

The Discovery of (a European) Society?
A Polanyian appraisal of European integration after
the Maastricht Treaty

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Abstract

The ongoing Eurocrisis expresses the limits of an institutional setup designed to run the Euro as commodity money and to organize labour into competitive markets. Building on Polanyi's (1944) claim that "a market economy can exist only in a market society", this paper approaches the project of European integration "as an instituted process" (Polanyi, 1957) of enactment of a market economy embedded in a market society.

Section 1 builds a polanyian framework, with particular focus on the theoretical tension between the notions of market disembeddedness and embeddedness in a market society. Section 2 presents the structure of European multilevel governance as an institutional blueprint of market disembeddedness. A third section explores the dynamics of translation of the European Market Economy into a European Market Society.

The paper concludes by arguing that a solution to the Eurocrisis that is both Europeanist and democratic will require replacing the liberal ethos of the market for the public sphere, as rationale for the European society embedding the European economy.

Keywords: European integration, Asymmetric integration, Market Disembeddedness, Market Society

JEL classification: B52, F55.

1. INTRODUCTION

Ever since the collapse of Lehman Brothers in 2008, anyone who would read mainstream economic literature and media would have said that critiques of unfettered, *laissez faire* markets and neoliberal capitalism had gained momentum. In their newspaper columns and internet blogs, Nobel Prize winning economists such as Paul Krugman or Joseph Stiglitz restored Keynesianism to a new peak of popularity and even *The Economist*² seemed to endorse the Quantitative Easing programmes of the Fed and the Bank of England.

In Europe, particularly, as the 2007-2009 global financial meltdown unfolded into a sovereign debt crisis which threatened the very survival of the European project³, the neoliberal consensus which had been dominant since the 1970s evolved along a succession of three narratives questioning the dynamics between the economy/the markets and the institutional structures for their (political) governance.

First, the Commission's diagnosis identified *insufficient regulation and permissive supervision* as the source of all threats to the single currency; along with this *moralization of finance* thus came a set of regulation and a revised architecture for the supervision of EU financial system⁴. As the financial meltdown and the costs of private deleveraging began to strain the public accounts of some Eurozone countries (as governments were forced to bail out collapsing banking systems, and as automatic stabilizers began to operate in the contracting economies), a narrative of *moralization of debt* soon followed, according to which the Euro was being endangered by the fiscal profligacy of some undisciplined countries. As austerity seemed not to cheer up investors about recovery in the Eurozone, attentions then turned to the institutional configuration of EMU: the key issue was now – in the view of the Commission, the French President and the German Chancellor – insufficient political (and, more specifically, fiscal) integration to shape economic integration. Thus the Europlus Pact⁵ was born and the grounds for a new Treaty were laid⁶.

² *The Economist*, 4.11.2010, 'Down the slipway - "Quantitative easing" is unloved and unappreciated—but it is working', <http://www.economist.com/node/17417742>.

³ On 25th November the German Chancellor Angela Merkel and the French President Nicolas Sarkozy summarized the state-of-the-art of the ongoing Eurocrisis in these terms: "If Italy falls, it will be the end of the Euro, causing a stagnation of the European integration process with unforeseeable consequences".

⁴ The European Union's roadmap for Financial Reform (EC - Directorate-General for the Internal Market and Services) stated that the roots of the crisis laid "mainly in a collective failure by financial institutions to fulfil their basic mission of serving the real economy", but that "liquidity and solvency problems also stem from a moral crisis", as "[i]rresponsible risk-taking was overtly rewarded"; the document thus concluded that "[t]he crisis has shown that no financial player, market or product should be exempt from appropriate regulation and supervision".

⁵ Creating the so-called European Semester, in which national budgets and economic policy guidelines ought to secure Commission's blessing even prior to discussion in national parliaments, and inflicting harsher sanctions on non-complying members.

⁶ The draft version of the 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union' contained a Fiscal Compact (Title 3), stating that the so-called "golden rule" of a structural deficit of no more than 0.5 % GDP should be included in the national law of the Member states, "through provisions of binding force and permanent character, preferably constitutional".

(http://www.lastampa.it/_web/tmplframe/default.asp?indirizzo=http://www.lastampa.it/_web/download/pdf/Fiscal_27.01.2011.pdf)

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In short, following these lines of mainstream reasoning, one would easily classify the ongoing Eurocrisis (taken broadly as the intersection of the transnational financial crisis with the institutional singularities of EMU) as the outcome of integrated financial markets - and, more broadly, of an integrated economy – insufficiently controlled by political and regulatory structures; or, in the polanyian jargon, as a *crisis of market disembeddedness*.

A significant amount of Comparative Political Economy literature on the impact of European integration upon European varieties of organized capitalism has convincingly described how the setup of European integration has been triggering an uprooting of markets from the national structures that subordinated it to collectively determined notions of “social protection aiming at the conservation of man and nature as well as productive organization” (Polanyi, 2001[1944]: 138) (Menz, 2005; Höpner and Schäfer, 2007; Hancké et al. 2007; Scharpf, 2010). While endorsing those analyses, this paper argues that a deeper inquiry on the polanyian concept of (dis)embeddedness is due, in order to fully grasp the embeddedness-disembeddedness dynamics that are set in motion in the context of European integration, and this Eurocrisis as a bi-product of its political economic substance that marks its limits as a market project.

To that purpose, a theoretical framework will be built (section 1) upon three key polanyian premises: (i) that the economy (and markets) must be approached, not as abstract entities with constitutive essences, but rather as “instituted processes” (Polanyi, 1957), (ii) to the extent that it corresponds to a particular social ordering, “[a] market economy can exist only in a market society” (2001[1944]: 74), and (iii) this “market society” is characterized by commodification resulting from the autonomy of the market pattern. Within this framework, the question guiding our investigation can be formulated in these terms: *how does the institutional architecture of European multilevel governance (particularly since the Maastricht Treaty) customize markets so that they become autonomous from the domestic structures that previously subordinated them to collectively determined notions of wellbeing and limits to the commodification of human labour?, what sort of social order is thereby enacted?*

Our investigation will unfold in three sections. As referred, the first section builds a polanyian framework, with particular focus on the theoretical tension between the notions of disembeddedness and embeddedness, and on the relationship between a market economy and a market society. The second section tries to account for the embedded nature of European market “disembeddedness”: a fundamental double asymmetry between, on the one hand, negative and positive integration, and, on the other hand, between market-enhancing and market-embedding integration; this double asymmetry is underpinned both by the structure of EU multilevel governance and by its political economic substance expressed mainly in the two pillars of the Maastricht Treaty (the single market and the single currency), and in the Lisbon Agenda (the paradigm of EU discourse on social issues). A third

section explores the core argument of the paper: that the project for the European market economy (as outlined in the previous section) entails the enabling of a European market society.

