The Unfinished Project

By Frank Lee

CHARTIST

For democratic socialism

Europe:
The Unfinished Project

The first in a pamphlet series
commemorating Martin Conway Cook

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For democratic socialism

Introduction

Frank Lee’s counterblast against Eurosceptics is a timely intervention into the debate on the economic crisis and the potential role of the European Union in a solution. It is not just about Europe but equally about the causes and outcomes of the current economic turmoil in western capitalism and a substantial critique of the follies of neo-liberalism. It is the first of a series of pamphlets *Chartist* will be publishing on key themes for the left in the 21st century. Socialists, social democrats and left radicals with the wider Labour and cooperative movement find themselves in the midst of a dramatically changing political and social environment in which the pro-capitalist, neo-liberal free market model has been found wanting, but the democratic socialist alternatives have yet to take clear shape in the wake of the collapse of the Stalinist and crisis of statist models of social change.

Through this series of pamphlets *Chartist* aims to provide the ideas to take the left forward in a new direction and one which will help build a reinvigorated Labour movement, particularly at a time of Coalition government and new leadership in the Labour Party in Britain. Written by leading activists and thinkers in the field the pamphlets will cover such themes as housing and planning, immigration and nationality, co-ops, mutualism and ‘big society’, and international issues. We would welcome responses which will be published on our website and shorter articles in the bi-monthly *Chartist* magazine. This pamphlet is published in memory of Martin Cook, founder and long-time member of *Chartist* Editorial Board.

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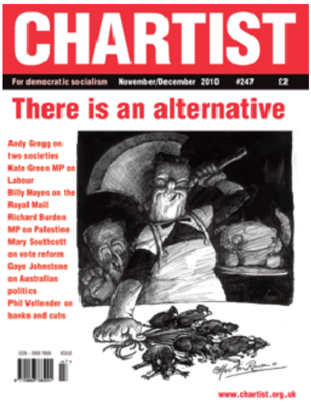

Preface

First Greece, now Ireland receives a massive bailout in the face of huge debt crisis. Euro-sceptics rush to declare that Britain must stay away from the Euro-zone, that Europe is toxic and Britain can stand alone. In this short pamphlet it is argued that this is a crisis of sovereign debt, and not a specific Euro-zone crisis. It is as much a crisis for the US and UK as it is for Ireland. Ireland took neo-liberal policies the furthest with the consequences now becoming alarmingly apparent. How the Irish and indeed the global sovereign debt crisis will play out is anybody's guess, but it won't be pleasant, that's for sure. However, the treatment of the Irish dimension given by the British press has been, even by their standards, abysmal. With the exception of Will Hutton, there has been absolutely no attempt at objective reporting or analysis; instead there has been a display of what can only be described as Europhobic/Eurosceptic triumphalism.

Of course one would expect this from the Murdoch publications, the *Daily Mail* and the *Express* the BNP, UKIP, the bulk of the Conservative party. But the left publications also joined in the apparent rejoicing at what they regard as the death of the hated Euro and EU.

Larry Elliott, economics editor of the *Guardian*, author of the *Age of Insecurity* and *Fantasy Island* has is a long time Euro-sceptic been openly advocating the break-up of the Euro-zone to be replaced by competing, notionally sovereign states, opting out of the euro, devaluing their currencies (in fact they won't have to devalue, the markets will do it for them – in spades) and engaging, as Ireland has been doing, in corporate tax competition. This is Mr Elliott's proposed solution. This will work. Oh, yes! it will work in the following manner: it will result in inflation as import prices rise, intra-European currency wars and speculative assaults by both bond and currency markets as each 'sovereign' state tries to go it alone as it takes on the forces of highly mobile transnational corporations, as well as having to deal with short term hot money inflows and outflows. That is to say the very things that the Euro was designed to protect against.

