VASSILIS K. FOUSKAS
Professor
University of East London
v.fouskas@uel.ac.uk

SHAMPA ROY-MUKHERJEE
Senior Lecturer
University of East London
s.roy-mukherjee@uel.ac.uk

The Rise and Fall of the Ordoliberal Left in Europe

Abstract

One of the most cherished myths of the 'Third Way' that remains in Britain and Europe is that social democracy had to change and embrace aspects of the neoliberal agenda because supply-side policy constraints laid out by the process of globalization and European integration were insurmountable. Similarly, in the wake of the global financial crisis and the eurozone crisis, this form of the Left embraced austerity, arguing that "There Is No Alternative" (TINA). Another, more sophisticated, branch of the Left looked at the EU as a field of socialist action for the implementation of a full-fledged Keynesian agenda. We challenge these false realisms. We argue that the neo-revisionist Third Way Left has failed on several counts, two of which are important for our purposes here. First, restructuring, and not just being constrained by the new contours of global and national capitalism, has always been an organic part of the supply-side. Second, by embracing the austerity agenda of ordoliberalism – a disciplinarian form of neoliberalism put forth by German-Austrian intellectuals and policy-makers – that had been inserted into the EU Treaties by Germany, this (ordoliberal) Left lost its constituency and attractiveness, contributing directly to the rise of the xenophobic Right across Europe.

Keywords: Third Way, neoliberalism, ordoliberalism, Keynesianism, financialization/globalization

Introduction: Flawed Realisms

For some time now, a well-informed argument has seen the convergence of the Third Way Blairite Left with the neoliberal Right buttressing supply-side economics as follows: the Left adopted all major policy tenets abiding by the constraints of capitalist restructuring and neoliberal globalization because, having no choice, it had to adapt; Keynesian policy instruments could no longer be operational at the nation-state level, hence the realistic adoption of the New Left programmatic agenda of 'rights' and 'freedoms', centred on the 'rule of law', 'promotion of competitive markets and healthy privatizations', 'flexible labour markets' and so on. In other words, social democrats in Britain and elsewhere pursued a sensible neo-revisionist path from the 1980s onwards, when they shifted their strategy from national Keynesianism to the embrace of the new constraints imposed by the new phase of financialized capitalism in Europe and the world. A landmark case in this respect was the famous U-turn of the French socialists in 1983, when Francois Mitterrand, unable to defend the Franc and compete with Germany in the EMS, had to devalue and abandon his nationalization program (Sassoon 1996, 534-71). The Italian Communist Party itself, one of the most precious laboratories of the radical Euro-communist Left in Europe, changed its name and identity in 1989-1991 not because of the collapse of 'really existing socialism' but because of the changing contours of capitalism at national, European and global levels (Fouskas 1998).

The global financial crisis, which trickled down to the eurozone via the inter-connected transatlantic banking sector (Lapavitsas et al. 2010, 1-35), caught the followers of this type of argument, including the reformed Third Way Left, by surprise. As long as the neoliberal financialized model of capitalism in Europe and the world was doing well, the Third Way Left faced no major problems. Once the crisis kicked in, blowing up the entire transatlantic financial system at its core, triggering one of the greatest systemic depressions in modern capitalism, Third Way politics and rhetoric lost their attractiveness. This happened not just because austerity cynically transferred the burden of the crisis to the poor and the deprived, but also because it began to erode the class privileges and tax breaks of the middle classes, the real political and electoral base of this neo-centrist bi-partisan regime; and, indeed, every capitalist regime, as Marx pointed out long ago in his *The 18th Brumaire* (1852). The effects of the 2007-08 crisis were felt most strongly in the European periphery, as the European banking system of the core transferred its debt onto the taxpayers of Southern Europe and Ireland via a number of bailout agreements, imposing a bondage regime of austerity and discipline unparalleled in the history of the EU (Fouskas and Dimoulas 2012; Fouskas and Dimoulas 2013). As a consequence, large social strata, failing to find expression in the neoliberal Left and hit by austerity, turned to the radical and xenophobic Right, although in some cases (namely Greece and Spain) they extended support to the radical Left. However, the trend of supporting extreme Right-wing movements and parties has been much stronger, and is exacerbated by new migration flows coming into Europe from the war zones of the broader Middle East and Central Asia.

Despite the havoc inflicted on societies by the crisis of neoliberal globalization and European integration, one branch of the Third Way Left continues to subscribe to the main tenets of neoliberalism and its harsh austerity policy, seen as the only way out of the crisis. This branch of the Left has participated in government as a reformist force of the capitalist market, serving the needs of neoliberal globalization and the extraction of financial profits, thereby contributing to the creation of the financial bubble just as much as the neoliberal Right.

However, another more sophisticated branch of the Left, at times drawing from the tradition of Euro-communism, re-invented Euro-Keynesianism as a response to the eurozone crisis. What does this Euro-Left realism say? It criticizes the pro-European, Third Way Left *from the Left*, but it also criticizes radical currents of the Left that insist that socialism must first start from one country and then expand whenever possible and feasible, a position articulated by Costas Lapavitsas (Lapavitsas 2018). Euro-Left realism entails: a fiscal union, a banking union, a generous increase of the EU budget – which currently stands at just 1% of the bloc's GDP – pro-welfare reforms, official issuing of European bonds (debt), in short, the entire leftist Keynesian agenda at the EU level. This type of leftist politics is incarnated by such aggregations as the DiEM25 led by Yanis Varoufakis, or large sections of Jeremy Corbyn's Labour Party in Britain, but also other Left-wing forces, not necessarily of a social democratic stock, some of which arguably even draw from the Trotskyite tradition.

