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Citation:

Nunn, AE and Beeckmans, P (2015) The Political Economy of Competitiveness and Continuous Adjustment in EU Meta-Governance. *International Journal of Public Administration*, 38 (12). 926 - 939. ISSN 0190-0692 DOI: <https://doi.org/10.1080/01900692.2015.1028645>

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**The Political Economy of Competitiveness and Continuous Adjustment in  
EU Meta-Governance**

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## **Abstract**

This paper asserts that attempts to resolve the crisis through recent changes in European meta-governance are just the latest phase in a project to secure ‘continual adjustment’ in European societies to the systemic demands of competitiveness. Utilising a New Materialist approach, the paper locates the structural pressures experienced by European economies, politics and societies in the process of world market integration. It is argued that a scalar-relational perspective drawn from critical geography can help to illuminate the ways in which the scale of the world market is becoming ‘ecologically dominant’ over a series of other economic, political and social scales. Understanding continual adjustment in this way suggests that the outcome of crisis management and restructuring is unlikely to be ‘return to normalcy’ and the scope for alternative more Keynesian programmes of reform through EU meta-governance are highly constrained.

## **Key words**

Scale, competitiveness, adjustment, proletarianisation, Europe 2020.

## I. Introduction

There is a voluminous literature on European Union (EU) integration which seeks to explain the process via international relations realism (Hoffman, 1966) neo-functionalist accounts of cooperation (Haas, 1958), liberal inter-governmentalism (Moravcsik, 1993; 1998) and liberal constructivism (Checkel, 2001). A range of authors of a more critical constructivist and Historical Materialist persuasion (Hay & Rosamond, 2002; Macartney, 2011; Ryner, 2012; Apeldoorn, Overbeek, & Ryner, 2003, pp. 17–39) however have argued that these accounts are “inherently incapable of grasping fundamentally the structuration of power relations... where market forces have come to constitute the dominant principle of social organisation to which all other principles and media of social organization have become subordinated” (Apeldoorn et al., 2003, p. 18). As Macartney (2011, p. 48) argues, succinctly puts it mainstream approaches ignore “the elephant in the room which is capitalism” and, as such, they are “poorly equipped to explain the financial crisis” or attempts to deal with it in contemporary economic restructuring. This paper seeks to build on these insights to advance a ‘New Materialist’ account of contemporary European restructuring in response to the crisis which draws particular attention to the role of scale in this process.

Perhaps the most significant materialist critique of EU integration is the broadly Gramscian approach put forward by the ‘Amsterdam School’ (Apeldoorn, 2004). They argue that the 1970s crisis of capital accumulation in the ‘west’ necessitated the establishment of a trans-national class project to reinstate the position of capital relative to labour, and finance relative to production (Apeldoorn, 2002; Overbeek & Apeldoorn, 2012). The reorientation of European integration from the mid 1980s onward behind a more ‘neo-liberal’ agenda, is part of this project. For example, Apeldoorn (2002, pp. 83–157) places a great deal of emphasis on the agency of key factions of capital operating through groups like the European Roundtable of Industrialists (ERT), which, he argues, have been successful in promoting financial interests in the political economy content of European integration. At the same time Apeldoorn and colleagues accept that in its EU-wide variant neo-liberalism is ‘embedded’ in a range of social and institutional strategies (e.g. regional convergence funding, the European Social Model, innovation policy, the European Employment Strategy) and that this principally emanates from the need to secure legitimacy among subordinate social groups, especially those oriented around productive capital such as state and trade union organisation and industrial capitalists (Apeldoorn, 2002, pp. 180–1; Horn, 2012a). However, as authors within this school have pointed out there may be some contradiction in the attempt to combine social protection with economic liberalism. In this sense Apeldoorn (2009, p. 22) sees the 2008- crisis as partly one generated by these internal contradictions.

Similar to our own approach, this literature suggests that the ERT and the Commission have increasingly adopted the concept of competitiveness as a key objective (Apeldoorn, 2002, p. 171; Buch-Hansen & Wigger, 2011; Nousios & Tsolakis, 2011; Wigger, 2008). In this context the renewed *Europe 2020* strategy, which was published at the height of the Euro-crisis in 2010, has much the same objective as, and is presented without any inherent analysis of, the failure of the previous Lisbon Strategy, which it largely replicates (Wigger & Buch-Hansen, 2012). Wigger and Buch-Hansen argue that in the wake of the crisis, and responding to initial Keynesian crisis management strategies on the part of member states, the Commission has set out, with the support of financial interests, to continue with neo-liberal reform. In doing so they are aided by the lack of counter-hegemonic alternatives and the political weaknesses of the social forces of labour and industrial capital. All this suggests is that the political narrative of crisis restructuring offered to the public by European elites is misleading. The implied logic of austerity and adjustment to the post-crisis scenario of competitiveness is that if sufficient adjustment is undertaken and the overall architecture is correctly designed, a return to ‘normal’ growth and upward living standards is perfectly possible. Apeldoorn and Overbeek (2012) contest this claim, sketching a variety of possible scenarios, all of which contain ongoing crisis management as central features of the likely future. In sum, the Amsterdam School provide a persuasive account of EU restructuring, with a much needed and detailed analysis of the role of transnational interests in shaping economic strategy and regulation.

We seek to extend this analysis by more clearly locating the competitive pressures felt *inside* Europe (and repeatedly articulated by the Commission / Council) in the process of world market integration. The practical implication of this extension is significant. Amsterdam School writers sometimes attempt (or exhort others) to counter important agents of ‘neo-liberalisation’ through building supportive alliances for alternative and broadly more Keynesian practices which would limit and redefine competition in more socially embedded ways (Wigger & Buch-Hansen, 2012). Despite the reliance on Gramscian concepts, this implies that the EU is akin to an empty container that is pushed around by ‘social forces’. In this analysis, finance as a faction of the capitalist class is seen as having the upper hand over both a disaggregated and poorly organized working class and industrial capital.