In this respect Mr Elliott and the ‘left’ Euro-sceptics seem deafeningly silent. Well they would wouldn’t they. Since the rejection of the euro and EU leaves only one alternative: the Anglo-American model based upon managed exchange rates (i.e. exchange rate chaos) and nominally sovereign nation states fighting each other like cats in a bag whilst internationalised capital plays off against another. Anything else is wishful thinking. For economic, financial and geo-political reasons the gravitational pull of US will be irresistible; the client status of the UK will be cemented and I would argue irreversible. But this of course is what the right-wing want – grist to Mr Murdoch’s mill. But it does come as a surprise that certain sections of the left are, by implication at least, treading unconsciously down the same path. What choice: Airstrip One and Oceania, or Eurasia? Orwell had it about right.

Europe: The Unfinished Project

By Frank Lee

One often hears that the true message of the (recent) Eurozone crisis is that not only the Euro, but the project of a united Europe itself is dead … ok, but ***which*** *Europe?* (Slavoj Zizek – *New Left Review* – July/August 2010

Introduction

The long, hard, rocky road that the European integration process has travelled since its inception as the European Coal and Steel Community, and ratified as the Treaty of Paris in 1951, has now reached a critical juncture. The Treaty itself came about as a reaction to the European disasters of the early and mid 20th century when it was torn apart by the unprecedented destruction of total warfare. Additionally, it was felt that both nationalism and *laissez faire* capitalism, were, in practice, based upon outdated 19th century nostrums which should have no place in any future policy making. The vision of the pioneers of this new dispensation – Schumann, Gasperi, Adenaeur, and particularly Monnet – was of a new type of economic and political structure; a structure which transcended the traditional pattern of the European nation state: a supra-national United States of Europe.

The plan was nothing if not ambitious, and I will argue that the drive towards the Europe that Monnet envisaged, utopian as it might seem, is the only workable one. At the present time, however, there seems little chance of this prospect. After many years of drift and squabble, enlargement and legislation, the project seems to be stuck in a mire of immobilism, unable to go back or forward.

I would suggest that the principal reason for this is that there is no generalised agreement concerning what the EU is, and what it should be. Indeed taking a broad view it would seem that the whole EU project has become an arena for ongoing political struggle. Not a simple left/right struggle as we shall see; broad coalitions have emerged consisting of either opponents or proponents of European integration. (We will examine their positions shortly.) Moreover, such opposition or support shades off into areas of outright to modified postures on the part of the political actors and agencies. One can be a hard euro-sceptic, (total withdrawal) soft euro-sceptic (yes to EU, no to Euro), or, conversely, a hard euro-enthusiast (total integration now) of a soft euro-enthusiast (a slightly more detached member of the European community). Such are the nuances of EU politics.

The two basic positions and the present outcome are best described in the following statement:

Simplifying somewhat…what may be called‘ the two faces of European Integration’ the supra-national welfare state project came to be projected by the (then) French socialist President of the European Commission, Jacques Delors, with his social dimension and his occasional displays of’ Euro-Nationalism’ especially against the United States. His counter-part was Margaret Thatcher, standing for Europe as a large free-trade zone, politically aligned with the United States and integrated into NATO under Anglo-American command. With socialism wiped out everywhere in the British model, its markets and industries (especially labour markets) deregulated; the sovereignty of nation states strictly preserved; Britain was free to pursue its Atlantic interests without entanglement in a unified European entity dominated *by a French-German alliance of etatism-cum-Sozialemarktwirtschaft or by a unified Germany alone…My view is that, today, the battle on the political economy of European integration is over, Thatcher won and Delors lost, and this is very likely irreversible.* (Woolfgang Streeck – *States against Nations, Chapter 13 – 1996.)*

The analysis broadly speaking seems to be correct, the conclusions, however, are more problematic. There is *nothing* in politics that is irreversible. Moreover I really don't believe that Mrs T and her supporters won such a resounding and definitive victory over the original European social model as advocated by Delors. This particularly in light of the post-2007 Economic crisis which has done so much to damage the reputation of the much vaunted Anglo-American, deregulated, financial-economic model. Certainly there are features of the political economy of the Euro-zone which Delors certainly did not envision, and these were undoubtedly a victory for the advocates of a simple customs union with each nation pursuing its own national interests. But the abject surrender to these developments and the political forces behind them, seems both premature and defeatist. But before proceeding any further it will be necessary to examine the Euro-sceptic case, both left and right and see how they stand up to examination.

