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## **The Left Against Europe? A Critical Engagement with New Constitutionalism and Structural Dependence Theory**

IN THE LATE 1980S AND EARLY 1990S REGIONALISM WAS IDENTIFIED by some on the left as a possible way out of the crisis of national social democracy.<sup>2</sup> This reasoning paralleled the consolidation of regional governance, notably in the European Union (EU), following the agreement of the Single European Act (SEA) in 1986 and subsequently the Maastricht Treaty on economic and political union in 1991. Regionalism was seen as a potential counter-force to increasingly global capital: whereas multinational corporations (MNCs) and their finance-based allies could, under threat of exit, dictate policy terms to national governments, forcing them to accept the ‘golden straitjacket’ of deregulatory neo-liberal policy, regional economies like the EU might potentially resist global MNCs. They could assert political agency to enforce progressive forms of regulation, such as the EU’s social dimension, while actively encouraging Euro-centric investment by creating conditions conducive to scale economies and by underwriting progressive supply-side programmes such as the trans-European networks (TENs). Such a progressive regionalism was at least one part of the development of the EU envisaged during the commission presidency of Jacques Delors, embodied (albeit in somewhat compromised form) in the 1993 EU White Paper on Growth,

<sup>1</sup> I would like to thank Mark Wickham-Jones and Ian Bruff, as well as two anonymous referees, for reading and providing comments on an earlier draft of this paper. I have also discussed many of the issues raised in this article with Andreas Bieler, Owen Worth and Ian Barnes, whom I would also like to thank.

<sup>2</sup> See, for example, Stuart Holland, *The European Imperative*, Nottingham, Spokesman, 1993; Stuart Holland, *Beyond Maastricht: A New Strategy for Jobs and Recovery in Europe*, London, MSF, 1993; Ken Coates, ‘A European Recovery Programme’, *European Labour Forum*, 7 (Spring 1992), pp. 5–6.

Competitiveness and Employment. Certainly, Delors gave priority to economic and financial union, but the success of the single market and currency union was seen ultimately to depend on social cohesion and macroeconomic stability as well as significant moves towards greater political union. In practice, commission initiatives aimed at achieving social cohesion – notably the 1989 Social Charter, later consolidated in the Maastricht Social Charter – fell short of the more radical objectives of the European labour movement.<sup>3</sup> Likewise, the Growth, Competitiveness and Employment White Paper compromised the more radical elements of the neo-Keynesian-inspired programme for European macroeconomic recovery recommended to Delors by the economist Stuart Holland in his 1993 report to the commission. Holland's report envisaged the EU regulated by a combination of supra-national corporatism (European social partnership) buttressed, in terms of macroeconomics, by European-level neo-Keynesianism. This would combine traditional national demand management mechanisms, extended to the supra-national level, with more innovative demand-side mechanisms. The report also recommended positive supply-side policies, embracing so-called 'new growth' theory, aimed at increasing labour productivity and high-quality forms of employment while also tackling unemployment by, among other measures, reducing working time and redistributing on a more democratic basis high-quality work opportunities.<sup>4</sup>

The combination of social partnership and neo-Keynesianism at the EU level was seen as a means of embedding a commitment to EU competitiveness – thus acknowledging the structural constraints of globalization and the need to rearticulate social democratic regulation around the 'competition state' – while at the same time reducing unemployment and shifting the balance of market power in favour of labour and social democracy. Embedded in Euro-Keynesianism, social partnership would provide a set of democratic

<sup>3</sup> See John Stirling, 'This Great Europe of Ours: Trade Unions and 1992', *Capital and Class*, 45 (1991), pp. 7–14.

<sup>4</sup> Similar visions for progressive EU-level social and economic regulation have been advocated by, among others, André Gorz and Alain Lipietz. See André Gorz, *Reclaiming Work*, Cambridge, Polity Press, 1999, pp. 19–22; Alain Lipietz, *Towards a New Economic Order*, Cambridge, Polity Press, 1992, pp. 127–46.

mechanisms for enforcing ‘progressive competitiveness’ on European capital. The radicalized version of the Delors programme arguably entailed a social democratic version of ‘open regionalism’<sup>5</sup> with the EU’s neo-Keynesian regionalism ideally being underwritten at the global level by a new settlement on global financial regulation, incorporating mechanisms, such as the Tobin tax, designed to discourage international currency speculation and to stabilize the balance of payments and thus internal macroeconomic policy.<sup>6</sup>

Major labour and wider social movements in Europe signed up to this vision of a progressive EU responding positively to globalization. For example, the British trade union movement, long noted for its general hostility towards European integration, became an enthusiastic supporter of the Delors EU.<sup>7</sup> In 1997, Britain’s new Labour government abandoned the Conservative-negotiated EU social policy opt-out, signing up to the social chapter and the new employment chapter of the Amsterdam Treaty. Social democratic Sweden joined the EU after years of preferring national autonomy. While this labour movement enthusiasm for Europe drew on a significant variety of rationales, there was also a common recognition of the declining efficacy of independent national political economy (especially its Keynesian variant) as well as a common focus on the progressive potential of EU-level social democratic governance.

Yet despite such widespread and deep-rooted European labour movement support for European integration (discussed in more detail in the next section), there have remained strong undercurrents of scepticism about the European project from some key labour movement actors, notably in the public sector – for example, public sector unions in Britain<sup>8</sup> – and there have also been a number of significant critical interventions by left academics strongly opposed to

<sup>5</sup> David Baker, Andrew Gamble and David Seawright, ‘The Conservative Party and Monetary Union’, *British Journal of Politics and International Relations*, 4: 3 (2002), pp. 413–15.

<sup>6</sup> A. Cartpanis and M. Herland, ‘The Reconstruction of the International Financial Architecture: Keynes’s Revenge?’, *Review of International Political Economy*, 9: 2 (2002), pp. 271–97.

<sup>7</sup> See Gerard Strange, ‘British Trade Unions and European Integration in the 1990s: Politics Versus Political Economy’, *Political Studies*, 50: 2 (2002), pp. 332–53.

<sup>8</sup> See Gerard Strange, ‘British Trade Unions and Economic and Monetary Union in the European Union’, *Capital and Class*, 63 (1997), pp. 13–24.

key aspects of European integration – notably monetary union.<sup>9</sup> One of the most important and direct sets of critical interventions has come from a sub-strand of neo-Gramscian analysis that has become known as ‘new constitutionalism’.<sup>10</sup> Another significant set of critical interventions has come from the so-called ‘structural dependence’ approach, notably in the recent work of David Coates and Hugo Radice. These criticisms of European integration are more indirect, being rooted in broader pessimistic structuralist analyses of globalization and comparative political economy (CPE).<sup>11</sup>

In the rest of this article I provide a review and critical evaluation of the assessments of European regional integration offered in the new constitutionalist and structural dependence approaches. My main critical focus is on the adequacy of the theoretical underpinnings of both approaches. My main contention is that the sceptical assessment of the ‘progressive’ (social democratic) potential of European integration offered by new constitutionalist and structural dependence analysis is dependent on contestable theoretical assumptions – notably, a closed approach to the principle of

<sup>9</sup> P. Whyman, B. Burkitt and M. Baimbridge, ‘Economic Policies outside EMU: Strategies for a Global Britain’, *Political Quarterly*, 171: 4 (2000), pp. 451–62; G. Taylor and A. Mathers, ‘The Politics of European Integration’, *Capital and Class*, 78 (2002), pp. 39–60; Janet Bush, Larry Elliot and Andrew Gamble, *In or Out? Labour and the Euro*, Fabian Pamphlet 601, London, Fabian Society, 2002.

<sup>10</sup> Stephen Gill, ‘The Emerging World Order and European Change: The Political Economy of the European Union’, in Ralph Miliband and Leo Panitch (eds), *New World Order? The Socialist Register 1992*, London, Merlin, 1992, pp. 157–96; Stephen Gill, ‘European Governance and the New Constitutionalism: Economic and Monetary Union and Alternatives to Disciplinary Neoliberalism in Europe’, *New Political Economy*, 3: 1 (1998), pp. 245–80; Bastian van Apeldoorn, ‘Transnational Agency and European Governance: The Case of the European Roundtable of Industrialists’, *New Political Economy*, 5: 2 (2000), pp. 157–81; Bastian van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, London, Routledge, 2002.

