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THE NEW POPULISM. TRANSNATIONAL GOVERNANCE AND EUROPEAN INTEGRATION

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ABSTRACT

In this paper it will be argued that the asymmetrical form of (regional) regulation in the European Union - i.e. strong on economic and monetary free market regulation and weak on social regulation - is forming part of a more comprehensive hegemonic discourse coming to the fore in concomitance with an emergent and novel form of bourgeois domination in the transnational heartland of European production and finance. In questioning the conventional wisdom that the European Union's decision-making structure is moving into the direction of multilevel governance, the multidimensionality of European restructuring in the 1990s will be stressed (i.e. the primacy of supranational *economic en monetary* integration; the Atlantic setting of European integration; the role of the major powers in Europe, Great Britain, Germany and France; the emergence of new structures of private-public partnership; etc.). It will be argued that the process of European integration from the mid-1980s onwards – and particularly the completion of the internal market, the introduction of a single currency, the development of a European employment strategy (and its 'open method of co-ordination') and the 'big bang' enlargement towards Central and Eastern Europe – is instrumental in disembedding the European welfare systems and moving the so-called European model of welfare capitalism into the direction of the prevalent 'shareholder practices' of Anglo-Saxon or Neo-American capitalism. Under the headings of Competitiveness, Convergence and Cohesion ever more decision-making power is moved beyond the nation-state level and away from national practices of democratic accountability, in the process establishing a New Trias Politica at the European level. In the meantime, the illusion of national sovereignty and of a People's Europe is upheld. Here the New Populism comes in: by introducing vaguely defined concepts like subsidiarity and flexibility into the European Treaties and by using consultancy terms like best practice and benchmarking particularly in the field of social policy, the illusion of self-determination is maintained while creepingly empowering a European 'invisible hand'. Economic regulation at the supranational level and social deregulation at the national level are then two sides of the same coin.

1. INTRODUCTION

On the eve of the June 1998 Cardiff European Council summit, the former Chancellor of Germany, Helmut Kohl, and the French president Jacques Chirac sent a letter to the host of the Cardiff meeting, UK prime minister Tony Blair. In this joint letter, they expressed their concern about centralised decision-making in Brussels and the European Commission's power. Both leaders had their own particular reasons to sign the letter. Chirac was rather annoyed by the interference of the European Commission in the allocation of World Cup tickets, while Kohl's position was in part the result of recent Commission decisions in the field of Competition Policy and in part aimed at neutralising the Euro-sceptics in his right-wing coalition. It was this short-term expediency – in the case of Kohl very much related to the upcoming general elections in September that year – that caused one (anonymous) senior Commission official to speak of the “new populism” in France and Germany (quoted in *Financial Times*, 16 June 1998).

Yet, the language used in the letter, its resemblance to previous statements (notably in the years before and after the signing of the Maastricht Treaty) and its firm incorporation into ‘Euro-speak’ ever since, suggest that something more was/is at stake than just short-term expediency. France and Germany explicitly rejected the idea of a European superstate and called for a debate on the future of the EU and, more specifically, for a future decision-making structure that would be closer to the European citizens and respect political and cultural diversity in an enlarged union. At the very heart of the letter was the principle of subsidiarity, a concept that had re-entered the European debate at the end of the 1980s as part of the Delors strategy to europeanise economic, monetary *and* social policies. A Dutch commentator at the time stated that this stress on subsidiarity was misleading and in fact distracted from the real question; the discussion should be centred on ‘what’s to be done’ instead of ‘who does what’. A transparent, political debate on the future of Europe involving European citizens, and their European and national representatives, was far more important than discussing the formal competences of the different (sub)national and European decision-making institutions. The latter would merely prolong the habit of European elites to take decisions behind closed doors while simultaneously pretending to operate *bürgerlich* (Sampiemon 1998).

Three years later, at the December 2001 European Council summit in Laeken, the fourteen leaders of government and the French head of state agreed on starting a

constitutional Convention in 2002, with the aim of creating a more democratic union, of bringing the EU closer to its citizens. It was concluded that many people were opposed to a ‘federal superstate’ and that the EU should not intervene ‘in every detail’ in matters best left to the elected representatives of member states or regions. In other words, the European Convention should draft a constitutional framework for a new model of European governance based on the principle of subsidiarity. At a different level, one may remember the outcome of the Lisbon European Council summit of March 2000. There, a new strategic goal was set for the next decade: in 2010, the EU should have become ‘the most competitive and dynamic knowledge-based economy in the world’, more competitive, that is, than the US economy. Since the start of Economic and Monetary Union (EMU) – and particularly since the implementation of the concomitant Stability and Growth Pact – we know what this means: the improvement of competitiveness through the flexibilisation of product and labour markets at the national level. Through the institutionalisation of the ‘open method of co-ordination’ and the institutionalisation of a (Protestant bottom up) liberal or *laissez faire* concept of subsidiarity - as opposed to a top down Catholic social one – social practices at the national level are effectively protected from supranational governance. This is an instance of what Wolfgang Streeck calls ‘the *de facto* deregulatory consequences of ungoverned interdependence between national regimes’ (Streeck 1996a: 80; see also Church and Phinnemore 1994: 70).

And it points at the title of this paper: asymmetrical regulation and transnational governance in the EU. By regulation we mean, following Giandomenico Majone, the ‘sustained and focused control exercised by a public agency, on the basis of a legislative mandate, over activities that are generally regarded as desirable to society’ (Majone 1996: 9). If we take the Single Market as an example, we can assume that the free market activities since the mid-1980s are regulated in a would-be European society that ‘generally’ considers free market integration through European (re)regulation as an activity worthwhile in itself and ‘hence in need of protection as well as control’ (ibid.). Similarly, we can look at the European Central Bank as a public agency that exercises sustained and focused control over activities which have an impact on, for instance, price stability. The same can be said, finally, for activities in the field of social policy. Maintaining social cohesion, or guaranteeing a certain degree of social protection, can be generally regarded as desirable to society. The problem is, however, that (re)regulation at the European level in terms of single market and monetary integration causes deregulation at the national level in social terms. Asymmetrical regulation, then, not only refers to the discrepancy between European economic and monetary free

market regulation, on the one hand, and social regulation at the European level, on the other (i.e. between negative and positive integration), but – more importantly – to the adverse impact of negative integration at the European level on social cohesion at the national level.

Transnational governance refers to the more comprehensive process of building a new European polity or, more specifically, a novel form of bourgeois domination in the transnational heartland of European production and finance. Governance refers to the organisation of collective action through formal and informal institutionalisation (institutions being ‘the rules of the game that permit prescribe, or prohibit certain actions’, see Prakash and Hart 1999: 2) and *transnational* governance in the EU refers to a process that is constituted in a social space transcending national borders and takes place simultaneously in subnational, national and supranational arenas (cf. Overbeek, forthcoming). Governance is thus about control and authority but – unlike ‘government’ in democratic polities – not necessarily about legitimacy and democratic accountability. Here the New Populism comes in: by introducing vaguely defined concepts like subsidiarity and flexibility into the European Treaties and by using consultancy terms like best practice and benchmarking particularly in the field of social policy, the illusion of self-determination (and, hence, the illusion of democratic accountability at the national level under the heading of ‘bringing the EU closer to its citizens’) is maintained while creepingly empowering a European ‘invisible hand’. It is this emerging and novel form of transnational governance in the European Union that we will turn to in the next section

2. TRANSNATIONAL GOVERNANCE IN THE EUROPEAN UNION

In order to make sense of the dynamics of European integration, we will start with a brief overview of the main phases since World War II. In each phase we will concentrate on the three most important characteristics of European integration: economic and monetary unification, its Atlantic setting, and the dominant role of the three major powers in (Western) Europe, Great Britain, Germany and France. Five phases can be distinguished:

- **1945-1958: prelude of European integration**

This first period, leading up to the Treaty of Rome, was characterised by sectoral (or functional) integration, in the belief that functional integration in one sector (the Coal and Steel sector, for instance) would create a chain of integrational steps in other sectors. This ‘spill-over by necessity’ was a key element of the so-called Monnet method. Second, the

course and direction the process of European integration took during this phase was very much influenced by the Atlantic context: the Marshall Plan background, the establishment of NATO, the restructuring of the European coal and steel sector in the framework of Atlantic fordism, the emergence of the first Cold War, and the challenge of communism (both externally in the form of the so-called Soviet threat and domestically through the rise of communist parties) are all cases in point. At a third dimension, the dominant issue during this first phase was the so-called German question: how to embed West Germany in western (European and Atlantic) structures in order to realise the objectives of German economic recovery and re-armament without risking a new 'Alleingang'. The first steps in Atlantic and European integration (notably NATO and ECSC) were very instrumental in containing West Germany.

