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European Union after Brexit

The EU After Brexit - A Political Crisis or an Insoluble Structural Crisis?

- Debate - European Union -

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For the Left the Brexit vote is absolutely no cause for celebration. We can neither support the motivation of the vast majority of the Brexit voters, nor can we use the outcome of that vote for our political work. Social welfare systems will be increasingly under attack, the flow of workers from Eastern Europe and refugees will diminish, racist class divisions will intensify, not to mention the rise of racist forces in other EU countries spurred on by this vote.

Even for those who, like us, reject the EU as an institution serving the needs of Capital and who seek a diminution of its power - and the people of Greece above all can testify to its dreadful impact - there is no cause for celebration.

For the ruling classes in Europe this event is also proving highly inconvenient. Even though capitalists in the UK can manipulate the predictably deepening divisions within the working class, of greater significance for them are much feared trade restrictions. It is not surprising that more than 80% of the members of the CBI (Confederation of British Industry) declared themselves to be anti Brexit. Based on the analysis by PricewaterhouseCoopers, the CBI assesses that the British economy by 2020 will suffer a total loss of approximately Â£100 billion. Nor for the finance sector does the situation look any brighter, for now there is a new distribution of European finance markets in the offing. The City (though more precisely all British banks) needs foreign investments if it is to continue to contribute 8% to Britain's GDP. Given that the pound has already had to devalue and still remains under pressure, one might ask whether it makes any sense to invest there at all. (The majority of banks remain, however, relatively unaffected by Brexit, in particular the Derivatives and Foreign Exchange markets for which the city is world-renowned.)

Purely economic considerations are not, though, the only issue for every sector of the Bourgeoisie. The British Bourgeoisie (at least as far as their political representatives are concerned) was and is divided. The question now is whether, in respect of the long-term interests of the bourgeoisie itself, this 'Euros' industrial accident' on the way to a deeper integration of European capital was actually avoidable, or whether there are actually deeper causes for this very public crisis.

Brexit: Expression of a Political Crisis?

It was undoubtedly party-centric motives of the British Conservatives (underlined by personal career aspirations) that provided the spur to seeking their salvation in a referendum. It is through this that they wished to secure their power in the face of ever increasing doubts and even categorical rejection among large parts of the population. Above all, though, the opposition to 'Euros' Europe' has been driven, and not just of late, by chauvinism.

The breeding ground for these endeavours may be seen in the fact that a growing number of people were, and continue to be, in limbo, and not only as a result of Thatcher's policy of de-industrialisation. The 2007-2011 crisis, and indeed attitudes towards southern Europe, were expressed by many, in the absence of a credible left alternative, in a traditional chauvinistic manner. The consequence was: "We categorically don't want this and we don't want workers from Eastern Europe (particularly Poland) competing with us for jobs on lower wages; and we don't want more refugees. We want secure borders!"

The politics of the EU and of the Troika have recently provided a considerable catalyst for the intensification of the rejection of the EU. The political, economic and institutional background of this structure, however, is actually the cause of the eruption of this crisis. Galia Treper explains this well, and we refer to her contribution and quote briefly

from it:

The European Bourgeoisie has succeeded in creating a unified market, a single market with the free movement of goods and capital and a common currency. They were not in the position, however, to give up their own national states, which largely provided them with their privileges, and which afforded them the ability to fool the workers in their own country that they shared a common interest in the 'Euros' national capital. The various crises experienced by the EU just prove that there are actually no common politics in Europe but, at best, compromises in the context of a balance of power, pursued by the richest and most powerful states, in particular Germany and France...

The origin of all these crises lies in the basic structure of the EU - namely in the expansionist tendencies of the EU and the overcoming of national borders on the one hand, and, on the other, the self-interests of the prevailing national Bourgeoisie which lead to the continuance of nation states.

In other words, it is not the fault of respective governments that the EU has credibility issues and cannot progress with increased integration. Those goals declared in Maastricht and Lisbon of standing up to other powers as a united economic force are fading into the distance. If the nation state actually belongs to the past and Capital accordingly is becoming transnational, why is it not then possible to go further than an economic and currency union - creating a European economy.

To do that would require a federal state. The question is why this has not come about, and, why it cannot under the conditions of the 21st century. A brief look at the current structural tendencies of Capital will now be taken.

National or Transnational Capital

Without any doubt Capital is advancing in concentration and centralisation irrespective of borders. What is the basis of the economic and political principles of the ruling class? Ernest Mandel writes:

By its very nature Capital cannot tolerate geographical limitations on its expansion.

Mandel emphasizes:

However: Capital tends to combine international expansion with the development and consolidation of domestic markets.

