



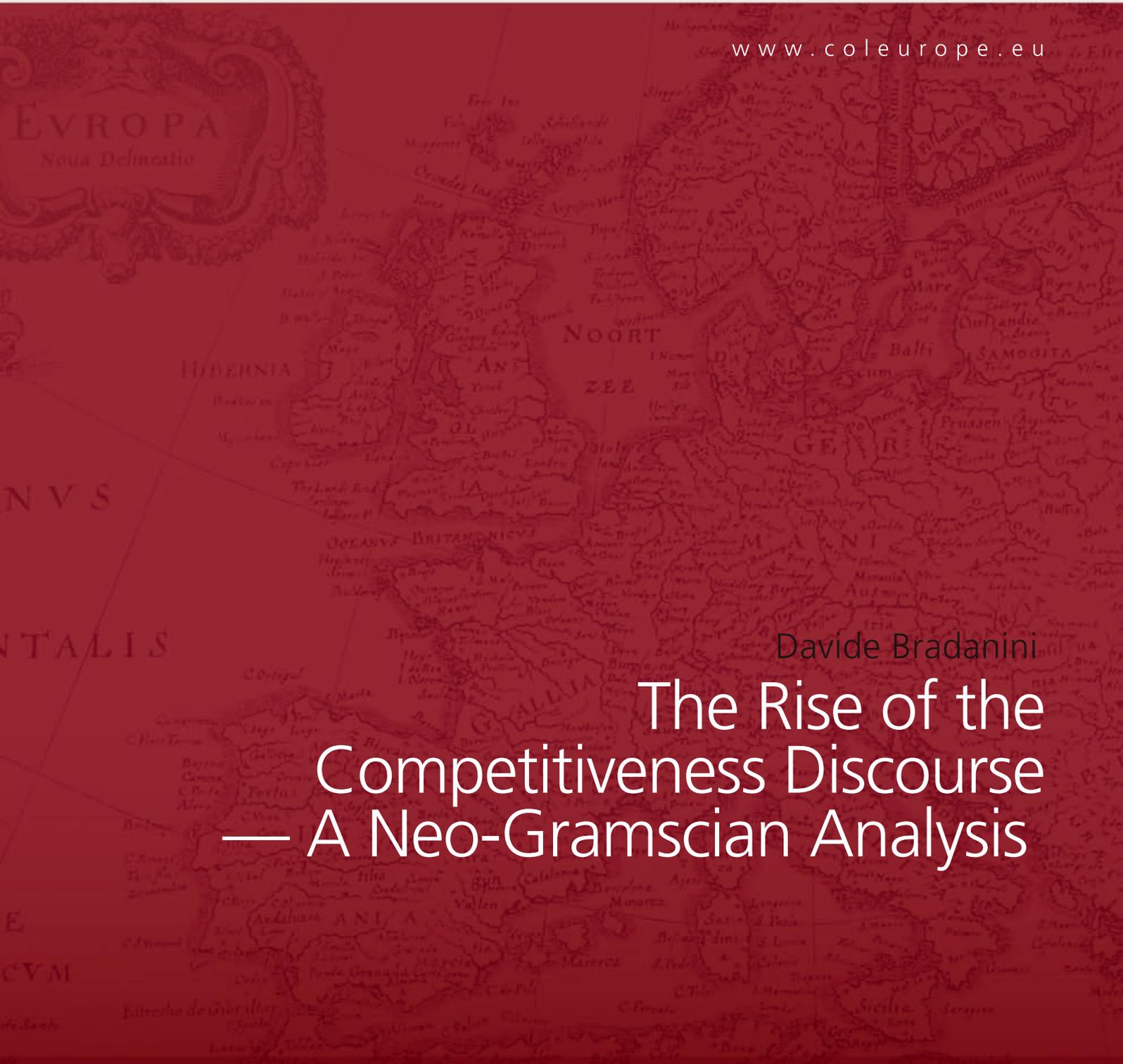
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The Rise of the Competitiveness Discourse — A Neo-Gramscian Analysis

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Abstract:

This article focuses on the development of the 'competitiveness discourse' as an element of a hegemonic strategy on the part of an emerging historic bloc of social forces supporting an embedded neoliberal project for European integration. In the framework of a neo-Gramscian understanding of political processes, the rise of neoliberalism in Europe is viewed as the outcome of a material and ideological struggle over the *social purpose* of EU integration. The discursive construction of an ambiguous concept such as that of the European social model has gone hand in hand with the implementation of largely neoliberal reforms - such as the internal market and EMU - while preserving the traditional European social consensual model. The current legitimacy crisis the EU is arguably experiencing is viewed as the outcome of the relative failure of this hegemonic project to generate consensus, as it further promotes a *disembedding* of the economy.

The paper is based on the Master's thesis *The Rise of the Competitiveness Discourse: 'Embedded Neoliberalism' and the Lisbon Agenda*, College of Europe, Department of European Political and Administrative Studies, Bruges, 2009, available in the institution's library. Please consult this document for an elaboration of the analysis below.

What is the *social purpose* of European integration? Which social forces support it and how? And how is the project (and process) of European integration discursively mediated?

These are crucial questions for any attempt to understand the nature of the integration process, its driving forces, and also its moments of crisis (as, arguably, the one the EU is currently experiencing). This paper seeks to provide a brief analysis of the changing underlying structural powers within the European Union through the prism of the rise of the competitiveness discourse, which has arguably shaped the form and content of several EU institutions and policies in recent years. This paper provides an empirical application of some of the theoretical insights provided by the growing neo-Gramscian literature on the European Union, and shows how the latter may be particularly well- suited to understanding current developments within the Union. It reviews some of the claims of this literature and attempts to elaborate on them by highlighting the fragility of the consensus around European socio-economic governance, on which the recent economic crisis adds further strain.

