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The new EU industrial policy: authoritarian neoliberal structural adjustment and the case for alternatives

Angela Wigger

Radboud University, Nijmegen, The Netherlands

ABSTRACT

In 2017, European Commission President Jean-Claude Juncker declared the reindustrialization of the European Union (EU) a top priority. The new EU industrial policy seeks to boost industrial competitiveness and leverage investments into manufacturing, thereby increasing industry’s share of EU Gross Domestic Product (GDP) to 20% by 2020. What may appear to be a Keynesian industrial policy and thus a move away from the EU’s previous neoliberal agenda, however, seeks to calibrate a further neoliberal structural adjustment in a highly authoritarian fashion. Internal devaluation through devaluing labour, intensifying competition and reducing corporate taxes takes centre-stage. As an auxiliary to the European Semester, national productivity boards have been established to monitor wage developments alongside labour productivity and to suggest policy adjustments when cost competitiveness lags behind the Eurozone average and that of the main trading partners. Not only have formal democratic institutions and organized labour been circumvented in the decision-making process regarding such boards, they will have little voice in the future, and this an area that hitherto fell largely within the scope of member states: wage bargaining. Hence, the new EU industrial policy needs to be discredited, de-legitimized and thus, politicized. A political counter-project, rooted in an alternative industrial policy geared towards fostering horizontal and democratic solidarity economy initiatives which have proliferated since 2008, is discussed in the article’s closing pages.

KEYWORDS

New EU industrial policy; national productivity boards; internal devaluation; competitiveness; authoritarian neoliberalism; solidarity economy

Introduction

With the ascendancy of neoliberalism at the European Union (EU) level since the 1980s, industrial policy came to be denounced as old-fashioned and inefficient, rescuing only temporarily ‘sunset industries’ or ‘lame duck’ companies from their inevitable downturn. Today, ten years after the 2008 crisis hit, industrial policy seems to be rising like a phoenix from its ashes. Aware that EU austerity politics in response to the crisis has been anything but successful, and alarmed by the rapid deindustrialization of EU economies, the European Commission (2014) heralded the ‘European Industrial Renaissance’ as the next step in EU crisis management. In theory, the new EU industrial policy will trigger a back-shoring of manufacturing capacity in knowledge-intensive sectors from China and other emerging markets to Europe. The Commission prophesied an increase of the
manufacturing share of EU GDP from currently 15% to 20% by 2020, provided that competitiveness reforms would be adopted. The view is that the EU’s future prosperity depends on export-led growth, which in turn relies on the ability to attract investments into the real production economy, most notably Foreign Direct Investment to compensate for low domestic investment.

Scholars and politicians have considered the new EU industrial policy a turn away from previous neoliberal austerity politics (see Pochet, 2016). Indeed, the Council of the European Union (2017) affirmed that a holistic industrial policy will be central, and Dijsselbloem (2017), social democrat and former head of the Eurogroup, announced a change in the policy mix of the EU crisis management: ‘moving away from austerity and putting more emphasis on deep reforms.’ Similarly, when his successor Mário Centeno, incumbent since January 2018, echoed Dijsselbloem, Gianni Pittella (in CNBC, 2017), the leader of the Socialists and Democrats grouping in the European Parliament, triumphed: ‘We are finally overcoming the era of blind and stupid austerity that has left behind even more poor and divided societies across Europe.’ Against the backdrop of widespread popular fatigue with fiscal austerity and persistently high unemployment since 2009, reforms that counter the decline of the EU’s industrial base appear much-needed. However, what may seem at first glance to be a Keynesian industrial policy instead promises to intensify the neoliberal structural adjustment that we have seen hitherto.

What is not immediately visible is that the new EU industrial policy, in addition to various funds leveraging private investments, has a strong internal devaluation component. Internal devaluation is a strategy that seeks to substitute for currency devaluations as a way to reduce (export) prices and increase industrial competitiveness relative to other economies. It can entail a mix of structural changes, such as labour and product market reforms that increase wage and price flexibility (Armingeon & Baccaro, 2012, p. 256), or a reduction of trade costs and corporate taxes (Petroulakis, 2017). The European Commission (2016) declared improving the global ‘price’ and ‘cost’ competitiveness of EU manufacturers a central goal, and envisaged a three-tier internal devaluation strategy: first, deprecating real wages and inducing further labour market reforms; second, intensifying inter-company competition to lower prices; and third, lowering the overall level of corporate taxation.

Adopting a historical materialist perspective, the article argues that the suggested internal devaluation strategy will devalue labour in turbospeed, putting the burden of adjustment once more on labour rather than capital. While wage repression, labour market reforms, and intense price competition directly and indirectly deflate the cost of labour, the reduction of corporate taxes also expedites a further redistribution of wealth from labour to capital. Consequently, the share of ‘working poor’ and precarious workers is likely to increase further, with particularly severe impacts on the youth, women, and migrants, and low-skilled workers. Moreover, structural asymmetries within the EU will only worsen, and with it the propensity to invest. In addition to constituting a major assault on labour, the article shows that the chosen institutional architecture for internal devaluation reveals highly authoritarian traits, epitomizing what Bruff (2014) termed authoritarian neoliberalism (see also Oberndorfer, 2014; Sandbeck & Schneider, 2014; Tansel, 2017; Cozzolino, 2018).