Euroscepticism

The British Right is overwhelmingly – apart from one or two mavericks like Kenneth Clarke - anti-EU, but this should be understood in the nuanced sense that was referred to above. The leadership of the Conservative Party favour membership of the EU (not the Euro) but of the customs union variety, whilst still retaining the UK's notional 'sovereignty' and the special relationship with the United States. This is also true of certain business interests and groups like the Confederation of British Industry. Their motives are obvious: they wish for access to a huge market comprising of hundreds of millions of potential consumers. The grassroots right, however, simply want out of the EU altogether. This group includes the Murdoch tabloids, much (if not most) of the Conservative party, UKIP, the BNP and many non-aligned apolitical groupings like Immigration Watch. Their hostility (often crudely expressed, racist and xenophobic) is based on a mixture of hostility forwards immigrants and immigration, visceral distrust of anything foreign and being ruled (as they see it) from Brussels, which they regard as bureaucratic, elitist and remote. Moreover, EU Institutions are seen as being something of a gravy train; they may well be right in this latter respect, but then what isn't. It should be added that both of these groups are implacably opposed to any European super-state.

The left Euro-sceptics actually take a position which seems to be identical with the view of Streeck above. It is argued that the EU is a neo-liberal structure and should be opposed: end of argument. There is outright opposition to the Euro which is perceived as the instrument whereby all the defensive welfare structures against the laissez-faire system of capitalism, which were established after many years of political struggle, will be rolled back and liquidated. There are also concerns about sovereignty and the development of remote bureaucracies which are the effective policy makers rather than national parliaments. A slightly more modified, or softer version of this rejectionist doctrine involves an acceptance of the EU, but not the Euro, which is of course nonsensical (see below).

There is some substance in some of these objections to the EU as presently constituted. I will leave the objections from the right-wing (although there is some overlap) implicit, since this is not the audience to which this paper is addressed.

The neo-liberal drift of much EU economic policy since the 80s and 90s has been self-evident. It dates back to the Maastricht Treaty on European Union (February 1992) and the creation of the Single European Market (SEM –December 1992). The SEM was ''neo-liberal in both its objectives and its methods.'' (Grahl and Teague - 1992 - *The Big Market.*) The SEM sought to guarantee the free movement of goods, capital, services and people within the EU's member states. The rationale for this was that during the 80s and 90s Europe was suffering from high unempoyment and low growth. This so-called 'Euro-sclerosis' compared unfavourably with the higher growth rates and lower unemployment levels in the Anglosphere. Europe's sub-par economic performance was massively overstated and of course the putative success of the Anglo-American model massively overstated by the media, academic economists and politicians of all parties. This view, however, turned out to be myopic as events later unfolded. (*see below)

Be that as it may, at that time a neo-liberal consensus was beginning to co-alesece: according to the conventional wisdom, for Europe to emulate the putative Anglo-American *Wirtschaftwunder,* deregulation and liberalisation of the Euro economy were necessary. The Europeans had it seems bought into the neo-liberal Washington Consensus.

As was noted at the time:

The broad neo-liberal view of the European Community rests on a general diagnosis of Western Europe's economic malaise described by the term ' Euro-sclerosis'. The notion is that slower growth, rising unemployment and stagnant productivity in advanced economies result from the impairment of market forces. The necessary adjustments to changing tastes and technologies are seen as being obstructed by rigidities in the price system or the re-allocation of productive resources, for which the main responsibility lies with government: intervention, taxation, regulation are seen as obscuring market signals or blunting incentives to respond to them. Organised labour is also seen as contributing to economic rigidities, by imposing collective agreements which fix rigid wage rates and circumscribe the tasks which may be assigned to workers … 1992 tends to move economic life as a whole beyond the competence of national governments and to promote a' 'big market'' to which national governments will have to adapt. (op.cit. *The Big Market- p.20/21)*

Add to this the Maastricht Treaty with its strict limits on national debt and public spending levels (annual deficits to be no more than 3% of GDP, and sovereign debt no more than 60%) which tended to enshrine a deflationary bias and which prioritized monetary stability above growth. The effect of these pieces of legislation was profound. It cast the single European Market (SEM) into a type of regional globalization. The upshot of this process is one with which we are by now familiar.