- **1958-1968: towards a customs union**

In terms of economic integration, the most important development during this second phase was the move from free trade zone to customs union (realised in 1968). Together with the free movement of industrial and agricultural goods among the participating countries, this move implied the creation of a common trade policy which eventually would develop into a real foreign policy instrument (the proliferation of trade agreements with (groups of) third countries, European development policy under the Lome conventions and – more recently – the so-called Europe Agreements with countries in Central and Eastern Europe are examples of this 'economisation of foreign policy'). Second, in the course of this second phase conflicts emerged between the United States and the member states of the European Community over a number of issues (de-colonisation, the Cold War conflict, trade and monetary policies, the Vietnam war, etc.). The underlying factors were the gradual erosion of American hegemony and the growing – economic – assertiveness of the continental (West) European states. A final characteristic is the 'Alleingang' of France, exemplified by the Gaullist policy towards the United States, the French veto on British membership, and the empty chair crisis.

- **1973-1983: period of eurosclerosis**

After a short revival of European integration in the years immediately following the Summit of The Hague in 1969, a period of stagnation coincided with the global economic crisis of the 1970s and early 1980s. Contrary to mainstream interpretations, this was not a phase of *institutional* integration. After all, a number of important developments took place during this phase: the first enlargement, the creation of a European regional policy (1975), the signing of

the first Lome convention (1975), the creation of the European Monetary System (1979), the first direct elections for the European Parliament, the start with the accession negotiations with the new Mediterranean democracies, etc.). The real meaning of this period of eurosclerosis is economic disintegration. That is, instead of moving to the next step in an Ever Closer Union (i.e. internal market and monetary union), member states embarked on a road of introducing so-called non-tariff trade barriers to protect their crisis-hidden fordist industries. This New Protectionism was presented as part of a national champions strategy, aimed at defending and strengthening domestic industries (the so-called strategic sectors). In the Atlantic sphere, this period was characterised by the final collapse of the Bretton Woods system and, again, growing US-EC tensions over a number of issues. The creation of the EMS – and the ambiguous position of the US with respect to European monetary integration ever since – must be seen in this context. Finally, this period showed a new phenomenon in the enlarged community: British exceptionalism. On many aspects of European integration (e.g. Common Agricultural Policy, supranational institutionalism, budgetary questions) the British governments (both Labour and Conservative governments) substantially diverged from their continental counterparts. With one important difference: they could now obstruct the process of deepening European integration from within.

- **1983-1993: period of Europhoria**

This phase is perhaps best characterised by the ‘extended relaunch’ of European integration, i.e. the completion of the internal market and the Maastricht compromise on EMU. Elsewhere we have analysed this process in terms of the actors involved (fractions of European capital, European institutions and national governments) and a gradual shift from a European champions and fortress Europe strategy to a fully fledged neo-liberal restructuring under the banner of competitiveness (see Holman 1992, 1996; and more detailed Van Apeldoorn 2002). Here it is important to note that the initial proposals of the first Delors-commission also included important steps in strengthening the social dimension of European integration (including the development of Euro-corporatist structures of tripartite consultation and concertation). These latter set of objectives by and large failed to materialise, particularly because of fierce opposition from Great Britain and Germany and a growing section of European capital. To a certain extent, this successful containment of Delorist ambitions reflected the remarkable resurrection of Anglo-Saxon capitalism and the related rise of a new, neo-liberal hegemonic project that creepingly but incontestably started to invade the continental heartland of production and finance. Finally, an important feature of this period

was the trade-off between France and Germany – in the process isolating the Thatcher-government. German re-unification and the French ambition to constrain German hegemony within a European monetary union were the corner stones of a complex package deal that finally resulted in the Treaty of Maastricht.

- **1993-2003: post-Maastricht crisis**

In economic terms, the post-Maastricht crisis is about monetary turmoil (partly as a result of the unilateral decision of the Bundesbank to increase German interest rates), the nominal convergence race between the member states of the European Union, and the unemployment crisis. At the same time, the competitiveness discourse of European capital penetrates the structures of European governance more openly than ever before (see below). Concomitant to this multilevel policy shift is the rise of the Third Way. This transatlantic movement originated in the United States and, according to a memorandum of the Dutch labor party, followed a ‘line of march from New Democrats to New Labour to Third Way’ (Wiardi Beckman Stichting 1999: 3). More recently, much of the Third Way as a political discourse has lost its function as mobilizing factor in European governance. Recent joint statements of Blair and the Spanish prime minister Aznar – exclusively focused on keeping competitiveness on the European agenda – not only indicate that from its very incipience Third Way thinking was not limited to European social democracy but also reveal its key objective. Once the cornerstone of the Third Way strategy – i.e. labour market flexibilisation through European co-ordination of labor market policies – was set in motion, the discussion centered again on the broader objectives of further deepening the internal market (including liberalization in the areas of gas, electricity, transport and postal services) and faster liberalization of financial services. A final characteristic of this last phase is Great Britain’s return to Europe. The shift to a more pro-European position of the Blair-government is not so much the result of a turn in British politics itself as well related to the changing nature of the process of European integration in the course of the 1990s.

Four interrelated conclusions can be drawn from this brief history of European integration. First, European integration has been primarily economic (and monetary) integration from the very start. If we talk about an Ever Closer Union we should then emphasize the gradual move from free trade zone through customs union and internal market to Economic and Monetary Union. This primacy of economic integration is ‘constitutionalised’ in the so-called pillar structure of the Treaty of Maastricht. The supranationalisation of decision-making (through the system of

qualified majority voting, which actually boils down to ‘pooling of sovereignty’) is restricted to the first pillar, the one aimed at free market unification, with the notable exception of related social policies. Second, European integration has taken place in an Atlantic setting. The very start of this process can be interpreted as ‘An American Plan for Europe’, while the subsequent ‘deepening’ of capitalist structures in the European heartland of transnational production and finance can be (and, indeed, must be) looked at in terms of ‘Making an Atlantic Ruling Class’ (Van der Pijl 1978, 1984). To put it differently, the history of European integration – and particularly the different phases of stagnation and expansion – can not be understood without referring to the ‘ups and downs’ in the EU-US relationship. Moreover, the structural involvement of the US in European affairs has had a decisive influence on the specific character of the process of European integration. The primacy of the Atlantic Alliance in defense policy and the neoliberal restructuring *through* European integration since the mid-1980s are the most obvious examples of this. Third, European integration has always been dominated by the three major European powers, France, Germany and (since the early 1970s) Great Britain. The trade-off between German Unification and EMU at the end of the 1980s and early 1990s is but one illustration of the fact that decisive steps in the process of European (economic and monetary) unification would have been impossible without the consent of (at least two of) the major powers. But this dominance is as much about non-decision making as it is about decision-making. Here the successful opposition of Germany and Great Britain with respect to the neo-mercantilist strategy of (part of) European capital in the second half of the 1980s comes to mind (see Holman 1992: 18; and more detailed Van Apeldoorn, 2002). Fourth, the process of European integration is characterized by its ups and downs. Periods of economic growth and integrational progress alternate with periods of stagnation and crisis. This is a very problematic ‘fact of life’ indeed for neo-functional theory. Neo-functionalism – at least in its original formulation – predicted an ongoing spill-over towards an Ever Closer Union. This may be true for the periods of euphoria – and, indeed, there is a clear spill-over from the completion of the internal market and the move towards EMU (under the slogan ‘one market, one currency’), the so-called extended relaunch of European integration in the period 1983-1993 – but it certainly cannot account for the periods of disintegration. To put it in other words, if there is such an almost automatic and organic spill-over from one functional area to another, how then are we going to explain the periods of stagnation? This is where an other explanation for the ups and downs in European integration pops in: since the process of European integration is primarily about economic integration it is no wonder that its ups and downs are very much related to the upswings and downswings of the global political economy. At times of economic expansion,

