The “Hard Core” of European Integration

By Lutz Brangsch

Dimitris Sotiropoulos notes quite rightly that the Euro is not just a currency, but a mechanism: “It has set up a particular form of symbiosis among different capitalist economies” (Sotiropoulos 2012, 66). But what is the material nature of this “symbiosis among different capitalist economies”?

This key issue had already been raised by John Grahl in 2003. He stressed that globalisation and the associated process of European integration was not just a political strategy “but also, and even more, the outcome of a deep change in productive structures, of a new phase in the socialization of production” (Grahl 2003, 19).

At the moment, however, the focus of left discussion and strategy is still on the distributive and political aspects of the EU. This is usually connected to the presumption that there would be a recovery of the national capacity to act politically in general and of the left’s ability to act in particular if the EU disintegrates. This view assumes that the EU is in fact not a “symbiosis among different capitalist economies”. In Transform! 10/2012 Francisco Louçã argues convincingly that Portugal’s leaving the Eurozone would have disastrous consequences for the mass of the population and would in no way solve the country’s problems (Louçã 2012). So is the EU more than just the sum of its parts? In what follows there will be no attempt to answer this question in any detail. Instead, this article draws attention to factors other than the centrifugal and (artificially) centripetal forces so that these other factors can be taken into account in formulating strategy.

Contradictory assessments and interpretations

Scholarly literature, on the other hand, occasionally questions whether the integration process has had any economic effect at all and whether it was ever “economically justified” (Plumpe and Steiner 2008, 37). This question must be taken very seriously. The fact is that the available data for a serious assessment of the totality of inner interconnections in the EU and the Eurozone are not very sound. After the liberalisations and privatisations of the 1990s the single European market has largely been treated as an intrinsic value that can at best be studied on a highly aggregated level (such as that of the balance of payments) or in relation to individual questions (such as that of the regional effects of EU subsidies). The academic world thus adapted to the change in the EU’s view of itself at the beginning of the 1990s.

If we look at the statements and the available data on economic interdependence in the EU area the Union would appear to be flying blind as regards economic policy. The EU Commissioner for Industry, Antonio Tajani, has just announced that it has proven impossible to analyse the interaction of various EU initiatives in terms of their economic effects, but he has made a plea to bring industry back into the EU (Tajani 2012).

It is obvious that when it comes to documenting and assessing the functioning of the integration processes in the EU the direct approach is unsuitable. The goal of European integration is not being implemented in the way politicians would like or common sense would dictate.

But this was also true of the period up to 1990. Studies of the ECSC (European Coal and Steel Community) show, on the one hand, the limitations of direct political intervention and, on the other hand, the far-reaching effects of integrating economic policies in the steel sector until well into the 1990s (Evers 2001, 203ff.). In addition to the political aim of integrating the FRG into the western system, the decisive goal was the imposition of the principle of competition on the FRG's heavy industry, traditionally known for its strong monopolistic tendencies. The interplay between regulation, intervention in the form of subsidies, protectionism and social welfare measures had given rise by the end of the 1980s to a steel industry which, however differentiated, had an EU-European character. The competition between companies and countries now had a framework which prevented major crises, especially those of a political nature. It did not turn integration into a process of social integration, but it did make lasting changes to the social sector and in other ways than might be expected in a Western Europe of free competition. Projects such as the ECSC and Euratom set the signals for direct cooperation in industry, but did not manage to achieve direct coordination. Companies responded to the signals by using them for their corporate strategies, in some cases with state subsidies. Other instruments, such as the Structural Funds and Social Funds, tended to operate indirectly and probably more sustainably.

The lessons drawn from the failure of one component of the policies of the EU's predecessor organisations and from the successes in other fields led in the 1980s and 1990s – mainly under the pressure of globalisation – to a new consensus among the member states which was closely connected to the turn towards neoliberalism and the reconfiguration of the balance of power in Europe (Sifakis-Kapetanakis 2010, 79-83). The EU now defined itself, quite deliberately, no longer in terms of its internal relations, but as a springboard for companies intent on international competition. The intensification and the shifts in trade and production within the EU are increasingly explainable on the basis of the integration of individual companies in the global economy. One has to agree with Sifakis when she points out that "in its current form the EMU's institutional framework is not viable. It encourages the accumulation of lasting imbalances at the expense of Europe's least developed nations. While giving rise to substantial costs and risks for these countries, it jeopardizes the institutions and mechanisms which would enable them to cope" (Sifakis-Kapetanakis 2011). The operative expression here is "in its current form". The question is ultimately whether an EU economy has indeed come into existence as a "quasi-national economy" with its own strong internal reproductive cycles, which is compelling the adoption of new forms of the EU, EMU or the Euro – or whether it can discard the form of the EMU. The question we have to answer is what significance the new challenges identified by the EU Commission as regards the integration of the EU economy in the international division of labour (Commission 2012b, 4) really have in the sense of a "new reality" – that is, is the integration process practically irreversible – and what role does the Euro plays in this? On the answers to these two questions the viability of a left strategy will crucially depend.

