

Post-Crisis Neoliberal Resilience in Europe

MAGDALENA SENN

13 OF SEPTEMBER 2017

Introduction

- Motivation:
 - after severe and ongoing economic crisis since 2007/2008 and short Keynesian intermezzo, EU seemingly returned to neoliberal policy → resilient neoliberalism?
- Problematic:
 - Is there persistence of the neoliberal policy regime that would justify the term resilience?
 - **What explains the resilience of this policy regime?**
- Strategy:
 - Show persistence, but also changes, in policy regime
 - **Exploit different theoretical approaches to explain resilience**

Overview

1. Introduction
2. Evidence of neoliberal resilience in Commission's discursive agenda
3. Neoliberal hegemony and retrenchment of democracy: political economy perspective
4. Neoliberal policy making: macroeconomic perspective
5. Conclusion
6. Shortcomings and further research

1. Introduction

- Definition neoliberalism:

„political project to re-establish the conditions for capital accumulation and to restore the power of economic elites“ (Harvey 2007)

- Time horizon: outbreak of 2007/2008 global economic crisis until today
- Focus on European level
- Surprising crisis, surprising resilience? The end of neoliberalism...?
- Blind spots of mainstream (Ryner 2012)
 - Stability, convergence or divergence?

2. Evidence of neoliberal resilience

- Analysis of Commission Work Programme from 2007 to 2017
 - Priorities for each upcoming year
- Discursive analysis: ideological sphere of Commission's self-representation
- Caveat: Gap between communication and action
- Focus on the fields of
 - Economic and fiscal governance → deepened neoliberal regime
 - Financial regulation and taxation → mixed
 - Growth, employment and social policy → deepened neoliberal regime

3. Neoliberal hegemony and retrenchment of democracy: political economy perspective

- Neo-Gramscian approach: hegemony and organic crisis
 - European crisis: Shift from more consent-based to more coercive policy (Keucheyan & Durand 2015, Bruff 2014)
- More executive decision making
- More rule-based decision making
 - Authoritarian, technocratic and undemocratic
 - Retrenchment of democracy and reinforced Ordoliberalism (Biebricher 2013)

3. Neoliberal hegemony and retrenchment of democracy: political economy perspective

- Shift to more Ordoliberalism incomplete and contradictory
 - Market insulated from popular forces, but not from powerful market actors
 - Executive crisis interventions partially in line with, partially also contradicting blueprint Ordoliberalism
- Reasons for resilience
 - Executive policy: Dominant classes extended hegemonic power during crisis
 - Rule-based policy: lock-in in neoliberal regime
 - Democratic process increasingly powerless
- Contradictions and prospects for change
 - Executive policy: back door for change?
 - Simultaneous strengthening and weakening of the state: target of social struggle (Bruff 2014)

4. Neoliberal policy making: a macro perspective

- Post-Keynesian, French Regulationist and Varieties of Capitalism approach
- **Flawed financial architecture** → imbalances → crisis and resilience
 - ECB: Pure focus on price stability; no Lender of Last Resort of countries
 - Restricted fiscal policy: Fiscal discipline believed to prevent crises
 - Designed to fight inflation and budget deficits, not crises (Stockhammer 2016)
 - Financial liberalisation and economic integration without social integration
- **Neoliberal**: presupposes that efficient markets disciplining governments and low inflation are sufficient to create stable economy and convergence;
 - private sector not considered as source of instability
- Two unsustainable growth models: export-led and debt-led growth
 - Financial liberalisation and financialisation: falling wage share
 - Debt- and export-led growth replace domestic demand: build-up of imbalances and divergence of North and South

4. Neoliberal policy making: a macro perspective

Financial crisis 2007/08

Inadequate policy response restrained by financial architecture

- Allowed financial crisis to translate into severe sovereign debt crisis (Stockhammer 2016)
- Belief that crisis caused was by excessive government spending: Help for crisis countries linked to austerity
- Further drop in demand, worsening economic situation

