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Stefanie Wöhl · Elisabeth Springler
Martin Pachel · Bernhard Zeilinger
Editors

The State of the European Union

Fault Lines in European Integration



Springer VS

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About the Editors

Stefanie Wöhl is Professor of Political Science in the degree programme European Economy and Business Management at the University of Applied Sciences BFI Vienna, Austria. She held Guest Professorships at the University of Kassel, Germany, and the University of Vienna. She has published widely on European integration, economic governance and state transformation from a gender perspective. Recent publications include ‘The Gender Dynamics of Financialization and Austerity in the European Union—The Irish Case’ (2017) in *Gender, Politics, and the Crisis in Europe. Politics, Institutions and Intersectionality*, edited by Johanna Kantola and Emanuela Lombardo with PalgraveMacmillan, and ‘Multiple dimensions of gender inequality: engaging ‘the state’ in International Political Economy’ (2018) in the *Handbook on the International Political Economy of Gender*, edited by Juanita Elias and Adrienne Roberts with Edward Elgar Publishing. See also <https://eis.fh-vie.ac.at>

Elisabeth Springler is Professor of Economics and programme director for European Economy and Business Management (BA & MA) at the University of Applied Sciences BFI Vienna. She holds a PhD from the Vienna University of Economics. Previously she was appointed Assistant Professor at the Vienna University of Economics, Visiting Professor at the University of Applied Sciences, Volda, Norway and Marshallplan-Chair at the University of New Orleans, Louisiana, USA. Her research focuses on European Integration, Post Keynesian monetary theory and housing economics and policy. Her most recent publications include the edited book *Asymmetric Crisis in Europe and Possible Futures* (Routledge, 2015), *Ökonomie der internationalen Entwicklung* (Mandelbaum, K. Rothschild

Prize 2017) both together with Johannes Jäger. She is editorial board member of the journal *Kurswechsel* as well as reviewer for many international journals. Apart from her theoretical work, she currently serves as member of the Austrian Fiscal Advisory Council (Fiskalrat) and the Financial Stability Board (FMSG).

Martin Pachel holds a M.A. degree in Socioeconomics from the Vienna University of Economics and Business and is a Researcher and Lecturer at the University of Applied Sciences BFI Vienna. Having previously worked as a freelance researcher as well as editor/translator for various research institutions, e.g. the University of Economics and Business or the International Centre for Migration Policy Development in Vienna, and as a lecturer in Salzburg and Vienna, he subsequently was a part of the ‘Competence Team for European and International Studies’ at the UAS BFI Vienna. His research focuses on critical political economy, heterodox economics, and gender theory. He is currently working on modes of reproduction and subjectivation within the expansive development of Neoliberalism and the upsurge of extremist factions and political parties, as well as a complementary empirical survey probing into processes of social radicalization.

Bernhard Zeilinger is a Researcher and Lecturer in the degree programme European Economy and Business Management at the University of Applied Sciences BFI Vienna, Austria. His current research agenda focuses on the economic and strategical reforms under the Socio-economic Governance Regime of the EMU in the areas of social and labor market policies; partisan effects in times of austerity; and the Political Economy of Digitalization. His last English publication was on the subject of ‘Post-Doha Reorganisation of Global Trade at the Expense of the Global South’ in the *Austrian Journal for Development Studies*, 32 (3) 2016. After obtaining his PhD he joined the Institute for European Integration Research at the Vienna Academy of Sciences as a Post-Doctoral Fellow, where he worked on the EU’s Asylum and Migration Policy (2011–2012). From 2013 to 2015 he implemented two EuropeAid projects on sustainable and fair trade at the NGO *Südwind* in Vienna. He is also a lecturer at the University of Vienna and was lecturer at the Paris-Lodron University Salzburg from 2010–2013.

Contributors

Hans-Jürgen Bieling is Professor of Political Economy at the Institute of Political Science at the University of Tübingen, Germany. He has published widely on the political economy of European integration, particularly on financial markets, European crises dynamics, labor and social developments, and the transformation of democratic participation and control. Recent publications include *The Political Economy of the European Union*, New York: Open Society Foundations (ed. 2015); ‘Regulation Theory and the Political Economy of the European Union’ (with Johannes Jäger and Magnus Ryner) in the *Journal of Common Market Studies* 54/1 (2016), and ‘Aufstieg des Rechtspopulismus im heutigen Europa—Umriss einer gesellschaftstheoretischen Erklärung’ in *WSI Mitteilungen* 70/8 (2017).

Simon Guntrum is Research Fellow and doctoral student at the Institute of Political Science at the University of Tübingen, Germany. His research focuses on the political economy of European integration, the political regulation of financial markets, and critical theories of international political economy. Recent publications include ‘Zurück in der Spur: Die europäische Finanzmarktintegration von der Krise bis zur Kapitalmarktunion’ (2019), in the edited volume by Hans-Jürgen Bieling and Simon Guntrum *Neue Segel, alter Kurs? Die Eurokrise und ihre Folgen für das europäische Wirtschaftsregieren: Springer VS*.

Johannes Jäger is Professor and Head of the Economics Department at the University of Applied Sciences BFI Vienna, Austria. His research interests focus on critical international political economy, global finance, regional development, and integration processes in Europe and Latin America. His recently co-authored publications include *Asymmetric Crisis in Europe and Possible Futures* (ed. Routledge 2015), ‘Regulation Theory and the Political Economy of the European Union’ in the *Journal of Common Market Studies* (2016) and a chapter on ‘Critical Political Economy and Method’ in *The Palgrave Handbook of Critical International Political Economy* (Palgrave MacMillan 2016). In 2017 he was awarded the *Kurt Rothschild Prize* together with Elisabeth Springler for their introductory textbook to economics *Ökonomie der Internationalen Entwicklung* (Mandelbaum 2015, 3rd edition). Moreover, in 2017 he was academic advisor to the political economy section of the <https://www.exploring-economics.org/en/> webpage.

Elisabeth Klatzer is a Freelance Researcher on the European Union, economic policy, feminist economics as well as Gender Budgeting. She has long-standing

experience as a consultant on public finance and gender equality, and is an activist for democratic transformation of economic power relations toward emancipatory economic, social and gender justice. She has published extensively on Gender Responsive Budgeting as well as on feminist economics and economic policies, as well as on feminist perspectives in current shifts in the European Union with Christa Schlager as a co-author, including ‘The Gendered Nature of Economic Governance in the EU. A Key Battleground for Gender Equality’ (2017) in *Towards Gendering Institutionalism: Equality in Europe*, edited by Elaine Weiner and Heather MacRae with Rowman & Littlefield. She is co-editor and co-author of the book *The European Illusion. Why we need new strategies towards the EU and beyond* published online in 2018 <https://the-european-illusion.eu/> and the original German version *Entzauberte Union. Warum die EU nicht zu retten und ein Austritt keine Lösung ist* published in 2017 with Mandelbaum. Most recently, she co-edited with Angela O’Hagan the volume *Gender Budgeting in Europe. Developments and Progress* (2018) with Palgrave MacMillan.

Karin Liebhart is Senior Lecturer at the Department of Political Science, University of Vienna, Austria. Since 2016 she is also Sociology Associate Professor at the University of Trnava, Slovakia and was a Fulbright Visiting Associate Professor at the Department of Political Science, University of Minnesota in the Fall term 2018. Her research focuses on visual politics, right-wing populism and extremism, anti-pluralistic politics, and memory politics. Latest publications include ‘Secession conflicts in the EU—Spain and United Kingdom by comparison’. *European Review of Law and International Relations*, 1/2018; ‘Political Storytelling on Instagram: Key Aspects of Alexander Van der Bellen’s Successful 2016 Presidential Election Campaign’. *Media and Communication* 2017, 5 (4) with Petra Bernhard; ‘A Multi-Method Approach to the Comparative Analysis of Anti-Pluralistic Politics’ (2016) In *German Perspectives on Right-Wing Extremism. Challenges for Comparative Analysis*, edited by Johannes Kiess, Oliver Decker and Elmar Brähler with Routledge.

Lukas Oberndorfer is Adviser for European Law and European Studies at the Department for EU and International Affairs at the Austrian Chamber of Labor. He researches and publishes in the field of European Integration and Law, the crisis of hegemony in neoliberal globalization and materialist state theory. Recent publications include ‘From new constitutionalism to authoritarian constitutionalism: New Economic Governance and the state of European democracy’ (2015) in *Asymmetric Crisis in Europe and Possible Futures*, edited by Johannes Jäger and

Elisabeth Springler with Routledge and ‘Dirty Capitalism’ (together with Sonja Buckel) (2018) in *Krisis—Journal for Contemporary Philosophy*.

Christian Reiner is Senior Researcher and lecturer in Economics and Statistics at the Lauder Business School, Vienna, Austria. His research focuses on innovation, regional growth, structural change and empirical economics. Recent publications include together with Sascha Sardadvar (2016) ‘Does the presence of high-skilled employees increase total and high-skilled employment in the long run? Evidence from Austria’. In *Empirica* 44; and with Robert Musil (2018) ‘Synchronität der Büromarktzyklen? Dynamiken europäischer Metropolen im Kontext der Finanz- und Wirtschaftskrise’ in *Zeitschrift für Wirtschaftsgeographie*, Online First.

Thomas Roithner is a Peace Researcher and habilitated Lecturer at the Department of Political Science, University of Vienna, Austria. He has published on European and Austrian foreign, security, defence and peace policy, transatlantic relations, energy security, nuclear disarmament, and the global shift of power. He has written, edited and compiled around 40 books. His recent monographs are *Sicherheit, Supermacht und Schießgewähr* (2018), *Europa Macht Frieden* (2018), *Märkte Macht Muskeln* (2017). See www.thomasroithner.at.

Samuel Salzborn is Visiting Professor for Research on Antisemitism at the Center for Research on Antisemitism (ZfA) at the Technical University Berlin, Germany, and an Adjunct Professor for Political Science at the Institute for Political Science at the University Giessen, Germany. His main research areas are Political Theory and the History of Ideas, Ideologies of the far right (past/present), History and present of the far right in Germany including the “New Right”, Comparative Studies on right-wing extremism and antisemitism in Europe. Selected Publications: ‘The Will of the People? Carl Schmitt and Jean-Jacques Rousseau on a Key Question in Democratic Theory’ in *Democratic Theory*, 4 (1) 2017; ‘Renaissance of the New Right in Germany? A Discussion of New Right Elements in German Right-wing Extremism Today’ in *German Politics and Society*, Issue 119 Vol. 34 (2) 2016; ‘Guardian of Democracy? Theoretical aspects of police roles and functions in democracy’ in the *European Journal of Policing Studies*, 2 (2) 2014.

Christa Schlager is a Researcher on economic policy and feminist economics. She is co-editor of the socioeconomic Journal *Kurswechsel*. In 2011, she was awarded the Kaethe-Leichter Austrian State Prize for her work on Gender Budgeting. She has published on Gender Budgeting, feminist economics and economic

policies with Elisabeth Klatzer as co-author, including ‘The Gendered Nature of Economic Governance in the EU. A Key Battleground for Gender Equality’ (2017) in *Towards Gendering Institutionalism: Equality in Europe* edited by Elaine Weiner and Heather MacRae with Rowman & Littlefield; ‘Gender and Macroeconomics: Economic Governance in the European Union—reconfiguration of gendered power structures and erosion of gender equality’ (2014) in *The Sage Handbook auf Feminist Theory* edited by Mary Evans, Clare Hemmings, Marsha Henry, Hazel Johnstone, Sumi Madhok, Ania Plomien and Sadie Wearing with SAGE.

Florian Trauner holds a Jean Monnet Chair at the Institute for European Studies of the Vrije Universiteit Brussel (VUB). He is also a Visiting Professor at the College of Europe, where he teaches a course on EU immigration, asylum and border control policies. His research interests concern the field of European integration, notably migration and asylum policies, the role of EU institutions, linkages between European internal security and foreign affairs/external relations and EU-Western Balkan relations. Among his recent publications is *The Routledge Handbook of Justice and Home Affairs Research* (edited together with Ariadna Ripoll Servent). With 39 chapters, the volume comprehensively covers scholarly discussions on the theories, policies and actors in this field.

Part I

Economic and Democratic Governance

Fault Lines in European Integration. An Introduction

Stefanie Wöhl, Elisabeth Springler, Martin Pachel and
Bernhard Zeilinger

1 Introduction

Ever since the financial and economic crisis of 2008, the European integration process faces massive challenges, which question the institutional alignment, democratic legitimacy and economic coherence of the European Union. This leaves member states in a situation where they are confronted with the severe socio-economic and democratic implications of the various endeavours targeted at combating the crisis. Firstly, to leverage the immediate impact of the financial, economic and debt crisis and to fulfil the conditions of the newly aligned policy procedures, especially for state finance and the financial sector. Secondly, to establish policy coherence between EU member states in order to overcome rising social and economic asymmetries. Thirdly, processes of de-democratisation in the course of the rise of authoritarian governments and a growing number of extreme right-wing parties gaining momentum across European societies amplify these challenges.

S. Wöhl (✉) · E. Springler · M. Pachel · B. Zeilinger
European Economy and Business Management, University of Applied Sciences BFI
Vienna, Vienna, Austria
E-Mail: stefanie.woehl@fh-vie.ac.at

E. Springler
E-Mail: elisabeth.springler@fh-vie.ac.at

M. Pachel
E-Mail: martin.pachel@fh-vie.ac.at

B. Zeilinger
E-Mail: bernhard.zeilinger@fh-vie.ac.at

These political and economic developments pose serious problems not only for some member states, but also for the European Union as a whole, since solutions will only be found if the member states agree on a common agenda on how to tackle these issues. Proposals to overcome the consequences of the crisis have been discussed from different approaches in political science, economics and sociology until now (cf. Enderlein and Verdun 2010; Jäger and Springler 2015; Forschungsgruppe Staatsprojekt Europa 2014; Kriesi and Takis 2016; Manow 2018; Mudde 2007; Ryner and Cafruny 2017). What we experience from recent policies is, however, quite the opposite. For example, instead of agreeing on quotas for asylum seekers across and between member states and a fair distribution within them, some member states have massively restricted the amount of refugees or asylum seekers allowed to enter their country at all. Hungary and Poland have concurrently also changed policies in favour of a more presidential or illiberally lead democracy, cutting back the rights of the Supreme Courts and restricting the freedom of the press, as well as public and cultural broadcasting by changing advisory boards in favour of the governing party. Moreover, this has happened in the wake of closed borders and efforts of the respective governments not to support a common refugee agenda in the EU (Bogaards 2018; Osteuropa 2018).

The British citizens voted in favour of leaving the European Union, thus questioning the unity of the European Union as a polity. In times of right-wing populism, extremism, and unsolved social problems of high unemployment and financial recovery in some member states, this is not a discursive rupture exclusive to public European debates, but also a topic concerning the future of the European Union as a whole. It once again raises the question whether the European Union is more than an entity comprised of individual member states with their national political and economic interests or the interests of specific corporate business elites setting the agenda (Horn and Wigger 2016; Ryner and Cafruny 2017).

In this edited volume, we aim to highlight these problems and challenges for the European Union from different theoretical approaches and views on different member states and the supranational polity. This introductory chapter focuses on how the aforementioned perspectives come together to relate aspects of transdisciplinary research and policy-centred approaches in the following chapters. Following this framework, we firstly present the fault lines in the European project resulting from current European policies, and furthermore, we develop theoretical arguments for a transdisciplinary approach and open up the lines of discussion as proposed by the articles in this edited volume.

2 Issues Tackled After the Financial Crisis and Fault Lines in the European Project

The financial crisis of 2008/2009 has highlighted the shortcomings of mainstream economic theory with its emphasis on free market equilibria and the claim of the non-existence of inherent speculative motives on financial markets. While perfect information was supposed to diminish financial risk and enable markets to attain self-regulation with steady and continuous growth rates, the collapse of Lehman Brothers led to unexpected as well as unexplainable long-lasting negative effects in real economic indicators. For the last 10 years, economic policy makers were seeking to re-establish a pre-2008/2009 growth situation.

Immediately after the financial and economic crisis hit the US market and developed into a global financial crisis as well, heterodox economics (referring to Post-Keynesianism and Critical Political Economy) attempted to reclaim momentum in economic educational institutions and the economic policy agenda. When fiscal packages were implemented to offset the danger of a total economic collapse, the rebirth of Keynesian economic policy on the international stage was celebrated after roughly 40 years and economic policy proposals by heterodox economists like Hyman Minsky (2008) and Charles Kindleberger (2000) were discussed in public once more. After this short window of opportunity, the theoretic scenarios adopted clearly showed the return of mainstream economic theory. Numerous policies that heterodox economists like Palley (2003) criticized (e.g. Basel III for the banking sector), were implemented, but above all, fiscal policies asking for austerity shaped the economic arena in the last decade. The return of mainstream economics in new forms after the economic downturn of 2008/2009 fostered the reduction of state responsibility in favour of consumer sovereignty. In this sense, economic theory turned back to a universalistic, timeless approach, applying paradigms that are ill suited to explain real economic phenomena such as increased asymmetries within but also across European economies. Jäger and Springler (2015) have explained the potentials of heterodox economic perspectives and their value in discussing real economic phenomena, amongst others.

All in all, the implementation of European policies to offset the immediate effects of the financial and economic crisis lacks two elements. Firstly, they do not fully tackle the determining factors of the financial and economic downturn, and secondly, even the reasons claimed to have led to the financial and economic crisis seem to be too short-sighted to cover the full picture of effects on civil society.

As Dullien (2014, p. 6–7; 2018, Chap. 2) explains, seven causes for the economic and financial crisis can be identified and are supposed to be targeted by

policy reforms within the Eurozone. Some economies show high and sharply increasing fiscal debt and deficit ratios, which have to be addressed in order to enable long-term sustainability for public finance. Others experience boom and bust cycles, which were fostered by a housing boom due to increases in wages and high credit supply, which in turn led to a recession once house prices decreased again. Additionally, systemic risks in the banking sector that were amplified by structural inefficiencies and also politically determined by some banking supervision agencies, led to a so-called “doom-loop” of financial problems in the public sector which were accelerated due to the banking crisis. These banks had to be rescued, which put additional pressure on state finances. In this period of high uncertainty, economies not directly involved in the financial crisis suffered negative second-round effects as they experienced self-fulfilling market panics. Some countries, which were immediately affected, e.g. Greece, also faced a sharp decrease in their competitive power compared to the rest of the member states. Increasing social and economic asymmetries culminated in a crisis of economic governance and a crisis of legitimacy of the European Union and the Eurozone in particular.

When comparing the economic reasons discussed with the reforms implemented so far (see Dullien 2014, Tab 3), it becomes clear that the era of high and increased state debt and deficit ratios has been tackled by many reforms, such as the so-called Sixpack, the Twopack, and the Fiscal Compact. Other problems, especially those involving the banking sector, might be underway with the implementation and deepening of the banking union, but seem to remain unsolved. When it comes to questions of trust and the crisis of political legitimacy in the European Union, the reforms mentioned above (e.g. Sixpack and Twopack) deepened the crisis and this remains unchanged to the present day. Even the recently discussed reform proposals only partly address these unsolved issues. Dullien (2018, p. 13) shows how the reforms proposed by the EU Commission as well as by economists and politicians in 2017 (such as Emmanuel Macron’s reform visions) were implemented. While the EU Commission’s proposal of December 2017, stemming partly from the reflection paper on *Deepening of the Economic Monetary Union* published by the EU Commission in the spring of 2017, also aimed at anchoring democratic accountability and strengthening Euro area institutions, only reforms to deepen the banking union have been implemented by mid-2018. This reform roadmap did not change in December 2018 either, when the Economic and Financial Affairs Council presented their main results for agreed reforms.¹ While the deepening of the banking union, digital taxation,

¹<https://www.consilium.europa.eu/en/meetings/ecofin/2018/12/04/>, accessed 10.01.2019.

anti-money laundering, taxation and the Stability and Growth Pact were presented as anchors for reform, measures aiming at the democratic accountability of EU institutions and tackling the crisis of legitimacy of the European Union do not seem to be a major issue on the agenda.

As evidenced by events such as the British citizens' vote to leave or the shifts towards a more presidential democracy in some member states, it is questionable whether the European Union has ever been more than an economic free market as a result (van Apeldoorn and Horn 2018). The problems in European integration recently discussed in this context, as elaborated in the Juncker Plan, have also been framed as problems of a Europe of "multiple speeds", "cores" or as "concentric", as Wolfgang Schäuble and Norbert Lammert had already pointed out in the 1990s, and again in the wake of the financial crisis after 2014. However, they did not anticipate the problems the EU has to face today. They rather demonstrate some political actors' focus on an Economic and Monetary Union, and that financial and monetary integration have created new problems in the wake of financial crises, since over-indebted member states could not devalue their currency because most of them are now part of the Eurozone. This uneven development between member states with regard to their economic performance and state debt, has led to variegated social, political and economic fragmentation in European societies in the aftermath of the economic and financial crisis (Jäger and Springler 2015; Kantola and Lombardo 2017; Bruff et al. 2015). Furthermore, the democratic accountability of some member states is impugned by right-wing populist national governments, and within executive procedures introduced through economic governance since 2010, e.g. the European Semester, which allows the European Commission to supervise national state budgets even more tightly.

Apart from the failures in implementing reforms to tackle problems, outlined in the seven reasons for the financial and economic crisis mentioned above, these issues do not seem to cover the full picture of the problem. Most of the reasons given do not discuss the underlying roots of the problem but rather aim to reform the effects of the financial crisis.

It is evident that phenomena visible in the EU after the financial crisis are not reflected therein: on the one hand, shifts in economic and democratic governance can be detected in context of the simultaneous rise of right-wing populism and the extreme right. On the other hand, the shift in economic markets, with the power of financial markets over the real economy, leads to the phenomena of *financialization*, but is not part of the reasons mentioned above as a cause for the financial and economic crisis. Nevertheless, aspects of financialization are part of everyday life and therefore visible in the current housing situation in member states (see Springler and Wöhl in this volume). Negative social effects resulting

from financialization and the continuous shifts in social welfare that are leading to social exclusion are not only linked to an increase in social asymmetries across European economies, but are also externally determined by the *migration crisis* in Europe. Building on this evidence, critical economists ask for a progressive reform in Europe (Bayer 2018).

In order to take into account the complexity of the phenomenon observed, i.e. the crisis and related repercussions or policy measures direct at it, as well as the highly branched and interrelated manifestations on various political, economic or societal levels, the merits of a transdisciplinary approach will be outlined in the following.

3 A Transdisciplinary Approach: Methodology and Theoretical Framework

By bringing together perspectives from heterodox economics driven by Post-Keynesian and Critical Political Economy approaches, political science, and socio-economics, we intend to provide the reader with insights into current dynamics and processes within the European Union. Certain aspects of European post-crisis integration will thus serve as ‘facets’ of a bigger picture, thus providing a basis for carving out an image that will allow for drawing conclusions regarding the initial questions and developments. In doing so, we employ a facet methodology approach, as outlined by Jennifer Mason (2011). While this approach originates in non-economic fields of study, its principles are well suited for adoption into other forms of research (cf. Bruff 2017, p. 151). On the basis of selecting particular aspects and thoroughly scrutinizing these topics respectively, “the aim is to create facets that seek out the entwinements and contingencies, instead of approaching the world as though these things are separate, or as though the different registers of scale that social scientists sometimes like to apply analytically (e.g. micro/macro) are self-evidently meaningful in the experience of living” (Mason 2011, p. 79). Avoiding abstracting from the phenomenon’s multidimensionality, this approach rather seeks out connections and relationalities as an analytical starting point. As Cox (1986, p. 204) states: “Academic conventions divide up the seamless web of the real social world into separate spheres, each with its own theorizing; this is a necessary and practical way of gaining understanding. Contemplation of undivided totality may lead to profound abstractions or mystical revelations, but practical knowledge (that which can be put to work through action) is always partial or fragmentary in origin.”

In order to provide insights for progressive European policies, fault lines in the European integration project resulting from the current mainstream economic policies have to be tackled. The theoretical background for this analysis can be derived from heterodox economic and political science approaches focusing on the analysis of neo-Gramscian and Post-Keynesian scholars. At first sight, these two approaches do not seem to have a lot in common, but when looking at the roots of those theoretical concepts, one becomes aware that common values and ideals shape their foundations while the analytical transmission differs. In this sense, the relation between Gramsci and Sraffa—and also Post-Keynesian approaches, which have already been discussed from numerous perspectives (Kurz 2013; Arena and Blankenburg 2013; Sen 2003; Ginzburg 2014)—seems to be crucial.

Despite the different paths in the academic careers of Gramsci and Sraffa, they stayed united in their “ideals and political values”, as Napolitano (Jessop 2006, p. 408) puts it. Sraffa’s academic career became strongly connected to Cambridge after his time there and the corresponding discussions on the work of Keynes. Therefore, the significance of Sraffa’s work for Post-Keynesianism is undoubted, but the systematic integration is difficult (Arena and Blankenburg 2013). This is important for the discussion of the implementation of European Policy Reforms, as economists such as Hyman Minsky—whose policy proposals, especially in the area of financial regulation, were widely discussed after the financial crisis—had an ambivalent relation to Sraffian analysis. “Hyman Minsky initially was less averse than Davidson to the inclusion of elements of Sraffian analysis in the construction of an alternative, nonmainstream approach to economic theory [...] Some argue that it was his participation on the Trieste summer School that, to borrow John Kings’s term, gradually turned Minsky ‘Anti-Sraffa’ [...]” (Arena and Blankenburg 2013, pp. 76–77). On the other hand, scholars like Jan Kregel are strong supporters of Sraffian approaches within post-Keynesian analysis (ibid.). Embedding Sraffian concepts within post-Keynesian methodology shapes an analytical framework for economic policy discussions, but does not include a view on hegemonic power relations.

Building on these elements and rejoining the neo-Gramscian approach, that builds on the Gramscian concept of hegemony, with the Post-Keynesian critical analysis on European policies and proposals for alternatives, the frame for a trans-disciplinary approach can be set as we outline further below. Aspects with high explanatory value for the current state of European integration, which are missing in the current discussion as presented above, e.g. the neo-Gramscian perspective, serve as a platform to discuss the impact of financialization, while Post-Keynesian

scholars propose numerous concrete policies to diminish the negative effects of financialization (Scherrer 2013, pp. 35, 37).

Neo-Gramscian critical political economy and state-theoretical approaches to the European integration process have recently stressed that the European Union is a multi-scalar governance ensemble of different state apparatuses² (Buckel et al. 2012). This neo-Gramscian approach conceives the EU as an ensemble of multiple institutional actors on different levels competing over differing interests. Within these institutional arrangements, institutional actors strive to implement their worldview within projects that try to attain political and economic hegemony. Neo-Gramscian approaches analysed the European integration process as a competitive economic integration project stabilized through the economic and currency union in the recent past (Bieler and Morton 2001; Bieler 2005; Bieling and Steinhilber 2001; Bieling 2003; Cafruny and Ryner 2003; Gill 1998; Gill and Cutler 2014; Ryner and Cafruny 2017; van Apeldoorn 2002; van Apeldorn et al. 2009).

These approaches refer to Gramsci's theory of hegemony in order to grasp the interactions between civil society and state institutions in the narrower sense of the term. Conceiving the nation state and its apparatuses as social and political fields in which social antagonisms arise, and the state as the condensation of these social conflicts in the struggle for hegemony, neo-Gramscian approaches retrace which actors try to secure their hegemonic position within a state or supranational entity. They analyse which actors disintegrate and divide other positions in a certain period in history to stabilize their political project (Jessop 2006). This so-called *historical bloc* describes a period or historical constellation in which there is a relatively stable agreement between the various institutional actors and the social partners. In this phase, society's social formation reproduces itself under relatively coherent conditions and within a certain mode of production and social reproduction. The post-World War II phase of Fordism is often described as a historical bloc in Western Europe, as mass production, mass consumption and stable welfare compromises in core countries such as Germany, France, Italy, Great Britain and Austria promoted productivity and economic growth (Bieling et al. 2016). What is missing in this conception, however, is the focus on uneven power relations in gender relations and how non-citizens are excluded in production and social reproduction in very specific ways (cf. Abels and McRae 2016; Abels and Mushaben 2012; Kantola 2010; Wöhl 2007, 2016; Young 2003).

²*State apparatus* is a term referring to the different institutions of the state (Poulantzas 1978).

The social and political forces also play a major role in the formation of a *hegemonic bloc* in power. As Bieling et al. note (2016, p. 58) “This interplay is orchestrated by influential national politicians, transnational alliances and supra-national institutions which, in Gramscian terms, represent an emerging transnational hegemonic bloc of social forces.” The various actors who articulate their interests must make compromises if they are to be successful. This is why the respective intellectuals of the different social forces articulate their worldview in the political public in order to organize political and ideological leadership. They thus have a decisive influence on the formation of a historical bloc in that they themselves are involved in the active production of hegemonic blocs in the form of alliances (Bieling and Steinhilber 2001).

The next level for the production of a historical bloc encompasses the hegemonic projects themselves. Bieling and Steinhilber describe them as political projects that “[...] dynamically stabilize or transform the ‘historical’ and ‘hegemonic bloc’ as a moment of institutionalized (class) compromise.” (2001, p. 106, translation by the editors). These political projects bundle the interests of hegemonic actors and can present them as solutions and strategies for current political and economic problems. At the same time, they do not rely solely on the material interests and rational strategies of various actors, but also succeed in creating a social myth that has an effect on the level of subjectivities: hegemonic cultural ideas, ways of living and feelings of the various social actors are addressed or expressed in this way. In this respect, public discourses have a consensus-building effect if they succeed in presenting themselves as not only the interest of a particular person or group, but also as general interest. Hegemonic discourses that give specific meaning can thus neutralize antagonistic interests. This takes place at the supra-state level of the European Union through specification by elites who usually have to secure their positions within a national framework (Jessop et al. 2015). Following this conception, we can interpret national public discourses by leading government parties in EU member states as a means of stabilizing their power and creating a consensus for their political state projects within their national realm (Jessop 1990).³

³We can see this especially in member states where the governing parties try to organize consent for their projects, e.g. in Italy where the Lega and the Five Star Movement government promised a basic income for the Italian population and, at the same time, are contesting allowing more refugees to enter the country.

For the European level, the researchers of the ‘Research Group State Project Europe’ (Buckel et al. 2012) have coined the term ‘*European state apparatus ensemble*’ in reference to Nicos Poulantzas (1978) in order to describe the large number of institutional actors at the national and supranational level who form this ensemble of state apparatuses and compete over differing interests. In different European contemporary societies, various professional intellectuals fight over competing socio-economic projects and political opinion leadership, but there are also counter-hegemonic intellectual forces that try to challenge the hegemonic consensus with alternative projects. The austerity measures implemented in different member states show that counter-hegemonic forces have questioned the necessity of measures which follow neoliberal patterns of economic thought (Bailey et al. 2017; Hozic and True 2016; Kantola and Lombardo 2017).

The member states and their various apparatuses do not necessarily adopt a uniform position in these concerns, and contradictions can arise between the different state apparatuses. In order to maintain political cohesion, however, it is important to launch certain state projects within the state itself to maintain political and economic stability and foster cohesion, as Bob Jessop (2006) has pointed out. Generating political and economic stability and coherence is therefore also one of the characteristics of the European supranational political project, even though there is presently no unified European civil society. We can therefore conceive the European Union as a new scalar configuration and as a new ‘*Euro-pean state project*’. It aims to create a new, stable configuration of municipal, regional, national and European institutions and state apparatuses (Buckel et al. 2012). Until the global financial and economic crisis in 2008, the EU’s mode of integration as an ensemble of competitive state apparatuses was relatively secure since, despite all disparities, ever stronger economic policy integration has been achieved (most recently with the introduction of the Euro). The various member states wanted to gain advantages through a common internal market and, despite all differences in the economic development of member states, common economic policy goals such as the free movement of goods, finance, trade, and services were established through a common competition policy and trade barriers were dismantled (Holman 2004). This was chiefly an elite project advanced by the European Commission and specific member state governments, Germany in particular, that wanted a stable Euro along the lines of the Deutsche Mark in order to keep its export economy stable.

The fact that this elite consensus was not secured by a European civil society became apparent after 2008 when the economic integration project was massively endangered due to the onset of the financial and economic crisis, massive national state debt as a result of bank-bailout, and the struggle for a political solution

between the member states, which first had to be renegotiated. In particular, the austerity programs implemented in the most strongly affected member states such as Italy, Spain, Portugal, Ireland and Greece evoked massive protests from civil society. While some member states of the European Union remain burdened with massive state debt and borrowed money from other member states via the European Stability Mechanism in order to avoid national bankruptcy, the economic situation in other member states has stabilized.

Still, the position that countries such as Germany have advocated, towards Greece in particular and in the course of the Troika negotiations 2015 in the European state apparatus ensemble, make clear that there was only EU-wide hegemonic consensus concerning the Economic and Monetary Union. Furthermore, no coherent European civil society stabilized this consensus in the member states, as massive protests against austerity in different member states emerged. On the contrary, the more severe the austerity measures negotiated at the supranational level, the stronger the counter-movements in member states such as Greece and Spain, among others. Currently, the fragility of the European political state project is also particularly evident in the refugee issue and the refusal of member states to admit refugees or agree on refugee quotas. The European state apparatuses are more fragmented than ever before, not only on the question of asylum, but also in terms of economic governance, if we consider Italy's right-wing and populist government who negotiated its budget deficit anew with the European Commission in late 2018 as an example.

4 Merit and Explanatory Value of the Transdisciplinary Approach on the Fault Lines in European Integration

Numerous phenomena visible in the current European integration process are not tackled sufficiently in current policy proposals, or are not even discussed in detail in the reform packages, whereas they exert pressure on civil society as presented above:

- economic and democratic governance
- right-wing populism and the rise of extreme right parties
- financialization and militarization
- social exclusion, welfare and migration

Framing these issues using the transdisciplinary approach presented in this volume provides numerous arguments probing into the fault lines in European integration, which can be found in the institutional setting, the process of democratic accountability, and the socio-economic effects of policy reforms. The discursive consensus between factions of capital on competition policy, which is still fostered as an elite project on the supranational level, strives to guarantee the implementation and intensification of market-conform projects. Nevertheless, the current problems beyond the creation of an ever-stronger hegemonic neoliberal market project, which would foster e.g. more far-reaching cuts to labour laws of member states, highlight that more influential member states like Germany and France are still trying to set the agenda on market policies. Meanwhile, right-wing populist and extreme right parties are enjoying increased popularity and even became part of the government in Hungary, Austria and Poland or have strong gains in votes in Germany, France, Sweden and the Netherlands. These parties often have an anti-EU agenda and try to rupture the discursive consensus on immigration policies by trying to invoke a “Brussels elite” responsible for all social ills. Interestingly enough, these parties rarely admit that they themselves often align with neoliberal policies if their political state project profits (see Salzborn and Liebhart in this volume).

Since the onset of the financial and economic crisis, there have also been different viewpoints from different interest groups and member states with regard to the economic policy approach, so that it is unclear whether *ordo-liberal* or *orthodox/authoritarian neoliberal* positions will prevail. Neoliberal restructuring of states and markets took place across the EU until the mid-2000s in several domains such as the further privatisation of social systems and the opening of national markets to a common European Single Market, which followed a logic of competitive deregulation, while monetarist policies were regulated much more restrictively. Currently, the core elements of these neoliberal projects are comprised of rigid austerity policies in the member states, a reduction in state intervention, supply-sided labour market and employment policies, and the consolidation of the European financial markets. The Single Market project has been massively challenged by the multiple experiences of the crisis since 2008 and new authoritarian forms of economic governance have been established since 2010 to safeguard it (Bruff 2014). Reverse-Majority-Ruling in favour of the Commission as well as new regulations and directives are now legally valid within the framework of the Sixpack regulation, the Twopack regulation and the Fiscal Compact (Oberndorfer 2016; van Acken and Artige 2013). These support competition policy by imposing even stricter fiscal rules and unconditional compliance with the structural deficit limit on the constitutional rank of member states (see Klatzer and Schlager, and Oberndorfer in this volume). We can therefore hold

manifold policy fields—as outlined by the authors in this volume in the following—relevant to the current restructuring of the European Union.

Economic and Democratic Governance

Lukas Oberndorfer analyses the effects of the post-2008 crisis on democratic accountability and the economic reforms implemented in its aftermath, as well as implications of these measures, from a neo-Gramscian perspective. He applies the Poulantzian term of authoritarian statism in order to unfold the authoritarian elements of a competitive statism used in this context to restrict civil societies in member states as well as specific member state governments. Oberndorfer argues that elements of authoritarian competitive statism have been aligned within the European Union to foster specific economic interests and to strengthen parts of the Commission and certain supranational executive branches. In order to support his argument that a more authoritarian constitutionalism that challenges democracies in member states was installed through the Twopack, Sixpack and Fiscal Compact, he refers to the Greek case, among other examples, and the economic measures imposed on the Syriza government in particular.

Elisabeth Klatzer and Christa Schlager analyse the economic governance regime in the European Union from a feminist critical political economy perspective and highlight the deep-running interrelations between the reconfiguration of economic and military policy and the corresponding gender order. Against the backdrop of increased insecurity and post-crisis policies, the authors probe into the questions of the debasing of gender equality policies and the masculinized character marking the post-crisis policy shift. Moreover, they argue that securitisation and militarization are inextricable elements in the process of re-shaping budget policies and institutions in a masculine-authoritarian fashion. By repressing democratic processes and by shifting public functions back to the realm of private enterprise, economic governance serves as a vessel of sustaining and deepening the prevailing structures of power.

Right Wing Populism and Extreme Right Parties

The rise of right-wing populism and extremist parties in times of increasing economic and social problems as a reaction to the assumed incapacity of traditional parties to face these challenges serves as a starting point for Karin Liebhart's contribution. In course of the EU-wide debates on how to face increasing migration in and after 2015, we witness the normalisation of right-wing discourses and political concepts, which include enmity towards minority groups, migrants and pluralistic policies. Liebhart provides an in-depth analysis for the case of Austria and its coalition government under the leadership of Sebastian Kurz's New

Austrian People's Party to show how economic arguments and populist reasoning coincide.

In his twelve-country comparison, Samuel Salzborn analyses right-wing parties in the European Union and argues to classify them as belonging to the family of 'extreme right parties', even though some of these parties use elements of right-wing populism to advance their arguments. Salzborn comprehensively addresses the issue that just because these parties use elements of populism, this does not necessarily dampen their either fascist or national-socialist tradition nor their backward positioning towards the idea of a united Europe. As Salzborn argues, the term of populism remains too simplistic to grasp the varieties of strategies used by extreme right-wing parties today.

Financialization and Militarization

Applying a neo-Gramscian approach, Bieling and Guntrum characterise the hegemonic power blocs in financial market integration and financial crisis management. They show that business leaders and the Banking Federation, in short, those in hegemonic power who asked for predominantly disciplinary policies, backed policy measures, which only partly include elements of joint liability. Financialization was thereby enhanced. Bieling and Guntrum point out that crisis management did not question but rather stabilize the financialization process, which, since the 1980s, has been enhanced and seems to increase its dynamics even after the financial crisis. They claim that policy measures aimed to soften the riskiest elements, but did not diminish financial business models.

While Bieling and Guntrum detect a potential "natural" end of the financialization process that limits the privatisation of public infrastructure, and propose to focus on the housing market and the privatisation process outside the European Union, Springler and Wöhl show the increasing role of financialization on European housing markets and their immediate impact on prices and social asymmetries. Financial structures of housing show a disperse picture throughout the European Union, but it becomes evident that countries which experienced a boost in financialization in the past were also more strongly exposed to house price boom and bust cycles. When comparing institutional settings of economies with opposite experiences in house prices in the past, it turns out that promoting free market solutions in housing—in combination with the high vulnerability of private households to financial market developments—accounts for house price bubbles. In contrast to Bieling and Guntrum, a potential further reduction in public sector engagement in direct and indirect housing provision is a crucial factor for Springler and Wöhl that enhances financialization further. This can be seen as a manifestation of hegemonic power of financial markets over private households,

which are deluded by the financial sector that their participation on the financial market will offer them freedom and possibilities of financial prosperity.

Liberal market forces not only lead to a social conflict over financial means, but, as Jäger and Roithner show, also lead to increasing militarization efforts. Within the framework of a critical political economy approach, they present the European Union as a dominant international player, which has subordinated peripheral economies with neo-liberal policies and financialized capitalism. To cement the power of finance and manifest the European neo-mercantilist regime, the EU became more aggressive in military rivalries, particularly around European trading routes. To promote a shift in this increasingly problematic development of the European Union, Jäger and Roithner propose changes in the social relations of production.

Social Exclusion, Welfare and Migration Policies

In order to analyse and to link the various intertwined processes marking the authoritarian policy shift in the EU, Martin Pachel outlines a socioeconomic framework based on conceptions of hegemony and authoritarian neoliberalism. With economic necessity serving as the overarching mantra, the disciplining of households and member states' budgets through austerity policy measures intensified in the aftermath of battling the 2008 crisis, and eventually led to an over-emphasis of authoritarian elements in policy-making as well as on the level of negotiating social consensus. On the societal level, austerity and the amplification of authoritarian policies and discourses have led to increasing levels of radicalisation, which the author views as an unfortunate amalgamation of a lack of prospects in times of constant economic insecurity and the widespread diffusion of economistic imperatives.

Bernhard Zeilinger and Christian Reiner analyse the innovation of the Economic and Monetary Union governance regime in the aftermath of the sovereign debt crisis. Their contribution highlights the retrenchment and deregulation bias of social policy reforms since 2008. In trying to gain a better understanding of these policy changes, their analysis attempts to identify and explain the respective trajectories and causal mechanisms. While some see the EU as a catalyser of the dismantling of welfare states, mainly driven by the imperatives of fiscal discipline and international competitiveness, others stress that the broad scope of action left to national decision makers increased through the European Semester. As the authors argue, the latter may bypass social partners and parliamentary opposition as governments gain procedural capabilities. Nevertheless, member states have often sought to justify more or less far-reaching social and employment policy reforms by reference to EU

requirements and recommendations in order to avoid to be blamed for it. To underline their argument, they conduct an econometric analysis to examine the ramifications of strengthened fiscal rules and conditions imposed on crisis countries (financial assistance programs of the ESM/EFSSF) and the Excessive Deficit Procedure as well as the influence of governing parties' manifesto on cuts in social spending.

Finally, Florian Trauner takes a long-term perspective on the term 'crisis' and EU asylum policy in his chapter, which starts by looking at how the financial and economic crisis the EU has faced post-2008 has affected decision-making processes and outcomes in migration policy. Trauner continues by highlighting the EU's responses to the political crisis in dealing with the influx of asylum seekers in the wake of the Syrian civil war. He argues that the EU has sought to safeguard the key pillars of its asylum policy—notably the Dublin system—by providing EU member states that face high migratory pressures or financial constraints with additional support. While the southern and northern members had the lion's share of political disagreements before 2015, this has changed with the onset of the so-called 'refugee crisis'. The EU Commission's idea of installing a permanent and legally binding relocation mechanism has met staunch opposition from the Visegrád group—an alliance of four Eastern European countries—as well as from right-wing parties in several member states. The current struggles point to a specific dilemma: can the EU further deepen the integration process in a field such as asylum policy in view of the rise of populist and Eurosceptic governments? Trauner concludes by pointing out the severe risk of a fragmentation of the EU due to the migration issue.

With this given outline, we intend to show that a variety of multidimensional issues currently challenges the European integration process, and that a transdisciplinary approach is required to analyse them along their different facets. We explicitly thank our authors for their contributions and their patience with our demanding procedure, and hope to offer new insights on the fault lines in European integration to the interested reader.

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Between the Normal State and an Exceptional State Form: Authoritarian Competitive Statism and the Crisis of Democracy in Europe

Lukas Oberndorfer

‘Elections cannot be allowed to change anything.’ Wolfgang Schäuble in the Euro-group, 11th February 2015¹

‘The [Greek] government needs to consult and agree with the [Troika-]Institutions on all draft legislation in relevant areas with adequate time before submitting it [...] to Parliament.’ Euro Summit Statement, Brussels, 12th July 2015²

‘The comprehensive contradiction of this [democratic] constitution, however, consists in the following: The classes whose social slavery the constitution is to perpetuate – proletariat, peasantry, petty bourgeoisie – it puts in possession of *political* power through universal suffrage. And from the class whose old *social* power it sanctions, the bourgeoisie, it withdraws the political guarantees of this power. It forces the political rule of the bourgeoisie into democratic conditions, which at every moment help the hostile classes to victory and jeopardize the very foundations of bourgeois society. From the first group it demands that they should not go forward from political to social emancipation; from the others that they should not go back from social to political restoration.’ Karl Marx, *The Class Struggles in France, 1848–1850*. (Marx 1978, p. 35)

¹Varoufakis, *The Defeat of Europe*, *Le Monde diplomatique*, 2nd August 2015.

²www.consilium.europa.eu/en/meetings/european-council/2015/07/12/ last accessed 1st August 2018.

L. Oberndorfer (✉)

Abt. EU und Internationales, Arbeiterkammer Wien, Vienna, Austria

E-Mail: lukas.oberndorfer@univie.ac.at

Introduction

The extent of coercion that has been positioned against Greece's left government hints at the challenges this government has posed for the European neoliberal project. Originating in the occupation of Syntagma Square in late May 2011, the 'hostile' subaltern classes seized the democratic moment in January 2015 and gained, in the shape of SYRIZA's electoral success, a victory also at the level of the state. With counter-hegemonic forces entering into the Greek government and their presence *within* the European ensemble of state apparatuses³ (Buckel et al. 2014), the growing European struggles of neoliberalism's hegemonic crisis no longer had solely "'long-range' effects within the State" (Poulantzas 1978/2000, p. 141). The key actors of the European power bloc⁴ quickly realized that far more was at stake with this event than merely the government of a country that does not even constitute 2% of the Union's economic output. This was the first time since François Mitterrand's 'projet socialiste', when the French Left announced in 1981 a 'break with capitalism' (Lipietz 1991, p. 29 ff.)—which only lasted for two years —, that a government credibly wanted to establish an alternative to neoliberalism. The hope that a collective intervention in the course of events could engender change seemed to have returned. Until then, this hope had seemed obsolete in the wake of neoliberalism's rise in Europe following the defeat of the UK miners' strike in 1985 and Margaret Thatcher's proclamation that 'there is no alternative' (TINA).

Nothing documents the considerations within the European power bloc better than the deliberations of Donald Tusk, the President of the European Council. He admitted to being afraid of the dangers of ideological and political contagion that could radiate from Greece. From there, he declared, a 'radical leftist illusion' was nourished 'that you can build some alternative to the current EU economic model [...]'. I can feel, maybe not a revolutionary mood, but something like widespread

³With this term the research project "State Project Europe" refers to the fact that since the beginning of the 1980ies, the transnationalisation of production, (financial) markets and the state has led, in the context of the European Union, to a deep entanglement and dependence of national and supranational state apparatuses (Buckel et al. 2014, pp. 10–15).

⁴Nicos Poulantzas defines the conglomerate of dominating classes or class fractions in a nation state the power bloc. The state functions as the terrain where those classes and class fractions can—albeit their different interests and frictions—form a long-term strategy. Under the conditions of the transnationalisation of state, production and markets also a European Power Bloc has emerged.

impatience. When impatience becomes not an individual but a social experience of feeling, this is the introduction for revolutions.⁵

This statement highlights a sensibility for those processes which, even if *extremely* unevenly (Becker 2012, p. 471 f.), had begun within the European ensemble of state apparatuses since 2011. ‘In every country the process is different, although the content is the same. And the content is the crisis of the ruling class’s hegemony, which occurs [...] because huge masses [...] have passed suddenly from a state of political passivity to a certain activity, and put forward demands which taken together, albeit not organically formulated, add up to a revolution.’ (Gramsci 1988, notebook 13, § 23)

In this context any debt reduction and already a little more leeway for investments in public and social infrastructure, which could have been achieved through negotiations, would have initiated a chain reaction in Southern Europe. It would have done so by providing a renewed impetus to social movements, by making further left-wing governments more likely and thereby questioning the whole politics of crisis management of the past seven years. When faced with the dangers of these “real breaks” (Poulantzas 1978/2000, p. 258) further expanding towards a questioning of bourgeois society in its contemporary European form, the crisis management group of the European bloc in power decided to pursue the “political restoration” that had already begun in 2011 (Oberndorfer 2012a) with even more determination.

As soon as the electoral victory of SYRIZA was declared, the political and media-orchestrated mud-slinging started against the left-wing government. This was not only remarkable in its one-sidedness but also in its consensus between right-wing and left-liberal commentators (Lorey and Raunig 2015, p. 11). ‘More grown-upness’⁶ was what the IMF president demanded from the Greek negotiators, whom the Eurogroup labelled “amateurs and schoolboys”.⁷ Faced with the referendum, the political editor of the German magazine *Der Spiegel* judged Greece to be a ‘confused nation’,⁸ of whom nobody could any longer expect a reasonable decision, while the largest left-liberal newspaper in the Netherlands

⁵Financial Times, 16th July 2015.

⁶FAZ, 2nd July 2015.

⁷*Die Welt*, 24th April 2015.

⁸Roland Nelles, Referendum in Griechenland: Die verwirrte Nation, *Der Spiegel*, 27th June 2015.

printed a commentary in which a Professor of Economics argued that Greece was not fit for democracy but ‘needed a dictatorship’.⁹

In the case of Greece, this openly repressive discourse prepared the grounds for the further ‘establishment of an entire institutional structure serving to prevent’ (Poulantzas 1978/2000, p. 210) the counter-hegemonic direction of the left-wing governmental project. Only a few days after SYRIZA’s election victory, the ECB announced that it would no longer accept Greek government bonds as security. The Greek banking system was thus dependent on the funds of the Emergency Liquidity Assistance (ELA), and thus subject to the decisions of the ECB Governing Council. Furthermore, the Eurogroup blocked the release of credit, due to the second ‘aid programme’. As a result of these decisions, the Greek banking system and state dried up successively with a dramatically intensifying liquidity crisis, capital flight, and a sharply rising reluctance to invest in Greece (Sablowski 2015). During the negotiations, the EU institutions threatened several times to invoke a total banking collapse should the Greek government not fall into line (Varoufakis 2015).

The decision to let the Greek population decide democratically in a referendum on accepting the conditions for the release of further credit was answered by the Eurogroup within a single day with a ‘decision’ not to extend the programme for Greece, which provided a justification for the ECB not to increase the ELA measures.¹⁰ The intended consequences occurred: Greek banks, with a view on the remaining liquidity, were forced to close and cash withdrawals were restricted. Financial transactions and thus the economy began to collapse. ‘What is now being inflicted upon Greece rams home the message that the dismal results of austerity policy are preferable compared to the disaster the “institutions” will unleash if a government dares to step outside the orthodox framework’, according to the chief economist of the European Trade Union Confederation (Janssen 2015, online). What is remarkable is that the European ensemble of state apparatuses established these violent measures largely outside the relevant democratic processes and in contravention of European law. Martin Hellwig of the Max Planck Institute and former board member of the Stiftung Marktwirtschaft judged the actions of the ECB as violations of European law: ‘To make member state governments compliant is not one of the aims and purposes of the euro system’ (Hellwig 2015). The decision of the Eurogroup to bring the Greek banking

⁹Harry Verbon, Griekenland heeft dictatuur nodig, *deVolkskrant*, 26th August 2015.

¹⁰Eurogroup declaration of 27th June 2015, <http://www.consilium.europa.eu/de/meetings/eurogroup/2015/06/27>. Accessed 1st August 2018.

system to a standstill was, in contrast to existing custom, not made unanimously: rather, it took place excluding the Greek finance minister. Asked whether this was legal, a civil servant of the Legal Service answered that '[t]he Eurogroup does not exist in European law. It is an informal group and, therefore, there are no written rules constraining its President.' (Varoufakis 2015). Legally, this response is problematic on several counts. After all, the Eurogroup is governed by Protocol 14 to the European Treaties, which, *are* part of European primary law. The Eurogroup is in fact an informal formation (Geiger et al. 2010, Rn. 1). This however raises the question as to how an institution *without any* decision-making competencies can make decisions that affect the economic wellbeing of entire member states.

The developments since SYRIZA's election victory concentrate and combine those dislocations and ruptures that I have attempted to consider conceptually, following the state theorist Nicos Poulantzas, as authoritarian competitive statism (Oberndorfer 2012a; Poulantzas 2002, p. 203 ff.). This new "normal form" (ibid. p. 231 ff.) of the European ensemble of state apparatuses, which had begun to emerge with the crisis of hegemony of the neoliberal mode of integration, is best characterised—as I would like to demonstrate in this article—by the developments from 2012 onwards, 'by massive state interventions to manage the crisis, the loss of representative democracy, as well as the manifold restrictions of so-called formal freedoms [...]'. Faced with the escalating instabilities caused by the crisis, a waning consensus and the therefore increasing struggles of the subaltern, authoritarian competitive statism offers a resolution through repressive governmental techniques and develops new 'institutional dispositifs of prevention' (Oberndorfer 2012a, p. 54 ff.).

With the financial 'blackmailing' of Greece, the authoritarian competitive statism became visible to a broader public. It points towards a simultaneous strengthening and weakening of statehood. Even if the repressive hardening of the ensemble of state apparatuses is 'terrifyingly real' (Poulantzas 1978/2000, p. 205), it at the same time discloses the potential for violence which is inherent in capitalist social relations and their tensions with democracy, and thus also opens out towards perspectives for criticism and resistance.

Nevertheless: the gigantic pressure that was amassed against the left-wing government of Greece eventually led to SYRIZA's leadership agreeing to conditions that meant little else but the continuation of the previous austerity measures. The thereby enacted split of SYRIZA, as well as of the social movements, already envisaged in Spring 2015 in Brussels (Spiegel and Hope 2015), confirms particularly clearly Poulantzas' analysis that the state apparatuses organise the bloc in power and unify it 'by permanently disorganizing-dividing the dominated classes' (Poulantzas 1978/2000, p. 140).

For the time being political restauration has been successful. This gives us time for necessary reflection: to examine the reasons that led to this defeat. For that purpose I will—drawing particularly on Poulantzas—attempt to gauge the ‘terrain’ and its ‘structural selectivities’ (Poulantzas 1978/2000, p. 134), on which the struggles for social emancipation have to be lead. In order to do so, I will examine in Sect. (2) the tensions between democracy and capitalism and the metamorphoses of the capitalist state implied therein. As I argue in section three (Sect. 3) the contemporary phase, which is characterised by a transnational process constraining formal democracy, can be conceptually understood as authoritarian *competitive* statism. It presents a response to the crisis of hegemony of neoliberal integration and has followed from the unfolding economic crisis within the EU. In the final Sect. (4), I will attempt a view towards the consequences this crisis of democracy has for the conditions of social struggles.

2 The Tension Between Democracy and Capitalism: The ‘Normal Form of the State,’ ‘Exceptional State’ and ‘Authoritarian Statism’

Sonja Buckel (2017) recently explored the question why within capitalist societies we can observe the establishment, the constriction, and revitalization of democracy. Reconstructing relevant materialist theory, she reveals the core of the tension between capitalism and democracy. It is only through formal democracy that the political rule of the bourgeoisie is made possible despite its internal fractures. Democracy proves itself, according to Marx, as the one state form in which the bourgeoisie’s ‘general class interest subjected to itself at the same time both the claims of their particular fractions and all the remaining classes of society’ (Marx 1937, p. 48). Only on the terrain of state democracy can a long-term strategy be formed that binds the interests of different capital fractions in an unstable balance of compromise and thus democracy becomes ‘the unavoidable condition of their common rule’ (ibid, p. 48). In this context, parliamentarism, as Buckel demonstrates, functions as the relay for universalization (Buckel 2017, p. 22) in which opposing interests become transformed into general ideas (Marx 1937, p. 32). Gramsci pursued these considerations of Marx further, and developed them in his theory of hegemony. The bourgeois class can only achieve political and cultural leadership when it is able to transcend its narrow-minded ‘corporate interests’ and transform them into a political interest. Only this catharsis, made possible only by partial compromise with the subaltern, allows the bourgeoisie

to achieve the universal level of hegemony and to extend its ideology across the entire social fabric (Gramsci 1975, Vol 2, notebook 4, § 38, p. 177 f.).

However, as Marx emphasises in the quote at the beginning of this article, the comprehensive contradiction of the bourgeois constitution consists in the circumstance that it offers universal suffrage to the class whose social exploitation it wants to eternalise. Formal democracy could thus, at least potentially, afford political power to the subaltern and thus enable them to challenge bourgeois society. Under the impression of the developments in France that led to the abolition of the republic by Louis Bonaparte, Marx concludes therefore that the bourgeois class in the context of a political crisis is ready to sacrifice democracy and in the last instance also its political power in order to safeguard its social power (Buckel 2017, p. 22).