What is the EU, really?

A glance at the EU documents seems to confirm that the EU is a structure for monitoring adaptation to given external conditions (Commission 2012a). The significance of industry, productive services and agriculture and their place in the division of labour are concealed in politics and in scholarship behind the mask of competitiveness.

The result is that the strengths of the individual countries have been enhanced. This trend coincides with the structural weaknesses of the countries that are particularly hard hit by the present crisis and whose weakness is reproduced. So the aim must be to concentrate resources on a complex restructuring of the economy as a whole. However, it is precisely in this situation that (unsurprisingly) a flight of capital –from Spain, for example – can be observed. Restructuring is something that happens in the banking sector, not in industry, agriculture, etc. (Plenk et al. 2012, 23f.).

This corresponds to the recommendations of the IMF and OECD. Countries like Greece, however, are confronted with problems of their economic structure as a whole. The (few) available studies are unanimous and credible on this issue (Schrader and Laaser 2012). Yet all prescriptions and recommendations evade this very problem.

All this leads to a dilemma which, in the case of Greece, Karagiannis/Kondeas describe as follows: "In formulating policies for economic restructuring and diversification, it is critical that the policies are components of a long-term strategy. Failure to do so could lead both to short-run highly partisan considerations dictated by socio-cultural impediments and pressing problems…, as well as the adoption of an ad hoc approach to development which is in conflict with the goal of a stronger economic fabric" (Karagiannis and Kondeas 2012, 69). The fact is that the long-term interests in terms of a solution to the EU crisis are in contradiction to the short-term demands, expectations and interests manifested chiefly in profit expectations. In this sense, Greece exemplifies the inconsistency of EU policy. However, we should not – and this cannot be emphasised too strongly – confuse the inconsistency of a policy with its ineffectiveness. The inconsistency lies simply in the fact that the spatial distribution of the productive forces and the development of labour capacities in the regions do not result from a strategy created to deal with these phenomena, but that the changes are dictated by other criteria, criteria that originate in corporate strategies! The EU is a space of integration, which is unaware of the peculiar nature of its integration.

The question from a theoretical point of view

Even if one justifiably deduces the new quality of capitalism from the criteria of valorising money capital, production is still a necessary element in the cycle. The whole process of capital reproduction – not just one of its parts – is characterised by the sharpest contradictions (Busch 2012, 115). The production of the material bases of life, that is, the role of the cycle of productive capital invested in industry and agriculture, is mostly ignored by today's analyses. This is all the more astonishing as the crisis that began in 2007 was to a large extent a crisis of overproduction in the classic sense. This was most clearly evident in the construction and car-manufacturing industries. It also became evident that, whatever the importance of the financial sector, the stability of the social fabric depends on how far the fruits of this sector can be converted into/ exchanged for the commodities of the "classic" economic sectors. Of course, the structures of the international and regional division of labour are determined by the profit-making yardsticks of the financial oligarchy. The financial sector is not just an "ancillary" sector and never has been in capitalism. Monetary and capital cycles in general and productive capital cycles always develop and modify themselves in tandem. The fact is that the question raised by Grahl concerning the new quality of socialisation is the question of what substance remains of the processes known as globalisation and financialisation. This enduring substance is the possibility – created by financialisation – of mobilising resources worldwide and interlinking all local processes on a genuinely global scale. The form is destructive – the essence is revolutionary.

The challenge therefore consists in taking the total reproduction process as a basis for an assessment of the EU. This not only involves a combined examination of financial and productive capital but an investigation of the social and political relations reproduced in the process.

A brief review of the analyses

As already noted, there is hardly any direct evidence for the emergence of an economic space of a new quality. This is astonishing in view of the vast number of mechanisms, regulations and procedures that come out of the EU and the criticisms of the unwieldy bureaucracy thus generated. This is mainly due to the fact that it is always just individual components of the ongoing processes that are examined, so that the totality of the reproduction process, as indicated above, simply cannot be grasped. And, taken in themselves, the processes really are contradictory and sometimes directly opposed to one another. Let us take a glance at some typical studies and positions.

