

Heterodox scenarios in debating European Integration¹

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Abstract

It is yet unclear what will be the final outcome of the crisis in Europe. However, the paper aims to discuss possible European futures. Firstly, the paper gives a brief overview of the shortcomings of orthodox approaches to analyse European integration and the European crisis. Secondly, we show how CPE and PK perspectives differ and how they can be combined in order to better understand the roots and the dynamics of the crisis. In particular, the paper focuses on the implications of uneven development in the core and the periphery of Europe. Based on this, possible future scenarios and the preconditions for them to realize are presented. On the one hand, it is concluded that PK is useful to analyse specific economic regimes and the implications of economic policies and different institutional configurations. On the other hand, we show how CPE may provide a broader variety of possible and/or desirable scenarios, and how CPE helps to understand the political conditions and the role of resistance for different possible European futures.

1. Introduction

The crisis in Europe is often discussed as a crisis of European integration or a crisis of national economies within Europe. Both, the “methodological Europeanism” and “methodological nationalism” fail to consider the important links between economic and political processes at different spatial scales, and hence, asymmetries and phenomena of uneven development. A systematic discussion of possible scenarios based on a sound analysis of the causes of the crisis and the implications of anti-crisis policies is still missing. Based on Jäger/Springler (2015) this paper seeks to close this gap by systematically integrating the analysis of economic policy or “technical” solutions to the crisis within a broader framework of political economy. We argue that combining critical political economy approaches and post-Keynesian perspectives allows for a systematic understanding of the economic and political dimensions of the crisis. Although both approaches have the capacity to deal within asymmetries and uneven development, the heterogeneity in Europe has been an often largely neglected dimension of analysis. However, this recent crisis has shown that this is an essential dimension which has to be addressed in order to better understand the dynamics of European development and integration. Hence, it is necessary to deal with asymmetries in Europe and to bridge the gap between the two perspectives.

2. Critical Political Economy and Post-Keynesian perspectives

The flaws of mainstream European integration literature have been documented very well (Van Apeldoorn et al. 2009; Nousios et al. 2012: 9ff.). Also the problems and shortcomings of economic mainstream theory to explain the European integration and crisis have been analysed in detail (see *Revue de la Régulation*, *Euromemo*, *Post-Keynesian Economic Study Group*, *Real World Economics*). Whilst since the 1970s the European integration has increasingly adopted a neo-liberal form which was justified by neo-classical economic theory it has suffered from constantly declining growth rates since

¹ The paper is mainly based on the findings of Jäger/Springler (ed.) (2015): *Asymmetric Crisis in Europe and Possible Futures. Critical Political Economy and Post-Keynesian Perspectives*. Oxon: Routledge.

the 1970s (see Cafruny/Ryner 2007). Even in its own terms, namely with regards to economic growth, neo-liberal European integration has been no success. In addition, already the decades before the crisis were characterized by a tendency towards a declining share of labour income and a rising share of profits contributing to increasing inequality (OECD 2011). With regards to the crisis, neoclassical economic theory and conventional European integration scholars as well as Varieties of Capitalism approaches lack convincing explanations (Bruff 2011; Ryner 2012). The highly orthodox nature of European integration scholarship has failed to even recognize that there exists the possibility of a crisis (see Ryner 2015).

Both, critical political economy (CPE) and post-Keynesian (PK) perspectives represent important strands of alternative respectively heterodox traditions in social sciences and provide a more adequate basis for systematically reflecting on possible paths of future European development. Mainstream or orthodox scholarship tends to reproduce power structures. Although the economic Mainstream has changes its face in the last decade (Colander et al. 2004) it is rather concerned with problem solving within a given structure than with overcoming or transforming the structure of modelling and economic paradigms.). This is different in case of critical or heterodox scholarship. Heterodox approaches are at the margins of established academic disciplines and tend to be close to less powerful or subaltern groups in society such as social movements, trade unions etc. CPE as well as Post-Keynesian Economics (PKE) is considered to be an important strand of thought within a heterodox scholarship. Its conviction that capitalist economies do not tend towards full employment but to stagnation and that this hurts and weakens workers totally contradicts mainstream approaches in economics. CPE stands in the tradition of political economy, includes the insights of Marx and analyses the society as a whole by providing an integrated framework for the analysis of economy, society and the state. At the core of CPE is the abstract concept of social relations of production, and hence, a class-based framework of economy and society (for an overview of the Critical International Political Economy debates see Shields et al. 2011). In general, CPE tries to understand, explain, and critique given societal structures and developments. It aims at contributing to emancipatory struggles and to overcome exploitation and power relations. Related to the crisis it investigates its causes, dynamics and implications. This approach searches for conditions which allow for alternative developments which overcome specific historical modes of capitalism such as neo-liberalism. However, against the background of the multiple contradictions of capitalism, ultimately CPE seeks to overcome a capitalist mode of production. Within CPE there are numerous more specific theories which address different aspects. This is also the case with regards to the analysis of European integration.