The paper concludes by arguing that this Eurocrisis displays many traits of *The Great Transformation*'s main thesis: that the conflict between a "society run as adjunct to the market" and democracy inevitably becomes insuperable. In this sense, it is argued that a solution that is both Europeanist and democratic will require institutional rearrangements that replace the liberal ethos of the market society for the public sphere as rationale for the European society embedding the European economy.

2. FRAMING THE DISCUSSION: TAKING ISSUE WITH THE CONCEPT OF DISEMBEDDEDNESS

This paper builds on the polanyian claim that markets are never truly disembedded from society but, instead, "a market economy can exist only in a market society". By this is meant that a market economy is not a system in which markets have merely been uprooted from non-market social (normative, political, regulatory, cultural, etc.) structures (that go on existing, unharmed, in spite of the market), but that this market economy - and this emancipation of the market - require a specific social (re)ordering, namely, one that organizes the elements of production and economic life into markets (i.e. as commodities).

In order to understand this - and thus conceptualize European integration as enacting a particular type of social order - a key analytical step is the polanyian critique to what the author calls the "obsolete market mentality" (Polanyi, 1947). This obsolete market mentality corresponds to the analytical distinction between, on the one hand, the economy, presided by the market as an abstract entity with a constitutive essence (the self-interested, maximizing individual behaviour), and, on the other hand, institutions as the (normative, political, cultural, etc.) parameters that society sets upon the "natural" market order to subordinate it to social and political goals.

If one erases this analytical distinction between markets and institutions and approaches the economy as "an instituted process" (Polanyi, 1957), then the conceptual tension between market embeddedness and disembeddedness acquires a new meaning, in which the differentiating factor is a matter of institutional configuration. As instituted processes, markets are constructs resulting from political-legislative (and often judicial) action shaping actors' fields of opportunities for action in society.

But if the distinction between embeddedness and disembeddedness is no longer decided in a markets-vs.-institutions binomial, then one must investigate what is distinctive about market (dis)embeddedness. Markets as institutions clarified the core polanyian premise according to which

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markets can never be truly disembedded from society but, rather, correspond to a particular social ordering; to ask for what is distinctive about disembeddedness, thus, is to ask for what is distinctive of a society that has been arranged *according to* the neoclassical endeavour of the self-regulating market.

The two distinctive traits are the *commodity status* and *self-regulated* (in the sense of automated, mechanic) functioning: a market economy is a social arrangement such that the market pattern is allowed to expand itself onto all spheres of social relations and to gear the commodity status onto every element of social life associated with production.

In pre-capitalist societies, markets⁷ existed but they were contained in – and subordinated to – the moral, religious and political values and structures of society. Which institutional changes triggered an uprooting of the market pattern from such structures?

Polanyi identifies the development of the factory system associated with the introduction of elaborate machinery during the Industrial Revolution as the turning point marking the process of extension of the market principle to the social structures in which it was embedded. As industrial production became increasingly complex, entailing long-term investments (and matching risks), the need for assurance about the continuity of production grew. This meant safeguarding that all elements of industry were to be made available for acquisition at any time, through a constant and predictable mechanism, that is, the market⁸.

As crucial elements of production, of course, *labour*, *land* and *money* would also have to be available and organized into markets, having their value determined in the interaction between supply and demand – in short, as commodities.

But labour, land and money were not originally produced with the purpose of being sold and purchased in markets: instead, labour “is only another name for human activity which goes with life itself” (Polanyi, 2001 [1944]: 75) and is, therefore, inextricable of man; also, land is another name for nature which had never - before the capitalist era - been left to be run by the market mechanism, but, rather was imbricated in the social structures of propriety (the feudal system, the monastery, urban law) (Polanyi, 1947); finally, money is not a commodity but a *token* of accumulation power (and, therefore, a reflex of the social relations of production), and a *yardstick* of debt relations in that society, that is *produced* and *backed* by State authority.

The (re)configuration of these elements of social life as commodities is thus the product of specific institutional engineering directed at removing the social and political parameters that restricted the extent to which the expansionary logic of the market could gear the commodity status onto them: in 19th century England, a competitive market for labour was enabled by the 1834 Poor

⁷ That is, “a meeting place for the purpose of barter or buying and selling” (Polanyi, 2001[1944]: 59).

⁸ “In practice this means that there must be markets for every element of industry; that in these markets each of these elements is organized into a supply and a demand group; and that each element has a price which interacts with demand and supply.” (Polanyi, 2001 [1944]: 75)

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Law Reform, which abolished the Speenhamland Law⁹ and pushed people into selling their workforce for whichever price they could obtain for it in the marketplace; likewise, a market for land was established through the removal of the Corn Laws and, finally, money was shaped as a commodity by means of the 1844 Bank Act, which established the gold standard and removed the State's prerogative of producing (controlling) money¹⁰. (Polanyi, 1947)

Before continuing our investigation on how market disembeddedness in Europe today is – in an analogous way – institutionally embedded in the architecture of European integration, there are two aspects about market disembeddedness – or, rather, about a market economy as an instituted process – that is important to consider.

The first one is that it entails a specific configuration of social order: a market society; not only to the extent that social relations underpinning the economy are shaped according to the market nexus, but also in the sense that, from such an ordering, a specific *ethos* emerges.

In conceptualizing the economy “as an instituted process” (Polanyi, 1957), one recognized that the market nexus was one among other rationales according to which actors are mobilized and coordinate in a society. In *The Great Transformation*, Polanyi takes into account two other coordination modes: reciprocity and redistribution. *Barter, reciprocity* and *redistribution* are, according to Polanyi, the logics of human behaviour and social coordination that have shaped human societies in history. These patterns, however, do not exist purely by themselves, but are associated with specific institutional configurations: reciprocative behaviour can only take place in a social environment organized according to the principle of *symmetry*¹¹; a redistributive order requires an institutional architecture composed by *allocative* centres (which perform collection, storage and redistribution functions)¹²; finally, barter requires an institutional arena where demand interacts with supply according to a price system: the *market*. As summarized later in *The Obsolete Market Mentality*:

“[H]uman beings are capable of producing labour for a great variety of motives, provided that things are organized according to those motives.”¹³ (Polanyi, 1947: 10)

⁹ The Speenhamland Law of 1795 was an allowance system which granted aid-in-wages subsidies (funded by local taxes), indexed to the price of bread, “so that a minimum income should be assured to the poor irrespective of their earnings” in the labour market (Polanyi, 2001[1944]: 82). In essence, Speenhamland was the institutional translation of a socially acknowledged “right to live” principle.

¹⁰ The gold standard meant that money was configured as a commodity to the extent that monetary supply was no longer configured as a function of politically determined goals, but rather as a “neutral veil” emerging out of barter relations in international trade.

