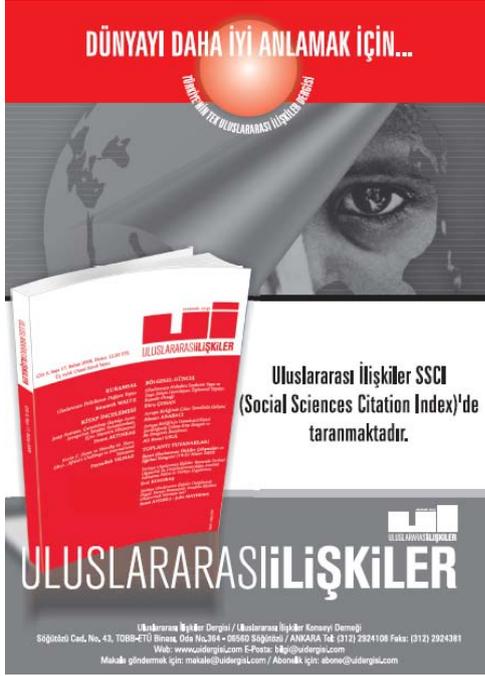


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A Spectre Haunting Europe: The European Constitution, the Budget Crisis, and the Limits of Neoliberal Integration

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A Spectre Haunting Europe: The European Constitution, the Budget Crisis, and the Limits of Neoliberal Integration

Eddie J. GIRDNER*

ABSTRACT

The rejection of the European Draft Constitution by voters in France and Holland created a crisis in Europe. The dilemma, however is rooted in the deeper issues concerning democracy, neoliberalism, and the division of wealth among classes in European society. The draft constitution would have locked in the principles of neoliberalism and guaranteed rights for capital over those of citizens. Beyond the question of the lack of grass roots democracy European social welfare guarantees are threatened. Capitalist accumulation is rendered as a technical question to be determined by technocrats and business enterprises, rather than a political question at the heart of democracy. The vote against the constitution was not a vote against a united and social Europe, but against a Europe united on the basis of the American model of enshrining capitalist accumulation as the be all and end all of human endeavor. The crisis in Europe has revealed the limits to neoliberal integration in Europe.

Keywords: Europe, Constitution, France, Holland, Neoliberalism

Avrupa'yı Bezdiren Hayalet: Avrupa Anayasası, Bütçe Krizi ve Neoliberal Bütünleşmenin Sınırları

ÖZET

Avrupa Anayasası taslağının Fransa ve Hollanda'daki seçmenler tarafından reddedilmesi Avrupa'da bir kriz yaratmıştır. Avrupa'nun yaşadığı çelişkinin kökeni, demokrasi, neoliberalizm ve zenginliğin Avrupa toplumundaki sınıflar arasında bölünmesi gibi daha derin konularda yatmaktadır. Taslak anayasa neoliberalizm kurallarını savunmakta ve vatandaşlardan ziyade sermayenin haklarını garanti etmekteydi. Halk demokrasisinin olmaması sorunu bir yana, Avrupa'nun sosyal refahı tehdit edilmektedir. Kapitalist birikim; demokrasinin kalbindeki siyasi bir sorun olarak değil, teknokratlar ve şirketler tarafından belirlenen teknik bir mesele olarak ifade edilmektedir. Anayasanın reddi yönünde verilen oylar, birleşik ve sosyal Avrupa'ya karşı verilmemiştir. Asıl reddedilen, kapitalist birikime dayanan Amerikan modeli temeline dayanan Avrupa'dır. Avrupa'daki kriz Avrupa'nın neoliberal bütünleşmesinin sınırlarını açığa çıkarmıştır.

Anahtar kelimeler: Avrupa, Anayasa, Fransa, Hollanda, Neoliberalizm

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Humpty Dumpty sat on the wall,
 Humpty Dumpty had a great fall,
 All the King's horses and all the King's men,
 Couldn't put Humpty together again.

"A spectre is haunting Europe... All the powers of old Europe have entered into a holy alliance to exorcise this spectre."

Karl Marx and Friedrich Engels ¹

After the Brussels Summit of the European Union, held the third week of June, 2005, the European Union is in crisis.² While the immediate issues center around the derailing of the European Constitution by popular votes in France and Holland and the dispute over the EU budget between France and Britain for 2007-2013, the crisis is actually of a much more profound nature. The current crisis goes to the very heart of Europe and the question of what the European project is all about. After locating the political dynamics of the debate on the Constitution in context, this article will address the more fundamental dilemma facing the European Union. Specifically, the article will argue that the crisis is not just about Europe's place in the world economy, European culture, and European geographical boundaries, but more fundamentally about democracy, neoliberalism, the division of the wealth among classes in European society, and the larger class struggle of labor and capital on a global scale. The article will argue that there are limits to neoliberal economic integration, both in Europe and globally.

The European Constitution

The European Union Constitution was drafted over more than a three year period by a constitutional convention headed by the former president of France, Valerie Giscard d'Estaing. The 105 members of the convention were appointed from above with two-thirds of them being members of either a national parliament in Europe or the European Parliament. Some were chosen to represent "civil society," but no members were elected by the citizens. The Constitution contains some 500 pages, 448 articles, and 36 supplemental protocols. The length is primarily due to the fact that some three-fourths of the document (Part III) consists of a list of detailed policies already in effect in the European Union. Under the Constitution, there would be an EU council president and foreign minister and more influence for the European Parliament,

¹ Karl Marx and Friedrich Engels, *Manifesto of the Communist Party*, in Eugene Kamenka, *The Portable Karl Marx*, New York, Penguin Books, 1983, p. 203.

