sufficient availability of the necessary skilled and physically fit workers. In so far as the intensification of the contradiction between profit maximisation and the reproduction of labour power so drastically affects the quantitative and qualitative availability of workers that it results in a significant deterioration in the conditions of capital valorisation, I speak of a crisis of social reproduction. This can already be seen in Germany in a variety of ways:

- There is a lack of skilled professionals in certain sectors.⁴ Through a combination of part-time work and one of the lowest birth rates worldwide, women in particular are not meeting the challenge of combining the fullest possible employment with the high demands of reproductive work. Thus, female employment is stagnant despite rising employment rates.

- High stress and fatigue are reflected in a significant increase in mental illness, which is regularly accompanied by long absences from work.⁵ This especially applies to the care professions. While an average of 10.1% of days of incapacity to work across all sectors were attributable to mental illness in 2012, the proportion was considerably higher in social work and pedagogy at 16.9%, in child care and education at 16.0%, in geriatric care at 15.7%, and in health and nursing care at 14.7%.⁶

- Only a small proportion of employees are able to make the required commitment for work projects that are increasingly complex and wider in scope and thus very demanding. Accordingly, a Gallup study that is particularly alarming for companies shows that only 16% of employees are willing to voluntarily work for the goals of their company and 67% have little sense of allegiance to their company. 17% of employees do not feel an

emotional bond with their company and have already mentally quit their jobs.⁷

Despite these consequences of its own strategy, capital remains fundamentally committed to further reducing the cost of reproduction, and the state is reacting in only a few places, such as in the expansion of daycare facilities for young children. Otherwise, the availability of the required labour power – in this case of qualified women – would no longer be sufficient in the short term. But even in the expansion of daycare for children, costs are kept down to the extent that basic quality standards are not observed.

Thus, any attempt to improve the conditions for care work will meet with fierce resistance, because such improvements will increase the cost of reproduction and exacerbate the crisis. Even if it is possible to push through fundamental reforms through changing the balance of power, there will be no stable accumulation regime, and these attempts will continue to be resisted. A successful care movement thus requires a permanent momentum of change, a true revolutionising of all conditions under which people currently live and often suffer.

Care revolution

More and more people are able to clearly see this systemic inability to provide adequate conditions for the satisfaction of basic human needs. In the various strategies through which they try to cope with their daily lives, they suffer from stress and overwork in different ways. Existential security, self-care, time to care for people who are close – one or the other has to be short-changed. However, a growing number of those affected, from all care fields and care positions, are no longer willing to accept these conditions. More than 70 initiatives and individuals in Germany have come together to form the Care Revolution Network. They relate to each other in their political action and also carry out joint action. In so doing, they frequently mention their dignity as care workers and as people requiring care, and they take care not to lose sight of the needs of people in different situations. At the same time, they are calling for a fundamental change in the organisation of care work.

The concept of Care Revolution stresses the need to propose a path through which a solidary society can be reached through fundamental transformation. Care Revolution is a political transformation strategy, which, informed by the insights of feminist politics, makes its focus the fundamental importance of care work and aims at bringing about a mode of social coexistence that is based on human needs. Here, care work, which is normally not a factor in most political strategies or in prevailing economic theories, has become the

point of reference for social change. The Care Revolution is thus based on a fundamental change in perspective. It is about no less than the challenge of placing at the centre of society and hence economic activity not the maximisation of profit but the realisation of human needs. And because of the incompatibility of the different underlying functional logic, such a society cannot be capitalist. This means that a Care Revolution has to go beyond the realm of care work and aim at a comprehensive and consistent transformation.

To achieve even the smallest steps in this direction requires a societal mobilisation, a coalition of activists that cuts across all care sectors and roles in care relationships. Today in Germany there are already a number of organisations of caregiving relatives, parents' associations, and groups of immigrants and refugees who are fighting against the work overload and simultaneous devaluation of their unpaid care work. Many care workers in hospitals, daycare centres, and homes for the elderly are no longer willing to tolerate inhuman conditions for employees and care recipients. In addition, there are many young people who are standing up to a world in which they do not see a chance of living a meaningful life. Now it is imperative to reach other care workers who are not yet active. A starting point might be the collective reflective engagement with each other's everyday experiences. This would make it clear that the limitations and overwork people experience do not represent their individual failure but are attributable to structural conditions that are changeable. From here, beyond the practical contesting of the given parameters the obvious question is what should substitute them.

The first concrete thing that has to be done now is to secure everyone's existence, for example through establishing an unconditional basic income. A significant reduction in full-time paid employment – as a necessary part of the Care Revolution – supports the idea of quality of life not being dependent on the production and sale of more and even more commodities. For this purpose, as has been demanded by feminists for decades, it is important to make a comprehensive concept of work, which also includes reproductive work, the basis for political practice. Moreover, public care services in education, childcare, health, and geriatric care need to be expanded and controlled democratically. Only in this way can individuals be relieved of their burdens and the quality of public services simultaneously increased. And, of course, the working conditions and income of care workers, such as childcare workers and geriatric nursing staff, must be significantly improved and social security provided for those working in private households, who are often immigrants. This requires a comprehensive redistribution of social resources.

With these first steps in a transformation process, it is possible to reallocate work in the very broad sense and break away from the gendered division of labour. Everyone would have more time not only for care, but also for civil-society activism and political engagement. Such a politics would also allow people with extensive care responsibilities to re-experience leisure and to make dreams that are often no longer even contemplated into reality. Free time and the reliable means to make concrete plans allow people to stay politically active.

Social struggles around these and many other reform goals need to be permanently connected to the espousing of a society in which everyone – through solidary organisation – can develop their own capacities. At every step, this requires keeping the perspectives of others in view, advocating the inclusion of all people, and demanding fundamental participation through democratic structures. Such a strategy consciously looks beyond the context of the current political-economic system. Rosa Luxemburg calls this ‘revolutionary realpolitik’.

I am assuming that it makes sense to begin with the socialisation and comprehensive democratisation needed in the care sector. This premise is supported by the combination of several factors. First, the collective organisation of care is very important for existential security, and its structuring reaches deep into people’s lives. Furthermore, in the care sector, it is particularly obvious how profit orientation runs contrary to human needs and restricts many people in terms of their opportunities for development, their health, and their creativity. Many people recognise how nonsensical and counterproductive it is to heal, teach, support, advise, or care for people based on the principle of maximum profitability. Moreover, it is clear to many that the current system of social infrastructure results not only in poor quality but also in social inequality.

At the same time, people have very different needs in terms of social infrastructure. Therefore, in the areas of child care, care for the elderly, preventive and other health care, or education, for example, it makes sense to develop various services by giving everyone a say and collectively weighing all priorities. Moreover, much of this can be collectively planned and implemented at the level of municipalities, city districts, or villages, since the vast majority of care services do not need to be administered centrally. Here, in direct cooperation, concrete forms of self-government can be realised because people can express their needs and decide upon them locally as experts. In the process, people can come together who work in various forms of the care sector: professional care providers, caregivers in family and neighbour contexts, and those in self-care situations. The diverse

nature of work and its interconnectedness with life as a whole is particularly tangible here.

If democratic organisation, an orientation to people's needs, and preventing exclusion are the goals on which a collectively organised care sector are to be based, then I see two viable paths. First, a gradual democratisation of the infrastructure previously organised by private enterprise, government, or charities. This can be realised, for example, through elected care councils that are held accountable to their constituents. Second, the decentralised reconfiguration of care based on collective projects, which is easy to imagine. It is possible to build on the experience of existing collective communities such as housing projects, production cooperatives, or neighbourhood stores. I think both ways are attractive enough to be worth addressing and connecting.

With the establishment of such decentralised and centralised structures where needs-oriented and truly democratic decisions are made, experience can accumulate and skills be acquired that make possible the socialisation of the overall economy even beyond the care sector.

In the process of creating and developing a society based on solidarity, it is also crucial that hierarchies, as well as the denigration and exclusion of individuals or groups, are continuously and consciously addressed, both in local communities or collectives and in supra-regional institutions. The principles of domination and subordination are firmly anchored in today's culture, through categories like gender, sexual orientation, 'race', professional competence, and physical fitness. This is why it is so important in the care movement to actively combat the resulting discrimination but also to critically examine and continuously change our own behaviour in the face of people who are seen as different. This is a long-term and absolutely necessary process. If, consequently, we can establish a culture of open and solidary cooperation, then we can build a society in which people no longer face each other as competitors but have solidarity as their guiding principle.

There will be setbacks and detours along this road, which seems almost unimaginably long from where we are now. Some concepts that seem important today will not stand the test of practice. But there will also be surprising successes and new ideas that come from actors who have so far barely been a part of the movement and who will bring their experiences and thoughts to bear. These will be very diverse kinds of people: visionaries, who already have a tangible idea of how a good, better, more beautiful life might look; realists, who see in clear detail where current concrete working and living conditions limit their options for action; seekers, who now find no place for themselves; and compassionate people, who cannot tolerate

others suffering from exclusion and discrimination, which also affect their own lives. The more diverse these fellow activists are, the more varied and interesting the resulting paths and concepts will be, which will also be enriched by global knowledge and ideas. The shared experience of people acting in solidarity to actually shape their world can help release the energy that is needed to walk the path towards a caring society.

Notes

- 1 See Gabriele Winker, *Care Revolution. Schritte in eine solidarische Gesellschaft*, Bielefeld: transcript, 2015, pp. 55-71.
- 2 Alain Ehrenberg, *La Fatigue d'être soi – dépression et société*, Paris: Odile Jacob, 1998.
- 3 See Gabriele Winker, Nina Degele, *Intersektionalität. Zur Analyse sozialer Ungleichheiten* (Bielefeld 2009) and Gabriele Winker, Nina Degele, 'Intersectionality as multi-level-analysis: Dealing with social inequality', *European Journal of Women's Studies*, 18,1 (2011), pp. 51-66.
- 4 Tobias Maier et al., 'Engpässe im mittleren Qualifikationsbereich trotz erhöhter Zuwanderung', *BIBB-Report*, 23 (2014).
- 5 Bundespsychotherapeutenkammer (BPtK) (ed), *BPtK-Studie zur Arbeits- und Erwerbsunfähigkeit. Psychische Erkrankungen und gesundheitsbedingte Frühverrentung*, <http://www.bptk.de/uploads/media/20140128_BPtK-Studie_zur_Arbeits-und_Erwerbsunfaehigkeit_2013_1.pdf>.
- 6 Markus Meyer et al., 'Krankheitsbedingte Fehlzeiten in der deutschen Wirtschaft im Jahr 2012', Bernhard Badura et al. (eds), *Fehlzeiten-Report 2013*, Berlin: Springer, 2013, p. 345.
- 7 Marco Nink, Good News From Germany – But Still More Work to Do, *Gallup Business Journal*, May 15, 2014, <<http://www.gallup.com/businessjournal/168860/good-news-germany-work.aspx>>.

The Commons and Global Sustainable Information Society (GSIS)

Wolfgang Hofkirchner

The age of global challenges

The information age is the age of the societies into which industrialised societies are transforming, as seen in the spread of new information and communication technologies (ICTs), just as the industrial age is the age of the societies into which agricultural societies had and are still transforming worldwide. However, scientific development is still lagging behind societal and technological development. Technological development is not accompanied by an equally rapid growth in scientific insight, let alone foresight, into the impact of technology on the levels of society other than that of technological organisation. Attempts at observing and understanding the basic nature of this change are still not prioritised. The public use of the term ‘information society’ has been reduced to denoting a society in which applications of modern ICT are widespread in order to facilitate the handling of what is commonly called ‘information’. A scientific conceptualisation of this transformation has not had time to develop. There is still no actual ‘science of information society’ or ‘science of information’.

Yet, from the point of view of information, the relationship between science and techno-social development today is analogous to what Karl Marx confronted in respect to labour.¹ In his time, labour could and necessarily did become a matter of scientific interest, since labour had in fact taken on a new role in society. It became something more abstract in social life, that is, it was treated in society irrespective of its concrete characteristics. Marx called this a ‘real abstraction’ – an abstraction that occurred in reality due to the real treatment of labour in emerging capitalism, which became the basis for the general concept of labour in scientific thought. It was only at that point that the concept of labour could be projected back onto former social formations in the history of humanity and that phenomena other than industrial work could be subsumed under the concept of labour, albeit as

different manifestations. Making use of this notion of real abstraction we might postulate that information is today playing as decisive a role in society as labour formerly did and so is fostering a new scientific conceptualisation and theorisation – that it has turned into a real abstraction, which is the rationale for formulating a new general idea: what labour is in relation to human history as seen from the perspective of industrial society, information is in relation to history from the perspective of information society.

In August 2010, the first-ever scientific conference under the slogan ‘Towards a New Science of Information’ was held. It took place in Beijing and was organised by the Social Information Science Institute (SISI) at the Huazhong University of Science and Technology (HUST) in Wuhan, and sponsored by the Technical Committee on Artificial Intelligence Theory (TCAIT) of the Chinese Association for Artificial Intelligence (CAAI). At the conference a committee was established to prepare the founding of an International Society for Information Studies (ISIS). Its objectives are to advance global and collaborative studies in the sciences of information, information technology, and information society as a field in its own right, to elaborate common conceptual frameworks, and to implement them in practice so as to help confront the challenges of the information age. On 24 June 2011, the International Society for Information Studies was registered in Vienna as an association under Austrian law.

The society’s first conference was hosted by Moscow Humanitarian University in May 2013. It focused on ‘Perspectives of Information in Global Education as a New Approach for the 21st Century’.

As I said in my Presidential address at that occasion:

The study and the engineering of information processes have been spreading and diversifying, while diffusing throughout the disciplines. There is a rich body of knowledge about diverse aspects of information. In many cases valuable findings have been achieved. But more often than not Information Studies are not focused on contributing to the urgent needs of civilisation in crisis and research and development is undertaken to meet short-sighted economic interests, one-sided military and political interests, and self-centered cultural interests all of which prohibit thinking big. Thus diversity still outbalances unity instead of providing the basis for Information Studies to become a science of information in its own right.²

I therefore called for a Summit, as a second conference of ISIS, titled ‘The Information Society at the Crossroads – Response and Responsibility of the Sciences of Information’. It was held in Vienna on 3-7 June 2015.

The point of departure of the conference was the following statement:

The information society has come with a promise – the promise, with the help of technology, to restore information as a commons: generated and utilised by everyone; for the benefit of every single person and all humanity; unfettered, empowering the people, truthful and reasonable, enabling constructive ways of living and a proper understanding of the environment.

The promise has not yet proven true. Instead, we face trends towards the commercialisation and commoditisation of all information; towards the totalisation of surveillance and the extension of the battlefield to civil society through information warfare; towards disinfotainment overflow; towards a collapse of the technological civilisation itself as a consequence of the vulnerability of information networks and, in the most general terms, as a consequence of ignorance of the fundamental information processes at work not only in natural systems but also in social and artificial systems.

The social and technological innovations that are intended to boost cognition, communication and co-operation are ambiguous: their potential to advance information commons is exploited for purposes of self-aggrandisement rather than concern for the overarching communities in which every human self is embedded from the family to world society. Tools – computer and other – are made for profit, power or predominance; the goal of a flourishing and thriving of humanity as a whole takes a distant second place, if it runs at all.

Thus, the information society has reached a crossroads: without significant change, business as usual can even accelerate its breakdown. A breakthrough to a global, sustainable information society must establish an information commons as a cornerstone of a programme for coping with the challenges of the information age.³

The Summit was thus intended to highlight the question of a transformation of the current information societies into an alternative information society and the question of the commons.

The commons and a global sustainable information society

The transformation of current societies is absolutely necessary in view of the global challenges with which we have been living since the second half of the last century. Global challenges are global because they affect humanity as a whole and because it is only humanity as a whole that can deal with

them successfully. As global challenges have a 'dark' and a 'bright' side, they constitute a great crossroad that lies ahead for humanity. The dark side is the imminent danger of the breakdown of interdependent societies with the extermination of civilised human life in the end. The bright side is the possibility of transition to a higher state of civilisation, which could bring about a peaceful, environmentally sound, and socially and economically just and inclusive world society. I call the vision of this transformation Global Sustainable Information Society (GSIS).

The vision of GSIS projects an overall framework consisting of three conditions that need to be fulfilled rather than a detailed blueprint.⁴

1. A GSIS can only exist on a planetary scale, that is, it needs to be global.
2. It has to be able, by establishing its own organisational relations, to prevent the dangers of anthropogenic breakdown, that is, it needs to be sustainable.
3. It needs to have the capacity, through ICTs, to create the requisite wisdom, knowledge, and data, that is, it needs to be informational.

Being global implies being sustainable, which in turn implies being informational. Informationality means there is information needed for sustainability; sustainability means there are sustainable relations needed for globality.

In order to achieve globality, sustainability, and informationality the commons need to be addressed.

The rationale of every system is synergy. Because agents when producing a system produce synergetic effects, that is, effects they could not produce when in isolation, systems have a strong incentive to proliferate. In social systems synergism takes on the form of some social good. Actors contribute together to the good and are common beneficiaries of that good – the good is a common good, it is a commons. That good comes into being through the common effort of the actors' combined productive energies and is located on a social system's macro-level. It is a relational good that influences actors on the micro-level, since it enables or constrains the actors' participation in producing and consuming the good. All actors contribute to the emergence of that order which allows their interactions to become stable relations. The new structure relates the actors to each other.

Since the commons is an emergent quality, it cannot be fully traced back to the quantity of each actor's contribution.⁵ There is a qualitative leap that is not fully determined by the initial conditions (which play the role

of boundary-setting conditions – necessary but not sufficient conditions). The converse is also true: there is less-than-strict determinism in top-down emergence. Accordingly, the commons does not have the same impact on every actor; a quantity of the commons used by one actor may yield a different qualitative result than it does when used by another actor. The actors have a share in the added value when producing it and they share it when using it; but the share the actors have does not account for the added value produced, nor does the latter account for how much the actors share. This problem of the lack of reciprocal relationship between the labour costs of, and benefits for, individual actors is an argument against measurements of transactions and exchanges between individual or aggregate actors as a basis for justifiably balancing their rights and duties; instead, individual input into, and individual benefit from, the commons is a matter of collective action. And, for that reason, the only acceptable principle of a humane organisation of production and consumption of the commons is, in general, ‘from each according to their ability, to each according to their need’.

At the Summit a report by Manuel Bohn, co-worker of Michael Tomasello at the Max Planck Institute for Evolutionary Anthropology in Leipzig, provided ontogenetic evidence of behaviour that resembles such a principle. In an experiment young children are prompted by a device to work together in a subtle way in order that each may receive an award. They receive it after successfully carrying out the task. If the award was distributed in an uneven way, the child receiving a greater award spontaneously shared the excess portion with the other child.

In heteronomous societies, however, the production and provision of commons becomes a contested field. Antagonistic relations appear. It is increasingly clear that the social (cultural, political, and economic) crises, the ecological crises, and the scientific-technological crises we are witnessing are battles over the whole spectrum of commons. These battles occur precisely in those fields marked by the global problematic that is putting humanity’s survival at risk. Thus the effort to cope with the global challenges is tantamount to the struggle for inclusion in, and against exclusion from, any of society’s subsystems.

The dominant mode of using technological, environmental, and human commons has turned out to be increasingly incompatible with a peaceful and harmonious future for societies. There are serious impediments on the road to establishing sustainable international as well as intra-national relations (which exclude the use of military violence and other technological means detrimental to the good life); to establishing ecologically sustainable relations with nature (which exclude overuse of resources and their abuse as sinks for

harmful waste); and to establishing sustainable relations among people in the cultural, political, and socio-economic context (which include all producers and users in the fair production and use of whatever is commonly produced).

In the scientific-technological subsystem of society in which actors produce scientific-technological innovations that enhance and augment human self-actuation the common good is scientific knowledge and technological means – both constituting the ‘how’ of ever more human activities – as they are shaped by societal relations that make up the structure of the techno-social systems. This system is now a battlefield in the struggle for science as a ‘communist’, universal, disinterested, and organised sceptical endeavour, as Robert K. Merton put it in 1942 in ‘The Normative Structure of Science’,⁶ a struggle for technology assessment and for designing meaningful technology as against military-industrial-complex-funded research and development.

In the ecological subsystem of society, in which actors produce adaptations to, or of, the natural environment that supports human self-preservation, the common good is all of extra-human nature and all of human nature, the material ‘who’ and the material ‘what’, the natural subject and the natural object, of human activities, ecology, and bodies as they are shaped by societal relations – the structure of the eco-social systems. This system has become a battlefield between external and internal nature. There is a struggle for a cautious approach to the biophysical bases of human life as against their extensive and intensive colonisation.

The economic subsystem – the sphere of resources that is conditioned by the social relations of distribution of the means for a good life – has become the battlefield of the struggle for un-alienated working conditions and a fair share for all against the erosion of the labour force, against the pressure exerted by financial capital, against corruption, and against the Matthew principle (the rich-get-richer mechanism) inherent in capitalist economies, etc.

The political subsystem – the public sphere that is conditioned by the power of decision-making processes over the conduct of a good life – has become the battlefield of the struggle for participatory democracy against right-wing, technocratic, or populist authoritarian rule.

And the cultural subsystem – the realm of values and lifestyles conditioned by the process of defining what ‘good’ means in the ‘good life’ – has become the battlefield of the struggle for inclusive definitions of selves oriented to unity through diversity as against parochial ways of living, nationalism, and fundamentalist ideologies.

In society as a whole, the common good is the inclusive community of actors interrelated such that a humane social system can result with a

competitive edge in the course of evolution on our planet. It consists of the social subject, the social object, and the social ways and means of human activities that include the material and natural ones but go beyond mere physicality; the commons is the sphere that allows for the unfolding of individual ingenuity, the space that society provides for it.

Subjective factors in the transformation

As current technological, ecological, economic, political, and cultural crises show, conservative forces fall prey to an anachronistic mode of action that increasingly encloses any existing commons. This has been termed 'idiotism'.⁷ In ancient Greek 'Idios' meant 'the personal realm, that which is private, and one's own'. In Neal Curtis's view, 'idios' also implies 'being enclosed'. He says, that 'the creation of the private through the enclosure of public or commonly held resources has historically been the primary means by which property has been secured for private use'.⁸ 'Idiotes' then denotes a person who is concerned with his personal realm only, with his own, and not with, say, the *res publica* and the fate of other human beings. Curtis convincingly demonstrates that neoliberalism, not only in ideology but also as a distinct social order, epitomises the principle of the 'idiotes'. And it is true that idiotism as a feature of society that functions via the actions of self-interested, self-concerned individuals goes back to antiquity and even earlier social formations in which there was domination that went hand in hand with the enclosure of the commons and the denial of free access to it.

In contrast to idiotism, a transformation into GIS requires a new cosmopolitanism that by promoting a new image of world citizens – from the perspective of all humanity – inspires a new kind of behaviour, from the world-society level to various groupings at different levels and finally to the individual. Idiotism is characterised by an attempt to decouple the means from the ends and invent ever-new means while the ends remain fixed as givens. New cosmopolitanism questions both means and ends; no means, no ends are taken as givens unless agreed upon in common; not only are the means to be variable, but the ends are not to be imposed as constants anymore; a permanent adjustment of the means to the end and of the end to the means is understood as feasible and mandatory; the means is open to critique if it does not lead to the desired moral end, and the end is open to critique too if it turns out to frustrate a higher moral end. Since, in idiotism, particularist understandings of means and ends are either made into absolutes or are simply put forward from a relativist point of view, and since idiotism's views of means and ends are short-sighted and disregard harmful effects on other parts of the system, they express the interests of self-

regarding persons (and groups). In new cosmopolitanism, on the other hand, interests are compelled to replace short-sightedness with long-sightedness. Individual interests need not be particularistic; they can be coherent with social relations that are concerned with, and care for, all of the community in question. Actors can serve their true and best interests by acknowledging that they can do so best when in harmony with the overarching system and thus without doing harm to other system components. They can construct a unity-through-diversity relationship to the social system. But to be able to do so they need to overcome the restrictions of reflexivity they face in idiotism. Reflections in new cosmopolitanism are compelled to refer to commonalities. Actors need to be enabled to reflect their own positions and the positions of others from the perspective of the overall social system; through collective reflection on the part of the actors, the system itself can be said to be reflexive about its actors when it assures improved conditions for social synergy and for the reduction of social frictions in the generation and utilisation of the commons. Actors need to extend their reflections to the community and its commons.

The transition to GSIS would necessitate a reflexive revolution. However, as I wrote in 2014, societal development after 1968 was not particularly conducive to the formation of strong, comprehensive, and deep-rooted forces composed of agents of change working towards a GSIS and a mitigation of the global challenges.

In the aftermath of the oil crises in the first half of the seventies and on the eve of the eighties of the last century, the post-war boom and the blind trust in the continuing improvement of social life conditions lost momentum. In economy, the accumulation of industry capital decoupled the increase of wages from the increase in productivity. In technology, flexible automation displaced Fordism (mass production with mass consumption). In politics, Thatcherism and Reaganomics, the destruction of the social welfare state by liberalisation, privatisation, and deregulation were introduced. In culture, the ideology of neoliberalism, of 'make your own luck', of individualism began to become hegemonic. All of that formed a pattern that connects. It was implemented by the advised response of the ruling classes to the decline of the profit rates that had accelerated because of the accumulation of capital that could not find appropriate spheres of investments. And this implementation could capitalise [on] the weakness of the trade union and labour movements. In the nineties, the financial capital began even to outweigh the industrial, 'material', 'productive' capital causing several bubble implosions. In

the current crises, the transnational financial capital is targeting national economies and the politicians support it by administering austerity at the cost of the 80, 90 or even 99 per cent of the populations instead of starting a redistribution of wealth and income.⁹

The conditions for a subjective factor to emerge even worsened. Students were trained to work as cogs in the machine of myopic economic interests and not educated to grasp the big picture. Personal competence through political education and engagement is neither required nor offered, and technical and business skills and (natural) science training prevail. The economisation of education has transformed pupils and students into customers. Schools and universities do not provide guidance for critical thinking nor do they provide free space for it. Even a sense of connection with society is not fostered.

There is still no empirical evidence that consciousness is spreading among the youth in the Western world about the commons that need to be reclaimed for a just social order in nascent world society. Restricted reflection still appears to be predominant.

But there is still hope. The protests of new social movements might have helped prepare the ground for growing political awareness that reflects the economic situation and a will to change. Insight into the causes of the crises may have spread. There may be realisation that the current crises are expressions of a progressive enclosure of all the common goods generated and utilised by actors in the whole range of social systems that make up society. Battles over reclaiming the commons may now be more easily recognised as such.

In conclusion, there is still grounds for hope, since imponderables, contingencies, and serendipity are inherent in social evolution. Social evolution is emergent, and situations may arise that open the window to the needed transition to a Global Sustainable Information Society.

Notes

- 1 See Wolfgang Hofkirchner, *Twenty Questions About a Unified Theory of Information*, Litchfield Park: ISCE Publishing, 2010, pp. 5–6.
- 2 < <http://is4is.org>>.
- 3 < <http://summit.is4is.org>>.
- 4 Wolfgang Hofkirchner, 'Potentials and Risks for Creating a Global Sustainable Information Society', Christian Fuchs and Marisol Sandoval (eds), *Critique, Social Media and the Information Society*, London and New York: Routledge, 2013, pp. 66–75.
- 5 Wolfgang Hofkirchner, 'The Commons from a Critical Social Systems Perspective', *Recerca*, 14 (2014), pp. 71–91.

