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Europe at Bay:
In the Shadow of US Hegemony

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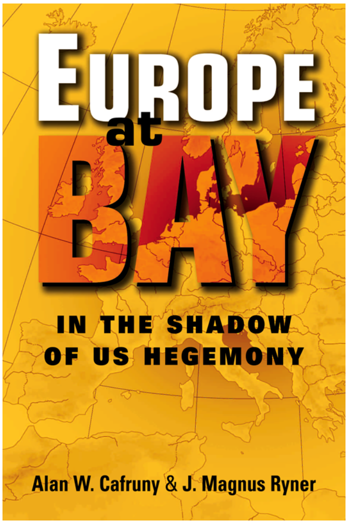

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Introduction: The Crisis of European Union

SCHOLARSHIP ON THE EUROPEAN UNION has been overtaken by events. During the 1990s the United States outpaced Europe's comparatively sluggish economies and boldly expanded the North Atlantic Treaty Organization (NATO) across the European continent and into the territory of the former Soviet Union. Triumphalists looked forward to a new era of virtually unlimited US power and voiced widespread skepticism concerning the EU's ambitious projects of political and economic union. Yet, the first decade of the twenty-first century has not been kind to the triumphalists. A host of pressing financial problems—not least, the massive and growing current-account deficits—have raised questions about the reserve currency status of a faltering dollar. By exposing the limitations of the vaunted US military machine, the disastrous advance into Iraq and recurrent problems in Afghanistan seem to have shattered the dream of a "new American century."

As US economic and military fortunes declined, observers from all points on the political spectrum and a variety of theoretical perspectives have claimed to discern a tectonic shift in global power relations. Although the specter of Chinese power looms over the horizon, many scholars and journalists have issued enthusiastic proclamations (or dire warnings) of a European challenge to US hegemony (Todd, 2002; Hutton, 2002; Reid, 2004; Kupchan, 2002; Haseler, 2004; Rifkin, 2004; Leonard, 2005; Wallerstein, 2003; McCormick, 2007). The successful launch of the third stage of the Economic and Monetary Union (EMU) in 1999 was widely celebrated as a dramatic forward movement of European regional integration. As the new currency, the euro, soared against a faltering dollar after 2001, much of the skepticism vanished concerning the viability of a monetary union and possibility of preserving a distinctive social model.

Symptomatic of this sentiment is the argument of Charles Kupchan, who has proclaimed that "Europe is arriving on the global stage. Now that its single market has been accompanied with a single currency, Europe has a collective weight on matters of trade and finance comparable to that of the United States" (2002: p. 22). In a similar vein, John McCormick has contended that "the EU is a new breed of superpower" within a "post-modern bipolar system" (2007: p. 12). Focusing on the welfare-state policies that for many set Europe's model of capitalism apart from that of the United States, Martin Rhodes and Anton Hemerijck have suggested that the EMU has the capacity to spearhead a successful "self-transformation" of the European social model (Hemerijck, 2002; Rhodes, 2002).

Yet, if economic and political developments of the early twenty-first century have thrown a spotlight on the fragility of US hegemony, they have also confounded predictions of European ascendance and the underlying intellectual assumptions on which these predictions are based. If the bloody occupation of Iraq demonstrated the perils of military over-stretch and hubris for the American superpower, it also exposed deep political divisions that pitted Britain, Italy, Spain, and many new member states of the EU against the Franco-German core and thereby shattered any remaining illusions that Europe could summon the cohesion and political will to serve as a counterweight to the United States.

