



# **European integration: the market, the political and class<sup>1</sup>**

Werner Bonefeld

The article argues that class is crucial for the understanding of European integration. Rivalry between member states presupposes their common interest in containing the European working class(es) and EMU renders the relationship of dependency and rivalry between member states more intense. The importance of class is well understood by liberal intellectuals and especially Hayek's view on 'inter-state federalism' is assessed.

## **Introduction**

Western-European integration is without doubt one of the most important developments that emerged from the killing-fields of world war II. European integration is, on the whole, embraced as a resolution to Europe's troubled past that saw Germany at war with France three times in roughly 70 years. This seems to render European integration beyond critical judgement—and indeed, with a few exceptions, accounts on European integration amount, at best, to descriptive or higher journalistic interpretations of 'European reality'. If one were to follow these accounts, one would have to conclude that European labour has no presence in this reality. European labour is conspicuous by its absence.

This 'absence' does not mean that European labour has been 'forgotten' by the 'architects' of Europe. On the contrary, its position and adaptability to the requirements of European integration is generally assumed as a given fact. Both the Delors and the Emerson Committees on EMU recognised that labour would have to bear the costs of the structural





adjustment required by EMU.<sup>2</sup> European labour, then, is treated as if it were a mere human factor of production that will accommodate and adjust to the new reality created by EMU. Similar assessments have been forwarded in relation to the Single European Act. The EMS of 1979 was assessed in similar terms and that is, it would 'make' the human factor of production to demand less and apply itself more effectively. The decision by de Gaulle in the late 1950s to accept the Treaty of Rome is said to have resulted from the welcome competitive pressure the EC was expected to impose upon French industry. And the Treaty of Rome? Was the Treaty of Rome really the beginning of a social Europe, a Keynesian Europe where European labour collectively was enabled to enjoy the fruits of her labour without fear of war, in conditions of full-employment and Keynesian re-distribution of wealth that sustained Fordist consumption norms adequate to Fordist mass production? This 'Fordist' view of the 1950s and 1960s makes little sense; it is not borne out by the then reality of capitalist reconstruction. Indeed, the Treaty of Rome contains little, if anything at all, of what is commonly understood by Keynesianism or associated with so-called Fordism. The defining character of the Treaty amounts to what today is called neo-liberalism.<sup>3</sup>

The article argues that the EC was founded to advance the free market in Western-Europe. European integration amounts to an attempt at insulating the 'free market' from working class aspirations, checking expansionary responses to class struggle through a European supranational commitment to market liberalism that functions as an economic adjustment-mechanism in member states.<sup>4</sup> As Moss (2000, p. 251) argues succinctly, 'the EC project was promoted by left centrist parties, primarily Christian and Social Democrats, as a way of defending the market economy against Communism', and as a way of creating a free market in Europe where prosperity was expected to result from the famous trickle-down effect that the economies of scale would bring about. The expansionary nature of the European project, the inter-imperialist rivalry between Europe and the USA, as well as the conduct of inter-imperialist rivalry and cooperation between member states, especially Germany and France, depend on the 'domestication' of the European working classes as a dependable economic factor.<sup>5</sup> 'Europe' was formed in the context of the Cold War against Communism, which was both international and domestic, especially





in France, Italy and also Germany where the 'domestic and international' coincided in and through the division of Germany. 'Europe', in short, amounted not only to a substitute for socialism, but also, to an alibi for its abandonment. The reality of this abandonment became apparent with the crisis of the post-war boom and the so-called crisis of the state: the deflationary and deregulatory free market framework of 'Europe' for domestic economic adjustment has moved centre stage since the 1980s.

The argument is in three parts. The first part introduces and assesses the approaches of Mandel and Poulantzas to European integration. Mandel argued that European integration is led by the internationalisation of multinational companies; and Poulantzas criticised Mandel for reducing the study of European integration to a question of the internationalisation of capital. The second part makes use of Marx's remark that much can be learned from liberal intellectuals and discusses especially Hayek's view on 'inter-state federalism'. Hayek saw such 'federalism' as a useful tool for containing labour as an exploitable resource. The issue that most concerned Hayek is that of the safeguarding of liberty in the context of mass democracy and the ability of mass democratic movements to distort market freedom. From the perspective of political regulation, this concern was also powerfully addressed by Carl Schmitt. From their own specific perspectives, both sought to tackle the question of mass democratic influence on the relations of liberty, with Hayek arguing that the market should be freed from political intervention so as to guarantee the market democracy of demand and supply; and Schmitt arguing that the political should be freed from society so as to maintain its ability to govern. Hayek's demand for the depoliticisation of economic policy making focused on the alleged Keynesian subversion of state-society relations. Similarly, Schmitt's demand for the depoliticisation of society tackled the alleged subordination of the political to mass democratic aspirations. The third part concludes with a brief analysis of the politics of class under EMU.

### **The question of Europe in Mandel and Poulantzas**

According to Mandel, important changes had taken place in what he considered the international monopoly capitalism





since world war II.<sup>6</sup> He argued that before world war II, monopolisation had taken place within the nation state and that since the second world war, this had changed to an international centralisation process of capital. This was in part seen to be driven by technological developments, requiring capital to centralise internationally in order to establish production on a profitable basis. In Mandel's view, there are two principal forms of 'internationalisation': the absorption of European companies by American companies or, in a defensive reaction to this, 'the fusion of national companies of the various (European) companies into new units in which national capital is no longer dominant, but in which capital is now more or less equally dispersed over two, three or more (European) countries' (Mandel, 1967, p. 28).