¹¹ Polanyi identifies the pattern of reciprocity with the social organization in the coastal tribal villages of the Trobriand Islands, where the exchange of breadfruits and fish would take place in the form of reciprocal distribution of gifts. (2001[1944]: 51)

¹² Polanyi's example of the organizational principle of centrality is the hunting tribe. Given the irregular nature of hunting activity, hunting societies would deliver the game to the head of the tribe for redistribution. In a context of irregular hunting outcomes, redistribution was the only mode of coordination if the group was not to split after each hunt. The same principle applied under the feudal system. (2001[1944]: 51-2)

¹³ In that sense, Polanyi continues (1947: 10), “it is usually considered that the monks [in the monasteries in Europe], the peasants [in the feudal system], the population of West-Melanesia, the Kwakiutl, or the 18th century Statesmen, were governed, respectively, by religion, customs, aesthetics, honour and politics.”

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Thus, whereas in pre-capitalist societies, reciprocity and redistribution were the main rationales shaping the institutional environments of societies¹⁴, “[t]he market economy created a new kind of society (...) under the exclusive control of the incentives of starvation and profit – or, more precisely, the fear of going through vital privations and the expectation of earning profits” (Polanyi, 1947: 5). The twin organizing principles uttered by the configuration of social relation as markets – namely, that (i) “no one without property would be able to satisfy her hunger without selling her labour in the marketplace” and that (ii) “no propriety owner would be prevented from buying in the cheapest market and selling in the dearer” (Polanyi, 1947: 5) – alienated the collective and social substance of production.

As explained in *The Economy as an Instituted Process* (1957), the market pattern involves a fundamental antagonism between the two parties of an exchange, with the seller wanting to obtain the highest value for the transaction and the buyer wanting to pay the lowest price possible. If applied to an issue as crucial for human life as one’s possibility “to satisfy her hunger”, this fundamental antagonism creates an *individualistic, egoistic self-perception and ethos* of the western man, in which motives for action are shaped by – and reduced to – individual pursuit of income¹⁵. In short, the market as a nexus for economic coordination translated into the liberal ethos as rationale for social coordination.

The second aspect to consider is the utopian nature of this commodity fiction: as another name for human life, labour can never be turned into a full-fledged commodity, to the extent that it would not be possible to deploy it indiscriminately, expose it to irregular valuing or, ultimately, set it aside, without destroying the individual¹⁶. The same applies to land – as the fate of nature could not be left to be decided upon the price mechanism without the risk of turning it into wilderness¹⁷ – and to Money, as making monetary supply contingent upon international trade would periodically result in shortages and excess of money, which “would prove as disastrous to business as floods and droughts in primitive society” (2001[1944]: 76).

These limits to a market organization of society – expressed by the status of the fictitious commodities – imply periodic clashes between the expansionary logic of the market and collectively determined action against the socially disruptive effects of further commodification. The sudden

¹⁴ “[A]ll economic systems known to us up to the end of feudalism in Western Europe were organized either on the principle of reciprocity or redistribution”; in that sense, “the orderly production and distribution of goods was secured through a great variety of individual motives disciplined by general principles of behaviour” (Polanyi, 2001[1944]: 57).

¹⁵ As Polanyi (1947: 8) refers, in any society before the capitalist era was the individual in real danger of starvation, unless the community as a whole was in such danger. This specificity of capitalist societies detached production from its social substance and depicted it as a bi-product of self-interested, individually motivated action. Thus, what was the product of institutional arrangements making individuals’ survival contingent upon their individual earnings in the market was naturalized as the essence of human behaviour in all societies, in all times. It is thus in this sense that Polanyi (1947: 3) writes that, “with regard to man, we were led to accept the heresy that his motivations can be described as “material” (...). With regard to society, a similar doctrine was proposed, according to which institutions were determined by the economic system. (...) In a market economy both statements were evidently true. But only in such an economy.”

¹⁶ “[A] market could serve its purpose only if wages fell together with prices. In human terms such a postulate implied for the worker extreme instability of earnings, (...) abject readiness to be shoved and pushed about indiscriminately, complete dependence on the whims of the market.” (2001 [1944]: 184)

¹⁷ “Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted (...)” (2001 [1944]: 76)

consciousness of these limits corresponds to what Polanyi calls “the discovery of society”, that is, the discovery that it does not exist in a vacuum but, rather, there are limits of exposure to the market nexus that it cannot cross without risking disaggregation.

It is in this context that the central thesis of *The Great Transformation* must be understood. When Polanyi (2001[1944]: 32) writes that “[i]n order to comprehend German fascism, we must revert to Ricardian England”, what is meant is that, ultimately, society protects itself, devising a coordinating principle of an entirely distinct sort that can oppose and contain the self-regulating, automatically expanding logic of commodification.

Historically, the discovery of society has triggered distinct answers. As Polanyi summarizes, one has been the struggles for legislation, social protection, parliamentary democracy and universal suffrage (this was the Social Democrat answer). However, other answers judged individual freedom to be a fair price to pay for the protection of the collective against market openness (this underpinned Fascist and Communist dictatorships). Thus, if we consider that this Eurocrisis marks the limits of a project designed to set in motion a self-regulating mechanism of marketization, then assessing the dynamics underpinning a (hypothetical) discovery of a European society will be crucial for devising a solution that is both Europeanist and democratic.

3. THE EUROPEAN MARKET ECONOMY AS AN INSTITUTED PROCESS

In many of his writings (1944, 1947, 1957), Polanyi was sure to make one point clear: while not until the 19th century was the market pattern institutionalized in a way so as to enable a market economy, markets existed in all pre-capitalist societies. Behind the integration of what were previously isolated markets, embedded in the normative and cultural structures of collective life, into a self-regulating system, were the legislative-institutional acts extending the market logic to the fictitious commodities. The Poor Law of 1834, the Bank Act of 1844 and the Corn Laws illustrate Polanyi’s thesis that “*laissez faire* was planned”.

Similarly, this section is concerned with the processes by which market and monetary integration have enabled a European Market Economy in the polanyian sense. The hypothesis under scrutiny is that, particularly after the Maastricht Treaty, a dynamics of mutual reinforcement between the EU institutional architecture of multilevel governance and the political economic substance of EU law has been (re)shaping markets in a way that they have been emancipated from the domestic structures that previously limited the commodification of human labour (organized labour in collective bargaining and the Welfare State).

In order to understand EU-led market “disembeddedness”, this section will follow Fritz Scharpf (2001, 2006, 2010) and Höpner and Schäfer (2010) in the argument that this “disembeddedness” is

actually institutionally embedded in a fundamental double asymmetry: (i), an asymmetry between integration as removal of barriers to market liberties (negative integration) and integration as construction of common political institutions (positive integration) that is the formalistic outcome of the articulation of the distinct modes of coordination at work in the EU structure of multilevel governance; this asymmetry translates into a second one, (ii) an asymmetry between *market-creating* and *market-shaping* integration, that has to do with political economic content of the Maastricht pillars configuring market and monetary integration.

Therefore, a full portrait of the institutional dynamics underpinning the constitution of a European Market Economy will require a two-level analysis: an outline of the EU structure of multilevel governance (2.1) and a critical account of the political economy informing market and monetary integration (2.2).

