

Europe Torn between State and Market

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Two books take stock of the impasse at which European construction has arrived. Who is the culprit? The market, as Robert Salais believes, or, as Philippe Herzog contends, the state? Both declare the postwar model bankrupt and call for a new framework, one that would more effectively involve Europe's citizens.

Reviewed:

- Robert Salais, *Le viol d'Europe, Enquête sur la disparition d'une idée* (The Rape of Europe: An Investigation into the Disappearance of an Idea), PUF, 2013, 432 p, 20 €;
- Philippe Herzog, *Europe, réveille-toi* (Europe, Wake Up), Le Manuscrit, Collection Europe après l'Europe. 2013, 210 p., 17 €.

Philippe Herzog and Robert Salais belong to the same generation, began their careers at the same institution (the INSEE, the French statistical agency) and, in the 1970s and 80s, shared a common political experience as members of the French Community Party (PCF). For the past twenty years, both have been involved in European issues: mostly in politics, in the case of Herzog (PH), and primarily through research, in the case of Salais (RS). Each has recently published a book about Europe. Both are passionate diatribes against the obstacles to European construction. At times they are reminiscent of the style of Thomas Bernard—monologues that intone against the institutions, ideas, and people deemed responsible for the deadlock. Even their mythological references are the same: the title of RS' book, *The Rape of Europe: An Investigation into the Disappearance of an Idea*, refers to it directly, while the cover of PH's volume, *Europe, Wake Up* displays a painting by Félix Vallotton in which Europa is kidnapped and yields to the adventure.

The difference between these books lies in their use of this myth. They disagree on the diagnosis. Put simply, for RS, the primary culprit for Europe's impasse is the market; for PH, it is the nation-state. Since they begin at such different starting points, it is hardly self-evident that they would agree on a solution to the current crisis. RS is something of a pessimist, while PH is a voluntarist. Each has his role, one might say. A reader of Gramscian proclivities would embrace them both, for, read together, what clearly emerges is a shared belief that the model for European construction that has prevailed since it was first conceived after the Second World War is now exhausted: it can no longer guarantee a rapprochement between countries that are still structurally diverse enough to threaten any approach to governance that treats this diversity too nonchalantly, especially in the wake of the enlargement that brought the divided Europe of the Cold War era to an end.

From Myth to History via the Archives

Robert Salais undertakes a quasi-archaeological investigation of the European project's origins, unearthing the texts and speeches—and the times and places at which they were delivered—which, in many roundabout ways, laid the foundations of the European Community. This archival undertaking is valuable, as it attests to the repeated “stumbling” that made the decade prior to the Treaty of Rome anything but a straight path towards the pacifist ideal. It came to fruition thanks to the pragmatism of its advocates, who achieved it through a series of steps with well-defined goals, such as the European Coal and Steel Community (ECSC). RS seeks to deconstruct this mythical re-writing of Europe's foundation. To this end, he proposes an alternative reading: Europeans quickly abandoned the goal of a political community, giving priority instead to integration through the market—a fundamentalist integration project, which depended both on a hard-core view of the market (complete liberalization, in tandem with a customs union and a common market) and on an “extra-national technocracy” pursuing the utopia of “perfect market planning”.¹ This premature reorientation promptly placed Europe under American hegemony, preventing it from asserting itself politically and tying its fate to the United States' project of liberalizing markets at the global level. “Bowing to the market” was, almost literally, Europe's original sin, one that persisted, creating a kind of negative evolutionary pattern, whereby submission to the “global liberal commercial order” was always preordained—and thus unstoppable. RS makes careful use of the incriminating evidence, demonstrating the existence of an alliance between liberal and planning factions that shaped the European project, its institutions, and its actors, no doubt over a long period, with shadings that varied by country and period: the Europeans of today are still living with this legacy, the virtues of which have largely vanished. This alliance lies at the heart of the compromise proposed by the 1956 Spaak report, which paved the way to the Treaty of Rome. It was renewed thirty years later by Jacques Delors, when he revitalized European integration with the Single European Act of 1986.