*' ' … slower growth or semi-stagnation at a macro-economic level … pools of structural unemployment … a constriction of effective demand … pressures for lower taxation upon the wealthy and business.'' (*Peter Gowan – *A Question of Europe* - p.50)

So far, so bad. It got worse.

Enlargement to the East

The original group of nations dating back to the Paris agreement in 1951 was a modest six, consisting of France, Germany, Italy and the Benelux countries. Over the post war period this core membership expanded to include a group of Mediterranean/Aegean countries, the North Atlantic periphery, Scandinavia and Austria. This brought the total to 17. Of course the more nations involved in the EU the more difficult decision and policy making became. This was not entirely fortuitous. This also led to more demands on the European budget since many of these newer countries were poorer and more rural than the original six.

The accession in 2004 of 10 new members – mostly from the former COMECON bloc of communist states – represented a significant new development for the EU. Given that the most developed and richest of these new members, the Czech Republic, ranked (in terms of GDP) at about the same level as Portugal, the poorest of the existing 17, any further demands on the EU budget would be virtually impossible to sustain. As far as the new entrants were concerned, this was their chance for fast-track development through regional and agricultural development grants and inward investment. Having thrown off the yoke of communism they wanted to taste the joys of western consumerism and national self-determination. In addition their geopolitical outlook was unashamedly Atlanticist, and their economics were neo-liberal; this much to the dismay of the European Gaullists and socialists. This really was manna from heaven for the British and German Atlanticists. Their object all along had been to smash the Delors' vision of Euro-deepening with the policy tool of Euro-widening. German big business in particular saw juicy opportunities to outsource its operations to a new low-wage, East European hinterland thereby lowering its costs, as well as opening up new markets in which to sell their products. European banks also saw opportunities to extend credit – a move that they would later regret bitterly – to these newly emerging states. From the British viewpoint Euro-widening effectively meant political and institutional dilution as well as economic and financial deregulation. The cheap armies of labour in the East would provide the perfect instrument for downward harmonisation of wage levels and workers' rights and benefits in the West.

This was indeed a deep-going change in both the economic configuration and geopolitics of the EU. But I cannot recall any discussion prior to the event. Such big policy decisions, taken behind closed doors with minimal consultation (if any) to the to all those who would be affected only served to distance the electorates of the west further from the EU political and bureaucratic elites. There was talk of a 'democratic deficit' and a populist reaction to this type of arbitrary elite rule; this populist wave culminated in the rejection of the EU Constitution by the French and Dutch voters in 2005.

This rejection by national electorates was, however, circumvented by the Lisbon Treaty which contained most of the original elements of the EU Constitution and was subsequently ratified by member states at governmental level.

Maastricht and Rhineland Capitalism

In a sense it was inevitable that Germany, a manufacturing and export power-house with a population of 80 plus million, would be the dominant power in the EU, and that many of the policies of the new European Central Bank (ECB) and therefore the EU would be based upon the German model. The Bundesbank and ECB were even based in the same city – Frankfurt.

From its inception German capitalism was a mercantilist revolution from above guided by an interventionist state using tariffs, export subsidies, subsidies for research and development, trading blocs – Hanseatic League and the Zollverein – technical education, a limited role for shares and stock markets with an emphasis on long-term bank funded industrial development where the *Mittelstand* of medium size family companies received long term infusions of capital. Leverage (debt) by individuals or companies, so much a feature of the bubble economies of the Anglosphere, was discouraged. The Bundesbank was independent, and Mergers and Acquisitions virtually unknown. This is not neo-liberal capitalism, Anglo-American style, but a type of conservative capitalism based upon long-term bank funded industrial development and monetary discipline.

After the geo-political catastrophe of World War 2, Germany staged an unprecedented recovery using its traditional tried and tested methods. Under the aegis of Adenauer and Erhardt Germany became the world's leading exporter and enjoyed record levels of growth that were unsurpassed everywhere except perhaps Japan.