- 6 Robert K. Merton, *The Sociology of Science: Theoretical and Empirical Investigations*, Chicago: University of Chicago Press, 1973, pp. 267-278.
- 7 Neal Curtis, *Idiotism: Capitalism and the Privatisation of Life*, London: Pluto Press, 2013.
- 8 Curtis, *Idiotism*, p. 12.
- 9 Hofkirchner, 'The Commons', pp. 85-86.

The Greek Water Referendum and the Distinction Between Public and Common Goods

Theodora Kotsaka

The last decade in Western Europe has seen a dynamic of remunicipalisation in the water and energy sectors that is part of a global trend.¹ Especially in the water sector, one municipality after another is reappropriating water and sanitation management as contracts with private companies expire. In some cases, for example in Berlin, municipalities have decided that it is in their interest to pay a very large penalty to break these contracts in response to the hollow promises of private operators and their failure to put the needs of communities before profit. On the whole, business for giant corporations in the water privatisation sector is not going well. Even in France, where the two biggest water corporations in Europe are found, the city of Paris has severed its relationship with the company that had been managing its water, and several municipalities around the country have been continually terminating their contracts with these companies.²

Experience has shown that privatisation does not square with high-quality water and related services, environmental protection, and reasonable prices. For example, the more polluted the water the higher is the technology it requires, and the higher the technology, the higher the price. In short, more pollution means more profit for the private company. Water companies specialise in this kind of technology, which uses chemicals that often pose health hazards, and not in environmental preservation that makes this technology unnecessary. In addition, layoffs and the curtailment of labour rights often accompany water privatisation. In general, when water and sanitation services are under private control prices tend to be much higher. In France, for instance, it was seen that privately managed water cost the consumer 16% more.³ In Bucharest water was privatised in 2000, and since then the price has risen twelvefold.

Despite more than three decades of relentless promotion of privatisation and public-private partnerships (PPPs) by international financial institutions and national governments, data demonstrates that water privatisation does not work. One official report after the other – even when considering public-private partnership – supports this conclusion.⁴ It is not a matter of ideology but of data. Consequently, several independent scientific institutes and NGOs are asking in whose interest the European Commission (EC) is working. How can municipalities go in one direction and the EC in another? The Commission's policies are based on neoliberal dogma, which leads them to ignore scientific data.

The Greek case

In the context of the constant terminating of contracts with water companies all over Europe, Greece under the Memorandum was an opportunity for profitable business. It is a typical strategy of the water companies to knock at the door of municipalities in countries that are in serious economic difficulties with a view to acquire the public water monopoly at extremely profitable prices. This is why every country under the Memorandum or in serious crisis is an 'opportunity' for privatisation companies, as is every crisis for someone.

In Greece, water companies are public and in general they provide adequate and cheap services. Nevertheless, in 2012, and under the second Memorandum, they – along with certain other public companies and property – came under the authority of TAIPED (Hellenic Republic Asset Development Fund). TAIPED is a Memorandum institution with the task of privatising anything possible in order to meet the Troika's demands and return money to the creditors.

Here we should bear in mind that in those days there was a dominant discourse of dissatisfaction with the public sector within Greek public opinion, fervently promoted by the mainstream media, arising from government misuse in recent decades. Clientelism, corruption, and inefficiency were the main accusations against the public sector that struck a chord in the population. In that framework, it was easier for neoliberal propaganda to convince part of the population that public companies should be sold off. Moreover, in the midst of the humanitarian crisis, with huge unemployment, precarious work conditions, and salaries of 280 euros, feelings of envy towards public servants were also manipulated in the promotion of privatisation. Their permanent jobs and better salaries were used as an argument in order to create a common front with the other social categories.

However, as the neoliberal policies were aggressively expanding under

the Memorandum-caused state of emergency, people began to have doubts about privatisation as a general solution for the country's economic woes. Especially in the case of water, a critical mood became visible within the population. Polls showed that more than 64 per cent disapproved of water privatisation, and their number was continually increasing. As time went on, a similar anti-privatisation sentiment emerged in terms of public goods and services in general. More and more people are now seeing that private control tends to lead to higher prices and lower quality.

Water has an emblematic character and is generally recognised as a common good compared to other sectors (such as telecommunications). Consequently, a dynamic grassroots movement arose around water, and it was able to mobilise citizens and institutions and disseminate information on the consequences of water privatisation, drawing also on experience from abroad. The movement emerged from the 2011 *indignados* movement and the general radicalisation and self-government tendency that was consolidated in Greece after the riots of 2008. That is where most components of the water movement first got to know each other. They produced a grassroots working basis at that time and in going forward they took up a single-issue struggle. Several initiatives and umbrella movements were created, and not only in Athens and Thessaloniki.⁵

In 2012 the government announced it would give over the management, and almost all of the two biggest cities' water companies' stock capital, to private control.⁶ The selling price that TAIPED established was 80 million euros. To understand the dimensions of this giveaway one needs to know that from 2007 to 2011 the revenue from the two water companies, EYDAP (Athens Water Supply and Sewerage Company) and EYATH (Thessaloniki Water and Sewerage Company), amounted to 134,000,000 million euros. The chosen investor would amortise its investment in four or five years with no obligation to reinvest in infrastructure or network. Additionally, absolute control over prices and workplaces and similar authority over the cities' business planning was guaranteed.⁷ This choice was made at a time in which households had reduced water consumption and water cut-offs were becoming ever more frequent occurrences.

It was soon obvious that EYATH would be the first to be sold, and Thessaloniki was thrust into the forefront of the Greek and international water movement. When TAIPED made the offer in 2012, in order to choose the highest bidder, some 'usual suspects' appeared like Suez with its Greek partner AKTOR⁸ and Mekorot (the Israel National Water Company).⁹ A notable development was the participation in the tender of the Citizens' Union for Water Initiative (known as Kinisi136, that is, 'Initiative 136' or

K136). Kinisi¹³⁶ proposed a model of social management and ownership.¹⁰ The idea is that if EYATH's estimated capital value is divided by the number of households it serves, each household would have to contribute 136 euros in order to buy the company and get it under social control. For this purpose, non-profit cooperatives have been created in each municipality. K136 collaborated closely with EYATH, and its bid in 2013 was supported by the water workers.

The proposal followed the line of thinking that distinguishes between public and common goods by proposing social – instead of state or municipal – control. The model was based on direct democracy: decisions would be taken at open assemblies, based on principles of self-management with one vote per person. A deepening of democracy was proposed through social participation in public goods management divided among smaller local water companies, whose smaller scale could facilitate the participation of, and control by, consumers. This proposal has been able to overcome much of the aversion to public companies and mobilise more people to fight water privatisation.

However, there was dissent regarding the project, which mainly had to do with efficiency. The argument was that water is too important and needs too high a level of expertise and too much money for investment in infrastructure and maintenance, and these are the things that the state is in a position to provide; and that it is not the place for risky experiments. Moreover, many were asking: 'Why should we pay again for an infrastructure that we have already paid for as tax payers?'

In any case, as expected, TAIPED rejected K136's proposal; still, it attracted considerable international interest and got much publicity. In March 2013 the EYATH Workers Union issued an open call for the creation of a broad alliance against privatisation. Municipalities, K136, the Citizen's Union for Water, twelve non-profit water cooperatives, several grassroots movements, and individual citizens together co-founded the coordinating body 'SOSte to Nero' (Save Water). It is significant that SOSte to Nero took the position that water should be under public control. At the same time, Water Warriors – another initiative working on the mobilisation of people who were against privatisation but who did not have a clear idea of an alternative proposal – strongly believed that democratic management revolves around citizens' participation and worked closely with K136.¹¹

It is obvious that the term 'public' is ambiguous, as it can connote ownership by the state, the municipality, and the people. Although all factions emphasised citizen participation in one way or the other, some were in favour of state ownership, others advocated a cooperative form,

while the mayors wanted municipalisation. As often happens, disagreements did not emerge in the initial stages when forces united to defend water from privatisation. They typically emerge when victory appears possible and people have the time and space to think about the best management practices for this common resource.

The water referendum

In Thessaloniki, the need for unity prevailed. Having seen that official political channels allowed them no leverage in the decision-making process, SOSSto Nero decided to organise a local popular referendum on water privatisation. On 14 March 2014 the Regional Association of Municipalities of Central Macedonia unanimously decided to hold a referendum of grassroots character.¹² The idea was inspired by official and unofficial referendums in other countries, for example Italy in 2011, and cities like Berlin in 2011 and Vienna in 2013.¹³ To this end, three-person steering committees have been established in each municipality of Thessaloniki, involving one representative from each municipality, one from K136, and one for the EYATH Workers. SOSSto Nero circulated a call for support at the European level. EPSU (European Federation of Public Service Unions) took the lead in coordinating financial donations as well as volunteer international observers for the referendum.¹⁴ The referendum took place on 18 May 2014, the day of local and European elections, despite last minute obstruction and threats by the Greek government. A total of 218,002 citizens participated in the referendum and 98 per cent of them said ‘No’ to privatisation.

The privatisation process was thus blocked and a sense of dignity and social empowerment created. Once more it has been obvious that the use of direct democracy tools – such as referendums, participatory budget, popular legislative initiatives, etc. – is able to reinforce the legitimacy and efficiency of democracy during a period in which it is desperately needed. Political results were also produced at the institutional level. In 2014, Greece’s highest administrative court, the Council of State, ruled that the state should reappropriate EYDAP from TAIPED. In so doing, the government’s decision to grant the majority share of equity to TAIPED was ruled unconstitutional and nullified. However, EYATH’s equity capital has not been reappropriated from TAIPED.¹⁵ (In May 2015, one year after the referendum, 31 Syriza MPs were still asking the responsible Syriza ministers to fulfil the process.¹⁶) In the same period, grassroots water-rights groups organised several initiatives, conferences, and events posing the same demand. In any case, it became clear once more that the water privatisation

companies are carefully planning their investments, and one of the variables they take under consideration is the social context. When we organise resistance, the company's appetite decreases.

Why 'public' is not enough?

The European water movement got results not only in preventing privatisation and returning water to public ownership, but also in introducing into the discussion new policies for managing water as a common good.¹⁷ It is at this point that confusion very often arises between the terms 'common good' and 'public good', which is not surprising due to the relative novelty of the terms 'commons' and 'commons economy' with its Peer-to-Peer (P2P) aspects.

A public good is managed by the state, the government, the municipality. However, since the 1980s the state has concerned itself principally with increasing the rights of private property, free markets, and free trade. With the advent of neoliberalism, the public sector came no longer to refer to citizens with shared meanings and norms for the use of their mutual resources, but to the government that promises to improve their individual well-being through privatised goods disguised as public goods: *'In a mystifying sleight of hand, the resources we use in common are identified as public goods and then deregulated and turned over to the private sphere for production and distribution through the change of their legal status. Examples of this commons/public/private rebranding include water, food, forests, energy, health services, schools, culture, indigenous artefacts, parks, community zoning, knowledge, means of communication, currency, and ecological and genetic resources. Not only do "commons" vanish through this legal and linguistic shuffle, even the word "public" is stolen from the people.'*¹⁸

Recent decades have seen frequent cases of political elites/high-ranking personnel accused of serving as employees of big corporate interests. In many instances, political and economic elites, instead of a private corporations, plunder a common resource or service by treating the resource like their own property. They erect barriers to the relevant knowledge, data, and capacities and close the door to people's participation. In so doing, they establish their role within a peculiar kind of 'democracy of experts and bureaucrats'.¹⁹ However, the problem is still more serious when elites use their managerial power over common resources in order to construct clientelist networks and distribute power positions. There is, in fact, nothing 'common', and not even public, in this way of managing common resources and public services.

Struggles around common resources (from seeds and fishery, to internet and DNA) are intensifying all over the world. What people are trying to prevent is new enclosures. Capitalism is constantly seeking new enclosures.

In certain historical periods natural resources were its main focus to which digital goods have been added as new territories for capitalism. In recent years, the new conceptual framework of common goods, one with a long prehistory, has begun to unify diverse struggles around the world.

However, this does not mean that all common resources should be managed as a commons and not as public goods. There are certain variables that can be determinants in that choice, which are relevant not only to the nature of the good itself but also to historical, political, and even geophysical particularities. As in the case of water, the area location may make necessary the environmental preservation of a resource in several contiguous territories, something that can be better managed on a national scale. In addition, the infrastructure and expertise requirements may be so expensive that the only way to finance operations is with state or municipal funds. In those cases, management by a local community may not be the appropriate scale. Be that as it may, several principles for managing water as a common good can be practiced even if it is under state or municipal control.

There is also another category – embracing health and education – that cannot simply be treated as common goods. For example, during the crisis in Greece we have had several solidarity health centres offering extremely important services to help people deal with health problems. It would, however, be a mistake to hold that the state does not have the exclusive responsibility for the health of the population. Health supplies should cover the whole nation, and in many cases for this to occur high-level expertise in terms of medical knowledge and experience is needed alongside expensive medical equipment and facilities. Also, in education it would be problematic to have schools providing different kind of services according to random variables such as the existence or not of efficient teachers in the community or the class position of the area. People pay their taxes in order to be able to demand that the state fully satisfy needs of this kind. However, in common goods management, relationships and knowledge produced through these kinds of solidarity networks are far from being a secondary matter – especially during the crisis – but can also contribute to social emancipation and enrich the traditional and mainstream framework in which these kinds of services work, and this is an enrichment that is now generally recognised as an urgent need.

There are concrete alternative examples, for instance of public water companies that are practicing an alternative water management that includes policies of ‘water as a common good’. They focus on water and sanitation as a human right, on social participation and environmental protection, on treating relevant projects and knowledge as a common good, etc. Cases like

those of Naples (ABC), Amsterdam (Waternet), Paris (Eau de Paris), or of Dikili in Turkey amongst several others, provide a tool kit of practices that can be applied according to the particularities of each single case.²⁰ The workers and the technical knowledge they possess, their unions and the citizens (also with their attribute as consumers) in all cases in which they managed to unify their powers in a common front not only defeated privatisation but also improved the operational framework of public services.²¹ In any case, the institutional framework of public services – in each country, but also at a European level – is of great importance. It can be decisive, operating as a deadlock or as an empowering force for the alternative management of a resource as a common good.

Several different types of economies are practiced by humanity: solidarity economy, reciprocity economy, household economy, P2P economy, and several other types in which the capitalist economy is dominant.²² A significant difference between these types of economies is that the latter is the type that has at its disposal a tremendous institutional framework of economic institutions with overweening power, such as the IMF, the World Bank, or European Central Bank for obvious reasons related to class antagonism. Instead of waiting for capitalism to reach the end of its life, it would be useful to try and create the conditions and institutions that will provide the backbone for parallel types of economies in order to occupy space in people's economic practices. The space they acquire is removed from the capitalist economy. In our age, in which the capitalist financial framework is unable any longer to cover people's basic economic needs (in Greece we even had the banks and the stock market shut down for weeks), and digital technology creates opportunities for new kinds of organisation of collective life and economy, it is important to have as a political goal the creation of those institutions which will allow alternative types of economy to operate.

Towards a definition of common goods

In defining a common good, many theorists use categories like 'rivalrous' (one person's use precludes another's use) and 'non-excludable' (when it is difficult or impossible to exclude others from using the resource). Neoclassical economics tends to classify goods in four groups: private and public goods, club goods, and common goods. Attempting to apply this classification in organising real-world objects easily leads to confusion and frustration. It becomes even trickier when we try to include the different attributes of material and non-material common goods. The problem with this kind of definition is that it uses ponderous claims, difficult to grasp and

also conceptually weak: *'Could such non-intuitive definitions be a reason why the commons seem so abstract to many people? How can their ontological reality be recognized when common goods require so much analysis to distinguish them from public goods?'*²³

However, the distinction becomes clear if we consider that a common good is not something that exists in itself, as a given. It presupposes a community with a strong will to manage the resource as a common, a community that assumes responsibility for resource production and/or preservation. From the point of view of the commons, the 'just-a-consumer' identity, that is, which demands from some authority or private agent that it manage a resource as a common good, is a contradiction: a commoner is someone who is contributing to the management of a resource as a common, not someone who is demanding that someone else do it for him or her. A common good is managed – or produced – by a community of commoners, which presumes dedication, participation, and responsibility.

Many alternative communities have developed their own sets of norms and rules to oversee their collective resources in a sustainable manner. Whether these commons are traditional (rivers, forests, indigenous cultures ...) or emerging (solar energy, social innovation, internet ...), self-organised communities act collectively in order to preserve their local resources, both for themselves and for future generations. When the users of resources are directly involved in the process of production, their local ideas, learning, imagination, deliberation, and self-corrective action are embodied directly in their collaborative activities.

To make a commons operational, resource users and producers develop a legal entity called a commons trust.²⁴ Trusts are generally created to preserve depletable (natural, material) resources, but many replenishable commons (social, cultural, intellectual, digital, solar) can also benefit from trusts that ensure their regeneration. Trustees set a cap on the extraction or the use of a resource according to non-monetised, intergenerational measurements such as sustainability, quality of life, and well-being. Having protected a commons for future generations, the trust may rent a proportion of the resource beyond the cap to the private sector or to state businesses and utilities for extraction and production. A percentage of this rent is taxed by the state and redistributed to citizens as dividends or subsistence income, with emphasis on the poor and marginalised.

At the same time, a series of legal tools aimed at keeping the results of collective creation under the control of the collectivity that produced them have been invented and developed by commoners themselves, for example, by altering the legal tools originally designed to protect private property,

redirecting them towards the protection of commons, as in the case of GPL and CC licenses. Both were redefinitions and transformations of the logic governing copyright.²⁵ Governments could also provide seed funding, incentives, and grants for commons and commoning, just as they currently provide research and development support and assistance to businesses and corporations.²⁶ What is more, in contrast to privileged public-private partnerships, public-common partnerships (where the institutions enable and empower the collective/social peer-creation of common value) can also be a part of the picture.²⁷ Several forms of public-commons partnership can be developed, in which the role of the state is realigned, from its current support to private for-profit companies to supporting commoning and the creation of common value.²⁸ This can be achieved through tax exemptions, subsidies, and the empowerment of sharing and commoning activities, but also by assigning public and state-owned goods to common and shared usage through projects that coordinate public institutions and commoners. This is a road which could be the beginning of a general transformation of the role of the state and local authorities in the direction of a partner-state model.²⁹

Notes

- 1 Worldwide since 2000, there have been 235 cases of remunicipalisation in 37 countries. See 'Here to stay: Water remunicipalisation as a global trend', Public Services International Research Unit (PSIRU) and Multinational Observatory and Transnational Institute (TNI), 2014, <<http://www.tni.org/briefing/here-stay-water-remunicipalisation-global-trend>>.
- 2 Martin Pigeon, 'Une eau publique pour Paris: Symbolism and Success in the Heartland of Private Water', in Martin Pigeon, David A. McDonald, Olivier Hoedeman, and Satoko Kishimoto (eds), *Remunicipalisation: Putting Water Back into Public Hands*, Amsterdam: TNI, 2012, pp. 24-39. However, de-privatisation does not only take place on a municipal scale. Regional and national authorities have considerable influence over services funding and policy, and in some cases act directly as water operators; thus the process is occurring within this broader context.
- 3 Eshien Chong Freddy Huet, Stéphane Saussier, and Faye Steiner, 'Public-Private Partnerships and Prices: Evidence from Water Distribution in France', *Review of Industrial Organization*, 29,1 (2006).
- 4 Satoko Kishimoto, Emanuele Lobina, and Olivier Petitjean (eds), *Our Public Water Future: The Global Experience with Remunicipalisation*, TNI: Amsterdam 2015, <<https://www.tni.org/en/publication/our-public-water-future>>; see also <www.remunicipalisation.org>.
- 5 For a detailed account of Greece's water movements see Vicky Quinlan (ed.), *Thessaloniki, Greece: Struggling against water privatization in times of crisis*, Amsterdam: TNI 2014, <<http://www.tni.org/article/thessaloniki-greece-struggling-against-water-privatisation-times-crisis>>.
- 6 <<http://www.hellenicparliament.gr/UserFiles/c0d5184d-7550-4265-8e0b->

- 078e1bc7375a/9226693.pdf> (in Greek).
- 7 So that operations can be launched, with a guarantee of proper drainage connection, several types of businesses need permission from the water company, which in essence gives it control of the city's business development planning.
 - 8 The French multinational giant, Suez, is a shareholder and owns 5 per cent of EYATH shares. AKTOR is Greece's largest construction company and a member of the ELLAKTOR Group.
 - 9 The process began on 5 June 2014 with an official presentation from the managers of EYATH to the economic analysts and representatives of the private companies at the financial centre of Thessaloniki. Citizens participating in 'SOSSte to nero' (the umbrella initiative) entered the building and demanded an opportunity to question the investors, which they needless to say were not granted, and so they disrupted the procedure. The same period saw several demonstrations, information campaigns, and several similar actions.
 - 10 <<http://www.redpepper.org.uk/resisting-water-privatisation-under-austerity/>>.
 - 11 Quinlan, 'Thessaloniki'.
 - 12 In Greece the right of citizens to a referendum, at the local or national level, is only recognised in principle by the Constitution. A law has never been passed that stipulates the steps that need to be followed in order to make the results binding. For a detailed account of the Greek water referendum see Kostas Nikolaou, *The referendum on the water of Thessaloniki* (2014), <<http://europeanwater.org/actions/country-city-focus/456-the-referendum-on-the-water-of-thessaloniki>>.
 - 13 Yiannis Efstathopoulos, 'The right to water and its claim: European Referendums on Water', Theodora Kotsaka (ed.), *Nero – Koino Agatho* [Water – Common Good: Good practices and European referendums asserting it as a public good], Athens: Nissos, 2013 (in Greek), pp. 68-75.
 - 14 <<http://www.epsucongress2014.eu/epsu-welcomes-resounding-no-water-privatisation-thessaloniki>>.
 - 15 <http://sostetonero.blogspot.gr/2014/11/blog-post_27.html> (in Greek).
 - 16 <<http://www.hellenicparliament.gr/UserFiles/c0d5184d-7550-4265-8e0b-078e1bc7375a/9226693.pdf>> (in Greek), <<http://www.right2water.eu/news/greece-become-first-european-country-recognize-human-right-water>>.
 - 17 For example, the December 2014 ruling of the court in Soissons, France, that access to water cannot be denied to users who are not able to pay the private companies, <<http://www.waternewseurope.com/france-cutting-water-off-is-illegal/>>.
 - 18 James Quilligan, 'Public Goods vs Common Goods', <http://p2pfoundation.net/Public_Goods_vs_Common_Goods>.
 - 19 Interesting on this point is the following article on the Italian water movement and referendum: Tommaso Fattori, 'Fluid Democracy: The Italian Water Revolution', *transform!*, vol. 9 (2011), pp. 99-109, <<http://www.transform-network.net/yearbook/journal-092011/news/detail/Journal/fluid-democracy-the-italian-water-revolution.html>>.
 - 20 David Hachfeld, Philipp Terhorst, and Olivier Hoedeman, *Progressive Public Water Management in Europe: In Search of Exemplary Cases*, Transnational Institute (TNI) & Corporate Europe Observatory, 2009, <<https://www.tni.org/files/download/progressivewaterineurope.pdf>>.
 - 21 'It is the context of employment that makes it possible (than if it was an enterprise in the

capitalist market) for workers to express themselves through their work, in the delivery of services to fellow citizens, as knowing, feeling people, rather than simply as workers selling their creativity like a commodity. Of course, many workers in private, profit-maximising enterprises try to do the same, but the partially decommodified sphere of public services enables this to take place and be struggled for within the proclaimed rationale of the organisation. [...] Few, if any, public sector institutions were designed to realise the creativity of labour in serving their fellow citizens. But when workers have struggled alongside communities against privatisation, this is exactly the possibility that comes to the fore. It is the workers' commitment to the purpose – the potential use value of their labour – that underpins the move from a struggle simply to defend workers' livelihoods to a struggle over a service for the benefit of all.' Hilary Wainwright, 'Notes for political economy of creativity and solidarity', V. Vishwas Satgar (ed.), *The Solidarity Economy Alternative: Emerging Theory and Practice*, Durban: University of KwaZulu-Natal Press, 2014, p.16.

- 22 On the concept of 'ecology of productivities' see Bonaventura de Sousa Santos, *Epistemologies of the South: Justice Against Epistemicide*, Boulder, Colorado: Paradigm Publishers 2014, pp.180-1.
- 23 James B. Quilligan, 'Why distinguish common goods from public goods?', David Bollier, Silke Helfrich (eds), *The Wealth of the Commons: A World Beyond Market and State*, The Commons Strategy Group, 2012, <<http://wealthofthecommons.org/essay/why-distinguish-common-goods-public-goods>>; Silke Helfrich, 'Common goods don't simply exist – they are created', David Bollier, Silke Helfrich (eds), *The Wealth of the Commons: A World Beyond Market and State*, The Commons Strategy Group 2012, <<http://wealthofthecommons.org/essay/common-goods-don%E2%80%99t-simply-exist-%E2%80%93-they-are-created>>.
- 24 J. Quilligan, '*Public Goods vs Common Goods*', P2P Foundation, <http://p2pfoundation.net/Public_Goods_vs_Common_Goods>.
- 25 Tommaso Fattori via Michel Bauwens, 'Towards a Legal Framework for the Commons', Social Network Unionism, 2012, <<https://snuproject.wordpress.com/2012/08/15/towards-a-legal-framework-for-the-commons-by-tommaso-fattori-via-michel-bauwens/>>.
- 26 According to David Bollier, 'Government should actively support the commons, just as it supports the market. Government does all sorts of things to help markets function well. It builds infrastructure, pays for courts, provides legal protections, promotes trade, and gives out subsidies, among other benefits. Why shouldn't government provide similar support to help the commons work well? I say it's time to explore how government can play a more active role in nurturing the commons sector and the type of value that it creates.' David Bollier, *The Digital Republic*, November 2009, <<http://bollier.org/digital-republic>>.
- 27 On the 'partner state' concept see Michel Bauwens, Vasilis Kostakis, 'Towards a new reconfiguration among the State, Civil Society and the Market', *Journal of Peer Production* 7 (2015), <<http://peerproduction.net/issues/issue-7-policies-for-the-commons/peer-reviewed-papers/towards-a-new-reconfiguration-among-the-state-civil-society-and-the-market/>>; see also <http://p2pfoundation.net/Public-Commons_Partnership> and <http://p2pfoundation.net/Commonification_of_Public_Services>.
- 28 Tommaso Fattori via Michel Bauwens, 'Towards a Legal Framework for the Commons'.
- 29 Michel Bauwens describes the partner state as: '[...] public authorities which create the

right environment and support infrastructure so that citizens can peer produce value from which the whole of society benefits.' He also points out that the concept of partner state should not be confused with plans to dismantle the welfare state along the 'Big Society' model: 'The peer production of common value requires civic wealth and strong civic institutions. In other words, the partner state concept transcends and includes the best of the welfare state, such as the social solidarity mechanisms, strong educational systems and a vibrant and publicly supported cultural life. What the British Tories did was to use the Big Society rhetoric to attempt to further weaken the remnants of social solidarity, and throw people to fend for themselves. This was not enabling and empowering; it was its opposite.' Michel Bauwens, *The Partner State & Ethical Economy*, July 2012.