There is possibly no other body of work by a Marxist theorist that so centrally encircles the tension between democracy and capitalism as that by Nicos Poulantzas. It provides a rich theoretical toolbox for investigating the status of democracy. The central theme of 'Fascism and Dictatorship' (1974), 'The Crisis of the Dictatorships. Portugal, Greece, Spain' (1976) and 'State, Power, Socialism (1978/2000) lies in the analysis of periods and forms of bourgeois rule. 'A theory of the capitalist State,' Poulantzas insists, 'must be able to elucidate the metamorphoses of its object' (2000, p. 123). Based on this work, and following Marx and Luxemburg (1940), Poulantzas emphasises the necessity for the Left to defend the parliamentary-democratic state because it opens the terrain for emancipatory struggles by means of the freedoms it guarantees in law. No other political form has so far developed such a guarantee (Demirović 2007, p. 147).

This *normal form* of the capitalist state is characterised, according to Poulantzas, by hegemonic governmental strategies, i.e. it is based on consensus. These hegemonic strategies are made possible by representative democratic institutions with universal suffrage, competing parties, and the separation of powers. Law is based in a constitution. These institutionalised procedures mediate opposing interests, and thus provide a stable and predictable framework for capital accumulation. *Exceptional state forms* (Jessop 1982, p. 167 ff.), in contrast, abolish elections, the multi-party system and the rule of law, and they break with the constitution (Poulantzas 1974, p. 343 ff.; 1976, p. 102 f.). While the normal state form corresponds with historical periods of stable and secured bourgeois rule, the exceptional state technologies provide responses to hegemonic crises (1974, p. 58 ff.; 1976, p. 82 ff.).

Against the backdrop of the unfolding world economic crisis of 1970ties and the subsequently intensifying crisis of Fordist hegemony, Poulantzas developed the concept of authoritarian statism (for a detailed illustration see Oberndorfer 2012a). Poulantzas' *State, Power, Socialism* appeared in 1978 after the

1974/1975 recession, which, at that time, had been the worst recession since the world economic crisis of the 1930s. In 1977, a short-lived recovery was followed by another downturn. Poulantzas did not only observe this ‘double-dip’ (of two recessions following in short succession) followed by stagnation, which were similar to the economic developments of the last years; he also took into account the political repercussions of the economic crisis. The words with which he chose to describe this context thus not only remain incidental for an assessment of the current crisis of the European ensemble of state apparatuses: ‘The whole of the current phase is permanently and structurally characterised by a peculiar sharpening of the generic elements of political crisis and state crisis – a sharpening which is itself articulated to the economic crisis of capitalism’ (Poulantzas 1978/2000, p. 206).

As outlined above, Poulantzas argues that exceptional state forms constitute reactions to *specific* crisis-laden conjunctures: As the observed societal break of 1973ff. contributed to a situation of *permanent* crisis, he considers authoritarian statism *not* as an exceptional state form but as a *new* normal form of the contemporary state. Essential characteristics of the exceptional state form coexist with those of the normal state form. A symbiotic form develops from this and functions overlap continuously (Jessop 2006, p. 58).

The meaning of this becomes clear once we consider the central markers of this development. They can be roughly summarised as follows (for a detailed illustration see Oberndorfer 2012a): (1) The parliament loses considerable power vis-à-vis the executive, which, (2), is accompanied by a ‘dwindling of the rule of law’ (Jessop 2006, p. 56; Poulantzas 1978/2000, p. 218). (3) Political parties are losing significance as they feed in less and less of the societal interest necessary for the production of hegemony but instead merely represent the state towards the population (Poulantzas 1978/2000, p. 229 ff.). (4) As John Kannankulam summarises Poulantzas (Kannankulam 2008, p. 246 ff.) there is an increasing displacement of decision-making processes towards informal ‘networks of power that operate in parallel, bypassing official and formal paths and channels’ (ibid., p. 20; translation by author).

This overview shows that under authoritarian statism, unlike in exceptional state forms, processes of formal democracy are not entirely abolished but instead are limited, ruptured, and superimposed. Even if the administration has always been the key site for the production of an unstable balance of compromise within the structure of domination, this is almost entirely monopolised by the executive in the weakening of representative democracy. The complex process of consensus-making on the terrain of civil society and the state, mediated by the political parties and parliament, is undermined in such a way that dominant interests are no longer transformed into ‘national’ interests on the parliamentary stage but,

rather, ‘the various economic interests are now directly present as such within the administration’ (Poulantzas 1978/2000, p. 224). The already marginal consideration of the subaltern in the formation of state politics becomes ever more doubtful.

3 The European Ensemble of State Apparatuses and Authoritarian Competitive Statism

‘No one can be ahead of their time’, Poulantzas comments (1980, p. 70) with regards to Gramsci. Therefore Poulantzas could not foresee that, from the early 1980s onwards, neoliberalism would enter a phase when it would ingrain itself into the lives of the subaltern as a *constructive* project (Overbeek 2000, p. 182–183). Neither could he foresee that it would be possible, within the context of the EU, to establish the Single Market and the Economic and Monetary Union as concrete, consensus-based neoliberal projects capable of presenting themselves as ‘common interest’ solutions to a range of urgent social, economic, and political problems (Bieling and Steinhilber 2000, p. 106), which condensed into the consensus-based neoliberal mode of integration (Ziltener 1999, p. 132 ff.).

This is precisely *another* reason why Poulantzas’ theoretical framework is well-suited for analysing the current phase: at a time when neoliberalism keeps losing its constructive and ‘leading’ elements, and the ideology of competitiveness ceases to function as ‘internal cement’, (Poulantzas 1978/2000, p. 241), a new societal constellation emerges. In this constellation, authoritarian statism is not merely updated but is in fact fully realised for the first time. Thus, in the wake of the beginning of the crisis of hegemony of the neoliberal mode of integration starting 2011, I have already attempted to conceptualise this conjuncture in European integration as authoritarian *competitive* statism (Oberndorfer 2012a).

The processes of internationalisation and Europeanisation of statehood that began in the early 1980s (Brand et al. 2007; Wissel 2007) led to a re-configuration in which the rule of the nation-state is only *one* particular scale of the European ensemble of state apparatuses (Buckel et al. 2014). This means that the institutional dispositifs of prevention are located at different scales.

It is of no surprise that the *economic* components of crisis management are positioned at the *supranational* scale of the entire ensemble (see Sect. 3.2), because the selectivities of this particular terrain make it more difficult for social movements and trade unions to pose challenges and exert influence (Horn and Wigger 2013, p. 202 f.). Conversely, the *directly repressive* instruments are located at the national scale within the European ensemble of state

apparatuses because this remains the key terrain for social movements. Thus the recomposition and development of these repressive dispositifs of prevention (see Sect. 2.1) mainly take place at the scale of the national state and in *reciprocal relationship* to the extent of the crises of the respective state.

3.1 The Recomposition of the Directly Repressive Dispositifs of Prevention on the National Scale of the European Ensemble of State Apparatuses

The ‘Law on Public Security’¹¹ passed in early July 2015 in Spain is paradigmatic for the establishment of new repressive instruments. Since then, distributing photographs of police officers, burning the Spanish flag, and participating in spontaneous demonstrations against evictions can carry a fine of up to € 30,000. Importantly, the decision does not lie with the courts but with the police. The UN Special Rapporteur, concluded in a report that the new law ‘violates the very essence of the right to assembly since it penalises a wide range of actions and behaviours that are essential for the exercise of this fundamental right.’¹² Rights, ‘whose reality is being discovered now that they are going overboard’ (Poulantzas 1978/2000, p. 204). It was already freely admitted in 2012 by Felip Puig, the former Catalan Minister of the Interior, that this establishment of *directly* repressive dispositifs of prevention across the whole of Europe (albeit extremely unevenly) (Dopplinger and Kretschmann 2014; Petzold and Pichl 2013; Adensamer and Sagemester 2015) presents a response to the subaltern struggles that began in 2011, Puig stated: ‘We need a system that will make the demonstrators afraid.’¹³

Five years after the square occupations in Spain, the French government was also confronted with a large social movement. In the course of the New Economic Governance established within the EU in 2011 (in this case the macro-economic imbalances procedure, see next section), the French ‘Labour Market Reform’ (*Loi Travail*) was forcefully brought about only to then be challenged by the *Nuit Debout* movement (Syrovatka 2016). Under the banner of ‘Against the Loi Travail and its world’ the movement addressed not only neoliberal reforms but also

¹¹Ley Orgánica 4/2015, de 30 de marzo, de protección de la seguridad ciudadana.

¹²<http://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=15597&LangID=E> (1 August 2015). Last accessed 10th August 2018.

¹³Mirjam Moll, ‘Wir brauchen ein System, das den Demonstranten Angst macht’, *Süddeutsche*, 21st April 2012.

the erosion of democracy as it became more pronounced during the crisis. The movement was initially composed of mainly high school students and highly-skilled precarious workers. Similarly as in Spain, it was first of all this movement of square occupations and social change that eventually won the support of 'left-wing' trade unions and led to a strike movement, which in May 2016 even led to fuel shortages.

The state response was similarly repressive (more on this in Oberndorfer 2016) as in those European states that saw a rapid and deep economic collapse, bringing about a deep political crisis. In the days following the Paris terrorist attacks of 13 November 2015 a state of emergency (*état d'urgence*) was announced and (despite resulting from an entirely different kind of threat) utilised by the social-democratic government to ban (mass) demonstrations and place trade union activists under house arrest. Paraphrasing Felip Puig's statement Prime Minister Manuel Valls legitimised the extensive police powers brought into position against the social movement by asserting, 'There is no instruction to hold back!'¹⁴

3.2 The Economic Dispositifs of Prevention at the Supranational Scale Since the Crisis

In the field of the *economic* dispositifs of prevention, the New Economic Governance (established in 2011) led to a partial extension across the rest of Europe of the policies first tested in the Southern European laboratory: deep cuts in social infrastructure and economic competitiveness by internal devaluation (lowering the minimum income thresholds, decentralising collective bargaining and labour market flexibilisation). Enacted at the supranational scale and thereby removed from popular criticism, the agreement of six far-reaching EU laws (one directive and five regulations) principally covers the tightening of the Stability and Growth Pact and a *new* procedure in the case of macro-economic imbalances (more detailed in Oberndorfer 2015). This was thus labelled a 'silent revolution' by the former President of the Commission (Barroso 2010).

The new procedure in the case of macro-economic imbalances enables the European executive (in form of the European Commission) to demand from a member state a 'Plan for Corrective Measures' in the case of an excessive macro-economic imbalance without any parliamentary involvement (neither at national

¹⁴*Le Parisien*, 19th May 2016.

nor European scale). Should this not be enacted, a monetary sanction can be applied. The Commission only recently used this procedure to instruct several member states to lower their minimum wages and unemployment benefits, to relocate collective bargaining to company or regional scale, as well as to enact privatisations (Oberndorfer 2015, p. 195 ff.). This illustrates the type of imbalances that are to be addressed (Schulten and Müller 2013). The procedures aim at a competitive harmonisation by internal devaluation.

Economic Governance was supplemented in 2013 with two further directives, the so-called Two-Pack. On the one hand, these provided the Commission with the right to refuse national budgets if it considers them standing in contravention of the Union's fiscal rules (of the tightened Stability and Growth Pact, the Maas-tricht Criteria, and the Fiscal Compact) (ibid., p. 200 f.); on the other hand, this was an attempt to give the Commission the appearance of operating within the context of the Troika upon legally agreed procedures. The Fiscal Compact also came into force in 2013. Since the demands for consensual agreement to enact it within the European treaties were not provided for, a retreat towards public international law took place. The Fiscal Compact obliges the contract parties to introduce debt brakes (with zero budget deficits) and to automatic corrective measures should these not be adhered to (in detail, see Oberndorfer 2012b).

3.3 The Pattern of Authoritarian Competitive Statism

An analysis of the economic and directly repressive dispositifs of prevention agreed since 2010 provides insight into the pattern of authoritarian competitive statism; a pattern that Asoka Wöhrmann, 'chief strategist' of the largest German investment company, had already outlined four years ahead of the disempowerment of the Greek parliament: 'If Europe wants to survive, we need to have clear rules. And those who break the rules have to have their sovereignty removed. This is something we can hardly imagine at this moment in time.'¹⁵

Almost every single word in this statement describes a particular aspect of authoritarian competitive statism, the 'sovereignty' concept being the only one that conceals the nature of current developments. Though the narrow horizon of the juridical discourse may be unable to capture it fully, 'national sovereignty' has long been absorbed into the European ensemble of state apparatuses. In fact, authoritarian competitive statism makes it easier for the executive state

¹⁵Interview, in *Die Presse*, 25th November 2011.

apparatuses (including member state governments) to seize (basic) social rights still rooted at the national scale. Therefore authoritarian competitive statism more generally, is not simply an ‘attack by Brussels bureaucrats’ or ‘neoliberal circles’ against ‘the nation state’ (as indicated by Streek 2013, p. 239). Instead, it is better understood as an expression of a reconfiguration in the balance of forces within the power bloc, accelerated by the crisis of hegemony. The power bloc is confronted with the intensifying struggles of the subaltern and challenged by right-wing populists and movements, and this in turn leads to a recomposition of the European ensemble of state apparatuses. The ‘clear rules’, designed to ensure the survival of the European structure of domination, are an attempt to bind together the increasingly disjointed actors within this structure.

Firstly, this means a devaluation of those political arenas in which the demands of the subaltern still have a comparatively good chance of being heard. Parliaments and the ‘parties in power’ now do little—if anything—than confer the appearance of representative-democratic legitimacy upon programmes set out by the European ensemble of state apparatuses—of which the national executive branches are a *part*. Even if the declaration of the Euro summit that disempowered the Greek parliament is certainly one of the most brutal retrenchments of parliamentary powers that have taken place at the economic core since the end of WWII, the direction of force towards a restriction of parliamentary rights is discernible for all economic components of crisis management: The fiscal rules as they are embedded within the Fiscal Compact and the tightened Stability and Growth Pact are incredibly difficult to alter. While the tightened Stability and Growth Pact, as it resides within EU directives, is still relatively easily amended by a qualified majority, the Fiscal Compact, due to its character of being based in international law, requires unanimous agreement of all contract parties. Thus Angela Merkel stated, not without reason that the Fiscal Compact is intended to ‘insert debt brakes permanently into the legal order so that they are eternally binding.’¹⁶ Neither the European nor national parliaments are in themselves able to alter these ‘clear rules’ and are thus, at least relatively—after all, breaking these rules is still possible—insulated against the pressures from social movements.

Moreover, now a genuine European apparatus of the executive (The European Commission) is positioned above the ‘parliament as the sanctuary of law and legislative power [...], whose universal and formal character constitutes the essential feature of modern law’ (Poulantzas 1978/2000, p. 218). This is because the

¹⁶Ö1-Morgenjournal, 31st January 2012.

Two-Pack (see above) empowers the Commission to prohibit parliamentary budgets if these contravene the fiscal rules mentioned above. Also, the procedure that is applicable in the event of macro-economic imbalances enables the European Commission to instruct national parliaments in *economic policy* about which ‘reforms’ these *must* adopt. Simultaneously, not a *single component* intends to empower the European parliament. The central axis of conflict of the authoritarian competitive statism is thus not ‘European Union vs. nation state’ but ‘European ensemble of state apparatuses vs. (representative) democracy’ (Oberndorfer 2015).

The *second* tendency characterising authoritarian competitive statism was already largely described above: the significant decoupling of the European ensemble of state apparatuses from those ties that the subaltern were able to enforce *relatively* easily through the means of parliamentary democracy leads to a massive *empowerment of the European executive*. This however warrants a further qualification: if we look carefully, we observe that it is not a *general* strengthening of the executive. Rather, with the national finance ministries (with their role in ECOFIN Council and the Eurogroup), the European Central Bank, and the Commission’s Directorate-General Economic and Financial Affairs, it is precisely those state apparatuses that are particularly neoliberal and masculinist that are empowered (Klatzer and Schlager 2012, p. 23 ff.). The Directorate-General of Employment, Social Affairs and Inclusion, in contrast, suffered a strong loss of influence alongside national Ministries for Social Affairs whose role it increasingly is to administer only the suffering caused by the neoliberal politics of crisis. In addition, circumventing the demands of consensus-making, the flexibilisation across different scales and the increasingly informal character of the ensemble of state apparatuses renders (as I will explain in the next paragraph) possible that the apparatuses of the *dominant states*, above all those of Germany, gain power.

Thirdly, one can observe a further flexibilisation of the relationship between the different scales of the European ensemble of state apparatuses. The objective here is to enable dominant state apparatuses and their constitutive fractions to utilise and rearrange those scales in the most effective manner and thus to more easily pursue their interests. Subaltern opposition can thus be variably countered through a Council recommendation, measures by their ‘own’ respective governments, a ‘mission’ from the Commission, an interiorised ‘administrator’ of the ensemble as a whole,¹⁷ a threat by the ECB not to purchase government bonds¹⁸ or, rather,

¹⁷E.g. Mario Monti in Italy and Loukas Papadimos in Greece.

¹⁸To ‘rescue’ Italy and Spain through the direct purchase of government bonds, the ECB established strict conditions and demanded their enactment through emergency legislation (Caceres and Oberndorfer 2013).

with its threat to bring financial transactions to a standstill or (disregarding institutional mediation altogether) a direct threat from the financial markets in the form of announcing a credit rating downgrade—whatever happens to be strategically expedient.

The *fourth* moment of authoritarian competitive statism is the erosion of the rule of law, due process and fundamental rights. This can be observed at the national scale in the already described recomposition of the repressive apparatus, going hand in hand with a massive restriction of fundamental rights, ‘whose reality is being discovered now that they are going overboard’ (Poulantzas 1978/2000, p. 204). At the supranational scale of the European ensemble of state apparatuses this trend manifests itself in the circumstance that the economic components of the crisis management were established alongside an authoritarian *constitutionalism* (Oberndorfer 2015). In order to bypass the consensus required for changing the European treaties, instruments of neoliberal economic policy were *illegally* pressed into the ‘European constitution’, meaning the European Treaties (in the process of the ‘New Economic Governance’), or, an altogether abandonment of European law occurred (as with the model of the Fiscal Compact). Since 2011, ‘a constitution is established in emergency mode’ (Rödl 2012, p. 5), which appears to ‘make Carl Schmitt look terrifyingly timely’ (Joerges 2012, p. 377). The partial breach of existing norms, the disregard for legislative due process, and thus the erosion of crucial categories of the legal form, have become ubiquitous in the current phase—all economic measures mentioned above present considerable contraventions of existing European law (Oberndorfer 2015). These departures from formal democracy mean that the concept of post-democracy is *no longer* capable of fully capturing the current phase, Crouch (2004, p. 22) argued that under post-democracy an erosion of substantial participation takes place, while the procedures of *formal* democracy remain *unaffected*.

The degree of stability required to regulate a balance of forces ‘through a system of universal and general norms’ (Poulantzas 1978/2000, p. 219) that governs its own transformation, no longer exists. Therefore, the emerging ‘clear rules’ for ‘saving Europe’ can no longer be adequately understood as ‘new constitutionalism’. Stephen Gill (1998, p. 5 ff.) introduced this concept to describe how neoliberal dogma was made permanent in the Treaties in a way that, crucially, *conformed* to European law and was based on at least passive consensus. However, the tendency towards ad hoc ‘legislation’ by the executive without ‘constitutional’ support requires a radicalisation of his concept: in the face of an eroding consensus an *authoritarian constitutionalism* seems to emerge.

4 New Democratic Openings Towards a Radical Transformation of Statehood

The range of the repressive instruments brought into position against the Greek government within a relatively short period of time on the national and European scale in the context of authoritarian competitive statism is considerable. The strengthening of the state's structural selectivity towards the demands of social movements entailed in this seems to entirely eclipse any emancipatory development. Yet, if we take the above mentioned considerations concerning a critical theory of democracy following Marx (see the first section) seriously, a more differentiated picture emerges: with the curtailment of formal democracy, the European power bloc also destroys those relays, procedures and sites of the production of hegemony that are necessary for the frictionless functioning of bourgeois rule in the economic centre (Poulantzas 1968/1980, p. 42 ff.). Transforming the narrow-minded corporate interests of the different capital fractions towards a long-term strategy that is able to bind (or at least to render passive) the subaltern becomes ever more 'jerky and concealed' (Poulantzas 1978/2000, p. 245).

Following Poulantzas, we can thus observe that the authoritarian (competitive) statism is at once linked to a simultaneous strengthening and weakening of the state. '[I]t rather involves the dual aspect of strengthening-weakening, given that the transformations which mark the State sharpen the generic elements of political crisis'. This weakening and crisis 'offer fresh possibilities to the Left' (Poulantzas 1978/2000, p. 204).

However, authoritarian competitive statism and the hegemonic crisis of neo-liberalism that it tries to address do not at all only open out into emancipatory perspectives—as we have witnessed with the emergence of far-right-movements and the ascend of far-right parties inside Europe and outside of Europe with the electoral victory of Donald Trump. In the case of an intensification of the elements of crisis, a field for „violent solutions, for the activities of unknown forces, represented by charismatic men of destiny” (Gramsci 1971, p. 210) can emerge. In moments of transition towards an exceptional state (form), according to Gramsci, the „traditional ruling class [relocates] rapidly under the banner of single party“(ibid.). Even though it „perhaps [...] may make sacrifices” and „expose[s] itself to an uncertain future by demagogic promises“, it retains the power (ibid.). The renewed popularity of right-right that can be witnessed in some European countries (in particular in France, Austria, Sweden and Hungary, and more recently also in Germany) leads to the formation of political parties that, not least because of their broad appeal, possess the potential for such a rapid changeover.

Even if Poulantzas insists that authoritarian statism as the new normal form of the capitalist state is *not* at all the same as an exceptional form or an ongoing process towards fascism, he nonetheless stresses that within it, repressive instruments are erected and the rupturing of democracy is normalised. Both these processes are then, *in the case* of a move towards an exceptional state form available (Poulantzas 1978/2000, p. 210). This process will not take place in stealth, invisibly, nor in ‘cold blood’ since the establishment of an exceptional state always implies a break. Yet, neither will this process occur through outside infiltration under the above conditions, but rather, it will be ‘as a *break within the State* following lines that have already been traced in its present configuration’ (ibid).

Precisely because of this, Poulantzas criticises a Left that does not decisively defend, extend and deepen the freedoms and institutions of representative democracy, and seeks to combine these with the expansion of direct democratic forms and self-organisation from below (Poulantzas 1974, pp. 165–173; 2000, p. 255). This strategy is further supported by Alex Demirović’s statement that the movement pattern of formal democracy is not one of linear erosion but it is rather marked by cyclical patterns (Demirović 2013, p. 200). Each wave of de-democratisation leads to new democratic movements (Buckel 2017, p. 21) which in turn politicise the contradictions resulting from constraining formal democracy—constraints that lead to a ‘lack of a long-term, articulated strategy of the power bloc and [...] the absence of a global politico-ideological or “social” project’ (Poulantzas 1978/2000, p. 245).

And, indeed, the European ensemble of state apparatuses, by way of its martially won victories, intensifies the crisis of hegemony of the neoliberal mode of integration and thus offers several points for politicising an emancipatory perspective—effectively doing so across all social spheres. For each of these spheres I would like to conclude with a brief outline of this deepening crisis of hegemony with *some examples*.

1. *Economically*, the strategy to devalue internally, which was successfully pushed by the European ensemble of state apparatuses, it is sensible from the perspective of a *rather narrow-minded corporate* interest, since it allows for the reproduction of a profitable productive capital sector (Stützle 2013, p. 344 ff.). Yet, this becomes problematic for the stability of the European power bloc when, *simultaneously*, all other sources of demand are running dry: parallel to the inner devaluation, which dampens the consumption of wage-earners, the austerity politics, based in the Stability- and Fiscal Pact, brutally restrict public demand in order to satisfy the imperatives of the financial markets. Also, the extension of indebtedness, which could possibly only

be brought back on track with a socialisation of liability, is scuppered by the fragmentation of the European ensemble of state apparatuses. This increases the dependency on *external* demand as well as the pressure to appropriate such external demand. At the moment, it seems more than doubtful that such demand will continuously and sufficiently expand. Such a development became palpable in the 2015 Asian financial crisis: It rendered tangible how quickly the last remaining source of demand can erode and put the German export model under pressure. The next economic crisis is thus already pre-programmed.

2. *Politically*, it has seemingly been successful to isolate and bypass the subaltern ‘centres of opposition’ (Poulantzas 1978/2000, p. 174) *within* the state through a flexibilisation and informalisation of the European ensemble. With this, however, it is more difficult to pursue a coherent and unified political line—as, for example, is visible in the integration of the IMF into the Troika (which was engineered by Germany so as to prevent a crisis management based in solidarity right from the start).
3. *Ideologically*, the challenge that originated from the left-wing government in Greece could only be warded off at the price of fundamentally demolishing those myths that, so far, have shaped the European discourse. The relationships of power in European capitalism, as they are encapsulated within the European ensemble of state apparatuses, and their tension towards democracy became so vividly apparent, most recently, during the night of ‘negotiation’ with Greek’s SYRIZA government (12–13 July 2015) that they were witnessed by a wide European public who criticised and commented across social media with hashtags such as #ThisIsACoup and #ThisIsNotMyEurope.¹⁹ Such an assessment was also made later by left-liberal intellectuals (Krugman 2015). The statement that the European ensemble of state apparatuses is based on democratic values and due law (Article 2 of the European Treaty) has thus become questionable to a broader public.

These examples of different social spheres show how the interventions of the European ensemble of state apparatuses have been able to prevent a fundamental change in the relationships of power but at the same time have produced new crises, contradictions, and resistance. ‘Not only does authoritarian statism fail to enclose the masses in its disciplinary web or to ‘integrate’ them in

¹⁹#ThisIsACoup: how a hashtag born in Barcelona spread across globe, *The Guardian*, 13th June 2015.

its authoritarian circuits; it actually provokes general insistence on the need for direct, rank-and-file democracy – a veritable explosion of democratic demands.’ (Poulantzas 1978/2000, p. 247).

Even if, with the crushing of the left-wing government in Greece on 12th June 2015, the ‘first act of the revolutionary drama on the continent of Europe’ has come to a close (Engels 1852/1999, p. 5), several observations, such as the progressive urban governments in Spain, the movement around Jeremy Corbyn in the UK, the activation of many people in the context of the migration crisis that was caused by the European ensemble of state apparatuses, and the *Nuit Debout* movement in France that took many observers entirely by surprise, point to the fact that this was not yet the last act of the European Spring.

The temporal matrix, which has slowed down since this first act concluded, potentially ‘gives us time for a very necessary piece of work: the study of the causes that necessitated both the late outbreak and its defeat; causes that are not to be sought for in the accidental efforts, talents, faults, errors, or treacheries of some of the leaders, but in the general social state [...] Everyone knows nowadays that wherever there is a revolutionary convulsion, there must be some social want in the background, which is prevented, by outworn institutions, from satisfying itself. [...] If, then, we have been beaten, we have nothing else to do but to begin again from the beginning’ (ibid.).

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Losing Grounds: Masculine-Authoritarian Reconfigurations of Power Structures in the European Union

Elisabeth Klatzer and Christa Schlager

1 Introduction

During the last decade, profound restructuring has taken place within the European Union. These transformations deeply enshrine reconfigurations of gender relations and gendered power structures (Jacquot 2015; Femina Politica 2016; Kronsell 2016; Sauer and Lang 2015). Even though the EU is a feminist key battleground in the struggle against a capitalist-masculine stronghold (Weiner and MacRae 2014, p. 14), reports from the frontline rarely capture the extent to which the feminist struggles are losing ground. In the shadow of a poly-crisis on multiple fronts, the European Union has been taking decisive steps to push for quite fundamental transformations in EU governance, involving changes in power structures, the character and contents of democratic processes, policy processes and priorities.

E. Klatzer (✉)
Maria Enzersdorf, Austria
E-Mail: elisabeth.klatzer@gmx.net

C. Schlager
Baden, Austria
E-Mail: christa_schlager@aon.at

The main purpose of this chapter is to highlight three key dynamics in this—ongoing—restructuring process from a feminist perspective. It involves a focus on (1) the reconfiguration of economic governance and (2) the (in)securitization¹ of the European Union, as well as (3) the gradual transformation in the very area of EU gender equality policies. While economic governance transformation has been widely consolidated, the reconfiguration of (in)security governance and policies is currently on-going, with a focus on militarization, the police state, building a fortress Europe and shifts in militarizing immigration policies. The dynamics of re-shifting focus and de-valorisation of gender equality complement the profound changes in the gender order.

2 Masculine Authoritarian Reconfigurations of EU Economic Governance

In the aftermath of the financial crisis of 2007/2008, the European Union has transformed its economic governance and the related processes and procedures with a “constitutionalizing” effect, i.e. using means of legal and political mechanisms which are difficult to be changed (Gill 2000) to extend exploitative structures. This follows the patterns of a shock therapy (Naomi Klein) and is largely in place. Thus, this phase of masculine authoritarian restructuring of economic governance is largely accomplished and the new power relations are consolidated (Bruff and Wöhl 2016).

In the following, a brief summary of the key features of the EU economic governance regime is the backdrop for a feminist analysis of the gender contents of this transformation. The analytical dimensions, based on feminist economics and political science frameworks (see Klatzer and Schlager 2012;² Gains and Lowndes 2014) involve a gender analysis of economic policy institutions, rules and objectives and their implicit gender biases and implications. They further involve gendered actors, gendered implications of transformations of the role of the state and the continued fiscal squeeze, as well as gendered impacts of policies on living conditions and gender relations.

¹The widely used term “security” policy is not used here, as it is not a neutral term but a highly value loaded concept, implying that militarization is linked to increased security. To put attention to this, the term (in)security is used instead.

²The first part of the chapter draws largely on this publication.

2.1 Key Features of EU Economic Governance

The EU economic governance is the ensemble of rules, processes, documents, and procedures that govern macroeconomic, fiscal, and structural policy-making with broad implications. In the context of multi-level governance, it involves an elaborate process between the EU and its member states in terms of setting objectives, priorities, and recommendations at the EU level that are subsequently implemented at the level of member states. The reform of economic governance has resulted in the significant reorganization of economic policy coordination and economic governance in the EU to guarantee EU influence over key areas in member states' competence. It entails fundamental changes in member states' budgetary and economic policy processes (Klatzer and Schlager 2012; Oberndorfer 2014, 2017). The new EU economic governance regime comprises a set of reinforced rules and procedures on economic and budgetary policies at the EU level, which are binding for all member states and which have further requirements for euro-area member states.³ While the declared objective of this restructuring is to improve economic policy and budgetary coordination and to increase competitiveness, a main feature is that fundamental reconfigurations of power relations, institutions, and policy rules have taken place, that limit member states' policy choices. These reconfigurations were highly gendered and foster important changes in gender relations.

Based on an international treaty⁴ and secondary legislation, the resulting new economic governance regime (European Commission 2011, 2014) is characterized by rule-based fiscal policies, which focus on deficit and debt reduction rules binding for national budget processes and which severely limit national democratic decision making in fiscal policies. The new regime also entails the strengthening of "structural reforms" aimed at deregulation and liberalization of markets, under the mantra of "increasing competitiveness" in the frame of the so-called macro-economic imbalance procedure. This has also meant reducing labour market regulations and increasing flexibilization of rules and workers, as well as

³The new fiscal coordination measures consist of six legislative proposals commonly known as 'Six-Pack', which strengthened the Stability and Growth Pact in a number of ways and two further Regulations to strengthen the euro area budgetary surveillance, known as „Two-Pack“ (see European Commission 2018).

⁴The "Treaty on Stability, Coordination and Governance in the Economic and Monetary Union" adopted by all EU member states except the United Kingdom and the Czech Republic.

generating downward pressure on wages. The new rules and procedures involve a high degree of transferring influence on delicate economic and budget policy decisions from democratic spaces to small groups—as discussed below—within bureaucracies lacking democratic legitimacy. It has also resulted in the considerable increase of bureaucratic power in the European Commission and in member states, especially through the creation and reinforcement of non-transparent processes without possibilities to exert democratic influence and control. EU member states' ability to manoeuvre in economic policy are radically constrained, and states are punished with significant financial penalties (e.g., up to 0.5% of GDP with regard to fiscal policy in the context of the Stability and Growth Pact) in the event of non-compliance (for details see Klatzer and Schlager 2011b, 2014; Oberndorfer 2014).

2.2 Gender-Blind Economic Policy Institutions, Rules and Objectives with Inherent Gender Biases and Implications

While there is a lack of explicit gender equality rules and policies, the gender-blind economic governance institutions and processes have highly gendered implications and effects. The economic governance institutions involved in shaping economic and financial policies within the EU can be seen as institutions of particular hegemonic masculinity (Kronsell 2005), which means privileging norms that are representative of masculine and heterosexual attributes and “male-as-norm” which shape the agendas, politics and policies of institutions (Kronsell 2005, p. 1033). Not only is there a lack of explicit gender rules, in spite of legal obligations according to EU treaties, but rather there are informal ‘negative’ rules on gender in place, as issues of equality and social justice are considered to be irrelevant to economic policy questions by the actors and institutions involved.

These ‘institutions of hegemonic masculinity’ include the European Commission's General Directorate of Finance (DG ECFIN) and the General Secretariat, the Council of Ministers in the finance minister format (ECOFIN Council) and the Eurogroup as well as its preparatory working groups, especially the Economic Policy Committee (EPC) and Economic and Finance Committee (EFC), involving EU and member states' level bureaucrats.

Seemingly neutral macroeconomic rules, priorities and economic concepts can have deeply enshrined gendered contents and biases. Among these are the deflationary bias, male-breadwinner bias, and the commodification bias (Elson and Catagay 2000) as well as a risk bias (Young and Schuberth 2011). ‘Deflationary

bias' refers to policies giving low inflation and fiscal restraint priority over public spending aimed at full employment. This ties governments' hands in dealing with recessions, combating poverty and unemployment, and promoting economic growth and improvements in health and education. These policies limit governments' possibilities to counteract economic recessions, to redistribute and fight poverty and unemployment and thus have built-in disproportionately negative effects on women.

In the context of EU economic policies, the role of the European Central Bank (ECB), another institution of hegemonic masculinity is crucial. It is committed to price stability and does not pursue other economic policy goals, such as high employment and balanced economic development. In addition, a bias towards bank bailout and private corporations is deeply enshrined in its policies. Clear examples of the deflationary bias are the ECB's continued focus on price stability and on injecting liquidity through quantitative easing measures, which involves the ECB buying government bonds and other financial assets from commercial banks and other corporations. The ECB is still not inclined to pursue growth and employment policies in general. Moreover, much less inclined to foster economic policies focusing on gender equality, even though its statutes and the legal basis would leave room for that (see Article 127 of the Treaty on the Functioning of the European Union in combination with Article 3 of the Treaty on the EU).

The male-breadwinner bias refers to the assumption that men's wages largely sustain cash needs for the family, and women are at most additional earners. It thus has differentiated gender implications, as women more often work in low-paid, part-time, and precarious jobs or are not incorporated into the world of paid (formal or informal) employment. Related to this is the commodification (or marketization) bias, which occurs "when macroeconomic policy is designed to minimize the role of public provision" (Elson and Cagatay 2000, p. 1335). This bias occurs when public deficit reductions are primarily achieved through cutting public expenditure—which the EU expenditure rule⁵ of the Six-Pack implies and thus cuts the provision of public goods and services which are often of high importance in alleviating the role of women as carers—rather than increasing tax revenue (Addabbo et al. 2018; Women's Budget Group 2011). Market provision of services replacing public provision often is too costly and thus unavailable for a large part of the population. Consequently, an increasing part of this work of

⁵An expenditure benchmark places a cap on the annual growth of public expenditure according to a medium-term rate of growth. For EU Member States that have not yet reached their MTO, the rate of growth of expenditure should be below this reference rate.

social reproduction shifts to the unpaid economy, where it is mostly women's responsibility and this can further weaken their access to formal employment. It also exacerbates inequalities where gender intersects with class, age, race, or migration status. Severe cuts in public health provision in some EU member states are further examples in this respect.

Often superficial arguments are brought forward regarding EU contributions to gender equality. Especially in the context of the EU target to increase the employment rate, there is reference to increasing women's employment. However, no attention is paid to the quality of employment. In spite of increased female labour-market participation rates, the quantity of women's employment has not changed, and jobs are becoming more insecure and precarious, especially as women's jobs are often part-time and low wage. Both the flexibilization of labour markets and the limited security of jobs attached to it are gendered (Lewis and Plomien 2009). Thus, increasing women's employment rates changes the patterns of inequality and the particular form of patriarchal structures from one based on the foundations of marriage ("male-breadwinner model") or the welfare state towards market-based patriarchal structures of domination. Here, progress in emancipation and equality is limited (Lewis et al. 2008; Plantenga et al. 2009; Smith and Villa 2010) or even a chimera.

The consolidation efforts in the EU regarding public budgets are focused on the expenditure side and thus bring about large cuts in public spending (OECD 2011). Even though the degree varies across member states, the trend towards cutting expenditure is the same in all EU countries and is very much influenced by the new debt and deficit rules, including an expenditure rule. Thus, there is strong pressure towards reducing the role of public provision of services and opening up to private for-profit interests. This has been deemed a commodification bias by Elson and Cagatay (2000), which is promoted through the current fiscal squeeze regime. Severe cuts in public health provision, for example in Latvia, Greece, and the UK, and that currently announced by the Austrian right wing government, as well as reforms towards private provision of these formerly public services and privatization are only some of the many examples of this type of bias.

The risk bias is reinforced. Risk bias refers to a strategy that reduces pooled risks (e.g. in form of public social insurance mechanisms such as health and unemployment insurance) and instead individualizes risks. Within the economic governance, this pressure is constantly exerted by stressing "fiscal sustainability". Under the preventive arm of the Stability and Growth Pact, the European Commission is for example focusing on long-term projections about the economic and budgetary implications of an aging population. Presumably, this is to demonstrate the danger to long-term sustainability that results from changing demographics

in the member states. A major recommendation of the European Commission to almost all EU member states is to reduce age-related expenditure covering pensions and long-term health care (for instance, see European Commission 2016a). This is in sharp contrast to what happened during the financial crisis, which demonstrated the inability of financial and housing markets to serve as a prudent retirement provision. With market-based solutions, high risks and losses carried by individuals (Wöhl 2017). Instead of promoting public pension schemes that would shield individuals from market risks and market failures, these schemes are framed as a demographic burden and threat to sustainability—based on partial analysis, they are presumably not financially sustainable in the context of the aging of the population—and have subsequently been dismantled. Poverty of the elderly, especially among women 75 years and older, whose risk of impoverishment is 7 percentage points higher than that of men (Council of the EU 2016b) is exacerbated as a consequence of this policy. Pressure on cutting public expenses is high in the context of social security schemes and other essential public services—while at the same time there are rules established for regular increases in public spending (see Sect. 2 below). Women are affected in particularly negative ways by the individualization of risks because they have fewer savings, persistent lower income and limited ownership of real wealth.

2.3 Gendered Actors Working with Rules

Economic governance reform has implied a shifting balance of influence: while some parts of the EU public administration have been strengthened and gained power, others lost influence. Moreover, institutions of representative democracy such as national parliaments have lost much of their influence over economic policymaking (Sauer 2010). This shift in power away from national democratic spaces towards specific parts of the European level is highly gendered. The dominant actors in the institutions gaining power and influence—especially DG ECFIN, the General Secretariat within the European Commission, and the ECOFIN Council—are mostly men, and men play a much more dominant role in economic and financial institutions at the EU and member state level in comparison to other parts of public administration. Furthermore, not only are there more men, but also corresponding masculine norms and traditions are generally more prevalent in this area than in others (Klatzer and Schlager 2014; Schuberth 2006). Gendered hierarchies are reproduced and mechanisms of domination strengthened (Wöhl 2014).

The invisible by-product of men's domination of these institutions has been their ability to set the rules of the game, enabling them to "structure institutions, create laws, legitimize particular knowledge, establish moral codes, and shape culture in ways that perpetuate their power over women" (Duerst-Lahti and Kelly 1995, p. 20). Specifically, economic governance rules and austerity measures privilege masculinized economic knowledge with its norm of competitiveness for growth over alternative economic approaches and knowledge (Wöhl 2014). The on-going domination of masculine norms at central positions in the domain of economic and finance institutions within the EU has confirmed the findings of Lovenduski, as it "permitted a set of male-centred institutional practices to evolve without comment or protest" (2005, p. 27).

In addition, the economic governance rules open a highly arbitrary space, which increases the power of the actors involved. Even though the economic governance procedures and rules are seemingly clear and strict, they involve a strong element of informality and leave substantial room for interpretation. For example, the structural deficit is key for determining whether a country has complied with or broken the rules. Still, it is defined in a way that there is no clear consensus on the values to be imputed in calculations, leaving a large room for arbitrary decision-making to single key individuals.

Another example of arbitrary features increasing the power of a few is in the assessment of member states' policy measures: There is much room for interpretation as to whether certain countries with 'excessive deficits' have taken effective action to correct the situation. This increases the discretionary power of key actors on key questions—for instance, whether fines are imposed on countries. There are many examples of far-reaching political implications; e.g. as was the case in Spain, where the European Commission and its president Jean-Claude Juncker avoided imposing the foreseen sanction procedures for political reasons (Barker et al. 2016; Feigl 2012).

These informal processes and institutions are not only strongly dominated by men but are replacing pre-existing democratic decision-making processes. Birgit Sauer (as cited in Scheele 2012, p. 31) calls this process a 'depublication' (Entöffentlichung) of places where political decisions are made. In particular, national parliaments, as well as elected governments, are losing influence through this shift to discretionary, administrative procedures and informal decision-making. This has a significant impact on the representation and influence of women in processes of political relevance. The gains women have made through long struggles for participation in democratic institutions at national and EU levels are hereby undermined as important economic and financial policy decisions in the context of the European semester—the core economic-policy-coordination process

in the frame of the EU economic governance ([European Commission nd.](#))—are made by the executive bodies, and often without parliamentary participation.

While the share of women in institutions with democratic legitimation has risen slowly but continuously, the place where decisions are actually made has shifted to other institutions including the ECB, the ECOFIN Council, the Euro Group, and DG ECFIN. Non-transparent processes open new avenues for lobbying by multinationals or financial-business interest groups. The watch group Corporate Europe Observatory counts more than 6200 corporate organizations, lobby and law firms in the EU transparency register ([LobbyFacts 2018](#)). A recent study on the ECB exemplifies that private financial institutions take up 98% of seats in advisory groups of the ECB, 44% of entities with seats not registered in the EU Transparency Register ([CEO 2017](#)). This kind of power increasingly dominates decision-making processes in EU institutions, especially in the European Commission, where a lack of transparency and democratic accountability exists. The point is not solely that most decision makers in these institutions are male, but that these actors, structures, and proceedings share a conservative image of masculinity and values ([Kreisky et al. 2001](#); [Kreisky and Löffler 2009](#)).

Thus, decision-making processes in financial and economic matters are diverted from institutions that are democratically legitimized, to selected bureaucratic and informal decision makers whose actors and culture have a masculine spin; the latter can be considered centres of masculine power. Decision-making processes are non-transparent and therefore more prone to being one-sided with decisions made in the interests of the key actors represented. These shifts will further limit the voice of women ([Schuberth 2012](#)). In combination with the more neoliberal focus of EU economic policies that implicitly promote male elites, the socioeconomic discrepancies between women and men are deepened ([Michalitsch 2013](#)).

2.4 Gendered Implications of On-Going Transformations of the Role of the State and the Continued Fiscal Squeeze

The economic governance structures, rules and institutions have gained significant power over member states and play a significant role in a continued and accelerated transformation of the role of the state. The main transmission mechanism of authoritarian restructuring of the state and its policies is the coordination process set up in the economic governance, the European semester ([Oberndorfer 2017](#)). It has been designed to ensure the influence of economic and

financial institutions of the EU on key member state policy decisions in budget and economic policies as well as structural reforms towards liberalization and deregulation. The European semester sets out a sequence of European-level decision making, which results in recommendations and requirements that the member states must implement. Its scope extends far beyond budgetary, fiscal, and economic matters. Through these recommendations, as well as surveillance and intervention mechanisms in the frame of the economic governance, the EU is now engaged in all main policy areas of member states. The rule-based approach relies on the deficit and debt rules as straightjacket. These fiscal mechanisms enable the EU to influence member states' fiscal priority setting in all fields. Depending on a member state's deficit status, the European Commission may even have the right of approval of a member state's budget priorities prior to the budget's presentation in the national parliament. Furthermore, the policy recommendations issued by EU institutions in the field of labour market and economic development can even include recommendations regarding welfare systems, an area where the EU, in principle, has limited competencies. Other areas influenced by the recommendations include health care, old-age pensions, wage-bargaining systems, wage setting, labour market policies, unemployment insurance, regulatory issues, research, education, public service, and energy. This results in pushing member states towards further reforms that only serve to weaken and further undermine financing for social rights and the welfare-state elements while accelerating the transformation towards a competition state—and—as discussed in Sect. 2—thereby freeing up resources for accelerated transformation towards a militarized (in)security state.

Gender equality is hardly mentioned in any of the coordination processes or documents, despite the EU's commitment to gender mainstreaming. In all economic governance mechanisms gender mainstreaming was not applied (European Parliament 2012, p. 7; Hubert and Stratigaki 2016, p. 29 f.). An analysis of the policy instruments, i.e. the national reform programs and member state specific recommendations of the EU, shows the marginal role of gender perspectives in these instruments: "The gender dimension has a low profile in [...] the European Semester" (European Parliament 2012, p. 7). None of these instruments are setting specific policy targets for gender equality.

The primacy of economic and financial interests over social and gender-equality issues in the EU is strengthened through these new budgetary processes. The concept of a competition state focused on global competition and acting in an authoritarian manner is becoming more relevant (Bruff 2014). While the concept of 'authoritarian constitutionalism' (Oberndorfer 2014) is useful, it falls short of capturing a key characteristic of reconfigurations: What is taking place is a

‘masculine-authoritarian-crisis-constitutionalism’ (Klatzer and Schlager 2015 and 2016). The concept of the state in this context has been described as a ‘national competition state’ (Hirsch 1995; Jessop 2002), focused on global competition and acting in an authoritarian manner. However, the financial crisis has been used to accelerate the dismantling of European welfare states and locked-in the transformation towards an authoritarian competition state throughout the EU. In this conception of the state, the masculinisation of society, politics, and the state is a continuing process (Sauer 2010). The debate about the role of the state takes place along the lines of masculine norms (Bruff and Wöhl 2016). It focuses on reprivatization of public assets and refeminization of social reproduction, and constitutes a shift in the significance of private and public. Furthermore, as will be discussed in the subsequent section, this goes along with the strengthening of weaponization of the EU and the state by a focus on (in)security policies, militarization and strengthening of the police state as further discussed below. It establishes a new hegemonic gender structure and a new gender regime in financialized and monopolized economies.

2.5 Gendered Impacts of EU Economic Governance and Economic Policies on Living Conditions and Gender Relations

The gendered impact of economic policies of EU economic governance is well documented, and the worsening of living conditions and the gendered impact of EU member states’ economic policies have been highlighted extensively (Addabbo et al. 2018; European Parliament 2013; Hozic and True 2016; Karamessini and Rubery 2013; Kurz-Scherf and Scheele 2013; Villa and Smith 2013; Women’s Budget Group 2011). One of the more important observations is that there has been a shift in the cost of the crisis. In times of austerity, there has been an on-going reduction of expenditure in social spheres. This pattern can be observed across Europe (OECD 2011). As a result, we see a shift of cost towards the private sphere, where women compensate for cuts in public services by doing unpaid work. Women’s work is a ‘shock absorber,’ trying to compensate for the loss of available resources in households caused by unemployment, and to meet the everyday needs of families. This ‘downloading of risks to the kitchen’ (Elson 2002, p. 5) is a pattern that comes back repeatedly in times of economic crises. This was thoroughly analysed by Elson in 2002 during the Asian crisis. Since unpaid work is still not part of national accounting systems, the cost of crises are ‘hidden’ by shifting them towards unpaid work that is not accounted for.

Due to the gendered division of labour and roles within society among men and women, women rely to a larger degree on public services in many fields. They therefore have to substitute the loss of these services with their unpaid work. As women have to compensate for their loss of income and their losses in public services, they suffer from ‘overfull employment’ based on the excessive demands placed on their time and energy (Young et al. 2011). However, the shift is even more substantial. Those who can still afford the financial costs further shift the burden to female immigrants—in some cases undocumented—who often have to work under even worse conditions and are highly dependent on their employers (Benería 2003). Experience shows that a lack of public services leads to the reliance on a growing informal sector to provide care and that it is predominantly women working under these conditions of precarity and exploitation.

3 Brothers in Arms: (In)Securitization and Militarization of the European Union⁶

While the transformation of the economic governance is widely consolidated as the new norm and has reached a level of locked-in masculine authoritarian power structures over key economic policy making, the European integration has entered a new phase with the reconfiguration of (in)security and military governance. Policies in this realm focus on militarization, the police state, building a fortress Europe and shifts in migration policies. This (in)securitization goes hand in hand with a weakening of the hegemony and ideological power of the neoliberal modes of European integration, which is—among others—interrelated with the dynamics of the economic governance transformation and its tightening of the neoliberal authoritarian model of integration.

Since 2016, a remarkable acceleration of militarization of the EU is taking place. Similar to the Economic Governance reform, the new defense architecture has been introduced in a shock therapy like way, using the opportunity of the Brexit vote, events of terrorist attacks, migration and Donald Trump in the US as pretext to push forward the militarization of the EU and to obtain far-reaching commitments. “After one year and a half, [...] we have achieved now more than we have achieved ever in our history on security and defense. And just a few months ago everybody was saying this was not happening.” (Mogherini 2017a, p. 1).

⁶While the whole chapter is co-authored, responsibility for contents of this sub-chapter lies in particular with Elisabeth Klatzer. It is based on Elisabeth Klatzer (2019).

The purpose of militarization and the interlinkage between the interests of protecting the neoliberal economic model and militarization is explained in surprisingly open language.

“Strengthening Europe and protecting its citizens through effective measures to fight terrorism and develop its common security and defence, to ensure *its* economic development in a globalized world [...] It will also help *shape globalization in order to reap the benefits of open markets while protecting against unfair practices ...*” (European Council 2017, p. 1, emphasis by authors).

The EU global strategy on foreign and security policy presented in June 2016 also very clearly states that militarization serves to the interests of the economic elite in securing access to resources and global trade routes.

“Connected to the EU’s interest in an open and fair economic system is the need for global maritime growth and security, ensuring open and protected ocean and sea routes critical for trade and access to natural resources” (Council of the European Union 2016a, p. 41).

By mid-2018, “the building blocks of a European Security and Defence Union have been laid down” (HR 2018, p. 17), it only remains “to ensure coherence between the different initiatives launched, credibility by delivering on the commitments made, and concrete action stemming from the steps forward made” (ibid). In the following section a brief overview of these ‘building blocs’, the key elements of the (in)security and military policy of the EU, is presented to serve as a basis for subsequent discussions from a feminist perspective.

3.1 Key ‘Building-Blocks’ of EU (In)Security Policies

While the legal basis for defense policies in the EU has already been laid out in the EU treaty reform in 2009, the so-called “Lisbon Treaty”, significant progress has been achieved since 2016. The “Global Strategy for the European Union’s Foreign and Security Policy” (EEAS 2016a) set the frame for accelerated militarization of the EU: “In particular, investment in security and defence is a matter of urgency. Full spectrum defence European Union Global Strategy capabilities are necessary ... The EU will systematically encourage defence cooperation and strive to create a solid European defence industry ...” (HR 2017, p. 10 f.). Full militarization across all combat groups is stressed in the global strategy: “Regarding high-end military capabilities, Member States need all major equipment to

respond to external crises and keep Europe safe. This means having full-spectrum land, air, space and maritime capabilities, including strategic enablers.” (EEAS 2016a, p. 51).

Far from adequate attention to and apprehension of developments by the public, militarization of the EU has been pushed ahead. In December 2017, the EU launched the *Permanent Structured Cooperation on Security and Defence* (PESCO). Twenty-five member states (MS), all except the United Kingdom, Malta and Denmark, are part of it. Thus, even though it is a form of reinforced cooperation of a part of MS, as it comprises—after the exit of UK—all but two smaller MS, the significance and perception of militarization involves the EU as a whole. The High Representative of the Union for foreign affairs and security policy (HR) Mogherini was very euphoric about it: “Technically it is called PESCO, in practice it is the foundation of a future European defence” (Mogherini 2017b, p. 1). Unlike previous proposals for EU joint defense, PESCO comes with regular assessments to make sure countries are hitting their pledged goals for investments in capability or capacity. Countries that fail to meet their commitments can be removed from the group. “The deal fulfills a 70-year-old ambition among European nations to integrate their defenses and marks the biggest move in two decades to help match the EU’s economic and trade process with a more powerful military.” (DW 2017, p. 1)

The euphoria of militarists about PESCO as “a crucial political framework for all Member States to improve their respective military assets and defence capabilities [...] based on more binding commitments” (PESCO 2017, p. 3) is well founded: not only is there a new set of scenarios added, the defense of EU territory and its citizens (Fiott 2018, p. 4), which allows for fueling a new level of armament—called capability development—of the military forces, but there is also an elaborate process of ensuring the armament spiral keeps going upwards. It is a threefold process: the basis is the definition of armament objectives in the frame of an updated capability development plan (CDP). Based on the CDP, MS have presented a national Implementation Plan outlining their strategy of how to meet the binding commitments. These binding commitments of MS include to regularly increase defense budgets in real terms; successive medium-term increase in defense investment expenditure to 20% of total defense spending (collective benchmark) in order to fill strategic capability gaps by participating in defense capabilities projects; increasing joint and “collaborative” strategic defense capabilities projects and increasing the share of expenditure allocated to defense research and technology with a view to reaching the 2% of total defense spending (collective benchmark); as well as a binding commitment to “the intensive involvement of a future EDF [European Defense Fund] in multinational

procurement” (PESCO 2017, p. 2). The Coordinated Annual Review (CARD)—a surveillance procedure of how MS fulfill the agreed commitments—will be carried out annually and shall ensure implementation and regular updates of commitments. Very interesting to note in the (in)security governance is the strong involvement of an EU Agency, the European Defense Agency (EDA) in key areas of decision making, e.g. the elaboration of the CDP and the surveillance process of MS commitments.

The EDA does not hide that defense industry interests and lobbying are one fundamental basis of its establishment (EDA nd). Much more so, it seems to be proud—“this bold move from industry” (ibid)—and presents how strong industry lobbying was instrumental to “the birth of an agency”, which formerly was discussed under the more precise but publicly less appealing name of armament agency. Under the lead of EADS (now Airbus), major aerospace and defense companies successfully lobbied for an agency to reverse the trend of “European defense budgets declining, especially in the research & technology area” (ibid), prevent pull-out of countries from armament projects—a senior EADS manager is cited with “*We said to ourselves: never again!*” (ibid)—and to boost business for defense industry: “if real progress is to be possible in terms of military capabilities, efforts must be made not only at defense budget level, but also at the level of procurement so as to achieve economies of scale, and at the level of arms research and development” (EDA nd).

Further commitments in the frame of PESCO are participation in EU battle groups (BG) as a binding commitment with contributions confirmed at least four years in advance, promotion of cross border military mobility and an ambitious approach to common funding of military operations and missions, as well as promoting the European defense technological and industrial base (Roithner 2018, 2018b). PESCO commitments shall be implemented and driven forward by joint projects, 17 have been initiated already, including a pan-European military training center, common standards for military radio communication, the creation of a German-led European medical unit and a logistics hub, an initiative to build up faster crisis response forces, intelligence exchanges on cyber threats and submarine drones. More projects are being prepared and for fall 2018—as if to make swiftly use of the favorable political climate for pouring public funds in militarization.

Overall, PESCO and the continuous efforts of the EC have led to a swift and tremendous increase in funding for defense: Creative strategies for mobilizing additional resources for armament and militarization of the EU characterize recent developments, in spite of a prohibition of funding for military and defense in the Treaty (Art. 41(2)). The EDF was proposed under the next Multiannual Financial Framework (MFF) amounting to 13 bn euro, of which a new European

defense industrial development program (EDIDP) is a part. Additionally, a European Peace Facility (EPF), with 10.5 bn outside of the MFF to “finance our defense work: military operations, but also support for partners and also the possibility to finance military equipment of partners” (Mogherini 2018). In addition, another 6.5 bn euro is earmarked for strategic infrastructure of military mobility in the Connecting Europe program. The sum of 30 bn euro of the above mentioned by far underestimates public expenses mobilized at the EU level. There are other programs within the MFF to which the defense industry will have access, especially in research and innovation: the European structural and investment funds (ESIF), the fund for competitiveness and SMEs (COSME) and others (EDA 2018b). Furthermore, the budget for migration and border control—with an increase from 13 bn in the current MFF period to 34.9 bn euro in the next MFF—is available for “security” and militarization expenditure. Funding is also available via the different EU agencies, from increased MS commitments and common projects in the PESCO frame, and from the European Investment Bank. Overall, the current shifts involve major shifts of public funds from other purposes to military and defense spending. The argument to justify enormous public resource transfers to powerful defense corporate interests is that the EU needs to catch up in armament and in military technology and that this industry needs to be bolstered to increase its competitiveness at the international scale. It again is reminiscent of Hirsch and Jessop’s competitive state concept.