national economies tend to converge, at least nominally, making it more easy to reach an agreement on international economic co-operation. At times of economic crisis, governments tend to introduce national mechanisms of crisis management. This may result in (de facto) economic disintegration as the period of eurosclerosis between 1973 and 1983 clearly shows. Yet, this is only part of the story. Apart from the cyclical nature of European economic integration since the 1950s, we can also witness a more structural tendency: an ongoing transnationalisation of capitalist structures and related institutional ensembles at the European (EU) level. As to the former, European capital 'is showing an increasing regional cohesion within the wider world market structure of capital. This holds both for the structure of communication between companies (directly through corporate interlocks, and indirectly through transnational planning bodies), and for the relations to the political level' (Holman and Van der Pijl, forthcoming). As to the latter, European institutions may have been created by sovereign governments to constrain and control one another, as liberal intergovernmentalists want to have it (cf. Moravcsik 1998). But in the course of the process of European integration, these institutions – and notably the European Court of Justice and the European Commission – become more and more an autonomous factor in decision-making and policy planning at the European level, a process that has been accurately termed 'historical institutionalism' (see Pierson 1998). In short, the extent to which periods of economic downturn can be translated into economic disintegration has been severely restricted by the process of economic and institutional integration itself, particularly since the completion of the internal market and the move towards EMU. Vested interests of European capital, supranational institutions and national governments have resulted in a complex network of 'credible commitments', again first and foremost in the field of free market integration. A final word then about another explanation for European integration: the so-called 'external threat' thesis. External threats – imagined or real – have played an important role at different stages. One could add that these external threats have moved from the geopolitical realm (say, the first Cold War as an explanatory factor for the initial attempts of European integration) to economics (the European Champions strategy in reaction to non-European import competition).

Multidimensional decision-making

From an institutional perspective, the history of European integration indicates that the trench war between supranational and intergovernmental institutionalists – so very characteristic for the theoretical debate of the late 1980s and early 1990s – has become past history. The renewed interest in integration theory, in general, and the debate between supranationalism and

intergovernmentalism, in particular was directly caused by the relaunch of European integration through the European Commission's White Paper on the completion of the internal market (1985) and the signing of the Single European Act (1986). After more than a decade of 'eurosclerosis', this unexpected revival of European integration heralded a short interval of 'europhoria', a period of unreflected optimism about the process of European integration – a mood in which, for some, even a federal Europe seemed possible in the near future. This period came to an end with the agreement on the Treaty of Maastricht in December 1991, and with it the federalist impulse of the first Delors Commission. Since then, and reflecting developments in the European Union (EU) – the post-Maastricht crisis (consisting of both the ratification problems in Denmark and France and the 1993/94 economic and monetary crises), the 1996 Intergovernmental Conference resulting in the half-hearted Treaty of Amsterdam, the launch of the Economic and Monetary Union (EMU) in January 1999, and last but not least the problematic process of enlarging the EU towards Central Europe – the theoretical debate on European integration has matured further. At first sight, a kind of synthesis is emerging between supranational institutionalism and liberal intergovernmentalism. Not a single scholar is still believing in an incremental, almost automatic process towards a federal Europe. And an increasing number of scholars seems to accept that nation-states are not the sole actors in EU decision-making and that interstate bargaining is not all there is. Yet, a closer look at the literature of the 1990s suggests a slightly different picture. The apparent move towards a 'syncretic paradigm' (O'Neill 1996: 81ff) in reality boils down to uneasy eclecticism and consists almost always of an explicit reaction to – and critique of – the most consistent and elaborated conceptual framework available, i.e. liberal intergovernmentalism. Indeed, much of the European integration literature of the 1990s – be it 'historical-institutionalism' (Pierson 1998), an updated version of neo-functionalism (George 1996), or more limited contributions premising the supranational character of legal integration (Burley and Mattli 1993), interpreting the EU as a system of 'multilevel governance' (Marks, Hooghe and Blank 1996) or even as an instance of *domestic* policy-making (Hix 1994; Wincott 1995) - can be read, first and foremost, as a collective attempt to take stand against liberal intergovernmentalism. In this sense, the theoretical debate on European integration is primarily about the future of the European nation-state, about sovereignty and – to put it in other terms - about the ongoing question whether or not the nation-state can still be seen as ontological primitive.

In a way, consensus seems to have moved into the direction of a characterisation of the emerging and novel form of European governance as an instance of multilevel

governance. In fact, this eclectic solution to the previous trench war has become common sense in mainstream integration literature. On the basis of the above discussion, we can now formulate a number of important corrections to this common sense notion. As Bastiaan van Apeldoorn rightly points out, the bulk of mainstream integration literature is focused on *how* the structures of European governance are functioning, without raising the questions of *why* this multilevel system has emerged and *what kind* of European Union it seeks to promote (Van Apeldoorn 2002: 5). One way of illustrating this point is – one more time – looking at the specific character of European integration thus far. It is as much about economic and monetary supranationalisation (involving the creation of multilevel decision-making structures) as it is about strict intergovernmentalism, notably in the related social policy area. This comes close to what Paul Kapteyn calls ‘the stateless market’ (Kapteyn 1996). In short, European integration is about negative integration – i.e. the removal of all barriers to the free movement of goods, capital, services and (to a lesser extent) persons – and much less so about positive integration – i.e. the creation of new policy domains at the supranational level. ‘Multilevel’ then also means that some areas are moved to the supranational level while others are strictly reserved to national authorities claiming national sovereignty. One wonders why.

Part of the answer to this question is related to a second phenomenon. Part and parcel of multilevel decision-making is the principle of *political* spill-over. This refers to the fact that non-state actors (usually called ‘lobby groups’) move their lobbying activities to the European level in response to an increase in the policy-planning and law-making powers of notably the European Commission. It makes no sense to lobby at the national level when decision-making is – or at least starts – in Brussels. In theory this seems a quite reasonable conclusion. But in practice we see an unequal distribution of ‘capabilities to act’ at the European level, an unequal access to the cupola of European decision-making and – most importantly – an unequal outcome as far as agenda-setting, policy-planning and decision-making are concerned. Let us take the central question in the so-called Third Way discourse as a point of departure: How can we increase competitiveness of European capital while at the same time maintaining present levels of social cohesion (or to put it differently, how can we build a free market economy without creating in the process a free market society)? Again, in practice the European Union (for a more precise definition of the actors involved, see below) subordinates social cohesion to competitiveness, not in the last instance because of the conscious decisions taken by ‘Third Way leaders of government’ (such as Blair, Schröder, Kok and Aznar). Why is this so? Historically, the emergence of redistributive policies has always been the result of class struggle. The post-war development of the welfare system – and, more specifically, the concomitant redistribution

of income and de-commodification of labour – is then primarily the result of a class compromise between capital and labour, or more concretely, the outcome of concerted actions between organised labour and business in the context of Atlantic fordism. If we look at the role of organised labour since the crisis of fordism in the 1970s and 1980s, we see a dramatic decline in union density, negotiating power and capacity to act (see Ebbinghaus and Visser 1999). At the European level this is even more true, especially when compared to the extent in which European capital successfully organised itself in transnational planning bodies like the European Round Table of Industrialists (ERT; see Van Apeldoorn 2002). In the absence of a strong institutional representation of labour at the European level, European capital is optimally using the ‘multilevel playing field’ that has been created within the European Union to fully implement its own neoliberal project and to arrange its own regional cohesion. If we compare the more recent role of trade unions to the one they played in the first two decades after World War II, we witness a comprehensive shift from demand-side corporatism to supply-side corporatism (both primarily at the national), the latter reflecting the – albeit reluctant – participation of the cadres of national trade unions in the process of neoliberal restructuring (see Falkner 1997).

In summarising the above, we can now indicate the three interrelated components of what we provisionally will call the emerging system of *multidimensional* governance in Europe.