I argue that socio-economic governance in the European Union's multi-level system has been underpinned and increasingly shaped by a competitiveness discourse, which has been instrumental for the objective of cementing a neoliberal hegemony which has moulded the process of European integration since the mid-1980s. This competitiveness discourse is part and parcel of an attempt to develop and to consolidate a hegemonic discourse to build social support for the project of 'embedded neoliberalism'. In this context, competitiveness becomes the cornerstone not only of economic, but also of social governance, in such a way that it becomes a goal in itself, and

not a means to achieve wider objectives (social welfare, employment). In Jessop's terms, competitiveness is constituted as "the national interest".¹

After schematically presenting the main elements of the neo-Gramscian theoretical approach, I will analyse the competitiveness discourse by looking at the notion of the European social model (and the proclaimed need to reform it) and at the corresponding normative shift in the role of the welfare state and of social policy incorporated in the Lisbon agenda policies, from a market-correcting goal (and discourse) to a market-enabling one. Before concluding, I will elaborate on the implications on the notion of citizenship that such a paradigm change entails.

1. Gramsci in Brussels

This paper adopts a neo-Gramscian approach that attempts to conceptualise the underlying structural powers within European societies and looks at how these are related to the institutions, policies and practices of the European Union, refusing to assume - as most theories of European integration do - that market forces are "expressions of an inner rationality of universal human nature that is held to be the essence of the realm of freedom in political affairs."² To the contrary, neo-Gramscians argue that one must open the 'black box' of the market - as the dominant organising

¹ C. Hay and M. Watson. "Diminshing Expectations" in Cafruny and Ryner (eds.), *A Ruined Fortress? Neoliberal Hegemony and Transformation in Europe*, Lanham, Rowman & Littlefield Publishers Inc, 2003, pp.147-170, p.157

² B. Van Apeldoorn, H. Overbeek and M. Ryner, "Theories of European Integration - A Critique" in Alan W. Cafruny and Magnus Ryner (eds.), *A Ruined Fortress? Neoliberal Hegemony and Transformation in Europe*, Lanham, Rowman & Littlefield Publishers Inc, 2003, pp.17-45, p.18

force of European societies - and look at the ways in which market forces structure society in both material and ideological ways, and thus - regarding European integration - go beyond an emphasis on the form to look at the content of the process, and how this has been generated.

Without opening the complex debate on the critique of the integration theories, it will suffice here to note that neo-Gramscian thought stresses that ideas and social, political and economic conditions cannot be separated from each other, and that ideas and identities are underpinned by social relations. Social forces are deemed to be the most relevant collective actor, and in this way various factions of labour and capital can be identified in relation to their position in the production system.³ Power is thus understood as social power, in its material and ideological dimensions, which derive not from political authority as such (be it state-based or supranational), but from the social forces shaping the state's power.⁴ In both the material and ideological dimension, the conflict of political and economic actors can be conceived also as a discursive struggle involving the substantive meaning - and hence the policies and actions - linked with a particular understanding of concepts such as competitiveness and the European social model (ESM).

³ A. Bieler and A. D. Morton. "Introduction: Neo-Gramscian Perspectives in International Political Economy and the Relevance to European Integration" in Bieler and Morton (eds.), *Social Forces in the Making of the New Europe*, New York, Palgrave, 2001, pp.3-25 p.17

⁴ B. Van Apeldoorn, "The Struggle over European Order: Transnational Class Agency in the Making of 'Embedded Neo-Liberalism'" in Bieler and Morton (eds.), *Social Forces in the Making of the New Europe*, New York, Palgrave, 2001, p.72

While the production process is taken as the starting point of analysis⁵, neo-Gramscians stress that the social structures and relations do not determine directly, but shape social forces' interests and identity. Social relations are thus crucial in determining the range of possibilities available, or, in Bourdieu's words, "the realm of the possible,"⁶ but do not determine which of these possibilities materialises, as this is the outcome of human agency, which is consequently open-ended (on this point Gramscian thought departs significantly from orthodox Marxist theory).

A crucial aspect to keep in mind is that the distinction between the economic and the political (and also the process of state formation itself) is conceived as a product of capitalism. Since "no explicitly political coercion need enter directly into the capitalist exploitation of labour, for it appears as a simple exchange of commodities in the market,"⁷ the market assumes the status of a natural law. On the other hand, the political sphere is relegated to the juridical and coercive apparatus of the state, which at the same time sets the laws concerning private property and contracts. Capitalist social relations cannot thus be seen as universal or natural ones, and as a consequence the vision of a capitalist society composed of atomised free individuals cannot be

⁵ However, "production is to be understood in the broadest sense. It is not confined to the production of physical goods used or consumed, It covers the production and reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to the production of physical goods." R.W.Cox, "Production, the State and Change in World Order", in E-O. Czempiel and J.N. Rosenau (eds), *Global Change and Theoretical Challenges: Approaches to World Politics for the 1990s*, Toronto, Lexington Books, 1989, p.39

⁶ P.Bourdieu, *Propos sur le Champs Politique*, Lyon, Presses Universitaires de Lyon, 2000

⁷ M. Rupert, *Producing Hegemony*, Cambridge, Cambridge University Press, 1995,p.21

represented as the ultimate domain of freedom in politics, but this outcome must be seen as the result of an open-ended development process.