3.1. EU STRUCTURE OF MULTILEVEL GOVERNANCE AND THE ASYMMETRY BETWEEN NEGATIVE AND POSITIVE INTEGRATION

The framework of EU multi-level governance comprises four modes of governance and coordination: *mutual adjustment*, *supranational-hierarchical direction*, *intergovernmental negotiations* and *joint decision making*. (Scharpf, 2001, 2006)

Mutual adjustment describes the situation in which, in the context of market integration, national governments, in adopting national policies, consider the policy choices of other countries' governments in a non-cooperative way; this often translates into a "regime competition" (Scharpf, 2001), mostly expressed through regulatory and tax competition (Ganghof and Genschel, 2007; Genschel et al., 2009).

In the supranational-hierarchical mode, on the contrary, EU-level actors (the European Central Bank, the European Court of Justice and the European Commission) ensure harmonization through top-down enforcement of EU law (Treaty provisions and *acquis communautaire*¹⁸), which enjoys supremacy over national legislations¹⁹. Their powers and competencies to impose European harmonization, however, are anchored in and refer to the contents specified in EU law, which are decided mostly at the Council, through intergovernmental bargaining between representatives of member-states.

¹⁸ Secondary legislation (directives and regulations).

¹⁹ Art. 4 TEU (Lisbon consolidated version) grants EU law supremacy over national legislation following 1979 ECJ interpretation in the Simmenthal case (C-106/77). This means that, should conflict arise, EU law, as interpreted by the European Court of Justice, can overrule national institutions and regulations. Moreover, the Commission has the power to bring before the ECJ member-states whose regulations or practices might be deemed to conflict with community law (Art. 258 TFEU), and given the ECJ's judicial tool of supremacy, the Commission is thus empowered with two strategies of supranational-hierarchical governance: it can make use of its legislative initiative prerogative and submit regulations or directives to the Council and the European Parliament; but it may also circumvent the often impassable intergovernmental negotiations at the Council by taking judicial action against particular regulations and/or practices in member-states deemed to be conflicting with Treaty obligations. If the Court endorses the Commission's view, then the interpretation underlying its ruling will be law for all member-states.

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In this *intergovernmental mode*, common frameworks are sought by means of negotiations between the representatives of national governments. The decisional process is largely maintained under their control, since common legislation requires unanimity or qualified majority voting (governments are *veto players*). However, given high heterogeneity of EU varieties of capitalism, intergovernmental bargaining between veto players often result in sub-optimal policy outcomes: either blockades and/or suboptimal outcomes (least denominator or vague compromises), or preference for soft law mechanisms such as the Open Method of Coordination (OMC)²⁰ to overcome deadlocks (Schäfer, 2006).

This brings us to the *joint decision mode* of governance, which is the standard procedure in European-level legislating activity, and in which supranational governance articulates with intergovernmental negotiations. In the articulation of these governance modes, in practice, governments face a *joint decision trap* (Scharpf, 2001, 2006): a situation in which either there are no provisions of equal legally binding strength *vis-à-vis* supranational enforcement of the market liberties and Maastricht criteria of the Treaties, or existing provisions are much too vague (in order to secure the requirements for approval at the Council) and, in that case, ECJ interpretations often end up having the effect of legislating *in lieu* of the Council²¹. Altogether, while concentration of legislative competencies in the Council and high consensus requirements aim at preserving national sovereignty and the principle of subsidiarity, paradoxically, domestic non-market institutions end up *constrained* by and *exposed* to negative integration advanced both by mutual competitive adjustment and by supranational enforcement of EU provisions.

3.2. THE POLITICAL ECONOMY OF MARKET AND MONETARY INTEGRATION AND THE COMMODIFICATION OF LABOUR

As Höpner and Schäfer (2007) point out, the Maastricht Treaty (1992) initiated a phase in European integration in which the institutional setup for economic integration started to collide with domestic institutions restricting the organization of labour as commodities (organized labour and welfare states). The two pillars of the Maastricht Treaty shaping it as an agenda of market-disembeddedness were (1) the four economic freedoms associated with the Single Market (free movement of goods, services, capital and people); and (2) the convergence criteria for the establishment of the Economic and Monetary Union (EMU).

²⁰ That is, relying on political compromises and declarations of will, rather than on legal binding strength. The OMC has been the Member-States' preferred strategy to tackle issues of positive integration such as tax harmonisation (to arrest tax competition and fiscal dumping) and social and employment policies (starting from the European Employment Agenda, on to the Lisbon Strategy, up to the 2020 Agenda).

²¹ Either way, as Scharpf (2006) points out, an ECJ ruling is binding for all Member States and reversal is dependent on the same consensus requirements at the Council which prevented approval of a common framework in the first place.

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- *The disembedding impact of the Single Market*

Treaty market liberties have disembedded many market arenas from the domestic institutional structures which kept them under collective (that is, democratically determined and accountable) control.

Particularly, concerning industrial relations, freedom of services provision has uprooted the market for services from national setups of industrial relations, as EU law regulating the posting of workers by firms providing services into foreign countries only required them to comply with provisions specified by national legislation of the host country, while excusing them to comply with those working standards and wage levels which remained at the level of collective bargaining²². Also, the principle of freedom of establishment – which granted companies the right to incorporate under whichever jurisdiction it found more favourable – provided scope to circumvent national corporate law, namely requirements of workers' representation at supervisory board. Finally, financial integration has disembedded capital markets from national structures of corporate governance, with the directive regulating takeover bids²³ leaving listed companies exposed to hostile takeovers, thus pressuring them to adopt more short-termist, shareholder- (rather than stakeholder) orientated strategies to improve market value (Van Apeldoorn, 2009; Callaghan and Höpner, 2005).

Concerning the Welfare State, the economic liberties associated with the Single Market seriously diminish national states' capacity to raise revenue for financing universalist programmes, as tax competition – particularly, corporate tax competition – drives fiscal races-to-the-bottom and affects the progressivity, and, thus, the redistributive capacity of national tax systems²⁴ (Ganghof and Genschel, 2007); also, typically continental bismarckian, contributions- based arrangements of social insurance become greatly exposed to pressures from competition based on non-wage labour costs.

²² Directive 96/71/EC provides that a company posting its workers to a foreign country must abide by the provisions specified by nationally mandatory legislation; however, in many countries with traditionally strongly organized labour (such as in Germany, Austria or Sweden), not only definition of wage levels rests with the social partners, within collective bargaining (with national legislation specifying, at best, in some cases, a national minimum wage), but also employers' compliance is secured by unions' capacity to monitor it and take industrial action against non-compliers. Within the framework of a Single Market for services, however, both the bargaining and sanctioning powers of organized labour have been frequently undermined by ECJ's rulings such as in the Rüffert (C-346/06) (with the Court ruling that if a collectively agreed wage rate was not specified by national legislation, then a foreign company could not be required to pay it to its posted workers) and the Laval (C-319/05) (in which the Court ruled that a union's right to take industrial action against an employer not paying its workers collectively agreed wages could not collide with the latter's freedom to provide services) cases.