<sup>11</sup> David Coates, ‘Labour Power and International Competitiveness: A Critique of Ruling Orthodoxies’, in L. Panitch and Colin Leys (eds), *Global Capitalism versus Democracy: The Socialist Register 1999*, London, Merlin Press, 1999, pp. 108–41; David Coates, *Models of Capitalism: Growth and Stagnation in the Contemporary Era*, Cambridge, Polity Press, 2000; David Coates, ‘Strategic Choices in the Study of New Labour: A Response to Replies from Hay and Wickham-Jones’, *British Journal of Politics and International Relations*, 4: 3 (2002), pp. 479–86; David Coates, ‘Capitalist Models and Social Democracy: The Case of New Labour’, *British Journal of Politics and International Relations*, 3: 3 (2001), pp. 284–307.

constitutionalism, and a theoretical conflation of national with regional political economy – which are underscored by a pervasive ‘pessimistic functionalism’. Against this evaluation, my point is not simply to defend the admittedly somewhat optimistic take on the Delors model of European integration outlined above. Rather, it is to argue that European integration is best understood, from the theoretical viewpoint, as the dynamic and evolving outcome, in the context of globalization, of democratic political compromise and a contested political economy rather than a linear neo-liberal one.

The theoretical approach adopted here draws on a critical-optimistic reading of neo-Gramscian Marxism that, while recognizing the constraints on (social democratic) policy created by dominant material structures and intersubjectivities, nevertheless takes oppositional agency seriously. The approach adopted is therefore informed by the structurationist methodological framework. In international political economy the structuration framework has arguably underscored some of the most innovative research programmes with a direct input into the analysis of regionalism and globalization. These include the ‘transformationist’ and ‘competition state’ approaches<sup>12</sup> as well as the neo-Gramscian approaches of the new international political economy and the Paris regulation school pioneered, respectively, by Robert Cox and Alain Lipietz.<sup>13</sup> A key strength of the structuration perspective in general is its capacity to avoid economic determinism by explicitly recognizing the roles played by state and non-state agency in the active construction of what may, within specific historical contexts, nevertheless become constraining globalization structures. Globalization is thus understood more in terms of dialectical process than externally imposed constraints. From the structuration viewpoint, the globalization

<sup>12</sup> For an outline of the ‘transformationist’ approach see Jonathan Perraton, David Goldblatt, David Held and Anthony McGrew, ‘The Globalisation of Economic Activity’, *New Political Economy*, 2: 2 (1997), pp. 257–77. For an outline of the ‘competition state’ approach see Philip Cerny, ‘Paradoxes of the Competition State: The Dynamics of Political Globalisation’, *Government and Opposition*, 32: 1 (1997), pp. 251–74.

<sup>13</sup> For the new international political economy approach see Robert Cox, ‘Social Forces, States and World Orders: Beyond International Relations Theory’, *Millennium: Journal of International Studies*, 10: 2, pp. 126–55. For the regulationist approach see Alain Lipietz, *Mirages and Miracles*, London, Verso, 1987; Alain Lipietz, ‘Post-Fordism and Democracy’, in Ash Amin (ed.), *Post-Fordism: A Reader*, Oxford, Blackwell, 1994, pp. 338–57.

process is itself understood in terms of mutual interactions between specific historical determinations of agency and structure, not as fixed 'things', but as different aspects of historically determined social relations.

Neo-Gramscian analysis incorporates a methodological commitment to structuration. This is evident in its focus on the agency of social forces and the state in the determination of the international political economy through the articulation of hegemonic projects and the mobilization of historical blocs. Yet the approach also recognizes the emergence of what Cox refers to as historical structures or 'intersubjectivities' that, as in the case of dominant discourses, constrain agency by 'coming to delimit conceptions of the possible' as well as imposing specific priorities on policy.<sup>14</sup> The primary focus of neo-Gramscianism on what is seen as the fluid nature of conflicting social forces and the historical-conjunctural emergence of diverse sociopolitical alliances (the historical bloc), which may support and legitimize or equally fundamentally challenge existing dominant structural forms, leads to an understanding of regionalism and globalization as politically open and contested processes.

While structuration has thus informed a diversity of approaches in globalization analysis, what arguably is commonly recognized is the importance of the national–regional distinction in political economy and in particular the growing significance of regionalism as the context in which effective regulative policies and institutions must be developed, given the constraints of globalization.

#### CHALLENGING NATIONAL SOVEREIGNTY? THE NEW CONSTITUTIONALISM, MONETARISM AND THE 'NEW COMPETITIVENESS'

##### *Monetary Union as Monetarism*

The strongest criticisms of European regionalism advanced by the new constitutionalists have focused critical attention on the principle of monetary union as well as on the presumed negative

<sup>14</sup> Colin Hay and Ben Rosamond, 'Globalisation, European Integration and the Discursive Construction of Economic Imperatives', *Journal of European Public Policy*, 9: 2 (2002), pp. 147–67.

implications of its implementation. According to Stephen Gill, European monetary union in the euro zone represents a constitutionalization of a monetarist-inspired deflationary macroeconomic framework for the EU, the objective of which has been to institutionalize, embed or 'lock in' an existing ideological policy bias in favour of neo-liberalism.<sup>15</sup> Sponsored by the pervasive influence of the transnational global elite and its 'organic intellectuals', the key objective of the new constitutionalism is, via monetary union, to remove macroeconomics from the realm of contestable politics or, as Peter Burnham has put it, to 'depolitize' macroeconomics.<sup>16</sup> Gill maintains that, both in form and content, monetary union – the centrepiece of the new constitutionalism – is in its very nature undemocratic, posing a fundamental challenge to both the political and economic sovereignty of national governments and in particular the capacity of the nation-state to determine social and economic policy autonomously. Monetary union in Europe, he argues, can be directly compared to attempts made by conservative forces in the USA to put legal-constitutional constraints (the balanced budget amendment) on the fiscal powers of the federal government.<sup>17</sup> As Andrew Gamble has noted, the removal of currency management from political control has been a long-standing objective of neo-liberals. Montague Norman, the governor of the Bank of England in the interwar years, favoured the removal of currency management from the realm of discretionary politics.<sup>18</sup> In the European context, Gill maintains, the Maastricht convergence criteria, European Central Bank (ECB) 'independence' and the Stability and Growth Pact are all aspects of monetary union and the new constitutionalism that effectively rule out social democratic alternatives to monetarism.

Gill's negative account of monetary union strongly parallels the criticisms voiced particularly by public sector labour and social democratic interests in Europe. For example, many European public sector trade unions, such as Unison in Britain, have highlighted what

<sup>15</sup> Gill, 'European Governance', pp. 4–5.

<sup>16</sup> Peter Burnham, 'New Labour and the Politics of Depoliticisation', *British Journal of Politics and International Relations*, 3: 2 (2001), pp. 127–49.

<sup>17</sup> Gill, 'European Governance', p. 8.

<sup>18</sup> Andrew Gamble, *The Free Economy and the Strong State*, London, Macmillan, 1988, p. 44; see also Wener Bonefeld, 'European Integration: The Market, the Political and Class', *Capital and Class*, 77 (2002), pp. 117–42.

they regard as the threat to national sovereignty created by monetary union and as such have been strongly opposed to the *principle* of the single-currency as well as more particularly opposing what has been seen as the deflationary consequences of the convergence criteria and the Stability and Growth Pact.<sup>19</sup> But equally significantly in the current context, Gill has also sought to account for widespread labour *support* for the principle of monetary union in a way that is wholly consistent with the identification of the single currency with monetarism and neo-liberalism. Thus, drawing on Gramscian concepts, Gill argues that certain fractions of European labour, particularly skilled private sector workers employed in multinational companies, have been co-opted into the new constitutionalism as part of a neo-liberal 'transnational historic bloc'.<sup>20</sup> This bloc is seen as incorporating a wide range of interests that can cut across and transcend the traditional lines of economic class division, thus unifying the bloc while it nevertheless remains dominated by the interests of global capital.

### *The New Competitiveness*

According to the new constitutionalists, what follows from the institutionalization of monetarist macroeconomics in Europe through currency union is the neo-liberalization of the *microeconomic* policy environment and its social policy hinterland. This has been evident in the emergence of what Bastian van Apeldoorn has referred to as the 'new competitiveness discourse'. This discourse, Apeldoorn argues, was initially sponsored by transnational elite business organizations, notably the European Roundtable of Industrialists (ERT). But in the structural context of the single market and monetary union, as well as with the emergence of a more unified globalist perspective from transnational capital itself – particularly following the completion of the Uruguay Round of GATT in 1994 and the formation of the World Trade Organization (WTO) – this discourse has emerged as a *dominant* framework in the formation of EU-level labour market and social policy. The new competitiveness discourse is said to impose a set of 'benchmarks' on the policy-making process,

<sup>19</sup> Ibid.