Cooperativism and Self-management in Italy

Roberto Musacchio

The discussion and the movement underway around the issue of the commons – common goods is the term used in Italy – benefits from knowing something of its prehistory. This is particularly true for our country. Indeed, if in Italy, too, the organisational model of the left was based on the primacy of the party and of politics, it is no less true that there was a wide array of experience in cooperativism, involvement in associations, and volunteering, stretching across almost three centuries, from the 19th century to today. Although the model of the German labour movement structured on state forms – and not the cooperativist model of the earlier labour movement – prevailed in Italy, the social practices based on conscientisation and the organising of the protagonists in Italy have been and are very vast.

There are various major factors in this development. First, the heritage of the city states, of the crafts and guilds that created an extraordinary Renaissance after the feudal epoch and which, in the difficult process of building a unified state, survives today, animating experiences of artisanal work through cooperatives and of civic localism based on the principle of mutualism. Then there is the religious factor originating in the medieval confraternities, which survives today mainly through the kind of democratic Catholicism that Don Milani did so much to develop. Then, unquestionably, there is Gramsci who indicated a path for a party that is inside society, that lives the life of the subjects to whom it relates and promotes their self-organisation and the improvement of their conditions of existence. Togliatti's new mass party draws a great deal on this Gramscian inspiration, although it is built on its own primacy and that of political action. It is no coincidence then that it was a party with millions of members that contributed to the creation and sustenance of very many forms of social organisation that operated in all social sectors and all spheres of life. Mass organisations were created in a wide variety of forms and in all spheres – the economy, services, culture, sports, and around issues of gender, peace, youth, and environmentalism.

These experiences, naturally, involved different historic phases ever since their ancient origins. Moreover, there is a legislative background that in some cases is situated in a still older history, with some legal definitions of common goods based on Roman law, for example 'usi civici', which are a very old form of access to common goods such as those arising from natural and civil contexts.

In terms of the nexus between common goods and labour, the creation of alternative forms of labour occupies an important place in the history of Italian cooperativism and its historical precedents of artisanal labour, besides offering an alternative approach to industrialisation. Italy's cooperative movement has involved, and still involves, millions of people in many spheres – production, distribution, housing, and services. If its regression is obvious to all and it is increasingly becoming just another part of market society, we still cannot erase its existence nor refrain from reflecting on its trajectories and on what it might yet be able to express. Indeed, still today, and particularly in new areas, such as in services of a social character, there are important experiences with great subjective value.

Cooperativism was originally conceived as an emancipation of labour, as a form of organisation that would result in more justice and a different way of producing, and so we have to ask why it was defeated.

In recent decades, however, new forms have grown. As mentioned, there has been a socially-oriented cooperativism, based specifically on issues such as democratic psychiatry and the struggle against discrimination and with the phenomenon of social centres that have interwoven the reappropriation of spaces, cultural practices, and promoted forms of self-income. In terms of self-income, the practice of 'co-working' has emerged. The transition to an increasingly multi-ethnic society has engendered multiple forms of intervention to support integration, for example in teaching the Italian language and in the area of schools more generally with a great deal of voluntary activity in schools and beyond, originating from various worlds – that of the left, youth, Catholicism, and other spheres.

Confronting crisis and de-industrialisation, we have had a substantial legislative history going back to the 1970s. This involves the so-called Marcora Law, called after the minister who introduced it, which has allowed a significant number of workers to take over their own factories during the crisis and manage them in a cooperative form. A law full of limits and compromises, to be sure, but it now applies to about 1,500 workers. Then, in the wake of what has happened particularly in Latin America, we have the first examples of salvaged and self-managed factories that point to a radical change of the overall paradigm – of the mode of working, producing,

relating to the region, and of emancipation from the institutions themselves. Italy's is thus a long and complex history, which deserves to be reconstructed in concert with the real protagonists of these experiences and requires a careful assessment of the mistakes, defeats, and potential. Only today, finally, is a clear connection being drawn between self-management and the idea of common goods, which has in part been made possible by the unhappy outcome of the older experiences. But it is all the more important to pose the problem of how this new phase can have the mass dimension that the older experiences had. There is truly much work ahead of us.

DEBATE

For Fundamental Reform of the European Economic and Monetary Union

Axel Troost

How should the European Monetary Union be reformed?

The president of the European Commission, Jean-Claude Juncker, ‘in close cooperation’ with the presidents of the European Council, the Eurogroup, the European Central Bank (ECB), and the European Parliament, has published a report entitled *Completing Europe’s Economic and Monetary Union*. Also known as the Five-Presidents’ Report,¹ it puts forward proposals aimed at completing the Economic and Monetary Union (EMU); they are proposals that the Party of the European Left for obvious reasons cannot support.

The Five Presidents’ proposals ignore the major causes of the crisis and the relatively adverse economic developments that have occurred in Europe ever since. They also neglect to call for key measures that could stabilise the euro area. Instead, the presidents advocate further labour market deregulation, reductions in wages, and a continuation of austerity. Their proposals amount to the intensification and institutionalisation of austerity, wage reductions, and cuts to social services. The result would be permanently dismantled workers’ rights, the reduced importance of public goods, increased inequality, and further negative economic effects.

What we have recently seen in the policy of ‘combatting divergence’ in Greece has strengthened us in our conviction: Austerity, which involves cuts to social spending with the aim of improving competitiveness, is not an acceptable solution to divergences within the EU. It will only aggravate the damage inflicted on the democratic foundations of the EU’s Member States and those of its institutions.

The Party of the European Left should take to heart the goals enunciated by Alexis Tsipras, Greece’s re-elected Prime Minister: ‘We want to change the Eurozone. So there are three things that we need to do. First, we need to develop alternative ideas. Second, we have to deploy a different crisis policy

based on these ideas. And third, we inevitably need to change the EU's institutions; and, as such, the entire foundation of the European Union.²²

This is a call to work for a return to the origins of the EU – and especially of the EMU. It is all the more relevant in the face of the growing tendency within the left to believe that there is no room in the EU and the Eurozone for social reform policies. In essence the issue is whether Europe would be better off without the EU because it tends to intensify its frequently neoliberal orientation, or whether the EU is merely a reflection of the neoliberal policy orientation of its Member States.

The EU is not per se a neoliberal project. Responsibility for the EU's many wrong-headed policies largely lies with the European Council, or, more precisely, with the governments that dominate it. The central administration in Brussels only plays a secondary role here, as it is the European Council that shapes and enacts the EU's neoliberal policies. Changing this situation means challenging the hegemonic and, recently, aggressive and domineering role played by specific neoliberal governments, mostly notably the German government. As such, building another Europe requires focusing on the political actors in Berlin and not primarily targeting the political elite and bureaucrats in Brussels.

The institutions of 'European governance', too, are not the cause of persistent calamities such as the euro crisis, the banking crisis, unemployment, and militarisation, etc. Therefore the re-nationalisation of policy cannot be the alternative.

Moreover, if specific hegemonic governments are responsible for shaping the EU's neoliberal policies, these same governments can hardly be expected to create more socially just European policies at the domestic level. The idea that the nation-state level offers more favourable 'conditions for struggle' is not credible, for even the protests of hundreds of thousands of people in the southern European countries hardest hit by austerity have not been able to change EU policy. Moreover, many EU Member States are currently faced with a rise of the extreme right and right-wing populism.

Reforming the Economic and Monetary Union

It goes without saying that we need more than just economic growth – let alone economic growth based on competitiveness – to overcome the social and economic crisis. Moreover, approaches need to be developed in crisis countries that encourage reconstruction and that take seriously the requirements of socio-ecological transformation, while still reflecting specific national contexts. In Germany, for example, this would mean a focus on reviving the domestic market – particularly by expanding high-

quality education, and health and care services; Greece, on the other hand, would need to (re)build working structures of industrial production and service provision, some of which could be aimed at export.

The reconstruction of countries in crisis needs to be linked to fundamental monetary union reform; this reform will have to enable Germany's economy to overcome its one-sided focus on exports, which has equally negative consequences for the economies of crisis countries and for workers in Germany.

Reforms implemented at the EU level and of the Eurozone always produce winners and losers. However, the dividing line should no longer run along national borders but should be drawn between social strata. People on low and middle incomes, recipients of transfer payments, school and university students, immigrants, and refugees must benefit from such reforms no matter where they live in Europe.

The current strategy has clearly failed. The internal devaluation, that is, the forced depression of wages and prices has increased the debt level of households, businesses, and governments in crisis countries. Whenever cuts are implemented, people lose their jobs because no one can afford to buy the products they produce. Clearly, the lack of consumer demand is a principal cause of the EU's intractable recession. Businesses are not investing enough in new plants or equipment, which results in low wages and too few jobs. The alternative to a policy of consolidation would be a political decision to stimulate social consumption through investment and thus bring the economy back up to speed.

This requires a tax-financed spending policy. The German Trade Union Confederation, for example, has proposed a *Marshall Plan for Europe* which calls for additional annual investment amounting to 260 billion euros (about two per cent of GDP) to be made available over a period of ten years.³ This policy would be supported by a European Future Fund that would issue bonds guaranteed by participating Member States. The initial capital for the fund would come from a one-off Europe-wide levy on capital.

Financial and banking union

The general view of banking unions is undoubtedly misleading; it ignores the disciplinary aspect of such unions and assumes that they provide unconditional aid programmes to failed banks. However, combining banking regulation with strong rights of intervention for supervisory bodies represents an essential basis for the European Monetary Union. In fact, these approaches are vital for the success of the European Central Bank's monetary policy. If the EMU is to work, demand, time and savings deposits must be

similarly secured throughout the union; regardless of whether these deposits are held by a Spanish, Austrian, or German bank, they all form part of the money available to the ECB. This is why savers throughout Europe need to be able to assume that their deposits are more or less equally secure no matter where they are held. This situation also removes incentives to quickly transfer funds across national borders. Clearly, the vulnerability of banks to speculative transactions (which also threaten customers' deposits) can be resolved through banking discipline. Consequently, banking union can help prevent future systemic bank crashes and the socialisation of banks' losses; as such, it can ensure that losses from failing banks are no longer passed on to taxpayers.

We reject the current approach to a European banking union. Other political parties regularly commit themselves to the principle that 'tax payers should never again be held hostage by banks and speculators'. This is reflected in calls by bourgeois parties and European social democratic parties for a significant increase in capital owners' liabilities when it comes to the capital held by banks and funds. However, the European banking system faces huge problems. On the one hand, it faces a massive lack of capitalisation, and on the other, it is characterised by a large volume of non-performing loans and worthless papers amounting to more than one billion euros. Clearly, the established parties have been unable to demonstrate that the self-healing powers of the market will bring about the necessary reforms without resorting to intervention.

However, it would be wrong to deny the importance of the recent reforms that have been made to EU financial market regulation. These reforms have led to the standardisation and strengthening of controls, increased equity, and a means of dealing with ailing financial institutions.

The form of banking union that is currently being pieced together is aimed at preventing ailing banks from holding debt-ridden nation-states hostage and vice versa. The fact that the European Central Bank is to monitor major European banks and that it will be able to put those which no longer meet the requirements into liquidation certainly constitutes progress. But if liquidations are accompanied by 'bail-ins' for shareholders and creditors who are only required to cover part of the costs involved, then the burden of rescuing failing banks will continue to be assumed by state budgets, and thus taxpayers. Along with counteracting the depressive downward trends and stagnation afflicting some countries, banking reform is one of the most pressing issues in Europe. As long as the banking crisis in crisis-stricken countries remains unresolved, it will be impossible to overcome the credit crunch, and economic recovery will remain an illusion.

Agreement on real banking restructuring is therefore an important step. However, although we are right to reject the current form of banking union (because it leaves too many questions unanswered), we have to let people know that we are doing more than just rejecting the current system and have been developing workable alternatives.

Even if we reject banking union in its current form, the existence of global networks of financial institutions means that we must be open to sensible Europe-wide regulatory frameworks for the supervision and liquidation of failing large banks and also to a form of common bank deposit guarantee system that takes account of different national contexts. A return to the nation-state is not an option.

Fiscal union

The sharp increase in sovereign debt is not the cause of the crisis; rather it is a result of the drastic reduction in tax revenues, the bank bailout measures, and the anti-recessionary expansion policy. However, as soon as sovereign debt rose, the same financial institutions that benefited from rescue measures used the imbalances within the Eurozone to speculate against the weakest link in the chain.

Since then, EU Member States have once more significantly reduced their budget deficits; but this has only slightly reduced their need for credit. In order to protect democracy, the state's independence from financial markets, and economic stability in Europe, a debate on the reform of public financing would be far more important than implementing a debt haircut. Borrowing by individual euro states should therefore be communitised, firstly through Eurobonds, as this would enable all of the euro states to borrow at the same relatively low interest rates and to undertake debt restructuring. In order to prevent abuse, access to Eurobonds should be subject to conditions, which do not have to be repressive; they could, for example, include a cap on tax cuts. However, before this is done, the economically strong countries in the Eurozone would have to make available for a European growth and investment programme the interest advantage they accrued during the panicked rush to buy safe government bonds. In Germany alone, this advantage amounts to about 100 billion euros. The same should be done with the profits that the ECB made through bond purchases and which have been distributed among the EU's Member States.

Debt ceilings are the wrong approach to budgetary control. However, amendments to Germany's Basic Law at the domestic level and the Fiscal Compact at the European level have put debt caps in place; this makes it all the more important to increase government revenues. The growing gap

between rich and poor means that significantly more revenues are needed, particularly from a one-off capital levy, and, in Germany, by reviving the wealth tax. Other EU states would have to follow suit and raise their taxes on large holdings of capital at a comparable level. In addition, Germany needs to introduce a financial transaction tax of at least 0.1 per cent on trading stocks, bonds, currency, and derivatives together with the other EU states that are prepared to do so. Also, corporate tax avoidance and tax evasion need to be stopped.

An extensive programme of public investment is required in order to counteract the risks of another recession. A different understanding of the Stability and Growth Pact (SGP) has to be asserted. The SGP is a rule-based framework with which to coordinate national tax policies within the EMU. It was established to guarantee sound public finances – a prerequisite to the proper functioning of the EMU. A re-balancing and re-distribution of EU funds would help boost growth in the EU and strengthen social, territorial, and economic cohesion in Europe, instead of letting it drift further apart through the current policies of austerity and social cuts.

This investment should form part of a long-term strategy to promote solidarity and environmental sustainability and be implemented at both the domestic and the EU level. It needs also to be accompanied by an ambitious plan to promote investment in the countries most affected by the crisis. The European Investment Bank, which can already issue bonds to finance its activities, could provide the large-scale financing needed for these programmes. In addition, private investment would also be needed transitionally in crisis countries, and this would require a system of state incentives that steer investment in a direction that corresponds to the objectives (which would also need defining) of a modernised economic structure. There are various instruments that could be used to steer private investment, including a country's development plans and regional planning programmes, and these should be developed into long-term approaches to public infrastructure.

In terms of growth, the austerity policies demanded by the economic and social policies of the EU and the IMF are economically counterproductive. In social terms, furthermore, these policies are dangerous because they are driving European society into poverty and leading to greater social polarisation. Furthermore, against the background of the social tensions aggravated by the crisis, the austerity measures are breeding political tensions – if not political instability – which we especially see in the rise of right-wing populism.

Political union

The EMU was flawed from the very beginning because the unification of monetary policy was not accompanied by coordinated economic, social, and tax policies. Moreover, under competitive conditions a single monetary policy for a group of countries with quite different economic structures, labour markets, and business environments necessarily magnifies the differences. In the current crisis, the EU – and the Eurozone in particular – is reaping the consequences of the model it has adopted. Competition creates only one or few winners; and winners only exist if there are also losers. Another inevitable consequence of market logic is that losers are punished by markets, go bankrupt, and disappear. But where should the EU Member States that lose this race disappear to? Should Greece disappear from ‘the market of states’? Should the workforce of ‘Greece Ltd’ (i.e., the Greek population) search for a new territory?

The extent to which competition has caused the Eurozone countries to diverge is clear from the dramatic differences in trade balances within the EU. It is above all Germany that has outcompeted its European rivals through its aggressive focus on exports based on its low-wage sector, wage squeezing, and dismantling of the welfare state (through Agenda 2010, retirement at 67, etc.). Between 2000 and 2010, Germany amassed an export surplus of more than 1,000 billion euros, most of which came from its European ‘partners’.

In return, other countries suffered import surpluses, for surpluses in one country always mean deficits in another. Between 2000 and 2010, Greece and Portugal alone, two countries plagued by crisis, developed a current account deficit of 377 billion euros and had to borrow most of this money from abroad. Thus the Eurozone crisis is first and foremost an external debt crisis of entire countries (including the foreign debt held by private households, banks, and companies) and not primarily a sovereign debt crisis. Crisis countries of course also have considerable homemade problems (such as Greece’s tax administration and Ireland’s business tax dumping).

In order to truly overcome the huge current account imbalances that exist in the Eurozone, we propose replacing the EU’s Stability and Growth Pact with a ‘European Transfer Union’. Alongside this, new instruments are required to (re-)finance public budgets and rescue them from the diktats of decisions made by private investors. A European Transfer Union would need to begin with a mandatory cap on current-account imbalances. To achieve this, multi-level procedures of sanctions and incentives would have to be established. The resultant fines would be paid into a fund used to finance projects for structural change and to compensate for current account imbalances in surplus and deficit countries.

In Germany, this would mean strengthening domestic purchasing power by raising wages. This policy would not only lead to increased imports; it would also improve the export opportunities of Germany's European partners and at least begin to mend the inequitable distribution of income in Germany. Some of the instruments to accomplish this would be a minimum wage, increased social transfer payments, and more public investment. Recent labour market 'reforms' (involving temporary work, unemployment benefits, retirement at 67, etc.) would have to be overturned, and there needs to be a general strengthening of the workers' side in collective bargaining.

Social imbalances therefore have to be taken into consideration in combatting macroeconomic imbalances. For only if the mechanisms are focused at least as strongly on improving domestic demand in countries with large current account surpluses as they are at reducing deficits in other countries can the inequalities be reduced along a path of growth and prosperity. In countries with low domestic demand and consequent current account surpluses regulatory frameworks are needed for above-average increases in wages, increased consumer demand, and private and public investment.

There must be an end to the narrow focus on interventions into wage development and collective bargaining, as well as wage depression. Instead, collective bargaining autonomy, binding coverage, and industry-wide agreements need to be strengthened. This coordination of economic policy has to contribute to an upward convergence of social standards and workers' rights. It must be accompanied by a labour-market policy to counteract the growth in atypical forms of employment in Europe. The EU's social dimension has to be expanded. Finally, all measures and recommendations within the framework of economic governance should strengthen the European social model and not nullify or undermine national social systems.

Progressive economic policy coordination means democratic economic policy coordination. This goes hand in hand with increasing the European Parliament's authority. Consequently, Die LINKE rejects policies that give the EU Commission's bureaucracy new areas of authority and powers of intervention, just as much as it rejects 'pacts' and 'treaties' that are agreed on outside of parliaments and that circumvent proper European legislative processes. The social partners have to fully participate in economic governance.

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Neither Eurofetishism nor Nationalism: A Third Way for an Emancipatory Europe Policy

Peter Wahl

The European Union's many crises are being expressed in all manner of centrifugal tendencies, fragmentation, and erosion. By the time of the 2008 financial crisis it became apparent that only the national governments had the capacity to act in some sort of reasonable way – not due to national egotism – at least not primarily – but simply because the financial, political, and legal instruments to react at all are only available at the nation-state level.

It is the same with other problem areas – the sovereign debt crisis, structurally weak economic growth in the Eurozone, the risk of deflation, 11 per cent unemployment, the spread of right-wing populism as well as the international political crises in Ukraine and the Arab region in which the EU is directly involved and massively affected. The EU's inability to act has culminated in the refugee crisis.

All of this has deepened the fault lines within the EU – between the Eurozone and non-euro countries, between eastern and western Europe, between north and south, between debtor and creditor countries, between Great Britain and everyone else, between the German-French axis and all the others. What was incompatible is now drifting apart.

This should not be surprising. Historically, the nation-state became the predominant form of socialisation and could differentiate itself and acquire the capacity to act as well as create a framework allowing a degree of democratic conditions, popular sovereignty, and collective identities; the EU, on the other hand, is a historically new and, from the perspective of the theory of the state, unique entity that is a hybrid of a confederation of states with supranational components. The Union only has fragmentary elements of the attributes and internal cohesion of a nation-state, and its ability to act is consequently slight.

Furthermore, the perseverance of national identities has been underestimated as well as the collective memory, easily mobilised in conflict situations, of when Europe was once united – under German leadership from the Atlantic Ocean to the Volga River.

The process of integration is thus in an existential crisis with no exit in sight. How can emancipatory politics react to this situation? Does the slogan ‘more Europe, but a different kind’ convey the vision of a social, democratic, and peaceful Europe when the reality has been exactly the opposite for a whole generation now? Can there be a left European strategy today with the motto ‘more of the same!’?

The failure of the left’s European strategy

Ever since Maastricht and the establishment of the Single Market, the left has criticised the EU’s neoliberal orientation and, during the financial and debt crisis, its crisis management. Nevertheless, a majority of the left has clung to ‘the European idea’, that is, it sees as the final goal of the process of integration a political Union, the *United States of Europe*, a federal state in which today’s nation-states – in analogy to today’s German federal states – have the status of subordinate regional authorities. What Hessen, Saxony, or North-Rhine Westphalia are in Germany today, France, Germany, and Hungary are to become in a federal Europe.

Consequently, a deepening of integration is welcomed in principle, even if its direction goes contrary to the left’s politics. Because of its prioritised European policy the left swallowed the bitter pills of Maastricht, the Single Market, and the Lisbon Treaties. And it also grudgingly accepted the euro.

In the meanwhile, the treaties and institutional arrangement have established a neoliberal constitutionalism and power structures that makes emancipatory change impossible, at least if the rules are respected. Changes of direction are de facto only possible by breach of the treaties. As the Greek experience shows, this can only be done by large Member States or coalitions that are able to assemble a critical mass. The strategy of ‘more Europe, but a different kind’ is therefore doomed to failure. But a majority of the left is still holding on to it. It believes that it is the way to overcome nationalism, implement internationalism, and secure peace and, on the other hand, that alternatives to continued integration mean reversion to the 19th- and 20th-century world of nation-states. It is high time to break away from this binary logic.

Internal flexibility – external openness: a third way

To begin with, even if it were desirable, this kind of reversion is no longer possible. The economic, juridical, communications, cultural, and other

interrelations have become so dense, at least in the EU's core countries, that even Marine Le Pen would quickly come up against their limits if she tried to test them. A frequently voiced and cogent criticism of right-wing populists is that they would not make good on their promises if put to the test.

In addition, a fundamentally new component has come into play, which was not present in the first decades of the European integration process, at least not at this level: globalisation. It is true that it has in no way led to the disappearance of the nation-state, but it has changed its position in the international system. Since many problems today have taken on a transnational character, cooperation across state borders has become imperative, even if the world's political power hierarchies make the pressure to cooperate look different for Burkina Faso than it does for the USA, and different for Switzerland than for China.

This means that integration within the EU overlaps and is modified and amalgamated by a second, more all-embracing integration process. This has long since become a reality in innumerable spheres. Accordingly, German exports are increasingly shifting towards non-European markets. The City of London is a locus of global finance and cannot be integrated into the EU either through financial-market regulation or through a banking union. There is global interconnectedness through the internet in all its facets irrespective of nation-states or state federations. Even migration flows have their own dynamic – the refugees do not want simply to enter the EU; rather, they hope to reach Sweden or Germany. And the list could be continued.

An emancipatory critique of the EU should take all of that into account. In contrast to what right-wing populists demand it advocates not an illusionary return to the 19th- and 20th-century system of national states but an internal flexibilisation of the EU and its external openness. This involves selective disintegration in certain areas and, conversely, stronger integration in others. Already in 2013, for example, Andreas Nölke proposed '*steps towards the selective demolition of the current self-radicalising integration and the stabilisation of the level of integration already achieved in the sphere of product markets*'.¹

In a 2013 study on the euro published by the Rosa Luxemburg Foundation, Heiner Flassbeck and Costas Lapavistas proposed an alternative to the euro, not in order to dissolve the EU but, on the contrary, to prevent a chaotic collapse of the currency, due to economic constraints, by undoing a failed step towards integration.²

This does not mean circling the wagons. Even the Single Market can be kept, though of course supplemented by ecological and social regulation. It

should be possible to have a plurality of economic models, decentralisation, regional cooperation, more subsidiarity and bottom-up initiatives, less centralisation, and less uniformity and top-down methods. Deconstruction in certain areas, for example in currency, can be balanced by reinforcement in other areas, for example in ecological reconstruction. Cooperation can then take place within ‘coalitions of the willing’.

Even the EU’s official rules now allow for such forms of flexibilisation, for example, through the procedure of ‘enhanced cooperation’. This permits a group of at least nine Member States, which have to represent two-thirds of the EU’s population, to undertake common projects, even without the others’ participation. It is in this framework that eleven countries are negotiating the introduction of a financial transaction tax. The ‘enhanced cooperation’ concept is still rather restrictive, but its idea can be broadened and it can be further developed.

Internal flexibilisation has to be complemented by external openness. Partnerships would have to be free of geopolitical motivations and super-power fantasies (unlike what happened in the association agreement with Ukraine), and cooperate with third parties – for example, immigration policy with Turkey, the Balkans, and North Africa, but also with Switzerland and Norway. And if the Visegrad states instead prefer to seal their borders we can regret it, but we cannot try to simulate commonality where none exists.

Or the example of energy policy: Here it makes sense for many reasons to cooperate with Russia. However, if Warsaw cannot tolerate Putin, then Poland should not be forced to do so. Conversely, others should not be compelled, simply on account of a few obstructionists, to take the path of the lowest common denominator instead of striving for solutions that can really address the problems.

This approach needs to be further conceptualised and concretised. It would be a third way between eurofetishism and nation-state solutions. And it would make it difficult to be accused of nationalism or nostalgia.

Flexibilisation in the question of currency

There is nothing new in currencies being highly emotionally charged in a way that goes far beyond their economic content. West Germany had an almost libidinous tie to the Deutsche Mark. The majority of Greeks, too, who absolutely wanted to keep the euro, probably did so not based on an understanding of monetary affairs but out of a mixture of fear of the unknown and the sense that Grexit would mean being kicked out of an exclusive club.

For its initiators, the euro, however, was first of all a political project.

With a common currency integration was to be dynamised and the reunited Germany involved. The euro was meant as a lever to bring about deeper integration. It followed the typical top-down method that the elite project of the EU had always applied to new steps in integration. Jean-Claude Juncker put it in a nutshell: *‘We pass a measure, project it into space and wait a while to see if something happens. If there is no great outcry and no uprisings because most people have no idea of what has been done, then we continue to move forward.’*³

As we now know, the common currency did not bring about the hoped for integration; quite the contrary. The euro is a central, though not the only, cause of the drifting apart of north and south Europe. At the same time, a common currency can have advantages. It reduces the transactional costs, the exchange-rate risk is eliminated, and it can – which is especially significant for smaller countries – protect against speculative attacks. On the other hand, there are alternative instruments for preventing speculation, for example an appropriate regulation of the financial markets. Clamping down on the casino is the best insurance against speculative attacks.