²³ Directive 2004/25/EC has removed many of the mechanisms upon which companies could rely to protect themselves from hostile takeovers.

²⁴ As Ganghof and Genschel (2007) explain, the harmful consequences of corporate tax competition lie less in the direct effect on company tax revenue, than in the indirect effect of corporate tax competition upon the taxation of personal income. Since companies can be used as tax shelters for high personal incomes, the corporate tax rate performs an important backstop function that protects taxation of those earnings. If nominal corporate tax rates are pushed down by tax competition, then governments must choose between either accepting a tax rate loophole for top earners or lowering nominal tax rates for top personal incomes.

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• *The disembedding impact of the Single Currency*

In EMU countries, pressures to dismantle structures for the de-commodification of labour and to organize it into full-fledged markets instead are even further stressed.

The Maastricht criteria²⁵ generalized a monetarist Aggregate Demand Management Regime (ADMR). According to the monetarist paradigm, which gained its momentum in the late 1970s, after the Keynesian aporia during the stagflation period²⁶, the problem of aggregate demand and economic growth was to be tackled through a supply-side approach, that is, by setting the exact amount of money supply which would allow for maximum non-inflationary growth, leaving the economic actors (such as governments and unions) to adjust within this monetary corridor defined by an independent, inflation-targeting central bank. The primary goal was, thus, price stability; the key coordinating function was assigned to monetary policy, and it was the economy and the claims of the economic actors over the economic product that would adjust to and accommodate into the fixed interest rate rather than the other way around.

But a monetarist ADMR run in what was not an Optimal Currency Area²⁷, and with no prospects of being framed by redistributory institutions such as a (robust) Budget or Euro-area public debt issuance, backed up by common tax collection and Treasury, meant that the fundamental requisite of monetarism (strict adequacy between interest rate and economic conditions – inflation rate and output gap) was turned inside out: based upon average values, the fixed interest rate would always be, at the same time, too high for those countries whose economic activity was below the average, and too low for those countries with above average economic growth²⁸.

The non-discretionary, non-accommodating character of monetarist monetary policy, as well as its pro-cyclicality in a non-Optimal Currency Area, were in stark contradiction with Keynesian, counter-cyclical fiscal policies and institutions of many European political economies (Palier, 2006; Scharpf, 2011). In fact, the Keynesian answer to the problem of aggregate demand ascribed the leading role to fiscal policy. During a recession period, aggregate demand would be boosted through tax cuts and deficit-financed public expenditure, whereas overheating of economic activity would be tackled

²⁵ Which consisted of (1) the organization of an European System of Central Banks with the centralization of monetary policy into a newly created Community institution – the European Central Bank (ECB) -, whose primary task would be to assure price stability, and who would act independently from political power, (2) pegging of national currencies to a basket unit (ECU) and excessive deficit procedures so as to assure member-states' compliance with budgetary discipline and price stability (effectively institutionalized in 1997 with the adoption of the Stability and Growth Pact).

²⁶ The Keynesian model departed from the principle that inflation and slowing economic growth (and increasing unemployment) were mutually exclusive. The aporetic nature of the stagflation period of the 1970s thus consisted in that the Keynesian approach to the problem of aggregate demand had no policy instruments to tackle simultaneously inflation and mounting unemployment.

²⁷ The Telegraph, 25/08/2011, "Professor Mundell, Euro, And 'Pessimal Currency Areas'", <http://robertmundell.net/2011/08/professor-mundell-euro-and-pessimal-currency-areas/>

²⁸ In fact, if we compare inflation rates in Austria and Germany between 1997 and 2010 with those verified in Spain and Italy in the same period, we may confirm that, while in the first two inflation rates have always been under the average verified for EU16, the latter two (specially Spain) have always registered inflation rates above the EU16 average. Moreover, evidence also shows us that a difference of around 1.5 – 2 p.p. has constantly existed between German and Spanish inflation rates (Eurostat data on HICP - inflation rate, Annual average rate of change (%)).

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through spending cuts and tax increases. In stark contrast with the monetarist paradigm, thus, the Keynesian model would require monetary policy to adjust interest rates to fiscal policy intervention in the business cycle in pursuit of full employment. Interest rates would accommodate to the dynamics of economic activity rather than the other way around (Keynes, 2008[1936]). In the context of EMU, however, non-accommodating monetary policy makes countercyclical action of fiscal policy instruments and institutions much less affordable and the Stability and Growth Pact places an effective straitjacket upon the fiscal capacity to counteract (and thus shelter societies from) macroeconomic shocks.

In sum, the architecture of EMU is not far from the Gold Standard system, under which societies were required to adjust to the monetary corridor determined by inflows and outflows of gold shaped by free international trade. As Polanyi (2001[1944]) reminds us, in the aftermath of the First World War, in face of the eminent collapse of the system, governments were forced to make a choice: either to protect the value of national currencies (and the Gold Standard system), or to protect their citizens from brutal adjustments. This is the very same choice that Eurozone governments face today: either maintain the burden of economic adjustment upon societies through devaluation of human labour and its output, or adapt the value of the currency to the economy instead.

- *Markets for labour – the only option left*

The Maastricht Treaty thus enacted an architecture in which societies were asked to accommodate both to market freedoms and to a currency run as commodity money, rather than market and currency being politically (collectively) controlled; this means, in short, in polanyian terms (2001[1944]: 60), “the running of society as an adjunct to the market”. This was an architecture which required the organization of labour into purely competitive markets, with no institutions imposing rigidity upon the supply and demand for labour. It is within this framework that the EU discourse on employment and social policy has been inscribed.

This was particularly evident in 2000 Lisbon Strategy²⁹, which was presented as a “positive strategy which combines competitiveness and social cohesion” (European Council, 2000: 2). The political economy underpinning this combination, however, approached the latter as dependent upon the former, prescribing a two-fold agenda: first, rationalisation and restructuring of welfare, market-sheltering entitlements was presented as the only alternative in the face of population ageing and globalization³⁰; the second element was a Schumpeterian workfare notion of social inclusion (Van

²⁹ The Lisbon Agenda sought to articulate three goals: (1) to make the EU the world's most competitive economic region within ten years, which would require enhancing the Single market, particularly the market for labour, which should be made more flexible; (2) that, instead of opposed interests, the goals of competitiveness and social cohesion should be articulated as interdependent and mutually reinforcing; and (3) that in face of challenges posed by ageing, globalization and the transition to a knowledge intensive paradigm, the European Social Model should be “modernised” in order to be preserved.

³⁰ “If we want to preserve and improve our social model we have to adapt it” (High Level Group, 2004: 44)

Apeldoorn, 2009), according to which, in a context in which the social model has to be redefined because of globalization and population ageing, “a job is often the best protection against exclusion” (European Commission, 2002: 12), which in turn implied that markets for labour were to be made more flexible to stimulate job creation and that protection in unemployment should be retrenched to push people to accept any job offer.