² Jean-Claude Juncker, Prime Minister of Luxembourg stated: "Do not believe those who say the union is not in crisis. It is in deep crisis." Gareth Harding, "Doom and Gloom after EU Summit", www.wpherald.com. (June 20, 2005)

The document was signed at a ceremony in Rome on October 29, 2004 by the heads of state of all twenty-five member states and government leaders. The document was scheduled to be ratified by popular vote in ten countries and by the national parliaments of 15 countries. The only country to approve the document by popular vote, previous to the French and Holland referendums, was Spain, where the turnout was low. Subsequently the Constitution was approved in referendums in the small states of Malta and Luxembourg. With the Constitution apparently dead at this point, it means that the European Union must fall back on the agreements reached at Nice in December 2002. The major drawback to this is that the Nice agreements give considerable veto rights to individual members, which makes decision making more difficult, and militates against progress in the areas of foreign policy, security affairs, and economic affairs.³

The Politics of the Draft Constitution

Although the ruling parties of all member countries supported the Constitution, in the debate on the future direction of Europe, the elites of countries resolved themselves into roughly two camps. The pro-market camp included Great Britain, the Netherlands, and most Nordic and East European countries. These countries, broadly, favor a deregulated economy, no further political integration, enlargement, and an end to agricultural subsidies. In other words, they favor more neoliberalism. The second camp included France, Germany, Belgium, and Luxembourg. These countries want a more regulated "social Europe," higher taxes, more welfare, and curbs on the market. They are skeptical about further enlargement and "free trade." Those in the first group are free traders, while those in the second category emphasize greater political integration and a "social Europe."⁴

In the debate on the Constitution in the broader society, the "yes" and "no" camps presented a more complex picture. Many of those opposed to the Constitution noted fundamental objections which centered upon the ongoing "democratic deficit" of the European Union. Most fundamentally, the Constitution goes beyond what previous constitutions have done. Instead of setting up principles for making laws through a democratic political process, the Constitution would have locked in the principles of neoliberalism, found in the Copenhagen Criteria, such as "an internal market where competition is free and un-

³ Susan George and Erik Wesseliuss, "Why French and Dutch Citizens Are Saying No", www.zmag.org (June 3, 2003)

⁴ Harding, "Doom and Gloom after EU Summit."

distorted" and "a highly competitive social market economy." In addition, a large body of regulatory law was made a part of the Constitution and would have been almost impossible to change. Secondly, the "separation of powers principle" was largely ignored. Further, critics argued that the Constitution ignores the responsibilities of the government and popular sovereignty. The Council of Ministers, consisting of the governments of member states, is a "legislative and executive body in one." The Commission has extensive powers for political decision making and intervention, while the European Parliament, the only elected body, is weak. The Parliament cannot select the executive, cannot make laws, and has restricted veto powers. Further the fundamental rights guaranteed in the document are seen as quite weak. This, along with the fact that the constitutional convention members were not elected, meant that the "no" group tended to see the document as undemocratic. The constitution went far beyond previous constitutions, such as the American Constitution of 1787, in that it set up rights for capital, not just "the natural unalienable and sacred rights of man."⁵

The major disagreements dividing the "yes" and "no" camps involved four major contradictions: the neoliberal economic dimension, the issue of Europe as a major global player, the national sovereignty issue, and the issue of "European religion and culture." The most fundamental of these contradictions, the issue of neoliberalism, is the driving dynamic behind the attempt to ratify the Constitution, the attempt to streamline European institutions to facilitate and accelerate capitalist accumulation in competition with the United States and East Asia. Fundamental contradictions have necessarily emerged in this enterprise and reflect those seen on a global scale in the current drive to shore up monopoly capitalism under a global neoliberal regime.

The pro-constitution "yes" camp in Europe included the German Social Democrats, led by Chancellor Gerhard Schröder. French President Jacques Chirac, and Spanish Prime Minister Jose Luis Rodriguez Zapatero both campaigned hard for a "yes" vote. It also included the Greens Party. Writer Gunter Grass and the philosopher Jürgen Habermas also urged people to vote "yes" on the Constitution.⁶

In terms of the neoliberal contradiction, the "yes" group argued that the Constitution would defend and strengthen a "social market economy" against American neoliberalism and the British liberalism of

⁵ "Vote 'no' in French referendum on European constitution", WSWWS.org (May 25, 2005)

⁶ Habermas has argued: "A constitution will not be enough. It can only initiate the democratic process in which it must take root." See Jürgen Habermas, "The European Nation-State and the Pressures of Globalization," *New Left Review*, No. 235, May-June 1999, p. 58.

Prime Minister, Tony Blair. Many argued that to reject the Constitution would strengthen “ultra-liberalism” from Great Britain. On the other hand, Nicolas Sarkozy of the UMP in France, wrote in *Le Monde*, “I am a European because Europe is an excellent lever to implement reforms in France.”⁷

In terms of the anti-American dimension, the “Yes” camp, Chirac’s party, the Union for a Popular Movement (UMP), the majority faction of the Socialist Party, the liberal Union for the French Democracy (UDF), and the Greens, all argued that the Constitution would defend and strengthen Europe vis-a-vis the United States, along economic, political and military dimensions. This would serve to bolster European influence in the global arena. For example, Pierre Moscovice, a Socialist, argued that rejection of the Constitution would be a “gift to the U.S. Government.”⁸

The main arguments of the “No” camp addressed the neoliberal economic contradictions. A broad alliance on the left opposed the Constitution primarily on the basis of its neoliberal character. These included a minority faction of the French Socialist Party, the sovereigntists (such as Jean-Pierre Chevenement), the anti-globalization movement, Attac, the Communist Party, and the Ligue Communiste Revolutionnaire (LCP). The Association for the Taxation of Financial Transactions for the Aid of Citizens (Attac) criticizes neoliberalism and is an advocate group for a Tobin tax on currency speculation. These groups argued that rejection of the Constitution would enable the French Nation to defend the “European social model” against neoliberalism.⁹

But sections of the left also brought into the argument the concern that the Constitution would weaken Europe in general and France in particular. Laurent Fabius of the Socialist Party spoke of a “weakened France” and “impotent Europe.” Europe would be subjected to the policies of NATO, and the Constitution would increase Germany’s voting power in relation to France. The French Communist newspaper, *L’Humanite* argued that it would be possible for the “US to sabotage European rearmament.” On the other hand, the socialist, Henri Emmanuelli, argued that the “no” vote had “reasserted the primacy of national sovereignty over the plans of the apparatchiks and cabals.”¹⁰

⁷ “Vote ‘no’ in French referendum”.