The successful launch of the euro initially quieted skeptics who had warned that a monetary union bereft of political union was inherently unstable (see, for example, Milward, 1994; Anderson, 1997). Yet, by 2004, a prolonged period of stagnation and mass unemployment compelled first Germany, then France, and finally Italy to breach the walls of the Growth and Stability Pact, thereby exposing the very contradiction of which the skeptics had warned. The so-called reform of 2005 rendered the pact, in the words of the *Financial Times,* "practically worthless" (2005a: p. 12), revealing underlying conflicts of interest among the member states in the eurozone and provoking demands for the renationalization of monetary policy in some quarters amid predictions of impending collapse.[1] Even the soaring euro was a mixed blessing for the EU, as it accelerated the trend toward uneven development and threatened to derail the limited recovery of 2006–2007. The Lisbon Agenda, launched with great fanfare in 2001 to make Europe "the cheapest and easiest place to do business in the world" (European Commission, 2001), has proceeded fitfully in a climate of slow growth and economic nationalism. In 2005, unemployed, trade unionists, youth, and middle-class people uncertain of their economic future in France and the Netherlands decisively repudiated the Constitutional Treaty. Their rebuke to Europe's discredited technocratic elite, what Jean Baudrillard has termed the "complacent coalition around an infallible, universal holy Europe" (2005: p. 24), signified not simply the rejection of an EU treaty, but a broader, systemic crisis of European political representation operating at both the national and supranational levels.

Thus, notwithstanding the United States' own cascading political and economic difficulties, by the middle of 2005 the European project appeared stillborn. Summing up the prevailing sense of malaise, Dominique Moisi (2005: p. 17) outlined three bleak scenarios that contrasted strikingly with the optimism that had accompanied the launch of the euro. Europe might become a "decadent Venice," mired in a "collective acceptance of decay by an entire continent," or a Swiss combination of "selfishness and provincialism." Perhaps even more disconcerting was Moisi's third scenario, "the revenge of nationalism." Former EU commissioners Franz Fischler and Christian Ortner warned that the EU might become "the first empire to go down before it was founded" (Parker and Simonian, 2006: p. 7). Eminent Belgian economist Paul De Grauwe stated flatly that "The monetary union will collapse . . . not next year, but on a time frame of 10 or 20 years" (Kubosova, 2006: p. 1). Europe's leaders proclaimed a period of "reflection" because they could agree on little else. Ironically, the one area on which virtually all Europeans are united is the desire for greater independence from the United States. Yet, growing political fragmentation is making it more difficult to resist the United States' embrace. The multiple and overlapping economic and political crises indicate that the nations of Europe, both collectively and individually, are condemned to experience a long period of turbulence and parochialism. Indeed, even the Schadenfreude with which Washington's congenitally europhobic neoconservatives observe Europe's deepening disarray and inability to mount a coherent challenge to US hegemony is muted by fears that a more fractious European continent will be prone to instability and unable to assist in the United States' imperial project.

This book analyzes the crisis of Europe's second project of integration. The first such project, arising out of Europe's post–World War II economic and geopolitical predicament, sought to prevent another European war through the establishment of limited forms of economic cooperation. While giving rise to the concept of supranational integration, it in fact served to buttress the nation-state and to promote national economic development and political stability (Milward, 1992). The comparatively modest European initiatives were consistent with the main political and economic contours of the social- and Christian-democratic welfare settlements that became institutionalized in the first two decades after World

War II (Milward, 1994). Rhetoric aside, the EU was not during this phase an important independent factor in European or international affairs. The antidemocratic features of the EU were consequently of little import when, with the partial exceptions of agriculture and trade, economic policies were largely under the control of the member states.

Europe's second integrationist project resulted from François Mitterrand's decisive U-turn from national Keynesianism to market integration in the early 1980s and was effectively launched by the 1983 realignment of the European Monetary System (EMS) and the Fontainebleau Summit of 1984. The key institutional expressions of this project are the Single European Act (SEA) of 1987, the Treaty on European Union of 1993 (the Maastricht Treaty), and, more recently, the European Constitutional Treaty, which was signed in 2004 but faltered in the ratification process because of the referenda results in France and the Netherlands. Although greatly assisted by the new domestic and international political landscape resulting from German reunification and the end of the Cold War, the second project is based on the assumption uniting parties of the center-right and center-left that a decade of stagflation and failed attempts at European monetary coordination after the collapse of the Bretton Woods system mean that there is "no alternative" to national and regional neoliberalism. Spelling out the full implications of this assumption, the Constitutional Treaty—a quintessentially neoliberal and Atlanticist document—abandons distinctive commitments to social solidarity and social rights that are inherent in national constitutions or previous EU treaties. Unlike normal constitutions, which define institutions and enshrine fundamental rights, it elucidates the principle of "a highly competitive market economy" (TCE, Article I-3(2), 2004) with extraordinary clarity.[2]