This discourse claiming the organization of labour into a fluid, competitive market silences the constraints that are specifically enacted by European asymmetric integration (Palier, 2006): first, within the structure of EU multilevel governance, provisions concerning the enforcement of market liberties and EMU criteria have a commonly binding legal character, whereas social and employment agendas consist only of non-binding, vague compromises (the OMC); secondly, as noted by Kröger (2009: 7), “rather than being a neutral forum for open-ended learning, the OMC occurs in an environment that is shaped by multiple pressures on the welfare state and (...) is less voluntary and more competitive”, thus biasing its options of policy goals towards supply-side measures. (Kröger, 2009; Van Apeldoorn, 2009).

4. A EUROPEAN MARKET SOCIETY AS AN INSTITUTED PROCESS

As explained in section 1, a market economy creates a market society, a social order organized according to the market logic and mobilized by the liberal ethos. We now turn to identify the processes by which a European Market Economy - configured as studied in the last section - produces a European liberal society. More specifically, we will focus on two dimensions or dynamics of this construction of a European liberal society: the constitution of a European legal order and the conception of EU citizenship.

If a legal order represents the basic conceptions and relationships of trust and solidarity that structure any society (and that organically emerge from it), then understanding the dynamics underpinning the constitution of a European legal order will provide an important input to the comprehension of what kind of European social order arises from European integration. As Münch (2010: 28) puts it, “[f]rom a sociological point of view, European integration represents a process of transforming deeper structures of solidarity, legal order and justice away from the segmentally differentiated European family of nations and towards an emerging European society”. In this sense, we will focus on how European legal integration has created the juridical tools to institute – and use as major driving force - the emancipation of individuals from the restrictions of national legal structures, and has, thereby, been advancing a European society of empowered individuals.

Likewise, conceptions of citizenship are relevant to any attempt to characterize a society because they situate the individual within the collective; that is, they map rights and responsibilities, opening

and constraining fields of opportunity for action, thereby defining the political substance of the relationship between the civil society and the state. As Mouffe (1992: 225, quoted by Hager, 2009: 106) notes “the way we define citizenship is intimately linked to the kind of society and political community we want”. In that sense, tracing the evolution of EU citizenship as a legal category (that is, in terms of formal definitions in the *acquis communautaire*) and understanding its semantics (that is, how it is appropriated and changed by ECJ case law and in the EU discourse on social issues – particularly since the Lisbon Agenda) will also be a central indicator to frame the emerging European society.

4.1. EUROPEAN LEGAL INTEGRATION AND A EUROPEAN SOCIETY OF EMPOWERED INDIVIDUALS

As sole interpreter of the Treaty³¹, the ECJ has been able to build itself a set of judicial tools that have placed it in a strategic position within the EU structure of multilevel governance from which it has been able to advance negative market integration (that is, as we have seen in section 2, integration through the dismantling of national regulations interfering with market liberties of the Treaty). However, this “judiciary activism” (Scharpf, 2001, 2006) of the ECJ could only permeate the legal systems of Member States, and thereby act as a driving force behind European integration, if case law would come before it. The key element to understand the liberal substance of the European legal order emerging from European market integration is thus the mechanism transferring ECJ interpretations of Communal law into national jurisdictions: *the preliminary reference procedure*³².

Preliminary reference has allowed national courts to directly request the ECJ for interpretation and technical advice on communal law, and thereby act as its direct delegates. As it does not require transference to national higher and supreme courts, this direct dialogue has empowered lower national courts *vis-à-vis* higher instances, which has, in turn, not only constituted an institutional stimulus for using this tool, but also, and more importantly, created direct channelling between individual private litigants and EU law (Münch, 2010; Scharpf, 2010).

The preliminary reference procedure also provided for the enactment of another key principle that, together with the already referred doctrine of supremacy of EU law (section 2), has further strengthened European legal integration as strengthening of individuals’ claims on Treaty market liberties: the doctrine of direct effect. In the 1963 Van Gend en Loos case (C-26/62), the Court

³¹ The Treaty of Rome (1957) instituted the ECJ with the mandate to “ensure that in the interpretation and application of [the Treaty], the law is observed” (Art. 19 TEU Lisbon consolidated version).

³² Art. 267 TFEU states that “[w]here such a question [concerning interpretation of the Treaties] is raised before any court or tribunal of a Member State, that court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court to give a ruling thereon”.

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endorsed the request of a Dutch company to refer directly to (ex) Art. 12 EC³³ and take legal action at a national court against an increase in tariffs. In its ruling, the ECJ opted for a narrow interpretation of direct effect (according to which Community law confers rights on individuals that national courts ought to enforce) and stated that, unlike ordinary international law, EU law went beyond the mere creation of mutual obligations between the contracting countries and indeed constituted a legal order in itself whose subjects were member-states and their citizens alike, thereby endorsing individuals with subjective rights they could use against national states.

Also, since direct effect endorsed individuals with legal tools to emancipate themselves from restrictions of national law they found conflicting with the rights they received by Treaty provisions, a logical step was the judicial introduction of the principle of state liability: after a series of ECJ rulings³⁴, it was decided that compensation by the state would be due whenever failure to transfer EU directives into national legislation prevented individuals from exercising the rights ascribed by the directives in question.

In short, the preliminary reference procedure, direct effect of community law (ascribing individuals subjective rights directly enforceable against national legislations), and state's liability enacted an architecture for the European legal order in which individuals (and, as such, companies) were highly empowered against (collectively determined) national regulatory restrictions on market freedoms. As Münch summarizes it:

“[Private litigants] are working as pioneers, helping European law initiate preliminary rulings and (...) implementing the new ethics of individualism” (2010: 41)

If a legal order contains the basic values of a society, then European harmonization that is being brought up by a European legal integration advanced along this individualistic ethos is one that detaches the individual from its obligations towards the collective. Considering that collective preferences are traditionally embodied in national tax systems and structures of welfare state, our argument is largely illustrated by the history of ECJ case law endorsing individuals' (expectably, mainly corporations) claims that specific national tax legislations collide with their (Treaty- based) market liberties³⁵ (Genschel et al., 2008; Genschel and Jachtenfuchs, 2011), or that, under the freedom

³³ Now Art. 18 TFEU, providing that “any discrimination on grounds of nationality shall be prohibited”.

³⁴ In the *Francovich* and *Bonifaci vs Italian Republic* (C-6/90 and 9/90), the *Brasserie du Pêcheur vs Federal Republic of Germany*, and the *Factortame III* (C-46-93 and 48/93) cases.