This chapter places the above discussion into a differing analytical framework. It shows that the 'realisms' of the Third Way Left and the Euro-Left are constitutive components in the development of a specific neoliberal project in the scope of EU institution-building, a project for which we reserve the term 'ordoliberalism'. Whether during its initial expansion phase in 1940s and 1950s in Germany, or during the great boost it received after the *stagflation* of the 1970s and Mitterrand's capitulation to German hegemony in the early 1980s, or even during its first serious setback when shaken by the eurozone crisis, ordoliberalism has been a stylized form of public policy spearheaded by Germany's establishment and political system and successfully transplanted into the EU. By putting forth this original analytical framework, we show how ordoliberalism preceded Anglo-American neoliberalism, conjured up theory and political practice, and recruited the social democratic Left, transforming it into an organic component of its Right-wing project. Neoliberalism and ordoliberalism have a great deal in common; however, the former applies more to Anglo-American contexts and the latter to Germano-Austrian ones.

The first section of this chapter outlines the key developmental phases of ordoliberalism as an intellectual and practical-political movement. The second section lays out its key policy tenets, which, arguably, overlap with those of Anglo-American neoliberalism, not least because the latter stems from the scientific-historical matrix of the former. Lastly, the ordoliberal evolution of the Left in Europe will be examined by focusing mainly on the German and the British Left(s). The conclusion provides a summing-up of a critique to the 'post-Keynesian' position of the Euro-Left, which believes that the Euro-system can be transformed towards a progressive-socialist direction from within the EU's institutional framework.

What is Ordoliberalism?

Ordoliberalism is an intellectual and political movement whose origins can be traced back to interwar Germany and Austria. It formed an attempt to re-invent an inter-disciplinary and all-encompassing model of social and public policy conducive to practical policy application in order to steer the course of government away from the defunct liberalism of the 1920s (Bonefeld 2017; Fouskas and Roy-Mukherjee 2019; Mirowski and Plehwe 2009; Hien and Joerges 2017). Towards the end of the Weimar Republic and after, many sociologists, economists, constitutionalists and other social scientists, not necessarily in contact with each other, began working on theoretical hypotheses drawing on liberal modern traditions of the previous centuries, but aiming to provide a synthesis going beyond those traditions. A notorious group centred around Franz Böhm and Walter Eucken was based at the University of Freiburg, hence the common attribution of ordoliberal thinking to the 'Freiburg School'. The key reference point for ordoliberals, and the politico-economic experience that had to be avoided, was the hyper-inflation of the Weimer Republic and the disorder brought about by its political, nearly anarchic, pluralism. The main aim of ordoliberals in Austria and Germany in the 1930s came to be the formation of a policy proposal that goes beyond the failed classical liberalism, but which is also different from the prevailing paradigms of the 'actually existing socialism' and the vogue of Keynesianism as incarnated in Roosevelt's New Deal. At the same time, the majority of them opposed the organization of the German economy under the Nazi regime, despite the fact that the Nazis substantially improved the country's economic performance; as did Mussolini's fascism in Italy and, indeed, all the dictatorial regimes in Europe at the time. The ordoliberals were liberals but of a peculiar stock: as opposed to the free market/free trade liberalism of the 19th century dominated by England, Austro-German 'neoliberals'/ordoliberals envisaged a social economy premised on *order* and an economic constitution that supports a healthy price mechanism and competition. Some ordoliberals opposed big cartels and monopolies. A view shared by all ordoliberal thinkers was that state institutions and strict legal rules are the mediums for instituting order, and not the market itself via its spontaneous mechanisms. Markets undermine social and economic order and that is why a *free economy* requires a *strong state* in command and a robust articulation of political institutions and markets; an *Ordnungsgefüge* (objective order constellation), as Alfred Müller-Armack termed it in 1932. This complex institutional nexus between the state and social economy draws on the 'non-political' disciplinarian rule of law, at the centre of which is a de-politicized central bank mechanism structured around an anti-inflation bias. Forms of authoritarian rule are allowed if/when the price mechanism, i.e. inflation, gets out of control and free markets and competition are under threat. This fundamental principle of ordoliberal thinking brought some of them, such as Müller-Armack himself, very close to the Nazi party and Carl Schmidt's theory of the 'state of exception' (Scheuerman 2015).

The ordoliberal reconstruction of liberal doctrines was formalized to some degree in the notorious 'Walter Lippmann Colloquium', or *Colloque,* held over five days in central Paris, from 26 to 30 August 1938. Most arch-ordoliberals, from Friedrich August von Hayek to Alexander Rüstow and from Wilhelm Röpke to Ludwig von Mises, were there (Eucken was invited to attend, but the Nazi authorities did not give him a permission to leave Germany). Along with businessmen, French economists, and philosophers such as Raymond Aron, the *Colloque* launched effectively a *neoliberal international collective*, an effort that the war interrupted, but which was to be re-launched in the Swiss resort of Mont Pelerin in 1947 under the leadership of Hayek (Mirowski and Plehwe 2009, 45-67). With the founding of the Mont Pelerin Society, ordoliberalism/neoliberalism gained prominence simply because it began to directly influence post-war political establishments in Europe and the USA. Milton Friedman attended the opening meeting of the Society, with this attributed with aiding the systematization of neoliberal economics at the University of Chicago in the 1950s, whereas Ludwig Erhard, West Germany's Minister of Economic Affairs from 1949 to 1963 and Chancellor from 1963 to 1966, joined Mont Pelerin in 1950.