Particularly, the recently established national productivity boards, which will function as an auxiliary to the reforms conducted under the European Semester, form the touchstone for the governance framework for internal devaluation. In sharp contrast to studies that consider the new EU industrial policy as ‘horizontal in nature’ and national productivity boards as politically ‘neutral’ (Berglof, 2016; Pochet, 2016; Schout & Schwieter, 2018), the article demonstrates that not only have national parliaments and the European Parliament been circumvented in the decision-making process regarding such boards, but formal democratic institutions will also remain structurally disempowered in the future. Set up as ‘politically independent’ institutions, national productivity
boards have been entrusted with the task of ensuring that member states raise productivity while containing unit labour costs, and suggesting policies when cost competitiveness lags behind the euro area average and the main trading partners (Council of the European Union, 2016; European Council, 2016). The democratically unelected and unaccountable European Commission will supervise these boards, formulate common standards for measuring productivity, and make use of ensuing annual reports in the European Semester. Thereby, EU executive and bureaucratic powers will be strengthened in the wage-setting process, an area that hitherto has fallen outside of EU competences, while the role of organized labour is likely to be marginalized, if not completely ruled out.

The article primarily discusses internal devaluation with reference to the labour market and intensified capitalist competition. The next section locates the internal devaluation programme within the new EU industrial policy and outlines why it will only increase structural asymmetries in the EU. Section two reveals the authoritarian neoliberal character of national productivity boards. As there is a need to not just explain and critique the ongoing neoliberal reconfigurations of the EU state apparatus, but also to consider how the contradictions immanent to such reconfigurations provide opportunities for groups struggling for a post-neoliberal and a post-capitalist world, section three discusses what an alternative EU industrial policy could look like, and suggests policies that support solidarity economy initiatives. The conclusions summarize the article’s main contributions.

The new EU industrial policy: internal devaluation through the backdoor

In its Communication ‘For a European Industrial Renaissance’, the European Commission (2014) set the target to make ‘the EU a more attractive location for the production of goods and services’, and to reverse the ongoing deindustrialization in Europe reflected in the transfer of manufacturing capacity to China and other emerging markets. The Commission acknowledged that the pace of economic recovery since 2008 has been slow, and ascribed this to the absence of investment into European industries. Indeed, both private and public investment in production has undergone a downward trend since the 1970s, which has been due to saturated markets, lingering industrial over-capacity alongside slowly growing aggregate demand, as well as a vast outsourcing and offshoring of labour-intensive production to low-wage countries. Moreover, the tertialization of European economies required far less investment, while the ever-expanding financial sector absorbed vast shares of surplus capital not invested in industrial production (Wigger, 2017). The decline of investment has accelerated further since the turn of the century, and particularly since the imposition of austerity: in the absence of public investment, private investments have also been withheld (Barbiero & Darvas, 2014). Measured in terms of gross fixed capital formation, investment in the EU decreased from 22.1% of GDP in 2000 to 19.2% in 2013, with only a marginal increase to 19.8% in 2016 (Eurostat, 2017). This compares poorly to China and India, with roughly 45% and 30% respectively (World Bank, 2018). While the investment downturn also affected services, manufacturing saw most of the reductions, albeit in an uneven fashion, hitting particularly hard the EU’s South, with shortfalls ranging here from 25% to 60% (European Commission, 2017a).

The new EU industrial strategy consists of multiple funds and policy measures that seek to leverage private investments into manufacturing. The European Fund for Strategic Investments (EFSI), established in 2015, is probably the most prominent measure. Also referred to as the Juncker Funds, named after Commission President Jean-Claude Juncker, the EFSI seeks to co-finance private financing for risky ‘infrastructure and innovation projects’ that would not otherwise be funded. Similarly, the Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), established in 2014, seeks to improve SMEs’ access to credit on the basis of EU
guarantees and counter-guarantees, as well as through using the securitization of debt-finance portfolios as leverage: every euro invested in a loan guarantee is expected to release up to 30 euros of private investment (European Commission, 2018a). In a similar vein, the European Steel Action Plan, Horizon2020 and even the European Defence Action have been subsumed under the new EU industrial policy, and the Commission (2017b) announced future specific action plans for almost every imaginable industrial sector. Additionally, flanking programmes such as ‘Better Regulation’, ‘Regulatory Fitness and Performance Programme’ (REFIT) or ‘Competitiveness Prooﬁng’ have been employed for the sake of simplifying or removing existing legislation considered costly for business, as well as for screening new legislation regarding its impact on the global competitiveness of EU industries.

While the above-mentioned funds and programmes seek to unlock private investments in one way or another, the Commission also seeks to boost the ‘cost’ and ‘price’ competitiveness of EU manufacturing industries as a way of attracting investments, ultimately serving the goal of catalyzing export-led economic growth. According to the Commission (2013), manufacturing, which currently accounts for 40% of all EU exports, will be the main driver for future innovation, jobs, growth and wealth. Hence, improving ‘cost’ and ‘price’ competitiveness is considered a prerequisite for allowing EU manufacturing industries to compete successfully on global markets.

**Improving ‘cost’ competitiveness through deflating the cost of labour**

A central yardstick for assessing and comparing the evolution of ‘cost’ competitiveness is unit labour costs, a ratio between productivity and total labour compensation indicating whether labour costs rise in line with productivity gains. The components can vary and range from direct and indirect labour cost structures (which include wages and employers’ contributions as well as social security and pension schemes), vis-a-vis units of produced output or hours worked (measured either at company, industry, regional or national level). The general idea is that reducing unit labour costs will have positive signalling effects to investors, eventually leading to a re-industrialization process across Europe, higher net exports and economic growth, with a positive trickle-down effect on employment. Unit labour costs can be reduced by increasing productivity or by reducing elements of the total labour costs structure. However, as productivity in the EU has slowed considerably alongside vast deindustrialization since the 1970s, and as productivity gains in the tertiary sector are diﬃcult to achieve, supply-side strategies, such as labour market adjustments, including wage suppression or labour market ﬂexibilization, generally receive all of the emphasis.