³⁵ As tax regimes were historically designed for purposes of efficient resource allocation and redistributive fairness within national territories, their configurations are intrinsically committed to the protection and promotion of national economies, rather than to non-discriminatory cross border economic liberties. In this sense, in having Treaty provisions and secondary legislation for legal basis, ECJ case law tends to disfavour Member states' side on tax cases. More importantly, rulings tend to be biased against motives such as protection against tax competition, or of revenue rising, invoked by Member states to justify - on grounds of public interest - an unequal tax treatment between internal and tax border transactions. See, for instance, the *Euwings* case (C-294/97), dealing with German anti- avoidance measures applied to a firm benefiting from the Irish Preferential Tax Regime Shannon Freezone; in its ruling, the Court stated that, if companies exploited lower levels of taxation

of services provision principle, they are entitled to reimbursement of health-related expenses incurred abroad by their national (collectively funded) welfare systems³⁶ (Scharpf, 2010; Münch, 2010).

4.2. EU CITIZENSHIP

If we consider the evolution of the conception of citizenship to be an important indicator of the identity of a society, then the emerging European society that we are trying to identify in this section is well captured by Durkheim's (1964) thesis that the driving force behind transnational social integration is cross-border labour division resulting from increasing specialization, in a context of free international trade.

In fact, as Münch (2010) explains, the idea of EU citizenship has been built upon Treaty market liberties and a market understanding of the principles of free movement of persons and non-discrimination of non-nationals (Article 12 TEU). The cornerstone element launching EU-level definition of an individual's rights was the status of worker in an integrated market; that is,

“[O]ne has to move as a worker and to make a contribution to market integration to come under the free movement principle, have equal rights compared to nationals or have access to social rights in the country of actual residence.” (Münch, 2010: 52-3)

This requirement of economic activity initially associated with the principle of free movement of persons was also a link placing the individual within the structure of relations of reciprocity (rights and obligations) of the host member-state's society: in order to benefit from the collectively sanctioned social protection offered to the individual, the individual ought to be engaged in the collective construction of that protection, through engagement in the scheme of work-related contributions, tax system, etc.

Since the introduction of Union Citizenship as a legal category with the Maastricht Treaty, however, the link between the citizen status and economic activity has been progressively loosened. A significant contribution to this has been the liberal, individual-empowering stance of ECJ case law which, in interpreting the status of worker, has acknowledged it to groups like part-time workers, unemployed people, students who had previously been employed or were seeking a job, individuals

applied in other member states, this would not constitute an abuse of the free movement principle, but, rather, a legitimate rights arising from the Single Market, which, as such, should be protected.

³⁶ See, for example, the Kohll (C-158/96) and Decker (C-120/95) cases. Case law such as these have paved the way for the Commission proposal for a 'directive on the application of patients' rights in cross border health care (COM (2008) 414 final).

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engaging in training programmes and family members³⁷. Moreover, the Court has also moved from a stricter interpretation of the civil rights and social benefits to be granted on basis of the worker status³⁸.

Constructive interpretations of Union citizenship gained extra momentum with the adoption of the EU Charter of Fundamental Rights in Nice³⁹ and with the subsequent Commission's proposal of a Directive on the rights of citizens and their family members to move and to reside freely within the Member States' territories⁴⁰, which suggested a progressive disentanglement of access to welfare provision from economic activity requirements. The final draft of the Citizenship directive⁴¹ envisaged that non-economically active actors could access social welfare in the host Member State after the first four years of residence in that host state⁴². It also provided that "[a]s long as the beneficiaries of the right of residence do not become an unreasonable burden on the social assistance system of the host Member State they should not be expelled" and could access those entitlements. Moreover, while "[t]he host Member State should examine whether it is a case of temporary difficulties and take into account the duration of residence, the personal circumstances and the amount of aid granted in order to consider whether the beneficiary has become an unreasonable burden on its social assistance system", the directive explicitly states that "[i]n no case should an expulsion measure be adopted against workers, self-employed persons or job-seekers as defined by the Court of Justice"⁴³. As we have seen in the referred examples of case law, however, the Court's interpretations of what constitutes an "unreasonable burden on the social assistance system of the host Member State", as well as of who gains coverage from the workers statute, tend to disregard Member States' claims on the basis of the safeguard of their tax funded or collectively funded insurances schemes, and favour those of individual claimants.

What is problematic in this progressive disentanglement of the individual from national-level structures of relationships of reciprocity is not the protection granted by ECJ rulings to individuals and the acknowledgment of their social rights. In fact, as Caporaso and Tarrow (2009) have noted in their article Polanyi in Brussels, ECJ's decisions acknowledging access of posted workers and their dependants to national health care and education systems, as well as rulings enforcing – and thus indeed creating – a European area of non-discrimination (granting transnational access to national systems of social protection and banning discrimination based on nationality, gender, age, religion,

³⁷ On the loosening of the restrictiveness of ECJ interpretation of the workers status, see, for instance, the *Grzelczyk* (C-184/99), the *Trojani* (C-456/02) and *Bidar* (C-209/03) cases, in which the Court ruled that, on the basis of Article 12 and Union citizenship, students studying in foreign Member State and facing temporary economic difficulties were entitled not only to equal treatment regarding tuition fees, but also to other social advantages of that Member State (such as the minimum subsistence allowance, as in the *Grzelczyk* case, or grants of social assistance, in the other two cases) without being considered 'unreasonable' burdens upon that Member State's welfare system.

³⁸ See *Salvatore Uglioa* (C-15/69) and *Martinez Sala* (C-85/96) cases.

³⁹ 2000] OJ C364, 7.12.2000.

⁴⁰ COM (2001) 257 Final.

⁴¹ Directive 2004/58/EC of the European Parliament and of the Council of 29 April 2004.

⁴² *Ibid.* Articles 26 and 21(1).

⁴³ *Ibid.* Art. 16.

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sexual orientation, etc.), do indeed, to some extent, inflate market liberties with some sort of social content.

What is here contested is the meaning – in terms of the implicit conception of EU citizenship – of this detachment of an individual empowered with portable social rights from national structures of social protection, within the context of asymmetric integration outlined in the last section, in which market integration and a harmonized EU framework for social and labour policies have not advanced at the same pace and scope. In such context, Caporaso and Tarrow (2009)'s hypothesis that ECJ jurisprudence has been driving a re-embeddedness of the Common Market in the polanyian sense is misleading. As Höpner and Schäfer (2010) point out, the misleading element is the equivalence that the authors of Polanyi in Brussels establish between individual social rights, associated with free individual movement of labour, and “labour de-commodifying” (Esping-Andersen, 1990) social policy.

As “just another name for human activity that goes with life itself”, labour’s statute as a fictitious commodity lies in that its value can never be fully determined through the market nexus. In this sense, as Esping-Andersen (1990: 22) puts it, “the mere presence of social assistance or insurance may not necessarily bring about significant de-commodification if they do not substantially emancipate individuals from market dependence”. In sum, the attachment of individual, “portable” social rights does not, in itself, de-commodify labour, if it occurs within a framework in which individuals’ right to live and opportunities to welfare (in other words, citizenship) are made contingent upon engagement in the labour market.