First, European governance is characterised by what Stephen Gill calls new constitutionalism: the separation of ‘economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces, and correspondingly less responsive to popular-democratic forces and processes’ (Gill 2001: 47). New constitutionalism within the European Union is very much related to the extended relaunch in the 1980s and early 1990s. One particularly strong example is the principle of mutual recognition that was originally formulated by the European Court of Justice (ECJ) in the famous case *Cassis de Dijon* (1979) but introduced as a general principle to complete the internal market. According to this principle – which was intended to abolish technical barriers (such as national regulations related to health, safety and environmental standards, and to consumer protection) – products that are lawfully manufactured in one country must be admitted in other member states, irrespective of whether it complies with existing legislation in that member state or not. In more general terms, the political significance of this judgement of the ECJ boils down to the primacy of European over national law, of the Community’s *acquis communautaire* over national legislators. In the words of Fritz Scharpf: ‘By judicial fiat (...) the freedom to sell and consume had achieved constitutional protection against the political judgement of democratically

legitimised legislatures' (Scharpf 1999: 56). Another example is formed by the politically independent role of the European Central Bank (ECB) within EMU (see Gill 2001). It is well known that the ECB's first and foremost task is to keep inflation low. Now one could argue that the political independence of the ECB is merely a copy of the post-war role of the German Bundesbank. So what's new? The novelty is that the political independence of the ECB and its (politically relevant) task to control inflation is laid down in its Statute which can not be altered by national parliaments or the European Parliament (Keenen 1995: 191-192). (Remember that, in the German case, the Bundestag can put an end to the constitutional obligation of the Bundesbank to maintain price stability.) To paraphrase Fritz Scharpf's above quote: the political objective of price stability has achieved constitutional protection against the political judgement of democratically legitimised legislatures. This first dimension of multidimensional governance is thus very much related to one of the pillars of what we elsewhere referred to as the New Trias Politica: the role of the ECJ and the new constitutionalism enshrined in the European Treaties.¹

A second feature of multidimensional governance in Europe is the emergent pattern of private-public partnerships. By this we mean the informal and formal structures (or networks) where Chief Executive Officers (CEOs) of European capital, politicians and high representatives of the European cadres meet each other. It is particularly the agenda-setting and policy-planning capacity of these networks that is of importance here. And this is as much about decision-making as it is about non-decision-making: keeping specific policy areas or topics from the European agenda is as important as keeping the momentum of neoliberal restructuring, and probably even more important in recent years since the latter goal of disembedding free market capitalism (under the banner of competitiveness) is well underway. As we pointed out above, the partnership between the European Commission and the ERT is a particularly relevant instance of this second dimension. It is now generally acknowledged that the ERT played an important role in the relaunch of European integration in the 1980s, both with respect to the completion of the internal market and the development towards EMU (see Holman 1992, 1996, 1999; Cowles 1994; Van Apeldoorn 2001, 2002). After Maastricht, the agenda setting and policy-planning activities of the ERT shifted from a more comprehensive approach (including all the major issues of European integration) to an approach focused on the much more limited competitiveness discourse. Most of the reports of the ERT published after 1991 have European competitiveness as a central theme, with a strong emphasis on deregulation and labour market flexibilisation. In the words of the former Secretary General of the ERT, Keith Richardson, 'the competitiveness of European business must be strengthened by making it possible to build an integrated free market economic system, with a maximum of flexibility and a minimum of regulation'; and more

explicitly, ‘jobs cannot be created by laws or by writing some new clause or chapter into the Treaty of Maastricht. What is urgently needed is the deregulation of labour markets and better education and training. New jobs will then follow from economic growth and the creation of wealth by business’ (Richardson 1997: 64/65). In 1995, then, the relationship between the European Commission and the ERT was institutionalised with the creation of the Competitiveness Advisory Group (CAG). As a co-initiative of the then German Commissioner for industry, Bangemann, and the ERT, the CAG would ‘act as a watchdog, by subjecting policy proposals and new regulations to the test of international competitiveness’ (ERT 1994: 3).

It is important to note that the emergent system of private-public partnership is by no means restricted to the EU-level. The creation of the CAG coincided in time with the establishment of the Transatlantic Business Dialogue (TABD). This transatlantic network of representatives of the US-government, the European Commission and American and European business leaders aims at deregulating transatlantic trade while covering such dispersed areas as genetically modified products and the next WTO free trade round (Cowles 2001).

The third dimension of multidimensional governance in Europe is the emergence of a new populism in the course of the 1990s. Here the Council of Ministers, or better the representatives of national governments, comes in. As we indicated above, the new constitutionalism is very much about bypassing popular-democratic forces and processes, against the political judgement of democratically legitimised legislatures. This raises the question of how national governments – and particularly the governments of the three leading member states – try to find support among their respective national constituencies for the ongoing process of free market integration. In our view, the way national governments ‘sell’ neoliberal restructuring through multidimensional decision-making to their national citizens can be best described in terms of the rise of a new populism. It is to this that we turn now.

The New Populism

In a classical study of the phenomenon of populism, Ernesto Laclau came to a rather visionary conclusion:

(...) The emergence of populism is historically linked to a crisis of the dominant ideological discourse which is in turn part of a more general social crisis. This crisis can (...) be the result of a fracture in the power bloc, in which a class or class fraction needs, in order to assert its hegemony, to appeal to ‘the people’ against established ideology as a whole (...). It is true that the long process of expansion of the forces of production which characterised

Europe in the stage of monopoly capitalism increased the system's ability to absorb and neutralise its contradictions. But it is also true that each time the capitalist system has experienced a serious crisis in Western Europe, various forms of populism have flourished. We need only think of the crisis after the First World War which produced the triumph of fascism, the world economic crisis which led to the ascent of nazism, *and the world recession today that is accompanied by the multiplication of regionalisms that tend to be expressed in ideologies which make of populism a central moment* (Laclau 1977: 175-176; my emphasis)

Unfortunately, Laclau did not elaborate on the last part of the above quote (in italics). And how could he, writing this section well before the actual relaunch of European integration, the imposition of the discipline of financial capital over industrial capital in Europe in the 1980s and the eventual realignment of finance and industrial capital under the banner of neo-liberal restructuring and deregulation in the 1990s? Neither could he realise in 1977 that the 'world recession of today' would turn into a deep, structural crisis *reflecting and deepening* a fundamental transformation of the global political economy, of social and cultural structures. The changing class relations underlying this transformation, and particularly the shift from the post-war corporate-liberal class compromise to the neo-liberal discipline of capital, could not be envisaged in the 1970s. Here we will argue that the depth of crisis and resistance among organised labour and (part of) European capital substantially delayed neo-liberal restructuring in the continental member states of the European *Community*. It was only after the Treaty of Maastricht established a European *Union* that European integration became the vehicle of neo-liberal restructuring. More specifically, the agreement on – and the subsequent move to – Economic and Monetary Union was a decisive step in finally breaking the resistance of labour and fordist industry. It was only then that an 'appeal to 'the people' against established ideology as a whole' took full shape.

Another important conclusion from the above quote is that populism is not confined to specific movements, discourses or stages of capitalist development. In the words of Pierre-André Taguieff,

Populism can only be conceptualised as a type of social and political *mobilisation*, which means that the term can only designate a *dimension* of political action or discourse. It does not embody a particular type of political regime, nor does it define a particular ideological content. It is a political style applicable to various ideological frameworks (Taguieff 1995: 9)

The New Populism in today's Europe is then a dimension of what we referred to as multidimensional governance, and a dimension of the more comprehensive discourse of neo-liberalism. It is a political style perhaps paradigmatically applicable but certainly not restricted to the Third Way ideology. It is a political style which successfully attempts to reconcile supranational, economic and monetary integration with the illusion of national self-determination in dismantling (or in the words of today's leaders: modernising) post-war welfare state structures. And it is, finally, a political style that successfully presents emerging structures of new constitutionalism and public-private partnership as serving the general interest. The general interest is then defined in terms of improving competitiveness (see next section).

