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The European Union between
the dream of integration and
the specter of dissolution

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Introduction

With this research I have analyzed the events that caused the European crisis of recent years. The ordoliberal architecture chose with the Maastricht Treaty, the imbalances between the union and the authoritarian answer to the 2008 crisis produced collateral effects for the health of the European Union.

I chose to investigate this topic because I wanted to understand clearly what were the endogenous reasons that brought about the framework that has developed in these last years. I chose to study the contemporary events in order to add my contribution to the analysis of an historical process. I hope that in the future my doubts and the ones of those I consulted will be transformed into certainties. I have always thought that walls of cities talks to us. Last year I traveled the Balkans and in many towns I found the slogan “*protiv Evropske Unije*”, that literally means “no to EU”. Only later I realized that in each part of Europe the mistrust of the integration had already developed and I wanted to investigate why. Also one year ago I went to Frankfurt to demonstrate against the European Central Bank. I had a general idea of the reasons why I was there. Only with this research I understood completely what we claimed.

In the first chapter I completely used academic works to reconstruct the integration process and I tried to compare the different points of view of the various authors. On the second I preferred to use authors with critical visions. For the third part, I used both academic literature and interviews (Primary research) and articles, that helped me to comprehend the positions of the single authors I considered. I used both the opinion of academic figures (Secondary research) and the idea of political subjects. In this chapter I compared and mixed the opinions of academic authors and members of social movements. In the first part I analyze the juridical and historical process of the European integration, from the end of the World War II until the Lisbon Treaty. The main actors, the positions that clashes during the negotiation, the divergences among states and the different enlargement. The enthusiasm with which founding fathers unified Europe but on the contrary the elitism that affected this project. I underlined the fact that the Europe of Maastricht created an order in which the supremacy of economy is imposed on the choices of governments. What really matters for the stability of Europe is not people wealth or

the level and the quality of employment, but the price stability, the control of inflation and the reduction of public debt. Then I underlined the economic and financial problems that produced imbalances among countries. The role of the European institution and their guilt in the choice of the policies adopted for the monetary union. The austerity measures that produced always more unstable contexts within member states, especially in Greece where the government was defeated by the threat of bankruptcy. The most popular narration of the sovereign debt crisis blamed governments for their laxity when, most of time, it was created by the inefficiency of private companies and financial institutions. Indeed, corruption, waste of public funds and nonrigid control on the effective use of state money contributed to enlarge the debt. Anyway, what most brought countries to the real indebtedness was the capitalization of private banks hit by the Wall Street crash. This produced an enlargement of the gap between “core” countries and “peripheral” ones that already existed before. The imbalance among these states was created because of the misbehavior of core governments that adopted expansive monetary policies. With austerity measures that cut public spending and structural adjustments that imposed liberalizations, European elites try to transform peripheral countries into supply-driven economies. The same thing Berlin did in the past.

In the third chapter I have described the political situation after the crisis and the imposition of fiscal rigor on indebted states. The penalization of traditional social-democratic and liberal parties that have paved the road to new forces that contest the role of the European Union. With the attempt to create supply-driven economies all around Europe, or to create a cohesive big European supply-driven economy, the level of wealth was undermined. Austerity measures produced poverty, unemployment and precariousness. In this context movements that condemn the role of the euro and of the European institutions, that promote the return of national currencies and of national ethnic borders have developed. In front of the ordoliberal oppression, the alternative that became more popular is the comeback to nation state order, and sometimes it is the only clear alternative that can be understood by the lower and middle classes of Europe.

Abstract

The European integration process began after the Second World War with the goal of uniting European countries and to avoid once and for all any form of armed conflicts among different states. This was the aim that founding fathers wanted to achieve, a Europe based on cooperation, brotherhood, integration of cultures and peoples, principles that European governments never applied until that moment, since the fact that nationalism was the predominant ideology to which states referred to and that caused two wars within the European continent. “A free and united Europe is the necessary premise to the strengthening of modern civilization, for which the totalitarian era represented a standstill” wrote Alterio Spinelli and Ernesto Rossi in the *Ventotene Manifesto*, still during World War II. But the post-war period geopolitical global changes influenced the European project, especially the bipolar order and the contrast between USSR and USA. In fact, according to many, the reconstruction of Europe and the following integration process was more a plan orchestrated by the US establishment than the real will of Europeans to unite themselves. The Marshall Plan and the Organization for European Economic Co-operation looked to Washington as a way to recover European markets and extend the American economy to the other side of the Atlantic Ocean, in the meanwhile NATO was established in order to create a mutual defense alliance. In fact, if Nazi Germany was defeated with the common help of nations, after the war the new enemy became Communism and the world that stood behind the Iron Curtain. The possibility of a contagion of western European countries was very high, even because in Italy, France and in Greece there were strong communist parties that in the early years could have won the elections. That is the reason why US governments boosted the recovery and the integration of western Europe, as a method to create a democratic and liberal pole based on free trade in contrast to the communist area of USSR, Warsaw Pact and Yugoslavia. The USA saw in the European project also the possibility to export their example in terms of economic integration; in other words, according to liberal theories, a larger market without constraints for the free circulation of goods, services, capitals and people can only produce higher profits and economies. The same model that Washington had applied

to improve their economy among the US federation.

So, according to this scenery, European elites began to create the union and three positions were proposed by the founding fathers in order to achieve a “more perfect union”, namely federation, confederation and the functionalist approach, that is the integration through a sector-based economic and trade cooperation. It was an approach supported firstly by Jean Monnet and Robert Schumann and it was the one that was effectively applied in order to start with the integration procedure. In 1951 the European Coal and Steel Community was established between six countries of Europe, the first treaty of the free trade sector-based integration and during the following years and decades, other treaties allowed a more strict union in other fields: the European Economic Community and Euratom in 1957 until the creation of the European Monetary System in 1979 and the European Union in 1992 with the Maastricht Treaty, followed by another two treaties that amended it, namely the Amsterdam and Lisbon treaties. The conclusion of the integration process, apart from the establishment of the European Union Treaty was the euro entry, in 2002. The European integration began in 1951 with six countries and in 2016 twenty-eight countries represented the European Union, with only nineteen from the eurozone. As a matter of fact, Europe gave several countries the possibility to exit from authoritarian regimes just like Spain, Portugal and Greece, but later also to those reappeared from the collapse of USSR and Yugoslavia. It was a widespread opinion that the European Union could improve the wealth of populations since the fact that it was found according to the respect of democratic freedoms, human rights and the mutual cooperation in economic and trade fields. The Schengen Treaty, that allowed the free movement of the European citizens within the borders of the union, was seen as a breakthrough and gave the impression that for the first time in its history, Europe would cast the divergences among different states, overtook the patriotic and national claims and at last also a break of national borders and both cultural and physical constraints among European peoples and cultures. After centuries Europe gained a new order, even if resistances in the history of the integration project came from different states still evident today. First of all, in United Kingdom and northern countries like Denmark and Sweden, both in the European Union but not currently in the Eurozone. What they contested is the loss of sovereignty of governments both in politics and economy, and the delivery of their political, fiscal and financial power to a supra national subject.

If it is true that the union was found according to the Enlightenment principles, the Maastricht Treaty and its amendments gave Europe another imprint. With these treaties the European governance let the space to the neoliberal policies and architectures that reduced the role of politics and the social targets, like the welfare state system, that were achieved through years of social struggles and that guaranteed the health of European citizens. The rules imposed with the Maastricht Treaty defined an independent European Central Bank (ECB) with the only goal of the price stability and the control of inflation, with no interest in the employment target. It was also underlined that the Central Bank cannot act in order to relief the sovereign debt of a country and that there cannot be solidarity among states. Apart from the limited and autonomous role of the ECB, the Maastricht treaty imposes five pillars, namely the public debt, that must not be over the 60% of the Gross Domestic Product, in case the public deficit results larger, the country must act with the reduction of public spending. Second, the Government budget deficit, i.e. the ratio of the annual general government deficit relative to GDP and it must not exceed the 3%. Third, inflation that must be at the level of 2% and different countries disobeyed this parameter, first of all Germany. Fourth the exchange rate stability and long term interest rates that must not be higher than 2%.

It is evident that the European architecture is based on the German Ordoliberal principles, whose main proposals are the respect of private property meant as a fundamental right, the free access to the markets, that entails the elimination of any form of monopoly, oligopoly and cartels and furthermore the reduction of public companies; price stability and the independence of the organism that manage the monetary policy (namely ECB) from the governmental political power and at last the balance of public deficits.

This is effectively the European architecture and it is shaped much more for the task of technocrats and economists than for the one of politicians and governments. As a result, when the moment the Wall Street crisis of 2008 hit the continent, it demonstrated first of all the huge imbalances produced by the euro and the policy of the European Central Bank, but secondly the impossibility to solve it through the traditional democratic and political patterns. Nor the Maastricht's Europe, that was established with the Ordoliberal principles, allows the possibility of the European institutions to intervene in order to solve the economic and financial fracture that evolved with the Euro crisis.

But several countries disobeyed the Maastricht criteria, first of all Germany. Even before

the euro entry, both the Deutsche Bundesbank and the government adopted a neo mercantilist strategy. In other terms, it consists in the decrease of the unit labor costs as a manner to gain competitiveness both in the global and especially in the European markets. The reduction of wages and the decrease of ULC produces lower levels of inflation, in fact if the Maastricht criteria pretended the 2%, in 1999 German inflation was 0.4%. With this strategy, German companies flooded European markets of southern states with their export, even if the domestic demand was low. This produced a budget surplus for Germany, but large deficits for other European countries, especially of southern and eastern ones. Companies of peripheral countries were unable to compete with the high quality – low price German products, so consumers began to import German goods, which did not stimulate the internal demand. For example, the trade surplus of the Netherlands achieved 8.1%, Germany 7.9%, Finland 4.9 %, Belgium 3.5% and Austria 3.3%. On the contrary the so called “peripheral” countries had deep trade deficits like Portugal 8.5%, Spain 9.6% and Greece 12.5%. In the 2008 crisis the imbalances between European governments was already high that strengthened the consequences of the financial collapse. This landscape was not so easy to solve in the moment the crisis hit the continent. The Wall Street crash of 2008 is the critical moment the neoliberal offensive began in the Eighties, characterized by three general steps, namely the neoliberal restructuring and the reduction of governmental barriers to the investments and the free flow of capitals; globalization and the integration of the global markets as an incentive for the world trade; financialization, can be described as, the increasing reliance on capital on lending and investment in the financial sector as a method to keep profitability. In this framework, since the first half of the 1990’s, the unregulated banking system provided subprime lending to the families, which caused a speculative bubble with the following financial crash that spread all over the world and hit European markets. In the period between 2008 – 2010 European governments tried to save banks, those that produced the crisis, through public funds and this brought about an enlargement of the public debts of those countries most influenced by the crisis. Several European states like Greece, Italy or Portugal, had already huge debts and other countries disobeyed the Maastricht criteria: in 2005, five of twelve EU countries exceeded the 3%, while in 2009 all transgressed both the constraints of 3% and 60%. The bailout of the banks, produces a wide increase of sovereign debt. Ireland, Greece, Italy, Portugal, Spain, the so called southern states, in order to save their

financial system created a collateral effect, the sovereign debt crisis. In fact, since 2010 the global and European governance, banks, financial companies and neo/ordoliberal elites were able to change the condition, from the banking system that caused the crisis to the responsibility of the states that have enlarge their debts because of public spending linked to the social expenditures, public companies or corruption. Too laxity. So, as a result, they were forced to reduce their budget deficit in order to recover their economies. Meanwhile, with the goal to raise profits through lending, European banks poured 2,5 trillion dollars into those economies in crisis. German and French banks held 70% of the 400 billion of the Greek debt. German banks had already been great buyers of US toxic subprime assets and later they started to buy also government bonds. At the same time, French banks increase their lending to Greece by 23%, Portugal 26% and Spain 11%. German and French banks decided to act in this way only because they knew well that a collapse of the Eurozone was impossible, so they increased their loans because governments would surely give them back. These loans from creditors, that are banks, the IMF, European funds, are granted only if the state respects some structural adjustment, namely the reduction of public spending, liberalizations and privatizations. The so called austerity measures.

Austerity measures represent the means with which the ordoliberal European governance act in front of the crisis. No solidarity among state and no help from the central bank. The only solution that governments have in order to relieve their debt is the imposition on their population of the structural adjustments that creditors and institutions require. In other terms, cuts on public spending. From pensions to social benefits, reduction of wages, workforce flexibility, liberalizations and privatization. European governance tend to propose a supply-driven economic growth, with the lack of governments in social life and economy. But according to many, without a growth of demand economies, peripheral countries cannot recover. On the contrary their debt may become even more larger with the austerity measures, because cuts subtract money to the real economy and to the families, so they are not stimulated to spend and to invest. Austerity measures create a spiral that produces poverty, flexible contracts that make easier to make workers redundant, precariousness, lower wages, poor working conditions, the privatization of education and health. The more troika helps governments, the more austerity packages are required, the more cuts on public spending, but debts in the meanwhile increase. In

fact, Portugal's net debt to GDP increase from 62% in 2006 to 108% in 2012, Ireland's raised from 24.8% to 106.4% and Greece's from 106% to 170%.

The effects of austerity on politics have been really serious. Since the beginning of the Wall Street collapse in 2008, the first countries that have dealt with this change are southern states that saw seven elections with five changes of government. The result of these elections is that mainstream parties lost its popular consensus and have been penalized, because of their support for austerity and Troika's diktat, that pushed popular support to new political forces that previously were only marginal parties. For the first, citizens, tired of the sacrifices required by governments that impose on their shoulder the consequences of the crisis created by the banking sector, began to vote those parties that promised the end of austerity measures or the exit from the euro and the Maastricht Europe. This happened in the period 2010 – 2013, when parties like Syriza or the Five Stars Movement gained very wide support. On a second moment, during the years 2013 – 2016 a new way of radical right wing parties rose and became the first parties of their countries. In the Visegrad Group, in Scandinavia, in central Europe, and even in the southern states.

Their propaganda is based on anti-Euro and anti-European claims, in the return of nation-state and the possibility to reconstruct national economies and take back the sovereignty to national governments, the possibility to stamp the old national currency, reconstruct the welfare state and control immigration. This scenery is becoming always more dangerous for the future of the European Union that really needs a cure to recover. But the problem which stand on European institution and the ECB is that the only thing that they propose is austerity and fiscal rigor. In front of these proposals citizens obviously vote against European Union. And the cure should involve also the euro and the monetary union, since the Eurozone is a currency area really different from any other one in history, it is not embedded from those political and social institutions that need for adjustment when the currency is no more under the control of national architectures. The reason why the single currency is not embedded may mean that there is a lack of political power on the monetary policy of the union. Maybe the ECB could depend more from the political sphere. That is why the political union is necessary for the creation of governance rules on the markets and must be in concert with the models of representative democracy and has to set the parameters to manage the single currency.

1

The European integration process

*“Hands of law have sorted through my identity
But now this sound is brave
And wants to be free
Anyway to be free*

*This is Radio Clash on Pirate Satellite
This is not free Europe
Nor an armed force network”
The Clash – Radio Clash, 1980*

1.1 The early post war period

The history of European integration last more than seventy years and it is not easily analyzable from an only point of view because of historical events like Cold War, the Fall of Berlin Wall as well as September 11 and War in Afghanistan that have affected the natural development of European Union. As a result, clear political choices were taken in order to quicken the integration process but several interpretations have been written until today. The first author I followed is Desmond Dinan, Professor of Public Policy that holds the Jean Monnet Chair in European Public Policy at George Mason University. Particularly I took in consideration his book “Ever closer Union: an introduction to

European Integration”¹. Another author I considered is Bino Olivi, high leading figure of European Union who participated at the negotiations for Euratom and the EEC treaties. He taught at La Sapienza in Rome, at Paris-Sorbonne and at the Padua University. If Desmond Dinan gives a vision that come from outside, in Olivi's book “*L'Europa difficile. Storia politica dell'integrazione europea 1948-2000*”² it is easy to perceive the enthusiasm of someone who participated actively to the creation of the Union. Moreover, to find a critical position to the construction of Europe - or better - to the way in which European Union have been made I referred to Luciana Castellina's former member European Parliament of Italian Communist Party and his book “*Cinquant'anni di Europa. Una lettura antiretorica*”³ and in a lesser way I consulted Antonio Negri's “*L'Europa e l'Impero*”⁴ and “*Caos e governo del mondo*”⁵ by Giovanni Arrighi and Beverly J. Silver. These last two books helped me to understand the change of global leadership and its affection on European Union.

The beginning of the European integration is recognizable with the end of World War Two and the reconstruction of national economies. The war damaged cities, ports, railways and other infrastructures and in the meanwhile the military production had to be reconverted into the civil one. High rates of poverty characterized the post-war period. All around Europe ruins were visible in all countries hit by bombings and military offensives. A scenery that was not so pleasure to experience and more than other to repeat, at least not within' some decades and in the European territory. Anyway, while the Europeans were recovering and restarting new patterns of life, the geopolitical events in the international framework gave the Old Continent new centrality because of the advance of Soviet Union and the beginning of Cold War.

According to liberal theories, the economic interdependence between countries reduces the possibilities of war. As a matter of fact, even after the First World War European governments – supported by the US initiative – joined together in the League of Nations and agreed the Fourteenth Points of Woodrow Wilson, but did not work. The main aim of

¹ Desmond Dinan, *Ever Closer Union, an introduction to European Integration*, London, Palgrave Macmillan, 2010

² Bino Olivi, *L'Europa difficile, storia politica dell'integrazione europea 1948-2000*, Bologna, Il mulino, 2001

³ Luciana Castellina, *Cinquant'anni d'Europa, Una lettura antiretorica*, Torino, UTET, 2007

⁴ Antonio Negri, *L'Europa e l'impero, riflessi su un processo costituente* Roma, Manifestolibri, 2003

⁵ Giovanni Arrighi, Beverly J. Silver, *Caos e governo del mondo*, Milano-Torino, Pearson Italia, 2010

this program was the economic and diplomatic cooperation as a way to avoid conflicts. So in a similar manner, after the Nazi Germany collapse the US government encouraged more connections between European powers. The US and a united Europe could have represented a stronger Western, liberal and democratic front against the Soviets, who counted on widespread admiration among Communist Parties and all the people that joined resistance during the war.

With the Yalta Conference was confirmed the presence of USSR in Eastern Germany and so the threat of affection from Communism was very high. In 1947 officially began the Cold War and Iron Curtain era actually started. The balance of power internationally speaking changed and the US had to cope with a new super power. Since the beginning Washington used the weapon of the containment of Communism both in Korea and in Western Europe. It was a policy that engaged to block the advance of Communism with any mean: military offensives, diplomacy, intelligence and more than other policies of cooperation, economical aids and social reforms.

Even in the internal affairs of single countries the detachment between USSR and Western powers became more evident – in Italy and France – Communist parties were defeated and their strength started to decline.⁶ As a consequence, European integration was seen as a method to reinforce the Western European security – in collaboration with USA - against Soviet Union. From the Washington's point of view, the USA needed a pleasing market to exploit for its economic interests and Europe seemed to be the only one. That is the reason why Europe had to be helped and so they introduced the Marshall Plan⁷.

Marshall Plan had several goals. First of all, the humanitarian one, that consists in the reconstruction of Europe. Second, the economic and wealth growth in Europe that could resist to the advance of Communism. Moreover, a new liberalized market in which US could invest.⁸ In fact, since 1930s, when Roosevelt proposed the Trade Agreements Act, Washington tried to open economic barriers in order to export its surplus production all around the world and after the conflict it restarted to manage this project⁹ According to Antonio Negri, in this moment started the history of the political Europe «We can underline three steps (of the creation of political Europe), the first one is the Aristide

⁶ Dinan, *op. cit.*, p. 13

⁷ Castellina, *op. cit.*, p. 14

⁸ Dinan, *op. cit.*, p. 13

⁹ Castellina, *op. cit.*, p. 13

Briand's League of Nation, the second is the one of Marshall Plan and of the construction of the common market in the framework of the Cold War¹⁰».

Obviously, the more competitive and useful market had to be united and not divided in several nations with strong economic barriers to free trade. As a result, in order to get the better solution - according to liberal theories – the more a market become integrated and free, the easier the trade is and allows economic growth. What Americans actually did with Marshall Plan was to encourage the common administration of aids, unity for Europeans and open borders¹¹. The Cold War scenery provided an incentive to allow US to introduce into European affairs. By words of Paul Hoffman – a relevant American businessman and a leading figure of Marshall Plan - the Plan was a mixture “between the American assembly line and the Communist Party line” and Jean Monnet affirmed that only a project like that could represent a real alternative to socialism¹². In few words the so called Embedded Capitalism. Furthermore, in the USA in 1948 was created the ACUE – American Committee on United Europe, which tried to stop the Communist threat in Europe by promoting European political integration and the creation of the Unity States of Europe. Besides, in 1949 NATO was founded and basically represented a way of mutual defense in case of external attacks. As a consequence, even in terms of defense USA and Europe joined together, and with military bases in Western Europe Washington could guarantee more security for European countries.

If Marshall Plan and other pressure programs from Washington were useful to recover European health, cities, infrastructures and allowed the economic development, initially it failed to break down national barriers to regional integrations. European governments were too afraid to lost their national power. So they did not move beyond the simple rhetorical support for unity, integration and supra nationalism. It was evident that United States had to force once again European nations in order to open barriers to free trade.

As a result, in 1949 was established the Organization for European Economic Cooperation between sixteen European governments that later became Organization for Economic Cooperation and Development. In any case, even if it needed to deepen European interconnection and make the bonds between countries more compact and

¹⁰ Negri, *op. cit.*, p. 59

¹¹ Bino Olivi, *op. cit.*, p. 29

¹² Castellina, *op. cit.*, p. 16

irreversible, this organization was filled with a rhetorical intergovernmental ethos but empty in concrete terms¹³.

A criticism came from left wing parties that saw the intensification of the relationship and security as a method for USA to impose free markets and liberal policies, in addition to an enlargement of the influence of Washington. Apart from Marshall Plan, the Bretton Woods Agreements launched the Keynesian program, the World Bank and the International Monetary Fund. But another institution was established: the GATT – General Agreement on Tariffs and Trade – whose goal was the total liberalization of global trade. It was founded in 1948 with the acronym ITO – International Trade Organization – in the Charter of Havana, but it was later rejected by Washington. All these programs were seen as an attempt to affect national economies and policies with American features. With the justification of anti-Communist propaganda US were intensifying their influence on Western Europe, both in economic field and in security one: Europe could not be built without the rearmament of Germany, that received more aids from Marshall Plan than other states¹⁴.

The first meeting that gathered all the European supporters was the Hague Congress. In that place, several delegates from all Europe and with different political positions discussed about the development of a European political co-operation. Relevant figures were there such as Adenauer, Churchill, Mitterand and other politicians from Western European governments. In Hague rose three points of view concerning the structure that Europe should have assumed.

The first position stood for the Confederation or the European Union that on the one hand had to intensify the cooperation, but on the other hand to keep unchanged the patterns of sovereignty not excluding the creation of supranational institutions. Main advocates were Winston Churchill and Charles de Gaulle. Secondly, there was the Federalist front that promoted the end of Nation States and the creation of new entities that overcome the idea of states and barriers. An egalitarian and active rearrangement of local and regional communities. Supporters of Federalism were Altiero Spinelli, Henri Brugmans, Alexander Marc and other more. Last but not the least, the third position were the one of the French Foreign Minister Robert Schumann and the economist Jean Monnet, the so

¹³ Dinan, *op. cit.*, p. 15

¹⁴ Castellina, *op. cit.*, p. 26

called Functionalist approach that imagined the integration through processes of sector-based integration. At the end of the Congress was discussed the structure and the role of the European Council¹⁵.

In few words, 1948 was a key year for Europe: Christian Democracy won Italian elections and threw out the Communist threat. With this step another government decided to stand alongside the Europeans against USSR. The establishment of OEEC between seventeen countries and Hague Congress intensified cooperation in the continent. All of this events when Marshall Plan was working, in other words while USA encouraged common share of economical aids and more liberal policies¹⁶.

However, in the first post-war period, balance of power was changing even within' Europe. During the second global conflict UK gained a special alliance with the USA and anyway was not so interested in economic and political agreements with Continental powers. UK had Commonwealth colonies all around the world, so they preferred to keep bonds with them even if Winston Churchill was a well-known advocate of integration of Continental Western European states. Moreover, it was one of the winners of the Second World War and a member of United Nations Security Council. Affected by these elements Great Britain would not have delivered easily their sovereignty to other supranational institutions.

After the war Germany was divided in four areas: Eastern part under the control of Soviets and the Western part - later Federal Republic of Germany – controlled by USA, France and UK. France was pleased to represent the role of main continental power and was interested to keep alive that *status quo*. By the point of view of French government, Germany had to be kept under control of other powers in order to prevent that Berlin gained supremacy again.