We contend that the logic of competitiveness is not so much a ‘free choice’ in this way, as a structural property of the system as a whole. We contend that European integration itself is thoroughly subordinate to the process of world market integration and therefore the scope for such a ‘counter-hegemonic’ strategy is narrow and contingent upon achieving competitive success. As such, attempts merely to promote alternative strategies based on productive capital and organized labour, while potentially more desirable than the Europe we have, are hardly counter-hegemonic. To make this argument it is necessary to sketch out the basis of a New Materialist account and in particular how space and scale can be incorporated more fully within it. Section II maps out a scalar-relational New

Materialist argument, section III applies this in summary form to the last two decades of EU economic and social policy, section IV lays out a more detailed empirical critique of contemporary EU reform aimed at crisis management. Section V concludes.

## **II. A New Materialist & Scalar-Relational Understanding of Competitiveness**

In a series of publications Paul Cammack has outlined a ‘New Materialist’ account of contemporary political economy, which, he argues, is characterised by a politics of competitiveness, summarised as:

*“The empirical observation that the dynamics of economic, social, political and cultural change in the contemporary world are increasingly shaped by the pursuit and promotion of capitalist competitiveness... Not only are the vast majority of governments around the world explicitly pursuing competitiveness ... but international organisations ... are all busy urging governments everywhere to reform the ‘business climate’ in order to promote investment and domestic entrepreneurship and stimulate competition” (2006, p. 1)*

This account is materialist because it is based on Marx and Engels’ assertion first that society is structured by the practice of producing the commodities needed by any society (Marx & Engels, 1968, p. 5), and in a capitalist society the essence of this practice is the separation of workers from their means of subsistence (Wood, 2002, pp. 96–8; Wood, 1995, pp. 31–6). As a consequence of this ‘proletarianisation’, the working class must offer their labour power for commodification by capitalists. Capitalists, who own and control the means of production, retain the surplus value which arises from the difference between the overall value of commodities produced and that which is returned to labour in the form of wages to enable the working class to reproduce itself.

Of course workers do not meekly submit to this subordinate position but engage in class struggle over the length of the working day, the intensity of labour, the distribution of surpluses (e.g. in the form of wages, taxes or profits) or the way in which ‘subsistence’ is socially constructed (Nunn, 2012a). For its part, capital is both engaged in class struggle but also in inter-capitalist competition to secure enhanced surplus value, particularly by innovating in products, the technology of production and organization of labour to realize greater productivity, or ‘relative surplus value’ (Marx, 1867, Chapter 16). Where capitalists successfully engage in this innovation they may for a while reap profits above the social average, cut their prices to monopolize the market or invest in further innovations. Other capitals must keep up or go out of business (Marx, 1867, Chapter 12).

This process is though riven with contradictions and crisis tendencies. Productivity enhancements and the extraction of surplus value from labour creates social polarization, generating crisis tendencies

associated with workers' inability to keep buying the goods produced (Harvey, 1982, pp. 85–97; Marx, 1956, Chapter 16, p194 footnote 5). At the other end of the spectrum, huge profits amass and capitalists as a class may then struggle to keep reinvesting these at adequate – competitive - rates of return (Clarke, 1990, 1994; Marx, 1993, pp. 410–414). The need to find more profitable investment opportunities for surpluses lends particular emphasis to finance and the credit system which serves the role of reallocating surpluses to more profitable sectors and enterprises, in the end generating financial speculation, bubbles and periodic crises (Harvey, 1982, pp. 192–203).

These are just some of the forms of crisis that are inherent to capitalist development but they are pertinent to our discussion in two respects. First, there is a definite cycle of accumulation in which different stages in the circulation of capital become successively important. As capitalists search for new investment opportunities, the significance of finance and credit increases as does the power of those factions of capital that control these systems. Second, and following from this, the problem of aggregate demand and over-accumulation leads to an inherent pressure for spatial expansion, to find external markets for commodities and new productive sites for the investment of surpluses (Harvey, 1982, Chapter 13; Luxemburg, 1963). Where pre-capitalist political communities come into contact through trade with commodities, produced by the greater productivity of capitalist social relations, they will be forced 'on the pain of extinction' to adopt the capitalist mode of production (Marx & Engels, 1968, sec. D). The spread of a world market then is the 'Trojan Horse' with which capitalist social relations in one part of the world are spread to all others. As Marx and Engels colorfully put it in the *Communist Manifesto*:

*“The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe... All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations... In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations... The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of commodities are the heavy artillery with which it batters down all Chinese walls...It compels all nations, on pain of extinction, to adopt the bourgeois mode of production....” (1848, p. 16).*

Marx and Engels' critique – that insoluble crises of over-accumulation and the political unification of the working class would lead to world revolution (Marx & Engels, 1968, sec. D) – was dependent on the completion of the world market and the resulting universalization of capitalist social relations.

One key insight of New Materialism is that this process of spreading capitalist social relations to the whole world is not yet complete, but is within sight (Cammack, 2013a, 2013b, 2014). Over the last twenty years the global number of workers engaged in wage labour has more than doubled (Smith, 2010, p. 141). However, while this process may be tendentially in its completion phase, this does not mean that the completion is necessarily imminent; as World Bank data shows, the proportion of the world's population who live in an urban as opposed to rural environment only passed the mid-point in 2006/7 and is now around 53%.<sup>1</sup> Nevertheless, to borrow a phrase from Jessop (2012) we are now at the point when this scale is becoming 'ecologically dominant' over other scales in that 'it predefines the problems that other systems must address' (202).