Notwithstanding its underlying neoliberal logic, the second integrationist project has been marketed in European mass politics in a much more equivocal way. Indeed, more often than not it has been presented as a defense of the "European social model" (Hufbauer, 2006). Whether this approach to marketing and presentation reflects sincere conviction or instrumental political calculation, it reveals the tension between the "permissive consensus" of the economic policy concept of elites and the imperatives of mass politics in European civil societies deriving from distinctive commitments to social solidarity and full employment.

If the first integrationist project reinforced the power of the nation-state by facilitating the social- and Christian-democratic welfare settlements, the implications of Europe's neoliberal relaunching for the nation-state are more ambiguous, and potentially perilous. The single market and, even more dramatically, the monetary union have greatly reduced national prerogatives without giving rise to the pan-European democratic polity necessary to lend stability and cohesion to these radical developments. This project was brought into disarray in 2004 by the collapse of the Growth and Stability Pact (GSP) as it was originally conceived, an agreement that was intended to resolve this contradiction. Perhaps even more notable was the challenge issued by substantial popular mobilization in the Netherlands and France against a Constitutional Treaty that enshrined neoliberalism and Atlanticism.

The crisis to which we refer in this book is thus not simply that of Europe's Economic and Monetary Union, but rather more broadly the exhaustion of a two-decade-long phase of neoliberal economic integration that has condemned Europe to slow growth and mass unemployment, has weakened traditional forms of political and social solidarity at the national and regional levels, and has further subordinated the EU to an increasingly violent and unsteady US imperium. Our analysis runs contrary to the idealized, teleological narrative that has been a recurrent feature of mainstream scholarship and journalism on the European Union for two generations. Supranational institutions and ideas have not in themselves been the most important factors in European integration. Rather, they have played a decisive role only to the extent that they have successfully articulated the interests and strategies of the dominant national, regional, and transatlantic social forces. We argue that the contemporary predicament of the EU does not arise naturally from a crisis of *integration per se,* or the growing pains that might inevitably be expected to arise as the union enlarges and governance is gradually shifted from the national state to supranational institutions. To be sure, nationalism, institutional paralysis, and failures of leadership—the usual suspects—persist and, indeed, have become more pronounced. However, we understand Europe's contemporary predicament in terms of the internal contradictions and limitations of neoliberalism and the concomitant subordination to the United States. Such an analysis provides a deeper and more comprehensive understanding of contemporary European society and politics.[3]

It is perhaps also important to indicate what we are *not* arguing. First, emphasizing neoliberal underpinnings of the second integration project while criticizing idealism is not a contradiction. We do *not* think that one has said everything that is important about actors when one has labeled them "neoliberal." Rather, in our view social forces, state managers, supranational entrepreneurs, and other actors embrace, tactically adjust themselves toward, or resist neoliberalism from the vantage points of different, and often competing, material positions and interests.

Above all, we do not suggest that the neoliberal European project is a conspiracy—a fully thought out blueprint immanently implemented, and globally mastered, by its agents. We rather subscribe to a more structural point of view, in which neoliberalism describes an "institutional materiality"—a set of intersubjective norms and rules to which actors have to orient themselves (Poulantzas, 1973: p. 115)—or, for that matter, a "logic of appropriateness" (March and Olsen, 1989: p. 161). These norms and rules, in turn, reflect a structural matrix of institutions that define the formal separation of politics and economics in the prevailing regulatory mode of capitalist development. Especially important in this context has been the organization of finance, which systematically favors the United States. It is in this sense that the United States remains hegemonic, albeit not without a growing list of challengers. This is a position that we amplify in Chapter 2.