In Mandel's account, the function of the national state is primarily economic (Mandel, 1975) and that is, to guarantee capital profitability and defend the interests of the capitalist class. He argued that the national state was finding it more and more difficult to fulfil its function because of the international centralisation of capital.<sup>7</sup> European integration was thus seen to be based on the internationalisation of capital and caused by a struggle that took place between the American challenge and the European response. Underlying this struggle was the development of the productive forces. In Mandel's analysis 'the radius of action of the bourgeois state must conform to that of the productive forces and relations of production...Once private property becomes extensively internationalised, it cannot be effectively defended within the framework of a French, German or Italian state. European capital demands a European bourgeois state as an adequate protector and guarantor of profit' (Mandel, 1970, pp. 55-6). In short, Mandel saw the development of European integration as an economically determined process—the political structure 'reflected' economic needs. As he saw it, the international centralisation of capital undermined the national state and, in response, led to the creation of a European state. Such a state, by implication, was seen by Mandel to have the resources to defend the new European capital effectively. The material basis of European integration was thus provided by the Europeanisation of capital. 'The future of the EEC's supranational institutions ultimately depends on the extent of the interpenetration of capital in Europe' (Mandel, 1970, p. 94). In short, the failure of





European capital to Europeanise would, because of a conflict of interest, entail the disintegration of the EC, precipitating a lapse into nationalism and leading to de facto economic and political domination by American capital.

Holloway and Picciotto (1980) see Poulantzas essay 'The Internationalisation of Capitalist Relations and the Nation State' as a reaction against Mandel's analysis. Poulantzas argued that 'if the state in the imperialist metropolises...still maintains its character as a national state, this is due among other things to the fact that the state is not a mere tool or instrument of the dominant classes, to be manipulated at will, so that every step that capital took towards internationalisation would automatically induce a parallel "supranationalisation" of states...The problem we are dealing with...cannot be reduced to a simple contradiction of a mechanistic kind between the base (internationalisation of capital) and a superstructural cover (nation state) which no longer "corresponds" to it' (Poulantzas, 1975, p. 78). While this assessment of Mandel has much to commend it by, Poulantzas fails to offer an alternative explanation of European integration. He focuses on the national state and emphasises that the internationalisation of capital merely has the effect of transforming national political structures. This view stems from his emphasis that 'the task of the state is to maintain the unity and cohesion of a social formation divided into classes' (ibid.). For Poulantzas, there is a necessary congruence between state organisation and the form of class struggle. As he put it, 'it is still the national form that prevails in these struggles, however international they are in their essence' (ibid. p. 88). Hence his conclusion that 'the current development in no way encroaches on the dominant role of the state in monopoly capitalist stage' (ibid., p. 81). How, then, might one explain the impetus to European integration?

### **Mass society, private property and the political**

Two features of the postwar reconstruction of capitalist relations are most important. First, against the background of the inter-war period, the restructuring of capital had to be re-organised internationally. Capital is not interested in war. The contradictions of capitalist accumulation might, and indeed they do, explode in wars. Yet, capital is not

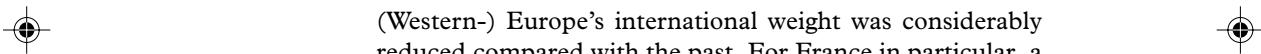




interested in war. It is interested in profits. This interest is well served in an environment of social and political stability. Capital, then, is interested in the security of the profitability of accumulation and accumulate it must. For the post-war world, then, a repeat of the turmoil of the inter-war period had to be avoided and a settlement found which safeguarded the property rights of capital on a global scale.

Against the background of the Cold War, the international organisation of capital was facilitated by the USA which, in a sense, became the bearer of the interests of capital in general, politically and economically. De Gaulle might well have resented USA dominance. Yet, France's—capitalist—rebirth after WWII, and the security of this rebirth, was shaped within the framework of the Cold War, and it depended to no uncertain measure on the global power of the USA, including of course the American dollar. In Western-Europe, the reconciliation between France and Germany was vital for overcoming the shortcomings of the inter-war period and for creating a 'safe heaven' particularly for France, in relation to a world economy driven and organised by the dollar. The Cold War reflected the new international order in which (Western-) Europe's international weight was considerably reduced compared with the past. For France in particular, a united Europe was the basis for its attempted re-birth as an expansionist power.<sup>8</sup>

The second feature is this: Western European countries responded to various pressures, such as strong communist parties, and of course communism, and working class aspirations, by adopting the idea of a welfare state, including *planification* in France, and codetermination in Germany. This seems to indicate that working class demands for a fair and just society (whatever this suspect phrase might mean in a capitalist context) had encroached upon national states and their governments. However, it would be wrong to claim that, during the post-war period, governments were centrally preoccupied with the provision of welfare and full employment. Full employment was delivered by a booming economy<sup>9</sup> and the provision of welfare became a serious issue only when the post-war boom came to an end, an end which incidentally signalled the 'crisis of the Keynesian welfare state'(!). In other words, the 'proclamation of a welfare state' amounted to a conscious acceptance on the part of national governments of mass society and mass democracy. This acceptance was however merely formal, that