Moreover, a common currency has no monopoly on problem-solving in currency matters. The fixed exchange rates of the post-war decades not only kept the exchange-rate risk under control but provided an extremely growth-enhancing environment for the real economy.

A common solution is *pegging*, that is, the coupling of a currency to another currency – either through a fixed rate or with a fluctuation corridor. For example, the Danish krone, with its coupling to the euro, shows that even within the EU there are other variants between the euro and a purely national currency that work well. Even the continued existence of a purely national currency is not an automatic handicap, as we see with Great Britain or Poland. On the contrary, both have had higher long-term growth rates than the Eurozone.

There is no single sanctified path to designing an optimal currency. The different instruments each have their advantages and disadvantages depending on context. The various alternative proposals should therefore be considered soberly and dispassionately. From the idea of a northern and southern euro,⁴ to the concept of an external and internal euro, to Oskar Lafontaine’s proposal of a (modified) currency snake modelled after the European Monetary System (EMS). The European political congress recently proposed by Jean-Luc Mélenchon, head of France’s Parti de Gauche, together with Yanis Varoufakis and Oskar Lafontaine could be a step in this direction.⁵

Whoever is not prepared to talk about the euro should also remain silent about austerity

Instead, a majority of the left have made the euro into a sacred cow. By now the only argument used in its defence is that the main problem is neoliberalism and austerity, not the euro.

This is acting as if a currency is only a means of payment that can be decoupled from its institutional nature. The euro does not just consist of coins, bills, and account balances. Rather, it is a system of rules and institutions, specifically the issue banks of the Member States, headed by the ECB with its statutes. A currency is a social relation, and as such it is also a power relation. Michel Aglietta has recently stressed this fundamental insight: *‘[...] a currency is not a commodity; instead it stems from the social contract that has been the anchor of all political communities throughout time.’*⁶

The euro is constructed in such a way that it primarily, though not exclusively, serves the interests of export-oriented countries like Germany. To do so it requires a) the ‘independence’ of the ECB, b) the prioritising of monetary stability above other macroeconomic parameters, such as growth and employment, and c) the prohibition of public-sector financing.

Among other things, this construction leads to the *‘degrading of sovereign debt to the level of private debt [...] as if the euro were a foreign currency’*.⁷ Jörg Huffschmid spoke of a *‘cementing of the economic doctrine of monetarism. [...] Here the authoritarian worldview shines through that underlies neoliberalism and repeatedly cites Hayek.’*⁸ Put differently, neoliberalism and austerity policy are immanent in the Euro System. Whoever is not prepared to talk about the euro should also remain silent about austerity.

No solution in sight

The centrifugal forces unleashed by a wrongly conceived currency will further drive apart the Eurozone, for the structural differences between the northern and southern accumulation regimes are too great: *‘Europe’s south has produced a type of capitalism whose growth is principally driven by domestic demand, when necessary supported by inflation, which in turn is kick-started by a national budget in deficit or through trade unions made strong by high job security in the framework of extensive employment in the public sector.’*⁹ By contrast, the German model is characterised by an excessive export orientation (and dependency), which is underpinned by a neo-mercantilist economic policy. In comparison with southern Europe, *‘countries like Germany are centred on a hard currency. This makes them not only inflation savers but also debt savers, although the interest they have to pay is comparatively low’*.¹⁰

In each case, the different orientations rest on a broad social consensus

anchored in the collective subconscious of the respective societies. In Germany, the trade unions of the export sectors – IG Metall and IG Bergbau Chemie Energie – are integrated into the German model of capitalism. In view of the profound social embeddedness of each of these economic models, a convergence in the reasonably foreseeable future cannot be expected – not even under pressure of institutional arrangements and of the superior economic strength of one side.

Farewell to the ‘European idea’

Flexibilisation of the EU in general and of the currency in particular certainly means giving up the vision of Europe as a large state. This kind of European federate state would have more than a billion inhabitants, would easily overtake the USA economically, and as a superpower could play in the same international league as the USA and China. For sections of Europe’s functional elite this is an attractive fantasy, especially where has-been colonial and imperialist world powers are involved. The rise of the emerging countries – whose self-organisation in the form of the BRICS, for example, is shifting the centre of the world economy towards Asia, permitting Russia to come back as a great power, and creating a Peking-Moscow axis, all of which means radical changes in the international system – strikes fear into the hearts of some that the 500-year dominance of western Europe and its North American offshoot could come to an end.

At this point, left Europeanists will object that the Europe they have in mind is social, democratic, and peaceful. The response to this has to be that in the age of globalisation the attempt to create a new large state can no longer be emancipatory. It spells exclusion for everyone who does not (or is not allowed to) belong to it, and it produces new divisions, especially those between it and bordering regions like North Africa and Russia. This has nothing to do with internationalism. In the end, the internationalist motto is not ‘proletarians of the Eurozone unite!’ but ‘proletarians *of all* countries unite!’.

Even the goal, in itself honourable, of overcoming nationalism cannot rescue the vision of a Greater Europe as something that is emancipatory, because French, Danish, and Polish nationalism would simply be replaced by a European identity. There are attempts to ground it, for example in the discourse of ‘European values’. If this could work – but in fact it does not – it would in no way be progress.

On the contrary, there would be the risk of a new Europatriotism joined to a massive state power. Schopenhauer’s dictum applies even to the nationalism of small countries: ‘*Every miserable fool who has nothing at all of which he can be*

proud adopts, as a last resource, pride in the nation to which he belongs.' There is, to be sure, no cause for great fear of Switzerland or Luxembourg as there is of Germany. The left ought to be happy if the EU does not become a large state that could become a superpower.

How realistic is an internally flexible and externally open Europe?

Europe's left was not even in a position to push through a harmless measure like debt reduction for Greece, which shows how utopian the idea of a 'social Europe' is. But as a 'realpolitik' perspective is the flexibilisation and opening of the EU proposed here not just as hopeless?

Certainly, considering how things are now, the left will not be able to change the course either of European policy or any other issue. Nevertheless a change of strategy has the potential of shifting the relations of force and building a countervailing consensus, because:

- the left could then step out of the political slipstream of the social democrats and greens and acquire a profile as an independent force in terms of European policy. This would be especially useful for the parliamentary left – but not only for it;
- by turning away from 'more Europe!' the left could seize on the growing EU scepticism of the populations of almost all Member States and try to politicise it in a left direction;
- in so doing, at least a part of the Euro-sceptics who are susceptible to right-wing populism could be offered an alternative and the rise of the right contained;
- parts of Europe's functional elites are warming up to the flexibilisation idea. The above-mentioned procedure of 'enhanced cooperation' is an expression of this. Even Angela Merkel has spoken in favour of something of the kind when she said: *'More Europe is more than the shifting of a particular competence from the nation-state to Europe [...]. We should also ask ourselves if we should not give something back'*;¹¹
- and last but not least the left would no longer, in its completely illusory way, be going against the course of history, for the centrifugal forces we illustrated are so strong that even the functional elites' attempts to resist them are futile. Flexibilisation and openness are going to come. The only question is whether they will (at least in part) be consciously shaped – including by the left – or irrupt chaotically on top of us.

Notes

- 1 Andreas Nölke, 'Dampf ablassen! Plädoyer für einen selektiven Rückbau der europäischen Wirtschaftsintegration', *ipg-journal* 12.12.2013, <<http://www.ipg-journal.de/schwerpunkt-des-monats/die-zukunft-der-europaeischen-union/artikel/detail/dampf-ablassen/>>.
- 2 Heiner Flassbeck and Costas Lapavistas, *The systemic crisis of the euro – true causes and effective therapies*, May 2013, <<http://www.rosalux.de/publication/39478/the-systemic-crisis-of-the-euro-true-causes-and-effective-therapies.html>>.
- 3 Quoted in Dirk Koch, 'Die Brüsseler Republik', *Der Spiegel* 52, 1999 (27 December), p. 136.
- 4 This provides for a common currency maintained against all other currencies, while within the Eurozone, regionally or nationally, the euro-lire, the euro-peseta, euro-drachma, etc. can fluctuate in relation to the euro-mark and euro-gulden. See also Frédéric Lordon, *La Malfaçon. Monnaie européenne et souveraineté démocratique*, Paris: Les liens qui libèrent, 2014.
- 5 Stefano Fassina, Zoe Konstantinopoulou, Oskar Lafontaine, Jean-Luc Mélenchon, and Yanis Varoufakis, 'Ein Plan B für Europa. Aus dem Finanzstaatsstreich gegen Griechenland vom 13. Juli müssen Lehren gezogen werden', *Junge Welt*, 14 September 2015, <<http://www.jungewelt.de/2015/09-14/021.php?sstr=Mélenchon>>.
- 6 Michel Aglietta, Nicolas Leron, 'The Eurozone: Looking For The Sovereign', *Social Europe*, 11 September 2015, <<http://www.socialeurope.eu/2015/09/eurozone-looking-sovereign/>>.
- 7 Aglietta and Leron, 'The Eurozone...'
- 8 Jörg Huffschmid, *Monetarismus als supranationales Recht? Die Unabhängigkeit der Europäischen Zentralbank als Problem für demokratische Wirtschaftspolitik in Europa*, contribution at the conference: 'Die Europäische Zentralbank. Macht außer Kontrolle?', Berlin, 8 and 9 November 2001.
- 9 Wolfgang Streeck, 'Warum der Euro Europa spaltet statt es zu einigen', *Leviathan*, 3 (2015), pp. 365-387.
- 10 Streeck, 'Warum der Euro Europa spaltet'.
- 11 Angela Merkel in an interview on Deutschlandfunk, 13 August 2015, <http://www.deutschlandfunk.de/merkel-datenschutz-in-europa-regeln.1789.de.html?dram:article_id=258071>.

COUNTRY REPORTS

Rekindling Hope: Syriza's Challenges and Prospects

Michalis Spourdalakis

Before turning to the main theme of this article it would be very useful to come to terms with at least the following *preliminary observations*:

The left in government and especially the radical left in government has never been the subject of easy discussion among leftists. As the project of social transformation was never a peaceful stroll in the park, the debates on the question of in and/or out of government, let alone those about political power, have been very heated. In fact, it is hardly an exaggeration to say that these debates are as old as the left itself. Before, during, and after coming into office, leftist theorists and practitioners have been involved in fierce discussions and heated arguments, often leading to organisational splits and fragmentation. The intense polemical nature of these debates has very rarely led to useful, positive, and practical conclusions for the left.

In addition, these debates, which characterise not only the 'old left', often tend to be ahistorical in the sense that they engage in, or are even based on, comparisons with situations whose objective and subjective conditions were or are quite different. It is thus not surprising that there are a number of attempts to compare Syriza's socio-political experiment with that of the Worker's Party (PT) in Brazil or of Chávez in Venezuela. Even if one is obliged to do so, one has to bear in mind that we are then comparing political experiences arising in quite different social formations, different continents, and of course with difference geopolitical and institutional constraints. At the same time, one should realise that we are talking about different parties with different social bases, histories, and socio-political traditions within which they operate. Therefore if these comparisons are to help provide a framework for more effective socialist strategy, their relevance should be understood with the appropriate degree of abstraction without viewing them as providing concrete recipes to be applied directly.

Finally, before we look at the Greek case, we need, given the developments

of the last few months, to come to terms with the notion of 'defeat'. Since the left is committed to the subaltern social strata, to the under-class, and to all oppressed people, and is guided by a vision of human emancipation, defeats are perforce a recurrent experience. In fact, historically, at least since 1848, it seems that retreats and defeats can be seen as one of the constituent components of the left's identity. Therefore a defeat, such as that experienced by the Syriza government last summer should not lead to defeatism, to individual retreat and withdrawal, or even worse to panic. On the contrary, we should confront the left's defeats as useful developments and as prime opportunities to identify and understand mistakes and shortcomings. In this sense, there are no absolute defeats or absolute victories. After a major political development for the left such as a defeat and, even more, a victory, the left's strategy should not lead to calm reassurance. In the last analysis, as the left's history is one of a long series of defeats and victories, we must realise that no attempt at radically transforming society has ever been anything but a painful marathon with numerous retreats, defeats, diversions, and short-term disappointments.

Syriza's defeat?

When Alexis Tsipras conceded to the blackmail of the so-called 'institutions' on 12 July 2015, he did what any sensible and committed trade unionist, negotiating on the basis of an overwhelming (61 per cent) strike vote and confronted with the vindictive response of a management threatening to close down the business, would have done. Logic prevailed and the Syriza government retreated. Under the circumstances, retreat is a key word; it was the only way to avoid the disastrous social, economic and political consequences.

No one in his or her right mind could claim that this setback, or more accurately defeat, was the result of treason and/or subversion from within. This dramatic retreat, especially after the impressive result of the referendum, should be taken as the basis for creatively rethinking how to continue to serve what Syriza has long committed itself to – the 'strategic goal of social transformation'. This strategic goal, despite superficial analyses, remains the main goal of Syriza, as Tsipras stated clearly in his address to the last session of the party's Central Committee (30 July 2015).

In this respect, there are some very important questions that need to be addressed. What led the promising radicalism of the Syriza government to such a dead end? Why did it not have a realistic and effective government plan in the event the negotiations failed? Why did it not recognise the uncompromising stubbornness and even vindictiveness of the country's

lenders? Without answers to these questions it will be impossible draw up a solid new strategy, given the new conditions and constraints that the new agreement imposes on the country.

To address these questions one has to go back to the 2012 election when what has been called the 'miraculous rise of Syriza' became more than a realistic prospect. More concretely, following the election that brought it into prominence, it seems that the party gradually drifted away from the strategy that had made it into a key player at the centre of the country's political scene. This development had given hope not only to those Greeks suffering from the effects of the memoranda but also to the concerned, democratic, and progressive citizens who had doubts about the social, political, cultural, and even ecological future of societies under the aggressive hegemony of neoliberal austerity in Europe and elsewhere.

Syriza's (forgotten?) strategy

The success of Syriza – to which of course specific political and social conjunctural conditions contributed – was the outcome of its unique political strategy in the Greek political arena. Its strategy had five principal elements. The first and basic element was its involvement in the social sphere, embedded as its activists were in the multifaceted social movements without engaging in the vanguardist practices that usually prevail in the Leninist tradition and in fact in the post-Junta practices of the political system. The second element was its commitment to participating in the institutions of political and social representation in a way that prevented it from being subsumed by the bureaucratic constraints of these institutions. The third was the establishment of a programme based on this experience in the social field as well as in these institutions. The fourth was its call for the unity of the entire left tradition. Indeed, Syriza managed to become the common organisation of all the traditions of the left: from the historic left (from the old social democratic tradition to all versions of communism, such as Maoism, Trotskyism, etc.) to all the specific concerns of the radical social movements. However, it was the fifth and final element of Syriza's strategy that proved most significant in distinguishing it from other left organisations, and which proved most decisive in its success. This was its explicit intention to come to power.

These distinct elements of the party's strategy, in a dialectical relationship with one another, proved very functional and effective. This was the case both at the social level by representing the social alliance of social strata that the austerity policies had created (between the working class, precarious, unemployed, and the old and new middle class), as well as at the political

level as an answer to the statism of the cartel-like party system. At least in retrospect, one needs to realise that this strategy, which started to emerge as early as 2004–2005 and became much clearer during the 2008 youth uprising, was not only the result of political planning but also evolved out of the contradictory pressures of limited electoral tactics. However, it must be stressed that it was unerpinned by a federated pluralist organisational structure and a party culture that imitated the model of the mass party of the Leninist tradition although certainly not in substance.

So successful was Syriza's strategy that in the 2012 elections it became the leading opposition party. The handwriting was on the wall. No particularly astute political analysis was needed to recognise that this was no flash in the pan, and that Syriza would soon enter government.

Negligence

The quick and unexpected emergence of this success in 2012 was probably what led much of the party's leadership to believe that effective politics would from then on be an easy affair, not requiring much further party development. They did not bother with consolidating or even fine-tuning the strategy that had brought about this success, in such a way as to facilitate the dissemination and deepening of this strategy among broader layers of society as well as among the party rank and file. Instead, the leadership adopted more conventional tactics, which in practice meant a rush to move towards power by all means available. Thus, gradually Syriza became not just parliamentarist but also governmentalist even before it came into office.

This was partly justified by its commitment to prevent the social calamity created by the aggressive austerity policies imposed by previous governments. However, now joined or at least supported by political figures with roots in a wide range of old and new political parties ranging from right-wing to centre-left modernisers, the leadership became alienated from Syriza's radical physiognomy as a party. This drifting away from what had previously characterised Syriza revealed the existence of a number of tacit perceptions and analyses that were to become real problems after its much celebrated electoral victory in January 2015. The rush to power not only bypassed a number of democratic procedures that were needed for the building of its party organisation, especially after the fourfold increase in membership, but also resulted in a number of politically naïve mistakes, which would come all too quickly to the fore.

Without going into great detail, in addition to the unquestionably very hostile environment inside the country organised by the media, the opposition parties, and the oligarchs, these naïve ideas are in my opinion to

blame for the dead end in which the Syriza government found itself when it was forced into last summer's dramatic retreat, which led to the adoption of the new Memorandum.

These naïve ideas, perceptions, and practices can be seen both on the internal front and in the international sphere. Although all of these had already been part of the party's baggage, there is no doubt that they became dysfunctional after the party leadership moved into office and adopted at the same time a very instrumentalist conception of power. On the one hand, its rhetoric to the contrary, the Syriza leadership now seemed to limit its conception of political change to governmental change (for example, no immediate plan for transforming the media, at best a formalisation of its support for the social movements, a kind of polite, neutral, and slowly emerging response to the bureaucracy's undermining of government policies). On the other hand, key figures in the government felt it was necessary to appease the old establishment and the bourgeoisie. To this end, the so-called technocrats or experts who clearly have close relations with the old corrupt personnel and networks were recruited by the Syriza government into the state.

But behind this naïve and instrumentalist orientation to taking state power, one can detect similar problems in Syriza's party programme. Although the detailed programme was the product of enormous political and even scientific energy, it was never concretised to become a real operational plan. This was in some sense the side effect of the expectation that the change of government would be smooth and that the administration of the state by the radical left would not require any particular caution, let alone preparation.

Even on the internal party front, this naïve neglect has proven very damaging. The limited educational and informational work done within the party led to further problems. The membership was left uniformed and unsupported and thus frequently fell into the hands of propagandists both within and outside the party. One of the notions created was that all those who proposed a vague plan B (mainly the Left Platform) were identical with the radical wing of Syriza. Arguments around the party's strategy were often reduced to the simplistic euro vs. drachma dilemma.

Another naïve assumption motivated the tactic of most radical cadres (whose grouping came later to be known as the 53+), who more than anyone else were the key to the development of Syriza, to negotiate a *modus vivendi* with the part of the leadership that was in a rush to enter the government. It was an arrangement that, in addition to consuming the capacities of these cadres, did not even result in establishing certain rules for party building. In fact, the party organisation fell increasingly into the hands of self-appointed leaders of small or larger networks and sub-groups within the party.

Such problems also characterised all wings of the party in terms of the international context and environment. It was assumed that what were called ‘tough and honest negotiations’ would be sufficient to convince the ‘institutions’, as if the outcome of these exchanges were a matter of rational, well documented, and well researched scientific arguments and not of naked power interests. In addition, the idea that one radical government alone, even if the prospect of others like it was emerging on Europe’s periphery, could change the EU or ignore the structural reproductive commitment of the most aggressive capitalist interests, proved to be another naïveté.

Given all this, the classic question of ‘what is to be done’, or better ‘what can be done’, becomes more urgent than ever. The point of departure for answering it, given the features of Syriza’s victory (lack of enthusiasm and shrunken turnout) and the tight constraints of the ‘Agreement’, which make ‘political time extremely compressed’, should be a deep understanding of the party’s strategy, especially during the five-year period that preceded the 2012 election. The road map for drafting a new strategy under the new conditions created by the government’s retreat needs one clear sign post: *to become Syriza again*. This means nothing other than continuing to govern without being eroded by governmentalism and continuing to solidify the party’s relation to its social base without being paralysed by parliamentarism.

Prospects

In the new post-Referendum, post-Memorandum, and post-September 2015–victory conjuncture, given the economic and institutional constraints, Syriza should craft or even better re-draft its strategy based on its successful march towards government. Some key presuppositions of these prospects should be:

1. Syriza should stay in government. The administration of state resources is key not only for managing the ‘Agreement’ with the country’s debtors in the most democratic and humane fashion possible, but also as a vehicle to organise political and social initiatives that can work under the radar of the Memorandum’s constraints – as a ‘parallel programme’ – as well as a framework conducive to the long overdue task of party building.

2. Syriza should minimise the consequences of the rupture. After the creation of Popular Unity by the Left Platform and in response to the simplistic and emotional polemics coming from the ‘other left’ (Antarsia and the Communist Party of Greece) and the anarchists, Syriza is in danger of falling into the trap of unhelpful exchanges. This could prove counterproductive in any effort to plan and implement a ‘parallel’ and class-

based programme that will transcend the social and political cleavages that developed around the Memorandum, turning them into creative pressures on the government along anti-austerity, anti-neoliberal, and eventually anti-capitalist lines.

3. Syriza should completely change its method of recruitment into the state. So far, and as a result of the government's instrumentalist understanding of state power, people from the old political, technocratic, and academic scene have quite often been recruited to the cabinet and more broadly to positions that depend on political appointments. Since part of Syriza's support came from the huge anti-establishment, anti-corruption popular sentiment, the presence or the re-emergence of such people in key positions strains the people's trust in the government as representing a political and ethical countercurrent. This does not mean that all new recruits should be in full agreement with the government; rather, the rising opportunism should be counteracted by the Syriza government's generosity towards party cadres who have expressed their scepticism of the party's strategy after last summer's retreat.

4. In addition to the creative social and political organising that must be based on the party's experience in the social arena, a new strategic orientation should be formulated: Given Syriza's failed strategy vis-à-vis the 'institutions', it needs to reconsider its commitment to the Eurozone, even though under the current economic, political, and cultural circumstances, both the party and society are far from prepared to realistically assume a rejectionist position towards the latter, especially given the balance of power in Europe.

5. All the previous points are essentially proposals to deal with the defeat and to correct the mistakes and omissions that many radicals in and around Syriza have identified. However, the morale of the social base can be raised and consolidated only when a new goal is put forward and directly related to social developments. In this context, Syriza will have to have a clear and systematic commitment to actively return to the social field. This will be the key to rekindling hope. This hope naturally has to do with the reconnection and the mobilisation of the party's social base and thus the reclaiming of its radical left identity. Without the effective creation of a new vision around which to mobilise, such as the improvement of social conditions through debt reduction, it will be very difficult to consolidate the social alliance of the working class, the unemployed, pensioners, and the dramatically squeezed lower middle class who have supported Syriza massively.

These ideas, and probably many others, will need to be put forward in a very concrete fashion. They must all aim at dealing with the disappointment from the defeat and at recovering the morale and the trust of the social base which invested its hopes in Syriza. These are not at all novel as they come straight from the very strategy that made the party of Greek radical leftists an inspiration not only to the country's citizens but to radical and democratic citizens worldwide. In the last analysis, one can see them as interpreting what Tsipras not long ago made ingeniously clear at a meeting of the party's Political Secretariat: 'It is not a revolutionary act to escape from reality or to construct a fictional one. What is revolutionary is to find ways even when they do not exist.'

In response to those who think it unlikely that anything like this can now be initiated because the party is far from being in a condition to sustain it, one can argue that political parties are voluntarist institutions par excellence. This is particularly true of left parties, especially young ones like Syriza with weak internal bureaucracies. To put it differently, the necessity for renewed party building and organisational development is a prerequisite to reconnecting with the strategy that propelled Syriza into the government and to regaining the ground lost since the defeat. Without this, the precious political capital created by the Greek people's democratic and anti-austerity struggles will be squandered.

The UK and the EU Referendum

Felicity Dowling and Kate Hudson*

Sometime before the end of 2017 – and most probably in 2016 – the British people will face a referendum on the country's membership of the European Union. The referendum was a pledge included in the Conservative Party's manifesto, prior to the May 2015 general election, most likely to head off support for the UK Independence Party, which was challenging it at the polls from the right. But this is an issue that opens deep fissures in all parts of the British political landscape. For much of the right and the far right, this is a matter that touches on the whole question of the free movement of labour, xenophobia, racism, and petty nationalism. For other sections of the ruling class, particularly in support of the free movement of labour to drive down labour costs and renew the labour market, EU membership is seen as positive. Across the left there are also divisions, from those who want 'British jobs for British workers', to those who wish to leave the EU because they consider it irredeemably neoliberal, and to those who actively support immigration and believe that European solidarity is key – that 'Another Europe is possible'. And there are many other intermediate positions.

Voting on membership for the first time since 1975, the question put to the electorate is likely to be 'Should the United Kingdom remain a member of the European Union or leave the European Union?' Prime Minister David Cameron is currently attempting to get what he considers to be a better deal from Europe – opting out of closer union, more powers to block new EU laws, and restrictions on welfare benefits to migrants. At the moment, polls suggest that around 40 per cent favour exit, slightly ahead of those wishing to stay in.

There is no doubt that the EU referendum will be a major political discussion point within working-class communities in the UK, within the

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left, the labour movement, and amongst progressive people. It will also have an impact on attitudes and relationships within the European left, labour, trade-union, and progressive movements.

Watching media coverage of street vox pops and discussion shows – as well as reviewing polling data – suggests that most young people in Britain see the EU overall as a positive institution. What would they expect as citizens of an EU Member State? They would expect a) that they could travel freely to other EU countries, b) that there would be the rule law, c) that basic public services would be provided; they would expect d) rights at work, e) healthcare, f) education, g) human rights guarantees, h) pensions, i) environmental protection, and j) adequate food for the population. Some see Europe as definitely better than Tory Britain.

The oldest section of the population, in part at least, regards the EU as a success because there has not been war in Western Europe since 1945. Attitudes of other sectors of the population vary. Many construction workers as well as young people have worked in Europe, the latter particularly in summer jobs, and enormous numbers have travelled there on holidays. Universities have links across Europe and many young people have participated in study exchanges through the Erasmus programme. Obviously, big business links across Europe through the single market mechanisms. A section of British pensioners live in Spain, Portugal, and Greece, with some areas of those countries dominated by British ‘expats’.

The EU has been the butt of much negative publicity, much of it through anti-migrant and xenophobic propaganda. And the stereotype of European bureaucracy and red tape abounds. The picture of ridiculous EU regulations has been pushed by the tabloid press and accepted by many as true, unless challenged by their own experience. Most people have had little reason to doubt these myths, and they have become part of the political landscape, the ‘common sense’ in Gramsci’s definition.

The rise of right-wing anti-Europe feeling, as expressed by right-wing Tories and UKIP, is a factor in Britain. Fifty-two Conservative MPs are organised within the Conservative Party to fight for exit from the EU. However, the neoliberals in the Conservative and Labour parties are wedded to the EU project. In the political environment provided by the EU, they have in recent years had no trouble in carrying out robbery of the poor and have more pragmatic nationalist attitudes. Behind nationalism in the UK is the history of empire, a yearning for a ‘glorious’ past and a hankering for links across the Atlantic rather than across the Channel.