Our *analytical focus* on EMU reflects the centrality of money and finance in transatlantic and European regional power relations. In a classic formulation, David Calleo has highlighted the importance of money for social and political relations in general: "International economic relations are highly politicized. This is particularly true of monetary relations, the history of which often serves as a metaphor for general political-economic relations in the world system" (Calleo, 2003: p. 1). Similarly, drawing on Georg Simmel and Niklas Luhmann, Claus Offe (1985) has emphasized the importance of money and finance as central "steering media" through which capitalist states perform their contradictory roles of rendering compatible economic dynamism, social legitimation, and internal operational cohesion (see also Jessop, 1990: pp. 307–337). The EMU, then, can be seen as constituting the institutional fulcrum of the neoliberal integrationist project. Nevertheless, the *scope* of this book goes well beyond the question of money and monetary union. From our chosen analytical vantage point, we offer a holistic analysis of the interconnections of socioeconomic dynamics, the welfare state, questions of legitimacy and citizenship, and Europe's geopolitical predicament.

Hegemony cannot be reduced to "institutional copying." To assert that the EU is pursuing a neoliberal project does not imply that either the EU itself or its individual nation-states can entirely abandon distinctive institutions or values that have been shaped by centuries of historical experience. Europe will never become "Americanized" or even "Anglicized" in this sense. Rather, hegemony means that norms and rules successfully represent certain particular interests as general interests. Hence, the fact that the EMU is institutionally different from the

Federal Reserve System is not an indicator of the absence of hegemony, especially not the fact that the European Central Bank (ECB) has to be more neoliberal than the Fed.[4] This is an argument we amplify also in Chapter 2.

This emphasis on structure does not imply that structures can exist outside the beliefs and practices of agents or that the strategies of agents are not important. Rather, it assumes that agents are always situated in structural relationships that give them a partial view of the terrain on which they operate and partial capacities to shape institutions and structures. Nevertheless, the capacities of some are more partial than others. Bob Jessop's (1990: p. 359) characterization of "strategic coordination" comes close to our understanding of agency:

> Since the structure of the social world is always more complex than any social force can conceive and its overall evolution lies beyond the control of any social force, strategic coordination can only occur in the context of uncontrolled and anarchic structural coupling of co-evolving structures. But this does not mean that it is impossible to intervene in this evolutionary process and produce results.

The US state strategy we describe in Chapter 2 as a "hegemonic strategy" can indeed be seen as an example of such intervention "producing results."

Finally, neoliberalism in Europe is neither homogenous over countries, regions, and sectors nor a fully realized outcome. Indeed, in many respects it is precisely the incompleteness of neoliberalism and its differential and uneven effects on classes, states, and regions that exacerbate Europe's crisis. From the organization of the single market through the EMU, neoliberal forces are connected with and reorganize other instituted socioeconomic practices, such as collective bargaining regimes and welfare-state settlements. Neoliberal forces do not always eliminate these regimes and settlements, although the latter must be reconstituted to become compatible with the neoliberal framework. In addition, as we show in Chapter 3, in certain locales at certain times EMU-induced neoliberalism is even rendered compatible with a reinvigoration of export-oriented welfare settlements that have significant mercantilist dimensions. However, the result of these settlements is chronic division within Europe, which prevents the forging of a common strategy of action to address economic stagnation, the political crisis of representation, and subordination to the United States.

This book is organized into six chapters. In Chapter 2, we present a set of key concepts and a historically informed account for understanding

Europe's continuing subordination to US-dominated global finance. Our central concept is *minimal hegemony:* The development of the international political economy (IPE) as a discipline in the late 1960s coincided with an impending transformation of global economic and political power. In seeking to understand the nature of this transformation, conventional scholarship relied on "basic force" models of international power relations, which derive power more or less straightforwardly from the possession of resources (Gilpin, 1973; Keohane, 1980). Yet, basic force models of power fail to take into account the structural aspects of power, especially the power rooted in the United States' domination of global finance. Accounts of a gathering European economic challenge to the United States overlook the deeper and more salient structural features of the Euro-Atlantic relationship as it has developed since the fall of the Bretton Woods system in the early 1970s.

