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# **Between the Streets and the Trading Floors: Popular Resistance and the Structural Power of Financial Markets in the European Debt Crisis**

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The ongoing European debt crisis has sparked a lively debate on the growing power of financial markets and its consequences for the quality of democracy on the continent. In Spain and Greece in particular, broad-based social movements have emerged resisting austerity measures and challenging the legitimacy of 'subverted' representative institutions at its very core. After elected governments were toppled and technocratic coalitions installed in Greece and Italy, even *The New York Times* felt compelled to report that "the power of financial markets has upended traditional democratic processes in Europe." But who are these 'financial markets'? Whence do they derive their immense power? And can we imagine any alternative strategies for breaking their hold on traditional democratic processes?

This paper seeks to provide a theoretical framework for understanding the dynamics of crisis and contestation in Europe today. Building and expanding on the work of Susan Strange and other critical scholars in IPE, it argues that the ability to withhold much-needed credit provides private investors with a unique form of structural power over elected officials, allowing them to discipline government behavior without having to

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resort to direct political pressure. By rewarding those policy decisions that reflect neoliberal orthodoxy and punishing those that appear to transgress it, the collective investment decisions of a small group of bond traders have thus come to function as an effective enforcement mechanism of fiscal discipline, debt repayment and structural reform, thereby dramatically re-shaping the very face of Europe's politics and the life prospects of millions of its citizens.

Given the structural dependence of Europe's peripheral states on foreign private investment for continued growth, elected representatives – even those on the Left – have become subservient to the logic of financial markets, willing to temporarily (or permanently) defer social goals and suspend democratic rights in order to appease foreign investors. This has in turn fed into a widespread crisis of representation, undermining the legitimacy not just of politicians themselves but of the entire system of representation as such. As a result, this paper holds out little hope for state-oriented solutions and emphasizes instead the potential of autonomous forms of resistance such as those spearheaded by social movements in Argentina in 2001-'02 and in Spain and Greece today. In the end, the battle for Europe's future will be decided not in the Ministries and Parliaments of its member states, but between the trading floors of its financial institutions and the streets and squares of its austerity-stricken periphery.