As soon as war ended Charles de Gaulle wanted to restore the dominant role of France in Europe. His main aim was to obtain once more the leadership of the continent. In few words, French Government faced the early post-war years after the Second World War with the same attitude and aspirations of the interwar period between 1918 and 1939. France did not participate at the Yalta Conference and the USA-UK alliance was truly influential, especially concerning the role of Germany. Moreover, France pretended to re-

¹⁵ Olivi, *op. cit.*, p. 29

¹⁶ Ivi, p. 28

impose its dominion on the Rhineland region – an old aspiration that was still alive¹⁷. In fact, Communist was spreading all over the world, apart from URSS other Socialist Countries were established like Yugoslavia (1945) and China (1949) and Communist Parties were founded everywhere, especially in countries in struggle for decolonization. As a consequence, with this scenery Germany represented a central region that had to be reinforced. In 1949 was officially established the Federal Republic of Germany with a territory larger than the French expected. What De Gaulle actually expected for Germany was the reduction of territories and of the possibilities of rearmament. But the most relevant proposal he thought was a system of permanent control of Germany under French supervision¹⁸. But in a global framework such like the Cold War one in which the two superpowers decided to contrast themselves with any mean, the sovereignty of Germany had to be restore - even with security and rearmament programs – for the safety of Western Europe and all the NATO alliance.

1.2 The Coal and Steel Community, the Euratom and EEC

As a solution to the French claims on Ruhr and Saar basin, two influential figures like Jean Monnet and Robert Shuman, strongly affected by European integration ideas, tried to convince French and German governments to create a new organization whose goal was the removal of barriers on the steel and coal trade. As a first step they needed the approval of the French, German and US governments. The German Chancellor Konrad Adenauer was very keen on Franco-German reconciliation since he thought that the share of sovereignty could have given Germany the possibility to regain definitively its domestic and foreign policy without any interference from other countries. Besides, he

¹⁷ *Ivi*, p. 24

¹⁸ *Ivi*, p. 32

was well aware of the French distrust to the rearmament and the recover of Federal Republic of Germany and the De Gaulle's aspiration to control Ruhr¹⁹. US secretary of state Dean Acheson was truly enthusiastic when Jean Monnet proposed this initiative, in fact he was a supporter of European integration. The project was asked to other countries, but Portugal and Spain were rejected because of their fascist regime, Scandinavians were not so pleasure to share supra nationalism and at last Britain refused for national reasons concerning sovereignty, relations with colonies and the Commonwealth and the alliance with USA. At the end, the group of co-operation became known as the Six due to the six countries (France, Germany, Italy, Benelux) that joined the so called ECSC - European Coal and Steel Community. This is the first step for the road of European integration and United Europe and the hard work of Shuman and Monnet was essential for the creation of it. They belonged to the front of supporter of sector-based European Integration The first proposal was the *Schuman Declaration* of 1950 and it needed to convince the French and German governments, then on April 1951 was actually founded with the Treaty of Paris and at last it became law on July 1952. The ECSC main institutions were the High Authority, in other words the effective Government of the community, the Common Assembly and the Council formed by delegates from states and the Court of Justice whose goal was the respect of the law as written in the Treaty. In this way the coal and steel sector became the first sector-based common market by solving the Ruhr question and by creating the basis for the Common European Market²⁰.

Critical position to the creation of ECSC came from European Communist and Socialist Parties for two main reasons: the first one concerning the liberal nature of the Treaty that represented only an economic integration without any social aspect, the second one was the political and economic rehabilitation of the “Krupp”, the symbol of German militarism and led by former relevant nazi figures. As a matter of fact, with the establishment of Coal and Steel Community the “Krupp” increased radically its profits. By 1960 it was the richest company in Germany²¹.

ECSC made an end to the left wing parties' dreams of a social and independent Europe. This organization gave a strong capitalistic impulse to the European market and European

¹⁹ Dinan, *op. cit.*, p. 18

²⁰ Olivi, *op. cit.*, p. 38

²¹ Castellina, *op. cit.*, p. 30

communists underrated the huge productive growth developed by the Community, only between 1952 and 1961 for ECSC countries the growth of coal and steel production reached the 74%²².

Immediately after the signature of ECSC there was the opportunity to debate concerning the creation of a common device of defense. In October 1950 the French Prime Minister René Pleven made a speech at the French National Assembly in which he tried to encourage the development of a European army, that considered the creation of common armed forces related to European political institutions, with a European minister of defense and a European Assembly. The aim of the project, from the French point of view, was prevent that Germany joined NATO and the strengthening of German role in Western Europe. With a German army integrated into the European one the French could keep their predominance in the Old Continent. Again, Britain refused to enter the EDC negotiations and only the Six signed the European Defense Community²³.

The EDC spawned the opportunity to advance the only political attempt to unify European countries: article 38 that had the goal to create a supranational political authority with the task of manage the community. The propose of article 38 came from Alcide de Gasperi and the Italian delegate of the European Union of Federalists Altiero Spinelli. A push to a reorganization of Europe in a federal or confederal structure, or better to a political union of Europe. On September 1952 the foreign ministers of the Six gathered for the first time for the meeting of the Coal and Steel Community and in that case they had to approve the article. The institutional structure of political Community considered a bicameral legislature with two assemblies with legislative power and a Council with executive power and the Court of Justice. The competence of the community should have concerned the coordination of member states' foreign policy, the realization of EDC Treaty and at last the creation of a Common European Market.

Apart from the perspectives, illusions fell soon - on August 30th, 1954 - when French National Assembly rejected the project, after the French themselves proposed it and started the negotiating process. The reason why French Assembly refused it cannot be understood without consider the global framework: Indochina began to be a problem for France (and soon Algeria too) and Stalin's death made an end to hostilities in North Korea

²² *Ivi*, p. 34

²³ Dinan, *op. cit.*, p. 20

and weakened Cold War tensions. As a result, the rearm of Germany was less urgent. The failure of EDC demonstrated that European countries were not ready yet to unite and constitute a supranational organization that rules over a six countries' territory. It could be a good chance to enter the European integration process also by giving it a federal or confederal structure. Anyway, to solve the question of defense and the entrance of Germany into NATO, Britain proposed the Western European Union (WEU) that was established in 1955 and formed by the Six plus UK. Obviously, France was reluctant to accept an agreement like that, but in the end the French signed it, something that five years previously would not have happened.

In order to keep on going with the negotiations on European cooperation, the Six gathered in Messina in 1955. In that place foreign ministers discussed about the future of Europe and in the end decided to establish an organization on atomic energy and the basis for a common European market that was actually signed on 25 March 1957 with the two Treaties of Rome – European Atomic Energy Community (EAEC or Euratom) and the European Economic Community.

Behind the approval of EAEC there was the influence of Jean Monnet who already knew that coal and steel were declining as raw material for industrial and military production. In that moment, even oil was being replaced by atom energy, so Monnet proposed an energy community to share awareness and the potentiality of atomic energy. It did so in order to create another structure like the ECSC that made possible the sector based integration of economies by step. As a matter of fact, Monnet itself was favorable to its propose, but he refused a bigger and more strictly union like the European single market firstly because he supported his idea of sector based integration and secondly due to his distrust for the success of the program. He defined it too ambitious²⁴. As a result, he resigned from the High Authority. The six asked Paul-Henri Spaak – Belgium's foreign minister – to prepare a report for the creation of two separated organizations with two different treaties: EAEC and EEC.

The six European governments were enthusiast about the two organizations, only France moved critiques to the EEC but was very interested on atomic community. They were fully convinced that the removal of typical French protected industry would not bring

²⁴ *Ivi*, p. 23

benefits but on the negotiation table French were defeated due to their isolation after Suez Crisis and the impossibility to join only one treaty. In the end French Government accepted but only through a way that favored the France's overseas possession and including the agriculture field in the EEC treaty²⁵.

Another relevant figure was Willem Beyen, the Dutch foreign minister who came from the financial sector. He clashed with Jean Monnet because he offered a different point of view concerning the European integration: differently from Monnet's sector based integration, he proposed the general unification of European market. The reason why he stood for this position was the fact that the Netherlands were historically a trade power, so a wide open European market was comfortable for Dutch economy. Already in Messina Beyen pushed for a neoliberal way of integration, in effect Italy – the only Mediterranean country – was not so confident to join a community with the free market and free competition as key words. Moreover, German and Dutch governments mistrusted Italy because of its Constitution: too much governmental directed and too less neoliberal²⁶.

Anyway, EEC was created and the most relevant institutions were the Council and the Commission. The Commission was the most important because it kept its independence from national governments as to it is formed by 9 independent members but nominated by governments and it was the supranational institution. It was more than a neutral and impartial institution. Then there was the Council that had both the legislative and executive role because it approved regulations and rules presented by the Commission. It is formed by delegates of member countries and the qualified majority vote represented a crucial problem of the communitarian history: it was not expected by the EEC Treaty. It means that the different states had not the same weight on vote because the more the inhabitants of a country, the more the vote is worth²⁷. Then the Court of Justice, inherited by ECSC and in the end the Parliament that is actually the more political institution and also it is formed by delegates from member countries. At first it had only a consulting role although for several times it was ignored. Officially the two Treaties became law on the first day of 1958 and they constituted for decades the center of European debate and the most important place for the negotiations of European affairs and for common

²⁵ Ivi, p. 24

²⁶ Castellina, *op. cit.*, p. 42

²⁷ Olivi, *op. cit.*, p. 53

decisions²⁸.

1.3 The EEC Enlargement

Although the creation of these new organization, the balance of power within' Western Europe was still affected by national interests of different governments. De Gaulle tried to impose his policy line through the EC with the Fouchet Plan in 1961. It was an attempt to keep the European balance of power in favor of France by proposing a form of confederative union of states. The main problem for De Gaulle's government was the always more supranational aspect of European organizations. In the end other members decided not to approve this Plan in order to facilitate the entry of UK in the EC²⁹. As a matter of fact, although Great Britain was not keen on deliver its sovereignty to supranational communities and launched the European Free Trade Agreement that had to be a trade alternative to the EEC, in 1961 applied for the accession negotiations to the EC. EFTA was an initiative established on May 1960 and was signed by Britain, Denmark, Sweden, Switzerland, Austria, Norway and Portugal. Anyway the interest of British was stopped by De Gaulle who did not agree with the special alliance between UK and USA. He claimed that if Britain joined the Community at that point, the EC “would not endure for long [but] instead would become a colossal Atlantic community under American domination and direction”³⁰. UK tried again to join the community in 1967 but after another De Gaulle similar declaration Britain shelved its application. In the end the approval of the application of London happened in 1972 in the framework of the first enlargement of the organization.

The first enlargement of EC was possible only thanks to a change of the leading figures of France, Britain and Germany and their policies. De Gaulle died in 1970 and the successor Georges Pompidou kept the same Gaullist policy but was weaker than the former president, especially on the negotiation table. In Britain Edward Heath became

²⁸ Ivi, p. 55

²⁹ www.ispionline.it/it/europa_a_scuola/documenti/piano_fouchet.htm

³⁰ Dinan, *op. cit.*, p. 41

prime minister in 1970 and was favorable to the entry of UK in the community. In the meanwhile, Willy Brant was elected in 1969 as Chancellor, in a moment that Germany was seeing a strong economic and political growth. He was not so compliant like Adenauer with De Gaulle, so Pompidou saw Britain as an alliance to counterbalance German strength within' the community. As a result, UK applied for annexation as well as Denmark, Ireland and Norway, four members of the EFTA. But if governments were bound to join EC, the citizenship was not so sure to agree to the membership, in fact Norway choose to announce a referendum and the most of population voted against EC. On the contrary, in Ireland and Denmark the referendum voted for the appliance for membership, although it was more a way to avoid economic isolation than for enthusiasm especially in Denmark. Differently from other states, Britain did not required referendum, so they pretended to be an EC member without the consensus of citizenship, that effectively was asked only in 1975 with a majority of 67,2 in favor of EEC³¹. As a result, in 1973 other three countries joined the Six and so EC arrived at nine members. With the first enlargement the barycenter of EC moved towards the North of Europe, although in 1974 and in 1975 new winds of democracy blew in Greece, Portugal and Spain opening the doors to a second step of enlargement.

In 1974 the Regime of Colonels fell and in 1975 Greece presented the application to join EC. In 1959 Greek parliament had already required an agreement with the Community, but it was shelved due to the Military junta but when the dictatorship ended the prime minister Karamanlis decided to restart the negotiations for the enlargement. A four-year slow process needed effectively in order to obtain the entry of Greece because of the different crisis that they found on the negotiation table. On the one hand Konstantinos Karamanlis was an advocate of EEC and since the Fifties he had tried to put pressure on European governments with the goal to offer the Greeks a seat in the European Community, but on the other hand it was a weak country with low levels of development and different economic standards compared to the northern states. Apart from this, as a consequence of the Oil Crisis of 1973, the Middle East became an interesting region from the geopolitical point of view, so the Mediterranean sea and Greece were seen as a crucial area in which increase the presence of the Community³². In the end Greece became the

³¹ Olivi, *op. cit.*, p. 174

³² Ivi, p. 174

tenth member of the EC in 1981, after the ratification at the accession treaty signed in 1979.

In the same manner fascistic regimes in Spain and Portugal fell in 1974 and 1975 and the new governments desired to join the EC. First of all, Portugal applied to join in March 1977 but there were different domestic issues like budgetary and institutional problems in addition to other questions like fisheries, migrant workers and agriculture that slowed down the process of entry. As a matter of fact, in 1983 the Prime Minister Mario Soares signed an agreement with the International Monetary Fund with the goal to provide neoliberal measures to restructure the administrative and structural issues of Portugal's economy. Secondly, even Spain applied to join in July 1977 and like Portugal was an isolated and weak country. Also for Spanish government EC required to adjust the economy with some measures like the curb of protectionism and the cut of subsidies. Although the pleasure of the new French prime minister Mitterand to the entry of Spain for its agricultural production, several preoccupations like unstable government, democratic and economic stability concerned the EC. There was the risk that liberism and free market could cause more instability in for the Iberian peninsula and Italy complained because with the annexation of Spain and Portugal there would be more competition for the European funds for weaker countries³³. A great question was also fishery that produced strikes and clashes from the Spanish fishermen and truck blocks by French truckers. Apart from these events, the new Spanish government led by Felipe Gonzales who advocated the EC made Spain more adequate to the Europeans and in 1984 the enlargement was announced at the summit in Fontaine Bleu and Spain and Portugal became effective members in 1986. With these two countries the Community became formed by twelve members.

Anyway, neither Greece nor Portugal and Spain asked the population its opinion, something that happened in Greenland in 1982 after join the EC in 1973 and the majority of the citizenry at the referendum voted against the Community.

While European countries decided to enlarge the number of members of the Community, the discussion about the common market and the monetary union started to take place within' the institution of the organization. The first propose came in 1977 from Roy

³³ *Ivi*, p. 231

Jenkins, the president of European Commission from 1977 to 1981, who claimed that Europe should have to introduce firstly its common value in order to stop the disagreement concerning the coordination of economic policies of the community. Moreover, in his opinion the monetary union would have improved the level of economic growth as it could be a stimulus for economic development and for employment. Anyway the initiative he proposed needed also to reinvigorate the EC³⁴. Furthermore, there was a debate between Jenkins and the German Chancellor Schmidt who required more independence from US because of the depreciation of the dollar and the appreciation of the mark that caused a drop of German industrial competitiveness. As a consequence, Schmidt was more keen on work and discuss also with French prime minister Giscard than only with the president of the Commission. Without the French aid, the German Chancellor could not have been able to bring the monetary union to the public debate. Anyway European Council met in Copenhagen in 1978 in order to discuss the creation of the European Monetary System, and in another summit in Bremen only two countries doubtful regarding the monetary initiative: UK, Ireland and Italy. Italy required more time due to the need to debate domestically about the adhesion of a monetary system and both Italy and Ireland required an increase in regional funding for poorest countries. The national discussion of the topic became a political issue that caused governmental problems but in the end Prime Minister Andreotti declared the Italian will to join the EMS. The Irish followed the Italian decision to accept the monetary system and to left definitively the monetary union with Britain, namely the cause that delayed the entry of Ireland. Officially, on March, 13th 1979 the European Council decided to apply in that date the beginning of EMS. Britain had already decided with Callaghan's government that they would self-exclude from the system but what really complicated the affair was the reluctance of the new Britain Prime Minister Margaret Thatcher, who was elected on May 1979, to join the monetary partnership. Thatcher was effectively contrary to all the EC and never liked it because she saw in this organization only a supranational enemy of the nation-state³⁵. As a consequence, until the last day of its government, she rejected the membership of UK to EC initiatives, starting from the EMS. In the end, the European Monetary System began to live and during the Eighties it would strengthen itself and only

³⁴ *Ivi*, p. 182

³⁵ Dinan, *op. cit.*, p. 62

ten years later, after the fall of the Iron Lady, Great Britain will join it.

1.4 The slow road to the EMS and European Union

After the enlargement program and the beginning of the bargains regarding the EMS, the EEC during the Eighties started to think about the future of Europe, in terms of a more political union and a more strict monetary system. World was changing during this decade and also European nations were bound to a closer union and to accelerate the integration process. The new President of European Commission was Jacques Delors who advocated an intensification of the role of the Community from a common foreign and defense policy to the launch of a new monetary policy initiative. Thus, he introduced in June 1985 some proposal in order to complete the single market and this file that they discussed became known as “White paper”. It consisted of 300 legislative appendix that the EC needed to approve before the monetary system could be implemented³⁶. All these legislative proposals had to be approved within' the deadline of December 31, 1992 and concluded with an act known as Single European Act, that in few words was the Treaty that modified and revised the Treaties of Rome of 1957. The modification was made by the Adonnino and Dodge Committees: the first one concerned the fulfillment of the People's Europe, so all the measures related to the strengthen and the promotion of European identity and image. The second one was composed by members of states that had to improve the management of European cooperation both in the economic and the political field. The main point that must be underlined of the Doodge committee report was that, after necessity to create a real political entity with a greater legislative role for the EP, there had to be realized a stronger and uniformed economic space and the strengthening of the European Monetary System, even with more cooperation in research, development, technology, environment, social security and employment³⁷. In addition to the committees, it was convened an intergovernmental conference to negotiate the treaty that began in September 1985 and ended in 1986 with the ratification of the SEA, with

³⁶ Ivi, p. 79

³⁷ Olivi, *op. cit.*, p. 272

different critics from Britain, Denmark and Greece and others concerning the loss of national sovereignty and more concentration of power in Brussels.

The Council Gathered in Hannover in 1988 decided to set up a new Committee chaired by Jacques Delors that had to study and prepare by June 1989 a report concerning the steps that needed to conclude the union. In this Committee collaborated also all EC central banks governors. In few words it was a plan for further liberalization of national economies and provides three stages considered necessities in order to achieve a complete European Monetary Union: Firstly, a stronger free capital movement in the EC and a closer cooperation among member states and their central banks. Secondly, national monetary systems had to be more coordinated and at last the establishment of a fixed exchange rate parities with the total authority of ECB for what concerned the monetary policy's decisions³⁸. These three stages had to be applied in the years that followed, although a warm political debate grew up especially regarding the loss of sovereignty of member state and the loss of control over national monetary policy that, in few words, were dependent from the Bundesbank and the German mark that was the unofficial anchor to which currencies were pegged to³⁹. It is evident that most countries would have faced political problems after the delivering of its national monetary policy, but was foreseeable that in the future governments like Italy and other Southern states would found preoccupations on EC policies related to the reduction of domestic public budget⁴⁰. Anyway, different economists like Kenen and Feldstein considered the unification only in positive terms because the elimination of economical and exchange barriers would have provide new trade investments, a greater market in which all Europeans could invest and the rate of employment would have increase but the Commission was not so confident of the real possibilities of this EEC with a single market due to the national, cultural and linguistic barriers of people⁴¹. As a consequence, with the ratification of Single European Act and the process of unification of the monetary system and of markets, the first step of Delors report had to be realized between 1990 and 1994.

But at the end of the Eighties, the international framework was changing once more, but this time definitively. Within' Soviet Union began a process of claims from the population,

³⁸ Dinan, *op. cit.*, p. 87

³⁹ *Ibidem*

⁴⁰ *Ivi*, p. 88

⁴¹ *Ibidem*

first of all from countries like Poland, that pretended more democratic rights and the end of Communist regime. At the beginning the claims came by initiative of the Polish trade union *Solidarnosc* that already in the early Eighties organized demonstrations against the regime. In the meanwhile, USSR was no longer able to sustain the weight of the huge military expenditures and of the its low bureaucracy network, so the General Secretary of the Communist Party Michail Gorbacev tried to regulate the economical centralism of the Union, but the *Perestojka* and *Glasnost'* plan for reconstruct the political and economic system did not work as Gorbacev expected. Shortly afterward URSS collapsed and all the Warsaw Pact alliance fell after the Berlin wall fall in 9 November 1989. Soon became evident that the end of German Democratic Republic gave Germany the possibility to join together once more in a united big Germany, as a consequence when Kohl won the first free elections in March 1990, he started to promote the unification even in terms of deeper European integration. Paris and the French establishment was not so pleasure to see a strengthened and more powerful Germany, especially in the continental space, in fact he tried to avoid the reunification with a meeting in Kiev with Gorbacev, who on the contrary gave the GDR the possibility to join NATO. At that point Kohl and Mitterand call for a meeting in Dublin that formalized the unification process of Germany and besides decided to go on with the Monetary System steps by December 1992 as decided years before and there started the first movements towards the political union and the Maastricht Treaty.

In 1990 the European Council met twice in Dublin in order to relaunch, in the new context of the end of Cold War, the creation of a political European Union. In Dublin, the Council decided to call two Intergovernmental Committees on European Monetary Union and the key goals to achieve pronounced by Kohl and Mitterand were more democratic legitimacy and more efficient institutions, economic coherence, monetary and political action and a common foreign and security policy. The only government that opposed to the convocation was the British one, but the days of Thatcher as Prime Minister were ending and John Major, the former British finance minister became the new country's leader and the two IGC were launched and several ideas were shared from all the countries. As already said, France and Germany supported the federal line and the common defense for the community. Moreover, the Bundesbank pretended the indivisibility of monetary policy. But after the Maastricht summit of December 1991, Denmark announced a

referendum on the Maastricht Treaty in June 1992 in which the Danish voted against it. This was not an expected event and by word of Desmond Dinan it looks like a consequence of the lack of participation of European, in this case Danish, population on the construction of the project and a lack of interest in do it:

Whatever the explanation, the result showed that national governments were unaware of growing public concern, in Denmark and elsewhere, about the direction and pace of European integration. Hitherto, most Europeans knew little about the EC [...] More broadly, people seemed unhappy about the implications of deeper integration for national identity and control of sensitive policy areas, and resented the possibility of bureaucratic intrusion from Brussels⁴².

Nevertheless, after the Danish referendum, advocates of EMS push for a faster integration process and for an intensification of negotiation. Ireland proposed a referendum and its citizenry was in favor. Anyway, the Danish referendum gave the Community a possibility to reinforce the Treaty in terms of transparency. The same opinion can be find in Bino Olivi's words:

For what concerns the democratic deficit, it is truly that the problem, real and serious, cannot be solved only by strengthening the power of European Parliament: it is also true that there is a lack of direct relation between the Community and the social parts. This is a consequence of the uncertainty and the ambiguity of the structure⁴³.

When he writes about the European Parliament's reinforcement he refers to the direct elections of the Parliament that since 1978 gave the possibility to the Europeans to choose directly the parliamentary members. But even Olivi suggested a strict relation between

⁴² *Ivi*, p. 96

⁴³ Olivi, *op. cit.*, p. 412, translated by me

the European institution and the population, that maybe was uncertain about the integration because of the future creation (in 1999) of the European Central Bank, totally independent from member states, or the subsidiarity that creates limits to the power of national states. Furthermore, even other governments after the Danish referendum were not totally confident concerning the ratification of Maastricht Treaty, for example Britain's Prime Minister John Major declared that they would have waited the ratification of all the other members as a way to make the *euro-skeptical* wing of Conservative Party weaker and to avoid a referendum in Britain⁴⁴. In the meanwhile, French government announced a referendum on September 1992 in which the 51% voted in favor of the Maastricht Treaty, it was evident that in case of failure, the entire EEC would have been questioned. Also Germany ratified the treaty in 1992. In order to solve the hard diplomatic situation, Major announced a European Council meeting in Birmingham in October 1992 in order to discuss on Subsidiarity, transparency and democratic control. At the end the twelve prepared the Birmingham Declaration in which were signed that Citizenship of the European Union, established with the Maastricht Treaty, gave more rights and protection to European citizens without replacing national citizenship and that EEC could intervene only when decided by Governments and Treaties⁴⁵. After these events, the Danish announced another referendum in May 1993 - with the possibility to exit from EEC in case of negative consensus - but the most of population voted in favor of Maastricht Treaty ratification and this opened the doors also to the one of the British Parliament that ratified three days later.

1.5 The Europe of Maastricht

Maastricht Treaty in few words signed rules, policies and economic parameters necessary for the entry of states into the Union but above all was the moment in which was created the European Union and its main “Three pillars”: firstly, the European Communities that managed economic, social and environmental policies and was formed by European

⁴⁴ *Ivi*, p. 409

⁴⁵ *Ivi*, p. 421

Community, the European Coal and Steel Community and Euratom. Secondly, the Common Foreign and Security Policy and finally the Police and Judicial Co-operation in Criminal Matters in order to fight crime. It is also known as the Treaty on European Union and it established the economic and monetary union. The treaty will have three emendations with the Amsterdam, Nice and Lisbon treaties.

