THE EUROPEAN CAPITALIST CLASS & THE CRISIS OF ITS HEGEMONIC PROJECT

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More than any other area in the world Europe has over the past three decades witnessed a process of transnational capitalist class formation, representing the most transnationally oriented sections of European capital and overlaying national capitalist classes. Transnationalization here does not imply the withering away of national states and national social formations but rather the rise of relations across national borders and the constitution of actors that operate not ‘above' the national state, but in different national contexts simultaneously.[1] It is from this perspective that we can understand how transnational class agency has helped to transform the project of European integration into an ever more undiluted neoliberal project. The essence of this hegemonic class project has been the creation of a transnational space for capital in which the latter's rule is established precisely by preserving the formal sovereignty of the member states while subordinating their democratic governance to the dictates of the single market. The inherent contradictions of this project have been exposed and exacerbated by the current Eurozone crisis, which is endangering more than the single currency but threatens to derail the neoliberal project that has been spearheaded by the European capitalist class over the past three decades. While its steadfast adherence to the current austerity drive may be seen as shortsighted, there are no attractive alternatives for the European capitalist class.

THE MAKING OF THE EUROPEAN CAPITALIST CLASS

Transnational class formation is a historically contingent and geographically uneven phenomenon the contours and extent of which can only be examined empirically. Rather than simply positing the existence of a homogenous and *global* transnational capitalist class (TCC), we need to investigate to what extent processes of transnational class formation actually crystallize in the construction of class-conscious collective social and political actors. From this empirical perspective the notion of a single global TCC becomes hard to sustain.[2] The process of transnational class formation has reached a much deeper level, however, within Western Europe, engendering a transnational capitalist class - consisting of those who own and control Europe's largest transnational corporations (TNCs) - that takes the European region as its primary frame of reference and organizes itself to influence the (socio-economic) governance of that region, in particular through the institutions of the European Union (EU).[3]

The origins of this class can be traced back to the previous world economic crisis of the 1970s and early 1980s, and further back to the early stages of the European integration process that had started under the aegis of American hegemony in the 1950s. This laid the basis for a subsequent transnationalization of European capital. Until the 1980s European integration had remained largely limited to the trade in goods, and even there, liberalization had been largely restricted to the removal of tariffs, preventing a deeper economic integration. In the wake of the 1970s economic crisis and intensifying global competition, sections of European capital, hoping to use the European market as a launching pad to the world market, began to champion precisely such a deeper integration. This is what came to be dubbed ‘the completion of the internal market', centred around the four freedoms of goods, capital, services and people.

Corporations clustered around the car and electronics sectors took the lead in this, as they confronted the limits of the Fordist growth model and of a European integration process restricted to trade. To reach their potential as MNCs, they came to see that a new political project was required that would transform European statehood in order to create a single European market through which they could realize such economies of scale as would allow them to compete more successfully with American and Japanese multinationals.

It was in fact with this purpose in mind that the European Round Table (ERT) of Industrialists was organized in 1983. It has since that time come to function as the premier policy-planning body of the European transnational capitalist class. The ERT consists today of some 45 CEOs and chairmen of the boards of Europe's largest MNCs from across all major industrial sectors (though still concentrated in the old core of the original six plus the UK, Switzerland and Scandinavia).[4] It is important to stress that the members of the ERT lead Europe's most *transnationally* oriented corporations and that these have become more transnational over time, having both Europeanized but also increasingly globalized their production.[5] Moreover, notwithstanding its name, the ERT must not be seen as a mere club of industrialists by virtue of their many interlocks with banks and other financial firms. The ERT thus must be seen as broadly representing European transnational capital, and its role in this respect has been increasingly sustained by networks of interlocking corporate directorships which, as recent research has shown, has increased among Europe's leading corporations even as national and global networks have thinned.[6]

Even if still to some extent embedded within national capitalist classes as well (which certainly can be identified in the bigger member states) ERT members arguably have more in common (in terms of interests and outlook) with each other than with their fellow capitalists at home that are not the apex of European transnational capital. As such, the ERT must not be viewed as a body that coordinates the views and interests of national capitalist classes, or affirms a pre-existing cross-national consensus and relays it to the institutions of the EU. Rather, the ERT has played a key role in mobilizing European corporate capital politically in order to construct a common strategy. And it has often played an agenda-setting role for the institutions of the EU, as well as generally contributed to developing the key ideas behind European integration (such as regarding the internal market), and inserting them into the EU's policy discourse.[7]

Although Brussels is awash with all kinds of business groups and lobbies, the ERT can be seen as a privileged institutional node in the organization of Europe's corporate elite. It is, in fact, in the vanguard of the European capitalist class, providing it with internal cohesion, arbitrating rival outlooks and welding them into a coherent project and long-term strategy to advance the general interests of European transnational capital. In pursuing this strategy within the European polity, the activities of the ERT transcend both lobbying and corporatist interest intermediation, which is more the role of BusinessEurope, the formal association of national business and employers' associations. Indeed, the ERT has an unmatched degree of political access to EU institutions - especially the Commission - as well as national governments. As the prominent former European Commissioner Peter Sutherland (who was an ERT member as chair of British Petroleum) explained:

