



Localism, Globalization, and the Euro



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As is well-known, European integration is a political project pursued through economic means. Confronted with the unbending chauvinism of post–World War II leaders and societies in western Europe, the proponents of a federal Europe were confident that they could reach their aim through slow-paced and piecemeal economic unification. Observers may interpret the “politics by other means” strategy as the expression of two interrelated modernist beliefs: (1) Economic forces provide the central engine of social development. (2) Politics follows economics; that is, social actors will rise to the occasion by creating the political institutions suited to a free market spanning a constantly expanding economy.

This approach is feasible if the economic forces that are supposed to drive social transformation do so in such a way that the direction of change can be anticipated. The founders believed that a Europe-wide and more integrated economic sphere would, if properly encouraged, come into being and require political institutions matching it in size and scope. Since after World War II economic reconstruction was an intensely national affair, there appeared to be plenty of time to implement that plan.

Fifty years or so later, the introduction of the euro has forced even skeptics to acknowledge that a political threshold has been crossed, for money is a quintessential symbol and embodiment of political sovereignty. The European Union may be a strange animal, but it is definitely a political animal, not just an economic one. Existing institutions, however, appear inadequate to the task of governing a more integrated continent. The European Parliament is so weak that most citizens do not even bother to vote for it; the European Central Bank (ECB) is so independent from political power as to raise questions about its legitimacy; and a petty Jörg Haider is all it takes to call into question the democratic and inclusive credentials of the European political sphere.

These problems illustrate the danger of adopting a “politics by other (that is, economics) means”: political institutions are always late if compared to social development. Those problems are now compounded by the sudden acceleration of economic and social change brought about by globalization, and the more and more worrisome defensive reactions against globalization springing up at the local level.

The Imbalance Between the Political and Economic Domains

Two different dynamics are affecting the capacity of the Union to act as a mature political actor. One is the well-known underdevelopment of its representative and participatory institutions, known as the “democratic deficit.” The other, more complex dynamic consists of the imbalance in size and scope between the economic and the political domains. Such imbalance can be read as an unintended result of the founders’ plan, caused by the incomplete fulfillment of their institutional strategy coupled with unpredictable events in recent years.

Briefly, the weakening of the nation-states (an intended result) is occurring while globalization is opening up the boundaries of the European economy (an unpredictable event). It thus appears that the continental political arena in the making is already mismatched in size and scope if compared with a wider and increasingly porous economy (an unintended result). Even at the economic level, as other articles in this issue warn us, Euroland itself, let alone the European Union, does not yet constitute an “optimal currency area” and therefore a fully operational economy. (Euroland comprises the 11 countries that have joined the euro area: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Portugal, Spain, and the Netherlands.) This means that local forces, national and regional, may make it hard for the ECB to pursue the Euroland policy established by the Maastricht Treaty.

At the same time, global forces are already impinging on Euroland in such a way as to make European markets somewhat impermeable to the ECB’s intervention. The decline of the euro irrespective of the bank’s lowering and raising of interest rates seems to illustrate this point rather poignantly.

Politics and Economics in the European Union

The story of how we got to this predicament illustrates the relationship between politics, economy, and society in the first fifty years of the Union.

Seen from a Europe-building point of view, two major camps vied for political supremacy after World War II: the radical left, which oscillated between communist internationalism and fierce nationalism (especially in France and Italy), on one side; and a coalition of anti-clerical and moderate groups, Catholic forces, and socialist or social democratic parties, on the other. (The radical right was of course nationalistic, but scarcely relevant to the entire process, until recently.) Progress in the construction of a united Europe went in tandem with the movement of leftist parties from an anti-Europeanist to a pro-Europeanist stand—even, belatedly, in Great Britain. Left-leaning intellectual elites played a major role in promoting this shift, as hopes for a radical overhaul of the social allocation of resources and means of production faded. Out of conviction, and in an attempt to carve out a new role for themselves once the project of a vanguard party of intellectuals had died, groups of leftist, politically active experts began to assert that political control would be necessary to tame anarchic and socially disruptive market forces. As these forces have expanded to cover the western and central parts of the continent, it is maintained, only a democratic and united Europe can prevent the unbridled energies of capitalism from destroying the achievements of social democracy.

One more group should be mentioned: the civil servants who provided the manpower for the offices and agencies of the European Community. Their *dirigiste* approach—French in origin, but widely shared—made them, in time, the natural allies of the leftist elites who shifted from revolutionary radicalism to managed reformism. As Italy illustrates well, without that alliance the exacting demands of the Maastricht Treaty would have been inapplicable; several countries would have been left out of Euroland; and the euro would have been a petty affair, rather than a continental institution.

These bureaucratic elites—widely despised by the European citizenry—have played a central role in forging a more integrated Europe. One of their more important contributions—which can be viewed as negative or positive, depending on your beliefs—lay in the bureaucratization of social conflict. When people wonder why the middle class, despite all its misgivings, ends up supporting European integration, they forget the strong leaning toward technocratic government and the aversion to competitive politics that are so typical of that group, at least in “normal” times of economic growth.