With the Amsterdam Treaty member countries decided to increase the power of European Parliament and to add new dispositions concerning the democratic deficit by signing that “the Union is founded on freedom, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the member states”⁴⁶. Another important step for European integration and reached in that moment was the incorporation of Schengen Agreements that allows the free movement of people in the countries that formed the Schengen Area. They were signed already in 1985 and in 1999 the countries that joined it were: Benelux, Germany, France, Italy, Spain, Portugal, Greece, Austria, Denmark, Sweden and Norway and the main aim was to reach gradually the Schengen Area without any control on the borders of countries. Even Britain and Ireland joined signed the Agreements but they kept controls on borders. In 2001 was signed the Nice Treaty that emended the Maastricht Treaty in relation to the modality of enlargement of the Union, in the framework of former soviet eastern countries that required to join it; gave a different weight for the votes of the Council and provided new rules for co-operation.

All these events were preceded by another wave of European enlargement with other three countries: Austria, Finland and Sweden. Their join to the EU was actually fast compared with other states because they were former member of EFTA and economically and politically more stable than other member states, as a matter of fact, the process of entry in the Union lasted only fifteen months. With this accession. European Union increased its territory by obtaining two Scandinavian states and became nearer to Russia (Finland share the Eastern border with it) and central Europe as Austria was the last country near former communist republics.

In the meanwhile, an important step was reached, namely the conclusion and the establishment of the European Monetary Union in 1993 that became a real fact and

⁴⁶ Dinan, *op. cit.*, p. 126

abolished definitively the borders for the movement of people, goods, capitals and services. The monetary integration still went on in 1994 with the beginning of Stage II of EMU and the European Monetary Institute (EMI) was established in Frankfurt and in 1995 was decided the official name of the common coin “Euro”. In 1998 the European Central Bank substituted the EMI, became the center of the European System of Central Banks and in the same year began the Stage III of EMU with these measures: irrevocable fixing of exchange rates and entry into force of relevant legislation, the single monetary policy, began the foreign exchange operations in euros, inaugurated the TARGET payment system and the domestic debts were converted into euros⁴⁷. Finally, euro became the official coin of Eurozone, because some members like Britain, Sweden and Denmark of European Union did not accept to change their national value.

While Western European countries were joining the Union and negotiated in order to create the monetary and economic unification, the first war on the European territory after the Cold War began in former Yugoslavia: after the collapse of URSS and the end of Warsaw pact, another piece of Communist world was falling. The Socialist Republic was born after the Marshall Tito resistance army defeated Nazi invasion of the Balkans during the World War and until his death he was able to join together all the different ethnic groups that lived for centuries under Ottoman and Austrian Empires. When in 1991 the pressures of national entities became stronger, the Republic started to implode: the first one that seceded was Slovenia and the Yugoslav army, largely under Serbian control, could not stop it. After that, even Croatia tried to secede from the Federation but Serbia started a war against it. In the meanwhile, Bosnian Muslims allied with Croatian Nationalists against Serbians, who in turn attacked Sarajevo in a truly violent siege, also with ethnic brutality that remembered the Jew's genocide of World War Two.

In this chaotic context, EU tried to manage the situation, but even Western European countries were not aligned: Greece supported Serbia because of a controversial dispute on Macedonian's borders, Germany stood with Croats and French with Bosnian. In few words, EU tried to solve the conflict even with ONU aids, but only the bombing and the intervention of USA of 1995 could make an end to the war. It was evident that the ability of the Union in conflict resolution was weak, even because in foreign policy there

⁴⁷ *Ivi*, p. 114

were strong differences that revealed the limits of its international action. It demonstrated also the limits of the Common Foreign and Security Policy, that was strengthened with the Amsterdam Treaty⁴⁸.

At the end of the Nineties, the European Union saw a third wave of enlargement, but this time greater than the formers. EU passed from fifteen to twenty-seven members. Most of them were especially former Soviet countries that chose to join NATO and therefore they could apply for the entry into the EU. All the candidates would be judged with the Copenhagen Criteria that asked democratic stability, rule of law and the respect of fundamental rights, the existence of a market able to cope with the pressure of free trade and the European market and at the end the necessity to take on the obligations that required the join of a union, so the adherence to the economy, political and monetary union, in other world the *acquis communautaire*⁴⁹. After years of negotiations in 2004 Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined the EU and in 2007 even Bulgaria and Romania.

In 2005 the Council met in Lisbona in order to amend the Amsterdam Treaty once again. European governments were not able to do it completely in Nice and in 2005 the Union was larger than during the Nineties. Basically, in Lisbona were solved some problems concerning the weight of votes for the European Council and was approved the double majority as a voting system, the Parliament got more legislative powers and vote the chief of the Commission, which is the executive institution of EU, the Charted of fundamental rights of EU is not integrated but there is referred on the Treaty and new democratic patterns are opened. In the end it was ratified in 2009.

But for all those who advocates the united Europe as an entity independent from the hegemony of USA, the treaties like Maastricht and Lisbon and all the integration process, represented a step into a more neoliberal world and strictly related to Washington economic policies. For many left wing politicians and supporters, like communist European parties or extra parliamentary movements, the creation of Europe was a way to block communism and in the meanwhile a mean to introduce the capitalistic influence of US government in European countries. As claimed Luciana Castellina:

⁴⁸ *Ivi*, p. 133

⁴⁹ *Ivi*, p. 137

Washington understood that only with the integration among weak and contentious European nations, this strategic region could be strong and solid [...] It is in the Washington Parliament that were created the first official documents of EU. The Marshall Plan, namely the real stimulus to the European integration, was the appendix. George Marshall said that was necessary to coordinate the Europeans in order to make the aids useful and Foster Dulles⁵⁰ declared it was a task of the US to take the head of Europeanist movement to create a region with a federalist structure⁵¹.

The same opinion is shared by Antonio Negri but the European integration, by his point of view, if filled with democratic processes from below and an alternative of social model, could become a space of freedom and resistance against the «*imperial device of liberalism*»⁵². «When I was Twenty for me Europe was a real field of intellectual citizenship [...] It was in Europe that I understood the value of antifascist and class resistance, of civil war against terror and bourgeoisie» he said in 1995 and in 1998, in the progressive context of creation of EMU and the application of the single currency he replied:

Only few details and then we, the Europeans, will face the single currency. But where have gone dreams and hopes? Where is the confidence in the united Europe that should have developed a new model of economic and social policy and so it would have become an example for the other parts of the world?

[...] With the euro, the more isolated European countries have been subjugated to the rules of IMF. The rules of the new social justice and of the maintenance and reinforcement of Welfare, the desire to show the world an expansive model of economic development and, at the same time, of social brotherhood...well, everything has

⁵⁰ Dulles J. F., US politician, 52nd US Secretary of State from 1953 to 1959.

⁵¹ Castellina, *op. cit.*, p. 14

⁵² Negri, *op. cit.*, p. 9

been disappeared⁵³.

In the end, nevertheless the commitment and the dream of the Europeans to the integration for a closer union started to be created since the end of the Second World War, in an imaginary of the need and the will of peace in Europe. But other points of view have been criticized the process. Many advocates the EU as the natural development of the European states as a matter to create a peaceful project of free movement and free trade, on the contrary other claims that European Union have been made under the direction of Washington and influential neoliberal economists, it is only the result of capitalistic choices and a better and greater area in which globalization could fit better. It is true that on one hand Europe, that has in its roots the principles of the Enlightenment and all the rights gained with the wars and social struggles, safeguards freedoms and rights that do not exist in other parts of the world, but in the meanwhile with the approval of these treaties that increased the forces of economic neoliberal policies and as a consequence have eroded the Welfare State system and reduced the rights of people - work, welfare, income, education, freedom of movement – European Union has considered a lesser safe home by the Europeans themselves. And this is an evident phenomenon that started to be registered since the financial crisis of 2008 and of its consequences.

Not only Luciana Castellina and Antonio Negri share the idea of the European Union formed by the boost and the direction of the USA, but also Lucio Caracciolo, who explains his position about the European integration process in the number of *Limes* “*Bruxelles il fantasma dell'Europa*”. According to him the European project is a consequence of the European defeat after the Second World War and based on clear political, ideological and geopolitical choices. And in the same manner that I have already written before, the union is the result of the American geo strategy and it gave it strong contribution for the Western victory of the Cold War.⁵⁴ As a consequence of the USSR collapse, the European Union faced the possibility to enlarge its borders, but if until 1989 Europe was established within the western European geographical space, after the Berlin Wall fall, it became to absorb the eastern countries, something that was not forecast when

⁵³ Negri, *op. cit.*, p. 49

⁵⁴ *Limes rivista italiana di geopolitica*, “*Bruxelles il fantasma dell'Europa*”, Gruppo Editoriale, L'Espresso, Roma, 3/2016, p. 9

the ECSC and the EEC were founded, and this brought to a common subject always more heterogeneous, culturally and politically different. But what is most important, is that the end of Communism brought to the reunification of Germany,⁵⁵ whose consequence in the political and economic field will be described in the next chapter, but in few words: the new centrality of Germany in Europe that produced its strengthen and its supremacy in the whole continent and the possibility for Germans capitals to flood eastern and southern Europe with their goods and services, using a *neo-mercantilist* strategy. Caracciolo goes on explaining that the European Union was created according to two methods: functionalism and elitism. The first one, as showed in the first part of this chapter, regards the progressive integration of the economic and institutional sectors as a way to achieve the Union, and on the other side elitism, namely the will of the founder fathers, the governance and other actors of the EU to conceive the communitarian institutions as pillars far from the people, an architecture bore on the decisions of the ruling class, of the economic and political elites, whose choices were taken without the consensus and the participation of the European population.⁵⁶ Today these decisions are taken within the summits and the meetings of the European Council, Eurogroup, Commission and in case of bailout programs, also by IMF and creditors. The European parliament, the only organ that can be elected by citizens, is still now far and considered less interesting for the public opinion. And according to Caracciolo, functionalism and elitism have brought to one important consequence, namely the reduction of the political space in the European architecture. Neither national governments can use their political power, and an evident example can be seen in the Greek case, that I show in the third chapter. Not only elitism and functionalism marginalized the role of politics, but also the influence of American neoliberalism, that boosted the financialization of the global economy, reduced the welfare state systems of European countries and at last permitted the economy to impose their will on markets.⁵⁷

According to Antonio Negri, who did not want the construction of a political Europe were firstly the USA that considered the political union of Europe as a potential enemy, but on the other hand saw the European common market as a useful space for the industrial,

⁵⁵ VV.AA., *Ivi*, p. 11

⁵⁶ VV.AA., *Ivi*, p. 12

⁵⁷ VV.AA., *Ivi*, p. 13

financial and cultural penetration of the neoliberal mechanisms. Secondly, the national financial and industrial sectors that looked for a wider market to exploit as a method to obtain more profits. In other words capitalists and technocrats.⁵⁸

The main moment in which the European Union faced this junction between the political union and the union of markets without the government of politics can be seen in the Maastricht Treaty, the moment in which were established the rules for the euro entry, based on five-euro convergence criteria according to a country can enter in the European Monetary Union and join the eurozone. These five are: the first, is the one that concern the public debt, that must not be over the 60% of the Gross Domestic Product, in case the public deficit results larger, the country must act with the reduction of public spending. Second, the Government budget deficit, namely the ratio of the annual general government deficit relative to GDP and it must not exceed the 3%. Third, inflation that must be at the level of 2% and different countries disobeyed this parameter, first of all Germany. I will explain the consequences of this German misbehavior in the second chapter. Fourth the exchange rate stability and long term interest rates, that must not be higher than 2%.

An interpretation of these parameters and of the Eurozone principles is given by *les économistes atterrés* who explain that the European Monetary System was characterized by the predominance of Germany who imposed the respect of the ordoliberal principles for the single currency, namely the competition as a fundamental rule and the neutralization of the political and public power about the economic decisions. So, the Maastricht Treaty was signed according the requests of Germany. These economists show that the ordoliberal European project was based on three pillars: an independent Central Bank with the only goal of price stability, automatic fiscal policies restricted by rigid rules of fiscal balance and structural reforms bound to liberalize markets, deregulate financial markets and reduce the right about the world of work.⁵⁹ According to the Maastricht Treaty, the European Central Bank is independent from the governments and its main and only goal is the price stability without any interest about employment, economic growth, but it has only to fight inflation. In the Treaty it is also underlined that the Bank cannot

⁵⁸ Negri, *op. cit.*, p. 35

⁵⁹ VV.AA., *Cosa salverà l'Europa? critiche e proposte per un'economia diversa*, minimum fax, Roma, 2013, p. 97

finance directly the countries and imposes that the euro fluctuates freely. These economist shows that this structure of the ECB causes different problems that have appeared since 1999, namely it does not allow a coordinated strategy between monetary and fiscal politics and it is too obsessed by inflation that does not consider the risks that can cause the financial deregulation and financial bubbles. In the Maastricht treaty is also underlined that the external deficit cannot be adjusted, and until 2008 core European countries gained only surplus while peripheral ones only deficits.⁶⁰ Moreover, the treaty specified that the European Union is not responsible for the public deficits of member states and does not exists any form of financial solidarity among them. That is a real problem, because if neither ECB nor other states can finance a country in case of necessity, but only private subjects. The second pillar that those economists describes as an obsession of the Maastricht signatories was the control of the budgetary policies with the principle that, if a country adopts too expansive policies, it would have caused an increase of the inflation, a raise in the external deficit and so a variation in the value of the euro. As a matter of fact in 1997 was adopted the Fiscal Compact that applied three important commitments that I have already written above, namely the prohibition to exceed the 3% of the government budget deficit and the prohibition to exceed the 60% of the public debt compared to the GDP. Every years the member countries have to present a plan of stability in order to show the level of their deficit. In case it does not meet these criteria, they have to reduce it for 05% per year. In 2005, for example, five of twelve Eurozone countries had a deficit higher than 3% and these were Greece, Germany, Italy, France and Portugal.⁶¹ It was a contested agreement, as a matter of fact it became law as a Treaty in 2012. On the second chapter I focused on it in a larger way. The third pillar consist of a series of reforms, structural adjustments, bound to the liberalization of goods and financial markets, the reduction of the rights in the world of work, just like more hours per day, more possibility for the layoff of workers or more flexible contracts, decrease of social spending. If the Commission was the main actor that boosted for the approval of these adjustments in single countries, industrial and financial groups pressured in order to respect the four main neoliberal fundamental freedoms: free movements of goods,

⁶⁰ VV. AA., *Cosa salverà l'Europa?*, p. 98

⁶¹ VV. AA., *Ivi*, p. 102

services and capitals and the freedom of set up for companies and people.⁶² But the main goal for the commission, that modifies through the structural adjustments is the reduction of the public spending as a manner to move the activities into the private sector and improve the economic efficacy.

These are the rules imposed by the Maastricht treaty, with which the economic principles of ordoliberalism were imposed to the whole union, that, in the moment of the economic crisis of the 2008 faced a strong imbalance between core and peripheral countries, caused by the neomercantilist strategy of the states of the center at the expense of southern and western ones, completely flooded by German capitals and products. In the meanwhile, the impossibility of the ECB and of other states to relief the debt of some countries, risks to bring the union to the collapse. But the causes of the distrust and of the disagreements of European states can be found here, in the integration process and in the rigidity of Maastricht Treaty.

⁶² VV. AA., *Ivi*, p. 103

2

The financial crisis and the age of austerity

*“2022 - a new European order,
robot guards patrolling the border
Cybernetic dogs are getting closer and closer,
armored cars and immigration officers
A burning village in Kosovo
You bombed it out now you're telling us go home
Machine guns strut on the cliffs of Dover
Heads down people look out! we're going over”
Asian Dub Foundation – Fortress Europe, 2003*

2.1 Road to crisis

If the European integration process focused essentially on the juridical debate, since the half of the first decade of the new Century, and especially from the 2007-2008 crisis, the discussion switched into the economic and financial one, and into the relation between national states, the union and the role of the banks and the superiority of financial markets respect the governments. Even before the crisis broke, there were neoliberal tendencies that brought to an uncontrolled deregulated financial global context that not only caused the Wall Street collapse, but that were able to change also the narrative in order to

penalize the European countries with an high public deficit.

In order to describe this second moment of the European Union's life I consulted different authors that focused their attention on the way financial markets, and the neoliberal advocates, imposed their will on European governments creating a framework of economic and political instability that threaten the exit of some countries from the Union and thus the so called *balkanization* of Europe. First of all, in order to understand how neoliberal policies and globalization had affected the world economy and brought to the crisis and to its consequences I considered the Walden Bello's "*Capitalism's last stand? Deglobalization in the age of austerity*"¹. In this book Bello explains that globalization is a reversible process and proposes also some alternatives to the globalized world economy. Furthermore, "*The future of the euro*"² edited by Matthias Matthijs and Mark Blyth underlines a critical history of the euro and its dangerous embeddedness, the growing detachment between northern and southern countries and try to investigate a possible euro's future. The book "*Cosa salverà l'Europa. Critiche e proposte per un'economia diversa*"³ written by four members of *Les économistes atterrés*, a collective of alternative French economists, helped me to understand clearly which contradictions represents the austerity measures and why they are considered wrong by many economists. All these authors share two main ideas. The first one concerns the role of the euro as a warm question that firstly created an unbalance of stability within Europe and, through financial weapons, do not develops democratic progress in the European space, but on the contrary promote even more neoliberal heavy reforms that brought European citizenship to high levels of precariousness and also poverty, because of reduces the possibilities of the states to intervene with welfare state plans. The second question that all these authors advocate is their position regarding austerity programs that they consider wrong and based on false arguments, supported only to impose the ordoliberal thesis on economy and to stop once for all the Keynesian model that affected the Twentieth Century. To reinforce these arguments. I consider also Marcello De Cecco "*Ma cos'è questa crisi? L'Italia, l'Europa e la seconda globalizzazione (2007-2013)*"⁴; he is one of the most important Italian

¹ Walden Bello, *Capitalism's last stand? Deglobalization in the age of austerity*, New York, Zed Books Ltd, 2013

² VV.AA., *The future of the euro*, New York, Oxford University Press, 2015

³ VV.AA., "*Cosa salverà l'Europa. Critiche e proposte per un'economia diversa*", Roma, minimum fax, 2013

⁴ Marcello De Cecco, *Ma cos'è questa crisi? L'Italia, l'Europa e la seconda globalizzazione (2007-2013)*,

economists who do not share the same radical positions of Bello, Blyth and of the *économistes atterrés* but advocates the idea of the uselessness of austerity reforms.

Then I examined in depth the phenomenon of the austerity with the help of Mark Blyth and his book “*Austerity, the history of a dangerous idea*” and to describe the development of the imbalance between states and the policy that Germany used to become the leader country I rode the book of Costas Lapavistas and Heiner Flassbeck “*Against the troika, crisis and austerity in the eurozone*”.

According to Walden Bello, the 2008 financial crash was preceded by a similar crisis during the summer 1997 that hit the East Asian economies and it was produced by over investment on the real estate sector. In that framework a speculation bubble was created and Thailand, Indonesia, Philippines and South Korea faced a financial collapse that brought 22 million of Indonesians and 1 millions of Thais into poverty. This economic crash was caused by a strong liberalization of capital markets since the early Eighties and, in the end, the only who learnt something from these events were properly the four Asian tigers that began to stockpile dollars as a method to prevent the risk of potential attacks to their currencies. On the contrary, the USA from the first decade of the new Century dismantled all the devices of financial regulation. In this way a new unregulated financial sector was created with new instrument called “derivates” that brought to a real increasing detachment between real and financial economies, in which both of them grew, but the financial one did it faster and at the end imploded⁵.

Bello affirms that only if you made a step behind in history you can completely understand the beginning of the financial driven economy of nowadays. With the 1970s crisis when the “Golden age of capitalism” faced the “Stagflation”, that was produced by an over accumulation due to the growth of productive capacity of new countries, capitalism started to be recovered with national and global measures that strengthened it. In order to escape from the overproduction crisis, stronger neoliberal policies were carried out: first of all, *neoliberal restructuring*, that is the removal of governmental barriers to the economic growth and so facilitating the flow of capital among countries. In this way even the Keynesian class compromise was weakened, and with it all the welfare state systems, and tax cut to the rich to provide them the possibility to reinvest their funds.

Roma, Donzelli Editore, 2013

⁵ Bello, *op. cit.*, p. 4

This neoliberal restructuring during 1980s and 1990s produced lower levels of growth, according to the data there was a fall of GDP of 39% from 1973 to 1999.⁶ Secondly, *globalization*, in other words the integration of different independent markets into the same global one, that happened by providing the access of capital to cheap labor and so to new markets, new raw material and agricultural areas and new areas for investments. In order to achieve this goal a strong removal of economic barriers needed as a mean to allow global capital to flow freely without any constraint. Thirdly, *financialization*, in few words, the increasing reliance on capital on lending and investment in the financial sector as a manner to keep profitability⁷. Financialization had two keys activities in the period that brought to the 2008 collapse, that is credit creation and speculation. In order to sustain demand in front of the risk of stagnation in the growth of real income, the banks and intergovernmental policies advocated the creation of credits. As a consequence, in the three decades before the 2008 crisis, wages decreased and between 1979 and 2009 eight millions of manufacturing jobs were eliminated in the USA. The elimination of manufacturing jobs removed a basement of Keynesian economy, that is the maintenance of demand and so it produced problems both to the business and to the state. For the business because if the demand of goods decreased, an overproduction crisis could have grown. For the state because instability and tension growth. So to contrast these risks, as a consequence there was a push from the private sector in order to create credit by banks which lowered lending standards that attracted consumers into cheap housing loans, student loans, auto loans and multiple credit cards.

With this method, Washington tried to avoid stagnation by adopting a policy able to make the credit easier for real estate making it available for low income families. In this manner, they avoid the increase of wages and, at the same time, people were able to afford larger investments. Furthermore, the political goal that was achieved was the participation of individuals to the financialization and so they legitimated the hegemony of financial capital. Colin Crouch explains this process very clearly:

The bases of prosperity shifted from the social democratic formula of working classes supported by government intervention

⁶ *Ivi*, p. 6

⁷ *Ivi*, p. 8

to the neoliberal conservative one of banks, stock exchange, and financial markets. Ordinary people played their part, not as worker seeking to improve their situation through trade unions, legislation protecting employment rights and publicly funded social insurance schemes but as debt holders, participants in credit markets.⁸

The creation of credit, sustain to demand and speculation were united together in the so called securization of subprime and real estate loans. The subprime loan crisis was not a case of sustain of real demand, but the demand was largely created by the speculative mania of those who wanted to increase profits, with access to foreign funds, – especially Asia and ,more than other countries, China – and loans or mortgages were granted to millions of people that previously could not afford them.⁹ As a matter of fact, when crisis arrived in 2007/2008 about six millions of subprime mortgages had been granted and the 40 % risked the default in the next two years. Moreover, in the meanwhile three trillions of dollars had already been flowing and infected world markets. As crisis erupted and spread, consumers required less loans and the demand sharply fell down. The fall of real economy started and recession began.

But in which manner the crisis hit Europe? Walden Bello analyzes two main cases in order to show the effects of the financial collapse on European countries: Ireland and Greece. The first one as an example to show the consequences of a too savage market liberalization and the second one as a manner to demonstrate how banks behave with states that risked the default.

With a phase of development during the Eighties and the Nineties, Ireland became one of the more globalized economies of Europe but saw a block and risked the collapse in the first decade of the Century. The Irish could have avoided it if only they would have learnt something from the Eastern Tigers crisis that was created by the flow of deregulated and speculative global capital. The Irish economy passed through an incredible growth on export, especially in manufacturing and hi-tech services. But just like the economies of

⁸ Colin Crouch, *The strange non-death of neoliberalism*, Cambridge Polity Press, 2011, p. 116 cited in W. Bello, p. 11

⁹ Bello, *op. cit.*, p. 12

East Asia, when export market is stimulated, flows of speculative capital are attracted and the net foreign borrowing of Irish banks between 2003 to 2008 increased from 10% to 60% of GDP. This growth in borrowing depended by the Irish join of common currency. Once in the euro zone the banks of Ireland started to be able to borrow high quantity of money with no exchange rate risk, something that brought to an over development.¹⁰ With this speculation bubble that was affecting the Irish economy, when the Wall Street collapse hit European markets in 2008 the blow was effectively dangerous for Ireland, whose GDP decreased from 3% to 10% in 2009 with a decrease of employment of the 13%. As a consequence, Irish government required a bailout program to UE-IMF. The economical aids of the Troika (EU Commission, ECB and IMF) represented the “toughest austerity program in Europe” for the *New York Times*:

“After a week that brought Ireland a pledge of a \$114 billion international rescue package and the toughest austerity program of any country in Europe, tens of thousands of demonstrators took to Dublin’s streets on Saturday to protest wide cuts in the country’s welfare programs and in public-sector jobs. [...] Among other things, the austerity package will involve the loss of about 25,000 public-sector jobs, equivalent to 10 percent of the government work force, as well as a four-year, \$20 billion program of tax increases and spending cuts like sharp reductions in state pensions and minimum wage. One Dublin newspaper, the Irish Independent estimated that the cost of the measures for a typical middle-class family earning \$67,000 a year would be about \$5,800 a year.”¹¹

In Greece, although the public narrative underlined the fact that there were too much public expenditures that created an large public deficit, especially from the 2004 Olympics, Greek economy failure was caused by the same frenzied attraction of profits «from the massive indiscriminate extension of credit that led to the implosion of Wall

¹⁰ *Ivi*, p. 92

¹¹ <http://www.nytimes.com/2010/11/28/world/europe/28dublin.html>

Street»¹² The Greek context, like others, saw a period of speculative lending that was later followed by governments or sovereign debt defaults. It was a supply-driven crisis and not a demand-driven one. With the goal to raise profits through lending, European banks poured 2,5 trillion of dollars into those economies in crisis and German and French banks hold the 70% of the 400 billion of the Greek debt. German banks had already been great buyers of US toxic subprime assets and later they started to buy also government bonds. At the same time, French banks increase their lending to Greece by 23%, Portugal 26% and Spain 11%.¹³ German and French banks decided to act in this way only because they well known that a collapse of the Eurozone was impossible, so they increased the money they lent because governments will surely give them back. As a matter of fact, Eurozone governments in the end decided a 110 billion bailout program promoted as “structural adjustment”. If in the Nineties German economy grew steadily, becoming the world's biggest exporter from 1992 to 2009, replaced only by China in 2010, when the crisis erupted, the Germans were hit but in a lesser way then the other countries. As a matter of fact, its economy is the larger in the European Union and produces the 20% of EU GDP and while employment fell everywhere, also in Germany, the average of unemployment rate in 2011 achieved the 5,5 %, compared to the 9,5 % in France, 8,1 % in Italy and 8,3% in the United Kingdom. Berlin is in a strength position and apart from being the EU leader's economy, it is also deciding the rules to manage the Union, especially in economic policy.¹⁴

But the Wall Street collapse influenced Europe so much especially because of the structure of the euro and the economic policy of European institutions, first of all the ECB whose behavior tended to act like the German central bank. So the roots of EU crisis are rooted in the way European countries created the Union and how they decided to unify them under the single currency. For many observers and authors, the crisis that is distressing United Europe today is due to the inability of European leaders and organization to cooperate together in order to impose a more political and connected Europe, even as a solution to make an end to this precarious framework of instability and avoid recession.