⁸ *Ibid.*

⁹ *Ibid.*

¹⁰ John Lichfield, “Crisis for Europe as France rejects EU constitution by huge majority”, *The Independent*, May 30, 2005.

The extreme right opposition to the Constitution tapped into a chauvinistic vein, asserting that the European Constitution was a "threat to the French nation," raising a racist alarm against the immigration of Muslims to Europe, and warning against the future entry of Turkey into the European Union. A quarter of the UMP delegates in France reject Turkish membership on the basis of defending "Christian Western Civilisation" and the "Jewish-Christian legacy."¹¹

The left is further divided into those who believe that the "European social model" can be defended within the framework of the French nation, and national and European parliamentary politics in general, and those who argue that the ravishes of neoliberal capitalism cannot be tamed through a "social Europe" but only through a "socialist Europe." For example, the LCR speaks of a "social and democratic Europe" and wishes to reform capitalism in the interests of the working class. This is, of course, an old dilemma of the left dating to the nineteenth century controversy over whether left parties should participate in electoral and parliamentary politics.

More realistically, it has been observed that the "European social model," itself, is largely a myth. The "social pact" between workers and capitalists in Europe in the 1970s broke down and the percentage of organized workers has declined all across Europe from 1985 to the present.¹² Workers in Europe have already lost out to neoliberalism. In this view, Europe is not an "alternative to neoliberal restructuring" but simply a trading bloc that is still too weak to challenge U.S. hegemony. The most Europe can do is "occasionally throw a wrench into U.S. Hegemonic plans."¹³

All across Europe, the contradiction between "European integration" and the driving down of wages under a "social pact" had already caused a "crisis of legitimacy" and helped to bring right-wing parties to power in a nationalist backlash.¹⁴ Further, all social democratic parties in Europe have swung to the right, including the SPD in Germany, and the Socialist Party in France under Lionel Jospin. In Britain, labor was taken over by Tony Blair. Trade unions have also moved to the right, accepting lower wages and worsening social conditions. The CFTD

¹¹ "Vote 'no' in French Referendum".

¹² Asbjorn Wahl, "European Labor: Social Dialogue, Social Pacts, or a Social Europe", *Monthly Review*, Vol. 54, No 2, June 2002, p. 45-55. Asbjorn Wahl, "European Labor: The Ideological Legacy of the Social Pact," *Monthly Review*, Vol. 55, No 8, January 2004, p. 37-49.

¹³ Ingo Schmidt, "Europe: On the Rise to Hegemony or Caught in Crisis?", *Monthly Review*, Vol. 54, No 9, February 2003, p. 54.

¹⁴ *Ibid.*, p. 41-54.

union in France, led by General Secretary Bernard Thibault, campaigned for a “yes” vote on the Constitution.¹⁵

All across Europe there has been disillusionment with the European integrationist project. The institutions are not democratic and the Constitution was hardly readable. Some 900 grass roots organizations campaigned against the Constitution in France to create a genuine debate for the first time. This sharply clashed with the prevailing attitude of prominent elites, such as former EU Commissioner Frits Bolkenstein, who said people should not be involved in EU decision making. In Holland, there was a special budget of some four million Euros for the “yes” campaign, some ten times that for the “no” campaign.¹⁶ When people discovered what was in the Constitution, and that it would be virtually impossible to change, many became alarmed.

When asked why they voted “no” on the Constitution, 41 percent cited social and economic conditions, 26 percent cited France’s role in Europe, 24 percent cited Europe’s role in the world, 21 percent voted “no” because of the content of the Constitution, and only 14 percent voted “no” because of Turkey’s future membership.

The European Crisis: A Crisis of Neoliberalism

At its root the crisis in Europe, over both the budget and the Constitution, stems from deeper and more fundamental questions about who Europe is for, the ruling elites or the people. It stems from the attempt by European elites to impose a neoliberal political economy from above. Will there be a Europe for the purpose and logic of accelerated capitalist accumulation and increased inequality or a truly social Europe in which the people enjoy a fair proportion of the spoils? Will there be an essentially “free trade” Europe, which serves the market, or a truly social Europe that serves social welfare and benefits the common people? It is a crisis, not primarily about clashing national interests, but about class and class interests. While the crisis appears on the surface a clash of national interests, in a more fundamental sense, this is illusory. What is at stake is a class struggle over the division of the spoils. There is, of course, a fundamental difference between the British perspective, which is closer to the American perspective of free trade and neoliberalism, and the opposing French vision of a more social and organic vision of European society.

¹⁵ “Vote ‘no’ in French Referendum”.

¹⁶ George and Wesselius, “Why French and Dutch Citizens are Saying no”.

British Prime Minister, Tony Blair, says it is just a question of "modernization." The implication of this statement, however, is that a democratic politics that serves the people is now history and that neoliberalism is historically inevitable. Now it is all about capital. In Margaret Thatcher's words, there is no alternative. Or in Francis Fukuyama's terms, at the end of history there is nothing left but "liberalism." The above sentiment shows that what is at stake is a matter of capital verses the people and their labor. These two visions of Europe, a "social Europe" or a neoliberal Europe that serves capital, is the fundamental contradiction.

The Copenhagen Criteria and Capitalist Accumulation

Surely, the question of how the productive surplus of a society is to be divided is at the very heart of the question of democracy. A democratic framework for politics has traditionally been considered to be a constitutional framework which allowed classes in society to engage in political and class struggle over how this surplus would be divided. If the question of how the wealth is to be divided is settled beforehand, without a political process, then the very heart of democracy has been cut out. Then politics becomes a mere tinkering between elites over how they will divide up the spoils and the people are locked into a make-believe or imaginary democracy, a de-facto totalitarianism, in which these questions have already been settled. Voting, then, becomes a part of the "democratic" mechanism, but it is largely illusory as it can change nothing of substance in the lives of the citizens. The existing transnational corporation, which is itself a totalitarian form of organization, increasingly makes all vital decisions which affect societies.