In the European case, the 1970s represent the crucial turning point for the process of integration. The middle class found itself caught between a working class demanding a greater share of the resources produced in the postwar boom, while the resources available for redistribution were shrinking because of the first oil shock, the collapse of the monetary system pegging major currencies to one another through the dollar, and rising inflation. Policies of fiscal “austerity” and wage moderation (which in the end meant antiredistributive policies), rationalized with and strengthened by the need to enter Europe, proved the winning recipe. France, which tried to ignore the international constraints on its finances in the first years of Mitterand’s presidency, had to make a sudden turnaround. The parties that emerged as winners after the first oil crisis embraced antiredistributive policies, while shifting decisively in favor of European integration and reinforcing their ties with the middle class, or forging them anew. (Great Britain bought only the first half of that recipe.)

During the 1970s global events began to impinge upon the ability of national actors to govern them. The medium-term consequences for Europe were that issues typical of national politics shifted decisively to the continental arena, while antagonistic political practices were replaced with bureaucratically mediated ones. Not by chance, the power of the European Commission peaked in the 1980s with the articulation of a strategy for Europe—and the tactics to implement it. If the first phase in building the Union was achieved through economic means, the second phase was achieved through administrative rationalization. Leftist parties were brought on board, protests from radical fringes of the working class were muffled, hours lost to strikes decreased, and social conflict waned.

The achievements of the European Commission were of course intensely political; that is, they went far beyond the reproduction of everyday life typical of administrative practices (to employ Hannah Arendt’s distinction in *The Human Condition* between administration and politics). Those achievements were political, because the Commission (1) made strategic decisions regarding the citizenry, (2) led the way in forging the identity of a European body politic, and (3) redefined the boundaries of the political arena by making it imperative for nation-states to transfer sovereignty to communitarian institutions if the strategies mentioned under (1) were to be implemented.

Enter the Euro

The introduction of the euro symbolizes the Commission’s triumph while emphasizing its limits as an agent of political (as opposed to administrative) change. In particular, some of the social forces unleashed by the weakening of the nation-states (a weakening fostered by the Commission) are now adrift, while others have given life to anti-democratic and xenophobic political movements.

Elites who are active participants in, and beneficiaries of, globalization prosper in a socially amorphous condition for which it is hard to identify a specific political referent. For them, as for the “bourgeois capitalists” who welcomed the project of European unification after World War II, the issue of political definition and representation may not be an urgent one. Adam Smith remarked long ago that “capitalists” need not act in concert to see their interests protected. In fact, the introduction of the euro is a project that benefits big and medium capital directly. The ECB, like the European Commission, is an institution that is pursuing political aims by means of bureaucratic rationalization: its founding treaty charges it with maintaining strict levels of inflation and of deficit spending. As the recent wave of mergers in Europe shows, a larger economic market where inflationary pressure is kept uniformly low is objectively favorable to the holders of large financial and economic resources.

Complaints are periodically heard from the left about the pro-capital leaning of the entire European project. But this is not the only reason to be concerned. As remarked above, the rhythm of change in economies of scale due to globalization appears to be outpacing the ability of the political sphere to keep up with that change. The history of capitalism may well coincide with the history of economic forces running ahead of political institutions, so that a perfect match between the size and scope of economic activity and the size and scope of political mediation is unattainable. But too wide a gap leads easily to conflict, often on a large scale; witness the eruption of World War I.

The Prospects for Integration

For the time being, conflict within the European Union is manifesting itself as “populist” discontent in various forms. Most telling in this context are the strong regionalist and neo-corporatist movements and parties popping up here and there throughout the Union in the last ten years. The *Lega Lombarda* emerged as a major political force in Italy in the early 1990s, when the political scandal known as *Tangentopoli* was peaking. Le Pen filled the headlines in France in the mid-1990s, as Haider's Freedom Party is doing now inside and outside Austria. These groups assert a strong political identity for middle-class and lower middle-class constituencies who feel their economic and social rise threatened by the globalizing economy on one side, and by the loss of protection from the nation-state on the other.

Such groups would not be worrisome if they embodied merely a decentralizing trend. But they go well beyond that. Their insistence on participatory democracy signals a mistrust of political mediation, either at the national or continental levels. Some see the European Union as their worst enemy. They thus identify subnational political domains that would keep at bay the forces of globalization (ideologized as waves of immigrant threatening the “purity” of local identities). Their protectionist obsession may prevent them from building wide alliances. But we should beware of the danger they would present if they could overcome that obsession and start to build a continental movement.

What is filling the gap between an incomplete continental political arena and an emerging subnational arena that refuses any multiplier between local demands and continental policy? In short, the nation-states (and the European Court of Justice, which is providing legal as opposed to bureaucratic mediation, thus playing a function similar to that of the Supreme Court in the

United States after World War II). The nation-states have reclaimed political initiative from a Commission that, under Delors, pushed too hard too fast toward a federal arrangement for the Union. But they have been weakened by their own choice to favor the institutionalization of a continental market propelled by widening economies of scale. There are signs that further integration is becoming imperative in areas ranging from the protection of human rights to building a continental army. It remains to be seen whether these steps would give institutional and ideological stability to a political arena now pulled in opposite direction by boundless financial movements and regional, neo-corporatist protectionism.

About the Author

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