In the New Materialist critique, competition and class struggle are structural properties of the system, which lead actors at all scales (e.g. states, firms, households, individuals) to behave in ways that drive world market expansion towards its completion. These structural pressures are continuous, dynamic and self-reinforcing in that the expansion of proletarianisation to new spaces in the world market has feedback effects on states where these relations are already in place, enforcing the internalization of strategies for competitiveness and class struggle means that capital must always seek to assert and re-assert its subordination of labour. However, some actors, such as leading states and international organisations (e.g. the World Bank (WB), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the EU among others), may also behave reflectively and collaboratively, to promote the scalar expansion of proletarianisation and to manage the increasing crisis tendencies produced by it (Cammack, 2002, 2003, 2004, 2006, 2008, 2009, 2010, 2013a). A glance at recent publications such as a rash of reports on the destabilising effects of inequality (Bassanini & Manfredi, 2012; Causa, De Serres & Ruiz, 2014; IMF, 2014; OECD, 2014; Ostry, Berg, & Tsangarides, 2014) and the broader challenge of crisis and risk management (e.g. World Bank, 2014; World Economic Forum, 2014) perfectly illustrate this.

This analysis suggests that the relations between the world market and actors at other scales are significant. Therefore Macartney and Shields (2011) suggest that Historical Materialist approaches pay more conscious attention to 'scalar-relations' so that "domination, inequality and injustice" (381) can be challenged. If until now the understanding of scale has been under developed in IPE, it has a longer history in critical and materialist Geography (for a discussion see Charnock 2010a; Charnock 2010b, Macartney & Shields, 2011 and: (Brenner, 1999, 2001; Marston, 2000; Marston & Smith, 2001; Peck, 2002; Peck & Tickell, 2002; Smith, 1992; Smith & Dennis, 1987; Swyngedouw, 1997; Taylor, 1982, 1987, 1999). While it is not possible here to fully review this literature, some common themes are noteworthy.

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<sup>1</sup> World Bank, World Development Indicator Dataset: Urban Population as % of total, World, see <http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS>. Accessed Friday 5th December, 2014.



First, scale is not fixed but fluid: it is produced and reproduced (Marston, 2000; Marston & Smith, 2001). It is important to understand the ways in which political, economic and social restructuring involve re-scaling or scale ‘jumping’ as actors move to different/new scales to realise their interests by overcoming barriers or opposition at others (Smith, 1992). Transnationalising production or pressure for financial liberalisation at scales above the nation state are both examples of scale jumping on the part of capital. Second, this draws attention to inter-scalar and trans-scalar restructuring. *Inter-scalar* restructuring involves direct linkages between nested scales (Peck, 2002) – as in the case of EU integration and regulation necessitating state level changes such as transposing directives. *Trans-scalar* restructuring implies that restructuring involves direct linkages between one scale and another without necessarily involving an intermediary scale such as in some EU funding to regions, businesses, universities or firms. Third, scale can serve as a vehicle for uniting traditional materialist concerns about production with feminist concerns with social reproduction, labour and injustice at the household scale (Macartney & Shields, 2011; Marston, 2000).

Scale is present in Marx’s frequently re-stated plan for a full study of the workings of capitalist development: “... divided into 6 books: 1. On Capital. 2. Landed Property. 3. Wage Labour. 4. State. 5. International Trade. 6. World Market.” (1913), of which only the first was (partially) completed. In this structure Marx clearly saw a link between “the inner structure of bourgeois society...capital, wage labour, landed property...[the] credit system...the state... The international relation of production ...[and] the world market and crises” (1993, p. 108). In the three volumes of *Capital*, Marx arguably sketched an *economic* organisation of capital in four scales: (a) a general societal division of labour and capital into different departments (machinery and fixed capital, raw materials etc. and consumer goods); (b) the division of capital and labour into different industrial sectors defined by their products (e.g. cars, construction, steel etc); (c) the division of capital between different owners or capitals and (d) the division of labour in the workplace (N. Smith, 2008, pp. 143–146). Building on this, Smith suggested that we can think of various *political and spatial* scales including the urban, state and global scales (2008, pp. 181–202). Given that European states have increasingly chosen to manage some of their responsibilities at the macro-regional scales, we could insert this into Smith’s typology too. Further, we can add the scales of *social reproduction* of labour power in the form of reproductive partnerships and family units, most often organised via households and spatially located communities (Marston, 2000). Finally, it is possible to think of various *environmental* scales of natural reproduction including the biosphere and climate, natural resources and localised habitats and eco-systems.

These different political, economic, social and environmental scales are (a) structured by processes of class struggle and competition; (b) inter-relate; and (c) exhibit complex micro- and macro-scalar dynamics. To pick an example, changes in the organisation of production within departments, sectors

and enterprises have implications for how political/spatial nodes might be organised, for instance changing the demands on the built environment at the urban scale. Similarly, states respond to these dynamics by intervening to restructure capital and labour to enhance their aggregate competitiveness (Burnham, 2001a; Cerny, 1997). They also rescale their activities upwards (e.g. supra-national pooled sovereignty) and downwards (e.g. decentralisation and devolution) and at new aggregations of governance (e.g. City Regions) to try to cope with these changes (Peck, 2002; Peck & Tickell, 2002). In restructuring labour they might also look to influence social reproduction and household construction as in policies to incentivise female labour market participation, or to incentivise/penalise child bearing.

In each of these patterns of scalar organisation there is also a complex inter-play of pressures between macro and micro scales. We have already seen how the inter-related tendency toward over-accumulation and expansion at the macro-scale of the world market results from the micro-processes of inter-capitalist competition (Bieler, 2013, p. 174). As Smith (2008, p. 160) argues within the economic scales of the production of surplus value:

*“individual capitals confront a set of constraints, limitations, and conditions set by the structure and development of the larger economy, while the rules of the larger economy are the outgrowth of the class and competitive relations pertaining at the level of every individual capital”.*

So too, the dynamics and particularities of social reproduction are both a determinant and consequence of broader processes of the uneven meso-relationships between different societies as they confront each other through international trade. The macro-demands of capital for the production of surplus value at the scale of the world market generate the necessity for the meso-level competitive fragmentation of spatial and political organisation at the level of the nation state (Jessop, 2010, 2012; E. Wood, 2006), and, we might add, the division of the working class into competitive households. In the other direction, that competition between fragmented political communities (mainly but not only states) creates the appearance of contemporary globalisation, and in return this context reconstitutes the objectives and institutional form of these political communities as they internalise the system-level property of competitiveness in becoming ‘competition states’ (Cerny, 1997).