¹² Bello, *op. cit.*, p. 95

¹³ Ivi, p. 96

¹⁴ Ivi, p. 101

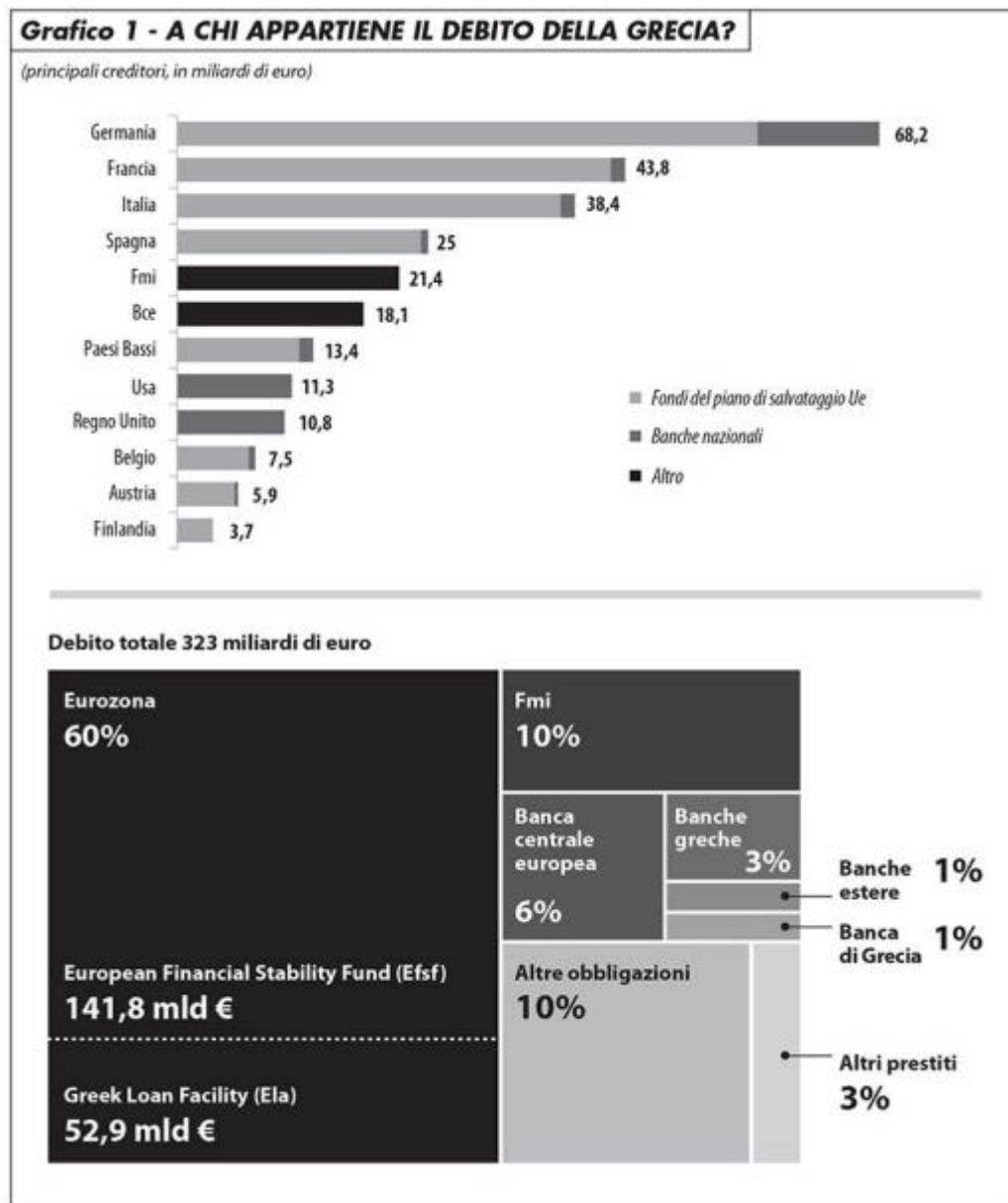
2.5 Europe caught in the grip of austerity and ordocracy

When European governance had to choose the response to the crisis it found itself at a very critical juncture: on the first track a fiscal stimulus plan like the Obama's TARP, with an intervention of the government into markets from the ECB, or on the second track the decision to impose a fiscal austerity to reduce the levels of public debt and favor a mercantilist economy based on competitiveness able to stimulate exports. Actually Europe has already faced a period in which austerity measures were asked to the population, namely before the euro entry. But when crisis hit the continent, European elites with the pressure of Germany decided to act through the ECB against southern states for their large debt that, as demonstrate on the last paragraph, was not caused mainly by welfare state systems and, in addition, was not the proper cause of the crisis. So elites chose the second track they faced.

In Europe economic and financial crisis tried to be solved with helps from governments to the private banks with nothing in change. Banks, in turn, provided those massive concessions of loans to the peripheral countries of the Union. Something that caused the raising of their indebtedness. European Union lent to the banking system 1,7 billions of euro increasing the public debt from 7,3 billion in 2007 to 8,7 billion in 2009. Secondly, private banks of the core of Europe, most of all Germans and Frenches, but also of Belgium, the Netherlands, UK, Italy, Luxemburg and so on, used these funds received by Federal Reserve, ECB and the Central Banks to lend with higher interests to those countries like Greece, Portugal, Spain, and Ireland. With this process they made very wide profits.¹⁵ In 2010, the European Central Bank that cannot lend money directly to the states, provided funds to the private banks with an interest rate of the 1% that were turned by these banks into loans with interest rates of 4 and 5% in the short period, 12% in the long period, reaching the 16,5% for ten years loans.¹⁶

¹⁵ Josep Maria Antentas & Esther Vivas, *Pianeta Indignato*, Edizioni Alegre, Roma, 2012, p. 138

¹⁶ Antentas & Vivas, *op. cit.*, p. 139



(Figure 1) Who belongs the Greek debt?¹⁷

That is the way public debt increased in the Southern countries of Europe, that in the moment these governments needed aids from European and international organizations in order to avoid the risk of sovereign default. In 2010, when Greece could not afford anymore its huge public debt, the *troika* chose to intervene. The troika consists of the

¹⁷ *Limes Rivista italiana di geopolitica, "Tra euro e neuro", Roma, Gruppo Editoriale l'Espresso s.p.a, Roma, 7/2015, p. 17*

European Commission, The European Central Bank and the International Monetary Fund that in change of liquidity they required structural adjustments bound to reduce public spending, in other words austerity measures to cut on pensions, wages, cuts on public health and education and the reduction of corruption.

“The lenders, the so-called troika of the ECB, the European Commission, and the IMF, forecast growth returning by 2012. Instead, unemployment in Greece reached 21 percent in late 2011, and the economy continued to contract. In November 2010, Ireland needed a bailout and received 675 billion euros for a 26 percent cut in public spending. In March 2011, it was Portugal’s turn, and it received 78 billion euros in exchange for a similar packet of reforms.”¹⁸

The policies that have been imposed with these structural adjustments are summarized with the term “austerity”, that according to Mark Blyth, it is best described as:

“Austerity is a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices, and public spending to restore competitiveness, which is (supposedly) best achieved by cutting the state’s budget, debts, and deficits. Doing so, its advocates believe, will inspire “business confidence” since the government will neither be “crowding-out” the market for investment by sucking up all the available capital through the issuance of debt, nor adding to the nation’s already “too big” debt.”¹⁹

Mark Blyth, in his book “*Austerity, the history of a dangerous idea*”, explains that once PIIGS countries (Portugal, Italy, Ireland, Greece and Spain) faced the problem of public debt, they did not solve it through austerity packages, on the contrary it became bigger

¹⁸ Mark Blyth, *Austerity, the history of a dangerous idea*, Oxford University Press, USA, 2013, p. 89

¹⁹ Blyth, *op. cit.*, p. 15

and not smaller. As a matter of fact, if its goal is the reduction of public budget and the restore of economic growth, Blyth shows that these policies are not working. And cuts on welfare state and public services and wages make population poorer. Austerity measures create a spiral that produces poverty, flexible contracts that make easier the layoff, precariousness, lower wages, worst condition of work, the privatization education and health. The more troika helps governments, the more austerity packages are required, the more they cuts on public spending, but debts in the meanwhile increase. In fact, Portugal's net debt to GDP increase from 62% in 2006 and 108% in 2012, Ireland's one from 24,8% to 106,4% and the Greece's one from 106% to 170%.²⁰ The big problem, always according to Blyth, is that austerity packages are imposed to governments and population while European banking system created it. And what is most important is that since the late 2008, it escaped from the accusation of being the responsible of the framework of instability that we face today.

“the crisis in Europe has almost nothing to do with states and everything to do with markets. It is a private-sector crisis that has once again become a state responsibility. It has almost nothing to do with too much state spending and almost everything to do with the incentives facing banks when the euro, a financial doomsday machine the Europeans built for themselves, was introduced.”²¹

The Italian economist Marcello De Cecco shared the position anti austerity and the idea of the wrong diagnosis of the laxity of states. In an interview of the Italian newspaper *Il Manifesto* on November 2014 when Italy's debt to GDP reached the 133,3%, once asked him if the debt containment policies have been useful, he answered that with the conditions imposed by austerity, there are few possibilities to restore internal demand and economic growth.²²

Nevertheless, despite austerity measures are widely accepted by governments and the citizenship, several economists and other figures explained that it is based on wrong

²⁰ *Ivi*, p. 17

²¹ *Ivi*, p. 68

²² <http://ilmanifesto.info/marcello-de-cecco-nei-vicoli-ciechi-dellausterita-ue/>

arguments. *Les économistes atterés*, a French collective of economists and philosophers, share the same position of Mark Blyth and show an interesting position that blame the ordoliberal governance of Europe and propose some alternatives to the austerity measures. On the book of four of these economists “*Cosa Salverà l'Europa, Critiche e proposte per un'economia diversa*” they explain why they consider the policy of ECB and of the European governance wrong and bound to failure. Their analysis begin with the Fiscal Compact, formally Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, that even the European Parliament debated on its efficacy on create a real response to the crisis, also because everything signed there had already been introduced into the Stability and Growth Pact of 2011. In addition, Angela Merkel imposed inside the treaty the principle of the balanced budget deficit that must not exceed of the 0,5 % of the Gross Domestic Product as a method to secure the financial stability and so European markets.²³ The main articles of the treaty signed the reinforcement of the Maastricht constraints, namely the maximum of 3% of budget deficit - that with the Fiscal compact became 0,5% - and the public debt limit at 60% with strict sanctions in case this principle would not be respected. Secondly, these new constraints became constitutional laws, namely that governments introduce them into their national constitutions. That implied the commitment of all signatory states to issue the necessary programs of reforms able to reach the equilibrium signed with the treaty. According to these economists, the importance of this treaty is very remarkable because after Lisbon and Maastricht treaties this is the third act of radicalization of the euro in neoliberal – and ordoliberal – terms and it will channel a form of never-ending austerity and the real risk of implosion of the Eurozone. Moreover, its application is going to be the cause of the tough restriction of democracy within Europe and will give support to the xenophobe and authoritarian forces that are strengthening nowadays, in each country of the continent²⁴ Ordoliberalism is a variation of the liberalism and he began to develop during the 1930s in Germany. Its main principle do not consist in the absence of the government in the economy, but it intervene in order to guarantee the free market. For example governments can impose a rigid antitrust rules as a manner to obtain the perfect competition, in other

²³ VV.AA., “*Cosa Salverà l'Europa, Critiche e proposte per un'economia diversa*”, Roma, minimum fax, 2013, p. 7

²⁴ VV.AA., “*Cosa salverà l'Europa*”, p. 11

words, it do not intervene on prices, which are bound to decrease naturally standing on inflationary levels, or it can adjust the free economy protecting it through constitutional methods.²⁵ The state, according ordoliberal theories is the element of political guide that has to create the conditions, not for the intervention of the state into the economy, like on Keynesianism, but have to make the society fluid, flexible, harmonious. Ordoliberalism reminds the idea of “order”, and this is according to Carlo Galli, Professor at the University of Bologna a way, for figures like Merkel, Schauble, the CDU and the SPD, an economic theory that can replace the uncontrolled capitalism and its risks, like inflation, debt, impoverishment and conflict.²⁶

The crisis began in 2007 and in 2016 the European technocracy has not been able to find a solution. On the contrary, they seized the moment and the unstable frame to achieve their main goals: the reduction of public spending, the weaken of European welfare state system as well as shock the right to work and avoid the mobilization of citizen against it. Already in 2012 the situation became critical, with a decrease of the Gross Domestic Product of (-0,3%) with a rate of unemployment that reached the 10,9%²⁷. Anyway the European Commission was keen on imposing austerity policies that boosted Europe into a never ending recession, even because what has been undermined is welfare state and social protection. These policies need to save the euro or to force with any mean the population to accept a large size structural adjustment with the goal of achieving once again the European competitiveness. As already reported, even these economists share the idea of Mark Blyth and Matthias Matthijs concerning the fundamentals of austerity: it is a pact based on wrong diagnosis, or better false, namely the lack of a fiscal discipline has been declared as the main cause of the Eurozone crisis, so states had been so reckless and boosted public spending. But data shows a different version:

“before the crisis European countries did not face high levels of public deficit: during the period 2004-2007 USA had an average level of 2,8% of GDP, UK of 2,9%, Japan 3,6%, while the one of Eurozone was only of 1,5%. Public debt of Eurozone did not

²⁵ Carlo Galli, *La Germania unita divide l'Europa*, Carlo Galli in *Limes*, 3/2016, p. 177

²⁶ Galli, *Ivi*, p. 180

²⁷ VV.AA., “*Cosa salverà l'Europa*”, p. 15

increase. Only Greece showed an excessive imbalance. While countries like Ireland and Spain, today in difficulty, did not presented any public imbalance.”²⁸

European organizations focused on the respect of the rules signed with the Treaty of Maastricht and the Grow and Stability Pact that caused the imbalance between northern states - that gained in terms of stability, competitiveness and exports - and southern states - that experienced a real estate bubble and a growth of the private debt -. The principle of the Fiscal Compact is the obligation of a stricter rigor bolstering the Grow and Stability Pact of 1999 that completely prohibited public deficits higher than the 3% of the Gross Domestic Product, the public debt had to be kept under the 60% of the GDP and every country had to show a stability program to demonstrate their ability to respect it. But on the contrary, rarely was it respected: in 2005 five of twelve EU countries exceed the 3%, while in 2009 everyone transgresses both the constraints of 3% and 60%.

Tavola III.1 - Spesa pubblica per il totale dell'Unione europea: composizione percentuale per Paese – anni 2000-2013

Paesi	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Belgio	3,0%	2,9%	2,9%	3,0%	2,9%	3,0%	2,9%	2,9%	2,9%	3,1%	3,0%	3,2%	3,2%	3,3%
Bulgaria	0,1%	0,1%	0,1%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%
Repubblica Ceca	0,6%	0,7%	0,8%	0,9%	0,8%	0,9%	0,9%	1,0%	1,0%	1,1%	1,1%	1,1%	1,1%	1,0%
Danimarca	2,3%	2,3%	2,3%	2,2%	2,2%	2,1%	2,1%	2,0%	2,1%	2,2%	2,2%	2,2%	2,3%	2,2%
Germania	22,4%	22,6%	22,1%	21,8%	20,8%	20,1%	19,4%	18,7%	18,6%	19,1%	19,2%	19,0%	18,7%	19,1%
Estonia	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Irlanda	0,8%	0,9%	0,9%	1,0%	1,0%	1,1%	1,1%	1,2%	1,3%	1,3%	1,7%	1,2%	1,1%	1,1%
Grecia	1,6%	1,5%	1,5%	1,6%	1,7%	1,7%	1,7%	1,9%	2,0%	2,1%	1,8%	1,7%	1,6%	1,7%
Spagna	6,0%	5,9%	6,1%	6,3%	6,6%	6,7%	7,0%	7,3%	7,7%	8,1%	7,8%	7,7%	7,7%	7,2%
Francia	18,1%	17,5%	17,6%	17,8%	17,8%	17,8%	17,6%	17,5%	17,5%	17,8%	17,6%	18,0%	18,1%	18,4%
Italia	13,3%	13,5%	13,2%	13,5%	13,4%	13,3%	13,4%	13,1%	13,0%	13,1%	12,6%	12,6%	12,4%	12,3%
Cipro	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%
Lettonia	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,2%	0,1%	0,1%	0,1%	0,1%	0,1%
Lituania	0,1%	0,1%	0,1%	0,1%	0,1%	0,1%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%
Lussemburgo	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,3%	0,3%	0,3%	0,3%	0,3%
Ungheria	0,6%	0,6%	0,8%	0,8%	0,8%	0,9%	0,9%	0,9%	0,9%	0,8%	0,8%	0,8%	0,7%	0,8%
Malta	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Paesi Bassi	4,5%	4,6%	4,6%	4,7%	4,6%	4,4%	4,5%	4,6%	4,7%	4,9%	4,8%	4,8%	4,7%	4,7%
Austria	2,6%	2,5%	2,4%	2,4%	2,5%	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%	2,4%	2,5%	2,5%
Polonia	1,9%	2,1%	2,0%	1,8%	1,8%	2,1%	2,2%	2,3%	2,7%	2,3%	2,6%	2,6%	2,5%	2,6%
Portogallo	1,3%	1,3%	1,3%	1,3%	1,4%	1,4%	1,3%	1,3%	1,3%	1,4%	1,4%	1,4%	1,2%	1,3%
Romania	0,4%	0,4%	0,4%	0,4%	0,4%	0,5%	0,6%	0,8%	0,9%	0,8%	0,8%	0,8%	0,8%	0,8%
Slovenia	0,2%	0,2%	0,2%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%	0,3%
Slowacchia	0,3%	0,2%	0,3%	0,2%	0,3%	0,3%	0,3%	0,3%	0,4%	0,4%	0,4%	0,4%	0,4%	0,4%
Finlandia	1,6%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,6%	1,6%	1,6%	1,7%	1,7%	1,8%
Svezia	3,6%	3,1%	3,2%	3,3%	3,2%	3,1%	3,1%	3,0%	2,9%	2,7%	2,9%	3,2%	3,3%	3,5%
Regno Unito	14,3%	14,9%	15,2%	14,5%	15,4%	15,6%	15,9%	16,0%	14,7%	13,5%	13,9%	13,7%	14,5%	14,0%
Unione Europea (27)	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Principali 5 paesi	74,1%	74,5%	74,2%	73,9%	73,9%	73,6%	73,2%	72,6%	71,5%	71,6%	71,1%	71,0%	71,4%	71,0%

(Figure 2) Public spending in the European Union, from 2000 to 2013²⁹

²⁸ Ivi, p. 17

²⁹ http://www.rgs.mef.gov.it/_Documenti/VERSIONE-I/Pubblicazioni/Analisi_e_valutazione_della_Spesa/La-spesa-pubblica-in-Europa/La_spesa_pubblica_in_Europa2000-2013.pdf

But despite these data European Commission decided not to rethink all the fiscal policy organization, they reinforced the pact with the Fiscal Compact that is found on dispositions proposed by the Commission on the period 2010-2011 and, in part, already adopted by the Council and the European Parliament, like the Euro-Plus Pact of March 2011 whose goal was to improve, stability, employment, competitiveness and fiscal strength of each country.³⁰ The main points of the new treaty extend and radicalize principles of older treaties. For example, on the first article it is clearly stated the commitment to improve the economic pillar of the European Union «supporting the achievement of the European Union's objectives for sustainable growth, employment, competitiveness and social cohesion»³¹ but beyond this statement nothing has really been done to achieve these goals, as a matter of fact, it is underlined that it should be done by «adopting a set of rules intended to foster budgetary discipline through a fiscal compact»³². On the article 3.1 it is expressed that the acceptable level of deficit is «declared with a lower limit of a structural deficit of 0.5% of the gross domestic product at market prices»³³ even if on the decade between 1998 and 2007 countries like Germany, Italy, France and Japan exceed the 0,5% of the GDP while UK and USA overtook the limit seven times. It demonstrate that no one respected the constraint in a durable way. The level of deficit should be declared licit not according to a quantitative level because it may allow to reach a rate of demand able to produce an adequate level of production without mass unemployment or an increase of inflation.³⁴ Once a state do not respect the level imposed, it starts an “excessive deficit procedure” EDP that consists of the reduction of pensions, cuts on wages, less social intervention and more flexible employment contracts, deregulations and liberalizations. The interesting thing is that in 2013, 23 EU countries on 27 member states experienced the excessive deficit procedures bound to reduce the public debt, but the reduction of public spending entails strong efforts and huge cuts that make more difficult the economic growth. In fact, austerity measures did not reduce the ratio between debt and Gross Domestic Product, but on the contrary it was increased and the Eurozone GDP decreased of 7% with 10% in Ireland and 25% in

³⁰ VV.AA., “Cosa salverà l'Europa”, p. 19

³¹ http://europa.eu/rapid/press-release_DOC-12-2_en.htm

³² *Ibidem*

³³ *Ibidem*

³⁴ VV.AA., “Cosa salverà l'Europa?”, p. 21

Greece.³⁵ In addition, as a result of the strict economic relations with those countries in crisis, the German economic growth decreased in the period 2010-2013 of the 2,7%.³⁶ Fiscal Compact acts against the Keynesian economic measures that historically states applied in case of crisis. According to the authors, governments should apply an active economic policy bound to guarantee the economic growth, to reach the full employment, a normal process during the year of “embedded” post war capitalism and ended with the neoliberal counter revolution of the Eighties. Since the fact that the full occupation goal causes high levels of inflation, neoliberal elites tend to convince the population to renounce completely the reach of this aim. The neoliberal governance wants to avoid the intervention of governments democratically elected into markets and entrust to other independent organs untied from the population and the election mechanism. But if this is the classical view of neoliberalism, in the case of the austerity measures for southern European countries, there are other forces and theories that are playing a central role. In fact, we can easily talk about “ordoliberalism”, that is a theory developed in Germany after the World War 2. According to ordoliberists, markets do not self-regulate toward an equilibrium and there is not a natural harmony with the hand that adjust markets, but in order to reach a balance between economy and society there is the necessity of a state that intervene to apply some institutional and juridical devices able to make markets work.³⁷ The four fundamental principles of ordoliberalism are the respect of private property, free access to markets and so no oligopoles and monopolies, stability of prices and the balance of public deficits and in Europe it is supported by Merkel and its coalition as a manner to create a monetary union without mutual help and solidarity. In this way the EU stability is ensured by the ability of each member state to guarantee autonomously the balance of its own finances following the strict rules that have been imposed by European treaties like the Fiscal Compact. Furthermore, according to them the only mechanism that governments can use in order to increase the economic growth of their countries is the internal devaluation, in other terms, a set of structural reforms bound to make job market more flexible, facilitating layoffs, weaken the bargaining power of trade unions and reducing the cost of work (reduction of wages). Also with this measures, the

³⁵ *Ivi*, p. 26

³⁶ *Ibidem*

³⁷ *Ivi*, p. 61

main aim of internal devaluation is the possibility to restore once again competitiveness and reduce trade deficits. In their opinion, this is a method to fill the unbalance between southern and northern European countries.³⁸ Internal devaluation would be able to produce the same effects of a standard devaluation, namely the country would gain in competitiveness and, through a reduction of the costs of production, would encourage the level of exports and limit the quantity of imports and, in the meanwhile, population would accept these measures because there would be a decrease not only to the costs of production but also on the prices of goods. According to the *économistes atterés* this is possible only in an imaginary frame, but in reality the reduction of wages and prices produces phenomenon of redistribution and substitution and economic actors would not invest: why should them invest today if they forecast that tomorrow prices might be lower?³⁹ As written in the Fiscal Compact treaty, these policies are bound to «pursuit of the objectives of fostering competitiveness, promoting employment, contributing further to the sustainability of public finances and reinforcing financial stability»⁴⁰ but in the opinion of these alternative economists it will produce only more austerity and recession. On the ECB forum on Central Banking held in Sintra, in Portugal, on May 2015, the president of ECB Mario Draghi explained his position concerning structural reform. He describes them as policies that alter in a permanent and positive way the supply of economy and they produce two different effects. The first one is the competitiveness that economy gains with the supply and quality of labor; the second concerns the ability to be more resilient in case of economic shocks. So, by its words, “a comprehensive package of structural reforms will therefore tend to increase both *resilience* and *growth*. These are clearly issues in which any central bank has a keen interest. But this is especially true for the central bank of a monetary union – and even more so in the conditions we face today.”⁴¹ But data shows that austerity measures produces only poverty and inequalities in a spiral process. In the opinion of the *économistes atterés* a policy of redistribution of the income could help the recovery, instead of going straight on with public cuts and reduction of welfare. The level of unemployment reached the 37,9% in Italy, in Spain the

³⁸ *Ivi*, p. 63

³⁹ *Ivi*, p. 65

⁴⁰ http://europa.eu/rapid/press-release_DOC-12-2_en.htm

⁴¹ Introductory speech by Mario Draghi, President of the ECB, ECB Forum on Central Banking

46% and in Greece the 48% and the European average is 22%. Before the crisis, the Italian average was 19,7%. Moreover, austerity created a wider level of inequality in which, according to Oxfam data, 132 millions of people in Europe risk to reach the poverty levels, that is with no money in order to pay unexpected spending, the bill of water, gas, school fees and so on.⁴² Between 2005 and 2014, the level of poverty in Italy has increased from 6,4% to 11,5%.