Let us return for a moment to the analysis of Laclau. In discussing the theory of transitional stages as developed by Gino Germani, he distinguished four 'asynchronisms', i.e. co-existing elements which belong respectively to the two poles of the transitional stage (in the case of Germani's study traditional and industrial society): geographical, institutional, sociological and motivational asynchronisms (Germani 1965, in Laclau 1977: 147-150). Let us apply these asynchronisms to the present situation in the EU. First, the geographical one refers to the co-existence of central and peripheral states, rich and poor regions, and included and excluded social groups (participating in the 'new' and the 'old' economies respectively). In the European Union of today net-paying countries co-exist with the so-called cohesion countries (Spain, Portugal, Greece and Ireland) and this geographical asynchronism will become much more problematic after the 'big bang' enlargement towards Central and Eastern Europe. If we look at the regional level, disparities between the richest and poorest regions are even bigger. Moreover, 25 years of structural policy in the EU has not reduced this gap in any substantial way. Finally we may refer to the 'split-level' societies (or to use an old term from development theory: dual societies) that are emerging in Europe: an ever-bigger gap between the winners and losers of free market integration, between the employed and unemployed, and between the 'new middle classes' and an underclass of migrant workers. In geographical terms this gap is manifested by the physical segregation in urban conglomerates.

Institutional asynchronism refers to the co-existence of institutions corresponding to different phases. Here we may think of the co-existence – in the EU – of the institutions of national civil societies which played a prominent role during the phase of corporate liberalism (political parties, trade unions, etc.), on the one hand, and the new structures and institutions of new constitutionalism, on the other.

Sociological asynchronism can be divided into ‘objective’ characteristics (employed or unemployed, occupation in different sectors of the economy) and ‘subjective’ ones: ‘attitudes, social character, social personality’ corresponding to ‘advanced’ and backward’ stages respectively. The latter one comes close to motivational asynchronism: ‘because the same individual belongs to multiple different groups and institutions, asynchronism affects the individual himself. There co-exist in his psyche attitudes, ideas, motivations, beliefs corresponding to successive “stages” of the process’ (Germani 1965, quoted in Laclau 1977: 148). Here we may think of the ‘cultural action’ of the EU to strengthen the European identity of its citizens (or to put it differently, to build an imagined community at the European level) that should co-exist with their national (or regional) identities (the so-called ‘multiple identities’, see Shore 2000). But also of the ‘split-level personality’ of today’s ‘flexible man’ as one of the more recent appearances of the underlying culture of narcissism (see Sennett 1998, Lasch 1991 (1979)). The motivational asynchronism in the present transitional stage of global capitalism is going hand in hand with what Kees van der Pijl calls ‘objectively pauperised human relations’ (Van der Pijl 1998: 10; see also Van den Brink 2001), a process related to the more comprehensive and global phenomenon of neo-liberal restructuring and for that reason certainly not confined to the European Union.

The two poles of these different asynchronisms do not merely co-exist, ‘the modernisation of one of them will provoke changes in the others, although not necessarily in a modern direction’ (Laclau 1977: 148). Again by referring to the work of Germani, Laclau distinguishes two different forms of ‘symbiosis’, the demonstration effect and the fusion effect:

In the case of the first, habits and mentalities that correspond to the more advanced stages of development are diffused in backward areas (such as consumption habits which bear no relation to low levels of production). In the case of the second, ideologies and attitudes corresponding to an advanced stage, on being reinterpreted in a backward context, tend to reinforce traditional features themselves (ibid.:148)

Finally, Laclau discussed two other concepts in Germani’s theory – mobilisation and integration:

By *mobilisation* is understood the process whereby formerly passive groups acquire *deliberative* behaviour (i.e. intervention in national life, which may oscillate between inorganic protest movements and legalised activity channelled through political parties). By *integration* is understood that type of mobilisation: (1) which is carried out through existing politico-institutional channels and is thus legalised by the regime in power; (2) in which the regime’s framework of legitimacy is implicitly or explicitly accepted by the

mobilised groups, such that the rules of the game of the existing legality are accepted (ibid.: 148-149)

An excellent example of mobilisation and integration going hand in hand is the post-war corporate-liberal symbiosis between organised capital and labour. The present situation in the EU shows an entirely different picture. The demonstration effect, the fusion effect and asynchronisms are far greater in the European *Union* than those known in the process of national welfare state building during the previous stage. In short, and as a result of this, mobilisation through integration is impossible in the present system of multidimensional governance in Europe. One of the consequences of this situation is the emergence of xenophobic, nationalist movements in a number of EU member states and the rise of an ‘inorganic protest movement’ commonly referred to as ‘anti-globalists’. For the purpose of this paper, however, it is important to note that the elites of the new Europe try to overcome the impossibility of ‘mobilisation carried out through integration’ by introducing a new political style – the new populism. New populism must then be seen as a new type of social and political mobilisation. It is ‘new’ since it uses the structures of Europe’s multidimensional governance and it is ‘new’ because it attempts to articulate different visions of the world – the one of an emerging hegemonic class at the transnational European level and the ones of the different ‘peoples’ of Europe – in such a way that their potential antagonism is neutralised. To quote Laclau once more:

‘Popular traditions’ constitute the complex of interpellations which express the ‘people’/power bloc contradiction as distinct from a class contradiction. (...) But in the second place, popular traditions do not constitute consistent and organised discourses but merely *elements* which can only exist in articulation with class discourses (Laclau 1977: 167)

In the next section, we will try to show that the New Trias Politica of the European Union attempts to articulate a transnational class discourse aimed at re-commodification – and, hence, further exploitation – of labour by mobilising the ‘peoples’ of Europe – and, more particularly, the new middle classes – behind ‘a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more jobs and greater social cohesion’ (Lisbon European Council 2000: 2). It will be argued that the European Employment Strategy – an the underlying competitiveness discourse – forms an illustration of what we here referred to as new populism.

3. BEST PRACTICE AND THE EMERGENCE OF A EUROPEAN EMPLOYMENT STRATEGY

In a recent speech, the Dutch Commissioner for internal market affairs, Frits Bolkestein, directly referred to the above quote from the presidency conclusions of the Lisbon European Council in March 2000. The EU's ambition to have the most competitive economy in the world in 2010 ('more competitive, that is, than the American economy') implies, that

we must leave the comfortable surroundings of the Rhineland and move closer to the tougher conditions and colder climate of the Anglo-Saxon form of capitalism, where the rewards are greater but the risks also. (...) We must avoid the resurgence of the Scylla and Charybdis of the past. These Scylla and Charybdis are economic nationalism and corporatism, respectively. Economic nationalism has taken the form of the so-called "golden-shares", which are used to ward off foreign purchasers of domestic stock. Corporatism means the belief that management knows better what is good for shareholders than they themselves (Bolkestein 2001)

In order to meet the objective of competitiveness, Bolkestein argues, governments of member states have only one category of measures: micro-economic supply side structural adjustment. This is because of EMU. Needless to say that governments can no longer resort to competitive devaluations. But they have also lost the possibility to influence their economies by monetary means. It is the ECB that sets the interest rate to ensure the stability of prices. In order to avoid misunderstanding, he adds that 'the interest rate cannot serve two masters: the economic cycle and the stability of prices. It is the latter which must rule' (ibid.). Finally, and as a result of the Stability and Growth Pact, governments have – by and large – lost the instrument of fiscal policy. In short, the structural improvement of the micro-economic supply side is the only thing left to governments. The following quote indicates what Bolkestein has in mind:

Now micro-economic supply side structural adjustments are painful. It is no use denying this. That is why they are politically unpopular and thus difficult to carry out. Most people are conservative. Why should things change? Aren't they well off as it is? Why must they do things differently? Won't the future bring more uncertainty? Most trade unions are also conservative. They want to remain within the safe and cozy confines of what has come to be known as "the Rhineland model" of capitalism, in

which not shareholders but stakeholders are cherished and consultation takes place at numerous round tables (ibid.)

In order to increase competitiveness, this ‘corporatist atavism’ has to be challenged. One does not have to have great imagination to see that Bolkestein refers – first and foremost – to the adjustment of labour market structures, i.e. to more flexible labour markets.

