THE EUROPEAN NEOLIBERAL ORDER AND THE EUROCRISIS

Blame it all on Germany?

José Manuel Pureza and Mariana Mortágua

José Manuel Pureza (*left*) is Full Professor at the School of Economics of the University of Coimbra and Senior Researcher at the Centre for Social Studies of the same university. He has recently published *Disobeying the European Union* (Porto: Deriva/Cultra, 2015) and *Red Lines: Critique of Crisis-as-Politics* (Lisbon: Bertrand, 2015). His current research priorities include peace studies, human rights and international law. Email: jmpurezaces@gmail.com

Mariana Mortágua (*right*) is a PhD candidate at the School of Oriental and African Studies, University of London. Her current research includes macroeconomic imbalances in the Eurozone and Secular Stagnation. Email: marianamortagua@gmail.com

Abstract: This article reads the current Eurocrisis going far beyond the classical linear explanations of the dualism between an imperialist core and a victimised periphery. Instead, it mobilises the concepts of social capital and of global imperialist chain to demonstrate the continuum between the agendas of the dominant classes in both the core and the periphery and the use of intergovernmental regional organisations as privileged tools for their strategies of exposing national capitals to international competition. Seen from this point of view, the current Eurocrisis is something far more complex than a mere exercise of domination of a major power (Germany, in this case) over peripheral economies: it is part of a strategy of redesigning the traditional model of welfare state, in which the Euro and the European Monetary Union work as dispositives of an hegemonic approach useful for the national bourgeoisies of the entire European space.

Key words: Eurocrisis; global imperialist chain; social capital; new regionalism

Introduction

There are two main narratives concerning the current Eurocrisis. The first places the problems of the euro in the fiscal profligacy and indiscipline of the periphery, charged for having been "living beyond their means." The second tends to identify the accumulation of economic and political power by Germany and its growing capacity to bind EU peripheral countries to the neoliberal creed as the major ingredients of this crisis. In this perspective, the EU and the Euro are seen as mere instruments of this strategy of exploitation of the periphery by an imperialist Germany.

This commonsensical understanding is based on a dominant body of literature, which envisages the capitalist system as a set of linear relations of exploitation of an underdeveloped and dependent periphery by an imperialistic centre. These traditional approaches, inspired in the post–Second World War theories of imperialism—such as "metropolis-periphery" or "centre-periphery" theories—conceive the international capitalist system as a uniform global capitalist-class structure and, therefore, they underestimate the role of nation states as condensers of class relations and tend to ignore their importance in the construction of an hegemonic rule.

We disagree with these simplistic formulae and argue that we need a more adequate account of the political economy of contemporary imperialism which goes much beyond a linear relation between economic supremacy and multidimensional hegemony.

To fully understand the actual cartography of global geopolitical economy, it is necessary to go back to Marx' notion of *social capital*. This implies that emphasis is duly put in the role of nation states as crucial agents of the dynamics of internationalisation of capital and reinforcement of the neoliberal hegemonic order. We choose to envisage the state as the expression of the class dynamics developed within a specific (national) social formation. The process of capital internationalisation, by exposing the different national socio-economic structures to external competition, is a keystone of that strategy: it compresses workers rights, it optimises tax systems and profit opportunities. At the heart of our argument is, therefore, the notion that, while defending the specific interests of its dominant class, the political action of each nation state contributes to the reproduction of the hegemony of the international capitalist order. This order is not structured as a set of bilateral imperialistic relations, but more as a *chain*, where every nation state, or regional block, occupies a specific position, determined by the interaction between its national social capital and the international chain itself.

Against the prevalent narrative, which lies on a set of abstract dichotomies (regional blocs versus globalisation or states versus global capital), reality shows us how regional blocs like the EU/EMU act now as privileged tools of the neoliberal strategies of exposition to global competition. The euro is not the ultimate objective of an imperialist power, but the logical outcome of the accumulation strategy of the different national capitals, which uses the exposition to external competition as the main instrument to discipline labour and individual capitals.

Our hypothesis is, therefore, that the organisations of the so-called new regionalism became crucial elements of the global imperialist chain since they have been mobilised as privileged mechanisms for exposing national social capitals to international competition. The case of the EU/EMU, which we explore in this article, is a perfect illustration of this.

The German Centre against the Periphery or the Periphery against Germany

There are two main narratives concerning the current Eurocrisis. They are mainly political constructions, but have—naturally—invaded the academic analyses of the matter. Albeit radically different in their methods, premises and conclusions, both perspectives share some crucial features. Namely, they are all grounded in a core-periphery framework, in which countries are divided according to their fiscal and trade balances.

In this article, we will mainly focus on the heterodox and "Marxist" inspired interpretations of this core-periphery division. However, and to illustrate how pervasive this framework is, we believe its worthwhile mentioning both.

The first narrative, originated in the "mainstream" or neoclassic inspired economists, is centred in the non-innocent anachronism "PIIGS" (refers to Portugal, Italy, Ireland, Greece and Spain). This explanation suggests that the problems of the euro can be found in the fiscal profligacy and indiscipline of the south.

PIIGS, or the peripheral countries of the Eurozone, are charged with having allowed for excessive nominal wage growth (that exceeded productivity), relatively to the core countries. Higher nominal unit labour costs caused higher inflation in these economies, deteriorating their competitive power and introducing disruption in the way the monetary policy operates at the European level.