Internal devaluation through deflating labour has been on the EU agenda for quite some time. The rigid disciplinary rules and institutions of the Economic and Monetary Union (EMU) already prefigured internal devaluation: exchange rate adjustments to cheapen export prices in a context of low inﬂation and a single currency were no longer an option, while budgetary straitjackets ruled out national deﬁcit spending and thereby also interventionist industrial policies. Under this yoke, labour market adjustments therefore became a prominent strategic goal. When the crisis hit in 2008 and trade balances worsened, the Commission (2011b, p. 22) advocated internal devaluation as a way to ‘mimic the expenditure-switching effects of “external” exchange rate devaluation’. Scoreboards of unit labour costs were subsequently used as headline indicators in the so-called Memoranda of Understanding between member states and the Troika or the IMF/EU, the 2011 European Semester, the 2011 Euro Plus Pact or the Six Pack (European Commission, 2018b; see also Erne, 2015). Losses in cost competitiveness and overall low investment levels in so-called deﬁcit countries were linked to sustained increases of unit labour costs and/or the persistence of restrictive employment protection
legislation, both of which were, it was argued, detrimental to Europe’s economic prospects (European Commission, 2014, 2017c). The argument generally was that countries such as Greece, Ireland, Spain and Portugal had real wage increases far beyond what could be justified on the basis of their productivity performances. Indeed, since 2000 unit labour costs in the Southern periphery increased 25–30% faster than those of Germany (Stockhammer & Onaran, 2012, p. 198).

Germany’s comparatively low unit labour costs served as a benchmark for a reason: Chancellor Schröder’s Agenda 2010 reforms of 2003–5 entailed a far-reaching internal devaluation programme, consisting of reducing job protection, tightening job acceptance regulations for the unemployed (including so-called 1 euro jobs outside regular labour markets), deregulating temporary work agencies, dismantling social welfare and reducing social contributions for long-term unemployed, decentralizing collective bargaining, and cutting corporate taxes (see also Bruff, 2015). As part of the EU’s crisis management strategy, ‘Modell Deutschland’ seems to have been elevated as the EU standard (see also Beck & Germann 2018, on Modell Deutschland). In fact, German Chancellor Merkel (2013) repeatedly emphasized that it was vital to keep driving down labour costs in order to create a regulatory environment in Europe that is attractive to investors. Merkel articulated what organized (transnational) industrial interests, such as in the configuration of the so-called Captains of Industry, assembled in the European Round Table of Industrialists (ERT), have been pushing for over the last few decades. It is not a coincidence that Merkel invited the ERT to Berlin in 2013, together with the-then French President Hollande and Commission President Barroso, where it was jointly agreed that industrial competitiveness should be at the centre of EU policy-making (ERT, 2013). More concretely, it was agreed that business-friendly regulations, such as tax reductions, less labour protection and thus more labour market flexibilization, and lower wages and severance payments were needed, in addition to further privatizations as well as the facilitation of mergers and acquisitions – or what the ERT called ‘market-driven consolidation’ (ERT, 2013). To put industrial competitiveness ‘at the core of each and every European policy’ has moreover been iterated in joint declarations by nationally organized industrial capital groups, such as the German BDI, the Italian Confindustria and the French MEDEF (BDI, 2014a, 2014b), as well as a joint declaration handsigned by 125 CEOs in the European manufacturing industry (see Joint Declaration of Industry Representatives, 2017). And when the ERT in 2014 issued the ‘EU Industrial Renaissance: Agenda for Action 2014–2019’, consisting of policy priorities and a set of instructions for the then newly appointed Commission (see ERT, 2014, p. 1), the Commission (2014) soon after followed with its eponymic ‘For a European Industrial Renaissance’ Communication.

The industrial competitiveness agenda has also been pushed by organized labour. In 2016, the European Trade Union Confederation (ETUC), the umbrella organization of national trade unions, joined forces with BusinessEurope, calling ‘on EU institutions to bring competitive and sustainable industry back to the core of the EU policy agenda’ (ETUC & BusinessEurope, 2016). Surely, ETUC does not subscribe to an industrial policy based on devaluing labour, but construals that link the crisis’ root causes to a lack of industrial competitiveness, and that seek solutions in attracting industrial investments, seem to have an enthralling effect. Against the backdrop of ‘America First’, or the ‘Make in India’ or ‘Made in China 2025’ strategies (which seek to transform India into the next manufacturing destination and China into the leading manufacturing power), both organized labour and the statist centre-left seem preoccupied with winning the global competitiveness race and thus can be supportive of schemes that come with the air of a Keynesian industrial strategy, despite their concrete implications.

Scoreboards of unit labour costs, alongside other competitiveness performance indexes and benchmarks of best practices, are disciplinary policy tools that constitute the apex of the neoliberal
organization of capitalism. As Marx observed in the *Grundrisse* (1973 [1939], p. 164), under capitalism, individuals are ruled by abstractions and the character of these abstractions is ‘a product of historic relations’. Unit labour costs are such an abstraction. They are what Marx called a crude reductionist travesty that dehumanizes and objectifies commodified labour. As a calculus for competitive comparisons, EU member states will have to undercut each other’s unit labour costs in a ‘beggar-thy-neighbour’ fashion. This is likely to exacerbate existing structural asymmetries in the EU (see also ETUI, 2016). To begin with, internal devaluation in Germany has been anything but a success story. While three-quarters of the German GDP has indeed been driven by net exports since 2000, job growth was mostly due to the expansion of precarious and part-time employment (Sandbu, 2016, pp. 27–28). Rather than investing in Germany, manufacturers relocated production to cheap labour areas in Central and Eastern Europe from where they imported components and processed material more cheaply.