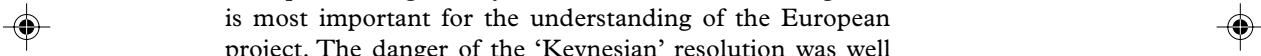




is, the dependent masses remained excluded from the real centre of political power: the power to make and execute policy.<sup>10</sup> The acceptance of mass democratic participation amounted, then, to the subordination of the potentially disruptive under the obligation of responsibility. The aim was to integrate mass society<sup>11</sup> into the political economy of capital in order to contain its political aspirations and paralyse its ability to affect conditions.<sup>12</sup> European integration, then, did not reflect, as Milward (1992) claims it did, the democratic aspirations of the dependent masses, nor did it support the legitimisation of member states through a common that is, European commitment to the welfare state. European integration has been from its inception an 'elite project' (Anderson, 1997, p. 62) that was based, as the former French prime minister, Pierre Mendes-France, put it, 'on the classical liberalism of the 19th Century' and that is, that competition pure and simple is the best of all worlds (quoted in McAllister, 1997, p. 17).<sup>13</sup>

The emergence of the dependent masses as a political force during the inter-war period and especially the then attempt of finding a—Keynesian—resolution to its emergence, is most important for the understanding of the European project. The danger of the 'Keynesian' resolution was well focused by Bernard Baruch, a leading Democrat. He had protested against Roosevelt's decision to abandon the gold standard in 1933 by stating that 'it can't be defended except as mob rule. Maybe the country doesn't know it yet, but I think that we've been in a revolution more drastic than the French Revolution. The crowd has seized the seat of government and is trying to seize the wealth. Respect for law and order is gone' (quoted in Schlesinger, 1958, p. 202). For Baruch, correctly, the 'dependent masses' are the majority and a liberal-democratic system that rests on the property rights of capital needs to defend itself against the social majority through, for example, extra-democratic decision-making powers particularly in the field of monetary policy. Failure to achieve this might make the economic cost of democracy intolerable for the owners of abstract wealth (cf. Brittan, 1977).

In the German context, Alfred Müller-Armack argued in 1933 that the parliamentary system of Weimar had failed in the face of economic crisis and that this crisis revealed the utility and, indeed, exposed the necessity of an authoritarian leadership (quoted in Brückner, 1978, p. 70).<sup>14</sup> After the





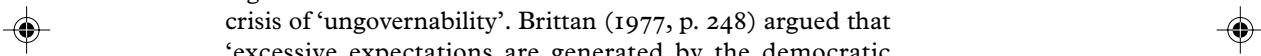
liberation from nazism, Müller-Armack's concerns remained the same—the proposed solution changed.<sup>15</sup> Müller-Armack—‘probably the most influential German at Brussels’ (Moss, 2000, p. 258)—was opposed to economic *dirigisme* but not averse to a ‘consciously steered market economy’ (see Müller-Armack, 1947, p. 95) and, as Secretary in the Economics Ministry, argued that centrifugal forces had become ‘visibly greater in the situation of prosperity’, necessitating ‘an additional effort towards the integration of society’ (cf. Müller-Armack, 1960) so as to contain the nightmare of an ‘irrational’ mass society through political regulation. This led to the conception of the integrated society (*formierte Gesellschaft*). Müller-Armack called for a comprehensive ‘societal policy’ (*Gesellschaftspolitik*), coordinating social policy with economic policy in an effort to create a society that no longer consisted of classes but which was, instead, based on cooperation between all groups and interests. As the former German Chancellor Erhard announced in 1965 to the CDU Party Congress: ‘This society, whose beginnings may already be discerned in the system of “social market economy” does not constitute itself through authoritarian compulsion but through its own vitality, its own will and from the recognition and growing consciousness of mutual interdependence’ (quoted in Berghahn, 1986, p. 299). For some, this view was reminiscent of the 1930s notion of a *Volksgemeinschaft*, now reformulated as a kind of social market-economic *Volksgemeinschaft* (cf. Mey, 1971).<sup>16</sup> The German conception of a social market economy recognises the usefulness of regulative laws and institutions that, rather than interfering with the market process, sustain it on the basis of law. In other words, rather than letting mass society interfere with the market, the social market economy transposes the regulation of the market to an ‘extra-democratic’ authority which, in the name of technical efficiency and expertise, wields political power. The German conception of the EC as a supranationally anchored competitive market based on law, was decisive in the construction and evolution of the European Community. Liberal technocrats in France were not opposed to this ‘design’ and de Gaulle, as will be shown below, revealed the rationale of their acquiescence: the Treaty of Rome was seen to provide an ‘extra-democratic’ framework for economic adjustment.





The two periods, i.e. the 1930s and the 1950s, are related through the 'problem' each sought to deal with in its own way.<sup>17</sup> This 'problem' is posed by the intrusion of mass society into the capital relation. Baruch focused this issue well when he argued that 'the mob has seized the seat of government and is trying to seize the wealth'. The 'threat' that this intrusion posed to the government of private property was articulated succinctly by Carl Schmitt (1932, 1934a), the legal philosopher of German nazism. Schmitt's contribution belongs firmly to the tradition of bourgeois political thought which presupposes that the economic and political are separate entities and whose political theory treats the political as a self-contained, autonomous thing. What makes Schmitt's contribution significant is his reconceptualisation of the autonomy of the political against the background of the emergence of mass society at the beginning of last century. The continuing relevance of his work can be seen in the neo-liberal analysis and prescription for the resolution of the crisis of the Keynesian welfare state in the 1970s. Neo-liberal commentators echoed Schmitt's view when they argued that the crisis of the 'welfare'-state amounted to a crisis of 'ungovernability'. Brittan (1977, p. 248) argued that 'excessive expectations are generated by the democratic aspect of the system' and that these curtailed the relations of liberty. King recognised that non-compliance with the rights of private property had increased. As he put it, 'the man dependent on his wife to drive him to work finds increasingly that she refuses to do so' (King, 1976, p. 12). Whatever King's specific problems might have been, the general thrust of the neo-liberal idea of ungovernability was that the political response to the class conflict had undermined the 'steering capacity' of the state (cf. Brittan, 1977) or, in Schmitt's terms, the ability of the state to make decisions. The neo-liberal demand for the state to be rolled back aimed at limiting the role of political decisions especially in the field of economic policy, replacing discretionary policy making through a rule-based system.<sup>18</sup>