The deterioration in competitiveness led to a real exchange rate appreciation, which, according to standard models, reduced exports and redirected demand from domestic to foreign goods. The appreciation in the real exchange rate also had an effect on the structure of production, favouring non-tradable sectors.

In sum,

> as the recent experience shows, the imbalances that matter for the stability of monetary union are the result of either fiscal profligacy—as in Greece and to some extent Portugal—or of an unchecked expansion fuelled by capital inflows feeding unsustainable growth of the non-traded sector—as in Ireland or Spain. (Giavazzi and Spaventa 2010, 14)

This is also the opinion put forward by Axel Weber, the president of the Deutsche Bundesbank, when claiming that the problem was that the inflow of capital in deficit countries was not allocated efficiently. Real estate markets in

Spain and Ireland, high government deficits in Greece and private consumption in Portugal increased internal demand and wages above productivity, reduced competitiveness and caused the current account deficits.

This view of "blaming the periphery" is particularly visible in the debate concerning the role of TARGET2 (the Eurosystem's real-time settlement system) in the foremath of the Eurocrisis. Regardless of its more technical details, TARGET2 is the system where the liquidity support operations by the European Central Bank (ECB) have been recorded.[1]

According to Sinn and Wollmershäuser (2011), these liquidity operations, recorded in TARGET2 accounts, meant that ". . . effectively the Bundesbank has replaced private capital flows that would otherwise have been needed to finance the GIPS's current-account deficits." This was, in effect, a bailout long before the corresponding parliaments took any notice. This bailout made it possible for the GIPS to continue living beyond their means, and it saved them from a drastic reduction in credit flows. Therefore, these TARGET loans represented no more than forced capital exports from Germany and other core countries to the "junkies in the deficit countries" in need of "the drug of additional central bank money to finance their external imbalances" (Milbradt 2012).

Ntampoudi (2014, 7) summarises this first narrative as follows:

> [T]he side of accomplished economies and German citizenry, are ascribed the role of the conscientious tax-payer that has been working on low steady wages for many years and is now deprived of the fruits of this labour because of southern debt and EU administered bailouts. Examples of this role ascription can be seen in media text titles such as "Greece dependent on the patience of German taxpayers" or "German Taxpayers' Association criticizes Greek bailout accord" that project the argument "why should hardworking Germans bail out countries that borrowed too much and don't work as much?", or Bild Zeitung's headlines "Fear for our money" and "We are no longer the paymaster of Europe."

In sum, this view reinforces the core-periphery duality, and the idea that, instead of more structural forces, the Eurocrisis crisis is owed to peripheral countries.

The second view, popular among heterodox economists, focuses on systemic structural and macroeconomic aspects of the Eurocrisis, and particularly on the role of Germany in it.

These views stress that the loss of competitiveness in the south is not due to national wage profligacy. The fact that Nominal Unit Labour Costs (NUCL) were allowed to grow more in the peripheral countries does not necessarily imply that real wages were rising faster than productivity. In fact, the opposite happened in most countries in the Eurozone. It is also wrong to interpret rising NUCL in the periphery as a reflex of inferior productivity rates in relation to the core countries since, for the past decade, productivity growth in Germany was below the euro area average, and even below the rates of some of the peripheral countries (Lapavitsas et al. 2010). For this second perspective, therefore, the main reason behind the weak competitive power of the peripheral economies relies instead on German compression of nominal wages. Having entered the euro at an overvalued exchange rate and with rather weaker welfare state systems and lower salaries, the scope for competitiveness gains in the periphery was small.

Following this line of reasoning, it is consensual among this heterodox view that one of the main causes of the European crisis relies on Germany. The country is charged for having pursued a "beggar thy neighbour" (Lapavitsas et al. 2010), or neomercantilist, strategy based on internal deflation relative to other European countries, especially in the periphery (Bibow 2006, 2012; Flassbeck 2007; Lucarelli 2011).

Overall, the consequence of cumulative differences in labour costs and inflation rates resulted from structural current account surpluses in the core countries, particularly Germany, matched by deficits in the peripheral economies. Deprived from its internal demand, Germany faced a dismal growth performance, based mainly on exports:

> In the period 2001–2005, Germany literally managed to grow (rather, crawl) on one cylinder only: (net) exports. Even when domestic demand finally got ignited at the peak of the global boom in 2006–07, this mainly owed to export-induced investment, while private consumption remained extraordinarily weak throughout. With domestic demand persistently "sick," thanks to unconditional austerity and wage restraint, exports were Germany's lifetime and sole—albeit cyclical—engine of growth. Protracted stagnation in Germany meant correspondingly easier "one-size-fits-all" ECB stance for Euroland, far too easy for the periphery, where bubbles were nourished as a result. (Bibow 2012, 20)

Therefore, in face of such process of wage compression and decreasing labour share of income, fostered by the process of European asymmetric integration, different regimes of "capitalism under financialisation" (Hein 2012) emerged in the Eurozone. First, the export-led type, or what was called above, the neomercantilist type, in the core countries: Finland, Germany, Netherlands, Austria and Belgium. These countries have showed positive private surpluses, matched by deficits in the external sector (corresponding to an outflow of capital and positive current accounts), and generally balanced public budgets. The peripheral countries, on the other hand, engaged in domestic-led and debt-led regimes. In general, both regimes are associated to current account, private sector and public deficits, but only in the first case these deficits are related with high levels of debt-financed consumption.