As EU economies mainly trade with each other, albeit in a highly uneven manner, Germany’s export competitiveness led to a contraction of manufacturing industry in other EU member states. German surplus capital, or what has not been paid out in wages, moreover has been valorized through credit extension to the EU’s periphery, where it spurred the growth of fiscal deficits and/or household debt, while debt-fuelled consumption further augmented the trade surplus of the EU’s North vis-a-vis the South. Therefore, as long as the bulk of trade is intra-EU and extra-EU exports account for a relatively small share of EU GDP (ranging between 12–15%; see Eurostat, 2017), EU economies cannot all expand their industries and pursue an export-led growth pattern with large trade surpluses. In the absence of strong global demand, internal devaluation will have only a moderate effect on the EU’s net-export position (Stockhammer & Onaran, 2012, pp. 195–196). Thus, reducing unit labour costs in one member state will weaken unit labour costs in others, and wage repression, combined with austerity, will undermine domestic and also intra-EU consumption, as well as trigger deflation – all factors that render the success of the proclaimed investment-cum-export-led growth strategy highly unrealistic.

**Improving ‘price’ competitiveness through intensified competition**

In addition to boosting the ‘cost’ competitiveness of European industries by targeting unit labour costs and reducing so-called ‘rigidities of the labour market’, the Commission has been determined to improve ‘price’ competitiveness by reducing ‘rigidities in product markets’ (European Commission, 2015a, p. 57). A strict enforcement of EU competition policy has been advocated as the main lever to reduce the costs of capital, energy, electricity, raw materials and other variable production inputs. According to the Commission (2017a), ‘competition policy is an important driver for firms to innovate and invest’, and to ensure ‘that firms can source their inputs at optimum conditions and benefit from competitive outlets for their products’. Intense price competition is moreover believed to lead to higher productivity (European Commission, 2017a). Flanking ‘pro-competition’ reforms have already been adopted, such as the above-mentioned REFIT or ‘Competitiveness Proofing’, in addition to reforms targeting barriers that inhibit cross-border corporate expansion and investments in product and service markets (European Commission, 2017a).

Competition policy has functioned as an industrial policy at the outset. Although the Treaty of Rome of 1957 did not mention industrial policy by the word, the preambles declared ‘a high degree of competitiveness’ a Community goal (see Article 2). In the postwar decades of European integration, the enforcement of supranational competition rules had a strong neo-mercantilist and protectionist outlook (Wigger & Buch-Hansen, 2014). Distortions to (supranational) competition rules
were commonplace, and the Commission generously permitted direct or indirect state aid such as friendly loans, financial support for investments or R&D projects, as well as tax reductions or guaranteed procurement. Over time, the Commission became more activist, and sought to create European champions rather than allow national governments to pick their winners. It facilitated all sorts of cross-border industry collaboration and economic consolidation through mergers and acquisitions (Wigger & Buch-Hansen, 2014, p. 67). Primacy was given to bolstering European industries that were lagging behind the much larger and technologically more advanced American counterparts in high-value added sectors, such as computing and aerospace, and to protecting industrial sectors considered ‘too important to fail’, such as steel, coal, electricity, railways, textiles, shipbuilding, infrastructure or defence industries (Wigger & Buch-Hansen, 2014, p. 69). During the stagflation crisis of the 1970s, the Commission even tolerated crisis cartels setting prices and limiting outputs (Wigger & Buch-Hansen, 2014, p. 69).

Although with the neoliberal turn in the 1980s industrial policy was denounced as part of what Giersch (1985) diagnosed as ‘Eurosclerosis’, the rhetoric of competitiveness stayed. Rather than curbing competition to improve the competitiveness of European industries, intense competition was propagated to enhance competitiveness. The neoliberal logic entailed that if a plethora of discrete companies strive to become more efficient, increase their productivity and stay ahead of rivals through lower prices, higher levels of competitiveness of entire economies can be expected. In this vein, state aid was curtailed, cartels stringently prosecuted and public utility sectors privatized. Moreover, the notion ‘fair competition’ was replaced with ‘free competition’ in the consolidation of the treaty texts through the 1991 Maastricht Treaty. The logic of competition leading to competitiveness was also entrenched in the Lisbon Agenda of 2000 and its successor strategy Europe 2020. It is therefore not surprising that former Competition Commissioner Almunia (2014) announced that the new EU industrial policy would differ markedly from that of the 1970s. According to Almunia, strict enforcement of EU competition rules was ‘the cheapest and most effective structural reform’, ‘at no extra cost for the taxpayer’ (Almunia, 2012a, 2012b). By intensifying competition as a way to lower price levels, EU economies, so the idea goes, can compete themselves out of the crisis.

Lower prices may appear much-needed in times of economic recession, and a strict enforcement of competition rules may seem less painful than fiscal austerity, onslaughts on social rights and the repression of wages. However, competition facilitated by strict rules enforcement can intensify to an extent that prices of competitors can only be undercut by a further exploitation of labour (Wigger, 2017). While it makes sense from an individual capitalist perspective to maximize the freedom to exploit labour, this is not the case on an aggregate level. If less surplus from the production sphere is redistributed to wage earners, and by extension to society at large, the macro-effect will be reduced aggregate demand. The competitive lowering of prices moreover tempers future profit expectations, and thereby the propensity to invest in new production capacities. The coercive nature of capitalist competition can therefore precipitate what Harvey (2010, p. 29) called a peculiar combination of low profits, low wages, and low investments. Hence, by increasing privatized control over surplus capital, the new EU industrial policy is unlikely to channel investments to the real production sphere but rather to free even more liquid capital for speculative activities in the financial sphere.