3.2 Dimensions of Feminist Analysis of the EU (In-) Security Regime in the Making

Regarding current trends of militarization of the EU, from an emancipatory perspective it is important to stress how the current developments influence the structural power relations between women and men. This involves analyzing how women’s subordination to men and major dimensions of the structural inequality of gendered power relations are reproduced and changed by ongoing transformations. Some of these key dimensions of structural inequalities and power relations relate to access to and ownership of resources, influence on decision-making, sexual violence, and distribution of unpaid work among genders as well as the social imaginary of gender relations. Among all these dimensions, feminist and gender research so far has mainly focused on interpretations and gender identity constructions in the context of the—marginal—integration of gender dimensions in Common Security and Defence Policy (CSDP). Especially questions of structural power relations are largely omitted in current research.

3.3 Gendered Actors: Male Military Bodies as the Norm

While the European Commission and HR keep repeating speeches about “equality between women and men as one of the fundamental values of the EU” and the target of 40% women in managerial positions in the Commission, the area of CSDP remains a predominantly male arena. As regards the EEAS as a whole, HR and secretary general are women, but apart from these two women in top leadership, there is rather low representation of women and little progress. As of August 2018, all deputy Secretary Generals are men, and at director level (including general, managing and deputy directors), the share of women is 20%. Among the next level, heads of division, the share is even lower, at 19%.

“The dominance of male bodies in the organizational landscape of the military dimension of CSDP is noticeable. Yet, it is rarely discussed or raised as an issue.” (Kronsell 2015, p. 7). This continues to be the case. As regards the EC structure, in the area of security and military policy, both, the deputy Secretary General for CSDP and the chair of the European Military Staff (EUMS) are men. Apart from one female head of division, all 42 leadership positions are filled with men. Thus, in spite of a woman at the top and numerous verbal commitments to increasing the share of women, leadership overwhelmingly continues to be dominated by men (European Union 2018a). It is important to note that not only military dimensions of CSDP, but also crisis management and civilian dimensions, as well as CSDP missions (European Parliament 2017), are dominated by men.

Also, the EU agencies in the area of (in)security and defense policy, above all the European Defense Agency, which has a very strong role in the implementation of PESCO (PESCO 2017), is dominated by men. Apart from the HR, who is formally the head of the EDA, top management is exclusively male.⁷ This is not only the case for the Commission services, but also the bodies representing MS. The European Union Military Committee (EUMC), which is the highest military body set up within the Council in 2001, is exclusively composed of men.⁸ For other groups, such as the highly influential Politico-Military Group carrying out preparatory work for the Council and monitoring implementation in the field of CSDP membership is not publicly available (Council of the European Union 2018).

⁷European Defense Agency (nd). <https://www.eda.europa.eu/Aboutus/who-we-are/Organisation>, accessed August 31, 2018.

⁸As of August 2018, see: https://eeas.europa.eu/topics/common-security-and-defence-policy-csdp/5428/european-union-military-committee-eumc_en accessed August 31, 2018.

With a transfer of strong preparatory roles to the military groups in EEAS and MS and to the EDA, all of which are dominated by male military bodies, as well as a strong rule based commitment with a surveillance procedure and no involvement of the EP, there is an erosion of democratic spaces. Moreover, the new structures are not open to broader democratic deliberations and at the same time open exclusive spaces for military and defense industry interests (CEO 2011; EDA nd and 2018a; Vranken 2017).

3.4 Limited Gender Rules and Narrow Gender Conceptualizations

While there have been repeated political commitments to at least some integration of gender perspectives in CSDP, implementation remains fragmented (see e.g. EEAS 2016b; McDonagh and Deiana 2017; Kronsell 2016). In the last decade, EU institutions have repeatedly adopted texts and conclusions on gender equality and gender mainstreaming in CSDP, most notably related to the United Nations Security Council (UNSC) resolutions on women, peace and security. In 2008, the Council adopted the “Comprehensive approach to the EU implementation of the United Nations Security Council Resolutions 1325 and 1820 on women, peace and security” (Council of the European Union 2008) which called for a “gender perspective, encompassing both women and men, should inform EU external actions in order to achieve a comprehensive response to the threats faced by the civilian population in times of conflict and in its aftermath” (ibid, p. 4).

However, even more than 10 years later, the EU keeps repeating the same plans and very tentative approaches, while implementation remains severely limited. The Global Strategy, the key strategic document, mentions “[f]inally, we will systematically mainstream human rights and gender issues ... Greater awareness and expertise on such issues is needed within the EEAS and the Commission. Better coordination between institutions would also add consistency and spread best practices.” (EEAS 2016a, p. 51). The “EU will also foster inclusive governance at all levels through mediation and facilitation. At the same time, we will develop more creative approaches to diplomacy. This also means promoting the role of women in peace efforts—from implementing the UNSC Resolution on Women, Peace and Security to improving the EU’s internal gender balance.” (ibid, p. 31). In practice, implementation remains weak, and does not get any particular attention in the course of renewed militarization efforts. Many areas and actors of current (in)security and militarization policies remain outside of these tentative gender mainstreaming efforts. Recent studies conclude that “[m]ore needs to be done by both member

states and the EU to fulfill promises to implement the United Nations Security Council Resolution 1325 on Women, Peace and Security.” (European Parliament 2017, p. 1). In a review of EU common security and defense policy missions, McDonagh and Deiana (2017, p. 3) conclude that “gender is still seen as something that only women or gender advisors need to deal with. Gender is seen as a ‘secondary’ issue to (mostly male) EU security officials. In effect lip service is paid to UNSCR 1325 but without real engagement, and frequent misinterpretation of the true scope and objectives of the WPS agenda.” (McDonagh and Deiana 2017, p. 3). Notably, gender—or more precisely women’s issues—are mainly addressed in missions and conflict areas outside the EU. Gender has been conceptualized in the CSDP as mainly “vulnerable women in faraway places” (Kronsell 2012, p. 137).

While “gender identity constructs – masculinities and femininities – rely on difference and are shifting across time, levels and sectors, the variations of identity constructs are limited by well-established ideas – gender binaries – providing continuity and path dependences to maintain the gender system, for example through the ‘EU protector masculinity’ in the EU CSDP. European integration thus is a process whereby EU masculinities and femininities are constructed through EU relations to other states in the global context and in EU policy-making and institution-building.” (Kronsell 2016, p. 104). Also, as Muehlenhoff (2017, p. 159) highlights in her analysis, the EU sees women as victims of conflict and better peacemakers than men and constitutes women in both traditional and neoliberal ways, “emphasizing their empowerment and resources to take care of themselves and contribute to peace, development and EU missions” and constitutes women as human rights defenders. Women’s self-responsibility and their responsibility as mothers is stressed, thus women are more likely to fulfill these roles if they have better human capital potential, including education, health and economic security, so that they are more likely to fulfill these roles. Such a conception transfers part of the responsibility to solve conflicts and protection to women. “It constructs women’s rights as a resource for peace and security, instead of considering them a goal in themselves and directing attention to the broader structural causes of women’s marginalization” (Muehlenhoff 2017, p. 161).

Women are integrated into the system in the name of increasing effectiveness. This is in line with neoliberal economic rationalities. “The language of exploiting women undermines the broader goals of the EU’s security agenda, namely preventing the gender-based exploitation of women.” Women become part of an economic equation and are expected to be the better peacemakers (Muehlenhoff 2017). As already problematized elsewhere, the feminist theorizing and call for attention to gender in military systems and conflict has been coopted in the case of the EU as well (Konsell and Svendberg 2011, p. 243). GM is not seen as a

practice to advance the ability of women to enjoy their human rights, “but rather to harness and exploit capabilities and qualities associated with women, so as to improve the operational effectiveness” (ibid).

3.5 Institutions of Hegemonic Masculinity and Re-Masculinization of Discourses and Symbolic Arenas

As pointed out earlier, the EU can be widely seen as set of institutions of particular hegemonic masculinity privileging norms that are representative of masculine and heterosexual attributes which shape the agendas, politics and policies of institutions (Kronsell 2005, p. 1033). With the shift towards prioritizing militarization—adding to earlier shifts towards male-dominated and masculine structured economic and finance institutions—the hegemonic masculinity of EU institutions is strengthened. “A dominant EU hierarchical military masculinity is institutionalized in the EU’s military committee, combat heterosexual masculinity in the Battle groups, and EU protector masculinity in the EU training missions. [...] While women’s bodies are written out of the CSDP, the construction of femininity in relation to the protector/protected binary is central to it.” (Kronsell 2015, p. 1). EU military institutions such as the EUMC and the EUMS represent a specific masculinity associated with rank, discipline and hierarchy.

When PESCO was adopted, European Commission President Jean-Claude Juncker was euphoric and made a quite revealing remark: “She is awake, the Sleeping Beauty of the Lisbon Treaty: Permanent Structured Cooperation is happening. I welcome the operational steps taken today by Member States to lay the foundations of a European #DefenceUnion. ...” (Twitter, 21.12.2017, 23:59)– The wording is remarkable. To use “sleeping beauty” as a metaphor for a military structure (in the making) is revealing about how deeply masculine imaginary is connected to militarization. The story only leaves room for a competition among males about who performs the wake-up kiss.

3.6 Towards a Masculine Authoritarian Securitized State and EU

Rule-based developments and built-in momentum for keeping up dynamics will support the transformation of the state. While the deficit and debt rules of the EU Economic Governance limit MS spending, which was used to put pressure

on welfare state expenditures, new rules have been set up in the frame of the EU (in)security policy to make increases of MS spending on defense mandatory. As MS committed to regularly increasing defence budgets in real terms, funds for social spending will further be squeezed by increased amounts going to militarization. The CARD mechanism is designed to ensure a mechanism of continuous exchange and verification by institutions with inherent masculinity, intended to ensure compliance and keep up dynamics of continuous progress in military spending and involvement. Currently, shifts in budget priorities do not only occur at MS level, but also within the EU budget. In this context, the high influence of the defense industry further asserts pressure on securitized state transformations.

According to Eurostat, expenses for military systems are considered investments, while social investments are classified as public consumption (Eurostat 2013). This definition embodies a deeply male bias on what is considered a “superior” public investment.

There are several strong dimensions of *weakening of democratic decision making processes*: In all processes of EU foreign and (in)security policy the role of the European Parliament (EP) is very weak. The EP does not have a role of co-decision, at most it is informed, and can put forward questions according to Art. 36 EU Treaty. It is not only the legislative power of the European Parliament disregarded, there is also no judicial control, as the treaty specifies that the European Court of Justice shall not have jurisdiction of common foreign and security policy. Given the male dominance of the CSDP institutions, this involves a shift towards weakening women’s participation in a key area of decision-making as well as a transfer of power to a masculine military bureaucracy at MS and EU level, which involves a high degree of secrecy and openness to defense industry interests.

MS are committing to weaken national democratic decision-making procedures, the PESCO includes a binding commitment of MS “aiming for fast-tracked political commitment at national level, including possibly reviewing their national decision-making procedures” with regard to availability and deployability of their forces (PESCO 2017, p. 3).

3.7 Further Feminist Research Dimensions

Most importantly, in the course of integrating gender perspectives into CSDP, “the concept of gender has been emptied of politics and power” (Kronsell 2012, p. 137). The EU gender agenda “does not question dominant peace and security practices and discourses and does not politicize the issue of war” (Muehlenhoff 2017 p. 162 f.), it just adds gender to its neoliberal conception of security

in the name of increasing efficiency. While it has been important to highlight these shortcomings, which show that “gender mainstreaming and equality measures have had next to no impact” (Kronsell 2015, p. 19), large gaps in feminist research become apparent.

Broader structures of inequality contributing to conflicts and wars are not part of the considerations, neither are interrelations between economic, trade and foreign and military policy agendas and their contribution to reinforcing and strengthening structures of gendered inequalities. The challenges for further research are manifold. Key dimensions of structural inequalities and power relations, especially those related to access to and ownership of resources, influence in decision-making, and distribution of unpaid work among genders have not been in the focus of feminist research in this context. Also, the reconfiguration of interrelations between key institutions organizing power and gendered subordination, such as transnational corporations, military, states and the EU need to be part of future analysis. In this context, it is also key to understand how the current militarization at EU level influences the interlinkages between neoliberalism, militarism and right wing extremism (Altvater et al. 2001) and its bearings on gender relations and structures of gendered oppression and subordination.

These discussions have not touched upon shifting market-state relationships and privatization of securitization with increasing importance of private military and security companies. In times of “securitized and neoliberalized gender discourses” (Stachowitsch 2018, p. 16) and a “particular merger of ‘market/business feminism’ and securitized gender narratives in which gender facilitates the conceptualization of profit enhancement and effective security provision as mutually enhancing goals” (ibid), the emancipatory potential of feminist knowledge is curtailed.

A further aspect to explore is the strengthening of the military industry, on the one hand, which has an oligopoly structure and is mostly in the hands of a small group of men, as regards both ownership and management, with a large and increasing influence in EU and MS. Male profit making in this sector is boosted by EU policies. On the other hand, how feminist and peace movements can work towards counter-power dynamics is still an open question (Cockburn 2012).

4 Dwindling Importance of Gender Equality in the European Union

From a perspective of focusing on the narrow area of gender equality policies and tracing the legal acts with regard to gender equality adopted, many scholars have considered the European Union an engine for promoting gender equality. The EU

was once portrayed as giving important impulses for gender equality in member states. Such a perspective saw the EU as a progressive political system regarding the promotion of gender equality (Hafner-Burton and Pollack 2000, p. 452). A correction of this enduring story from several angles is necessary (comp. articles in *Femina Politica* 2016 special issue). One, the pace and focus of gender equality policies are changing considerably (Hubert and Stratigaki 2016). Two, the impacts of these policies have been limited or in a direction which does not promote equality in an emancipatory sense. And three, the major arena influencing gender equality is not the one of explicit EU gender equality policies with limited focus and reach, but rather the implications of mainstreaming policies and power dynamics, especially in the area of economic policies and CSDP.

While there has been heavy focus on economic governance and militarization of the EU, explicit gender equality policies have been at the retreat within the EU in many dimensions, accompanied by many declarative statements to the contrary to mask developments. As always, this is not a uniform development, struggles are ongoing, and in some areas there is some progress at least at the declarative level. Many gender policies have been cut over the past 20 years. In the EU budget, the relatively small, but very impactful budget lines for gender equality have been disappearing over the last 20 years (Hubert and Stratigaki 2016, p. 27): a separate budget line for gender equality from the 1990s was integrated in the larger Progress program in 2000. In 2010, it was further merged with the Justice sector with the result that expenditures for gender equality cannot be identified any more. Also, the program *New Opportunities for Women* of the European Social Fund (ESF) was diluted into a weaker common initiative end of the 1990s. And in the current ESF-period (2014–2020) there are no separate funds for gender equality any more. This is happening at the same time as more and more funds are deviated to support neoliberal structural reforms and to military (research) spending.⁹ Especially the MFF and annual EU budget remains largely gender blind, and the proposals for the new MFF period (2021–2027) by the EC even eliminate the horizontal principle of GM altogether. And Gender Responsive Budgeting, the approach to integrate gender equality in budgetary policies (comp. O'Hagan and Klatzer 2018) is not applied.

⁹During the current MFF, a special research preparatory action has been pushed forward by the European Commission based on strong lobbying from the military industry. Also, in 2019/2020 and extra 500 mio € are being mobilized for the Defence Industrial Development Programme (EDIDP), before it is to be fully integrated in the next MFF with funds being increased to 1 bn € per year for the EDIDP alone.

While gender mainstreaming (GM) is often mentioned as a positive trend in all areas of EU policies—backed by a treaty obligation to do so—in practice it remains weak and is transformed more and more to lip service. While, for example, in the 1990s there was a separate column on equal opportunities in employment policies, these approaches to promote gender equality have practically disappeared, in spite of enormous inequalities which do not only continue but are reinforced. The only role of equality in employment policies is to advocate for higher employment of women, without focussing on quality of employment. The same trend can be seen in other areas, for example regional and cohesion policies. In other areas, such as economic policies, climate, infrastructure and energy, gender equality has not been important at all.

Institutionally, the European commission is systematically downgrading gender equality institutions (Hubert and Stratigaki 2016, p. 28). The *Commissioners' Group on Gender Equality* which has been established in the 1990s, was systematically weakened and then dissolved in 2010. Meanwhile, the important and well-functioning *Gender Equality Unit* was moved from the GD Employment to Justice and thus was systematically weakened. The strategic program for gender equality has seen a systematic weakening of its normative status, from an official communication of the EC to the Parliament and the Council to a non-binding staff working paper.

5 Conclusions

The analysis of the three interwoven change dynamics—EU economic governance, militarization within the EU and dwindling importance of gender equality—is paradigmatic for the changing nature of EU integration. It highlights the regressive gendered nature of the intertwined systems of neoliberal capitalism, market compatible forms of patriarchy and militarism. Common tendencies are closing of democratic spaces, shifting of key public functions back to private spheres and moving towards increased power of male dominated masculine institutions, a revival of masculine imaginery and trends of a re-essentialization of men's and women's roles. One of the key mechanisms used to propel state transformation via EU level is public budgets.—The french term *l'état* well reflects this key connection.—The mechanism is simple and effective: weakening, dismantling and privatizing the welfare state and funding for social rights via budget squeeze—and maintaining pressure on state finance via liberalized and oligopolized private financial “markets”— and at the same time expanding resources for militarization, among others via obligations to expand military spending.

Shifts in the economic, military and public-private spheres strengthen and constitutionalize neoliberal-authoritarian “*HERRschaft*” (Schlager and Klatzer 2017)—masculine structures of domination of the economic and bureaucratic elite situated in a web of gendered power relations—increasingly isolated from democratic spheres of influence.

Understanding the state—and the EU—as condensations of a relationship of social forces (Nicos Poulantzas), the observed transformations of the state—mediated by the EU—reveal broader dynamics of changing power relations in society: a masculinistic „Herrschaftsverhältnis“(Birgit Sauer). In times of increasing discontent with the EU and thus weakened ideological hegemony to legitimize, consolidate and strengthen the position of the ruling classes, we observe stronger masculine authoritarian reconfigurations in economic and military policies. The shifts in the economic and military sphere, as well as in the border regime, lay bare the interrelated structural violence embedded in the EU—and the state—and transnational corporations. We see the (re)emergence of financialized and highly weaponized, masculine elite capitalism. The EU as a key battle field needs to be shifted to the center of feminist research and social struggle.

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Part II

Right Wing Populism and Extreme Right Parties

The Normalization of Right-Wing Populist Discourses and Politics in Austria

Karin Liebhart

1 Preface

Five years ago the biggest multi-national and multi-level democratic exercise worldwide, which affected the lives of more than 500 million citizens in the EU, the election to the European Parliament 2014, was rightly termed an “Euro-sceptic ‘earthquake’” by Gavin Hewitt (2014), Europe editor of the BBC News. The story was subtitled “Anti-immigration parties hostile to the EU have done well”. It underlined that Eurosceptic and far-right parties (as they summarized right-wing populist and right-wing extremist parties) remarkably seized ground in many EU member countries in these elections. Almost all of them combined anti-immigration topics and anti-EU rhetoric in their electoral campaigns: they requested reducing the EU’s power or even leaving the EU as well as keeping immigrants and asylum seekers away from Europe and particularly from the respective nation state.

Admittedly, the 2014 European Parliament (EP) elections also testified to the assumption that economic issues are certainly not the only reason why far right-wing populist parties succeed at the ballots (cf. Mudde 2014).¹ In 2014, only one

¹According to Mudde (2014) and other authors far right parties represent the views of the extreme right political spectrum. The far right combines populism with authoritarianism or at least authoritarian tendencies, it is often openly racist, and outspoken anti-democratic. It is, anyway, not possible to classify perfectly into the given categories.

K. Liebhart (✉)

Institut für Politikwissenschaft, Universität Wien, Vienna, Austria

E-Mail: karin.liebhart@univie.ac.at

of the “bailed out” countries, Greece, elected far-right candidates as members of the European Parliament. On the contrary, right-wing populist and far-right parties achieved the best electoral results in countries that have been little to moderately affected by the economic crisis; among them Austria, and some Northern European countries. A couple of weeks before the EP elections, Ruth Wodak (2014) drew attention to the Europe-wide shift to the right, including also non-EU member countries: “After all, Switzerland, Austria, Norway, and Denmark are some of the richest countries in the world, but have some of the most successful right-wing populist parties in Europe.” This observation is also in square with the ongoing debate about a general lack of responsiveness in present wealthy European societies (cf. Fenger et al. 2013). Responsible thinking and acting for a trans-national European or even global society is apparently not on the agenda. On the contrary, calls for a renationalization of politics seem to become more and more popular (cf. Aiginger 2017). Results of recent legislative elections in Germany (September 2017), Austria (October 2017), Hungary (April 2014), Italy (May 2018), and Sweden (September 2018) indicate that the far right is constantly on the rise in Europe. The European Parliament elections 2019 did not trigger off a reversal of this trend.

2 Right-Wing Populism—A Contested, yet Useful Concept

In 2017, the Cambridge Dictionary has chosen populism “Word of the Year”.² This choice can be seen as an indicator of how inflationary the term is currently used. Hence, some scholars argue that it does not make sense to use the word any longer, they consider it too vague to serve as analytical category.³

The term is certainly exceptionally vague and contested (cf. Kaltwasser and Mudde 2012b, pp. 5 ff.; Priester 2017; Heinisch et al. 2017). It refers in different contexts to a variety of phenomena. In political communication it is often used to discredit opponents, and applied pejoratively, as something that has to be feared.

²<https://dictionary.cambridge.org>. Accessed August 8, 2018.

³See the chapter by Samuel Salzborn in this book who critically discusses the term and argues that it is not at all useful.

But it is so central to political debates in Europe and the Americas (cf. Mudde 2014), that it has meanwhile become a kind of mental map through which individuals analyze and comprehend political reality. Moreover, populism refers to a distinct pattern of ideas: though there is no standard definition of the term populism it “always alludes to a confrontation between ‘the people’ and ‘the establishment’”. It is “in one sense or another anti-elitist” and communicates the view that powerful minorities are obstructing the will of the common people (Kaltwasser and Mudde 2012b, p. 8).

Cas Mudde argued that by the early 1990s populism had become a regular feature in Western democracies (2014, p. 164), due to changed perceptions of politics and governments that spread in this period, which were in turn based on the changed role of the media and a stronger focus on sensationalism and scandals (ibid., p. 226). Moreover, since the late 1960s media outlets had become increasingly independent from political parties (ibid.). Private media companies had to compete against each other, and therefore placed more emphasis on scandals and other sensationalist elements of politics, promoted anti-governmental sentiments among their readership and cultivated an environment prime for populists (ibid., p. 227). The impact of globalization, which is seen as having seriously limited the powers of national elites, should not be overlooked in this regard. It further eroded citizens’ beliefs in the competency of those who govern, and opened up space for charismatic leadership to become increasingly popular. Populists have been the main winners of this shift.⁴

This article makes use of the concept of populism while drawing from both the ideational approach to analyze populism (cf. Albertazzi and McDonnell 2008; Heinisch et al. 2017; Judis 2016; Kaltwasser and Mudde 2012a, b; Mudde and Kaltwasser 2018; Pelinka 2013) and the idea that the term populism refers to a distinct political style (cf. Moffitt 2016).

The first approach defines populism as an ideological construct which perceives “the people” as a morally good force against the political, economic, cultural, and media elite. The latter is portrayed as morally bad and self-serving, and as placing the interests of other groups—such as foreign countries or immigrants—above the interests of “the people.” Critique of representative democracy as an elitist system in which a country’s citizens are regarded as passive entities

⁴Ruth Wodak identifies two strands in populism: “There is right-wing populism, which is prevalent in north and central Europe and attacks the ‘elites’ on nationalist or very conservative issues, and its left-wing cousin, seen more in the south, which focuses on capitalism and globalization when criticizing the so-called establishment” (cf. Harris 2018).

leads populists to demand more direct democratic measures such as referenda and plebiscites. In various instances, populists claim that “the elite” is working against the interests of the country. In the European Union, for instance, various (far) right-wing populist parties such as the Hungarian Fidesz, the French National Rally, the British UKIP, the Polish Law and Justice Party or the Dutch Party of Freedom—to mention just a few examples—allege that their national political elites put the interests of the EU over those of their own nation-states. Such ideology is, however, thin, and too insubstantial to provide a blueprint for societal change: it only considers society to be ultimately separated into two homogenous and antagonistic camps, “the people” versus “the elite.” Thus, it has to be combined with other (thicker) ideologies such as nationalism, fascism, or socialism, which provide more far-reaching and comprising ideas about social transformation. Ben Stanley (2008) calls populism a complementary ideology. It can take a lot of different forms which vary widely and can thus be found at different locations along the left-right political spectrum. Moreover, the concept of “the people” is also vague and flexible, it can be based on class, ethnicity, nationality, religion, or ideology. In simplifying the complexities of reality the chosen criteria of inclusion or exclusion encourage, however, a sense of shared identity among different groups and create a particular type of imagined community (Müller 2016, p. 21 f.). Müller conceives the phenomenon further as a “particular moralistic imagination of politics” (ibid., p. 19), or as a moralized form of anti-pluralism respectively. Within the binary worldview of populism people are divided into “friends and foes”, with the latter being regarded not just as people who have “different priorities and values” but as being fundamentally “evil.” (ibid., p. 20 ff.) According to Anton Pelinka (2013, p. 7) right-wing populism is especially directed “against an ethnically and/or nationally and/or religiously defined ‘other’”. Hence, right-wing populists make a bogeyman out of pluralistic political concepts. In contrast, a rather homogeneous people is constructed and said to share the same needs while multiple inter-societal differences, inequalities and resulting diverse interests are largely neglected. Ethnic, religious, sexual and other social minorities are consequently turned into problems, in some cases even into threats to the unitarily imagined majority.

Benjamin Moffitt (2016, p. 3 f.) represents the other approach while qualifying populism as a “performative political style (...) embodied and enacted across a variety of political and cultural contexts” as well as in a “rapidly shifting political and media communication landscape.” Defining populism as a political style refers to rhetoric as demagoguery, making appeals to “the people”, conjuring crisis scenarios, presenting overly simplistic answers to very complex questions, breaking taboos, and communicating in a highly emotional manner. It characterizes a

political strategy in which a charismatic leader seeks to govern based on direct and unmediated connection with his/her followers. The author also accentuates that populism has especially benefited from the emergence of new media and suggests to put stages and performances of populism “at the centre of our analysis” (ibid., p. 94).

In line with the broad and vague term of right-wing populism relevant parties and movements vary considerably and come in different shapes and sizes: some represent the “moderate” populist right while others are openly racist, xenophobic and hostile towards minorities, some want to end EU membership while others demand substantial changes and reforms on the European level of policy-making. What they all have in common is an anti-pluralist world-view and a focus on protecting a presumed uniform national identity against alleged external (supra-national) and internal enemies and threats. There are some issues which are covered by almost all of these parties, namely Euroscepticism or hostility towards the EU respectively, immigration and asylum, and identity politics. Leading politicians feature strong anti-foreigner tendencies in order to get rid of increasing ethnic diversity and the supposed threat which is discursively constructed as a consequence of the latter. The acceptance of immigrants and asylum seekers, especially from Muslim countries, is said to increase the danger of an “Islamization” of Europe (cf. Gottschalk and Greenberg 2007; Hafez 2010, 2014). Besides this strategy, the construct of the “enemy within”—political initiatives and parties which are based on pluralistic ideas and programs—serves the same purpose (cf. Wodak et al. 2013, p. xxi). Frequently not very outspoken, they usually also maintain anti-Semitic positions.⁵

Notwithstanding the significant difference in the nature, activities and motivations of different right-wing populist parties and movements across Europe, it is useful to examine them as a common force, given the recent similarities in their strategic, organizational and tactical approaches (cf. Gaston 2017). They generally attract significant media attention, often due to highly sophisticated and persuasive traditional and digital campaign strategies.

⁵Though at first glance it seems that Anti-Muslimism and anti-Islam stances have meanwhile replaced anti-Semitism as a joint point of reference, the opposite is true, especially in the case of Austria (cf. SOS Mitmensch 2018; <https://kurier.at/politik/inland/antisemitismus-rechte-ruepser-der-fpoe/275.981.465>. Retrieved August 25, 2018; <http://www.zeit.de/politik/deutschland/2017-07/antisemitismus-zentralrat-afd-josef-schuster-judenhass>. Retrieved August 17, 2018).

3 Reframing Political Discourses

The majority of the successful right-wing populist parties in Europe belong to the “New right”, they have either no direct roots in fascist or national-socialist movements or if they have such roots, they have made efforts to distance themselves from such antecedents during the last decades and aim at presenting a more moderate and modern image of their party.⁶ Their Europe-wide success is further grounded in the post-materialist character of most of these parties. Their leaders and spokespersons emphasize socio-cultural dimensions and identity politics (cf. Wodak 2015) rather than socio-economic problems. Economic issues such as austerity, economic under-performance and decreasing living standards seem to be secondary for their campaigns. Nevertheless, the financial crisis had an impact on the rise of far-right parties (cf. Judis 2016), since it has provided ample opportunities to combine identity-focused nationalist rhetoric with contemporary Euroscepticism. “Far-right parties can link the EU bailout policies to their core ideological features: nativism, authoritarianism and populism” (Mudde 2014). This works particularly well in times when skepticism if not hostility towards the EU has become high across Europe: according to recent Eurobarometer data (EB 89, June 2018)⁷ less than half of the interviewees have a positive image of the European Union. Such developments are highly problematic, especially if one considers the advantage right-wing populists take from the ongoing EU crisis. Notwithstanding remarkable exceptions such as the Netherlands and France, recent legislative elections in several European countries have strengthened relevant concerns (Gaston 2017; Oltermann 2018a, b).

The biggest success of these parties is, perhaps, that they have successfully managed to change the political discourse and reframe political debates. Right-wing populist views are no longer limited to the fringes of the political landscape, but have directly reached society at large during the last decades (cf. Hainsworth 2000; Liebhart 2016; Murphy 2017). Ruth Wodak has pointed to the effects of the “Europe-wide swing towards anti-establishment parties” which has normalized right-wing populist political requests such as further restrictive immigration policies and relating aggressive rhetoric: “Some of the policies that right-wing

⁶While the latter assumption also applies to the Austrian Freedom Party, it has to be underscored that this party has a direct line of tradition of national-socialist ideology.

⁷40% of the respondents have a positive image of the EU, 37% a neutral image and 21% have a negative image of the EU. These results have not changed since spring 2017.

populists have endorsed have already been taken over and implemented. (...) Certain taboos have been broken and now it's seemingly okay to say certain very discriminatory things, even without a big scandal," Wodak states: "The levels have lowered of taboos and conventions, normalization is on its way" (Harris 2018). Anti-pluralistic tendencies are prevailing while pluralistic political concepts that aim at debating and managing differences are increasingly being sidelined (cf. Bayer 2013; Albertazzi and McDonnell 2008; Kaltwasser and Mudde 2012a, b; Mudde 2007, 2014; Wodak et al. 2013).

Right-wing populists have succeeded in reframing political debates and securitizing almost every political issue while connecting them with the topics of migration, political and cultural Islamist threat and—in most cases—EU-skepticism. The Canadian-American sociologist Erving Goffman (1974), who coined the term in his book *Frame Analysis*, understood frame as definition of reality that allows people to make sense of objects and events. Goffmann focused on the ways people "frame" or define social reality in the communicative process, how they interpret and understand stories, situations, social and political phenomena and activities. In the social sciences, framing comprises a set of concepts and theoretical perspectives on how individuals, groups, and societies, organize, perceive, and communicate about reality. Framing involves social construction of a social phenomenon—by mass media sources, political or social movements, political leaders, or other actors and organizations. Frames always encourage certain interpretations and discourage others.

The political scientist Robert M. Entman (1993, p. 51 ff.) suggested that frames "select some aspects of a perceived reality and make them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation for the item described." Frames work by elevating particular pieces of information in salience. While highlighting particular aspects of issues, they make certain considerations more likely to be used.

Recent political developments and relating discursive shifts in Austria can serve as an illustrative example for how right-wing populist views and concepts impact on the way political issues are set, debated and communicated.

4 A Brief History of Right-Wing Populism in Austria

As has been mentioned above many successful far-right parties, for example the Swiss Peoples' Party, the Alternative for Germany, or the Dutch Party for Freedom, belong to the so called "New Right" with no direct tradition lines to fascist

or national-socialist predecessors. Differently, the Freedom Party of Austria FPÖ, traditionally the representative of the “Pan-German camp”, is indeed based on a “pre-populist past” (Pelinka 2013, p. 12). Founded in 1955/1956, it can be called the even more right-wing successor of the Federation of Independents.⁸ The latter was founded in 1949 mainly as a collecting basin for former National Socialists and gained more than 12% of the vote in the legislative election the same year. The Federation of the Independents could not reach that level again and its support declined during the following years. Eventually it merged with the Freedom Party, and in 1956 the FPÖ was established.

With the exception of a few years in the 1980s, when under the leadership of Norbert Steger more liberal views were foregrounded and the party served as junior partner in a coalition government with the Social Democratic Party of Austria (1983–1986), the FPÖ had never been a liberal party (cf. McGann and Kitschelt 2005). In contrast, its links to the National Socialist past were obvious from the outset: both the FPÖ’s first and second chairperson were former SS officers (cf. Rauscher 2018; Riedlsperger 1998; Wodak and Pelinka 2002). Up to the mid-1980s, the FPÖ played only a minor role in the Austrian political landscape.

The situation changed radically when in 1986 Jörg Haider achieved a factional landslide victory and was elected party leader at the FPÖ’s National Convention. This marked the immediate end of the very short liberal period, since Haider constantly shaped the party’s explicitly right-wing populist image. The result of Haider’s victory was also that the social-democratic chancellor Franz Vranitzky (SPÖ) ended the coalition and new elections were scheduled.

The FPÖ made a remarkable ideological turn under Haider’s leadership, when the party replaced German national identity with Austrian national identity. The latter was also based on anti-immigrant and later especially anti-Muslim sentiments. Due to the reorientation of the party towards immigration and integration issues, the Freedom Party of Austria soon became a major actor in Austrian politics. With Haider’s radical-populist, anti-elite rhetoric and critics of the political establishment, the FPÖ increased its electoral support significantly. Both the novel topical positioning and the new party style obviously attracted voters (cf. Kritzing and Liebhart 2015, p. 381 f.). In the 1989 Carinthia state election the FPÖ won 29% of the vote, formed a coalition with the Austrian People’s Party ÖVP, and the two parties made Jörg Haider Governor of Carinthia. Immigration, which had not been a hot topic in Austrian political discourse until the mid-1980s

⁸See also Salzborn in this volume.

successfully served again as the campaign focus of the FPÖ in the 1990 legislative election (*ibid.*). Moreover, Jörg Haider (and subsequently his successors as party leaders) over the years managed to make immigration the most controversial political topic in Austria.

Following the increasing success of that issue, the FPÖ decided to launch an initiative in 1993 to call for a referendum on further restrictions in Austrian immigration policy. The motto of the initiative was “Austria First!”, the main argument “Austria is not an immigration country”. Consequentially five FPÖ Members of Parliament, who opposed such political claims, left the faction and founded a new party, the Liberal Forum. The latter would about two decades later merge with the NEOS, a more neoliberal orientated party.

Gradually the FPÖ became more and more far-right again. As soon as in the late 1990s the FPÖ began attacking the influence of “Islamic extremism” in European societies, and started to speak about the threat of “Islamization” of Austria and Europe. Within this discursive frame social issues have often been reduced to problems emanating from religion (cf. Liebhart 2011, p. 28 f.). Respective discourses closely linked Islamophobia as a political attitude and practice to the controversial but stereotyped debate on Turkey’s potential EU membership. The FPÖ focused on that topic in order to broaden its electoral support. The relevant debate started around the turn of the millennium, about one and a half decades previous to the Europe-wide “refugee and asylum crisis”. The Austrian Freedom Party (FPÖ) and later also the Alliance for the Future of Austria constantly fuelled the anti-Islamic climate by making populist, aggressive interventions into the political discourse. They used stereotypical images that mingled religion, national/ethnic identity constructions and politics, portrayed Islam as a religion-based, violent and extremist ideology, and constructed a clear distinction between backward “Islamic” and modern “Western” values of individual and gender freedom. They suggested that Islam has hardly anything in common with “enlightened” Western societies and is inferior to the latter. Muslims were referred to as a one-dimensional entity, alien to Europe, culturally aggressive with expansionist aspirations, and the existence of a moderate Muslim majority was widely neglected. Consequently, Muslims were not considered loyal members of a European democratic society (cf. Greaves 2004; Grosfoguel 2012).

In addition to such rhetoric and political strategy the Freedom Party of Austria—which had previously supported the Austrian EU membership—started to obtain a very Eurosceptic attitude soon after Austria had become a member of the EU in 1995. This mixture of anti-immigration anti-Islam rhetoric (cf. Krzyżanowski and Wodak 2009), and hard Euroscepticism paid off well and led the party to unprecedented successes in both local and national elections.

Eventually, while earning nearly 27% of the vote in the general election 1999 the FPÖ became the second strongest party after the SPÖ.⁹ It was the best ever result of the FPÖ in nationwide legislative elections and brought the party into government. Although the FPÖ superseded the ÖVP by a small margin the latter was granted the chancellor and the FPÖ became the junior partner in the coalition with the Austrian People's Party in 2000. This enabled the FPÖ to appoint, amongst others, the Ministers of Finance and Social Affairs. Haider, who was seen very controversially, did not participate himself in government and even stepped down as chairman of the FPÖ. He was replaced by Susanne Riess-Passer. The fact that a far-right party with National Socialist roots became coalition partner of the People's Party evoked significant national as well as international protest and criticism. The acceptance of the FPÖ as a coalition partner was seen as legitimization of the far-right/extreme right (cf. Hainsworth 2008; Mareš 2006) in the EU.¹⁰ Certainly, the fact that Jörg Haider led the FPÖ into a government coalition alongside the center-right People's Party (ÖVP) in 2000 helped to end the FPÖ's pariah status in the Austrian political landscape. As a consequence, the then fourteen other European Union members introduced a diplomatic boycott and reduced contacts with Austria to those within formal EU meetings (cf. Meret and Happold 2000).

However, the shift from an anti-establishment party to a participant in the coalition government (which also included the support of neo-liberal economic reforms) led to severe internal quarrel, decrease of party stability, incapability of organizing an effective election campaign, and significant loss in electoral support. In the following 2002 election the FPÖ obtained only about 10.2% of the vote (minus two thirds compared to the previous legislative elections) a result that is especially due to the FPÖ's internal "Knittelfeld-coup" and the subsequent resignation of several FPÖ ministers. Regardless, the two parties agreed to continue the coalition.

Eventually, because of further intra-party dissent concerning the future political strategy to be followed, Jörg Haider, together with the then chairwoman of the party (his sister), the vice chancellor, and all FPÖ ministers, left in 2005 and founded a new party, the Alliance for the Future of Austria. This new party replaced the FPÖ in government.¹¹ A few years later, after the unexpected death of Jörg Haider in a car accident (shortly after the legislative election in

⁹<http://www.bmi.gv.at/412/>. Retrieved August 26, 2018.

¹⁰The FPÖ had been kept on the sidelines for most of the time since 1945. Its brief performance in the coalition government with the SPÖ from 1983 to 1986 (under the leadership of the more liberal chairman Norbert Steger) was an exception. On principle the party had been subjected to a strategy of *cordon sanitaire* by both the SPÖ and ÖVP.

¹¹The ÖVP became the largest Austrian party in 2002 with 43% of the vote.

October 2008), the Alliance for the Future of Austria lost a significant number of supporters. Indeed, in the next general elections of 2013 the party failed to pass the threshold of 4% of votes.

After the split of the party in 2005, the FPÖ elected Heinz-Christian Strache new chairman. Under Strache's leadership, the party radicalized even more in terms of ideology, rhetoric and political campaigning. Subsequently the FPÖ attracted a lot of additional voters and succeeded in a couple of federal state elections the same year, for example in Styria and Burgenland. The best result (about 15%) was achieved in Vienna, where Strache ran as the leading candidate. The campaign topics remained the same in each and every election: anti-immigration, anti-Muslimism, and Euroscepticism.

In the 2006 general election the FPÖ won 11% of the vote, and the Alliance for the Future of Austria also passed the 4% threshold. Between 2006 and 2013 the two right-wing populist parties were represented in the Austrian parliament. Both parties were winners of the 2008 elections, scoring a cumulated 28.2%: the FPÖ won 17.5%, the Alliance for the Future of Austria 10.7% (Kritzinger and Liebhart 2015; Traynor 2008). And the success story continued. The FPÖ also rose significantly to 12.8% of the vote in the 2009 European Parliament election and thus doubled the result from 2004. The 2010 local elections in Vienna, where the party increased its vote share to 25.8%, marked the next peak, due to the party leader's popularity, especially among young voters. In the run-up to this election Strache openly played the anti-Islam card and succeeded: the FPÖ became the second strongest party in Vienna. It even managed to increase its vote share in the local elections five years later. Furthermore, the FPÖ reached about 1/5 of the vote (20.5%) in the 2013 general election. In the years to follow, the Freedom Party of Austria also succeeded in several state elections¹²: f. i. in Upper Austria (2015, 30.4%), the Burgenland (2015, 15%), Vienna (2015, 30.8%),¹³ Lower Austria (2018, 14.8%) and Carinthia (2018, almost 26%), notwithstanding big scandals such as the Hypo Alpe-Adria scandal¹⁴ or, very recently, the "Songbook-Affair",¹⁵ in which leading party representatives have been involved (cf. Mackinger 2018; Kompatscher

¹²Cf. <http://www.bmi.gv.at/412/>. Retrieved August 26, 2018.

¹³<https://www.wien.gv.at/politik/wahlen/grbv/2015/>. Retrieved August 26, 2018.

¹⁴The Hypo Alpe-Adria bank scandal has probably been Austria's worst post-war financial scandal in which high profile FPÖ politicians and other personalities have been involved.

¹⁵The Office of Public Prosecutor decided to investigate the case because sentences concerning national-socialist reactivation were supposed to be part of the songbook and the relevant politician resigned from his position. Meanwhile he regained his political function since the investigations have not found any proof for national-socialist reactivation ("Wiederbetaetigung").

et al. o. J.) The election results enabled the FPÖ in Burgenland and Upper Austria to enter SPÖ- or ÖVP-led federal state governments, which additionally contributed to the end of the so-called *cordon sanitaire* previously imposed by the SPÖ and the ÖVP.

To sum up, the Freedom Party of Austria, while consistently focusing on its image as a protector of the “native Austrians” against both illegal immigrants and “Brussels” (the EU), has consistently promoted its role as a guarantor of Austrian identity and a defender of social welfare for the “native Austrians”. It has always been part of the argument that the welfare state cannot be maintained if immigration, especially from Muslim countries, is not stopped. In almost every election campaign (local, regional, national, European) the FPÖ has regularly used xenophobic, in particular anti-Islam slogans, images and symbols. Political ads that visually feature Austrian identity markers such as St. Stephen’s Cathedral, Heinz-Christian Strache holding a cross in his right hand and showing it to the audience while delivering a political speech, or verbal references to Christian symbols like the famous Viennese church bell “Pummerin” in contrast to symbols of Islam like minarets or muezzins have marked several election campaigns run by the Austrian Freedom Party (cf. Krzyzanowski 2013). Platforms advocating legislation that forbids the construction of new mosques,¹⁶ and particularly minarets were initiated by FPÖ representatives, according to similar political initiatives and movements in the neighbouring countries, especially Switzerland and Germany (Liebhart 2016). Heinz-Christian Strache who frequently inculpated Muslims, claiming that they attempt to create an Islamic “parallel society” in Austria, took part in a number of such protest initiatives throughout Austria. The motif of the veiled woman and the focus on stereotyped gender images which serve as symbols of endangered Christianity and Western culture has frequently been used to convey the message that Austrian society is threatened by Muslims and Islam culture. Corresponding heated political and media debates on the headscarf (cf. Rosenberger and Sauer 2008), and recently in particular on the burqa¹⁷—which together with

¹⁶The Austrian state Carinthia, f. i., passed a law in 2007 to ban the construction of mosques. Respective initiative was taken by Jörg Haider, then leader of the Alliance for the Future of Austria, who had called Islam a totally different culture (cf. Liebhart 2011, p. 28 f.).

¹⁷The veil and other means to cover the hair, the head and in some cases the whole body of a woman count among the most fiercely debated political, cultural and religious symbols of the recent years, together with mosques and particularly minarets. Those symbols have been intensively contested all over Europe. The core motif of anti-Muslim political campaigning was designed and firstly used in Switzerland in a referendum which aimed to ban minaret construction all over the country (cf. Kallis 2013, 62). It spread in next to no time to many European countries and also to the United States.

minarets have meanwhile turned into key images and media icons throughout Europe—testify to the assumption that also controversies about symbols play a major role in current Austrian politics.

The Freedom Party has constantly advertised against the conjured danger of Islamization (cf. Haeusler 2008), mostly in the name of human rights—which do not usually form a core part of the party’s ideology. The FPÖ consistently aimed at heating the political climate by emphasizing Islamophobia-related, xenophobic and racist stances. Strache, for example, stated in 2017 that Austria should “quickly put an end to this policy of Islamization... otherwise we Austrians, we Europeans will come to an abrupt end”.¹⁸ Furthermore, the Freedom Party successfully combined the topics Islam, migration and asylum with outspoken Euro-scepticism, if not hostility towards the European Union. Such a right-wing populist political strategy has been successful also in other EU member states.

On the European level the FPÖ—which currently obtains 3 seats in the European parliament—had joined the far-right European Alliance for Freedom EAF from 2010 to 2014. Then the party belonged to the Movement for a Europe of Nations and Freedom MENF, amongst others together with the French National Front—as the National Rally (Rassemblement National) was called until June 2018—and the Belgian Vlaams Belang. The Dutch Party of Freedom, the Alternative for Germany and other far-right parties also participated, without being formal members.¹⁹ In 2019, the FPÖ joined the European Alliance of People and Nations EAPN which was launched by Matteo Salvini, party leader of Italy’s far right Lega.

5 Austria’s Recent Shift to the Right—Does It Have a European Impact?

While the 2014 EP elections ended with a remarkable FPÖ vote share, the party lost about 2,5% in the 2019 EP elections, but still obtained 17.2% of the votes (<https://orf.at/wahl/eu19/#ergebnisse/0>). This can be considered a rather moderate loss, given the “Ibiza scandal” that had led to the resignation of deputy chancellor and FPÖ leader Heinz-Christian Strache and the FPÖ parliamentary leader, Johann Gudenus, only a week before the elections. The “Ibiza scandal” refers

¹⁸<https://www.thelocal.at/20170116/leader-of-austrias-far-right-freedom-party-calls-for-zero-immigration>. Retrieved April 14, 2017.

¹⁹From 1978 to 1993 the FPÖ had also been member of the Liberal International, then it left to avoid exclusion.

to a leaked video from 2017 which was published by the German media outlets *Der Spiegel* and *Süddeutsche Zeitung* and shows Heinz-Christian Strache talking to a woman pretending to be the niece of a Russian oligarch at a villa in Ibiza. Among other things, Strache “suggests he could offer lucrative public contracts in exchange for campaign support” (Oltermann 2019).

Strache and Gudenus, the initiator of the meeting, had to resign. The scandal further led to the announcement of snap elections to be held in September 2019. Eventually the entire government was dismissed by the federal president on basis of a non-confidence motion in the Austrian parliament. The FPÖ certainly achieved its biggest success in 2016, when Norbert Hofer ran for federal presidency as the candidate of the FPÖ and won the first round with 31.1% (cf. Oltermann 2016; Troianovski 2016). Hofer was finally defeated in the second round and in the re-vote by the independent but Green-backed candidate Alexander Van der Bellen. However, the far-right populist candidate scored 49.7%, respectively 46.2% in the two run-off elections.²⁰

Political leaders throughout Europe reacted gladly to Alexander Van der Bellen’s victory. His election was termed a “defeat of nationalism and anti-European, backward-looking populism”, a sign for Austrian people’s “open-mindedness” or “a breath of fresh air”, that has put the “inevitability of the triumph of populism” under question.²¹ The Guardian wrote that the defeat of the far-right candidate means “some hope for Europe” (Cato 2016) and underscored the fact that “Austria interrupted the march of right-wing populism”, and thus has shown “that the victory of the radical right is not inevitable” (Jones 2016). Cas Mudde (2016) commented on the election result as follows: “It’s important first to acknowledge that Hofer achieved the best result of any populist radical right candidate in an established European democracy”. He also pointed to the fact that more than 46% of the vote had gone to the FPÖ candidate. However, he evaluated the outcome of the recent Austrian presidential elections as an indicator that “(t)he vast majority of the people are looking for convincing and consistent policies that address the realities of today’s challenges in an inclusive and positive way”.

But it seems that the view on Austrian politics that had been expressed in most comments on Van der Bellen’s victory was a bit too optimistic. “Vienna

²⁰The first run-off was invalidated by the Constitutional Court of Austria due to mishandling of postal votes. However, evidence of deliberate manipulation was not found by the court. <https://www.vol.at/verfassungsgerichtshof-hat-bp-stichwahl-aufgehoben/4771127>. Retrieved August 25, 2018.

²¹<http://www.dw.com/en/eu-leaders-rejoice-at-alexander-van-der-bellen-in-austrian-election/a-36651022>. Retrieved October 23, 2017.

Calling. A new coalition in Austria brings the far-right in from the cold” was the banner headline of *The Economist* on December 19, 2017, followed by the sentence “Austria is edging closer to the nationalist governments of Eastern Europe”. There is some truth in this quotation.

Though the FPÖ could be called the epitome of anti-immigrant and especially anti-Muslim stances in Austria, related populist rhetoric has meanwhile become so normalized that representatives of other parties also make use of it. Hence, it can be assumed that the FPÖ has achieved an ideological victory as well. Both the ÖVP under the leadership of the chancellor Sebastian Kurz and also some groups within the SPÖ have shifted remarkably to the right, case by case adopting FPÖ rhetoric and also promoting political suggestions originally introduced by the Freedom Party. This is especially true for the redesigned and renamed ÖVP, which won the general elections in October 2017 under its new name “Sebastian Kurz List—the New People’s Party.” The party leader and Austrian chancellor until May 2019 Sebastian Kurz has successfully embraced contested agendas formerly set by the FPÖ: “His formula has consisted of stealing talking points from the FPÖ and presenting them in more moderate garments and with better manners” wrote *The Guardian* (Oltermann 2017) with reference to the political scientist Anton Pelinka. Indeed, throughout the election campaign, Kurz has always repeated that it was him who closed down the Balkan route into Europe for refugees. Notwithstanding this has been quite an overstatement, the “polished, anti-immigration millennial” (Schultheis 2017) used the widespread anti-refugee sentiment in Austria to direct the Austrian People’s Party sharply to the right, especially in the policy fields of migration and asylum. Kurz called for tougher control of external borders and of activities of the “political Islam” in Austria, for a burqa ban, made immigration his signature issue, and managed “to co-opt the political space previously monopolized by the Freedom Party” (ibid.).

Furthermore, the new party leader (who resumed leadership only a few months before the election in October 2017) also adopted a populist style of politics by reshaping the party in his own image (ibid.). The ÖVP was literally rebranded, the party’s color changed from black to turquoise, candidates from outside politics were recruited, and the party was eventually renamed the “Sebastian Kurz List—the New People’s Party”. Consequentially, the campaign was completely focused on the top candidate. This cult of personality paid off since the brand “Sebastian Kurz” turned out to be by far stronger than the brand “ÖVP”.

Kurz called his list a “Movement for Austria” and ran his campaign under the heading of change, notwithstanding that the ÖVP has been part of the government for more than three decades and he himself one of the previous cabinet’s longest serving ministers. Kurz cultivated an image as a political outsider and

used slogans like “Time for something new”, “It’s time” and “Now or never!” (ibid.). He has emphasized the word “movement” following a trend, which takes into consideration that voters have long become disillusioned with conventional political parties. However, unlike Emmanuel Macron who established “En Marche”, a movement separate from the French Socialists, Kurz did not break with the OeVP. He rather used the established party structures to rebuild them for his own ends—several structural changes gave him more power. In keen contrast to Macron’s political project is also the explicit turn to the populist right (ibid.). The strategy worked very well. The rebranded new OeVP gained about 31.5% in the 2017 legislative snap elections, while the SPOe achieved about 27% of the vote share and the FPÖe about 26%.

When Austria’s new chancellor Sebastian Kurz agreed on a coalition government with Heinz-Christian Strache’s FPÖe as a junior partner, Strache became deputy chancellor and minister for sports and public servants. Until May 2019, the FPÖe controlled five ministries, among them the key departments of interior, defense, and foreign affairs. The inauguration of the second OeVP-FPÖe government since 2000 indicated a significant shift to the right in Austria. Both parties have called for a hardline immigration policy and put corresponding issues in the center of their relevant campaign. The “Sebastian Kurz List” has since acted indistinguishable from its far-right counterpart on at least this issue and behaved like a lite version of the FPÖe.

The acceptance of the FPÖe as a coalition partner has, however, caused a couple of political troubles. The significant role members of far-right students’ fraternities (Burschenschaften) played in government, parliament and other institutions gave reason to justified concern (Oltermann 2017).²² These fraternities still uphold anti-Semitic attitudes, some of them also deny that Austria is a nation of its own and conceive it instead as part of a ‘Greater Germany’.²³

²²These organizations uphold an outdated understanding of maleness, organize fencing duels among members and show their dueling scars openly. <http://www.dw.com/en/inside-the-secretive-fraternities-of-germany-and-austria/a-42447338>. Retrieved June 14, 2018.

²³Norbert Hofer is member of the fraternity Marko-Germania, the founding document of which terms the Second Republic a “history-defying fiction.” See <https://www.theguardian.com/world/2018/jan/25/austrias-far-right-fraternities-brace-for-protests-at-annual-ball>, Retrieved May 26, 2018. Remarkable high numbers of FPÖe-politicians, including party leader Heinz-Christian Strache (Vandalia) and a couple of the party’s chairmen, have close bonds with far-right student fraternities. In 2018, out of the party’s 51 members of parliament, more than a third (18) were active members of right-wing to extreme right fraternities.

Former FPÖ leader Strache attempted to present the party as democratic and moderate. He asserted several times that antisemitism and racism have no place in the FPÖ, and initiated a—however controversially discussed—commission of historians to investigate the party's history. Strache aimed at cleaning up the party's image. He also published a so-called “Rot-Weiss-Rot Erklärung” on the FPÖ homepage to emphasize that the party is neither anti-Semitic, nor racist, nor extremist, but is in line with the idea of an Austrian nation state and democratic principles.²⁴

What is even more interesting than these attempts to whitewash the FPÖ is how the ÖVP and especially the party's main representative, Sebastian Kurz, were speaking and acting. The chancellor usually remained silent when touchy issues concerning the coalition partner were publicly debated and criticized. Sebastian Kurz only very rarely commented on problematic statements or actions of members of government. In the meantime, the coalition step by step tightened laws and regulations in the field of social policy, family policy and gender policy and exacerbated particularly the situation for migrants and asylum seekers. The cut of funding for integration initiatives such as German-language lessons and further restrictions concerning access to the labor market can serve as two illustrative examples in this regard. A third example that underscores the governments' position is chancellor Kurz's idea that Frontex border control guards should be allowed to operate on northern African territory to prevent further migration to Europe.²⁵

In 2018, *Foreign Affairs*, in an article about the Austrian coalition government, stated that nothing really problematic had happened so far, since there have been “no attacks on the independent judiciary or legislative branch of government” (Gady 2018). The journal argued that this is mainly due to the strong position of the ÖVP which would force the FPÖ to act civilized. It is true that also the EU presidency has been completed without any obvious malfunctions. However, the rejection of the UN migration pact during EU presidency in the second half of 2018, a pact “that Austria had itself taken part in shaping while Mr Kurz was foreign minister in the previous government” (Agence France Press 2018) might not have contributed to strengthen the country's international reputation. Concerning Austria's role in the European Union, the formerly main representatives of the coalition government, Kurz and Strache, had assured Austrian federal

²⁴<https://www.fpoe.at/artikel/rot-weiss-rote-ehrenerklaerung-fpoe-gegen-antisemitismus-und-extremismus/>. Retrieved December 2, 2018.