An important conclusion that we can draw from the above quotes is that there is a direct link between EMU and the ‘need’ for labour market flexibility. But the relation between EMU and employment/unemployment goes much deeper than Bolkestein suggests. For instance, it is no coincidence that the move towards EMU in the course of the 1990s went hand in hand with skyrocketing unemployment rates in the eurozone countries. A number of cause-effect relations can be discerned: the convergence race between the member states of the EU to meet the nominal, macro-economic criteria has had a negative impact on employment creation; as a result of EMU a spectacular increase in (cross border) take-overs and mergers has taken place, almost always coinciding with massive labour shedding; as a result of this concentration and centralisation of capital in Europe, shareholder values have become more important, which in turn has led to labour shedding as a means to restore confidence among shareholders; since EMU did and does not include fiscal harmonisation, fiscal (or regime) competition has become one of the leading practices in today’s Europe, resulting in lower taxes on capital and higher taxes on labour, at least until the mid-1990s; etc. But labour shedding is not always that easy to realise. And here the attack on so-called ‘rigid labour markets’ comes in. In the remainder of this section we will show that the European Employment Strategy since the mid 1990s is aimed at just that: facilitating the flexible hire and fire of people by making European workers more ‘employable’. It is important to note, however, that this European Employment Strategy is not part of a supranational policy. Neither is it strict intergovernmental of nature. The European Employment Strategy is one of the finest examples of new populism, the new political style which successfully attempts to reconcile supranational, economic and monetary integration with the illusion of national self-determination in dismantling (or, in official discourse, modernising and flexibilising) post-war welfare state structures.

Here we will argue that the emergence of a ‘European social’ policy in the second half of the 1990s is an integral part of the development of a transnational neo-liberal strategy at the European level. This ‘social’ policy is certainly not about defending a different model of

capitalism, different from Anglo-Saxon capitalism that is. It is about increasing the competitiveness on a world scale of an ever more cohesive European capitalist class.

European Employment Strategy

The first attempts to create a European employment policy date from the early 1990s. Before that, especially following the adoption of the Commission's White Paper on the completion of the Single Market in 1985, it was thought that the freeing of market forces would do the job. The completion of the internal market would give an impulse to economic growth, create extra jobs and increase competitiveness of European business vis-à-vis American and Japanese competitors. In the much cited Cecchini-report, which was written under authority of the European Commission to legitimate the so-called Europe '92 project, it was concluded that completion of the Single Market could result in an additional growth of 4.5% of GDP, a reduction in prices of 6.1% and the creation of 1.8 million new jobs. If the member governments were to adopt more expansionary macro-economic policies, it was argued, additional growth could even reach 7% of GDP while 5 million new jobs could be created (Cecchini 1988: 182). Indeed, 'the Commission expressed a strong preference for a more active macroeconomic policy as a means of creating a more favourable environment which would in turn facilitate the implementation of the internal market programme' (Tsoukalis 1997: 72).

Ironically, the EU was confronted with economic recession and the rapid succession of monetary crises right after the Europe '92 project had been formally completed on the 1st of January 1993. This so-called 'post-Maastricht crisis' resulted in a period of negative growth in some member states and, more generally, in a spectacular rise of unemployment. In a relatively short period of time, unemployment in the EU reached a peak of 11.3% in April 1994, and in a country like Spain even a rate of 24%. In 1995, 4 million fewer people were employed than 4 years earlier; the employment rate, at 60% in 1995, was significantly down from a peak of 63% in 1991; youth unemployment was twice as high as that of adults, at over 20% on average; long-term unemployment increased to over 50% of the unemployed in 1995; unemployment of women, at 12,5% on average in 1995, remained higher than that of men in all but three member states (Finland, Sweden and the United Kingdom). Finally, the number of people working at night and in weekends increased, most new jobs created in the first half of the 1990s were part-time, and temporary work accounted for all of the increase in employment of men (European Commission 1996a: *passim*). The freeing of market forces inherent to the Single Market program was apparently not enough to generate additional economic growth and to create extra jobs. The post-

Maastricht period did have an impact on labour markets: statistics show a clear move to more flexible working arrangements.

The former conclusion was also drawn in the Commission's White Paper on Growth, Competitiveness and Employment, which was published in 1993. According to the Commission, the different performances of individual member states in generating wealth and in improving job opportunities clearly showed 'that growth is not in itself the solution to unemployment, that vigorous action is needed to create jobs' (European Commission 1993: 16). In general terms the 1993 White Paper proposed a much more balanced approach than the strategy hitherto followed, which aimed at completing the Single Market. It combined supply-side measures with a number of Keynesian elements. Concretely, it proposed Community action in accordance with the following five priorities (European Commission 1993: 21):

- making the most of the Single Market;
- supporting the development and adaptation of small and medium-sized enterprises;
- pursuing the social dialogue that has, to date, made for fruitful co-operation and joint decision-making (sic) by the two sides of industry, thereby assisting the work of the Community;
- creating the major European infrastructure networks;
- preparing forthwith and laying the foundations for the information society.

Next to these priority areas, the White Paper also called for a partial shift from labour to environmental taxes (tax on CO₂ energy) and marked the contours of what was called 'a new development model for the Community' (European Commission 1993: 145ff).

Strikingly enough, the Commission's White Paper and the proposed 'policy-mix' were well received by the member states and the social partners, albeit for different reasons. For the time being, the catch-all strategy could compromise between the different national and social conceptions. It was *The Economist* which summarised the general feeling by concluding that the White Paper 'contained enough grand ideas to please French and other *dirigiste* visionaries - and enough stress on labour-market deregulation to silence British and other sceptics' (quoted in Tsoukalis 1997: 131). It soon turned out, however, that the implementation of the Commission's priorities mainly concentrated on elements like deregulation and labour market flexibilisation, the plea for a more active demand policy being successfully silenced. A clear case in point was the position of the member states with respect to the financing of the European infrastructure networks. They were not prepared to finance these investments through national budgets. Two

weeks before the White Paper would be formally presented to the European Council in Brussels in December 1993, a meeting of the Council of Ministers of Finance made it perfectly clear that particularly the Nordic member states were not prepared to provide the necessary funds. The need to reduce government deficits as a result of the EMU convergence criteria was effectively used to counteract the Commission's proposal (*NRC Handelsblad*, 27 November 1993; see also Compston 1997: 8/9).

One year later, during the European Council meeting at Essen in December 1994, it was again concluded that an 'additional effort' had to be made to combat rising unemployment. A five-point plan for action was adopted (*Europa van Morgen*, December 1994: 17; see also European Commission 1996b: 1) aimed at:

- improving employment opportunities for the labour force by promoting investment in vocational training;
- improving the employment intensiveness of growth, in particular through:
 - more flexible organisation of work in a way which fulfils both the wishes of employees and the requirements of competitiveness;
 - wage policies which encourage job creating investments;
 - promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and social services spheres;
- reducing non-wage labour costs to facilitate the hiring of employees and in particular of unqualified employees;
- improving the effectiveness of labour market policy;
- measures to help groups which are particularly hard hit by unemployment, in particular young people, the long-term unemployed, older employees and unemployed women.

One of the main conclusions from the Essen meeting is that any attempt to develop some kind of European - more or less supranational - initiative to fight unemployment was abandoned. The European Council requested the member states to transpose the five action areas into national policies. The resulting Multi-Annual Employment Programmes at member state level should be monitored by the relevant Councils of Ministers (Social Affairs and Ecofin) and the European Commission. In the words of the European Council, the main purpose was

to develop understanding of, and engagement in, the Essen process in order to enable the operationalisation of the five action areas; to support member states and all relevant partners in developing policy and shaping practical approaches that follow the issues and ideas outlined in the White Paper on Growth, Competitiveness and Employment (in a way that addresses the areas of concern and action most relevant to each member state's employment and unemployment priorities); to encourage dialogue between the Commission and the member states and to develop the exchange of ideas and experience on concrete aspects of employment policy (European Commission 1996b: 2).