In short, as a consequence of the large trade imbalances, Germany has built up—until the crisis—a considerable creditor position vis-à-vis the periphery (measured by its bilateral International Investment Position). This money has been—allegedly—used to finance the periphery's debt-led growth regimes.

For this reason, Bibow (2012) argues that, by running perpetual trade exports, based on internal austerity and a tailor-made monetary policy, Germany led its own euro partners to bankruptcy, jeopardising its own economic strategy.

For the purpose of our argument, what matters is that, in all these analyses, the Economic and Monetary Union is envisaged as a geographic and economic area of exploitation of the periphery by an imperialistic core, even at expense of its own stability. Two main solutions are, accordingly, proposed to solve this problem. The first, said "moderate," is to increase wages in the centre to boost internal demand (Hein, Achim, and van Treeck 2011; Stockhammer 2011). The second, told as "radical," is for peripheries to leave the euro (Lapavitsas et al. 2010).

Linear Explanations and Beyond

Lying behind these two visions is the same linear representation of the uneven and combined development which establishes a rather simplistic relation between processes of capital accumulation and hierarchies within the interstate system. Those approaches—inspired in the post–Second World War theories of imperialism and in the dependency theories of the 70's—rest "on a functionalist account of the relationship between core and peripheral states, in which the former are developed solely by the underdevelopment of the latter in what was wrongly assumed to be a zero-sum game" (Kiely 2014, 286). They share the same basic assumption that the emergence of financial capital and the inherent change from a competitive into a monopolistic capitalism has consecrated imperialism as the link between the political plurality of nation states and the dynamic of capital accumulation worldwide. In its most recent developments, financialization of capitalism has changed the traditional nature of imperialism. As Robinson notes, it has become

> less a case of national states using their power to win export markets for territorially based corporations than one of competition among transnational conglomerates seeking advantage over competitors through corporate dominance achieved via the global integration of production facilities and seeking the favor of a multiplicity of states. (Robinson 2004, 130)

Despite this added intensity of deterritorialization in contemporary forms of imperialism, the legacy of traditional readings, namely in terms of competition between territorial states, is still a robust one. Two main bodies of literature have embodied this legacy.

The first is *the hegemonic stability doctrine.* Its main concern is the understanding of the combining possibilities between a liberal international economic order and the fragmented nature of international polity, namely the interstate system. Having this in mind, its basic assumption is that a liberal international economic order demands a leading state that creates and maintains it. Hegemony—meaning "the power of a state to perform governmental functions over a system of sovereign states" (Arrighi 1993, 148) in such a way that the hegemon's order is caught as a public good of which all states are beneficiaries—is the specific form of leadership in a liberal state system.

According to Radhika Desai (2013, 124), the hegemonic stability doctrine has emerged in a context of "declinism," i.e., of a clear cut in the relative weight of the United States in world production, combined with a growing turbulence in the role of the dollar as a reference and with the worldwide tensions raised by the cold war climate. Within such a context, Charles Kindleberger's seminal *The World in Depression* (1973) was mostly elaborated to demonstrate how the crisis of previous US' hegemony was the cause of the global economic turbulence of the seventies, as well as the Great Depression had been caused by "the inability of the British to continue their role of underwriter to the system" (291).

The hegemonic stability doctrine has quickly been moved to the core of the traditional International Relations theories. Both the neorealist and the neoliberal versions of that tradition have converged on the notion that the stability of the world system—at both its economic, political or legal dimensions—relies on the hegemony of one nation state committed to the status quo, willing to lead and bringing together political strength, military force and a growing economic power. Whereas neorealist authors like Gilpin (1981) assume that a condition of international order may exist provided there is one state powerful enough to be its guarantor through the domination of all other states through its military and economic preponderance, neoliberals like Keohane (1984) emphasise the role of institutions as shared platforms in which interstate interactions become so important that all states assume the benefits of the international order and therefore the costs of its enforcement are not the hegemon's exclusive. Common to these understandings of hegemonic stability is thus their state-centric construction which tends to represent states as unitary entities which place themselves in an interstate hierarchy within which they compete for the optimisation of their "national interest." Hegemony is simplistically seen as a leading position assumed by one state against all others.

The second body of literature expressing this simplistic view of a zero-sum game between core and peripheral states is the structural dependency theories. Their starting point is the reality of underdevelopment as an inherent condition of the international capitalist system and of its mechanisms of reproduction at a worldwide scale. According to Braillard and Senarclens (1981, 1009),

> The creation, reproduction and development of a structural asymmetric relation of interdependence in the core and in the periphery, within the framework of the international capitalist system, produces the underdevelopment and the exploitation of the periphery by the core.

From this point of view, development in the core and underdevelopment in the periphery are two inseparable features of the same reality. And most of all they are assumed as a structural trait of the world-economy. In fact, the core-periphery relation is conceived as a closed one: the crucial role played by unequal exchange and the consequent worsening of the terms of trade consolidate an international division of labour in which the periphery is bound to produce and export but commodities or low added-value assets, permanently enlarging the intensity of its dependency towards the economies of the core of the system.