All of this does not occur without the use of political power, which is why Mandel writes:

The relationship between national and international expansion as well as that between capitalist laws of development and the conscious use of state power to economic ends take on a new dimension.

And further:

The general division of the world between imperialist powers, itself a result of the limitations of capitalist competition in the domestic market, has, as a result, an intensification of international competition on a world stage, in inter-imperialist competition and in moves towards periodic redistribution of world markets, even through means of

armed force i.e. imperialist wars.

Mandel adds:

In late capitalism multi-nationalism becomes the defining form of high finance... [the real reason for that lies in the fact that] the expansion of productive resources breaks through the limits implied by the nation state i.e. the minimum limit of productivity with which goods may be produced and may be sold at a sufficient level.

How then does the international concentration and centralisation of Capital actually now behave, where does the controlling power lie and what does the relationship between one particular capital and a specific state actually look like?

Winfried Wolf writes:

It's no accident that the UK did not take part in EADS [European Airbus Defence & Space] and that the British armaments giant BAE is more deeply rooted in the USA than in Europe. This division within the British capitalist class may be laid at the door of the lack of a European Capital, giving rise to a minority faction that was pro-Brexit.

He declares that:

The key reason for the non-existence of a European bourgeoisie is: the persistence of all large national bourgeoisies, and especially the striving for power of the ruling classes in Germany. Secondly, such an EU failed because the decisive first steps towards capitalist unity, the common currency, led to internal division in the EU and came up against sharp 'Euro-national' opposition.

By way of explanation it must be said that irrespective of the desires of any particular government, the introduction of a common currency for such a variety of national economies such as those in Europe, has for structural reasons, catastrophic consequences: weaker economies cannot protect their industries by means of devaluation - at the outset such countries may benefit from reduced interest rates but fairly soon they are out-competed and are defenceless. Thus, instead of divisions in the EU being narrowed, they actually become deeper.

As early as 1972 and with the rigour of sober politico-economic analysis, Mandel explains:

A common currency, trade policy, taxation policy and system of (infra)structure-changing public works is ultimately impossible without a Europe-wide government whose taxation and financial sovereignty is underpinned and supported by a repressive state machine - in other words a common state.

The EU, particularly the Eurozone, is now mired in this problem. To create a unified state in a European context is impossible, largely due to the huge economic inequalities evident here. The costs of equalising living standards simply cannot be borne, and this is quite apart from any further difficulties arising from institutional aspects such as culture (including language) and politics. If moves were made to achieve this through the much-feared depression of general living standards then we would quite rapidly see new exit referenda (in Holland and France etc.) and time would be up for the EU.

The EU cannot, therefore, get beyond being a common market and if the Euro is to be kept then the problems will simply not diminish. And, irrespective of whoever is Minister of Finance in Berlin, we will see the issue of Greece

inevitably repeated. Italy might, for example, be next. The banks there are in such a bad state, sitting as they do on more than 360 billion Euros of bad credit, that the Italian state would have intervened long ago were it not for EU-imposed constraints (too many small savers are affected; an insolvency would cause a run on the banks and the total destruction of the finance sector with implications far beyond Italy itself).

The EU will (still) not permit "helping" this bank, as it would 'set a precedent'. EU stipulations in this respect are not merely due to the absolute promise made, for political reasons, to a furious public, that the 2008-09 free sale of banks would not be repeated - the real reason is that the finances of public authorities are currently severely limited, and ultimately the bank recovery programme would drop the crisis squarely on the shoulders of the national budgets of many countries (and then indirectly on the EU by implication).

Finally there remains the same problem for European capital described by Ernest Mandel when discussing the former EEC:

Just as no hegemony can be tolerated within this international structure, neither can, in the long run, a form of common economic government provide supremacy over other states of a single bourgeois nation state or over the loose confederation of sovereign states. This can only be achieved through a transference of sovereignty rights to a designated super-national common state.

It is precisely here that the key issue may be found for the EU in the 21st century. For any such transmission of sovereignty to take place there are only the following solutions: If it is forced through with fire and brimstone as with the unification of Germany in 1871 then this is unlikely to breed success. In the context of advanced internationalisation of production the impact on profit over years, and even decades, would be simply too serious, even without taking into account the actual military capacity and the prospects of any political success of such a venture.