However this growth ran into a brick wall with the costs of reunification in the early 90s. Moreover:

In times of easy money expansion, like the 1980-2007 period, it tended to under-perform its Anglo-American cousin. However it has proved itself far *more resilient in the recent downturn. The system was modified leftwards by Brandt in the 1970s and by Helmut Kohl's subsidy-driven absorption of East Germany in the 1990s. However it has regenerated itself under chancellor Angela Merkel since 2005, cutting back actuarially impossible state subsidies in old age (primarily by delaying the retirement age) and in a major move before last year's election, passing a balanced budget amendment to the constitution that from 2016 requires federal borrowing to be no more than 0.35% of GDP.* (Martin Hutchinson – www.prudentbear.com)

Critics of the German model and, by implication, of the Maastricht criteria, need I think to take account of the history behind German preoccupations with inflation – in particular the legendary Weimar 1923 experience of hyperinflation. There is nothing intrinsically wrong with sound money, and – *pace* some *soi-disant* Keynesians – there is no intrinsic virtue in running budget deficits. Germany did not experience a housing bubble, and this was not fortuitous, it was a matter of policy; at the same time property prices in the US, UK and Spain were going into orbit and subsequently bursting with all that followed. As a result Germany with its government finances on a sound basis has been in better shape to weather the turbulence of the great global correction than the spendthrifts of the Anglosphere. On a point of realism perhaps, it should be added that on occasion even the Germans, and certainly the French, exceeded the 3% budget deficits. Like Papal encyclicals on birth control the Maastricht criteria was never to be taken too literally.

Further Integration - The Euro

The European Monetary System (EMS) had as its objective the rationalization of the European trading system based as it then was upon a number of disparate currencies. The need for such a unitary monetary system was made necessary since the old Deutschemark (DM) was a global currency and together with the US$ a favourite home for footloose, speculative monies injected or withdrawn by currency (forex) traders. These inflows/outflows of 'hot' monies, tended to disrupt EU trade patterns since exchange results became unstable. For example, if the US$ was weakening against the DM, currency speculators would switch out of US$s into DMs thus driving up the value of the DM and its exchange rate against other currencies, including European currencies. This change of exchange rates would have a destabilising and disruptive effect on patterns of intra-European trade. Thus it was agreed that a system whereby initially Euro currencies would move up and down together in a band would bring some order into trade relations. This early aspect of the EMS was called ‘the snake’. The DM would be the anchor currency, with the rest of the Euro currencies fixed at given rates of exchange against the DM. The next stage – the European Exchange Rate Mechanism – was to lock this arrangement in permanently with a synchronisation of trade cycles between all the member states. Monetary policy would now be controlled by a European Central Bank (ECB). Upon entry into the ERM the UK chose an absurd ‘status’ level for the £ at 2.95DM, in other words it entered the ERM at an over-valued rate. It was forced out of the ERM by a concerted speculative attack led by George Soros and his speculator fraternity; a wall of money crossed the Atlantic from New York and overwhelmed the Bank of England which ran out of reserves and was unable to continue support for the beleaguered £; the £ then dropped to a more realistic market value of 2.41 DM. This was 1992. The UK has kept the £ sterling as its currency of choice since.

The final stage of the EMS came with the genesis of the Euro which officially became the Euro-zone currency in January 1999. Not all EU members use the Euro; those retaining their own currencies include Sweden, the UK, Denmark, and many if not all the ex-communist COMECON states admitted in 2004.

The Euro-sceptic view is that loss of control of interest and exchange rates to the ECB effectively ties the hands of any UK government in terms of monetary policy, and the Maastricht criteria (see above) effectively constrain fiscal freedom. Such instruments of economic management are essential if levels of employment are to be kept within reasonable limits. This view has become an article of faith among the left and one of its prominent advocates is economics editor of the *Guardian* newspaper, Larry Elliott.

The Eurosceptic case - A critical evaluation

So far I have tried to put the Euro-sceptic case in what I hope is a non-judgemental manner for the sake of political clarity and fairness. The reader will no doubt judge how successful, or otherwise, I have been in this respect. The time has now come for a more rigorous and critical examination. I will deal with the main features, but not in any particular order.