Both the hegemonic stability doctrine and the structural dependency theories tend to underestimate the role of class relations as determiners of the strategy of the nation sates, both from below and from above and tend to ignore their importance in the construction of a hegemonic rule. Against these simplistic formulae, we need a more adequate account of the political economy of contemporary imperialism (Kiely 2014, 286), which goes much beyond a linear relation between economic supremacy and multidimensional hegemony. For this purpose, the analysis of Robert Cox (1981) remains an extremely valuable contribution. Inspired by Gramsci's conceptualisation, Cox's perspective on the international emphasises the nexus between states and civil societies (the "state-society complex") and, from there, he reads the international as a reality composed simultaneously of *social forces* built within the process of production understood as covering "the production and reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to the production of physical goods" (Cox 1989, 39), *state forms* modelled by the state-society complexes and therefore not limited to the institutional apparatus operating in the public sphere but including also crucial segments of the civil society for the production and contents of hegemony, and finally *world orders* which configure social forces in a way that define the relations between states. In Cox's words,

> The hegemonic concept of world order is founded not only upon the regulation of inter-state conflict but also upon a globally conceived civil society, i.e., a mode of production of global extent which brings about links among social classes of the countries encompassed by it. (Cox 1993, 61)

This inclusion of the social forces and of the states-societies complexes at the definition of the international order has also had enormous importance for Cox's concept of hegemony and its differentiation from pure dominance or leadership:

> Very often "hegemony" is used to mean the dominance of one country over others, thereby tying the usage to a relationship strictly among states. Sometimes "hegemony" is used as a euphemism for imperialism. [. . .] Hegemony at the international level is thus not merely an order among states. It is an order within a dominant mode of production which penetrates into all countries and links into other subordinate modes of production. It is also a complex of international social relationships which connect the social classes of the different countries. World hegemony is describable as a social structure, an economic structure, and a political structure, and it cannot be simply one of these things but must be all three. (Cox 1993, 61–62)

So, to overcome the linear construction of traditional perspectives, we need to combine a bottom-up analysis which duly values the strategies of dominant classes inside each nation state and a top-down reading that takes into account the role played by international finance in the companies' internationalisation and integration across national borders.

Social Capital and Global Imperialistic Chain

The best way to translate the discussion held above into the concrete case of the European Monetary Union, and to challenge the common interpretation dominated by the linear centre-periphery dualism, is to answer the question posed by Milios and Sotiropoulos (2010): "why should a social formation with a lower level of productivity "want" to enter into an economic and monetary union with more developed social formations?" (224). Those who accompanied closely the moments of creation of the single European currency will agree that the Euro, and the European economic integration in general, were embraced as "self determined national projects" in all the peripheral countries. Then, why would a national formation put itself at disposal of an "imperialistic centre" if that was not in the best interest of the nation? The answer is: it wouldn't.

The key to understand the process of European integration is to break with the dualistic interpretations of the world, or European, capitalist order and adopt, instead, a concept capable of combining both the bottom-up and top-down analyses mentioned in the previous section. That concept is the "*global imperialist chain*" as proposed by Milios and Sotiropoulos (2009). In this section, will we go through the main aspects of their interpretation of the imperialist chain as applied to the Eurozone.

Let us start from the beginning. As argued above, the capitalist mode of production is not simply an economic relation. It requires a legal, ideological, cultural and political superstructure that ensures the own acceptance, organisation and reproduction. The state is a key aspect in organising this multilevel power, and it cannot be considered as a "separate" entity that is either surrendered or co-opted by capitalist powers.

Following this line of thought, concrete national independence is in fact the exercise of national bourgeois political power prevalent in one specific society—or social formation—legitimised by the state. This idea was thoroughly explored by Veblen, who always understood the state as a social institution, inseparable from economic institutions. It was clear for Veblen that "[a] constitutional government is a business government [. . .] representative government means, chiefly, representation of business interests." And this is the main reason why the interests of the capitalist class are often seen as those of the "nation": "The largest [. . .] factor of cultural discipline [. . .] over which business principle rule is national politics [. . .] Business interests urge an aggressive national policy and business men direct it" (Veblen 1904, 391).

According to Milios and Sotiropoulos (2009), this idea led to a structural misconception, present in the imperialism or centre-periphery theories summarised in the previous section. The defence of the national interests hides, in fact, class structures and their different interests. It should be noted, however, that this does not mean that these social formations, unified around the national interest, will not have imperialistic tendencies, on the contrary.

In this conception, national social formations are always the product of, and influenced by, the specific forms of organisation of capital within the system under a "democratic" state. Underlying these forms of organisation are those laws and relations that shape and coerce individual capitals into the greater functioning of the capitalist mode of production. Therefore, to every historically determined social formation corresponds a social relation of capital—*social capital*. The disciplinary instrument, according to Marx, is capitalist competition and the constant pressure towards equalisation of the rate of profit, which pushes individual capitalists to follow the rules and act as a *class*.

Based on the concepts outlined above, Milios and Sotiropoulos (2009) argue that centre-periphery theories are not capable of grasping whether the class relations or its role—as internal forces—in the economic development of each social formation. If we consider that capital is a *social relation*, formed within the rules of specific social formations, internal processes of domination, class relation and capital organisation determine (or at least influence) the endogenous process of capital accumulation.

This is not to say however that the global capitalist system is merely the sum of autonomous national economic systems. The international sphere is where capitalist competition takes place, and a complex system of power relations is created according to the specificities of each national social formation (such as labour productivity).