A structural account of power, by contrast, draws attention to the dynamics of the social, political, and economic terrain (Cox, 1987; Strange, 1986; Cafruny, 1990; Gill and Law, 1989). Prevailing structures constrain the actions of some actors while enabling others. Basic force models, grounded in productivity and national output, made some sense prior to 1971, when US financial and monetary policies were constrained by the linkage of the dollar to gold, however tenuous this became throughout the 1960s. By the 1980s, US elites had developed a new strategy of hegemonic coordination to resolve the post–Bretton Woods crisis. We distinguish this *minimal hegemonic* strategy from the *integral hegemony* that prevailed during the heyday of the Bretton Woods system. During the *integral* phase, the United States was prepared to make material concessions to its European allies and to sponsor massive material support (such as Marshall Plan aid) to promote systemic stability and legitimacy. By contrast, in the contemporary phase of *minimal hegemony,* the United States draws on its structural power to pursue a more narrowly based policy that externalizes domestic social and political problems. The system nevertheless remains hegemonic in a minimal sense, since structures and intersubjective norms compel subordinate social forces to consent to the prevailing order.

Hence, the progressive deregulation of financial markets that unfolded during the 1980s and the 1990s has served to reconfigure the international political economy to enable the United States to reproduce its hegemony despite its relative industrial decline. The European social model was facilitated by and dependent upon the permissive structures of the dollar-gold system under US tutelage during the phase of *integral* *hegemony.* Yet, Europe's subordination to the new finance-based structural configuration has progressively undercut the economic and political foundations of this model.

We should emphasize that this is not an impact study that draws comparisons between the EMU and the EMS. Of course, in many crucial respects the EMU represents a radical departure from all previous attempts at monetary coordination, including the EMS; in other respects, however, it is possible to identify important continuities. Both are institutional expressions of a regional monetary order that is embedded in the post–Bretton Woods transnational financial market structure and that orders power relations between the United States and European political economies. It is also important to reiterate, in this context, the distinction between *structural power,* where the social terrain is systematically ordered in favor of some over others regardless of action, and *relational power,* where the possessor of power has to act in order to make a subordinate "do what s/he otherwise would not do" (Lukes, 1974). Of course, the EMU is not a US creation. Indeed, many of its proponents view it as a means of counterbalancing US power. From time to time, moreover, US government officials, think tanks, and financial institutions have expressed concerns about the potential long-term threat to US interests posed by EMU. However, the transnational financial architecture in which the EMU is embedded, to no little extent shaped by the leadership of US policymakers and business, is ultimately a reflection of the United States' structural power.

We explore the socioeconomic implications of Europe's subordination with respect to this structural power in Chapter 3. The US Federal Reserve presides over a system that is inherently expansionary as a result of the special role of US financial markets. By contrast, reflecting the different position the European economy occupies in the circuits of global capital, EMU firmly subordinates macroeconomic policy to short-term global financial markets in such a way that the expansion of liquidity becomes conditioned on the disciplinary judgments those markets make on the performance of European export sectors, relieved only by bouts of mercantilist depreciation. This approach initially arose out of the imperatives of the niche strategy of the West German "model," which was generalized and internalized to the other member states through the Exchange Rate Mechanism (ERM) and the terms of the European Monetary Cooperation Fund. Under EMU, European macroeconomics continues to function in a similar way, facilitating competition between individual niche strategies rather than strategically coordinating an embryonic European macroeconomy. This is the effect, inter alia, of the asymmetry between a supranational monetary policy, an essentially intergovernmentalist fiscal policy, and a tenuous Growth and Stability Pact, the minimalist "negative integration" of mutual recognition that characterizes the single market, the deregulation of financial services, and the attendant disorganization of Europe's national systems of corporate governance. The "open method of coordination" in labor market and industrial policy complements this pattern.