Although descriptive and brief, the above discussion demolishes the myth that neoliberalism is an Anglo-American phenomenon stemming from the theories of Milton Friedman and implemented by Margaret Thatcher and Ronald Reagan in Britain and the USA respectively in the 1980s. Matters are rather far more complex, and many authors have reasonable historical grounds to argue that neoliberalism, in the form of ordoliberalism as it was shaped in interwar Germany and Austria, preceded the neo-classical economics of the Chicago School (Kiely 2018, 35-94). Hence, Anglo-American neoliberalism resulted from the Germano-Austrian matrix of ordoliberalism, and not vice versa. Thus, both movements and policy proposals share many things in common, although ordoliberals tend to place greater emphasis upon the role of institutions and their disciplinarian and de-politicizing capacity via law, whereas (Anglo-American) neoliberals do not see free markets as disruptive and disorderly. For our purposes here that, among others, aim at showing the way in which German ordoliberalism was transposed onto EU treaties over the decades since the Treaty of Rome, the most significant contributions to ordoliberal theory and practice, especially as regards the construction of post-war Germany and Europe, are those of Hayek and Müller-Armack.

In a 1939 essay titled "The Economic Conditions of Interstate Federalism", Hayek presented a blueprint on how a European federation could work by way of removing impediments to the free movement of "men, goods, and capital", as he put it (Hayek 1939/1947). As long as a 'single market' is in place, Hayek wrote, prices and wages would tend to match production costs across the continent. All that would be needed to achieve a balanced price system without state interference would be a federal regulatory framework whose aim would be to reduce – and even eliminate – state interference, undermining state support for domestic industries and eliminating independent monetary policies. Effectively, Hayek advocated the setting-up of a liberal framework of rules across Europe in order to eliminate the power of nation states, making them instead serve 'interstate liberal-federal' rules. From this perspective, national currencies and sovereignties disappear. Arguably, the 'framework' envisaged by Hayek adumbrates nothing more and nothing less than the binding neo-ordoliberal Treaties of the EEC/EC/EU, which, in a single market mechanism, eliminate the power of the nation states that signed up to those Treaties. In this respect, monetary sovereignty is paramount: interstate federal principles dictate that a state's central bank liquidity and interest rate is determined by the federation's central bank that sits *outside* the jurisdiction of that state proper. Clearly, this indicates loss of monetary sovereignty, which is a fundamental aspect of national sovereignty. At the same time, it indicates democratic deficit because the federated central bank mechanism is over and above any socio-political control and check, unassailable by social struggle and political pressures that occur within the modern state. For Hayek and the ordoliberals, the price mechanism, that is, the control of inflation and the framework of rules within which a competitive order can exist and thrive, was of utmost importance.

In post-war (West) Germany, Müller-Armack was directly involved in shaping economic policy and directly contributing to the European project. He, under the command of the German Minister of Economic Affairs, Erhard, was Germany's chief negotiator in the Treaty of Rome, which proclaims without hesitation "the establishment of a regime ensuring that competition is not distorted in the common market", facilitating an increase in the "competitive strength of enterprises". To this end, state aid, considered a factor that distorts the price mechanism and the market, was to be proscribed by the 1957 Treaty. Having established the basic economic liberties (free movement of people, capital, services and goods), the Treaty constitutionalized the 'social market economy' notion, *Marktwirtschaft*, put forth by the German negotiator already in 1932. Ever since the Treaty of Rome, *Marktwirtschaft* represents the most fundamental aspect of Europe's *acquis*, which is effectively the EU's Constitution, today endorsed by the European Court of Justice and upheld by the Commission and the Council.

To understand *Marktwirtschaft* it is important that one begins to understand society not as an organism divided into classes and constantly permeated by class struggle – in fact, a Marxist would argue that classes exists only *through* class struggle – but as an ontology premised on *competition*, whether individual or entrepreneurial (Peacock and Willgerodt 1989, 16-39). Müller-Armack explained that market is 'social' because it pleases the choices of the consumer and puts pressure, through competition, on enterprises and workers to improve productivity and quality of the end-product to be consumed. Keynesians and socialists criticized this by counter-arguing that such a postulate undermines social cohesion and solidarity and can be neither 'social' nor 'socialist' (Dardot and Laval 2013, 90-1). Müller-Armack responded by saying that *Marktwirtschaft* is not the same as the notion of a *liberal* economy, because *Marktwirtschaft* is desired by society and represents a collective choice. It is a social machine in need of a regulatory economic constitution, because this type of regulation orders a fair competition between enterprises and checks the price mechanism. In addition, this regulation-institutional interference aims at forming individuals responsible for their actions, not individuals expecting to receive welfare benefits at the expense of the taxpayer. In effect, *Marktwirtschaft* treats the interests of the individual as identical to those of the market and the enterprise.[1] However, individualism is something to be constructed and not left to the spontaneous mechanism of free markets. In this respect, *Marktwirtschaft* directly opposes the Keynesian welfare state and socialist alternatives, as well as *laissez faire* economics. However, because of the embeddedness of the Bismarckian welfare state in Germany, an embeddedness that persisted throughout the Cold War, the ordoliberals had more success in Europe with this policy notion, in the long run, than in Germany itself.

In the beginning, ordoliberals were faced by a couple of serious obstacles in Europe, especially during the 1950s and 1960s. Above all, they had to come to grips with the dominant position of Keynesian policy-making – with all its variations – within the nation states and the virtuous cycle of capitalist development – the so-called 'Golden Age of Capitalism' (1945-1970). Due to the early stages of the process of European integration, ordoliberals had to strike a compromise with the principle of *Marktwirtschaft*, especially with the French who, despite having problems matching the dominant position of the German Mark (D-Mark) in the common market, were extremely hesitant to give away national power without surrendering the D-Mark in an (exchange rate) mechanism

[1] This aspect is analysed brilliantly by Michel Foucault in his pioneering analysis of ordoliberalism as *biopolitics* (Foucault 1979/2010, 33-178).

providing currency stability across the common market.[2] Nevertheless, the ordoliberals had left an important imprint on the common market and its subsequent governing structures from the very beginning: given that the institutions of the EU did not evolve in response to class struggle and political-social pressures – its life began as a cartel of steel and coal which controlled prices and output by means of an unelected bureaucracy – it enjoyed all the requisites to develop into a governing aggregation of rules and norms at a later stage, resembling the Germano-Austrian ordoliberal model of capitalism. The turning points were the collapse of Keynesianism in the *stagflation* (economic stagnation accompanied by high inflation) of the 1970s and Francois Mitterrand's U-turn in 1983 when, unable to compete with the D-Mark in the EMS, he abandoned his nationalization program and committed France to the single market that adumbrated the Maastricht Treaty (1991-2) and the launch of the Euro in 1999 (2001 for Greece), the Growth and Stability Pact, formalized by the Council's resolution in 1997, which represented a near-comprehensive set of ordoliberal rules.