²⁵<https://www.dw.com/en/austrias-sebastian-kurz-wants-to-use-eu-border-guards-in-africa/a-43947006>. Retrieved December 2, 2018.

president Alexander Van der Bellen of the “pro-European” attitude of the coalition government before the inauguration ceremony. This commitment to the EU is, however, not fully reliable, given that the FPÖ had followed a Eurosceptic course for years and taken side with anti-EU parties such as the Alternative for Germany and Marine Le Pen’s National Rally.

The coalition government seemed to operate smoothly, likely due to the ÖVPs considerable shift to the right in terms of both political rhetoric and factual policy. Austria is thus a prime example for far-right populist and mainstream party convergence. The conservative party ÖVP has remarkably altered its policy to meet the populist challenge (content-wise and concerning the style). This strategy paid off and the redesigned party subsequently succeeded at the polls. The legislative election 2017 resulted in a right-wing populist government comprising of two parties which in terms of fundamental political positions have increasingly converged.

Surprisingly—although Austria is one of the very few western European EU members with a far-right populist presence in government and was the only one in January 2018—the announcement of the establishment of the coalition between the rebranded ÖVP and the FPÖ did not cause serious protests from part of other EU member states. This can be seen as an indicator that the inclusion of the far right has meanwhile become normal and that the Austrian case was no longer perceived as an exceptional case. This stands in sharp contrast to what happened less than two decades ago in the year 2000, when diplomatic reactions came instantly and bilateral meetings, state visits and diplomatic encounters were frozen. Political quarantine was obviously no longer an option 18 years later. In contrary, Austria seemed to represent a wider European trend (cf. Kaltwasser et al. 2017; Krzyzanowski et al. 2018). The success of far-right populist parties in recent legislative elections testifies to this assumption.

The constant rise of the far right throughout Europe has raised concerns about the extent to which this political phenomenon would perhaps essentially weaken or eventually even destroy the European integration project (cf. Barkin 2017; Bell 2017): The spread of anti-pluralist, illiberal, xenophobic and Anti-Muslim political rhetoric and nationalist, highly restrictive and hostile immigration politics in countries such as Hungary, Poland, Bulgaria, Italy and Austria, but also some Northern European countries has provoked the question what these developments could eventually mean for the rest of the EU: Would “Europe’s new xenophobes” perhaps be able to “reshape the continent?” (Oltermann 2018a, b).

Right-wing populism, especially in its far-right version is certainly a serious threat to democracy. According to Ruth Wodak (2015) the populist wave in Europe began with 9/11 and the resulting focus on topics such as security, law

and order, and the process of stepwise cutting back human rights. The financial crisis has further contributed to fears concerning both the near and far future and has also fueled populism. Though Cas Mudde (2016) has been rather optimistic when stating that “(t)he coming years don’t simply have to be a continuation of this”. However, he underscores that “in order to prevent it, liberal democrats must learn the right lessons from the past—which, incidentally, are not those of the populist radical right ones. This starts by putting the rise of the far-right in proper perspective, and by creating an inspiring, rather than a defeatist, narrative”. Philipp Marliere, in an interview with Euronews, introduced the argument that Europe had faced a political crisis “after the end of a long political cycle that has seen conservative and social democrat parties dominate since World War II” (Harris 2018). Since mainstream parties have become increasingly unpopular “because their policies are being rejected by the people” (Ibid.), right-wing populist parties had the chance to step in. Though these parties were not able to fully achieve their aims in the 2019 EP elections in a considerable number of EU member states, they will remain a political factor for the years and likely also decades to come.

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Extreme Right-Wing Parties in and Against Europe. A Systematizing Comparison

Samuel Salzborn

This chapter analyzes the programmatic orientation of the extreme right-wing parties in Europe with respect to Europe—also by demarcating it from democratic concepts of Europe. For this purpose, (Sect. 1) previous classification systems of comparative party research will first be introduced and it will be shown how extreme right-wing parties in Europe are contextualized in relation to other parties. Next, (Sect. 2) the extreme right party family will be classified in more detail. The article then discusses why it is systemically problematic to consider the strategy of (right-wing) populism an analytic criterion of its own that can be differentiated from right-wing extremism (Sect. 3). Following this (Sect. 4), the critique of the term *populism* will be expanded by a historical reconstruction of extreme right-wing concepts of Europe. This will show that during the post-war period, images of Europe of the extreme-right were always positive, albeit (Sect. 5) being (and they still are today) anti-democratic and ethnic images of Europe. In Sect. 6, a systematic comparison of twelve parties will be made. For this comparison, three parties each from four major regions of Europe (North, South, East, West) were chosen. Finally, Sect. 7 will summarize the key categories of “image of Europe” and “dealing with the past” which are suggested as comparison criteria to differentiate within the extreme right party family.

S. Salzborn (✉)

Technische Universität Berlin, Berlin, Germany

E-Mail: salzborn@tu-berlin.de

1 Party Classifications in Comparative Party Research

In democratic orders, political parties assume a role as central actors. Their intended tasks and functions as intermediary institutions between society and the state can be understood as constitutional principles or as simple legal ruling. Parties always represent a part of society and either address a broad spectrum of the population (major party) with a comprehensive manifesto, focus on a specific representation of interests for a certain societal or social group (patronage-based parties) or deal with and represent just a minimum selection of topics (single-issue parties).

In his systematization of political parties, Max Weber (1980, p. 167) emphasized the socio-economic aspect even more strongly. Looking at the objectives of political parties, he differentiated between patronage-based, status-group/class and ideology-driven parties. As early as in the 1960s, Otto Kirchheimer (1965, p. 27 ff.) in turn described the trend of the *catch-all party* becoming increasingly dominant. This type distinctly manifests itself in many present-day, predominantly consensus-oriented democracies: a party that—to the greatest possible extent—abandons its own social origin, as well as related interests, in favor of a far-reaching orientation towards the political mainstream. It becomes (in parts only superficially) de-ideologized and grants its leaders a high level of unrestricted power.

Due to the historical emergence of parties in democracies, the classification of parties into *party families* has meanwhile established itself (across national boundaries in comparative party research). Individual parties are mainly distinguished based on their social origin and the interests they articulate (cf. Mair and Mudde 1998, p. 223 ff.). The similarly used terms “political-ideological families” (Schmidt 2002, p. 60) and “ideological family” also refer to this distinction (Deschouwer 2006, p. 293). Thus, the common aspect of parties gained by synchronic and diachronic comparisons is emphasized *despite* their specific programmatic features and different national contexts.

The classification of parties into party families comprises the following opportunities for differentiation. Problems of unambiguous classification of a particular party cannot be ruled out, as the respective normative context of the political system, as well as the evolutionary change of the positions of the parties themselves play a role (cf. Beyme 1984, p. 43 ff., 2000, p. 64 ff; Seiler 1996, 2000): liberal parties; communist parties; socialist, social-democratic or labor parties; anarchist parties; conservative parties; religious parties; agrarian parties; nationalist

or regionalist parties; (neo-)fascist, (neo-)Nazi, extreme right or right-wing populist parties; ecological or green parties; feminist parties. Ultimately, all parties in this fully differentiated overview can be ascribed to basic ideological tendencies in political theory (liberalism, conservatism, socialism, fascism) (cf. Salzborn 2015b). However, they do set specific priorities in their objectives or in their social references. The question of the validity of this classification, particularly of the category “(neo-) fascist, (neo-)Nazi, extreme right or right-wing populist parties” as *one* sub-group, is of key importance to any further analysis.

2 The Extreme Right Party Family

With respect to the field of (neo-)fascist, (neo-)Nazi, extreme right or right-wing populist parties, it has been argued with increasing frequency that the so-called right-wing populist parties form their own sub-group within the party family (cf. Heinisch and Mazzoleni 2016; Pirro 2015). In this chapter, this argument will be contradicted firmly; conversely, it will be argued that it is hardly expedient to characterize parties from the extreme right-wing scene as “right-wing populist” solely due to a certain political strategy (cf. Lazaridis et al. 2016). When taking a comparative look at the development of political parties in Europe, it is more appropriate to base the distinctions within the group of extreme right parties on different aspects. For this purpose, I will take on Michael Minkenberg’s considerations (2013) who has emphasized the following question as a central aspect of comparative research on this extreme right party family in Europe: Whether a party—directly or indirectly—makes positive reference to historical movements such as National Socialism or European fascist systems. Based on these considerations, Minkenberg (ibid., p. 12) identified four types of extreme right-wing parties: an “autocratic-fascist right”, a “racist or ethno-pluralist—but not fascist—right,” a “populist-authoritarian right” and a “religious-fundamentalist right.”

Minkenberg builds on Klaus von Beyme’s (1988, p. 16) argument, which states that research on right-wing extremism must consider parties in the context of their respective extreme right-wing movements. Minkenberg then incorporates these four types of extreme right-wing parties into three types of organization, where, in addition to parties, social movements and subcultural milieus are relevant to an overall analysis. Despite Beyme and Minkenberg’s argument that not only, but in particular, extreme right-wing parties act in the context of social movements and subcultural milieus (I have also advocated this argument elsewhere, cf. Salzborn 2015a), is doubtlessly correct, it will not be pursued here.

This contribution develops an adequate classification of extreme right-wing *parties* in Europe and does not deal with their social contextualization.

Miroslav Mareš, unquestionably owed to his Eastern-European perspective (2015), has taken on Minkenberg's concept and reduced it to three types of parties. He introduced the type of "authoritarian conservatism" which invokes pre-modern traditional values (similar to the type of Minkenberg's religious-fundamentalist right). He takes over Minkenberg's autocratic-fascist type and renames it (neo-)fascist or (neo-)Nazi type and summarizes Minkenberg's remaining two types as one, which for Mareš is exactly characterized by its distance to historical (fascist) movements and programmatically aims at "national exclusivity and xenophobia" (*ibid.*, p. 54).

In this chapter, I would like to adopt the ideas of Minkenberg und Mareš concerning the question of a historical embedding or non-embedding of the extreme right-wing parties as a, also in my view, central aspect of distinction. However, I feel it would be useful to conflate the pre-modern frames of reference (such as religious myths and a religious fundamentalism derived from them) and the reference to fascist and/or National Socialist movements *into one dimension*. This would result in an extreme right contextualizing based on historical politics and characterized by drawing its visions for the future from an adaptation of the past. When, on the other hand, one considers the other types suggested by Minkenberg and Mareš, this results in an extreme right-wing spectrum, which—deliberately or strategically—detaches itself from the historical dimension to then act in various ways without any historical reference. Minkenberg describes the parties' actions as racist-ethnopluralistic or populist-authoritarian while Mareš describes them as national-xenophobic.

However, to be able to understand the actions of the extreme right-wing parties interpreted within this classification, in my opinion, a fundamentally different category is required that goes beyond those of Minkenberg and Mareš: the question of how the parties position themselves in their relationship *to Europe*. We need to consider the political order favored by the parties as well as the relationship between racial, political and spatial planning concepts in categories of thinking such as people, "race," nation, Reich and especially Europe. Only these analytical categories allow us to understand how extreme right-wing parties act *in Europe against Europe*. In this respect, the extreme right-wing parties can be divided into those that are indeed against the European Union (EU), but not against an ethnic, regionally segmented, or racist ethno-pluralistic differentiated Europe; and those that want to expand their own national political ideas in a hegemonic and imperialist manner and thus fight Europe in favor of the dominance of their own nation which is to become the leading nation in Europe. Thus,

with the extreme right-wing parties, *Europe* serves as a most disparately contextualized code, which needs deciphering for a comparative classification.

3 Populism—A Critique of an Unclear Term

In the 21st century, (liberal representative) democracy has changed considerably. The technical possibilities arising from the digitization of society have led to an acceleration of everyday political life, in which social networks play an increasingly important role in the public representation of politics. Political actors are reacting to this new challenge in different ways. It is inarguable that the operation of everyday political offerings and concepts in the world of Web 2.0 is oriented towards exchange, dialog, and transparency. Communication increasingly occurs as direct exchange. If politics wishes to meet the demands of society created by the new technological possibilities, and if it wants the population to be involved in the daily affairs within the processes of democracy, using the mediated channels of radio, television, newspapers and the unmediated channels of social media, then a certain degree of populism is inevitable. This is because the technical restraints of social media (such as a maximum number of characters in short messages or predetermined forms of signaling agreement) generate certain paths of behavior that all would-be participants must adhere to in order to participate.

If, against this background, the category “Populism” indeed once served as one of the analytical categories that could be used to differentiate between various parties and social movements before the advent of Web 2.0, it is now simply redundant. Whoever participates in social media, especially as a politician, is often compelled by technical restrictions to use a populist mode of communication. This is because both social media and populism share an orientation towards escalation, reduction, polarization and simplification of arguments—which is, for example with tweets of a maximum of 140 characters, simply unavoidable. Alongside specifically structured forms of communication that have, in the age of Web 2.0, removed the power of the word “populism” as a distinguishing term, the strategic dimension of populism itself is to perform a kind of self-staging: a marketing of simplified and polarizing concepts playing on emotions while creating consensus not through persuasive arguments, but through overwhelming affective inundation.

This issue also sketches out the whole dilemma regarding the parties categorized as “right-wing populist” in Europe: when classifying a party as right-wing populist, this party is fixed in a category that, in its over-generalization as “populism”, applies to all parties. At the same time, this categorization diverts

attention from the goals, methods, and content of right-wing parties by overemphasizing the (media-)strategic moment of self-staging. This is because for these parties to succeed, the possibility of voter self-identification with them is crucial in terms of mass-psychology, and works precisely because both party leadership and base conceive of themselves as getting a raw deal. The successful right wing parties are, simply put, parties of the average and the mediocre who perceive themselves as outsiders because they consider themselves to be above average. To this extent, the label “right-wing populist” makes it difficult to engage effectively against these parties (cf. Gruber and Bale 2014). On the one hand, this is because the label declaring it a specific thing that has become so common in the media-democracy that it no longer serves as a point of distinction (“populism”). On the other hand, it deflects the actually necessary, content-related question about right-wing alignment, and instead works secretly with an undifferentiated notion of the causes of success.

I therefore propose to reserve the category “right-wing populism” exclusively for a description of strategies within right-wing extremism, as it is not useful to differentiate clearly between meanings and does not carry a substantial meaning as a category of comparison. In this sense, I agree with the approaches advocated e.g., by Jan-Werner Müller (2016) or Yascha Mounk (2018), as long as populism is understood as a strategy with right-wing extremist content. However, for comparative party research this category is simplistic and therefore not useful.

Every right-wing extremist party acts sometimes in a more, sometimes a less populist way. Right-wing populism is about an inflammatory strategy of choosing topics and their media launch, in which the staging and the cult of personality are central, with the goal of connecting to established (media-)strategies by picking up current debates and escalating them in a polarizing and polemical fashion. Here, a key point is the strategic orchestration of a staged antagonism of the political elite and “the people” whose advocate the extreme right professes to be. Extreme right-wing populists purport to be fighting the alleged establishment. Regarding the USA and its new president, Donald Trump, a major representative of the economic elite may even succeed in selling himself as an opponent of the elite. Populist strategy takes up current debate topics and heats them up polemically and in a polarizing manner.

Right-wing populist strategies often avoid explicitly fascist and/or Nazi vocabulary (exceptions to this include the right-wing populist strategies of the FPÖ in Austria and the AfD in Germany). However, in the ideological substance there is no example that could show that right-wing populism is more than simply a strategic option of right-wing extremism. It thus seems a concept that cannot bear the role of a separate political family.

4 Lines of Traditions

Already in the immediate aftermath of World War II, right-wing intellectuals attempted to reconstruct a *völkisch* (ethnic) Europe idea by falling back on (pre) fascist ideologies, crude “racist doctrine” and NS propaganda. The British fascist leader Sir Oswald Mosley, who already attempted to reorganize an international Nazi movement at the end of the 1940s, first raised the right-wing ideology of a “Nation Europe” which was supposed to develop into the third superpower. The strategic reference to Europe in right-wing projects also mirrored the Nazi propaganda of the Waffen-SS as a “protagonist” for a “united Europe” (cf. Kletzin 2000; Kluge 1955). In 1951, the former SS-Sturmabführer Arthur Ehrhardt established a magazine with the programmatic title *Nation Europe* (later: *Nation & Europe*). In his “political testament,” Ehrhardt explained that a “European major nation” centered on the natural leading power Germany was necessary because of a “far-reaching similarity in the essence of our *Völker* on bloodlines”. This European Nation had already been baptized in blood in 1945 in the fight by the “European comrades, the French legion in the battle for Berlin, and the Nordic, Flemish, East European SS comrades on all fronts” (Ehrhardt 1971, p. 5 f.).

They adopted a militant position against the two superpowers, the USA and the USSR, right from the beginning. However, with the Eastern European transformation, this contradiction was sidelined in 1989/1990. This “European major nation” was supposed to rise up with a new sense of awareness. After real socialism, it also had to free itself from US hegemony: “The time is ripe for a fundamental reorientation of European *Völker*—away from regionally-foreign, pan-state global policemen, to a new supra-regional continental unit, which finally gives priority to European interests, and lifts up Europe again to the status of a major sovereign power.” (Richter 1992, p. 3). The spiritual authorship of demands of this kind was and is still evident: Back in 1939, Carl Schmitt had already formulated a *Völkerrechtliche Großraumordnung mit Interventionsverbot für raumfremde Mächte: ein Beitrag zum Reichsbegriff im Völkerrecht* as the geopolitical doctrine of National Socialism—which, in terms of power politics, was primarily directed against American influence on the continent (cf. Salzborn 2008).

National peculiarities have repeatedly caused the extreme right to agitate against the European Union (EU) as an institution and against the Euro as a common currency. They have led to the present success in most European countries—particularly of populistically acting right-wing extremists. Nevertheless, they have so far hindered the development of institutionalized co-operation beyond

national borders, or even the establishment of a pan-European right-wing party (cf. Davies and Jackson 2008; Langenbacher 2011; Minkenberg 2008; Mudde 2007). In addition to the personal vanities of the leaders in each case, this long-term co-operation also foundered on the different strategies and means of gaining political power (cf. Frölich-Steffen and Rensmann 2005; Akkerman et al. 2016), as was also shown by the politics put into practice by right-wing parties in the European Parliament (cf. Osterhoff 1997). A certain exception with respect to a partial long-term creation of pan-national structures is only seen on the part of militant neo-Nazism, which sticks to its original concept of a “white race,” and opposes the “common enemy of all *Völker*”: “international big business” (cf. Grumke 2002, p. 43 ff.; see also Backes and Moreau 2012).

The aim of the far right is to replace a pluralistic political system with an authoritarian system that is based on organic ideas of ethnic nationalism (*Volks-tumsvorstellungen*) (cf. Hafeneger 1994; Schmidt 2001). Consequently, the freedom of the individual should be subordinated to the omnipotence of a European Reich (quasi as a “*völkisch*-regional anti-national state”) by itself a consequence of the unconditionally privileged status of the notions of unity, order and society. The “Nation Europe” central motif of extreme right-wing European ideology formulates a claim to unrestricted domination of the most omnipotent possible power seen in political and military confrontation with American hegemony. At the same time, however, the Nation Europe also constitutes a projection surface, grounded on the rejection of a multi-cultural society, which the right-wing extremists still particularly connect with the USA. Here, the projection surface is established in a unifying way by the shared bogymen: the USA and the “globalizers” on the American “East coast” (an anti-Semitic code used ubiquitously in right-wing extremist circles) (cf. Greven and Grumke 2006; Grumke and Wagner 2003; Maegerle 2005; Rensmann 2008). A Europe of small (*völkisch*) units and regions—as emphasized by the Italian Lega Nord for instance—has priority over a “Europe of high finance, profit-oriented industry, banks and major companies” (quote from FAZ 19.03.2002).

5 The Europe Concept of the Extreme Right Wing

The smallest common denominator of right-wing extremism currently is the ideology of inequality, which as a philosophy is an expression of structural violence because of its notion of dividing its people into essential collectives. The associated *völkisch*-racist philosophy is the key fundamental concept of right-wing extremist ideology, i.e., “prototypical for a naturalization of society” (Jäger

and Jäger 1999, p. 174, Herv. i. Orig.), and lastly, the theoretical framework for the regular violent attacks on (supposed or actual) foreigners (cf. Benz 1998, p. 35 ff.; Butterwegge 2000, p. 13 ff.). The range of variation in right-wing extremism stretches from racist positions—based on biologicistic differential models in the tradition of National Socialism (via *völkisch*-homogenizing notions, which comprise a regionalist-ethnic segmented Europe headed by *Volksgruppen* politics)—all the way to the notions of an ethno pluralism primarily based on assumptions of cultural differences. This derives primarily from the spectrum of the French *Nouvelle Droite* (cf. Müller 1994; Salzborn 2005; Terkessidis 1995). Although the specific justification of the essentialistic difference varies in each case, the models have similar concepts:

“Right-wing extremism should be seen as the totality of attitudes, forms of behavior and actions which, whether organized or not, are based on the racially or ethnically founded social inequality of people, demand the ethnic homogeneity of *Völker*, and reject the principles of equality defined in the Declaration on Human Rights. Right-wing extremism accords a clear priority to ‘community’ over individualism, demands the subordination of citizens to a clearly narrow-mindedly oriented reason of state, and dismisses every form of value pluralism of liberal democracy, with the objective of dismantling democratisation.” (Glaß 1998, p. 71, Fn. 2)

Common grounds shared by *völkisch* notions are fighting against the subject and placing the collective ahead of the individual. Ethnic identity in right-wing extremism does not function as a choice for individual identity, but rather as a collective identity obligation—whereby the obligation encompasses an internally binding component and an externally segmenting component (cf. Luhmann 1998): the obligation to include, and the obligation to exclude.

The ideology of inequality aims internally to achieve ethnic homogeneity, and externally to achieve ethnic separation. Under these premises, European right-wing extremism can include centralistic, just as well as regionalistic, federal and *Reichistic* movements (cf. Salzborn and Schiedel 2003). Here, the important point for analysis is that right-wing extremism is always based on geopolitical and spatial elements because *Volk* and *Raum* are thought of in the same context: not in a democratic sense as *demos*, which lives (accidental, mutable and variable) as an individual in the sovereign state, but as *ethnos*, which is fixed (essential, static and homogenous) as a collective in an existentialistically understood (settlement) region. Right-wing extremism can therefore be said to refer to the romantic notion of a nation (*Volksbegriff*) and politicizes it because regional consequences are to be drawn from the cultural separation of people into *Völker* and *Volksgruppen*. Social and political conflicts are naturalized and placed in an ethnic origin

context. By classifying ethnicity as an essential category, and elevating it to the highest quality of “human nature,” the political goal is the complete social and political segregation of people along ethnic criteria, as well as in the creation of separate ethnic regions for individual *Völker* and *Volksgruppen*.

Immigration and migration are categorically rejected because a so-called ethno-plural Europe should be based internally on ethnic homogeneity, and externally on *völkisch* exclusion—to safeguard the stylized character of each “home-land region” which is considered natural in this philosophy (cf. Swyngedouw and Ivaldi 2001).

6 Commonalities and Differences: The Systematization of Comparison

Every comparative analysis of “Europe” faces the question if it is the political or geographical term, which is referred to. Moreover, it is also necessary to clarify the extent to which membership in the EU is the basis for the selection of cases to be compared. In my opinion, there are good reasons for each of the variants, and because the focus of this article is also the sound justification of the suggested categories of comparison (with reference to the past and to concepts of Europe), it seems plausible to find a procedure for choosing cases that are as formalized as possible. The fewer content-based criteria that are used for selecting the cases, the more the results must show that the suggested comparative criteria for right-wing extremist parties in Europe (whether political or geographical or if members of the EU) are generally valid.

On these grounds, the division of the macro-geographical regions of Europe according to the United Nations Statistics Division (UNStats 2016) into Northern, Eastern, Southern and Western Europe was initially taken as basis of the selection for comparison. Two methodological assumptions are important: 1) The fewer cases chosen in a macro-investigation, the less precise the comparison must be. This sociopolitical truth cannot be compensated for mathematically. 2) Thus, it is of course always desirable, from a political science perspective, to carry out a full census—a comparison of all cases. It is only within a full census that every detail can be captured, and therefore the commonalities and differences properly examined. From these two basic considerations, taking into account that a full census is not feasible within the framework of this exploratory essay, three case studies were selected at random from each of the four European macro-regions. Exceptions are the three European core countries of the UK, France, and Germany, which are difficult to ignore for a macro-qualitative comparison. In this context,

“random selection” strictly speaking does not signify a statistical procedure, but rather describes an approach in which, based on the UN-classification of macro-regions, three states (UK, France, Germany), have deliberately been selected for the comparison, but all other cases have been included in the selection according to the random principle or determined by lot.

The limitation to only twelve cases can only be legitimized in terms of labor economics, which means that an expansion of the classification is desirable. The random selection (admittedly influenced by the prior selection of three cases) yielded the following cases: for Northern Europe: the UK, Sweden, and Denmark; for Eastern Europe: Poland, the Czech Republic, and Hungary; for Southern Europe: Portugal, Italy, and Greece; and for Western Europe: Germany, France, and Belgium. Because this is a macro-qualitative comparison, the short description of the central right-wing extremist party or parties in each country formed the starting point for the comparative analysis.

6.1 Northern Europe: The United Kingdom, Sweden, Denmark

The extreme right in the UK is traditionally shaped by subcultures and militant structures and it is dominated by a proletarian self-image of racist worker culture, whose goal, true to the motto *British workers first*, is the struggle against immigrants in connection with nationalist social politics. Smaller parties, such as the British National Front (BNF), openly pursue neo-fascist objectives, and actors such as the internationally active music network Blood & Honour (B&H) make direct reference to National Socialism. Due to the British “first past the post” electoral system, right-wing extremist parties tend to have little direct influence on the political system. However, this has led to parties such as the BNF gaining repeated success in local elections, mainly fed by an anti-communist and anti-liberal working class environment. Ultimately, the parties have been widely active in subcultures and non-parliamentary sectors of society for a long time already. This changed with the emergence of the UK Independence Party (UKIP) in 1993, which, since its inception, aimed above all at success in local elections and in elections to the European Parliament. In elections to the lower house, it was almost always a failure (cf. Clarke 2016; Thorleifsson 2016). UKIP’s main political concern was the departure of the UK from the EU (cf. Lynch and Whitaker 2013), which was closely connected with ideas of national sovereignty. This policy includes racist demands in e.g., social policy, but also in terms of a restrictive immigration policy. Alongside that came the plea for strengthening

regional government and an anti-representative modus operandi. UKIP is programmatically careful not to make direct reference to fascist or National Socialist traditions. At the same time, there is a considerable overlap at the highest level of the party between UKIP and the fascist BNP (cf. *The Times*, April 27, 2014; *The Telegraph*, December 26, 2014) as well as other pro-Nazi groups (cf. *Daily Mail* March 01, 2015). In addition, UKIP has also indirectly supported neo-fascist movements such as the Hungarian Jobbik (cf. *The Guardian*, January 27, 2013). Thus, the attempt to distance themselves from historical traditions primarily consists of avoiding to state the link directly, which makes it seem strategically motivated (cf. Ford and Goodwin 2014; Goodwin 2011).

The British case with the strong worker orientation of the extreme right is easily comparable to the extreme right in Scandinavia, which traditionally also champions socio-political goals. The *Sverigedemokraterna* (SD; Sweden Democrats) emerged in 1988 out of a merger between parts of other Swedish right-wing parties. As with all parties on the right-wing extremist spectrum, they put forward an anti-European stance. The SD's national-protectionist concept advocates strongly pronounced social state elements for a homogeneous Swedish identity (cf. Bergmann 2017; Hellström and Nilsson 2010; Hellström et al. 2012; Mulinari and Neergaard 2014): "Until 2011, the Sweden Democrats defined themselves exclusively as a nationalist party in their programmes of principles. The nation is defined as loyal, sharing a common identity, language and culture" (Jungar 2015, p. 195).

The SD does not only act against the EU, but they also follow an anti-American and anti-Muslim platform alongside patriarchal, anti-feminist family policies (cf. Towns et al. 2014; Norocel 2016). A characteristic feature of the SD is precisely this combination of family and social state elements with a nationalist-racist rejection of emigration and immigration. Regarding bilateral or multilateral cooperation, the SD calls for an approach that focuses on the Northern European region. According to a high-ranking SD functionary, Jews are "not real Swedes" (cf. *taz*, December 21, 2014), i.e., anti-Semitic principles are a founding part of the national myth even though positive references to the Swedish fascists and Nazis are avoided.

The *Dansk Folkeparti* (DF; Danish People's Party), founded in 1995, is, similarly to the SD, oriented towards social-political areas and the defense and strengthening of the Danish welfare state—also under racist portents with a rigid immigration and integration policy with a strong emphasis on Danish identity (cf. Bergmann 2017): "The name chosen for the [...] party (Danish People's Party) accentuated this idea of ethnic identity and belonging (a Danish party for the Danish people), and the commitment to safeguard existing conditions from

internal and external threats to the Danish nation.” (Meret 2011, p. 250). Like the SD, the DF is anti-European but does not put forward a negative picture of Israel: “The position against EU has thus continued to represent a platform from where to promote the role as guardian of Danish national sovereignty and at the same time to retain an anti-establishment profile that could be affected and weakened by the party’s influential position in Danish politics.” (Meret 2010, p. 141). The DF stands for the constitutional monarchy and the *Folkekirken* (Danish folk churches), the “Danish cultural heritage” and the strengthening of “Being Danish,” even outside Denmark: *Gud, konge og fedreland!* (“God, King and Fatherland!”) is its mission statement. Former functionaries of the *Fremskridtspartiet* (Progress Party) had a lasting impact on the foundation of the DF. They had on occasion formulated their politics in the tradition of the Danish resistance to Nazi Germany and see themselves in the tradition of the Danish social welfare state agreement. The welfare state uses the concept of the *folkenationalisme* to convey the image of a plebiscitary nationalism, which of course has ethno-national implications and condenses in the idea of the *folkehemmat*. In spite of this, the idea of the welfare state still reverts to traditions that were historically opposed to National Socialism, such as the Danish social democracy of the 1920s and ’30s that decisively shaped these concepts (cf. Siim and Meret 2016, p. 109 ff.). However, this reference to the tradition hardly plays a role in their actual political composition.

6.2 Eastern Europe: Poland, Czech Republic, Hungary

A general difference with the extreme right between Northern, Western, and Southern Europe on the one hand and Eastern Europe on the other is the role of religion: an enlightened concept of politics and society is significantly further away from the political culture of Eastern Europe, beyond party-political difference, than it is the case in other parts of Europe. The Eastern European societies are strongly influenced by a mystical and clerical form of Christianity, which expresses itself in a reactionary gender and family image, an aggressive rejection of homosexuality, a Christianized fear of Muslim immigration, and a religious antisemitism, all of which dominates the political culture. Right-wing extremist parties are therefore in a strategically advantageous position on the one hand, because important parts of their worldview are part of the entire political culture. At the same time, however, they are also at a strategic disadvantage because, e.g., an anti-women policy is hardly a useful criterion for political distinction. In the end, this means that right-wing extremist parties are, with a substantial number of

their positions, hardly different from the mainstream. They often find themselves unable to profit from their positions in elections.

The Eastern European transformation of 1989/1990 changed the attitude of the elites above all others: an opening towards the pro-European West was seen as a guarantee of prosperous national economies. The success that right-wing extremist parties in Eastern Europe now enjoy is mainly because the prevailing anti-European, anti-American, and anti-Semitic sentiment, bound up with fear of the consequences of globalization, has become increasingly more important. This occurs because the socio-economic division within Eastern European societies into pro-Western, pro-European and anti-Western, anti-European wings largely goes hand-in-hand with the social-economic division of society.

Poland, with its brute-reactionary Catholicism, is surely the most striking example of this development, which is expressed in the relationship between the two parties *Prawo i Sprawiedliwość* (PiS; Law and Justice) and *Liga Polskich Rodzin* (LPR; League of Polish Families). Both are Catholic and clerical, and position themselves as reactionaries in terms of family politics, as they are against abortions, fight against homosexuality, and fight for the patriarchal, nuclear family (cf. Fuchs 2010; Shibata 2013). While the attitude of PiS against this background is about national sovereignty and they act with a certain distance to the EU, the LPR holds the EU to be a Communist conspiracy and is explicitly hostile to Europe (cf. Pankowski 2010). The LPR is firmly anti-Semitic and anti-American, while the PiS seemingly tends towards a pro-American position. The anti-Semitic conspiracy-delusion in the LPR reaches so far that the pro-fascist party assumes that not only “Jews” are behind anti-Polish developments, but also “freemasons.” The comparison of PiS and LPR shows that the national context is central if you want to classify political parties (cf. Moroska and Zuba 2010). A Catholic-clerical positioning of the two parties would be unthinkable—at least to this degree of radicalism—because it is supported by an anti-Enlightenment fundamentalism that to a large extent is linked to a radical hostility towards human rights. Furthermore, in connection with the ethno-national positioning of the two parties, they are linked to a noticeable distance or direct hostility towards Europe (cf. Lange and Guerra 2010). The resulting nationalist-Catholic picture of Poland makes it clear that both parties can without a doubt be classified as right-wing extremist. In the Polish context, however, clerical-Catholicism, with its patriarchal, anti-feminist and homophobic worldview, is not considered a part of a right-wing extremist ideology. Instead, these beliefs are held by large sections of the society, which shows how widely fragments of right-wing extremist ideology are anchored in Polish society even though at the same time, these recall an anti-German position during the Nazi occupation of Poland.

For historical reasons, the Czech Republic can certainly be seen as the Eastern European exception, especially if compared to Poland. Historical Czechoslovakia was the only Eastern European country with an explicitly western orientation. The Czechoslovakian constitution, written in the inter-war period, was oriented towards the example of France. Even the democratic creation of the country did not correspond to the Eastern European pre-Enlightenment tradition: the influence of clerical worldviews is supposed to have less relevance for everyday politics due to liberal-enlightened concepts—even if the religious myths still (or rather, once more) play a large role in Czech self-assurance. Moreover, in contrast to the traditions of many other Eastern European countries, Czech nationalism is actually based on the history of opposition and the resistance to National Socialism. While countries such as Croatia or Hungary are, as a matter of fact, successor states of regimes that collaborated with the Nazis, Czechoslovakia was antifascist from the beginning and had already fought against the National Socialist Sudeten German movement, even before the Nazi regime occupied and then smashed the Czechoslovakian state. From this point, conservative positioning in the Czech Republic has tended to have a different connotation than in other Eastern European countries. This is also shown by the fact that although conservative-national parties who are opposed to Europe have a great relevance in the political system, dedicated right-wing extremist parties are comparatively unimportant and are generally marginalized in the political system. An example for these is the *Úsvit—Národní Koalice* (Dawn—National Coalition), founded in 2013 (under a slightly different name), which is tailored to the personal profile of its founder and chairman (the Czech-Japanese entrepreneur Tomio Okamura) and, in addition to its anti-European orientation, draws special attention with their anti-ziganist and anti-Semitic positioning. These are always associated with extensive partisanship for direct-democracy policies (cf. Havlík and Voda 2016): “The European integration was not a topic of prominent importance for the party. Dawn preferred an economic form of European integration and refused a Europe of ‘non-systemic subsidies, allowances and bureaucrats’ (Úsvit), which moved the party to the camp of soft-Euro-sceptic political parties.” (Kaniok and Havlík 2016, p. 28) There is no systematic positioning vis-à-vis history with Úsvit.

Hungary, on the other hand, is the diametric opposite of the Czech Republic in Eastern Europe. Founded in 1988, the Hungarian *Fidesz—Magyar Polgári Szövetség* (Fidesz-MPSZ; Hungarian Civic Alliance) can only be understood within the context of the party *Jobbik Magyarországért Mozgalom* (Movement for a Better Hungary), founded in 2003, because Fidesz and Jobbik practice a de facto division of labor in Hungarian politics. While Fidesz is dismantling Hungary’s democratic structures concerning constitutional and legal processes, turning Hungary

into a nationalist dictatorship, Jobbik fosters the racist, anti-ziganist and anti-Semitic struggle against democracy on the street (cf. Varga 2014)—with assaults and extensive expulsions, such as of the homeless, among other groups. With these two parties Hungary, as I have argued elsewhere (cf. Salzborn 2015c), has taken its leave from Democracy and has already transformed itself into a dictatorship in many areas: the new constitution, the changes to Nationality Law and Electoral Law, and also the restrictive media law, which allows a form of censorship. All of these legislative changes comprehensively include basic *völkisch* assumptions, and all of them have considerably expanded the positions of power of the ruling parties and drastically restricted the rights of the opposition. Both parties pursue a rescaling of politics. They ground themselves extensively on pre-modern religious traditions, and Jobbik, as an explicitly anti-Semitic party, refers to fascist traditions as well as to the pro-Nazi Hungary under its leader Miklós Horthy (cf. Marsovszky 2015). Liberalism is the sworn enemy of Fidesz and Jobbik. An anti-American and anti-European attitude, combined with a pro-Russian orientation, also links both parties, who act decidedly nationalistic, and instrumentalize the so-called “foreign-Hungarians” in both law and politics in order to further their own ambitions for a Greater Hungary. They combine their nationalist principles with an imperial-annexationist claim. Jobbik directly references to fascist and National Socialist models, while Fidesz more closely references the traditions of the Catholic Empire of the *Magyars*, a nationalistically defined nation within the soon-to-be-revived *Magyar Királyság*. This is the meant to be “Kingdom of Hungary”, which refers in Hungarian in addition to its autocratic-aristocratic dimension also to a clearly *völkisch* connotation due to the reference to Magyar culture (cf. Marsovszky 2011). The differences that can be drawn between Fidesz and Jobbik can be found in the strategic occupation of thematic areas: Jobbik often formulates the radical ideas which Fidesz then de facto implements politically, while domestically, Jobbik fulfills the function of a seismograph for Fidesz (Mareš and Havlík 2016). They reveal how far the nationalist de-democratization of Hungary can be driven by society, and how radically the nationalist ideals of Hungary can be implemented violently.

6.3 Southern Europe: Portugal, Italy, Greece

The Portuguese *Partido Nacional Renovador* (PNR; National Renovator Party) was founded in 2000 by a coalition of extreme right-wing forces in order to overcome the weakness of extreme right-wing parties on the political agenda, which had existed since the overthrow of the Salazarian regime in a military coup in

1974. The PNR acts decidedly in an anti-Semitic, anti-Muslim and anti-feminist manner; with its anti-EU-position, it focusses on the idea of a “Europe of nations,” which consequently also leads to a cooperation with the German NPD and the French FN. The PNR is strictly against immigration and has rejected the Euro-African orientation of Lusitanian nationalism, which has been typical of Portugal for a long time. It is geared towards a worldview shaped by Catholicism and characterized by an anti-American and an anti-European attitude, since these two potential hegemonies are viewed as a weakening of national identity and at the same time suspected of preparing for a “global world government” (cf. Marchi 2013, p. 144 f.). The PNR ideology directly succeeds the authoritarian and counter-revolutionary traditions of the clerical-fascist *Estado Novo* in Portugal and the person of António de Oliveira Salazar. However, this ideology is less targeted at re-establishing the regime, but rather it seeks to enshrine the regime’s positions in the political system of Portugal (cf. Zúquete 2007; Marchi 2010). While the founding of the PNR was strongly marked by the former protagonist of the *Estado Novo*, the maintenance of the Salazarian tradition—which, in contrast to other extreme right-wing movements in Europe, includes the notion of Portugal as an imperial and colonial but multiethnic state—time and again leads to internal party conflicts with supporters of the decidedly racist wing (cf. Marchi 2015).

Portugal is historically a special case insofar as it is hard to compare with the genesis of other extreme right-wing parties regarding this “multicultural” dimension. Meanwhile, Italy is also a special case insofar that parts of its extreme right-wing movements—depending on their local or regional orientation—descended directly from historical fascism, while other parts firmly distance themselves from it.

The *Lega Nord per l’Indipendenza della Padania* (LN; North League for the Independence of Padania) was founded in 1989 and is one of the oldest extreme right-wing parties in Europe. Traditionally, it embraces an approach that, due to the socio-economic polarization of the Italian North and South, combines welfare chauvinist positions with ethnic separatist ideas (cf. on the history of the LN: Pallaver 2012). The LN is integrated in the pan-European network of decidedly ethno-regionalist and *völkisch* parties and movements, which includes, among others, the Belgian *Vlaams Belang*, the Austrian FPÖ and the political spectrum of the New Right at large, which demands an ethno-regional fragmentation of Europe. In its regionalist approach, the LN takes an anti-Italian position and combines its ethnicizing and homogenizing policy with racist differentiations (cf. Bull 2010) which are mostly enunciated with regard to globalization. The primary focus of the LN lies on its federalist secessionism, which, in its ethnic orientation,

rejects democratic national states and supranational associations of states such as the EU. Its slogan *Più lontani da Roma, più vicini all'Europa* ("Further away from Rome, closer to Europe") shows that the LN, above all, wants an ethno-regional separation, rejecting "Rome" (as a synonym for the Italian national state) in favor of "Europe" (as a synonym for a splintered Europe as a result of ethno-regional separatism) (cf. Huyseune 2010). In its decidedly ethno-regionalist orientation that is directed against all centralistic concepts and rejects the Italian national state, the LN as an extreme right-wing party is a special case in Europe. It does not refer back to its appropriate historical (right-wing) model.

The Greek case, by contrast, constitutes an open and unequivocal reference to Nazi traditions. The Greek *Chrysí Avgí* (Golden Dawn), which evolved from the environment of an identically named magazine and was founded in 1985, is an ideologically openly neo-Nazi party representing a racist and ethnic world view and making expansionist demands with a view to the neighbor states of Greece. The racism of *Chrysí Avgí* is based on the aspect of descent, which links it directly to NS-racism: "Although Golden Dawn opposes immigration and is hostile to the immigrants themselves, it is not a typical anti-immigrant party. Supporting the model of an ethno-culturally homogeneous state, the party defines nationality in terms of 'race, blood and ancestry.' In this view, immigrants endanger the racial homogeneity of the nation and should be compelled to leave the country immediately." (Georgiadou 2013, p. 88). Party officials extensively refer to NS-protagonists and the Greek fascists around Ioannis Metaxas are strongly inspired by National Socialism, which is expressed by the party also in its symbolic politics. It maintains contact with most neo-Nazi and neo-fascist parties in Europe, including NPD and Jobbik. In addition to its legal arm, *Chrysí Avgí* also maintains a paramilitary wing with intense criminal activities.

6.4 Western Europe: Germany, France, Belgium

To count the Federal Republic of Germany as a part of Western Europe does follow the official cartography of the United Nations but is not entirely unproblematic. When making this reference to western traditions, the fact that historically, the traditional orientation in Germany was an ethnic anti-western one as well as the fact that the ethnic German nationality law was only changed a few years ago, are only too easily overlooked. Thus, the assignment of Germany to Western Europe has to be understood as a merely geographical one and not an historical-political one. The two important extreme right-wing parties in Germany, the *Nationaldemokratische Partei Deutschlands* (NPD; National Democratic Party of

Germany) and the *Alternative für Deutschland* (AfD; Alternative for Germany) differ primarily with regard to their emergence—and over the course of the AfD's existence less and less so with regard to their party objectives.

The NPD was founded in 1964 with the ambition to combine the entire extreme right-wing spectrum: besides former members of the NSDAP and the *Waffen-SS*, also former members of the forbidden (Nazi) *Sozialistische Reichspartei* (SRP; Socialist Reich Party of Germany) took part in founding the party. Even though the NPD has articulated this tradition sometimes more and sometimes less radically, in its entire history it has been a neo-Nazi party in which Holocaust deniers have even managed to attain the position of chairman. In their orientation, they openly pursued NS-concepts—including all their racist, ethnic, anti-Semitic and historical-revisionist elements. In contrast to the NPD, in 2013 the AfD was founded as an explicitly anti-EU party and, up to its split in 2015, it endeavored to distance itself in its own neoliberal right-conservative position from openly neo-Nazi movements. This has radically changed since the split of the party: The AfD has positioned itself as openly antisemitic and racist, and important party officials have been promoting the re-establishment of NS-terms such as *Volksgemeinschaft* (ethnic community) or *völkisch* (cf. Salzborn 2017). They also aggressively advocate a positive reference to pre-Nazi thinkers and articulate the German victim myth. While the NPD is primarily geared towards an imperial positioning, in the AfD, ideas of the New Right are more strongly enshrined in an ethnopluralist-ethnic disintegration policy.

While right-wing extremists in Germany have acted in accordance with a citizenship law that is phrased in terms of categories of ethnic descent, the extreme right in France demands the exact opposite. In its long-lasting central demand for the introduction of the (ethnic) German nationality law in France, the French *Front National* (FN), founded in 1972, is inversely paradox in relation to the federal German right-wing extremism. It acts against the republican concepts of the state with this extreme right-wing demand and using the German constitutional reality as a model under its former chairperson, Jean-Marie Le Pen, the FN decidedly strived to rehabilitate the historical fascism of the interwar years, of the Vichy regime and of anti-Semitic attitudes (cf. Schmid 1997; Mondon 2015). However, this has changed in the 1990s due to the influence of Bruno Mégret and even more so in the nineties under Marine Le Pen (cf. Almeida 2014). The motives to part with the historical reference to the fascism of the interwar years were primarily related to an election strategy, as the FN does not consider it strategically useful to connect its own racist and mostly anti-Muslim rhetoric with anti-Semitic traditions (cf. Mayer 2016; Reynié 2016). One rather wanted to reach public *dédiabolisation* of the FN by consciously avoiding certain topics and

notions (cf. Almeida 2013; Schmid 2014). However, in this context, the specific French tradition concerning its colonial past in Northern Africa is also important: Jews were generally rather considered as “allies” against the Muslim population to be colonized, which is also an important historical reference for today’s positioning of the FN. In its geostrategic orientation, the FN pursues national-centralistic approaches in whose specific historical context the changing references to first fascist but then mostly colonial traditions have to be understood.

The Belgian *Vlaams Belang* (VB; Flemish Interest), which was founded in 2004 as the successor organization of the *Vlaams Blok*, stands for an explicitly ethnic-separatist approach (cf. Pauwels 2011). This approach not only includes a racist refusal of immigration, but in view of the multiethnic and multilingual reality of Belgium also a fundamental hostility towards any form of multiculturalism. The reference to a specific ethnic separate identity of the “Flemish” is brought to the fore under the slogan *eigen volk eerst*, which is not only directed against the European Union, but with the rallying cry *Splits België* also against the Belgian national state (cf. Swyngedouw et al. 2008). One fights for an independent state of *Vlaanderen*, which one does see as a part of Europe, but the European Union is decidedly rejected (cf. VB 2014). In its self-legitimation, the Flemish-ethnic movement explicitly refers to separatist traditions in the 19th and the early 20th century and also to the Flemish collaboration with National Socialism. Thus, in the two respects that are crucial for the comparison of central dimensions, the VB with its extreme right-wing orientation represents a position which is almost diametrically opposed to that of the French FN.

7 Conclusion: Comparison of the Extreme Right-Wing in Europe

From the systematic comparison of the twelve countries, the following overall picture (Fig. 1) emerges, schematized (and thus, as with every schematization, simplified and shortened).

The systematic comparison of the extreme right-wing parties in Europe shows that focusing on the regional-political dimension in their concepts is very useful. If one wants to understand the relation between the nationally organized parties and the de facto supranational structured space of “Europe,” it is important to place their populist, national and European concepts in the center. Moreover, this comparative dimension also reveals the areas where the claims of individual right-wing extremist parties collide with those of other right-wing extremist parties—most obvious are the examples of VB and LN. It is surprising—though it

		Historical reference		Absence of historical reference
		... to the premodern (incl. religious fundamentalist) or colonial tradition	... to Fascism or National Socialism	
Concept of Europe	völkisch-regional, ethno-pluralistic		AfD Vlaams Belang	UKIP* LN
	centralist, national, imperial	FN*	NPD	FN*
		PiS	LPR	SD
		Fidesz	Jobbik	DF
		PNR	Chrysi Avgí	Úsvit

** above all strategic restrictions with a view to Fascist/National Socialist traditions*

Fig. 1 Right-wing extremist parties in Europe in systematic comparison. (Own visualization)

potentially will not remain the case as more examples are studies—that a look at the twelve sample countries chosen for the classification yields no single example in which a *völkisch*-regional or ethno-pluralistic variety of right-wing extremism seeks to legitimize itself with a historical reference to premodern traditions.

This result certainly appears surprising at first sight. However, research on comparative nationalism has already shown that national traditions are continuously invented, as is most clearly demonstrated in Benedict Anderson’s “invention of tradition”. Moreover, the belief that ethnicities have a longer real tradition

than the nation and nation-states is a historically false prejudice that is handed down by the right-wing conservative-*völkisch* side of etymology. The opposite is true, as the findings of social-scientific ethnicity research substantiates. The concepts of “ethnicity” and “ethnic group” are a feature of modern ideology which was first invented in opposition to the modern (bourgeois) nation-state. These concepts are directed against the modern nation-state and use premodern social configurations such as tribes or clans to invent a legitimating story for their own actions. The concepts are just as much a social construction as is that of the nation—however, they are generally directed against the nation, which in turn can be thought of either as republican/enlightenment or as ethnic/*völkisch*. Even if adding further case studies could modify this result, because *völkisch*-regional and ethno-pluralistic concepts of Europe can of course also irrationally speak to a premodern tradition, the absence of such a reference is historically consistent.

Pointing out those who do reference history is just as important as to highlight those who forgo a reference to history, as they objectively stand within this tradition no matter how they wish themselves to be seen—is to point out those who forego a reference to history. Forgoing history, if not always, occurs for strategic reasons: the knowledge that their own influence would probably be reduced if they were to openly concede that they are plagiarizing fascist and/or National Socialist goals. UKIP and FN are excellent examples of this approach. Since the *völkisch* concept of LN actually conflicts with the concept of Italian Fascism, it is perhaps the only example of a right-wing extremist party that can credibly distance itself from historical fascism. This is because its *völkisch* claim is mutually exclusive with that of the Italian Fascist power politics. However, the respective party histories of all other right-wing extremist parties show that their denial of a historical reference is not well substantiated.

What the comparison also shows is that the category of “populism” is indeed completely dispensable for the comparison of right-wing extremist parties in Europe because the question of whether they are populist is extremely dependent on the political structures in place. This is in contrast to their concepts of Europe and the question of their historical reference, which are both largely stable over a long period. In addition, both dimensions relate to the programmatic substance of right-wing extremist parties. The mutual overlaps show that all categories used for the classification confirm an affiliation to a completely heterogeneous but nevertheless integrated family of right-wing extremist parties.

Taking a more detailed look at European Studies, the comparison shows two things: the spatial dimension is brought to the fore more strongly, while the aspect of ethnic affiliation was underestimated. Thus, the questions of the concept of Europe and the conception of history ultimately deal with two fundamental

dimensions. In the first case, i.e., the concept of Europe, the extreme right focuses on dimensions of spatial order, which as regulative categories constitute different options. In the end, they are generally anti-democratic since both variants are interested in an ethnic spatial order that supports rigid demarcations and wants to prevent any form of migration. Differences only lie in the question of who is to have the dominant regulatory position in Europe and whether it is to be organized regionally or centrally. In the second case, the historical dimension, it becomes apparent that some of the parties make historical references and that any disassociation from National Socialism, fascism or collaborating regimes almost always only occurs for strategic reasons, while often such references or associations are even made openly. For political controversy, the key point causing confusion is the failure to make this reference, and this point should be actively a subject of discussion. Looking at this historical political dimension can show that the anti-democratic nature of the parties has not changed in any way; instead, they are just pursuing different strategic options to reach their goals. Exactly these strategic options, which are sometimes classified as “populist,” should not distract us, but rather more attention should be paid to the thematic core.

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Part III

Financialization and Militarization

European Crisis Management and the Politics of Financialization

Hans-Jürgen Bieling and Simon Guntrum

1 Introduction: Financialization in the European Context

After the demise of the Bretton Woods System in the 1970s as the core framework of international financial and commercial relations, the global economy shifted towards policies of open markets and cross-border capital movement, thereby realizing the “triple mantra of privatisation, liberalisation and deregulation” (Ferguson and Mansbach 2012, p. 248). Most states reorganised their economies by implementing market-liberal reforms. The emerging socio-economic modes of reproduction included new strategies of finance-led accumulation that brought about a transformation of their models of development. So did the European Union (EU) and its member states which soon found ways to shape and harness potential economic gains from the changing global financial environment both on the national and the European level (Bieling 2010). Regarding the latter, the EU initiated the Financial Services Action Plan (FSAP) in 1999 in order to promote financial markets and to pave the way towards financialization.

In this respect, before the outbreak of the global financial (2007 ff.) and the ensuing crisis of the Eurozone (since 2010), the political economy of the EU was characterized by an emerging European financial market capitalism and various forms and processes of financialization. The term financialization refers to an

H.-J. Bieling (✉) · S. Guntrum
Universität Tübingen, Tübingen, Germany
E-Mail: hans-juergen.bieling@uni-tuebingen.de

S. Guntrum
E-Mail: simon.guntrum@uni-tuebingen.de

increasing importance of financial motives, markets, and their respective actors, resulting in an expansion of financial products. Therefore, the financial sector as a whole is becoming increasingly important for the refinancing of companies and economies (Epstein 2005; Bischoff 2014). Obviously, the EU has committed itself to several policies and initiatives aiming to establish comprehensive and integrated financial markets. However, in the context of the financial crisis, the market-based mode of financial integration was increasingly put into question and came under close public as well as political scrutiny. Not only protest movements, but also governmental politicians and European bureaucrats argued for a comprehensive re-regulation and the restoration of political control over financial markets.

Yet, about a decade after the outbreak of the financial crisis, such claims have not been realized by far. On the contrary, the political economic strategy of the EU started again to promote financial markets and to re-accelerate the dynamics of financialization, which is particularly observable in the new Capital Markets Union project (European Commission 2015). The aim of this paper is to explore how and why the EU—despite all economic and social costs of the financial crisis—adhered to the promotion of European financial market capitalism and the processes of financialization. We will argue that, although individual measures of the political management of the Eurozone crisis were controversial and contested, there was a broad consensus that the Economic and Monetary Union (EMU) had to be stabilized. This stabilization was fulfilled by measures of fiscal discipline and policies of risk sharing. Furthermore, given the European configuration of power and interests, the chosen mode of stabilization also required a fixing or even resumption of financialization processes. Such policies, as we demonstrate, included policies of fiscal austerity, rescue measures of the ECB, and, more recently, the reform efforts and initiatives culminated in launching the European Capital Markets Union (CMU). The latter was established in order to “develop a more diversified financial system completing bank financing with deep and developed capital markets” (European Commission 2017c) and to pave the way for further financial market integration in Europe.

In order to make this argument plausible, the article is structured as follows: the next section starts with an outline of our perspective of critical political economy of European financial market capitalism. We combine neo-Gramscian and regulationist analytical concepts to highlight the political and social dynamics of European integration, including the crisis management measures. Then, we will empirically address the most important reform measures to rescue the Economic and Monetary Union (EMU), i.e. the major initiatives of financial market (re-)regulation, the monetary politics and the role of the ECB as well as the development of the

European Capital Markets Union (CMU). In the fourth section, we will relate these processes to the dynamics of financialization, including the privatization of social security and public infrastructure. Obviously, there are limits to financialization which question the sustainability of European financial market capitalism.

2 Analytical Perspective: The Political Economy of European Financial Market Capitalism

The past decades were marked by a far-reaching reorganization of the European political economy. A core dimension and driving factor within this process were the transnational integration and increasing relevance of financial markets including the manifold dynamics of financialization. Indicators of these processes are the rising volume of financial assets and claims vis-à-vis non-financial actors such as companies, private households or state agencies. The strategic choices and the practical behaviour of these actors are increasingly determined or at least influenced by financial considerations, e.g. the conditions for further credits or financial investments. As such processes increasingly unfold across national borders, it seems obvious to assume the emergence of a new kind of a transnational social formation which, based on other analyses (Macartney 2009; Deutschmann 2011), can be called European financial market capitalism (Bieling 2013c).