One similar historical version of such a totalitarian road was Stalinism, in which all the means of production was in the hands of the state, while at the same time assuring the people that it was a "people's democracy." A portion of the spoils was used for the people, to be sure, and significant social welfare emerged, but the people had no democratic control over this question. A second version was the corporatist system in Nazism. Another version of settling the question of division of the spoils ahead of time was colonialism, in which the colonial masters determined the question and the natives were divided into the participating compradors and the subjects who had no say in the rule. A third similar arrangement is the "pluralistic democracy" of the United States of America. Here, a political system is institutionalized in which it is effectively possible for only one of two capitalist, pro-business, neoliberal parties to come to power. In this system of "gyronomy,"¹⁷

¹⁷ To "gyrate" is to move around a fixed point or axis." (*American Heritage Dictionary*, Third

whichever party wins, capital wins, and the game continues as before. Amid the genuflection's and buffoonery of electoral campaigns, movements of the people and voting are rendered virtually meaningless, as it is ensured that they will be incapable of changing anything of substance.

Today under the American version of neoliberalism, workers can go out and vote, but have no control over their jobs being exported to Mexico or elsewhere. It does not matter if one votes or not, the decisions have already been made elsewhere. It is no longer a question of politics and political dynamics, but merely a question of what is required by the logic of capitalist accumulation on a global scale. As Noam Chomsky has observed, if it was possible that the elections would change anything, fundamentally, they would never be held. So the people find themselves living under a form of big business-corporate totalitarianism over which they have no control. Nevertheless, they are told this is "the best democracy in the world." And, unfortunately for the majority of the people and the country, it succeeds beautifully. At least in the short run.

A fourth attempt at a totalitarian framework, again in this case for neoliberalism, is seen in the institutions of the European Union, such as the Copenhagen Criteria. A requirement is that the commanding heights of capital be in the hands of the private sector and function in terms of private profit and capitalist accumulation. Among the Copenhagen Criteria are: "stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities;" "existence of a functioning marketing economy, as well as the capacity to cope with competitive pressures and market forces within the EU;" the "ability to take on the obligations of membership, including adherence to the aims of political, economic, and monetary union."¹⁸ While ostensibly setting out a democratic framework, what is actually required is that capital be in private hands. Under a liberal form of government, it becomes clear that the owners of capital come to control the economic and political decisions which affect the lives of everyone in the society, effectively precluding democracy.¹⁹ The "market" is in

ed.) In this case, the fixed point is that of capitalist accumulation. The term, "gyronomy," which seems to beautifully describe the US political system, was inadvertently suggested by a student attempting to list Aristotle's types of political regimes.

¹⁸ Desmond Dinan, *Ever Closer Union*, London, Lynne Rienner Publishers, 1999, p. 191.

¹⁹ Moravcsik argued that European integration was driven by "economic interdependence," through politicians pursuing national economic advantage using traditional diplomatic means. This rational choice approach sees national leaders as making myriad rational decisions, but loses sight of the forest for the trees. Such an approach loses sight of the historical forces and logic of capitalism and imperialism that is driving the system. Leaders

control, which is really to say that under neoliberalism the giant corporations will make the fundamental decisions of society, in accord with the logic of maximizing capitalist accumulation for the owners of capital. This process will go on regardless of the negative affects upon society in terms of social welfare, educational opportunities, quality of life, and any other needs of the people. It is another de facto form of totalitarianism. This is, of course, precisely what the European Constitution was designed to achieve and the fundamental reason why it was rejected soundly by the French and Dutch electorates.²⁰

The European Constitution would lock in this framework as the iron law of the land. It was intended to accomplish the same sleight of hand which has been accomplished in the United States through other means. It is incumbent upon the people in a democracy, however, that they develop the political consciousness to understand what is being planned for them by the elites in control of the political levers and protect their class interests. If they cannot, as Rousseau observed, they will "be everywhere in chains."

The ruling elites of all the countries across Europe went along with foisting this deceptive document upon the people. As noted above, it cuts the heart out of democracy as has happened historically in the United States. Historical decisions, such as the Supreme Court's ruling granting immortality to chartered corporations in the mid nineteenth century, have resulted in the enormous increase in the political power of large corporations especially since the 1970s. The European document is an undemocratic and iron framework which intends to bind the people all across Europe in its grip. Margaret Thatcher captured the spirit nicely when she once compared the centralization in European institutions to that in the former Soviet Union.²¹

The neoliberal Constitution makes great inroads in ensuring that there are no democratic institutions which can alter the economic rules and division of the spoils that serve the purpose of capitalist accumulation. The party line of European Union officials was that in this constitution they would write a document which people could understand in simple language, and which would go some distance to eliminate the "democratic deficit" in European institutions. Nothing could be further from the truth or more deceptive, as they did just the opposite. The

do not make just any choices, but those which are required within the larger requirements of historical necessity. See Andrew Moravcsik, *The Choice For Europe*, Ithaca, New York, Cornell University Press, 1998.

²⁰ George and Wesselius, "Why French and Dutch Citizens Are Saying No". Some 70 percent of the electorate turned out to vote in France.

²¹ Dinan, p. 139, 190.

French and the Dutch soundly rejected the document which they properly saw as going against their best interests. This locomotive of neoliberalism was intended to steamroller the people in the manner of previous documents, such as the Single European Act (1986) and the Maastricht Treaty (1992). The people were told that whatever the elites passed down from the top was certain to be good for them.