A few conclusions can be drawn from this before we return to our analyses of the Left. First, it is important to understand that Germano-Austrian ordoliberalism, *as a systematic elaboration of a neoliberal thought collective in continental Europe*, preceded Anglo-American neoliberal thought and practice. This is highly significant, because due to the linkages between ordoliberalism and policy-making, the German model of post-war capitalist development

[2] It was de Gaulle's France that initially proposed a common currency. This was through de Gaulle's Finance Minister, Valéry Giscard d'Estaing, who in March 1964 made such a proposal to his German counterpart, Kurt Schmücker. This came as a surprise to the Germans but this sort of semi-structured and rather secret meeting continued through to the 1970s, when eventually an abortive European Monetary System (EMS) was established. Germany's objection throughout had been that it was unable to give up its currency without first putting in place a political (European) union. De Gaulle's primary aim was to undermine the dominant position of the dollar as a reserve currency, and he further wished to connect Europe with the Soviet Union geo-politically. Henry Kissinger, who could see the dominant economic position (West) Germany was already assuming within the common market, asked de Gaulle how France would prevent Germany from dominating the continent. The General's answer was: "*Par la guerre!*" (Dyson and Featherstone 1999, 131-336; Varoufakis 2016, 20-56).

accommodated a number of neoliberal elements that British capitalism had not yet considered. Neoliberalism triumphed in Britain with the advent of Margaret Thatcher's rise to power in 1979; Thatcher employed a policy similar to a kind of 'shock therapy', destroying the industrial capacity of the country and building a social economy on the dominance of financial services and the banks. In Germany, the transition to a full-fledged ordoliberal-cum-neoliberal process took much longer, it was orderly and did not resort to destruction of the exporting industrial capacity of the country. During the Cold War, there was a constant fight between the dominance of Keynesianism and the advancement of ordoliberalism both in Germany and Europe. Müller-Armack's *Marktwirtschaft* represented an unstable equilibrium of compromises with Keynesian policy-making and the centrality of the welfare state and nationalized industry.

The *stagflation* of the 1970s shattered the Keynesian consensus across Europe. This historical process enthroned ordoliberalism in power, formalized in the Single European Act of 1986-87 and the Maastricht Treaty. The Maastricht Treaty is to be considered a triumph of the Germano-Austrian ordoliberalism at the European level, and represents the structural and dominant power of German capitalism in Europe. From being a surplus state with a stable currency during the Cold War, Germany came to institutionalize its primacy in Europe through a number of Treaties harking the launch of a single currency and a European Central Bank modelled after the Bundesbank. Obviously, the French had miscalculated (Lapavitsas 2018, 5-9): the single currency they proposed in the 1960s turned out to be a camouflaged D-Mark under the watchful eye of a strictly independent and 'de-politicized' European Central Bank, committed to anti-inflation policies – much the same as the Bundesbank. A Treaty commitment was that surplus countries, such as Germany, could not bail-out debtor countries, such as Italy or Greece.

The second major point that needs to be made is that the construction of the EU had been an *anti-socialist* project from the very beginning. Importantly, as the project was unfurled through the establishment of a binding ordoliberal framework of rules and norms undermining state sovereignty – Hayek's blueprint – those signing up to those rules and norms were effectively entering an 'iron cage' from which it was almost impossible to escape (Ryner 2015, 275-294). Stemming from this, the key policy tenets of ordoliberalism/neoliberalism as they result from our analyses are as follows:[3]

1. Sound money and anti-inflation policies
2. Balanced budgets and exclusion of bailouts
3. Anti-trust legislation and (fair) competition policy
4. Complete independence of the central bank mechanism
5. Export-led growth
6. Rule of law, social discipline and biopolitics through *Marktwirtschaft*
7. Strong institutional framework (the 'economic constitution') embedded in – and ordering – free markets

Having said this, the economic and political Constitution of the EU is but a supply-side Constitution, overturning the demand-led democratic constitutional arrangements struck within the nation states of Europe under pressures arising from social struggle. From this perspective, the EU has always had a 'democratic deficit', a drawback transformed into straightforward authoritarianism as soon as the banking crisis appeared upon the horizon (Fouskas and Gökay 2019).

The Making of the Ordoliberal Left: A Bird's-Eye Glimpse

Political parties are agencies that always operate within a given set of material-institutional constraints laid out by national and international class structures and interests. At the same time, as active participants of social and political struggle – and this is valid especially for the parties of the Left – they are in a position, at least in theory, to push the boundaries of those constraints, bringing them closer to the class interests that these parties are committed to. The Right has a moral and class obligation to push the boundaries

[3] It should be emphasized again that all of these policy tenets represent material constraints and constitutional commitments, and are inserted in the EU Treaties, thereby binding all EU/eurozone national polities to adhere to them.

towards the maximization of profit for enterprises, while holding onto political class power; the Left has a moral and class obligation to push those boundaries towards high wages and social welfare. The question of state power for the Left, a question distinct from that of governmental power, arises always at the level of the nation state when a leftist political party is able to project the interests of the class it represents as broader popular-national interests – the issue of working class hegemony within the broad ensemble of subaltern classes – without relinquishing the primacy of the core class it represents; i.e. the working class.[4] The question of socialism and state power arises from the moment that the subaltern classes can suppress the bourgeoisie and alter the relations of production (property relations) and the markets corresponding to them. Historically, this issue has been posed only during radical-revolutionary periods in world history (the Russian Revolution, the Chinese Revolution, the de-colonization period, the Cuban Revolution, etc.). Here, we confine ourselves to the case of the social democratic Keynesian Left.

