

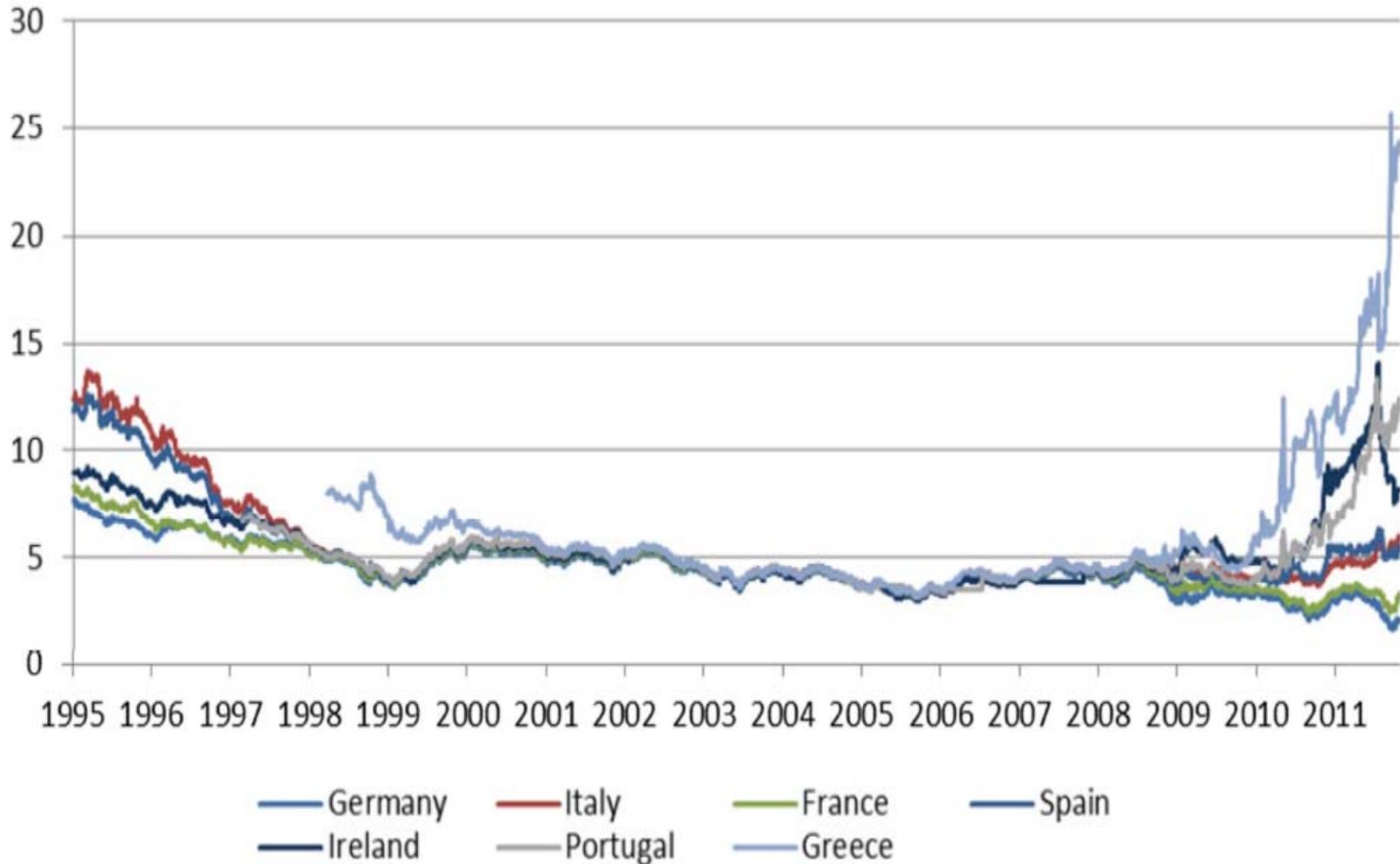
The state of the EU crisis: possible scenarios

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The state of the EU crisis: possible scenarios

1. The crisis at the surface
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1. The crisis at the surface



2. The theoretical perspective: political economy

- **Keynesian approaches** tend to focus on what's wrong with economic policy and what should be done (implicitly assuming a class compromise)
- **Political economy** provides an analysis of social forces AND economic dynamics
- Understand current developments and discuss scenarios requires to consider both, **political AND economic** dimension

