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The “hard core” of European integration

Sotiropoulos states 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 globalization 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 main thrust of left-wing discussions and strategies is still concentrated on the distributive and political aspects of the EU. This is usually bound up with the supposition that there would be a resumption of national political ability to act in general and of left-wing ability to act in particular in the event of the EU’s disintegration. This view assumes that the EU is not a “symbiosis among different capitalist economies”. In Transform 10/2012 Louçã argues convincingly that Portugal’s leaving the euro zone 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?
This paper will not seek to answer this question in any detail. Instead it will try to draw attention to other factors besides the centrifugal and (artificially) centripetal forces so that these other factors can also be taken into account during the formulation of strategy.

Contradictory assessments and interpretations

In the scholarly literature, on the other hand, doubts are occasionally expressed as to 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 sources available for a serious assessment of the totality of inner interconnections in the EU and the euro zone are not very sound. After the liberalizations and privatizations of the 1990s the single European market is largely 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 with regard 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 basic data on the degree of economic integration of 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 there has been no success in analysing the interaction of the various EU initiatives with regard to 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 unsuited. The goal of European integration is not being achieved in a way that the politicians would like or common sense would dictate.
But the same also applies for 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 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 main consideration was to impose 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, bore a European (in the EU sense) stamp. The competition between companies and countries was taking place within a framework which prevented any 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 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 government grants. Other instruments, such as the Structural 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 organizations and from the successes in other fields led in the 1980s and 1990s – mainly under the pressure of globalization – to a new consensus among the member states which was closely bound up with 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 were increasingly explained 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 inner reproductive cycles which is forcing acceptance of such new forms as 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", i.e. if the integration process is practically irreversible, and what role the euro plays in this. On the answers to these two questions the viability of a left-wing strategy will crucially depend.

What is the EU, really?

A glance at the EU documents seems to confirm that the EU is a monitoring structure aimed at adapting to external states of affairs. (Commission 2012a) The significance of industry, productive services and agriculture and their collaborative links are concealed in the worlds of politics and 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 – is to 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 regarding a solution to the EU crisis are in contradiction to the short-term demands, expectations and interests as manifested chiefly in the expected returns. In this sense Greece exemplifies the inconsistency of EU policy. One must not, however – and this cannot be emphasized too strongly – confuse the inconsistency of a policy with its ineffectiveness. The inconsistency simply lies in the fact that the spatial distribution of the productive forces and the development of the human resources in the regions do not pursue a strategy appropriate to their nature, but that the changes are dictated by other criteria, criteria that originate in corporate strategies! The EU is an integrative space that is unaware of the peculiar nature of its integration.

The question from a theoretical point of view

Even if one justifies the new quality of capitalism in terms of the need to make full use of monetary capital, production is still a necessary element in the cycle. The whole process of capital reproduction is beset by the sharpest contradictions – not just one of its parts. (Busch 2012, 115) The aspect of the production of the material conditions of life, i.e. the role of the cycle of productive capital invested in industry and agriculture tends to evade the scrutiny of today’s analysts. 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-making industries. What could also be seen was that, whatever the importance of the financial sector, the stability of the social framework depends on how far the results of this sector can be translated into products 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 a “service” sector and never has been under capitalism. Monetary and capital cycles in general and productive capital cycles in particular always develop and modify themselves in tandem. The fact is that the question raised by Grahl concerning the new quality of socialization turns out to be a question of what substance remains of the processes known as globalization and financialization. This residual substance is the possibility – created by financialization – of mobilizing resources worldwide and linking up all local processes on a genuinely global scale. The form is destructive – the essence is revolutionary.

The challenge therefore consists in taking the reproduction process as a whole as a basis for an assessment of the EU. This not only involves a combined scrutiny of financial and productive capital but also a scrutiny 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 issued by the EU and the criticisms aimed at the unwieldy bureaucracy thus generated. This is mainly due to the fact that it is always just individual components of the on-going processes that are examined, so that the totality of the reproduction process, as indicated above, simply cannot be covered. 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 you had Belgium at one end of the scale, with 75 per cent, and Cyprus at the other with 6.8 per cent. 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 per cent. (WKO 2012) In trade within the EU more sophisticated products make up the lion's share. Here there is a problem, however: the automobile sector accounts for the largest share of direct exports – 10 per cent (2010) – of the EU countries among themselves. (Eurostat 2011, 79) At this level we see not only a high degree of linkage, nor only its high quality. There are long-term trends at work. 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 dependencies arising out of the division of labour in this connection. The resultant global production networks must have played a vitally stabilizing role from the point of view – stressed by Grahl – of the deepening of the socialization process. (for an overview see Gundlach 2011)
- The internal linkage of the economies 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 clout of the BRIICS countries in international economic relations; 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 arrive at 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 only slightly differing conclusions, while at the same time 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 latter’s studies confirm the old caveat that a currency union, on its own, may increase inequalities unless it is linked 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 sophisticated, state-of-the-art products of what is known as the “knowledge economy”, for which the costs of the technology transfer at certain points exceed those of the transfer of goods. This is why, studies show, even large international corporations must develop their home 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 ESF and EFRE, and the importance of the EU in the field of standards and norms.
These examples lead us to suppose 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 of income changes, which in turn entails completely different capital reproduction requirements. The simultaneity of structural change and the reduction of welfare claims and services can distort the picture. Thus the symbiosis of capital noted by Sotiropoulos has a material base which goes beyond financial links.

Consequences

The findings only briefly outlined here underscore the necessity of a holistic 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 social relations as a whole;
- Changes concerning the conditions of reproduction of constant capital (in the sense of “general conditions of reproduction” in the Marxian sense).

From a theoretical point of view and from a survey of the results of the various analyses we can justify the thesis that there is another side to the medal of financial capitalist interests, namely a hard core of general economic interest which holds the EU and the euro zone together. The functioning of this hard core and its consequences for left-wing strategies require further discussion. It is, however, evident that a “reverse development” 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 measure of real linkage and mutual dependence in the EU currently exceeds the measure of joint action by the Left to a considerable degree.

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