Sadly, the Keynesian Left could not push the boundaries of capital accumulation towards a new balance of power between labour and capital in favour of the former during the post-*stagflation* years. As we know, Right-wing parties did succeed in this, pushing towards neoliberal/ordoliberal globalization/financialization, because this was deemed to be the remedy for the falling tendency of the (average) rate of profit. But problems do not end here. The parties of the Left not only failed to push the class boundaries of capitalism in favour of the subaltern and working classes, but also contributed to the shaping and strengthening of those boundaries together with the neoliberal Right *against* the class and popular interests they supposedly represented. Let us take a brief look at that process.

[4] We accept the distinction between *state power* and *governmental power*. A Left-wing party may be in governmental power but without controlling key sections of the bourgeois state power, such as the Ministry of Defence or the Interior Ministry. This distinction was first put forth by Marx and later systematized by such Marxists as Nicos Poulantzas in the late 1960s. Antonio Gramsci also elaborated on the issue of class hegemony in his *Quaderni del Carcere* (Prison Notebooks). The bibliography on these themes is immense.

The German Social Democratic Party (SPD) was not the kind of party that could push class boundaries in favour of the working class and its allies. Bound by its reformist-revisionist tradition of Eduard Bernstein – "the movement is everything, the end-aim (of socialism) nothing" – the SPD in its Bad Godesberg program of 1959 abandoned not just class struggle and nationalizations but, in a significant concession to the ordoliberalism of *Marktwirtschaft*, its program would state most dramatically that Germany needs "as much competition as possible and as much planning as necessary" (Sassoon 1996, 250). German trade unions were incorporated not only into government, but were also placed into boardrooms, "where unionists sat next to company directors, delivering wage restraint in return for power" (Varoufakis 2016, 63). French neo-revisionism, as we briefly stated above, began with the abandonment of the Keynesian program by Mitterrand in 1983. In Britain, matters were more complicated. The Labour Party had laid the foundations of the British welfare state in the 1940s, and the 1960s and 1970s were dominated by Labour governments' resistance to any type of neoliberal reform, whether it came through the country's EEC membership or through internal pressure. It took the party sixteen years from 1979 – when it lost power to Thatcher's triumphant neoliberal project amid a dramatic economic crisis – to come to grips with its commitment to socialism and nationalizations, abolishing the famous 'Clause 4' in 1994 under the neo-revisionist Third Way leadership of Tony Blair. This neo-revisionist act, a direct concession to German ordoliberalism rather than Anglo-American neoliberalism, as we shall see below, paved Blair's way to governmental power. Effectively, the Labour Party did not simply accept the new constraints imposed by Thatcher's neoliberal reforms, setting out the new boundaries within which the political and economic game should take place; in the event, it began a journey as an active institutional participant in shaping and strengthening neoliberal financialization from positions of governmental power. Under Blair, the Labour Party became part-and-parcel of the process of the neoliberal financialization, adopting key tenets of German ordoliberalism from the EU, something that Thatcher had fought against.

It should not be forgotten that Britain is a very peculiar case. Historically, it has always stood with one foot in Europe and with the other in the world as a global imperial power. It preferred to manage German affairs and expansionist designs in East-Central Europe and the Balkans through France and French affairs and designs through Germany. An off-shore balancer, Britain mastered the largest formal empire in history, only to lose its primacy and retreat, like other European colonial powers, after WWII. Because of its geographical position, naval-commercial power and the role of London as the globe's main financial centre, Britain has always had a lukewarm relationship with Europe. Edward Heath, Britain's Conservative PM in 1973 and the most pro-European Prime Minister Britain ever had, managed to overcome French – and inner-party – objections, achieving EEC membership. Labour had had the same internal divides, but the socialist star of Labour politics, Tony Benn, vehemently criticized the European project as a capitalist and undemocratic endeavour. Thatcher herself – although she and the majority of her ruling group were arch neoliberals inspired by Hayek's work – never agreed to concede monetary sovereignty to Brussels and, through it, to Germany. In her final parliamentary speech, on 22 November 1990, she would argue that Europe's future central bank would be accountable to no parliament and that such a bank would be completely undemocratic.[5]

Well, she was right. Not because she had any intention of criticizing the EU from a socialist or social democratic position, as Tony Benn and others were doing at the time, but because her ideological formation and political aim was to sustain a neoliberal project at home under the aegis of Westminster, while re-launching Britain as a neo-imperial power abroad, re-imagining/re-inventing the

---

[5] Thatcher answered the question by Alan Beith – a Liberal Democrat – about whether she would continue her fight against a single currency and an independent central bank as follows (before she could answer, another MP interjected: "No, she's going to be a governor"): "What a good idea", Thatcher boasted, answering to the interjection. "I had not thought of it. But if I were, there would be no European Central Bank accountable to no one, least of all to national parliaments. Because under that kind of central bank there will be no democracy [and the central bank] taking powers away from every single parliament and be able to have a single currency and a monetary policy and an interest rate policy that takes away from us all political power" (Margaret Thatcher's last speech as Prime Minister, 20 November 1990, available at https://www.youtube.com/watch?v=uF_GXMxa-mE).