All this supports the assertion of the ‘ecological dominance’ of the world market. It is to the ways in which the ecologically dominant world market has shaped, and was shaped by, European integration over the last few decades that we now turn.

### **III. The long-term project to secure competitiveness through multi-scalar meta-governance**

We argue that considerations of scale can help to unpick the drivers, and therefore the sites for contestation, of the contemporary adjustment agenda in Europe. This agenda reflects a long-term commitment to use European integration to develop a multi-scalar (if frequently failing) meta-governance to embed the logic of competitiveness (Jessop 2006) through inter/trans-scalar restructuring. Bonefeld (2002) argues that European integration had this characteristic from the off. For Germany it provided a way of expressing a “supranationally anchored competitive market based on law, was decisive in the construction and evolution of the European Community” (p124) while for France it had the character of a supranational and extra-democratic constraint on domestic politics. For both, European integration provided a mechanism to reconcile mass society and democracy with the systemic demands of competitiveness. To this end he quotes De Gaulle:

*‘international competition...offered a lever to stimulate our business sector, to force it to increase productivity...hence my decision to promote the Common Market which was still just a collection of paper’. (De Gaulle, 1971 p143, quoted in Bonefeld, 2002, p. 128)*

Bonefeld also notes the objective (paralleling Hayek’s demands in the 1930s) of insulating national economic policy formation from democratic accountability. Such concerns would become a cornerstone of neo-liberal reform from the 1970s onwards, as recommended by (Nobel prize winning) economists like James Buchanan (Burnham, 2001b; Gill, 1998b). Single market legislation in the late 1980s and early 1990s and then Economic and Monetary Union (EMU) can be understood in this way (B. Apeldoorn, 2002, 2009; Gill, 1992, 1998a), as part of new turn in the European integration process, focused on the adjustment of European states and societies to new forms of competition, and the deepening of the EU’s exposure to it through openness to trade. Internally, the 1993 Delors’ White Paper on competitiveness committed the EU to the objective of competitiveness (European Commission 1993), a commitment that was substantially reasserted through the establishment of the Luxembourg, Cardiff and Cologne processes (European Commission 1996; German Presidency of the European Council 1999) and, from 1997 onwards, the ill-feted Lisbon Strategy (European Council 2000). Despite this consistent articulation of the need for competitiveness, expressed increasingly in the form of targets, to be pursued through ‘soft’ governance, by 2010 the EU seemed to be no closer to the objective. The Lisbon Strategy was widely regarded as a failure through successive reviews and at its conclusion (Kok 2004; Jessop 2006; European Council 2009).

Following this line of argument, the beginnings of contemporary concerns with competitiveness in Europe can be located in the scalar-relational problem of intra-European and world market integration in the Cold War era. Market integration and recovery within the ‘Western’ bloc, limited spatially by the politics of bi-polarity, threatened to unleash the full logic of competition on states within it. The result was both a spreading concern to improve competitiveness through internal reform and the

‘spatial fix’ of off-shoring and contemporary ‘globalisation’ (Harvey, 1982, p. 414). Key turning points included the 1976 subordination of British economic policy to the demands of the IMF and the 1983 ‘capitulation’ of the Mitterand government in France to the demands of global finance capital (Cammack, 2010, p. 266). The resulting ‘Paris Consensus’ of a rules based framework for the promotion of mobile finance capital (Abdelal, 2006), prefigured the later pursuit of competitiveness through EU meta-governance. Indeed, as Cammack shows, key figures in that government, such as Jacques Delors, Pascal Lamy and Michael Camdessus would become prominent figures in the political project for global competitiveness in both the EU and other international organisations.

The end of Cold War bi-polarity provided the potential for expansion in the scale of the world market, a further spatial fix. By now acting as a central political node in the global flow of capital, the developing EU was quickly expanded eastward to ensure that these new available spaces in East and Central Europe were securely drawn into the world market. In the process, the EU was not demure about its role in driving ‘deep’ economic, political and social reform at all scales in ‘new’ Europe (Grabbe, 2006; Shields, 2012) and internalising intensified competition, especially Germany which did this at the scale of the state rather than macro-region, through unification.

The process of deeper integration and resulting internal adjustment of EU states and societies has been continuously justified on the basis of the competitive threat posed by external states and societies. At the same time the EU and its institutions seek ever greater exposure to that very competition. Over time, the identity of the states/societies which constitute the most important competitive threat have changed, as world market integration has accelerated. The targets for trade liberalisation and at the same time those who posed the most significant competitive challenge were in the late 1980s and early 1990s the United States (US) and Japan. By the time of the current crisis China and the other BRICs were fulfilling that role. The changing balance of EU external trade mirror this shift in emphasis. In 2001 Chinese imports to the EU amounted to about a quarter of those from the US, whereas by 2010 Chinese imports to the EU had increased by nearly 200% and it was the single biggest exporter of goods to the EU. Over the same period imports from the US and Japan stalled (Eurostat, 2011).

The project to secure competitiveness through EU meta-governance has had its problems though. As Bonefeld (2002) predicted long ago, EMU posed important problems for containing class struggle and accentuating competitiveness. It provided a scalar-relational logic for some states to protect households from a lack of competitiveness through debt-financed public spending. We now turn to the construction of the EU response to these problems in the form of inter/trans-scalar meta-governance.