> I think that the importance of the ERT is not merely in the fact that it co-ordinates and creates a cohesive approach amongst major industries in Europe but because the persons who are member of it have to be at the highest level of companies and virtually all of them have unimpeded access to government leaders because of the position of their companies ... That is exactly what makes it different [from other organizations]. The fact that it is at head of company level, and only the biggest companies in each country of the European Union are members of it. So, by definition each member of the ERT has access at the highest level to government.[8]

THE MAKING OF NEOLIBERAL EUROPE

While the internal market was initially conceived to shield European industry within its new home market against global competition, the subsequent globalization of European industrial capital shifted ERT's strategic orientation to a neoliberalism that embraced the breakdown of barriers to trade and investment at both the European and the global level. This involved not only the successful incorporation and neutralization of the (former) Euro-protectionists, but also the defeat of a pan-European social democratic project that, while accepting much of the internal market discourse, also sought a more explicit ‘embeddedness'. The defeat of this notion was indicative of a persistent weakness, in particular, of transnationally organized labour within the EU.

Beginning with the ‘Europe 1992' programme (for which the ERT played a key role in setting the agenda), the content of European governance in the 1990s became increasingly neoliberal, establishing the primacy of supranational marketization. The Economic and Monetary Union (EMU), agreed to as part of the 1992 Maastricht Treaty, was conceived as both completing the internal market by eliminating the currency risk and as a cornerstone of European financial market integration. As the ERT put it at the time, what was required to meet its members' need for ‘huge capital resources' to realize its globalizing strategies was ‘open access on competitive terms to the capital Europe can generate'.[9] The convergence criteria in the years leading up to the introduction of the single currency, and the Stability and Growth Pact (SGP) in the years since, were designed as instruments of neoliberal discipline, putting pressures on European welfare states and making the labour market the primary macro-economic adjustment mechanism.[10]

It was also with these purposes in mind that the project of monetary union was actively promoted from 1987 onwards (that is before it was on the intergovernmental agenda) by many Roundtable industrialists organized in the Association for Monetary Union of Europe.[11] The ERT itself, in the months before Maastricht, called for a ‘single currency before the end of the decade', presenting it as essential for the creation of a ‘single financial market' without which the benefits of the internal market could not be fully realized, and formulating as an absolute precondition governments' acceptance of ‘binding disciplines' (sic) and a ‘total ban on the monetary financing of budget deficits'.[12]

In so far as organized labour still needed to be kept on board, lipservice was paid by tying the notion of a ‘European social model' to ‘competitiveness and social cohesion', which indeed became the slogan of the Lisbon strategy launched in 2000.[13] In fact, this was the framework for reorienting labour market and employment policies towards supply-side flexibilization strategies in order to enhance ‘national competitiveness'. The ERT was instrumental in the ‘push for the implementation of the Lisbon “reforms”'.[14] The national reform programmes required of Member States in the Lisbon ‘benchmarking' and surveillance process have been entirely in line with the neoliberal competitiveness discourse promoted throughout the 1990s by the transnational capitalists of the ERT, including the emphasis on labour market deregulation, welfare state retrenchment and reorientation of training and education to the exigencies of Europe's TNCs.

As part and parcel of the Lisbon strategy, the financialization of European capitalism - and of the European capitalist class - also accelerated in the 2000s. The concrete formulation of a more comprehensive class strategy was mainly left to the representatives of ‘industrial' capital in the ERT even as the European financial sector also came to organize itself more directly at the EU level in order to shape European governance in the relevant policy realms. When the ERT's founding chairman, Pehr Gyllenhammar, oversaw the founding of European Financial Services Round Table (EFR), in 2001, this did not imply a marginalization of the ERT, which continues to be the primary body articulating and propagating the general interests of the European transnational capitalist class. As Carroll et al argue, while 'the ERT ... has defined and pursued a hegemonic project for European corporate capital; in comparison, the EFR represents little more than a sectional interest in improving conditions for the circulation of money capital in and beyond the EU'.[15]

Although there is a potential divergence of ideological outlook and interests between 'industrial capital' and 'financial capital', which might become manifest under particular conditions, it must be emphasized how much the perspectives of these 'fractions' have really fused. Industrial capital has come to adopt in many respects a 'money capital' perspective, even if there are still elements in its outlook that are specific to the needs of production.[16] European industrial capitalists have increasingly come to adopt the 'financial' shareholder value discourse (with top management also materially bound to it through stock options, etc.), while access to deep global financial markets has increasingly become essential to the globalizing strategies of industrial TNCs (funding global expansion through acquisitions; insuring currency and other risks through derivatives; facilitating tax evasion or other profit-optimalization tactics).[17] Moreover, the discipline inherent in financialization for workers and governments alike has proved very appealing to industrial capital.