This reconstruction of European construction's dominant narrative, which is presented as a sort of subterranean progression of commercial and liberal integration, patiently brushing aside any obstacles and distractions, equipped with a European technocracy, and ultimately adopted by political elites is not, however, fully convincing. Even a reading of the rich and contradictory evidence that RS has unearthed is an invitation to revisit the history of European integration in a way that is more attentive to the circumstances that shaped the creation and implementation of its ideas and ideals. The development of the European Union has been, over the long term, punctuated by a back-and-forth between goals and circumstances. RS meticulously analyzes the archives, but his attempts to relate them to how events unfolded is over hasty. On this issue, I would like to make three points:

At the end of the war, European civilization was, as Curzio Malaparte put it, a “pile of rubble,” in which an autonomous capacity for reconstruction could not be taken for granted.² The Americans' attempts to jump-start Europe's commercial, productive, and supranational integration, even when it meant pushing around the nation-states responsible for the twentieth century's tumultuous history, were certainly self-interested, but also rather reasonable. They

¹ The words in quotation marks come from RS' book. At times, they are used on several occasions.

² *Kaputt*, New York Review of Books, 2005 (1946). Malaparte adds: “But I prefer this *Kaputt* Europe to the Europe of yesterday—and of twenty or thirty years ago.”

would trigger the spread of the Fordist model, which benefited from the support of certain European elites. Confronted with hesitation and disagreement from all sides, the ECSC was the mouse hole that saved the original American initiative. The Americans counted on the Franco-German partnership to create the ECSC and accepted, despite some reticence, the project as a sectoral step towards market liberalization.

Internal political divisions within Europe's nation-states reproduced those of the nascent Cold War. This two-way division soon restricted the project of building a European political community. RS declares (p. 36): "What should have been done was to start with political union, then turn to economic and monetary union, and only at that point, circumstances permitting, to focus on the market." He reminds us a little later (p. 62) that Jacques Rueff favored starting with a currency union. Yet the French Communist Party, at the time a major force in France, was decidedly opposed to European union, be it political or monetary. Conflict at the infra-national level is too often ignored, as if conflict only occurred between nation-states and European institutions. There is no question that national conflicts favored "the reduction of political issues to technical ones" (p. 83) in European construction: Europe's technocracy prudently distanced itself from national conflicts. Today, in a completely different context, it always seems essential to transpose European debates directly into national affairs.

For declining colonial powers such as France, the renunciation of empire was not an easy process. Here, too, the American-imposed opening of colonial markets as a precondition for aid proved rather useful in forcing France to abandon its rent-seeking colonial arrangements in which much of its economy wallowed. The common market provided a welcome locus to which trade could be redirected. It played a major role in steering colonial nations in a more European direction.

We Owe the "Thirty Glorious Years" to Europe and the World

In the nineteenth century, the flourishing of capitalist nation-states went hand in hand with the physical and regulatory unification of internal markets³: markets were not, in principle, incompatible with the assertion of political sovereignty over territories unified in this way. If a similar process did not occur in the case of European construction, it is for reasons having as much to do with the difficulties nation-states faced in getting along with one another as with the market's inherent shortcomings. RS lays much blame on the market, to the extent that he implicitly accepts a barely tenable paradox: he leaves the impression that the postwar era's robust growth (the so-called "Thirty Glorious Years") was completely external to the first steps in the direction of European integration and that the former in no way benefited from the latter. Yet Fordist capitalism clearly benefited from the economies of scale and proximity effects that the common market offered. RS refers to the opinions of experts who, in the late 1940s, did not believe in the expansive effects of a customs union and worried that a race to the bottom would occur. Even if we agree that such views did anticipate more recent trends, they do not justify giving short shrift to the greatest period of economic growth in modern history, as if it were completely unrelated to the process of European integration.

³ Space does not allow me to do justice to the rich literature on the topic's socio-economic history. I will limit myself to referring the reader to my article "D'une mondialisation à l'autre," *Revue de l'OFCE*, n°69, April 1999.

While American hegemony and interests shaped the international institutions that structured market liberalization in the postwar years, they did not exert unilateral influence over Europe's trajectory. Following the implementation of the international monetary system adopted at Bretton Woods, Europe went through several phases in relatively short order. From the outset, the stability of this framework was in fact threatened by a dollar shortage: in 1949, European currencies had to be devalued. The Americans agreed to a significant financial commitment through the Marshall Plan and supported intra-European liberalization via the European Payments Union, which facilitated the coordinated elimination of monetary restrictions on trade. The Bretton Woods system only functioned through repeated surplus injections (the Marshall Plan, the EPU, the Eurodollars market, and so on), which initially revitalized multilateral trade between European countries, before helping them to catch up with the United States. Ultimately, over two decades and until its collapse in 1971, it constituted a rather flexible and accommodating framework for rendering compatible quite differentiated forms of national growth within the OECD. It also helped to consolidate the Keynesian compromises implemented in most Western European countries.⁴