From a neo-Gramscian and regulation school perspective, this social formation can be analysed on different levels of abstraction. The most general level is that of a specific ‘historical bloc’ (Cox 1983) or model of development. A ‘historical bloc’ is fairly comprehensive, including economic, social, political and ideological dimensions, and characterized by a particular articulation of a capitalist regime of accumulation and corresponding modes of regulation. In the decades after Second World War, Fordist historical blocs, primarily organized within national arenas, appeared sustainable. By contrast, European financial market capitalism presents itself much more fragile and unstable (Jäger and Springler 2015). The instability partly reflects the dynamics of uneven development within the EU and the Eurozone, as—on the basis of particular national regimes of accumulation—structural current account surplus and therefore creditor economies co-exist with current account deficit and therefore financially more dependent debtor economies (Lapavistas et al. 2012; Becker and Jäger 2012). In addition to this, the instability is also caused by a deficient political regulation of the European economy. This deficiency is constitutionally inscribed by the provisions for austerity and structural reforms and a simultaneous lack of (re-)distributive resources or instruments of industrial or technological policy. As a consequence,

the burden of adjustment is placed on weaker countries so that the uneven dynamics within the EU largely remain unbalanced. Despite its inherent crisis vulnerability and manifold political conflicts, it makes sense to regard European financial market capitalism as a new transnational social formation since the basic patterns of development seem to be persistent.

To understand the persistence of European financial market capitalism, it is useful to not only analyse its structural patterns but also the social relations and alliances, which—irrespective of all political tensions and conflicts—support its mode of reproduction. In this sense, the neo-Gramscian perspective also aims to identify a ‘hegemonic bloc’, i.e. the influential power network which proves to incorporate large parts of the social strata of European societies by an ideological manufacturing of general consensus underpinned through material or symbolic benefits or specifically negotiated compromises (Cox 1983). Given the stepwise integration of political competencies and the manifold cross-border dimensions of cooperation and conflict, the hegemonic bloc within the European Union has obviously become transnational (Bieling 2010). The most influential forces of this transnational hegemonic bloc increasingly consist of financial market players such as institutional investors, rating agencies, transnational commercial and investment banks, but still in cooperation with consultancies, non-financial transnational corporations (TNCs), market-liberal think tanks and national and European politicians and bureaucrats. The reconfiguration of this transnational hegemonic bloc has been structurally promoted by the integration of European financial market capitalism into the informal ‘Dollar Wall Street Regime’ (DWSR) (Gowan 1999). This is characterized by open capital markets, flexible exchange rates and the supremacy of the US dollar; and it has been strategically promoted by a series of common political projects such as the Single Market, EMU, and the enlargement of the European Union or financial market integration via the Financial Services Action Plan (FSAP), all of which are oriented towards a market liberal integration of the European political economy.

The listed examples show that a neo-Gramscian analysis pays particular attention to the nature of political, sometimes even ‘hegemonic projects’ by which the social formation of European financial market capitalism is orchestrated (Bieling 2003). More generally, such political projects represent a programmatic and political-operative condensation of specific, often hegemonic interests and discourses to shape the further process of European integration. In this sense, political projects are socially purposeful, but also contested initiatives aiming to either stabilize or transform given institutional and regulative arrangements, including the underpinning power relations and patterns of compromise or consensus. In the past, major political projects were of hegemonic nature, as they were not only

backed by governments, think tanks, public intellectuals, and the media, but also perceived by large social strata as appropriate answers to pressing European problems or crises dynamics. This largely applied, for instance, to the projects of the Single Market, EMU, FSAP or Eastward enlargement. It applied, however, less to the more recent project of the ‘rescue of the euro’ which less followed a logic of appropriateness than a logic of necessity—and which, in public debates, was associated with a massive burden of adjustment, many disciplinary processes and huge economic and social costs. Given the actual or feared redistributive implications of the reform of European economic governance, it comes as no surprise that the ‘rescue of the euro’ project was characterized by intense social and inter-governmental struggles (Heinrich 2015).

3 Management of the Financial and Euro Crisis

After the initiation of the FSAP and the ensuing Lisbon Strategy, the process of financial market integration plunged into a severe crisis with the outbreak of the global financial crisis in 2007 ff. The origin of this crisis dates back to the US-based subprime crisis, i.e. the bursting of a tremendous housing bubble. At first glance, it did not look as if the EMU and the euro as a whole were severely threatened by the financial crisis, although it also had an impact on the European economy (Lapavitsas 2013; Overbeek 2012; Altvater 2010; Dodig et al. 2016; Deutschmann 2015). Obviously, the member states of the EU were affected differently. This is mostly attributable to the extent and patterns of capital market orientation and financialization as well as to the connection to US financial markets (the financial channel), especially via their exposure to US subprime products and their respective derivatives. Some member states with a stronger export-sector orientation were affected by a lesser extent by the financial channel of contagion than by the trade channel and the respective global slump of goods and services (Dodig et al. 2016, p. 3; Bieling 2014, p. 352, 2013a, p. 93). The severity of the crisis of EMU came about when the Eurozone entered into a lasting economic downturn and when the political as well as public focus shifted towards the so-called sovereign debt and euro crisis in the years after 2009/2010 (Schelkle 2012; Heinrich 2012, 2015). This crisis triggered a series of reform measures that primarily aimed, so our argument, to stabilize financialization and its structures of finance-dominated forms of accumulation in the Eurozone. They safeguarded processes of financialization, which we perceive as expressions of the persistence of a European financial market capitalism. In other words, the rescue of EMU and

European financial market capitalism served as the basis for further political initiatives of financialization such as the Capital Markets Union.

3.1 Reform Measures to Rescue the EMU

After the outbreak of the financial crisis, national governments, the European Commission and the European Central Bank were mainly concerned with preventing the collapse of European banks and mitigating the economic recession. As a result, in almost all EU countries specific rescue funds have been set up to recapitalize banks. In addition, most governments launched economic stimulus programmes to stabilize national economic activity, while the ECB opened the gates for extraordinary monetary policy measures. Both, economic stimulus programmes and banking recapitalization for banks, were the key factors for European member states' debt-levels soaring to new heights. In view of these developments, the European crisis management soon shifted its focus towards the so-called 'exit strategy', meaning financial consolidation by budgetary discipline (fiscal austerity), in combination with competitiveness-oriented structural reforms (Heinrich 2012; Mathieu and Sterdyniak 2012).

The core reasons behind the subsequently asserted austerity agenda are the ideas "that market dynamics flanked by strict political rules are most suitable to discipline misguided governments" (Bieling 2013c, p. 292), that discipline is required to restore markets' and creditors' confidence in the sustainability of public debt and, above all, the persistence of the whole Eurozone and its financial market capitalism. As a consequence, the European Commission and Eurozone member states' heads of governments initiated a 'crisis constitutionalist' reform agenda characterized by disciplinary, technocratic and mostly supply-side oriented, neo-liberal content (Bieling 2013b). It was realized by a range of initiatives aiming to establish a framework and institutionalization of budgetary control, tighter fiscal rules and structural reforms in the areas of labour and product markets as well as other competition-related policy fields. First, by the establishment of a European Semester in 2010, the Commission and the European Council are required to review national budgetary proposals and reform activities, and to exert pressure on member states by giving statements or recommendations. Because of the so-called 'six-pack', the pre-existing Stability and Growth Pact was tightened by further ordinances and policy requirements were defined more rigorously. Furthermore, EMU member states are monitored by a new macroeconomic surveillance mechanism. The Commission is charged with the task of assessing the competitiveness of the member states and initiating a deficit procedure against

individual members if the stability of the Eurozone is endangered. In 2013, the six-pack was upgraded by the introduction of the ‘two pack’, granting the Commission more competencies in budgetary control and monitoring national compliance with deficit criteria. Along with the ‘six-pack’, Eurozone member states plus six members of the EU agreed on the Euro-Plus Pact, which is basically an attempt to institutionalize voluntary benchmarking-processes regarding measures to improve competitiveness, employment conditions, public budgets, and social security systems. In January 2013 the ‘Fiscal Compact’ entered into force. Apart from the Czech Republic and Great Britain, all EU members signed this contract. The most important change of the existing EU law is the obligation to implement national debt limits with constitutional or comparable status. Such a debt limit is set by the compact and only allows the contract parties a structural deficit below 0.5% of GDP and, thus, puts further pressure on member states to reduce public deficits.

Whereas those reform measures are predominantly disciplinary in their nature, there are also some elements of joint liability in the European crisis management. By establishing the European Stability Mechanism (ESM), a more institutionalized and permanent rescue fund was implemented on a European level. The ESM may grant financial assistance in the form of loans for highly-indebted governments or via directly recapitalizing crisis-prone banks that suffer liquidity shortages. Despite its distributive elements, the ESM-funding is based on disciplinary conditionality. In order to receive credits, the crisis states are required to implement supply-side oriented structural reforms accompanied with strict budgetary spending cuts, negotiated and supervised by the so-called former ‘troika’, comprised of the European Commission, the International Monetary Fund (IMF) and the ECB.

European business leaders, especially transnationally oriented factions of financial and non-financial capital, have strongly supported the measures adopted so far. They largely shared the two crucial aspects of the crisis-related reforms—the stability of financial markets in order to restore international investors’ trust in the monetary union, as well as competitiveness-enhancing reform measures to be adopted in the EMU member states (see EBF 2011, 2014; BusinessEurope 2010; ERT 2013). However, there are also tendencies towards more growth enhancing policies. Such an initiative is the ‘Investment Plan for Europe’, of which one element is the European Fund for Strategic Investments (EFSI, so-called ‘Juncker-Fund’). It aims to mobilize at least €315 billion in private and public investment until 2018 (European Commission 2014a). Recent discussions about a fiscal capacity, a budget for the Eurozone or a rainy-day fund for economic downturns go in this direction, albeit their implementation is far from being realized soon.

3.2 Monetary Politics and the Role of the ECB

In order to provide the required financial stability, the ECB adopted the role of an important rescue agency in European crisis management. As European leaders and heads of governments were hesitant to decide on comprehensive steps to address the deficiencies of the EMU, the ECB stepped into cope with those deficiencies and the political-economic structure of an inherently unstable and crisis-prone financial market capitalism. In fact, the ECB conducted an unconventional monetary policy whose elements suggest a changing mode of operation of central banking and an expansion of its competencies (Bieling and Heinrich 2015).

An element of the changed mode of operation has already been mentioned in the previous chapter. It concerns the ECB's important role within the banking union as a 'credible watchdog' (Gren et al. 2015). The second element points to unconventional measures that are summarized under the term 'enhanced credit support' and which mean the orientation of the ECB towards an active liquidity management. As one of the first ad hoc measures, the ECB decided on a transition from the variable-rate tender to fixed rate tenders with full allotment, by which the commercial banks can receive a demanded amount of central bank money at a fixed interest rate. Within a short time (2008/2009), the ECB incrementally cut the key interest rate from four to one percent and provided the commercial banks with cheap central bank money of nearly one trillion EUR within its Longer-Term Refinancing Operations (LTRO), thereby addressing the issue of a dried-up inter-bank liquidity market. In June 2014 and March 2016, the ECB announced the introduction of Targeted Longer-Term Refinancing Operations (TLTRO) that are additionally intended to improve bank lending to the euro area's non-financial sector. As these operations are based on repurchase agreements (repos)—banks have to put up collateral with the ECB in return for central bank money—the ECB soon broadened the scope of acceptable collaterals and simultaneously reduced their requirements for creditworthiness. Finally, some national central banks used the Emergency Liquidity Assistance (ELA) to temporarily provide illiquid banks with sufficient credit. In essence, the ECB fulfills the function of a lender of last resort (LOLR) for banks by those means (Darvas and Merler 2013, p. 3; Illing and König 2014).

A third, highly contested element of the ECB's extraordinary measures is also of liquidity-enhancing nature and is linked to its interventions in securities markets. Initially, the ECB purchased securities from commercial banks in 2009, mainly covered bonds and asset-backed securities to ease the credit conditions on private bond markets that have deteriorated due to the accumulation of

numerous bad loans in banks' balance sheets. When the risk premiums for ten-year government bonds of several Euro members skyrocketed in the course of the Eurozone crisis, the ECB started the Securities Markets Programme (SMP) to purchase government bonds on secondary markets of around €210bn between May 2010 and September 2012, particularly from Ireland, Portugal, Spain and Greece. However, as the interest spreads of government bonds continued to rise dramatically, Mario Draghi assured the public that the ECB would do 'whatever it takes' (Draghi 2012) to preserve the euro. These words were linked to the Outright Monetary Transactions Programme (OMTP) that replaced the SMP and was intended to selectively purchase government bonds from crisis-ridden states on the secondary market. After that announcement, the interest rates of crisis states went down considerably.

Despite this success, the OMTP was highly controversial from the beginning. Germany criticized that the purchase of crisis states' government bonds violates no-bailout rules (Stark 2015). Nevertheless, the ECB justified these activities—the purchase of government bonds and other securities with a total amount of more than 1,1 trillion €—by referring to its fight against deflation. Besides, the OMTP can only be activated when states are under the scope of the ESM and therefore commit themselves to certain economic reform procedures. Obviously, this concept of “monetary policy with conditionality” (Darvas and Merler 2013, p. 3) implies a fourth extension of competencies. As a member of the former Troika—now the Quadriga, including the ESM—the ECB participates in the negotiations on memoranda of understanding and is, thus, also active in pushing and monitoring the comprehensive deregulation, flexibilization and privatization agenda in crisis states.

The listed elements reveal that transnational financial market capitalism creates new conditions for central banking in the sense that it has to take into account asset and security prices as well as broader developments on increasingly volatile financial markets. The financialization of debt structures has ensured that new financial innovations and products were introduced on the money and bond markets. They have become important sources of profit for system-relevant financial actors. In addition, they are used by large investment and shadow banks to expand their creditworthiness. Obviously, the shadow banking sector—meaning an alternative form of credit intermediation that takes place outside the regular banking systems—and its financial instruments (e.g. money market funds, repurchase agreements, etc.) have become more important and are addressed by the ECB in order to guarantee financial stability (Gabor 2016; Thiemann 2017; Braun et al. 2017; Hübner 2016). With regard to the ECB's interventions, it should also be noted that its actions are consistent with the strengths and political priorities

of crisis-prone European financial market capitalism. It not only benefits large banks, but also relieves investment banks and investors using such refinancing operations to clean up their balance sheets. On the other hand, the classic banking business and longer-term investment strategies of institutional insurance companies, which suffer particularly from low interest rates, rising refinancing costs and regulatory requirements, are negatively impacted. Thus, the ECB mainly privileges investors and debtors who are not dependent on ordinary credit provision by banks, but instead can make use of a diversity of funding sources (Bieling and Heinrich 2015).

3.3 Financial Market (Re-)regulation and the European Capital Markets Union

After the outbreak of the financial crisis, there was a general agreement among politicians and within the public in favour of a comprehensive re-regulatory agenda. Finance should be brought back under political control to make markets and their actors more resilient to financial crises (Posner 2010). Against this background, the EU started more than 40 initiatives to stabilize markets from 2008 onwards (European Commission 2014b). Regulatory reform initiatives concerned various areas, such as financial supervision and the creation of new authorities, but also the regulation of specific actors and market practices. Regarding supervisory authorities, the European Union's first reaction to the financial crisis was to establish an expert group which listed 31 recommendations for political action (The de Larosi re Group 2009). Based on that report, a new European system of financial supervision was set up. It was composed of various new authorities: the European Securities and Markets Authority, the European Banking Authority and the European Insurance and Occupational Pensions Authority. All these authorities were endowed with more competencies and became responsible for rule harmonization and developing common standards. Despite considerable powers to rule, enforce, control, and supervise Member States, it remains disputed whether they are toothless tigers or not (Lo Schiavo 2013, p. 301; Busuioc 2013). On the macro-prudential level, the European Systemic Risk Board was established to monitor macroeconomic developments and to avert or mitigate systemic risks for financial stability in the European Union.

In December 2012, the ECOFIN-Council decided on the most important and far-reaching step in the supervisory architecture of the EU, that is, the introduction of the European Banking Union (EBU). One of its elements was the common banking resolution and supervisory framework. The problem of the non-existence

of such a framework had become acute earlier, when the liquidity crisis among banks intensified. The main concerns were to avoid a “sovereign debt-bank doom loop” (Gren et al. 2015, p. 181) and to counteract the fragmentation and disintegration of European financial markets (Howarth and Quaglia 2013, p. 120; 2016). The implementation of the EBU is certainly the most far-reaching institutional change in the crisis management, at least with regard to the regulation and supervision of the largest banks in Europe. It is designed to break the link and risks of contagion from bank crises, sovereign debt crises and taxpayer liability. When we look at recent debates concerning the Eurozone’s future, both sides—the ones that prefer more market discipline and a rule-binding behavior of states, as well as their counterparts, i.e. the ones that demand progressive reform steps towards more integration in the form of establishing new institutions—have high hopes for the functioning of the banking union (iAGS 2018, pp. 96–98). To reach these goals, the EBU has been set on three pillars. Two of them have already been implemented—the Single Supervisory Mechanism and the Single Resolution Mechanism—while the common European deposit insurance scheme is still in a preparatory status.

The implementation of EBU reflects the dominant role of (European) banks and the banking system for European financial capitalism in general. However, within the crisis management, also many other actors were under the scope of regulatory initiatives. These initiatives addressed the problematic role of certain actors relevant for the systematic functioning of financial markets, e.g. alternative investment funds (i.e. real estate funds, private equity funds, hedge funds), money market funds or central counter parties. These actors serve either as funding sources for banks and processes of securitization or as stabilizers of market activities by preventing the system from collapsing when one buyer or seller goes bankrupt. Other important market players are rating agencies. During the financial crisis, they have in particular shown that they are inclined to erroneous ratings and to underestimating credit risks. For this reason, rating agencies will also be subjected to control or registration in the future—quite a welcome step against the backdrop that the rating agencies were previously unregulated. Actually, however, the main purpose of such regulations was to restore market confidence and investor protection (European Commission 2018). Many observers criticized that they do not call into question the persistence of privately organized ratings (instead of a common European public rating agency), the persistence of the possibility of erroneous ratings or the dangerous concentration in the rating agencies market, where three big players dominate (Dullien et al. 2012; Fisahn 2011; Haan and Amtenbrink 2011). In terms of market activities and products, such

as derivatives that are traded outside regular market places (so-called over-the-counter derivatives), regulations have been implemented and should be at least subject to reporting obligations or implemented in order to move over-the-counter trades into regular supervised market places (Bieling 2013c, p. 294). The most comprehensive legislative acts so far include the revision of the Markets in Financial Instruments-Directive and the accompanying Markets in Financial Instruments Regulation that regulate the provision of investment services in a variety of financial instruments at regulated trading venues and in over-the-counter trading (Gomber and Nassauer 2014).

Despite a considerable number of initiatives, more critical observers indicate that current measures are still too insufficient and incomplete to close or cool the casino (Troost 2011; Nijdam 2015; Finance Watch 2017). Obviously, there was manifold, from case to case often specific, resistance to financial re-regulation. In the case of the Banking Union, especially Germany and the other stability-oriented countries from Northern Europe were arguing against the danger of moral hazard that could emerge out of common resolution funds or deposit schemes, and against an increased administrative burden on German savings in the banking sector (Howarth and Quaglia 2014, 2015). In other sectors, the governments and interest groups of highly financialized economies, such as Great Britain, have made the best efforts to mitigate and block substantial re-regulation of capital markets (Engelen 2011; Young 2013). More generally, after intense lobbying on the part of the European financial industry, several legislative proposals were watered down or delayed. To give a few examples (Bieling 2014, p. 357): concerning the regulation of the shadow banking system, Alternative Investment Funds Managers have to comply with the requirements of a European passport, such as an adequate risk and liquidity management, customer protection and supervision through ESMA. In the end, however, their underlying business models have not been called into question. They were only modified to a certain extent. With respect to over-the-counter trade in derivatives, originally intended to be diverted to official trading platforms, the European Market Infrastructure Regulation was diluted in the implementation process. Instead, the regulation only requires that future derivative contracts must be registered and—in order to obviate payment default—cleared by regulated central counterparties.

With the introduction of the Capital Markets Union (CMU), the EU is taking the next step in financial integration. The initiatives just listed were all discussed as part of a re-regulatory agenda. The CMU can now be interpreted as a return of offensive financialization instead of stabilising ‘boring finance’, i.e. traditional banking activities (Finance Watch 2014; Gabrisch 2016, pp. 8–9). Aiming at a comprehensive integration of fragmented capital markets in Europe, the CMU

addresses several key areas, such as improving access to finance in line with an expansion and diversification for funding sources for Small and Medium Enterprises (SMEs), the development of European markets for corporate private placement, the Consumer Financial Services Action Plan, as well as the creation of a pan-European Personal Pension Product. However, one of the most important and contested parts of the CMU is the suggested revival of securitization in Europe. As derivatives and processes of securitization were one of the most important reasons for the outbreak of the financial crisis, the European Asset Backed Securities (ABS) markets were soon dried up and have never really recovered. Under the guise of facilitating funding for SMEs, the Commission brought ABS as ‘Simple, Transparent, Standardised’ (STS) securitization back into the game (European Council 2016). Similar to the constellation before the crisis, when securitization was predominantly used to finance mortgage loans, the actual purpose of the comeback of securitization seems to be an increase of the accessibility of new (old) funding markets for European banks. The latter highly welcome the Commission’s framing of the STS as being useful for funding small and medium companies, thereby giving the topic a more public urgency and legitimacy (Engelen 2016). Moreover, the STS securitization and the potential facilitation of SME funding is perceived by the Commission and the ECB to serve two public goals—macroeconomic stability and risk sharing—within a monetary union that is structurally closed for other possible public fiscal transfer mechanisms or demand-side oriented policies (Braun and Hübner 2017).

In addition to this, other elements of CMU clearly relate to further processes of financialization: e.g. the pan-European personal pension product, implying a privatization of pension funding, or the Customer Financial Services Action Plan, aspiring a facilitation of citizens’ participation in capital markets. From its initial stage onwards, powerful actors from the financial industry praised and highly welcomed the CMU (Quaglia et al. 2016). They regard capital markets as “powerful solutions to help banks manage their balance sheets more efficiently” and argue that “more investment into capital markets can help meet the challenges by population ageing and low interest rates” in order to tackle European public-equity and debt markets that “lag behind other developed economies” (European Commission 2017a, p. 4, 2017b). In particular, the Association for Financial Markets in Europe alongside the Alternative Investment Association and the European Financial Services Roundtable are among the most influential and prominent advocates of the CMU on the European level (AFME 2017; Mijls 2015; EFR 2017). Several EU-headquartered bulge bracket banks such as BNP Paribas, Société Générale or Unicredit “were strongly positive on the project and were particularly supportive of the relaunch of securitization” (Quaglia et al. 2016,

p. 194). Although the European Banking Federation (EBF [2015](#)) generally supports the CMU project as well, it does so with some reservation, given the potential disadvantages due to the strengthening of other funding mechanisms than bank loans and the postulated level playing field for all financial market actors. Thus, it is possible to identify winners and losers of the CMU project. Market actors such as alternative investment funds and transnationally operating universal banks engaged in investment banking regard themselves as the core winners and ‘pacemakers’, whereas the main losers and ‘foot-draggers’ would be “less competitive, domestically-oriented parts of the financial sector and the less competitive market infrastructures [...] in several EU Member States” (Quaglia et al. [2016](#), p. 198). Obviously, the support of member states for CMU reflects the national importance of financial markets and the related forms of financialization.

4 Financialization Before, During and After the Crisis

The outline of the different dimensions of European crisis management should have made clear that its prime objectives have been the stabilization of the European financial system and the rescue of the euro. Both aspects, the financial system and the euro, are however intrinsically linked to the transnational capitalist formation, namely European financial market capitalism. This implies at least two processes: firstly, the definition of most elements of European crisis management is mainly organized by transnational power networks or a transnational hegemonic bloc, composed of financial and non-financial TNCs, market-liberal bureaucrats and politicians. Secondly, these networks of actors are not only concerned about the stability of the financial system and the sustainability of the euro, but also about the continuity of financialization, i.e. the on-going finance-led—more precisely, capital-market-led—reorganization of banking, production, public infrastructure, and many other aspects of everyday life (Wöhl [2017](#)). To keep financialization going, the European crisis management was not enough. It could only safeguard certain preconditions or necessary supply-side measures of financialization, enabling the abundant or sufficient availability of finance, whose usage required furthermore the opening up of new fields for financial investment, i.e. complementary demand-side measures in other areas of socio-economic reproduction.

Conceptualized this way, since the 1980s, the processes of financialization in the EU have been enabled by a stepwise liberalization of financial markets based on unilateral but also many common initiatives—European regulations and directives on banking, insurance, and capital markets—in the context of the Single

Market, EMU and the FSAP. Besides, financialization processes were strongly stimulated by the (partial) privatization of public enterprises and social security systems (Privatisation Barometer 2016, p. 8). In most countries, above all in Southern Europe, public enterprises in manufacturing were privatized first in the 1980s, before in the course of the 1990s, the focus was increasingly on large parts of the network-based public infrastructure such as telecommunication, postal services, transport, gas and electricity, water supply, public utilities etc. (Bieling et al. 2008). Sector specific liberalization directives facilitated these processes. In line with European competition law, they were not enforcing, but suggesting the formal and material privatization of incumbent companies, e.g. in the form of Initial Public Offerings (IPOs), to raise further capital on securities markets.

The privatization of public enterprises was complemented by the (partial) privatization of social security systems, above all pensions and, to a lesser extent, health care (Naczyk and Palier 2014). Although the EU only indirectly stimulated these processes, e.g. in the context of the Lisbon Strategy and the Open Method of Coordination (OMC), the move towards capital market-based pension systems as a second or third pillar (occupational or individual private schemes) of old-age provision was pervasive. It was most pronounced—but differently organized—in the UK, the Netherlands, Sweden or in Central and Eastern Europe (CEE), but also increasingly impacted the more conservative welfare regimes in continental Europe. Furthermore, financialization was also stimulated by the development of housing and mortgage markets. The inflation of these markets—corresponding with a credit-based indebtedness of private households (Roberts 2013)—contributed to an increase of financial assets as well. Such processes were particularly pronounced in the UK, Spain or the Baltic countries. Yet, also in many other countries, the major big cities were marked by rising rents and housing prices, and an increasing willingness of households to go into debt.

Of course, there are many other examples of processes—not to forget the strong pro-cyclical development of financial markets and the herd instinct of financial players—contributing to the financialization of the European economy as well. However, even without a complete list of activities, it should have become clear that there are many different modes and patterns of financialization depending on the areas penetrated by different kinds of financial flows. In this sense, even before the outbreak of the financial crisis, European financial market capitalism was characterized by the dynamics of variegated financialization, whose individual features are difficult to cluster around specific ideal-types (Brown et al. 2017). Of course, some national capitalist formations, e.g. the debt-led private demand boom regimes compared to the export-led mercantilist regimes (Dodig et al. 2015) are more prone to particular forms of financialization.

However, apart from such general predispositions, we can rather observe a certain variation of financialization in both space and time.

In this regard, the financial crisis represented a kind of critical juncture in the further course of financialization. Given the profoundness of the crisis and the manifold criticism of financial deregulation, initially it seemed that the EU was heading towards a period of de-financialization (Bieling 2013b). Then, however, in the wake of crisis management, it turned out that most measures were not substantially questioning but rather stabilising, sometimes even accelerating the dynamics of financialization. The European Stability Mechanism (ESM), the European Banking Union (EBU) and the transformation of the ECB certainly had a stabilising character as these initiatives—next to the economic stimulus and bank rescue programmes immediately after the outbreak of the crisis—led to a partial substitution of risky financial assets through public bonds. A similar effect can be attributed to the modest (re-)regulation of financial markets, as most regulations and directives were not directed against sectoral financial business models (e.g. the activities within the realm of so-called shadow banking), but only aimed to soften the more risky elements. More ambiguous and difficult to assess in this context were the legal provisions for more fiscal discipline and the European austerity agenda. On the one hand, the politics of austerity had a rather depressive effect on the business cycle and on the development of financial assets. On the other hand, however, the imperative to reduce public deficits simultaneously urged governments to continue with the politics of privatization. In this sense, the further promotion of competitiveness-oriented structural reforms and the further deregulation of financial markets via the CMU accelerate financialization.

Against the background of these causal relations, it is no surprise that the dynamics of financialization within the European Union—taking the growth rates of the financial sector's added value as a general proxy (Brown et al. 2017)—had been very pronounced since the mid-1990s until the outbreak of the financial crisis. Even after the crisis—after a very short crisis-induced phase of de-financialization—financialization in most countries continued, however, in a decelerated and, in some cases, more imposed manner. Not only as part of the conditionality of ESM credits and the Memoranda of Understanding (MOUs) negotiated with the troika of the European Commission, ECB and IMF, the imposition of the further privatization of public infrastructure and pension schemes provoked social and political resistance. In addition, in the context of the 'normal' co-ordination of financial policies in the context of the European semester, most political parties have become more hesitant to continue with the euphoric pre-crisis deregulation and privatization agenda. Nevertheless, against the background of the former nationalization of banks after the outbreak of the crisis and public deficits, privati-

zation activities in Great Britain, Netherlands, Italy or Greece continued to play a significant role within the EU (Privatisation Barometer 2016, p. 10).

It is still difficult to foresee whether a partial slowing-down of privatization activities is only a temporary phenomenon or an indicator that financialization within the EU is moving in different directions. Given the obvious—economic and political—limits to the privatization of public infrastructure and social security, there are some indicators that financialization becomes increasingly related to the housing market and the privatization processes outside the EU, e.g. in China, India or other countries of the global south (Privatisation Barometer 2016, pp. 3–6). The latter development presupposes a stronger external orientation and risk-taking propensity of savers and financial investors, whose activities are partially safeguarded by new forms of regulation and state intervention. Eventually, however, it is unlikely that the political instruments can guarantee smooth and continued financialization. On the contrary, next to EU-internal social resistance to certain forms of financialization, the stronger external orientation even further enhances the crisis vulnerability of European financial market capitalism.

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The Financialization of the Housing Market in Austria and Ireland

Elisabeth Springler and Stefanie Wöhl

1 Introduction

Fostering financialization on the housing markets has tremendous effects on households as increasing house prices decrease affordability. Financialization in this context is defined as a monetarization of housing, leading to a shift from the rental sector towards ownership and a rise in derived demand for housing. While the primary demand for housing is established by the necessity to fulfill the basic need for shelter, the derived demand for housing is driven by speculative motivation and does not use real estate production to satisfy housing needs. Vacancies might arise while house prices increase.

This chapter argues that in the aftermath of the financial crisis of 2008, European policies that aimed to boost investment and economic prosperity led to direct and indirect processes of financialization in economies that showed a high degree of house price stability in the past decade such as Austria.

Since 2015, European housing markets on average show an increase after a phase of low fluctuations in the aftermath of the financial crisis. Despite this rigid development, the spread of house prices as well as housing affordability within European member states is increasing on average. Particularly southern European economies suffering a house price bubble prior to the financial crisis, e.g. Spain, but Italy as well, experienced a severe downturn in 2013/2014 (see Fig. 1). Compared to these economies, countries such as Germany, but also the UK and Austria,

E. Springler (✉) · S. Wöhl

University of Applied Sciences BFI Vienna, Vienna, Austria

E-Mail: elisabeth.springler@fh-vie.ac.at

S. Wöhl

E-Mail: stefanie.woehl@fh-vie.ac.at

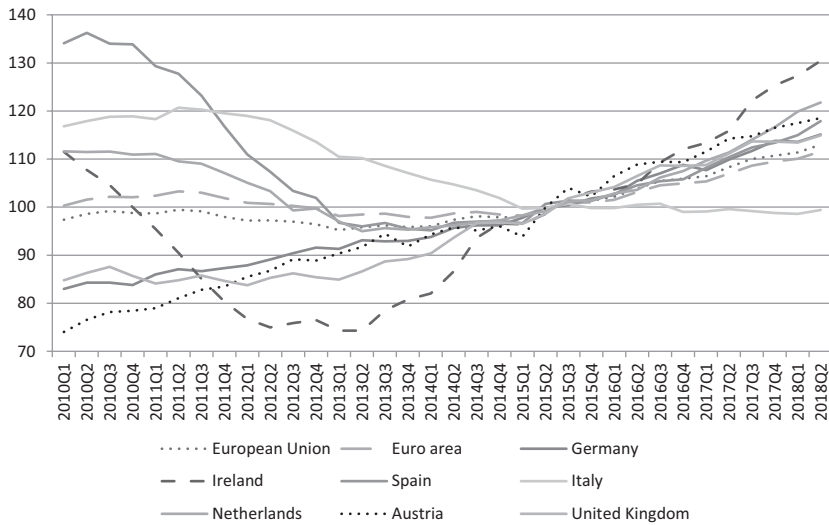


Fig. 1 House price development in selected economies 2010–2018. (Source Eurostat n.Y. online (100 = 2015))

showed house price developments below EU- and Eurozone average until 2015. The development in southern European economies is discussed in numerous papers and can partly be traced back to the overall economic slump of these countries. The situation of Ireland—which showed a severe downturn until mid-2013, followed by an increase above EU-average ever since—and the development in Austria—with particularly stable house prices until 2013 and a similar increase in the last years—cannot be explained by overall economic developments. While house prices are increasing in these economies, affordability is decreasing, following the overall negative correlation between house price developments and affordability. According to an EU survey, only approximately 18% of the interviewed households agree that house prices are affordable in Vienna, which showed a house price increase of 40% between 2010 and 2016. In the case of Dublin, below 15% of households agreed on the question of affordability (EMF 2017, p. 12 Chart 10).

Based on these developments, the chapter first discusses the main factors determining the financialization of the housing sector by modifying the concept of varieties of residential capitalism for the housing market in Sect. 2. Regarding these factors, the degree of financialization and its impact on house price developments in Ireland and Austria is compared in Sect. 3 and 4. We conclude with some general remarks on this revised approach's applicability in future research.

2 **The Analytical Frame: Varieties of Residential Capitalism Revised**

Following Schwartz’s and Seabrooke’s (2008) application of the varieties of capitalism approach by Hall and Soskice (2004) to the residential housing sector, the critical role of housing in the international political economy becomes evident. Crucial factors for the classification of residential capitalism are homeownership rates and the rigidity of the financial sector, measured as low or high mortgage rate to GDP. However, the classification developed by Schwartz and Seabrooke (2008) does not seem to implement the varieties of institutional structures into the model of residential capitalism comprehensively, as the *role of the state and its form of housing provision and/or subsidy schemes is not integrated into their analysis*. Furthermore, the *financial structure* is solely measured as mortgage to GDP ratio, while the overall frame of the national financial system is neglected (see Table 1). Following this critique, numerous papers focus on the more distinctive analysis of the rigidity of the national financial sector (see, amongst others, Fernandez and Aalbers 2016). In contrast to these approaches, this chapter aims to add the *institutional setting of housing provision by the state* and the structure of *national financial systems* into the typology of residential capitalism in order to explain the housing sector as a driving force of increasing financialization in Austria and the Republic of Ireland.

The institutional structure of housing provision is determined by the public sector’s commitment to housing and promoted by the financial sector. Taking a closer look at the modes of housing provision allows for the distinction of a continuum between

Table 1 Typology of residential capitalism. (Source Schwartz and Seabrooke 2008, p. 245)

(#s in each box are unweighted average % levels for the group of indicators)		Owner-occupation Rate (average of 1992 and 2002)	
		Low	High
Mortgages as a % of GDP (average of 1992 and 2002)	High	Corporatist Market Mortgage GDP %: 58.3 Owner-occupation %: 47.0 Social rental %: 20.7	Liberal Market Mortgage GDP %: 48.5 Owner-occupation %: 70.1 Social rental %: 9.4
	Low	Statist-developmental Mortgage GDP %: 28.2 Owner-occupation %: 58.3 Social rental %: 16.8	Familial Mortgage GDP %: 21.6 Owner-occupation %: 75.5 Social rental %: 5.5

a loose organizational setting based on market financing procedures and a highly sophisticated organizational structure of housing provision, e.g. by establishing a so-called third sector, driven by housing provision by non-profit housing companies. The stronger the organizational structure implemented into housing provision, the higher is the public sector’s commitment and control over funding (see Table 2).

Based on the typology of public sector commitment presented in Table 2 and the national structures of housing markets as introduced in the residential capitalism classification, the potentials to establish and/or foster financialization of national housing markets can lead to a new classification as described in Table 3 below. *Corporatist structures* in the housing market imply a low level of financialization and low house price developments. Due to strong public sector commitment and traditional bank-based financial structures, the level of financialization remains low. According to the literature on national financial systems, bank-based economies not only cover traditional banking finance but also consist of a tight relationship between creditor and debtor and leave no rationale for speculation in financial sectors (Springler 2006, 2007). Transferring this approach to the housing market’s bank-based national financial systems refers to a rigid mortgage

Table 2 Typology of public sector commitment for housing provision. (Source Amann and Springler 2010)

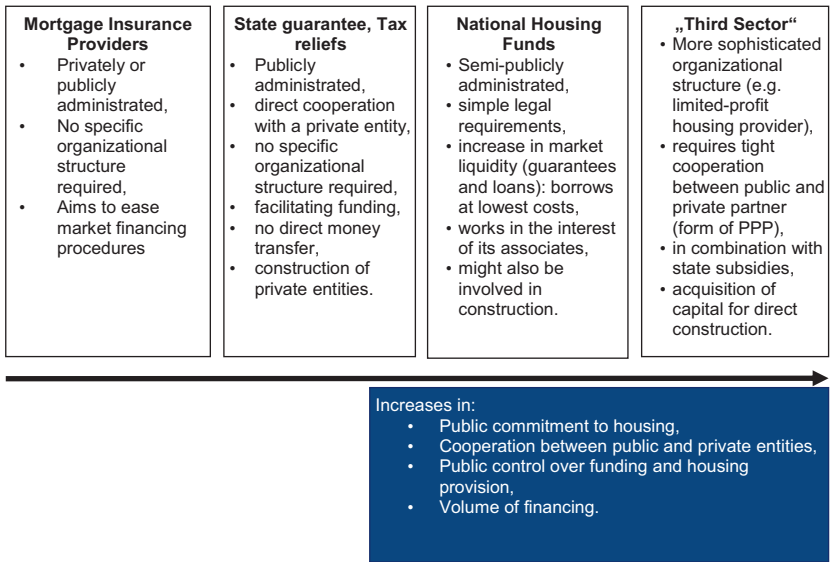


Table 3 Modes of residential capitalism and financialization. (*Source* own compilation)

		Level of financialization	
		Low	High
House price development	Low	Corporatist Structure <ul style="list-style-type: none"> • Strong public commitment • Bank-based economies 	Disintegrated Structure <ul style="list-style-type: none"> • High ownership rates, stagnating economy • Market-based economies
	High	Emerging Structure <ul style="list-style-type: none"> • Low public commitment • Bank-based economies • Transition economies with sufficient market rental sector 	Liberal Structure <ul style="list-style-type: none"> • Low public commitment • High degree of free market rent and higher share of ownership • Market-based economy

market. Contrary to the corporatist structure, housing markets characterized by a *disintegrated structure* in terms of financial setting and public sector commitment show a high degree of financialization in combination with lower house prices. Although the housing market can be financed with less rigid mortgage structures and relies on features of the financial systems that apply financial instruments of the secondary market, the market is small and less dynamic due to the fact of a high degree of homeownership. Homeownership rates are driven by the self-use of homeowners and not by speculative reasons. The economic structure of the housing market is not determined by a strong demand and the economy is, overall, stagnating in this case.

However, we see a higher level of financialization in combination with a high price development in so-called *liberal housing market* structures. In this case, homeownership, if it exists, is driven by speculation, and the low commitment of the public sector only provides a minor social framework for the social rental and ownership sector. As the financial sector is less rigidly regulated and offers potential for speculative refinancing, prices increase even if there is low pressure of demand due to population growth and households' primary demand for housing. As explained above, Table 3 is derived from these developments.

In the following sections, we apply the model of house price development and levels of financialization shown in Table 3 to analyse and compare the Republic of Ireland and Austria in more detail.

3 Development, Degree of Financialization and Structural Setting of the Housing Market in the Republic of Ireland

As outlined in Table 3 above, the Republic of Ireland displays all of the features of a liberal structure of residential capitalism and processes of financialization. The market-based economy, the degree of free market rents (especially in the urban areas of Dublin and Cork), and a higher share of homeownership across the country coincide with lower public investments in the social housing market. These developments were only interrupted by the financial and economic crisis of 2008, when house prices in Ireland fell until a renewed increase in house prices after mid-2013 (as shown in Fig. 1) evolved.

Before this period, the economic boom in Ireland between 1996 and 2007 showed high rates of inflation of 22% per annum on house prices from 1996 to 2002 (Norris and Coates 2014, p. 300). Between 1996 and 2002 “the Irish population rose by 17% and the number of households expanded by 14%” (ibid.). House price growth was almost twice the Euro area average of 6.1%. Mortgage lending had been widely deregulated and real house prices increased by 180% in the period between 1995 and 2006, more than in Spain (105%), the US (69%) and the UK (133%) in the same period (Murphy and Scott 2013, p. 36; Waldron and Redmond 2014). More public-private partnerships in Ireland’s housing sector were also installed before 2008 (Hearne 2011; O’Callaghan et al. 2015). As in southern European countries, credit expansion to low income households grew and mortgage lending expanded fast, while terms and conditions of mortgage contracts changed and were increasingly liberalized. Indebtedness through mortgage lending reached high levels in the years pre- and post-2008, particularly in the urban areas surrounding Dublin. The rapid raise of mortgage debt in Ireland also occurred because buy-to-let property investments rose, and mortgages without required deposits as well as mortgages with longer durations were initiated, leading to liberalized mortgage markets acting as a facilitator for homeowners in need of credit, and leaving homeowners being more financially exploitable. This situation fuelled the rise of the construction market and residential and rural development, eventually resulting in a property boom and bust in Ireland after 2008. The Irish mortgage debt to GDP ratio was at a high level of 80% in 2008, while the EU average was 50% at the time (Murphy and Scott 2013, p. 36). Tax reliefs for housing development in rural areas had been created prior to 2008 in order to repopulate the countryside, leading to an oversupply in a period already marked by a construction boom. Homeownership is clearly favored over renting in Ireland, leading to family homeownership through the market, public-private

partnerships or existing family ties. As Murphy and Scott note, Ireland has a lot in common with southern European countries in this regard, relying on weak state regulation and thus more on the family as a source for welfare provisioning and housing through intergenerational home-ownership (*ibid.*, p. 37). At the same time, the expansion of mortgage credit increased this form of savings for households as well, relying on growing assets.

As O'Callaghan et al. (2015) show, financialization through urbanisation was already prevalent in Ireland from 1993 to 2007, slowly unfolding neoliberal paradigms with consent of a great share of the population. Low-income households also received easier access to credit, leaving households more vulnerable after the property bubble burst after 2008 and "latent problems of uneven development" (*ibid.*, p. 37) after the crisis emerged, especially since investments in the public sector or infrastructure projects had not taken place.

One feature of the Irish housing market in rural areas is the negative equity of their property households had to face after the financial crisis hit Ireland after 2008. A decrease of up to 50% in house prices can be accounted for (Waldron and Edmond 2014, p. 152). While households in rural areas seem to have taken out much less credits with a high deposit rate (on average it was a 10% deposit), they may in effect face less difficulties in terms of financial hardship than their urban housing market counterparts. In urban areas, house prices fell even more after 2008 and thus deteriorated the financial situation of homeowners in the period up to 2013. In their study on rural development and housing in the Irish countryside, Murphy and Scott (2013) found that perceptions of stress for households concerning the repayment of mortgage debt are nevertheless high in rural areas after the housing market crash and the implementation of austerity measures. These distressed borrowers are significant for having lost their jobs, having lesser income or experiencing a general deterioration of their employment conditions (see also McCarthy 2014). The educational status of borrowers in arrear of paying back their credit is also much lower compared to borrowers who are not in this situation, with 48% of the latter having a third level education (*ibid.*, p. 75). Up to 40% of borrowers in precarious employment are also the ones who are more often unable to pay back their credit and/or have experienced a significant loss of income. Moreover, sub-prime loans are four times more likely to be in arrear than loans from traditional banks, with almost 20,000 mortgage loans being in arrear for more than 90 days by the end of 2014.¹ Many people were in arrear with

¹See <http://www.thejournal.ie/sub-prime-loans-ireland-1996667-Mar2015/> last accessed 10.03.2018.

their mortgage payments in the urban areas and in the countryside in this period. Across the country, households were in negative equity and people felt distressed because they were not sure if their mortgage repayment will be successful due to loss of income or employment since 2008 (McCarthy 2014; Murphy and Scott 2013). By 2013, Irish households had the highest EU-wide rate with 14.7% of credit-constrained households according to the Household Finance and Consumption Survey (ECB 2016, p. 136).

While households took up more credit loans and mortgage payments before 2008, the government further aligned with neoliberal policies of financialization by introducing new incentives and reduced taxes for buying property in Ireland. As in the cases of Spain, Greece, and Portugal, wage cuts, austerity measures and cuts to community services were implemented after the 2008 crash. These dynamics are particularly interesting in the Irish case, because developments of financialization and increased credit-based homeownership had taken place during the ‘Celtic Tiger’ years prior to the crisis of 2008.

3.1 House Price Development and Degrees of Financialization

In the period between 1996 and 2006, house prices actually increased by 292% in nominal terms. Ever since the beginning of the 1990s, Irish households held tenure in accommodation by 80.2% while after the financial crisis in 2008, the homeownership rate was still at 70.8% in 2018 (Norris and Byrne 2018, p. 233). An undersupply of housing was one of the reasons for rising house price inflation in the period up to 2006. Modest taxation facilitated property purchases for landlords and the government did not regulate the credit mortgage market. Rent supplements drove up house price inflation because buy-to-let landlords increased their lending as well. This led to a further increase in construction, reaching high levels of almost 100 000 built environments in Ireland in 2006.

These developments went hand in hand with a higher level of employment in the construction market, reaching 12.4% of total employment in Ireland in 2006 before the bust hit this sector in 2008 (Norris and Coates 2014, p. 302). Tax income from housing reached a peak of 8.1 billion EUR in 2006, increasing the reliance on property-related taxes for the government (reaching 15.1% of total tax revenue), while income rate reliefs further engaged households in taking up credits until 2008.

Increased competition on the mortgage market after the year 2000 accelerated the mortgage lending market, and interest-only mortgage products and mortgage

equity withdrawal products on the market soared to high levels alongside of the general decline in lending standards (*ibid.*, p. 304). Norris and Coates also make this development responsible for the later housing market and credit bust period rather than sub-prime lending, which amounted to just 0.5% of mortgage lending in Ireland after 2006 or to 1.5% of the overall market (Waldron and Redmond 2014, p. 151). Buy-to-let investors also drove up interest-only mortgages between 2003 and 2007.

After the 2008 period, real estate lending fell from 72% to 58% of total lending (Norris and Coates 2014, p. 309). The housing boom thus played a major role in the concurrent financial breakdown. The interplay of macro-economic developments, the dependency on the wholesale market with the newly implemented euro currency and the elimination of exchange rate risk, as well as changes and adjustments in public finance and taxation in the housing market were strong push factors for these developments. Banks in Ireland “became over exposed to property related lending via mortgages and construction industry lending” (Norris and Coates 2014, p. 311).

The lack of a residential property tax also made controlling house prices and their inflation impossible for the government. By 2016, 70.8% of houses were still owner-occupied, even though the number of habitable vacant housing had decreased by over 20% since 2011 (Healy and Goldrick-Kelly 2018, p. 35). Healy and Goldrick-Kelly estimate that 5000 to 10,000 units still fall out of habitable housing annually. However, as they remark, no official statistics on land prices are currently available.

3.2 Public Sector Commitment and the Social Housing Sector After 2013

In addition to the falling house prices between 2008 and 2013 alongside the successive economic and financial downturn, the drop in government investments into social housing poses a problem, particularly for low-income households. Apart from the existing rent supplement, the Housing Assistance Payment and subsidies to local authority tenants, the possibility for tenants of social housing to buy the amenities, as established in 1966, is a question of affordability again at present. Average monthly earnings have risen more slowly than house prices since 2012 and average rents “have exceeded 40% of average gross earnings” (Healy and Goldrick-Kelly 2018, p. 42). Power thus shifted to developers (*ibid.*, p. 44) while failed planning by local authorities and the government added to the supply crisis, particularly in the cities of Dublin and Cork. Public-private

partnerships in the social housing market and a further privatization of markets have thus led to an unregulated social housing supply and a lack of affordable private housing. Public subsidies to private landlords still widely exist and are also foreseen within the new Social Housing Strategy 2020 of the Irish government (Healy and Goldrick-Kelly 2018, p. 44). Official government policies still solely rely on rent supplements or on private landlords subsidized to rent to socially vulnerable families. This has led to an increase in homelessness, especially in the greater Dublin area, with children also being affected (Wöhl 2017).

Whereas Approved Housing Bodies (AHBs) as private market bodies of housing associations and cooperative housing providers exist and still play a role in housing provisioning, the shift to private landlords has increased to 18% in 2017 (Healy and Goldrick-Kelly 2018, p. 45), in comparison to 8% held by local authorities.

The pro-cyclicality of housing in Ireland therefore also applies to the social housing sector. The decline in total capital spending in this sector—from 1.3 billion EUR in 2007 to 200 million EUR in 2014—illustrates this (Norris and Byrne 2018). As capital funding by the state has staggered since austerity measures were implemented, social housing became even more vulnerable to market dynamics. For this reason, Healy and Goldrick-Kelly have proposed a European Cost Rental Model for the Republic of Ireland (Healy and Goldrick-Kelly 2018, p. 48). They argue that this could turn private investments in housing back into a socially oriented and needs-based human rights approach, moving away from past developments of dependence on the market-only strategy described above. As average households have spent more of one third of their income on rents—the figure in Ireland is at 40% of gross monthly income for households in 2017—and house prices remain at high levels, the question of affordable housing is still a pressing one. Whereas Ireland spent as much of its annual GDP on housing development in 2014 as Austria, according to Eurostat data (Healy and Goldrick-Kelly 2018, p. 41) it spent much more on social protection payments to households instead of developing the public social housing sector more broadly.

So how can the mismatch in supply and demand be overcome? Healy and Goldrick-Kelly stress that “policy has placed the emphasis on public subsidies to private landlords and plans to leave the lead role to the private sector in building the houses when and where markets dictate (albeit influenced by regulatory and planning restrictions)” (2018, p. 44). Notwithstanding that there have been several government reports and despite the existing “Social Housing Strategy 2020”, no significant policy change has occurred. Instead, the state actually supports private landlords through the rent supplement model in lieu of investing in social

housing. The European Cost Rental Model could change this situation in the long or mid-term by ameliorating financing by different bodies and by including already existing national funding agencies, private investors and pension funds. Healy and Goldrick-Kelly propose that establishing the ‘Housing Company of Ireland’ as a semi-public commercial body could support this new strategy of diverting investments and giving incentives to local authorities, and private investments, at the same time providing a public oversight of available land and its price on the market (for an overview of their Cost-Rental Model see Healy and Goldrick-Kelly 2018, pp. 50 ff.)

According to Norris and Byrne (2018), Ireland’s dualist rental regime—as outlined in the systematic comparison by Kemeny (1995) in his analysis of rental policy strategies—is responsible for the developments described above. As Norris and Byrne write “in dual rental regimes, governments support homeownership via subsidies and favourable legal treatment and the private, for-profit, rental sector is neither regulated nor subsidised by the government but is protected from competition with the small and mainly government provided non-profit, social rental sector” (Norris and Byrne 2018, p. 231).

They go so far as to describe social housing developments as one factor of the accelerating housing market boom, intensifying the bust of 2008 (Norris and Byrne 2018, p. 227) because financialization became a prevalent part in the real estate market in Ireland (see also Rolnik 2013; Hearne 2011; Byrne and Norris 2018). They argue, “[...] that the relationship between social housing models and the housing market has a significant impact in terms of housing market volatility or promoting stability” (Norris and Byrne 2018, p. 229). Demand-side subsidies provided by the Irish government only accelerated the boom and bust cycle because they did not hinder inflation or regulate the property price market. Instead, the dual Irish rental regime led many socially vulnerable groups of people to become homeowners. The private rented sector increased its availability for low-income households through the rent supplements provided by the government and therefore inflated rents as well (Norris and Byrne 2018, p. 237) posing problems up to the present day. An undersupply of affordable rented housing particularly exists in cities such as Dublin, and protest movements and occupations against these developments have emerged (Norris and Hearne 2016).² The financing of social housing in form of capital grants from the central government

²See also <https://www.theguardian.com/cities/2018/nov/29/empty-dublin-housing-crisis-airbnb-homelessness-landlords> last accessed 13.12.2018.

as established in the late 1980s proved to accelerate the “pro-cyclicality of social housing investment patterns and accentuated housing market volatility” (Norris and Byrne 2018, p. 238). After the 2008 period, investments by the government stagnated and the social housing sector did not keep up with demand.

In countries such as Austria, government subsidies not only supported the poor, but a wider range of people, thus making the social housing market compete with the private real estate market and therefore counteract against rising house prices in the past. The changes implemented in this context since the onset of the financial crisis are discussed in more detail in the Austrian case study in the following section.

4 The Austrian Housing Market

Despite of a strong population increase of an average 6.2% between 2007–2017 in Austria (Statistik Austria 2017) and a similarly positive estimate for the next ten years, domestic housing production strongly fluctuates. While the years 2012–2014 were characterized by a decrease of -0.2% to -1.4% in housing investments, a strong increase of 2.4% was observed in 2017 (OeNB 2018). Similarly, dwelling permits fluctuate.

Combining these evidences with the strong upward trend in house prices in Austria, it becomes apparent that these trends can partly be explained with a constantly increasing demand and rigid housing production. This situation becomes even more evident when the volume and structure of state support is taken into account.

4.1 Tenure Structure

In comparison with other European economies, there is only a small percentage of homeowners in Austria. On average, 50% of households are owners. The highest fraction of homeowners can be found in the province of Burgenland with a fraction of more than 70% of housing stock. Conversely, the situation in Vienna shows an even stronger focus on the rental sector, with homeownership below 20% (Statistik Austria 2017, p. 22). In addition to this small fraction of homeowners, the rental sector is characterized by a high amount of flats in cooperative housing, especially in the non-profit housing sector and community housing, which in Vienna sums up to approx. 50% of housing stock (including other housing forms). Only approx. 30% of housing belongs to the free market rental sector.

When comparing this institutional setting with visibly increasing prices in the last years, this depicts an increase of around 4–7% in the overall rents in Vienna on an annual basis (Statistik Austria 2017, p. 22) resulting in a strong upward price pressure on the small fraction of free market rents, while limited-profit and community housing show rent ceilings. Average rents per square meter in non-profit cooperative housing amounted to 7.2 EUR in Vienna compared to average rents of 9.4 EUR in the free rental sector (Amann 2018).

4.2 Public Sector Commitment and Housing Finance System

If the public sector commitment for a strongly supported rental sector was still in place, as it has been in the past decades, a strong increase in housing subsidy permits for newly produced housing (per thousand flats) would have been set up. Comparing the data of the last decades, it becomes evident that housing subsidy permits are constantly decreasing (Amann 2018, p. 16). A similar picture emerges concerning the amount of subsidies for housing in contrast to the amount of permitted production. Changes in the structure of earmarking state funds diminished the room for manoeuvre in the housing sector. The earmarking of federal housing policy funds was lifted in three steps since the end of the 1990s. Firstly, it authorized the financing of infrastructure through subsidy schemes; secondly, it became legitimate to use the redemption of housing loans for non-housing purposes in the early 2000s. The last step of the abolition of earmarking was finalized in 2008/2009 when funds passed into regional discretion. At the time when earmarking started to be lifted in the late 1990s, municipalities concurrently agreed to give up on new construction and therefore stopped the influx of community housing into the system (Mundt and Springler 2016). While the institutional structure put more pressure on limited-profit-housing providers, ownership was supported by the introduction of foreign currency mortgages. After the introduction of foreign currency loans in Swiss Franc to the provinces of Tirol and Vorarlberg, pursuing the primary aim of reducing foreign currency risk to Austrian households receiving wages in foreign currency in these regions in the 1990s, the system spread over to all Austrian regions, now using Japanese Yen. These trends are rooted in the low interest payments for this currency and were usually set up as bullet loans, in which the principal is repaid at the end of maturity (Abacete and Lindner 2015). Due to the high risks involved with mortgage systems, foreign currency loans were gradually abandoned after their peak in 2008, when they amounted to more than 30% of all outstanding mortgages (Schmidinger 2013 in Mundt and Springler 2016).

All in all, the developments of the 1990s and 2000s led to a weakening of the public and third sector in housing provision, while financing structures were gradually set up to support homeownership. A housing price bubble did not accompany the financial crisis of 2008/2009 as financial deregulation was partly reduced again due to the repelling of foreign currency mortgages. Furthermore, the Austrian housing finance system did not allow for securitization measures (Springler 2008, p. 289; Springler and Wagner 2010, p. 67). Covered bonds as part of the capital market are drivers for the mortgage system, but include no tendency of integrating low-income households, as the risk cannot be sold off by commercial banks. In addition to loans from commercial banks, households strongly relied on saving loans throughout the early 2000s.