Schmitt perceived the crisis of post-1919 in terms of a decomposition of social, political, as well as cultural structures. This decomposition was seen to be a consequence of the emerging mass society and caused by the influence it was able to exert on the structure of 'the political'. Institutionally, parliamentary democracy, for Schmitt, caused and focused the crisis: 'the political' was subjected, on the one





hand, to pluralist demands and, on the other, to class specific interests of social equality and emancipation. In short, Schmitt emphasised that the parliamentary system undermined the ability of the state to make decisions because 'society' had transformed 'the political' to an expression of distinct social interests leading to the fragmentation of 'the political' and therewith to the decomposition of the central institution that, for Schmitt, is able to maintain social harmony. The state was thus seen to have become 'socialised' and the fragmented character and class-divided nature of society was seen to be reproduced within 'the political'. The 'socialisation of the state', then, undermined the central and principal institution capable of making decisions. Hence Schmitt's call for the restoration of the political, of the state, emphasised that the state had to liberate itself from society. This liberation had to be based on the elimination of all forms of social conflict, conflict, that is, which is not authorised and conducted by 'the political'.

In short, the political was seen by Schmitt to be in crisis because its ability to make political decisions 'autonomously', that is without interference by the dependent masses, was undermined. Instead, it was the social conflict that forced decisions on the state, undermining its categorical monopoly as the sole 'decider'. As such a decider, Schmitt conceives the political as the true sovereign. For Schmitt, Weimar stood for the decomposition of the political because mass society was seen to subject the state to its demands. In short, Schmitt perceived the democratisation of society as a major threat to the ability of the political to secure the relations of private property, of capital.

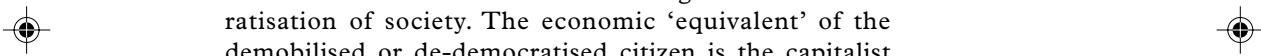
Similar questions on the relationship between society and 'the political' reappeared after 1945. Their resolution had, of course, to be different from the fascist reconstruction of the political in terms of the *Führerstaat*. This does of course not mean that nothing was learnt from fascism! The faithful believers in the invisible hand drew their lesson of history and this they did by denouncing the democratic labour movement for its alleged complicity in totalitarianism. As they saw it, the democratisation of society in the Weimar Republic was the cause of nazism and the reconstruction of liberal democracy had to be a democracy of the political; in other words, a democracy without *demos*, understood as the mob. As one German academic put it in the 1950s, 'the democratisation of society poses the principle danger to





democracy'.<sup>19</sup> Nazism, then, was not caused by the political right's attempt to reassert the primacy of the capitalist exploitation of labour through terrorist means. Rather, it was caused by the 'mob' that, because of its alleged political immaturity and supposed populist inclinations, is seen to be easily influenced and persuaded to follow demonic leaders, allowing totalitarian dictatorships to 'emerge' that suppress 'liberty, 'equality' and 'freedom'.<sup>20</sup> Hence also the reversal, and through it the endorsement, of the Schmittian perspective post-'45: mass democracy unchecked by constitutional and institutional safeguards, and mass society whose democratic inclinations are left uncontrolled and unattended by the watchful eyes of the state, poses a danger to the ability of the state to secure the rights of private property. The safeguarding of democracy requires, then, to keep the influence of mass society on 'the political' to a minimum—the only remaining political activity that mass society can reasonably be expected to discharge is that of participating in elections as voters. Other forms of socio-political mobilisation need to be treated at least with suspicion: the stability of democracy requires the democratic state to defend itself against the democratisation of society. The economic 'equivalent' of the demobilised or de-democratised citizen is the capitalist existence of human social productive power as a wage labouring commodity, the so-called human factor of production.

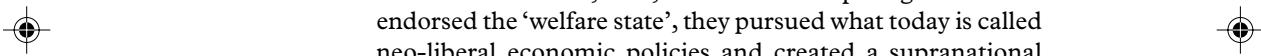
In sum, after 1945, the issue of accommodating mass society with the property rights of capital was posed again. Müller-Armack's programme of a social-market economy that was anchored in Europe focused the resolution (Moss, 2000). It set out to contain and restrain mass democracy by reconciling it with 'technocratic' government, perverting the democratic majorities to objects of socio-economic 'steering' (cf. Müller-Armack, 1947). Technocratic government does not mean that the 'machinery' of the state replaces the rule of the invisible hand, that is the so-called 'market mechanism'.<sup>21</sup> Rather, it seeks to regulate this mechanism more effectively and competently through a rule based system of law and extra-democratic institutional systems of regulation, checking so-called Keynesian-led wage inflation, restraining union bargaining, and adjusting welfare state expenditure to productivity growth. Technocratic government is based on the idea of an institutionally 'embedded' and legally regulated economic liberalism. The issue, then, is that of





the so-called institutional framework, and its organisation, in and through which the property rights of capital subsist and through which accumulation is safeguarded on the basis of law and money. This safeguarding subsists through an institutional and constitutional framework which is supposed to render social conflict manageable, permitting the integration of mass society into the capital relation through the rational administration of economic concerns that restrain a politics of compromise vis-à-vis the working class. In short, Pinder's (1968) characterisation of European integration as 'negative integration' is apt. In today's language, negative integration is called deregulation. However, a closer look at the so-called deregulation of economic relations reveals that the exact opposite is happening and that is, the harsh and disciplinarian control of the labour market. In other words, the EC was not only founded to advance the progress of the free market economy. It also provided the method and, against the background of the mass graves of two world wars, the legitimisation for the containment of mass society on the basis of commodified labour.