**The authoritarian neoliberal traits of internal devaluation**

The governance framework for the internal devaluation component within the new EU industrial policy is yet another domain where neoliberal solutions are imposed in a highly authoritarian fashion. In 2009, the Commission appointed a ‘high level group of experts’ to develop a long-
term common industrial strategy, and thus from the outset sought to avoid a broad-based debate with various societal stakeholders. The resulting policy suggestions informed the Commission’s Communication ‘Industrial Policy Reinforcing Competitiveness’ of 2011, calling for deep structural reforms and coherent and coordinated policies, including policies that target unit labour costs (European Commission, 2011a). In 2012, the Four Presidents’ Report7 took up the competitiveness agenda, suggesting that EU governments should conclude annual contractual arrangements with the Commission, targeting areas where competitiveness was weak. In 2013, at the World Economic Forum in Davos, Switzerland, Chancellor Merkel advocated ‘Competitiveness Pacts’, which similar to the Fiscal Compact should create the prerequisite to get access to financial aid under what euphemistically had been termed the ‘solidarity mechanism’.

Only one month later, the Commission (2013) launched a proposal for a ‘Convergence and Competitiveness Instrument’, which suggested a procedure according to which the Commission would make recommendations to individual member governments on how to regain competitiveness. Almost simultaneously, the European Council (2013, pp. 17–20) committed itself to negotiate ‘Partnerships for Growth, Employment and Competitiveness’, which entailed that individual governments and the Commission would conclude bilateral reform contracts that were subject to approval by the Council, notably in the configuration of its Competitiveness Council. In contrast to the reform requirements spelled out in the Memoranda of Understanding, the bilateral competitiveness treaties would not only demand reform efforts from the most crisis-hit but from all Eurozone members. Moreover, in contrast to the Country-Specific Recommendations issued ex ante by the Commission under the European Semester, the competitiveness treaties would be legally binding, and thus be enforceable through ex post litigation before EU Courts. The view was that the 2011 Euro Plus Pact and the European Semester failed to deliver the expected results – not because of the substance of the policies but due to their non-binding nature.

In a political climate of growing Euroscepticism and outright anti-EU sentiments, the subsequent Five Presidents’ Report8 in 2015 no longer mentioned the involvement of the courts but proposed establishing national competitiveness authorities, entrusted with the supervision of policies and the analysis of performances in the field of competitiveness. These authorities were to be functionally autonomous and politically independent from ministries and public authorities, and enjoy a statutory basis in national law, while their decisions should have the authority of law (Five Presidents’ Report, 2015). Establishing national competitiveness authorities, rather than competitiveness pacts, had to create a strong sense of ‘national ownership’ of the ‘necessary policies and reforms’, while leaving sufficient room for national disparities and legal traditions.

According to the Five President’s Report, ‘Member States have a responsibility and self-interest to maintain sound policies and to embark on reforms that make their economies more flexible and competitive’ (Five Presidents’ Report, 2015, p. 4). What may appear to be a decentralized approach actually involved a high degree of centralization: the Commission would supervise the national competitiveness authorities, formulate common templates and standards, and then use the reported progress as a basis for the ‘country-specific recommendations’ in the European Semester (Five Presidents’ Report, 2015, pp. 7–8). Common standards had to span the field of ‘labour markets, competitiveness, business environment and public administrations, as well as certain aspects of tax policy (e.g. corporate tax base)’ (Five Presidents’ Report, 2015, p. 9). Importantly, national competitiveness authorities had to ‘assess whether wages are evolving in line with productivity’ and in comparison with other Eurozone members and ‘the main comparable trading partners’ (Five Presidents’ Report, 2015, p. 7). EU economies thus had to undercut each other’s cost and price competitiveness plus those of their main non-EU trading partners. Furthermore, national competitiveness authorities
had to promote the ‘flexicurity’ concept, the contradictory combination of ‘flexible labour contracts’ coupled with ‘lifelong learning strategies’ and ‘modern social security systems’ (Five Presidents’ Report, 2015, p. 9).

When these proposals still caused reservations to be expressed, the Commission subsequently changed the name, and national competitiveness ‘authorities’ were downgraded to national competitiveness ‘boards’. In October 2015, it issued a ‘Recommendation for a Council Recommendation on the Establishment of National Competitiveness Boards’ (European Commission, 2015b). The Ecofin Council9 revised the Commission’s Recommendation in June 2016, and shortly after, in September, the European Council endorsed these changes and issued a recommendation, calling upon Eurozone members to establish national productivity boards within 18 months (European Council, 2016). In addition to dropping the word competitiveness and replacing it with productivity, there were minor revisions, such as degrading the Commission’s supervisory role from a ‘coordinator’ to a ‘facilitator’ of the exchange of views and best practices among national productivity boards. The overall substance of the mandate entrusted upon national productivity boards, however, remained unchanged: the ‘boards should analyse productivity and competitiveness developments’ not only among Eurozone members but also ‘relative to global competitors’, and ‘address cost and non-cost factors that can affect prices’ (Council of the European Union, 2016; European Council, 2016).

National productivity boards should moreover be ‘in charge of the design and implementation of policies in the field of productivity and competitiveness in the Member State or at European level’ (Council of the European Union, 2016), and be able to react to national developments and initiatives proposed by national authorities, reinforce the policy dialogue at the national level and have an impact on national debates. National productivity boards may sound more trivial than the initially suggested competitiveness pacts or national competitiveness authorities. However, reporting on unit labour costs developments, and suggesting policy reforms that seek to raise productivity while containing unit labour costs and making adjustments when cost competitiveness lags behind the Eurozone average or the main trading partners, remain core activities. In addition, the annual reports will inform the Commission’s country-specific recommendations in the European Semester and the Macroeconomic Imbalance Procedure processes (Council of the European Union, 2016; European Commission, 2016). This has also been emphasized in the Communication ‘A renewed EU Industrial Policy Strategy’, where the Commission (2017a) announced that it intended ‘to work with member states in the European Semester to deliver on the main needs for industrial competitiveness’.

