

# Is The Left Finally Waking Up To Eurozone Realities?

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The fact that the mainstream European left continues to believe, with some notable exceptions, that the European Monetary Union (and European Union) [can be reformed in a progressive direction](#) and transformed into a fully-fledged supranational democracy remains one of the most baffling mysteries of our time (though we attempt to offer an explanation [here](#)).

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This is why I was surprised to read a recent paper commissioned by the GUE/NGL and written by Sinn Féin MEP Emma Clancy titled *The Future of the Eurozone*. The document is quite ground-breaking, in that it has the rare merit of focusing on the *structural dysfunctionality* of the Eurozone (from a progressive perspective, at least) rather than simply discussing the dysfunctional post-crisis policies that European governments and institutions have been pursuing for almost a decade now, and that the European left has been railing against for just as long. This is not a trivial distinction. As Clancy correctly notes: 'While left-wing political movements and parties in Europe have focused on campaigning against the policy choices enacted by the EU institutions since the crisis, particularly the imposition of fiscal austerity, there is an urgent need to also examine – and explain – how the very structure of the Eurozone has contributed to inequality and divergence, prolonged and deepened the financial crisis and sovereign debt crisis, and makes future sovereign debt crises inevitable'.

The paper does just that, thoroughly detailing *why the problem is, in fact, the euro itself* (and to a lesser degree the EU), and not simply the policies that are commonly associated with it, and why Europe's tribulations cannot simply be explained in terms of the conservative political orientation of leading member states, as integrationists often argue. Firstly, austerity did not simply materialise after the eruption of the so-called 'euro crisis', and was not called into existence by the Fiscal Compact; it is embedded in the treaties, meaning that the very architecture of the Eurozone left countries facing an external deficit – itself a result of the liberalisation of cross-border financial flows institutionalised in the EMU's architecture, [as acknowledged even by vice-president of the ECB, Vítor Constâncio](#) – no alternative but austerity and internal devaluation as the only possible response to an external shock such as that of 2009 and onwards. If austerity is embedded in the treaties, it follows that 'overcoming austerity' would require treaty change, which, as we know, is close to impossible. Furthermore, entrenched austerity is just one aspect of the problem: the entire neoliberal textbook – prohibition of industrial policy, free movement of capital, financial liberalisation, etc. – is effectively sewn into the very fabric of the European Union.

Secondly, it is true that EU and Eurozone policies are, to a large degree (though not exclusively), decided by the national governments. In this sense, it would be simplistic to understand the EU's policies as an infringement upon the autonomy of nation-states by an ill-defined 'European establishment'. However, the point that is often missed is that having an external or 'independent' institution – such as the ECB, European Commission, etc. – upon which to displace the responsibility for unpopular policies, by testifying that 'this is Europe's will', represents a very powerful tool in the hands of national elites aiming to impose policies that they themselves had always desired to implement (wage compression, labour market

deregulation, etc.), but would have had a much harder time implementing had they been fully politically accountable for their decisions. In Italy the phrase *'Ce lo chiede l'Europa'* ('Europe is demanding this') has even entered our pop culture, so commonly it is used.

This brings us to the third point: that while the EU is a powerful tool for establishment parties of *all countries* to implement pro-business and class-based policies, it is also a very powerful tool [to put pressure](#) on any periphery government that dares to defy establishment politics, not to mention on any left-wing government that is lucky enough to get into power. And we saw this at play very clearly in Ireland, in 2010, when the ECB threatened to cut off liquidity unless it agreed to a bailout; in Italy, in 2011, 'when European elites forced Silvio Berlusconi to leave office in favour of unelected Mario Monti', [as a recent \*Financial Times\* article candidly recalled](#), by making his ouster the precondition for further support by the ECB for Italian bonds and banks; and, of course, in Greece, in 2015, when the ECB actually cut off its emergency liquidity to Greek banks in order to bring the SYRIZA government to heel and force it to accept the third bailout memorandum. These episodes, perhaps more than anything else, shed light on the EU's disregard for democracy and popular will – to the point that it is highly debatable whether we can even consider EMU countries to be democracies at all in the traditional understanding of the term. As Clancy writes, 'the ability to withhold credit to elected governments gives the unelected and unaccountable ECB an enormous degree of power to impose its own policy on countries in need of assistance'. On this point, there is little reason to believe that if a left government succeeded in getting elected in a more systemically relevant country like Spain or Italy, it would be spared the Greek treatment. Ultimately, the only thing that would truly give leeway to a left-wing government willing to face up to the EU is a readiness on that country's behalf to unilaterally leave the Eurozone (which is precisely what SYRIZA lacked).