At the same time, then, as Western-European governments endorsed the 'welfare state', they pursued what today is called neo-liberal economic policies and created a supranational framework that supported the insulation of the political regulation of the free market from the democratic aspirations of the dependent masses. Much has been made of France's *planification*. Some argue that it amounted to Socialism, others saw a clear line of development between Italian fascism and France's much more 'civilised' programme of *planification* (cf. Agnoli, 1997). Whatever, there is no doubt that French planners saw the creation of European structures as a means of imposing upon French industry the requirement of increasing labour productivity so as to become competitive vis-à-vis Germany and after 1958 globally.<sup>22</sup> As de Gaulle (1971, p. 143) put it: 'international competition...offered a lever to stimulate our business sector, to force it to increase productivity...hence my decision to promote the Common Market which was still just a collection of paper'. De Gaulle's decision, then, to keep France inside the EC, an EC of course which was to be led by France, was motivated by the benefits that Europe provided for the domestic management of labour. In short, European integration was seen to secure the containment of the democratic aspirations of mass society within the law of capital with an anchor.<sup>23</sup>





The second feature, then, of the post-war period of reconstruction refers to two interrelated issues. There is the attempt to integrate the working class into the capital relationship through the promises of full-employment and welfare, and the acceptance of the mass democratic rights of political participation. And there is the insulation of the ‘political’ from mass democratic influence through the creation of a European anchor in support of this insulation, precipitating a politics of ‘negative integration’—better: a rule-based politics of ‘deregulation’—as a defence against the spectre of a potentially ‘irrational’ mass society which bursts the banks of the bourgeois world of generalised welfare through the infamous trickle-down effect. ‘Europe’ provides the framework for economic adjustment based on law and controlled by state bureaucracies and big capital. It focuses economic policy as a technocratic exercise that regulates market freedom through institutionally ‘embedded’ and constitutionally safeguarded ‘rules’ which stand apart from mass democratic influence and that is, removed from the reach of the territorially regimented European working classes bearing the burden of economic adjustment in competition with each other.<sup>24</sup>

Why should this be so? The seriousness with which the bourgeoisie views the democratic power of the dependent masses was appreciated well by Rosa Luxemburg. She argued in 1899 that the bourgeoisie would in times of a ‘democratic mass movement’ push away the liberal democratic state and call instead for a police state. As she put it, ‘although according to its form, parliamentary democracy serves to express at the level of the state the interests of the whole of society, it is capitalist society which posits itself as society. The formally democratic institutions are thus rendered, concerning their content, instruments of the ruling class and its interests. That this is so can clearly be seen in the reaction of the bourgeoisie to the slightest indication that democracy is being transformed into a tool of the really existing interests of the dependent masses: the bourgeoisie reacts by sacrificing the democratic forms and the representative organisations of the state’ (Luxemburg, 1974, p. 389f, author’s translation). Luxemburg’s foresight was remarkable. Yet, after the liberation from Italian fascism and German nazism, the same call for a police state to contain the aspirations of the democratic majorities could not be made. Against the background of communist aspirations, the promise of a welfare state was





a concession worth making to secure the integration of the European working class into the capital relation. Yet, this promise remained ‘domestic’; it was not mirrored in the Treaties of European integration. Of course, the European bourgeoisie disagrees amongst itself on what Europe should look like. Every national bourgeoisie looks for constant advantage and at the same time seeks to express its collective class interest vis-à-vis the working class.<sup>25</sup> In short, the European bourgeoisie, instead of calling for the police-state, accepted mass democracy and sought to contain it preemptively through ‘Europe’. The creation of the EC, then, reads like a ‘pre-emptive counterrevolution’ (see Agnoli, 1995) against the democratic majorities, that is the European working classes. The other side, of the domestic acceptance of mass democracy is the government over labour through Europe. The earlier quote from de Gaulle shows the significance of this insight; and Hayek, as Anderson (1997, p. 130) reports, was the lucid prophet of this vision.

Hayek’s vision of a supranational Europe was conceived during the 1930s. He advocated that national states should combine to create a federal interstate system. Such an arrangement was endorsed as preventing inflationary demands which, for him, were a consequence of the polarisation of class relations within independent national states. The establishment of a supranational political framework was endorsed as a means that would encourage competitiveness, against a national politics of economic protectionism; support the de-politicisation of economic relations, against the power of ‘special interests’ (i.e. the dependent masses) to subject the national state to a politics of inflationary demand management; and do away with restrictions on the movement of capital, labour and commodities. Furthermore, supranationalism would narrow the scope for the regulation of economic life; discourage the solidarity of the working class through its national fragmentation; and ‘render possible the creation of common rules of law, a uniform monetary system, and common control of communications’ (Hayek, 1939, p. 255). Supranationalism was thus endorsed as a way of keeping the masses away from the centre of decision making and as a device that would disempower the working class to force governments to moderate its aspirations through welfare and employment guarantees. The power of the ‘mob’ to distort the relations of liberty would thus be severely restricted and undermined.