THE MAKING OF THE EUROPEAN CRISIS

As the project of market liberalization and its attendant (re-)commodification of social relations advanced, its contradictions became more manifest. Indeed, although Lisbon and its hegemonic formula of competitiveness with social cohesion, as we have seen, initially had succeeded in bringing together both European transnational capital and organized labour, it was never a real class compromise. As an elite hegemonic project, Lisbon came to unravel inasmuch as it became clear that the European ruling class was not willing to make any substantive concessions to European working classes, exposing the increasingly hollow talk about the European social model. And even if mere ideological interpellation could work for a while, given the political weakness of European labour, the hegemony of neoliberalism was severely challenged when it proved incapable of generating sufficient growth to maintain the prospect of social and economic advancement for European workers. Throughout the 1990s unemployment had remained persistently high, and the recession that hit most of the EU in the early 2000s further deteriorated economic prospects for the working classes. In this context, the European trade union movement became increasingly disillusioned about Lisbon and European socio-economic governance more broadly. Thus, already by the mid-2000s the European labour movement as a whole grew increasingly critical of Lisbon and of the whole of neoliberal European governance.[18]

Growing disillusionment with neoliberal Europe on the part of labour reflected broader alienation from European institutions and policies. Even if the transnational mobilisation of labour remained relatively underdeveloped and uneven, class conflict across Europe did intensify. Popular rejection of neoliberal European integration reached a highpoint in 2005 with a majority voting ‘no' in France and the Netherlands in the referenda on the proposed European Constitution.[19] As I have argued elsewhere, this was part and parcel of a more general Euro-scepticism that was indicative of an unfolding multilegitimacy crisis growing out of the contradictions and limits of neoliberal European governance and calling into question the integration process as a project driven by and serving the interests of a European transnational capitalist class.[20]

These developments did lead to a growing anxiety within the ranks of the European ruling elite, raising worries that the pace of the ‘necessary reforms' (i.e. of neoliberalization) might be slowed down or even derailed altogether. Yet rather than leading to any policy change it only led to a minor discursive shift, if not to say a public relations offensive, in order to try to better sell the same message.[21] This became clear in 2010 when the new ‘Europe 2020' strategy was launched as a successor to the Lisbon strategy. The new narrative of ‘a new sustainable social market economy' and ‘a smarter, greener economy' repackaged the old message about the necessity of labour market flexiblization and the ‘modernisation of social protection' in the context of advancing the institutional upgrades needed to heighten surveillance of the implementation of neoliberal reforms. From 2011 onwards the Europe 2020 strategy was integrated into the new *European Semester*, referring to the period in which member state governments have to report to the Commission and the Council on their progress with regard to ‘structural reforms' as well as ‘budgetary discipline'.[22]

Notably, this new neoliberal reform agenda laid out by the Commission followed very closely that of a key report published by the ERT just a month *before* the Commission document came out.[23] The ERT's ‘vision for a competitive Europe' contained much of the same wording that ended up in the Commission document, including the emphasis on ‘sustainability' to restore hegemonic appeal after Lisbon's erosion of legitimacy. Importantly, the ERT clarified that sustainability should be viewed as a ‘multi-faceted concept', applying to public finances, pensions, health care and social security in order to ‘reinforce competitiveness', while still insisting on the deepening and broadening of the single market and yet more labour market flexibility based upon ‘a new understanding of job security'. Europe 2020 was presented as Europe's ‘exit strategy' out of the financial and economic crisis that had started in 2007 (though strikingly lacking any analysis whatsoever of its causes).[24] This was foreboding for how Europe's political elite would respond to the euro crisis, which hit in 2010, just months after Europe 2020 was launched.

While the European sovereign debt crisis must be seen as part and parcel of the global crisis unfolding from 2007 onwards, it was mediated and refracted by the particular institutional architecture of neoliberal monetary union and by the imbalances within the Eurozone caused by monetary union itself in conjunction with a particular accumulation strategy enabled by the financialization of European capitalism and pursued by transnational capital in the European core.[25] Moreover, the vulnerability of the southern periphery must be seen as the result of an uneven development that the neoliberal European integration process (not just monetary union) has been deepening rather than seeking to correct. The creation of even more open space for transnational capital (and the further commodification of labour masquerading as social policy, combined with the most minimalistic interstate and interregional redistributive mechanisms) might be seen as a huge success from the perspective of the elites of the European core and above all from the perspective of the European capitalist class that has played such a pivotal role in its making. Now, however, its inner contradictions have been brought fully into the open by the current crisis.

This was a strategy that combined an aggressive neoliberalism with what some have identified as a new mercantilism vis-a-vis the periphery - based on a consistent policy of wage repression in the northern core. Even if led by the German capitalist class, it must be emphasized that as an *accumulation strategy* this has been much more widely followed by capital, not only across the northern part of the Eurozone but to a significant extent as well by transnationally oriented capital from the South.[26] Although a beggar-thy-neighbour strategy from the perspective of national economies and national labour, it worked for transnational capital inasmuch as workers in different member states were played off against each other, with the resulting overall suppression of wage levels leading to higher corporate profits.