The Contradictions of Delors' Project

The European project emerged from these decades with an unbalanced approach to political construction and doctrinal conceptions that gave undue weight to the circumstances of its birth in the postwar era. But it is wrong to reduce these traits to an inevitable slide towards the market, like some birthmark that could only be removed with difficulty. This approach is not sufficient for understanding the specific imbalances that shaped the revitalization of the European integration project at the initiative of Jacques Delors who, for RS, is something like European integration's Dr. Jekyll and Mr. Hyde. Delors inherited the problem of "Eurosclerosis"—the European countries' collective incapacity to confront the structural shift in production and growth conditions in the 1970s. While a doctrinal commitment to European construction persisted, much of this project had been abandoned in practice: by the early 1980s, Europe was stagnating and integration in remission. In assessing Delors's achievements, it is important to recall this context: Delors' great virtue was to break with the fatalism that the context seemed to dictate and to launch, with the Single European Act, a more open dynamic, one that, as RS recalls, explicitly appealed to the autonomous capacities of economic and social actors. To establish Europe as a commercial space unified around four freedoms was not a meaningless way of strengthening its appeal at a time when globalization's dominant forces seemed to elude it. RS analyzes how the project of a "social Europe" became subordinated to commercial integration and the lack of political union seriously destabilized this dynamic and handicapped the monetary union's viability from the outset, but he overlooks the fact that many parties shared responsibility for this trend, including nation states and their political leaders—whom RS nonetheless treats with indulgence.

There is much to be said about the political choices that prevailed in the 1990s, but they need not be reduced to the advent of a single market: the *dirigiste* and hasty logic of convergence imposed by the Maastricht treaty, which proved henceforth incapable of countering rising public debt; the

⁴ This way of telling the story is rather different from RS's. It draws notably on the American economist Barry Eichengreen's standard work, *Globalizing Capital: A History of the International Monetary System*, Princeton University Press, 1996. See, too, for its implications for European growth, Bart Van Ark and Nicholas Crafts, eds., *Quantitative Aspects of Post-War European Economic Growth*, Cambridge University Press, 1996.

uncoordinated management of the shock of German unification and its internal as well as external effects, which explain many of the measures and positions Germany adopted over the next two decades; and France's unreceptiveness towards German proposals for political unity (for instance, the Schäuble—Lamers proposals of 1994). On the eve of monetary union, awareness of these discrepancies was not non-existent, particularly among economists, who were thinking of Mundell's theories of optimal monetary zones (of which the future Eurozone would fall far short), even when it was hard to anticipate their impact.⁵ These discrepancies were so many breaches through which the disorder of financial globalization could flow. The Eurozone and its banks participated in a major cycle of financial over-accumulation and over-indebtedness, fostered by abusive practices which produced a leverage effect, resulting in the 2008-2009 crisis. The reversal of this cycle reinforced the Eurozone's "sub-optimality" by offering a raw view of the structural divergences in member countries' competitiveness.

Since 2010, the "repair" of the Eurozone following its successive crises is far from complete: the surfeit of European and intergovernmental institutional initiatives (the Euro Plus Pact, the Six Pack and Two Pack; the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union), which lack political and legal coherence, make it difficult for member countries to absorb them. Their citizens have been reduced to paralyzed and restive spectators, and the prospect of a long deflationary rut is a serious danger. The difficult process of paying down private and public debt exposes Europe to the risk of a lost decade. A technocratic approach to fixing the Eurozone and the European Union will fail if society is not brought back into the loop.

Delors' project, now thirty years old, has been gradually undermined by several key factors that RS identifies: in managing the diversity of its member countries, the European Union has had trouble striking the right balance between intrusive surveillance and restrictive subsidiarity. The structural funds policy, which has become increasingly ineffective, had its merits, but has become a fig leaf that has proved incapable of transforming macroeconomic convergence into lasting and balanced socio-economic modernization. Given these failures, RS says that we should return to an idea first advanced in 1948 in The Hague: that of a European union based on a labor, in which the mobility of individuals and workers would be contingent on common statutory guarantees and a revalorization of social rights over economic freedom. This option must be actively explored: though macroeconomic anxieties have placed it on the backburner, various initiatives relating to the development and recognition of professional competencies have been launched by European institutions in recent years. The latter have triggered thinking about legal changes that could promote a sense of common destiny among Europe's workers.⁶ Of all the ideas that RS advances to revive a European project which he sees as moribund, this is the one to which he is the most attached. He does not deny the difficulty of the task: there are

⁵ See, for example, the articles in *Esprit* n°240, February 1998: Olivier Mongin, "L'euro à marche forcée?"; Jacky Fayolle, "Les incohérences de la politique économique européenne"; Philippe Herzog, "Comment gouverner après l'euro?"