(Figure 3) youth unemployment in Europe in 2015⁴³

⁴² Oxfam Report: A Europe for the Many, not the Few

⁴³ <http://www.infodata.ilsole24ore.com/2016/02/09/disoccupazione-giovanile-379-in-italia-in-europa-la-media-e-del-22/>

2.2 The role of Germany, the ECB and the euro

The 2008 crisis started from Wall Street crash but later spread all over the world and brought panic and instability also in Europe, that had recently concluded the European integration with the approval of Lisbon Treaty and with the third wave of enlargement that brought to the union twelve new countries. Despite the great enthusiasm of the Europeans for the enlargement and for the adoption of the single currency and common market, citizens of new member state were not so confident because of the loss of national sovereignty but most of all concerning the value, the euro. But the fragile basis of the Eurozone became evident with the crisis, in front of clear unbalanced data of trade among the European countries. In fact, some states of the “core” of the continent exported much more than what they imported. For example, the trade surplus of the Netherlands achieved the 8,1%, Germany 7,9 %, Finland 4,9 %, Belgium 3,5% and Austria 3,3%. On the contrary the so called “peripheral” countries had deep trade deficits like Portugal 8,5%, Spain 9,6% and Greece 12,5%.⁴⁴ This depended, first of all, by the different macroeconomic strategies that these countries used and, secondly, by the absence, once join the euro as a common currency, of instruments able to adjust the deficit, like the exchange rate. The “core” states used a *neomercantilist* strategy, that is a policy bound to encourage exports and raise profits from it. In order to achieve their goal, these countries started to reduce the cost of wages and of social spending as a method to gain in competitiveness, reinforce export mechanisms and obtain higher surplus. On the other hand, peripheral states took advantage of the low levels of interest rates and caused real estate speculative bubbles, in this way they produced large levels of foreign deficits. With the Treaty of Maastricht of 1992 the Europeans renounced to adjust the exchange rate and the possibility of devaluation of national currencies. So, as a consequence, a member country of the union cannot raise the rate of employment using the old method of devaluation. Moreover, the unbalanced situation among the states caused an even larger detachment, especially with the Eurozone crisis.⁴⁵ This framework brought the peripheral European countries to a more dangerous experience than the one of the public debt,

⁴⁴ VV.AA., *Cosa Salverà l'Europa*, p. 49

⁴⁵ *Ivi*, p. 50

namely a recession with a big increase of unemployment.

In the European architecture Germany played a central role, both in the policies that Berlin and Bundesbank actuated before and during the euro crisis and in the way Merkel manage the crisis. But how could Germany become so strong within Europe? Which method did German governance use? Today Germany plays the role of regional guarantor and its citizens support austerity policies for southern countries, in addition Merkel won 2013 election and its party gained large consensus during the years of the crisis. As a matter of fact, the Christian Democratic Union party obtained the larger electoral success within' the last decade.

According to Abraham Newman, author of an article in the book "*The future of the euro*" edited by Mark Blyth and Matthias Matthis, the competitiveness of German economy depends also by the reforms of austerity that were approved in the domestic field after the reunification between West and East Germany, something that made easily for the Germans to legitimate those measures for other countries blamed of "laxity". In fact, if today Germany is the leader country of Europe, in the period between the end of Cold War and the half of the first decade of the Century, it was seen as a "Sick man". That is because Berlin saw some economic challenges posed by the reunification that boosted German economy into crisis, and with critical peaks in 1993, 1995 and 1996 when the rate of unemployment reached the 8%. It experienced a fall in productivity, rising of the cost of wages and stagnant growth before the introduction of the euro. From 1994 to 2004 GDP per capita did not increase and Berlin declared recession officially in 2001, 2002 and 2004; in 2003 it violated the euro deficit targets and still with unemployment rates over the 8% with a top in 2005 when the 12% was reached, in other words five million of Germans became jobless and those who worked experienced a decline of their wages in the period from 2004 to 2008⁴⁶. But, furthermore, the German central bank joined a strict monetarist policy bound to keep the inflation low and low borrowing privileges, while other European countries increased their wages, borrowing costs fall and the growth pick up, as can be seen for Ireland and Spain.⁴⁷ This tendencies caused also dissatisfaction with the new currency and the perception that with the introduction of the euro the cost of living rose up, something that really happened but for a different reason,

⁴⁶ VV.AA., *The future of the euro*, p. 126

⁴⁷ *Ibidem*

namely the slump in consumer confidence and general faith in German economy. As a consequence, to stop that collapse, the former Chancellor Gerhard Schroeder introduced two reforms known as *Agenda 2010* and *Hartz IV* in order to impose large cuts to the welfare spending, including pensions and unemployment benefits. In other words, after that the 1 trillion of euro *Solidaritätszuschlag* plan to recover Eastern Germany competitiveness failed, an austerity program was imposed to the Germans by a government led by a social democratic party. Since the efforts of reunification did not work, so the SPD decided to start some reforms to enhance labor market flexibility and reduce welfare state commitments with the goal to increase the German export growth. In the meanwhile, strong reduction of wages was imposed. These were clear neoliberal policies that gained strength during the euro crisis, with a weakening euro, boosted the German economy and its export economy, especially to growing countries in Asia. In 2012 the export outside euro zone increased of the 5%, namely 1,25% of German GDP, becoming the leader country in Europe.⁴⁸ From 2000 to 2007, strong reduction of wages was imposed in Germany and Austria. Marcello De Cecco published an article in 2007 for *La Repubblica* in which described this processes clearly:

“These are the last days in which owners, bosses, the ruling class and metalworker unions could find an agreement in order to avoid a strike in Germany. German owners, are not decided to surrender, since it offered an increase of the 2,5% in front of the request of the 6,5% of the unions. But, they are also not bound for a mortal struggle in a moment in which German investment goods are widely required on global markets, in which the Germans and the Japaneses are the only providers of very complex machines.”⁴⁹

With this method Germany became one of the first exporter state in the world and since the fall of Berlin Wall it has developed a geographical and economic structure that created an integrated manufacturer block able to include the industrial areas close to Germany.

⁴⁸ VV.AA., *The future of the euro*, *ivi*, p. 131

⁴⁹ De Cecco, *Ma cos'è questa crisi? L'Italia, l'Europa e la seconda globalizzazione (2007 – 2013)*, Roma, Donzelli Editore, 2013, p. 6, translated by me

In this way, central European countries like Slovakia, Slovenia, Poland, Czech Republic and Hungary became affected by the strong German economy and had high values of export and import with Berlin. So Germany is a manufacturer hub, especially in the auto industry.⁵⁰ The neomercantilist theory is based on the “flexibility doctrine”, namely making the labor market more flexible with lower wages results in a more labor-intensive possibility to gain competitiveness with the final price of the product. Costas Lapavitsas explain in a clear way this process in the book “*Against the troika, crisis and austerity in the Eurozone*”. In this book he shows how Germany acted boosting its economy in the EMU at the expense of weaker countries. Traditionally Germany had always kept a stable rate of inflation, that once the unity labor costs decreased, the rate of inflation reduced and this happened in the moment the monetary union was introduced and consequently this produced large divergences in the unit labor cost among the different members of the monetary union. Lapavitsas shows that even though the annual divergence among the unity labor costs was small, during the period between 1999 to 2013 it became huge, and with it the real exchange rate of Germany depreciated, still before the entry of the euro. This produced a divergence even on the prices of the products of the countries and gaps in the absolute advantages (or disadvantages for weaker countries of the EMU) in the international framework.⁵¹ Lapavitsas and Flassbeck, the authors, explains that according their point of view, Germany is the guilt of this gap even because when ECB decided the target of the 2% of annual inflation, Germany was the first one to disobey this rule; as a matter of fact only three times it reached fitting levels according this target. If Greece was accused to have too high levels of inflation still in the Nineties, just like the 2.74% of 1998, Germany was bigger guilt, because in 1999 it reached the 0.4%. In 2014 it was 0.19%.⁵² So they consider the misbehavior of Germany as bigger than the one of weaker countries like Greece. Germany behaved using the policy of “beggar-thy-neighbor” because its real depreciation produced an impact on trade flows, in which the trade of Germany and its exports increased in an international level, but at the expense of their neighbor states that began to face large trade and current account deficits, with imports

⁵⁰ De Cecco, *op. cit.*, p. 102

⁵¹ C. Lapavitsas, H. Flassbeck, *Against the troika, crisis and austerity in the eurozone*, Verso books, London, 2015, p. 22

⁵² German annual inflation data, <http://it.inflation.eu/tassi-di-inflazione/germania/inflazione-storica/cpi-inflazione-germania.aspx>

from Germany increased and export decreased because of in this manner, German products invaded the European common market. As a result, the imbalances within the Eurozone grew during the years. If there was a situation of balance at the entry of the euro, it became more evident during the years and it went on even during the economic crisis; the German current account increased after 2010 with a new record in 2014, with the surpluses of other members of the Eurozone ended in 2007 and the one of the rest of the world increased.⁵³ Robert Skidelski, member of the House of Lords and professor emeritus of political economic at Warwick University, member of the UK Social Democratic Party describe this process in an article issued on *the Guardian*:

“The ECB's inaction is not, however, wholly responsible for the appreciation of the euro's exchange rate. The pattern of current account imbalances across the Eurozone also plays a large role. Germany's current-account surplus, the largest in the Eurozone, is not a new phenomenon. It has existed since the 1980s, falling only during reunification, when intensive construction investment in the former east Germany more than absorbed the country's savings. The external surplus has grown especially rapidly since the early 2000s, and today it remains close to its pre-crisis 2007 level, at 7.4% of GDP.”⁵⁴

Effectively, how remember Lapavitsas and Flassbeck, today Germany is the only country in which everything goes right, it has a strong and positive economy, it is politically stable and it represents the main creditor country, a position that provide its elites to impose the terms with which debtors have to receive the financial aids to solve their economic problems. As described by Robert Skidelski, also them remember that, as a consequence of the German transgression of the ECB 2% level of inflation standard, the export of Germany boosted once the euro entry and in increased sharply after the euro crisis differently from other European countries.

⁵³ C. Lapavitsas, H. Flassbeck, *op. cit.*, p. 23

⁵⁴ <https://www.theguardian.com/business/2014/jul/24/germany-surplus-part-blame-eurozone-stagnation>

“there can be no doubt that a large country with intense trade relations with its neighbors could gain extraordinarily if it “beggared” these neighbors for a long time by essentially robbing them of significant market share in regional and global trade. Indeed, Germany's share of exports in GDP, which had been rather stable at 30 percent of GDP for several decades before the creation of EMU, exploded during the rather short time span from 1999 to 2013 to peak at more than 50 percent”⁵⁵

But Lapavitsas and Flassbeck differentiate the effects on exports and the ones on the domestic economies and describe the following process. Once the unit labor costs of Germany were reduced and produced competitiveness for the countries' enterprises, other states had to compete with it. And what happened? In countries southern economies, enterprises tried to reduce the wages of their workers, but a fall in wages correspond to the fall in demand, namely an unwillingness to buy and a consequent less availability of enterprises to invest, provoking a raise of the unemployment. That is what experienced Greece, Portugal and Spain once they were subjected to the policies imposed by the troika.⁵⁶

So, Germany became the stronger country in Europe, not only in the economic field, but also in the political one, since it became a creditor and could choose the conditions of the debt relief of other countries. But on what depended the success of Germany apart from the economic strategy it used? It depended by the behavior of the institutions of the Eurozone, especially of the ECB and of the European Commission, which had been too less vigilant in front of the development of this process. Maybe they could have blocked Germans governments' application of these policies or could have alerted other countries about their risks. But since the 1980s the Commission had really clear ideas about the economic path that the Eurozone had to follow, and it was the one of the neoliberal, namely the maximization of profits and of the competitiveness of the states. With a target like that, the Commission could not avoid Germany to choose its neomercantilist policy.⁵⁷

⁵⁵ C. Lapavitsas, H. Flassbeck, *op. cit.*, p. 27

⁵⁶ *Ivi*, p. 28

⁵⁷ *Ivi*, p. 29

It is evident that Germany became the European economic leader but with the relevant coordination with the ECB, whose policies were strongly contested. The European bank was criticized to substitute the Bundesbank as the director of monetary policy for the all union. Already in 2007 ECB declared that other increases of wages threat the stability of the EU economy, so tend to warn owners and unions to calm down as a matter to keep the euro strong and not to produce damages for the balance of German economy. Always in 2007, presidential elections in France, both candidates (Sarkozy and Royal) condemned the ECB policy for the strong euro and low inflation as a method to gain competitiveness in terms of export, whose demand depended by the USA and the expansive monetary policy pursued by the Fed.⁵⁸ But Lapavitsas and Flassbeck explains that the ECB had a larger responsibility in allowing Germany to produce the causes of the imbalance between states. And that because it failed when it did not recognize that the nominal labor cost is one of the main causes of inflation for the union, more than the money supply.

“The ECB failed to analyze the overall macroeconomic developments and to spot the emergence of major disequilibria. It also failed to anticipate the possible deflationary outcomes in case of a crisis. The ECB, as an independent institution, could have mitigated the disaster that has ensued since 2010 by using its political influence, or by issuing public warning that the EMU was on a dangerous path”⁵⁹

It could be said that ECB and the European Commission did not argued with the compression of unit labor cost of Germany because it was a strategy of the whole European Union to compete with the Chinese market that weakened the European one, especially in terms of labor costs. The ECB kept the average of 2% inflation in order to gain in competitiveness of the Eurozone, but if it was like that, Germany should have adjusted its inflation level according to the 2% instead of reducing it. And the European institutions, according this hypothesis, would have admonished German elites for its

⁵⁸ M. De Cecco, *op. cit.*, p. 104

⁵⁹ C. Lapavitsas, H. Flassbeck, *op. cit.*, p. 30

misbehavior.⁶⁰

As I explained above, when the crisis hit the Eurozone, an imbalance between core countries and peripheral ones grew. In that moment, German elites and government proposed to adjust weaker economies in order to recreate the balance. Germany gains benefit from this situation and the country faced a frame in which on the one hand wants to maintain the *status quo* since the fact that it get benefits. On the other hand, it is evident that other countries are struggling and the euro and the favor position of Germany can be debated in the future.⁶¹ The imbalance that was created because of the global liquidity increased in the first decade of the 2000s, brought a significant amount of money flew into the economies of Spain, Portugal, Greece, and Ireland where it was possible to gain higher yields. This flux of capitals produced strong asset bubbles in Spain and Ireland, surging demand in Italy, Greece and Bulgaria and both of them in Estonia, Latvia and Portugal. While competitiveness eroded, Germany experienced an export boost in several manufacturing sectors, especially due to its high quality manufacturing goods. In this way, Berlin gained an advantage in intra-European competitiveness that caused the weaken of that one of other European states and deeply denied that the German manufacturing surplus brought the boost of the debt in peripheral countries. As a matter of fact, German governments used the idea of the structural adjustment and the reduction of public spending and have an interest in maintaining it alive, even because the alternative of the austerity measures is the recognition that the private debt is the critical issue and not the public expenditures. That is the reason why they attacked Greece - also with the easy argument of the public profligacy, simply to demonstrate – and not countries like Spain that at the onset of the crisis had a limited debt-to-GDP level. According Wade Jacoby, Professor of political science and Director of the Center for the Study of Europe at Brigham Young University even if Greece had not exists, German elites would have invented the problem.

“If Greece did not exist, the old CDU-FDP coalition would have had to invent it, as it plays *the* essential rhetorical purpose in their joint crisis narrative. Indeed, in a way, the populist *Bild Zeitung*

⁶⁰ *Ibidem*

⁶¹ VV.AA., *The future of the euro*, p. 189

has already “invented” a Greece that consist almost exclusively of corrupt public officials and a private sector awaiting its early retirement”⁶².

A part from the public debt issue, the German government pressured also for the gap of competitiveness between Germany and the other countries. According to German officials this gap is the result of unrealized structural reforms in poorer states and Berlin constantly claims that only with the reform plans of Schroeder that consisted of compression of wages and public spending cuts, the growth on competitiveness was possible. But they forgot two things: the first one, that Germany adopted these measures in a moment in which European economy lived good times; and the second: the Germans well know that their debt-to-GDP ratios have decrease much more thanks to the economic growth than the austerity program of Schroeder and that the debt-to-GDP levels in the peripheral countries come despite strong cuts in government spending.⁶³ Last but not the least, there is not the total certainty that a German government guided by the SPD, the second major party in Germany, would act in a different way. It is true that with the *Grosse Koalition* the SPD Minister of Finance approved a little Keynesian act, but both CDU and SPD denied to talk about stimulus for finance. In 2012 SPD approved the idea of Eurobond but this proposal disappeared from their program, especially in 2013 when at the Party Conference they ignored the European question and they lost the presidential election, maybe because they cannot offer an alternative agenda to the CDU austerity narration.⁶⁴

So, despite the fact that several relevant figures like the heads of governments of Mediterranean states, Hungary prime minister in 2009, Poland former foreign minister, Barack Obama, the European Central Bank president, and others required an action from Berlin in order to do something in order to avoid the collapse and dissolution of the Eurozone, the German government still goes on with the reluctance in manage the European situation in a different manner. But on the other side, the party that should offer an alternative agenda does not walk through that direction and is not able to propose a

⁶² *Ivi*, p. 193

⁶³ *Ibidem*

⁶⁴ *Ivi*, p. 194

policy bound to stop the financial deregulation and the neoliberal policies that have eroded the integration of the European Union and the Eurozone. According to Lapavitsas and Flassbeck, there is the need to stop the imbalances inside the currency union. The competitiveness gap among countries produces losses in market shares and so weaker countries are forced to ask lenders always larger loans in order to recover their economies, coming to the point that they could not be able to repay their debts.⁶⁵ Once the imbalance between countries produced the gap of competitiveness, gave Germany the possibility to benefit for a long time and the scenery will not change until the absolute advantage of Berlin will go on increasing. Thing will be different only when the gap will be turned into the opposite situation, namely into an absolute advantage of the deficit countries. But a problem is represented by the time of this process. Obviously, as I have already mentioned before, in order to gain in competitiveness country with a current account deficit have to cut on wages and reduce the unit labor costs, but in this way it risk to produce unwillingness of the enterprises to invest and so the unemployment will raise, exactly what happened to weaker European countries, to whom have imposed also the plague of the debt by troika and other institutions, just like IMF, European Banks and European institutions. It is a chain. And the real effects of this path on population could be tremendous, like it revealed in Greece.⁶⁶ That is the reason why there should be the maximum convergence that have to be applied and Lapavitsas and Flassbeck explains the way to do that in their opinion. It consists on an adjustment process inside the EMU through a complete turn of the mechanism, namely the country that produced the gap had to adjust it. And Germany has to engage a strong effort in order to faster wage increases while other states have to undertake a downward adjustment. In other words, the unit labor costs of Germany would increase and the inflation would raise until it obtains the convergence among state.⁶⁷

⁶⁵ C. Lapavitsas, H. Flassbeck, *op. cit.*, p. 23

⁶⁶ *Ibidem*

⁶⁷ *Ibidem*

2.3 A currency area without control

Even the monetary union that was created with the integration process was condemned for being not so effective and a cause of instability of the currency and of financial unease of the union. First of all, a monetary union is established on the will of different states to leave their national currencies and adopt a new common currency. That is the case of the Eurozone. Giving up their currencies, the different nations renounce to the possibility to stamp money and to deploy coins and notes on their territories. All the power in terms of the issue of money is delegated to other supranational institutions. National central banks go on to exist, but the institution that decide the monetary policy is a new central bank, that represent each country of the monetary system, namely the European Central Bank. In the moment all monetary powers go into the hands of the ECB, national banks and governments cannot adjust their inflationary targets, but on the contrary they have to agree to the politics and the targets that the ECB choose. The European Central Banks adopted the policy of the Bank that was used as anchor for the EMS, namely the Deutsche Bundesbank and its monetarism, i.e. a monetary discipline that is based on the conviction of the containment of inflation for the whole union by adjusting the money supply and the level of inflation.⁶⁸

According to Kathleen McNamara, an Associate Professor of Government and Foreign Service and Director of the Mortara Center for International Studies at Georgetown University, who wrote an article issued on the book of Blyth and Matthijs, the real problem for the currency is its lack of embeddedness. Despite the large support for the introduction of the euro, one decade later, the tendencies of European appreciation of the single currency evolved from euro euphoria to euro-phobia and it was blamed to have exacerbated the global financial crisis and created the European credit bubble and sovereign debt crisis. As became evident with the European Parliament elections on May 2014, deep detachments concerning the European project arose. The predictions of skeptics seem to be real, maybe because of the different economic fundamentals of the Eurozone member countries. Many refer to the Eurozone as an “optimum currency area”

⁶⁸ *Ivi*, p. 15

but, as argues McNamara, it is not so perfect and effective as the governance and the European elites claim. In fact, it is a currency area really different from any other one in history, since the fact it is not embedded from those political and social institutions that need for adjustment when the currency is no more under the control of national architectures. The real Optimum Currency Area is the one in which exists a single currency with irrevocably fixed exchange rates which can only fluctuate against the rest of the world and cannot be used for adjustments in the domestic economy. Effectively, a country lost its possibility to act in the financial field through exchange rate flexibility. In this case, the challenge the monetary union faces is larger. Thus, in few world, the best currency area may be the one in which the domestic adjustments are more effective and with a lower cost.⁶⁹ That is the reason why a currency area, in order to be successful, need several instruments or a stable architecture, just like in an embedded currency area, that requests four elements in order to be complete. These are firstly a legitimated *generator of market confidence and liquidity*, like a central bank that injected funds of last resort in the very moment in which there is the necessity to stabilize the currency and the economic union. Secondly *a mechanism for fiscal redistribution and economic adjustment*, for example a fiscal federative union with the goal to gather taxes as a manner to create public solidarity or an instrument for the centralization of the debt. Thirdly the *regulation of financial risk and uncertainty through a political authority able to provide stability* in the monetary system⁷⁰. In this framework should be added some authoritative rules to manage banking activities inside the union and reduce the financial risk. Moreover, it is clear that a lender of last resort, a fiscal union and a banking union are not possible to achieve without the presence of a political union, that must be placed within the constraints of a larger context of political solidarity and democratic legitimacy. The political union is necessary for the creation of governance rules on the markets and must be in concert with the models of representative democracy and has to set the parameters to manage the single currency. What McNamara describes is the true opposite model compared to the ordoliberal one that rules today the Eurozone: a currency area without a strong political power, a fiscal and banking union and instruments of solidarity among the various regions of Europe in which only the European Central Bank imposes its financial will with the

⁶⁹ VV.AA., *The future of the euro*, p. 25

⁷⁰ Ivi, p. 26

support of a neoliberal elites.⁷¹

The European Union and Eurozone – two structures that do not totally combined – are a larger framework of social relations and political institutions. After a decade of economic good times the spread of Wall Street crisis showed that the monetary union is weak. The problems had been brewing for a long time as easy money from different regions combined with the deregulation of financial markets and created huge credit bubbles and asset price rises. If Europe had a currency area more embedded, the euro crisis would have been avoided if only European Central Bank have adopted those measures used by the US Federal Reserve in order to block the collapse and recover the economic growth. Actually, the effects of the 2008 crash were different in the US and in the EU. Washington decided to takeover ailing banks in order to stabilize financial markets that were in panic and restore market confidence. The consequence was that the private debt produced sovereign debt crisis. In fact, Bush administration in 2008, after letting Lehman Brothers fail to give a signal to the other financial institutions, launched the TARP – Troubled Asset Relief Program as a manner to stabilize the banking sector. After that, the new president Barack Obama enacted the American Recovery and Reinvestment Act, namely a stimulus bill that distributed money throughout the country. Moreover, a bailout of the auto industry was decided, with the goal to recover all the manufacturing jobs and the whole sector, and a tax for families with lower income. In this manner Obama injected large quantity of money in the US economy, developing and legitimating new instruments of bond buying in quantitative easing.⁷² The ECB promoted the Quantitative Easing only later, in 2014, in order to stop a deflationary process in the Eurozone. Maybe, if in Europe we would have had an embedded currency area, there may not have developed a framework of deeply economic loss and higher rates of unemployment, especially in larger parts of Southern of Europe⁷³. The European Union acted only through one