Not only the structure of housing finance, but also the structure of state subsidies accounted for the maintenance of a strong rental sector in Austria in the 1990s and 2000s, whereas many other European economies shifted towards stronger ownership. In this respect, the ability of tax deductibility of mortgage payments and interest payments on mortgages are particularly important (Springler and Wagner 2010).

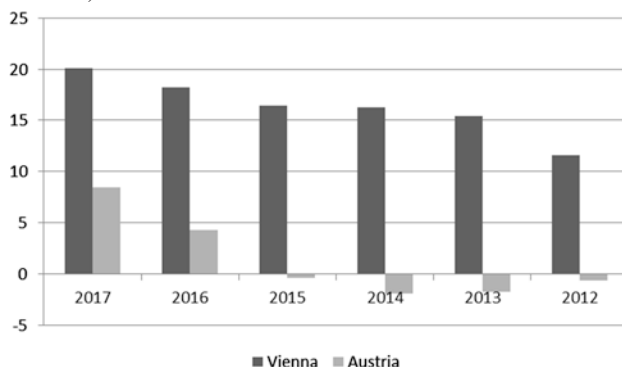
Overall, the structure in Austria can be described as a corporatist mode of housing provision until the onset of the global financial crisis of 2008/2009. The analysis by Schwartz and Seabrooke (2008) provides similar results, classifying Austria as statist-developmental. Depending on the dynamics of the financial sector and the years taken into account, the increase of foreign currency loans until the mid-2000s can also lead to a classification of Austria into the section of corporatist modes according to Schwartz and Seabrooke.

4.3 Degree of Financialization in Austria

Despite the classification of the Austrian housing market into the model of a corporatist structure as presented in Table 3, the last years showed shifts towards a higher degree of financialization. Evidence to this effect can be found in the development of the fundamental price index (OeNB 2018), which is conducted by the Austrian Central Bank and shows an increasing gap between house prices and the development of the underlying market forces of supply and demand for housing which might result in a rise of house prices (see Table 4).

Despite of this increase, the risk of financial fragility remains low, as Austrian households are resilient against financial fragility. Household debt remains at approx. 50% of GDP (OeNB 2018), similar to total housing loans to disposable household income. Both ratios are stable throughout the period of rising house

Table 4 Development of the fundamental house price index in Vienna and Austria in %. (Source OeNB 2018)



prices. Another aspect leading to the conclusion that Austrian households can bear the risks of increasing house prices over the business cycle on average is the fact that the share of flexible interest rate loans decreased between 2012/2013 and 2017, when house prices increased. This ratio holds at approx. 50% of total new loans (OeNB 2018). Increasing homeownership rates in times of low interest rates indicate a rise in financialization. Nevertheless, the degree of financialization remains low as long as homeownership is characterized by self-use and not driven by speculation. While this suggests high stability of the financial sector, tendencies for increasing financial fragility are observable when taking a closer look at credit quality. The data for Austrian households in this respect shows that, despite of the fact that overall debt to GDP remains stable as mentioned above, the debt to income ratio for the median household increased above the factor 4 in 2015 (Nowonty and Ittner 2015). In international comparison, a debt to income ratio of the factor 3 is the benchmark. Two other ratios are added to the debt to income ratio to give a full picture of the credit quality in international comparisons. In both of them, the loan to value ratio and the debt service to income ratio, Austria stays well below the respective benchmark and therefore accounts for high stability. Nevertheless, the data from 2010 to 2015 shows a deterioration (for data see Nowonty and Ittner 2015), particularly in the loan to value ratio in Austria, compared to the level before the financial and economic crisis of 2008/2009.

Another level of financialization is reached when speculation becomes the crucial factor for housing investment and homeownership. Especially in the segment of so-called *Vorsorgewohnungen*, Vienna experienced a strong increase. *Vorsorgewohnungen* means housing or flats bought as precaution against potential

decreases in retirement payments in the future. They can be designed as purely speculative investments and aim to increase the flow of monetary funds in the future without any personal connection to the respective flat or housing unit. Apart from simply financial purposes, some households also use *Vorsorgewohnungen* with a strong self-use interest in the future (see Prantner 2018, p. 5). These two purposes of investment cannot clearly be separated in the data provided for Vienna. With a 19% increase in volume, the segment showed a dynamic performance from 2015 to 2016, which was even exceeded in the changes from 2016 to 2017 with an increase of more than 55% (EHL 2018).

An increase in speculative financialization can also be seen in terms of an increase in real estate funds, which clearly have no intention of using housing for self-purposes. Although these funds are of smaller volume compared to other kinds of funds, they show a high growth in 2017, with an inflow of EUR 289 million from households (Pöchel 2018, p. 37).

Austria becomes more attractive for real estate investments on a speculative basis in a low interest-rate environment in Europe because Austrian treasury bonds face high stability but show very low yields. Private investment companies in real estate in particular introduce this argument e.g. PATRIZIA (2018). Compared to this performance, the Austrian housing market, which also shows high stability and still low return in international comparison, seems to become more attractive as returns are stable.

5 Conclusions

As we have shown in this chapter, the degree of financialization and house price development in Austria and Ireland can only be adequately schematized within the typology of residential capitalism if we take the institutional setting of housing provision by the state as well as social subsidy schemes and the structure of national financial systems into account. The typology of residential capitalism developed by Schwartz and Seabrooke (2008) must thus be revised to include these dimensions in order to fully grasp developments on the housing market and must as well consider the social housing sector as described in the Irish and Austrian case study. Furthermore, financialization is driven by the aim to spread to the market-liberal housing sectors, which delude private households into thinking that their participation on financial markets would create economic freedom and prosperity whereas data shows that asymmetries increase and households are confronted with increasing housing costs. Affordable housing can only be provided when public sector engagement into the housing sector is neither financially nor organizationally undermined by the financial sector's aim to increase profit.

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The EU as an International Player: Promoting Stability and Development?

Johannes Jäger and Thomas Roithner

1 Introduction

To what extent a liberal economic policy framework is beneficial to the EU as a whole, as the economic crisis starting in 2008 has hit some countries of the inner-European periphery particularly hard, was put into question recently. Some authors argue that a liberal policy causes uneven development and processes of under-development within the European Union (Jäger and Springler 2015), which underlines the limits and contradictions within the EU itself. Whether a liberal economic policy should be the blueprint for the EU's global relations is therefore even more doubtful. Internal demand was repressed by so-called anti-crisis policies within the EU itself at the expense of workers and the European periphery. The repression of labour by capital within the EU shows how (financial) capital and neo-mercantilist strategies dominate within the EU (see Bieling and Guntrum in this volume). The policy response during the crisis illustrated that the core countries within the EU seem to have no problem with destroying a peripheral member country's productive capacity by implementing crude austerity policies (Becker et al. 2015). Those policies led to extremely high social costs as exemplified in the case of Greece where the GDP was reduced by more than 25% (European Commission 2018). The internal contradictions which arise in the form of a lack of effective demand if labour is suppressed and austerity is imposed,

J. Jäger (✉)

University of Applied Sciences BFI Vienna, Vienna, Austria

E-Mail: johannes.jaeger@fh-vie.ac.at

T. Roithner

University of Vienna, Vienna, Austria

E-Mail: thomas.roithner@univie.ac.at

are externalised onto the periphery. The crisis in Europe has intensified the outward-orientation of Europe's core as indicated by the sharply rising German and Eurozone trade surpluses (European Commission 2018). Against the background of restrained global (trade) growth (UNCTAD 2017), the accentuated outward-oriented strategies provide the foundations for potentially increasing global conflicts and migration movements. What is striking is the fact that European trade unions in many cases did not oppose, but supported export oriented strategies which may potentially harm other workers in the global periphery (Bieler 2013). Given the aggressive strategies towards the inner-European periphery, similar strategies towards the outer-periphery are not surprising. Economic outward orientation based on the export of commodities and capital represents an important strategy. In line with this, increasing military expenditures in the case of the armaments industry in some EU member countries and attempts to militarise the EU (EuroMemo 2017) can be understood as strategies to further externalise domestic contradictions as analysed below. EU member countries have been starting military dominated foreign deployments, among them highly controversial operations like those in Chad and Congo. Hence, it has to be questioned that Europe exclusively promotes stability and development beyond its borders. This is at odds with dominant discourses by the EU itself and with mainstream accounts in economics and political science. Therefore, in the following, we propose to investigate Europe's global role based on more adequate alternative perspectives. In the first section, we criticise dominant perspectives and present alternative theoretical views. In particular, we suggest a critical international political economy perspective which allows combining theories at different levels of abstraction in order to better understand Europe's global role. Based on such a perspective, in the subsequent section we give a systematic overview of the EU's trajectory as an international player and complement our argument with an analysis of increasing European militarisation and changing global rivalries.

2 Dominant Discourses and Critical Perspectives

The official objective of the EU is a policy of coherence. Instruments of different sectors of policy e.g. finance, trade, development, justice and military should interlock (EU 2013), the efficiency of the EU should officially be improved. According to the Treaty of Lisbon (EU 2007), human dignity, freedom, democracy, equality and rule of law are values of the EU: The Global Strategy of the EU clarifies that "our interests and values go hand in hand" (EU 2016, p. 13) and the same strategy (EU 2016, p. 7) defines that "soft and hard power go hand in hand".

A factor of the credibility of the European Project is how it deals with double standards: Resilient states and societies in Asia and Africa are of interest to the EU (EU 2016, pp. 23 ff.). However, interest in exporting cheap agricultural products can lead to the disruption of local markets and economic problems for small farmers in regions of the global South. Also, export of conventional weapons—even if own standards are respected—can act as a stimulant of violence and violation of human rights. The EU is rich in examples where the interaction of values and interests are neither coherent nor peaceful (Grüder 2016; Altvater and Mahnkopf 2007).

To systematically analyse Europe's global role, it is necessary to clarify at a theoretical level how the core relates to the periphery and what this does to the periphery. Liberal perspectives in international political economy, as well as the dominant perspectives in economics argue that in general, liberal markets are beneficial to all market participants. Market barriers should therefore be eliminated. From a global perspective, a developed market society is considered superior to traditional societies and forms of living. The aim, therefore, is economic development—the “Rest” should become like the “West”—and the best way to achieve this is by liberalising markets via liberal institutional reforms. Such market-oriented institutions are supposed to bring about development (Acemoglu and Robinson 2012). According to this dominant perspective, policy incoherence might be found in the protectionism of the EU which might be in conflict with the free market and therefore the development opportunities for other countries. Different to that, liberal economic policies such as those applied within the framework of (bilateral) trade and investment agreements are considered coherent with the EU policy framework and therefore tend to be evaluated positively against the background of a liberal perspective. However, successful economic development was often not based on liberal markets but on a set of heterodox economic measures (Chang 2003). In addition, the recent success of neo-developmental strategies indicates that liberal market integration which is pushed for in the spirit of the (Post-)Washington Consensus and by the EU's external policy may be the wrong policy choice (Lin 2017; Bresser-Pereira 2017). Therefore, empirical developments and heterodox theoretical perspectives in economics challenge the dominant liberal perspective.

While liberal perspectives in economics and political science tend to share a rather harmonious view regarding the benefits of liberal markets, critical political economy perspectives highlight the economic and power asymmetries between the core and periphery and the resulting negative implications for the latter. According to Cafruny et al. (2016) critical (international) political economy is different from the two mainstream perspectives in international political economy,

i.e. realism and liberalism, for mainly two reasons: Firstly, for ontological and epistemological reasons critical political economy questions the assumption that empirical research can be separated from normative enquiry. Secondly, the normative standpoint of mainstream approaches is considered to be problem solving but not emancipatory because basic socioeconomic and political structures are taken as neutral categories and the policy conclusions that arise remain confined within the context of these structures. On the contrary, a critical political economy perspective does not take social and power relations for granted but calls them into question. Instead of separately analysing the economic and the political realm, critical political economy offers an integrative perspective. While realist approaches in international relations take the State as a starting point for analysis, critical political economy starts with the (capitalist) social relations of production (Jäger et al. 2016).

The tradition of critical political economy dates back to Karl Marx, who in his critique of the political economy understood capitalism as a global and at the same time contradictory system. On the one hand, he pointed to the progressive tendencies within capitalism, arguing that the developed country shows the underdeveloped country the mirror of its future. On the other hand, Marx also highlighted the contradictions of capitalism, which arose in peripheral regions when he wrote about primitive accumulation and colonialism (Marx 2012). Thus, the inherent dynamics of capitalism to develop productive forces thus have to be contrasted with the destructive and contradictory implications of capitalism. The externalisation of capitalist contradictions by the core onto the periphery is thereby a crucial element. Following this tradition, the analysis of imperialism and uneven and combined development provided a more detailed account of the economic and political effects of the core onto the periphery. Recently, those perspectives have experienced a revival and the core-periphery relationship tends to be more frequently addressed when referring to the concept of (neo-) imperialism (Smith 2016; Narayan and Sealey-Huggins 2017; Pradella and Rad 2017; Amin 2017). However, as Petras and Veltmeyer (2013, pp. 210 f.) insist, it is important not to reduce imperialism to its economic dimension but: “[...] social and international relations of power and competition between imperial and domestic classes, between officials and representatives of the imperial state and the state in ‘emerging economies’ and ‘developing societies’ [...]” have to be taken into account. Dependency theories and the world systems approach also deal with the core-periphery relationship (Kay 1989). In particular, dependency approaches are used to analyse developments in the periphery and explain how global capitalism produces and shapes external and internal class relations and how progressive changes to overcome under-development can be implemented.

A central insight into this tradition is that an economic interaction of the periphery with the core based on liberal economic standards defined by the core often does not lead to development in the periphery, but to under-development. This means that economic structures based on a market-driven international division of labour imply that the peripheral country either focusses on the export of primary goods, or on labour-intensive parts of global production with limited possibilities for wage increases and problematic locked-in effects. Such economic forms of under-development tend to reproduce a domestic dominant class (coalition) which extracts rents and benefits from subordination to global capital. Thus, ruling classes in the periphery often show very little interest in promoting economic development. In addition, dependency theorists point to the fact that such a subordinated structure of dependency usually goes along with super-exploitation and a net outflow of capital and resources from the periphery. Such an outflow further limits the growth perspectives of those countries. What we would therefore need is a configuration of social forces and economic institutions, which allow overcoming under-development. More progressive forms within existing capitalist modes of production are considered possible and desirable, although there are important limits for emancipatory developments within capitalism (Prebisch 1976; Cardoso and Faletto 1979; Pimmer and Schmidt 2015). In addition to the dependency approach, insights from (neo-)Gramscian perspectives which deal with governance structures of the global economy can be integrated to provide a more detailed account of global rivalries and core-periphery relations and developments (Cox 1987; van der Pijl 2006).

3 The EU as an International Player

Based on the methodology of critical political economy (Jäger et al. 2016), an integrative analysis of Europe's international impact consists of a combination of the more specific theoretical approaches described above. Such an approach does not focus on the problems of capitalist modes of production per se, but investigates the specifics of different forms of capitalist interaction as well as (under-) development and their historical emergence. In order to analyse Europe's global role, a systematic investigation of the specific European modes of production and their historical development as well as the changing relations with other modes of production is needed. Firstly, Europe's changing position in international relations has to be analysed. Today, in the tradition of critical political economy, Europe is considered a sub-imperial power in the shadow of US hegemony (Ryner and Cafruny 2017) or as a second super-power (Chomsky 2016). It is

therefore subordinated to the USA, but at the same time has a dominant position vis à vis other countries and world regions. This dominant position allows Europe to be a potentially important actor in promoting (in-)stability and (under-) development. Secondly, the changing relation and role of the EU and that of its member states have to be investigated. While the EU has become a supranational institution, nation states and their specific relationships still have to be considered. An analysis of the EU as an international player thus cannot focus either exclusively on the level of the EU or on the level of nation states. The asymmetric intra-European relations have to be taken seriously. Thirdly, the changing effects of the European interaction with different parts of the world need specific attention. Whilst the more specific theoretical perspectives at the lower levels of abstraction outlined above help to understand Europe's sub-ordinated position vis à vis the USA, these approaches are also useful to analyse the EU's interaction with the rest of the world. Below, we will provide a brief account of Europe's historical and current global role, followed by an in-depth analysis of selected cases that focus on militarisation and global rivalries.

3.1 From Colonial to Post-colonial Europe ...

Until the beginning of the 20th century, European states were the globally dominant core of the world economy. Military force and colonialism were the key to Europe's expansion and played an important role in Europe's economic development. The subordinated integration of the rest of the world went along with absolute and, in practically all cases, relative increases in economic backwardness in the periphery (Arrighi 1994). However, Europe's role was justified by pointing to the civilising effects and "The White Man's Burden". Colonies struggled for independence against imperial powers. Those who became independent earlier such as the United States, and, later, Latin American countries, tended to catch up (and even overtake) the European core, whilst the countries that became independent only after the middle of the 20th century usually found the gap between their economic and social development and that of the global core widening (Popov 2017). After the Second World War and the independence of many former colonies, the conflict between the Soviet bloc and the USA-led Western bloc opened up the space for more independent patterns of development in the periphery. On a global level, the Bretton Woods Regime, as well as limits to trade, played an important role in this development (Panitch and Gindin 2012). The European integration of Western Europe was supported by the USA to avoid inter-(sub-)imperial conflicts and ensure economic and political stability of the Western European bloc. Instead

of being imperial super powers, European countries were downgraded to sub-imperial powers during that period (Ryner and Cafruny 2017). USA-driven economic and financial liberalisation from the 1970s onwards, and finally the debt crisis of the 1980s, fundamentally changed the conditions for the global periphery. Although the IMF or the USA have mainly enforced structural adjustment policies, European countries tended to support the free market agenda because European capital was looking for external possibilities of accumulation. The liberalisation process allowed US-American and European capital to facilitate the access to those countries and to integrate some parts of the periphery. In many cases, this led to an outflow of resources, economic crisis and underdevelopment in the periphery. In some cases, it allowed for sub-ordinated forms of (under-) development. The countries that had been able to avoid external debts and retain their economic, political and military autonomy were even able to promote development within this hostile new configuration. An outstanding example is China. Given its independence, China could pursue a coherent set of heterodox development policies, which were the key to rapid and stable industrial development (Overbeek 2016).

3.2 ... to a Neoliberal/Neo-Mercantilist EU

Since the 1980s, the growth models in the EU have changed from rather inward-oriented Fordism to more neo-liberal outward-oriented and financialised forms of capitalism in the present (Bieling et al. 2016). The EU has become an ensemble of European states which in part collectively co-ordinates and organises the relations with the rest of the world. Alongside national policies, collective European strategies have emerged which potentially increase the leverage. The common instruments and domains include European decision-making, EU competences, the EU budget, its external policy, trade and competition policy, development, humanitarian aid, environment, energy, migration, enlargement neighbourhood and securitisation (Orbie 2008). In general, the EU as an entity has become more active at a global level from the 1990s onwards. The deepening of integration together with the implementation of the internal market and the adoption of common external policies are essential for Europe's changing global role (Bieling 2010).

The EU's enlargement process can be seen as an important element of the changing role of the traditional European core. Economically, the enlargement process implied the integration of an inner-European periphery under a neoliberal economic order. The consequences of this process were at best mixed. While in

some cases, a subordinated integration of the peripheral economies into the productive system of the German-led core allowed for economic development, high levels of foreign direct investment and financial capital inflows fuelled bubbles, economic crises and dependent forms of development in other cases (Becker et al. 2015).

A liberal economic policy was not only at the heart of inner-European relations, but also the European Neighbourhood Policy (ENP) and Bilateral Trade and Investment Agreements with numerous countries reflected this strategy of making internal competition policy an international guideline for policies. While Wigger (2008) highlights the neoliberal dimension of the external policy, Grumiller et al. (2016) insist on the neo-mercantilist elements of the strategy. They argue that while traditional mercantilist strategies are associated with protectionist trade policies, free trade is part of EU neo-mercantilist strategies because trade agreements open economies and limit the policy space for peripheral economies. In the case of economically more vulnerable sectors such as agriculture, the neo-mercantilist regime of the EU restricts imports. In recent years, the EU trade policy has undergone important changes. Due to limits in the international arena, the focus of the EU shifted from multilateral towards bilateral agreements (Zeilinger 2016). More recently, European Partnership Agreements (EPA) try to put the relationship with the EU member countries' ex-colonies on new foundations and tend to lock in neoliberalism by reducing their policy space (Weinzierl 2016). In a similar way, the economic policy inscribed into the ENP tends to cause de-industrialization in the periphery (Euromemo 2016, p. 41). Despite of the crisis, which had contributed to the Arab Spring, the EU-Middle East and North Africa (EU-MENA) relationship has undergone very little if any substantial change and ENP is continued. Kourtellis (2016) concludes that neoliberal ideas have prevailed. He argues that ENP continues to leave authoritative regimes and capitalist groups in those countries untouched. Those groups continue to enjoy privileges supported by the EU financial assistance and regional initiatives. Under such conditions, ENP does not support demands of working class people for democracy, development and for a more balanced distribution of wealth in the periphery. On the contrary, authoritarian forms of statehood that are very common in the periphery tend to be perpetuated. The current form of the EU's external interaction represents a significant threat to successful development strategies in the periphery. It tends to hinder economic development and leads to different forms of under-development with respective social and political consequences. It may therefore cause social problems, instability, migration and even armed conflicts.

Moreover, the dominance of the dogma of free cross-border movement of capital is shared by dominant forces within the EU and jointly executed (as a junior partner)

with the USA and global financial institutions such as the IMF. This so-called ‘Dollar-Wall Street regime’ (Gowan 1999) tends to undermine development in peripheral countries as it leads to structural capital outflows and financial instability (Jäger and Küblböck 2011). Notwithstanding shared perspectives regarding a liberal financial architecture, also inter-imperial rivalries should not be neglected. Recently, signs have appeared that the EU also might be less liberal concerning capital inflows. There are first indicators that the EU may rethink its liberal attitude towards state supported foreign direct investment (in practice probably mainly from China) to Europe as Jean-Claude Juncker (2017) explicitly stated in his speech on the State of the Union in September 2017. Europe’s neo-mercantilist outward-oriented strategy in combination with the “America First Policy”, China’s strategies to expand on rather stagnating global markets, and Russia’s attempts to maintain its influence in the neighbourhood tend to increase global economic, political and military rivalries as demonstrated by the wars in Iraq, Syria, the Ukraine and Libya (Chomsky 2016). A more aggressive external strategy of the EU has been observed in particular with regard to Europe’s role in the Ukraine crisis (Cafruny 2015). Such inter-imperial conflicts have been very visible in the case of common European strategies to secure the access to global resources and energy inflows as well as trading routes. Those policies have caused numerous problems in the periphery, ranging from ecological disasters to an outflow of financial resources or military conflicts (Le Billon 2012). While the hegemony of the USA tends to decline, new powers like the BRICS states compete in the global arena for access to global markets, trading routes and resources.

4 The Case of Increasing Militarization and Rising Global Rivalries

Based on the theoretical and empirical overview given above we will focus on the EU’s militarisation efforts and its role in global rivalries. The developments in this field of policy can be understood within the context of the contradictions within European economic developments and the attempts to externalise them. In the following, we focus on developments in the field of security and defence policy, and on increasing strategic global rivalries.

A visible sign of the Security and Defence Policy are the global missions and operations of the EU. Since 2003, the EU has organised 36 foreign deployments of civilians and armed forces, 16 of which are currently in the field (EEAS 2017a) and 20 are already closed. Two thirds have had a civilian character and one third of the deployments have been military missions. The picture of deployments is not complete without considering the strength and the relation of civilian

and military capacities. About 80% of all deployments—ongoing (EUISS 2017, p. 20) and closed (EEAS 2017a)—are of a military nature. Within the civilian part, the police plays a prominent role. The Petersberg Tasks and the enhanced Petersberg Spectrum allow duties from humanitarian aspects to combat missions and anti-terrorism missions. The EU Security Strategy 2003 defines the position that “the first line of defence will often be abroad” (EU 2003, p. 7). In fact, it can be determined that the majority of missions and operations have been undertaken in Africa and on the Balkans. All missions have been mandated by the Security Council of the United Nations.

In 1999 (Helsinki Headline Goal), the EU Council decided to have 60,000 soldiers deployable within 60 days as of 2003 (EU Rapid Reaction Force). In 2003, the first soldiers of the EU military missions (Macedonia, Congo) were deployed. For quick military response, or rather intervention at the head of the Petersberg Tasks, the Council decided on the installation of the EU-Battlegroups in 2004. The Initial Operation Capability of the EU-Battlegroups was launched in 2005. The member states of the Union have not taken a common decision to deploy these troops up to now, but changed the way of financing “battle groups” to raise the chance of the deployment (European Union, Council 2017). In the case of deployment, the EU-Battlegroups are “under, but not exclusively, a UN mandate, and to conduct combat missions in an extremely hostile environment (mountains, desert, jungle, etc.)” (Quille 2006). During this period, the term “defence” was critically discussed by parts of civil society and academics both concentrating on the interventionist character of the EU. The Yearbook of the Stockholm International Peace Research Institute (SIPRI) discussed that missions often “reflect former colonial responsibility” (Bailes and Cottey 2010, p. 166). The most obvious examples are the military missions in Chad and Congo.

The Global Strategy (EU 2016, p. 45) argues, “Member States need all major equipment to respond to external crises and keep Europe safe. This implies having full-spectrum land, air, space and maritime capabilities, including strategic enablers.” This means that investing in “Intelligence, Surveillance and Reconnaissance, including Remotely Piloted Aircraft Systems, satellite communications, and autonomous access to space and permanent earth observation” is necessary. Looking back at the Security Strategy 2003, an appeal was launched for the necessity of “more resources for defence and more effective use of resources” (EU 2003, p. 12). Political statements in the last decade, especially after the implementation of the Economic and Monetary Union, stressed that progress is needed in the field of Defence and Security. One year after the adoption of the Global Strategy, Federica Mogherini—High Representative for Foreign Affairs

and Security Policy and Vice-President of the European Commission—said that “in this field, more has been achieved in the last ten months than in the last ten years.” (Mogherini 2017, p. 5)

In November 2016, the EU-Commission (2016) suggested a “European Defence Action Plan”. The goal is to “foster a competitive and innovative industrial base”. One of the main issues concerning this action plan is the protectionist abrogation of their own rules by the member states of the EU. The idea of a “European Defence Fund” was presented in June 2017, its aim being “to help Member States spend taxpayer money more efficiently” (European Commission 2017a). Until 2020, €90 million per year will fully and directly be funded from the EU budget for research. After 2020, the amount will increase to €500 million per year. The strand “development” should fund €2.5 billion until 2020 and €5 billion per year after 2020. The member states should fund the majority of the expenses for development and the co-financing from EU budget is up to 20% of total costs. From 2020 onwards, the European Defence Fund of the Commission should create a budget of €5.5 billion per year, and its main goal is to foster an innovative and competitive European armaments industry. If the total budget of the EU is not modified, the creation of the European Defence Fund implies that savings in other political sectors are necessary. Additionally the Commission (2017b) declared, “national capital contributions ... will be discounted from the structural fiscal effort”.

Concerning the export of conventional weapons, the United States, Russia and China are global leaders. Six member states of the EU (France, Germany, UK, Spain, Italy, and Netherlands) are within the top ten states selling weapons to the rest of world (SIPRI 2016). The European Defence Agency (EDA) does not provide a constructive contribution for peaceful development and human rights. The unanimous spending in armament and military missions is contradicted by a discordant foreign policy in some fields. No common policy of the 28 member states can be recognized, e.g. in the sector of nuclear weapons, the recognition of Palestine or Kosovo, sanctions against Russia or how to deal with refugees. Common combat troops cannot replace a foreign policy, and as such, military interventions and armament programmes without a common political goal will expand the democratic deficit.

The EU has also been establishing different forms of closer cooperation of member states, of which the common currency and the Schengen Agreement are examples. In the field of security and armament policy, “core Europe” is expressed by different possibilities of cooperation between some member states, e.g. only a small group of member states undertakes research and development

of drones, space-related intelligence and marine. Concerning missions and operations, a mandate is given by all member states and the missions are executed by specific member states. Either a group of EU member states receives an order for a mission or a Permanent Structured Cooperation can be established (Treaty of Lisbon). The conditions for participating are exclusively defined by military criteria (Rehrl and Weisserth 2010, p. 30 f.), civilian criteria are missing in this context. The member states with military ability and political willingness are part of PESCO (Permanent Structures Cooperation) while other EU member states will lose the right to have a say in every aspect of the specific mission of the EU. The EU also demands an “increased investment in defence” (EEAS 2018). The serious problem within the EU is that there is no common position of the 28 member states regarding major aspects of foreign policy (e.g. recognition of Palestine or Kosovo, refugees, nuclear weapons, the strategy concerning cooperation with Russia, the war in Syria). In these terms, PESCO should be an experiment to overcome potential political disagreement and 17 projects were suggested to realise this (e.g. Maritime Surveillance, Cyber Rapid Response Teams, armoured infantry Fighting Vehicle or EUFOR Crisis Response Operations). In general, the argument in favour of this is that the EU is an instrument to slowly overcome nationalism and national states. In the context of PESCO, there is a hierarchisation of EU member states: Within the EU in general and within security policy in particular, with Germany and France taking on a specific role at the top. This is not surprising given the above mentioned economic hierarchy which emerged out of core-periphery relations within the EU.

At the beginning of the 1990s, the armies of the member states of the European Community started to declare the safeguarding of resources as a task for the army. The German “Verteidigungspolitische Richtlinien” (Bundesminister der Verteidigung 1992, Chapter II, 8.8) stated the importance of the “maintenance of the free world trade and the unhindered access to markets and resources in the whole world within a framework of a fair world economic system”. The role of the French and British army in this field cannot be neglected. The European Security Strategy declared that the “Energy dependence is a special concern for Europe” (EU 2003, p. 4). Against this backdrop, it is not surprising that the German secretary of state for energy Joachim Wuermering concludes: “In the global fight for sources of energy the EU have to emerge more forcefully” (Bundesministerium für Wirtschaft und Technologie 2006).

In 2004, the EU Institute for Security Studies (ISS 2004, pp. 83 f.) drafted possible scenarios for military interventions of the EU. The “European Defence Paper” describes the following contingency and capabilities.

“In a state bordering the Indian Ocean, anti-Western elements in state x have seized power, and are using oil as a weapon, expelling Westerners and attacking Western interests. In addition, they have commenced an invasion of neighbouring country y, whose regime is pro-Western and plays a crucial role in the free flow of oil to the West, and are threatening more generally the unimpeded use of vital maritime bottlenecks. Country y asks the EU and the United States for help in accordance with Article 51 of the UN Charter. The EU, together with the United States as the senior partner, intervene with a large combat force to assist country y and also protect their own interests. The intervention requires forces trained and equipped for conventional manoeuvre warfare. The military objective of the operation is to help liberate occupied territory and to obtain control over some of the oil installations, pipelines and harbours of country x. (...) The EU makes a contribution of 10 brigades (60,000 troops). The land force is supported by 360 combat aircraft, support aircraft, and two maritime task forces, totalling 4 carriers, 16 amphibious ships, 12 submarines, 40 surface combatants, 2 command ships, 8 support ships and 20 maritime patrol aircraft.”

In 2017, more than 50% of all natural resources were determined as being one of the reasons for war (HIIK 2018). Today, we have to recognize that the access to natural resources is often combined with arguments to protect human rights, anti-terrorism, good governance or the responsibility to protect. Sometimes these values are a pretext for deployments and some missions and operations have had an indirect connection with access to resources, e.g. the naval mission off the Horn of Africa, European Union Force (EUFOR) Chad, mission in Congo, EU Monitoring Mission (EUMM) Georgia. Hermann Scheer argued that colonial imperialism and direct political and military control is nowadays replaced by “energy imperialism” (Scheer 1993, p. 34). Such increasing militarisation and strategic global rivalries are particularly visible at the Horn of Africa, where since 2008, the “Atalanta”—European Union Naval Force Somalia—has been operating. Its goal is to disable piracy and armed robbery. In the last decade, the NATO (the NATO ended its mission in 12/2016), the United States, Russia, India, China, France, Japan, Iran and Saudi Arabia have sent troops and ships to the region. Some of these countries formerly or presently catalysed the conflict by overfishing the sea and by dumping toxic waste. Statistics (EEAS 2017b) show that in the years of 2014–2017, there were ten “suspicious events” and nine pirate attacks, in the period 2013–2017, the attacks of pirates amount to two (in the first five years the number aggregates to 136). Nevertheless the EU-mission has been continued. The strategic importance for trade of goods and the security of resources are a major motive for the international military presence in the region. The Global Strategy of the EU stressed the investment for military capacities useable for such interventions (e.g. satellite communications, earth observation). In July 2017,

Angela Merkel and Emmanuel Macron announced a new German-French fighter jet (*Die Zeit* 2017) and a “Eurodrone” (*Der Spiegel*). Comparing these future providings with the current 17 projects of the Permanent Structures Cooperation (PESCO) (e.g. Maritime Surveillance, EUFOR Crisis Response Operations), the enormous asymmetry between civilian and military capacities of the EU for global politics can be observed.

The Horn of Africa is not just central for the EU, but is also considered a strategic area for the Chinese “One Belt and One Road” (OBOR) initiative. This is also where the shift of power from the Atlantic Ocean to the Pacific Ocean becomes very visible and new conflict formations can be observed. The recent period can be characterised as an “amalgam of geo-economic and geopolitical debates forming a ‘new imperialism’” (Altwater and Mahnkopf 2008), the frontiers between them blurred in the early 21st century (Nye 2003, p. 27). The formation of new alliances goes hand in hand with the shift of political and economic power. China and Russia are in the centre of the BRICS (Brazil, Russia, India, China and South Africa) and of SCO (Shanghai Cooperation Organisation with China, Russia, India, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), the SCO including military and energy aspects. However, in many regions, e.g. in the South China Sea, the EU countries neither have common interests nor a common strategy. The debate about a close cooperation between the United States and China—Chinerica or G2—caused concern in Europe. The former secretary general of the NATO and former high representative for the Common Foreign and Security Policy, Javier Solana (2013), added to the discussion that the EU, the United States and China—G3—would be natural partners for questions of global development. Moreover, China initiated two global financial institutions in endorsement to the World Bank and the IMF. The NDB (New Development Bank) with headquarters in Shanghai finances infrastructure and development projects in the framework of BRICS. The Asian Infrastructure Investment Bank (AIIB) founded in Beijing includes all BRICS countries as members and is open for further member states. While major EU member states do participate in the AIIB, the USA does not (Bond 2016). Both institutions have been supporting projects within OBOR in Asia, Africa and Europe, estimates at the volume of OBOR have gone up to 1.5 trillion US\$ (Erling 2017). The current shift of global power in the context of OBOR shows the different approaches of the member states of NATO and the EU, emphasising that they are divided in finding a common strategy on OBOR. The rivalries are not only about resources and markets, but also about future norms and rules in international relations (e.g. international law, use of force, new forms of alliances etc.). In this context the rise of important conflicting interests can be observed.

5 Conclusions

While dominant discourses and academic perspectives tend to present the EU as a progressive actor promoting stability and development, this has to be questioned by a critical international political economy perspective. This alternative approach allows for an integrated analysis of the economic and the political sphere by focusing on the social relations of production. It was argued that liberal markets promoted by (the core of) the EU do not necessarily benefit neither the inner periphery nor even less so the external periphery of the EU. Based on a critical political economy perspective we showed how the economic relations within Europe have changed and how this has gone hand in hand with the member states' and the EU's changing global strategies and positions. Neoliberal or neo-Mercantilist strategies were imposed further as a consequence of the European crisis which had started in 2008. The political reactions in Europe's core to an important extent were attempts to (further) externalise contradictions onto the periphery. However, such strategies tend to cause under-development, crisis and instability in peripheral countries and regions. As demonstrated by our analysis, the economic strategy has been supported by a respective defence and security strategy. Europe has contributed to increased militarisation, securitisation and conflicts around trading routes. Against the background of increasing global rivalries the European strategies seem highly problematic. However, potentially, changes in the social relations of production within Europe could be an important entry point for a more progressive Europe and trans-national (labour) solidarity.

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Part IV

Social Exclusion, Welfare and Migration Policies

Tales of Fragmented Hegemony: The Disciplining of Labor, Redundant People and the Authoritarian Re-Configuration of Neoliberalism

Martin Pachel

1 Introduction

“The crisis creates situations which are dangerous in the short run, since the various strata of the population are not all capable of orienting themselves equally swiftly, or of reorganizing with the same rhythm. The traditional ruling class, which has numerous trained cadres, changes men and programmes and, with greater speed than is achieved by the subordinate classes, reabsorbs the control that was slipping from its grasp” (Gramsci, in Hoare and Nowell-Smith 1971, p. 210)

While established economic approaches fundamentally failed to explain crisis origins as well as provide solutions, the resulting infliction of austerity within a climate informed by the permanent threat of social decline (especially on lower income groups within the European population), the various perspectives in critical political economy (CPE) which focus on the phenomena of crisis and its impacts, as well as the repercussions evoked by measures or policies designed to combat crises respectively, contribute to our wider understanding of current dynamics of the uneven development of the European Union and the project of European Integration.¹ Consequentially, pursuing an agenda that encompasses the unraveling and identification of the predominant crisis narratives and their

¹For a comprehensive overview on different concepts within CPE see, e.g., Jäger and Springler 2015, van Apeldoorn and Horn 2018, or Shields et al. 2011/2016.

M. Pachel (✉)

University of Applied Sciences BFI Vienna, Vienna, Austria

E-Mail: martin.pachel@fh-vie.ac.at

constituting elements, probing into their explanatory potential, and addressing the intricate and mostly hidden interrelations between economic governance and socioeconomic structures, traditionally constitutes a defining component of CPE approaches. By perceiving crises in their multidimensionality and by shedding light on specific dynamics (as well as, relatedly, what Žižek (1998) calls “*inherent transgressions*”), the approach at hand aims to outline the specific trajectory of European development within a constellation of multiple crises.² This endeavor will thus include shifting the focus of interest towards the intensification of neoliberalism’s authoritarian component as a reaction to the threat of forfeiting its hegemonic position and respective consequences on the societal level, i.e. processes of radicalization and class formation, acknowledging the fact of the emergence of profiteering and losing groups in the aftermath of the crisis (Cf. van Apeldoorn and Horn 2018, p. 7). Amidst the upheavals revolving around the questions of “combating the crisis” and appropriate policy measures, the emergence of right-wing extremist political and societal factions in the context of a widely noticeable authoritarian shift in the EU, we witness an increasing decomposition within European societies and the subsequent formation of a new group comprised of people who, in reference to Zygmunt Bauman (2016), are being labelled as “*redundant people*”. Considered as economically unproductive and socioeconomically deprived, relentlessly villainized by media and groups in power, the wait for the call for extended discipline (in the form of precarious flexibilization of labor markets, diminishing the influence of social partner and unions) was a short one. In the era of “*regressive modernity*” (Oliver Nachtwey), they are the epitome of a class with a sole uniting feature remaining to them, i.e. nationality. A notion of class that goes well beyond the sphere of the economic—which from Gramsci’s perspective evolves around the concepts of subalternity, common sense and the respective part intellectuals play in the process of class formation—enables, on the one hand, a broader understanding of structural inequality, but also heeds the “*different ways people in different social locations understand what is just and what is not*” (Crehan 2016, p. 4). In order to grasp aforementioned relations and linkages, the analytical framework provided by Heitmeyer (2018, see Fig. 1) will serve as a point of departure for the analysis of phenomena of disintegration as it centers the interrelations

²See Demirović et al. (2011) for an elaborate definition of the term. It generally refers to the multidimensionality of what the authors call “interlocking crisis dynamics”; a situation of an economic crisis gradually affecting additional fields in a country—societal, ecological, etc.

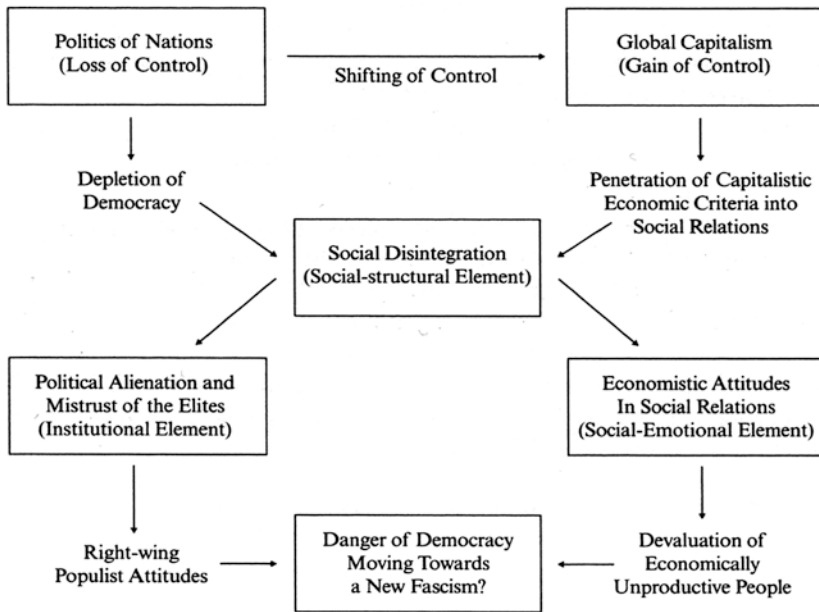


Fig. 1 Analytical framework for dynamics within authoritarian capitalism. (Source Heitmeyer 2018, p. 35)

between social anomy and policies aimed at economic restructuring, primarily by scrutinizing the everyday experiences related to the escalation of austerity and authoritarianism. “Downscaling from a state-level analysis to studying the concrete effects of authoritarian neoliberalism on everyday lives helps us understand the manifold ways in which the enshrinement of a particular ‘economic’ discipline shapes subjectivities and defines the conditions of possibility for resistance and designing political alternatives” (Tansel 2017, p. 12). In the aftermath of the 2008/2009 crisis, cracks and fissures in the previously (and presumably) solid foundations of the—chiefly economically driven—process of European integration (the establishment of the Single Market and the European Monetary Union, first and foremost) started to appear and became even more tangible as the neo-liberal paradigm’s hegemony became increasingly brittle. To provide a remedy, policy measures mainly promoting austerity (thus dismantling the welfare state, cutting back social transfers and wages, and consequently eroding democratic and

societal cohesion in the course of desperately attempting to reinstate a pre-2008 growth situation) as the one-size-fits-all template have since been implemented and, moreover, intensified. Nevertheless, since the single market project was not sustained through a compromise or consensus in the European civil society anymore (cf. Kannankulam and Georgi 2012), tendencies of disintegration and fragmentation became more pronounced over the course of the last decade. The predominant paradigm's instability and the shift in the approach of how to preserve its hegemonic position represent the main hub where the various repercussions evoked in course of this struggle originate.

It is important to note that this in no way implies that the neoliberal paradigm fell from grace or that it has lost its predominant position. It still holds and supports this position, albeit in a different fashion, i.e. by intensifying authoritarian policies, thus marginalizing opposing interests and groups. The junction where economic policy—designed to forcibly conserve the status quo ante—collides with workaday lives and experiences, is the critical leverage point for a study of a subaltern practical economy in the age of intensified authoritarian neoliberalism. “Recognizing the spectrum of authoritarian neoliberal strategies, from the utilization of direct coercion to indirect legal, administrative and political reform, also accentuates the question of which social forces, communities and individuals find themselves at the receiving end of the disciplinary statecraft” (Tansel 2017, p. 12). In other words, the present hegemony is increasingly being defended and maintained by reinforcing the disciplining of member states, governments and households, which in turn exceeds the sphere of “the economic” or markets by trickling down to the level of societal and class relations. Economistic notions are thereby disseminated and eventually adopted on the societal level, primarily through the fabrication of conceptions that accentuate and propagate, among other factors, the absolute inevitability of economic austerity measures in order to achieve the balanced budgets deemed necessary for a “healthy” economy.³ Within this process, individual performance in competitive environments represents the factor most crucial to personal and occupational success. In short: the creation of social myths and specific modes of narration resting on economistic considerations that soak into the fabric of “senso commune” perpetuates the currently predominant economic agenda by facilitating the adoption of mentioned beliefs as well as the corresponding rationality and language.

³Examples for the utilization of vocabulary or notions to this effect are mentioned in the section below.

The Sound of Austerity

The common mode of narration regarding the causes and origins of the economic crisis that shook the EU over the past decade is, in the first instance, a tale of debt and austerity (often referred to as “*fiscal consolidation*” by its advocates) as the main remedy. A variety of key actors in the EU—core member states and the relevant EU institutions—have put a lot of effort into spinning the explanation of roots of the crisis in order to legitimize the new reforms such as the sixpack, the twopack and the Fiscal Stability Treaty. Following this narrative, the origins of the crisis can mainly be traced back to “*bad public finances*” and excessive public debt. Paul Krugman (2011), one of many “*earlier enthusiasts*” who became disillusioned with neoliberal propositions (cf. Harvey 2005, 186), thus coined the term of the “*fiscalization of the crisis story*” in reference to the way the topic has been presented in public debates and the media. In the mainstream definition and understanding, and as promoted by the EU Commission (EC), the International Monetary Fund (IMF) and the European Central Bank (ECB), austerity measures are commonly understood and legitimized as a mere response to the economic crisis, and thus of a reactive nature. They were furthermore entrenched in the Memorandum of Understanding with Greece (2011–2016) and in the so-called Fiscal Stability Treaty of 2013. While the repercussions of prolonged austerity policies in the EU and its disastrous consequences in countries such as Greece, Spain, Ireland, and Portugal, are being widely discussed,⁴ the criticisms formulated by authors around the globe—particularly approaches that focus on inequality and respective implications⁵—need not be condensed here in detail. “The European Union’s model of economic governance as a model of prolonged and permanent austerity, which aims to circumvent democratic interference and includes the dismantling of social rights” (Corporate European Observatory, 2011, p. 1). Still, it is worth mentioning that even the IMF, major agent of structural reforms that would contain austerity policies as a core element, has experienced a certain level of disenchantment in this regard. While still maintaining the position that “*there is much to cheer in the neoliberal agenda*” because “*the expansion of global trade has rescued millions from abject poverty*”, the observed increases in unemployment and inequality as well as the fact that “*episodes of fiscal consolidation have been followed, on average, by drops rather than by expansions in output*” lead the authors to acknowledge that “*In sum, the benefits of some policies that are an important part of the neoliberal agenda appear*

⁴For a discussion of related conceptions, see Reiner and Zeilinger in this volume.

⁵With Piketty (2017) or Milanović (2016) representing the more prominent approaches.

to have been somewhat overplayed” (Ostry et al. 2016, pp. 38–40). This newly discovered appreciation of inequality as an economic factor further lead them to the conclusion that “*policymakers should be more open to redistribution than they are*” (ibid., 41). Eventually, they suggest, the “*increase in inequality engendered by financial openness and austerity might itself undercut growth, the very thing that the neoliberal agenda is intent on boosting*” (ibid., also cf. Breznitz et al. 2013, p. 222 f.)

In this regard, and in the case of Austria, the government formed by Sebastian Kurz’s Austrian People’s Party (ÖVP) and the Austrian Freedom Party (FPÖe), nevertheless still cling to the fundamental belief in a balanced budget’s undeniable relevance for a country’s economic development. “We are committed on the one hand to an economic policy focused on the specific challenges of our time, free from ideological reservations, and on the other to a balanced state budget over economic cycles. Low taxes and performance incentives are crucial for successful business and a healthy labour market. These shall take precedence over subsidies and redistribution” (Party Programme of the Freedom Party of Austria [online](#)). Since policies of this character commonly target lower income groups, and thus the party’s core clientele,⁶ we arrive at the question of how this economically informed rationality (as well as related policy measures) gradually translates into everyday practice and can find acceptance or even wide support among these groups and the wider public. As FPÖe party leader Strache announced in a press release (DiePresse 2018, [online](#)) and on social media: “What will any housewife do if she is short of money? She will cut her expenditures”,⁷ thus providing another example for the deliberate utilization of simplifying vocabulary and metaphors within economic explanatory models.

“Right-wing movements [...] are reactionary not only in that they seek to restore a past social order but also in that they borrow (often in distorted form) the protest repertoires, vocabularies, and even stated goals of the left resistance and liberation movements. This is especially evident in right-wing populist movements that mobilize the poor and subordinated segments of society to protest against elites in the name of the people, but nonetheless serve to maintain or restore social hierarchies” (Hardt and Negri 2017, p. 51).

⁶The data for the 2017 elections clearly show that the Austrian Freedom Party managed to obtain the majority of blue-collar votes with a staggering 59%. See SORA/ISA 2017, [online](#), 5.

⁷Translation by the author. Note the use of the term „housewife“, serving as embodiment of national budgets. „Was tut jede Hausfrau, wenn sie knapp bei Kasse ist? Sie spart bei den Ausgaben“.

If we moreover apprehend the austerity agenda in terms of social policy and government, the installation of technocratic governments, inner-party schisms (e.g. La République en Marche in France), the founding of new parties (such as the AfD in Germany or the Italian Movimento 5 Stelle), and, most notably, the strengthening or emergence of radical or fringe parties are viewed as results of a lack of acceptance in the population (cf. Sturm 2016, p. 9, also see Liebhart in this volume). This “*lack of acceptance*” refers to a matter different from considerations of hegemony, as it indicates the increasing mistrust towards elites and national governments (often merely viewed as the former’s catspaw) and their perceived powerlessness in counterbalancing the effects generated by the crisis, as well as the frustration with traditional political parties (social-democratic parties in particular) due to their role in establishing comprehensive neoliberal policies over the last decades, and mistrust towards democratic processes in general. At the same time, concomitantly with the rising displeasure with traditional parties, the attitude towards the policies implemented by the new (or, in the Austrian case, revamped) parties—which usually follow the same path persistently, even though authoritarian elements are currently more strongly pronounced and the focus is on “combating” the implications of “streams of migrants” tirelessly conjured up by particular media and newspapers—became more friendly due to the progressing adoption of the belief that austerity and budgetary discipline are without a substitute.

The question of readiness to accept austerity measures and colligated consequences such as inequality and its role and impact as an economic factor, the (re-)evaluation of welfare systems throughout the EU, etc., has emerged as a main driver of political polarization, where profound differences between respective member states have surfaced. While in some cases, e.g. in Italy, the rejection of austerity policy—in conjunction with a general repudiation of the EU and its institutions—would be considered as a hallmark of (extreme) right-wing parties and arguably contributed to their recent upturn, the dismissal of austerity policies and reduction or loss of national governments’ scope for action marked the agendas of parties such as Syriza or Podemos as well.⁸

In the case of Austria, we can observe an idiosyncratic constellation in this regard, as the Austrian Freedom Party (FPÖ) has made no secret of intending to continue its “*Austria First*”-agenda: in the first place by targeting migrants and already marginalized groups, who usually (but not exclusively) are identified as

⁸For a detailed classification of right wing parties in this context, see Salzborn in this volume.

“welfare scroungers” (“Sozialschmarotzer”) who have to be carried by the majority of the productive population to the detriment of the economy as a whole, the enemy stereotype of the so-called “political Islam”, any practical manifestations of or policy measures originating in gender theory,⁹ the conventional hostility towards academics in general, as well as Austrian artists and intellectuals who don’t find themselves in agreement, on the one hand by expanding control and cut-backs in the Austrian welfare system, on the other by publicly villainizing or ridiculing contradicting actors.¹⁰ The stylization and the presentation of fiscal consolidation as an endeavor essential to the preservation of a “healthy national economy” falls perfectly in line with the biologization and naturalization within relevant discourses. The government’s intended cuts in public welfare budgets— austerity policy and related disciplinary measures—are furthermore being portrayed as inevitable and reasonable “cleansing acts”¹¹ and as reconfigurations for the sake of future healthy economic development.

Suum cuique: The Cardinal as Economist.

In the case of Austria, one example in this regard is Catholic Church representative Cardinal Schönborn, who, in a direct reaction to the government announcing its intended budget planning, hurried to give the Austrian government’s austerity plans his medial blessing and commended the coalition for their “*courage*” to pursue a strict policy of cutbacks, even more so since the “*future of the following generations*” is at stake. After all, the Austrian budgetary situation leads to “*an interest burden of several billions of Euros per year*”, which makes it crucial for the new government “*not to pile up more debt*”. Sacrifices will have to be made, but if “*we all just stick together, then the burden of sacrifice will be shared in a just way*”.¹²

Even though he made an effort to mitigate these statements shortly thereafter, they exhibit some of the core elements of processes of pervasion of economic imperatives on the societal level: A conservative intellectual portraying a policy of cutbacks and budgetary discipline as an ethical responsibility towards future generations, including the important notion that everyone has to play their part and

⁹“The family, as a partnership between a man and a woman with common children, is the natural nucleus that holds a functioning society together, and which, with the solidarity of the generations, underpins our sustainability.” Party Programme of the Freedom Party of Austria, (Liberal Policy Guidelines, Item 4), online.

¹⁰In this regard, the Hungarian government’s recent ban of gender studies at universities—as a further infringement in addition to the attacks on the free press and the judicial system—serves as a paragon for the targeted development in Austria.

¹¹According to Koschorke (2016, p. 35), the presentation of a faction’s project as a “cleansing effort” poses a common cornerstone in the constituting works of dictatorships.

¹²DerStandard online (2018a), translation by the author.

will have to tighten their belts now, as is unavoidable due to economic necessity and constraints imposed on the nation state by global economic processes. The Caritas, the social aid organization within the Catholic Church, had previously strongly criticized the Austrian government's austerity plans, claiming they would seriously affect people in the lowest income bracket and would eventually lead to the "*gradual dismantling of the welfare state*".¹³ The cutting of funds for measures and projects implemented by the Public Employment Service Austria (AMS) which specifically target the long-term unemployed, youth or persons over the age of 50, Caritas representatives labelled as "*worrying, socially harmful, and economically nonsensical*".¹⁴

Understanding the practical implications of this specific intensified neoliberal agenda requires a differentiated apprehension that transcends the realm of economic policy and puts authoritarian neoliberalism's potential to re-shape social and political participation into the spotlight. "[...] the coupling of greater capacities for state-directed coercion with highly masculinized norms of competitiveness—such as risk affinity, strong work ethics, liquidity, growth, and austerity—constitutes a strategy to displace the effects of crisis into another key site in the political economy, the household" (Bruff and Wöhl 2016, p. 93, also see Hozíć and True 2016)

For reasons of reasonableness—Authoritarian Neoliberalism

"[...] our 'modern way of life' includes the production of 'redundant people' (locally 'inutile'—excessive and unemployable—due to economic progress, or locally intolerable—rejected as a result of unrest, conflicts and strife caused by social/political transformations and subsequent power struggles)" (Bauman 2016, 3).

How do the developments outlined here, together with the multifaceted crisis in and of the European Union and the neoliberal-economistic normalization of society, culminate in the brittleness of neoliberal hegemony and the myths it generates? As mentioned above, the neoliberal paradigm—while certainly having been called into question in the aftermath of the financial crisis of 2008—has not lost its hegemonic position in the EU. It rather underwent a transformation marked by further intensification and an increased focus on discipline, which has been and is still promoted and safeguarded in course of the implementation of increasingly authoritarian (economic) policy. Consequentially, this does not refer to capitalism's inherent tendency to adapt as foreseen in a traditional Marxist conception, but

¹³DerStandard online (2018b), translation by the author.

¹⁴Ibid., translation by the author.

rather elucidates “the immanent tendency of the capitalist state to deploy its coercive, legal and economic power” in times when the capitalist mode of reproduction is facing resistance or challenge (Tansel, 2017, p. 3, also see Willis 1977, p. 58 ff). The transformation at hand is of a very specific, intricate nature and entails attempts (ranging from rather blunt to covert ones) of establishing a widespread consensus on a comprehensive austerity project by forcing it on member states in the name of economic necessity and, furthermore, by establishing a set of fiscal economic rules that pursue the same agenda.¹⁵ Following Poulantzas (Jessop 1985) and Bruff (2014, also compare Gill and Cutler 2014), authoritarian neoliberal practice and policy specifically tries to insulate its core strategies from criticism by promoting coercive policies and expanding state control in order to explicitly exclude, discipline and criminalize subordinate groups and oppositional factions (cf. Bruff 2014, p. 116). As the hegemonic paradigm is frantically clinging to its position of power, an increasing number of populations in EU member states can vividly experience the repercussions of this specific circumstance of a struggle for hegemony in an era marked by economic insecurity as the norm.