National Sovereignty and the Democratic Deficit

This belief in the existence of British democratic freedoms which were held to exist at the national level but were abrogated by Brussels is the stuff of pure political mythology. The UK in particular has been a client state of the US since 1945 or at the latest after the Suez fiasco. British foreign policy in particular has been shaped by the political elite to fit American geo-political interests. The old dictum of Metternich: ‘’A nation has permanent interests but not permanent friends, has been turned on its head by successive UK governments, the process beginning with Attlee and the UK’s involvement in the Greek civil war of 1944, and the Korean civil war of 1950. The unsinkable aircraft status of the UK, otherwise known as the ‘’special relationship’’ – which nobody ever voted for – became entrenched as the central pillar of British foreign policy for a generation. This elite consensus has served to suffocate any new geo-political thinking and left the UK stranded in a cold-war paradigm – a paradigm which requires expensive nuclear weapons and military interventions at the behest of our US masters.

Similarly economic policy making has been carried out by an elite policy making forum comprising the Treasury/Bank of England nexus. Indeed the notion of democratic control over monetary policy has hardly ever been the norm.

In Britain…Treasury control of the Bank of England was … absolute. At least during the period that the Bank was nationalized after the war the degree of involvement in monetary policy by elected politicians has been typically minimal … The Bank of England has, in truth, acted more as a conduit of private of private city influence upon great swathes of public policy making than as an instrument of will of elected politicians over monetary or financial institutions. (A Question of Europe p.47)

The notional independence of the Bank of England in 1997 has not altered the nature of this behind-closed-doors approach to policy making. Note that the inflation target 2% that the BoE is supposed to adhere to is set by the Treasury.

It has been the same with Home Affairs including migration, security, policing and asylum. In these areas at least no democracy was abrogated since there was none to start with.

Where UK national sovereignty has been used it has been deployed to block or veto legislation coming out of the EU such as the Work Time Directive, the Charter of Human Rights, which allowed workers greater freedom to engage in industrial action, the Temporary Agency Workers directive which gives more rights to agency workers. In fact UK employment law still has lower levels of employment protection and more labour market flexibility relative to other EU member states, such as France. UK industrial relations law has preserved the basic restrictions on industrial action introduced by previous conservative governments. Suffice it to say also that the UK's welfare system is probably those most niggardly and punitive in Western Europe. Pensions and Unemployment Benefits are so low that Pensioner poverty is commonplace. State pensions represent 17% of the average national wage. Even when Lloyd George first brought in pensions they were 25% of the national wage. In areas of high unemployment, household debt is compounded by the existence of loan sharks demanding very high rates of interest. The poor have to go to loan sharks since they are given short shrift by the banks. Is this the sort of 'independence' that the left Euro-sceptics want and are so proud of I wonder?

In terms of International Political Economy, the process of globalization has meant that economic centres of power have effectively moved beyond the control of nation states. Trans-national corporations, global finance capitalism and unrestricted financial flows, multilateral organizations such as the IMF, World Bank, World Trade Organization direct and police the new world order. Not only are they not subject to national sovereignty or democratic control, but they are able to impose their will on ostensibly national democratic governments by way of investment decisions, capital mobility, and the vetoes of international bond markets and ratings agencies. It would be true to say that having been made subject to regulatory capture in the UK, the institutions of national sovereignty and democratic control have long since been subordinated to the new global powers-that-be. The EU has been an attempt (albeit partial) to counter these tendencies attempting to build a supra-national system of regional international governance for international capitalism. Put another way:

The core question of political economy when economic relations systematically outgrow the boundaries of nation states … is whether by undermining the economic governing capacity of the nation-state, internationalisation undermines the capacity of society to civilize its economy. In so far as the public power that served in the past to domesticate modern capitalism was vested in the sovereignty of national states, economic internationalization without corresponding internationalization of state sovereignty results in an integrated economy governed by fragmented sovereignty. (Streeck – op.cit)

In more demotic English, the half-baked attempt to control international capitalism at the regional, EU level can only be regarded as a partial success at best. I would argue further that the EU project, in so far as it is an attempt to build a supra-national political entity to control the new configurations of global capitalism, cannot continue in its present form. However, even a weak or misguided attempt at controlling global capitalism is better than not attempting to curtail the rampaging the global juggernaut at all.