⁶ On October 21, 2013, the European Commission organized a conference entitled "EU Labour Law." Its purpose was to initiate a public debate that would evaluate past policies and future priorities in the realm of labor law. For a partial summary of the conference, see Jacky Fayolle, "Le contrat unique de travail: retour par l'Europe?"

differences in the way social relations are structured between the Eurozone's north and south that can complicate collective life in a monetary union.⁷

Europe Betrayed by its States

In his preface to Philippe Herzog's book, Michel Rocard's tone is not far from the disenchanted skepticism with which RS views European construction. The economic crisis has not helped matters: "European institutions never offered an overarching analysis or comprehensive proposal ... We continue to call 'Europe' any significant agreement that a few European heads of government—the most imaginative and/or powerful of them—strong-arm the rest of them into signing." This does not prevent Michel Barnier, the former European commissioner and the author of a second preface, from boasting of his own narrow achievements: "In less than three years, we drew the lessons of the financial crisis, proposing 28 regulations and directives. Consequently, not a single actor, market, or financial product will escape from intelligent regulation, based on efficient and transparent supervision." He adds that it is important to "know how to stop the frantic pace at which the European machine produces norms." And so Europe continues on, hobbled by the weakness of its collective political project and regulatory excess. Without denying the progress in European regulations, which, since the beginning of the crisis, were only achieved with difficulty, PH seriously minimizes their impact: these tools "stand out more for their sophistication than their effectiveness" (p. 71).

Rocard emphasizes the point to which PH calls our attention: "Humiliated by their initial success, nation-states are seeking revenge." For PH, the European crisis is being played out in the vitiated relationship between civil society, to which too much power has been delegated, and brittle and impotent states, which have lost control over the territorial dynamics that they claim to administer sovereignly. It is, in the first place, endogenous to national societies. Consequently, it allows for the expression of centrifugal forces, since not all countries function in the same way; yet in any case, a culture of responsibility and solidarity is lacking. Rooted in *Ordo-liberalism* and confident in its economic solidity, Germany controls its fate better than France, which remains too enmeshed in a statist and centralized culture, but which falls short when it comes to solidarity: PH confirms, in this way, the German philosopher Jürgen Habermas' analysis.⁸ The revalorization of the European idea implies a renewal of national political models, ensuring that it be something other than a cartel of states clinging to the last remaining shreds of their sovereignty.

⁷ See Bob Hancké, "Marché du travail et crise de l'Union Monétaire Européenne," *La Vie des idées*, November 27, 2013.

⁸ In his essay *La constitution de l'Europe*, Gallimard, 2012, Habermas, who is very critical of German leaders' "navel-gazing" inability to embrace a dynamic vision of Europe, is at the same time highly representative of contemporary German culture, which, in the tradition of Kant, vigilantly ensures that basic democratic principles are respected. He believes that the Fiscal Pact, which was approved through the inter-governmental process, is typical of the drift towards an "executive federalism," which may become a paragon of post-democratic autocracy." It is on the basis of the respect of democratic principles that he explores the path towards a genuine constitutionalization of Europe and ensuring that European civil society has the ability to intervene on the political stage: to do so, states must respect a legal system that is effectively accessible to European citizens, who must not be reduced to a state-based national identity. While this approach might seem utopian, it is no more so than promoting the social contract or constitutionalism were during the eighteenth-century Enlightenment.