⁷¹ *Ivi*, p. 29

⁷² *Ivi*, p. 38

⁷³ Despite the fact that the Fed gave a better response to the crisis respect the ECB, there are positions that criticize the measures of Washington. The first one comes from the US right wing parties, like the Republicans and the Tea Party, that saw TARP and QE as a Keynesian measure and a strong intervention of government into markets. The other one is more radical and come from the left side, Walden Bello explains it in a clear way. According to him Obama firstly could have remove the boards and top managers of the organization that brought to the crisis; he had the opportunity to “educate and mobilize people against the neoliberal or market fundamentalism approach that had deregulated the financial sector”; the stimulus package of \$787 was too less effective, it should have been larger; but especially, by the point of view of Bello, the main problem of Obama is the failure in not to have offered an alternative to

instrument, the European Central Bank and its policy of low exchange rates, inflation and austerity measures for peripheral countries. The European Central Bank may be an authoritative lender of last resort as indicated in the ECA scheme proposed by Kathleen McNamara. Actually, ECB was established as a strong independent central bank with the goal to fight inflation and protect the value of the euro, but later has, in a little way, played larger political role than the one signed in the Maastricht Treaty. In 2011, in fact, under the leadership of Mario Draghi, issued hundreds of billions of euros in emergency loans to European banks, something that USA government applied with the TARP. This measure represented a detachment from the Maastricht principle that denied any form of financial bailout. In addition two developments have moved the Eurozone closer to a lender of last resort: the EFSF-European Financial Stability Facility, in 2010 and the ESM, European Stability Mechanism in 2012, in order to provide the necessary funds to stabilize financial markets. Despite the initial success, later these two actions of ECB were not satisfactory for the most. So, even if Draghi declared the need to do “whatever it takes” in order to save the euro, another program was established in 2011 and the goal was push money into European economies. Another effort in 2012 while EU was undergoing towards the collapse, it was called OMT Outright Monetary Transaction that allowed the ECB to buy bonds from sovereign member state and in the secondary markets. In anyway, the criticism that Bello moves to Obama, to have been too less authoritative with financial markets and neoliberal measures, Trichet, Draghi, Junker and Dijsselbloem have not caught the opportunity to create a form of social solidarity able to legitimate the creation of political institutions that embedded the euro in a larger political framework.⁷⁴

2.4 Southern states and the effects of the euro entry

Southern Europe faced the front line of Eurozone debt crisis. Greece and Portugal required formal bailouts while Spain accepted European funds only to save its banking

neoliberalism. Walden Bello, *op. cit.*, p. 80

⁷⁴ VV.AA., *The future of the euro*, p. 42

system. Italy, in the meanwhile, did not choose bailout programs but owns the third largest stock of sovereignty in the world, only after USA and Japan. On September 2012 Draghi announced the ECB commitment to apply an initiative of lender of last resort as to give a stimulus to these countries, but it was not enough. These economies remained in deep recession and their political credibility and consensus decreased. The policies that European governance decided to apply to peripheral countries are considered wrong by many because they are based on false premises and are inevitably bound to failure. They do not hit the real causes of the recession and the mistaken design of the euro. Since the beginning of the euro crisis, the narrative that has been imposed regarded the laxity of southern peripheral states, but later, other analysis brought to an interpretation that went beyond the standard narrative of debtor and creditor nations and focused more on the political and distributional consequences of monetary union within Mediterranean states. That was the moment in which the problem of imbalance appeared. The current approach used to solve the crisis is bound to the failure and risks to undermine the economic future of the European Union and even the institutional fundamentals of its democratic system. On a wider perspective, the political and social framework that has been developed during the last years threatens the real survival of the euro and the European Union.

The European integration was even a method to develop democratic structures to Mediterranean countries. After the fascist regime, the Italian Christian Democracy governments made a strong involvement in the creation of EEC, not only because it was a channel with which Italy could have cooperated with other countries, but especially to stop the advance of the Italian Communist Party. Moreover, for Spain, Greece and Portugal, where fascism was a plague that affected their life until the Seventies, the EEC membership represented a lifeline and an attempt to persuade the elites to reform the political structures. The economic growth of the Eighties showed that communitarian policies brought benefits and wealth, in the South like in the northern countries, so the European project gained large popular consensus and attracted the interests of these three countries, above all the Socialist Parties. Since they looked at EEC for its economic success, they started to watch the integration as a national and necessary goal. As a result, a fast run toward integration without any domestic debate on the effects of the single currency to the economy, something that on the contrary happened in Germany, France and UK. Only peripheral political positions offered an alternative and an opposition to

the creation of the European Monetary System and the European Union.

The illusion of Southern governments was that their weakness (inflation and fiscal policy) would be solved with the shared solidarity, aids and the coordination with other European countries through the principle of the *vincolo esterno* that should have helped them to improve the institutions and facilitate these reforms that seemed impossible to apply in an autonomous way. According to the Italian economist Emiliano Brancaccio, governments, like Italy, were seriously confident concerning this principle:

“Advocates of *vincolo esterno* told us that those constraints imposed by Europe on the rule of the currency, on public balances, on exchange rates would have miraculously transformed the little frogs of the Italian capitalistic fragmented pond into principles of modernity, into real avantgarde of modern capitalism. Hence, modernize Italian capitalism, making it more centralized and so stronger: many fathers of the nation were deluded that *vincolo esterno* could produce all these results”⁷⁵

This opinion is shared also by Marcello de Cecco with an article issued on *La Repubblica* on December 10, 2012:

“The introduction of the single currency spread the idea that the richest European countries would have also provided an implicit warranty to the poorest debts. But suddenly, political elites of these rich states of the core of Europe began to worry regarding the slowdown of the growth that even in their countries caused less revenues with public debt. They were scared that the prestige of their debt was infected by the lack of breaks to the spending of poorest states. Those richer, on top Germany, considered necessary to deny publicly any commitment to provide warranties

⁷⁵ Emiliano Brancaccio, <http://www.emilianobrancaccio.it/2013/09/21/lillusione-del-vincolo-esterno/> translation by me

on public debt of Eurozone.”⁷⁶

Anyway, with the integration process, these countries applied some policies of structural adjustment that pretended some measures like the compression of wages and restrictions on public spending, everything with the complicity of trade unions that accepted these reforms and with the will of the citizenship, that supported these sacrifices in the name of the European project. In addition, in order to meet the Maastricht criteria, even if these countries faced a mix of deficit and inflation, citizens continued to support these efforts with the perspective of constant reforms and successful integration with the monetary union. In the end, the process of integration was relatively smooth, because citizens accepted the necessary measures to meet the criteria required with the Maastricht Treaty even if they expected a better economic future and more benefits from the single currency area and the common market.

But what has gone wrong? European governments thought that after the goal of the euro was achieved, they could enjoy the promised benefits of the Union without facing other efforts of structural adjustments. Something that did not happen because European elites and EU commission rebuked southern governments for their slow progress and the meet of reform targets, also before the crisis. While the worst government of Europe, that did not meet the Maastricht criteria was the German one.⁷⁷

When in 2008 the crisis hit the continent and revealed the unbalance among states, after two years of hesitation the narrative of recklessness southern Europe became popular both in the northern countries and in the European institutions. The European governance focused on the fiscal austerity than in the creation of coordinated stimulus measures able to solve the crisis with an aid from Germany and costly institutional transformation at the European level. Furthermore, they cannot also ride freely on the inflationary anchor provided by the euro and so they had to issue some reforms as a method to secure their future in the currency area. Nevertheless, the rhetorical image of the negligent southern state is not only recognized in the northern states, but it is even widely accepted by the electorate of Italy, Spain, Portugal and Greece. If even the same population is confident of the recklessness narrative it means that political and business elites have shown a

⁷⁶ De Cecco, *op. cit.*, p. 263 translation by me.

⁷⁷ VV.AA., *The future of the euro*, p. 164

strong commitment to impose the respect of these measures, but also the IMF classified these structural adjustments as totally counterproductive.

Moreover, Mediterranean countries made strong efforts to meet the recommendations of the European Commission and the Organization for Economic Co-Operation and Development. In other words, control on prices, restrictions on entry into domestic markets, state properties of industrial companies and protections on labor market have all heavily reduced in a manner similar to the one of the core countries. Evident neoliberal reforms able to open the economies for the invisible hand of the markets, characterized by a deregulation of financial system. Historically, southern states kept wide governmental control on markets, but through this policies there was an attempt to impose one of the major transformation of the institutions of economic governance never seen before on the coasts of the Mediterranean sea.⁷⁸ The inefficient public spending surely affected the competitiveness in negative terms and it represented an obstacle to adjustment making the response to the economic shock more difficult. But the case of the southern Europe is more than a simple case of reluctance to accept reforms; the euro entry shocked some of the most important weakness of the southern European political economy and really hit the more vulnerable structures of these states provoking large unrest.

The fast financial integration encouraged by monetary union added to the decision of the European Central Bank to treat all Eurozone governments debt as a valid for collateral. Produced the proper conditions for sovereignty debt bubbles in the South. The conditions that emerged by this frame resulted in various ways since the different domestic institutions and economic structures. Rather than encourage economic reforms and growth, the easy credit brought about a flux of northern capitals to the South, provoking an injection of demand that fueled the growth and attracted more capitals into a traditional speculative spiral, especially in Greece and Spain. But the productivity growth remained elusive because the most of the investments was boosted into non traded sectors, like in Spain, or towards the private sector borrowing through to consumption like in Greece. In Italy, instead, decreasing interest rates simplified the servicing of its huge public debt despite low growth rates.⁷⁹ The boom conditions created in some parts of the South by

⁷⁸ *Ivi*, p. 165

⁷⁹ *Ivi*, p. 167

the large amount of money that moved from northern economies to the southern states, permitted to create huge unbalances in the current accounts of Greece and Spain, pushing up real exchange rates. Those who gained benefits from this process were producers of non-traded sectors; so were not union agreements and wages of workers that created inflation but most of all advantaged economic sectors. During Berlusconi governments, he divided the unions as a method to made easier the bargaining in favor of the companies. As a result, in the period 1999-2006 real wages in Italy declined. In Spain trade unions played an important role in the meet of Maastricht criteria, anyway the boom and the increase of employment permitted more strength of bargaining for workers, where the boom in demand created because of the cheap credit and the increase of prices of housing, rather than the growth of real incomes. Both in Spain and Italy the cost of labor raised rapidly than the German or the Eurozone level, nevertheless workers gained limited wages compared to the standards of life. In fact, these costs did not corresponded with increase on wages but remained in the standards of the rest of Europe. So the theory that the unbalances among states are caused by too high wages and government profligacy is false. The fault is related to the business and political elites as well as other conservative interests.⁸⁰

Economic reforms in southern Europe before and after the monetary union revealed a paradox: the perspective of the entry of the euro thrilled southern political leaders who deployed the instruments of standard policy in order to solve the historical problems of high inflation and periodic devaluations. But on the contrary it entailed the dismantling of the institutional architecture that guaranteed the low inflation, where the central bank adjusted the exchange rates depending on wages and the government that did it by considering the public debt. The euro entry meant that no authority could have adjusted inflation anymore, employment and public debt. Southern workers had not increase on wages or benefits in their standard of life until 2008 and neither the public sector was so reckless. But who gained were those that worked in the sheltered sectors of economy: construction, services, retail, transport, leisure and especially the banks. They were truly interested in blocking any reforms able to make the Mediterranean economies work properly with the single currency.⁸¹

⁸⁰ *Ivi*, p. 168

⁸¹ *Ivi*, p. 169

Some standard theories blamed the governments of the South for allowing the public spending to have grown too fast without any instrument to intervene in case of crisis. The EU commission and other international institutions focused against southern public sectors as main sources of the sovereign debt crisis, describing them wasteful and corrupted. The main example they used was the Greek case, blamed of very large corruption, for example in buying votes in change of votes or for work places in the public structures. It is evident that Mediterranean public sector is more corrupted that the northern one and it has historically been influenced by clientelism and bribe. But there is no evidence that it represents one of the main causes of the crisis. According to Alberto Bagnai, professor of economic policy at the Pescara University:

“The strong point of this “thought” is that it leans on obvious assertions. Sure, public debt must be kept under control, who denies it? But some problem exists. For example, are we sure that public debt is the cause of the crisis? Data denies it. At the beginning of the crisis (2007), on five countries hit, three had a decreasing debt(Ireland, Italy and Spain), one was stable (Greece) and only the one of Portugal was raising, on values that today Germany would envy.”⁸²

Variazioni in punti di Pil dal 1999 al 2007							
	France	Germany	Greece	Ireland	Italy	Portugal	Spain
debito pubblico	5	4	3	-23	-10	19	-26
debito privato	24	-11	52	98	31	53	98
debito estero	2	-25	70	68	10	67	49

(Figure 4) Variation of public debt-to-GDP levels from 1999 to 2007⁸³

Analyzing the data, it does not seem that southern states had so high levels of deficit and

⁸² <http://www.ilfattoquotidiano.it/2012/08/03/quelli-che-colpa-e-del-debito-pubblico/315741/> translation by me

⁸³ VV.AA., *The future of the euro*, p. 169

neither they exploited the revenues of the falling bonds in order to increase public spending before the crisis. Despite the real Greek behavior of clientelism and corruption, the expenditures of Greek government compared to the GDP is lower than the European average and it did not show any growth until the 2007 crisis. The spending of public sectors of Italy and Greece remained enough stable, on the average of Germany.⁸⁴ Before the crisis hit southern European economies the use of public spending to adjust the job market or the governmental spending in general were lower even than the virtuous North, where the public workforce of states like the Netherlands, Norway, Denmark, France and Finland is lower than the one of Italy, or Spain or Greece. Easy, in order to maintain the typical northern welfare state there is the need of a lot of people.

As a matter of fact, the accusation of “profligacy” is more accurate if related to the private sector because government indebtedness of Eurozone is more linked to the government revenues than with government spending. Tax revenues fell after Monetary Union because they were a tool needed for the meet of the convergence criteria, in fact in 1996 in Italy Prodi issued the “Europe tax” to gather funds for the European Union project, but in general Italy has always faced a real problem of hyper tax evasion, reinforced in the moment in which Berlusconi abolished inheritance tax in 2001 and so the evasion rose. In that moment the Italian surplus declined steadily, even if it was able to stay within the 3%, the limit imposed by the criteria.⁸⁵ Fiscal evasion is a common problem in southern Europe and it depends by the industrial structure: the South has the highest proportion of little companies with less than ten workers of the whole Europe; in other words it means also more little firms harder to control in fiscal terms. In addition, the little company structure is typically linked to the right wing area and to its conservatory reluctance to avoid reforms that would expose the industry to other risks or larger economies of scale. Who really had huge gains with the euro bubble was the real estate and construction sectors. The Spanish construction boom got some huge peaks from 2000 to 2008 and even in Italy prices of houses increased of the 50%. This boom reinforced the sector making it more linked - even through corruption – to political figures and local councils with power of planning and allocation of building areas. The political implication of the boom of housing shows that rather than erasing the traditional clientelism, the constraints imposed to

⁸⁴ *Ivi*, p. 170

⁸⁵ *Ivi*, p. 172

the public spending has easily moved corruption to new areas, so new forms of corruption have appeared thanks to privatization processes (privatization is a method to reduce public expenditures). Privatization gave the main private sectors investors the possibility to buy companies, able to produce benefits, that often were natural monopolies or protected by state warranties. So, in the end, the euro entry brought to some profits at a wide set of well-connected interests able to resist reforms or manipulate the situation in order to get larger benefits.⁸⁶

To sum up, private workers or public workers did not see an increase of their wages with the euro entry, that on the contrary they were reduced in order to meet the Maastricht criteria. But in the same time the easy credit that flew from the North to the South brought current assets in these peripheral markets and boosted their economies. These credits did not enlarge real wages but were introduced in the sheltered sectors of the economy, especially construction and banks, that in order to achieve always larger profits produced speculative bubbles and fiscal evasion that hit these countries at the moment of the Wall Street crash of 2008. If core countries and the European establishment blame Mediterranean governments for their laxity, they should realize that real wages were not so high and the debt is more due to the fiscal evasion and the corruption provoked by privatization than from welfare state, public workforce and pensions. Anyway, the European governance, Troika and German government are still keen on imposing the austerity measures as manner to obtain more neoliberal policies with the specter of the state failure. But they did not recognize that they are only ruining the wealth of the Union and the euro.

Moreover, a critique to the euro is done by Carlo Galli, who support the idea of the continuity between the German mark and the single currency and that, through the euro, Germany had the possibility to impose their will:

“The euro is in fact the mark under a false name, the construction in which the German nation recognize itself and that Germany gave on hostage to the united Europe, but in the meanwhile keep under control, forcing the states of the Eurozone, through the

⁸⁶ *Ivi*, p. 175

treaties, to behave in a virtuous manner under the definition of virtue of the ordoliberalism. Namely, asking to more than half Europe to act according typically German models and that the political realities which are not Germans must reproduce with reforms and the spending review ⁸⁷

Always according to Carlo Galli, the euro produces a split within the Eurozone and that breaks the unity of the union, a two speed Europe formed by debtor countries and creditor countries. The space of creditor nation is formed by the wider German nucleus, a chain of economies that are linked to the German one, namely the Baltics, Poland, Czech Republic, Slovakia, Hungary, Austria, the Netherlands, Slovenia and Croatia. The other one is formed by the external circle of the European countries, namely the peripheral states: Spain, Portugal and Greece. With Italy and France that stand in the middle of these two areas.⁸⁸

⁸⁷ Galli, *La Germania unita divide l'Europa*, Carlo Galli on *Limes*, 3/2016, p. 179

⁸⁸ *Ibidem*

3

The specter of the European Union disintegration

The effects of the Europe of Maastricht and austerity on politics.

“Auf wiedersehen miss Merkel, you are not my friend.

When I tell you merhaba, you don't understand,

All around Europe right wings taking power

they want to kick me out so I live undercover”

Dubioza Kolektiv – Eurosong, 2011

If in the first chapter I analyzed the integration process and in the second one I described the economic and financial process that caused the crisis in the Eurozone and the way the Europeans tried to solve it, in this last chapter the object of my research are the effects that a too elitist integration and a too rigid fiscal rigor have produced on politics. A new scenery has developed during the last years 2012-2015: population felt betrayed and started to show its distrust voting new parties, that most of time defined anti austerity but pro euro, or even more radical anti-Europe and anti-euro.

In order to analyze this framework, I considered once again the book of Blyth and

Matthijs “*The future of the euro*”, specifically the article of Jonathan Hopkin in which he describes how new parties and movement grew steadily after the troika hit southern economies. Then I follow the articles of the number of February 2012 of *Limes, Rivista italiana di geopolitica* “*A che serve la democrazia*”, the number of July 2015 “*Tra Euro e Neuro*” that was written during the warm period of the OXI referendum in Greece and then the number of March 2016 “*Bruxelles il fantasma dell'Europa*” that summarize the last events concerning the sharpened of the political European crisis. Then I interviewed Antonio Lancellotti, former researcher of the Perugia University, Italian activist and director of the Italian political movement *Global Project* that represents one of the most important subject in the framework of Italian social movements. Antonio helped me to understand the role of Syriza and of the OXI referendum in the European events. I chose to interview a social activist as a method to have an alternative point of view compared to the more institutional represented for example by Caracciolo.

I used different articles of Costas Lapavitsas to understand its positions about the exit of the euro, in which he describes that in this moment of crisis, after the Greek referendum, the Europeans considerate the possibility to end the euro experience. On the other hands, I analyze the idea of a relevant economic figure of the Greek case, namely Yanis Varoufakis, former Minister of Finance of Greece, in which in his book “*Confessioni di un marxista irregolare nel mezzo di una ripugnante crisi economica europea*” explains there should be taken an opposite road to the one proposed by Lapavitsas, that is the reformation of union, without any exit, neither of Greece nor of United Kingdom.

According to Lucio Caracciolo, the director of *Limes, Rivista italiana di geopolitica*, austerity and ordoliberalism represent a problem for the Union and risks to cause its fall.

In the number of *Limes* “*Tra Euro e Neuro*”¹ He affirms that the European Union is the product of the desire of the Europeans to cooperate in order to make an end to the conflicts between states, as a matter of fact, it is the product of a peaceful integration based on rights and freedoms. But the methods of resolution of the crisis have shown that even EU can be lethal, just like in Greece were structural adjustment produced misery.

Anyway the Greek case changed the European balance and the faith about European institutions, above all after Tsipras won twice the elections. Greece represents the 2% of

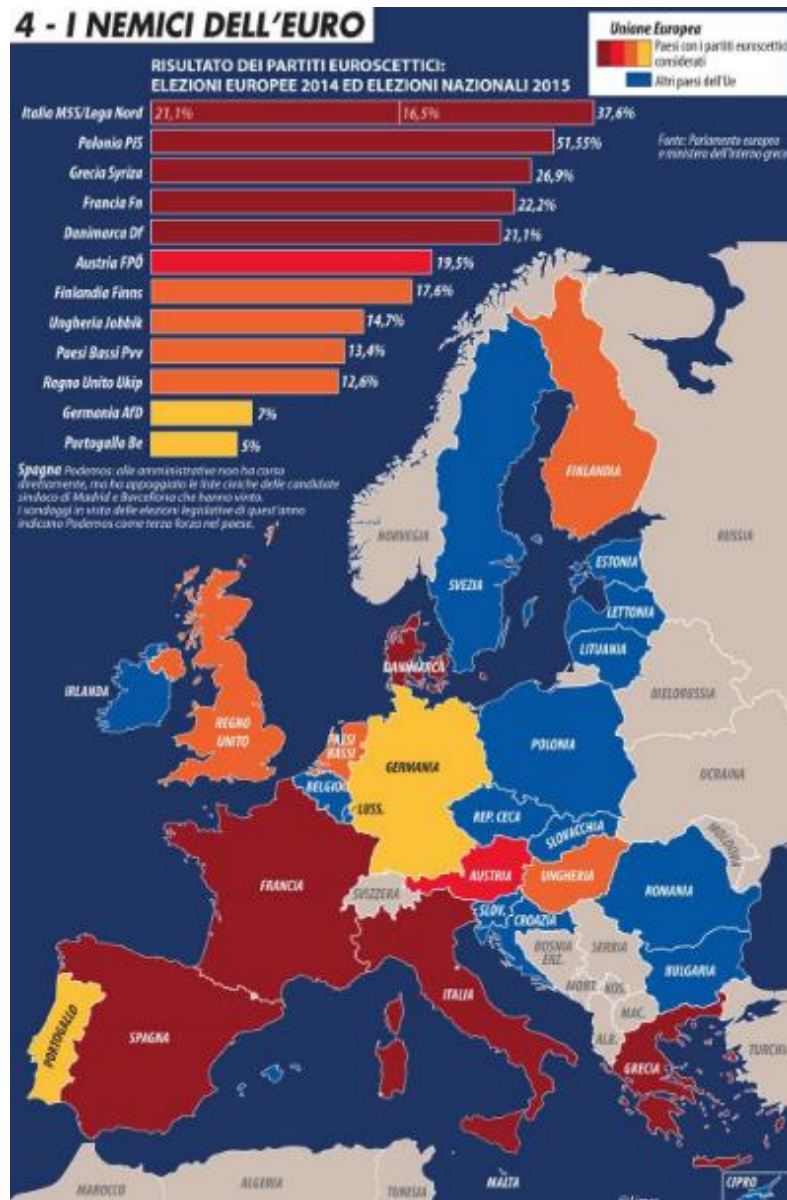
¹ Lucio Caracciolo, *Sembrare ed essere*, in *Limes*, 7/2015

the communitarian GDP, but was able to unsettle the whole Eurozone. But the Grexit, namely the exit of Greece from Europe, produced different fears and questions in the summer 2015. First, it revealed the inability and the weakness of the EU, which had to integrate national economies, put in contact politics and institutions and unite peoples, but on the contrary today we see the contrary effect: cultures, economies and institutions struggle one against each other. Only with the 400 billion € bailout Greece escaped bankruptcy, but these funds did not end up in the hand of Greek deposit, but needed to repay the loans of creditors, especially German and French banks. Secondly, apart from the internal divergences, even the USA started to criticize the work and the position of Merkel; the risk Obama administration fears is that German rigor could produce the end of the euro. Obviously, this scenery would undermine global American interests.² Different times by the US government have been pronounced declarations about the inability of Germany to understand the strategic importance of the Greek question. The European Union instead of imposing the rigor against PIIGS, should give an answer of cohesion, certainty and stability. It should support the cooperation among states and produce less humiliation, especially toward Athens. Even the US Secretary of the Treasury demanded the IMF to reduce of 30% the Greek debt, sharing the position of Draghi. But both faced the rigid position of the Commission, managed by Berlin, that denied the reduction of debt. Moreover, Caracciolo affirms that the European crisis opened once again the discussion about Germany, unable to combine its power with the European stability and criticize Ordoliberalism and described it as a danger for Europe because imposes only austerity, deflation and the reduction of strategic assets.³ Which future for Europe? The political chaos that we see in these recent years is a product of the integration process and the rigidity of European institutions. Old parties disappeared, new forces appeared but if the Keynesian left wing is contrasted by the governance, the weakness of politics in front of financial and economic markets and European elites is opening a space to xenophobe and anti-European parties.