The second possibility might be through an economic dynamic, a unification to which all relevant countries would subscribe almost 'willingly'. This precise dynamic, however, does not exist, and is absolutely not foreseeable in the context of the stagnating, even in places recessive, phase of the current long wave of capitalism. On this basis the hitherto relative dominance of the German bourgeoisie (or even capital largely based in Germany) cannot be broadened to effect an all-encompassing absolute dominance. This would be only be possible if the German economy comprised, for example, 75% of the EU GDP (currently: it is 29.14% of the euro-zone, and 20.72% of the EU-28, figures taken from the European statistics bureau www.statista.com) or if economic development showed high growth consistently across the whole of Europe.

At the moment we see the opposite. Economic inequality in individual countries is so great that an equalisation of conditions under capitalism is not possible, and not just on account of the massive transfer of economic resources necessary to ensure a functioning national economy (which actually would require the development of a Europe-wide single rate of profit). Currently, even the gap between Germany, the Netherlands and Austria on the one hand and the other 'core' countries of the EU (for example France and Italy) is growing. This is exacerbated by the fact that Germany profits from servicing the debts of other countries as the purchase of German government bonds at present provides only negative interest rate for buyers resulting in actual savings for the German Chancellor of the Exchequer. In economically uncertain times it is always only 'safe harbours' which prosper - a fact that can and will deepen the divide.

Power blocs and multinational companies

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There is another difficulty. In the international struggle for spheres of influence and access rights to raw materials etc. power blocs continue to play a significant role. The triumvirate that has existed for centuries (North America, Europe, Japan) has changed significantly.

âEurosç A number of emerging national economies (BRICS) are now important on the world stage and are able to compete with companies from former imperialist power blocs.

âEurosç China, in particular, is determinedly expanding its power base (buying land in Africa, purchasing raw materials and developing infrastructure mechanisms throughout the world, the state purchase of hi-tech industries - KUKA [an important mobile robot producer in Germany] being one example). These power politics, meanwhile, are being secured militarily (e.g. the occupation or creation of 'artificial' islands in the south China sea).

The USA is economically weaker than in the 70s and is increasingly relying on its military superiority as well as, ever more, on the leading role of its currency.

In brief:

The EU cannot, on account of its structural problems, make use of the damage to the economic dominance of the US. It is, of course, a key market but tending towards becoming of diminishing importance as a collective power. This is not just evident in the reduced significance of the Euro as a reserve currency - the military capacity of the EU (in comparison with the major powers) is decidedly modest. Thus the EU continues to be dependent on the USA. An independent or even hostile politic is simply not possible due to its insoluble structural problems. A disintegration of the EU would be of no interest to the USA - as a serious power political challenger it is (definitely) second league.

Specific companies, i.e. those that have their ownership in a particular bloc (even more so, when only in a particular country) rely on the backing by that bloc or nation. This is particularly so when, in an economic crisis, state support plays an even greater role than it did say in the 19th century or at the beginning of the 20th. On the basis of the experience of the tapering off of the expansive phase of capitalist development after WW2 Mandel concludes:

The only prognosis, which one can discern from this, is that multi-national businesses not only need a state but indeed a stronger state than that of a 'classic nation-state' if they are to overcome, at least partially, the periodic threats to their enormous assets by economic and social contradictions [inherent therein].

According to Mandel's analysis, multinational companies neutral towards state power, should be regarded as an intermediate rather than a transitional form. For, sooner or later, even these companies, with their multinational ownership will seek 'the use of state power to defend their own interests against competitors'.

The disintegration of the development of a European state is certainly sobering for those businesses based in Europe. The support by a close-knit Europe, hoped for even 15-20 years ago, has little likelihood of coming to fruition in the context of competition from extra-European capital. The fact though that these businesses in Europe very likely have the support of EU institutions when it's a question of further privatisation, welfare cutbacks, reduction of trade union rights etc. should not be underestimated.

The fact that the EU is not about to get much further than the early stages of a proto-state has the following consequences:

a. It cannot shift the balance of power to its own advantage (and nor concomitantly to the advantage of its mainly

European-based capital).

b. The crisis of the EU as a political-economic project and the self-preoccupation of European institutions will irrevocably continue, irrespective of whomsoever occupies the seats of power and supports the interest of Capital (i.e. particularly in the core European governments).

c. Depending on the actions of the executive committee, other countries might be prompted to leave, sharpening the crisis yet further. If right wing extremists gain a foothold then such a crisis may occur even without further referenda. Even the continuation of the politics of extortion such as seen against Greece (and increasingly against Portugal) will not calm the waves of political anger.

These aggravating conditions are, of course, well known to Capital and to governments. It is likely that we will very soon see an increasing drive towards a focus on a core Europe - a Europe of two different speeds. The realization of such an option is, however, unlikely for political reasons (the basic treaty would have to be renegotiated), even apart from the fact that Poland and other eastern European countries have to be kept on board, playing as they do such a critical role in the politics of isolation in respect of Russia.