The strengthening of the European Semester through national productivity boards surveilling and attempting to enforce internal devaluation is yet another instance of authoritarian neoliberalism at the EU level, which seeks to insulate certain policies and institutional practices from social and political dissent (cf. Bruff, 2014, p. 115). To begin with, the European Commission deliberately side-stepped the ordinary legislative procedure and thereby the involvement of the European Parliament when recommending that the Council should recommend such boards at national level, ruling out any parliamentary oversight and debate over the role and function of national productivity boards (European Parliament, 2015). Furthermore, the neoliberal adjustment agenda will in the future, at least by intention, be hermetically sealed from institutionalized channels for contestation and democratic accountability (see also Cozzolino, 2018; Tansel, 2018). Indeed, one can be easily deceived when reading that these boards should be ‘unbiased’ and their expert analyses ‘formulated in the general interest’ instead of containing ‘only or mainly views of specific groups of stakeholders’ (Council of the European Union, 2016). However, by enjoying ‘functional autonomy’ and political independence vis-à-vis any public authority, these boards are designed as a
one-way street when informing ‘the national debate in the field of productivity and competitiveness’. As Dijsselbloem (2016) tweeted, these boards ‘should primarily objectify the national debate’.

Not only formal democratic bodies like the European Parliament and national parliaments but also organized labour has been, and will also in the future be, sidestepped. Although in response to criticism, the 2016 Council Recommendation included a notion that productivity boards should ‘respect the national practice and institutions for wage formation’, the Commission had already advocated that ‘social partners’ should use the annual reports as guidance during wage-setting negotiations, and ought to take into account productivity developments in order to avoid ‘misalignments between wages, productivity and skills’, or what is also referred to as wage formation rigidities (European Commission, 2017c). Whereas the Commission already had a foot in the door regarding the wage formation process and labour cost adjustments on the basis of the European Semester, the Euro Plus Pact or the Six Pack (see Erne, 2015), the competitiveness governance framework now seeks to put an end to tripartite social dialogue at the national level. Arguably, none of the EU austerity or the hasty bailout packages has been implemented in cooperation with organized labour, but the Commission, by proxy of national productivity boards, can now fully intrude on a policy domain that used to be a national preserve. Ironically, national trade unions and the ETUC have long pushed for wage coordination at EU level; however, certainly not in the way it is materializing now. As a representative of ETUC (2015) remarked: ‘we are only a hair’s breath away from setting maximum wage standards for collective bargaining that are legally binding, or from questioning the validity of strike action’.

The fact that there have been only minor changes since the first proposal is indicative of yet another feature of authoritarian neoliberalism, namely that fewer attempts are being made to achieve consent from contesting groups through policy and/or material concessions. Against the backdrop of growing dissent, protest and resistance to neoliberal EU integration from (radical) left movements and organizations, and the recent landslide electoral victories of neo-populist Eurosceptic, radical right and even neo-fascist parties, the neoliberal agenda can only be pursued through a pre-emptive administrative, legal and coercive apparatus sealed off from popular contestation (cf. Bruff, 2014, p. 116). Thus, despite heightened contestation EU institutions continue to follow a neoliberal course, thereby relying on various complex, multi-layered and cross-cutting EU economic governance packages, and newly erected bodies with seemingly harmless names, such as the national productivity boards. The sheer complexity of this authoritarian surge is paired with an active marginalization and increasingly also the criminalization of oppositional forces (Tansel, 2017, p. 2).

Nevertheless, it is important to stress that this is all indicative of the deep political crisis in which the EU finds itself. As Poulantzas (1978, p. 241) aptly put it: ‘[a]uthoritarian statism does not correspond to a univocal strengthening of the State: it rather involves the dual aspect of strengthening-weakening’. He observed that weakening with regard to, for instance, shortfalls in legitimacy and ongoing states of crisis offers ‘fresh possibilities to the Left’ and creates ‘new forms of popular struggle’ (Poulantzas, 1978, pp. 245–246). Democratizing the EU and its institutions to remedy the vast legitimacy shortfall may seem out of reach, if not entirely impossible; yet, there are also indicators of a political counter-project that directly or indirectly discredits, delegitimized and politicizes the authoritarian reconfiguration of EU institutions and the imposition of neoliberal race-to-the-bottom structural adjustment policies and procedures. The new forms of popular struggles that Poulantzas (1978, p. 246) observed in the late 1970s exhibited ‘a characteristic anti-statism and express themselves in the mushrooming of self-management centres and networks of direct intervention by the masses in the decisions which affect them’.
As will be discussed below, these struggles have indeed surfaced again in the last decade, against the backdrop of protracted and multiple crises.

**Discussion: an alternative EU industrial policy fostering solidarity economy initiatives**

A range of scholars and organizations have suggested an alternative, employment-friendly, ecologically sustainable, transparent and democratically accountable EU industrial policy that ensures social participation and tackles the vast structural asymmetries across the EU (see Rosa Luxemburg Stiftung, 2017). Putting labour at the core is certainly the way to go; however, most of these suggestions remain implicitly or explicitly within the capitalist social relations of (re)production. Arguably, fixed blueprints for a post-neoliberal and post-capitalist society are neither possible nor desirable, if democratic processes are to be taken seriously, but we should not refrain from discussing at least the contours of such alternatives. From a historical materialist vantage point, changing the social relations of (re)production should constitute the bedrock for a systemic change, while competition on prices and wages need to be ruled out (Wigger, 2018). There is nothing wrong with producing higher quality and more innovative products in a competitive spirit; yet production should be reoriented towards what Marx (1965 [1887]) called ‘use value’, rather than ‘exchange-value’ relying on labour as a comparative advantage. Competition originates from the Latin word *competere*, which refers to striving and running together and learning from each other. Giving significance to the original sense of the word could be a step in the right direction. Ideally, democratic or consensual decision-making should take centre-stage. However, as there is and cannot be a ‘one size fits all’ solution, free experimentation of different formats, evolving from bottom-up grassroots initiatives, should prevail, leading to a coexistence of multiple laboratories for the production, distribution and consumption of goods and services, as well as the reproduction of the wider ‘social factory’ beyond the workplace (see Cleaver, 2000 in Bieler & Jordan, 2017).