The French Rejection and Elite Response

After the French vote, it does not seem possible to put Humpty Dumpty together again. When the votes were counted, the beautiful and grand European project, the much vaunted Humpty Dumpty, lay shattered at the wall of the Bastille. The verdict in Holland was even more decisive. The ruling elites in Europe tried for a few days to pretend that nothing serious had happened and that the project could be put back on track. There was breast beating and stern warnings aplenty from some quarters. But the people had seen through the game and it would not be so easy to pull the wool over their eyes after this event.

The rejection of the Constitution was not the rejection of a united and social Europe, as is now being implied by British Prime Minister Tony Blair and other spinsters. Rather, it was fundamentally about the rejection of a neoliberal Europe that serves transnational capital and not the people. It is not about the rejection of so-called "globalization" but primarily about rejecting a Europe that serves the purpose of capitalist globalization and accumulation in a Europe that is the junior partner in the collective triad of imperialism consisting of the United States, Europe and Japan.²² After the French vote, the polls showed that 41 percent of the people voted against the Constitution because of the question of social and economic conditions. Another 26 percent voted "no" because the constitution would allow important social questions to be decided in Brussels.

The true perspective of the European elites concerning democracy was revealed in the event, however. Now that the new neoliberal Constitution seemed to have no chance of being approved by the people at the polls, rather than letting democracy take its course, and leaving the Constitution to the verdict of the people, a halt was called to the voting, as more referendums was only likely to do more damage from the perspective of those who supported the document. Referendums did go forward in the small states of Malta and Luxembourg but not in more

²² Samir Amin, "U.S. Imperialism, Europe and the Middle East," *Monthly Review*, Vol. 56, No 6, November 2004, p. 13-33.

weighty countries, such as the United Kingdom. This seemed to indicate that democracy, in the form of referendums, was fine as long as the results were turning out the way the European elites desired. But when the score turned against them, they called a time out, suggesting that the people just did not understand and that the authorities had not done a good enough job of explaining the issues to the people. In fact, the people had discovered the motivations behind the constitution, in spite of the efforts of the ruling elites to conceal the real agenda of accelerated neoliberal capitalist accumulation.

European officials then called for "Plan D", meaning "debate." In fact, "debate" was what had sunk the document in the first place. What authorities had in mind, perhaps, was actually more like a Plan P, for propaganda, betting that by 2007, they could bring the people around and teach them how to vote as good European citizens. It is more likely the case that the people had learned a lesson in just how democracy is regarded, that is, as a tool to be used, not to serve the people, but rather the interests of those at the helm. If the elites were truly democrats, then why not let the people continue to vote all across Europe and see the results? Why not let the people voice their democratic opinion? While the European Union President, Jose Manuel Barroso, did say that all 25 members must express their view, in practice the leaders were proceeding with extreme caution.

The Budget Crisis and Ghost of Margaret Thatcher

At the European summit in Brussels, the ghost of Margaret Thatcher again reared its head, and the budget battle between Tony Blair and Jacques Chirac emerged. In the event, the budget rebate to Britain, won by Thatcher at the Fontainebleau Summit in 1984, is actually a matter of tinkering over some eighteen billion Euros out of the one trillion Euro budget over a seven-year period. It represents some 66 percent of Britain's contribution to the Common Agricultural Policy (CAP). Jacques Chirac wants Blair to give up the subsidy in the interests of the European Union budget, while Blair, taking a Thatcherian position, says that the UK would agree to this only if France is ready to renegotiate the portion of the budget going to payments to its farmers under the Common Agricultural policy (CAP) by 2008. The CAP amounts to some 42 percent of the entire European Union budget, and is a form of protectionism for European Union farmers. The deeper question is that the ghost of Thatcher, in a larger sense, represents a more serious spectre, and another of the irresolvable contradictions within actually existing capitalism, going back to the very birth of capitalism itself.

Sweeping the agricultural population off the land and enclosing property, historical enclosure, marches ahead under the inexorable logic of capitalist accumulation all across the world. This process can result in nothing less than mass pauperization of millions not only in Europe but on a global scale as part of the irrational agenda of actually existing capitalism and neoliberalism. Samir Amin has estimated that the global program of mechanized agriculture would replace some three billion peasants with 20,000 modern farmers. It is not resolved where this displaced population would go, undoubtedly into urban shanty towns.²³ The European problem of the final consolidation of the historical enclosure movement is but a drop in the bucket of the crisis which is looming on a global scale. But this is indeed a crisis of capitalist accumulation and pauperization on a global scale.

Instead of attempting to resolve these contradictions, which cannot be achieved under neoliberalism in any event, the elites of Europe seek to deepen them through a renewed push for neoliberalism. In fact, the huge agricultural subsidies across Europe, and indeed the United States, greatly increased under George W. Bush, are part of the structural dislocations of actually existing capitalism, one of the contradictions that cannot be resolved within the system. Actually existing capitalism has not shown that it is capable of generating full employment, even in a reasonable range, in any society on a sustained basis, and so not having the agricultural subsidies means a vast surplus urban population in a state of urban pauperization. The process of deepening neoliberalism in Europe is certain to sharpen this contradiction. For the elites, the beauty of neoliberalism is that it would prevent the contradiction from becoming a political question, involving merely a technical tinkering. But in reality, at root, these are vital political questions over the distribution of the spoils of the system. Once the damage is done, the European Union can move on to greener pastures, bringing in eager new member nations, whose populations have failed to understand what the "integrationist" process has left in its wake. "Reserve nations" with reserve unemployed are always available for harvesting. While there is currently nostalgia for the lost lira in Italy, the Romanians and Bulgarians eagerly awaited their turn at the Euro.²⁴

²³ Samir Amin, *The Liberal Virus*, New York, Monthly Review Press, 2004, p. 39-42.

²⁴ Ambrose Evans-Pritchard, "Euro 'godfather' Backs return of Lira," www.telegraph.co.uk, June 20, 2005. Italy is being driven into recession due to the inability to adjust its exchange rate.

Elite Reaction: The End of the Dream of Ever-Closer Union?