Given the constraints operating on the ECB, flexible labor markets—or structural reforms—are offered as the cure for eurosclerosis and, indeed, as the only means of preserving monetary union. Hence, the EU has sought to replicate the Anglo-US model of labor flexibility and deregulation, while rejecting its emphasis on macroeconomic promotion of growth. Yet, flexible labor markets and capital mobility exacerbate, rather than resolve, the problem of low growth and high unemployment. The ensemble of competing niche strategies in a single space of economic competition is self-limiting because it generates a "game" of competitive austerity (Albo, 1994) among the constituent parts. In this game, each unit reduces domestic demand as part of its export-oriented production strategy wherein wage increases and benefits are kept below productivity growth rates. This reduces consumption and concentrates productivity gains on corporations, the value of which is stored and transacted in financial networks. To be sure, the game results in "winning" states and regions, but the overall effect has been economic stagnation. Effective demand expansion has been inadequate throughout the eurozone. This, in turn, has had detrimental effects on output and productivity, due to the lack of adequate investment levels and a stable environment in which to transfer the potentials of new technology into practical economic innovation so essential for the institutional framework of "social market economies" (Boyer, 2000).

European elites have argued that the neoliberal integration politics of the post-Maastricht era are compatible with the social- and Christian-democratic variants of the European social model. Yet, the economic stagnation that follows the pursuit of "competitive austerity" places ever-greater pressure on the social model and requires political elites continuously to seek to renegotiate societal accords in response to the alleged necessities of the global market and to demographic pressures in a postindustrial society. In other words, Europe's subordinate participation within the transatlantic order, as structured by finance, preempts the possibility of resolving structural problems associated with postindustrial—or, as we prefer, post-Fordist—transformation in a way that is compatible with social- and Christian-democratic accords. As Chapter 4 shows, the result at the national level has been an organic crisis of the European social model, in which traditional distinctions between right and left have been rendered virtually meaningless and reform is understood primarily in terms of market rationality. Notwithstanding obligatory appeals to social solidarity, welfare-state retrenchment and labor-market flexibility have become the stated practical goal of all parties. Implementation of these policies follows a logic that is determined by the ebb and flow of grassroots militancy and protest voting, and not party political mobilization or the nominal ideology of the governing party. As traditional social and Christian democracy unravels, the national political arena acquires a postmodern character. Political parties are being transformed into electoral machines and decoupled from family, church, unions, and other social movements. This renders them slavishly dependent on an increasingly commercialized mass media. Populism and far-right parties and movements flourish in this environment.

At the EU level, popular mobilizations—largely independent of existing party structures—have directly focused on the contradiction between neoliberal norms and the desire to maintain the social model. The referenda of 2005 in the Netherlands and France, in which popular sentiment could not be mediated by political parties, illustrate the difficulties of postmodern neoliberalism as a viable articulating principle for further European integration. Yet, no convincing alternative has yet emerged.

In the wake of the constitutional failure, policymakers have slowly started to search for pragmatic consensus toward future EU policies. While a modest vision of incrementalism has obvious appeal,[5] it does not fully comprehend the political and economic implications of Europe's second project and thus underestimates the depth of the contemporary crisis. The formation of the eurozone and the attendant liberalization of an enlarged Union represent radical and destabilizing developments. The failure to construct a corresponding polity portends growing social and economic instability and political fragmentation.

Chapter 5 returns to the transatlantic relationship and considers the implications for Europe of growing challenges to US hegemony in the form of massive budget and trade deficits and the unraveling of the neoconservative project in Iraq and the wider Middle East. Because market integration has been accompanied not by political centralization but rather by fragmentation and "variable geometry," the EU has become a sprawling, multitiered entity comprising a eurozone minus the UK—a free-trading zone absent a common fiscal and tax policy, with new member states whose second- and even third-class status and geopolitical vulnerability drive them into the arms of Washington and NATO. Following a brief period of uncertainty in the early 1990s, the United States gradually expanded its geopolitical reach into Central and Eastern Europe through interventions in the Balkans, the enlargement of NATO, and the establishment of close links to Atlanticist and neoliberal factions in the new member states. The corollary of "flower revolutions" has been a transformation of the United States' military posture as new bases have been established or are projected in Kosovo, Poland, the Czech Republic, Romania, Bulgaria, and Central Asia. The fiscal and monetary constraints of EMU have foreclosed the possibility that the core European powers could expand significantly their own military establishments and provide an alternative to the hub-and-spoke system that Washington has constructed.