Empire. There are elements of realism in Thatcher's view. By turning Britain into the globe's financial hub in the era of globalization, Thatcherite neoliberalism aimed to transform Britain into the gatekeeper of financialization and supply chains of global production networks, by-passing Europe, which was already dominated by Germany. However, Blair's Third Way neo-revisionism went beyond Thatcher's Euroscepticism, embracing the ordoliberal agenda comprehensively.[6]

Blair's New Labour assumed governmental power in 1996, in the midst of Bill Clinton's successful Presidential terms, and when the bubble of neoliberal financialization was at full expansion. Wall Street and the City of London had already become the hubs of a triumphant global capitalism, delivering prosperity, low inflation, high financial profits, easy borrowing at tempting interest rates, and all this in an environment freed from any global competitor in the wake of the collapse of the Soviet Union and its satellite states. It seemed like the 'end of history' was just around the corner. Unimpeded, NATO and the EEC/EU headed eastwards, providing new members with security and neoliberal conditionality: you reform your economy in a free market direction 'becoming prosperous like us', and then you too can join the two clubs. Interestingly, what triggered the bombing of Belgrade and Yugoslavia in 1999 by NATO forces was the refusal on the part of the Yugoslav delegation at Rambouillet to the so-called 'Appendix B' (Fouskas 2003, 13-33), which stipulated, among other things, that Yugoslavia would accept free market economic principles (the other two conditions were that within three years the Kosovo-Albanians should be given the chance of voting for independence and possible annexation to Albania; and that NATO forces should be given permission to deploy not only in Kosovo but anywhere in Yugoslavia). Blair's New Labour was one of the most hawkish advocates of NATO's bombing campaign, a fact that demonstrated clearly that the Third Way lacks any separate foreign policy instrument, as this is nothing more and nothing less than mere neo-imperialism led by the USA in post-Cold

[6] Today, after the Brexit vote of summer 2016, Blair fights for a second referendum hoping to "withdraw the withdrawal", as the late Stephen Haseler put it in a private conversation (Fouskas 2018).

War conditions. But, in spite of this, did the Third Way have a distinct, progressive economic and social policy?

Tony Blair did not challenge the global neo-imperial role Thatcher envisaged for Britain in the context of neoliberal financialization. However, he perceived that role as being supplementary to Britain's role in the EU. In this respect, he had been Britain's ordoliberal politician *par excellence*. On more than one occasion, and having abolished the Labour Party's constitutional commitment to socialism as enshrined in Clause 4 before he assumed office, he stressed that

> old fashioned state intervention did not and cannot work. But neither does naïve reliance on markets. The government must promote competition, stimulating enterprise, flexibility and innovation by opening markets […] In government, in business, in our universities and throughout society we must do much more to foster a new entrepreneurial spirit (cited in Finlayson 2003, 177-78).

Revealingly, in June 1998, Blair signed jointly with Gerhard Schröder, Germany's Chancellor and SPD leader, a 'working paper' laying out in full the ordoliberal agenda of the Left in Europe (Blair and Schröder 1998). The initiative was sponsored by the SPD's think-tank, the Friedrich Ebert Foundation. The "trademark of this approach", the two leaders argued, is the 'New Centre' in Germany and the Third Way in Britain. And after confirming that both political forces "share a common destiny within the European Union", they go on to assert that "the essential function of the market must be complemented and improved by political action, not hampered by it." Moreover, public expenditure is not an end in itself but must be used in order to "enable people to help themselves". In a direct attack on the welfare state, "universal safeguards" must cease to be the norm, the paper argued; in their stead, what needs to be promoted is the "importance of individual and business enterprise to the creation of wealth". "Left-wing" ideas, the paper continued, "should not become an ideological straitjacket" and globalization should be promoted by government actions that "create conditions in which existing business can prosper and adapt, and new businesses can be set up and grow" by way of boosting "efficiency, competition and high performance". And, in an attempt to address Europe's unemployment challenge, which is "far too high" in some countries, the authors revealingly state: "To address this challenge, Europe's social democrats must together formulate and implement a new *supply-side agenda* for the Left", setting out a "robust competitive market framework" (our emphasis). This supply-side agenda is essential, as it will put a break on the government's borrowing requirement, addressing the issue of debt. Deficit spending – one of the pillars of Keynesianism – should be avoided. Further, high taxation on corporations is excluded, because it reduces profits and competitiveness, while jeopardizing jobs. Having a part-time job is better than having no job at all and "flexible markets are a modern social democratic aim". The joint paper goes on to explain the notions of "human and social capital", two fields that in a "modern service and knowledge-based economy" mean continuous education and vocational training, while public investment should be well-calculated and "directed at activities most beneficial to growth and fostering necessary structural change".

Blair openly embraced the agenda of Europe's ordoliberal Left, embracing all of its postulates. Crucially, both leaders avoided the tackling of perplexing issues, such as the role of the ECB or the constraints imposed on each EU government by the EU's ordoliberal *acquis*, issues that Thatcher tackled head-on by denouncing close links with the 'Brussels bureaucracy' as unaccountable and undemocratic. At times, he – and Schröder, for that matter – conceived of the EU and the regulatory framework it provides somewhat disingenuously, stating that "companies must not be gagged by rules and regulations", as if they were unaware of the EU's cumbersome competition policy and anti-trust legislation.

At home, Blair followed a two-prong ordoliberal policy. On the one hand, he conceded operational independence for setting interest rates to the Bank of England in order to keep inflation under control but, on the other, he actively promoted asset price inflation (Kiely 2018, 158), especially in the housing sector, a key feature of the financialization bubble in the Anglo-American world and elsewhere, such as Spain. Thus, when the neo-imperial financialization chain blew up in 2007-08, necessitating the pumping of trillions of taxpayers´ money into the banking sector in order to save capitalism from total collapse, neither Schröder's New Centre nor Blair's Third Way can be considered innocent. They were directly involved in the shaping of neoliberal globalization/financialization by way of not just adopting the ordoliberal book in its entirety, but also by contributing to the writing of its very rules and misleading the public that voted for them.