² VV.AA., *Limes*, 7/2015, p. 18

³ *Ibidem*

3.1 How changed the political European order with the austerity



(Figure 5) The enemies of the euro⁴

Austerity measures and the behavior of the European elites regarding the repetition of the *leitmotiv* of fiscal rigor and Ordocracy is undermining the stability of the continent. For the first time in the history of the European integration there are clear positions that risk

⁴ *Limes*, rivista italiana di geopolitica. 7/2015, p. 16

to push out of the Eurozone some member states. It is evident the case of Brexit, in which the UK governments asked the exit from the EU, but above all the one of Grexit, in which the financial and economic power of creditors, troika and other European institutions have overtaken the popular consensus and the will of a government democratically elected.

According to Jonathan Hopkins, who described the way in which the political framework has changed since the euro crisis began, the only case of prolonged economic contraction of Europe was the period before the Second World War, the moment in which, because of the economic crisis of '29, European countries faced the fascist regimes, from Germany to Italy and Spain. The scenery that we face today is similar to the 1930s one, in which an economic imbalance is causing poverty all over Europe and far right movements are taking control of governments or gain wide popular consensus, especially in the last years 2014 – 2015. Real problems of European dissolution are evident today. But the situation has slowly evolved during the period 2008 – 2014, when traditional parties got weaker and new political forces appeared.

The economic crisis and the austerity packages changed the political scenery inside the different countries and the old traditional parties have been substituted, or risk to be defeated by new non-traditional movements, which gained wide political consensus and electoral opportunities. Since the beginning of Wall Street collapse in 2008, the first countries that have dealt with this change are southern states that saw seven elections with five change of government. The result of these elections is that mainstream parties lost its popular consensus and experienced a decline and have been penalized, because off their support for austerity and Troika's diktat, that pushed popular support to new political forces that previously were only marginal parties. The connection among them is their shared idea of anti-austerity programs, populism and sometimes euro-skepticism. Furthermore, their success for the European parliament, not only shows the loss of strength of traditional parties in southern states, but also in other parts of Europe.

The main victims of this switch are those parties that accepted, advocated and applied austerity measures when the crisis hit, namely Socialist Parties of Greece, Spain and Portugal. They faced strong defeats, for example the Partido Socialista in Portugal lost about 20% of from 2008, when it won the 45%, to 28,1% in 2011. In the same way, even the Partido Socialista Obrero Español switched from 43,9% (2008) to 28,8 in 2011. In the meanwhile, PASOK, the Greek Socialist Party, in 2009 gained the 43,9% but in 2011 the

number of votes decreased of the 12,3%. The Democratic Party of Italy was in opposition during the period 2008-2013 but anyway lost 8% of its supporters, something that experienced also the People of Freedom party of Berlusconi, that lost the 16% and later split in two smaller parties.⁵

To sum up, Jonathan Hopkins explains his point of view, that is in the moment in which the old traditional parties become weaker and lost popular consensus, suddenly new subjects appeared and fill the vacuum the center left and the center right wing produced. This vacuum has been filled with two different opposing political forces. On the one hand, the impossibility for normal political parties to keep the political discourse brought to the governments of technocrats in Greece and Italy, namely the government of Monti in Italy in 2011 – 2013 and the one of Papademos in 2011 – 2012. Both represented an attempt by the troika to pass over the elections and the normal mechanism of democracy in order to place some technocrats with the task to impose those diktats that creditors pretended. In other words, cut on public spending, cut on pension and on public wages, reduction of welfare services and social assistance, privatization of health and education, workplace flexibility and so on.

“Both men represented the kind of pro-market and pro-business mindset preferred by the Troika institutions: Papademos an MIT-trained academic economist and central banker, Monti a Bocconi-trained academic economist and twice former European Commissioner. The brief and unstable tenure of these governments, subject to the maneuverings of political parties concerned over the electoral fallout from austerity measures, proved technocracy to be little more than an emergency measure to secure short-term objectives”⁶

But what European governance did not forecast, was the fact that population effectively did not approve those governments and so, as a matter of fact, they did not last. Even because they did not achieve their goal, namely the exit from the crisis.

⁵ VV.AA., *The future of the euro*, p. 178

⁶ *Ivi*, p. 179

Even their defeats opened the door to brand new forces that opposed both to the austerity measures and to the former political class. In Greece the collapse of PASOK and of Papademos let the political space to the new party Syriza which opposed to the austerity measures and expressed skepticism toward European institutions, but since the first moment it revealed a strong pro-European position. On the other side, the vacuum produced by old parties and technocrats gave Golden Dawn, the far right neo fascist party, the possibility to gain power. Until 2015, the government of Greece was formed by New Democracy and some members of the PASOK, but only with the elections of 2015 Greece was able to produce a cohesive government, with the double elections in which Syriza won twice. But after a referendum with which the Greek Premier asked the population if they agreed with the austerity measures, even if the NO won, he was not able to make an end to the paradox of austerity and now it is getting weaker.

In Italy, the Government of Monti was interrupted in 2013 with the scheduled elections of 2013. In occasion of that vote, Monti and its formers government colleagues created a new center wing party, supported by members linked to the old Christian Democracy and with the support of Confindustria. These elections demonstrated also in Italy the disappointment of Italian voters concerning the old political class, the technocrats and the structural adjustment policies. Monti's party gained the 10.5%. The real winner was the Five Stars Movement of the comedian Beppe Grillo that became the largest party in the Italian parliament. The Democratic Party failed in gain an overall majority and in the end formed a Grand Coalition with a center and a center right party. Later, with an internal coup of Matteo Renzi, a new figure that led the Democratic Party at the European elections in which he gained an incredible result of 40%.⁷

The main visible difference between the two new forces in Italy and in Greece is that Syriza is a pro-European party that opposed to the austerity measures imposed by the troika and the Five Star Movement is skeptic both for what concerns the roles and the sovereignty of Europe and also of the European currency: the euro. Apart from this single difference, there are deeply clear reasons that show the divergence between the two parties. Even if Syriza was a little party in 2009, it had always had a strong left wing core with a recognizable radical left program based on marxism, neokeynesianism and

⁷ *Ivi*, p. 181

internationalism. The Five Stars Movement, differently, is a new born movement with no ideological roots and expresses only a populist anti-euro and euro-skeptic point of view. Anyway both of them have collected the support of those voters who felt no more represented by the old traditional political class.

In Spain and Portugal, the electoral change had less dramatic outputs, but it faced at the same time a weaker support. As written above, since 2008 they lost about 15-20% of their former voters. In Spain, differently from other countries, a party that has demonstrated to be strong and able to gather consensus is the Catalan Nationalist Movement which stands for the autonomy of the Catalonia, that is the fourth richest region of Spain. The goal of the Catalan movement is strictly opposed by the main political parties, loyal to the state centralism. But the party that express and spread the populist sentiment, with features similar to Syriza and the Five Star Movement is Podemos, that appeared with the elections of 2014 and was formed during the anti-austerity protests of the 15-M Movement. It is led by Pablo Iglesias a former member of the Communist Youth Union and was part of the anti-globalization movement. Once he achieved the 8% at the European Elections of 2014 and became a member of the European parliament, he reached 20.65% at the national elections and confirm Podemos as the third political party in Spain. Just like Syriza, Podemos is an anti-austerity party, but it confirms his position pro-Europe.

These electoral developments could have posed a real obstacle to the EU governance and its strategy to solve the southern European deficit crisis, but the experience of Syriza in Greece shows that the financial and economic power of the troika and of the European institutions is stronger than what it looked like. Really, when Tsipras, after the failed previous attempt of the 2011 referendum proposed Papandreou, deliver the decision to the Greeks to choose the possibility to stop austerity measures, creditors used their financial weapons and showed the limits of the Greek government and of the democratic methods. Even if Tsipras, that won in 2014 with more that 26%, in January 2015 with 36,3%, in September 2015 with 35,5% and at the anti-austerity referendum obtained the large support of 61,3%, was not able to stop the troika's requests and was defeated by the risk of bankruptcy threaten by creditors.

In southern Europe the only country that sees a stability in his political life is Italy. Yet, there is always the Five Stars Movement that won about 25% at the elections of 2013 and at those for the European Parliament 21%. It is the second party of the country after the

Democratic Party. The leadership of PD changed after the Monti government and the government of Letta, in which a change within the party permitted Matteo Renzi, former mayor of Florence and figure of the centrist wing of the party, to become the new prime minister who formed a “big coalition” government in which there are not only members of the Democratic Party but also politicians from other center and center-left parties. This government represents the old traditional neoliberal class that have always accepted cuts on welfare, the raise of the age of retirement, raise of taxes, privatization of schools and universities, liberalizations, cuts on public spending and other reforms. Apart from the presence of the Five Stars Movement, since the end of 2013 and the beginning of 2014 the North League led by Matteo Salvini started to gain a very wide popular consensus among people. First of all, he tried to achieve support through an anti-euro campaign, but it did not increase its electorate. Only in the moment the political debate moved to the immigration problem he started to gather the supports of citizens from each region of Italy, something that was not possible previously because of the federalist and separatist roots of the Party. With Matteo Salvini the North League started to use the same terminology and the same ideas of the other conservative countries of Europe. If there are no left wing parties like Syriza or Podemos, according to Antonio Lancellotti of *Global Project* there are several reasons: first of all, there was a strong movement against the crisis that was born immediately in 2008 connected to the university “Onda” movement. The maximum point it reached was on December 14, 2010 and it became so larger that on October 15, 2011 about 200 thousand marched against the diktat of troika and financial capitalism. But that was the last moment of a movement that lasted four years and it collapsed for internal clashes of the movement.⁸ Secondly, the inability of the left wing parties to act near the protest movement both in the period 2008 – 2011 and most of all in the years after 2011. Third, once the experiences of Syriza and Podemos revealed in the rest of Europe, Italian left wing parties began to copy their experiences, starting from the name, “Possibile”, the party found by Civati, former member of PD, but without an electoral base ready to support them.

So, even in these last years, Lancellotti explains me, when Renzi became the new chief of the government and formed the new government, he did not find any opponent in the

⁸ <http://www.globalproject.info/it/community/grande-manifestazione-oggi-a-roma-15-ottobre-2011/9707>

squares and neither in the moment he approved the Jobs act, a law that make employment contract more flexible, the possibility to fire workers easily, reduction of wages and the increase of precariousness. In the day of the vote of the law at the Senate, only five hundred activist protested against it. The comparison is two hundred thousand in 2011 and five hundred in 2014, for a law that today is blocking France, in which workers, students are demonstrating in the last months against the *Loi du travail*.

If these are the parties that emerged in southern Europe in the central period of the crisis 2008 – 2013, in the rest of the continent have developed other tendencies. New euro-skeptic, anti-European, nationalist, conservative and anti-immigration movement became wide accepted and voted in several countries and where they did not win the elections they reached the second or third position in the charts of domestic national parties.

3.2 Economy over politics. The lesson of the Greek case

In order to understand clearly how the vacuum of the traditional parties permitted new forces to enter into national political spaces, I consider interesting the article of the Greek journalist Dimitri Deliolanes “*Tsipras l'Europeista immaginario*”. He describes the history of Syriza in an objective manner, recognizing the fact that in his naivety and inexperience to impose himself in the European level, Alexis Tsipras brought some hope against the European governance that, after the victory of the OXI, was defeated but made evident some teachings.

It is true that Syriza is a product of the crisis because, as showed in the research of Blyth and Matthijs, the impossibility of traditional parties about the renounce of approving the European diktat and the impositions of neoliberal policies, produced distrust and the relocation of the electorate toward new radical parties, described by *media* as euro-skeptics or anti-euro. But while parties like the Front National, the North League or

Golden Dawn gained consensus, in Europe appeared the figure of Alexis Tsipras that with his party experienced the 4,9% in 2009 until he won the elections in 2015.

Effectively, after the result of 2009, already two years later, in 2011 it became the second opposition party with 26,8% of votes. Until that time, it was only a coalition of radical left parties that kept as keyword the principle “No sacrifice for the euro”, namely the unavailability to accept the structural reforms in the name of the neoliberal policies imposed by Bruxelles, Frankfurt and Berlin, and the bailout conditions imposed by the troika; but at the same time it defined itself an Europeist, differently from classical communist parties. As a matter of fact, the group of Tsipras came from the Eurocommunist wing inside the KKE, the Greek Communist Party. What Syriza understood was the possibility, provided by the crisis, to intercept wider sectors of the population, spreading his cosmopolitan and internationalist nature that, even though at the beginning was not able to find consensus, in the period between 2013 until 2014, it fills the vacuum left by traditional liberal parties New Democracy and PASOK. Especially Syriza was able to gather the former electors of PASOK although New Democracy moved basically toward the positions of the radical right wing and Golden Dawn was growing.⁹ Its political program started to considerate a larger electoral constituency compared to the traditional left and began to watch not only the public sectors or weaker classes, but also tried to enlarge its promises even to the middle and business classes. With this ability to talk to the various social parts, obviously the possibilities to gain a wider consensus are greater. As a matter of fact, at the elections of January 25, 2015 after only 6 years, Syriza, led by Alexis Tsipras won the elections and New Democracy obtained the minimum result of its history, namely the 27,8% and PASOK faced a real strong defeat with the 4,6%. Even the brand new party To Potami (much more similar to the Five Stars Movement than Syriza) gained 6,05%, more votes than PATOK, and Golden Dawn confirmed as strong radical right force with the 6,28%.

Obviously, always according to Dimitri Deliolanes, Europe did not want to recognize the effort and the support of “young Tsipras” and institutional figures like Schulz or Junker, since the beginning of the climb to success, blamed the use of anti-European and populist strategies in order to gather more consensus, and in reality they lost the opportunity to

⁹ VV.AA., Dimitri Deliolanos, *Tsipras l'europaista immaginario*, in Limes, 7/2015, p. 29

learn something from the Greek lesson and from the overturning of domestic politics. What they actually did, was repeating the same old position of traditional parties in favor of neoliberal policies, austerity packages and fiscal rigor, not for their Europeist spirit, but because austerity favor oligarchs.¹⁰

Traditional parties and oligarchs, in fact, during the period previous the referendum of July 5th, 2015, attacked Tsipras from every part and with any mean, activating an unscrupulous and unfair propaganda against Syriza and its leader, using each method they had, just like censorship, false news or photo montages. Even because the support to Tsipras came also Yanis Varoufakis, the economist and Professor at the Athens University, who was nominated Minister of Finance although it Neokeynesian positions, unwanted by the European governance. Anyway, even with the referendum and the double election of Tsipras, the lack of a B plan weakened the party both in Europe and in the domestic framework, criticized even by members of its party. But the situation of the country in 2015 was much worse than the one that existed in 2009, so austerity hit directly not only economy but also the political power and sovereignty of the government. Furthermore, the long bargaining between Varoufakis and creditors did not brought to a happy end, since Athens paid until eight billion the debt with creditors, draining public reserves and creating the conditions through which Tsipras was forced to sign the new memorandum, heavy and revengeful toward Greece, with creditors. Obviously, the sign of the referendum provoked a huge storm inside the Greek government, since Tsipras was described as traitor because he did not respect his promises.¹¹

But in which consisted actually the political economic proposal of Syriza? The election campaign of Tsipras was focused on the end of austerity developing an opposite mechanism compared to the one of the European governance. Namely increasing the public spending and not decreasing it. The principle is that once the government reconstruct the welfare state system with the goal of the maximum occupation and social assistance, in the meanwhile it raise the level of taxes. In the moment a flux of money goes forward to the families through pensions, subsidies, guaranteed minimum income and less workforce precariousness, it represent automatically a stimulus for consumers and real economy, especially for lower classes. Only with these keynesian roots'

¹⁰ VV.AA., *Limes*, *op. cit.*, p. 30

¹¹ *Ivi*, p. 32

mechanisms consumption could restart to grow and firms would be more keen on investments and hire new workers. And there would be economic growth once again. In this way, moreover, with the increase and the expansion of welfare, proportionally the stimulus would involve also the level of revenues.¹²

“Syriza wanted a different composition of spending and revenues with an unvaried public debt. With such a condition, GDP would grow, the debt-to-GDP ratio would decrease. In other words the idea of Syriza is that the economy would restart with the stimulus of the demand and not of the supply”.¹³

Anyway the position of Berlin is very critical concerning the certainty that public spending, once achieved the goal of demand reconstruction, would come back to the state as fiscal revenues. That is because according neoliberal European elites, public spending would be caught by those “organized groups” of corruption, causing an additional increasing of the debt. Moreover, neither constraints to economy and to the flexibility of work are approved, in fact what is required with structural adjustments are less constraints to the flow of capitals, liberalization workforce flexibility and privatization. Their neoliberal point of view stands on the theory that less constraints to the innovations allow an easy circulation of innovations and distribution of products. But, even according to Arfaras, a Greek journalist, there could also be no constraints to the circulation of capitals, services and products, but there would be no economic restart with austerity, that block any form of investments and of supply, and demand would be not stimulated without the help of public spending.¹⁴

The program of Syriza, according to Stavros Lygheros, had always been a problem for creditors and they acted a struggle against it since 2012 when it became the second party in Greece. They well know that the consensus of Syriza would have increased thanks to the opposition to austerity and so they had to discredit politically a government led by Syriza. For two main reasons: the first one is that the dogma of austerity had not to be

¹² Giorgio Arfaras, *La via greca alla rinascita*, in *Limes*, 7/2015, p. 44

¹³ Giorgio Arfaras, *op. cit.*, p. 45

¹⁴ *Ibidem*

obstructed by no one, nor by the government of a country that represented the 2% of the GDP of Europe and with the guilt of a huge debt to solve. The second is that it was necessary to send a message to the Mediterranean and peripheral countries, making them understand that even if they elect critical governments toward fiscal rigor, bailout packages and the orthodoxy of liberal economies, they would have not the possibility to change the policies imposed by European institutions. And this became evident with the Eurogroup agreement of February 20th, 2015 and with the compromise achieved at other summits with which they refuse the proposal of the IMF debt relief. The consequence of the bargaining are that Tsipras accepted the most of the proposals of the trojka and creditors went on asking sacrifices to the Greeks.¹⁵ At that moment Tsipras decided to use the democratic weapon of the referendum as a solution for the bargaining with creditors, sure of the fact that the NO victory would have strengthened his position in the negotiations, hoping that, through the will of Greek people, the force of the European neoliberal elite would have weakened. The answer of creditors in front of the referendum, creditors counterattacked with a media policy based on terror and with the threat that in the moment the Greek government would not have accepted their requests, Greece would not have had manners to repay the 1,5 billion loan to the IMF and this would have produced only one clear thing: bankruptcy. The only real effect that the referendum produced was the panic that the fear created in the whole Greece. The ECB decision about the denial of providing liquidity to Greek banks in the days previous the referendum caused a total paralysis.¹⁶ Syriza tried to use the threat of the Grexit, when it actually did not represent a real threat for the governance because creditors, the Commission and the German government would have been inclined to push the result of the bargaining toward the exit of Greece from the single currency.

Even though the climate of tension of the previous days of the referendum, the final result was of the 61,3%, an outcome supported not only by the Syriza electorate, but of other parties like Anel, Pasok, New Democracy, To Potami and even Golden Dawn. The victory of the NO was obtained even if the debate switched from the position anti austerity or pro austerity, to the euro/dracma one.

According to Lygeros, the naivety of Greek negotiators was caused by the belief that the

¹⁵ Stavros Lygheros, *Il prezzo della vittoria di Pirro*, in *Limes*, 7/2015, p. 53

¹⁶ Stavros Lygheros, *op. cit.*, p. 54

victory of the OXI would have produced huge financial unrest on markets and that creditors would have signed an agreement just after the vote or even before the date of the referendum. How could the European governance, the IMF and creditors to impose additional measures in the moment in which the Greek people expressed his opinion and his position about austerity? That is probably their reasoning, but it was not enough. In fact, if the referendum attracted the interest of the European public opinion, but did not changed the economic and financial power of creditors. The European policy, with its measures brought Tsipras toward the acceptance of further memorandums and the switch from its radical leader to the traditional social-democratic prime minister. Someone even forecasts that the goal of neoliberal institution is weakening the more the possible the government of Syriza as to produce the distrust of its electors and achieve the fall of the government. A form of *coup d'etat* made with credit cards and not with weapons.¹⁷ As a consequence Tsipras slowly accepted the measures imposed by the troika and lost the power of bargaining, First of all, Varoufakis resigned from the role of Minister of Finance, and secondly the premier proposed a structural package much more heavy, for some aspects, than the one that offered Junker and refused by the people with the referendum. An important evidence, is that the European Union, that is a regional subject created with the goal of the integration of markets, of the union of cultures and of the different European peoples, established with the principles of the rule of law and of the respect of rights and freedoms, shows that with the Greek referendum the fundamental principle of the popular sovereignty has been erased.

“The way in which the Greek question has been managed not only is in contradiction with the original spirit of the European integration, but throw a negative shadow on the euro and of the European Union. In this way, the humiliating agreement imposed from Europe to Tsipras represent a Pyrrhic victory. With the gun to temple, Greek was forced to sign its sentence of slow economic death”¹⁸

¹⁷ *Ivi*, p. 56

¹⁸ *Ibidem*

I asked Antonio Lancellotti an Italian activist and director of *Global Project*, a platform of Italian social movements, his opinion concerning the change that European politics is facing since the Euro crisis began and above all, which is the meaning of the Tsipras failure. I chose to interview him because in recent years, European social movements, even if they became weaker after the period 2008 – 2012, they began to cooperate in an inter-state form and tried to create more relationships between the movements of the different countries of the continent. Global Project, in Italy, is the platform that has invested more toward this process of cooperation of European struggles. So, his point of view is a summary of what other movements think about the political consequences of austerity measures and the Ordoliberal diktat of ECB.

I asked him how, according to him, has changed the political framework all around Europe. Antonio affirms that «an evident image that is easily recognizable today, is that traditional center-left and center-right parties have produced a new large neoliberal center. Center right parties are disappearing and are opening the space to new far right conservative parties, characterized by the use of populism and xenophobia». In his opinion, this is a consequence of the crisis, because once European governance accepted austerity measures and started to apply even more radical cuts on welfare, the class anger and the disappointment of the population toward the European institutions was channeled into the ethnic hate and the anger against migrants, firstly of southern and eastern European countries and later toward non-European ones. And they have grown in each part of Europe, eastern, northern and southern. Then, in this context in which neoliberal forces go on with the application of ECB diktat and right wing nationalist parties boost for the return of a Europe of the sovereign nation-states, for many Syriza represented a hope. Antonio explains me that «at the beginning Syriza was a little party and since the first moment it broke with the traditional communist parties concerning the themes of European Union and of the euro, the single currency. Indeed, this represented an innovation and expressed the will to be at the same time radical but faithful about Europe». That is the reason why it gained consensus in Greece, even because it was able to watch and involve social movements that acted in the suburbs among the people that was suffering from austerity consequences. «Syriza stood near housing movement and the mutual solidarity networks that Greeks social movements created since the sword of

Damocles of austerity was imposed on Greece. Yet, with all the limits of a party, but there was the recognition of the mutual work from below». Something that the neoliberal political forces had always repressed and denied, in Greece like in Spain, Italy and other European countries. For the first time it was a party near the people, open to the proposal of citizens and not closed and elitist. That is the reason why, according to Antonio, Syriza gained large consensus in the different classes and regions of Greece. Many think that when Tsipras won the elections and proposed the referendum he made a clever political move and he won it. But he immediately lost the challenge of ECB, the Commission and Germany. In fact supporters of Tsipras claimed that he really was intimidated with the threat of bankruptcy¹⁹. He lost the European challenge but this episode, and the develop of Syriza, demonstrated a relevant aspect. Antonio says «the fact that, in Europe, politics and democracy are subjugated by the economic governance. And that is the focal point. We have always thought that Syriza represented an innovation force but it was not enough; there is no hope regarding the possibility of a European change with the only governmental power. When Tsipras signed the memorandum with troika it did not betrayed his electorate or the Greek people, because the economic global and European governance demonstrated to be stronger».

I asked Antonio his point of view about Podemos. By the political point of view Podemos is a brand new force and differently from Syriza it is the product of the *Indignados* movement, the movement of protest against the austerity. It is a direct product of social movements and his charismatic leader, Pablo Iglesias, come from the anti-globalization movement. There is a difference with Syriza that was established as a party that united other left wing subjects (in fact, Syriza means Coalition of radical left). Podemos. Antonio affirms «I consider Podemos an important innovative party and an interesting subject. Since the beginning had the consensus of part of Spanish social movements. It is their direct expression. It represents the mutual help among citizens, the housing movement against evictions and the environmentalist movement against mega projects and climate change». After becoming the third political party of Spain, now it faces the challenge of Spanish elections in June 2016. «Apart from the results that the coalition Podemos – Izquierda Unida will achieve, the problem is always the same: the economic governance

¹⁹ http://www.globalproject.info/it/in_movimento/thisisacoup-il-colpo-di-stato-dallalto-del-si/19263

is too strong compared to the political force of single national governments».