Peter Mendelson, the European Trade Commissioner, writing in *The Guardian*,²⁵ acknowledged that the crisis went “to the heart of Europe,” while cleverly managing to paper over the deep and fundamental contradictions within the system. Like Blair, he argued that Europe must move on to the greener pastures of deeper neoliberalism while “globalisation” must be “married” to “social justice.” This is admirable lip service to the needs of the people, but it is just not possible for societies to have their cake and eat it too. A process of division of the spoils is going on and capitalism, under the current phase of “globalization,” has its own logic which produces greater accumulation and inequality at the expense of social justice.²⁶

Mendelson argues that there are only two choices: to “carry on as before” or “rethink fundamentally our practices and policies.” Blair was not an anti-European wanting only a “weak and ineffective free trade area,” but someone realizing, along with the Central European states, that the budget had to be renegotiated. There could be no toleration of “left populism,” and the fear of “delocalisation.” It could no longer be justified, he argued, to devote 40 percent of the European Union budget to 5 percent of the farmers, when this was “seven times the amount spent for science, research, education, and infrastructure.” It was not “Americanization,” as some had charged, but a “new approach.” The “old model” of social benefits and protection of jobs could not work, as it “shuts out the unemployed,” and “globalization alone” will not work. What is needed is “modernization” of institutions which will provide “high standards of schooling,” “promote skills and lifelong learning,” lead to “world class standards of excellence in education and research,” “retrain victims of economic change,” “reintegrate older workers into the labor market,” and “integrate minority groups and immigrants.” For this a “new language” is needed.²⁷

In fact, it is the same old language and the “modernization,” read neoliberalism, he is talking about will not and cannot do all the things he suggests. The “Battle of Brussels” may not be another “Waterloo,” but it demonstrates that there are limits to how far the people can be pushed under the unfolding neoliberal regime.²⁸

²⁵ Peter Mandelson, “More than a squabble: This goes to the heart of Europe,” *The Guardian*, June 20, 2005.

²⁶ “Vote ‘no’ in French referendum on European constitution”.

²⁷ Ibid.

²⁸ Ned Temko and Alex Duval Smith, “Blair to Push ahead in drive for EU reform,” *The Observer*, June 19, 2005.

Eastern Europe, Americanization and Neoliberal Leveling Down

The expansion of the European Union through successive phases has represented integrating the peripheral countries of Europe in such a way that the new areas of cheap labor and increased investment opportunities can undermine the social contract made within European capitalism in the past. These have been called the “green shoots” from the ruins of Eastern European “socialism.”²⁹ It is the use of the new cheap labor to sabotage the social welfare benefits enjoyed in Western Europe, to accelerate capitalist accumulation, and to level the workers in Western Europe down to levels of social welfare experienced in the East. After being exploited by the statist “socialist” regimes of Eastern Europe, now the people have the glorious opportunity to be exploited by the West. In Eastern European economies, after 1990, there was a very deep collapse in living standards and industrial production. The people’s wealth, accumulated under Communism, was mostly given away to private capital or stolen outright by rising capitalist Mafia entrepreneurs. The West encouraged this, not only to help corporations get their hands on the wealth, but to prevent any possibility that the people would wake up in time to prevent the massive looting of wealth into private hands. Economists, such as Jeffrey Sachs, advocated the process under the “big bang” theory of economic reform. It was, indeed, a form of primitive capitalist accumulation, on a far larger scale than that seen in “primitive socialist accumulation,” under Stalin. Having been beaten down to such a hopeless condition, the people in Eastern Europe were ripe for harvesting, appropriating surplus labor and capital. So the workers of “new Europe” were pitted against those of “old Europe, who had fought and won historical political battles for a living wage. Now they were slated to be beaten back through a process of neoliberal leveling down under the pretext that this was the only possible course under “globalization.” This is a divide and rule strategy by the ruling classes of Europe. Most of the people in Eastern Europe, as well as in Turkey, have not yet woken up to smell the coffee and understand that what they are buying into is not what they have been promised. This realization will come somewhere down the road. Increasingly the capital assets of their countries have now been appropriated into the hands of multinational corporations of the United States and Western Europe.

This is indeed part of the Americanization of the European economy under neoliberalism. It therefore becomes necessary to resort to Americanization of the political system as well. This involves applying the

²⁹ Noam Chomsky, *Hegemony or Survival*, New York: Metropolitan Books, 2003, p. 145-48.

tried and tested use of intimidation and threats against the working classes in order to soften them up for the next round of inroads upon their social security and welfare security. The idea, after the tragic demise of Humpty, is to soften up the people through threats, telling them that they must take what is offered or leave it. They will be forced to accept neoliberalism, if not through Humpty, the battered Constitution, then through the back door, by bringing in deeper measures of neoliberalism through some other form of legislation. "There is no alternative."

Imperialist Rivalry and the European Union

The European Union originated, in part, as a project to smooth over the capitalist contradictions which had torn Europe apart in the two world wars of the twentieth century in nationalist-imperialist rivalry between the European powers for colonies and global resources. The resolution of the rivalry between France and Germany in the European Coal and Steel Community did not, in fact, end the conflict between imperialist powers. It just meant that the European powers realized that such wars were simply too destructive. They succumbed to the United States and became the junior partner in global rule, as seen in the G-7. The European powers came to play the role of complementing the US, as the global superpower, economically and politically. They were forced to join together to form the second tier countries and assume their role of playing second fiddle to the US in the triad of what Samir Amin calls "collective imperialism."

The European Project always had the potential to break away from the Atlantic Alliance and go its own way, as former French President Charles De Gaulle envisioned. There was a major threat to the United States in the Cold War, but it was not the Soviet Union or Communism, as mainstream conventional wisdom claims.³⁰ In fact, it was Communism which ensured that Western Europe could be kept under the hegemony of the United States and thus presented no threat. The "Communist threat" served during the "Cold War" as a necessary fiction to prevent Western Europe from challenging the superpower and made it possible to repress the emergence of a genuine social Europe which would have served the people, rather than a Europe which was complementary to American capital. The real threat to America was that there would be no "Communist threat."³¹ The end of the Cold War has

³⁰ Amin, "U.S. Imperialism, Europe and the Middle East."