Real existing ‘solidarity economy’ initiatives in many ways prefigure more equitable, horizontally- and democratically-managed social relations of (re)production. Over the last decade, workers’ collectives, cooperatives, mutuals, associations or foundations have proliferated, particularly in the most crisis-hit EU member states (Wigger, 2018). Estimates suggest that there are currently more than 250,000 grassroots cooperatives in the EU, which are owned by 163 million citizens (equivalent of one-third of the EU population), and which employ 5.4 million people (Cooperatives Europe, 2018). Although solidarity economy initiatives can be more or less radical in resisting prevailing capitalist logics, overall they can be seen as a coagulation of structures of resistance against authoritarian neoliberalism in contemporary capitalism (Wigger, 2018). Solidarity economy initiatives frequently include communal ownership and horizontal direct-democratic decision-making structures, with fewer supervisory and management layers and a higher degree of social inclusion in terms of gender, age and (dis)ability, as well as migrants (Wigger, 2018). They tend to give primacy to equity, reciprocity, cooperation, mutual aid, solidarity and environmental sustainability – all antidotes to cut-throat capitalist competition and the maximization of profits (Kokkinidis, 2015a, 2015b).

Importantly, solidarity economy initiatives come with a high transformative potential. Rather than operating in isolation, they often form part of dense network structures that cluster complementary products and services, and create new synergies among local, regional, national and also international peer-to-peer producer and consumer networks. As a result, they often rely on shorter supply chains, rendering the production and consumption of goods and services less
alienated, while also reducing energy-wasteful transportation (Wigger, 2018). The transformative potential also lies in the fact that solidarity economy initiatives offer an infrastructure of dissent, making new political imaginaries possible (Vogiatzoglou, 2015). Solidarity, after all, is a relation forged through political struggle, which reshapes ‘the terrain of what is politically possible and what counts and what is recognized as political’ (Featherstone, 2012, p. 7).

The recent surge of solidarity economy initiatives is closely linked to the disruptive mass protests against the neoliberal EU crisis management, where hundreds of thousands took to the streets, occupied central squares, held popular assemblies or engaged in strikes or acts of civil disobedience, leading to the emergence of new social movements, like the 15-M in Spain or the Syntagma Square movement in Greece, as well as a myriad of new political parties or party-like platforms (Wigger, 2018). In particular, the square occupations and neighbourhood assemblies that started after the mass demonstrations in Spain provided an arena for solidarity economy networks to engage with a more heterogeneous audience, bringing together different activist groups and previously non-politicized individuals (Wigger, 2018, p. 44). These initiatives have offered a more concrete, praxis-oriented form of resistance compared to the often short-lived and fragmented protest actions in the streets, and have attracted the political support from a disparate set of progressive social forces.

One of the most radical examples, which emerged as an activist response to the crisis and the unbridled power of the financial sector in contemporary capitalism, is the Cooperativa Integral Catalana (CIC), the Integrated Cooperative. The CIC seeks to synthesize all activities of social life under an umbrella framework of mutual help that transcends capitalist forms of organization and production (see CIC, 2018). Established in 2010 in Catalonia with the aim of promoting degrowth ideas, self-management, direct democracy and the empowerment of local nodes by cutting out intermediaries between production and consumption, the CIC has grown into a network involving several thousand people and has progressively moved into new activities, subsuming a network of ever more cooperatives (Dafermos, 2017). The CIC model has been copied, with sister networks emerging all over Europe (CIC, 2018). For example, similar initiatives can be found in Greece, such as Syn.allois, a Cooperative for Alternative and Solidarity Trade that was established in 2011 (see Kokkinidis, 2015a, 2015b).

While the CIC seeks to establish autonomous alternatives and deliberately operates beyond the remit of the state and the capitalist market, other solidarity economy initiatives are fighting for legal recognition at national and EU levels, demanding for example more lenient tax treatment and exemptions from national and EU competition rules (CIRIEC International, 2016; Cooperatives Europe, 2018). While the European Court of Justice (ECJ) ruled in 2011 that a specific tax treatment can indeed be justified based on their different nature compared to for-profit-enterprises, the ECJ also interpreted associations or federations among solidarity economy initiatives as illicit and anti-competitive agreements (CIRIEC International, 2016, p. 39). Similarly, the European Commission has hitherto paid no attention to the specific needs of the solidarity economy, and holds on to its neoliberal mantra that capitalist competition should receive primacy at all times. In a Communication on cooperative societies, the Commission (2004, p. 13) argued that despite their distinctive features, cooperatives ‘do not need preferential treatment’, have ‘to compete effectively in their markets and on equal terms with other forms of enterprise’ and ‘are therefore subject to competition rules’. Concretely, this means that there are no exemptions regarding state aid or cooperative agreements between different solidarity initiatives. This illustrates that the Commission employs EU competition rules as a fictitious equalizer, which standardizes corporations irrespective of their size, purpose and economic power into something they are not, namely equal market players. Cooperation and mutual aid, the antitheses of capitalist competition, are thereby marginalized or
ruled out entirely as organizing principles. This is to the detriment of solidarity economy initiatives, which can only thrive and exploit their transformative potential with the capacity to cooperate and form associations and federations.