Notwithstanding the growth of US economic and military power in Europe and Central Asia, many questions remain concerning the future trajectory of US hegemony. Does neoconservative leadership of a faltering advance into Iraq and, perhaps, Iran reflect an objective national interest in world power and control of global energy resources and transit routes, or does it reflect ideological factors and the irrationalities and particularities of US domestic politics? Will the failure to stabilize Iraq have long-term consequences for US power in the Middle East and beyond? How long can foreign central banks and investors continue to finance the current US account deficit and maintain the value of the dollar?

A "terminal crisis" of US hegemony (Arrighi, 2005b: p. 83; see also Wallerstein, 2003; Golub, 2004) would establish the structural conditions for a putative "European challenge." Yet, Chapter 6 concludes on a more cautious note. To be sure, no global hierarchy lasts forever. The dangers and uncertainties resulting from the geopolitical miscalculations and blunders of the Bush administration render hazardous any predictions concerning the future course of US hegemony. Still, expectations of hegemonic decline, now in play for more than a generation, may be premature. Notwithstanding the dollar's weaknesses, no other currency appears capable of taking its place for the foreseeable future. Nor does a single state or group of states appear likely in the next decade to have the capability to challenge the United States' preeminent geopolitical position. In this context, the inability to generate a stable growth trajectory from within means that Europe's fortunes remain hostage to the US "growth locomotive" and to monetary and fiscal policies that reflect US priorities. Absent the fundamental social and political changes that might engender a positive and coherent regional agency, Europe appears condemned to continuing dependency on the United States' precarious imperium.

Notes

1. Roberto Maroni, Italy's welfare minister, called in June 2005 for Italy to return to the lira. Prime Minister Silvio Berlusconi complained that "Prodi's euro conned us all." Tony Barber, "Italian Premier Rounds on the Euro," *Financial Times,* July 29, 2005, p. 2. See also Wolfgang Munchau, "Is the Euro Forever? As the Strains Turn to Pain, Its Foundations Look Far from Secure," *Financial Times,* June 8, 2005, p. 15; Daniel Gros, Thomas Mayer, and Angel Ubide, *Euro at Risk,* Seventh Annual Report of the Centre for European Policy Studies Macroeconomic Policy Group, Brussels (June 2005); David Hale, "Could Italy Be First to Leave the Euro?" *European Affairs* (Summer 2005). See also Paul De Grauwe (2006a, p. 1).

2. For example, Article III redefines "public services" as "services of general economic interest." Article III-166-2 stipulates that "undertakings entrusted with the operation of services of general economic interest or having the character of an income-producing monopoly shall be subject to the provisions of the constitution, in particular to the rules on competition." Article III-167-1 bans "any aid granted by a member state or through state resources in any form whatsoever which distorts or threatens to distort competition." Whereas national constitutions (e.g., the French and Italian ones) establish a "right to work," the treaty recognizes "the right to engage in work" (III-75-1) and "the freedom to seek employment, to work, to exercise the right of establishment and to provide services in any member state" (II-75-2). Notwithstanding its ambiguities, a review of the text in its totality makes it hard to avoid the conclusion that the Constitutional Treaty is a quintessentially neoliberal document. In 2,002 pages of main text, the word "bank" or its derivative appears 176 times, followed by "market" (88); "trade" (38); "competition" (29); "capital" (23); and "commodity" (11). Cassen (2005, p. 1).

3. A comprehensive critique of the theoretical literature on the EU can be found in our recent anthology, *A Ruined Fortress? Neoliberal Hegemony and Transformation in Europe* (Cafruny and Ryner, 2003); see especially chapter 1 of that anthology.

4. This is not to say that a degree of institutional copying is not taking place. As Lenka Polackova's Ph.D. thesis (2004) has shown, financial reform in Europe, in the direction of a more "Anglo-Saxon model," has often been devised within the procedures of the Basel Agreements by national central bankers. This has set the agenda for EU financial-market reform, where EU jurisprudence and the legislative power of the Commission are mobilized.

5. For example, Andrew Moravcsik asserts that "EU institutions actually function rather well. To judge by results rather than rhetoric, the last decade ranks as one of the EU's best: enlargement, the Euro, and increasingly coherent internal and external policies" (2006a: p. B2).