

SOUTHERN EUROPEAN CAPITALISM WITHIN THE CRISIS-RIDDEN EUROPEAN EMPIRE

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The contribution emphasizes the basic elements of the Southern European model of capitalism and its position within the EU-wide centre-periphery relations. In this sense, it is highlighted that the crisis trajectories in the South, in terms of economic de-industrialisation and institutional and structural reforms, are closely intertwined with the evolution of the EU empire and its competitive mode of integration. Eventually, however, the ongoing crisis in the South also puts some strain on the reproduction of the EU empire.

Il presente contributo enfatizza gli elementi chiave del modello di capitalismo sudeuropeo e come esso si colloca all'interno delle relazioni centro-periferia a livello europeo. In tal senso, si sottolinea come le traiettorie della crisi nell'area sudeuropea, in termini di deindustrializzazione economica e riforme istituzionali e strutturali, siano strettamente interconnesse con l'evoluzione dell'“impero europeo” e del suo modello competitivo di integrazione. In ultima analisi, tuttavia, l'attuale crisi in tale area mette a dura prova la capacità di rigenerazione della stessa UE.

Southern Europe?, edited by Martin Baumeister and Roberto Sala, is a publication very much in keeping with the times. It conceptually reflects that Greece, Italy, Spain and Portugal share some economic, institutional and cultural features, which – after several periods of modernisation and convergence towards Continental Europe, most recently in the 1980s and 1990s – have become more pronounced as a consequence of the ongoing financial crisis. It is striking how inspiring some conceptual frames that have been developed by Giulio Sapelli (1995) in his book *Southern Europe since 1945* still are. In a fruitful way, they are revisited by a range of prominent scholars who come from different academic disciplines – from history and cultural science over welfare state analysis, discourse and migration theory to international relations and political economy – and adopt rather complimentary views from the broader field of critical modernisation theory.

The book's themes are manifold. Part 1 introduces us to different approaches which develop specific features of Southern Europe, be it the history of its discursive construction, its typical institutional arrangements or its welfare regime, and the specific

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role the institution “family” plays here. Part II extends the focus towards the peripheral position Southern Europe has within the wider context of integrated Europe. This is demonstrated by the South’s economic relations with the rest of the European Union as well as its patterns of outward and inward migration within Europe and beyond. Part III covers the types of notions and narratives by which the South but also the rest of the world tried to come to terms with the unique features of this region. A central question repeatedly posed in this context has been what the deficiencies of the South are regarding its modernity. Finally, the last part deals with the geopolitical reasons for constructing a Southern European region in the context of the Cold War and the European integration process. The contributions provide not only a thorough theoretical and methodological discussion about the existence of a specific, not exclusively geographical, «common area of development» (Baumeister, Sala, 2015, p. 8). They also offer profound insights into the recent developments of a crisis-ridden European Union and their differing repercussions on the societies, economies and policies of the countries in the South of Europe.

1. THE MODEL OF SOUTHERN EUROPEAN CAPITALISM AND EUROPEAN CENTRE-PERIPHERY RELATIONS

From our perspective on reading the book, two conceptual reflections are particularly important and illuminating. The first reflection concerns the model of Southern European capitalism. Referring to Sapelli, Martin Rhodes (2015) deals with two basic features of the model of Southern European capitalism, which explain the relative disadvantages of Portugal, Spain, Italy and Greece vis-à-vis the North. Rhodes identifies a fragile and «late industrialization coupled with a state that was as interventionist as it was administratively weak», causing a «lack of synchrony between social structures and productive structures» or a «modernization without development» (Sapelli cited in Rhodes, 2015, p. 52). Since the 1960s and 1970s, this led to «a rapid transition from agricultural to service sector employment, with little solidity of production or employment among small and medium-sized firms, and the absence of state regulatory systems able to promote evenly-spread and coherent economic development», causing repeated outward migration flows (see also King, “Migration and Southern Europe”). Due to these characteristics, this model of capitalism was vulnerable to external shocks (Rhodes, 2015, p. 67). This problematic constellation was further aggravated by the belated process of constructing an (in a wider sense) social-democratic «welfare state that divided society into groups rather than unifying it through mechanisms of solidarity» (ivi, p. 52), thus leading to higher income disparities and higher poverty rates than in Northern Europe. What was and still is essential for the Southern welfare States is therefore the family as an institution of social protection and care work. The latter is almost exclusively the domain of female work, which explains the rather low female employment participation rates, although they had begun to rise in the pre-crisis years (Martin, 2015, p. 93).