³¹ Chomsky sees the Cold War as an ideological construct which was necessary for carrying out the political agenda of the United States, which would have otherwise been

surely made that crystal clear. It is still possible that the European Union could present a challenge to the United States and join with Russia against US imperialism to build a social Europe independent from US neoliberal hegemony. This could be a significant contribution to challenging US global hegemony. It would also be a first step in resolving the European crisis, and exorcising the spectre haunting Europe.

Under the Bretton Woods System, it was possible for the US, Western Europe and Japan to stabilize their economies and prosper through these arrangements. This provided for European recovery and a historically robust rate of economic growth up until the neoliberal era, using Keynesian mechanisms, stable exchange rates and limits on capital flows, which are now falsely said to be unworkable. This resulted in a prosperous post-War Europe. Currencies were kept stable under this system, from 1945 to 1971, and capital flows controlled to provide for healthy economic growth. The entire edifice was brought down, however, by US imperialism, with the debacle in the Vietnam War and the essential collapse of dollar hegemony in 1971.

The phenomenon known as Euro-sclerosis in the 1970's marked, not a failure of the European political economy, as it is fashionable for textbooks and media spinsters to claim, but rather a refreshing manifestation of working class resistance to efforts by the ruling class elites to force the working class to give up their hard-won social benefits within the European system. This tended to make the ruling elites of Europe unhappy that they were unable to roll back benefits so as to better compete with the cut-throat competition being thrust onto the world by the Anglo-American brand of capitalism, particularly stock-holder capitalism in the United States. What was actually a victory for the working classes, or at least a situation that kept them in a holding pattern, protecting their standard of living, was presented in the press and conventional wisdom, as a "crisis of integration" within the European Union.

With the consolidation of neoliberalist theology, the emergence of Thatcherism in the UK and Reaganism in the United States, Europe came under more pressure to roll back the social compromise with the working classes and press ahead with "modernizing" Europe, that is to say, with moving forward to put Europe on a competitive basis with the United States. The working classes were warned that "there was no alternative" and that Europe would have to move forward toward the

unacceptable to the American people who had to foot the bill. See Noam Chomsky, *Detering Democracy*, New York, Hill and Wang, 1992, and *World Orders, Old and New*, London, Pluto Press, 1994.

“single market.” Since the US and Great Britain were taking a nose dive to the bottom, in terms of wages and social conditions for workers, the quality of life sinking for some eighty percent of the population, there was nothing possible except that the other nations should also go into a nose dive to promote greater capitalist accumulation. The ruling classes could then press their project further, attempting to stay up with developments in the United States that increasingly put the financial classes in control of the economy, sidelining politics and democracy. The only possible “democracy” was the rejection of democracy for the dynamics of the “market.” Moving to technocratic management was accelerated in Europe with the end of the statist regimes of Eastern Europe.

Now neoliberalism has started to make considerable inroads into the social welfare of the working classes. Goods have become more expensive even while Europe is flooded with cheap goods from East Asia. The system is working less and less for the working people and under these conditions, the people are starting to understand that European integration may be good for big corporations, but that it is not really good for the common people. Ruling elites seek to convince the people that the game is really to their benefit. Unfortunately for them, the Europeans have a better developed political consciousness than that of the Americans.

The Real Crisis: Neoliberalism and Capitalist Accumulation on a Global Scale

The ruling classes of Europe must realize that the crisis is not just about continental politics and national interests, but rather a crisis of capitalist accumulation. The logic of the system is what pushes the integration process forward. They must have the “single market” to compete with the United States and East Asia. So, at root, as noted above, it is really a crisis of class struggle, a crisis of neoliberalism and a part of the global crisis. It is but another phase of the crisis of capitalism and accumulation that Marx and Engels observed in 1848. The same spectre still haunts Europe, the contradictions of actually existing capitalism and the potential for a truly social and democratic Europe that would genuinely serve the common people.

Across the globe, in this age, every ruling class is facing the same contradiction, namely, that of how to sustain capitalist accumulation and make the common people believe that deepened exploitation is really in their interest. Looking back, it was illusory of Jean Monnet, one of the architects of the European project, to think that the integration of

the major powers of Europe could resolve and liquidate these fundamental contradictions.

Rather than overcome the contradictions of accumulation, European integration has merely pushed them to a higher level. Contradictions reemerge in the form of disputes between, not only the national ruling classes of Europe, but between the other members of the imperialist triad, the United States and Japan. On the continent, the disputes are not about resolving the deeper contradictions, but merely for the shortterm goal of national politicians saving their political skins.

At the same time, European leaders have not shown themselves to be as strident as certain other ruling classes, for example the Chinese under the current brand of neoliberal authoritarianism,³² nor the Americans, exploiting a deceptive "war on terrorism" to instill fear in the common people, and encouraging a heavy dose of religion to beat back any potential democratic challenge. Indeed, the existing freedoms of democracy itself are coming to be regarded as coming too close to being a terrorist threat in Main Street, USA.

The ruling classes of Europe took it for granted that the integration process would move forward almost on autopilot. The Chinese and American neoliberal totalitarians are made of sterner stuff. The European ruling classes seem to have grown soft. Now they have been forced to come face to face with the common people.

Not Quite Like the "Land of the Free and the Home of the Brave"

The Europeans, of course, as noted above, face essentially the same crisis as the Americans, the Chinese, and other ruling classes. The essential difference with the US is that the US lacks a population with a highly developed political consciousness. The Americans, in large numbers, have been blinded by patriotism and religion. That is to say they have been intellectually marginalized to an unusually high degree in relation to Europe. Americans tend to be blinded by a naive and unaware nationalistic chauvinism, automatically assuming that every thing in the US is the best in the world, having heard this trite and false banality hundreds of times. A further element is the superior and highly honed propaganda machine operating in the United States. Most people around the world are savvy and do not buy at face value the glib pronouncements of their leaders.³³ So politicians in the United States can

³² Eddie J. Girdner, "China as a Capitalist State," *The Turkish Yearbook of International Relations*, No 35, 2004, p. 121-144.