However, in Scotland this is not the case. The ‘yes’ vote in the referendum was seen as synonymous with support for staying in Europe and a more

socially democratic country free of Tory rule. If the UK votes to leave the EU this is very likely to trigger a second Scottish independence referendum, based on Scottish determination to remain part of Europe.

The politically conscious left often despises the EU because of its increasingly neoliberal role and more recently the pain inflicted on the people of Greece by the EU through enforced austerity measures. The 'no to the EU' project recruited important sections of the left to the idea of the UK leaving the EU; many people have an almost knee jerk response to this. Our own distaste for EU policies is no less strong, but we have a traditionally socialist internationalist approach.

The original European project founded in the aftermath of World War Two was based on the post-war consensus. This included the idea that avoiding war and huge social upheaval required improvement in the living standards of ordinary people, which was part of the social democratic politics then common in Europe.

When the EU expanded to take in the post-dictatorship countries (Greece, Spain, and Portugal), huge resources were invested there. The project had the populations' political consent, and this made EU membership truly popular in these countries.

The post-communist expansion, though, was much less positive and has proceeded very differently. It did not see the same level of investment or increase in economic growth. The Common Agricultural Policy (CAP) represents 40 per cent of the EU budget, favouring rich western countries over eastern Europe; feeding these EU citizens is seen as somehow less important. When the eastern European nations joined in 2004 they were not given the same rights to the CAP (or to the European Regional Development Fund) as western states had received.

The EU has become a neoliberal institution. Its neoliberal role is operative not just within its borders; the EU has been involved, with the World Bank, IMF, and others in forcing neoliberal 'restructuring' on areas of the global South. This transition to neoliberalism has been most marked since the events of 1989, which put 'global capitalism' very much back on the offensive. In Europe, this resulted in very rapid progress towards the signing of the Treaty of Maastricht in February 1992, establishing a monetarist framework for economic and monetary union. A strict limit was set on the level of total public debt, at 60 per cent of GDP, and government budget deficits were limited to 3 per cent of GDP. Compliance with these requirements means major public spending cuts in most EU states. The Treaty also ensured that key areas of economic policy were insulated from democratic accountability: the projected independent European Central

Bank was given control of monetary policy in a framework specifying that price stability takes precedence over economic growth, employment, and living standards. In effect, the Treaty of Maastricht made Keynesian economic policies impossible, ruling out the traditional economic framework of western European social democracy.

In this context, it was hardly surprising that the implementing governments found themselves on a major collision course with the labour movements of their respective countries. Western European politics in the 1990s was dominated by the struggle for and against the consequences of the Treaty of Maastricht. The first crisis appeared rapidly and was actually an unforeseen spin-off of the events of 1989. Germany was the strongest economy in Europe and the chief contributor to the EU budget. Its trade surplus subsidised the rest of the Community, while its industry benefited from the relative exchange-rate stability provided by the European Monetary System. With German unification, this balance changed significantly. Indeed, the Treaty of Maastricht provisions were set so rigidly because Germany had no intention of subsidising the weaker EU economies. The European Monetary System collapsed in August 1993 because the rest of the EU could not, during the recession of that time, cope with the levels of interest rate that the German Bundesbank had established to attract the funds needed to soften the impact of unification upon East Germany. The deadline for the start of monetary union was postponed from 1997 to 1999. In order to meet it, almost every EU government had already embarked on a programme of public spending cuts and labour-market deregulation in a context in which average EU unemployment was over 10 per cent.

Major social democratic parties set about implementing swingeing cuts, as European capital intensified its struggle to recover what it felt it had given away to the working class after 1945. This resulted in the political and economic course that has led to the austerity nightmare in which the European working class finds itself today. This is of course most strongly expressed in Greece, where debate about how to respond to the EU blackmail over austerity included considerations of 'Grexit', or Greece leaving the euro or even the EU. The political case for this was based on the appalling policies of the EU leadership in imposing the memorandum deal. There was also debate (which will likely be ongoing) about leaving the euro and establishing a central bank that could create money as all central banks do. The Bank of England, the US central bank (the Fed), and Japan's central bank, created large amounts of money through 'quantitative easing' to mitigate the effects of the crisis. This was not available to the Eurozone countries, which had no national banks.

But being outside the EU would not make the UK less neoliberal. The UK in the Thatcher and post-Thatcher era followed a different economic model from the one generally pursued by the rest of the EU. In the run-up to the economic crisis, Britain, like the US, pursued the Anglo-American kind of free market economics which had less labour protection, mass migration, and worked on the basis of a deregulated labour market, low pay, and freedom for investors and employers. They were the forerunners, and Thatcher was indeed the pioneer of neoliberalism in the developed world. Her greatest achievement, she claimed, was the creation of New Labour, for, as a result of the climate she created, Tony Blair rejected social democratic Keynesian economics and embraced neoliberalism. These ideas became the norm for the UK even before the austerity era in Europe. The UK government is arguably the most committed to neoliberalism in the developed world, matching the USA; its record includes 'deregulation', ruthlessly imposed austerity, increased child poverty, and privatisation.

The EU is the largest economy in the world, and the London financial institutions see Europe as a crucially important project. A 'common sense' approach to the UK leads us to envisage a second-rate bumbling power, not able to afford to give its people much, with an old industrial infrastructure, and bravely battling away. In reality, it is one of the richest countries in the world, with one of the most inequitable societies. Trade unions are legally and socially constrained. The financial sector is totally dominant and has very little connection with the day-to-day life of ordinary workers; it almost operates in a different world. The UK plays host economically and literally to the world's oligarchs who play monopoly with the streets of London.

How then would the working class fare in a Brexit?

The BBC described five options for the UK leaving the EU: the Norwegian, the Swiss, the Turkish option, a free trade agreement, and a clean break. In none of these is there any mention of replacing the Social Chapter, safeguarding workers' rights, or protection for the environment. There is talk by the supporters of Brexit of a 1.6 per cent improvement in GDP if Britain is given a reasonably favourable settlement and pursues large-scale deregulation at home. Such deregulation would of course be at the expense of workers, the environment, and democracy. We know this. Our ruling class has form.

Cameron's intention is to 're-negotiate' UK involvement. While he dances to one tune at the front of the stage he conducts backstage negotiations with the EU. It matters little to the financial institutions that a few migrants claim tax credits; British workers in Europe do so too. The financial sector has billions of pounds per year invested in Europe.

The EU is thus an organisation that has long ago ceased playing a positive role and is knee-deep in projects that defend the interests of major corporations and the very rich at the expense of working people and public services. But the world outside the EU is not the world that existed before the EU; there is no going back.

We have no illusions about the organisations of the EU, or the role they have played in damaging living standards and promoting war. We have great hope and political investment in the social and political movements that have swept across the world and across Europe in recent years. The question of the EU is a wide-ranging and complex one. Our position must reflect these complexities.

But at the same time we of course have no illusions about the neoliberal policies of two decades of UK government. We have no more faith in Cameron or in neoliberal Labour policies than we do in the EU.

We do not see leaving the EU on a tide of nationalism as a progressive move. There is no haven outside the EU, no progressive form of capitalism, and no chance of a Tory government leading Britain out of Europe to a positive, just, and equitable society respecting the rights of workers, the rights of migrants, of women, and of people with disabilities. The UK will face TTIP and worse either in or out of Europe.

Some argue that the TTIP threat is a reason to leave Europe. Far from being safe from TTIP outside Europe, ordinary people would be more vulnerable to BITs (Bi-lateral International Trade agreements), as the UK already is one of the greatest users of these trade agreements. TTIP, TISA, and similar treaties and agreements, like the Trans Pacific Partnership, will have an impact on the UK whether it is in or out of the European Union. The British ruling class is completely committed to such deals. These treaties need to be defeated politically, across Europe. The risks from these trade deals include threats to the justice systems, imposed conditions for trade in services and more, all applying to the UK in or out of the EU.

In terms of working conditions, there is nothing to be gained economically for working people in leaving the EU. Much would be put at risk. Nationalism in this form will weaken the organisation and social cohesion of working-class communities. Trade unions will be further damaged. The right wing will gain credibility.

So can we #change Europe?

The battle for a better world must be on three fronts: the national, the European, and the international.

Workers (including precarious workers), students and pensioners, have fought austerity. Many people across Europe, even in Greece, still politically

accept the EU; others show limited acceptance. Even some who accept it are opposed to austerity. The traditional left and the trade unions have fought hard and are still winning more support for the project of defeating austerity, defeating TTIP, and defending rights.

These struggles have not yet been successful, but the potential is there. We believe that in confronting the referendum we must stress the importance of defending European human rights legislation and equality legislation. The EU was said to be built on solidarity; we should call for more solidarity, more Europe not less, in defending the interests of Europeans across the continent.

Women across Europe are all facing the same attacks on post-war gains. We have more in common with abortion rights campaigners in Spain than with right-wing misogynists in the UK. We stand with working people in Britain fighting poverty, fighting fracking, and struggling for decent housing and adequate food. We have more in common with Barcelona's mayor Ada Colau Ballano in fighting against evictions than with London mayor Boris Johnson entertaining privateers and making London too expensive to live in. We have more in common with workers resisting water charges in Ireland than with UKIP in the UK. We have more in common with those fighting against a polluting gold mine than with this government, which allows a corporation to sue their government for protecting the environment, more in common with Despoina Kostopoulou, the leader of the Greek cleaners fighting privatisation than with Verena Ross. We have more in common with those fighting racism and fascism in Europe than with the Tory Party.

We stand with the precariat, working-class communities, campaigners for environmental and social justice, and progressive people across Europe.

The potential for a cross-Europe movement is there. It is our job to try and build it, not to cut ourselves off from it. That is the message and struggle that we will take into the referendum.

#change Europe, a better Europe is possible!

October 2015

One Year After the Independence Referendum: Scotland and the Crisis of the British State

Murray Smith

For more than twenty years the most radical developments in British politics have taken place in Scotland. The situation may be changing, not because Scotland is less radical, but because the forces that have emerged through the campaign for the leadership of the Labour Party have shown the potential for resistance to austerity and for the emergence of a significant radical left in England.

In England the surprise of the May 2015 elections was that the Conservative Party won, though narrowly, an absolute majority. In Scotland there was no surprise: the landslide victory of the Scottish National Party (SNP) had been widely predicted. The only unknown was its exact scale, which turned out to be 56 out of 59 seats, with 50.2 per cent of the vote. The SNP had succeeded in winning over a large part of the working-class base of the Labour Party. Its electoral victory was a direct result of the two-year-long campaign for the referendum on independence which took place on 18 September 2014.

But the referendum could be held in 2014 because of the absolute majority the SNP had won in the Scottish parliamentary election in 2011. This was not supposed to happen. Britain's first-past-the-post parliamentary voting system is designed to produce majority governments and squeeze out minority parties, and it mostly does. The person elected in each constituency is the one who gets most votes, not necessarily 50 per cent. That is how the Conservatives won an absolute majority in 2015 with only 37 per cent of the national vote.

The electoral system for the first Scottish elections in 1999 was designed by the Labour Party. In a complete innovation in British politics, it consisted of a mix of 73 seats through the first-past-the-post system and 56 with

proportional representation (PR). The aim was to stop any one party getting an absolute majority – and above all the SNP – in order to block any move towards independence.

The system worked at first: from 1999 to 2007 there were Labour-led coalitions with the centrist Liberal-Democrats (Lib Dems). In 2007 the SNP won the most seats and formed a minority government. In 2011 it won a majority. And it won it in the only way it could have done – by making serious inroads into the Labour bastions in the Central Belt.¹ In a foretaste of the 2015 wipe-out, the SNP won in constituencies that had been held by Labour since the 1920s. It was the vindication of a patient strategy aiming, on the one hand, to have the SNP recognised as the best representative of the Scottish people and, on the other, to position itself to the left of Labour. We will see later how far to the left the SNP actually is, but as Labour moved steadily rightward that part of the strategy was not difficult.

2011 was or should have been a wake-up call for the Scottish Labour Party, a warning that it had to change. It chose not to: it continued on its social-liberal path, attacking the SNP's social policies. Above all, it decided to rush headlong into campaigning for a No vote in the referendum, thinking no doubt that independence would be soundly defeated (as early polls seemed to indicate) and then the parenthesis of an SNP government could be closed. Furthermore, it conducted this campaign in alliance with the Conservative Party, widely detested in Scotland, and it did so in a very confrontational way. The combination of its support for austerity and its aggressive unionism brought about a fracture between the Labour Party and a large part of its social base, which was moving towards independence.

The result of the referendum was a Pyrrhic victory. Superficially clear enough (55–45%), it was not regarded as definitive by the partisans of independence, strongly based in the working class and among young people. In fact, what was most important about the referendum was not so much the result but the campaign, which led to a mass politicisation in working-class neighbourhoods and especially among young people. One indication that the supporters of independence were not demoralised was that the SNP quadrupled its membership to over 100,000, with proportionately similar gains for the other pro-independence parties, the Greens and the Scottish Socialist Party (SSP). At that point the Scottish Labour Party had not much more than a tenth of the forces of the SNP. The result of the 7 May 2015 elections was the logical consequence.

There seems little doubt that the SNP will also win the next Scottish elections in May 2016 – it is currently running at over 60 per cent in the opinion polls. But there is a new factor in British politics, one that no one

had anticipated. This was the result of the campaign for the election of a new leader of the Labour Party, which was won on 12 September by the left candidate, Jeremy Corbyn, with 59.5 per cent of the votes cast – over 250,000 votes.

Corbyn has been an MP since 1983. He is one of a small band, whose emblematic figure was the late Tony Benn, that stuck to its socialist principles during the Blair years and afterwards. Consequently, he has never held ministerial office and he has voted in Parliament against the line of the Labour group on about 500 occasions. He is anti-austerity, for nationalisation, (of rail and energy to start with), and opposed to Trident nuclear weapons and to NATO.

According to the conventional wisdom of the British political establishment, the media and the academic world, this should have made him unelectable – as leader of the Labour Party, and even more as Prime Minister. But that is not how things have turned out. From the start of the leadership campaign, there was a surge of popular support for Corbyn. And this is not in fact so surprising. Survey after survey shows that there are majorities for nationalising rail and public utilities and against privatisation of the health service. There is also a very strong anti-war sentiment. In fact, the demand for left policies is there; there was just no major party proposing them.

The catalyst was a new method of electing the party leader. At one time this was done by Labour MPs. Later there was a system of three colleges – one third MPs, one third affiliated trade unions and socialist societies, one third party members. For the first time this year, the leader was elected by one person one vote. The electorate was composed of party members, affiliated trade union and society members, and thirdly, anyone who registered as a supporter of the Labour Party was able to vote.

The intention was undoubtedly to reduce union influence and give the party a more open image. And that is where the law of unintended consequences intervened.

The first unexpected element was the size of the electorate: 300,000 party members, 190,000 affiliated members, 121,000 registered supporters – a total of over 600,000. By way of comparison, in 2010 there were 180,000 party members and 238,000 affiliated trade unionists, plus the parliamentary group.

Although in 2010 there were 180,000 party members the composition began to change due to people leaving and others joining, and there was a surge in party membership after May 2015. So, in fact, only about 20 per cent of today's party members voted in 2010. And it transpired that the new

intake was much more to the left, as were the registered supporters. Jeremy Corbyn received the support of more local Labour Party branches than any of his rivals, a sharp difference from 2010.

Union and society affiliates vote individually. But they are certainly likely to be influenced by the positions adopted by the unions. Corbyn won more union support than any other candidate, including that of the two biggest unions in the country.

As the campaign progressed, virtually every poll taken predicted a victory for Corbyn. Polls also indicated that the idea – pushed by the Labour establishment – that Corbyn would not be accepted by the wider public was open to serious doubt. The political world was in a state of shock, and obviously first of all the Labour Party. Following the defeat in May, the Blairite wing of the party went on the offensive: according to them, Labour had lost because Ed Miliband had been too left-wing; so the solution was back to the Blairite centre, in other words, to the right. They had clearly completely misread the mood of the party. They were astounded by the surge of support for Corbyn. Liz Kendall, the one Blairite among the other three candidates, arrived in fourth place with 4.5 per cent of the vote. The other two candidates, Andy Burnham (19 per cent) and Yvette Cooper (17 per cent), can best be described as centre-left, with Burnham more to the left than Cooper.

As polls showed Corbyn racing ahead, the reaction of the British political establishment and the media went from shock and disbelief to a systematic offensive, calling on people to vote for ‘anyone but Corbyn’. Former Prime ministers Tony Blair and Gordon Brown weighed in. It is more than doubtful whether their opposition did Corbyn much harm. The Labour Party apparatus even scrutinised the voters’ lists, trying to weed out those who were not ‘real Labour supporters’, who did not share ‘Labour values’, an inherently subjective judgment. Thousands of potential voters were excluded in this way, but that was far from enough to influence the final result.

Among all the barrage of attacks on Corbyn there is one that has some truth in it. When the Corbyn campaign is compared to Syriza or Podemos, the analogy is not so far-fetched. The kind of forces that have been mobilised by Syriza and Podemos and other formations of the radical Left in Europe mobilised behind Corbyn. His rise was not in any significant way the result of an internal battle within the Labour Party. It was a case of people seizing the leadership election to create a movement that could challenge neoliberalism. A new political force has been born in Britain.

We have seen for over twenty years that as social democratic parties

move rightwards, they lose popular support, gradually, or dramatically as in Greece. It is often said that it is not a question of the base moving leftwards but of the parties moving rightwards. What is new over the recent period, and what perhaps makes people as different as Donald Tusk and Francis Wurtz draw analogies with 1968,² is the role being played by young people, many of whom are in fact moving leftward. This has been seen in Spain, Greece, and elsewhere, and now the most dynamic component of the Corbyn phenomenon is made up of young people, whose combativeness was already visible on the streets following the May election.

How does this affect Scotland? It has certainly had some impact. During the campaign, Corbyn had successful meetings in the four biggest Scottish cities. But there are differences. In the first place, the Labour Party in Scotland is a shadow of its former self. We have seen that 600,000 people were eligible to vote in the whole of Britain. On August 15, there was an election for a new leader of the Scottish Labour Party (the eighth since 1999). The total number of members and supporters eligible to vote was 21,000, of whom about 60 per cent actually voted. These figures are ridiculous. Since England has ten times the population of Scotland, one might expect 50–60,000. Knowing the role Scotland has played in the history of the Labour Party, it should be considerably more. In fact, so many members have left, moving to the SNP, the SSP, the Greens, or nowhere, that what is left is a rump. The Scottish Labour Party has been described as the last bastion of Blairism. Following on the referendum, it might have chosen a more emollient leader to try and repair the rupture with the many Labour supporters who had voted for independence. On the contrary, it elected the arch-Blairite Jim Murphy, who had distinguished himself by the virulence of his anti-independence rhetoric and was forced to resign after the debacle on 7 May.

Can the Corbyn effect on an all-British level win back former Labour supporters? The SNP won over Labour voters on the twin themes of independence and being to the left of Labour. On the second point Corbyn is unquestionably to the left of the SNP (see below), so he might have some effect. But there are probably limits. People will not be won back simply with more left policies unless the Labour Party can shift its position on the national question. Corbyn has tried to deal with this, stating ‘I’m a socialist not a unionist’. He went on to make it clear that ‘I would prefer the UK to stay together, yes, but I recognize the right of people to take the decision on their own autonomy and independence’. He added that he had chosen not to intervene in the Scottish referendum because ‘it was a decision for the Scottish people to make’, not him. He also affirmed his willingness to work with the SNP at Westminster against the government.

He is in fact a unionist, not only opposed to independence but even to wider powers for the Scottish Parliament, a demand supported by a large majority in Scotland. Nevertheless, the balanced way in which he expressed his position, emphasising that it was for the Scottish people to decide, should make it easier for him to work with the left in Scotland.

However, Corbyn is one thing and the Scottish Labour Party quite another. The new leader and deputy leader, Kezia Dugdale and Alex Rowley, are typical Labour apparatchiks. Dugdale, who will lead the campaign in 2016, is an outright Blairite. Rowley is slightly more left, or more opportunist, and said towards the end of the leadership campaign that Corbyn would make a fine leader and that there could be a referendum on Trident. Nevertheless, Scottish Labour, including the few leftists within it, is unquestionably unionist. With a combination of Blairism and unionism, it is difficult to see them winning back Labour voters from the SNP. In an effort to be more open, Dugdale announced that in any future referendum party members would be free to campaign for or against independence. She rather spoiled the effect by saying in the next breath that there should be no second referendum for at least a generation, a position that is shared by the Conservatives and LibDems.

There is in fact a space to the left of Labour and the SNP in Scotland. A survey conducted in both Scotland and England after the May election³ showed that on a scale of left to right, 14.5 per cent of Scots were in the most left category. For England the figure was 9.8 per cent, which is still significant. It counters any idea that England is irremediably conservative and helps to explain the Corbyn phenomenon.

The difference is, however, not just that Scotland is 5 per cent more to the left than England but that there is in Scotland a quite clear connection between being on the left and supporting independence. For example, 25 per cent of SNP voters were in the most left category. The link between independence and socialism has been increasingly apparent and has become much stronger as a result of the referendum campaign.

It has become habitual to situate the SNP on the left. This is true only relative to Labour. The SNP has flagship social policies: free university education, free medical prescriptions, free care for old people. On foreign policy its opposition to Trident nuclear weapons has been resolute, as was its opposition to the Iraq war in 2003. But there are distinct limits. In June 2015 First Minister Nicola Sturgeon was at pains, on a visit to the USA, to underline her overall agreement with US and British foreign policy as regards the Middle East and Russia. Let us not forget that in 2012 the SNP reversed its traditional opposition to NATO, and made clear that it would accept the

Queen as head of state of an independent Scotland and that it would keep the pound sterling and stay in the EU. Taken together, the message to the international community was: ‘don’t worry, we may be against austerity and nuclear weapons, but we’re not going to be a Cuba in the North Atlantic’. In domestic politics the SNP is business-friendly and plans to have an Irish-style low company tax to attract foreign capital. Unlike Corbyn, it is opposed to any tax on financial transactions. It is opposed to nationalisation of energy and has also resisted calls to renationalise rail.

So there is a space for a force to the left of both Labour and the SNP. After much preparation in the framework of the Scottish Left Project, a new left force came into being on 29 August 2015 under the name of RISE (Respect, Independence, Socialism, Environment) (see appendix). RISE is not (yet) a new party, nor is it a coalition of existing organisations. It includes the SSP, but also many of the new, young forces that emerged in the referendum campaign and were active in the Radical Independence Campaign, Women for Independence, and other movements. There are also figures who represent important moments in the history of the Scottish workers’ movement, including veterans of the historic struggle of the UCS shipyards in 1971, and others who come from outside the traditional left, such as Jean Urquhart, one of the three MSPs who resigned from the SNP when it decided to support NATO membership.

However RISE will not automatically fill the space. There are other contenders. In the first place there is the SNP itself which is now so dominant that many socialists have joined, hoping to push it further to the left. At the upcoming SNP conference they may find that this is not such an easy task. RISE will have to win over SNP activists and voters, and not only in view of the 2016 elections. Everyone knows that one day there will be another referendum on independence. But the idea that this can simply be left to the SNP is fundamentally misguided. It is not certain that the SNP’s vision of a moderate centre-left Scotland will be more convincing than it was in 2014. The surge in participation in the referendum was in no small measure due to the grassroots work of the radical left, and it is the combination of social progress and thoroughgoing democracy that can build a majority for independence.

There is another – serious – competitor for votes to the left of the SNP. The Scottish Greens are to the left of their English counterparts, who themselves are on the left of the European Green spectrum. They have radical social policies, such as renationalisation of rail. They have recently come out for the nationalisation of Scotland’s major oil refinery and petrochemical complex and are discussing the question of rent controls. It is probably no accident

that these measures were announced just before and just after the launching of RISE. A convergence between the Greens and RISE would be logical; the party hierarchy is against it, but there are those within the Greens who favour such a convergence.

The SNP is predicted to win virtually all of the constituency seats in 2016. If it does, it will not qualify for a percentage of the PR seats, which means that everyone else – Labour, LibDems, Conservatives, Greens, and RISE – will be fighting for those 56 seats. So nothing is certain. RISE has from now until May 2016 to carve out a place for itself.

After the Scottish elections, David Cameron will, perhaps as early as autumn 2016, fulfil his campaign pledge of a referendum on Britain's membership in the EU. There are many unknowns, including what concessions Cameron will be able to get from his European partners and what powers Britain can take back, notably over immigration. The probability is that Cameron will claim that he has won enough concessions and will campaign for a Yes vote, in which case he will be opposed by up to eight of his own ministers and a significant minority of his MPs – but supported by most of big business. If he himself says No that changes everything.

How will other parties react? A year ago it seemed clear that the Labour Party, the LibDems and the SNP would all call for a Yes vote. But with Corbyn's victory this is not certain. He is the only party leader who is actually opposed to the present capitalist, neoliberal EU. Prior to his election his attitude was, to say the least, ambivalent. On the one hand, he talked of staying in and fighting alongside the radical left in other countries. On the other, he spoke of making demands on the EU – quite different obviously from those that Cameron is making. What would he do if (when) the response is negative? Since his election as leader he has stated that his position is to call for a Yes vote and then push for changing the EU from within. If he were to reconsider this it would trigger a major crisis in the Labour Party – or rather a deepening of the crisis that his election has already provoked.

Corbyn is in a difficult position. He has broad support within the party, but it is diffuse throughout the country. His daily experience is of working with the parliamentary Labour group, 90 per cent of which is opposed to his policies. He is constantly under attack from the media and the political world, including those in his own party and even some in his 'shadow cabinet'. While composing this 'alternative government', in line with the British political tradition, he was faced with a boycott from many leading figures and had to make up his team from a minority of those who really agree with him and a majority of others who were willing to serve but

disagree with him to a greater or lesser degree and hope to control him.

He has just come through his first Labour Party conference as leader, rather successfully – his keynote speech being well received not only by the conference but by the general public. But he has to move carefully, decide what issues to fight on, what debates to put off until later. For example, Trident was not on the conference agenda because he would have been defeated on it by some of his trade union allies. But that does not mean he has given up on the issue. Perhaps he will change his position on certain points, but at the moment it is difficult to say if he is doing that or just playing for time. He certainly seems to be concentrating on national rather than international issues – though he has unequivocally opposed Britain taking part in the bombing of Syria. His support in the party will take time to filter through to the leading bodies – even to the parliamentary group. But it is increasing – in his first two weeks as leader, over 60,000 people joined the party, and 2,000 more within an hour of his main conference speech. Those forces can be mobilised not just within the party, but on the streets, in opposition to Cameron.

When the European referendum comes, in Scotland the SNP will certainly call for a Yes vote. It really is pro-EU, but there is also a tactical consideration: it has declared that if England voted to leave but Scotland to stay, this could trigger a new referendum on independence. Their calculation is that Scotland is more pro-European than England, which is true, but not massively. With so many uncertainties anything could happen: a double Yes, a double No, Yes in Scotland, No in England or even vice versa.