#### **IV. Europe 2020 and the Contemporary project to secure competitiveness in EU Meta-Governance**

Despite the failure of the *Lisbon Strategy* and the crisis engulfing the Eurozone in 2010, the publication of Europe 2020 in that same year marked a continued commitment to competitiveness as its number one political and economic goal. The crisis was presented as a problem but also an opportunity for facilitating deeper and longer-term reform for competitiveness. Following the well worn logic this will lead to particular problems because:

*“...competition from emerging economies is intensifying. Countries such as China or India are investing heavily in research and technology in order to move their industries up the value chain and ‘leapfrog’ into the global economy.” (European Commission 2010d: 8).*

The implication is clear:

*“Either we face up collectively to the immediate challenge of the recovery and to long-term challenges – globalisation, pressure on resources, ageing, - so as to make up for the recent losses, regain competitiveness, boost productivity and put the EU on an upward path to prosperity (‘sustainable recovery’). Or we continue at a slow and largely uncoordinated pace of reforms, and we risk ending up with a permanent loss in wealth, a sluggish growth rate (‘sluggish recovery’) possibly leading to high levels of unemployment and social distress, and a relative decline on the world scene (‘lost decade’)....our exit from the crisis must be the point of entry into a new economy” (European Commission 2010d: 8-10).*

The vision articulated in *Europe 2020* for ‘Europe’s social market economy’, was to foster smart (knowledge economy/innovation), sustainable (resource efficient/green agenda) and inclusive (high levels of employment/social cohesion) growth, to “deliver the competitive social market economy of the twenty first century, boosting the confidence of market actors, companies and citizens alike” (European Commission 2010b: 2). As crisis pressures evolved the Commission saw it as “opportunity to tap potential new sources of growth and jobs. Such adjustments come on top of, and often serve to correct, longer-term competitiveness challenges faced by many of our economies” (European Commission 2012f: 8). Thus the crisis was to be used as an opportunity for the EU institutions to secure Member State (MS) commitment to the logic of competitiveness, acting as a strategic partner in the process but also locking-in this commitment to the European process of supra-national policy coordination involving deep reform at the political scale of state and sub-state institutions, the economic scales of sector and enterprise and social scales of the household and individual.

It is not hard in the suite of documents, strategies and plans that flow out of *Europe 2020* to find evidence for an understanding of the spatial and scalar-relational dynamics associated with world market integration and the role of foreign trade. Everywhere trade is depicted in the standard liberal model as a vehicle for growth.

*Europe 2020* and the subsequent flagship initiatives and monitoring documents of the European Semester are replete with familiar refrains to increase research and development, innovation and productivity; deepen and strengthen the internal market; while opening up opportunities in external markets by negotiating market access, “expanding the area in which EU rules apply...” (23) and fostering political alliances with key emerging economies. The treatment of the prospects for the use of external policy is perhaps most revealing for the politics of global competitiveness. First, it reveals the desire to spread the EU’s own commitment to competitiveness to others, thereby undermining any sense that competitiveness is strictly about the success of the EU *vis-à-vis* other geo-political units. Second, the strategy continues with the familiar assumption that the development of capitalist social relations in other parts of the world will lead to the emergence of predictable class structures, generating demand for EU goods and services, so long as the EU can stay at the crest of the innovation wave. But while increased trade liberalisation is always presented as creating potential for future exports it is also acknowledged that increased trade with emerging markets is generating competitive pressures for internal adjustment:

*“Trade is a strong driver of growth. There is a huge untapped potential for export of EU goods and services. The positive export performance of some Member States shows that success in global markets rests not only on price competitiveness but also on wider factors such as sector specialisation, innovation, and skills levels that enhance real competitiveness.” (European Commission 2010b: 9).*

The various trade strategies and Communications (e.g. European Commission 2010f) reveal a continuing commitment to promoting mutual market access for external states. As the Communication *Trade Growth and World Affairs* (European Commission 2010h) makes clear, the Commission sees trade liberalisation as a contributor to both internal adjustment and an integrated process of overseas development in the familiar liberal story of trade liberalisation and market expansion. The Communication builds on the earlier European Council conclusion (European Commission 2010e) that internal liberalisation is an essential precursor to external liberalisation and is linked to enhancing market pressures for adjustment inside Europe *and* external states. Similarly, the Commission and Council continue to look for more market sectors in which to apply single market legislation.

In the wake of the institutional problems realised by the Euro-crisis from 2010 onwards hard governance (such as in the pre-existing Excessive Deficit Procedure – EDP) in relation to fiscal policy have been substantially strengthened for the Euro-zone and beyond through the establishment successively of the Euro-Plus Pact (the Competitiveness Pact) (European Council 2011), the Six Pack (European Commission 2010e; Council of the European Union 2011), the Treaty on Stability, Coordination and Governance (including the Fiscal Pact) (TSCG) (European Commission 2012d; European Commission 2012h) and the so called Two-Pack (European Commission 2012b).<sup>2</sup>

Collectively these provisions strengthen the measurement criteria of the pre-existing Stability and Growth Pact (the 6 Pack, the Stability and Growth Pact); increase surveillance and monitoring procedures in relation to fiscal policy and by extension in the Euro-area all other aspects of government policy (Euro-Pact Plus, 6 Pack, TSCG). They lock-in fiscal policy commitments first into national legislation (Euro-Pact Plus) and then for supra-national sanction *via* the Reverse Qualified Majority Voting system (6 Pack, TSCG) and even through the European Court of Justice (TSCG). Moreover, the two-pack enables the Commission to pre-vet MS budget plans and medium-term financial plans and require them to re-write them in the event that they judge the budget to break Stability and Growth Pact (SGP)/EDP rules. Taken together this is a major strengthening of the locking-in of fiscal discipline at the macro-regional level for most states.