Supranationalism, then, was espoused as 'providing a rational framework within which individual initiative will have the largest possible scope' (*ibid.*, p. 268). Nothing would stand in the way to what, today, is termed the de-regulation and flexibilisation of the wage relation. As Hayek saw it 'even such legislation as the restriction of child labour or of working hours becomes difficult to carry out for the individual state' (*ibid.*, p. 260). He accords particular attention to the circumstance that within a supranational union, individual states 'will not be able to pursue an independent monetary policy' (*ibid.* p. 259). In his view, national governments can not be trusted with monetary policy even if they are committed to a policy of price stability. Politicians, he seems to suggest, are always governing with the next election in mind perverting even the committed 'monetarists' to give in to 'popular pressure' leading to a politics of compromise and therewith to an integration of the working class into the capital relation on the basis of material concessions. Furthermore, monetary policy always requires an element of judgement and thus discretion that government might abuse to retain popularity. A supranational operation of monetary policy, with an independent bank removed from domestic considerations, would thus limit the role of political decisions and that is, it would insulate economic policy-making from a 'Keynesian' response to social conflict. Monetary policy would instead be rule-based and therewith protected from the 'distorting' influence of working class demands.<sup>26</sup> The removal, then, of the central bank from political influence would accord it a quasi-judicial status independent from the established liberal-democratic systems, expelling the 'mob' from the seat of government (cf. Baruch). Monetary policy would thus be 'liberated' from the dependent masses and their aspirations. Liberty would be restored and with it, the real democracy of the market, that is the democracy of demand and supply, where those unaware of the operation of the labour market will be punished by the hand of the invisible. In short, a domestic policy of austerity would be anchored in a supranational regime, a regime designed to provide 'stability' (*Stabilitätsgemeinschaft*; cf. Müller-Armack, 1971). In Müller-Armack's view, 'stability' stands for low inflation, a strong currency, competitive labour costs, and an effective and efficient labour force whose ability to demand conditions is checked by 'Europe'.





### Conclusion

In distinction to Mandel and Poulantzas, European integration is neither driven by economic necessity nor simply an inter-national arrangement between national states. The article has argued that the impetus to European integration can neither be reduced to an economic logic nor limited to a politicist analysis which presupposes the national state as the dominant form. The political economy of capitalist reproduction transcends national borders and the question of the national integration of the state can not 'be divorced from that of the integration of the international state system' (Clarke, 1988, p. 179). The republic of the market acquires its livelihood through the political guarantee of the rights of private property, rendering the political and the economic distinct forms of the class antagonism between capital and labour (Burnham, 1995). The impetus to European integration has then to be conceptualised in class terms. The 'national' guarantee of the rights of private property subsists through 'Europe', protecting the law of the market from the nationally regimented dependent masses —a pre-emptive counterrevolution based on law and that is, the containment of mass democratic aspirations within the republic of the market through 'Europe'.

The current construction of Europe renews the counterrevolution that started in the 1950s and it does so in a changed context defined by the end of the Cold War and what appears to be a permanent crisis of capitalist accumulation on a global scale. Gill, for example, sees EMU as an institutional arrangement 'designed to insulate key economic agencies, especially Central Banks, from interference by elected politicians' (Gill, 1992, p. 168). However, with EMU, the 'concentration of unaccountable decision-making lies precisely in those areas where the capitalist nation-state itself has always resisted democratic encroachment most trenchantly: monetary policy' (Gowan, 1997, p. 97). The importance of EMU, then, is not that it makes democratically unaccountable what previously had been democratically accountable. Nor does EMU simply place binding 'constraints of state power' (Gill, 1992, p. 178; see also Gill, 1998). Rather, the importance of EMU is that national states, on their own initiative, will no longer be able to accommodate class conflict through credit expansion or currency devaluation. EMU, then, inscribes the neo-liberal policy of market freedom





associated with Hayek through the creation of European supranational institutional devices that check expansionary responses to labour conflict. Hix (1999, pp. 299-300) summarises the expected contribution by labour to the stability of EMU well: 'a monetary union should be able to adapt either through labour movement from states in recession to states in high growth, or through labour-market flexibility, with a reduction of wage and labour costs in states in recession to attract capital investment'.

EMU however does not provide an institutional fix to the labour question. Instead it might amplify and transmit 'regional' class conflicts across the EU. That this is so is very much recognised by the architects of EMU and is of specific relevance regarding the role and function of fiscal policy. In EMU, participating countries lose control over monetary policy and are no longer able to use exchange rate devaluation to adjust productivity growth to globally competitive levels. Macro-economic adjustment in member states will have to be based on greater labour productivity and that is, the achievement of competitive labour costs. What however will happen if this expectation is frustrated? Member states retain responsibility for fiscal policy. At the same time, the Union has the power of coordination and surveillance, and the ability to recommend fiscal policy modifications and to apply sanctions against governments that have not taken the recommended steps. EMU is robust about the need for fiscal austerity as a corollary of and condition for the stability of monetary union. However, in EMU the ability of national governments to respond to labour conflict through fiscal expansionism is both restricted and increased. *Pace* the Stability Pact which institutionalised a stringent financial regime as a general feature of EMU, it is increased because, as Garret (1994, p. 49) reports, EMU poses a 'strong incentive for member states to free ride on the union running large budget deficits', spreading the 'cost' of the management of entrenched class relation to Europe through the effects of such fiscal expansionism on the Euro. The Stability Pact is meant to protect EMU from such developments, its incorporation into EMU recognised the 'danger' that national fiscal expansionism might pose 'a major threat to the overall monetary stability' of the Union (Emerson, 1992, p. 100). The crucial question, then, for the stability of EMU is that of fiscal policy, and through it, that of containing class conflict within 'balanced' budgets across the EU.