But, as we have seen in the last section, engaging the individual in competitive markets for labour is exactly what is intended by EU discourse on social policy. As Hager (2009: 107) notes, “central to the Lisbon Agenda is an increasingly commodified conception of citizenship rights, where traditionally Marshallian social citizenship associated with the Keynesian Welfare State is gradually replaced by private responsibilities associated with workfare regimes”.

In its relation to citizenship, the workfare conception of social rights expressed by the EU social discourse portrays the ideal European citizen as “a self-reliant ‘risk taker’, a ‘life-long-learner’, an ‘entrepreneur’ and an ‘innovator’” (Hager, 2009: 118).

To conclude, it is crucial to note that an essential function of any conception of citizenship is to normalize a normative paradigm that secures a broad basis of legitimacy for the configuration of economic and power relations in a society. In this sense, through this “neoliberal communitarian citizenship model” (Hager, 2009) of the Lisbon Agenda, individuals have been introduced to a rhetoric of self-activation, of unemployment and social exclusion as moral problems of complacent individuals too accustomed to State safety nets, and of civic agency as market entrepreneurship agency (rather than political participation in the EU multilevel centres of policymaking). These rhetorics, in turn, compose the moral ground for retrenchment of social citizenship entitlements, thus silencing the

pressures that are specifically enacted by the structure of EU asymmetric integration towards the organization of labour as a commodity and of social life into markets (Palier, 2006).

5. CONCLUDING REMARKS

On November 1st, Greek Prime Minister George Papandreou announced that, due to the large-scale protests that had taken place in the context of austerity measures demanded by the EU/IMF bail-out, new bail-out package and reinforced austerity could not be implemented in the country without securing democratic legitimacy through a popular referendum⁴⁴. This has triggered such panic both in the financial markets and at European instances that, two days later, the referendum was called off over the dread of a Greek default bringing about the collapse of the entire Eurozone.

This has been the most evident and dramatic episode of the Eurocrisis, not just as an economic crisis, but, more radically, as a crisis of democratic legitimacy of the European construction; it also provides perfect illustration to *The Great Transformation*'s main thesis: that the organization of societies into an automated, self-regulating market mechanism eventually clashes with democratic expressions of collective will wishing to protect society from the disruptive effects of adjustment to the market economy.

To deploy Fred Block's metaphor in his 2001 introduction to *The Great Transformation*, Europe has presently reached a point in which the elastic band of market disembeddedness cannot bear any further stretching. In the same way as governments in the twentieth century were faced with the choice between protecting the Gold Standard or protecting their citizens, so we have reached a point in which societies no longer tolerate the burden of economic adjustment.

European integration is thus currently at a crossroads in which the fundamental question of (unsustainable) market disembeddedness will be resolved either through the snap of the elastic band (the disaggregation effect, with each country following a radically national- centred re-embedding strategy) or through profound, structural reforms of the European institutional architecture which correct asymmetric integration.

At a time when the debate over the European Project seems to polarize around either sovereignist and (increasingly) worryingly nationalist⁴⁵ Euroscepticism or “muscled” Federalism⁴⁶, this paper

⁴⁴ BBC News Europe, 2011.11.01, 'Greek crisis: Papandreou promises referendum on EU deal', <http://www.bbc.co.uk/news/world-europe-15526719>

⁴⁵ Let us not ignore how the rise of the far-right in Europe fits perfectly in the polanyian framework for analysis of the Eurocrisis (section1). Building on promises to protect national workers, their jobs and their social security, as well as their cultural and religious values, against market openness, radical right, anti- Europeanist and anti-immigration parties have been gaining popularity and political relevance: in 2007, extreme right groups in the European Parliament have formed the first far-right faction in the European Parliament in ten years. Also, this year, in the midst of the Eurocrisis, a mushrooming of these signs can also be identified, such as the record results obtained by radical right, anti-Europeanist French National Front in France local elections of March 2011, or the results obtained by Finland extreme right, anti-immigration party - True Finns - on account of popularity gained by campaigning against EU bail-outs of countries affected by the sovereign debt crisis. The most recent and

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hopes to contribute to the debate on the configuration of a democratic Europe. In this search for a Europeanist and democratic agenda some important leads have been provided by a Polanyian analysis.

First, the utopian project of societies being organized into purely competitive markets must be discarded; this means that the architecture of European integration must be made compatible with the institutions that decommodify labour and embed it into collectively determined notions of wellbeing. This requires revisiting the two pillars of the Maastricht Treaty: (1) supranational enforcement of Treaty market liberties (and, here, particularly, the ECJ, in its interpretative-legislative role) must approach national regulations and institutions as expressions of collective preferences that are to be preserved rather than just preyed upon by individual initiative seeking to benefit from institutional arbitrage and/or from supranational dismantling of costly national regulations; (2) the Euro must no longer be run under the neoclassical concept of commodity money, but, rather, its role as economic driving force must be politically assumed and controlled (particularly, this entails a redefinition of the statutes of the European Central Bank that constitutes it as lender of last resource, and directs monetary policy to perform an accommodating role to fiscal pursuant of the goals of growth and employment).

Secondly, unveiling the structural blueprint of market disembeddedness – asymmetric integration – allows to conclude that an Europeanist project of market-re-embeddedness must, first of all, devise a democratic solution to the “joint-decision trap” (Scharpf, 2001, 2006). Concentration of legislative powers at the Council, on the one hand, and high consensus requirements, on the other, often result in either blockages, least denominator agreements or preference for soft-law mechanisms; while this aims at preserving national sovereignty (as main unit of expression of democratic accountability), it configures a situation in which domestic institutions for the decommodification of labour become highly exposed.

The difficulty about this joint decision dilemma lies, however, in devising a thoroughly democratic and effective solution, which does not entail neither loss of popular accountability, nor ineffective Europaralysis, in the context of high diversity.

If, as Hayek predicted, European economic integration would do wonders for liberalism, to the extent that the inexistence of a European demos would prevent centralized mechanisms of fiscal transfers and welfare state, then a key element when discussing the future of European integration must be the European demos. But, as we have seen, a European demos is already being constructed along the liberal ethos of individualism and “neoliberal communitarian citizenship”. Therefore, when working out a solution for positive, market-embedding European integration, the question arising is

also most worrying signs of rise of far-right have come from Hungary, where the new Constitution – which has taken effect on January 1st, 2012 - omits "republic" from Hungary's official name, and includes several paragraphs which Amnesty International consider to be in violation of international human rights.

⁴⁶ With the Europlus Pact and the Fiscal Compact of the new intergovernmental Treaty transferring fiscal sovereignty onto a sort of “federal economic government” of the type “Council plus Commission” - in which non-democratically accountable Commission enjoying veto power over national budgets.

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how to make a European demos that, rather than erase collectively determined structures through the legal emancipation of the individual, is capable of constructing (European) collectively determined structures. Though this is the subject to further investigation, the paper will conclude by attempting to point out that this will require the activation of a European Public Sphere, in the Habermasian sense, of which the European Social Forum is only an example.

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