The punishment, as well all know, did not take long to arrive. One after another, the ordoliberal/neo-revisionist Left parties across Europe collapsed, creating ample space for the emergence of the radical-xenophobic Right, but also for the radical Left. In some cases, such as the British Labour Party under the leadership of Jeremy Corbyn, ordoliberal leftist principles became thwarted from within the party. In others, such as in Spain, new Radical Left aggregations were born, contesting enduring austerity and bondage. In Greece, Syriza, a promising radical party, swept to power in January 2015 on an anti-austerity agenda, only to capitulate, after six months of bitter negotiations with the Troika and after over-turning a popular referendum outcome that voted against ordoliberal austerity. At any event, the eurozone crisis was not just a lesson for the ordoliberal European Left; it represents a lesson for the ordoliberal movement as a whole. For all the safety valves and regulation guarantees offered by the strong hand of the ECB, the Commission, the Council and the European Court of Justice, free market capitalism proved to be an animal too difficult to tame. The ordoliberal Treaties of the EU proved to be useless pieces of paper, not worth the ink and paper used to pen them. The banking sector of the North Atlantic area was extremely intertwined: this is, in fact, one of the key dimensions of financialization. In the end, it required massive cynicism *cum* political anxiety on the part of the European elites to launch an entire operation in which the core surplus states of the EU could displace their banking crisis to periphery states (Ireland, Greece, Spain and Portugal), imposing on them unprecedented austerity measures through bailout agreements offered and imposed on humiliating, neo-colonial terms. Those who aspire to join the EU and the eurozone should think twice before they embark on such a trip.

Conclusion

The trip was predictable. The Euro-sceptic Left had always criticized the movement towards further European 'integration' on the basis of free markets, institutionally engineered by a framework of rules shaped after the interest of the core surplus state, Germany (Fouskas 1997; Gowan 1999; Callinicos 2010). The Euro-sceptic Left put forth a socialist agenda at home first, in particular a program of green development and industrialization, under-cutting the power of banks and finance, while boosting demand and welfare institutions (Lapavitsas, 2018). Placing uneven (and combined) development at the centre of its investigation, this Left never believed that the European construction could create a European *demos* of equal states and national societies, where solidarity and amicability prevailed over the class interests of multinational corporations and finance that lay at its core. The European periphery never managed to close the developmental gap with the core, with the introduction of the European Monetary Union (EMU) only serving to widen this gap, completely destroying the competitive capacity of the periphery. Further, the EMU mechanism excludes *external* devaluation, the only apparent option being *internal* devaluation – a polite way to say *austerity bondage*. The eurozone crisis brought matters to a breaking point, especially with the case of Greece. The saga continues with the Brexit case, although Italy will soon bounce back as 'Europe's new sick man'. Unfortunately, as we have tried to show in this contribution, the European Left has contributed to the rise of this exploitative ordoliberal system and its crisis, and since 2009 it has further contributed to the ordoliberal management of the crisis with a harsh program of enduring austerity. Thus, its electoral power and political influence is on the wane universally. Its fall is an indisputable matter of fact, although its survival and renewal, it should be said, are completely dependent on the success of the austerity program across Europe, albeit possibly under different names, as appears to be the case in Greece and elsewhere.

There is, as was stated in our opening comments, also a sophisticated branch of the Left, the Euro-Left. In its attempt to provide a response to the collapsing ordoliberal Left, this Left sees the

EU as a field of socialist action prone to the implementation of a socialist, post-Keynesian platform at the level of the EU itself. However, there is nothing more misleading than this.

First of all, as we showed earlier, being a member of the EU/eurozone, or even merely pegging your domestic currency to the euro, essentially means that you have already signed up to the policy of enduring austerity as applies across the EU/eurozone. Membership of the EU entails loss of national sovereignty and subscription to the European *acquis,* which is anything but democratic and accountable to any national or European *demos*.

Second, The EU is a hierarchical and disciplinarian structure of states, at the top of which stands Germany, the continent's strongest economy. Germany, with its 'sound money' ordoliberal policy, became the anchor country of the European system, providing it with a firm reference point. By the time the Maastricht Treaty was signed, Germany's monetary policy, i.e. the Bundesbank's anti-inflation bias, was in charge of the situation. The ECB's model is the *de-politicized* arrangement of the Bundesbank. Lapavitsas summarizes this well:

> In practice the ECB took the Bundesbank as its model and focused exclusively on maintaining a very low rate of inflation, without any obligation to finance fiscal deficits by member states. The ostensible logic was to ensure convergence of inflation rates across EMU countries, thus making it possible to stabilize international transactions in Europe and to sustain the monetary union. The actual outcome was that the operation of the common currency rebounded in the interests of German exporting capital and the EMU became a domestic market for German industry. (Lapavitsas 2018, 31).

With the Stability and Growth Pact regulating the fiscal performance of the member states, austerity assumed an enduring embeddedness for all of them, insofar as budgets must always be balanced and move within narrow limits, without a 'bailout clause'. But when the crisis broke, even these arrangements were not sufficient. New austerity-oriented treaties, such as the Fiscal Compact and the European Semester program, had to be envisaged, bringing especially the debtor countries of the periphery to their knees at the very moment when Germany continued to register surpluses, while German and French banks were saved by the Greek and other taxpayers of the periphery, who in turn received bailout austerity packages. But the secret of the German success lies elsewhere. It is to be found in the stagnation of wages from the late 1990s onwards, the peculiarity of its financialized capitalism that allows accumulation of liquidity for massive lending, and the protection of an export-oriented manufacturing sector. The German success is not due to public and private investment in the country (Lapavitsas 2018, 64-5); it is the product of a deflationary policy and, hence, of a low exchange rate due to low nominal wage increases. This protected the German exports in a highly competitive international environment: "In sum", Lapavitsas writes, "Germany's rising competitiveness since the late 1990s has been based less on its ability to raise output per person and more on its capacity to suppress compensation per person" (ibid. 49). Thus, the paramount concern of Germany becomes the paramount concern of the EU: prevent the monetary union from collapsing; defend the value of the euro as an international reserve currency so that EU/German products can compete internationally. Peripheral countries suffer more because their economies cannot compete with the core, especially since currency devaluation is not an option.