Hegemony is a central concept of neo-Gramscian thought. It is understood as a particular form of dominance of a class, or a particular class fraction, within a specific political space from both a material and ideological perspective. Hegemony is based on consent - it is backed by the coercive apparatus of the state only as a last resort - and is attained only if the subordinated social groups or classes are successfully incorporated into a historic bloc of social forces in which their interests and perspectives are partly taken into consideration. A crucial aspect of hegemony is thus the development of an ideology and world vision (including economic, political, cultural and moral aspects) which is presented as a universal, common sense understanding of social relations, with the aim of creating a political order in which the subordinated classes accept their position as legitimate. "The role of the state thus reflects this hegemonic compromise - the historic bloc - among classes, which may include (even large) fractions of labour."⁸ The task of what Gramsci calls 'organic intellectuals' in such a context is to elaborate a 'hegemonic' project' with the aim of creating consent in the political sphere.⁹

For instance, the role of ideas and intellectuals (in a broad sense, incorporating political and cultural trends in the media, journalism and popular culture) is crucial in understanding the neoliberal character of the re-launch of the integration process starting from the mid-1980s. The

⁸ A. Bieler and A. D. Morton, "Globalisation, the State and Class Struggle: A 'Critical Economy' Engagement with Open Marxism" *British Journal of Politics and International Relations*, Vol. 5 No.4, 2003, pp.467-499, p.487.

⁹ See: A. Gramsci, *Il Materialismo Storico*, Torino, Editori Riuniti, 1975

goal of implementing neoliberal policies has been central in the strategies of what in Gramscian terms could be termed “collective intellectuals,” whose role is to “prepare consensus on which the momentary rule of the transnational capitalist class is predicated.”¹⁰ These could be identified in international bodies such as the Trilateral Commission and the World Economic Forum (among many) and, in the European case, the ERT (European Roundtable of Industrialists).

However, ideas are “the way individuals and groups are able to understand their social situation and the possibilities of change,”¹¹ and thus represent not only instruments of domination as part of a hegemonic project developed by organic intellectuals, but also instruments of struggle and liberation, which can be incorporated into a counter-hegemonic project. In this respect, Gramsci's notion of ‘common sense’ is crucial, as it embodies what Giambattista Vico called “judgement without reflection,”¹² an uncritical and generalised way of thinking that becomes dominant in a certain era, and reflects not only what can be known but also what can be done in the social and political sphere (what we referred to above as the realm of the possible).

¹⁰ O. Holman and K. Van der Pijl. “Structure and Process in Transnational European Business” in Cafruny and Ryner (eds.), *op.cit.*, pp.71-93, p.80.

¹¹ Bieler and Morton. “Introduction: Neo-Gramscian Perspectives...” *op.cit.*, p.19

¹² G. Vico, *The New Science of Giambattista Vico*, trans. Thomas Goddard Bergin and Max Harold Fisch, Ithaca, Cornell University Press, 1948, par.142, p.63.

2. 'Embedded Neoliberalism': Hegemony in Europe

In conceptualising neoliberalism,¹³ Stephen Gill's notion of “new constitutionalism”¹⁴ is particularly relevant. According to Gill, an important aspect of the neoliberal era has been to lock in “a more limited but still powerful neo-liberal state form insulated from popular-democracy accountability”¹⁵, that is, to remove significant aspects of economic policy from democratic control, and subordinate them to technocratic management (such as monetary policy under EMU, or competition policy guarded by the Commission and the ECJ). The outcome is that governments have become more responsive to the discipline of transnational market forces, expressed in the all-encompassing need to maintain low inflation and low corporate taxes, balance national budgets and keep public spending under control, as well as deregulating the labour market. In Europe, the neoliberal turn began with the Single European Act of 1986, but it was itself part of a crucial ideological shift, as the single market was presented as the only way to break a series of incrustated and rigid labour and welfare regulations.¹⁶

Taking into consideration EMU (which reflects the emerging “new constitutionalism” by locking in a logic of competitive disinflation¹⁷), competition policy and the Internal Market

¹³ For the purposes of this paper, we refer to Campbell and Pedersen's definition of neoliberalism in: J.L. Campbell and O.K. Pedersen (eds) *The Rise of Neoliberalism and Institutional Analysis*, Princeton, Princeton University Press, 2001, p.5

¹⁴ S. Gill, “Theoretical Foundations of a Neo-Gramscian Analysis of European Integration” in Bieling and Steinhilber, (eds.), *Dimensions of a Critical Theory of European Integration*, Marburg, FEG am Institut für Politikwissenschaft des Fachbereichs Gesellschaftswissenschaften und Philosophie der Phillips-Universität Marburg, 2000, pp.15-33, p.30

¹⁵ Ibidem.

¹⁶ H. Bieling. “European Constitutionalism and Industrial Relations” in Bieler and Morton (eds.) *op.cit.*, p.96-101

¹⁷ On competitive disinflation, see B. Clift. “The Changing Political Economy of France” in Cafruny and Ryner (eds.), *op.cit.*, pp.173-200, p.182

programme, Scharpf has talked about a “constitutional asymmetry” between the economic integration objective - the object of EU law under ECJ jurisdiction, which has supremacy and direct effect over national law, and the rules of EMU - and the social protection (including taxation) dimension - left to member states.¹⁸ In this way, EU legal and economic constraints have weakened the ability of member states to pursue employment and social policies which are not supply-side and subordinated to the neoliberal imperatives of the EU (this also means renouncing a series of Keynesian policies which were used in the previous decades, such as demand management, subsidies, devaluation of national currencies, strategic use of public procurement, generous welfare provisions and the creation of employment via public spending).

However, it would be too simple to argue that the EU has simply whole-heartedly put in place “disciplinary neoliberalism.”¹⁹ One must not overlook the fact that capital, in a neo-Gramscian perspective, is conceived as a broad class incorporating different fractions and interests, which articulate their projects in different - often competing - ideological and discursive packages. The formation of the transnational capitalist class in Europe has endangered - in Van Apeldoorn's view - the development of two different (rival) fractions: the globalist fraction (linked with mobile global capital, such as TNCs and financial institutions) and the Europeanist fraction, "consisting of those who control large industrial enterprises which, although operating on a transnational scale,

¹⁸ F.W. Scharpf, “The Joint-Decision Trap Revisited” *Journal of Common Market Studies*, Vol.44, No.4, 2006, pp.845-864

¹⁹ S. Gill. “Constitutionalising Capital: EMU and Disciplinary Neo-Liberalism” in Bieler and Morton (eds.), *op.cit.*

nevertheless primarily serve the European market, competing against the often cheaper imports from outside Europe."²⁰

We have in fact witnessed a transnational class struggle over the substantive content of the integration process, which has resulted in the emergence of what Van Apeldoorn calls “embedded neoliberalism,”²¹ a tentative - and at the moment highly unstable - hegemonic project which blends the dominant neoliberal core while "seeking to accommodate the orientations of other social forces."²² With the project of embedded neoliberalism, it is recognised that in order to maintain legitimacy the free market processes need to be embedded, thus maintaining corporatist structures and a certain role of the state in the provision of social services. However, these fading aspects of class compromise (market-correcting social policies, welfare provision) are embedded in member state structures, and it is their duty to maintain them and - at the same time - to adhere to the deflationary and deregulatory bias of EU policies, such as EMU and competition policy.