³³ The US press stays within the accepted conception of U.S. foreign policy, which holds that whatever the U.S. does is good and right by definition. That which is expressed is bounded

get by with an exceptionally high degree of deception, being at the very apex of global imperialism. Americans tend to believe that whatever is happening to them must be good, when America is at the helm of the world. A final factor is the distance of Americans from the world, geographically and mentally, an almost extra-world existence as the average American has little knowledge of what is happening in most of the world. This makes the propagandist's chore much easier, than in Europe. With the political awareness index at such a low level, capitalist accumulation is considerably facilitated.

To push Americanization further and deeper in Europe, one would need a population as "politically challenged" as the American populace, but it is simply not to be found within the borders of Western Europe. It would also help to have an extremely narrow political spectrum with only two parties, essentially collapsed into one, both espousing neoliberal, pro-business, pro-corporate values. This is a political system that is essential totalitarian in profile, with no alternative political ideas represented in the public sphere, while at the same time parading as "pluralism." The "plural" in America was long ago crushed in the McCarthy era of the 1950s. One would also need a press as subservient to the ruling class as the capitalist owned press in America.³⁴

There is an Alternative: Victory, not a Crisis

In fact, the rejection of the Constitution in Europe is not a crisis at all, from the perspective of the people. Instead, it represents a considerable victory over the efforts of elites to steamroller them into accepting a new form of totalitarianism, from above. The present "crisis" opens up a breathing space and opportunity for the common people of Europe. With the neoliberal locomotive slowed down for the time being, the people might begin to make inroads in retrieving some of what they have lost and of exercising a degree of democracy, long lost in the democratic deficit. It is a chance for the people to practice some of the freedom that the Constitution, which they have just sunk, promised them. If the ruling classes were actually on the side of the people, they would rejoice that the people had raised their heads and their voices.

within a narrow political ideology. The U.S. media ensures against the threats of public participation and understanding. The public can only ratify the policies, not change them. Noam Chomsky, *Necessary Illusions: Thought Control in Democratic Societies*, Boston, MA, South End Press, 1989.

³⁴ A number of reporters have recently gone to jail in the United States, such as Judith Miller of the New York Times, refusing to give up their constitutional right to protect their sources. It appears that the neoconservatives prefer more clumsy repressive measures on the press by the state, rather than to rely upon the "propaganda model," controlled in part by corporate ownership, as in the past. This takes them closer to historical Stalinism and statist regimes which they typically criticize for being undemocratic.

Conclusion: Euro-Sclerosis as Democracy

The roots of European integration have proceeded largely within the economic realm, beginning with the European Coal and Steel Community.³⁵ The post-War European Keynesian economy was reconstructed to complement U.S. capitalist accumulation. With the post-Vietnam War, post-Bretton Woods, U.S. economy under stress, at the end of the 1970s, monetarism and neoliberalism were launched to shore up capitalist accumulation. This precipitated a race to the bottom. Europe followed in the wake of the U.S. neoliberal flagship. The cure was worse than the crisis, however, neoliberalism successively slowing economic growth on both sides of the Atlantic in successive decades. Europe dutifully played its role as a junior partner in the US imperialist triad. European integration, the European project, could proceed only as it shored up the American project of a reinvigorated global hegemony. The Thatcher-Reagan-Fukuyama ultimatum that the only future was in neoliberalism was a wake-up call for European elites to proceed with economic integration. This reached its limits with the single currency, the Euro.

The European Union was able to relieve the accumulation crisis, temporarily, by relying upon cheap Eastern European labor and resources at the end of the Cold War. But proceeding to political integration is far more problematical. Political integration in the interests of capitalist accumulation, and within the framework of US global hegemony, runs up against serious contradictions. Political integration with a military dimension threatens US hegemony over Europe. It exposes the contradictions between the "special relationship" of Britain with the US, the French post-colonial relationship with African countries, and German interest in the Eastward expansion of the European Union. More critically, political integration runs up against the constraint of the "great beast" itself, the people and democracy. The crisis of the Constitution is a crisis of capitalism on the continent and a crisis of imperialism, within the American-led triad, globally.

The political integration of Europe was bound to founder on the contradictions of capitalism and imperialism. An alternate politics has now emerged, in the form of democracy emerging from below. The people "smelled a rat" and refused to allow their political will to be swept away. This ground-swell of democracy, cynically referred to

³⁵ Jean Monnet. Douglas Brinkley and Clifford Hackett, *Jean Monnet: The Path to European Unity*, New York, St. Martin's Press, 1991.

from above by European elites as “Euro-Sclerisis,” is a shot across the bow of European neoliberalism. There are limits to how far people can be pushed once they have grasped their position within the system and are willing to act in their interests.³⁶ Similarly, on a global scale, the current neoliberal economic integration is certain to founder in the future when people become conscious of their condition within the global economic system and act democratically to call a halt to their exploitation in the interests of capitalist accumulation. True economic and political integration cannot succeed on the basis of the contradictions of the capitalist system. This, at root, is the fallacy, and folly of the European Constitution. This is the spectre haunting Europe.

³⁶ In the words of Samir Amin, “...Europe will either be of the left (the term left being taken seriously) or it will not be at all.” “US Imperialism, Europe and the Middle East,” p. 33. Vijay Kumar argues that European integration would have to be based upon “a sound political ideology.” Economic forces are insufficient because they are “inherently inequitable” and have “iniquitous consequences.” See Vijay Kumar, “French Referendum: Fateful Implication For Integration of Europe,” *Mainstream* Vol. 43, No 25, June 11, 2005, p. 7.

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