However, under the cover of fiscal policy, discipline is extended to other areas of the MS policy also. For instance, the Euro-Pact Plus requires MS to implement multi-scalar adjustment in relation to wage bargaining procedures to end indexation to ensure wages fall below productivity and that ‘sustainable’ public finances are judged against specific areas of public spending such as health, pensions and welfare benefits. It also commits MS to enhanced tax policy coordination. Additionally, changes in the European Semester (see below) have introduced further fiscal monitoring in the form of the annual Alert Mechanism Reports (ECOFIN Council 2012; European Commission 2012a) which cover MS outside some of the enhanced surveillance mechanisms above. Subsequent Council (European Council 2012; President of the European Council 2012a; President of the European Council 2012b) and Commission proposals have sought to further extend ‘deeper coordination, endorsement and surveillance at the European level’ to all economic and fiscal policy choices including taxation and employment (European Commission 2012c: 11).

If ‘hard’ forms of meta-governance have been strengthened so too have ‘soft’ forms. The spectre of the ‘failed’ *Lisbon Strategy* haunts *Europe 2020*. A new ‘architecture’ has been established, in the

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<sup>2</sup> Not all countries are signatories to all these packs and pacts. Participants are as follows: Euro-Pact Plus: all MS to varying extents except CZ, HU, SE, UK; Six Pack: all 28 MS; TSCG: 26 MS (except UK, CZ); two-Pack: Eurozone only.

‘European Semester’, which is essentially a tightened and expanded form of the Open Method of Coordination (OMC). It involves the setting of high level and detailed EU-wide targets by the Commission and European Council, followed by National targets and action plans, annual monitoring and production of country-level recommendations by the Commission. Inter-scalar meta-governance emerging from the *Europe 2020* strategy is intended to facilitate the embedding of the politics of competitiveness at a state/sub-state as well as EU-wide scales.

A detailed audit of country-level prescriptions is beyond the scope of this paper, but a quick review of the *Annual Growth Surveys (AGS)* since 2010 and the analysis of the EU economy that they rest on is illustrative for debates about the future of continual adjustment in Europe. *AGS 2011* (European Commission 2011a) reaffirms the EC’s commitment to continual adjustment, in the context of the crisis and the need in particular for higher productivity growth. It singles out three main areas for action: fiscal consolidation; labour market reforms to promote employment and the rather ambiguous ‘ensuring growth’. For example, the first is straightforwardly associated with spending reductions and in some cases tax rises alongside financial sector reform. Included in here also though is a key element of inter-scalar adjustment: structural changes to the economy to correct macroeconomic imbalances and specifically: ‘strict and sustained wage moderation’. In relation to the labour market, Active Labour Market Policies (ALMPs) and benefit/tax reform is encouraged to ‘make work pay’, retirement ages should be increased to facilitate longer-working, and employment protection should be reduced to prevent insider/outsider problems and to avoid ‘labour market rigidities’.

Of course it is easy to say that these high level strategies have little impact on Member States who only imperfectly and selectively implement them, but the ‘European Semester’ is designed to prevent this. The Commission’s *Progress Report*, which accompanies the *AGS* as an annex, looks across Member States’ *National Reform Programmes*. The first *Progress Report* (European Commission 2010a) suggests that indeed MS were only partly committed; with notable gaps and in many domains (e.g. employment) the targets set by MS individually would be insufficient on aggregate to satisfy EU-wide objectives. The *Single Market Reports* and *Joint Employment Reports* present an analysis across MS of progress in implementing the strategy and detailed *Country Recommendations* address the shortcomings of individual MS, who are supposed to respond to these.

Through *Europe 2020*, associated strategies and the European Semester, the EU commits to an ambitious agenda to re-organise capital in the MS to both increase internal competitiveness but also competitiveness between the EU and the rest of the world, particularly the emerging markets (European Commission 2010c: 14). This is to be delivered through Innovation policy to assist with capital deepening and the realisation of relative surplus value. The *Innovation Union* (IU) ‘Flagship Initiative’ is designed to strengthen European cooperation in the European Research Area, targets are



set to increase the intensity of European spending on Research and Development (R & D) and this research is to be more firmly linked to commercial exploitation. To do this the IU programme spreads across multiple sectors and institutions and reaches directly into the domestic organisation of capital and supporting institutions. Universities are to be ranked according to specially designed metrics,<sup>3</sup> funding streams promote entrepreneurial endeavour inside them and associated curriculum reform and knowledge transfer (e.g. reform of ERASMUS and Marie Curie ‘actions’). A variety of programmes at EU and micro-regional scale are intended to promote Small and Medium-sized Enterprises (SME) and other firm access to new technology and research. The Seventh Framework Programme for Research and Technological Development (FP7) and Horizon 2020 research funding streams are at least partly aligned with the objective of promoting innovation. A glance through the variety of projects funded reveals also that projects which seek to secure similar innovation outside the MS are also funded via the E11.5bn spent on the Instrument for Pre-Accession between 2007-2011, the wider Neighbourhood Policy and International Cooperation (INT-COOP) mechanisms. IU also acts as a soft-governance mechanism, continuing previously employed practices of monitoring and reporting on MS policies and success in R&D and innovation development and through this to increase peer-pressure and external logics of support for MS activity (e.g. European Commission 2013a; European Commission 2013d). Other Flagship Initiatives such as the *Digital Agenda for the EU* aim to transform the organisation of ‘domestic’ (that is: capital operating in the EU rather than European capital) capital through the application of new technology and expansion of liberalisation to new sectors.

The continuous re-organisation of capital for productivity enhancement then is not just conceived of as in the interests of European citizens but, because similar processes are encouraged elsewhere too, this is also conceived as in the interests of capital as a whole *vis-à-vis* labour, wherever it finds it. So innovation policy is promoted both *through* MS, and *within* them in direct scalar-relations between EU and domestic institutions and capital itself through funding programmes and knowledge transfer. Similar to trade policy, this is intended to facilitate restructuring in the EU and *outside* it.

If capital is to be restructured, then so too is labour. While a full review of the strategies and objectives associated with this is beyond the scope of this paper, consistent and illustrative concerns include the need to up-skill labour for commodification in new sectors and in the context of reorganized capital; the need to reduce labour market segmentation. As in strategies from the early 1990s on, all these trends are frequently revisited in *Europe 2020* and the *AGS*.