3. Deconstructing the ‘European Social Model’

"Social policy no longer aims at a correction of the primary distribution through the market, and is also not intended as a publicly guaranteed legal right to a form of living independent of the market. The concept of the welfare state is thereby turning almost into its opposite. The requirement of 'modern' welfare statism is no longer the targeted, socially effective

²⁰ Van Apeldoorn. “The *Struggle* over European Order..”, *op.cit.*, p.77

²¹ See: Van Apeldoorn, 'The Struggle over European Order...', *op.cit.*; B. Van Apeldoorn, 'The Lisbon Agenda and the Legitimacy Crisis of European Socio-Economic Governance: the Future of 'Embedded Neo-Liberalism', Paper presented at the 4th Convention of the Central and East European International Studies Association (CEEISA), University of Tartu, Estonia, 25-27 June 2006.

²² *Ibid.*, p.71

redistribution in favour of weaker populations, groups and regions, but the promotion of entrepreneurial action and the protection of business property - because this, it is said, stimulates the individual's readiness to work."²³

The concept of European social model (ESM) is such an ambiguous one that it has come to acquire different - often opposite - meanings. My argument is that while initially the ESM was conceived by the Delors Commission as a project for an "organised European space" distinguished from the American free-market capitalism, it has now increasingly come to mean adaptation to the process of globalisation via the promotion of policies such as activation and workfare. It has also provided a useful tool for EU institutions, both from an institutional perspective (strengthening the role of the Commission via the discursive creation of common "European problems to which common solutions have to be found"²⁴) and as an attempt to legitimise the embedded neoliberal integration process as mainly a process of market integration. It is thus one aspect of the (discursive) struggle over hegemony at European level.

²³ B. Mahnkopf, "Das Sozialmodell einer aggressiven Handelsmacht: Zur Funktionalisierung von Sozialpolitik für die Aussenwirtschaftsstrategie der EU" *Kurswechsel*, No.1, p.89, in: C. Hermann, "Neoliberalism in the European Union", Vienna, Working Life Research Centre, 2005, retrieved on 12th April 2009 at: <http://www.iaq.uni-due.de/aktuell/veroeff/2005/dynamo05.pdf>, p.133

²⁴ C. Hermann and I. Hofbauer, "The European Social Model: Between Competitive Modernisation and Neoliberal Resistance" *Capital & Class*, No.93, 2007, pp.125-139, p.136

In general terms, it is difficult to speak of a genuine ESM, as there are very diverse national social models.²⁵ However, some common historical traits can be identified: a universal welfare system in which citizens are in principle entitled to support in case of need; an important role for the state in providing social services such as transport, health and education, so that in these domains citizens are less dependent on the market; a partial decommodification of labour.²⁶

An assumption included in most of the accounts of the ESM is a need to adapt to globalisation, perceived as an external non-negotiable entity. However, explanations and ideas are not merely post-hoc conceptualisations of an objective reality, but are in themselves agents of transformation. Thus, while certain constraints of globalization certainly exist (although there is growing evidence that they have been greatly overstated²⁷), the political use of the concept of globalisation in pushing through 'inevitable' reforms has been remarkable.

Notwithstanding the 'truth' of the globalisation discourse, the institutional architecture of the EU has been partly moulded on its assumptions: the deflationary bias of EMU and the fiscal austerity it promotes are cases in point, as well as the inclusion of many public services in the field of competition policy guarded by the ECJ. Hay, having studied the effects of the globalisation discourse and European integration, concludes that "our research to date suggests that European

²⁵ See: Hermann, *op.cit.*, p.132-133 for elaboration. For an analysis of the different conceptualisations of ESM, see M. Jepsen and A.S. Pascual, "The European Social Model: an Exercise in Deconstruction" *Journal of European Public Policy*, Vol.15, No.3, 2005, pp.231-245

²⁶ G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Polity Press, Cambridge, 1990

²⁷ Hay, Colin and Matthew Watson, "Diminshing Expectations" in Alan W.Cafruny and Magnus Ryner (eds.), *A Ruined Fortress? Neoliberal Hegemony and Transformation in Europe*, Lanham, Rowman & Littlefield Publishers Inc, 2003, pp.147-170

integration, in particular the restrictive terms of monetary union, represent a far more immediate and pressing constraint on expansive and inclusive welfare provision than globalisation *per se*."²⁸

The origins of the term “European social model” can be traced back to Delors' vision of an alternative to American capitalism, and his idea that social progress and economic growth should go hand in hand. The White Paper on Social Policy of 1994 provides perhaps the first definition of the ESM as a set of common values such as the commitment to democracy, personal freedom, social dialogue, equal opportunities, adequate social security and solidarity towards weaker individuals.²⁹ The ESM was revived during the so-called 'post-Maastricht crisis', arguably as part of a hegemonic strategy to create consensus on EU economic governance under EMU and the single market, and particularly in incorporating labour union representatives, so that they would have reason to believe that "the current state was only transitional, and even more importantly, that they would have an argument to use against internal opposition."³⁰ With similar goals to attract support from social-democratic parties and the Left, even the Constitutional Treaty of 2005 included a paragraph on the ESM, while the austerity and deflationary measures of EMU acquired constitutional status.