There is however one new element – the perspective of a left campaign for a No vote. A few months ago this seemed an unlikely or at most marginal development. The general feeling was that the No campaign would be dominated by the Conservative Right and UKIP and that the left had nothing to do there. That was before Greece. The role played by the European institutions has provoked a debate in Britain as elsewhere on the attitude the left should have towards Europe. For the moment this debate is taking place essentially in circles of left activists and intellectuals. The well-known writer and activist Tariq Ali has announced that Greece has convinced him to vote No, and he is not alone. What the scale of a left No campaign would be is hard to gauge today, but it seems clear that unlike the left opposition to British membership of the EU in 1975, it will be an internationalist No.

British politics is moving into uncharted waters, with many unanswered questions. We had an answer to one of them on 12 September when Corbyn won the Labour leadership: but that is just the start. Then there will be the

Scottish elections in May 2016, with an SNP victory highly probable; the open questions are whether Labour can stop its downward spiral and what forces there will be to the left of the SNP in Parliament. And beyond that, the perspective of a second referendum on independence. Finally, there will be the result of the referendum on Britain's membership of the EU.

It is becoming clear that all of these questions are symptoms of a deepening crisis of British politics and even of the state form. The dominance of the two big parties has steadily eroded, from 93 per cent of votes in 1951 to 67 per cent this year. They are both in crisis: the question of Europe is a time bomb for the Conservatives, and the Corbyn phenomenon has revealed deep fractures in the Labour Party. UKIP, which is fundamentally an English nationalist party with a strong racist streak, may only have one MP, but it received four million votes in May 2015. The Scottish question has steadily increased in importance since the 1960s, and whether expressed through the SNP or forces to its left it is not going away. Cameron is heading the most Thatcherite government since Thatcher, with an offensive against the unions and what remains of the welfare state. But Thatcher's achievements sowed many of the seeds of today's crisis. There are now increasingly strong movements on both sides of the border against her social legacy and her British nationalism.

APPENDIX: Summary of RISE's political outlook⁴

- **Respect:** We stand for a society where we end racism, sexism, discrimination on the grounds of sexuality and where people of all backgrounds, colours and creeds are treated with respect and dignity.
- **Independence:** We stand for Independence for Scotland. But our Independence is based on ending neoliberalism, austerity and the membership of NATO. We are for ending the monarchy and putting people in charge.
- **Socialism:** We are for a social alternative to capitalism where people run the affairs of our society democratically and where the vast resources of society are utilised in common, rather than for the super-rich.
- **Environmentalism:** We believe that environmentalism must be central to social change. Our world is being destroyed by the ruthless pursuit of profit over everything else. Sustainable ecology – where we maximise our enormous renewable energy potential to power Scotland – [is] at the heart of a radical vision for change.

Notes

- 1 The Central Belt runs roughly from south and west of Glasgow over to Edinburgh and in a wider sense up to Dundee. Most of Scotland's industry is located there and it accounts for two-thirds of the population.
- 2 Francis Wurtz, 'Vers un "1968 en Europe"?', *Humanité Dimanche*, 24 July 2015, <<http://www.humanite.fr/vers-un-1968-en-europe-580148>>.
- 3 'Revealed: indyref created a surge of support for the left', *The Herald*, 3 August 2015, <http://www.heraldsotland.com/news/13525237.Revealed:%20Scotland's_booming_left_in_hard_numbers/?ref=ebln>.
- 4 From <<http://www.rise.scot/about/>>.

The Transformation of the Czech Republic: New Challenges and Problems

Ilona Švihlíková

The transformation process in the Czech Republic is a complex combination of economic and political dynamics. It represents the same logic that has underlain similar post-1989 processes in other countries of Central and Eastern Europe (CEE). We will first briefly summarise the parameters and failures of state socialism, which constituted the initial conditions of the transformation process. We then consider the form of capitalism (or ‘market economy’, the preferred term) that the states of Central and Eastern Europe took over, which had several stages; we have had to limit our focus to certain aspects such as privatisation and the exchange-rate mechanism. Finally, we look at current problems whose essence is an outdated economic model represented by a form of the middle-income trap. The consequences of the transformation process of CEE countries are an issue of course not only for them but for the entire EU. As we will show, in some cases these countries served as guinea pigs, especially in destroying the welfare state.

The failures of state socialism

There is no consensus on what to call the economic system that prevailed in CEE countries from the 1950s. The economic and political systems were intertwined because the ruling (communist) parties exercised decisive control not only of the political but also of the economic sphere. The economic system was based on central planning and state-owned enterprises. The signalling role of prices was blocked, and prices were artificially created by the central institutions. Very important quantitative indicators contributed to a lag, especially since the 1970s. State socialism proved to be effective when it came to mobilising resources (for example, in infrastructure projects and heavy industry), but incapable of ‘switching’ to quality, especially in the consumer goods sector. Quantitative indicators made it possible to count the macroeconomic aggregates in tons of coal and steel, but they could not grasp

technological improvement, which in the end proved fatal for the system.¹

In Czechoslovakia, there were several features of state socialism that are important for understanding the transformation process. From a political point of view, the failed attempt to modernise state socialism through the so-called Prague Spring (violently terminated by Soviet military intervention in 1968), ended with the hard conservative wing of the Communist Party coming to power. Later, as the system collapsed, the governments of neighbouring Poland and Hungary had already initiated talks with the opposition or launched their own (mostly unsuccessful) reform efforts. The situation in Czechoslovakia was very different, as there was strong resistance to the Gorbachev-led reforms (*perestroika*). At the end of the 1980s, the Czechoslovak regime remained 'tough', which it could do in part because of the healthy state of the economy – relative, that is, to other CEE countries. The internal and external imbalances were relatively small, in contrast to indebted Poland and Hungary. The economic structure was oriented to heavy industry (hence the role of quantitative indicators for controlling the economy), while the service sector was small. Of all CEE countries, Czechoslovakia had the best starting position when entering the transformation process. However, this advantage was, as we will see later, mostly squandered by many failures, especially those resulting from the application of a neoliberal model of capitalism.

The beginning of transformation

Understanding the transformation process and its consequences requires an understanding first of all of domestic conditions and second of the 'external' environment. It is essential to realise that CEE countries began their reintegration into the world economy under the influence, and sometimes under the domination, of the IMF. It was the IMF and the World Bank that created a 'manual' of the 'perfect model' for CEE countries to follow in the form of the Washington Consensus. In Czechoslovakia, as in other countries (for example, Russia as an extreme case), the paradigm was neoliberal capitalism, and the Washington Consensus served as the guideline in realising it. There were countries that tried to find their own way (Slovenia, and in part Hungary); however, in most cases the Washington Consensus prevailed, sometimes with Jeffrey Sachs's personal intervention. Its policy recommendations are usually summarised as 'liberalisation, privatisation, and deregulation'. In addition, it meant a deeply depreciated exchange rate that led to *de facto* price competition and retarded the efforts to restructure the economy. In all transformation efforts, great emphasis was placed on speed, echoing Jeffrey Sachs's 'leap into the market economy', where

institutional conditions or path-dependency specifics were completely ignored. Oversimplified economics ruled the day and the general belief was that transformation could easily be accomplished in only a few years. It should be noted, however, that in Czechoslovakia the word 'capitalism' was almost never used, and even the most right-wing neoliberals used the term 'market economy without adjectives'. The domination of the Washington Consensus meant contempt for the welfare state, or the state as such. With the rhetoric of 'the market will solve everything', private property and curtailed state influence were turning Czechoslovakia into a capitalist state.

Yet almost no one had had any real experience with the workings of a capitalist economy. The process was seen as one that simply followed the textbook models. The exchange rate of the Czech koruna (CZK) played a very important role. The koruna was sharply devalued, in accordance with the IMF's prescriptions. The exchange rate was fixed and its importance for the transformation process was shown by the fact that it served as a so-called nominal anchor.

To this day, the impact has been profound. It meant first that Czechoslovakia became artificially cheap. Companies were not motivated to restructure their production, as they could continue to export simple products with minimal value added and survive. At the beginning of the 1990s, many Czech factories survived on cheap labour, importing raw materials, doing simple processing, and re-exporting the product. The main characteristics of this type of integration into the world economy was the minimal value added and dependence on a weak exchange rate, thus confirming cheap labour as one of the main characteristics of this economic model. Czechoslovakia started to compete on the world market with developing countries because the devalued currency made necessary modernisation imports (machinery and technology) too expensive. Another factor in this development was the breakup of Comecon (Council for Mutual Economic Assistance). The Comecon countries constituted the bulk of Czechoslovakia's export markets. Even in the era of state socialism, Czechoslovakia was a rather open economy and one of the most developed and industrialised within Comecon. The sudden loss of Comecon markets led the enterprises to search for new, western markets but under very different conditions. Many of them survived only as cheap subcontractors. At the beginning of the transformation process, the role of the state, for example in export promotion or even in economic diplomacy as such, was disdained and ridiculed. The experience of European Western countries was ignored and the textbook models applied.

Privatisation was another key element of transformation. It was not clear what exactly was to be privatised or what was to be maintained under state

control. However, speed was the paramount criterion. Privatisation was to be rapid, in disregard of the need for a proper legal and institutional framework. Two notorious phrases are associated with Czech privatisations: first, 'there is no dirty money', and, second, 'economists have to be faster than lawyers'. These two assertions reflect the social atmosphere in which the bulk of national wealth was privatised. From the beginning, privatisation was viewed as a goal in itself, not a means of creating a well-functioning economy. Later, the method and its application was sharply criticised by Joseph Stiglitz, but by then it was too late. The adopted method (in most cases) was privatisation by vouchers. This was justified as a way of establishing a 'people's capitalism' in which every citizen would become a shareholder. But this naïve idea did not last long. The privatisation (financial) funds were quickly introduced and gained popularity through slogans such as 'you get ten times more than you invested'. Lack of experience with capitalism led people to misunderstand that this really meant the selling off of state property at a price at least ten times less than the real price.² Privatisation of this kind, advocated by the World Bank at the time, created a deformed environment in which it was more advantageous to sell property and machines and cash in fast rather than really try to modernise the companies. The term 'asset-stripping' (in Czech 'tunelování') later gained currency in describing the privatisation process. Many companies with traditional brands were destroyed and disappeared. Altogether, the government's slogan 'get rich fast, no matter how' was a clear incentive for opportunistic, in many cases criminal, behaviour that created a wealthy class connected to right-wing parties. Despite the radical neoliberal orientation, the right-wing governments leading the transformation process were cautious about privatising the banking sector. Most banks were under state control, which in the end created a perverse situation when companies were privatised and then kept alive by bank credits, that is, by the state itself. The performance of privatised enterprises was tragic, and was worse than that of all other categories. As the results of the privatisation process, with few exceptions, were quite negative, the banks began to pile up bad loans. A crisis was thus inevitable.³

In general, the transformation process presided over by right-wing neoliberals had different impact in the Czech and Slovak parts of the country. In the 1992 election, the more developed and industrialised Czech population voted for right-wing reforms and belt-tightening, while the Slovak part of the federation was characterised by social problems and the general feeling that the harsh reforms were unbearable. In the end, a peaceful breakup of the federation was agreed on. Since 1993, there has been an independent Czech Republic and an independent Slovak Republic.

Thus, one of the consequences of the transformation process was the end of Czechoslovakia, a state that had existed since 1918.

Transformation crisis and solutions

The period shortly after the inception of the transformation reforms is generally known as the transformation crisis. In many CEE countries it consisted of deep economic depression, inflation, and unemployment. In the Czech Republic there was no such 'drama' at the beginning; it came later and reflected all the failures of the process.

The first sign of imbalances was the deterioration of the balance of payments. Large current account deficits showed that the exchange rate was misconceived and only contributed to large inflows of speculative capital. This hot money was encouraged by the positive interest rate difference, with the Czech Central Bank facing ever more difficulties in handling this inflow. The situation culminated in a modest financial crisis in 1997, in which the fixed exchange rate was abandoned. At the same time, austerity was implemented. It was mistakenly supposed that demand was too high and that more 'belt-tightening' was needed. However, the problem was exactly the opposite: supply was inefficient because of the failed transformation process. The next blow to the economy came in the form of a banking sector collapse. The volume of bad loans became critical, and the state had to intervene and bail out the banks.

The biggest wave of banking problems occurred at the end of the 1990s when the social democratic party was in power. Its attitude toward the economy was rooted in a deep criticism of the privatisation process. Its response was to solve the problems of the Czech economy by selling banks and other enterprises to foreign companies. The next element of its economic strategy was the great emphasis placed on economic diplomacy, which also meant an incentive system to attract foreign direct investment to the country. It has to be borne in mind that the first years of the transformation process were connected, although not explicitly, to the objective of creating national capitalism. As the process failed, the social democrats turned for help abroad. This was in part because they were not popular with the newly created wealthy elite and were consequently looking for a 'counterweight' to hostile domestic economic forces. The investment incentive attracted a lot of direct investment, often in the form of assembly lines, taking advantage of cheap skilled labour with a long industrial tradition. The accession to the EU in 2004 accentuated these tendencies, and the Czech Republic consolidated its role as a subcontractor country, for the most part connected to Germany. Not only did companies considered to be national assets end up in foreign

hands (for example, the Pilsner Urquell brewery), but all of the banking and retail sectors, etc. did as well. Even infrastructure (for example, water pipelines) was privatised and sold to foreign owners; this was tantamount to giving away a rent. The failed privatisation and economic policy as such created a combination of weak currency, cheap labour, low to medium value added in the economy, and an overall dependent economy that can only be called, quite simply, a colony.

The current economic situation

Before analysing the current situation, a few important moments should be briefly mentioned. EU accession in 2004 deepened the Czech Republic's orientation towards European countries. This was reflected in investment inflows, but especially in trade. The balance of trade started to show tendencies to surpluses.

Economic policy went through different stages partly depending on which parties were in power. A decisive moment was the period of right-wing governments beginning in 2006 after the period of social democratic governance. Their policy orientation was austerity and the privatisation of the remaining public services (for example, the pension system). One of their main political successes was making debt the top economic issue. Their 2010 election victory occurred in an atmosphere in which a dramatic reduction of government debt was assumed to be urgently necessary, otherwise 'the Czech Republic will end up like Greece'. The absurdity of such a policy goal was obvious since the Czech sovereign debt was among the lowest in the EU. But despite the evident reality, the hysterical fear of state bankruptcy led to severe austerity measures that halted the Czech Republic's adaptation to the EU average, resulting in increased poverty and insecurity in the society, with the economy entering prolonged and repeated stagnation.

What is the current state of the Czech economy? A glance at its structural (not cyclical) features reveals that the 'Czech' economy is not very Czech, with companies under foreign control representing more than 40 per cent of total production. This trend is especially evident in the financial sector, where foreign banks (mother companies) control 97 per cent. Czech subsidiaries act mostly as price-takers. Since they are dependent on the decision of the mother companies, their ability to set price or other strategic elements of development is either non-existent or very limited.⁴ Other elements of the Czech economic model are logically related to this ownership structure. Production mostly involves processing, which means it is import-intensive. Another feature that clearly shows the unsustainability of the Czech Republic's economic development is the outflow of dividends from the

country. It is clear that in the life cycle of an investment foreign companies start to withdraw profits when the investment is 'mature'. Since 2006 the outflow of profits has been higher than reinvested earnings. The situation is worsening every year, and by 2014 the Czech economy experienced a record outflow of 219 billion CZK. As the Czech Statistical Office affirms, the official numbers are underestimated, as there are many creative methods foreign companies use to draw resources out of the country. These channels include overpriced services provided by the mother company ('consultation fees', IT services, etc.), and the extension of credits.

From the macroeconomic point of view, this means that there is a huge difference between GDP and GNI. Because GDP is the index most often used, it distorts the economic reality of the Czech Republic. The level of profit outflow is one of the highest in the whole EU. This of course also means that the resources that leave the country are not available for investment or wage increases. The result is a perfect vicious circle that can be broken only by systemic, long-term government policy.

The economic model is therefore that of a dependent country, or colony. This is also seen in wages and the overall standard of living. Compared with Germany, the wage level (counted in purchasing power parity) is 40 per cent of the average German level. However, the economic level (GDP) of the Czech Republic is about two thirds (66 per cent) of Germany's level. The difference of 26 percentage points is huge. A part of the explanation lies in the flow of profits out of the country. Low wage levels make issues like working poverty important, and the policy of right-wing governments has played an important role here. By EU standards, the minimum wage is very low; the current government has started to raise it gradually. But the Czech Republic's minimum wage in relation to the median wage remains the lowest in the whole EU. This is also confirmed by OECD research, which shows that single Czech parents have to work more hours (79) a week to get above the poverty threshold than do their counterparts elsewhere in the EU. Working poverty describes the condition of about a quarter of working women.

In analysing poverty, former right-wing governments have normally attempted to disregard the issue by using indicators such as the Gini Coefficient that shows very little inequality or material deprivation, etc. It is true that in many indicators of this kind, the Czech Republic occupies one of the best positions in the EU. However, these simplistic interpretations are seriously flawed. First of all, from a methodological point of view, the Czech Trade Unions' research has shown that the numbers of the poor are widely underestimated, as many households are left out of the research.⁵

These excluded households include people living in welfare institutions like social hostels, as well as homeless people. Social stability is indeed very fragile, as recent statistical research has confirmed that a significant proportion of households lies just above the threshold, a level that includes many households. One hundred koruna, which is not even four euros, is considered enough to classify a household as being officially above the poverty line.⁶

In terms of the fiscal situation, the debt level of the Czech Republic is, as already mentioned, one of the lowest in the whole EU. However, the austerity policy carried out by the right-wing governments that made debt, especially sovereign debt, the main issue succeeded in nearly dismantling the state as such. Outsourcing and privatisation tendencies were so extreme that a situation of state capture resulted. By the time the right-wing governments got through with it, the state was no longer able to operate basic systems, such as car registration, or ensure the continued operation of job centres. The current government therefore aims to make the state functional again and at least to diminish the rent-seeking that has spread to all levels of public administration.

In terms of economic policy, the Czech Central bank has decided to intervene and artificially depreciate the koruna to 27 CZK to the euro and fix it at that level. The stated purpose of this move is to combat deflation and provide an incentive that can boost the economy. It is doubtful that the move will have either of these effects, but the Central Bank (which is independent, though heavily criticised by all sides for this depreciation) announced that this is its long-term policy. This is not the exchange rate that purchasing power parity would determine, which would be about 21 CZK to the euro. The policy further consolidates the role of the Czech Republic as a cheap assembly factory and distorts its convergence with more developed countries. It evidences not only a counterproductive monetary policy, but also the scant capacity of policy makers to change the Czech Republic's position in the world division of labour.

Conclusion: The middle income trap of the Czech Republic

To sum up, the Czech Republic got caught in a special form of middle-income trap. The situation of a dependent economy is nothing new in economic theory, but it poses a huge challenge for economic policy. The first positive signs of a recognition of the problem have come from the government office that published an analysis entitled *Outflow of Profits as a Symptom of a Worn-Out Economic Model*. Although, finally after many years, this is one of the genuine research papers to come from a government

institution, its recommendations are not reflected in practical economic policy. Aside from gradual increases in the minimum wage, the current economic policy is anything but progressive; for example, a financial constitution has been adopted that contains a counterproductive pro-cyclical policy, and support has been given to investments like Amazon (which is notorious for its horrible working conditions), or coal extraction and the construction of more nuclear plants have been contemplated. Solutions for changing the current unfavourable economic situation have met with resistance from milieus connected to foreign investment, but also from political representation as such. The low level of the Czech Republic's elites is seen in their unwillingness to change much so as not to appear radical. It is much more convenient for them to tell the public that changes are impossible and that certain measures have to be enacted (because Brussels requires them) than to try and implement a new economic model.

In sum, Czechoslovakia and then the Czech Republic had favourable initial conditions reflected in low imbalances, including a low level of debt and a comparatively developed economic structure. These conditions, however, were squandered by a failed economic policy that resulted in domination by foreign companies.

In addition, the policy space for independent decision-making is limited and so there are real limits to convergence, as UNCTAD has analysed in detail.⁷ The needs of economies trying to catch up are different from those of economies seeking to maintain their position, with the head start they have. In the EU, there are many policies that limit the scope for economic manoeuvring, the most notorious of which is of course the current form of monetary union.

At the beginning of the transformation, CEE countries served as an experimental laboratory for neoliberal policy, as Greece does now. Later they developed into sites for cheap labour as dependent economies that suffer from an outflow of profits, disproportionately low wages, and low to middle value-added production fixed by the state. For western companies, CEE countries served as a lever to sink wages and lower social standards in their home countries.

The position of the Czech Republic reflects the current power arrangement in the world capitalist economy, in which many advanced countries are pursuing a policy to limit the possibilities of convergence for transforming or emerging countries and adjustment costs are shifted to workers and the low and middle income classes.

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Notes

- 1 Martin Myant and Jan Drahokoupil, *Tranzitivní ekonomiky. Politická ekonomie Ruska, východní Evropy a střední Asie*, Prague, 2013.
- 2 Miloš Pick, the late well-known Czech economist, estimated that with seven million citizens participating in the privatisation through vouchers (totalling 70 billion CZK) the real value of the assets was 240 billion CZK. 'Selling off' is thus an apt characterisation of the reality.
- 3 For more on the consequences of privatisation, see Miloš Pick, *Stát blahobytu, nebo kapitalismus? My a svět v éře neoliberalismu 1989-2009*, Všeň, 2009.
- 4 See the Czech Statistical Office's analysis: Radek Šmíd and Juraj Lojka, 'Kdo tahá za nitky české ekonomiky?', *Statistika a my*, 03 (2015), pp. 21-24.
- 5 Hana Popelková, *Vývoj chudoby v ČR*, Prague, 2014.
- 6 Šárka Šustová, 'Jak se měří materiální deprivace', *Statistika a my*, 03 (2015), <<http://www.statistikaamy.cz/2015/03/jak-se-meri-materialni-deprivace/>> (accessed 14 September 2015).
- 7 UNCTAD: *Trade and Development Report*, 2014.

Russia: The Illusion of Accord – The Reality of Confrontation

Anna Ochkina

An objective critical and constructive analysis of Russian reality is typically impeded by widespread myths. Most notably, there is the myth of the totalitarian sole dictator – the omnipotent Russian president. The demonic image of Vladimir Putin is also inextricably linked to the notion of the Russians' eternal suffering and irrational devotion to a national leader due to their 'totalitarian mentality'. These are two interrelated elements of a common myth about modern-day Russia, which is still intensively and persistently broadcast by official Western propaganda, and, for different reasons, by liberals and leftists, Western as well as Russian.

An understanding of the structure and evolution of Russian capitalism is necessary in order to understand what is really happening. The existing political order in Russia did not emerge from nowhere, nor is it a direct continuation of the Soviet past, as assumed by some critics of the current regime.

The Yeltsin epoch

Under the rule of Boris Yeltsin conflicts between various business groups were resolved by force, with the battle fought relatively independently of the state, which was only presented with *faits accomplis*. The winner became intimate with the authorities, could even dictate his conditions and exercise almost infinite influence over economic decision-making, while the losers were removed far from any political and economic levers of power. Such a system was unstable by definition, the outcome of battles between oligarchs were unpredictable, the consequences could not be assessed, and with every twist in the confrontation the political system experienced further perturbations. In this situation, the very existence of the regime was constantly called into question. This is why part of the big bourgeoisie endorsed, supported, and directed the administrative coup that brought Vladimir Putin to power.

At approximately the beginning of the 21st century the so-called dynamic compromise of the elites began to materialise with minimal pomp and publicity, and became the basis of the present political regime in Russia. The authorities carefully selected amenable parties from Russia's big bourgeoisie and allowed them to become or to remain oligarchs, that is, persons given access to super-profits, which in turn would be protected and guaranteed through the proximity to the authorities.

The period of unpredictability and arbitrariness of big capital was over. Those representatives of the bourgeoisie who showed boundless ambition and wilfulness were removed from the seats of political management with varying degrees of harshness. The trial of Mikhail Khodorkovsky did not at all seek to strengthen the rule of law, but rather contained a very important message to all dissenters in the sphere of big capital. The message was very simple: violations of the rules of the game and attempts to unilaterally change them will be punished.

The anger of the authorities unleashed on the oligarchs was public, widely covered by the press, and passed off as a sign of a new era. But the agreement between the authorities and the amenable oligarchs remained in the shadows; it is still implemented day after day hidden from public scrutiny. It is essential to emphasise that this was in fact an agreement, not a surrender of big business to the state. Russia's big bourgeoisie is not forced by the state to subordinate itself to national interests, to curb its appetites for the sake of national welfare. Rather, the current Russian state has become the main capitalist, the bureaucratic centre of the Russian bourgeois system. From now on, the oligarchy in Russia is anonymous; no amount of capital or economic power gives someone the right to public recognition, to open implementation of one's own policy. But this in no way negates the very existence of the economic power of individual business circles capable of pursuing their interests through state economic and social policies.

A dynamic compromise

The main objective of the Russian state today is to ensure the balance of proprietary interests of the groups involved in the compromise. This is not an agreement made once and for all, but a dynamic compromise, the terms of which are constantly adapted to the specific socio-economic and political situation, with the authorities taking upon themselves the task of finding solutions acceptable to all participants in each conflict situation. In this dynamic compromise, Vladimir Putin plays a crucially important role as a mediator, and it is precisely this role that requires the image of the national leader standing 'above the fray'.

By not being directly involved by the elites in the mechanism of creation of the ‘dynamic compromise’ Russian society has until recently profited from this system, since the interests of the majority were taken into account – for the sake of maintaining stability. As a result of the partial redistribution of petrodollars by 2012–2013, the country’s average consumption levels came to be the highest ever in Russian history. This is convincingly confirmed in the report ‘Living in Russia’ published in the journal *Left Politics* in 2013. No ‘economic miracle’, no strong social state, not even much state welfare was involved. The redistribution of oil revenues was largely spontaneous, but it was encouraged by the authorities. The population was involved in Putin’s ‘dynamic compromise’ not as a fully-fledged partner but as a consumer and tolerant observer. An observer prepared, in exchange for some privileges, to turn a blind eye to the elites taking certain liberties.

The improvements, however, were quite peculiar. No special benefits or social rights were granted to the population. True, wages increased, albeit slowly, and social spending steadily increased. These changes were not systemic and rational from the point of view of objective needs and progressive social development goals; but they gave the population a sense of growing stability, a kind of rest after the poor and bleak 1990s. However, what helps the population of Russia maintain a certain level of welfare is not so much the stochastic state handouts but those features of Russian society which result from a combination of the socio-economic and political system emerging at the beginning of the 21st century and the Soviet legacy in economic and social culture.

The influx of oil money into the Russian economy did not stimulate the development of the real economy since this objective was not a part of the Russian elites’ dynamic compromise, but it created an increased demand for consultancy and information services. The Russian economy developed as a dependent export-oriented one, and the state’s economic policy was not based on any coherent strategy. Everyone went with the flow. But there was money in the economy, and this money created jobs. The financial sector required managers on various levels; national projects, from large ones like the Skolkovo Innovation Center or the Sochi Olympics, to the smaller scale regional or local ones, required agents, needed managers, advertising and PR professionals, and experts in information technology and communications. The economy was stimulated by the demand for intellectual labour, for all kinds of services, which supported and reinforced the striving for higher education dating from the Soviet period. The projects themselves were direct consequences of the elites’ compromise, as they helped to redistribute public resources to business from state-owned corporations acting as contractors

for these projects. Simultaneously, the ‘Russia-rising-from-its-knees’ stage set was created, an illusion playing a key role in the formation of President Putin’s image.