<sup>20</sup> Gill, 'European Governance', p. 5.

which reflect 'short-term' perspectives on the profit-making of transnational corporations (TNCs), and effectively rule out alternatives to the preferred neo-liberalism of transnational elites. Co-opted into this discourse, the European Commission has become increasingly complicit in the institutionalization of 'disciplinary neo-liberalism'. The negative consequence for social democracy and the left, Apeldoorn claims, has been the 'extreme weakness of organised labour within the Euro-polity'.<sup>21</sup>

## CRITIQUE

### *Contesting Constitutionalism and Competitiveness*

There is much to be said for new constitutionalism and particularly its critical evaluation of monetary union. The *potentially* deflationary consequence of the convergence criteria, flagged by the new constitutionalists, has been widely acknowledged even by those on the left who have nevertheless supported the general case for EMU and/or European integration.<sup>22</sup> Moreover, that there exists an intellectual association between neo-liberalism and constitutionalism has long been recognized and commented on by the left, as, more specifically, has the idea that constitutionalism may *potentially* pose a threat to the expansionist and interventionist programmes of social democracy.<sup>23</sup> Friedrich von Hayek viewed constitutionalism as the general political means by which individual freedom could be defended against the collectivizing tendencies of social democracy.<sup>24</sup> In Britain during the 1970s, the idea that constitutional limits should be placed on the democratic authority of elected governments loomed large in the context of debates about 'elective dictatorship'. There is also no doubt that, in the context of a wider discourse on globalization, international competitiveness has come increasingly to be seen as the most important imperative faced by national economic and social policy.

<sup>21</sup> Van Apeldoorn, 'Transnational Agency and European Governance', pp. 157–81.

<sup>22</sup> See, for example, Holland, *Beyond Maastricht*.

<sup>23</sup> See Andrew Gamble, 'The Free Economy and the Strong State', in R. Miliband and J. Saville (eds), *The Socialist Register 1979*, London, Merlin Press, pp. 1–25.

<sup>24</sup> F. A. Hayek, *The Constitution of Liberty*, London, Routledge and Kegan Paul, 1960.

However, it is equally important to note (and both Gill and Apeldoorn arguably do *not* do so) that both constitutionalism and competitiveness are politically contested concepts. For example, the imperative of competitiveness is generally recognized as a starting point in much of the recent literature in critical CPE, notably in analyses developed by the Paris regulation school as well as pluralistic versions of 'competition state' analysis.<sup>25</sup> What is nevertheless rejected by such *structurationist* approaches is the *determinist* notion, evident in the new constitutionalism, that competitiveness *necessitates* political neo-liberalism and is incompatible with social democracy. Instead, what is emphasized in critical CPE is the contestability of competitiveness around alternative models of capitalism.

A similar political contestability and lack of determinism is evident around the general notion of constitutionalism. Thus there is an established radical tradition of constitutional thought alongside the neo-liberal one, drawing on classic works such as Thomas Paine's *The Rights of Man*, which has its roots in the revolutions and political reactions of the seventeenth and eighteenth centuries. Core twentieth-century thinkers on the left, such as the Marxist historian E. P. Thompson, in part reflecting this tradition, supported the general principle of constitutionalism (this was particularly evident in Thompson's famous defence of the rule of law as an 'unqualified human good').<sup>26</sup> In terms of more recent British politics, left constitutionalism emerged as a significant centre-left critique of 'strong state' Thatcherism in the mid- to late 1980s under the campaigning leadership of cross-party reform groups such as Charter 88. Likewise, since the late 1980s, significant sections of the British trade union movement have enthusiastically supported the EU's emerging constitutional approach to the protection of workers, notably the

<sup>25</sup> M. Rhodes, 'The European Welfare State: A Future of Competitive Corporatism?', in M. Rhodes and Y. Meny (eds), *The Future of the European Welfare State*, Basingstoke, Macmillan, 1998; Gösta Esping-Anderson, *The Three Worlds of Welfare Capitalism*, Cambridge, Polity Press, 1990; Gösta Esping-Anderson (ed.), *Welfare States in Transition: National Adaptations in Global Economics*, London, Sage, 1996; Cerny, 'Paradoxes of the Competition State'; G. Garrett, *Partisan Politics in a Global Economy*, Cambridge, Cambridge University Press, 1998.

<sup>26</sup> E. P. Thompson, *Whigs and Hunters: Origin of the Black Act*, London, Penguin, 1990, pp. 258–69.

codification of workers' and citizens' rights, which has built on the Delors-inspired 1988 social charter. For British unions in general, the social charter represented an important political and legal mechanism for defending workers against the negative effects of excessive market forces unleashed by neo-liberal policy. For many modernizing British unions – notably the centre-left GMB – the EU's charter provided a welcome opportunity to begin to challenge the largely hostile attitude traditionally displayed by the British union movement towards legal interference in industrial relations<sup>27</sup> and to consider, in more positive terms, the role of law in the defence and embedding of both collective and individual workers' rights. Finally, the political contestability of constitutionalism has been most recently evident in the wide-ranging debates and disagreements about the EU's constitutional framework.

In my view, a significant underlying problem with Stephen Gill's theoretical formulation of the new constitutionalism is that it fails to acknowledge properly or to engage critically with such evident political contestation around constitutionalism at the level of *principle*, a failure that is, arguably, not only at odds with the open spirit of Gramscian theory (to which Gill claims allegiance), but which also leads, subsequently, to substantive problems in the more concrete analysis of the EU's regional governance regime. These are examined below.

*For and Against the Euro: the Contested Political Nature of Monetary Union*

The tendency to treat constitutionalism as a uniquely neo-liberal discourse evidently distorts the new constitutionalist's critical treatment of specific key issues in regional governance. For example, a significant problem with the new constitutionalist approach to monetary

<sup>27</sup> The generally negative attitude of British unions towards the law partly reflects the long-established industrial relations culture in Britain based on legal *immunities*, alongside free collective bargaining and the pervading assumption of economic class conflict. It also reflects a lack of familiarity with alternative industrial relations cultures, more prevalent in Europe, based on corporatism and the more consensual tradition of social partnership.

union is that it does not adequately recognize or engage with the well-established and wide-ranging debate on the efficacy of monetary union that now exists across the political spectrum in Europe. Moreover, the new constitutionalist's unequivocal identification of the single-currency project with monetarism and neo-liberalism not only forecloses a more open and balanced assessment, but it would seem also to run contrary to the general *support* for currency union that exists on the European left, albeit that this support has been far from uncritical.<sup>28</sup>

In relation to the first point, recent research on Europe and the British labour and trade union movement has indicated that there exists a broad spectrum of opinion on monetary union within these constituencies, ranging from deep opposition based on a rejection of the *principle* of currency union, largely evident among public sector unions, to, at the other end of the spectrum, support for the principle of a single currency from unions advocating deeper political integration towards a federal Europe from a plurality of wider political economy discourses.<sup>29</sup> An equally diverse spectrum of opinion within the British Conservative Party has recently been charted.<sup>30</sup> The divisions of opinion on the euro on the left and the right, which also cut across traditional left–right ideological cleavages, should, at the very least, alert researchers to the underlying practical and theoretical ambiguities surrounding the analysis of the euro and particularly what it represents politically. The new constitutionalist assessment of monetary union is inadequate because, in seeking to identify the euro project so unambiguously with neo-liberalism, it forecloses any possibility of engaging with or explaining the substance of this broader set of debates. Thus, rather than engaging with the political debates around the euro, new constitutionalism has largely and uncritically reflected a particular view,

<sup>28</sup> Daphne Josselin, 'Trade Unions for EMU: Sectoral Preferences and Political Opportunities', *West European Politics*, 24: 1 (2001), pp. 55–74.

<sup>29</sup> Strange, 'The British Labour Movement and Economic and Monetary Union in Europe'; Andrew Gamble and Gavin Kelly, 'British Labour and EMU', *West European Politics*, 23: 1 (2000), pp. 1–25; Josselin, 'Trade Unions for EMU'; Strange, 'British Trade Unions and European Integration in the 1990s'.