The Commission has had a significant role in pushing through a vision of the ESM as essentially a “European political project” of reform of the welfare state, by making use of scientific

²⁸ C. Hay, M. Watson and D. Wincott, “Globalisation, European Integration and the Persistence of European Social Models” Birmingham, POLSIS Working Paper 3/99, 1999, p.6

²⁹ European Commission, 'European Social Policy - A Way Forward for the Union: A White Paper', COM no.333, 1994, in: Hermann and Hofbauer, *op.cit.*, p.129.

³⁰ Hermann and Hofbauer, *op.cit.*, p.128.

“neutral” epistemic communities – “organic intellectuals” - in order to push for what was and is essentially a political project.³¹ By presenting the challenge of globalisation as a common element to all member states, and hence the need to adapt the welfare state (based on the assumption that it is currently ill conceived to fit the 'knowledge-based society' of the future), the Commission also brings home more legitimacy for increasing competence on social issues at the European level. In this respect, the idea of the ESM as an historical *acquis* is complemented by the idea of the ESM as a political reform project: it is argued that in order to preserve the former, we need to implement the latter. As the Commission puts it:

"The modernisation of the social model means developing and adapting it to take account of the rapidly changing economy and society, and to ensure the positive mutually supportive role of economic and social policies."³²

According to Jepsen and Pascual, behind the perceived process of change in European societies is the process of globalization, which is seen as entailing the need for a series of adaptive moves.³³ First of all, they note that whereas the ideal-typical traditional welfare state is linked to the idea of stability (regulated labour markets and protection from dismissal and collectivisation of risk, for instance), in the new model instability is seen as an inescapable part of life. Viewing instability as normal brings makes risk the responsibility of the individual, with individuals seen as having to adapt to changing economic circumstances and market pressures more directly (via the promotion

³¹ Jepsen and Pascual, *op.cit.*, p.233

³² European Commission, 2001, in *Ibid.*, p.239

³³ This paragraph is a reformulation of: Jepsen and Pascual, *op.cit.*, p.232-234

of flexibility). Solidaristic policies (for instance, purely redistributive measures) are perceived as diminishing the individuals' willingness to work, and hence activation policies are designed to create the proper incentives. The shift is from a model of welfare-protection against risk to a model in which the role of the state is seen as one of promotion of the management of risk (via policies that seek to promote employability, and providing means with which the individual can allegedly protect himself from risk).

In this respect, the 1996 ERT report, *Benchmarking for Policy-makers: The Way to Competitiveness, Growth and Job Creation*, intended as an introduction to the concept of benchmarking, was written in what can be described as “the universal plane of hegemony.”³⁴ Regarding the issue of unemployment, it is noted that "part of the problem is...the inflexibility of labour markets, measured by such indicators as non-wage costs, minimum wage levels, termination costs (which discourage employers from hiring people), and the number of hours per week that factories can operate."³⁵ Moreover, and in more *hegemonic* terms, it states that "the core of benchmarking is something at the same time very simple and very difficult...It requires you the

³⁴ A. Gramsci, *Selections from the Prison Notebooks*, New York, International Publishers, 1971, p.182, cited in: B. Van Apeldoorn, “The Struggle Over European Order: Transnational Agency in the Making of ‘Embedded Neoliberalism’”, in Bieler and Morton, *Social Forces in the Making of the New Europe*, *op.cit.*, p.70

³⁵ ERT (European Round-table of Industrialists), 'Benchmarking for Policy-makers', 1993, retrieved on April 20th 2009 at <http://www.ert.be/doc/01630.pdf>, p.13

individual to put yourself in question all the time."³⁶ Perhaps even more significant of this broader cultural trend is another passage from an ERT 2004 letter to the Commission:

"Competitiveness is also a matter of attitude. There is a broader cultural requirement to support entrepreneurship and risk-taking - in terms of individual but also societal attitudes to taking risks, to competition, to business failure and to personal wealth creation. Countries from China to Brazil are demonstrating the potential of ambitious and competitive citizens to generate new jobs and so shape the economy. Such people are not following an American or 'Anglo-Saxon' model: they are following their own desire for success, to get on in life. In contrast, too few Europeans wish to be self-employed, to start up on their own. Accustomed to social safety nets and an assured standard of living, the general public in much of Europe fails to see either the benefit or the need for competitive attitudes."³⁷

Again, it is interesting how the Anglo-Saxon notion of the individual (whatever this actually means) is naturalised as being the expression of a universal human nature - a concept over which many hegemonic battles have been fought - and need to succeed.

The change from a market-correcting to market-enabling strategy consolidates the laws of market forces. This shift has also deep consequences for the concept of citizenship, as the traditional social citizenship as a right is substituted with a form of "individual citizenship,"³⁸ in which the citizen is seen as being responsible for managing risk. Hager has noted that the "constitutional asymmetry" has led to an "asymmetrical citizenship" in which the negative integration at EU level does not allow the formation of an EU social citizenship, but also gradually

³⁶ ERT, "Benchmarking for Policy-makers", *op.cit.*, p.17

³⁷ ERT (European Round-table of Industrialists), Letter to Mr.Bertie Ahern, Member of the European Council, 17 February 2004, retrieved on April 18th 2009 at <http://www.ert.be/doc/01663.pdf>, p.6

³⁸ Jepsen and Pascual, *op.cit.*, p.237

leads to a weakening of the social rights linked with citizenship at national level.³⁹ In this respect, we can place in a new light the statement of the ERT that 'new Europeans' are required for 'new Europe.' It could be argued that there is here a behavioural, and even moral character of citizenship which was largely absent from the traditional social citizenship of the welfare state. In the new model, there is increasing pressure on adapting to the market, seen not as a force which must be controlled or as a means to an end but as a fact of nature. The European Employment Strategy (EES) has been influenced by this vision, and specifically by the idea of a “productive social policy,” in which ideas such as flexicurity, activation and partnership are seen as increasing the individual's capacity to adapt to market forces.⁴⁰