As a side note, this also sets the stage for a competitive struggle for hegemony, as there are other projects, promoted by various interest groups, which are striving to get there (see Kannankulam and Georgi 2012). The manifestations of this competition are observable along the same main lines that are traceable in case of the neoliberal paradigm’s authoritarian convulsions in course of defending its sway. As Hannah Arendt observed (1954, p. 5), “an authoritarian form of government with its hierarchical structure is the least egalitarian of all forms; it incorporates inequality and distinction as its all-permeating principles.” Whereas, prior to the crisis, a particular state of hegemony has essentially been achieved through pacification of opposite interests and, in further consequence, safeguarded by concession and integration, this dynamic has shifted and, due to the abovementioned condition of fragility, by now has to be obtained through the expansion of discipline and control-oriented policy. In lieu of integrating various groups, particularly oppositional factions, these are now being increasingly disciplined, ridiculed and villainized.

Pinch me, I must be in a dream

To quote some selected examples out of the numerous incidents in the recent past that illustrate this modus operandi: The systematic portrayal of the Austrian Broadcasting Corporation as a generator of “fake news” or attacks on individual journalists for assumedly having a strong political bias (e.g. by vice chancellor Strache,

¹⁵In this volume, see Zeilinger and Reiner on the dismantling of welfare systems.

who, after insinuating that news anchor Armin Wolf was spreading “lies”, tried to defuse the subsequent turmoil by stating that he had labelled the respective post as satire)¹⁶ is among the more prominent ones, but the attempts of ridiculing popular Austrian musicians Wolfgang Ambros and Rainhard Fendrich fall into the same category. After they criticized the government and the Austrian Freedom party in particular, FPÖ representatives lashed out and called them “has-been” artists who were only able to secure their status because the state was providing them with an income (“Staatskünstler”).¹⁷ The statements made in this context by FPÖ General Secretary Hafenecker clearly highlight the subtext referring to the stereotype of the “scrounging” artist, including allusions of substance misuse: “*Generally, one notices that the current criticisms by artists solely stem from various ‘system protégés’, who, since the life style of the 70 s and 80 s took a heavy toll on them, now, at their advanced age, are fearing for their retirement planning in the form of commissions*”.¹⁸

In course of this shift, proponents of the neoliberal agenda will furthermore portray criticism and challenges of the neoliberal agenda as attacks on a country’s democratic and cultural foundations or “core values”,¹⁹ thus requiring and justifying a coercive response (cf. Bruff 2014, p. 113; Bruff and Wöhl 2016, p. 106). Bruff (2014, p. 116) stresses the importance of acknowledging that

“under authoritarian neoliberalism dominant social groups are less interested in neutralizing resistance and dissent via concessions and forms of compromise that maintain their hegemony, favoring instead the explicit exclusion and marginalization of subordinate social groups through the constitutionally and legally engineered self-disempowerment of nominally democratic institutions, governments, and parliaments.”

This results in the neoliberal paradigm’s transformation as a response to its present fragility, through the intensification of authoritarian elements in policy-making, disciplining the welfare state and deviating fiscal policy approaches (cf. Becker, Jäger and Weissenbacher, in Jäger and Springler 2015, p. 91). Consequently, we

¹⁶Cf. Austrian Broadcasting Corporation 2018b.

¹⁷Cf. Austrian Broadcasting Corporation 2018c.

¹⁸Translation by the author. Original quote in German: „Generell ist der Kritik von Künstlern in den heutigen Tagen anzumerken, dass sie einzig vonseiten diverser ‚Systemgünstlinge‘ stammt, die wohl im fortgeschrittenen Alter um ihre Altersvorsorge in Form von Aufträgen bangen müssen, denn der Lebenswandel in den 70er- und 80er Jahren dürfte nicht viel übergelassen haben“. <https://wien.orf.at/news/stories/2929063/>. Accessed 22.10.2018.

¹⁹Since the inauguration of the ÖVP-FPÖ government in 2017, the debate has increasingly been steered towards a “Grundwerte” (“core values”) discussion—particularly “Austrian” core values—and has thus been among the more prominent ones instigated by government representatives and conservative media in course of the so-called “migration crisis”.

witness the effects generated by the fixation on patching the economic project by employing an arsenal of neoliberal policy tools against the backdrop of an increasing lack of (economic, political and societal) prospects, the increasing economization of social relations, and the proliferation of authoritarian or even new fascist beliefs as a leitmotif in policy-making as well as on the level of “*common sense*”²⁰ in society. “The basic figuration shows that there has been a control gain for authoritarian capitalism and a control loss for national politics. This control loss leads to a depletion of democracy, in the sense of a loss of popular confidence generated by politics associated with the aforementioned risks of disintegration, fear of loss of status, etc. for particular population groups” (Heitmeyer 2018, p. 35).

In which way did the assumed lack of alternatives to current austerity policies facilitate the expansion of economic necessity as a guiding principle in public debates and its translation into the levels of subjectivities and “common sense” (particularly on the part of groups who are being more strongly affected, and despite the perceived dimension of social and economic inequality), as well as the consequent call for authoritarian policy? In summary, we can follow the major strands of this development, i.e. societal radicalization in form of depletion of democracy, the desire for strong, usually masculine, leadership²¹ as spillover effects of the exclusion of specific groups under a veil of economic demands coupled with processes of economic restructuring in the EU member states, along several dimensions (based on Lazzarato 2012). Most prominently, the increasing radicalization on the level of society stems from a loss of prospects in terms of political and societal participation that originates in the momentum of a specific mode of economic restructuring that implants the individualizing deliberation, which is intrinsic to the neoliberal program, into the level of society and everyday relations. This culminates in the gradual adoption of a social myth that orbits around notions of economic prudence, individuality and individual responsibility, which are immediately linked to advancement and success, as well as the willingness to perform and the supposedly

²⁰Curiously enough, the Austrian term of „Hausverstand“ is a direct translation of „common sense“ and is, as such, frequently used by government representatives in course of legitimizing the explanation of certain economic (chiefly austerity-related) measures. See Crehan (2016, p. X) for a discussion of the term.

²¹Despite showing a small decrease compared to the results of the 2014 survey, the data show that about one third of the Austrian population would approve a strong leader who does not have to heed parliamentary procedures or election results, and slightly more than one third supports an illiberal, authoritarian form of government. At the same time, impressions of powerlessness in the face of modern complexity and frustrations with politics have increased (cf. Zandonella 2018).

naturally following classification of productive and unproductive members of society. According to Bourdieu (2005, p. 16), it is exactly those families who are culturally underprivileged and victims of social inequality who cling to the firm belief that talent and aptitude are the major decisive factors for success in school. The main hypothesis presented here is that the same relation is observable in the context of underprivileged, disciplined groups speaking out in favor of increasing cutbacks in social transfers, in order to control migrants' access to the Austrian welfare system and labor market. This also contains the construction of a freedom-equality dichotomy as a conception that runs contrary to the core agendas of both freedom and equality (cf. Marx 1994).

A Cornucopia of Performance Incentives

The statements by social affairs minister Beate Hartinger-Klein (FPOe) regarding the Austrian means-tested minimum income scheme ("Mindestsicherung") can serve as a recent example emblematic for these endeavors. In a discussion program on the television station oe24.tv, she claimed that—despite planned cutbacks in the scheme mentioned—people affected would be able to live on 150 EUR per month, given that they are being provided with a flat.²² After facing a wave of criticism, she stated that this would only apply to asylum seekers (who are effectively not eligible to apply for the program) and that the expression "*fake-news-slingshots*" (as formulated by right-wing newspaper "Wochenblick"²³) would, in fact, apply to several Austrian media and newspapers.²⁴ While the indignant reactions mainly focused on the specific amount mentioned by the minister and the impossibility of sustaining one's livelihood on that basis, the more interesting underlying—and mostly neglected—aspect lies in the conveyed segregation of the population into two major groups. One, economically productive and not dependent on social transfer and state aid, and an unproductive group of people, to whom the criterion of "reasonableness" (i.e. conditionality in access to social transfer) should be applied.

The ever-present danger of social decline due to job loss (e.g. through processes of rationalization, precarious flexibilization of labor markets and employment contracts, de-industrialization and, increasingly, digitalization) represents another layer. Employment thus does not constitute a springboard and essential prerequisite for social advancement anymore, but in contrast by now stands emblematic for the permanent threat of downward social mobility (cf. Nachtwey 2016).

²²Austrian Broadcasting Corporation (ORF) 2018a.

²³The Documentation Centre of Austrian Resistance classifies the mentioned paper as one of the „disinformation projects“ associated with the far right in Austria (cf. DÖW 2017).

²⁴Wochenblick online (2018).

Within this environment of insecurity, and in light of a lack of prospects, the upsurge of extremist parties,²⁵ their endeavor of resurrecting the artefacts of nationalism and patriotism within globalized markets and the brief search for quickly identified culprits and scapegoats, in turn fosters the increasing radicalization on the level of society. By increased use of management vernacular and the promotion of economic narratives, citizens turn into “*entrepreneurs of their own misery*”, while corporations officiate as template for all social relations (cf. Lazzarato 2012, p. 11). The “*welfare-to-workfare*” shift European societies experienced (cf. Rioux, in Tansel 2017) since the onset of the crisis,²⁶ i.e. the introduction of enhanced conditionality in the access to social transfers is a further major facet contributing to the disciplining of the working class (through enforcement of wage discipline through low-income, precarious jobs). The European Union’s fragmentation should thus be viewed as a consolidation of the outlined developments, marked by contradictory and diverging projects and driven by party and national interests, as became obvious in course of the lines of action taken by governments to confront the “migration crisis”. To conclude with Franco Berardi (2018, p. 10): “[...] from Narendra Modi’s India to Trump’s United States, to Orbán’s Hungary, to Kaczyński’s Poland and Theresa May’s United Kingdom—what they are all again saying is: do not think of yourselves as defeated, impoverished workers, think of yourselves as white warriors, and you will win. They will not win, but they might destroy the world.”

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²⁵Cf. Salzborn and Liebhart in this volume.

²⁶Theurl (2018) offers an overview of labor market policies indicating this transformation for the Austrian field.

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Trajectories of Reforming European Welfare State Policies under the Post-2008 Socio-Economic Governance Regime

Bernhard Zeilinger and Christian Reiner

1 Introduction

The question of *why and how political actors pursue controversial welfare state reforms, in spite of the institutional mechanisms and political resistance that counteract change* is one of the major puzzles in contemporary welfare state research (see i.a. Vis et al. 2011). Our research contributes to that scholarly debate by analysing the impact of the path-dependent institutionalisation of a new fiscal surveillance and macroeconomic coordination regime—the so-called European Semester—by seeking to identify the specific trajectories and causal mechanisms explaining its retrenchment and deregulation bias in the advent of the sovereign debt crisis after 2008.

In the wake of rising state debt and the mainstreaming of neoliberal political thought, pressure on national social expenditures increased. The share of social expenditures in the EU-28 accounts for 68% of total government expenditures in 2016 (Eurostat 2017). That share varies between 73% in Denmark and 53% in Hungary and is positively correlated with GDP per capita. Social protection is the by far largest component with 41.2% (mainly referred to old-age related expenditures), followed by health (15.3%), education (10.2%) and housing and community amenities (1.3%).

B. Zeilinger (✉)

University of Applied Sciences BFI Vienna, Vienna, Austria

E-Mail: bernhard.zeilinger@fh-vie.ac.at

C. Reiner

Lauder Business School, Vienna, Austria

E-Mail: christian.reiner@lbs.ac.at

Since the 1980s, spending on family services, childcare, education, health and care for the elderly, as well as training and employment services, has increased practically everywhere in the EU. Yet, the decline of the welfare state becomes visible when considering growth rates for social expenditures in the OECD-countries, which show a steady decline from the 1980s up to the crisis period in 2011–2013 (Fig. 1). With the outbreak of the financial crisis, the decline in annual growth rates became even more severe and turned negative in several countries (Laffan and Schlosser 2016). At the same time, in contrast, demand for social services started to rise due to demographic trends as well as the increased need for social support for unemployed workers and their families.

We assume that countries which relied on the financial assistance program within the European Stability Mechanism (ESM) and/or which were imposed with an Excessive Deficit Procedure (EDP) – compared to countries without ESM or EDP –, show a stronger decline of social expenditures in the post-crisis period between 2008 and 2013. In addition, the literature supports the assumption that retrenchments in social matters are less strict in countries with left/social-democratic governments than in countries with conservative governments.

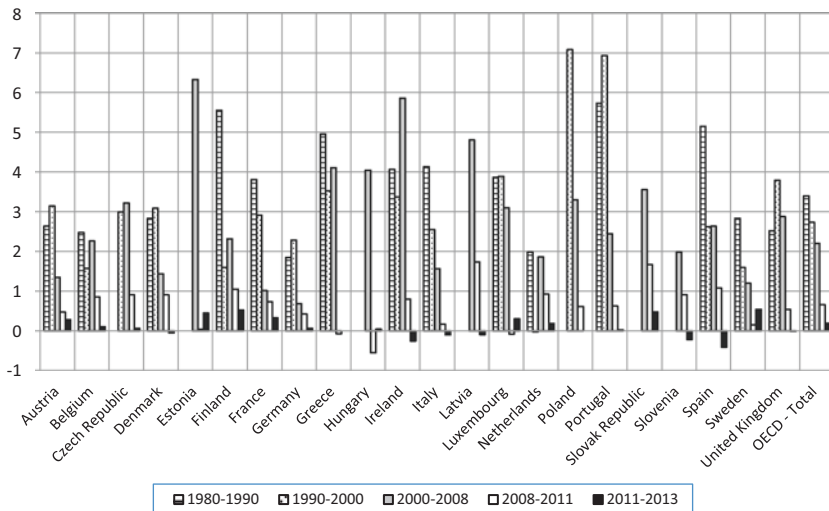


Fig. 1 Compound annual growth rate of social expenditures per head in selected EU member states, at constant prices and constant purchasing power parities, in US dollars, 1980–2013 (Source OECD, own calculations)

Thus, the article addresses the following two research questions:

1. What has been the impact of the new EU fiscal surveillance and macroeconomic coordination regime (in regard to EDP) and the financial assistance programs (European Stability Mechanism (ESM), plus its predecessor program European Financial Stability Facility (EFSF)) on member states' social expenditures?
2. How did the increase of conservative parties in government effect member states' social expenditures?

The article is organized as follows: Sect. 2 discusses the phenomenon of a declining welfare state in the wake of the deepening of the Single Market and the Economic and Monetary Union (EMU). Further, Sect. 3 elaborates on the analytical approach to grasp the variation of the national reform agenda, borrowing from the rich literature on Europeanisation (Bulmer and Radaelli 2004) in reference to the concepts of 'dismantling' (cf. Bauer and Knill 2012; Brooks 2017) and the 'likelihood of policy change' (Radaelli 2000). Additionally, the changing institutional context and the ideological policy shift during the economic crisis are addressed. Section 4 provides an econometric analysis to test two hypotheses deduced from our research questions. The article concludes with a discussion of the results and provides an outlook on prospects of European social policy making.

2 Theorizing Retrenchment and Deregulation of European Social Policies

In course of the neoliberal competitive-driven integration and harmonisation within the EU Single Market, a comprehensive adjustment process is on the way. Throughout the 1990s, European countries were becoming increasingly concerned with the pressure they faced due to increasing economic competition originating from both within and outside the EU as well as being increasingly exposed to financial and trading dependencies and externalities (cf. Kahn-Nisser 2015, p. 1514). What started in 1992 with the implementation of the Single Market program (facilitating the movement of capital, goods, services and labour) and of the EMU due to the Delors-Plan (i.a. liberalisation of financial markets, hard currency policy, de-politicised central banks, debt and deficit rules) reached a new dimension of transforming European social and labour policies after the financial crisis in 2008 (cf. De la Porte and Heins 2015; Scruggs et al. 2017; Brady and Bostic 2014; Syrovatka 2016; Degryse et al. 2013). The associated dismantling of welfare entitlements can be exemplified by a shift from a compensatory welfare

Table 1 Taxonomy of European economies. (Source Gräbner et al. 2018, 19; own translation)

	Characteristics	Country
Core countries	<ul style="list-style-type: none"> • High GDP per capita • Importance of the high-tech industrial sector • Low unemployment rate 	Austria, Belgium, Denmark, Finland, Germany, Sweden
Periphery countries	<ul style="list-style-type: none"> • Lower export quotas • High public debt • Current account deficit • High unemployment rate 	Cyprus, France, Greece, Italy, Portugal, Spain
Eastern European catch-up countries	<ul style="list-style-type: none"> • Low levels of wages and GDP per capita • Importance of FDIs • Small service sector • Importance of individual industrial sectors 	Bulgaria, Romania, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Slovakia
Financialized countries	<ul style="list-style-type: none"> • High debt of private companies • High share of financial sector in gross output • High income from property taxes 	Luxembourg, Netherland, Malta, Ireland

state to a more activating welfare state (see also social investment state)¹ as well as from a demand-oriented to a more supply-sided labour market policy (see Pachel in this volume).

The trajectories of this transformation differ among EU member states according to their distinct legacies of national monetary policies and economic models (see Table 1). The co-existence of export-led growth models and wage-led demand models within the Single Market and the EMU in particular have become increasingly incompatible (cf. Johnston and Regan 2016, p. 318; Stockhammer and Köhler 2015).

Member states have faced adjustment pressure at distinct stages of the implementation of the Single Market program and the hard currency policy within the Eurozone. Therefore, export-led economies of core countries already enacted numerous cuts of their welfare entitlements in the 1990s to regain competitiveness

¹See for instance Esping-Andersen 2002, Hemerijck 2014 and Leoni 2015a, b.

in an enlarged Single Market (cf. Hemerijck 2014, p. 151). Furthermore, Central and Eastern European countries as well as countries of the southern periphery adjusted their fiscal and macroeconomic policies to meet the initially required convergence criteria. Since being a member of the Eurozone implied benefiting from low real interest rates at the international financial market, the common monetary policy facilitated trade and investment, which further resulted in a catch-up process of the European periphery. The liberalized financial market within the EMU made it considerably easier to finance on debt and created severe account imbalances at the expense of the €-periphery (see Tressel and Wang 2014). Heimberger and Kapeller (2017) state that this catch-up process was mainly driven by "... private debt-driven economic growth and the development of asset-price bubbles in the pre-crisis period, but also contributed to the emergence of large-scale macroeconomic imbalances" (ibid., 8; see also Springler and Wöhl in this volume).

Thus, adjustment pressure for painful structural reforms in the €-periphery diminished with the entry into the Eurozone. The expectations that the monetary union would result in a "giant European convergence programme [...] as it would make it impossible for national governments to avoid liberal reforms by temporarily restoring competitiveness through devaluation" (Streeck and Elsässer 2016, p. 6) have not been met. Instead, high-wage countries introduced deflationary wage policies to improve their competitiveness, whereas peripheral low-wage countries benefited from low real interest rates, which increased consumption and wages (Stockhammer and Onaran 2012).

This process culminated in a toxic dynamic of increasing competition among the economies in the Single Market, while the debt-driven growth-model of peripheral Eurozone countries quickly turned out to be unsustainable and the underlying structural polarization between core and periphery countries within the EMU became apparent (cf. Bieling and Steinhilber 2000). Graebner et al. (2018, p. 2) stress that "the simultaneous divergence of current account balances already indicated before the crisis that the convergence of certain macroeconomic indicators did not reflect long-term structural changes to the benefit of (at least the Southern Eurozone) peripheral countries [...]".

A debate on the mode of permanent coordination of fiscal and economic policies in the EU already arose in the mid-1990s. In 1993, the Council addressed the need for structural reforms with the Broad Economic Policy Guidelines (BEPG; TFEU article 121) and employment guidelines (TFEU article 148). With the Treaty of Amsterdam (ToA) in 1997, the member states decided to institutionalise continuous meetings of the Eurozone member states, called the 'Eurogroup', in order to achieve a better coordination of their macroeconomic policies and included a chapter on employment matters in the treaty. Moreover, at several Council Summits in the

following years, all member states agreed on improving their coordination in areas such as employment policy (European Employment Strategy, Essen 1994; and, ‘European Employment Pact’, Luxembourg 1997), market regulation and finance (Cardiff 1998), wage and collective-bargaining (Cologne 1999) by establishing the Macro-Economic Dialogue (MED) as well as formulating a comprehensive strategy for a ten year period aiming to make the EU to be “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” (Lisbon Strategy 2000) by 2010. They agreed on the intergovernmental Open Method of Coordination (OMC) to establish a responsive mode of behaviour among national administrations, thereby facilitating a process of harmonisation or at least coordination of macroeconomic policies (cf. Kahn-Nisser 2015, p. 1514; Wöhl 2010). Respective policy objectives were revised, to be more concrete as included in the “Lisbon Strategy” (2000), by the succeeding ‘Europe 2020’ (2010) and the ‘Euro-Plus Pact’ (2011).

Besides, the transformation of social policies in export-driven economies of the EU core countries commenced with a shift of the social-democratic paradigm on social policy matters in the 1990s (see Giddens 1998).² The paradigmatic shift as initiated by the Schröder-Blair-Plan is exemplified by the following statement: “The aim of social democratic policy is to overcome the apparent contradiction between demand- and supply-side policies in favour of a fruitful combination of micro-economic flexibility and macro-economic stability”. The decline of welfare state generosity in developed welfare states however impedes the development of welfare regimes in new member states and induced ‘beggar thy neighbour’ strategies (cf. Flassbeck 2001).

Although the political will to adjust to new macroeconomic challenges was already present in the course of the deepening of the Single Market and the EMU, major reforms in most member states only materialized after the revised fiscal surveillance and macroeconomic coordination regime in 2011. In 2007/2008, the Eurozone crisis and associated budget imbalances reinforced the ideological allure and institutional strength of austerity, resulting in the reduction of public spending (cf. Blyth 2013; Crespy 2016, p. 190). The need for short-term fiscal consolidation, on the one hand, contributed to an environment of ‘permanent austerity’ (Pierson 2001, 2016) emphasising lowering public expenses and, on the other hand, called for increasing economic growth by improving productivity at the expense

²See also the Schröder-Blair-Plan 1998 by Gerhard Schröder and Tony Blair: <http://library.fes.de/pdf-files/bueros/suedafrika/02828.pdf>. Accessed 12.07.2018.

of welfare-related entitlements (cf. Syrovatka 2016; Kahn-Nisser 2015; Bekker 2015). Analyses of welfare generosity, using the Comparative Welfare Entitlements Dataset (CWED) by Scruggs et al. (2017) as well as data by Brady and Bostic (2014), emphasize a degradation of welfare generosity in Europe. Hemerijck (2014) points out that “[t]he European welfare model system took the blame for the region’s slow economic growth and lagging competitiveness and technological innovation, as a consequence of overprotective job security, rigid wages, expensive social insurance, and employer-unfriendly collective bargaining” (ibid., 139).

The reform agenda within the revised EMU governance regime bears a clear neo-liberal approach, following a complex pattern of a retrenchment-deregulation bias to increase the productivity of national economies. The respective reform demands are addressed by the Country Specific Recommendations (CSRs) within the European Semester. The CSRs are adopted by the Ecofin-Council upon a proposal by the European Commission and guidelines by the European Council. Member States must respond with their National Reform Program (NRP). Concomitantly, the European Commission has repeatedly addressed the need for structural reforms, thereby questioning the principles of welfare states by: flexibilise labour markets by deregulating employment protection (e.g. working hours, dismissal protection), decentralizing wage settings, wage moderation, lowering taxes on labour, shifting the emphasis of social policies away from passive transfers towards a more market-based access to welfare services (commodification strategy), increasing employability through activation mechanisms (see ETUI analysis conducted by Clauwaert 2018, p. 13). This marks a decisive shift to supply-side measures on the labour market and emphasises the trade-off between the decline of unemployment and rising inequality. The social CSRs account for more than 50% of the annual CSRs, which clearly underlines the reform pressure from the European Commission on structural reforms in social policy domains.

Nevertheless, under the OMC, the EU has little power to force member states to contribute to jointly agreed objectives. The EU’s leverage to push for convergence in national fiscal and macroeconomic policies has been rather weak. Serious flaws arose because positive macroeconomic development and monetary stability rely on each other but have not been consistently managed due to distinct competences between the ECB, the European Commission and the member states as well as weak enforcement of fiscal rules in place (cf. Hodson 2012; Giavazzi and Wyplosz 2015; de Grauwe and Ji 2015). The EU institutions failed to provide effective instruments to tackle imbalances. As a result, the financial crisis became a serious risk to economic stability in several states.

The shortcomings of EMU governance, i.e. lacking an efficient and effective response to severe macroeconomic imbalances, have been made obvious in the crisis management after 2007/08 as they caused a devastating downward spiral. The financial crisis hit the EU member states with varying severity depending on their distinct macroeconomic legacy and economic model (see Table 1). In particular, the asymmetric vulnerability between core creditor (Germany, Finland, Sweden, Denmark, Austria, Finland) and peripheral debtor countries (Greece, Portugal, Ireland, Spain) emerged as a determinant of crisis management and national economic performance during the crisis (cf. Bieling 2015; Gräbner et al. 2018; Springler and Wöhl in this volume). First, being part of the Eurozone “eliminates devaluation as a last resort for member countries lagging in ‘competitiveness’” (Streeck and Elsässer 2016, p. 5). Further, countries that had failed to enact efficiency-enhancing structural reforms before the crisis were exposed to the simultaneity of the financial crisis and structural challenges resulting from demographic developments (i.e. ageing population), long-term unemployment and the effects of de-industrialisation on labour markets. Many of these countries had to apply for external financial assistance to prevent economic and social disparities.

Apart from that, the EMU lacks a social dimension and an often requested redistributive element to address the disparities between its core and its periphery (see Wasserfallen and Lehner 2018). As Hemerijck (2014) emphasises, “the EMU architecture was firmly grounded in the belief that redistributive welfare provision ‘crowds out’ private economic initiative, consumption and investment” (ibid., 150). Furthermore, liberalisation measures established during the deepening of the Single Market made countries more vulnerable to exogenous shocks, widened disparities and limited national room for manoeuvre. A deepening of the EMU, in terms of common social policies (e.g. minimum wage, minimum standards of labour protection, access to minimum social protection, EU-wide unemployment allowances), as well as an automatic correction instrument addressing current account imbalances are still pending.

3 Social Policy Change under the Post-Crisis EMU Regime

If there is one single theme that has continuously attracted the interest of political economy scholars, it is the idea that crisis instigates reforms (cf. Rodrik 1996, p. 26; Vis et al. 2011; Drazen and Grilli 1993; Bermeo and Pontusson 2012). As argued by historical institutionalists (f.e. Thelen 1999), government decisions tend to be path-dependent, portrayed by a cumulative process of hesitant step-by-step adjustment, unless there is a ‘critical juncture’ in the equilibrium which provides

the basis for a new equilibrium. The 2008 global financial crisis can be considered to represent such a ‘critical juncture’ that is likely to put pressure on governments in terms of the intensity and type of reforms and disrupt the interest coalitions that have previously resisted reforms. Randma-Liiv and Kickert (2017) state that, “[a] crisis, in the sense of an indubitable threat of breakdown, is assumed to set these forces free and bring about, more or less instantaneously, radical reforms” (ibid., 158). They argued that a crisis demonstrates the unsustainability and fragility of the status quo as it causes uncertainty and urgency. A crisis may shape the salience of issues and thus preferences in agenda-setting. Thus, it is likely to foster the acceptance of previously unacceptable ideas for policy reforms. The objective of this section is to contextualize triggers for policy change in the aftermath of the sovereign debt crisis and the introduction of the European Semester in order to explain the trajectories of transforming the welfare state (cf. Bauer and Knill 2012; Brooks 2017; Falkner 2016; Grahl 2015; Heins and De la Porte 2015).

Any crisis-induced changing of rules and requirements in the EMU requires broad intergovernmental consent, which is hard to attain in an EMU characterised by economic as well as institutional heterogeneity. Especially in times of crisis, when disagreement in crisis management touches deep beliefs about appropriate politics, policies and economics, consensus is surely hard to accomplish because of asymmetric concerns and collective action problems. Yet, a crisis also changes the power interplay of member states and thus enables a new willingness to assert oneself against the consensus principle in the Council. In general, the request for policy reforms is determined by national economic performance (e.g. public debt burden, economic growth, price stability) as well as the current leverage of EU institutions to impose reforms to consolidate their budgets and improve their productivity upon member states.

We argue that the reforms of the fiscal surveillance and macroeconomic coordination regime, with the introduction of the Six- and Two Pack, the Fiscal Compact Treaty, and the ESM, must be viewed as manifestations of core state interests and conservative policy shifts in national governments (see Bieling and Steinhilber 2013; Genschel and Jachtenfuchs 2014). This has influenced decision-making in the European Council, the Council of Ministers and the European Commission (cf. Whiteley 2016). The lack of conflict resolution competence on the supranational level opened a window of opportunity for core member states’ interests to institutionalize a comprehensive fiscal and surveillance regime with the so-called European Semester as well as tight austerity requirements to curb sovereign debts (cf. Streeck and Elsässer 2016, p. 13; Syrovatka 2016, p. 36; Ryner 2015). The creditor states (above all Germany)³ used the distress of debtor

³Caroline de la Porte and Elke Heins (2016) even call it an *Anglo-German blue print* providing the basis for the transformation of European social policies.

states as a leverage to shape the post-crisis EMU in institutional and normative terms (cf. Jones and Torres 2015; Stamati and Baeten 2015), thus facilitating comprehensive structural reforms with an enhanced focus on economic growth, competitiveness and fiscal discipline, which had adverse effects on social protection and wages (cf. Heinrich and Jessop 2013; Stockhammer and Onaran 2012; Wigger 2015, p. 118; Wessels 2015; Clua-Losada and Horn 2015; Degryse et al 2013).

Schimmelfenning (2015) concludes that intergovernmental bargaining during the crisis management was primarily shaped by the question of how to share adjustment costs of saving the Eurozone and what to expect in return. He further argues that the bargaining and institutional choices mostly reflected the preferences of the German-led coalition, foremost Finland, the Netherlands and Austria, and sought to minimize their financial liabilities and assistance (*ibid.*, 977). This is because Germany and its allies were less immediately threatened by the crisis than those member states of the periphery facing “a worse economic and fiscal position: less wealthy; more highly indebted; and under pressure from the financial market” (*ibid.*, 977; Ioannou et al. 2015, 165). Instead of fiscal solidarity between the member states, austerity measures and a neoliberal reform path became common sense and thus increased the impact of the crisis (Rothschild 2009).

It is therefore not surprising that a neoliberal narrative (Heinrich and Jessop 2013, p. 26) of the crisis has served to legitimise, on one hand, the EU’s crisis management instruments and the revised Economic Governance and, on the other hand, reform proposals addressed in CSRs. For example, Wigger (2015) concludes, in terms of labour market policy reforms, that: “the competitive undercutting of labour costs and enhancing labour profitability is believed to lead to more investment in Europe and enhance Europe’s competitiveness. However, intense capitalist competition, together with imposing perma-austerity and wage repression will only exacerbate the crisis further by redistributing wealth from wage earners to the owners of capital. [...] Neoliberal remedies [...] are only getting further recalibrated in their most authoritarian guise” (*ibid.*, 128). Due to its disciplinary character regarding social policy matters, national legislators’ room to manoeuvre became severely limited. Many scholars interpret and criticize the new fiscal and macroeconomic surveillance regime for its authoritarian approach.⁴

The following chapters explore the question of how the revised EMU governance regime facilitates social policy reforms by increasing the pressure on national

⁴See Bruff 2014 (‘Authoritarian Neoliberalism’); Oberndorfer 2016 (‘Authoritarian Competitive Statism’); Gill and Cutler 2014 (‘Disciplining Constitutionalism’); Bieling and Steinhilber 2013; Jackson and Deeg 2012.

governments as a consequence of stricter fiscal rules and by strengthening the role of the executive at the expense of the legislative and social partners (cf. Bekker 2015; Bruff 2017, p. 149). Section 3.1 describes the changing institutional context with a focus on fiscal rules, and Sect. 3.2 analyses the ideological policy shift that has occurred during the economic crisis.

3.1 Fiscal Rules, National Governments and Social Policy Reforms within the European Semester

This section examines the mechanisms through which EMU governance has constrained or enhanced the options available to political actors that are part of the domestic policy making process ex-ante and ex-post to the crisis (cf. Börzel and Risse 2012). In what follows, the analysis focuses on the multi-level dimension of EU polity to provide a better understanding of policy change at the domestic level in a highly veto-prone institutional setting. EMU-governance, first and foremost, consists of a centralized (supranational) and a decentralized (inter-governmental) part. This suggests a plurality of supranational, state and non-state actors with varying competences in policy-making on distinct territorial levels—supranational, national and subnational (cf. Jessop 2008, p. 220; Hooghe and Marks 2003). With the European Semester, we face a clear shifting of the arena onto the supranational level, although national governments are decisive bodies on both levels (cf. Giger and Nelson 2010; Bellamy and Weale 2015). Referring to Claudio Radaelli (2000), these changes might increase the likelihood of policy change as it, firstly, involves an impact on the institutional capacity to produce change by shaping the scope and type of executive leadership and respective veto players in a political system; and, secondly, shapes technocratic capture potential, legitimates policy discourses and has an impact on domestic advocacy coalitions. In addition, there are broader socio-demographic variables and various characteristics of the respective political system which all affect the timing, degree and type of reforms in particular countries (cf. Jahn, Kuitto, Düpont and Stephan 2014; Radaelli 2000).

When it comes to the EMU, reform demands of the European Commission are mirrored by the CSRs. They are discussed and finally approved and adopted by the Ecofin-Council and European Council. The national response is formulated in the National Reform Program (NRP).⁵ Supranational advocacy is affecting

⁵The respective member states' policy preferences have to be seen, first and foremost, in the light of their distinct policy legacies. See Schmidt 2002 (varieties of capitalism); Esping-Anderson 1990 (welfare state models); Falkner and Treib 2007 (worlds of compliance).

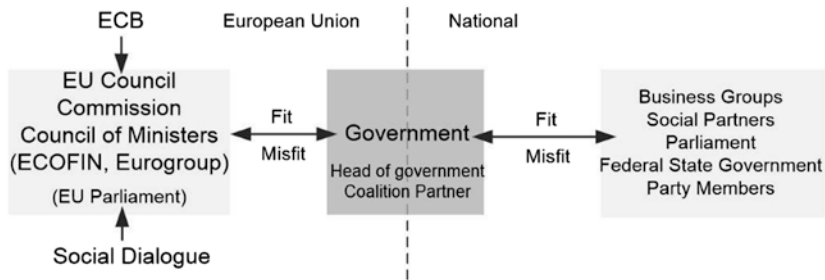


Fig. 2 Fit and misfit of policy preferences along multi-level EMU governance (Source © Zeilinger)

domestic agendas through the filter of national policy legacies. More precisely, the head of government and its cabinet are solely in charge of formulating NRPs in response to the CSRs. Thus, the governmental role was strengthened in two ways: First, by being involved on the supranational level, as they have a say in the European Council regarding the issuance of CSR-guidelines; as well as in finally adopting CSRs in the Council. Second, the governments are leading the debate on how to respond to the CSRs at the national level, expressed in the NRPs.

This Janus-faced role implies the dominance of national governments at the expense of distinct national veto-players, e.g. social partners, line ministries dealing with social matters and labour protection, the parliament as well as federal state governments.⁶ (see Fig. 2). Thus, the national response as reflected by the NRPs is mainly shaped by the respective policy preference of parties in government. If there is a normative match between the CSRs and the government's policy preferences, the NRP complies best.

Currently, the involvement of social partners in the negotiation of NRPs is merely marginal, as a study by Eurofound, published in 2015, has shown. Whereas in countries with a long tradition of social partnership (e.g. Austria, Germany, Sweden and Finland) they have a say in the preparation of Coreper-meetings and take part in Council working groups. In other countries, social partners are not involved in the formulation of the reform agenda at all. This approach is reminiscent of the implementation of the monetary union in the

⁶Governments are seen as strong in presidential systems, unified governments with a large majority of the party in office, and when they face few constraints in the decision-making procedure.

1990s, as Streeck and Elsässer (2016) argue: “[i]n the South—not just in Italy but also in France—significant factions of the political establishment looked forward to using the monetary union with Germany as a tool to discipline their national political economies, especially their trade unions” (ibid., 2). On the supranational level, the participation of social partners somewhat increased in the recent years and goes beyond the consultation procedure with the European Commission.

Consequently, governments decisively shape policy making by acting as a filter in terms of who has access to state bodies and public resources and the opportunity to influence and co-determine the reform agenda (decision-making power). In cases of a mismatch of policy preferences between national governments and possible veto-players (cf. Vis 2016; Giger and Nelson 2010; Tsebelis 2002; Pierson 1996) and political opposition, bargaining strategies (cf. Jensen and Seeberg 2015; Wenzelburger 2011) become more relevant. Due to their edge on information, national governments tend to utilise blame-avoidance strategies or bypass veto-players and political opposition. Given the fact that the implementation of structural reforms, including retrenchment and deregulation, bears high political risks as these policy reforms are in conflict with the welfare state’s popularity as well as the consensus-seeking culture when involving social partners. The implication for governments’ role in policy-making is twofold: On the one hand, the new procedural role for national governments enables them to use blame-avoidance strategies in order to adopt unpopular reforms at low political costs by referring to stipulations from the European Commission. On the other hand, governments gain a higher agenda-setting power, allowing them to design reforms—with benefits and drawbacks—in a balanced manner, thus making them more consensual. In addition, it enables partisan policies, as it will be in the government’s discretion to decide on who must bear the main burden of retrenchments and deregulation.

Besides this shift of procedural powers, resulting in an increase of executive powers on the supranational and member state level, which eases reforms, further mechanisms evoke social policy change. The rich literature on Europeanisation provides a useful starting point to grasp the distinct mechanisms for policy diffusion (c.f. Bulmer and Radaelli 2004).

Analogously to Fig. 2, we differentiate between diffusion mechanisms along the two dimensions: Firstly, between supranational and member state levels; and secondly, within domestic policy making. The following Fig. 3 classifies four mechanisms of policy diffusion. The first category considers direct effects through ‘coercion/conditionality’ and ‘socialisation/persuasion’, but also indirect effects through ‘competition’ and ‘emulation/lesson-drawing’ (cf. Bulmer and Radaelli 2004; Schmidt 2015; Dobbin et al. 2007; Börzel and Risse 2012; Neumayer and Plümper 2012). The second category differentiates between executive influence due to either decision-making power or agenda-setting power.

Diffusion Effect Policy Preferences		Direct	Indirect
European Union	Fit	Persuasion	Emulation / Lesson-drawing
	Misfit	Coercion / Conditionality >> EDP-sanction, Financial Assistance, Mandatory Specifications	Competition >> Single Market Liberalisation
National	Misfit	Decision-making >> Top-down Politics (Bypass Veto-players)	Agenda-setting >> Gov. Partisanship (Blame Avoidance Strategies)

Fig. 3 Diffusion mechanisms of EU policies. (Source own figure, based on Bulmer and Radaelli 2004)

The soft mechanisms of ‘persuasion’ and ‘emulation/lesson-drawing’ are facilitated by the Open Method of Coordination (OMC) through benchmarking, information exchange and mutual learning from other countries’ best practice examples. This soft-coordination structure is designed to enable member states to adapt their assessment of the effectiveness or appropriateness of certain policies. Although the EU provides the perfect grounds for a socialisation process to take root, the fragmented multilevel governance of the EU makes it extremely difficult to identify the source of socialisation (cf. Doray-Demers and Foucault 2017, p. 860). The willingness to harmonise their policies with others refers, first of all, to the match of the ideological orientation of parties in government as well as to their general likeliness to comply with EU law and requirements (see Falkner and Treib 2007). Convergence through ‘competition’ occurs when policy-makers consider the economic implications of other countries’ policies for their own country (spatial interdependence)—a process which has been heavily intensified by the implementation of the European Single Market program.

Due to the regulatory powers remaining mostly with the member states in the case of social policies, the utilisation of the direct mechanisms of ‘coercion or

conditionality' is, at first glance, less likely. We suggest that this has changed with the introduction of the new EMU's governance regime. Two scenarios in which countries have been vulnerable to coercion/conditionality are: Firstly, countries who requested financial support through the ESM were forced to adopt more rigid fiscal rules by adopting the Six-Pack legislation and the Fiscal Compact Treaty as a precondition (cf. Doray-Demers and Foucault 2017, p. 867). Alongside this negative conditionality, positive conditionality is given in the form of financial assistance by the European Structural and Investment Fund (ESIF), supporting i.a. the implementation of CSRs (applied especially in Portugal, Spain and Italy). Secondly, the more a country is threatened by sanctions as foreseen within the EDP and Excessive Imbalance Procedure (EIP), the stronger the adjustment pressure. Although no fines have been imposed since the introduction of the Stability and Growth Pact (SGP) and the stricter Fiscal Compact Treaty, we assume an anticipatory obedience effect due to the risk of exuberant political costs.

3.2 Fiscal Rules and the Scope for National Policymakers

The fiscal rules introduced with the 1992 Maastricht Treaty inflicted constraints on budgeting by establishing a strong notion on benchmarks and steering by indexation (cf. Doray-Demers and Foucault 2017, p. 859; Nerlich and Reuter 2013). The so-called 'Convergence Criteria' stipulate a budget deficit-to-GDP-ratio of 3% and a debt-to-GDP-ratio of 60% in order to contribute to the ECB's monetary policy objective of keeping the inflation rate at a stable just below 2%. As argued by Heipertz and Verdun (2004), these criteria were less the result of a shared belief but rather introduced under immense pressure by Germany and Denmark. Anyhow, in 1997, all Eurozone member states agreed to comply their fiscal policies with this threshold by signing the Stability and Growth Pact I (SGP I) in order to foster fiscal discipline as the "cornerstone of monetary integration" (Crespy 2016, p. 189). In the context of the SGP, the EU member countries are obliged to publish Stability (for Eurozone countries) and Convergence (for non-Eurozone countries) Programs which include budgetary forecasts for a three-year horizon.

Under the SGP I regime, a member state's failure to implement effective measures did not automatically evoke sanctions, as these still were to be decided by the Ecofin-Council by qualified majority voting (QMV). Since its introduction, the Ecofin-Council has never decided to impose any sanctions against its members. In 2005, the SGP I was reformed to strengthen its anticyclical capacity by

increasing flexibility in order to be able to adapt to country-specific macroeconomic contexts if needed (cf. Chang 2016, p. 121). This reform was viewed with concern by critics as it was suspected of weakening the efforts of member states to implement structural reforms and consolidate their budget in a sustainable manner. When the Lisbon treaty came into effect in 2009, another revision of the SGP II resulted in empowering the Council to “strengthen the coordination and surveillance of [Eurozone countries] budgetary discipline” along with establishing “economic policy guidelines for them” (TFEU, Art. 136). With the increase of sovereign debt in the course of the financial crisis in 2008, new surveillance and enforcement mechanisms were grafted onto the pre-existent institutional frameworks and incorporated into the multi-annual financial framework of the European Semester (see Table 2).

New measures—as manifested in the ‘Six Pack’ (2011) and ‘Two pack’ (2013) as well as in the Euro Plus Pact (2011) and the Fiscal Compact Treaty (2012)—employ several ordoliberal elements, as f.e. strict numerical thresholds and rules for national fiscal and macroeconomic policies as well as a comprehensive liberalisation strategy of all market-related policies. The ‘Six pack’ included three regulations and one directive addressing the enforcement of budgetary surveillance and the implementation of the Excessive Deficit Procedure (EDP); and two regulations (1176/2011; 1174/2011) aiming to improve the prevention and correction of macroeconomic imbalances. Regulation 1174/2011 only applies to all Eurozone Member States and focuses on the possibility of sanctions and other procedures for enforcement of the needed ‘corrective action plan’ (CAP) to satisfy the Excessive Imbalance Procedure (EIP) recommendation from the Council. Further, with the ‘Six pack’, the quorum to open an EDP was changed to Reversed Qualitative Majority Voting (rQMV). It states that instead of the Council voting by qualified majority to open an EDP, they must now approve or overrule the proposal of the European Commission by qualified majority within ten days.

Table 2 Type of fiscal rules. (Source Working Group on the Quality of Public Finances of the European Commission; cited in: Doray-Demers and Foucault 2017, p. 855)

	Pre-2009	Post-2009		Pre-2009	Post-2009
Budget Balance Requirements	47.78%	37.04%	Constitutional	5.56%	6.17%
Debt to GDP Ratio	22.22%	25.93%	Legal	57.78%	76.54%
Expenditure limits	23.33%	28.4%	Political	36.66%	16.04%
Revenue limits	6.67%	4.94%			
Number of Fiscal Rules	90	81		90	81

In 2013, the legislative reforms of the Six-Pack were followed by two additional regulations (473/2013; 472/2013). The so-called ‘Two-Pack’ was ratified to improve the scrutiny of member state’s policy making, whereas regulation 472/2013 is only applied if a state receives financial assistance through the ESM or has an ongoing EIP. It stipulates enhanced surveillance with an increased frequency for submitted progress reports on the implementation of the CAP to the European Commission on a quarterly basis. The European Commission uses this frequent surveillance to send early warnings if member states miss complying with required targets and/or the fiscal adjustment path. Further, if it questions the fiscal sustainability of the respective member states, the Council may also decide to extend surveillance after the program.

Having entered into force in January 2013, the intergovernmental Treaty on Stability, Coordination and Governance in the EMU (TSCG)—also called the Fiscal Compact Treaty—introduced stricter criteria amending the Stability and Growth Pact (SGP III). The 26 ratifying countries⁷ declared to adopt national constitutional or legal constraints determining fiscal policy. The negotiations took place in a period of severe sovereign debt in Portugal, Ireland, Italy, Greece and Spain, which facilitated their acceptance of the Fiscal Compact as its adoption is obligatory to access financial assistance through the ESM (cf. Doray-Demers and Foucault 2017, p. 854). The implementation of a national Balanced Budget Rule (‘Golden Fiscal Stability Rule’) with an Automatic Correction Mechanism, included in article three of the Fiscal Compact, has quite an impact on national budgeting. Thus, Bruff (2017) views article three as “EU’s attempt [...] to formalize the requirement to preemptively self-impose such measures” (ibid., 161). The Fiscal Compact binds the ordinary budgeting process to a new numerical threshold of a structural deficit of 0.5 percent of nominal gross domestic product (GDP). It is the respective ministry of finance who decides on the Stability Program (SP) as well as the domestic enforcement of the debt criteria and the implementation of the Fiscal Compact. Article eight of the Fiscal Compact sets up a respective enforcement mechanism. Compliance with those standards will be monitored by the COM; their transposition will be subject to the jurisdiction of the European Court of Justice (ECJ) with possible financial penalties for those who fail to comply (Fabbrini 2017, p. 125). To sum up, the European Commission is the reform’s true profiteer, as it is entrusted with far-reaching discretionary legislative and enforcement powers “to perform surveillance, make recommendations and even sanction member states in breach of fiscal rules” (Chang 2016, p. 121).

⁷Signatories are all member states of the European Union, except for the Czech Republic and the UK.

The strengthening of fiscal surveillance is only one part of the new comprehensive surveillance program called the ‘European Semester’. The other noteworthy innovation is the enhancement of macroeconomic surveillance; providing the Council and the European Commission with greater discretionary authority in addressing macroeconomic imbalances. The relevance of this policy innovation is twofold in regard to the welfare state generosities: First, a shift from previously ‘soft’ law measures to more binding requirements⁸ in order to push for structural reforms; and, second, a manifestation of an articulation-cum-subordination of social concerns to fiscal discipline and competitiveness (cf. Bruff 2017, p. 155, 160; Oberndorfer 2016).

The underlying macroeconomic priorities were revised in the course of the sovereign debt crisis. In 2010, the ill-fated Lisbon Strategy was succeeded by the current ten-year EU reform agenda Europe 2020, which defines five numerical headline targets to be achieved by the year 2020. It aims at helping to recover from the crisis by improving the competitiveness of national economies and social cohesion with a high level of employment and balanced fiscal policies. Member states are expected to translate them into their reform agenda and must annually report on the progress achieved and on the challenges encountered to the European Commission.

Currently, the Euro Plus Pact, launched in 2011, is the legal basis for its signatories.⁹ Its objectives are based on reform demands that have already been addressed by the Broad Economic Policy Guidelines (BEPG) and Employment Guidelines since 1992 (TFEU article 121 and 148 respectively). Thus, as Bruff (2017) points out, “post-2010 developments should not be viewed purely in terms of a response to exceptional and largely economic crisis” (ibid., 160). The 23 signatories agreed on the following objectives: First, a commitment to competitiveness which includes the reduction of unit labour costs (re-examining wage determination mechanisms) and an increase of productivity (opening up protected sectors, encouraging research and development, education and improving the environment for companies; Second, the significant deregulation of the labour market (atypical employment, flexicurity, activating LMPs, decentralized wage bargaining, lifelong learning ...) and reduction of taxes on labour (cf. Kincaid and Watson 2015, p. 798); Third, ensuring consolidated public finances through the viability of pensions, health care and social benefits by adapting the

⁸Characterised in the literature as a hardening of soft power (cf. Atanosova 2018, p. 32 f.).

⁹Signatories are all member states of the European Union except Croatia, Czech Republic, Hungary, Sweden and UK.

pension system to the national demographic situation (adjusting the real retirement age to life expectancy, increasing the activity rate and so on) and by limiting early retirement schemes and incentivising the employment of older workers (especially those over 55 years of age). The member states must transpose these commitments into concrete action that will be reflected in their National Reform Programmes (NRP) and their Stability and Convergence Programmes (SCP).

Furthermore, the Excessive Imbalance Procedure (EIP), complementing the Alert Mechanism Report (AMR), was introduced in 2012. The EIP fills a previous void by helping to identify worrisome macroeconomic imbalances and proposing remedial policy actions (Kincaid and Watson 2015, 790). Macroeconomic surveillance is performed according to a scoreboard of 14 indicators—complemented by 25 auxiliary indicators—covering the most relevant areas of macroeconomic imbalances. It includes thresholds on:

- Debt
Government Sector Debt (60% to GDP), Private Sector Debt (160% to GDP)
- Competitiveness (over a period of three-years)
Account Balances (-4% to +6% to GDP), Export Market Share (-6%),
Unit Labour Costs (+9%),
- Labour market
Unemployment Rate (10% during three-years), Activity Rate (-0.2%),
Long-term Unemployment Rate (+0.5%), Youth Employment Rate (+2%)
- Financial market
- Real Exchange Rates (\mp 5%), Internat. Investment Position (-35%), House Prices (+6%), Private Sector Credit Flow (15% to GDP), Financial Sector Liabilities (+16,5%)

The findings of In-Depth Reviews (IDRs), together with the Europe 2020 goals and Euro-Plus Pact, are included in the CSRs, which Member States must consider in their annual binding NRPs. Following the AMR of 2018, in-depth reviews (IDRs) were carried out for twelve countries.¹⁰ The final evaluation is the basis for the European Commission whether to recommend opening an EIP or not to the Ecofin-Council. Countries under the EIP must additionally submit a corrective

¹⁰In 2018, Croatia, Cyprus and Italy are experiencing excessive economic imbalances; France, Spain, Bulgaria, Germany, Ireland, the Netherlands, Portugal and Sweden are experiencing economic imbalances; Slovenia is found not to be experiencing economic imbalances.

action plan (CAP) detailing measures to address their challenges, as well as a time frame for their execution.

The enforcement of these thresholds was pivotally strengthened by the European Semester and the Fiscal Compact Treaty. The main innovations have been the introduction of the reversed Qualified Majority Voting in the Ecofin-Council to open an EDP, modification of sanctions in case of a violation of the agreed fiscal rules and the involvement of the European Court of Justice to guarantee the compliance with the Fiscal Compact Treaty. As a study by Bekker (2015) has shown, about 50% of social CSRs have a legal context, which can be used as leverage to constrain national governments reform agenda to comply with the respective CSRs (see Table 3).

3.3 Ideology and the Reform of the Welfare State

As discussed in the previous section, social policy-making clearly changed with the new supranational surveillance and coordination system within the European Semester. The heads of government in the European Council agreed on empowering the supranational bodies and on accepting stricter fiscal rules (cf. Tröger 2015). The initial question is why they admitted a limitation of their room of manoeuvre in social policy-making. The argument here is that in the aftermath of the financial crisis, governments agreed to transfer competences to the supranational level in order to overcome domestic opposition because the European Commission is better placed than national governments to impose and enforce

Table 3 Social-CSRs in the context of SGP and/or MIP, 2013. (Source Bekker 2015, p. 13)

Legal context of CSRs	Number of social-CSRs
Referring to both the SGP and MIP	5
Solely referring to SGP	9
Referring to combination of SGP and its corrective arm, the EDP	6
Solely referring to MIP	8
Referring to combination of MIP and its second stage, the in-depth review/EIP	11
TOTAL	39 (= 50% of social CSRs in total)

strict rules and unpopular reforms as it is insulated from political and electoral accountability (cf. Streeck and Elsässer 2016, p. 19 f.). Apart from that, in the aftermath of the financial crisis, conservative governments gained the majority in the Council (see Fig. 4) and, hence, agreed to revise of the surveillance procedure and to impose stricter fiscal rules. While enhanced fiscal requirements and reform pressure, expressed by the indicators of the MIP and CSRs, limit the room of manoeuvre for national policy makers, member states are still the sovereign. More precisely it is the government which gained a crucial role between the supranational coordination of macroeconomic guidelines and the national social policy making. Hence, its ideological orientation might be expressed more strongly expressed in social expenditures, welfare state entitlements and Labour Market Policies (LMP). According to the literature, we should expect that parties of different ideological orientations in the tradition of socio-cultural cleavages conduct policies addressing redistribution and welfare state generosity in accordance with the interest of their core constituency (cf. Hibbs 1992, p. 361 f.). In other words, parties are policy-seeking. The debate has centred on the question of whether government by left parties will produce significantly different policy outputs than government by centre-right or right parties. The classical argument is that trade unions and left parties represent working-class interests and favour higher levels of government spending to reduce social distortion and unemployment risks, while conservative parties engage in fiscal discipline to accommodate the inflationary concerns of capital owners (Kraft 2017, p. 1432; Hibbs 1992, p. 363). While some studies support this general partisan hypothesis (Allan and Scruggs

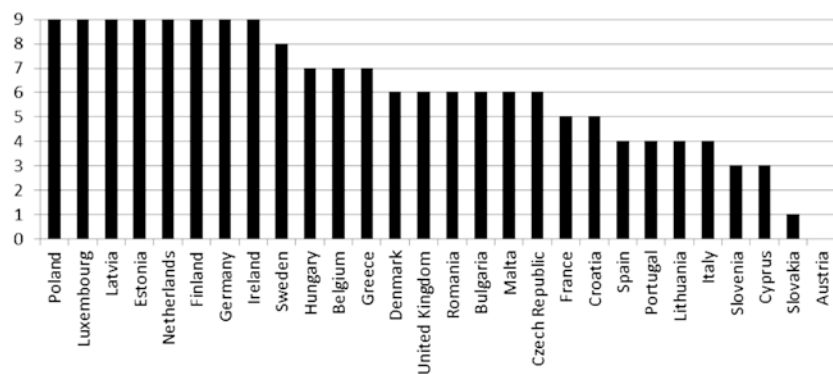


Fig. 4 Number of years the country had a conservative prime minister, 2007–2015 (Source <http://www.parl.gov.org/>, own calculations, ideology scores above five are interpreted as conservative)

2004), most conclude that, to a certain extent, this explanation results in oversimplification of the link between policy-makers and welfare state constituencies (Busemeyer and Garritzmann 2017; Jensen 2010; Pierson 2001).

The argument for strong partisan effects on social policies has, however, been challenged by several counter-arguments: First, it partly contrasts Downsian theories (Downs 1957) of party competition, in which public policy is determined by the median voter's preferences rather than by the preferences of core constituencies of parties in power (cf. Kraft 2017, p. 1432 f.; Kwon and Pontusson 2010; Allan and Scruggs 2004). This effect increases with the growing volatility in voting behaviour (cf. Rohrschneider and Whitefield 2012). Hence, governing parties must also convince an increasing group of swing voters of their ability to solve the salient problems (cf. Mair 2002). This can create complex dilemmas for incumbents, as finding the right balance between re-election ambitions and their core clienteles' policy preferences can be difficult (Kraft 2017, p. 1433). Consequently, we should expect strong pressure to move towards a more pragmatic reform stance into an era of "permanent austerity" (Pierson 2001). Pierson argues that left-right related interests and values were certainly important in the expansion phase of the welfare state but that they lose explanatory clout in the austerity phase (ibid., 417). Jakobsson and Kumlin (2016) express this argument as follows: "Cautious and centrist policy tendencies arise as all parties gradually find themselves caught between a rock (more or less severe reform pressure) and a hard place (enduring welfare state support) with associated needs for blame avoidance" (ibid., 10). Thus, we observe that governments of all ideological denominations develop a more pragmatic stance towards a neoliberal reform agenda which includes retrenchment and dismantling of social and labour provisions (e.g. the 'third way'). Whereas centre/right governments face tailwind for their demands in an era of austerity, leftist governments are cautious in carrying out unpopular reforms due to expected political costs.