<sup>30</sup> Baker, Gamble and Seawright, 'The Conservative Party and Monetary Union'.

namely, the national 'public sector interest' view as articulated, for example, by the old Labour left in Britain and by some public sector unions. Here, currency union, per se, is regarded as necessarily 'monetarist'.

As a position of principle, this argument needs to be rejected. The principle of a monetary union in the EU is obviously compatible with a plurality of macroeconomic policy frameworks just as, for example, British monetary union around the pound or in the USA around the dollar is, *in principle*, equally commensurate with restrictive or expansionary macro-economic frameworks. Of course, while it could be argued that economic globalization has increasingly challenged autonomous monetary policy and expansionary macroeconomic objectives, particularly in relatively small and open nation-states, the logic of such a position for social democratic interests leads to support for the principle of regional monetary unions. Indeed, it is at least arguably the case that monetary union represents a fundamental *precondition* for a stable expansionist macroeconomic regional strategy. Just such an argument was certainly central to the radical Delorsian vision of a federalist, centrally coordinated, Euro-Keynesianism, as outlined above and, more generally, has underlined much of the British Labour movement's academic and policy-level support for currency union.<sup>31</sup> Such progressive arguments in favour of currency union are at least in part underpinned by an appreciation of the greater macroeconomic leverage that is in principle available to a large regional economic bloc by comparison to its individual member economies, and, more concretely, has underscored the evaluations of leading left and social democratic analysts of the EU who have suggested, contrary to the claims of the new constitutionalists, that the euro zone can be regarded as *structurally* less conservative, in terms of fiscal and monetary policy, than its individual member states.<sup>32</sup>

<sup>31</sup> Holland, *Beyond Maastricht*. See also the case for the Euro presented by Andrew Gamble in Bush, Elliott and Gamble, *In or Out?*

<sup>32</sup> Paul Hirst and Graeme Thompson 'Globalisation in One Country? The Peculiarities of the British', *Economy and Society*, 29: 3 (2000), pp. 335–56; Geoffrey Garrett, 'Capital Mobility, Exchange Rates and Fiscal Policy in the Global Economy', *Review of International Political Economy*, 7: 1 (2000), pp. 153–70.

*A Pro-Euro Alternative Historical Bloc*

In a related way, new constitutionalism also fails to explain *adequately* European labour's long-standing and *general enthusiasm* for the single currency. As a second point against the new constitutionalist's negative assessment of currency union, there is evidence that labour support for EMU reflects a complex set of interests, purposes and objectives of which the partial acceptance of neo-liberal ideology by some labour movement agents is merely one among many possible explanatory factors. The problem is that the new constitutionalist's account of labour support for EMU is focused more or less *exclusively* on the supposed incorporation of *parts* of the labour aristocracy into a neo-liberal transnational historical bloc (namely, some skilled workers employed by multinational corporations). This is inadequate, not least because it limits the potential otherwise inherent in neo-Gramscian theory, neglecting the wider and more complex accounts of positive labour movement approaches to EMU that have been identified by recent (including neo-Gramscian) research.

By contrast, such critical analyses of labour support for EMU have indicated that the principle of EMU, like that of constitutionalism more generally, is commensurate with a *plurality* of discourses and rationales. As a starting point, Josselin has noted that underlying European trade union support for EMU is broad, both in terms of the principle and content of EMU, despite a widespread recognition of the short-term costs of convergence. Building on this, Andreas Bieler has indicated that the widespread support for EMU within the German trade union movement does not reflect a unitary position but rather reflects what is more often a cross-cutting complex of determining factors, including ideological orientation, sectoral factors (public-private, national-international) as well as broader trade union purposes, notably an underlying concern with social transformation. Recent research on British trade union assessments of European integration has noted a similar diversity of support rationales while also highlighting the importance of rational/pragmatic adaptation by unions to the changing political economy as a factor in positive union assessments of the euro.<sup>33</sup>

<sup>33</sup> Josselin, 'Trade Unions for EMU'; Andreas Bieler, 'Labour, Neo-liberalism and the Conflict over Economic and Monetary Union: A Comparative Analysis of British and German Trade Unions', *German Politics*, 12: 2 (2003), pp. 24-44; Strange, 'British Trade Unions and EU Integration in the 1990s', pp. 341-9.

What these analyses all indicate, contrary to new constitutionalism, is that there is neither a singular or necessary linkage between agent support for monetary union and political identification with neo-liberalism. In terms of the neo-Gramscian analysis adopted by the new constitutionalists, it follows that it is at least possible to envisage an alternative, broadly social democratic, historical bloc mobilized around a more socially and politically inclusive version of the euro project in the face of which the current dominance of neo-liberalism in Europe could in principle be challenged.

### *Contesting the Practice of Monetary Union*

The new constitutionalists might appear to be on stronger ground when their criticisms of monetary union are more clearly focused on *practice* rather than principle. Thus, it can certainly be forcefully argued that a bias in favour of monetarism derives from the particular manner in which EU monetary union has been implemented. Key here are, first, the restrictions on national budgetary autonomy associated specifically with the Maastricht convergence criteria and the Stability and Growth Pact, and second, the supposed lack of democratic accountability in relation to the ECB, reinforcing its constitutional duty to maintain price stability. Critics of the euro, including the new constitutionalists, have associated the convergence criteria and ECB policy with cuts in public spending and significant rises in EU unemployment.

Yet whether even the current rules and organizations governing the euro (which are, in fact, open to change through democratic processes vis-à-vis the Council of Ministers) can be legitimately construed as an attempt to institutionalize monetarism remains debatable. First, as has often been pointed out by supporters of monetary union, the convergence criteria relate to the full macroeconomic cycle and as such are specifically designed with a degree of fiscal flexibility in mind, giving national governments the discretion to increase spending and run short-term deficits specifically to counter recession.<sup>34</sup> In this respect the implementation of EMU around a 'soft euro' regime is

<sup>34</sup> J. Trichet, 'The Euro after Two Years', *Journal of Common Market Studies*, 39: 1 (2001), pp. 1-13.

at least informed as much by *Keynesian* budgetary principles – that is, the broad use of anti-cyclical rather than merely deficit financing policy instruments – as by ‘constitutionalized monetarism’.<sup>35</sup>

Secondly, the new constitutionalists have arguably misrepresented the ECB by presenting it, one-sidedly, as an institution charged with maintaining price stability *only*, thereby ignoring its constitutional obligation to develop a financial regime compatible with long-term sustainable growth (hence the importance of achieving EU convergence around low interest rates) and more generally ignoring the broader and rather more balanced treaty and institutional context in which the ECB is constitutionally obliged to operate. Not surprisingly, this broader political and institutional framework came to the fore during the late 1990s when social democratic governments held power across the EU’s largest member states. As Dyson has shown, while social democrats did not seek to challenge the EU’s commitment to sound finance, neither, equally, did they embrace neo-liberalism and monetarist policy discourse.<sup>36</sup> Rather, their primary objective was to *challenge* the narrow neo-liberal interpretation of stability and the Stability and Growth Pact by *balancing* the commitment to sound *finance* with sound *economics* dependent on the pursuit of stable growth and employment.

The wider context of the emergence of the EU’s employment policy is particularly significant in this context. As Philippe Pochet has noted, the EU’s ongoing commitment to a coordinated employment policy, as codified in the 1997 Amsterdam Treaty employment chapter, arguably represents a significant victory for social democratic interests in the EU against the neo-liberalism dominant in the ECB. It has to be seen within the broader context of the interaction

<sup>35</sup> Ben Clift, ‘Social Democracy and Globalization: The Cases of France and the UK’, *Government and Opposition*, 37: 4 (2002), pp. 466–500. As Clift points out (p. 468), it is fundamentally misleading to define Keynesian policy wholly in terms of deficit financing. By contrast, anti-cyclical policy captures the greater complexity of Keynesian policy and indicates a commitment to sustainable levels of growth and employment that may require budget surpluses (during booms) as well as deficits (during downturns). Indeed, this seems to be a key part of the consensus view emerging from the current process of Stability and Growth Pact reform sparked by the initial decision of the European Commission to pursue punitive measures against Germany and France as euro-zone deficit rule ‘defaulters’.