The growing relevance and apparently autonomous character of the global capitalist system motivated relevant changes in the way the "empire" is understood. Apart from the contemporary forms of imperialism which inform most of the analyses on the Eurozone—the hegemonic stability doctrine and the structural dependency theories—a third strand of literature has emerged in the past decades, not anymore centred on the Luxemburg's/Kalecki paradigm that describes the constant need of national capital to expand as internal exploitation and consequent underconsumption undermine any possibility of realising surplus value. The superation of the "realization problem" in which, in one way or another, national states assume a key role, arises precisely from assuming that national states have been supplanted by transnational corporations. When "non-capitalist" reserves are no longer available, new forms of exploitation must take place in the post-industrial society. These "various standpoints on the "new imperialism," the neo-Gramscian analyses of the "world plane," the postmodern variants on empire and the traditional World System(s) theories represent alternative attempts at conceptualising the purported "lack of correspondence" between the territory of the national state and/or dominations of capital [. . .]" (Milios and Sotiropoulos 2009, 192).

As with classic theories, Milios and Sotiporoulos show an underlying view of the state, not as the product and organiser of (different) social capital(s) but as a subordinate agent, autonomous from a much more powerful and yet "abstract" transnational capital. They go back to Lenin, and its concept of "imperialistic chain" to put forward a theoretical alternative interpretation of the global capitalist system that assumes the aforementioned correspondence between the state and capital. Capital and state are not separate entities engaged in some kind of "external" relation of subordination or conflict. The relation is, instead of "interiority," as the state organises and represents national social capitals.

As we have mentioned before, the state represents the common interest of a capitalist society, a specific social formation—the result of political correlations and the local and national levels—that occupies a specific position in the global imperialistic chain. The place of every capitalistic formation in the chain, as well as its capacity to exert its imperialistic power, is determined by the internal processes of class relations that are, in turn, over determined by the international conjuncture.

It is undeniable that the structure of the imperialist chain is the ground for conflicts and contradictions between national strategies, and that, as it happens and the "lower level," it also reflects unequal power relations. The different links in this chain share (and contribute for), however, a common interest: the reproduction of the capitalistic systems of production and reproduction. Capital internationalisation, mostly by exposing national social capitals to external competition, is a key strategic element in that process.

Recall the observation above on the role of (international) competition as part of the capital relation. Competition is what gives to the sum of individual capitals its social character. On the individual level is the condition for profit and survival. On the social level is the way to organise bourgeois power by the elimination of non-competitive individual capitals and the discipline of labour. Competition is one of the conditions for accumulation and, therefore, it serves the strategy of the overall social capital.

It is important to mention that this conceptual view of the international power relations as the result of a complex process of articulation between the different national links of the chain does not deny the existence of superpowers or powerful international organisations. The main argument, and what makes it distinctive from other theories, is that while defending the interests of its own social capital, every state contributes to the reproduction of the hegemonic capitalistic order—"the only authentic 'empire' is the imperialistic chain in its entirety" (Milios and Sotiropoulos 2009, 199). The main conclusion, which will be central in the analysis of the Eurozone crisis, is that

> the economic development of capitalism does not depend on the "desire" of the powerful, or of the "imperialist" national capitals but on the class struggle' as reproduced within the various national state links, which through their inter-articulation comprise what we have, designated as the *global imperialistic chain*. (Milios and Sotiropoulos 2009, 215; italic added)

From the perspective outlined above, the European Monetary Union is the materialisation of the long-term project of the European capitalism. The common currency is not its ultimate or unique goal, but the logical consequence resulting from the combination of the different strategies of national social capitals: the organisation of the bourgeois power by exposing individual capitals to international competition. The unification of different currencies is the best possible regime to guarantee the elimination of exchange rate risk in the context of financial liberalisation and, therefore, the best possible regime to frame the strategy of capital internationalisation. Firstly, because it prevents protectionist policies, leaving the adjustment to direct and indirect salary and labour rights. Secondly, because it eliminates any potential instability created by speculative attacks on the monetary fix. Thirdly, because it guarantees a strong currency with low inflationary perspectives, resulting in a better access for all to financial means and profits.

Nevertheless, it is important to keep in mind that, while the loss of control over monetary and exchange rate policies is inherent to the process of monetary unification, the remaining features of EMU affecting mostly the peripheral countries are not. Budgetary controls and ceilings, liberalising pressures or inflationary obsessions at the European level are not "natural" conditions associated with the common currency. These are all parts of a socially determined institutional structure, designed to favour the very strategy of capital internationalisation and accumulation. These are all products of the same philosophy supporting governmental reforms in the neoliberal era.

It is worthwhile at this point to bring into our reflection the recent process of emptying the democratic arenas for economic decision, subsequently replaced with new sets of technical rules and contracts which implementation must be guaranteed by technocrats, due to their "impartiality" towards popular pressures.

The strategy of exposing national social capitals (and formations) to international competition was, once again, a key instrument in this process:

> The way in which the influence of popular sovereignty was constrained was not indiscriminate. [...] In one way or another they [aspects of governmental activity] all relate to tasks that must be performed properly if a nation is to survive, and thrive, in a globalized economy. A nation that cannot maintain discipline in fiscal and monetary policy will lose the confidence of globalized financial markets. A nation that cannot demonstrate its impartiality in regulating business or adjudicating investment disputes will find itself unable to lure foreign investors. A nation whose ports and airports are decrepit cannot participate in the global trade of goods and services. (Roberts 2010, 12)

It is mainly its structure within the *logics of discipline*, and not its natural characteristics, that allow the euro to accomplish its purpose as the mechanism to exploit the European working classes, whether they are from Germany or from Portugal.