Second, it is argued that the salience for austerity in a period of economic crisis has the effect that voters prefer consolidated budgets and thus support conservative parties (cf. Loftis and Mortensen 2017). As concerns about fiscal austerity and budgetary prudence become predominant in the political agenda, governments tend to focus on those problems in course of an economic downturn (cf. Green-Pedersen and Mortensen 2015). Apart from that, Hübscher (2016) highlights the correlation between the timing of fiscal cuts during the legislative term. The concept of issue ownership states that parties' abilities to handle problems are perceived differently and are path-dependent on the attention a party has previously paid to particular issues (Petrocik et al. 2003). This means that parties can lose a substantial amount of electoral support if attention is drawn to an issue where

they lack issue ownership. Regarding the issue ownership theorem, the majority of voters perceive right-wing parties as more capable to keep government spending balanced and conduct austerity policies, which they manage to frame as efficient, fair and sustainable policies (cf. Seeberg 2016; Walgrave et al. 2014; Mueller et al. 2015). A study by Seeberg (2016) shows the distribution of answers from 20 national election studies across eight countries in which voters were asked which party they think is best at handling budget problems. In 17 out of the 20 studies, the majority of voters attributed higher competence to right wing parties.

The electorate's mistrust will increasingly become an electoral vulnerability, potentially leading to substantial vote losses for the Left. This might explain the increase of conservative parties holding the prime ministership (see Fig. 4). This reputational disadvantage of the Left constitutes a major threat to social democratic governments seeking office or re-election (Kraft 2017, p. 1431). The increasing salience of austerity hence creates a lose-lose situation for the Left. In the aftermath of the financial crisis, left-wing governments had a very hard time convincing the electorate of their ability to consolidate national budgets. To achieve the turnaround, social democratic governments are forced to campaign austerity policy even against their core party interest because it is much more dangerous to appear irresponsible or passive on highly politicized issues than on depoliticized issues. Kraft (2017) highlights the likelihood of social-democratic governments to agree on a trade-off between partisan interests in high spending levels and re-election motives to signal fiscal discipline and avoid the potential loss of swing voters. He further states that "this implies cutting spending and reducing budget deficits as much or even more than a right-wing government would have done" (ibid., 1435). Thus, they try to compensate for their lack of issue ownership and are even surprisingly willing to sacrifice core constituent interests (Jensen 2010; Arndt 2013; Karreth et al. 2013). This strategy is defensive in nature and it remains doubtful whether satisfying the median voter will secure electoral support in the future as conservatives traditionally have issue ownership on austerity policies. If social-democratic parties give up partisan interests, they risk losing their core constituency to other parties or more progressive factions.

4 Econometric Analysis

As highlighted in the previous section, policy change is triggered by two dimensions: First, the prevailing institutions involved in policy-making ('politics matter'); and, second, the actors' preferences ('ideology matters') involved. Thus, the following empirical analysis is based on two hypotheses:

First, stricter austerity programs within the Fiscal Compact Treaty and the ESM as well as the revised fiscal and macroeconomic surveillance procedure (Six & Two Pack) shape policy options for national legislators. Supranational impact is expressed through the CSRs and their corrective arms: the Macroeconomic Excessive Imbalance Procedure (EIP), the Excessive Deficit Procedure (EDP) and the Memorandum of Understanding in case of ESM-funding (cf. Bekker 2015):

H₁: Strengthening the fiscal rules regarding surveillance and enforcement implies a decline of social expenditures in the event of fiscal imbalances.

Second, by shifting the arena to the supranational level, in regard to the macroeconomic policy coordination, strengthens the role of national governments at the expense of national parliaments and social partners. Further it reduces political costs of implementing unpopular social policy reforms as strategies like blame-avoidance are applied. Thus, we assume that the ideology of parties in government plays a more dominant role as decision-making power and agenda-setting power of executive bodies have increased:

H₂: The more conservative a government, the more likely are cuts in social spending.

Descriptive data on the relevance of H_1 and H_2 is provided in Table 4. Considering, for instance, growth in expenditures on social protection, the by far largest expenditure category with a share exceeding two thirds (see Table 3), it is notable that countries with an EDP or ESM/EDP experienced much lower growth rates than countries without ESM or EDP. In addition, left-wing governments showed higher median growth rates in social protection expenditures than conservative governments.

4.1 The Empirical Model

In order to test our two hypotheses, an econometric analysis is conducted. Growth rates in six different categories of social spending according to the COFOG classification (Classification of the Functions of Government from Eurostat) are used as dependent variables. Specifically, the six determinants of changes in spending on 1) social protection (COFOG 10), 2) health (COFOG 07), 3) education (COFOG 09), 4) sickness and disability (COFOG 10.1), 5) old age (COFOG 10.2) and 6) unemployment (COFOG 10.5) are examined. The effects of government ideology and institutions, which were either established or gained importance in the

Table 4 Median Growth Rates of Social Expenditures according to Country Years, EU 28, 2007–2015. (Source see Table 5 for data sources and variable definitions, own calculations)

	Social protection	Health	Education	Old age	Sickness	Unemployment
Neither ESM nor EDP	2,8	3,6	2,9	3,5	3,2	1,4
Only EDP	1,4	0,9	0,5	2,4	0,4	–0,1
ESM and EDP	–1,5	–6,6	–4,1	1,9	–5,0	–7,2
Conservative cabinet (lr.cabinet > 5)	1,2	1,5	1,3	2,5	1,1	–0,9
Left-wing cabinet (lr.cabinet ≤ 5)	2,0	1,6	1,0	2,9	0,4	1,8
Conservative prime minister (pm > 5)	1,2	1,4	1,5	2,8	1,1	–1,5
Left-wing prime minister (pm ≤ 5)	1,9	1,9	0,9	2,6	0,5	2,6

course of the Eurozone crisis and the introduction of the European Semester are of particular interest here. A detailed definition of each variable is provided in the appendix.

Based on different specifications, panel fixed effect models are estimated by using a balanced macro panel dataset of the EU-28 countries for the years 2007–2015.¹¹ In panel econometrics parlance, the data set can be described as a short or cross-section panel. Hence, the time period covered stretches from a few years before the Eurozone crisis through the peak of the crisis and its aftermath. As a preliminary step, the possibility of non-stationarity is investigated using panel unit root tests. The tests show that growth rates of all considered social spending categories are stationary.¹²

¹¹The following R-packages were used for the econometric analysis: R-packages: plm (Version 1.6-6, Croissant et al. 2017), lmttest (Version 0.9-36, Hothorn et al. 2018), tsseries (0.10-44, Traplett et al. 2018), stargazer (Version 5.2.1, Hlavac 2018), gplots (3.0.1, Warnes et al. 2016).

¹²Detailed results are available upon request.

Measuring the ideological orientation of governments and political parties is plagued by theoretical and empirical ambiguities. Hence, the empirical literature has suggested a number of different concepts and data sources to construct ideology variables (Potrafke 2017). We employ data on the prime minister’s and the cabinet’s ideological orientation from the ParlGov database (Döring and Manow 2018; for details see Table 5). Both variables are measured on a scale from 0 to 10, with low numbers representing left-wing orientation and higher numbers conservative and right-wing values. In addition, data from the Inter-American Development Bank’s Database of Political Institutions were also included, but their explanatory power was lower than the ParlGov data. Looking at the distribution of the prime ministers’ ideology in the EU-28 countries, Fig. 5 reveals a political landscape dominated by conservative prime ministers: eight countries had a conservative prime minister during the whole 2007–2015 period, and only one country, namely Austria, had a social-democratic prime minister in the respective period. One might expect that a deep economic crisis of the capitalist system would improve the performance of left-wing parties promising to regulate the financial system and share social costs in a balanced manner; apparently, this most recent financial crisis has been the exception and not the rule. As a limitation, it should be mentioned that the analysis does not consider the probable effect of the differences between parliamentary, presidential and semi-presidential systems and between federal and unified governments on executive leadership.

Table 5 Estimated econometric models

	Model					
	1	2	3	4	5	6
	<i>gsocial</i>	<i>ghealth</i>	<i>geduc</i>	<i>gold</i>	<i>gsick</i>	<i>gunemploy</i>
Main independent variables	pm/lr.cabint	pm/lr.cabint	pm/lr.cabint	pm/lr.cabint	pm/lr.cabint	pm/lr.cabint
	esm	esm	esm	esm	esm	esm
	edp	edp	edp	edp	edp	edp
Control variables	auster, ggdpr, debt, gpov, pop14, pop65, global, pov, gur	auster, ggdpr, debt, gpov, pop65, global, gur	auster, ggdpr, debt, gpov, pop14, global	auster, ggdpr, debt, gpov, pop65, global	auster, ggdpr, debt, gpov, pop65, global, gur	auster, ggdpr, debt, gpov, global, gur

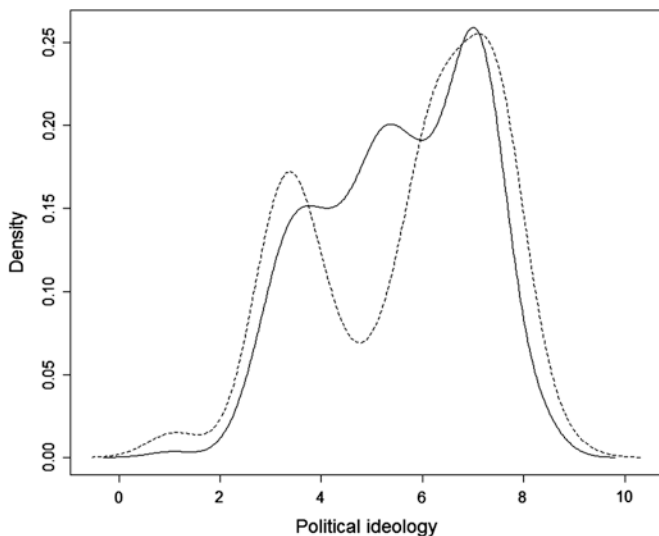


Fig. 5 Density plot of the prime minister (dashed line) and the cabinet variable (solid line); Lower values refer to a more leftist ideology (Source <http://www.parlgov.org/>, own calculations)

Figure 5 illustrates the distribution of the two ideology variables. While the ‘prime minister variable’ shows a typical bimodal distribution, the ‘cabinet variable’ follows a skewed left distribution, reflecting the dominance of conservative parties and the effects of coalition building. The bivariate correlation between the political orientation of the prime minister and the cabinet is 0.86, i.e. the two variables are quite similar in their measurement of political ideology.

All panel models include individual and time fixed effects. According to Beck and Katz (1995) Panel Corrected Standard Errors are calculated to address problems with heterogeneity and autocorrelation. Newey-West type standard errors turned out to be smaller on average than the Panel Corrected Standard Errors.

The econometric fixed-effects model controls for all variables that do not change either over the considered time period, or for extraordinary events common to all countries in any given period. On the one hand, this approach has the advantage of controlling for all observable and unobservable country characteristics that may be relevant to explain changes in social expenditures but lacks explanatory depth when it comes to changes in the short run (e.g. socio-economic model or preferences of the population regarding state intervention). On the other

hand, the effects of time-invariant variables cannot be estimated separately. The independent variables are dated contemporaneously, i.e. static panel models are applied. The choice of a static model is probably a strong assumption; yet, the complex decision-making process regarding public expenditures does suggest a straight-forward structure of lags for the independent variables. For example, decisions on public expenditures are typically based upon forecasts of economic growth or debt levels rather than their historical figures.

The modelling strategy is based on the estimation of six different models, one for each of the six dependent variables. Table 5 gives an overview of the models. In particular, the same set of main independent variables is used but the models differ to some degree with regards to the control variables. The main independent variables express the interest in the effects of political orientation (*pm* and *lr.cabinet*) and institutional design (*esm*, *edp*), whereas the control variables are chosen based on the literature and common sense. Our covariates include variables that measure austerity (*auster*), economic growth (*ggdpr*), debt levels (*debt*), population growth (*gpop*) and age structure (*pop14*, *pop65*), openness of the economy (*global*), the unemployment rate (*gur*) and the poverty rate (*pov*) (Dreher et al. 2008; Potrafke 2011; Reeves et al. 2014). Depending on our explained variable, a subset of those control variables is used to estimate the panel models (see Table 4). Definitions of the variables in Table 4 and data sources are given in Table 6.

Descriptive statistics of all variables are provided in Table 7. Due to large differences between countries and their development paths during the economic crisis, the range of several variables is quite remarkable. For example, the minimum of the change in unemployment expenditures was -71.7% , whereas the maximum was 170% . The mean for austerity (0.15) indicates that the average state of budgetary policy was contractionary. Correlation analysis of the independent variables shows rather low correlation coefficients, with most of them below 0.5 in absolute value. Hence, multicollinearity is not a serious problem.

4.2 Estimation Results

With respect to the estimation of the six models (1)–(6) in Table 5 we ran six regressions for each model (A1)–(B3) (see Table 8). For regressions A1–A3 (B1–B3), the effect of the ‘prime minister variable’ (‘cabinet variable’) is considered. Equation (A1) and (B1) are estimated using all main dependent variables except the austerity variable according to Table 4. In equation (A2) and (B2), the austerity

Table 6 Variable description

Variable	Description and interpretation	Source
Dependent variables		
ghealth	Annual real growth rate of general government health expenditures (%) (COFOG 07)	Eurostat, own calculations
geduc	Annual real growth rate of general government health expenditures (%) (COFOG 09)	Eurostat, own calculations
gsocial	Annual real growth rate of general government social protection expenditures (%) (COFOG 10)	Eurostat, own calculations
gsick	Annual real growth rate of general government sickness and disability expenditures (%) (COFOG 10.1)	Eurostat, own calculations
gold	Annual real growth rate of general government old age expenditures (%) (COFOG 10.2)	Eurostat, own calculations
gunem- ploy	Annual real growth rate of general government unemployment expenditures (%) (COFOG 10.5)	Eurostat, own calculations
Independent variables		
auster	Change in the structural budget balance as a % of the potential GDP (in percentage points) , a positive value indicates austerity whereas a negative value budgetary expansion. Hence, an increase in auster refers to budgetary	IMF, World Economic Outlook Database (October 2017)
debt	Government consolidated gross debt as a % of GDP	Eurostat, [gov_10dd_edpt1]
edp	Dummy variable, 1 = Country is subject to an excessive debt procedure, 0 otherwise	European Commission
esm	Dummy variable, 1 = state receives funding from ESM or institutional precursors, 0 otherwise	European Stability Mechanism
ggdpr	Annual real growth rate of GDP (%)	Eurostat, own calculations
global	$[(\text{exports of goods and services} + \text{imports of goods and services})/\text{GDP}] * 100$	Eurostat, UN National Accounts main aggregates Database
gpop	Growth of the population (%)	Eurostat, [demo_gind]
gur	Annual change of the unemployment rate (percentage points)	Eurostat, [une_rt_a]
lr.cabinet	Political orientation of the cabinet [0;10], product of the ideological orientation of the parties in government and their share in parliament	ParlGov database (Döring and Manow 2018)

(continued)

Table 6 (continued)

Variable	Description and interpretation	Source
pm	Political orientation of the prime minister [0;10]; non-elected expert prime ministers are assigned a score of 5. Values above (below) 5 indicate a more right-wing (left-wing) politician. The score refers to the ideology of the prime	ParlGov database (Döring and Manow 2018)
pop14	Proportion of population aged 14 years or less	Eurostat
pop65	Proportion of population aged 60 years and more	Eurostat
pov	Percentage of people at risk of poverty or social exclusion by age and sex	Eurostat

Table 7 Descriptive statistics

	Mean	Standard deviation	Minimum	Maximum
<i>Dependent variables</i>				
geduc	0.85	7.08	-29.3	23.00
ghealth	1.72	7.87	-21.00	68.4
gold	3.14	6.68	-17.8	51.1
gsick	0.68	10.73	-88.9	50.9
gsocial	2.18	5.62	-13.6	25.2
gunemploy	3.32	25.01	-71.7	170
<i>Independent variables</i>				
auster	0.15	1.81	-8.6	6.5
debt	61.7	34.75	3.7	179
edp	0.65	0.48	0	1
esm	0.07	0.26	0	1
ggdpr	1.13	4.1	-14.8	25.6
global	122.13	68.21	45.6	410.2
gpop	0.23	0.85	-2.23	2.93
gur	0.24	1.81	-4.4	9.8
lr.cabinet	5.57	1.51	1.05	8.44
pm	5.66	1.81	1.1	8.7
pop14	15.84	1.76	13.1	22.1
pop65	16.86	2.3	10.8	21.7
pov	24.76	8.1	13.9	60.7

Table 8 Main regression results: significant variables, Sign and F-tests. (***) $p < .01$; ** $p < .05$; * $p < .1$. Individual and time fixed effects are included; Panel Corrected Standard Errors. A grey cell signifies an insignificant F-test at the 10% level)

	Model					
	(1)	(2)	(3)	(4)	(5)	(6)
	gsocial	ghealth	geduc	gold	gsick	gunemploy
(A1)	esm (-)*	esm (-)*** edp (-)**	esm (-)** edp (-)***	-	esm (-)**	pm (-)*
(A2)	auster(-)***	auster (-)***	edp (-)** auster (-)***	auster (-)*	auster (-)**	pm (-)*
(A3)	auster(-)*** global (-)***	auster (-)*** ggdpr (+)*	edp (-)** auster (-)*** ggdpr (+)***	pop65 (-)** global (-)***	auster (-)**	auster (-)*** ggdpr (-)*** gur (+)***
(B1)	esm (-)**	esm (-)*** edp (-)**	esm (-)** edp (-)***	esm (-)*	esm (-)**	-
(B2)	auster (-)***	auster (-)***	edp (-)** auster (-)***	auster (-)*	auster (-)**	-
(B3)	auster (-)*** global (-)***	auster (-)***	edp (-)** auster (-)*** ggdpr (+)***	pop65 (-)** global (-)***	auster (-)**	auster (-)*** ggdpr (-)*** gur (+)***

variable (auster) is added to the model. Finally, all the other covariates are included to estimate the equations (A3) and (B3) which represent the fully specified models.

The significant variables are summarised in Table 7¹³. A causal interpretation of the results presents several issues. Firstly, the error of missing variables cannot be ruled out. Secondly, simultaneity may be an issue. For example, it might be the case that people choose a more left-wing party at the ballot box as a result of austerity policies, whereas our models are based on the assumption that political orientation affects social spending decisions. Finally, measurement error is always an issue, especially in the case of measuring ideology. These limitations

¹³Detailed results are available upon request.

suggest that an interpretation of the coefficients in terms of correlations is more appropriate than one probing for causality. Regarding its explanatory power, the R^2 of the equations is on the average being of the size of about 22% for models (1), (2), (3) and (6) and about 8.5% for models (4) and (5).

Comparing the estimates for the six models, the most interesting result is the irrelevance of the ‘political orientation variables’. Only the growth of unemployment expenditures seems to be influenced by the ideology of the governing parties (model 6). Equations (A1) and (A2) show the expected negative and significant effect of a more conservative national executive power on the growth of unemployment expenditures. The individual effects are weakly significant, yet, these models have no significant F-test which suggests that the individual effects are not strong enough to infer a real effect in the population. What is more, the ‘cabinet variable’ frequently does not show the expected sign. In 13 out of 18 regression models the cabinet variable has a positive sign, which is contrary to our assumption that conservative governments restrain social spending more than left-wing governments. The almost non-existent effect of prime minister and cabinet ideology on cuts in social expenditures is, of course, not a new finding (i.e. Hübscher 2016). A number of empirical studies support the idea that political ideology is increasingly less relevant to explaining spending decisions (Potrafke 2011; Potrafke 2017; Angelopoulos 2012).

Concerning the two institutional variables, ‘esm’ and ‘edp’, the significant effects are always negative. The variable ‘esm’ indicates whether a country has received funding through the ESM. Only model 6, with unemployment expenditure growth as the dependent variable, shows no significant effect of at least one of the two variables. A negative significant effect of ‘esm’ exists on social expenditures, health expenditures, education expenditures, old-age related expenditures as well as sickness and disability expenditures. Yet, these effects are only present in specifications (A1) and (B1), i.e. before the austerity variable enters the equation. A country that is subjected to an excessive debt procedure receives a 1 on the edp dummy variable. Being treated as a country with excessive debt, according to EU regulations leads to significant negative effects on health and education expenditures. Regarding the latter, the negative impact remains significant even after controlling for fiscal austerity.

Interaction effects between the two political orientation variables and the institutional variables (esm, edp and auster) were tested but did not show significant effects.

The independent variable with the highest explanatory power, by far, is the ‘austerity variable’. This variable is significant in the fully specified equations

(A3 and B3) in all models except model (4), which tries to explain growth in old-age related public expenditures. It seems that austerity policy is more or less independent of political ideology and a factor that is of higher relevance than the two institutional variables. Hence, austerity was an overarching policy stance in the EU countries during the period considered. Bremer (2018) confirms that even social democratic parties accepted and executed austerity policies. Their significant negative effect led to a reduction in the growth of social spending. This includes, of course, also the possibility of a negative growth rate decreasing even more due to austerity policies.

Globalization has a negative and significant impact on old-age related expenditures as well as on social expenditures overall, suggesting that locational competition due to trade and factor mobility of labour and capital might dampen the social spending growth rate.

On the one hand, growth in real GDP has a positive significant effect on health expenditures (model 2, Eq. 3) as well as on education expenditures (model 3, Eqs. 3 and 6). On the other hand, the partial effect of real GDP growth on unemployment expenditures is significantly negative, which corresponds to Okun's law.¹⁴ The share of people above 65 affects old-age related public expenditures negatively, suggesting policy reactions that try to dampen public pension expenditures in the face of rapidly ageing populations. Finally, and in line with basic fiscal patterns during the business cycle, the increase in the unemployment rate has a significant partial effect on unemployment expenditures.

5 Conclusions

This chapter contributes to the understanding of one of the major puzzles in contemporary welfare state research by analysing the impact of the path-dependent institutionalisation of a new fiscal surveillance and macroeconomic coordination regime – the so-called European Semester. Specifically we seek to identify and to examine the specific trajectories and causal mechanisms explaining its retrenchment and deregulation bias in the advent of the sovereign debt crisis after 2008 (cf. Van Kersbergen et al. 2014). In order to gain a better understanding of these changes we posed the following two research questions: 1) What has been the impact of the new EU fiscal surveillance and macroeconomic coordination regime (in regard to EDP) and the financial assistance programs European Stability

¹⁴Okun's law refers to the inverse relationship between the unemployment rate and economic growth.

Mechanism (ESM), plus its predecessor program European Financial Stability Facility (EFSF) on member states' social expenditures? And, 2) how did the increase of conservative parties in government effect member states' social expenditures?

The sovereign debt crisis originating in 2008 opened a window of opportunity for a revision of the EMU governance regime. Core member states took the lead by addressing the shortcomings of EMU governance in regard to fiscal surveillance and macroeconomic imbalances as well as the reluctance to undertake structural reforms of mainly, but not exclusively, the Eurozone-periphery. As a result, fiscal rules were strengthened by regulations and directives of the Six- and Two-Pack, the Fiscal Compact Treaty and the ESM. Thus, the scope of action for member states' fiscal policies has been reduced in order to meet macroeconomic benchmarks included in the Europe 2020 and Euro Plus Pact and monitored under the European Semester. At the core of action are Country Specific Recommendations (CSRs), whereon the member states are required to react with their National Reform Programs (NRPs). More than 50% of the CSRs address social and labour market policies, thereby aiming at balancing national budgets and diminishing national debt by reducing social expenditures, and on increasing productivity of member states on the other hand.

The economic crisis has led to a further substantive reduction of the growth rate in social spending. The reasons are manifold: First, social expenditures have been declining since the 1980s in all OECD-countries due to globalization and, especially for EU member states, due to the implementation of the Single Market program and the EMU. Second, neoliberal mainstreaming in EU multi-level governance regimes is pervasive, which, for example, builds upon a lean state and therefore propagandises austerity policies. This implies that parties deemed most capable by voters to implement austerity policies—framed as efficient, fair and sustainable policies—will increase their share in votes if austerity is salient. This provides an explanation for the increase of conservative parties holding the post of the prime minister.

The empirical analysis is designed to examine two hypotheses deduced from the research questions: 1) Strengthening the fiscal rules has led to a decline in social expenditures. 2) The more conservative a government, the more likely are cuts in social spending.

Bivariate descriptive results show that countries subjected to some form of fiscal surveillance (Excessive Deficit Procedure (EDP), European Stability Mechanism (ESM)) experienced lower growth rates in social spending than countries without ESM or EDP. In addition, leftist governments had higher median growth rates in social protection expenditures than conservative governments. Remarkably, and

despite the deepest crisis of the capitalist system since the Great Depression, the EU was dominated by conservative governments during 2007–2015. Austria was the only country with a permanent social-democratic prime minister, whereas eight countries were ruled by a conservative prime minister for the entire period.

Econometric results provide a different picture compared to descriptive analyses. Based on different specifications, panel fixed effect models are calculated by using a balanced macro panel dataset of the EU-28 countries for the years 2007–2015. By controlling for additional variables that may influence the growth of social expenditures, the findings indicate that political orientation variables are almost irrelevant in explaining variation in the growth rates of social expenditures. Only the growth rates of unemployment expenditures seem to be influenced by the ideology of the governing parties. Regarding the effects of variable ESM/EFSF and EDP we find negative significant effects in some specifications. A negative significant effect of variable ESM/EFSF on social expenditures, health expenditures, education expenditures, old-age related expenditures and sickness and disability expenditures can be shown. Yet, these effects are only present before the austerity variable is controlled for. The austerity variable has by far the most powerful explanatory power. This variable is significant in all models except in the model with growth in old-age related public expenditures as dependent variable. It seems as if austerity policy is more or less independent of political ideology and a factor that is of higher relevance than the two institutional variables ESM/ESFS and EDP. Hence, we consider austerity as having been the overarching policy stance in EU member states during the sample period.

The dominance of austerity is both a result and a cause. It is the result of a neoliberal narrative which ignores macroeconomic complexity and the need for social investments as well as the necessity of guaranteeing a comprehensive level of welfare among EU member states. This ignorance demonstrated by political leaders is traced back to a substantive dominance of corporate interests, numerically expressed in fiscal and macroeconomic criteria. What is missing is a pervasive politicisation of EMU governance which questions the disciplinary approach by strong fiscal rules and macroeconomic indicators and its subordination to the balanced budget rule, price stability and competitiveness. Instead, fiscal and macroeconomic policy objectives should be thought by including binding social indicators and social responsibility. This could be expressed, for example, in redistributive mechanisms, such as EU-wide unemployment allowances. A politicisation of EMU governance could get underway by increasing supranational competences and responsibilities in social and labour market policies combined with a strengthened role for the European Parliament and social partners.

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A Multifaceted Crisis as an Opportunity and a Risk: The EU's Long Struggle to Reform the Dublin System for Asylum Seekers

Florian Trauner

1 Introduction

Before the EU heads of state and government met in December 2017, they received a letter from Council President Donald Tusk in which he proposed to drop the ‘highly divisive [and] ineffective’ instrument of mandatory quotas for relocating asylum seekers within Europe (European Council 2017). In doing so, he backed a key demand of the eastern European member states Czech Republic, Poland, Slovakia and Hungary. Ever since a mandatory quota was enacted as an ‘emergency measure’ in 2016, they have legally and politically contested this instrument. In stark opposition to Tusk’s ideas were Greece and Italy - the two countries at the EU’s external border from which asylum seekers should be relocated. They have found support from the European Commission (EC) and a range of western European states including Germany and France. Their central argument is that a mandatory EU relocation quota will make the EU’s asylum system fairer and more efficient.

This chapter seeks to embed the EU’s struggle to come up with a reform of the Dublin system into a more longitudinal picture of EU asylum law and policy

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F. Trauner (✉)
Vrije Universiteit Brussel, Brussels, Belgium
E-Mail: florian.trauner@vub.be

development. It therefore not only looks at the impact of the refugee crisis of 2015 and 2016 when the EU saw an unprecedented rise in the number of asylum seekers arriving in Europe. It also considers the impact of the economic and Euro crisis post-2008 on the patterns of policy-making in EU asylum policy.

Research indicated that uncommonly high numbers of refugees, triggered by the wars in nearby regions, in combination with tight budgetary constraints of some member states have exposed the deficiencies of the EU asylum policy, such as a lack of comparability of the asylum standards of certain member states. In reaction, the EU has sought to safeguard the constitutional pillars of its asylum policy, notably the Dublin regime, by introducing and adding new policy instruments that should provide member states facing difficulties with additional support. However, several member states have not yet managed to fix their ill-functioning asylum systems, nor have the numbers of asylum seekers member states receive been equalized within Europe. Another factor complicating the reform of EU asylum policy has been the increasing politicisation of asylum and migration issues often driven by right-wing/new right and Eurosceptic movements. These kinds of movements and parties have gained weight in a range of member states in the wake of the economic crisis.

In terms of structure, the chapter develops its argument in three steps. It starts by looking at how EU member states have altered their patterns of dealing with refugees post-2008. It then shifts the attention to an analysis of the EU decision-making processes under the influence of the economic and financial crisis. The final part investigates the EU's response to the 2015 events, during which the EU's containment strategy, as applied in the economic and financial crisis has reached its limits.

2 The Impact of the Financial and Economic Crisis on Refugees and Member States

This section argues that some of the member states facing tight budgetary constraints have already found it more difficult to sustain the functioning of their asylum systems and procedures. When presenting such an argument, it certainly needs mentioning that not all problems detected in the asylum systems of member states relate to the economic and financial crisis. Politicians have some room for maneuver even under budgetary constraints. To put it bluntly, if a government decides to spend more on issues such as pensions and social welfare than on receiving asylum seekers, the administrative weakness of reception centres and asylum systems is a political choice that may aim at making the country less attractive for this group of migrants.

2.1 The Deteriorating Human Rights Situation of Refugees

In the wake of the financial and economic crisis, an increasing level of unemployment and a decrease in the standard of living in certain member states led to a rise in xenophobia, racism, and violence against third-country nationals. The Secretary General of the Council of Europe (CoE), Thorbjørn Jagland, considered in 2014 that ‘human rights, democracy and the rule of law in Europe now face a crisis unprecedented since the end of the Cold War’ (Council of Europe [CoE] 2014, p. 5). Migrants could face the risk of ‘unjustified, excessive or inadequate detention’ and, if not detained, a ‘lack of basic protection’ (such as minimum health care) (CoE 2014, p. 18).

The development that migrants—particularly asylum seekers—are perceived as a (financial and societal) ‘burden’ started long before the financial and economic crisis (Guild 2006; Huysmans 2000). Yet, the financial and economic crisis worsened the situation: some member states with tight budgetary constraints found it more difficult to sustain the functioning of their asylum systems and procedures. According to the 2014 report on Europe published by the United Nations High Commissioner for Refugees (UNHCR), the asylum systems became highly fragile in some parts of Europe. ‘Difficulties in accessing territories and asylum procedures, violations of the principle of *non-refoulement*, low recognition rates, and the destitution of those who have been recognized as refugees continue to encourage onward movements’ (United Nations High Commissioner for Refugees [UNHCR] 2014). In other words, refugees struggled to receive the protection they need.

2.2 Member States with Financial Problems Fall Behind

The cornerstone of the EU’s asylum policy is the Dublin regime that allocates responsibility for dealing with asylum seekers in the EU. The Dublin Convention (1990) was initially signed as an intergovernmental treaty outside the EU’s legal framework and was later incorporated into EU law (2003/343/EC, the ‘Dublin II Regulation’). The central principle of the Dublin regime is that only one member state is responsible for the examination of an asylum seeker’s application; usually this is the country of first entry. If a migrant moves on to another member state, he or she may be returned to this country of first entry. The EU has therefore worked towards establishing comparable treatment and conditions

for asylum seekers everywhere in the Union. Between 1999 and 2005, the EU adopted a series of laws defining minimum standards in areas such as the reception and qualification of asylum seekers to reduce differences between member states' asylum systems.

While the EU has worked towards harmonizing asylum standards and procedures, it has not yet managed to establish a comparable and uniform system. In other words, it *does* matter where an asylum seeker submits the application. The European Council for Refugees and Exiles (ECRE) (2011) spoke of a 'lottery' for refugees within the Common European Asylum System, given that asylum seekers had very different prospects of being granted asylum depending on the EU member state. This concern of civil society actors was echoed in scholarly work. According to a quantitative analysis by Toshkov and de Haan (2013, p. 662), a certain convergence in recognition rates (both full status and complementary protection) cannot mask that asylum procedures and outcomes continue to vary in the EU—'asylum seekers from most countries of origin face substantially different chances of recognition depending on the destination country to which they apply.' A similar conclusion is drawn by Parusel (2015, p. 133), who suggests that there is a 'strong need for further harmonisation', even if he already detects a 'fragile trend towards an approximation of national decision-making practices'.

The economic and financial crisis furthered these divergences. Some member states badly hit by the crisis—first and foremost Greece—had a particular standing in the EU asylum regime. They are countries at the external EU border and therefore, in principle, are responsible for the handling of new asylum seekers arriving in the EU through their territory. However, this rule became problematic. With the economic situation worsening, Greece started to face another crisis—the 'Greek asylum crisis' (McDonough and Tsourdi 2012).

On 22 December 2011, the Court of Justice of the EU delivered a judgement on the case of an Afghan asylum seeker, who entered the EU through Greece, where he was arrested in 2008. He then continued his journey to the UK, where he applied for asylum. In line with the Dublin Regulation, the person was informed that the responsibility for this case lay with Greece. The Court of Justice of the EU, however, maintained that member states may not transfer an asylum seeker to this member state because 'they cannot be unaware that systemic deficiencies in the asylum procedures and in the reception conditions of asylum seekers [...] amount to substantial grounds for believing that the asylum seeker would face a real risk of being subjected to inhuman and degrading treatment' (joined cases *C-410/10* and *C-493/10*). This ruling confirmed a similar ruling of the Strasbourg-based European Court of Human Rights in January 2011 (case of *M.S.S vs. Belgium and Greece*, application no. 30696/09).

The court rulings resulted in a (temporary) suspension of ‘Dublin regime transfers’ of asylum seekers to Greece. Greece was a case *in extremis*, yet the challenge of an ill-functioning asylum system was also noted in other EU member states, including Bulgaria, Hungary and Italy. In November 2014, the European Court of Human Rights maintained that Dublin transfers of vulnerable categories of refugees (notably families) back to Italy would require individualised prior guarantees to fulfil the commitments of the European Convention of Human Rights (case of *Tarakhel v. Switzerland*, application no. 29217/12). The UNHCR recommended that all member states refrain from sending asylum seekers back to Hungary in 2012 (UNHCR 2012). A similar warning was issued in early 2014 for Bulgaria (UNHCR 2014). In both latter cases, the UNHCR questioned whether asylum seekers had a chance for a fair asylum procedure and highlighted the difficult conditions for migrants in the reception facilities. After the respective governments addressed some of these concerns, the call for a temporary suspension of Dublin transfers was lifted by the UNHCR. Civil society organizations, however, still have reservations about the breadth of these reforms and continue to suggest a ban on transfers of asylum seekers to Bulgaria and Hungary (e.g. Amnesty International 2014; Hungarian Helsinki Committee 2014).

2.3 The Issue of Solidarity and Refugee Burden-Sharing

The question of solidarity and refugee burden-sharing has been a long-standing issue in the EU’s asylum policy (Thielemann and Dewan 2006), thereby predating the economic and financial crisis. Yet, the combination of an increasing number of refugees triggered by the wars and revolutions in the Middle East and the tight budgetary constraints of southern ‘frontier countries’ contributed to a higher salience of the burden-sharing issue. Italy was particularly outspoken in its call for more solidarity and burden-sharing in the field of migration and asylum (Vincenti 2014). The northern states, in particular, Germany, have used statistical data to reject the southerners’ claims for more solidarity and burden-sharing.

Figure 1 shows that the number of asylum applications started to diverge well before 2015 when a majority of the newly arrived refugees headed to Germany. 72% of all asylum applications in the EU were made in only five member states in 2014 (European Commission [EC] 2015a, p. 13). Roughly one out of three asylum seekers of that year in the EU-28 applied in Germany. The five countries that received the most asylum applications in 2014 were Germany, Sweden, Italy, France, and Hungary. Relative to the absolute number of inhabitants, however, it was Sweden that

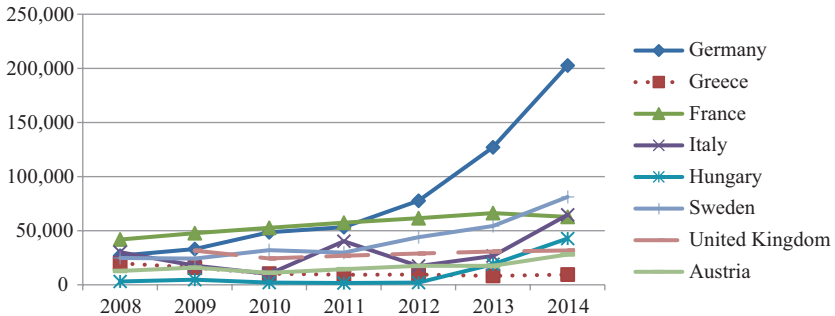


Fig. 1 Asylum applications in selected EU member states before the 2015 refugee crisis. (Source: Own calculations based on Eurostat data (2018))

had the most asylum applications (8.4 applicants per thousand inhabitants) in 2014, followed by Hungary (4.3) and Austria (3.3), as shown in Fig. 1.

The high number of asylum applications in EU member states that were *not* at the EU external borders led to accusations that frontier countries such as Italy would refrain from systematically fingerprinting newly arrived asylum seekers so that their point of entry into the EU is not traceable. These states reportedly entered the fingerprints into the Eurodac database with a substantial delay, implying that the asylum seeker finds enough time to leave the country and apply elsewhere.¹ The Italian interior minister openly threatened to release the migrants that Italy intercepted at high sea to other member states in non-compliance with EU rules if the country did not get more support and solidarity from its EU partners (“EU will not commit more funds” 2014).

3 Maintaining the Asylum Policy ‘Core’ and Providing Extra Support

The previous section demonstrated that the flaws of the EU asylum system, such as a lack of comparability of the asylum standards of member states, have already become more exposed in the context of the financial and economic crisis. How has the EU reacted to this development? It sought to apply a double-strategy:

¹NGO activist participating in the European Council of Refugees and Exile (2014, October). Personal interview.

maintaining the core of the existing EU asylum laws while providing more support for countries under migratory and/or financial stress. The overall objective at this stage was to ensure policy stability.

3.1 The Recast Negotiations of the EU's Asylum Laws (2005–2013)

The timing of the financial and economic crisis coincided with the recast of the EU asylum legislation. With few exceptions, the legislative texts developed before 2005 became subject to a recast exercise. The EU's objective was to go beyond the common minimum standards of the first generation and to develop fully-harmonised asylum standards and procedures.

These negotiations were contested. To understand these difficulties, one has to look back to the negotiations on the first generation of EU asylum laws. Prior to 2005, the Council and the European Parliament (EP) had developed a different approach to asylum. The EP tended to propose liberal, refugee-friendly measures and acted as an advocate for more harmonisation (Hix and Noury 2007, p. 202). The Council insisted on not expanding the rights and benefits for asylum seekers and maintaining flexibility for member states. Since the EP had no more than the right to be consulted, the Council translated most of its positions into EU law (Ripoll Servent and Trauner 2014, pp. 1146–1148). The second generation of asylum laws were negotiated under co-decision, implying an empowerment of the EP compared to the previous negotiations. The EP, in alliance with the EC, was keen to develop more harmonised and liberal rules, yet the Council refused to be subjected to pressure. The member states had just implemented the first generation of asylum laws and perceived less urgency to agree on second-generation asylum laws. The Council insisted on compromises that were close to its position—even at the risk of failed negotiations (Lopatin 2013; Ripoll Servent and Trauner 2014).

In this negotiation constellation, the economic crisis became an important discursive tool for proponents of a solution close to the status quo. In their interactions with the EP and the EC, the member states appealed to the difficult economic climate as an argument to keep flexibility and prevent a rise, for instance, in the level of reception conditions² (see also Peers 2012, p. 1). A case

²Political advisor to the Confederal Group of the European United Left/Nordic Green Left (GUE/NGL) (2012, November). Personal interview; Council official, Secretariat of the Council of the EU (2012, November). Personal interview; Diplomatic source B (2012, November). Personal interview.

in point has been the EP's proposal for a new procedure aiming at identifying persons with special needs. According to the argument of the Council, even if the process would only cost €100 per individual, it would end up applying to all asylum seekers, which would raise the final cost to millions of Euros.³ This reasoning was convincing in view of the austerity programmes all over Europe. In 2011, the EC issued two new proposals on key asylum laws, the Receptions and Procedures Directive, which accommodated key concerns of the member states.

The difficult and lengthy negotiations translated into policy outcomes close to the status quo. The asylum laws adopted by June 2013 left the policy rationale defined by the Council in the first generation asylum laws (under consultation) largely unaffected (Ripoll Servent and Trauner 2014). In highly controversial issues, the (northern) member states' position in the Council favoured adjustments only, but no transformation of the current regime prevailed. For the Dublin III Regulation in particular, both the EC and the EP were in favour of a suspension of the transfers of asylum seekers if a member state's asylum system was overburdened. This clause was not inserted, but only an additional 'early warning mechanism' and ad hoc support for countries under 'particular pressures' were introduced (Regulation No 604/2013, Arts. 22 and 23).

3.2 Showing Solidarity Through Other Means?

While maintaining the pillars of the existing system, the EU sought to enhance its support for southern EU member states in their dealing with migration flows. These measures did not challenge the key elements of the EU's asylum rules as defined in the legal integration process, yet they added a new policy layer aimed at ensuring the sustainability and credibility of the EU asylum regime. They can be categorized into 1) financial solidarity, 2) operational support through the EU's border agency, Frontex, and the European Asylum Support Office (EASO), and 3) voluntary relocation measures (European Union Agency for Fundamental Rights 2011, pp. 36–37).

a) More Financial Support

Regarding financial solidarity, for instance, Greece received €82.7 million from the European Refugee Fund, the External Borders Fund and the Return Fund in 2013 (EC 2014, p. 6). These three funds are part of the EU's framework

³Council official, Secretariat of the Council of the EU (2012, November). Personal interview; Diplomatic source A, (2012, November). Personal interview.

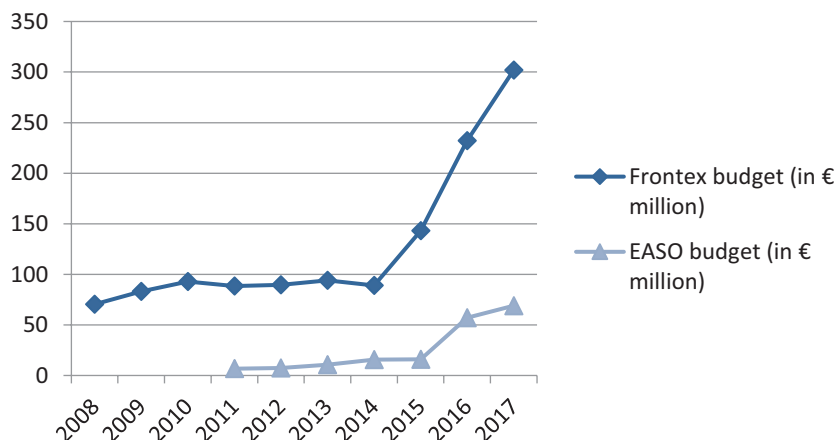


Fig. 2 Frontex and EASO Budget. (Source: ‘Governance documents’ of Frontex; ‘Budget’ sheets of EASO)

programme ‘Solidarity and management of migratory flows’ financed with a total of €5.8 billion for the period 2007–2013. The funds also allow for the funding of emergency measures. The different funds have been replaced by a new ‘Asylum, Migration and Integration Fund’ with a budget of €3.1 billion for the period 2014–2020. In this new, multi-annual framework programme, member states are obliged to use at least 20 per cent of this money for measures supporting legal migration and another 20% for asylum measures (Regulation 516/2014, Art. 15).

b) More Operational Support

The second way to help overburdened EU member states has been operational support through EU agencies, particularly the EU’s border management agency, Frontex, and EASO. These agencies are sometimes promoted as a panacea for dealing with the migration flows into Europe (or, probably more accurately, for curbing them). Frontex’s budget has increased substantially in the agency’s comparatively short existence and is still far higher than that of EASO (see Fig. 2).

Frontex deployed its first Rapid Border Intervention Teams (RAPID) in the Greek region Evros from November 2010 to March 2011. A total of 175 border-control specialists sent by member states and Schengen associates supported the Greek authorities with technical equipment and know-how in order to control the Greek-Turkish land border. Greece was also the test case for the ‘emergency support’ offered by EASO. So-called ‘Asylum Support Teams’ worked on improving

the functioning of the concerned asylum system. By mid-2014, EASO offered ‘operational support’ to four member states: Bulgaria, Italy, Greece and Cyprus (European Asylum Support Office [EASO] 2014).

c) Testing Voluntary Relocation Schemes

A third and final way to show solidarity is a relocation of asylum seekers from EU countries with high arrival numbers to EU countries with lower numbers. Already in the year 2010, the EC established a feasibility study on such an intra-EU-relocation mechanism (EC 2010). The EP (2012) was an ally in the Commission’s efforts by demanding early on a permanent relocation mechanism in the EU. Yet, the member states largely opposed legally binding relocation schemes before the 2015 refugee crisis. The Commission’s study (2010, p. 10) reflects a highly contested view on the reasons for the ‘uneven distribution of [the] asylum burden’. As a matter of fact, the EU has only been able to agree on a pilot project of voluntary intra-EU-relocation from Malta (EUREMA). The project’s scope was limited. In the first phase in 2011, 227 asylum seekers were relocated from Malta to 10 other member states. In 2012, in the project’s second phase, this number slightly increased to 356 individuals being relocated to 16 member and associated states, such as Norway (EASO 2012, p. 4).

4 Struggling for Paradigmatic Change Post-2015

Early 2015 was marked by a series of migrant boat tragedies in the Mediterranean Sea and an unusually high number of new refugees arriving on European soil, further stressing the EU to the point of ‘crisis’. In April of the same year, a single boat tragedy in the Mediterranean Sea caused the death of more than 800 people. Simultaneously, the numbers of refugees and migrants reaching the EU’s territory skyrocketed in an unprecedented manner and reached more than a million during 2015.

4.1 Surrendering the EU Policy?

Given the sheer number of the newly-arrived migrants, the EU ‘frontline’ member states began to overtly ignore Dublin’s ‘first-country-of-entry’ principle and allowed the migrants to move on to their preferred countries of destination, first and foremost to Germany and Sweden. Facing the facts of a de facto surrender of a key pillar of the EU asylum policy, Germany announced to suspend the Dublin

rules for refugees coming from Syria (Dernbach 2015). The conservative Christian Social Union (CSU) in Bavaria criticised this decision, declaring it an invitation for an 'open door' policy. Contrastingly, political commentators noted that this announcement only acknowledged that such returns were no longer practical within Europe (Rachman 2015).

With the gap between the legal EU asylum regime and the actual practices of member states becoming wider, the EU was compelled to engage in the process of policy reform. In May 2015, the EC proposed a series of measures under the title 'European Agenda on Migration'. Regularly updated since its launch, the Commission's agenda includes a range of policy measures including a common list of 'safe countries of origin', a more 'efficient EU return policy', and strategies to tackle the root causes for migration in Africa (EC 2015a). A flagship proposal was the installation of an 'emergency relocation scheme' for a total of 160,000 migrants from three frontline member states, namely Hungary, Greece and Italy. It should become the first step towards a more permanent resettlement policy within Europe. The resettlement should concern refugees from countries with an average recognition rate of above 75%. Member states participating in the scheme may benefit from €780 million of EU budget support (EC 2015c). In effect, this amounts to a lump sum of around €6000 per relocated migrant (Council of the European Union 2015, p. 16).

Northern EU member states, including Germany, backed the Commission's plans and promoted the relocation scheme. They were particularly interested in the measures accompanying the relocation mechanism, notably an enhanced commitment for national authorities to register and host new migrants. According to the Commission's plan, support for the 'frontline' member states depends on whether they cooperate with the registration and fingerprinting of newly arrived migrants. In the so-called 'hotspot' approach, the EU's agencies, namely Frontex, Europol, Eurojust and EASO, should help the authorities of the frontline member states 'to fulfill their obligations under EU law and swiftly identify, register and fingerprint incoming migrants' (EC 2015b). To put it more bluntly, the frontline member states may no longer have the liberty to ignore the EU rules on fingerprinting and registration as outlined in the Eurodac Regulation No. 604/2013, if they want to benefit from the relocation scheme.

The most vigorous opposition to the Commission's reform agenda came from the Visegrád countries. The Hungarian government of Viktor Orbán rejected the Commission's perception of it being a 'frontline state' and opposed the idea of effectively hosting an EU refugee camp that registers and distributes newly arrived migrants (Robinson 2015b). Senior politicians from Hungary, the Czech Republic, Romania and Slovakia also disapproved of the Commission's plans on

the grounds that they did not want to open their countries' doors for Muslim refugees from the Middle East and north Africa (Barber 2015). By outvoting the four opposing Eastern European member states, the Council agreed on the relocation of a total of 160,000 people from Italy and Greece in September 2015.

The time and the functional pressure in the context of the refugee crisis were high. Yet, the member states had a different level of exposure to these pressures (see also Biermann et al. 2017). Some member states including most Eastern European states, the UK, Spain and Portugal have been less affected by the large number of refugees coming into or transiting their countries compared to countries such as Germany, Austria, Sweden, Italy and Greece. Furthermore, an (informal) norm of consensus seeking in the Justice and Home Affairs Council has made it difficult for the EU to react in a quick and comprehensive way. The use of qualified majority voting in a sovereignty-sensitive issue such as compulsory quotas for refugees has been 'remarkable' (Roos and Orsini 2015) and highlights the extent to which EU decision-making processes on asylum-issues have become contested.

The contestation of the relocation scheme did not end with its adoption. Even if the Court of Justice of the EU confirmed the legality of the emergency measure (in response to a legal challenge of Slovakia and Hungary), Hungary and Poland have not accepted a single asylum seeker to be relocated from Greece or Italy (as of November 2017). Slovakia and the Czech Republic took in 12 and 15 people respectively (EC 2017). In reaction, the EC launched an infringement proceeding against Hungary, the Czech Republic and Slovakia in June 2017. Non-compliance with EU law would not be acceptable, according to the Commission's view. Yet, opposing the relocation scheme of asylum seekers in Europe has become of symbolic importance for Eastern European politicians. It provides them with a tool to push a populist, Eurosceptic agenda and mobilise their electorate. The stern opposition has rendered the more long-term reform of the Dublin system more difficult.

4.2 The Reform of the Dublin-System

The 'emergency' relocation mechanism was always meant to be only a first step towards a reform of the EU asylum policy. This included an upgrade of EASO and a revision of the Eurodac Regulation, the Asylum Procedures and Qualification Directives as well as the Reception Conditions Directive. A centrepiece of the EU's response to the refugee crisis, however, should become an overhaul of the Dublin regime. The EU aimed to make the Dublin system more crisis-resistant and

to display more solidarity with Greece and Italy, the EU's 'frontier states' receiving most new asylum seekers.

In May 2016, the Commission presented its proposal to reform the Dublin III Regulation (EC 2016). It suggested keeping the first country of entry-principle implying that the EU member state getting in contact first with an asylum seeker takes over responsibility for him or her. Yet, this principle is to be complemented with a 'corrective allocation mechanism'. It boils down to a permanent and legally binding relocation scheme. The key reference for defining the quota are two criteria, namely the size of the population and a state's total GDP. The corrective allocation mechanism kicks in automatically if a state reaches 150% of the number defined in the key reference. Put simply, if state A (over-)fulfils its quota for asylum seekers, it can revert to state B (which still has free places in the quota) and demand a relocation of the individuals. If the latter refuses to accept the relocation request, it may be charged with a fee of €250.000 per asylum seeker. Framed by the Commission as 'financial solidarity', this fee will go to the state asking for the relocation (EC 2016, p. 19). The law also includes some other measures, notably with the aim of reducing the 'secondary movements' of asylum seekers within the EU.

The negotiations of the EU's asylum laws have taken place in a highly politicised environment. As mentioned in the introduction of the chapter, not only Eastern European states but also the Council President Donald Tusk publicly questioned the need for a legally binding relocation system. They are supported by some governments of Western Europe such as the centre-right coalition in Austria. The Austrian Chancellor Sebastian Kurz argued that the EU's quota system has 'failed'. In his view, the EU should go back to a system based on voluntariness within the EU and introduce more and stricter border controls at the external borders towards the outside world (as cited in Welt.de 2017). The reform proposal of the EC, however, receives strong support by the EP and other Western European countries including Greece, Italy, Germany and France. At the time of writing of this chapter, the inter-institutional negotiations were still ongoing.

5 Conclusions

This article took a long-term perspective on the term 'crisis' and EU asylum policy. It started by looking at how the financial and economic crisis that the EU faced post-2008 has affected decision-making processes and outcomes in the field of asylum policy. It then moved on to the EU's response to the recent 'refugee crisis'.

With its principle that the responsibility for dealing with asylum seekers lies with the first EU country of entry, the Dublin system builds upon the assumption that comparable rules and procedures exist throughout the EU. Regardless of the EU's efforts to harmonise these rules in the Common European Asylum System, national asylum systems and procedures have continued to exhibit substantial differences. Concerning the countries left badly bruised by the economic crisis, these differences have become more pronounced. The inner-European 'Dublin-transfers' of asylum seekers back to Greece have been interrupted in the wake of court rulings and have become significantly contested for countries such as Bulgaria, Hungary and Italy. In general, the economic and financial crisis contributed to making the conditions for migrants and asylum seekers in some EU border countries more difficult and hostile, with international organisations such as the CoE and NGOs pinpointing a fragile humanitarian situation and human rights violations.

In this situation, the EU has displaced most of its first-generation asylum laws with new rules aimed at moving from common minimum standards to common EU asylum standards. The asylum package⁴ agreed upon in June 2013 nuanced the existing legislation without reversing the core of the current regime (see also Ripoll Servent and Trauner 2014). The EU, however, sought to enhance its support for the member states facing difficulties in coping with the migratory pressure. The EU border management agency, Frontex, and EASO have become more involved in the management of migrants and asylum seekers in these EU member states. In other words, the economic and financial crisis has brought about a *de facto* (not a *de jure*) differentiation between those member states where the national infrastructure could stand the pressures of enhanced migration flows even under budgetary constraints and others that could no longer do so in a self-sustaining way.

While the economic and financial crisis—and its implications in the asylum field—was primarily seen as a 'southern' problem, the consequences of the 2015/2016 refugee crisis were felt equally - if not more - by northern EU member states. Most newly arrived migrants headed to only a few countries in the north, notably Germany. In view of high migratory pressures, member states

⁴The asylum package encompasses the Receptions (2003/9/EC; 2013/33/EU), the Qualifications (2004/83/EC; 2011/95/EU) and the Procedures Directives (2005/85/EC; 2013/32/EU) as well as the Eurodac (2725/2000/EC; 603/2013/EU) and the Dublin Regulations (343/2003/EC; 604/2013/EU).

began overtly disrespecting the Dublin rules. To regain control, the EU proposed a series of new instruments, in particular, an emergency relocation scheme for thousands of asylum seekers from Greece and Italy.

Opposed against this idea from the very beginning, a range of Eastern European states have refrained from implementing it and have not relocated any or only very few asylum seekers. The political struggle has now been prolonged in the context of the recast of the Dublin-III-Regulation. The Commission's idea has been to install permanent and legally binding relocation mechanisms, a breach of which would only be possible with severe financial implications. The negotiations among the member states and within the EU's institutions have turned out to be politicised and difficult to conclude. They were still ongoing at the time of writing this chapter.

So long as the EU manages to keep the numbers of asylum seekers entering the EU at a low level, these internal struggles regarding a mandatory relocation scheme may not escalate. Yet, they point to a dilemma for the EU: can the EU further deepen the integration process in a field such as asylum policy in view of populists and Eurosceptic governments? From a purely functional perspective, a shift towards a more harmonised and uniform asylum system including a European-wide relocation system would be a logical next step for the EU to take. Yet it is not clear whether this is politically feasible and/or enforceable at a later stage given the staunch opposition of some member states, notably in Eastern Europe. The risk of a fragmentation of the EU due to the migration issue is still real.

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