The dominant perception - emanating from Europe's political elite but successfully spread via an uncritical media - amongst large sections of the population in the creditor countries remains that the crisis is borne out of a lack of fiscal discipline on the part of profligate peripheral Eurozone countries. It is on this myth of fiscal indiscipline that the European crisis management, led by the Merkel government and ostensibly aimed at ‘saving the euro', has been premised. And it has resulted in a draconian and longterm austerity policy whereby the affected countries have only one choice, either accepting the neoliberal diktat of the Troika, or default and exit. The latter would allow them to maintain some democratic sovereignty but also involve huge economic and political risks.[27]

Costas Lapavitsas has argued that from the perspective of Germany and ‘its' capitalists class, the current ‘rescue strategy' followed by the European Council in seeking to ‘save the euro' is rational inasmuch as the ‘German ruling class' seeks to preserve the single currency which has accorded it such great financial and trade benefits while not wanting to foot the bill for it.[28] Moreover, arguably the *uberausterity* imposed as a condition to any bailouts ostensibly serves the purpose of protecting the value of the euro (as a world currency). But notwithstanding the geopolitical and geo-economic weight of

Germany within the current EU, it would be a mistake to view the management of the euro crisis and the apparent efforts to save the single currency purely in national, and intergovernmental, terms and as such primarily a *German* strategy. This would miss the important transnational dimension, that is to say it would fail to understand how not only EMU and the broader neoliberal project in which it is embedded has been the outcome of struggles between transnational social forces and shaped by the agency of a transnational capitalist class, but how in responding to the crisis governmental leaders, including Chancellor Merkel, are pursuing policies cast in the same neoliberal mould, and as such are closely following the recommendations that representatives of the European capitalist class have for so long been advocating, and still are today.

More generally, then, for not only German capital but also for transnational European capital as a whole - which still has its geographical stronghold in the core countries of the Eurozone - the following logic applies. On the one hand, transnational capital is fully committed to the single currency, a project it promoted in the first place. On the other hand, saving the monetary union by breaking with the logic of neoliberal European governance would defeat the purpose. Therefore, it is important to stay the course and maintain neoliberal discipline of European welfare states and of European labour - which increasingly has, as we have seen, come to ‘carry the burden' of ‘adjustment' with the loss of other (macroeconomic) policy instruments. In fact, the crisis is perceived by the European ruling class and much of its political elite as an opportunity to accelerate so-called structural reforms and thus deepen neoliberal discipline. Here the ‘fiscal myth' serves as a stick to beat the welfare state with and to entrench and deepen the so-called reforms, that is, the neoliberal restructuring which the EU institutions, implementing an agenda set by Europe's capitalist class elite, have been pursuing since the early 1990s.

This logic is also reflected in how the European capitalist class, led by the ERT, has thus far responded to the crisis and in the solutions it has offered. It has called for restoring ‘Euro area credibility' and to ‘reinforce EMU' in line with the current orthodoxy, and consistent with their own message over the years, only immediately adding that this means creating a ‘blueprint for a return to fiscal sustainability' and implementing ‘structural reforms'.[29] In fact, both the ERT and BusinessEurope have not only expressed their support for the conditionality attached to the so-called rescue packages for countries such as Ireland, Greece and Portugal, but have also been staunch advocates for institutionalizing this kind of discipline for the whole Eurozone, including the so-called Euro Plus Pact and the intergovernmental Fiscal Compact designed to make the current austerity regime permanent and legally binding.[30]

In line with this, the European capitalist class also fully supports the process being led by Council president Van Rompuy under the heading of ‘towards a genuine economic and monetary union'.[31] Although presented as mending the defects in the institutional design of the original EMU and thus to put the euro on a more secure footing, the proposals represent above all an attempt to further institutionalize - most notably through a new instrument of ‘economic contracts' to be concluded with member states - the neoliberal agenda of ‘structural reforms'. This will amount to the further retrenchment of European welfare states, the erosion of workers' rights and overall the deepening of liberalization and commodification under the flag of competitiveness. While there is much talk about fiscal union, a true fiscal federalism - that could redistribute resources between core and periphery in case of asymmetric shocks - is of course out of the question.

Not only do the representatives of the European capitalist class support these measures and initiatives, it has been the transnational class strategy as pursued by actors like the ERT for many years that has created the political and ideological conditions of their emergence. That in spite of the crisis, and in spite of the erosion of legitimacy of the neoliberal European project that was going on for some years, the attempts to solve the crisis still follow the neoliberal script should not surprise us to the extent that the script for this was written by the organic intellectuals of the European capitalist class, within the ERT as well as other organizations (going back to the origins of EMU itself).