The argument outlined above—that the Euro was mainly a project of organisation of the European capitalistic power by exposing national social capitals to the international competition—is empirically supported by the fact that, in all countries, the integration process created more favourable conditions for capital valorisation and accumulation. In all countries, this process accomplished its goal—compression of the working rights, salaries and elimination of non-competitive individual capitals—forging specific forms of organisation of the social capital.

In the periphery of Europe, trade, economic and financial liberalisation led to the consolidation of a capitalistic class, more or less focused on their traditional activities, more or less export oriented, but that allowed accumulation to take place. Better growth perspectives and elevated expected returns on capital were crucial to attract foreign capital, creating a positive financial account. Capital inflow led, in turn, to even better profit rates. On the other hand, the combination of low interest rates and relatively higher inflation rates led to lower real interest rates and growing indebtedness levels. The articulation of both these aspects contributed to overheat peripheral economies and, consequently, to put pressure on internal demand which then reflected on the levels of imports and exports.

This analysis, among other more "economic" aspects, brings into light the limited character of the discourses that narrow the causes of the Eurocrisis to the current account deficits in the periphery, generated by their loss of competitiveness after the introduction of the euro. Firstly, because in some cases, like Ireland, that was not even the case. Secondly, because even in the remaining situations—such as Greece and Portugal—apparently similar macroeconomic facts hide important specificities, resulting precisely from different processes of organisation of social capitals.

To sum up, the illusory stability of the EMU and EU regimes gave birth to a fragile reality that cannot, and should not, be epitomised to commercial disequilibria caused by the German strategy of *beggar thy neighbour.* Being true that this process reinforced and perpetuated different conditions to compete in the international markets, which is to say, different places in the imperialist global chain, it is not correct to say that the increase in German exports was achieved at expense of southern peripheral countries.[2] This is also the reason why, as correct as it might be, increasing wages in Germany would not solve the Eurozone problems.

The EMU is not a construction to promote uniquely the interests of an imperialistic Germany, but a way of organising power in benefit of the national social capitals. As put by Milios and Sotiropoulos (2010, 235),

> Germany needs the euro primarily because by means of the mechanism in question it achieves competitive profits, restructuring its labour. It defends exactly the same scheme for the Eurozone as a whole, *a scheme of rude adjustment of labour and thus reorganisation of competitiveness." [...] in other words, speaking (in a contradictory manner) in the language of the strategy at the euro, Germany is not simply promoting its own specific interests but is trying to elaborate an overall plan for the specific European mechanism of organising power for the benefit of all member capitalist states (a procedure not without contradictions and tactical retreats).* (italic added)

It is obvious that this process is not free from contradictions and unequal power relations with the global chain, but to place the focus of the crisis in the Euro or the Germany expansionary tendencies may lead to a misplaced blindness in relation to the hegemonic nature of the neoliberal capitalism.

New Regionalism and the Global Imperialist Chain

The description of the Eurozone as the materialisation of the long-term project of the European capitalism must have this assessment of the role of the nation states in due account. Against the prevalent narrative, which lies on a set of abstract dichotomies (regional blocks versus globalisation or states versus global capital), the concrete reality shows us how regional blocs like the EU/EMU act as privileged tools of the neoliberal strategies of exposition of national capitals to global competition. This supposes a clear change in the role assigned to regional blocks within the contemporary global neoliberal economic orthodoxy. While the traditional forms of regionalism have been associated with protectionist strategies, contemporary intergovernmental regionalism has become a privileged instrument of openness and economic extroversion working therefore as crucial mechanisms of adoption of the liberal creed. Why is that so? What has occurred that determined this important change?

The replacement of "embedded liberalism" (Ruggie 1982) as the ideological background of the world order is the core motive for this changing nature of regionalism. Our point of departure here is therefore the assumption that the international order developed after the Second World War was mostly concentrated on a balance between economics and politics, different from both economic nationalism and laissez-faire capitalism. That singularity lied on the notion that the constraint of the market forces through local interventionism should be understood as a top priority, embedding liberalism in both the national and interstate orders. The acknowledgement of local public interventionism and of the inherent articulation between state regulation at the domestic scale and international liberalisation was the cornerstone of the whole regulatory building of the fifties and sixties of the 20th century. In the words of Ruggie,

> this was the essence of the embedded liberalism compromise: unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism. (Ruggie 1982, 392)

Embedded liberalism meant not only the safeguard of the adoption of public health or full employment as national goals, or the implementation of social policies as a crucial part of the social contract, but also the protection of national strategic industries or the establishment of controls on transboundary speculative movements of capital. As Helleiner (1994, 49) duly stresses, "states were given the explicit right to control all capital movements" in contrast with the liberalisation of trade.

The role played by intergovernmental institutions at that moment, and specially the mandate given to regional international organisations, was precisely that of agreeing on limits to the market dynamics and therefore enabling the viability of robust and large social contracts within welfare states at the nation state scale, complemented at the international level with intergovernmental regulation adopted by those organisations and intergovernmental platforms. "The region of embedded liberalism is a protectionist region" (Spindler 2002, 12).