Then I asked him the reasons why the European project went so wrong. According to him the Greek experience made clear that the requests of change cannot pass only through governments. Precisely because of the structure of the governance and of the financial and economic global order. But the main reason is due to the imposition of economy on politics. Antonio explains me The role of politician became weaker and the contractual abilities of governments is insufficient. «The European integration process excited us, because for the first time there was the possibility to overtake the nation state idea and a world with borders and diffidence between nations and nationalist-traditional claims. But the Europe of Maastricht was much more interested in the creation of a big united marked, allowing the freedom of movement of people only to facilitate the workforce motion and the free circulation of capitals». That is the first reason: Europe had to be a democratic integrated space of solidarity and mutual aids, and not only an integrated common market ruled by ordoliberal rules. The second one is the creation of a Europe only by elites, that had been too confident about the desire of create a new state-subject without no form of citizenship's participation and no social conflict. Antonio affirms «Once you have a united continent with less space for politics and much more impositions of economy, it is clear that the only solution that elitism can produce are the austerity measures, that are the last cause of the situation that Europe is living today».

As a matter of fact, European movements compared the behavior of creditors to a *coup*. As Antonio Lancellotti affirms, it is not a betrayal of Tsipras to his people, but it represent more the defeat of the politics in front of the global capitalism that has stolen the political space to the government and have imposed the rule of economy on democracy. And that is recognizable with the memorandum that creditors signed with the Greek government in the week after the referendum that imposed the payment of 82 billion of euros in three years and the impossibility to reduce the IMF debt. On the other hand, there are alternative positions that blame Tsipras to have been to less radical and not to have think to the possibility of the Grexit as a manner to bring Greece outside the bonds of recession and economic oppression. As I have already said, after Tsipras signed the post referendum agreement, the first problems and criticisms that he faced came from the internal part of the party, first of all from Costas Lapavitsas, former member of the Hellenic Parliament for Syriza who, already before the July 5th 2015, on an article for *The Guardian* declared

that the end from austerity was impossible for the Greek government and the only method is the exit from the single currency.

“What should we as Syriza do and how could the left across Europe help? The most vital step is to realize that the strategy of hoping to achieve radical change within the institutional framework of the common currency has come to an end. The strategy has given us electoral success by promising to release the Greek people from austerity without having to endure a major falling-out with the eurozone. Unfortunately, events have shown beyond doubt that this is impossible, and it is time that we acknowledged reality.”²⁰

According to him, when he was still with Syriza, the only possibility the government had was to be really radical and act in order to maintain the promises that made Syriza the first party in the country. If the party lost his electoral force and support, it risks to become a traditional socialdemocratic party. And the measures that he continued to propose are the one that Syriza promised to the Greeks, namely forbid house foreclosures, write off domestic debt, raise minimum wage and stop privatizations. In other words, the same program with which Syriza won the elections and, in his opinion, it is not a radical proposal, but a normal Keynesian program. And also on June 2015, he wrote always on *The Guardian*:

“There is an alternative path for Greece, and it would include leaving the Eurozone. Exit would free the country from the trap of the common currency, allowing it to implement policies that could revive both economy and society. It would open a feasible path that could offer fresh hope, even if it entailed significant difficulties of adjustment during the initial period.”²¹

²⁰ *To beat austerity, Greece must break free from euro*, Costas Lapavistas, <http://www.theguardian.com/commentisfree/2015/mar/02/austerity-greece-euro-currency-syriza>

²¹ *Greece is being blackmailed. Exiting the eurozone is its way out*, Costas Lapavistas <http://www.theguardian.com/commentisfree/2015/jun/25/greece-blackmailed-eurozone-troika-syriza->

In his point of view, the kind of exit from the single currency should be consensual and made without any form of conflict in change of the debt relief, there would be no great costs for the ECB because Greece is a little country that represent only the 2% of the EU and concerning the monetary union, he defined it a huge historical failure because the euro do not generate solidarity but only divisions and foresee the possibility for the Greeks to exit the Eurozone but not the European Union. According to him, after the exit, the country should pass other two steps, the one is the recovery, that would depend by the recovery of internal demand and the restart of little companies and then the third step which is the reconstruction of the national industry. After the memorandum accepted by Tsipras. Lapavitsas changed party and joined Popular Unity, the party founded in August 2015 by former members of Syriza and led by the former Minister of Energy Panagiotis Lafazanis. A party that is still little, and have no seats in the Parliament since it gained the 2,86% at the elections in September 2015.²² One year later, Lapavitsas wrote an article, always on *The Guardian* titled “*Syriza has sold its soul for power*” in which explains that Tsipras government has brought no change to the social situation of Greece and, on the contrary, he affirms that Syriza was able to approve the same things that its opposition and previous government did, for example increased taxes, sold Greek banks to the speculative funds, privatized airports and ports and imposed new cuts on pensions and on welfare and that is caused by the compromise with the creditors, something that could be erased only in case Greece choose to exit the single currency. This is for Greece and this would be even for Podemos in the case it wins the elections.²³

Effectively, the minister of Lafazanis was not the only one that decided to resign from the charge of Minister. Even the other important figure, Yanis Varoufakis, the Minister of Finance during the first 6 month of the Tsipras government and whose decision to leave the seat, but also the party, brought even to a raise in markets. His opinion concerning the exit of a state from the European Union can be seen in the recent debate of Brexit, namely the next 23rd of June Great Britain will vote through a referendum the possibility to exit

common-currency

²² <http://vocalaltestero.it/2015/03/18/lapavitsas-la-strategia-di-syriza-si-e-esaurita/>

²³ *Syriza has lost its soul for power*; Costas Lapavistas, <http://www.theguardian.com/commentisfree/2016/jan/25/one-year-on-syriza-radicalism-power-euro-alexis-tsipras>

the Union. There is a huge difference between the Grexit and the Brexit because UK is not a country with an enormous debt that has experienced years of austerity. UK, as we saw in the first chapter of this work, have always been doubtful about the Union. Thatcher firstly, opposed the entry of the EEC and already in 1975 a referendum was announced as a method to understand the will of the population. The certainty anti-EU voters have, is that outside the Union, they could gain more profits, more control on immigration and less interference of the European bureaucracy on the economic life and more competitiveness for the economy. According to Varoufakis, who defined himself a marxist, he created a new movement called Diem25, whose goal is the democratization of Europe because, also for him, the weight of Maastricht Europe is heavier than the European Union born with the post-war spirit. He disapproves of the role of Tsipras, but he is confident that a single government cannot change a country because politics is subjugated to the role of economy. So, regarding the probability of an exit he declared on his book *Confessioni di un marxista irregolare nel mezzo di una ripugnante crisi economica europea*:

“Which benefits would produce the promotion of the dissolution of the Eurozone and of the European Union while the European capitalism is doing the more the possible in order to dissolve the Eurozone, the European Union and even itself?”²⁴

Both in this book and in an interview about the Brexit that he took on April 2016, he confirms its position pro Europe.²⁵ The reason why he is so confident, is that he explains that an eventual exit of a member state would cause a fragmentation of the European capitalism producing a recession zone from the East of the Rhine until the North of Italy while the rest of the continent would fall into a swamp of inflation and economic stagnation. In this context the only who will emerge stronger could be the racist, xenophobe far right, just like in the case of the 1930s when the Weimar Republic and the post war misery produced fascism and Nazism. So he does not share the positions of

²⁴ Yanis Varoufakis, *Confessioni di un marxista irregolare nel mezzo di una ripugnante crisi economica europea*, Trieste, Asterios Abiblio Editore, 2014, p. 41

²⁵ <http://www.internazionale.it/video/2016/04/22/brexit-varoufakis-intervista>

Lapavitsas about the consensual exit of Greece. He restates the same idea at the interview of *L'Internazionale*, in which explains even that radical right would take the power in different parts of Europe if the centrist parties let that austerity measures and diktat were imposed with no social guarantees for people.

3.3 The radical right new wave and the risk of *balkanization*

The reason why traditional parties created the vacuum that has been filled by both left wing, right wing and in general by populist movement was well forecast by Kirsty Hughes, Senior associate fellow at the center for International Studies at Oxford University. Already in 2012 she illustrated these reasons, which are connected with the democratic deficit of the union. It was clear, already four years ago, that the mix between the lack of a cohesive democratic architecture within the union and the fatal policy of austerity would have produced a framework in which European citizens would have mistrust the political class and would have started to follow and vote new populist forces. The European societies and politics began to change because of three main reasons: the question of democratic deficit of the EU, the imbalance between European states caused by the euro and the economic crisis, whose means for its resolution were and are still now in 2016 the austerity measures that have produced only disappointment, distrust and hate of the citizens toward the European institutions. Even if the union was created according to the principles of the respect of peace, the security of democracy, the maintenance of wealth and the respect of human rights and freedom, the European Union itself is the main subject that do not respect all these parameters.²⁶

²⁶ Kirsty Hughes, *Poco Demos molto kratos, la ricetta del pasticcio europeo*, in *Limes*, 2/2012, p.255

This process started to develop since Bruxelles gained more social, economic and political power and, in the meanwhile, the economic crisis revealed this contradiction, in which the European Parliament is subjugated to the power of the Commission. Even if today the roles and the operate of the Parliament is more transparent and accessible than in the past, the most of decisions are taken by other technocrats that work behind politics. But anyway politics did not avoid the spread of the crisis once it hit the continent with imbalances, austerity, poverty and populism.

The European Union is the more integrated regional organization formed by federalist institutions with intergovernmental organisms that produce a fragile and not homogeneous structure. This fragility is evident if we take the example of the parliament and of the Commission, in which the second one is not an elected organ and the first one is directly elected by citizens but the turnout at the European election have decreased, a clear fact that shows the lack of democratic legitimacy. Even when European elites tried to create the Constitution using the referendum method it was rejected, firstly in France and later in Ireland, and only by transforming it in the Lisbon Treaty with a more complex and more technocrat's lexicon was signed and became law, avoiding the consultation of the European citizenship.²⁷ It is clear that all the European integration process, the European institutions and the way they tried to solve the crisis with measures that only produced misery and mistrust, demonstrates the superiority of technocracy on democracy. According to Hughes this is the main point of the European problem: the preference for elitism, technical rigidity and para-democratic decisions, in other words the inability of the European leadership to develop a more participative and inclusive democratic process. The attempt of resolution of the crisis revealed this problem. But how could the European institution provide a solution of the crisis that risks to dissolve the European Union itself?²⁸

The result of these inabilities is the growth of populist anti-Euro movement, from Finland to the Netherlands, Italy, Austria, France, southern, northern and eastern Europe bringing to the end of the European solidarity in the moment the crisis hit. Summits started to be held by a narrow circle, formed by Merkel and Sarkozy (later Hollande) and the Frankfurt Group, namely Mario Draghi (ECB), Christine Lagarde (IMF), Junker (Eurogroup),

²⁷ VV.AA., *Limes*, p.257

²⁸ *Ivi*, p.260

Barroso and Van Rompuy, in which the agenda of austerity, fiscal rigor and ordoliberalism have been imposed as the only solution. But what is most evident, is that apart the effects of austerity, the democratic failure of Europe can be seen in Greece twice: in the moment the Papandreu government decided to propose a referendum to let the population decide against austerity and Merkel, Sarkozy and the troika blocked him and designated the responsibility to Lucas Papademos (former member of ECB) to create a new government of technocrats; and in the moment Tsipras won the referendum with the 61,3%, but it was ineffective because the Greek government was forced to sign a new memorandum for the bailout.²⁹ Even the Berlusconi government ended with the pressures of the European establishment and a technocrat group led by Monti were installed on a new government in order to approve cuts on public spending, privatization and reduction of welfare.

There was the hope that some figures or parties of the French and German opposition could move the balance, in particular Hollande and the German Greens, but Merkel confirmed once again her strong position and the one of its party, CDU, and showed that the majority of Germans approve austerity measures for countries with internal imbalances. Hollande, instead, became the new president of France and, although he defeated Marine Le Pen at the last elections in 2016 he was seriously contested for having proposed new reforms for workers, similar to the Italian jobs act. Even for Hughes, without a change in the policies of the European Union and in the way European institutions act, Europe really risk the fall or the collapse. Something that is perceivable with the wide consensus that anti-European, nationalist and conservative parties have gained in recent years.³⁰

The policies of austerity and the general impoverishment of European countries produced not only left wing pro-Europe anti-austerity movements like Syriza and Podemos, but what is most alarming for the cohesion and the stability of the continent is the growing strength of nationalist conservative parties all around Europe, with worrisome results in the last years 2014-2016.³¹ From eastern Europe to the other parts, far right parties gained consensus because of the lack of welfare instrument and the reduction of social helps by the state. This tendency began firstly in the country of the “Visegrad Group”, namely

²⁹ *Ivi*, p. 260

³⁰ *Ivi*, p. 263

³¹ Marco Bascetta, Sandro Mezzadra, *Europa ce la facciamo?* <http://ilmanifesto.info/europa-ce-la-facciamo>

Hungary, Czech Republic, Slovakia and Poland, both of them are former communist countries that the conditions of life and the reduction of welfare caused high level of unemployment and misery. First of all, after the collapse of Communism and secondly during the moment of entry in the EU, when huge cuts were required in order to obtain the Maastricht criteria and so the member status. When these countries joined the union, their marked faced suddenly the problems of imbalances between the European states, even because it happened in 2007 – 2008 when the crisis began. The most curious case is the one of Hungary, that shows how the inefficiency of politics can be replaced by nationalist and conservative movement. The party Fidesz led by Orban, an anticommunist politician that started his activity already before the 1989, won the elections after a decade ruled by the social democratic party. The governments between 2002 and 2009 had to impose to the populations cuts, liberalization, workforce flexibility and privatization and the population started to mistrust the government. The context worsened in the moment the former president Gyurcsamy faked the balance data, while the deficit was very high, at about 9% of GDP. It was clear that Orban, which was condemned for its nationalism, had the possibility to win the elections.³² But even though the government of Fidesz imposed protectionist measure like the tax on crisis to the main foreign companies that operate in Hungary, the far right anti-Europe xenophobe party, Jobbik, in 2014 won 20.22 percent becoming the third party of the country. In Poland the party Law and Justice obtained 32.10% at the parliamentary elections of 2007, 29.99% in 2011 and achieved the 39.1% in 2015. In fact, it became the first party in Poland and formed a new government. In Slovakia, at the elections of March 2016 the Slovak National Party won 8.6% and became the fourth party.

For what concerns the “Virtuous North”, the migratory flux from southern and eastern states because of the austerity measures and cuts on welfare produced a form of xenophobia to those European people that moves there to find work and better conditions of life. The more evident case is the Danish People Party that became the second subject with the elections of 2015 in which won 21.1%. In UK Ukip won the 27.5% becoming the first party, in Finland the Finns Party won 17.7% and in Sweden the Sweden Democrats got the 12.2%, in Austria the Freedom Party of Austria lost the election with

³² Gabor Toth, *La svolta Ungherese spiegata ai marziani*, in *Limes*, 2/2012, p. 305

the 49.7% and the Greens coalition won for a few thanks to the votes of the Austrians that lives in other states.

The history of Ukip (United Kingdom independence party) is relevant in order to understand the boost that radical right wing have obtained in recent years. The fact that Ukip was established in 1993 and until the second decade of the new Century no one considered it as an interesting subject, demonstrated the power of the new right wing wave. Electoral poll talks clearly, at the elections of 2010 Ukip won 3.1%, but five years later, it suddenly won 27.5% at the European elections and in 2016 it became the first party, breaking the traditional two-party system of UK. Since the beginning of its history the party supported the anti-European positions.

Nationalist right parties began to obtain large consensus using the same anti- words used by Syriza, the Five Stars Movement and Podemos, but if these three parties are anti-austerity, far right ones are explicitly anti-Europe and for the return of nation-state based on ethnicity and national closed economies and with no form of sovereignty of the European Union. The most of time they got this strong consensus in countries in which there was no alternative to the neoliberal parties and the left wing ones were too much weak, so population became inclined to accept the radical right propaganda, made by easy and direct message, as only solution for the problems.

In a context like that, the challenge that the European Union faces can be compared to the one of the Yugoslav federation, in fact just like what happened in the Balkans the Europeans risk to collapse both under the strong rigor and elitism of its institutions like the Commission or the Eurogroup and because of the nationalist boost of anti EU movements. I found interesting the article of Stefano Bianchini, Professor of East European Politics at the University of Bologna issued on the number of *Limes* of March 2012 called “*Lo spettro jugoslavo si aggira per l'Europa*” in which he compares the process that brought to the fall of Yugoslavia and the contemporary context of the European Union.

Effectively, Yugoslavia was a socialist federation and EU is neither socialist nor a federation, but it looks more like a project in which 28 countries with free markets and liberal-democrat governments. Moreover, the economic crisis that hit the Balkans during the Eighties was produced by total different causes compared to the Euro crisis but both saw similar effects on the reaction of politics and institutions.

According to Stefano Bianchini, the Yugoslav governance was based on a consensual system between all the subjects that with the economic crisis became too long, expensive, chaotic and inefficient. At that moment there was not the will and the recognition of the change that had to involve the political governance and the economic strategy. As a matter of fact, one of the first reactions of this political stagnation was the development of the so called “economic nationalism” with which the single regions started a process of protectionism of their economy that undermined the cohesion of the Yugoslav market. Since that moment, the mechanism of the reciprocal diffidence that annulled the solidarity among developed and undeveloped areas began. It broke the political understanding toward the more vulnerable subjects and prepared the battlefield for the reciprocal accusations concerning the responsibilities of the crisis.³³

In the same way within the European Union, as I have already described above, happened the same thing with the worsening of the crisis. Governments and the European institutions tried to solve the situation with austerity and fiscal rigor that brought to the impossibility for a country to exit the bailout programs and relief the debt. Always narrower summits and rumors of the exit from the union unilaterally, not because of an impossible economy to recover, but because some governments see the bureaucracy and the constraints of the EU as a limit for their wealth, or exit from the euro, or the creation of a double coin, one for the “virtuous North” and the other one for the southern and other states that “suffer” from laxity. Even some banks, like the Royal Bank of Scotland, Merrill Lynch, Barclays capital and Nomura began to take in consideration the possibility for the return of the national currencies. In the meanwhile, the crisis deepened on the economic and financial field, anti-EU movements developed against the keywords of the union: the euro and Schengen area. Furthermore, just like what happened in Yugoslavia, began to spread the diffidence among different states instead of the European solidarity that should help the countries to act in a common way in front of the crisis. But Europe started to experience the contrary effect, namely the elitism behavior of governance and institutions boosted national government to blame the responsibility of the most vulnerable states denying them any form of solidarity as a manner to avoid the contamination or the risk of the fall into deeper economic conditions. That is really what happened in Germany,

³³ Stefano Bianchini, *Lo spettro jugoslavo si aggira per l'Europa*, in *Limes*, p. 313

where figure like Merkel and Schauble blame the Greeks for their inefficient management of their public funds, defining it a country with a huge debt produced by the corruption and wrong economic policies. These are the reasons why the German ordoliberalism have imposed as an orthodoxy to respect with austerity measures and fiscal rigor, and it can be seen in German government, in the Commission and the Eurogroup.³⁴ And this, according to the author is a very similar comparison that can be made with the Yugoslav situation of the Eighties. Moreover, in this framework, national governments still go on thinking and trying to obtain the consensus of their citizens, even if the requests undermine the principles of the Union or the rules imposed with the treaties, for example the closure of the Brenner pass between Italy and Austria. The case of Brenner is important as a manner to understand the endogenous roots of the governmental choices: since the crisis hit also the Austrians with cuts on welfare, even in a lesser way than other countries, and the population started to be distrust toward the neoliberal traditional parties, the hate toward migrants began to spread in the different territories of the country. In fact, the xenophobe party FPO gained larger consensus and forced the Social Democratic Party of Austria to announce the closure of borders as a manner to get back its electorate. So, in that case, was a traditional center left party that disobey the Schengen treaty, not because they are against the principle of the free movement for the people, but because they wanted to comply the citizens and safeguard their votes. Or another example can be the United Kingdom European Union membership referendum with which the Prime Minister Cameron let the population express about their will to stay in the Union or not, in a scenery in which Ukip is the first party in the country.

The same thing happened within the Yugoslav Republic where the leaders of the federal subjects, in front of the crisis, became to address directly to their national electorate in order to protect their interests and to ensure themselves the consensus in the moment, once the socialist ideology fell, the Yugoslav subjects prepared the affirmation of a new legitimacy based on the concepts of “people” and the “nation”.³⁵

Stefano Bianchini reminds one important thing, namely that during the Eighties no one thought that the federation could have disappeared, but the tendencies to think only to their ethnic interest in the name of national sovereignty instead of building a stronger and

³⁴ *Ivi*, p. 314

³⁵ *Ivi*, p. 316

more cohesive political integration, the same thing that should do European governments and institutions. But the cherry on the top always in the opinion of Bianchini, is the refusal of the different cultures that produced the mortal blow at the Republic of Yugoslavia. In other words the return of racism, xenophobia collective hysteria against ethnic minorities. The same thing that has revealed in Europe with the closures of the borders between France and Italy, Austria and Italy, Denmark and Germany, Hungary and Slovenia and more controls of Denmark and Sweden borders.

According to Bianchini, the guilt stood on the radicalization of the European conservatism, that since the 2000s preferred to stimulate the support to racist and xenophobic parties, most of the time including them in their coalitions of government. In this way, they provided a form of democratic legitimacy to those policies and ideas based on the refusal of the neighbor, helping the spread of this phenomenon all around Europe.³⁶ Effectively the European integration was a process totally opposed to the one of the collapse of the Yugoslav federation and the Schengen treaty represent still today a big innovation because for the first time since the French Revolution it put into discussion the rigidity of borders and the possibility to connect different cultures and create a new participatory development of the European construction. It hits the political culture of the fences and encouraged the mobility of the people as an essential factor for the economic, cultural and political development of Europe. Maybe that is the reason why many politicians decided to oppose the Schengen area instead of explain and teach their electorates that migrations are an economic treasure and a guarantee for the safeguard of the welfare, threatened by the crisis and the rigid and wrong method used to solve it.

³⁶ *Ivi*, p. 317

Conclusion

There are signals that threaten the European Union health. It is true that the migrant crisis that began in 2015 and the international Islamic terrorism linked to Daesh have produced additional upsets within the union. Not only have European governments required more controls on European borders and the closure of the Fortress Europe's gates, but the conservative nationalistic right wing wave of the years 2014 – 2016 boosted a process of reconstruction of national borders among European states. Furthermore, their comeback contributed to the political landscape that have affected the European public opinion in recent years. Feelings of hate and anger, both among citizens of Europe and refugees. But what is most perceivable, is that the population have mistrusted Europe because of the gap between them and its institutions, so have tended to align with parties that promise a return to the nation state order, to the national economy and to an efficient welfare state. Back to the ethnic divisions.

But the collapse had begun already before the migrant crisis. Refugees have only revealed that the foundation of the European Union was not solid. The causes cannot be identified in a certain moment, but they stand in a large period of time, within an historical process of capitalistic breakthrough, of financial deregulation and neoliberal hegemony. It is not my task to define these processes, but the European crisis of today is a consequence of the supremacy of capital in front of democracy. The superior position of ordoliberalism stands in this framework. And the European order created with the Maastricht Treaty had the goal to create an entire continent under the rules of pure capitalism without any presence of politics. This is evident if we take the European architecture. What kind of subject is the European Union politically speaking? It is neither a federal or confederal state nor a simple regional organization. Its borders are not totally clear and still in motion, especially in the eastern side. What is easy to recognize, is that it represents a connected continental market in which capitals, goods, services and capitals can flow freely from a territory to another. The European Central Bank needs to control if the ordoliberal parameters of free competition are respected and if states carry on the principles fixed with the Maastricht Treaty. Especially for what concerns public debts that were enlarged by bank capitalization after the economic crash of 2008. In the meanwhile, German and

French banks, European funds, the IMF and other creditors provided the loans necessary to these indebted countries to save their financial markets. But at the same time they blamed these countries for the level of indebtedness that they contributed to enlarge and that was directly caused by the financial speculation. In order to reduce this debt, creditors and European institutions imposed austerity measures on populations, that in other terms are cuts on welfare and on social spending. Furthermore, other structural adjustments were required, namely liberalizations and privatization, as a manner to stimulate economy from private supply. These packages produce only unemployment, reduction of wealth and poverty.

Apart from the level of debt, the European Central Bank controls the level of inflation as a manner to avoid imbalances among countries. The Netherlands and Germany, especially, were the first, already before the euro entry that disobeyed the parameter of 2% imposed with Maastricht Treaty. They adopted a *neomercantilist* economic strategy that produced surplus in their trade balance at the expense of peripheral states. No institution rebuked Germany and core countries for their profiteering misbehavior. As a consequence, Germany exploited the European imbalances in order to achieve a predominant role within the continent and impose its ordoliberal rules toward inefficient states.

The Syriza experience in Greece explains one thing: governments, parliaments and elections, meant as the direct expression of the democratic life of states, have been slowly marginalized. Capital gained a new centrality in the European mechanisms. Institution of the European Union paved the way for the development of this scenery. But the consequences of this deregulated architecture does not seem to work correctly and all these events demonstrated it. The European risk of collapse has endogenous causes that may be solved with a more political union and a more embedded currency area. Also by giving the ECB more power, and different targets – for example the growth of employment.

Many propose the exit from the Eurozone or from the EU. First of all, far right parties, but also figures of the left. Maybe this choice might produce benefits for citizens and for the national economies. But it will surely involve the failure of the European project and the dream of a subject based on the override of the nation state and ethnic conflicts. A project bound to the integration of cultures. Europe lives on the edge and should take note of it. The European governance should remember past experiences. Who believed in the

Eighties that Yugoslavia would have fallen in a decade?

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