Additionally, the Southern model suffers from educational and skill deficits of the workforce. Of course, there are regions like Catalonia or Lombardy with a high degree of industrialization and well-educated workers, but the overall picture is one of a “territorial dualism”, as the greatest parts of the countries and their economies are dependent on

capital, technology, goods and knowledge flows from abroad. From an institutionalist point of view, as provided by the Varieties of Capitalism approach, the Southern economic model presents itself as a hybrid system with a specific mixed-market economy and an interventionist state. The interventionist role of the state is significant, as it has to interfere quite frequently in order to compensate for the low productivity or ill functioning of economic sectors; a process that has its origins in a late and uneven industrialization and an already mentioned vulnerability to external shocks. This economic constellation corresponded with the polarization between a political right historically closely intertwined with the church and big land owners, and a political left rooted in the social strata of landless labourers and the industrial proletariat, which for a long time has remained much more radical than their counterparts elsewhere in Europe (Martin, 2015, p. 87). Civil wars between the two sides and a number of dictatorships have coined their respective political identity and have made cross-class alliances of the Northern European type nearly impossible.

A second conceptual reflection addresses European centre-periphery relations, i.e. the asymmetric relations between the developed North and the less developed European South. The main reason for this asymmetry lies in the different economic performance of the older industrialised countries, constituting the core, and the late-comers (in the case of Portugal, Spain and Greece late-late-comers) in the periphery. The relations between both groups of countries are marked by a «technological gap, the demonstration effect on consumption, and the challenge of competition from more developed countries». This leads to a «weaker competitive position», resulting in «persistent trade deficits», sometimes compensated by remittances of migrants or tourism in the peripheral South (Simonazzi, Ginzburg, 2015, p. 108). All this indicates a systematic and constant advantage of the European core.

Over the past decades, in the transition towards a technologically modernized information economy this advantage increased. While the core proved to be capable of reorganising its productive basis, the periphery fell behind at the productive level (ivi, p. 106). What, for the core, represented a «creative destruction» became a «plain destruction» in the South (ivi, p. 109). A range of complementary developments further aggravated this tendency: the rapid catch-up process of East Asian economies, whose developmental strategies were based on similar patterns of specialisation; the collapse of Communism in Central and Eastern Europe, which – mediated by capitalist transformation and accession to the EU – led to a comprehensive reorganisation of the European division of labour; and also the process of further deepening European integration via the Single Market, Economic and Monetary Union (EMU), and financial market integration impacted on the conditions of economic development. As a consequence of all this, not only international economic competition, but also the de-industrialization in the European South intensified.

This is not to ignore that there were also periods of economic boom and recovery. Eventually, however, Southern European countries moved into the direction of a «consumer society without a productive base» (Fotopoulos, cited in Simonazzi, Ginzburg, 2015, p. 124), increasingly financed by financial flows from the core. In this sense, since the mid-1990s, many scholars have observed the emergence of a finance-dominated mode of economic growth, primarily driven by extensive privatisation programmes and loans for construction (mortgages), infrastructure and consumer spending.

2. THE IMPACT OF EUROPEAN INTEGRATION – FROM A CRITICAL POLITICAL ECONOMY PERSPECTIVE

The book not only aims to identify the common socio-economic, political, institutional and cultural patterns of Southern European countries. It also tries to explore to what extent these patterns were and still are responsible for the ongoing peripheralisation and “deviant and incomplete” (Sapelli cited in Knöbl, 2015, p. 174) modernisation processes. The provided answers, focussing on the outlined domestic and international structures – national models and centre-periphery relations –, flanked by culturally and discursively produced meanings and identities (Hertel, 2015), are illuminating, but by far not sufficient. The same applies to the contributions by Guido Franzetti (2015) and Massimo Piermattei (2015), which are more oriented towards geopolitics. They also refer to the important dimensions of the external European environment, but remain reluctant in some regards: firstly, it is not evident how the geopolitical findings are related to the political economy perspective of the previous parts of the book; and secondly, therefore, the answer given to the question to what extent the particular nature of the EU has an impact on the development and meaning of “Southern Europe” remains necessarily incomplete.