The contemporary hegemony of neoliberal policies has conducted embedded liberalism into a dramatic crisis. The replacement of the former welfare state model by the actual standard of "the competition state," whose strategic goal is to strengthen the international and transnational competitiveness of national economic activities, is a two-way process:

> The consolidation and expansion of the competition state is itself driving a process of political globalization which is increasingly relativizing the sovereignty of states and, indeed, forcing the pace of globalization in economic, social and cultural spheres too. [. . .] Rather than attempt to take certain economic activities out of the market, to "decommodify" them as the welfare state was organized to do, the competition state has pursued increased marketization in order to make economic activities located within the national territory, or which otherwise contribute to national wealth, more competitive in international and transnational terms. The main features of this process have included attempts to reduce government spending in order to minimize the "crowding out" of private investment by state consumption, and the deregulation of economic activities, especially financial markets. The result has been the rise of a new discourse and practice of "embedded financial orthodoxy," which is in turn shaping the parameters of political action everywhere. (Cerny 1997, 252, 259)

Philip Cerny identifies three central paradoxes within this process of reinventing the state as a quasi-enterprise association. The first is the reinforcement of the state—both as institutional apparatus and legal regulation—to efficiently accomplish the liberal goals of added marketisation and competitiveness. The second is the crucial contribution of the nation states to the promotion of those forms of neoliberal globalisation that void them of basic traits of concrete sovereignty. Closely linked to this second paradox, the third one lies in the way nation states are developing the political conditions to diminish the levels of communitarian density within them and, with that, the weakening of the social basis of legitimacy of national public policies (Cerny 1997, 252). The final result of this changing process is a growing crisis of liberal democracy and an increasing undemocratic role assumed by traditional demo-liberal states, namely, as privileged vehicles or even tough enforcers of objectives fixed by external and/or informal actors such as private entities, corporations or diffuse markets.

Intergovernmental organisations included in the general profile of "new regionalism" work as extremely efficient complements of bringing the model of the competitive state into concrete reality. As Manuela Spindler (2002, 16) argues, within this changing context, regionalism itself has become "part of the move towards the competition state, with market actors infusing old regionalism with a new logic, thus globalising and marketizing regionalism." This reinforces the understanding according to which regional organisations have become instruments of the global neoliberal hegemony or, at least, intermediation mechanisms between the global neoliberal economic order and nation states and markets. Our hypothesis is that the organisations of the so-called new regionalism became crucial elements of the global imperialist chain since they have been mobilised as privileged mechanisms for exposing national social capitals to international competition. The case of the EU/EMU is an extremely relevant illustration of this.

Conclusion: Don't Blame It All on Germany, Its More Complex than That

The institutional configuration of the European Monetary Union—that is partially responsible for the euro crisis—is not a political construction to serve uniquely the imperialistic interests of Germany. It is, instead, a way of organising power beneficial to all the national social capitals. Obviously, this is not a process free from contradictions and unequal relations of power within the "chain," but to place all the blame on Germany certainly leads to a biased analysis of the hegemonic nature of global capitalism, based on a (probably) non-intentional disregard of national class relations. And both these aspects are crucial if the goal is to contribute to political debate on strategic responses to neoliberalism. The notion of global imperialist chain and the role of regional intergovernmental organisations as their relevant elements not only bring our analyses to a more rigorous reading of reality but also contribute to clarify the priority that alternative political proposals must give to the class-based continuum between the core and the peripheries in terms of primacy of their respective social capitals. This is, at least, something to be learned from a geopolitical economy perspective on the current European crisis.

Notes

1. See Garber (1999), Bindseil and Kning (2011) and European Central Bank (ECB 2011) *Annual Report* for a more detail account of the technical features and functioning of the TARGET systems. For the sake of the present argument it should suffice to say that, during the financial crisis, the

liquidity provision operations by the ECB generated a liability in the TARGET account of those countries which bank system was in need of liquidity—the periphery—and an asset in the account of all the others—the core.

2. For more on the financial and industrial integration process, see Bellofiore et al. (2015). A credit-money and structural perspective on the European crisis: why exiting the euro is the answer to the wrong question.

References

Arrighi, G. 1993. “The Three Hegemonies of Historical Capitalism.” In *Gramsci, Historical Materialism and International Relations*, edited by Stephen Gill, 49–66. Cambridge: Cambridge University Press.

Bellofiore, R., F. Garibaldo, and M. Mortágua. 2015. “A Credit-Money and Structural Perspective on the European Crisis: Why Exiting the Euro Is the Answer to the Wrong Question.” *Review of Keynesian Economics* 3 (4): 471–90.

Bibow, J. 2006. “The Euro Area Drifting Apart—Does Reform of Labor Markets Deliver Competitive Stability or Competitive Divergence?” In *Structural Reforms and Macroeconomic Policy*, edited by ETUC, 76–86. Brussels: ETUC.

Bibow, J. 2012. “The Euro Debt Crisis and Germany’s Euro Trilemma,” Levy Economics Institute, working paper 721, The Levy Economics Institute of Bard College, Annandale-on-Hudson, New York.

Bindseil, U., and P. J. Kning. 2011. “The Economics of Target 2 Balances.” SFB 649 discussion paper 2011–035, Humboldt-Universität, Berlin.