Nothing has caused more vitriol from the Euro-sceptics than the Euro, a currency which has been elevated to an almost demonic status. Given this hostility, the implication must be for a policy of EU membership with multiple currencies and each member in charge of its own interest, exchange rates and fiscal policies. Essentially this means the end of the EU as any attempt to control the forces of international capital. Since in practise this would lead to competitive devaluations, (with each state trying to export its way out of trouble by making itself poorer and at the expense of its neighbours) tax competition, downward harmonisation of wages and working conditions, in short the race to the bottom; this particularly the case in times of economic turbulence. If the Euro-sceptics think Europe is heading in a neo-liberal direction under the auspices of EU-SEM legislation, this would be as nothing if all controls were stripped away and each individual nation had to battle against the forces of globalisation (even assuming that wanted to) unilaterally.

The real long-term solution to low income and economic backwardness is not a devaluation 'fix' but upgrading the economy to move into the product and factor markets which produce high value-added products. This has been the lesson of East Asia's dynamic growth over the years. This is a strategic policy, however, involving an interlocking set of trade, industry, education and macroeconomic policies; something that has never even been considered in the UK. Instead we have the siren-song of devaluation routinely touted by media Euro-sceptics and leftist Keynesians (who really ought to know better) as a solution to the problems of the UK economy. The same Euro-sceptics should note that although the £ has undergone an effective devaluation of some 20% in the last couple of years, this devaluation did not stop the UK running up the biggest current account deficit in its history in the last quarter. Thus the UK with its inestimable advantage to debase its currency (devalue) cannot grow at a sufficient rate to bring down unemployment without running into the intractable British problem of current account deficits.

With all of this in mind it is worth adding in passing that I have not mentioned the Greek crisis. This is because the crisis as such – object of some smug Euro-sceptic satisfaction - was not a crisis of the Euro, but part of the broader crisis of Sovereign debt now afflicting the global economy.

Sleepers Awake!! There is no way back to the fantasy land of national control of international capital. It ended with the dissolution of the Bretton Woods system of a dollar-gold trading regime.

This is why one should avoid the temptation to react to the ongoing financial crisis (in the Eurozone)with a retreat to fully sovereign nation states, easy prey for tree-floating international capital, which can play one state off against the others. More than ever, the reply to every crisis should be ***more*** *internationalist and universalist than the universality of global capital.* (Zizek – op.cit.)

Conclusion

The future of the EU, along with globalization and global warming is one of the great issues of our epoch. At the present time the EU project seems to be stuck in no-man's-land, unable to press ahead with full political integration or retreat back into a Northern European protectionist DM zone, leaving the peripheral members states to the tender mercies of unfettered global capitalism. However, there seems to be a sufficient residue of the original EU idealism in the present stage of development to persevere further with the political struggle taking place. One only has to consider the Anglo-American alternatives and globalization more generally to make this choice. Doubtless these prescriptions will sound general and vague to some, but this is inevitable in such turbulent times, and it should be remembered that others have risen to similar challenges under equal or more difficult circumstances in the past. What we are witnessing is hardly random or incomprehensible. The path will not be easy, there are no guarantees, no quick or easy fixes, and indeed the project may collapse completely. But ultimately the world is shaped even in the most unfavourable conditions by politics and political volition.

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*It is worth noting perhaps that longer term we can see that the race between the tortoise and the hare has run a rather different course from the one predicted in the late 20th century. The high levels of unemployment seen on the continent during the 80s and 90s were not replicated in the UK or US due to their control over the £ and $ respectively. However, this control – to debase the currency and create serial bubbles in high-tech and then property and credit markets - became something of a double-edged sword when their bubble economies collapsed. They are now very high on the list of sovereign debtors. Germany escaped the crash due to the double-edged nature of the Maastricht criteria which did not allow the over-issue of credit leading to asset-bubbles.

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