Although we may understand the rationality of all of this from the perspective of the ruling class, this does not mean that there is any guarantee that this strategy will secure the long-term interests of this class. On the contrary, insofar as the current crisis management is based on a misdiagnosis (whatever useful purposes that misdiagnosis may also serve) of the causes of the crisis - i.e. as a problem of fiscal policy - and as there is no strategy to address any of the structural imbalances underlying the centrifugal forces currently threatening the Eurozone, it is very questionable whether this high risk gamble can be pulled off.[32] In Greece, and increasingly in Spain and Italy as well, the austerity is self-defeating inasmuch as the subsequent shrinking of the economy makes the targets of debt reduction relative to GDP ever more elusive (leading to calls for even more spending cuts, etc.). As *Financial Times* commentator Wolfgang Munchau insists: ‘We have reached a point where the policies adopted to resolve the Eurozone debt crisis are causing more damage than whatever may have caused the problems in the first place'. [33]

THE UNMAKING OF THE EUROPEAN CAPITALIST CLASS? Despite the depth of the crisis, and the fact that is still far from resolved, as the periphery is kept in depression and the core is stuck either in low growth or even has slid back into recession, the neoliberal power bloc within the European arena - which includes both financial capital and ‘industrial' TNCs oriented to the world market - still seems to be in place. However, its rule appears to be far from hegemonic. It is striking, for instance, how the ETUC - the official voice of labour within the EU (and which always has, in a corporatist fashion, been quite pro-European and implicitly accepting of much of the European project's market-liberal content) - has been from the start much more critical of Europe 2020 than it was for many years of the earlier Lisbon agenda.[34] More worrying from the perspective of Europe's elites are the ongoing protests against austerity in Greece, in Spain and increasingly elsewhere, the declining support for the EU and the euro and generally the growing (often nationalist and xenophobic) resentments among the populations of both the North and the South.[35] In an increasingly Eurosceptic Eurozone there seems to be little popular appetite for any further integrative moves of whatever kind. As a result, neoliberal hegemony is increasingly giving way to a new authoritarian neoliberalism in which democracy is hollowed out. Yet the time that such public discontent could simply be ignored appears to be over.

Maybe then, what we are witnessing today, rather than a successful deepening of neoliberal governance - completing the class project launched from within Europe's transnational corporate capitalist class around two decades ago - is a *fuite-en-avant* that will prove to be a cul-de-sac. In this context, the unity of the European transnational capitalist class may yet come under pressure. Here it must be underlined that such a unity can never be taken as given but has to be carefully constructed and maintained through capitalist class agency. Even though transnational capitalists have more in common with each other than with their more domestically oriented compatriots, they do not form a fully homogenous group either; the capitalist class generally remains potentially divided along structural lines, and these may be the fault lines that give way under pressure.[36]

In the current conjuncture the European transnational capitalist class is confronted with several dilemmas, which will have to be resolved if the European capitalist class is to successfully confront not only the ongoing Eurozone crisis but indeed the more existential crisis threatening the European project from which European transnational capital has benefited so much. This is not to suggest that the European capitalist class as such has the capacity to in and of itself solve this multi-faceted crisis. Any successful reconstitution and deepening of the neoliberal European project will have to take place through Europe's multi-level state formation, which includes both national states and quasi-state supranational institutions.

A first set of dilemmas stems from the fact that the neoliberal finance- led accumulation strategy has run aground, which confronts the European capitalist class ultimately with a looming problem of effective demand. Although the instability that financialization has now so evidently led to must surely be worrisome for all capitalists but in particular those who are more directly involved in accumulation through production, it has not yet led to a split (as one might have expected) between the ‘industrial' and ‘financial' fractions within the European capitalist class. This is partly due to the structural reasons mentioned above that make the lines between these two fractions increasingly blurred. Although the ongoing banking crisis in Europe hampers especially the financing capacities of the small and medium sized firms, large TNCs have suffered much less from any credit squeeze and are still able to access large pools of finance at low costs.[37] This is not to say, however, that there are no meaningful difference left between for instance a carmaker and a bank, and that these differences may yet lead to new divisions within transnational capital - especially if either a successful restoration of the neoliberal accumulation regime or its replacement by an effective alternative will remain elusive for a long time.

The fact that industrial capital is more immediately dependent than finance on sufficient aggregate demand for their products makes them sensitive to the flipside of austerity, which tends to lower (social) wages to the benefit of corporate profits but in a way that may come to block a return to successful capital accumulation. Although this of course explains the persistently low or negative economic growth in much of the Eurozone, European transnational corporations (inside and outside the ERT) thus far seem to have suffered much less than the economy as a whole from the depressed demand as in many cases this has been compensated for by rising demand from so-called emerging markets, China in particular. More generally, it may be said that for transnational industrial capital neoliberal accumulation has in part been premised on both increasing exports (towards the periphery of the Eurozone and increasingly outside it since the euro crisis has reduced imports from the South) as well as on outsourcing of production on a global scale. Although such a strategy implies lower growth levels at the national level (keeping wages, and hence domestic demand low to enhance international competitiveness) it has allowed for steady profits for TNCs, also in the years since the crisis.[38] Unilever, for instance, last year reported growing revenues despite weak Eurozone demand as it now makes more than 50 per cent of its sales in emerging markets.[39] Repressing wage growth at home while continue to expand in non-European markets may thus still be a rational corporate growth strategy for many of these firms. Yet, it is also a fragile one given its dependence on a continuing rising demand from other (extra-European) markets which is indeed far from assured - especially inasmuch as these markets need to compensate for falling demand from within the Eurozone's periphery.