<sup>36</sup> Kenneth Dyson, ‘Benign or Malevolent Leviathan? Social Democratic Governments in a Neo-Liberal Euro Area’, *Political Quarterly*, 70: 2 (1999), p. 202.

between the EU's macroeconomic and financial policy that involves procedures that inevitably bring together the ECB, national finance ministers and the social partners in a (corporatist) policy triangle in which the economic and financial 'poles' of policy must reach some form of mutual accommodation.<sup>37</sup> In relation to this article, the significance of the employment chapter is that it creates a policy-making context in which the ECB necessarily becomes drawn into a broader, more open and politically contested policy network than is recognized by the new constitutionalism. Within this wider and more open constitutional and institutional context, the ECB can be regarded as an institution subject to democratic (including constitutional) accountability. The ECB's political legitimacy can be seen to depend not merely on its role in maintaining financial stability and low inflation *but also* on its contribution to other EU macroeconomic treaty objectives including, crucially, growth and employment.<sup>38</sup>

Thus, while much of the banking elite within the ECB as well as the wider finance lobby has in recent years attempted to define employment objectives through the neo-liberal version of competitiveness discourse, in terms of a restricted conception of labour market competitiveness and employability, social democratic interests within the policy-making network have, by contrast, contested such a discourse and defined employment objectives in more interventionist, including macroeconomic Keynesian, terms.<sup>39</sup> Since Amsterdam, what the ECB cannot do, if it is to maintain its legitimacy within the EU's policy-making community, is attempt to act independently of the broader policy context in which it has become embedded and thereby define its objectives, unilaterally, in narrow financial/anti-inflationary terms. This helps to explain why the ECB and the European Commission – despite the latter's appeal to the European Court of Justice – have so far been unable to impose a conservative interpretation of the stability pact on high unemployment euro-zone countries, such as Germany, or deficit countries, such as France, since to do so would be to risk a political crisis that would

<sup>37</sup> P. Pochet, 'The New Employment Chapter of the Amsterdam Treaty', *Journal of European Social Policy*, 9: 3 (1999), pp. 271–8; Dyson, 'Benign or Malevolent Leviathan', pp. 201–7.

<sup>38</sup> Pochet, 'The New Employment Chapter', p. 272.

<sup>39</sup> Ben Clift, 'The Jospin Way', *Political Quarterly*, 72: 2 (2001), pp. 170–9; Clift, 'Social Democracy and Globalization'; Dyson, 'Benign or Malevolent Leviathan', pp. 203–4.

threaten the euro and thus the ECB itself. One important consequence of this is that the ECB has reportedly begun to show an active interest in establishing formal, cooperative mechanisms at the EU level with the aim of *balancing* trade union and social democratic objectives on wages and employment with the neo-liberal objective of narrow financial discipline.<sup>40</sup>

*Summary: Losing or Rearticulating Sovereignty?*

To summarize, the political principle of constitutionalism is a broad and politically contested one. Constitutionalism may establish certain 'structural' parameters with important implications for policy and governance. However, as the debate over monetary union highlights, these cannot be adequately or coherently articulated in terms of a singular neo-liberal logic. As Gamble has recently pointed out, what really underlies the wider debate on the British left about the efficacy of currency union is not its alleged inherent association with neo-liberalism but rather a wider set of political questions concerning sovereignty: its nature, where, given globalization, it should reside, what its role should be and how it should be constituted.<sup>41</sup>

Sovereignty has become such a crucial question because *national* sovereignty, particularly in relation to the exercise of political choice and control in the determination of economic and social policy, has been fundamentally challenged over the past 30 years by globalization. For the new constitutionalists, European integration and the euro are simply an attempt by the transnational elite to consolidate economic globalization politically. But in thereby viewing European integration one-sidedly as a neo-liberal political project, new constitutionalism necessarily loses touch with wider debates about sovereignty and the future of governance, which globalization has forced others on the left to try and address. Those on the left who have adopted a more *open* critical attitude towards the euro and European integration view such projects as neither neo-liberal nor social democratic in principle; rather, they are viewed, in the context of

<sup>40</sup> Pochet, 'The New Employment Chapter', pp. 273–4.

<sup>41</sup> Gamble, 'The Case for the Euro', in Bush, Elliot and Gamble, *In or Out?*

globalization, as fundamental aspects of the changing geography and architecture of governance post-globalization. As Gamble notes, the euro represents a crucial example of the changing parameters of governance, a new *pooling* of sovereignty under which the genuine exercise of political choice over key policy issues, lost at the level of the relatively small nation-state, *may* once again become possible.<sup>42</sup> Thus, while neo-liberalism may currently dominate policy formation in the EU, this dominance is relative rather than absolute, is subject to active contestation and is not determined by the principle of constitutionalism so much as the political weakness of European social democracy post Delors.

#### GLOBALIZATION, STRUCTURAL DEPENDENCE AND THE EU AS FACILITATOR OF NEO-LIBERAL CONVERGENCE

More *structuralist* left critiques of EU integration, notably in the ‘neo-liberal convergence’ thesis developed in the so-called ‘structural dependence’ approach, have, perhaps, buttressed Gill and Apeldoorn’s emphasis on the EU’s sponsorship of the new competitiveness discourse and more generally, the new constitutionalist’s emphasis on the conservative role played by elite political *agency* in determining the content and effect of integration. According to at least some versions of the structural dependence thesis, the EU’s agency-driven integration programme has been subordinate to, determined by and largely facilitating of transnational capital’s underlying structural dominance. Two leading exponents of the convergence thesis are Hugo Radice and David Coates. By way of introducing the convergence thesis of the structural dependence approach, I will very briefly outline some of the key aspects of Radice’s analysis before reviewing and attempting to develop a critique of some aspects of Coates’s work.<sup>43</sup>

<sup>42</sup> *Ibid.*, pp. 4–8, 16–19.

<sup>43</sup> For a critique of Radice’s structuralist approach to globalization and convergence see Gerard Strange, ‘Globalisation, Regionalism and Labour Interests in the New International Political Economy’, *New Political Economy*, 7: 3 (2002), pp. 344–7; Gerard Strange, ‘Beyond “Third Wave” Globalisation Analysis’, *European Political Science*, 2: 2 (2003), pp. 42–6.

*Model Convergence and the Crisis of CPE*

Radice's approach is ostensibly built around a critique of critical CPE. But it should be noted that much of the theoretical framework adopted by Radice pre-dates this critical engagement with CPE and is rooted in earlier Marxian analyses of neo-imperialism.<sup>44</sup> His starting point, like that of the competition state theorists noted above, is the recognition of the decline of national Keynesianism. This first became evident in the 1970s with the crisis of 'hands-off' Keynesianism, notably in Britain, but was confirmed, Radice contends, with the collapse by the late 1980s of even the apparently more robust and embedded forms of national Keynesianism (France in the early 1980s and Sweden in the late 1980s are quoted as the main examples). Beyond this starting point Radice breaks with pluralistic versions of the competition state thesis by arguing that the 'progressive competitiveness' of the so-called developmental nation-state is now *also* in crisis, marking the onset of the universalization of neo-liberalism. The shift towards neo-liberalism at the national level, Radice claims, has been 'so consistent through the past twenty years and all around the world that it is hard to see [it] as either contingent or the result of independent policy choices by national governments'.<sup>45</sup>

In advancing the convergence thesis, Radice seems to have drawn particularly on Wolfgang Streeck's analysis of the interaction between national models of regulation in the EU and the EU's programme of transnational integration. Streeck argues that structural pressures on the competition state have been leading towards a universalization of 'defensive flexibility' national models at the expense of 'positive' or 'offensive' flexibility regimes. Streeck has highlighted enhanced capital mobility following the implementation of the single market and more recently currency union as particularly damaging aspects of European integration in this respect.<sup>46</sup> He has pointed to the logic of a worst-case scenario for European labour in which the

<sup>44</sup> Hugo Radice, 'Taking Globalisation Seriously', in Panitch and Leys, *Global Capitalism Versus Democracy*, pp. 1–28; Hugo Radice, 'The National Economy: A Keynesian Myth?', *Capital and Class*, 22 (1984), pp. 111–40.

<sup>45</sup> Radice, 'Taking Globalisation Seriously', p. 8.