What, however, will happen if a member state responds to class conflict with fiscal profligacy? Will it be stabilised by fiscal transfers from other member countries or should the ECB, despite its brief not to do so, be allowed to monetise the accrued national debt? Were such responses legitimate, would this not ‘invite’ member-states to adopt ‘unsustainable’ fiscal measures to contain class struggle? What power of sanction would the EU have? Suspending the membership of such a state in EMU would undermine EMU and might lead to the break-up of the Union; re-financing the member state would reinforce the threat of monetary instability across Europe just in the same way as ‘unsustainable’ national levels of public debt jeopardise the objective of tight money on a European scale.

In short, EMU merely provides a supranational anchor for the pursuance of a politics of austerity. Whether the ‘anchor’ fulfils its purpose does not depend on the melody of European integration but on the outcome of class struggle. EMU transmits and amplifies domestic or regional revolts across Europe and, therefore, makes the European states much more dependent upon each other. Failure to contain the labour question in one member state will have adverse consequences for all the others. In other words, each national state not only competes with the others for competitive advantages<sup>27</sup> but, also, depends on the others for containing class struggle. In the literature on global debt management, this issue is addressed in terms of ‘moral hazard’ (cf. Benson, 1995): should the EU tolerate expansionary responses by a member state to class conflict, thereby setting a precedent that would encourage the ‘expectation’ that a similar response will be repeated in the future? Or should the member state, in the face of entrenched class relations, be allowed to default? There would thus be strong pressure to create what Hayek deplored and that is, a European fiscal competence complementing monetary federalism. Whatever the response, who will stop people running for the door when the going gets tough? In the past that was done by the state; and—as Adam Smith was fully aware<sup>28</sup>—only the state has the power to impose upon bourgeois society the rule upon which its own existence rests, that is the rule of private property and thus the right of capital to exploit social labour power for accumulation’s sake. What is the state’s name that possesses, in the Schmittian perspective<sup>29</sup>, the sovereignty to declare an ‘emergency’ so that we all follow the lead of the invisible





hand and behave well as mere personifications of the capitalist exchange relations?

In sum, the stability of EMU depends on the acquiescence of the European working class. The failure of one member state to contain 'its' working class has costly consequences for all the other member states. The former President of the Bundesbank, Hans Tietmeyer, saw this quite clearly when he said that 'sustaining the monetary union may need perhaps more solidarity than beginning it' (cited in Eltis, 2000, p. 146). In short, the fabric of EMU appears strong—yet the seam is weak. The seam is all important. The question of Europe is not resolved by EMU. Rather, it is posed.

### Notes

1. I am grateful to Guglielmo Carchedi and Bernie Moss for their insightful comments on an earlier draft of this paper. I would also like to thank the two external referees for their helpful comments and Nik Hammer of the editorial board for his much appreciated advise. The usual disclaimers apply. The article was completed in summer 2000.
2. See Committee (1989, esp. pp. 19-20) and Emerson *et al* (1992).
3. On this, see for example Moss (2000).
4. In response to external referee reports, my argument leaves aside the question how different ideologies have shaped institutional developments. On this see, Moss (2000). Equally, I will only make brief references to rivalries between national bourgeoisies. The bourgeois is, following the *Communist Manifesto*, a cosmopolitan and, in relation to the Euro, as Carchedi (1997, pp. 100-1) argues convincingly, '*German leadership is accepted because the bill is paid by labour*'. This does, of course, not mean that each national bourgeoisie is not in competition with other national bourgeoisies. The article's focus is not on their rivalry but their common class interests in relation to labour. Lastly, for reasons of space and clarity of argument, the dissociation between productive accumulation and monetary accumulation at a global level is not analysed in relation to European integration over the last twenty years. On this see in particular the contributions to Bellofiore (1999) and Bonefeld (2001).
5. For an analysis of the imperialist nature of European integration, see Carchedi (1997) and Carchedi/Carchedi (1999).
6. This part draws on Holloway and Picciotto (1980).
7. Kindleberger (1969) argued similarly in relation to the USA political arena. See also Murray (1971). The apparent redundancy of the



national state and the subsequent internationalisation of the state, so much emphasised in today's literature on globalisation, was thus seen by Mandel as a consequence of the centralisation of capital, regardless of the form of centralisation, that is either increasing American hegemony or Europeanisation.

8. As de Gaulle saw it, 'the EC is a horse and a carriage. Germany is the horse and France is the coachman' (quoted in Connolly, 1995, p. 7). The notion that European integration is about the containment of 'German expansionism barely disguises France's own expansionist project, a project which (due to France's insufficient economic weight) could be realised only within a new context of "cooperation" with other ex-colonial powers, i.e. within a united Europe' (Carchedi/Carchedi, 1999, p. 120). On this in relation to Germany, see Hirschmid (1994) and see Burnham (1990) in relation to Britain. One external reviewer commented that European integration was, for France in particular, about the containment of Germany. The de Gaulle quote puts this in plain language. Yet, the quotation makes reference also to the German horse by which, I suppose, de Gaulle meant German economic might which France as the coachman wanted to keep under tight control. By the time of the negotiations over the Treaty of Rome, the German horse was in miraculous shape. On this see, for example, Altvater *et al* (1979) and Graf (1992).
9. On this in relation to Britain see, Glyn (1995) and Mathews (1968). See Altvater *et al* (1979) in relation to Germany.
10. On this see Agnoli (1990, 2000). See also, for example, the German Basic Law of 1949 where parliament is endorsed as lying at the heart of the power of the state. Yet, were it to set the guiding principles of politics, it would operate in defiance to the constitution, that is, it would act unconstitutionally. The Basic Law vests the making of the guiding principles of politics in the German Chancellor, the head of the executive. Concerning the European context, 'the European public power is not one that derives from the people, but one mediated through states. Since the treaties thus have not an internal but an external reference point they are also not the expression of a society's self-determination as to the form and objectives of its political unity' (Grimm, 1997, p. 249). The much debated issue of the democratic deficit in the EU falls outside the scope of this paper, see however footnote 23.
11. The word 'mass' has a revolutionary ring and indicates 'collectiveness', 'unity in terms aspiration and purpose', and 'solidarity'. Conservative commentators refer to 'mass' by using the term 'mob', 'crowd' or '*Menge*', which signals at best 'unruliness', 'chaos', and a sort of 'social immaturity' that can easily be exploited by demonic and charismatic 'leaders' and it is for this reason that conservative