This line of thought, according to which employment policy basically remains a matter of national governments, at best resulting in some kind of intergovernmental co-ordination on the basis of noncommittal guidelines formulated by the European Council, has been reaffirmed by the European Council meeting in Amsterdam. To be sure, as part of the Amsterdam deal and under pressure of the new French government, the EU leaders issued a complementary resolution on growth and employment. In this resolution, the European Council *inter alia* asks the European Investment Bank to investigate the possibilities of broadening its scope, notably by investing in small and medium-sized high-tech, education, healthcare and environmental projects (see *Conclusions of the Presidency*, 16 and 17 June 1997). As a trade-off against the stability pact, this resolution was presented by some of the EU leaders as a sign 'that EMU was not only a banker's dream but that it was also intended to tackle the pressing issue of unemployment' (the Dutch Prime Minister and social democrat Wim Kok, quoted in *The European*, 19-25 June 1997). 'We are entering another phase', the then Italian prime minister, Romano Prodi, stated. 'Europe has finally turned towards other objectives, besides those of arithmetic convergence' (ibid). Germany's then finance minister, Theo Waigel, however, seemed to strike a much more realistic note when concluding that 'unemployment has not become an issue of common European policy' (ibid.).

This certainly held true for the new treaty's employment chapter, in which 'the promotion of co-ordination between employment policies of the Member States' was set as one of the main objectives. According to Article 1,

Member States and the Community shall (...) work towards developing a co-ordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change (...).

The Council of Ministers shall each year draw up guidelines which the member states shall take into account in their employment policies; the member states shall provide the Council and the Commission with an annual report on the principal measures taken to implement their employment policies in the light of these guidelines; on the basis of an examination of these reports, the Council may make recommendations to member states (Article 4). In a final article, the establishment of an Employment Committee with advisory status is announced, ‘to promote co-ordination between Member States on employment and labour market policies’ (Article 6). As a general conclusion, it can be stated that the European Council of Amsterdam did not depart from the course the EU has taken since the early 1990s; employment policy will basically remain a strictly intergovernmental affair. The reaction of the employers’ organisations right after the Summit were quite illustrative in this respect. The president of the Federation of German Industry (BDI), Hans-Olaf Henkel, condemned the jobs chapter as ‘superfluous’ and said it could be accepted only because it would have no real effect (*Financial Times*, 18 June 1997). The Secretary-General of the European employers’ federation UNICE, Zygmunt Tyszkiewicz, commented in a similar way: ‘We never wanted an employment chapter in the first place, but if we have to have one, then this version is not too bad’ (quoted in *European Voice*, 26 June - 2 July 1997).

It soon turned out why this jobs chapter was ‘not too bad’. In retrospect we can conclude that the Amsterdam Treaty was the very start of the so-called open co-ordination of national employment and labour market policies aiming at greater flexibility. This can be illustrated by the European Employment Pact – ‘a comprehensive overall approach bringing together all the Union’s employment policy measures’ - that was agreed upon during the Cologne European Council in June 1999. The Pact consists of three interrelated ‘pillars’ (see Cologne European Council Presidency Conclusions):

- co-ordination of economic policy and improvement of mutually supportive interaction between wage developments and monetary, budget and fiscal policy through macro-economic dialogue aimed at preserving a non-inflationary growth dynamic;
- further development and better implementation of the co-ordinated employment strategy to improve efficiency of the labour markets by improving employability, entrepreneurship, adaptability of business and their employees, and equal opportunities for men and women in finding gainful employment;
- comprehensive structural reform and modernisation to improve the innovative capacity and efficiency of the labour market and the markets in goods, services and capital.

The European Commission was asked to distil from the best-practice comparison specific but non-binding recommendations on the basis of equally non-binding employment policy guidelines. To date four broad guidelines structure the European Employment Strategy (which were initially formulated at the Extraordinary European Council Meeting on Employment in Luxembourg, in November 1997):

- improving employability, *inter alia* by moving from passive to active labour market policies and promoting life-long learning. Active labour market policies include reforms of tax and social security policies (aiming at an increase of the gap between minimum wages and unemployment benefits), making it ‘more attractive’ for the unemployed to take up jobs;
- developing entrepreneurship by making it easier to start up and run businesses and making the taxation system more employment-friendly;
- encouraging adaptability of businesses and their employees by modernising the organisation of work, including flexible working arrangements, and by incorporating into national law more adaptable types of contract;
- strengthening the policies for equal opportunities: tackling gender gaps, reconciling work and family life and facilitating reintegration into the labour market. This objective seems first and foremost directed at increasing employment rates in Europe.

These employment guidelines are drawn up at Community level and then translated into National Employment Action Programmes. In 1999, a Peer Review Programme has started. This ‘dissemination of best practices of member states in labour market policies has the overall aim of enhancing transferability and mutual learning processes and promoting greater convergence towards the main EU goals’ (<http://peerreview.almp.org/en/principles.htm>, 29-11-01). As indicated above, the main EU goal has been reformulated at the Lisbon European Council meeting of March 2000 as ‘a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more jobs and greater social cohesion’. The problem is, however, that ‘greater social cohesion’ is never properly defined. And this in contrast to concomitant notions like competitiveness and benchmarking.

In a 1996 report called *Benchmarking for policy-makers*, the European Round Table of Industrialists clearly outlined the concept of benchmarking: ‘benchmarking means scanning the

world to see what is the very best that anybody else anywhere is achieving, and then finding a way to do as well or better'. Benchmarking

is a simple, flexible and above all dynamic process. It helps companies and governments to compare their own performance with the best in the world, and to motivate everybody concerned to do better. (...) No organisation today can afford to rest on its laurels in a world where last year's achievements are already gathering dust, remote and irrelevant. (...) Benchmarking succeeds because it works with human nature. It doesn't simply tell people to do better, it shows them how to do so by demonstrating what other people are doing. (...) Benchmarking is non-stop. It is a tool to bring about the continuous improvement and adaptation which are the only means to survival in a continually changing world (ERT 1996: 5)

Benchmarking for policy-makers in the field of labour market policies then primarily boils down to scanning the world (i.e. introducing Anglo-Saxon practices of internal and external labour market flexibilisation), to motivating workers to do better by reducing social protection, to enhance individual competition (as part of human nature), and to adaptation in a continuous survival of the fittest.

In such a continually changing world, social cohesion is reduced to mere statistics. It is about reducing unemployment and increasing employment rates, and about increasing GDP per capita levels by making Europe 'the most competitive and dynamic knowledge-based economy in the world'. If we accept, on the other hand, a definition of social cohesion as 'the political tolerability of the levels of economic and social disparity that exist and are expected in the European Union and of the measures that are in place to deal with them' (Mayes 1995: 1), we may come to entirely different conclusions. In the end, political tolerability is tested during elections. And as long as a majority of the member state's electorates (i.e. the citizens who actually bother to vote) still reap the benefits of free market integration, the present process of neoliberal restructuring will continue. After all, it is the individual financial reward for accepting more flexible (or unprotected) labour conditions that keeps the neoliberal engine running.

Furthermore, the European Employment Strategy attempts to reconcile supranational, economic and monetary integration with the illusion of national self-determination in 'modernising' the so-called European social model. In the words of the Lisbon European Council, 'achieving the new strategic goal will rely primarily on the private sector, as well on public-private partnerships. It will depend on mobilising the resources available on the markets, as well on efforts by member states'. In terms of governance, however,

A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership. A method of benchmarking best practices on managing change will be devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs (Lisbon European Council 2000)

It is this uneasy combination of public-private partnerships at the European level (agenda-setting and policy-planning) and multilevel governance (implementation) that is at the heart of the new populism in Europe. In an ‘integrated market governed by fragmented sovereignty’, as Wolfgang Streeck argues, ‘the wielders of that sovereignty compete with one another, in part for the respect of their citizens (...) but most importantly for the allegiance of mobile production factors’ (Streeck 1997: 3). The ‘open method of co-ordination’ of labour market policies is perhaps one of the best examples of this: in keeping up the illusion of the ‘persistent plurality of national citizenship regimes’ it introduces mechanisms of regime competition in the field of social policy. More specifically, peer pressure and recommendations from the European Commission are used to make domestic political and social relations more fluid and more adaptable to the exigencies of European capital. If at some moment in the history of European integration the national welfare state may have been the most important obstacle to social policy integration, it is the victory of transnational market forces that makes it the most vulnerable institution in the present European system of multidimensional governance.