• The export-intensity of GDP in the EU countries may vary, but in many of them it is high – higher than in the USA and Japan. In 2008 there was Belgium at one end of the scale, with 75%, and Cyprus at the other with 6.8%. Among the countries most dependent on exports – apart from Belgium – were Slovakia, Hungary, the Czech Republic, the Netherlands, Slovenia and Estonia, for all of which the figure for the year in question was over 50% (WTO 2012). In trade within the EU more upmarket, highly processed products make up the lion's share. Here, however, there is clearly a problem: the automobile sector accounts for the largest share of direct exports – 10% (2010) – of the EU countries among themselves (Eurostat 2011, 79). At this level we see not only a high degree of interpenetration, but also a high quality of it. There are long-term trends at work here. In the early 1990s there were already relevant studies for the car-making industry (Bochum and Meissner 1989). Even the "Eurosceptic" Czech Republic was integrated via the division-of-labour dependencies of this branch. The resultant global production networks would – in Grahl's conception – have to play a decisively stabilising role in the deepening of the socialisation processes (for an overview see Gundlach 2011).

• The way the economies are linked within the EU makes all the member states dependent on the development of global economic relations. There are three important factors here: the tendency for trade agreements to be reached between regions rather than states; the growing weight of the BRIICS countries in international economic relations in general; and changes in the pattern of investment.

• An analysis of studies from different countries on the effects of export-import relations on companies shows that these relations tend to increase the latter's a) productivity and b) capacity for survival. This does not apply to profitability (Wagner 2012). Thus the smooth functioning of the global market and a conflict-free integration in the international division of labour probably acts as a motive for companies to take advantage of the opportunities offered by the EU.

• Krieger-Boden and Traistaru-Siedschlag come to the conclusion that, in the course of the EU's development, structural changes tend to take place more in the countries and regions than between them: "No evidence", they write, "could be found that integration would replace national core-periphery systems by a unique Europe-wide core-periphery system" (Krieger-Boden and Traistaru 2008, 25). Other authors come to slightly differing conclusions, while also stressing that, although there is a convergence between the states, the differences in development within the states tend to increase. Developments since the appearance of this study confirm this, though they also reveal to a starker extent the regional differentiations taking place at all levels.

• The Euro plays a role in facilitating, for example, trade flows without necessarily increasing their volume. "A low effect of the euro on quantities traded does not mean that there are no cost-savings from introducing the euro. The larger part of cost savings operates not through additional trade, but through less costly transactions in existing trade volumes" (Hogrefe, Jung, and Kohler 2012, 41f.). The latters' studies confirm the old caveat that a currency union, on its own, may increase inequalities unless it is tied to other measures that even out the competitive positions.

• Another important feature of the EU as an economic area, according to Keller and Yeaple, concerns modern, complex products of the so-called "knowledge economy", for which the costs of the technology transfer at certain points exceed those of the transfer of commodities. This is why, studies show, even large international corporations must develop their homeland base (Keller and Yeaple 2008, 37-38). Barba Navaretti draws the same conclusion: "The global projection of European firms starts however in the single market, as this is the quintessential quasi-domestic space where firms initially grow and reinforce their competitiveness. The coordination of structural policies at the European level, which has been lagging compared to aggregate demand policies, would also contribute to strengthening European firms" (Barba Navaretti et al. 2011, 51).

At this point we should mention the role of the EU in the structuring of agriculture (the agrarian market continues to be one of the EU's broadest fields of activity), the role of such programmes as the European Social Fund and the European Regional Development Fund, and the importance of the EU in the area of standards and norms.

These examples suggest that although the integration process has not helped to reduce inequalities (at least not to the degree that is sometimes claimed), it has changed the nature of these inequalities. Per capita income can stay the same while the basis for income changes, which in turn can entail completely different capital reproduction requirements. The simultaneity of structural change and the dismantling of social rights and services can distort the picture. Thus the symbiosis of capital noted by Sotiropoulos has a material base which goes beyond financial interrelations.

Consequences

The findings only briefly outlined here underscore the necessity of an integrated view of the EU. In assessing the changes we must distinguish different levels:

• Changes that are reflected in aggregated (or aggregatable) indicators at the level of the national economies;

• Changes that manifest themselves in the development of relations based on division of labour in companies;

• Changes that are manifested in the reproduction of the commodity labour-power and in social relations as a whole;

• Changes concerning the conditions of reproduction of constant capital (in the Marxian sense of the “general conditions of reproduction”).

From a theoretical point of view and from a survey of the results of the various analyses we can justify the thesis that the reverse side of financial-capitalist interests is a hard core of general economic interest which holds the EU and the Eurozone together. The functioning of this hard core and its consequences for left strategies require further discussion. It is, however, evident that a “rescission” of the EU and the Euro in the face of the changes in their material basis and the global challenges confronting them (ecological/social crisis, unjust international division of labour, etc.) is not going to get us any further. The debate must be conducted both within and about the Union. The amount of real interlinking and mutual dependence in the EU still considerably exceeds the amount of joint action organised by the left.

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