In view of these open issues, we would like to direct the attention to the shape of economic and geopolitical processes within the EU. For this purpose, it seems to be instructive to conceive of the EU – in contrast to characterisations focused on institutions – as a kind of (post-)modern empire. A range of scholars brought this kind of classification forward (Cooper, 2002; Münkler, 2005; Zielonka, 2006; Marks, 2012) by emphasising – in contrast to nation-states – the following features:

- a first feature is the blurred, fluid and variable nature of borders. Often, they are difficult to locate, given their repeated displacement in the course of the EU’s association and enlargement policy. As the deepening and widening of European integration takes place unevenly and asynchronously, this may also affect the legal status of respective citizens;
- a second feature is the rather asymmetrical relation to neighbouring countries and regions. Empires perceive themselves as economically, politically and culturally superior. This is, for instance, reflected in the one-sided adaptation of other countries or the privileged free movement of EU citizens, also in the outside world;
- furthermore, empires have no uniform structural order spanning over the whole territory, but are marked by internal imbalances of integration and power. Within the EU, there are also some mechanisms that aim to mitigate the uneven relations between the centre and the periphery, e.g. specific voting weights or financial transfers. At the same time, there are, however, also manifold informal practices, such as the intensive German-French summitry or implicit conditionality (financial and political threats), which subvert established mechanisms of balancing;
- and finally, a fourth feature is the internal socio-cultural heterogeneity of an empire. In this sense, the EU is characterised by different local, regional or national political cultures, legal traditions, religious preferences, and modes of communication or social security provision. While such differences were rather small in the decades after the Second World War, they increased substantially due to repeated enlargement rounds.

These aspects show that the EU empire shares many features of older ones, such as the Roman or Ottoman Empires. At the same time, however, its mode of reproduction is characterised by certain particularities. One is given by the fact that the EU empire should

not be seen as an alternative predating the nation-state, but as a complementary institutional, juridical and political setting, which is based on and reshapes given nation-states; and the second particularity results from the deep and comprehensive capitalist interpenetration of the European economy, which includes not only trade, but also services, labour and capital markets.

Contrary to wishful thinking and official communiqués, the deep integration of the European political economy – and this has been worked out in many contributions to the book – did not cause a harmonious and balanced, but increasingly uneven and asymmetrical development of European integration (Jäger, Springler, 2015). A main reason for this is that the EU empire strategically turned towards a competition-driven mode of integration, which above all forced the countries of the periphery to accept a wide-ranging institutional and political economic adjustment. This adjustment did not prove to be evenly beneficial, but also had quite a few detrimental effects. For instance, given the priority of competition policy, the countries of Southern Europe were increasingly bereaved of some crucial elements of their capitalist models, for instance, of the possibility to conduct national industrial policies; and the EMU worked like a system of fixed exchange rates, precluding the option of currency devaluation to improve economic competitiveness (Gambarotto, Solari, 2015). In other words, for the South, the competition-driven mode of integration turned out to be “destructive” competition (Bellofiore, Garibaldi, Halevi, 2010, p. 131). In view of this, there were and still are pressures for compensatory communitarisation in the area of monetary and fiscal policy. So far, however, they have been kept under control from the core of Northern European countries.