commentators demand that the masses have to be led by 'responsible' elites! See Luxemburg's *The Mass Strike* as a guidance for the meaning of the term 'mass' as it is used here and in the subsequent discussion.

12. On this in relation to the rise of Keynesianism see Holloway (1995). Keynesianism, as Negri (1968) makes clear, responded to the intrusion of mass society into the capital relation, and is the economic expression of the containment of mass society within the relations of private property.
13. Milward (1992) contends that post-war reconstruction was based on the full integration of farmers, workers and petty bourgeoisie into the political nation; and member states opted for European integration as a means to base the integration of the social masses on a prosperous basis. In Milward's account, 'Europe' is derived from domestic policy choices. Similar Moravcsik (1999). In contrast to Milward, this article argues that the so-called integration of mass society into the political nation was pre-emptively contained through European integration which secured capitalist accumulation with an institutional anchor that was designed to undercut socialist aspirations.
14. After 1945, Müller-Armack formulated the idea of the social-market economy and was in charge during the 1950s of policy studies for the Economics Minister Ludwig Erhard. With Erhard, he was a member of Hayek's inner circle, where the electoral slogan 'social market economy' was discussed under its proper name: ordo-liberalism (*Ordnungspolitik*). On this in relation to EMU, see Bonefeld (1998).
15. This part draws on Berghahn (1986).
16. For others, this conservative vision of society amounted to the golden age of capitalism where, instead of social exclusion and marginalisation, everybody was supported as a member of the one-national boat (see Reich, 1992). This line of argument can not be assessed here. See, however, Bonefeld (2000).
17. See Gambino (1996, p. 48) for a forceful argument that 'Fascism and Nazism were not in their origins the losing versions of Fordism, but were forced to become such thanks to the social and working-class struggles of the 1930s in the United States'.
18. On this replacement, see Burnham (2000).
19. Hennis quoted in Agnoli (1997, p. 136).
20. Bourgeois historiography on Nazism is especially concerned with establishing a close relationship between nazism and the working class, seeking to cleanse the bourgeoisie from any association with so-called 'totalitarianism'. For Nolte (1982), Nazism amounts to a 'left right-party' or movement. In the British context, Brittan (1977, p. 275) carefully distinguished between those who are 'concerned with their own thing' and 'left-wing student fascists'. The enemy,





then, stands always on the left. On this see Bologna (1994). See also Bonefeld (1999).

21. See Burnham (1942) for an analysis of technocracy and its social-political project.

22. The Bretton Woods requirement of full convertibility of, for example, the French franc with the dollar came into effect in 1958.

23. The literature on the so-called democratic deficit of the EC/EU is huge. On the whole, this literature is not about 'democracy' understood as the sovereignty of the people but about the lack of the 'legitimacy' of the institutions of the EU. In short, the indicated deficit is not one of the sovereignty of the masses, that is their right to social self-determination but, rather, the legitimization of the EU towards the demobilised and territorially regimented citizens. On the question of legitimacy see, Beetham and Lord (1998).

24. For a recent endorsement of this, see Bernholz (1992) and Keech (1995); for an assessment in relation to EMU, see Bonefeld (1998).

25. On this in relations to EMU see Carchedi (1997), and also Bonefeld/Burnham (1996). See Connolly (1995) for an insightful, though widely biased and profoundly ideological account on the inter-imperialist rivalry between the European nation states over monetary integration, especially EMU.

26. By the late 1970s, Hayek renounced his youthful views of the 1930s. Fearful that a single European currency would be prone to inflation, he advocated that money was to be issued by competing private banks (Hayek, 1978). His change of view might well have reflected his concern that monetary union might be complemented by 'fiscal federalism', leading to a supranational system of redistribution associated with Keynesianism. Thatcher's (1988) idea that an integrated Europe would impose 'socialism' on member states, expresses this concern. Yet, European integration has, since its inception, been characterised by negative integration (see Moss, 1998). Recent proposals by the French government for a supranational responsibility for employment have found little support and it can be argued that such proposals are made, in the full understanding that they will be rejected by other member states, to assuage domestic conflicts. For domestic elites seeking to retain legitimacy, 'Brussels' performs the role of a useful scapegoat.

27. As the German Chancellor Schröder put it: 'The 35-hour week in France is a good thing for employment in Germany' (quoted in *The Economist*, 5 February 2000, p. 43).

28. On this see Bonefeld (2000).

29. In his *Political Theology*, Carl Schmitt (1934b) defined 'sovereignty' as follows: 'Sovereign is who decides on a state of emergency'.





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