Post-Crisis Neoliberal Resilience in Europe

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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 financial 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