Social policy and the European Convention

Enlargement has been – and will be – the most formidable obstacle to social policy integration. The successive enlargement rounds – from 6 to 9, from 9 to 12, and from 12 to 15 (and, in 2004, from 15 to 25) member states - did not only bring together different welfare states with different institutional practices in the field of social policy broadly defined, but did also dramatically increase the gap between rich and poor member states in terms of expenditures on social protection as a percentage of GDP (see Scharpf 2002: 646). In fact, every new round of accession agreements reduced the possibility of an effective harmonisation of social policies at the European level (one only has to remember the fierce opposition of the ‘socialist’ Felipe Gonzalez to any substantial strengthening of the social dimension in the late 1980s and early 1990s). The upcoming enlargement towards Central and Eastern Europe will make the prospect

of future harmonisation even more unlikely. Indeed, one could argue that one of the (un?)intended consequences of the enlargement strategy of the EU (and particularly its stress on the economic Copenhagen criteria), a relative cut in social expenditure in most of the applicant countries, will further increase the social gap between rich and poor countries (and regions) in an enlarged union (see Holman 2001).

In this sense, enlargement towards Central and Eastern Europe will further obstruct any attempt to overhaul the European system of asymmetrical regulation:

- it will consolidate the gap between supranational regulation in the field of single market and monetary integration, on the one hand, and national (de)regulation in social affairs, on the other, and hence consolidate the unlinking of economic and social policies;
- and it will consolidate (if not further) the link between (re)regulation in the field of single market and monetary integration at the European level, on the one hand, and deregulation of labour market structures, on the other, and hence consolidate (if not further) the linking of the *consequences* of different policies.

As we have indicated above, enlargement may have been the reason not to embark on the road of social harmonisation, but the completion of the single market and – perhaps more importantly – the move towards monetary union can be held responsible for the externally induced restructuring of welfare state regimes at the national level. The recent conflict between the re-elected Schröder government and the German trade unions over the proposed labour market reforms and the social conflict in France over the proposed pension reforms are two important illustrations of this.

In terms of our discussion of the emerging model of transnational governance in the EU, developments within the European Convention point at a further institutionalisation of this model. At the moment of finishing this paper, the different working groups of the Convention have presented their final conclusions. Particularly the working groups on the Principle of Subsidiarity, on Economic Governance, and on Social Europe are important here. The working group on Social Europe concludes that existing competences of the EU in the social field are adequate and ‘that action at the European level should focus on issues related to the functioning of the single market and/or areas with a considerable cross-border impact’. It further supports the inclusion of the open method of co-ordination in the Treaty. But this provision ‘should indicate clearly that the open method of co-ordination cannot be used to undermine existing Union or Member State competence’ (Secretariat of the European Convention 2003). One of the main conclusions of the working group on Economic Governance is that the ‘current structure

whereby exclusive competence for monetary policy within the Eurozone lies with the Community, exercised by the ECB (...), and competence for economic policy lies with the Member States, should be maintained' (Secretariat of the European Convention 2002a).

In both cases, the status quo of asymmetrical regulation is thus prioritised and will most likely be incorporated (read: constitutionalised) into the European Constitution. It is no exaggeration to conclude that the three defining elements of a political community, based on three kinds of integration, as pointed out by the federalist Amatai Etzioni (i.e. an effective control over the means of violence, a centre of decision-making that is able to affect significantly the allocation of resources and rewards throughout the community, and the dominant focus of political identification for the large majority of politically aware citizens; see Etzioni 1965: 4), do not form part of the guiding principles of the (majority of the) national representatives to the European Convention. In fact, the working group on the Principle of Subsidiarity proposes the reinforcement of the application of the principle of subsidiarity in its restricted, narrowly defined meaning (what we referred to above as the *laissez faire*, bottom up concept of subsidiarity). Apart from being already subject to *ex post* judicial review by the ECJ, the working group also proposes an *ex ante* political monitoring by national parliaments (Secretariat of the European Convention 2002b). By simultaneously constitutionalising the limited Community competences in social affairs, this reinforcement of the application of the principle of subsidiarity boils down the continuation of the mechanisms of asymmetrical regulation in the foreseeable future. To put it in other words, by using the populist argument against an 'oversocialised' Hobbesian conception of a would-be controlling (European) state, echoing the Thatcherite opposition to even a minimal move towards Social Europe, an 'undersocialised' Lockean conception of the national state is the most likely outcome of the so-called constitutional deliberations in the European Convention (cf. Etzioni 1988: 8).

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¹ See Holman 1991. My argument here is that the EU is increasingly dominated by what I refer to as the New Trias Politica: the European Commission in close co-operation with organised business, the European Court of Justice (ECJ), and the Council of Ministers.

The European Commission is of particular importance in its policy planning capacity and in its role as the *Guardian of the Treaties*. As far as the former task is concerned, the Commission operates in close co-operation with organised business. The ERT is a privileged agenda setting and policy planning group, privileged in its access to European institutions and member state governments and in its capacity to influence the European agenda. The relationship between the two can best be described as a 'symmetrical interdependent' one: the Commission and the ERT need each other in the realisation of their respective goals. And increasingly so as a result of the convergence of their views and agendas in the course of the 1990s (after a period of estrangement during the second Delors Commission).

Already in the early years of its existence, a member of the Delors cabinet referred to the ERT in the following way: 'We see this group as a very useful bunch of people. These men are very powerful and very dynamic. They seed us with ideas. And when necessary, they can ring up their own prime ministers and make their case' (quoted in Merritt 1986: 22). In other words, the Commission could (and can) use the members of the ERT in its attempt to strengthen its position vis-à-vis the member states, both in its policy initiating and innovating capacity. On the other hand, the ERT needs the Commission because of its role as executive and co-legislature at the European level. The fact that the Commission has 'a quasi-monopoly of policy initiation and innovation inside the Community' (Church and Phinnemore 1994: 271) makes it the very political addressee of numerous interest groups. And again, among these interest groups the ERT is *primus inter pares*. Particularly because the ERT is exceptionally well equipped – in terms of 'infrastructure', status and comprehensiveness - to formulate and organically integrate the various ingredients of potentially hegemonic concepts of control, especially in the era of neo-liberal restructuring. Or in the words of the former chairman of the ERT, Jerome Monod: 'Perhaps more than in the past, business opinions today express a comprehensive world-wide vision of modern society and its problems, a vision which may in some ways go beyond the ideas of our political leaders' (ERT 1991: 2). Needless to say that it is *big* business that counts most in this respect.

The ECJ is first and foremost the European institution which guarantees a fair economic playing field or – in less neutral terms – ensures the free movement of market forces in a de-regulated single market. It does not have substantial jurisdiction outside the first Pillar of the Maastricht Treaty, but it does play a central role in compelling compliance by member state governments with respect to the Community's *acquis communautaire* (which in turn is mainly concerned with the completion of the single market, and its institutional underpinnings).

The Council of Ministers is the ultimate decision-maker and legislature (together with the European Parliament, since the introduction of the co-decision procedure) and controls - i.e. checks and restraints – the Commission. Its role as the guardian of the member states' interests has been effectively – and voluntarily – eroded since the ratification of the Single European Act in 1987, and again primarily in the first Pillar. Instead of being the political voice of culturally and historically distinct constituencies at the member state level, whose primary aim is to avoid integrational steps which run counter to the 'general interest' of the respective peoples, since the mid-1980s, the Council of Ministers (and the European Council) has increasingly become the European institution par excellence which defends and legitimises the ongoing process of negative integration (and positive integration in selected areas, supportive to the all-dominating process of market integration) – and the concomitant processes of capital concentration and centralisation, economic deregulation/privatisation and labour market flexibilisation – to the national constituencies while upholding the illusion of national sovereignty in important other areas. This is the real meaning of popular concepts like subsidiarity and benchmarking (or best practice). The rhetorical language of national governments – to promote European decisions (or non-decisions) as the ultimate guarantee that national interests, values, identities and peculiarities will continue to be defended ('the European rescue of the nation-state') - can best be described as the 'New Populism'. In practice, however, a novel form of transnational governance is emerging, which supports and strengthens a genuine transnational European class society in which an increasingly cohesive, transnational class of capital owners – embedded in a transnational structure of political elites, bureaucracies and think tanks – is faced with no opposition whatsoever as a result of the (sub)national and sectoral dispersion of subordinated social groupings (cf. the definition of transnational governance in the introduction).