4. Competitiveness for whom?

The idea of competitiveness is not a straightforward one and is - as any other aspect of public and political discourse - the object of a struggle in which different and opposing actors (which, as we argue here, must be conceived as expressions of class fractions) try to shape the public arena in order to propose an ideological dimension which is most favourable to their interests and world view. Ironically, when the term competitiveness was first coined in the early 1980s, it

³⁹S.B. Hager, “‘New Europeans’ for the ‘New European Economy’: Citizenship and the Lisbon Agenda” in Van Apeldoorn, Drahokoupil and Horn (eds.), *Contradiction and Limits of Neoliberal European Governance*, London, Palgrave Macmillan, 2009, pp.106-125, p.111

⁴⁰Jepsen and Pascual, *op.cit.*, p.238

was moulded on the statist developmental model of countries such as South Korea, which was thought as providing greater advantage than the free-market American model.

In the construction of the competitiveness discourse, the role of business elites has been essential, and the ERT was a particularly important actor: it has constructed an ideological dimension that would reflect the needs, world vision and interests of the - largely - globalist fraction of European capital. In this respect, this neoliberal vision which sees competitiveness as emerging from a total exposure to world competition had to compete with a neo-mercantilist notion of competitiveness, one which would favour a strengthening of the European industrial sector via non market instruments.⁴¹

Following the shift towards a neoliberal vision of European integration, the ERT sought to introduce new concepts, such as that of benchmarking, expressed for the first time in the 1997 ERT report, *Benchmarking for Competitiveness*. The main message was that "governments must recognise today that every economic and social system in the world is competing with all others to attract the footloose businesses."⁴²

Benchmarking here seeks to overcome demand-side employment policies by focusing on the promotion of employability and entrepreneurship. In the 1993 ERT report, *European Labour Markets*, labour rigidities and high social protection were seen as the main causes of the high rates of unemployment, and thus "even painful measures should become socially acceptable, provided

⁴¹ Van Apeldoorn, "The Lisbon Agenda and the Legitimacy Crisis...", *op.cit.* p.8

⁴² ERT, 'Benchmarking for Policy-makers', *op.cit.*, p.15

they contribute to a sustained improvement of the unemployment situation."⁴³ The idea that only by stimulating business (and hence deregulating labour markets and lowering labour costs) could Europe's structural crisis be overcome was later incorporated into the Competitiveness Advisory Group (CAG), which would "act as a watchdog, by subjecting policy proposals and new regulations to the test of international competitiveness."⁴⁴ This advisory board - essentially a group of experts consulted by the Commission on issues pertaining to economic policy - which included the CEOs of Unilever, ABB, Nokia and British Petroleum, published several reports recommending among other things the liberalisation of the public sector and the encouragement of greater labour flexibility in ways favouring corporate competitiveness.⁴⁵ The former Secretary-general of ERT Richardson recently stated, "Jobs cannot be created by laws or by writing some new clause or chapter into the Treaty. What is urgently needed is the deregulation of labour markets and better education and training. New jobs will then follow from economic growth and the creation of wealth by business."⁴⁶

The ERT discourse was so successful in influencing policy-makers that in the early 1990s the Commission set up a High Level Group on Benchmarking in order to identify some of the

⁴³ ERT, *European Labor Markets: An Update on Perspectives and Requirements for Job Generation in the Second Half of the 1990s*, Brussels, ERT, 1993, in Holman, and Van der Pijl, 'Structure and Process in Transnational European Business', in Cafruny and Ryner (eds.), *op.cit.*, p.82

⁴⁴ ERT, *European Competitiveness: The Way to Growth and Jobs*, Brussels, 1994, in Holman and Van der Pijl, *op.cit.*, p.82

⁴⁵ K. Van der Pijl, "Lockean Europe?", *New Left Review*, No.37, Jan/Feb 2006, pp.9-39, p.33

⁴⁶ Holman and Van der Pijl, *op.cit.*, p.83

“weaknesses and inefficiencies” of enterprise and public institutions, with the aim of promoting structural reforms, such as "further liberalisation, privatisation...more flexible labour laws, lower government subsidies."⁴⁷ In a similar fashion, the Commission called for "a radical rethink of all relevant labour market systems - employment protection, working time, social protection, and health and safety - to adapt them to a world of work which will be organised differently."⁴⁸

5. 'New Europeans': From a Right to Work to a Duty to Work?

Notwithstanding significant variations, we have been experiencing a slow convergence in employment policies, and in particular regarding activation as an ethical and an ideological issue - mainly as a consequence of the influence of EU institutions.⁴⁹ The latter has promoted a reading of risk in moral, rather than social or political terms (thus converting work from a right into a duty). In what has been termed - in an ideal-typical form - the 'Schumpeterian workfare regime', "there is an emphasis on the obligation to take part in the labour market and to accept the options on offer...In turn, work is made into the condition of the individual's autonomy, but this then becomes normative and constraining and is moralistically presented as a duty."⁵⁰ The new notion corresponds to the

⁴⁷ High Level Group on Benchmarking, "First Report by the High Level Group on Benchmarking" *Benchmarking Papers* No.2, Brussels, European Commission, 1999, p.13.; van Apeldoorn, "European Unemployment and Transnational Capitalist Class Strategy: The Rise of the Neo-liberal Competitiveness Discourse" in Henk Overbeek (ed.), *The Political Economy of European Employment*, London, Routledge, 2003, pp.113-135, p.129

⁴⁸ European Commission, *Benchmarking the Competitiveness of European Industry*, Com (96) 436 final, 9 October, Brussels, 1996, in Van Apeldoorn, 'European Unemployment...', *op.cit.*, p.129

⁴⁹ See: A. Gray, *Unsocial Europe*, London, Pluto Press, 2004, p.45-81

⁵⁰ A.S. Pascual, "Towards a Convergence in European Activation Policies?" 2004, retrieved on 21 April 2009 at <http://aei.pitt.edu/1077/>, p. 9

idea that the only social policy which the state should have an interest in promoting is to get people to work.