4. Neoliberal policy making: a macro perspective

Reasons of resilience and prospects for change

- Misinterpretation of the crisis (Hein 2012) ?
 - Powerful interests: austerity means further redistribution from wages to profits; capitalist class ensure their dominance (Lapavitsas et al. 2010, Radice 2014)
 - Weakness and fragmentation of the European left; third way
 - De-synchronised experience of labour across Europe (Stockhammer et al 2016)
 - Paradoxical situation: dominance of finance and institutional bias
 - exclusion of labour;
 - fragile finan. architecture, uneven income distribution and weak recovery
- Reversal of redistribution tendency necessary for adequate demand and growth
- Re-regulation and re-embedding of markets

5. Conclusion

- Deepened neoliberal policy regime – as observed in Commission agenda
- Crisis of European historical block led to shift from consent to coercion
- More executive and rule-based policy: contradictory and incomplete Ordoliberal shift
→ authoritarian, technocratic and antidemocratic
 - Resilience due to strength of dominant class, legal lock-in and retrenched democracy
- Dysfunctional financial architecture and macro imbalances: debt- and export-led growth
 - Resilience due to unfavourable income distribution, persistence of growth models and fragmented opposition
- Paradoxical situation: bias towards finance prevents more even income distribution while it is responsible for continuous fragile and crisis-ridden regime
- **Weak** resilience in the sense that the policy regime became more rigid, but also more contradictory and fragile

6. Shortcomings and further research ideas

- Apply more narrow definition of neoliberalism: danger of all-encompassing concept
- Add temporal dimension to analysis: phases of executive and rule-based shift?
- Contradictory relationship between rule-based and executive policy: analyse precise relationship in more detail
- Differentiate dominant class (financial / industrial capital etc.): investigate into static and dynamic interests; strategy that looks irrational in the SR (continuing crisis) could be rational in the long run?

References

- Amable (2016): Institutional complementarities in the dynamic comparative analysis of capitalism. *Journal of Institutional Economics*, 12(1):79–103.
- Arestis & Sawyer (2011): The Design Faults of the Economic and Monetary Union. *Journal of Contemporary European Studies*, 19(1):21–32.
- Biebricher (2013): Europe and the Political Philosophy of Neoliberalism. *Contemporary Political Theory*, 12(4):338–375.
- Bruff (2014): The Rise of Authoritarian Neoliberalism. *Rethinking Marxism*, 26(1):113–129.
- Gill (1995): Globalisation, market civilisation, and disciplinary neoliberalism. *Millennium - Journal of International Studies*, 24(3):399–423.
- Gill (1998): European governance and new constitutionalism: Economic and Monetary Union and alternatives to disciplinary Neoliberalism in Europe. *New Political Economy*, 3(1):5–26.
- Harvey (2007): Harvey, D. (2007). *A Brief History of Neoliberalism*. Oxford University Press, Oxford, UK.
- Hein (2013): The crisis of finance-dominated capitalism in the euro area, deficiencies in the economic policy architecture, and deflationary stagnation policies. *Journal of Post Keynesian Economics*, 36(2):325–354.
- Keucheyan & Durand (2015): Bureaucratic Caesarism. A Gramscian Outlook on the Crisis of Europe. *Historical Materialism*, 23(2):23–51.
- Lapavistas, C., Kaltenbrunner, A., Lindo, D., Michell, J., Paineira, J. P., Pires, E., Powell, J., Stenfors, A., and Teles, N. (2010): Eurozone crisis: Beggar thyself and thy neighbour. *Journal of Balkan and Near Eastern Studies*, 12(4):321–373.
- Lavoie (2014): *Post-Keynesian Economics: New Foundations*. Edward Elgar Publishing, Cheltenham, UK.
- Mazier & Petit (2013): In search of sustainable paths for the eurozone in the troubled post-2008 world. *Cambridge Journal of Economics*, 37(3):513–532.
- Mirowski (2013): *Never Let a Serious Crisis Go to Waste: How Neoliberalism Survived the Financial Meltdown*. Verso Books, London ; New York.
- Radice (2014): Enforcing Austerity in Europe: The Structural Deficit as a Policy Target. *Journal of Contemporary European Studies*, 22(3):318–328.
- Ryner (2012): Financial Crisis, Orthodoxy and Heterodoxy in the Production of Knowledge about the EU. *Millennium - Journal of International Studies*, 40(3):647–673.
- Stockhammer (2016): Neoliberal growth models, monetary union and the Euro crisis. A post-Keynesian perspective. *New Political Economy*, 21(4):365–379.