<sup>46</sup> Wolfgang Streeck, 'More Uncertainties: West German Unions facing "1992"', *Industrial Relations*, 30: 3 (1991), pp. 317–49; Wolfgang Streeck, 'German Capitalism: Does it Exist? Can it Survive?', *New Political Economy*, 2: 2 (1997), pp. 237–56.

increased mobility of capital in post-single-European market/single-currency EU will, in time, inevitably lead to a generalized downward approximation of social protection and labour market regulation as European multinationals employ (or merely threaten to employ) aggressive 'social dumping' strategies to undermine the bargaining strength of workers in 'northern' economies and as (consequently) rising unemployment in the north weakens unions' labour market power.

*Globalization, the International Reserve Army of Labour and the Contradictions of New Growth Strategies: From Competitive to 'Progressive' Austerity*

The underlying structural dynamics of Streeck's highly pessimistic convergence thesis has been further specified by David Coates. Whereas Streeck, like the new constitutionalists, has emphasized what he regards as the facilitating role played by the EU in the neo-liberal convergence process, Coates's main point of focus is the broader structural context of 'globalization'.<sup>47</sup> According to Coates there are two key aspects to economic globalization that, taken together, have led to a fundamental shift in the balance of class forces in favour of capital at the level of the world economy. The first factor has been the growing structural autonomy of capital. This has been marked by a significant increase in foreign direct investment and international financial transactions over the past 30 years and has been facilitated by the growth in the size and number of MNCs. As Coates notes, these factors are generally emphasized in the orthodox globalization literature. The second, more neglected and more important, structural feature of globalization, according to Coates, has been the substantial growth of newly proletarianized populations in key sectors of the global economy, notably in South-East Asia (including China) and South America, over the past 30 years. The growth in the global proletariat has been reinforced by the integration of the former Soviet bloc into the world capitalist labour market since 1989.<sup>48</sup>

<sup>47</sup> Coates, *Models of Capitalism*, pp. 77–106, 251–9.

<sup>48</sup> Coates, 'Labour Power and International Competitiveness', p. 136; Coates, *Models of Capitalism*, pp. 255–7; Coates, 'Capitalist Models and Social Democracy', p. 297.

Coates's point of departure in emphasizing such structural pressures towards convergence has been a critical engagement with the work of Geoffrey Garrett. More recently he has developed this critique in reviews of important developments of Garrett's approach in research by Mark Wickham-Jones, and Colin Hay.<sup>49</sup> Here I will focus on Coates's engagement with Garrett.

Garrett developed a theoretical position that recognized the existence of certain structural constraints on national economic and social policy associated with globalization, but which nevertheless affirmed the efficacy of post-Keynesian CPE, albeit under a restricted set of national circumstances characterized by 'strong encompassing labour institutions'. Garrett thus rejected the liberal 'hyper-globalist' view that national social democracy was no longer a feasible regulatory project. Garrett argued that in the post-Keynesian era, national governments with strong labour institutions faced a limited policy choice in terms of national growth/regulatory models between neo-liberalism and corporatism or what Greg Albo has called 'competitive austerity' (neo-liberalism) and 'progressive competitiveness' (export-led, positive supply-side or 'new growth theory' model).<sup>50</sup>

In engaging with Garrett's analysis, Coates's main critical contribution has been concerned with the possibility of utilizing national progressive competitiveness as a general model. His criticisms therefore have clear implications for *regional* political economy despite the fact that his own direct point of focus is largely *national* social democracy. Coates's main point seems to be that progressive competitiveness is contradictory if construed as a universal social democratic economic strategy. Like Albo, Coates maintains that the problem faced by progressive competitiveness, is that 'it lacks the capacity to

<sup>49</sup> Geoffrey Garrett, *Partisan Politics in a Global Economy*, Cambridge, Cambridge University Press, 1998; Mark Wickham-Jones, 'New Labour and the Global Economy: Partisan Politics and the Social Democratic Model', *British Journal of Politics and International Relations*, 2: 1 (2000), pp. 1–25; Colin Hay, 'Contemporary Capitalism, Globalisation, Regionalisation and the Persistence of National Variation', *Review of International Studies*, 26: 4 (2000), pp. 509–32; Coates, 'Labour Power and International Competitiveness', pp. 133–6; Coates, *Models of Capitalism*, pp. 86–96 and 104–6; Coates, 'Capitalist Models and Social Democracy', pp. 284–307; Coates, 'Strategic Choices in the Study of New Labour', pp. 479–86.

<sup>50</sup> Greg Albo, 'Competitive Austerity and the Impasse of Capitalist Employment Policy', in Panitch and Leys, *Global Capitalism Versus Democracy*, pp. 144–70.

lift any particular economy onto a higher growth path without at the same time pushing an alternative economy onto a lower one'.<sup>51</sup> As Coates recognizes, the classic example of export-led growth as the basis for an emergent progressive competitive model is provided by post-war Germany, which based its competitive success in capturing export markets initially on low wages, then institutionalized wage restraint and finally on a shift into high-quality, high value-added commodity production.<sup>52</sup> While this may have worked for Germany, the downside of the export-led national model, so it is claimed, is import penetration, negative growth and unemployment abroad, as well as the permanent threat that the model's national success will be 'undermined by similar initiatives elsewhere'.<sup>53</sup>

If national progressive competitiveness, viewed in more universal terms, has thus always been contradictory in Coates's view, it might at least be defended in terms of its perceived capacity to succeed in *specific* national instances. For example, this would seem to be the logic underpinning New Labour's 'new growth' economic strategy. But Coates has taken the structural dependence critique one step further by emphasizing what he regards as the universal debilitating effects on the model of globalization and more specifically the global spread of proletarianization. From this view, the problems for progressive competitiveness have been compounded by globalization at the very moment at which it has become the universal progressive alternative to neo-liberalism. This is because the international competitive advantage of earlier national converts to 'new growth' or positive supply-side economics is now being undermined by later converts in other regions of the world economy – notably south and east Asia – where *additional* competitive gains can be achieved through relatively low wages and low social provision by taking advantage of newly proletarianized workforces. The spread of the 'new growth' strategy to newly industrialized countries (NICs) has enhanced the power of capital, increasing its geographic mobility by giving it 'more proletariats on which to land'.<sup>54</sup> Furthermore, Coates

<sup>51</sup> David Coates, quoted in C. Lloyd and J. Payne, 'On the Political Economy of Skill', *New Political Economy*, 7: 3 (2002), p. 383; Coates, *Models of Capitalism*, pp. 254–9; Albo, 'Competitive Austerity', pp. 148–57.

<sup>52</sup> Coates, *Models of Capitalism*, p. 241.

<sup>53</sup> *Ibid.*, p. 254.

<sup>54</sup> *Ibid.*, p. 255.

maintains that this newly exploitable workforce has emerged from 'where once stood only subsistence peasantries *excluded entirely from commodity production and capitalist wage labour systems*' (emphasis added).<sup>55</sup>

What, in effect, is emerging according to the Coates thesis (or at least my interpretation of it), is a universalization of what might be labelled a regime of '*progressive*' *austerity*, a contradictory (and therefore unstable) synthesis between the progressive emphasis on productivity through adaptable skills, education and training of the new growth model and the socially negative emphasis on wage/cost flexibility of the neo-liberal model. In brief, the promised general prosperity of the new growth model will be increasingly undermined, according to Coates, as newly emerging proletarian workforces in Asia and elsewhere – where wage costs are low – are increasingly integrated into the new, knowledge economy, thereby closing the knowledge/skills gap between north and south upon which the success of the model for northern workers, through comparative advantage, is dependent.

## CRITIQUE

It seems to me that there are at least three possible grounds on which to object to Coates's pessimistic assessment of progressive competitiveness. First, in emphasizing the 'beggar-thy-neighbour' contradiction of export-led growth, Coates in fact makes an unwarranted general assumption (albeit implicitly) about the macroeconomic environment, namely, that it is *necessarily* characterized by competitive austerity. Secondly, Coates's pessimism is further derived from his failure to distinguish between the distinct economic structures of national (relatively *open*) economies, on the one hand, and regional (relatively *closed*) economies, on the other (a similar problem is evident in Radice's work<sup>56</sup>). In Coates's analysis of models of capitalism and more specifically the crises of the various national social democratic models, there is a distinct failure to engage analytically

<sup>55</sup> *Ibid.*, p. 256.