There are, moreover, increasing signs that the protracted crisis in Europe is taking its toll on the profit outlook of even the most transnationalized and globally operating corporations. Furthermore, growth prospects are uneven. Thus the aforementioned sales and profits growth of Anglo-Dutch Unilever goes against the trend for the European consumer goods sector as a whole.[40]

And while BMW from Germany is continuing to show vigorous growth, the European car sector as a whole (and above all in Italy and France) is suffering from a serious overaccumulation crisis.[41] While it is true that transnational capital as a whole has profited from wage repression and austerity, it is also true that in the current crisis not only is the German economy doing much better than most others but also its large corporations tend to outperform TNCs headquartered in other member states, even if at the same time business confidence recently has been sagging further in Germany too. [42] In sum, the demand loss due to the crisis is starting to reduce or threaten to reduce corporate profits across the board (including among German TNCs), even if the impact remains uneven. If this situation persists, the first cracks in the united transnational capitalist front in favour of Brussels-imposed austerity just might begin to appear.

There is a growing conviction among mainstream economists that any sustained recovery will be impossible without a Keynesian stimulus. But for reasons that long ago were compellingly explained by Michael Kalecki, the class instincts of most capitalists tend to set them against Keynesianism.[43] Therefore a Keynesian solution - which of course will of necessity be temporary and not resolve any of the deeper contradictions of global capitalism (even if welcome from the perspective of many Europeans workers, both employed and especially unemployed) - will only be viable politically if there is sufficient mobilisation from below. The problem here of course is the already noted structural weakness of (organized) labour, especially at the transnational level.

The deeper, underlying dilemma, however, is that the European capitalist class has much of its fate bound up with the European integration project. To avoid the collapse of that project - that is, not just of the euro but of the whole integration project - Europe's deeply running legitimacy crisis will have to be solved. But that may only be possible if Europe comes to serve a different social purpose than maximizing the freedom of capital - with or without a single currency. This would, of course, threaten to defeat the purpose from the perspective of Europe's capitalist class. As such what we are witnessing instead, in the well-worn Gramscian phrase, is the appearance of a ‘great variety of morbid symptoms' - from Islamophobia shifting into EUphobia, as an increasingly authoritarian austerity politics appeals to popular notions

about the virtues of thrift and discipline. Such discipline, however, may yet
4 turn out to be counterproductive even from the perspective of the European capitalist class itself. Even if corporate profit levels are maintained, the social costs of permanent austerity in the context of a prolonged recession without any prospects for a real recovery are setting loose centrifugal forces that may ultimately lead to the unmaking of the European project, or at least in its neoliberal form. This would not necessarily (or even be likely to) spell the end of capitalist class rule in Europe, but it might promote a return to the *primacy* of national capitalist
5 class strategies, which would threaten to severely undermine the
6 cohesiveness of the European transnational capitalist class and cause long-term damage to its capacity to effectively shape the socioeconomic content of European governance.

7

NOTES

1 See B. van Apeldoorn, 'Theorizing the Transnational: A Historical Materialist
8 Approach', *Journal of International Relations and Development*, 7(2), 2004.

2 For this notion see W. Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World*, Baltimore and London: The John Hopkins University Press, 2004. Offering a far more nuanced view, empirical evidence on interlocking directorates
9 presented by Carroll shows that while at the global level we do find emerging transnational class networks, these are superimposed on persisting national layers within
10 which networks are generally still a lot denser; see W. K. Carroll, *The Making of a Transnational Capitalist Class: Corporate Power in the 21st Century*, London: Zed Books, 2010;
11 also W.K. Carroll, 'Whither the Transnational Capitalist Class?', in this volume. See also
12 Kees van der Pijl, *Transnational Classes and International Relations*, London and New York:
13 Routledge, 1998.

3 See B. van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*, London and New York: Routledge, 2002. Inasmuch as (transnational) class
14 formation can be read off patterns of interlocking directorates, research also confirms that
15 capitalist class integration is much more advanced within Europe than elsewhere:
16 '*corporate Europe forms the most integrated segment of the global corporate network*', in fact accounting for over half of all worldwide interlocks among the Global 500. See W.K. Carroll, M. Fennema, E.M. Heemskerk, 'Constituting Corporate Europe: A Study of Elite Social Organization', *Antipode*, 42(4), 2010, p. 833 (their emphasis).

The membership of the ERT has always been dominated by transnational capitalists from
17 the northwestern core of the EU (including France and some Italian companies, located in Northern Italy) with only a few 'token' members from the periphery (see van Apeldoorn, *Transnational Capitalism*, p. 94). While in the current membership roster the representation of Spanish transnational capital is numerically quite large with four, from

Greece, Portugal and Ireland there is only one member each while from Central and Eastern Europe there are only two members (with the Germans forming the largest national grouping of seven), see the list available at http://www.ert.eu. This geographical unevenness, heavily biased towards the northwestern core of European capital accumulation, is also reflected in patterns of transnational corporate interlocks. See Carroll et al, 'Constituting Corporate Europe', pp. 820-23.

Van Apeldoorn, *Transnational Capitalism*, pp. 136-41.