... and the interests of the citizens?

A characteristic feature of modern Russian stability is that the interests of capital are always and very consistently respected, while the nationwide interests of citizens are realised only accidentally, as an ‘extra’. Ambitious projects mostly become platforms for the realisation of private interests from their very inception.

However, in one way or another jobs were created and, therefore, solvent demand was increasing. From the export and financial sectors the growth momentum also spread to the services sector, to education, and to the commodity market. The housing market was developing as well, significantly aided by a demographic crisis that broke out in the 1990s and still has not completely subsided. The housing demands of a naturally shrinking younger generation were being satisfied by exchanging old Soviet housing for new housing. Thus the housing market was simultaneously influenced by three epochs:

- the Soviet epoch, when public housing was developed, but slowly, lagging behind the growth of the population’s needs;
- the Yeltsin epoch, which triggered a profound demographic crisis;
- the Putin epoch, during which petrodollars flowed to areas where speculative growth could best be ensured.

In general, an important factor in stability proved to be the Soviet legacy itself. In the late Soviet period, a powerful public sector was created, whose material base is still used in Russia. Most of the roads, airports, schools, hospitals, etc. used by Russians today were built in the Soviet Union. A significant proportion of doctors, teachers, scientists, and educators working in Russia today were trained in Soviet schools and universities. An important feature of the socio-economic culture of Russians, inherited from the Soviet period, is a tendency to overvalue individual consumption and undervalue public consumption. Among modern Russians, the striving for individual wellbeing is much stronger than the desire to protect social rights. Russian citizens have no experience of shared struggle to achieve a social state, but they do have a long-standing tradition of, and wealth of experience in, looking for loopholes for personal gain under conditions of state control. This tendency was all the stronger since this control was accompanied by

certain guarantees – free education, free medical care, the right to a job, etc.; Soviet citizens took all this for granted, expressing dissatisfaction with the fact that the medical care was bad, higher education did not guarantee high wages, and housing was chronically in short supply. Not appreciating their social rights and living with shortages of goods, Soviet citizens dreamed of unhampered consumer freedom. The first decades of the 21st century gave Russians an opportunity to enjoy an abundance of goods while still benefiting from the remnants of social rights. Thus the population saw their situation as, in a certain sense, optimal.

Russian capitalism's aggressive offensive

Today, however, Russian capitalism's attack on social rights is becoming increasingly aggressive and obvious, already threatening individual wellbeing as well. Following other European countries, Russia has moved towards a policy of austerity. Furthermore, a new generation is growing up that did not experience the guaranteed social state and has not been worn out by a shortage of goods but knows exactly what a shortage of money feels like.

The petroleum-based prosperity gave the Russian state the resources it needed to secure a new relationship with the elites. The commercialisation of the public sector was carried out in a centralised way, as was the creeping privatisation, which has by no means stopped. The paradox of Russia's modern social structure is that the decentralisation of administration and development is centrally administered; it is imposed on the resisting population and regions who know full well that it is not income and resources that are being redistributed by the authorities but costs.

The key process of 'capitalist' development in modern Russia turns out to be a reform of the social sphere, those sectors of social production which in the Soviet period were used by the state to centralise the society's development.

The growth of discontent with this policy is, however, retarded by the president's personal popularity. Vladimir Putin certainly draws on the image of the national saviour reviving Russia's greatness; it would be wrong to claim that this image is purely media-generated and bears no relation to the real view Russians have of the president. But these views are not romantic, and they are certainly not irrational.

In the eyes of society, the government is evil incarnate, and Putin is the only protection against the malicious activity of the cabinet appointed by himself. Fascinatingly, from time to time Putin indeed puts brakes on the neoliberal reforms of the social sphere. This is due not to ideological differences but to the terms of that same dynamic compromise which, at

times, is not respected by the ministers. The president and his administration (as opposed to the government) prefer to do everything more carefully, with an eye to the population.

This position of the president has in turn been criticised by the liberals who oppose his 'inconsistent policies'. By and large theirs is not even a criticism of the pace of reforms, but a concern about risks. Regardless, however, of the president's position these risks are increasing because of the worldwide crisis.

This instability is occurring against the background of the West's resumed attempts at gaining direct control of Russia's transformation. In the 1990s, it was evident that although Russia was participating in the neoliberal project of the global division of labour as a supplier of raw materials, the ongoing control over the process remained in the hands of local elites, as did corporate ownership and the resources supplied to the world market. In 2013-15, due to the worsening of the worldwide crisis, the West began to behave much more aggressively, trying to bring about a de facto change in the conditions of integration into the world system of countries of the periphery and semi-periphery. This process could be observed in Greece and Ukraine, and it also involves Russia. Partnerships with local elites must be replaced by the direct control of multinational companies over the key markets and resources. And 'native' capital, even represented by its openly comprador faction, is in danger of losing its position and is beginning to resist. This is the essence of today's struggle in Ukraine. It is not only about who controls Kiev, which has obviously lost the ability to act as an independent and effective centre of decision-making; it is also about the Ukraine turning into a potential base for the takeover of Russia by European and partly by US capital. The failure of this reorganisation of economic space and power will in turn likely mean the collapse of neoliberalism on a European scale since the resources to maintain the system are clearly exhausted. It is because of this takeover agenda that despite all attempts to negotiate with the West Putin and his entourage cannot obtain compromise conditions acceptable to them and Western propaganda creates an image of 'terrible Russian imperialism', although just a few years ago Moscow seemed to be a perfectly legitimate partner of European democracies.

The process of 'spontaneous destabilisation'

In this situation left organisations face a dilemma in opposing Putin. If they form a bloc with the liberals against the authorities they are not only objectively acting as supporters of the neocolonial project, but they will also repel the public. On the other hand, if they begin to support the authorities

in the name of struggling against the liberals, they become objective allies of a government carrying out neoliberal reforms. The problem, therefore, is not so much the positions of particular groups around specific issues but the lack of an overall strategy to deal with the dilemma.

Paradoxically, the growing social protest in society is at the same time pro-Putin. The Communist Party of the Russian Federation (CPRF) plays a certain role in this political channelling of the protest. It often organises social protest, giving it an anti-government appearance, sometimes even promoting anti-Putin slogans, but it never achieves anything specific and does not propose policies for solving the problems. This is essentially a form of support for the regime, for its stabilisation (by co-opting any normal protest). But even real social protest is addressed to Putin as a referee, and this is disorienting the left.

Nevertheless, the process of spontaneous destabilisation is growing. And nothing will stop it. The times require the formation of ideologically heterogeneous coalitions that can, however, become a real opportunity for the self-organisation of society. It is essential to move away from formulating political issues as a choice 'for' or 'against' Putin, and foreground specific social objectives, above all the fight against austerity policies. At the same time, it is important not to confuse the breadth of a coalition with a lack of agreed principles.

The Russian left's time as an organised political force will only come in the post-Putin era. But a conceptual alternative to neoliberalism needs to be formed today, without waiting for changes in power. Particularly since those changes can appear very suddenly, and once the momentum starts things could develop very quickly.

Austerity Measures and Labour Law Reforms in Spain: A New Standard?

Adoración Guamán and Raúl Lorente

The economic and sovereign debt crisis is having a particularly strong impact on Spain and its labour market. In comparison with other EU countries, Spain has lost more jobs, more rapidly, than other European economies, more than 3.5 million since the beginning of the crisis. The dramatic increase of the unemployment rate has been used by the government and by the European institutions as an argument for spreading the idea that labour law, including labour rights, such as protection against dismissal, employment stability, or minimum wage and collective bargaining, is one of the main causes of such job loss. As is happening in other European countries, since the beginning of the crisis the Spanish Government has enacted many measures, including amendments to labour and social security regulations. The majority of these reforms have followed the country-specific recommendations issued by the Commission and the Council and the different National Reform Programmes that are approved each year by the Spanish Government as determined by the new system of EU economic governance.¹

Among other measures, the government has approved and promoted new types of temporary labour contracts; more possibilities for the employers to hire part-time workers; creation of a new open-ended contract to promote entrepreneurship with a one-year trial period; reduction of the rights of young workers employed under training contracts; creation of a new fixed-term contract for young workers allowable simply if the individual is under 30 years of age and without employment.

Economic crisis and labour law reforms: a permanent change towards a precarious employment society

The formal purpose given for most of the several labour reforms enacted in Spain in the last three decades was the need to correct or attempt to remedy two main problems: unemployment and temporary work. In order

to achieve the first objective, subsequent reforms have increased ‘flexibility’ in order to reduce the so called ‘rigidity’ of the Spanish labour market, which from the point of view of some economists and employers made job creation difficult; the reforms were based on the assumption that more flexible employment was needed to create more jobs. Among the measures promoting flexible labour regulation, atypical (fixed-term) labour contracts held an important place. Deregulation of dismissal, encouragement of part-time work by facilitating employers’ recourse to it, priority given to company-level collective agreements against sectoral agreements, and an increase of the employer’s power to modify labour conditions at the enterprise were among these measures.

Since 2008, two different governments have produced several labour law reforms. Almost all of these reforms involve EU austerity requirements, starting in mid-2009, as a result of Spain’s participation in the Euro System. There have been two phases of enforcement of the Country Specific Recommendations of the European Commission and the Council: the first, between 2009 and 2012, with an important turning point in 2011, and a second phase, from 2012 to the present day.

In December 2009, the Socialist (PSOE) government approved the ‘Strategy for a Sustainable Economy’, with the goal of carrying out twenty major ‘modernising’ reforms in the labour, environmental, economic, and financial spheres. The first measure passed was RDL (Real Decreto-Ley – Royal Decree-Law) 8/2010, providing for wage cuts in the public sector: The public sector wage bill was reduced by an annual 5 per cent in all administrative sectors (in a country in which public sector employees account for 13 per cent of the workforce); the revaluation of public pensions was suspended for 2011.

The adoption of RDL 8/2010 provoked three types of reaction: the 8 June 2010 general strike in public services; a legal action brought arguing that the law was unconstitutional; and a complaint brought before the Committee on Freedom of Association of the International Labour Organization for violation of the rights enshrined in the Convention Concerning Freedom of Association and the Right to Organise and Collective Bargaining Convention (Conventions 87, 98, 151 and 154).²

A few months later the Socialist government undertook a major labour legislation reform (Decree-Law 10/2010 and Law 35/2010), affecting both flexibility and dismissal. Some months later, in August, the Parliament approved a constitutional reform through an agreement between the ruling Socialists and the main opposition party (the conservative PP). The reform introduced a debt limit in the Constitution and gave priority to

interest payments on the public debt over any expenditure. In addition, another labour law reform was passed in the same month focused on youth employment and the modification of training contracts (RDL 10/2011).

During their last months in the government, the PSOE accepted another recommendation relating to pensions. The Recommendation of the Council of 12 October 2011 proposed both raising the retirement age and an increase in the number of years needed to claim a retirement pension, together with a reform of the formula used to calculate pension levels by taking into account increased life expectancy. The Recommendation urged the adoption and application of a global reform of the process of collective bargaining and the system of annual indexation to give companies the necessary flexibility to internally adapt their employment conditions to the changes in the economic environment. Law 27/2011 on updating, adequacy, and modernisation of the social security system enacted a great deal of the pension reform that was demanded; for its part, the 10 June RDL 7/2011 containing urgent measures to reform collective bargaining, opened the way for a decentralisation, or 'descent to company level', of collective bargaining that would be completed by the 2012 reform.

Spain went into recession again in the last three-month period of 2011. According to the European Commission analysis, this was the result of deteriorated labour market conditions. At that moment, and after general elections in November 2011 when the PSOE was voted out of government, a set of reforms relating to the economic crisis and aimed at stopping the continued rise in unemployment were approved. The common denominator of this set of 'labour policies addressing precarisation' has been the devaluation of labour and of stability factors in employment and employment conditions, together with the reduction of social protection rights.

Regarding the private sector, the 2012 reforms (Decree Law 3/2012 and Law 3/2012) and those following them have modified both hiring and internal flexibility, as well as dismissals and collective bargaining. Their main aim has been to reduce labour cost, by reducing wages and the hiring and dismissal cost for employers.³ It should be noted that the Constitutional Court, contradicting the opinion of many legal experts, has considered these reforms compatible with the Spanish Constitution (see Resolutions 119/2014 and 8/2015).⁴

Regarding the public sector, the RDL 20/2012 followed the Council's Recommendation: the public deficit had to stay below the reference value of 3 per cent of GDP in 2014, and Spanish authorities were to enforce the cuts adopted in the 2012 budget and the rebalancing plans of Spain's Autonomous Communities. In order to reach these objectives the Council established a

time limit of three months for the Spanish government to adopt effective measures and to transmit a detailed report on the planned reorganisation for the achievement of the objectives. RDL 20/2012 provided four types of measures: measures regarding public administrations and the reduction of expenses in their staff; those regarding social security; those regarding employment; and measures reforming the care system for dependent people. Moreover, RDL 20/2012 froze the Public Employment Offer for 2012, 2013 and 2014, imposing a staff replacement rate of zero on a general basis, and of ten per cent for those public services deemed essential.⁵

2013 and 2014 saw the consolidation of the reformist path towards precarisation. On 10 April 2013, the Commission pointed out that the necessary corrections were of such a scope that it was essential to have ‘decided action in public policies within the services and goods markets, the labour market, the financial sector, and public finances’. That month Spain presented its National Reform Programme of 2013 and its Stability Programme for the 2012–2016 period, which included the reform of pensions, integration of the sustainability factor, the revision of the 2012 labour reform, and the promotion of a ‘Spanish Economy De-indexing Law’ to moderate wages and prices.

Several structural reforms, many of them regarding labour matters, were passed to apply these Recommendations throughout 2013. These reforms began with RDL 4/2013 on 22 February (Law 11/2013 on 26 July 2013), which dealt with employment promotion through measures fostering the reduction of social security contributions in precarious contract types, basically targeting the incorporation of young unemployed people in the labour market, as well as a series of reforms in social security matters, all of them intended to apply the ‘Entrepreneurship and Youth Employment Strategy’ launched by the government on February 2013 for the three-year period 2013–2016. Other areas where adopted measures had serious consequences were aimed at reduction in spending within the pension system, with RDL 5/2013 of March 15 and Law 23/2013 of December 23.

Regulatory changes related to the extension of precarity

Among the measures promulgated by the government, the following are particularly relevant to the above-mentioned forms of precariousness:

- the creation of a new type of contract, the ‘contract supporting entrepreneurs’, regulated in article 4, Law 3/2012 with a one-year trial period and tax and social security discounts;
- New temporary contracts for young people have been created as the

'first employment contract for young people' regulated by article 12 of Law 11/2013, or the part-time contract based on training, regulated in article 9 of the same law.

- Training contracts have also been targeted by this permanent labour law reform. The trainee and apprenticeship contracts have been reformed since 2012 and been turned into *the* path to job placement for low-wage young people, with the door open to temporary employment companies to formalise them.
- Part-time contracts have also been modified in order to promote their use by employers. Part-time work regulation (modified by RDL 4/2013 and by Law 11/2013 and RDL 16/2014) has become flexible thanks to the new regulation of complementary hours (in Spain overtime in part-time contracts is prohibited, but 'complementary hours', slightly more regulated, in permanent contracts are allowed), which has resulted in a kind of 'on demand' contract.
- One of the most important goals of these reforms has been the promotion of internal mobility of workers and the change of working conditions, including working time and wages. For this goal, the 2012 reforms included salary opt-out clauses and mechanisms to amend the provisions established by collective agreements.
- The reforms have also significantly modified firing procedures. For individual dismissal, both cost and procedure have been changed. Today, compensation for unfair dismissal equals 33 days of salary per each year worked up to a limit of 24 months. Moreover, the reforms suppressed procedural salaries (or interim wages) in cases in which, if the dismissal notice is conceded to be unfair, the employer chooses to pay a compensation but not re-admit the employee. In this way, the cost of unfair dismissal can be determined without the need to enter into a dispute resolution process and independently of the time it takes to solve it, which minimises the interest employers have in reaching agreements in order to avoid judicial proceedings. Also for individual dismissal, article 52 of the Workers Statute (Estatuto de los trabajadores – ET) establishes the possibility of terminating an employment contract a) for causes not attributable to the employee, even when they are related to his own personal conditions, and b) for causes related to the enterprise (objective dismissal). Included under a) are incapacity, lack of adaptation to technical modifications in the workplace, and absenteeism above a certain limit, even when justified. The conditions indicated under b) relate to economic, technical, organisational, or production problems that negatively affect a company's economic situation. With the RDL

3/2012 reform, the definition of these justifications has been greatly broadened, in particular in the case of economic ones. Even sales losses, or predicted sales losses, or the steady diminution of normal revenue or sales, are considered causes for dismissal. A 'steady diminution' is said to exist when for three consecutive three-month periods the ordinary revenue or sales level for each of these periods is lower than what it was in the same three-month periods of the previous year. The same applies to justifying collective redundancy.

- Decree-Law 3/2012, later transformed into Law 3/2012, carried out the farthest-reaching reform of collective bargaining in three directions with the stated objective of 'making collective bargaining an instrument rather than an obstacle to adapt employment conditions to the company's specific circumstances'. First, in regard to the so-called 'opting out' of statutory collective agreements (art. 82.3 ET), increasing the possibilities of opting out of such agreements at the company level; second, granting the collective company agreement partial priority over the sectoral agreement (art. 84.2 ET), eliminating the authority of social partners to specify a suitable negotiation structure; and, finally, a temporary limitation on the 'extended validity' ('ultraactividad') of collective agreements (art. 86.3 ET) to impede the mandatory extension of their content. Later, Decree-Law 20/2013 allowed the non-enforcement of collective agreements in the sphere of Public Administrations at the unilateral will of the Administration.
- Reduction in pension benefits: By the adoption of 27/2011 Act on the Updating, Improvement, and Modernisation of the Social Security System, the Socialist government raised the retirement age to 67, lengthened the reference period for calculating pension benefits, and increased the number of years of contribution required to receive the maximum allowance. With the 23/2013 Act on regulating the sustainability factor and the revaluation index for the pension benefits of the social security system, the Conservative government delinked annual pension increases from the inflation rate and stabilised the sustainability factor, which will relate benefits paid to life expectancy and workers' contributions within the same year.
- Elimination of 'co-responsibility' labour policies for men and women and restriction of conciliation measures.

Conclusions

The context of a high structural unemployment level in Spain, which the economic crisis has aggravated, amounting to six million people (more

than 6.5 million if we add hidden unemployment or the potentially active population), provides fertile ground for the extension of the precarity model. The pressure caused by this strong industrial reserve army of labour brings down employment conditions and standards, first by acting directly on the labour market and, secondly, through its regulation, on the premise, shared by several governments, that in order to create employment it is necessary to make it cheaper and strip it of its protection.

All these processes put people in a situation in which 'normality', the only thing they have known, is precarious labour. It is something to which young people are used, but it is now extending to higher age groups. This extension of employment precarity socialises young workers, and other social groups such as female or immigrant workers, in a context that treats employment precarity as 'the rule', through a collectively shared consciousness, as a necessary labour context, shattering their aspirations for decent work, which appears to them to lie beyond the realm of possibility. This perception of precarity as the rule has a demobilising effect, which also fragments the working class, creating apparent contradictions of interests between its members, thus lending credence to arguments that point to the alleged existence of privileges for some workers, or of worker elites. All of this, together with the extension of individualist values and the breaking up of ties of class solidarity, leads to the spread of the attitude: 'if I'm suffering, let others suffer too', which increases the pressure to extend precarity amongst the whole working class and consequently lowers the entire range of employment conditions.

Beyond the problem of unemployment, a solution for precarity is absolutely needed. As we have seen, all labour law reforms adopted following the recommendations of the EU have had the same goal: the erosion of Spain's 'standard employment relationship'. The new standard is being built in a context of the rise and generalisation of temporary contracts and part-time work, the de-regulation of permanent contracts, the destruction of permanent jobs (which will not be recovered), the stabilisation of the unemployment rate, the modification of the collective bargaining structure and the narrowing of the collective agreement's coverage, and the reduction of the trade union's power, social legitimisation, and institutional weight. In particular, temporary hiring has been the spearhead of the process of labour precarisation in Spain. The repeated calls for employment flexibility have resulted in a growth of temporary employment in Spain and the growth of business sectors based on low productivity and a low level of value added.

The main economic think tanks connected to the business and political establishment have launched the formula of a 'single contract' to reduce

the high level of temporary work in Spain. It is premised on the insider-outsider paradigm and the alleged excessive protection of Spain's permanent workers (insiders) as the supposed cause of the low rate of job creation. In this logic, excessive protection of permanent workers is the cause of the high volume of temporary employment (outsiders) because, allegedly, employers have no choice but to turn to temporary workers in order to avoid the exorbitant costs of permanent hiring. In our opinion, this proposal not only goes against the international and national fundamental rights of labour (not to be dismissed without due cause) but will also not reduce unemployment; it will spread precarity.

Trade unions are launching various proposals that mostly aim at derogating from the recent labour law reforms and creating employment plans as well as restoring public services and rehiring public employees.

Another proposal advanced by the Izquierda Unida's Europe of Citizens Foundation – complementing those made by trade unions – and theorised by many critical economists, labour experts, and sociologists is that of a 'Job Guarantee' or 'Employer of Last Resort', together with a new Workers Statute based on stability, equality, and a non-discriminatory labour relations' system.

Notes

- 1 <<http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/>>.
- 2 Adoración Guamán Hernández, 'Los desencuentros entre el Tribunal Constitucional y las normas internacionales a propósito de la Ley 3/2012 (Sobre el derecho al trabajo y las SSTC 119/2014 y 8/2015)', *Revista de Derecho Social* 70 (2015).
- 3 For critical treatments of this and subsequent reforms, see María Emilia Casas Baamonde, Miguel Rodríguez Piñero y Bravo Ferrer, and Fernando Valdés Dal-Ré, 'La nueva reforma laboral', *Relaciones Laborales, Revista crítica de teoría y práctica*, 5 (2012); María Emilia Casas Baamonde, Miguel Rodríguez Piñero y Bravo Ferrer, and Fernando Valdés Dal-Ré, 'La huida del derecho del trabajo hacia el "emprendimiento", las reformas de la Reforma Laboral de 2012 y otras reformas: la Ley 11/2013 y el RDL 11/2013', *Relaciones Laborales, Revista crítica de teoría y práctica* 10 (2013); Adoración Guamán and Héctor Illueca Balester, *El huracán neoliberal, una reforma laboral contra el trabajo* (Madrid 2012); Cristóbal Molina Navarrete, 'De la "flexibilidad laboral al ajuste social total". Lo que el "austeritario" Real Decreto-Ley 20/2012 se llevó, de momento', *Revista de Trabajo y Seguridad Social (Estudios Financieros)* 356 (2012); Fernando Valdés, 'La reforma laboral de 2012 (Notas sobre su texto, sistemática interna y calidad técnica – y su contexto – la falta de correspondencia entre el objetivo proclamado y los objetivos realmente perseguidos)', *Relaciones laborales: Revista crítica de teoría y práctica* 2 (2013).
- 4 See, among others, the following authors: Cristóbal Molina, 'Reforma laboral y "justicia constitucional": el Tribunal Constitucional ni es "infalible" ni ya tiene la "última palabra"' (Comentario a la STC 119/2014, de 16 de julio, RI 5603/2012 interpuesto

por el Parlamento de Navarra contra la Ley 3/2012, de 6 de julio, de reforma del mercado de trabajo’, *Estudios financieros. Revista de trabajo y seguridad social* 377-378 (2014); Adoración Guamán, ‘Los desencuentros entre el Tribunal Constitucional y las normas internacionales a propósito de la Ley 3/2012 (Sobre el derecho al trabajo y las SSTC 119/2014 y 8/2015)’, *Revista de Derecho Social* 70 (2015).

5 Molina, ‘Reforma laboral’.

transform! europe 2015 at a Glance

Maxime Benatouil

To my co-workers, comrades and friends Barbara, Katerina, Heidi, Dagmar, and Eva. In gratitude for their help and patience.

For over fifteen years, transform! has been working as a horizontal network with alternative thinking and political dialogue at its core, always in relationship to social movements. This year, it gained two new observing members: transform! Hungary and the Claudio Sabattini Foundation, a think-tank related to the Italian metal workers union CGIL-FIOM. It is the first time that a trade-union-related research institute has joined our network, now made up of 28 organisations from 19 countries. The year 2015 opened with an unprecedented event in the history of European integration. On 25 January, Syriza candidate Alexis Tsipras was elected Prime Minister of Greece. For the very first time, a leader of a radical left party took office with an electoral programme that clearly defied the austerity-based neoliberal consensus – to which both conservatives and social democrats had subscribed, and for which they both paid a heavy electoral price. On the one hand, the Greek people rejected austerity, as well as anti-labour laws and privatisation programmes, and, on the other hand, gave Tsipras a mandate to negotiate a better, fairer deal with the European and international creditors.

Although this new political configuration turned our working plan upside down – making solidarity with Greece the top priority – our structural work on alternatives and left strategies was enhanced. The participants in the transform! Members' Meeting held in September confirmed the prominence of the two key working programmes for 2016. While Europe is far from being immune from a recurrence of the financial crisis, the debate over a new model of development through Europe's productive transformation and the necessary investment programme to foster it has not lost any of its relevance, for the EU's only response to stagnation, also known as the Juncker Plan, does not meet the challenges of the near future (a stagnant

real economy, a persistent social crisis, the consequences of global warming driven by the fossil fuel-based economy, etc.). transform! is also continuing its programme on strategic perspectives for the European left. Now more than ever, we need to explore how best to oppose the EU's austerity policies with new alternative proposals of our own – thus going beyond the defeated Greek approach to shift the European integration process towards more cooperation and democracy.

In the course of 2015, new projects have been set in motion. *Akademia*, a loose cooperative network bringing together academics and activists from across Europe, played a central role in this development. Given the year's international political agenda, with the United Nations Climate Change Conference (COP 21) held in Paris in December and the European Commission strategy for an Energy Union, we believed it was crucial to launch a Working Group dedicated to climate and energy issues. In addition, the refugee question emerged with new intensity, both in terms of the debates it raised and the practical consequences it had for European integration; Hungarian Prime Minister Victor Orbán's unilateral move to shut down national borders challenged the very existence of the Schengen area. The stakes are high, as people are dying in the Mediterranean as they try to reach an ever more hermetic EU, fleeing wars and structural misery in hopes of a better future. Besides calling for a new vision of geopolitics, it begs the question of articulating an alternative neighbourhood policy, along with the issue of democratic and social rights for refugees in their country of residence. transform! members' representatives endorsed the launching of a working group to address these issues.