The model of the ‘Schumpeterian workfare regime’ can thus be viewed as the outcome of a gradual but significant shift in discourse and practice in the fields of unemployment, social state and citizenship.⁵¹ Thus, in the new paradigm, the apparently taken for granted ideas that markets should be controlled and that the causes of unemployment are linked with the lack of jobs (ideas which were dominant during the Keynesian era) have been reversed: in the new model, the market is seen as a fact of nature, and the cause of unemployment is to be found in the lack of employability on the part of the workers. The legitimising principle of the social state shifts from the traditional welfare state idea of collective responsibility to the notion of individual responsibility for risk. In this context, the meaning of citizenship is also fundamentally transformed, as the criteria for access to citizenship shift from a focus on social and political participation to an emphasis on economic participation. The emerging concept of citizenship thus arguably constitutes a significant shift from the previous one: the social entitlements here envisaged are limited to the granting of skills and training in order to become more employable, overlooking other aspects of traditional social policy. The change of the meaning of work from a social right into a moral duty can thus be seen as the expression of these multi-dimensional moves in social policy practices.

⁵¹ This paragraph is a reformulation of the arguments found in: Pascual, *op.cit.*

I argue that there is an inherent contradiction in this model of citizenship. T.H. Marshall, one of the earlier theorists of the welfare state, states that "it is only when risks of destitution and insecurity associated with industrial capitalist society are eliminated, or at least substantially mitigated, through the social rights provided by the welfare state that the broad mass of the population can fully obtain the status required to effectively exercise civic and political citizenship."⁵² Keeping this in mind, the slow weakening of the social entitlements which the citizens can claim vis-à-vis the state may in fact contribute to a weakening of the active element of citizenship, which encourages the citizen to participate in community and democratic life. As Ryner puts it, it is hard to see how one could expect a citizen to be a "heroic, competitive, flexible and mobile individual who at the same time is a nurturing parent, rooted in a community, in which he/she has time and energy to invest civic engagement."⁵³

6. The Open Method of Coordination: Regulation for Competitiveness

In order to create the framework for cooperation among member states in the context of the Lisbon process, the OMC was chosen as the appropriate mode of regulation. Its antecedents are the Broad Economic Policy Guidelines (BEPGs) of the Maastricht treaty and the Luxembourg - later, Cologne - process in the European Employment Strategy. The OMC departs from the Community

⁵² *Ibid.*, p.122

⁵³ *Ibidem*

decision-making method⁵⁴ by developing a formal procedure in which the performance of governments is defined and assessed under a Commission-led peer-managed guidance, without sanctions or legal obligations to attain results. Since it does not involve any kind of transposition of legislation, there is no role for the ECJ. Several scholars point to the beneficial effects of the new approach.⁵⁵ I would like to focus on two main benefits - among many - of the new mode of regulation that these scholars identify:

First, they underline the fact that "the OMC may or may not be the best available approach to rule-making, but it is the only way in which EU standards can penetrate in a reserved national field."⁵⁶ In other words, something is better than nothing, and as Barani argues, "in the long run, the net effect of the adoption of 'soft law' is facilitating the passage to more precise, clear and enforceable norms."⁵⁷ Second, it is often claimed that OMC is moving away from the coercive top-down approach of the community law, as it is based on a voluntary and open process of deliberation which is inherently more democratic and open to the contributions of different actors in society.⁵⁸

⁵⁴For the Commission's definition of the 'Community method' see:

http://europa.eu/scadplus/glossary/community_intergovernmental_methods_en.htm, retrieved on 20 April 2009

⁵⁵ For instance: M. Citi and M. Rhodes, "New Modes of Governance in the EU: Common Objectives Versus National Preferences" *European Governance Papers*, No. N-07-01, retrieved on 16 April 2009 at www.connex-network.org/eruogov/pdf/egp-newgov-N-07-01.pdf

⁵⁶ L. Barani, "Hard and Soft Law in the European Union: The Case of Social Policy and the Open Method of Coordination" *Constitutionalism Web Papers*, 2/2006, retrieved on 14 April 2009 at <http://ciop.or.at/erpa/>, p.21.

⁵⁷ *Ibid.*, p.20.

⁵⁸ J.A.Caporaso and J.Wiitenbrick, "The New Modes of Governance and Political Authority in Europe" *Journal of European Public Policy*, Vol.13, No.4, 2006, pp.471-480, p.472-476

However, other accounts of the OMC have criticised these assertions. First, the 'soft' and non-constraining character of OMC should not be exaggerated. The OMC has the power to restrain the realm of the possible by shaping the behaviour of domestic actors and the content of policies. For instance, as we have seen, the notion of the active welfare state acquired relevance as the EU emphasized the need for member states to decrease unemployment benefits and develop programmes to actively reinsert people in the workforce.⁵⁹ Lopez-Santana, examining the EES's framing effect, concludes that the fact that the EU softly dictates a set of targets, courses of action and policies that lead to better practical compliance, even if the norms are not legally constraining.⁶⁰ In the same way, framing implies the subordination of the social goals to the rules of economic integration under EU law. As Lopez-Santana points out, by framing which policies are "good," "bad" or "necessary," the EU continuously sets the standards, and hence the repetitive message of the EU reminds states that they should act on what is framed as a problem; if they do not do so, they run the risk of not being competitive.⁶¹

Second, as we mentioned above, the OMC does not overcome the constitutional asymmetry of the EU. Scharpf, for instance, stresses that in the face of a rise in unemployment, OMC deliberations are significantly constrained with regards to policies and recommendations, as they cannot recommend lower ECB interest rates, nor a relaxing of the deficit rules or the competition

⁵⁹ M. Lopez-Santana, "The Domestic Implications of European Soft Law: Framing and Transmitting Change in Employment Policy" *Journal of European Public Policy*, Vol.13, No.4. 2006, pp.488-489.