<sup>56</sup> For a critical analysis of this aspect of Radice's analysis see Strange, 'Beyond "Third Wave" Globalisation Analysis', p. 46.

with the significantly changing regional political economy, notably, the increasing integration of national economies within the new regulatory and governance environment represented by the EU. This is significant because the agency-driven changing regional political economy around European integration has arguably had, or at least has the potential to have, an important counter-effect on the structural environment created by globalization that both Coates and Radice claim has been leading to neo-liberal convergence.

The third objection I wish to raise against Coates relates more directly to his strong, highly pessimistic, version of the globalization thesis and the alleged negative impact of global proletarianization on the feasibility of new social democratic models in the north and specifically progressive competitiveness. In brief, while Coates argues that global proletarianization will increasingly undermine the bargaining power of northern workers, it is at least arguably the case that, particularly in the longer run, such pressure may be offset by more effective labour organization in the global south. Thus, as Immanuel Wallerstein has claimed, global proletarianization may in fact go hand in hand with *rising* average global wages.<sup>57</sup>

### *The Historical Determination of the Macroeconomic Environment*

Considering the first objection, Coates's assumption of macroeconomic austerity depends upon a historically misleading deduction that confuses structural necessity with the historically conjunctural.<sup>58</sup> The empirical *association* between macroeconomic austerity and the export-led growth model has possibly been valid for much of the period to the present, following the dollar and inflation crisis of the 1970s and the subsequent shift towards a monetarist

<sup>57</sup> Immanuel Wallerstein, 'Ecology and Capitalist Costs of Production: No Exit', keynote address at PEWS XXI, The Global Environment and the World System, University of California, Santa Cruz, 1997.

<sup>58</sup> This confusion is a feature in much of the debate around the alleged impact of globalization on the viability of social democracy. For critical expositions see John Callaghan, 'Social Democracy's Big Problem: Economic Globalisation or Hard Times?', *European Political Science*, 2: 2 (2003), pp. 32–9; John Callaghan, 'Globalisation and Social Democracy', *British Journal of Politics and International Relations*, 4: 3 (2002), pp. 429–51.

international regime under the auspices of a neo-liberal-dominated International Monetary Fund (IMF). However, this recent historical coincidence hardly indicates the *causation* that Coates's analysis implies. Austerity was *not* a generalized macroeconomic condition during the so-called post-war Keynesian 'golden age' of sustained international expansion when most developed economies enjoyed unprecedented growth and employment rates as well as stable prices. In fact, the global macroeconomic environment for much of the post-Second World War period – up to the crisis years of the 1970s – was one characterized by a US- and investment-led general expansion of demand and consequent strong growth in world trade and output.<sup>59</sup> In such a global macroeconomic environment the success of export-led economies, such as Germany, *did not lead to unemployment or recession* in competitor economies, although relative economic performances differed significantly between the supply-/export-led and demand-led (e.g. Britain) national economies. Indeed, the strength of global demand was such that relatively uncompetitive national economies were nevertheless able to maintain full employment without reverting to deficit financing. The logic of this point suggests that Delors-style Euro-Keynesianism, if implemented, and/or extra-European policy actions designed to stabilize domestic demand and the balance of payments (for example, a new 'Bretton Woods' settlement for global trade and finance under a reformed IMF) would likewise do much to counter the austerity presumed by Coates and remove a major source of apparent contradiction in the progressive competitiveness model.<sup>60</sup>

Of course, in the absence of such a clear political commitment to a full Euro- or world-Keynesian programme, the context for the development of progressive competitiveness will continue be the more austere economic environment created by the EU's monetary union although, as suggested above, it is fundamentally misleading to equate monetary union *necessarily* with Euro-monetarism/neoliberalism and it is at least debatable to what extent the current

<sup>59</sup> See R. C. O. Matthews, 'Why Has Britain Had Full Employment since the War', *Economic Journal*, 78: 3 (1968), pp. 555–69; Callaghan, 'Social Democracy's Big Problem', pp. 34–5.

<sup>60</sup> Holland, *The European Imperative*, pp. 261–3; Will Hutton, *The World We're In*, London, Little Brown, 2002.

euro regime reflects a 'hard' euro emphasis on price stability or, alternatively, a 'soft' euro emphasis on low interest rates and flexible adjustment to recessionary pressures. Ultimately, whether the euro zone is managed in a way that prioritizes financial stability or balances financial with economic stability is an open question that will be determined not by Euro-bankers or structurally imposed imperatives, but by the political will of the broader EU policy community.

*The Economic Case for Political Union: Open-Economy Nationalism versus 'Closed'-Economy Regionalism*

Considering the second objection raised above, the crucial issue not sufficiently addressed by Coates is the *possibility* of greater political union in the EU and – critical in the current context – the implications of a future political union for macroeconomic policy. In fact, the key 'contradictions' of progressive competitiveness identified by Coates and also by Greg Albo, on whose analysis Coates draws extensively, relate essentially to processes generated by competition between *national* competition states. This international competition between states tends to lead to a bias in favour of a particularly austere form of national export-led growth regime (of the kind associated in concrete terms with post-war Germany and Japan) under which a persistent balance-of-payments surplus is deliberately (i.e. as a matter of national economic policy) prevented from feeding through into a more balanced expansion of domestic demand, including demand for imports, by restrictive budgetary policy.<sup>61</sup> Such engineering of imbalances by surplus countries is necessary in order to maintain national competitive advantage over the longer term.

Crucially for the argument being developed here, such engineered imbalances reflect imperatives of *inter-national* competition that, in principle, are absent under political union where fiscal, monetary and trade policy is coordinated centrally and where nominal surpluses and deficits at regional level are effectively pooled and redistributed through centrally determined budgetary mechanisms.

<sup>61</sup> Andreas Boltho, *The European Economies: Growth and Crisis*, Oxford, Oxford University Press, 1988.

In this context, the most important effect of political union is that it leads to a shift from a relatively open to a relatively closed macro-economic regulatory environment. Relatively open economies, such as those of the EU's *individual* member states, are, *because of their openness*, subject to balance-of-payments constraints determined by international trade and capital flows. These, in turn, may indeed greatly limit the autonomy of the national government and can destabilize core domestic economic and welfare objectives, such as full employment. These are precisely the contradictions of *national* open-economy Keynesianism, noted above, which contributed significantly to the collapse of national Keynesianism at different points in time in Britain (1970s), France (early 1980s) and Sweden (late 1980s). By contrast, relatively closed economies, such as the EU *taken as a whole*, are less constrained by the balance of payments because trade and capital movements are to a much greater degree internal. The governing authorities of closed economies are consequently able, at least in principle, to pursue domestic objectives with greater autonomy and effectiveness. A Keynesian European Union would thus face far fewer open-economy constraints on economic expansion compared to more open individual member states.

Of course, the EU would still face some significant open economy constraints on its domestic demand management in so far as it engaged in trade and capital flows with the rest of the world. However, the crucial point being made here is a theoretical one, namely, that the *structural* capacity of the EU to determine and manage its economic relations with the rest of the world is, *in principle*, greater than that of individual member states. Thus the contradictions of progressive competitiveness, apparent when viewed through the lens of what Ben Clift has recently referred to as 'methodological nationalism'<sup>62</sup> are substantially removed or at least reduced when considered from the alternative and more appropriate theoretical perspective of methodological regionalism. Moreover, the theoretical advantages of regional against national economic regulation are reinforced empirically by trends in EU trade. As Leborgne and Lipietz, and more recently Will Hutton and Colin Hay, have all pointed out, the structural necessity of EU international trade is limited and has declined with the progress of EU integration, while, obversely, intra-EU trade has expanded considerably over

<sup>62</sup> Clift, 'Social Democracy and Globalization', p. 467.

the last three decades, underpinning what Leborgne and Lipietz have referred to as the EU's 'de facto independence'.<sup>63</sup>

*Globalization and the World Proletariat*

Considering the third objection raised above, an initial point to make is that even if we assume, along with Coates, a strong underlying global reserve army effect at the structural level, impacting on labour standards in the OECD, it is feasible that such negative pressure on wages could be effectively resisted through appropriate forms of anti-dumping regulation imposed at the EU and other regional levels. This is why labour and social democratic interests in the EU and the USA, in conjunction with labour movement allies in the third world, have called for comprehensive 'social clauses' in international trade agreements.<sup>64</sup> Once again, the underlying point to be made here is that the structural capacity of a regional bloc, in terms of its ability to impose anti-dumping measures successfully, is in principle greater than that of individual member states acting unilaterally. In short, regional political economy changes the structural 'rules of the game' to the potential benefit of social democratic interests.