Braillard, P., and P. Senarclens. 1981. *El imperialismo*. México: Fondo de Cultura Económica.

Cerny, P. 1997. “Paradoxes of the Competition State: The Dynamics of Political Globalization.” *Government and Opposition* 32 (2): 251–74.

Cox, R. 1981. “Social Forces, States and World Orders.” *Millennium: Journal of International Studies* 10: 126–55.

Cox, R. 1989. “Production, the State and Change in World Order.” In *Global Changes and Theoretical Challenges: Approaches to World Politics for the 1990’s (Issues in World Politics)*, edited by Ernst Czempiel and James Rosenau, 37–50. Toronto: Maxwell Macmillan.

Cox, R. 1993. “Gramsci, Hegemony and International Relations: An Essay in Method.” In *Gramsci, Historical Materialism and International Relations*, edited by Stephen Gill, 148–85. Cambridge: Cambridge University Press.

Desai, R. 2013. *Geopolitical Economy: After US Hegemony, Globalization and Empire*. London: Pluto Press.

European Central Bank. 2011. *Annual Report*. Accessed March 16, 2016. https://www.ecb.europa.eu/pub/pdf/annrep/ar2011en.pdf.

Flassbeck, H. 2007. “Wage Divergences in Euroland: Explosive in the Making.” In *Euroland and the World Economy: Global Player or Global Drag?* edited by J. Bibow and A. Terzi, 43–52. London: Palgrave Macmillan.

Garber, P. M. 1999. “The TARGET Mechanism: Will It Propagate or Stifle a Stage III Crisis?” *Carnegie-Rochester Conference Series on Public Policy* 51: 195–220.

Giavazzi, F., and L. Spaventa. 2010. “Why the Current Account May Matter in a Monetary Union: Lessons from the Financial Crisis in the Euro Area.” CEPR discussion papers 8008, Centre for Economic Policy Research, London.

Gilpin, R. 1981. *War and Change in International Politics*. Cambridge: Cambridge University Press.

Hein, E. 2012. "The Crisis of Finance-Dominated Capitalism in the Euro Area: Deficiencies in the Economic Policy Architecture, and Deflationary Stagnation Policies." Levy Economics Institute of Bard College, working paper 734, The Levy Economics Institute of Bard College, Annandale-on-Hudson, New York.

Hein, E., T. Achim, and T. van Treeck. 2011. "The European Financial and Economic Crisis: Alternative Solutions from a (Post-)Keynesian Perspective." Macroeconomic Policy Institute working paper 9–2011, Hans Boeckler Foundation, Macroeconomic Policy Institute (IMK), Düsseldorf, Germany.

Helleiner, E. 1994. *States and the Re-emergence of Global Finance: From Bretton Woods to the 1990's*. New York: Cornell University Press.

Keohane, R. 1984. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton: Princeton University Press.

Kiely, R. 2014. "Imperialism or Globalisation? . . . Or Imperialism and Globalisation: Theorising the International after Rosenberg's 'Post-mortem'." *Journal of International Relations and Development* 17: 274–300.

Kindleberger, C. 1973. *The World in Depression: 1929–1939*. Berkeley: University of California Press.

Lapavitsas, C., Kaltenbrunner, A., Lindo, D., Michell, J., Painceira, J. P., Pires, E., Powell, J., Stenfors, A., and Teles, N. 2010. "Eurozone Crisis: Beggar Thyself and Thy Neighbour." *Journal of Balkan & Near Eastern Studies* 12 (4): 321–73.

Lucarelli, B. 2011. "German Neomercantilism and the European Sovereign Debt Crisis." *Journal of Post Keynesian Economics* 34 (2): 205–24.

Milbradt, G. 2012. "The Derailed Policies of the ECB." *CESifo Forum* 13: 43–49.

Milios, J., and D. Sotiropoulos. 2009. *Rethinking Imperialism: A Study of Capitalist Rule*. Hampshire: Palgrave Macmillan.

Milios, J., and D. Sotiropoulos. 2010. "Crisis of Greece or Crisis of the Euro? A View from the European 'Periphery'." *Journal of Balkan & Near Eastern Studies* 12: 223–40.

Ntampoudi, I. 2014. "The Eurozone Crisis and the Politics of Blaming: The Cases of Germany and Greece." *Political Perspectives* 8 (2): 1–20.

Roberts, A. 2010. *The Logic of Discipline: Global Capitalism and the Architecture of Government*. New York: Oxford University Press.

Robinson, B. 2004. *A Theory of Global Capitalism*. Baltimore: Johns Hopkins University Press.

Ruggie, J. G. 1982. "International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization* 36: 379–415.

Sinn, H.-W., and T. Wollmershäuser. 2011. "Target Loans, Current Account Balances and Capital Flows: The ECB's Rescue Facility." CESifo working paper series 3500. Accessed March 16, 2016. http://www.ifo.de/portal/pls/portal/docs/1/1212000.PDF.

Spindler, M. 2002. "New Regionalism and the Construction of Global Order." Working paper 93/02, Centre for the Study of Globalization and Regionalisation, University of Warwick, Coventry, UK.

Stockhammer, E. 2011. "Peripheral Europe's Debt and German Wages: The Role of Wage Policy in the Euro Area." *International Journal of Public Policy* 7: 83–96.

Veblen, T. 1904. *The Theory of the Business Enterprise*. New Brunswick: Transaction Books.