Third, the European *acquis* is becoming increasingly cumbersome, reactionary and regressive. Two rulings from the European Court of Justice (ECJ) in 2007, the *Viking* and *Laval* cases, have created impediments to trade union activity in the EU with regard to postal workers. These are workers from one EU country being employed in another EU country but under the arrangements and conditions of the country of origin, usually an Eastern European or Balkan state, which are generally worse. The ECJ found that the trade unions of the host EU country cannot act to protect discriminatory wages, for example, for an Eastern European worker, because such an action would undermine the very premises of the single market. This is highly significant. Essentially, it demolishes the myth of progressive and pro-labour legislation on the part of the EU/ECJ, prioritizing the welfare of the single market, that is, protecting the price mechanism of the *Marktwirtschaft*. In a similar vein, one can look at the so-called 'Dublin Regulations' regarding refugees, illegal immigrants and asylum seekers, or the despicable agreement between EU and Turkey over the same issue. The core aim of the 'humanistic' and 'pro-solidarity' EU was to protect its *Marktwirtschaft,* allow in as many refugees and immigrants as the system could profitably absorb, whereas all others, (amounting to hundreds of thousands of people), may be left eternally trapped in Turkey, Greece and the Western Balkans. But that is how imperialist powers behave: first causing havoc to entire societies in the MENA region and Central Asia by bombing them and instigating ethnic and religious wars of aggression in order to secure energy-related and other dividends, then attempting to block population movements on the ground as people's lives in their homelands become unbearable.

Having said this, one conclusion seems to be inescapable, namely, that the Euro-Left 'post-Keynesian' project is, at best, utopian and, at worst, a naïve interpretation of the EU Treaties. The Western Balkan states that aspire to become members of the EU, such as Serbia, may well think twice before they embark on such a predictable journey.

References

Blair, Tony, and Gerhard Schröder. 1998. *Europe. The Third Way/Die Neue Mitte*. Working Document No. 2/June, Friedrich Ebert Stiftung.

Bonefeld, Werner. 2017. *The Strong State and the Free Economy*. London.

Callinicos, Alex. 2010. *Imperialism and Global Political Economy*. Polity.

Dardot, Pierre, and Christian Laval. 2013. *The New Way of the World*. Verso.

Dyson, Ken, and Kevin Featherstone. 1999. *The Road to Maastricht*. Oxford University Press.

Finlayson, Alan. 2003. *Making Sense of New Labour*. London.

Foucault, Michelle. 1979/2010. *The Birth of Biopolitics*. Palgrave-Macmillan.

Fouskas, Vassilis K. 1997. "The Italian Left and the Enlargement of the European Union." *Contemporary Politics,* 3/2, 119-137.

Fouskas, Vassilis K. 1998. *Italy, Europe, the Left. The Transformation of Italian Communism and the European Imperative*. Ashgate.

Fouskas, Vassilis K. 2003. *Zones of Conflict. US Foreign Policy in the Balkans and the Greater Middle East*. Pluto Press.

Fouskas, Vassilis K. 2018. "Against a Second Brexit Referendum." *openDemocracy*, 1 December 2018.

Fouskas, Vassilis K., and Bülent Gökay. 2019. "The Disintegration of Euro-Atlanticism and New Authoritarianism." *Global Power-Shift*. Palgrave-Macmillan.

Fouskas, Vassilis K., and Constantine Dimoulas. 2012. "The Greek Workshop of Debt and the Failure of the European Project." *Journal of Balkan and Near Eastern Studies*, 14/1, 1-31.

Fouskas, Vassilis K., and Constantine Dimoulas. 2013. *Greece, Financialisation and the EU. The Political Economy of Debt and Destruction*. Palgrave-Macmillan.

Fouskas, Vassilis K., and Shampa Roy-Mukherjee. 2019. "Neo-Liberalism and Ordoliberalism. One or Two Critiques? An Introduction." *Critical Sociology,* published online first, 8 April 2019, https://journals.sagepub.com/doi/full/10.1177/0896920519835008

Gowan, Peter. 1999. *The Global Gamble. Washington's Faustian Bid for World Dominance*. Verso.

Hayek, Friedrich von. 1939/1947. *The Economic Conditions of Interstate Federalism. In: Individualism and Economic Order*. The University of Chicago Press.

Hien, Josef, and Christian Joerges (eds). 2017. *Ordoliberalism, Law and the Rule of Economics*. Hart.

Kiely, Ray. 2018. *The Neo-Liberal Paradox*. Edward Elgar.

Lapavitsas, Costas et al. 2010. "Eurozone Crisis. Beggar Thyself and Thy Neighbour." *Journal of Balkan and Near Eastern Studies,* 12/4, 321-373.

Lapavitsas, Costas. 2018. *The Left Case Against the EU*. Polity.
Mirowski, Philip, and Dieter Plehwe (eds). 2009. *The Road from Mont Pelerin. The Making of the Neo-Liberal Thought Collective*. Harvard University Press.
Peacock, Alan, and Hans Willgerodt (eds). 1989. *German Neo-Liberals and the Social Market Economy*. Macmillan.
Ryner, Magnus. 2015. "Europe's Ordoliberal Iron Cage: Critical Political Economy, the Euro Area Crisis and its Management." *Journal of European Public Policy,* 22/2, 275-294.
Sassoon, Donald. 1996. *One Hundred Years of Socialism*. Fontana.
Scheuerman, William. 2015. "Hermann Heller and the European Crisis. Authoritarian Liberalism Redux?" *European Law Journal,* 21/3, 302-312.
Varoufakis, Yanis. 2016. *And the Weak Suffer What They Must*. Vintage.