Ironically, the Commission’s (2017d, p. 6) recent ‘White Paper on the Future of Europe’ starts with a reference to the Manifesto di Ventotene (‘For a Free and United Europe’), written by Altiero Spinelli and Ernesto Rossi, who were imprisoned by the fascist regime on the isle of Venetone during the Second World War and whose federalist ideas formed part of the very impetus for kickstarting European integration. Not only was Spinelli a communist, and Rossi the founder of a cooperative, but in the Manifesto they also suggested an ‘industrial reform which will extend workers’ ownership in non-nationalized sectors, through co-operative adventures, employee profit-sharing, and so on’ (quoted in Mayo, 2018). The current EU economic policies, including industrial and competition policy, are a far cry from the ‘free and united Europe’ as envisaged by the Italian anti-fascists. Against the backdrop of increasingly authoritarian traits in which the neoliberal course is solidified in so-called independent and democratically non-accountable bodies, the Commission’s (2017d, p. 6) invocation for Europe’s future that the hard-earned human dignity, freedom and democracy in Europe can never be relinquished seems merely a platitude.

**Conclusion**

Ten years after the global economic crisis, various EU institutions and politicians have come to realize that low inflation, low public debt-GDP ratios and tight budget deficits have not led to the promised economic convergence, let alone to a sustained and balanced economic recovery. It has also been acknowledged that reforms are needed to tackle the vast structural asymmetries that have opened up a North–South and West–East divide. Likewise, it has been recognized that financial markets have grown out of proportion vis-à-vis the production economy, and that measures are needed to channel financial excess capital into European industries. In this vein, the new EU industrial policy is meant to serve as one big lever to attract private investments.

This article has revealed that the new EU industrial policy, in addition to various funds and regulatory packages, endorses the very same neoliberal internal devaluation measures that have underpinned the EMU since Maastricht, and that were also included into the Macroeconomic Imbalance Procedure of the European Semester in 2010. The chosen way forward is as follows: to compensate for the loss of exchange rate flexibility within the Eurozone as a way of cheapening EU exports, all emphasis is given to improving the cost and price competitiveness of European industries — mostly through wage adjustments and further labour market flexibilization — as well as lower prices following from unbridled competition, alongside a lowering of corporate tax rates. As has been shown in this article, in addition to directly and indirectly depreciating the costs of labour, internal devaluation also comes with an authoritarian reconfiguration of the EU state apparatus. With the establishment of allegedly ‘independent’ national productivity boards, keeping track of wage vis-à-vis productivity developments, and suggesting national reforms in sectors and areas deemed to lack competitiveness, the unelected and unaccountable European Commission finds itself once more in a fortified position when ‘commanding’ structural adjustments through the European Semester. Against the backdrop of growing popular contestation of the European integration project, it remains to be seen whether and how national productivity boards, as vassals of the European Commission’s new industrial policy, will indeed manage to foster internal devaluation.

The solidarity economy initiatives, as discussed in the last section, may appear marginalized and disparate struggles, but they are also indicative of concrete utopias that already exist and thus provide
the foundations for an alternative EU industrial policy. They are a crucial part of ongoing attempts to discredit, de-legitimize and politicize authoritarian neoliberal crisis management strategies at national and EU levels and capitalism in Europe more generally.

**Notes**

1. The Council of the European Union, or the Council of Ministers, is an EU body where national ministers meet in policy-specific areas to adopt legislative acts and coordinate policies, mostly together with the European Parliament through the so-called ordinary legislative procedure or what used to be termed codecision. The Council should not be mistaken for the European Council, consisting of the heads of state of the member state governments, the European Council President, and the President of the European Commission, which defines the general course and priorities of European integration.

2. The Eurogroup is an informal and democratically unaccountable body without a statutory basis in the Treaties, consisting of the finance ministers of the Eurozone members, the Commissioner for economic and financial affairs, and the president of the European Central Bank. The Eurogroup enjoys vast discretionary powers and coordinates economic policies among Eurozone members.

3. As unilateral currency devaluations by individual member states have become impossible with the establishment of the Economic and Monetary Union (EMU) and euro as the common currency, internal devaluation strategies offer an ‘alternative’ option to cheapen exports.

4. The European Semester was introduced in 2010 and forms part of the annual supranational economic policy coordination process, which allows the European Commission to surveil economic and fiscal policies, including budget plans, as well as macroeconomic and structural reforms, and issue country-specific recommendations for the next 12 to 18 months.

5. At the time of writing (March 2018), the broader EU package of corporate tax reforms is in the process of being launched and thus falls outside the scope of the article. Nevertheless, its direction of travel is clearly towards the overall goals mentioned already, i.e. lower levels of taxation.

6. Memoranda of Understanding (MoU) are bilateral contracts specifying the reform conditions for member states that requested financial assistance. The Europlus Pact, signed in 2011, seeks to strengthen economic policy coordination among Eurozone and other member states with the aim to improve ‘economic competitiveness’. The Six Pack, also adopted in 2011, consists of five regulations and one directive that seek to strengthen the Commission’s budgetary and macroeconomic surveillance powers under the new macroeconomic imbalance procedure — a procedure installed to detect risky economic developments.

7. The Four Presidents’ Report is a joint report by the presidents of respectively the European Council, the European Commission, the Eurogroup and the European Central Bank.

8. In comparison to the Four Presidents’ Report of 2012, the Five Presidents’ Report of 2015 also included the President of the European Parliament.


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Notes on contributor

Angela Wigger is Associate Professor of Global Political Economy at Radboud University, the Netherlands. Her research focuses on the global economic crisis, crisis responses, and political resistance, with a particular focus on the EU’s ‘competitiveness’ fetish and the issue of debt. She has written a monograph (with Routledge; co-authored with Hubert Buch-Hansen) and has published numerous journal articles and book chapters on these themes.

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