Van Apeldoorn, *Transnational Capitalism*, p. 100. This is affirmed even more strongly by Carroll et al, 'Constituting Corporate Europe', p. 832, who argue that 'it is industrialists with financial connections that form the core of the European corporate community'.

See for example van Apeldoorn, *Transnational Capitalism*; and B. van Apeldoorn and S.B. Hager, 'The Social Purpose of New Governance: Lisbon and the Limits of Legitimacy', *Journal of International Relations and Development*, 13(3), 2010.

Telephone interview by author, 27 January 1998. For more on the nature of the ERT as a forum of and platform for Europe's transnational capitalist class and its close partnership with the EU's institutions, in particular the Commission, see van Apeldoorn, *Transnational Capitalism*.

ERT, *Reshaping Europe*, Brussels: European Round Table of Industrialists, 1991, p. 47.

On EMU and welfare states (before the crisis!) see e.g. A. W. Cafruny and M. Ryner, *Europe at Bay: In the Shadow of US Hegemony*, Boulder, CO.: Lynne Rienner, 2007.

Van Apeldoorn, *Transnational Capitalism*, pp. 155-6.

ERT, *Reshaping Europe*, pp. 41, 47.

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On the potential divergence between industrial and financial capital see van Apeldoorn, *Transnational Capital*, pp. 27-9; on the possibility of these differences reappearing in the European context see B. van Apeldoorn, 'The Contradictions of "Embedded Neoliberalism" and Europe's Multilevel Legitimacy Crisis: the European Project and its Limits', in B. van Apeldoorn, J. Drahokoupil and L. Horn, eds., *Contradictions and Limits of Neoliberal European Governance – From Lisbon to Lisbon,* London: Palgrave, 2009.

On the marketization of corporate control in the EU see B. van Apeldoorn and L. Horn, 'The Marketisation of European Corporate Control: A Critical Political Economy Perspective', *New Political Economy*, 12(2), 2007.

18 European Trade Union Confederation, 'ETUC and the Lisbon Mid-Term Review: A Discussion and Background Document', Executive Committee, Brussels: ETUC, 13-14 October 2004, available at http://www.etuc.org. See also A. Bieler 'Globalization and Regional Integration: The Possibilities and Problems for Trade Unions to Resist Neoliberal Restructuring in Europe', in van Apeldoorn et al, 'Contradictions and Limits'.

19 On the Dutch referendum see B. van Apeldoorn, 'A National Case-study of Embedded Neoliberalism and its Limits: The Dutch Political Economy and the "No" to the European Constitution', in van Apeldoorn et al, 'Contradictions and Limits'.

20 Van Apeldoorn, 'Contradictions of "Embedded Neoliberalism"'. See also L. Hooghe and G. Marks, eds., *Understanding Euroscepticism*, Special Issue of *Acta Politica*, 42(2/3), 2007.

21 Van Apeldoorn and Hager, 'The Social Purpose of New Governance', pp. 228-9.

22 Van Apeldoorn and Hager, 'The Social Purpose of New Governance'. On the 2020 strategy
see European Commission, *Europe 2020: A European Strategy for Smart, Sustainable and*
27 *Inclusive Growth*, COM(2010) 2020, Brussels: European Commission, 3 March 2010.

23 ERT, *ERT's Vision for a Competitive Europe in 2025*, Brussels: European Round Table of
Industrialists, February, 2010. Given the similarities of the two documents it seems quite
likely that the Commission had also received drafts of the ERT document, as well as vice
28 versa with the ERT being able to comment upon the Commission's work in progress, a
29 procedure that has been followed with some key Commission publications in the past.
See van Apeldoorn, *Transnational Capitalism*, p. 174.

24 European Commission, 'Commission Working Document — Consultation on the Future "EU 2020" Strategy', Brussels, COM (2009) 647 final, 24 November 2009.

25 See e.g. C. Lapavitsas, 'Default and Exit from the Eurozone', *Socialist Register 2012*, Pontypool: Merlin, 2011; Lapavitsas et al, *Crisis in the Eurozone*, London: Verso, 2012; E. Altvater, 'From Subprime Farce to Greek Tragedy: The Crisis Dynamics of Financially Driven Capitalism', *Socialist Register 2012*; H. Overbeek, 'Sovereign Debt Crisis in Euroland: Implications for European Integration', *The International Spectator*, 47(1), 2012; B. van Apeldoorn, 'The Eurocrisis and the Crisis of Neoliberal Europe: Dilemmas for Europe's Transnational Corporate Elite', *Corporate Europe Observatory*, 23 April 2012, available at http://corporateeurope.org; M. Ryner, 'Financial Crisis, Orthodoxy and Heterodoxy in the Production of Knowledge about the EU', *Millennium*, 4, 2012.

30 26 The notion that especially German capital has pursued an essentially mercantilist
strategy — at the expense of the Eurozone periphery *and* of its own workers — can be found in Overbeek, 'Sovereign Debt Crisis in Euroland'; Lapavitsas et al, *Crisis in the Eurozone*; R. Bellofiore, F. Garibaldo and J. Halevi, 'The Global Crisis and the Crisis of European Neomercantilism', *Socialist Register 2011*, Pontypool: Merlin, 2010.