One of the distinctive features of transform! as a European political foundation is its active involvement in the European social movement in the making. It aims to reinforce its role as a platform capable of providing relevant actors of the movements with room for discussion, to engage in numerous initiatives at the European level, and to analyse the state of affairs of the movements in the light of the current unprecedented political confrontation in Europe. Last but not least, transform! has continued its work in the areas of feminism and the populist right – topics of utmost importance in a Europe still ruled by austerity, where women are the first victims of cuts in public expenditures, and where the populist right feeds upon the crisis and threatens civil liberties in a growing number of countries. In addition, transform! has engaged the issue of the commons and a critical history of European integration.

The European solidarity movement with the Greek people

Syriza's attempts to overcome destructive austerity policies and propose a change of course for the EU as a whole were greeted with open hostility. Never before had neoliberalism – gradually constitutionalised through the European Treaties – been so frontally challenged in Europe. Syriza had the enormous intellectual support of internationally renowned economists way beyond the Marxist sphere, ranging from Stiglitz to Piketty and Krugman, who all affirmed that Syriza's economic approach was only common sense after years of failed policy focused on austerity and supply. Let us not forget that when the European Council put Greece into the 'excessive deficit procedure' in 2009, the country's debt was estimated at 125 per cent of GDP. Six years of austeritarian Troika recipes caused it to skyrocket to 175 per cent of GDP; and the essence of the Troika's foolhardiness lies precisely here. In recent years, the neoliberal narrative became commonplace, according to which allegedly overly generous welfare policies caused the indebtedness of so many states – and before Tsipras was elected as Greece's Prime Minister, one barely heard mention of the role played by both bank bailouts and tax cuts for the wealthy. The Greek people gave him a clear mandate to renegotiate the bailout package, while staying in the euro.

transform! was among those who have, from the start, drawn attention to the difficulties and resistance the Syriza-led government was confronted with, and perceived that the left's electoral victory in Greece was of historical significance. Thus, in December 2014, transform! launched an international appeal to raise awareness about the European dimension of the opportunities and hope embodied in the possibility of this victory. Given the scope of this brand new political process, together with its opportunities and risks for the European project as a whole, transform! was fully committed to building a pan-European movement of solidarity with the Greek people's democratic choice. In the first half of 2015, as the government struggled through the negotiations, transform! used its presence in numerous countries, as well as its experience and contacts accumulated through years of cooperation with European social movements, trade unions, and progressive political actors, to provide a pluralistic space for strategic discussion on how best to support the Greek people. Only a combination of national solidarity actions able to exert pressure on governments, together with major Europe-wide activism, could make up for the Greek government's lack of support in the European Council. And that is exactly what transform! tried to do, with some measure of success.

And so a period of harsh negotiations began. The message sent to Brussels,

Frankfurt, and Berlin by the new Greek government could be summarised as follows: ‘we won’t be austerity’s guinea pig anymore, we have paid too high a social, economic, and democratic price for it; we want change that would not only benefit us but the European Union as a whole.’ During these five months of intense negotiations between Greece and its European partners, the latter – whose hardliners were led by German finance minister Wolfgang Schäuble – showed its true colours: economic fundamentalism was given priority over democracy. Despite the Tsipras government’s good will and readiness to compromise, no support was to be found anywhere – not even on the side of social democratic governments, which did not go beyond lip service. Greece was literally left alone. It is against this background that the need to support the country’s democratic sovereignty emerged.

Shortly after the opening of the negotiations, transform! took the initiative of organising a meeting in Vienna bringing together a wide range of activists and trade unionists from across Europe. Representatives of anti-austerity social movements, networks, trade unions, and progressive journals came together to exchange views on the new European political configuration and to start taking action in solidarity with the Greek people. In the discussions, the need was expressed for an online platform to make solidarity initiatives with Greece more visible. The idea was to gather all the calls for support by renowned international economists and prominent figures of international civil society, as well as to provide information on each rally and solidarity event taking place in Europe – to show the Greek people that they were not alone after all. That is how the *Change4all* platform was born.

This participatory tool was also a great help during the European solidarity campaign known as the OXI campaign. When Alexis Tsipras decided to refuse the ultimatum for an unfair deal imposed on him by the European heads of states and governments on 26 June, he made a breathtaking move that no one anticipated: Since the offer on the table differed too widely from Syriza’s political programme (the so-called Thessaloniki Programme), the decision was made to give the Greek people the final say through a referendum. This was a huge moment for democracy, and for hope – widely felt across Europe. Two conceptions of democracy were at stake: the decision of a whole community of citizens to refuse another socially destructive memorandum, on the one hand, and, on the other, the power of elected heads of states and governments to grind down even further an exhausted country within the framework of a legal grey area. *Change4all* then performed a dual function: it used its website to gather information on all the initiatives carried out by joint national collectives (made up of social movements, trade unions, and left parties) from across Europe to support

the OXI/no vote in the Greek referendum; and it launched an impressive social media campaign able to mobilise another generation of activists. The hashtag #ThisIsACoup went viral to the extent that even mainstream media could not overlook it.

It should be pointed out that the dynamics set in motion by such pluralistic transnational movements of solidarity also benefited the progressive scene in the countries where they were created. For example, the French version of it – the collective ‘Avec Les Grecs’ – allowed for actors of different political cultures to come closer through the issue of solidarity with Greece and that of shaping a fairer Europe. Still, their reach was not great enough to force governments to soften their stance in the negotiations with Greece and accept another deal. The massive OXI victory in the 5 July referendum with over 61 per cent of voters provided Tsipras with renewed political capital to reach an agreement with the European partners. But their irritation – to say the least – in the face of this huge popular and democratic act that brought the debate outside of the European Council’s closed doors only hardened their resolve to go against the Greek Premier with all their strength. As a result, Tsipras was cornered into signing the third memorandum, also known as the 13 July agreement – and any remaining illusion of European solidarity vanished. The three-year accord, the culmination of a 17-hour overnight summit, was a very difficult compromise made by a government with its back to the wall.

The new political phase that began in autumn 2015 is full of uncertainties. The room for manoeuvre of post-war Europe’s first leftist government has considerably shrunk. The conditions that the third memorandum has tied to the granting of financial aid are extremely brutal. To name just a few, Greece is to sell off 50 billion euros in public assets – which makes this the largest European privatisation programme since the absorption of the German Democratic Republic into West Germany – and to further reduce the scope of labour rights. Clearly, there is no less need of the solidarity movements that flourished throughout Europe last spring. Responding to a call initiated by Greek trade unionists, European protagonists – including transform! – will mobilise their forces to support the Greek struggle to restore collective bargaining rights. Their abolition in Greece led to wage cuts of up to 40 per cent over recent years. There needs to be a battle against social inequalities, for more cohesion, and for the possibility of a more just future. Support for this European campaign will be at the core of transform!’s activities in the months to come.

transform! and the Party of the European Left

As the European political foundation of the Party of the European Left (EL), transform! has a special relationship with the party. In 2015, one of the highlights of this cooperation was our participation in the first European Forum for Alternatives on 30 and 31 May in Paris. The decision to hold such an event was made at the last congress of the EL (Madrid, December 2013). The fundamental objective was to bring together all the components of the European left, as well as activists from the social movements and trade unionists, in order to discuss concrete alternatives to EU policies and to the slippery slope of a European integration that too often overlooks democracy. A great many topics were addressed in more than thirty workshops and three plenaries: human development in Europe, social and ecological productive transformation, regulation of finance and banking sectors, social economy, immigration policy, higher education and research policy, the articulation of social justice and climate justice, precarity and labour, etc. The Forum, incidentally, was held almost ten years to the day after the rejection of the Constitutional Treaty by referendums in France and the Netherlands. This time, however, it was about saying ‘yes’ together with the Greeks: ‘yes to another Europe, a Europe of cooperation and solidarity’, as the chair of the Party of the European Left, Pierre Laurent, said. The European Forum for Alternatives achieved its goal – particularly in terms of attendance, with several thousand participants over the weekend, many of whom expressed their appreciation for the fruitful discussions and announced their readiness to launch initiatives. The Forum succeeded in making possible a fruitful discussion between progressive political forces from across Europe – including left-wing social democratic and Green representatives, activists from numerous social movements and citizen initiatives, and trade unionists.

As in previous years, the EL-transform! Summer University was held in July. It is by now a not-to-be-missed event for all who are interested in the progress of the left within Europe’s political landscape as well as in left alternative proposals on a wide range of issues – from the role of Europe in the world to anti-austerity social struggles, and much more. On these occasions, representatives from the foundation and the party create the conditions for a dialogue with political and social activists from across Europe. The 2015 edition was held in Litoměřice, Czech Republic. The choice of location was far from coincidental; on the contrary, it was meant as a clear signal of support for the left in CEE countries. Moreover, it facilitated the coming together of specialists from this region of Europe to discuss hot geopolitical issues – such as the EU-Russia relationship or energy security.

It should also be pointed out that transform! has played an ever greater

role in the collective reflection on new left political projects. Many of its representatives participated actively in political events in Spain or Italy to this end. It continued its cooperation with the Rosa Luxemburg Foundation, bringing together researchers and left activists from across Europe to discuss what is at stake for left political forces on the occasion of a two-day workshop in Berlin, which has become an annual event. It is in this spirit that transform! will substantively contribute to the forthcoming Congress of the Party of the European Left to be held in Berlin at the end of 2016.

Europe's productive transformation – towards a new model of development

It is no secret that the Eurozone's economy is stagnant – according to Eurostat the 19-member Eurozone grew by 0.3 per cent in the third quarter of 2015, while the average unemployment rate remains above 10 per cent, with striking inequalities between countries. Despite political posturing that celebrates trade surpluses and slight improvements in GDP as 'success stories' and proof of the effectiveness of the current crisis management, the continent as a whole remains stuck in a social and economic slump. The only European response so far has been the so-called Juncker Plan. However, its measures are far from being adequate to the challenges confronting the EU.¹ Put briefly, the European Commission missed the opportunity to tackle the ecological crisis and the social disintegration poisoning societies from within; once again, aid is conditioned solely on competitiveness, ignoring criteria of sustainability or social utility.

By emphasising the Productive Transformation project at its previous members' meeting and making it one of its two core programmes, transform! demonstrated its commitment to finding global solutions for a better, fairer Europe. The very concept of productive transformation not only implies the reconstruction of Europe's productive capacities, but also the establishment of a new model of development that meets social needs and ecological imperatives – and that implements economic democracy, with the inclusion of all relevant stakeholders at every stage of the production process. We believe that without strong industry, deeply transformed in its ends and means, Europe will be unable to escape from the present crisis and will not initiate the economic, social, environmental, and ultimately the political evolution that is urgently needed.

In early 2015, transform! published a Discussion Paper² largely based on two workshops, which gathered economists and trade unionists from all over Europe. It is to be seen as a common good for our working group, as well as a starting point to further elaborate issue of productive transformation.

It contains analyses on the nature of the crisis and the shortcomings of the Juncker Plan, policy recommendations for a genuine left industrial policy, as well as an exploration of open questions (industry 4.0, reduction of core-periphery asymmetries, etc.) that require deeper exploration. In addition, the transform! Economists Working Group (TEWG) participated in meetings and workshops to present – and sharpen – its analyses on the concepts for a positive exit from the crisis. At the major conference Left Industrial Policy for Europe, held in Brussels in April 2015 at the initiative of the Brussels office of the Rosa Luxemburg Foundation, economists, trade unionists, and progressive politicians explored both the transform! Discussion Paper and the appeal ‘Renewing Europe’ initiated by Member of the German Bundestag Axel Troost (Die LINKE), also discussing the strengths and weaknesses of the industrial infrastructure of a wide range of different countries.

Energy and climate

World governments acknowledge that climate change is the defining crisis of our times, but at the same time fossil fuel corporations continue to benefit from subsidies of \$5.3 trillion in 2015 (according to the IMF³). This figure clearly indicates the lack of serious commitment and the reluctance to go beyond lip service on the part of heads of states and governments. The Intergovernmental Panel on Climate Change (IPCC) has published projections for the coming decades depending on several scenarios of greenhouse gas emissions. The optimistic scenario requires radical changes – such as an immediate cut in emissions to reduce them to nil within two or three generations and limit the rise in global temperatures to 2°C. However, in a *business-as-usual* scenario of unbridled emissions, a 4°C rise in global temperatures by 2100 would be inevitable. This increase would have disastrous effects on already economically fragile populations from the Global South, driving millions of (climate) refugees from their homes – most likely over 200 million in 2050.⁴ The need for a deeper, more profound articulation of social justice and climate justice struggles has never been more crucial.

Energy and climate-related issues were at the top of the international political agenda in 2015. The United Nations Climate Change Conference (COP 21) held in Paris in December, as well as the European Commission strategy for an Energy Union, are clear indicators of this. But as long as the responsibility of the Global North for global warming, the role played by the elites within Western societies, and binding decisions to meet the objectives of climate change mitigation do not come into the equation, a fair deal paving the way for a new ecological and economic system will be

beyond reach. This is a considerable challenge – and an opportunity – for the European left. To contribute to the ongoing debate over alternatives, transform! launched a working group of researchers and activists from across Europe. Its first workshop was held in Brussels on 18 and 19 April.

The event opened with a presentation by MEP Neoklis Sylikiotis (GUE/NGL) on the Energy Union strategy announced in a European Commission communication early in the year. Its objective is threefold: to create a common energy policy, to increase competitiveness, and to complete the internal market. The EC's strategic framework focuses mainly on the security of energy supply and the creation of a competitive energy market, remaining grossly inadequate with regard to energy poverty. As it stands, the Energy Union strategy is a further step towards 'the commodification of energy for the benefit of the monopolies and multinational corporations'. Energy is a 'public social good, and must be treated as such. An Energy Union must put at the centre the citizens, the consumers, the local communities and the SMEs [Small and Medium Enterprises]' – in other words, it must include democracy.

Four key topics were at the core of the two-day workshop: the emergency of climate change, an alternative energy transition, democracy and social justice, and the geopolitical aspects of energy in Europe and its neighbourhood. The diversity and richness of the contributions have led us to gather them in the form of an e-book, which does not pretend to be exhaustive but hopes to contribute needed diversity in the ongoing discussions within the European progressive political sphere and those of social movements and trade unions. It will shortly be available on free access on the website of transform!.

The alternative events surrounding the United Nations Climate Change Conference (COP21) held in December were the occasion for the transform! Working Group on Energy to reach out to a wider audience. As an international supporter, transform! participated in the work of the Climate 21 Coalition platform, bringing together climate-justice and social movements, trade unions, and citizens' organisations and networks from all over the world sharing the vision of a sustainable and socially just model of development. One of the highlights was the Climate Forum, where transform! could provide a critical analysis of the EU vision of an Energy Union and engage collective discussions on the alternatives. The gathering in Paris of a wide range of climate-justice activists and progressive political actors was also the occasion for convening a meeting to address the need for unity between ecological and left forces. In the meeting, held at the initiative of the Rosa Luxemburg Foundation and in cooperation with

transform!, Pierre Laurent (Chair of the Party of the European Left) engaged in a fruitful discussion with Christophe Aguiton (professor of economics and one of the co-ordinators of the Climate 21 Coalition). In a political future filled with uncertainties, such discussions are crucial to help shape the unity of progressive forces against austerity – and for an alternative system with democracy and a just energy transition at its core.

Fortress Europe and immigration

Between the first of January and the first of September 2015, over 350,000 people attempted to reach Europe through the Mediterranean (compared to 219,000 in the whole of 2014). This is the largest wave of immigration Europe has experienced since World War II. Coming mainly from countries ravaged by war and political instability or persecution, the majority are eligible for refugee status according to the Geneva Convention. The points where immigration occurs have changed as anti-immigration measures have been strengthened. This clamp down has led to increased risks for immigrants and therefore to an exponential increase in the number of fatal shipwrecks, across the central Mediterranean corridor linking Turkey and Libya to Italy in particular. Since 2000, almost 28,000 deaths have been recorded in the seas around Europe. On 1 September 2015, 2,642 deaths at sea had been recorded in 2015 (compared to 3,500 in 2014). In 2014, deaths in the Mediterranean represented 75 per cent of the worldwide total of immigrants who died during their journey.

As the populist right seems to be winning throughout Europe with its clash-of-civilisations narrative ('us' – nationals – against them – 'immigrants'), influencing growing sections of both conservative and social democratic parties, it is urgently necessary for left forces to consider what this unprecedented movement of populations means in terms of freedom of movement, social and political rights, and labour market regulations. This is why transform! has decided to establish a new working group on migration. Bringing together academics, immigrant activists, and activists from the solidarity movements, as well as trade unionists, the working group is to be launched in early 2016 – in cooperation with the Rosa Luxemburg Foundation.

In the meanwhile, transform! participated in a seminar organised by the Brussels office of the Rosa Luxemburg Foundation in the last quarter of 2015. The underlying issue was the relationship between trade unions and immigrants workers – with a strong focus on how to better articulate workers and immigrants struggles. Our working group will explore this issue further in the months to come. Moreover, and through the involvement of

Change4all, transform! committed itself to the movement of solidarity with refugees looking for safe routes to Europe. Together with activists involved in the Balkan route, the Mediterranean route, and the Northern route, as well as European networks committed to immigrant rights, we took part in the European meeting ‘Solidarity Beyond Borders’ held in Thessaloniki last November. The collective decision was to establish a permanent working group to develop popular awareness campaigns, provide information on what immigrants are risking when they try to enter Europe, and to use international networks of jurists to track national and international laws that are being violated by selecting immigrants based on nationality.

The recent increase in immigration flows poses the question of freedom of movement, as a consolidation (or reinvention?) of social rights in a new and unprecedented way, together with that of the new border regime whose cost in human lives is higher than ever before. The articulation of these issues is clearly of the utmost importance, and it is in this spirit that transform! decided to contribute to this very European debate by providing the left and the solidarity movements with a Policy Advice Paper entitled *A Left-Wing Response to the Asylum Crisis and Migration Policy*.⁵

transform! and the European social movements

From the very beginning, transform! has constantly been cooperating and engaging in discussion with progressive social movements. The fact that its birthplace is Porto Alegre, venue of the first World Social Forum, is far from coincidental. It has worked ever since at consolidating the bond between movements, progressive political forces, and trade unions. The rule of austerity policies in Europe, consolidated by the neoliberal management of the crisis, has presented the social movements with a good many new challenges. Attacks on protective labour laws, civil liberties, and social rights – in a nutshell, on democracy – have led to massive waves of protest in Southern Europe. Left parties had to relate to these popular movements (for example, the Indignados in Spain and the Square Movement in Greece), which they themselves had not triggered. Some parties managed this relationship better than others. The most positive example was that of Syriza, which showed its ability to integrate new forms of radicalism and the aspiration for social justice and direct democracy that emerged from the squares.

In cooperation with Laura Horn and the Global Dynamic Research Cluster ‘Structural Adjustments come to Europe’, transform! held a workshop on 9 May at Roskilde University, Denmark. The aim was to bring together social-movements researchers and activists to discuss the Europeanisation

of the resistance to austerity and for democracy, the relationship between grassroots movements, the role of the European left, as well as the implications of the new political momentum opened up by Syriza's electoral victory. The high quality of the discussion, due in part to the participants' diversity of backgrounds, convinced us to repeat the initiative in the future. Moreover, the issue of the complex relationship between precarious workers and trade unions was raised. It will be one of the key research questions of a new transform! project on labour to be inaugurated in 2016.

However important constructive dialogue with anti-austerity social movements is, transform!'s relationship with these movements goes way beyond this. It is a relationship that also involves action, as shown by our involvement in the AlterSummit Network. Launched in June 2013, but resulting from many months of arduous preparatory work with European trade unions and social and citizens movements, it aims to create a European social and political front fostering the struggle against austerity and the authoritarian turn in EU integration. Its ambition was and remains to establish a positive force for alternative proposals. transform! has been very actively involved in the AlterSummit process, whose roots can be traced back to the European social movements in general but more recently to the Joint Social Conference. It is a unique space where organisational representatives of different political cultures can have exchanges and engage in action at the EU level on a permanent basis. Together with our partners from the AlterSummit network, we participated in the Brussels October days of action under the slogan 'Oxi! Basta! Enough! – Build Another Europe!'. Anti-austerity marches from across Europe converged in Brussels where numerous meetings for alternatives and a fairer Europe were held. The political impasse in which EU institutions and Member States confined Greece raised many questions that remain to be addressed – among many others: how to show solidarity with the Greek people, how to help Syriza widen its room for manoeuvre for social change within the framework of the third Memorandum? There is still a lot of work to do, but such joint events are steps in the right direction.

Feminism

The effect of austerity politics on women – most notably as regards cuts in public expenditure – is too often a blind spot in analysis, making it a hidden aspect of the crisis that is shaking up Europe as a whole. It is with a clear picture of this issue and the will to push for a more equal Europe that transform! actively participated in the first World Congress on Marxist Feminism.

Over 500 participants attended the congress, *The Strength of Critique – Trajectories of Marxism–Feminism*, organised by the feminist section of InkriT (Berlin Institute of Critical Theory), the Rosa Luxemburg Foundation, and transform!, which took place in March 2015 in Berlin. On the podiums and in the workshops, as well as at the Luxemburg lectures and book presentations, participants debated the state of play of Marxist feminism, covering a wide range of issues – with differing points of view that sometimes provoked controversy and heated discussions (notably on the intersectionality of gender, class, and race). The starting point for the congress was the article by Frigga Haug on ‘Marxism–Feminism’ in the recently published volume of the *Historical Critical Dictionary of Marxism*.⁶ Haug, who is the originator of the term, began her article as follows: ‘Marxism–Feminism is defined by the struggle of the feminist revolution to fight for and carve out a pathway to Marxism. Resistance to Marxism–Feminism forces it to assume an adversarial and polemic form. The goal of the feminist revolution is to free women from male dominance and to transform society into a society of solidarity.’

This congress marked a breakthrough. Numerous women expressed interest in drawing up an ongoing report, for which a first draft drawn from the work at the congress was discussed in the closing plenary. The next conference will be held in Vienna in October 2016.

Extreme and populist right

One of transform!’s goals is to support and contribute to research on the extreme and populist right. As part of our major programme on the Strategic Perspectives of the Radical Left in Europe, we try to foster the development of possible left strategies to counter the rise of the right and for an alternative hegemony. As in every field, it is important for research and educational work to Europeanise the discussion and perspectives in recognising common developments and exploring the similarities and differences of the right’s image and agendas – but of course, first and foremost, in exploring the possibilities of common strategies and struggles. This is the main challenge we will be facing in the future, that is, to shift the traditional focus of research on the populist right from analysis to the designing of counter-strategies.

The multiple crisis in Europe is being met by the ruling class with post-democratic authoritarian austerity politics. This has led to a legitimisation crisis of democracy and the traditional political actors unprecedented in its intensity. The rise of the populist right is grounded in concrete socio-economic factors including the deteriorating standard of living of millions of people. The challenge is to channel these preconditions productively and

develop common strategies to bring forward alternative social and economic policies and politics. The example of Syriza showed us once again: such alternative policies cannot be achieved in one country alone; the strategies of the left – in all its diversity – have to be Europeanised and become common strategies.

In 2015 we inaugurated a new page, ‘Radical, Far and Populist Right’, on our website. Its purpose is to bring together interesting articles on this issue by authors from our network. transform! Managing Board member Elisabeth Gauthier, director of the French foundation Espaces Marx, together with the editors of the German journal *Sozialismus* (also a member organisation of transform!) Joachim Bischoff and Bernhard Müller, contributed to the *transform! 2015* yearbook with an article on ‘Right-Wing Extremism and Modernised Right-Wing Populism in Europe’. The article tried not only to delve into the reasons for right-wing populism’s and extremism’s success but to contribute to the discussion of left strategies to oppose them. The article grew into a book published in German,⁷ in French, and in English (online) in our website’s publication section.

At the joint Summer University of the Party of the European Left and transform! in the Czech Republic we participated in a panel discussion on the Rise of the Extreme Right – Tendencies in Eastern Europe. Our network needs to shed more light on Central and Eastern European experiences, which is reflected in transform’s general wish to develop a Central and Eastern European strategy and integrate the region and its protagonists into our work.

Walter Baier, coordinator of transform!, contributed an article to the 2016 *Socialist Register: The Politics of the Right* (London: Merlin, 2015) exploring the concept of right populism and reactionary rebellion and posing the question of what would happen if the right took power in Europe. The conference Populist & Radical Right in Europe and Left Strategies for a New Hegemony, organised by our Swedish member organisation Center for Marxist Social Studies (CMS) in Stockholm in November in cooperation with the Rosa Luxemburg Foundation, tried to look at regions we have insufficiently covered within the transform network: Scandinavia, Great Britain, and Eastern Europe. At the same time, a European common perspective was affirmed as central to our focus. Also emphasised was the aim of intensifying the communication of a common European perspective to combat the rise of the radical, far, and populist right.

Strengthening the cooperation with Central and Eastern Europe

The year 2015 has been particularly important in terms of formulating transform!'s strategy for Central and Eastern Europe. We believe that a new focus on those parts of Europe which have undeservedly been at the margins of interest will be very important for the future. We need to establish new contacts and foster greater cooperation with different left organisations and individuals in Central and Eastern Europe.

These mainly post-communist countries went through many changes in the last 25 years, and, to a greater and lesser extent, these transformation processes are still underway. Politics, official or otherwise, in these areas underwent massive shifts from the left to the far right in some cases, and enduring political and cultural features have shown that despite the process of EU integration, there are still fundamental underlying differences between the East and the West in background and outlook. It is therefore crucial that we concentrate our efforts in this area. Throughout 2015 significant work has been done to expand our network of contacts in these areas. In this connection, meetings with different representatives from Slovakia, Poland, Hungary, Slovenia, Croatia, and the Baltic States have taken place or are now on the agenda.

Notes

- 1 See the discussion on the Jobs, Growth and Investment Package: in transform! Discussion Paper #1/2015, *Towards Europe's Productive Transformation – An Emergency, 2015*, pp 3–4, <http://www.transform-network.net/uploads/tx_news/paper__5_PRINT.pdf>.
- 2 *Towards Europe's Productive Transformation – An Emergency*.
- 3 IMF Working Paper, *How Large are Global Energy Subsidies, 2015*, <<http://www.imf.org/external/pubs/ft/wp/2015/wp15105.pdf>>.
- 4 Bundeszentrale für politische Bildung, *Which Effects do Global Environment Changes Have for Migration Relations?, 2013*, <<http://www.bpb.de/gesellschaft/migration/kurzdossiers/168682/environmental-changes>>.
- 5 Gregory Mauzé, *A Left-Wing Response to the Asylum Crisis and Migration Policy*, transform! Policy Advice Paper #1/2015, <http://www.transform-network.net/uploads/tx_news/Policy_Advice_Paper_1-2015_EN_v3.pdf>.
- 6 Wolfgang Fritz Haug, Frigga Haug, Peter Jehle, Wolfgang Küttler (eds), *Historisch-kritisches Wörterbuch des Marxismus*, Volume 8/II, Hamburg: Argument-Verlag, 2015.
- 7 Joachim Bischoff, Elisabeth Gauthier, Bernhard Müller (eds), *Europas Rechte. Das Konzept des »modernisierten« Rechtspopulismus*, Hamburg: VSA, 2015; Joachim Bischoff, Elisabeth Gauthier, Bernhard Müller (eds), *Droites populistes en Europe. Les raisons d'un succès*, Paris: Éditions du Croquant, 2015.

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