2.1 Theoretical perspective: *political* economy

- Neo-mercantilist and neo-liberal forces (finance) at **the core of neo-liberal European integration**
 - **German capital, and finance**
- Central aims:
 - **accumulation of capital** (concentration and centralization)
 - **guarantee class power** and social structure
 - very **successful** before crisis AND during crisis, BUT structural **crisis dynamics** should not be underestimated (unintended consequences) and in addition there are **conflicting social forces**

2.2 Theoretical perspective: political *economy*

- Political economy / modified **regulation theory**
 - Problem of **overaccumulation /realization** of surplus value
 - **Decreasing wage share** (EU15 74% in 1975 to 66% in 2010), increasing inequality = **increasing profit share and centralization of capital**
 - **Crisis was postponed by asymmetric interaction** of national regimes of accumulation in the EU
 - **Neo-mercantilist** Germany (and some linked economies) active extraversion, productive regime, export of capital (lending money to periphery)
 - European periphery: passive extraversion, **financialization** (=increasing private and/or public debt)
- **Overall growth declined**

3. Causes and dynamics of the economic crisis

Neo-liberal character of European Integration and Euro contributed to:

- Current account **imbalances** and related (external) debts became **subject of public concern**
- **Additional public debts** due to financial crisis (socializing losses, bailing out banks including EFSF)
- **Financial attack, spreads increased**: Greece 32%, Portugal 17%: Italy, Spain 6% (problem ECB is not a Lender of Last Resort for Euro governments)
- **Austerity policies** → widening „imbalances“/**increasing contradictions, increasing public debts, deepening crisis**

4. Responses to the crisis

- **Anti-crisis policies** tend to **expand capitalist class power** and tend to **radicalise neoliberalism**

Agents:

- German government based on dominant **German capital (not a hegemonic strategy)** in the European productive system dominates anti-crisis policies
- **Finance** = financial sector + big capital

Policies:

- EFSF, ESM, **New European economic governance** (further rule-based and therefore authoritarian built in permanent austerity mechanisms (threat on the welfare state) aim: deepening the power of capital (liberal wage relation, nominal wages going down)
 - **Financial sector and its destructive power remain** untouched, despite of Basel III and because of recent bank recapitalization measures (credit crunch)
 - **October summit and recent proposals show no rupture** with this form of so-called anti-crisis policies
- → Austerity deepens the crisis and the divide between the core and the periphery, **contradictions are increasing**

5. How to „technically“ solve the crisis?

- **New European Governance:** Make ECB lender of last resort (plus Eurobonds), fiscal co-ordination based **not on austerity** (if not, there is still a default risk because countries may be willing to opt out)
- By **decreasing debts** (financial assets) via default, taxes, expropriation, inflation
- By substantially restructuring and **downsizing the financial sector**
- By **changing incomes policies** (higher wages)
- By addressing structural imbalances within the EU and by **providing a framework for economic development** (modifying the regulation of competition)
- (Undertake further measures to **overcome capitalism**)

6. Possible scenarios

1. **Continued crisis management by focusing on austerity** and deepening it for a while (debt breaks...):
 - Supported by **dominant groups of capital**, backed by US-based credit rating agencies, lack of organized European solidarity of the working class, main aim just to go back to the before the crisis status
2. **Ordered authoritarian re-regulation from above** (changing things in order to leave power structures unchanged):
 - From Eurobonds, ECB LoR ,Keynesian elements etc. but with austerity bias
 - Necessary if finance wants to avoid decent into the unknown, strategic selectivity of EU-level favours centralized capital
 - Supported by Euro-regulation optimists
3. **Chaotic development:** austerity policies at a certain point may turn out to lead to a situation which cannot be “managed” by capital anymore
 - 3a) **Rupture of the Eurozone, right-wing nationalism, xenophobia, etc.**
 - 3b) **Progressive alternatives:**
 - **redistribution** (debt cuts), and socialization of financial industry, **new capitalist growth model**
 - or **radical reformism** not just to overcome structural crisis but to implement a political economy based on solidarity and ecological sustainability

7. Conclusions

- To analyse the crisis a **political economy perspective** is helpful (it is not just about how to get back to growth)
- **Capitalist class tries to radicalize neo-liberalism**, crisis contributes to the centralization of capital and weakens the working class (debt brakes, austerity measures), **contradictions will increase but are still “manageable”**
- ... the possibilities to “manage” the crisis may disappear quite quickly and a **decent into the unknown** may happen

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