⁶⁰ Lopez-Santana, *op.cit.*, p.497.

⁶¹ Lopez-Santana, *op.cit.*, p.488.

rules on state aids, or a concerted increase of taxes on capital incomes.⁶² Basically, then, the kinds of policy recommendations in the framework of the OMC must avoid any challenge to the internal market *acquis communautaire* and EMU. As a matter of fact, the non-binding nature of the OMC may in fact maintain situations of free-riding where externalities exist (social dumping, undermining of national welfare rules by shopping for favourable regulatory environments).

7. Conclusion

From a neo-Gramscian viewpoint, the rise of neoliberalism as a project and as a process of integration is seen as the outcome of a material and ideological struggle over the social purpose of EU integration. In the first part of this paper I have traced the stages of this struggle, which have led to the emergence of the hegemonic project of embedded neoliberalism. The latter had at its core the primacy of freedom of capital and markets, but - as any hegemony - needed to accommodate potential rivals by material and ideological means. Embedded neoliberalism was then used as a starting point for the analysis of aspects of European socioeconomic governance (as both its form and content reflect the embedded neoliberal hegemony). The discursive construction of the constraints of globalisation and of an ambiguous concept such as the European social model have gone hand in hand with the development of this skewed consensus. One of the objectives of this

⁶² Scharpf, *op.cit.*

project is to implement largely neoliberal reforms while preserving Europe's (or - at least - most member states') traditional social consensus model.

The supply-side neoliberal character of EU social policies do not overcome but in fact may contribute to enhancing the EU's constitutional asymmetry between the economic (internal market, EMU, competition policy) and social dimensions, locking-in a situation of regime competition at national level and constitutionalised neoliberal constraints at European level. Lisbon's stated goal of combining competitiveness and social cohesion is inherently contradictory, as it structurally favours the former over the latter, and contributes significantly to disembedding the economy from social and political institutions at national level (following the Polanyian “utopia of laissez-faire liberalism”⁶³). The attempt to articulate discursively Lisbon's two goals, in practice advancing competitiveness at European level and leaving social cohesion to the member states, is inherently unstable. The negative outcome of the 2005 French and Dutch referenda could thus be understood as a sign of the declining consensus over the path of European socioeconomic governance, a trend that has been exacerbated by the current recession, which represents a moment of uncertainty (and struggle) over socioeconomic governance. The recession has made more manifest that neoliberalism is (was?) also a class project, the expression of a fraction of capital. The recent turn to a form of Keynesianism shows that among elites and 'organic intellectuals' there is at the moment no consensus on the path to be taken and that crises do indeed represent moments in which struggle over the direction of socio-economic governance is particularly evident.

⁶³ Van Apeldoorn, “The Lisbon Agenda and the Legitimacy Crisis...”, *op.cit.*, p.12

The hegemony of embedded neoliberalism is thus increasingly contested, as the referenda, as well as the increasing vitality of trade union and social movements show. A fascinating branch of possible research regards precisely the extent of incorporation of labour (trade unions, unemployed, social movements more broadly) into the hegemonic bloc, and the attempts at articulating (also on an ideological level) a different path of European integration. There have indeed been calls for an alternative macro-economic regulation at European level. This could imply, among other aspects: a change in the way EMU is set up, involving a redefinition of the ECB's policy targets in order to prioritise, together with inflation, the fight against unemployment; a reform of the Stability and Growth Pact in order to make both national and European-level infrastructure and human capital investment possible; a more coordinated wage formation policy at European level that would reverse the trend towards lower labour shares by ensuring higher wages (which would cover inflation and productivity growth) and thus stimulate demand, necessary for economic growth and employment generation.⁶⁴ This form of 'Euro-Keynesianism' also necessitates a strengthening of 'social Europe' by reversing the EU policies promoting privatisation and deregulation and defining

⁶⁴ A. Bieler, *The Struggle for a Social Europe. Trade Unions and EMU in Times of Global Restructuring*, Manchester University Press, Manchester, 2006, pp.208-209.

common minimum standards towards social convergence, as well as developing more substantial trade union and workers' rights at European level.⁶⁵

While the market-making and market-enabling EU policies are firmly in place and no member state or dominant social force is contesting them, there are signs of uneasiness with the current embedded neoliberal framework within the elites. Thus, in the Lisbon treaty, under French President Sarkozy's insistence, the clause that added as an EU objective "free and undistorted competition" was removed (while it was included in the Constitutional treaty), and Sarkozy himself is expressing increasing concerns with the principles under which the EU is run (he has once even defined the EU 'a Trojan horse of unfair competition').⁶⁶ The current situation of economic crisis, involving growing unemployment, social discontent and amplifying inequalities may in fact prove to be crucial for setting the stage for the next phase of European integration.

The question of the social purpose of European integration is therefore an open one, and it remains to be seen if the principle of the market as the main organising principle of society will continue to be the dominant normative foundation of the integration process.

⁶⁵ A. Bieler and T. Schulten, "European Integration: A Strategic Level for Trade Union Resistance to Neoliberal Restructuring and for the Promotion of Political Alternatives?" in Bieler, Lindberg and Pillay (eds.), *Labour and the Challenges of Globalization: What Prospects for Transnational Solidarity?*, Pluto Press, London, 2008, pp.231-247

⁶⁶ B. Van Apeldoorn, "The Contradictions of 'Embedded Neoliberalism' and Europe's Multi-level Legitimacy Crisis: The European Project and its Limits" in Van Apeldoorn, Horn and Drahekoupil (eds.), *op.cit.*, p.39-40

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