The control capacities of the Northern core countries are mainly based – and this is also discussed in the contributions by Rhodes (2015) and Simonazzi, Ginzburg (2015) – on the structural economic imbalances within the EU, reflecting the relative strength or weakness of respective industrial areas in the European division of labour (Bellofiore, Garibaldi, Halevi, 2010). On the one hand, the current account surplus economies of the neo-mercantilist core – above all Germany, but also smaller countries such as Austria, the Netherlands, Slovakia or the Scandinavian members with sectors closely linked to German production chains – have kept or re-enforced their institutional arrangements and political strategies to maintain their relative productive strength, while, on the other hand, peripheral European countries, particularly in Southern Europe, did not manage to do so. As a consequence of their relative productive weaknesses, they accumulated current account deficits and foreign credit inflows, so that they became increasingly financialised. This proved to be a politically problematic development, since, in the course of the financial crisis, these foreign credits – primarily accrued to the private sector – became socialised and made public debt skyrocket.

These asymmetrical patterns of intra-European interpenetration and the corresponding discursive frames strongly shaped the struggle over the priorities of European crisis management. With their current account surplus, creditor economies argued for more fiscal discipline and tried to ward off a communitarisation of public debt, whereas the debtor countries with their current account deficit were in favour of mitigating fiscal discipline and financial burden-sharing. This contradiction, manifesting itself in increasing intergovernmental and domestic political conflicts, found expression in the mode of operation of the EMU and the EU empire. It strongly impacted on the struggle over a

series of quasi-constitutionalist reforms following the crisis, including, for instance, the institutionalisation of the ‘European Semester’, the reform of the Stability and Growth Pact (SGP) via a so-called “Six-Pack”, “Two-Pack”, and the “Fiscal Compact”, but also the provision of additional recourses and instruments such as the European Stability Mechanism (ESM), the European Banking Union, and an increasingly active European Central Bank (ECB) (Bieling, 2013). The latter aspects partially point towards a union of shared liabilities. Overall, however, the negotiated compromises remained asymmetrical, insofar as the reformed framework conditions aim to press Southern Europe further into the direction of the Northern model of capitalist development.

3. THE CRISIS OF EUROPEAN INTEGRATION: PROSPECTS FOR “SOUTHERN EUROPE” AND THE EU

A couple of indicators show that the negotiated crisis strategy is unlikely to work for the countries of Southern Europe. Of course, the transition from a modest inflationary towards a rather strictly deflationary policy regime, caused by strategies of so-called ‘internal devaluation’ as a combination of fiscal austerity and market-radical structural reforms, can be interpreted as an attempt to europeanise the concept of neo-mercantilism; and indeed, the Eurozone as a whole has meanwhile come to a remarkable current account surplus. This result was generated, however, at the cost of persistent economic stagnation or even depression, rising unemployment, above all youth unemployment, over-burdened social security systems, and a lack of productivity-enhancing investment in the public infrastructure (transport, communication systems, education, etc.) (Bieling, Buhr, 2015).

In large parts of the European periphery, therefore, the financial and economic crisis not only continued, but was also increasingly superimposed by a profound social crisis and a crisis of democracy. The latter was generated by various developments: shrinking governmental resources, rooms for political manoeuvre significantly narrowed down due to European crisis constitutionalism, and also the rise of right-wing nationalist populist parties and movements. All these tendencies show that, in the course of the crisis, the main features of the EU empire – variable borders, sense of superiority towards neighbours, internal power asymmetries, and socio-cultural heterogeneity – became more pronounced, right up to the point that – further aggravated by the crisis of the European migration regime – there are signs of growing scepticism in terms of the sustainability of the whole political entity.

In view of these consequences, we would like to conclude that the political orchestration of the European political economy – via the Single Market, the EMU, financial market integration, and the more recent crisis management – was not only costly, but even counter-productive: this applies to Southern European countries, forced to accept austerity and structural reforms, which restrict a constitutive component of their traditional capitalist models, namely the interventionist capacities of the state. Yet, this also applies to the EU empire as a whole, as the increasing decay of its social, democratic, and cooperative practices undermines the very foundations of its existence. In recent years, the German public – the government, politicians and the media – has proved unable or reluctant to reflect on these causal relations. Instead, it has continued to propagate the message that the periphery, hence also Southern Europe, should become more like Germany. The contributions to

the book *Southern Europe?* represent a very good starting point to understand why this perception and related European strategies have failed to work out and have led to a dead end.

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