31 On this choice see F. Scharpf, 'Monetary Union, Fiscal Crisis and the Preemption of
Democracy', Max Plank Institute for the Study of Societies Discussion Paper 11/11, 2011.
For a much stronger and radical version of this argument see Lapavitsas et al, *Crisis in the*
32 *Eurozone*.

33 Lapavitsas, 'Default and Exit from the Eurozone'.

ERT, *Euro Crisis: European Industry Leaders Call for Coordinated Actions to Reinforce EMU*,
34 Press Release, Brussels: European Round Table of Industrialists, October 2011, available
at http://www.ert.eu. The aforementioned 'vision' report had already laid it out very
clearly. At the top of the report's list of 'policy recommendations' was the goal of securing
a 'quick return to sustainable public finances', which entailed first of all to '[r]espect of the
Stability and Growth Pact' and to 'encourage public budget surpluses over a sustained
period of time as soon as the economic situation allows this', which 'should be financed
35 by cutting public expenditure on policies that are not sustainable', such as public pensions
and social security. See ERT, *ERT's Vision*. The same austerity programme has been
36 promoted from the start by Europe's 'official voice' of business, the European federation
of national employers' federations, BusinessEurope. See BusinessEurope, *Combining Fiscal Sustainability and Growth: A European Action Plan*, Brussels, March 2010.

37 Thus the ERT welcomed what came to be called the Euro Plus Pact, praising it for containing 'many elements that will bring the attainment of ERT's Vision for a competitive Europe in 2025 closer'. ERT, *Industry Leaders Welcome 'Pact for the Euro'*, Press Release, Brussels: European Round Table of Industrialists, March 2011, available at http://www.ert.eu.

H. van Rompuy (President of the European Council), 'Towards a genuine Economic and Monetary Union', 5 December 2012, available at http://www. consilium.europa.eu.

Cf. Lapavitsas, 'Default and Exit'.

See W. Munchau, 'Relentless Austerity Will Only Deepen Greek Woes', *Financial Times*, 7 October 2012.

See R. Hyman, 'Trade Unions, Lisbon and Europe 2020: From Dream to Nightmare', *LSE 'Europe in Question' Discussion Paper Series*, LEQS Paper No. 45/2011, London: London School of Economics, December 2011. For the growing critical attitude by organized labour at the EU-level see L. Horn, 'Anatomy of a "Critical Friendship" — Organized Labour and the European State Formation', *Globalizations*, 9(4), 2012.

For some public opinion trends showing generally growing negative attitudes vis-a-vis the EU see European Commission, Standard Eurobarometer 78, August 2011, available at http://ec.europa.eu.

On the fractional divisions of capital and the capitalist class see Van der Pijl, *Transnational Classes and International Relations*; Van Apeldoorn, *Transnational Capitalism*, Chapter 1.

M. Steen, 'Business Gloom Adds to ECB Pressure on Rates', *Financial Times*, 25 April 2013.

38 This has been interpreted by some as constituting a neo-mercantilist strategy. See Bellofiore et al, 'The Global Crisis'. In Bellofiore et al's account, this neo-mercantilist strategy positions the core of the Eurozone — Germany, the Netherlands, Finland, and to a lesser extent Italy (with France occupying a somewhat more contradictory position) — against the periphery, especially Greece, Portugal and Spain (note here that most of Europe's large TNCs are located in the core, and this is also reflected in e.g. ERT membership). However, inasmuch as this interpretation of mercantilism takes national states as the unit-of-analysis it refers to a different dimension than what is my focus here (focusing on the strategies of transnational capital and of a transnational capitalist class rather than of states). Furthermore, this analysis tends to focus too much on intra-European dynamics and imbalances and tends to downplay the importance of markets outside Europe for European transnational capital. This is not say that the imbalances within Europe caused by this strategy may not constitute a problem for the European capitalist class.

39 L. Lucas, 'Unilever Turnover Rises 10% Despite European Weakness', *Financial Times*, 24 January 2013.

40 A. Jones and L. Lucas, 'Unilever Bucks Sectoral Trend for Profit Warnings', *Financial Times*, 27 July 2012.

41 J. Reed, 'In the Slow Lane; Carmaking: A Sector Long Seen as an Engine of European Industry Looks Increasingly Shaky', *Financial Times*, 2 February 2012. Although the French and Italian car industry is particularly hit, Germanbased Daimler and Volkswagen also recently saw their profits fall: see J. Reed and E. Sylvers, 'All Eyes on Fiat as Crisis Deepens in Car Industry', *Financial Times*, 30 October 2012; Steen, 'Business Gloom Adds to ECB Pressure on Rates'.

42 See Steen, 'Business Gloom Adds to ECB Pressure on Rates'; and Wilson and R. Atkins, 'German Strength Propels Dax to Near Record Highs', *Financial Times*, 21 March 2013.

43 M. Kalecki, 'Political Aspects of Full Employment', *Collected Works of Michal Kalecki, Volume 1: Capitalism: Business Cycles and Full Employment*, Oxford: Clarendon Press, 1990 [1943].