Up-skilling is identified in *Europe 2020* as essential to ensure that Europe benefits from job creation in new occupations and sectors driven by innovation, with the estimation that 80m Europeans had low

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<sup>3</sup> <http://www.u-multirank.eu/>

or basic skills, 16m more jobs by 2020 would require higher skills and a further 12m low skilled jobs would disappear (European Commission 2010c: 18). The *AGS 2012* recommends that education and training provision is focused more tightly on labour market demand, particularly sectors and occupations with skills shortages (European Commission 2011a: 11) and *AGS 2013* reaffirms this (European Commission 2012f: 10).

However, the evidence to suggest that up-skilling will be successful is only very partial at best. As the Commission's "flagship analytical review on employment and social issues" (European Commission 2011b: 3) *Employment and Social Developments in Europe (ESDE)* makes clear, labour market polarisation on the basis of the wage distribution is not matched in relation to the skills distribution. When considered from the perspective of job holders' qualifications, EU labour markets demonstrate an alternative trend of upgrading. Put simply: workers are becoming more skilled across the jobs distribution, but they are not necessarily getting paid any more for it.

Equally labour market segmentation which prevents labour from effectively competing with itself is continuously targeted as a problem. The *AGS 2011* comments that

*"in some Member States employment protection legislation creates labour market rigidity, and prevents increased participation in the labour market. Such employment protection legislation should be reformed to reduce over-protection of workers with permanent contracts, and provide protection to those left outside or at the margins of the job market."* (European Commission 2010b: 7).

Similar concerns are raised in *AGS 2012* (European Commission 2011a: 10). To anyone who read the frequent country recommendations as part of the *Broad Economic Policy Guidelines (BEPGs)* and the *European Employment Strategy (EES)* in relation to Germany in the 1990s and early 2000s, these exhortations are nothing new. What they aim at is a level playing field so that the social relations bound up in production are exposed to the full set of competitive pressures, including but not only those that arrive in the form of imported foreign commodities. They include too those that are localised; from 'outsider' groups in the labour market, themselves often economic migrants from other parts of the EU, whose competitive effects are spurred by enlargement and free movement of people. To make this general principle a reality, specific recommendations relate to the universal recognition of qualifications (including professional qualifications outside the pre-existing process of harmonisation in the Bologna process) and the removal and reorientation of Employment Protection Legislation (EPL). In the latter instance, on the one hand there is the expectation that basic protections are offered to all workers (European Commission 2011a: 11). On the other, this is combined with a pressure to reduce the extended protection that applies to permanent and full time

workers. What is clear is that if segmentation is to be reduced it will be through levelling down, rather than up, for that will incentivise capital to hire:

*“Reforming employment protection legislation in consultation with social partners, reducing the excessive rigidities of permanent contracts and providing protection and easier access to the labour market to those left outside, in particular young people”. (European Commission 2011a: 11).*

However, as with up-skilling, *ESDE 2011*, shows that over the last decade a hollowing out of EU labour markets has taken place due to structural shifts away from manufacturing toward services at the top and bottom of the income distribution, the corresponding increase in temporary and casual work on the one hand and low wages (with low minimum wages) on the other are also held responsible in the *ESDE 2011* for rising inequality, general and in-work poverty (17-200). *ESDE 2012* continues to show a link between falling wages, rising unemployment (including long-term unemployment) and welfare reforms as contributors to falling household incomes, increasing social polarisation and in-work poverty (European Commission 2012g).

As elsewhere, there is nothing new in this prescription. It is fully in line with the vision of ‘Flexicurity’ (European Commission 2007b; European Commission 2007a; Andersen *et al.* 2009; Smith *et al.* 2012) – to render equal competition among labour – that had been an objective of the Commission for several years even prior to the onset of the crisis.

If competition is to be applied to those already active in the labour market it is doubly important for the unemployed and inactive. EU MS have implemented ALMPs since the early 1990s and a series of recent studies show how ‘activation’ has become ‘hardwired’ into the management of Public Employment Services across Europe (Nunn 2012b; Nunn 2013b; Nunn 2013a; Weishaupt *et al.* 2014 Forthcoming). This adoption of ALMPs is widely cited as one of the reasons that the unemployment problem in Europe is not worse than it is.

In some respects then, despite the apparent success of ALMPs, this resembles the context when they were introduced. High unemployment, concerns about levels of inactivity and dropping out and increasingly also about the ‘scarring effect’<sup>4</sup> (European Commission 2012e:2; European Commission 2013c: 2) of unemployment. The response is consistently articulated as further tightening of benefit conditionality, and the deployment of activation measures (European Commission 2010b: 5-7; European Commission 2011a: 11), though there is occasional inconsistency in relation to the question of whether benefit/wage replacement ratios should be reduced during or only after labour demand

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<sup>4</sup> For some background on the idea of scarring see (Blanchard and Diamond 1994; Machin and Manning 1999; Arulampalam *et al.* 2000; Arulampalam 2001; Gregg 2001; Nunn *et al.* 2010)

starts to rise, in order to incentivise work. By the time of *AGS 2013*, the real threat of dropping-out of the labour market and the emergence of structural unemployment was seen as increasingly important. The solution – in the form of the ‘Youth Employment Package’ - is posed as more activation (job search counselling etc.) and targeted employment and training guarantee schemes to avoid scarring (European Commission 2012f: 10-11), higher quality training schemes to prevent skills mismatches and – once again - labour market reform to prevent segmentation acting as a barrier to entry (European Commission 2012e).