Forms of Opposition and Alternative Models

From the above we can see that the EU is not simply badly, or wrongly, led with a range of democratic weaknesses. The free movement of labour was introduced for example as a mere side issue, as the path to deeper integration necessitated a free workforce unrestricted by regional (or even pre-capitalist) restraints. Taking the people 'Euros with you' was not only politically important, but reflected capitalist rationality. If the EU on sober analysis does not constitute a project that is in the interests of the majority of the people and is also not reformable in the way we understand it, then for the majority of people the matter is not resolved, and certainly not resolved in the core countries. Even in Greece the EU has not been fundamentally rejected by large sectors of the population, because the EU is understood as producing a variety of benefits (above all freedom of travel, the financial boom at the beginning of the 21st century, the influx of tourists etc.).

It is, therefore, simply inadequate to criticize the EU and offer an alternative ideal model instead. What we, the left in Europe, must be clear about, particularly after the predominantly xenophobic Brexit vote is that we cannot create, more or less from nothing, a movement for a new Europe. There is simply no basis for that at present. Any such left initiatives are pipe dreams.

We are dependent on a development, where opposition movements arise that are not simply anti-EU bureaucracy and the like. It is only with these movements that we can usefully connect those which are not anti-immigration etc., but which are building cross-border solidarity. Such movements are scarce commodities indeed at the moment, even in the trade union movement where opposition to business politics are more than ever necessary. Even the opposition to job cuts at Alstom (now General Electric) is a tortuous business and scarcely gets beyond minor actions on a national level. (It's not everywhere that there is such a firm ground for action as in Mannheim.)

In the face of this, it is important and expedient to agree on the fundamentals, as a purely defensive struggle with no clear concept of any future long-term goals might quickly take us down a blind alley.

1. The emphasis of our activities in respect of EU politics (i.e. the Troika) cannot rely on propaganda promulgating socialist European states (irrespective of the fact that even this can only represent an interim stage for our ultimate

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goal; all social and political boundaries must be eradicated in the interests of a humane society). We must focus on supporting defensive struggles as, unfortunately offensive struggles are currently unrealistic.

2. Our argumentation, however, is not a secondary matter. It should not only be comprehensible but also, in the long term, coherent. Therefore we should not be arguing for a broadening of democracy in EU institutions, as this would create the impression that we fundamentally believe the EU to be reformable. Ultimately the EU, for the structural reasons already mentioned, can never become a social Union.

3. Nor can demands for an expansion of the powers of the European Parliament provide coherent and forward-looking argumentation for us. The European Parliament will not be forced to become an instrument of democracy if we enhance its competence. The key question is -competent for what exactly and in whose interests? More competence for dealing with thousands of interest groups more effectively? The European Parliament cannot be uncoupled from the whole capitalist EU venture and its functioning should be seen as that of a bourgeois parliament, in that case a very weak one.

4. Our vision of a different Europe for which we argue when engaging in these struggles must be based fundamentally on the following issues made clearly comprehensible to those not on the Left:

a) The critical force for the implementation of a different, united, future-proof, peaceful and ecologically sound Europe is the working class. The Trade Unions have to be convinced of these goals, and defensive struggles against the politics of business must be coordinated internationally.

b) This new future Europe can only meet the interests of the great majority when capital is expropriated. Unavoidably, then, this is a question of power. A just and socially determined economic and social system is not possible under capitalism. A planned economy is necessary. This cannot co-exist with Capital, just as participative and co-operative economic strategies cannot exist within capitalism.

c) Politically such a new order of society cannot be effected using bourgeois instruments of power, with a distant government fixed for 4 years or longer. The hitherto best form of political participation and social power structures (i.e. for taking decisions on social issues) is a committee of representatives (workers council). All questions should be decided on by the relevant bodies (on the shop floor, then on the local and regional level ...) on the basis of open and democratic debate.

d) A 'Eurostage Theory' according to which we create a more democratic EU and then move on, is based on pure illusion, and a dangerous one because it sidesteps critical questions and inevitably leads us into a blind alley.

e) Absolutely no-one on the Left, if they wish to avoid folly, should duck these key questions, pandering to populist attitudes in the way that, for example, Sahra Wagenknecht [leading figure of the left in Die Linke] repeatedly does in respect of the refugee question. This only creates confusion, weakening us and our argumentation substantively. Any serious-minded member of the left should distance themselves publically from such errors.

There is still much to be done in the building of revolutionary forces involved not only in the development of a broad, possibly international oppositional front but also in the articulation of future perspectives.

1st August 2016 [translated by Valerie]