More fundamentally, the underlying structural pessimism of Coates's version of the globalization thesis is open to considerable doubt. The structural significance of global proletarianization in terms of its effect on OECD labour standards is, at best, uncertain particularly if we consider the longer term. In this respect it is important to take note of recent influential left analyses of global proletarianization that would seem to draw very different conclusions about its impact on global labour standards to Coates's. Particularly noteworthy is recent work by the leading world systems theorist, Immanuel Wallerstein.<sup>65</sup> Wallerstein – whose work is in many respects one of the leading

<sup>63</sup> Daniele Leborgne and Alain Lipietz, 'How to Avoid a Two-Tier Europe', *Labour and Society*, 15: 2 (1990), pp. 177–99; Hutton, *The World We're In*; Colin Hay, 'Globalisation, EU-isation and the Space for Social Democratic Alternatives: Pessimism of the Intellect: A Reply to Coates', *British Journal of Politics and International Relations*, 4: 3 (2002), pp. 452–4.

<sup>64</sup> Robert O'Brien, 'Labour and IPE: Rediscovering Human Agency', in R. Palen (ed.), *Global Political Economy: Contemporary Theories*, London, Routledge, 2000, pp. 89–99.

<sup>65</sup> Wallerstein, 'Ecology and Capitalist Costs of Production', pp. 1–11.

examples of left structuralist political economy – has claimed that the proletarianization of third-world workforces over the past three decades has led to a significant and ongoing increase in the bargaining power of global labour. Wallerstein's argument is predicated partly on the disappearance of large parts of the 'semi-proletarianized' rural 'underclass' in the third world and thus a fundamental change in the structural characteristics of the global reserve army of labour. In addition, Wallerstein argues that the disappearance of the semi-proletarian peasantry has gone hand-in-hand with the growth of trade unionism in the third world and the emergence of a more organized and politically conscious urban working class. One can anticipate that such organization and political consciousness will challenge the legitimacy of third-world regimes seeking to secure international competitive advantage on the basis of low wages.

What seemingly underlies the different evaluations of the global impact of third-world proletarianization made by Coates and Wallerstein are fundamentally different assumptions regarding the nature of the structural change such class transformation represents. As the earlier quotation from Coates indicates, he maintains that prior to proletarianization the third-world peasantry were entirely excluded from the capitalist sector and thus from capitalist exploitation. For Wallerstein, by contrast, the peasantry was already incorporated into the world system as *super*-exploited semi-proletarians exploited both through rent payments to local landowners and as semi-incorporated wage workers on the margins of the capitalist sector. Contrary to the Coates thesis, therefore, it is possible to argue, following Wallerstein's reasoning, that the longer-term effect of proletarianization in the third world is and/or will be 'a ratcheting up' rather than a 'ratcheting down' of average global labour costs as the super-exploited, semi-proletarian, class category is 'progressively' removed by global capitalism and as the growth of organized labour in developing countries increases pressure for political and socio-economic reforms.<sup>66</sup>

## CONCLUSIONS

The theoretical objections raised here are, ultimately, not aimed at either neo-Gramscian or structural dependence approaches to

<sup>66</sup> *Ibid.*, p. 4.

regionalism, but rather at the determinist tendency sometimes evident within the particular versions of these approaches reviewed here. In giving methodological primacy to agency, the neo-Gramscian framework, generally speaking, predisposes analysis towards an understanding of political economy that highlights the indeterminate nature of political processes, emphasizing conflict, contestation, alliance-building and compromise in the determination of historical intersubjectivities. The problem is really with Gill's and later Apeldoorn's new constitutionalism as in some respects a determinist sub-form of neo-Gramscian analysis. Despite its explicit analytical emphasis on agency (especially the transnational global elite), new constitutionalism is substantively structuralist in its understanding of the relationship between (structurally dominant) transnational capital, (facilitating) EU governance and (structurally dominated) broadly progressive/social democratic interests. In effect, the new constitutionalists analyse regional political economy in the same pessimistically functionalist way as the structural dependence theorists reviewed here, even though the former are determinists in disguise.<sup>67</sup>

The structural dependence approach of Coates and Radice, with its methodological roots in structuralist Marxism and 'orthodox' Marxist economics, is, perhaps, more prone to the problem of determinism than neo-Gramscianism. This seems to me to be evident in the fact that while, *ultimately*, both Radice and Coates correctly reject structural determinism, explicitly calling on oppositional agency to 'develop a transnational collective response' to neo-liberal globalization, this rejection of structural determinism is only evoked *in the final analysis*.<sup>68</sup> Thus the nature of such a transnational response, its concrete development and the geopolitical-economic parameters of its engagement with neo-liberalism are rarely more than vaguely specified, appearing instead to be under-developed and so tagged on to an otherwise economic structural analysis. The result, as Bieler and Morton have noted in a recent critique (albeit one aimed at so-called Open Marxism), is that 'distinctive struggles over hegemony

<sup>67</sup> As Hobson and Ramesh have noted, it is 'possible for "structuralists" to conceive globalisation in agent-centric terms, as when they focus on the agency of multinational corporations (MNCs) or other non-state actors'. J. Hobson and M. Ramesh, 'Globalisation Makes of States What States Make of It: Between Agency and Structure in the State/Globalisation Debate', *New Political Economy*, 7: 1, pp. 5–22.

<sup>68</sup> Radice, 'Taking Globalisation Seriously', p. 22.

[are] lost by reducing everything to an objective developmental logic of capital'<sup>69</sup> in which, although the working class is present, it is so only 'as the implicit subject of the analysis, as constant counter-point, as threat'.<sup>70</sup>

To avoid a pessimistic determinism, structural dependence theory needs to reject the linearity of the convergence thesis and reach a more reflexive accommodation with critical CPE, thereby more explicitly embracing the dialectical method of a genuinely more open, including neo-Gramscian, Marxism. One way in which it might begin to do this fruitfully would be to shift its theoretical and analytical focus from the critique of *national* political economy within the context of globalization towards a greater focus on and analysis of *regional* political economy and globalization. But it also needs to specify and analyse rather more clearly than it has done so far the regional as opposed to national political contexts in which oppositional social forces have organized and can organize effectively against the global neo-liberal hegemonic project by building bases for an alternative global social democratic hegemonic project in Europe and elsewhere.<sup>71</sup>

Chiming with Colin Hay's critical evaluation of Coates, the conclusion to be drawn from the preceding analysis is that the constraints on the implementation of a progressive European model have essentially been created by neo-liberal ideological and political intersubjectivities rather than immutable economic structures. Such intersubjectivities, including the form and content of EU constitutionalism, are contestable. As such, the barriers to the social democratic model are themselves essentially political rather than economic, even though economic structures, notably those associated with globalization, do constrain the forms taken by progressive governance, pointing in particular to the increased efficacy of regionalism. Rather, social democracy's underdevelopment at EU-level is

<sup>69</sup> Andreas Bieler and Adam Morton, 'Globalisation, the State and Class Struggle: A "Critical Economy" Engagement with Open Marxism', *British Journal of Politics and International Relations*, 5: 4 (2003), pp. 467–99; see also Bob Jessop, 'Regulation Theory, Post-Fordism and the State: More than a Response to Bonfeld', *Capital and Class*, 34 (1988), p. 147.

<sup>70</sup> John Holloway, quoted by Bieler and Morton, 'Globalisation, the State and Class Struggle', p. 474.

<sup>71</sup> Bieler and Morton, 'Globalisation, the State and Class Struggle', p. 478.

best explained in terms of the political failure of the EU during recent periods of social democratic dominance in government to develop a governance regime capable of institutionally embedding a progressive regime such as the Delors-style Euro-Keynesianism outlined at the beginning of this article. Of course, there may be other, non-structuralist objections to Euro-Keynesianism that have not been considered here. For example, recent ecological critiques have pointed to the allegedly negative environmental implications of the traditional Keynesian emphasis on growth and consumption. Whether such ecological criticisms are as pertinent in relation to the more environmentally conscious and economically eclectic approach of the so-called New Keynesian school, arguably embodied in the Delors–Jospin emphasis on reduced working time and job sharing as employment strategies, is a matter of debate. But, in any case, unlike the new constitutionalist and structural dependence approaches, such ecologically based criticisms of Keynesianism do not deny its political feasibility.