If this sounds bad enough, it looks like things are about to get even worse. After Macron's election in France, many claimed that this signalled a revival of the integration process and that the time was ripe for the creation of a pseudo-'fiscal union' backed by a (probably very meagre) 'euro budget', along with the creation of a 'European finance minister': the centre-points of Macron's plan to 're-found the EU'. Now, even this proposal [raised a number of very worrying issues from both political and economic standpoints](#); however, the result of the German elections, which saw the surge of two anti-integrationist parties, the right-wing FDP and extreme right AfD; the recent collapse of coalition talks between Merkel's CDU, the FDP and the Greens, which most likely means an interim government for weeks if not months, possibly leading to new elections (which [polls show](#) would bring roughly the same result as the September election); and the growing restlessness in Germany towards the 13-year-long rule of Macron's partner in reform Angela Merkel, means that any plans that Merkel and Macron may have sketched out behind the scenes to further integrate policies at the European level are now, almost certainly, dead in the water. Thus, even the sorry excuse for a fiscal union proposed by Macron is now off the table, according to most commentators.

At this point, the German government's most likely course in terms of European policy – the one that has the best chance of garnering cross-party support, regardless of the outcome of the coalition talks (or of new elections) – is the 'minimalist' approach set in stone by the infamous and now-former finance minister, Wolfgang Schäuble, in a ['non-paper'](#) published shortly before his resignation. The main pillar of his proposal consists in giving the European Stability Mechanism (ESM), which would go on to become a 'European Monetary Fund', the power to monitor (and, ideally, enforce) compliance with the Fiscal Compact. This would essentially amount to a supranational fiscal enforcer that would erode what little sovereignty and autonomy member states have left, particularly in the area of fiscal policy, and facilitate the imposition of neoliberal 'structural reforms'.

In a sense, the proposals under discussion would mark the definitive transformation of European states from semi-sovereign to *de facto* (and increasingly *de jure*) non-sovereign entities, and of the EU into an even more repressive, authoritarian and anti-democratic system than the one currently in place: post-democracy on steroids. Of course, from a purely theoretical standpoint, the Eurozone could indeed be transformed into a workable – in economics terms at least – fiscal and political union, by allowing the EMU as a whole to run budget deficits with the support of the ECB, issuing eurobonds, instituting permanent and substantial fiscal transfers from the richer countries/regions to the poorer ones, etc. It is usually claimed that if the left has thus failed to obtain such changes it is because of the unfavourable balance of forces within Europe. This has certainly played a role. But let's take a minute to think about what such sweeping institutional reform would entail: left-wing governments coming to power in all the countries of the union more or less at the same time (we have seen what happens when one country tries to go at it alone), given that the only way to modify the treaties is through unanimity in the Council. Now, one doesn't have to be particularly pessimistic to see why that is never going to happen.

Even more importantly, however, a point that is downplayed by practically all progressive integrationists, and which Clancy's paper has the benefit of highlighting, is that even if such economic reforms of the EMU were possible, they would be 'completely undesirable from a left standpoint by virtue of the fact that increased economic, fiscal and political integration requires unacceptable trade-offs in the ability of people to participate in the decision-making process democratically at the local and national level', leading to [a dramatic weakening of popular control](#). Ultimately, a progressive reform of the EU/EMU is not only impossible in practical terms – as acknowledged even by a growing number of mainstream commentators such as Joseph Stiglitz, Paul De Grauwe and others – but also undesirable in popular-democratic terms.

What does this in mean in practical terms for European left movements and parties? Of course, it would be naïve to suggest that they should all start campaigning for their respective countries to exit the euro tomorrow, as Clancy acknowledges. There are deep-rooted resistances among citizens that have to be taken into account, not to mention complex technical issues that have to be mastered. Thus, in the short term, the key is to resist any further surrender of national sovereignty to the EU and any further deepening and expansion of the Eurozone. Another important proposal put forward by Clancy, which all left movements and parties should rally around, is the establishment of a legal and viable mechanism for countries wishing to exit the Eurozone: an Article 50 for the Euro Area, so to speak. More generally, it is crucial for the European left to start having an honest debate about national sovereignty in the context of an unreformable EU and Eurozone, especially since a renationalisation of policies is already under way, whether we like it or not. The question is whether the left wants to leave that battleground to the right and extreme right or whether it wants to steer that process in a progressive direction.

A positive step in this direction is a Plan B [declaration](#) signed by representatives of Podemos, La France Insoumise, Die Linke, the Portuguese Left Bloc and others which states that, if the plan to transform the EU into an area of democratic cooperation and solidarity fails, then it would mean launching 'a new system of European cooperation based on the restoration of economic, fiscal and monetary sovereignty, the protection of democracy and social rights and social justice... Fetishism of EU institutions or a specific currency cannot take precedence over the concrete interest of peoples'. Indeed, it cannot.