PH attributes the European project's existential crisis to a cultural failure of European society: the interplay between a civil society that is too passive and states which are still too steeped in their former power. This approach, which for an economist is original, has the merit of being open to the contemporary world's dynamics and the emergence of countries that were once subordinate to the hegemony of Western capitalism. Yet it risks being locked into a quasi culturalist pessimism if it does not lead to a concrete sociology of European peoples in all their diversity, comparing a habitus that is rooted in a destabilized system of social protection and the emergent aspirations of generations which, because they have experienced precariousness first-hand, incorporate it into their way of life. The Bulgarian political scientist Ivan Krastev lucidly identifies the many divisions afflicting European society⁹: between citizens experiencing "emotional rationalization" and elites that are plugged into Europe, who carry less and less weight in national public opinion; between those in the younger generations who see Europe solely in terms of the pragmatic idea of mobility, without at all relating it to the memory of the postwar European project, and national political elites that are constituted through a process of "negative selection" that helps explain the decline of parties, which PH rightly laments. Unless this sociological specter is taken into consideration, the call for a more responsible civil society will remain merely incantatory, insofar as it is conceived as little more than anonymous mass engaged in a sterile standoff with the political realm. "If Europeans do not prepare to build a genuine Union that transcends national sovereignty, this political crisis will increase until it results in disintegration" (p. 35): the threat is real, but the way it is expressed here borders on the tautological. Avoiding this impasse depends on tying the European Union's "reconstruction," which Herzog argues should occur on a contractual basis that could reenergize the federalist dynamic, and the practical aspirations of generations that at present are mistreated. Even during the crisis, European institutions and governments continued to solidify their institutional fortress, making it inaccessible to Europe's citizens as well as those—from Mediterranean immigrants to young Ukrainians—who aspire to join it.

Long-Term Investments and "Investing in people"¹⁰

For PH, the way out of the crisis involves reshaping the conditions for long-term investment, making it possible to open up once again a distinctly European path to growth, which the social question makes all the more urgent. Long-term investment means predicting collective needs and choices. These decisions are not simply technical. When their horizon is inter-generational and they seek to develop human potential, they necessarily imply, if they are to be legitimate, the expression and consideration of individual, group, and generational aspirations. If the reconstruction of the European project requires a contractual approach inclusive of civil society, then a democratic effort is needed, one that will reveal collective preferences and participate in the revitalization of the information systems PH calls for. This will not be without consequence for industrial, energy, and educational projects. The era when great projects could be achieved through technocratic decrees, in the now defunct style of the postwar years, is over.

PH's reflections directly address the simultaneously national and European stakes of a crisis that has never been fully digested: financial systems, burdened by never completed bank restructurings, are not calibrated to support long-term investment and they must be reorganized

⁹ Ivan Krastev, "Nous avons fait un rêve..." Originally published in *Kultura* (Sofia), reprinted in *Courrier International* n°1173, April 25-May 1, 2013.

¹⁰ "Investing in people" is a slogan that is used by, among others, the European Trade Union Confederation.

to ensure that credit and savings are more likely to be allocated on the basis of development potential; the organization of labor markets must be reconceived as a public and private infrastructure accompanying personal transitions and the development of individual capacities over the course of entire lifespans, rather than as a retroactive redistribution aimed at correcting the dysfunctions of markets that are becoming increasingly inefficient; the single market of goods and services, which is in danger of retreating due to the splintering of new services along national lines, must reinvigorate the notion of integration organized around ideas of the public interest, realizing collective preferences and the common good. This more robust form of market integration must be connected to a revival of budgetary and financial integration in the form of modernized political institutions that are more accessible to European citizens.

Clearly, there is many a slip twixt cup and lip. Confronted with the wide array of obstacles one finds in contemporary Europe, PH's appeals constitute a courageous effort, albeit one that too often fails to ground itself in recognizable social forces, other than a desire to be heard by institutional actors. One cannot pin one's hopes for a democratic revitalization of European construction solely on the ideal type of a European citizen who is eager to be lectured on Europe's future and to embrace expert opinion.

RS and PH do not see the European crisis from the same perspective. Their differences on the question of the relative responsibility of markets and states in this crisis border on the antagonistic. They testify to the centrifugal pull the crisis exerts on intellectual perspectives that share common roots. Yet from this divergence there emerges an insight upon which both perspectives can agree: states and inadequate institutions have less and less control over the disarray in the commercial and financial sectors. To overcome this situation, it is necessary to rebuild national as well as European political regulations that will make citizens interested in and give them control over a process of integration which they accepted as long as it offered decent returns, but whose externality becomes prohibitive when these returns evaporate. Civil society, nation-states, and European institutions are reciprocally alienating one another, in a way that encourages political drift. The market is surely not an adequate medium for revealing common interests, but nor is it a den of inequity. What is most needed, if social and political bonds are to be reestablished on a more contractual basis at the European level, are economic, social, and public actors that are confident in their ability to act autonomously and which are rooted in the concrete lives of their fellow citizens. This sentiment is one that Robert Salais and Philippe Herzog undoubtedly share.

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