By seeking to ensure that labour continues to compete for work when unemployed and for more work when underemployed, and to stay in the labour market when exit may otherwise be possible (e.g. especially for age-related reasons), the agency of the Commission and many MS is to hold a process of ‘continuous proletarianisation’ in place. This is continuous in two respects. It is continuous in that ALMPs and other measures have sought to prevent long-term unemployment while not significantly addressing job security for at least a decade (Nunn 2013a). It is continuous in another sense too though – in that the unemployed are expected to remain continuously engaged with these services in order to enhance their employability and may therefore be repeatedly affected by proleterianising interventions. Active and continuous proletarianisation is therefore a state-led, encouraged through inter-scalar meta-governance and often delivered in decentralised local delivery models to ensure that unemployed workers are not so protected from the disciplining effects of the labour market by welfare provision that their labour power becomes de-commodified.

As the crisis and response to it have unfolded many MS have witnessed episodic, and in some cases sustained, mass protests which to some extent suggest the incipient emergence of legitimacy problems driven first by the crisis itself, and second by the way in which it has been handled. Spain (Charnock *et al.* 2012) and Greece (Rüdig and Karyotis 2013) in particular (and to a lesser extent elsewhere (Horn 2012b; Mann 2012; della Porta *et al.* 2013; Kousis 2013)) have witnessed substantial popular demonstrations and radicalised counter-movements. In addition to this, *Eurobarometer* surveys continue to show that the crisis is linked to declining popular trust in political institutions domestically and at the EU level, increased pessimism about the future prospects of Europe and declining support for the Euro, albeit with important national variations (European Commission 2013b). This universally emergent, yet highly uneven, legitimacy problem is recognized by the Commission and EU. Consideration of the *AGS* and *Joint Employment Reports (JERs)* over the period between the establishment of *Europe 2020* and the time of writing display a continuing and growing concern with the implications of legitimacy issues for securing reform. For instance, Barosso’s 2013 *State of the Union Speech* marks a substantive return to themes of ‘social Europe’, and was apparently unusually circulated around the entire Commission staff. This is a partial about turn from Mario Draghi’s earlier and widely reported statement in 2012 that “The European Social Model is already gone” (Blackstone

*et al.* 2012). While the speech is celebratory about evidence of the credibility of reform based on financial spreads on government debt, he warns that:

*“the biggest downside risk I see is political: lack of stability and lack of determination. Over the last years we have seen that anything that casts doubt on governments' commitment to reform is instantly punished. On the positive side, strong and convincing decisions have an important and immediate impact....In this phase of the crisis, governments' job is to provide the certainty and predictability that markets still lack.” (Barosso 2013).*

Put simply, the legitimacy of the strategy is hinged in the eyes of the Commission and Barosso on securing continuous proletarianisation and the restructuring of labour as described above: that is employment growth but with a weakened relative position for labour. Barosso goes on to urge a strident defence of the European political project making clear that the economic project and the political project of integration are one in the same thing. ‘Peace in Europe’ should therefore be equated with the hegemony of the single market and financial credibility over other concerns about the distribution of power and resources. Securing growth is also seen as ensuring greater competition between labour, between workforces in Europe and between these and the rest of the world. In short, ensuring legitimacy is dependent on the so far illusive pursuit of competitiveness, which even if successful, would require a continual downgrading of the standard of living in MS.

## **V. Conclusions: what are the prospects for resistance and where should it focus?**

The process of continuous adjustment being attempted, with varying and uneven purchase, across Europe is illustrative of the way in which actors are pressured by the systemic logic of competitiveness. In doing so they both promote and respond to the ‘ecologically dominant’ scale of world market integration. But the EU is also fully reflective in this process; on the one hand it seeks to adjust European societies to the demands of internal and external competition and on the other it consciously seeks to increase these pressures through expanding and deepening single market legislation and externally it seeks trade liberalisation. In some respects then the EU can be seen as acting not just in support – pro-cyclically, as it were – of structural pressures, but is also in advance of them. Its efforts for example to spread internal liberalisation to new sectors not yet under competitive pressure, is illustrative of this. This makes EU meta-governance not just responsive to structural pressures but an active agent in their realisation.

Our argument is that EU meta-governance in the wake of the crisis marks a continuation of long-term themes to secure multi-scalar societal adjustment to the demands of competitiveness. Because competitiveness is a systemic logic this adjustment is ‘continuous’, that is; it should not be expected

to end any time soon and the future path for EU political economy should be seen as ‘more of the same’. EU meta-governance seeks ‘deep reform’ in this continuous adjustment process by utilizing both inter-scalar and trans-scalar governance to lock-in competitiveness at a variety of economic, political and social scales. Locking-in competitiveness does not stop at securing compliance with hard governance measures related to fiscal policy at the political scale of the state. It extends downwards to seek the reorganization of both capital and labour, right down to the household and individual levels. Our main objective in this article was to draw attention empirically to these detailed inter- and trans-scalar processes.

Our second contribution is conceptual and practical at the same time. We seek to show that continual adjustment in EU meta-governance is scalar-related to a process of world market integration, which is progressing rapidly but far from complete. In pressing for this adjustment the EU is in large part responding to structural pressures, though we fully acknowledge that the EU often acts even in advance of these. Similar to the Amsterdam School we argue that the location of EU meta-governance in these broader processes makes a return to some ‘normalcy’ as a result of successful adjustment to post-crisis competitiveness highly unlikely. However, we also argue that the scope for alternative and more ‘Keynesian’ forms of political economy in Europe is also constrained. Such strategies may be more desirable than the Europe we have, but they look very difficult to realise on, even if they were, they would need to be thoroughly subordinated to the demands of competitiveness. They would not therefore be ‘counter hegemonic’ in any materialist sense. In asserting this we do not argue that it is not possible to find counter-hegemonic alternatives or that such searching is to be discouraged. Rather we assert that counter-hegemonic – revolutionary – political agency would need to be fully located in an understanding of the scalar-relational logic of world market completion that is currently underway. A first start in this process, as Horn (2012) notes, is to ‘narrate’ the commonalities in the position of the working class across Europe in the face of the pressures of continual adjustment.

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