PK approaches stand in the tradition of Keynes but also combine elements of classical political economy, Marx, and institutionalist approaches and often explicitly criticize neo-classical approaches. The first Post-Keynesians, though not named as such but joined in their economic beliefs, emerged right with the publication of the *General Theory* in 1936 and framed the opposition to the equilibrium modelling of Hicks in his interpretation of the *General Theory*. Despite of the fact that exactly this influential work of J.R. Hicks (1937) can be seen as the birth of Neoclassical Synthesis and led to the so called *bastard Keynesianism* – term created by Joan Robinson (early appearance 1962, p.690) to sharpen the distinction between equilibrium or so called mainstream economists and alternative economic approaches within the wider Keynesian tradition (see e.g. Snowden and Vane 2005, Chapter 2), Hicks' work can also be interpreted as important to open the discussion of Keynes' work to a broader audience. In the following early Post-Keynesians were united in their opposition to the existing economic mainstream, which is also manifested in the Cambridge Controversies (e.g. King, 2002, chapter 4), and it becomes evident that their economic thinking is also influenced by their own economic

experiences and connectivity to classical economists as Marx. Main proponents in the Cambridge Controversies like Joan Robinson and Sraffa, as well as the works of Kalecki, that substantially influences Post-Keynesian economics, account for the economic plurality in Post-Keynesian thinking. This approach usually criticizes economic mainstream approaches and neo-liberal economic policies. It provides an alternative perspective to explain economic growth and unemployment. Already Keynes (1930) had expected, in his famous essay *Economic Possibilities of our Grandchildren* that a liberal capitalism would end up in stagnation. The key-addressee of PK is 'the State' who is expected to implement adequate institutions and policies to ensure growth and full employment. Besides government spending, a more equal income distribution (including a strong welfare state), and an adequate monetary policy and regulation of the financial sector are considered crucial to ensure stable and high economic growth and full employment. Hence, it aims at better living conditions for workers within a reformed capitalism. In order to rescue capitalism as a social mode of production a specific configuration of economic institutions and policies is considered indispensable. To avoid or to quickly overcome economic crisis is considered crucial.

Hence, with regards to the ultimate goal there is an important difference between CPE and PK. While CPE aspires radical reformism in the short run and the overcoming of capitalism and the implementation of solidary and rational society (Demirovic 2005) in the long run, the overall goal in PK is a well-functioning capitalism characterized by full employment and a well-developed welfare state. With regards to its philosophical roots, CPE relies on Critical Realism or philosophies which are relatively close to it such as historical materialism. Also PKE is based on Critical realism, too. Hence, CPE and PKE do stand on a similar philosophical ground (Lawson 1999; Brown et al. 2002; Nousios et al. 2012: 258ff). In a CPE perspective, PK can be seen as a more concrete approach to the analysis of economic processes at the surface or price level. The analysis of the role of money, the financial sector and central banking tend to be less developed in CPE but there are important links and both perspectives are complementary in this regard (Evans 2004). PKE has drawn special attention on the topic of endogenous money (Davidson, 2002) and its results for the actors in capitalist economies. While this led in a first step to a split up of PKE into different strands of the view of endogenous money (e.g. for an overview Lavoie, 2006; Dow, 2006) and the partly marginalisation of especially one part, the *circuit money* approach (e.g. Gnos, 2006; Realfonzo, 2006), discussion and research widened up again more recently. The concept of financialization (Epstein 2005; Erturk et al. 2008; Lapavitsas 2013) and also the regulation approach (Clévenot 2011) turned out to provide important links which combine insights from PK and CPE. Financialized, finance-led, or finance-dominated capitalism were terms used to describe pre-crisis modes of development (Stockhammer 2008). Also both approaches point to the importance of the global economic and financial structures and the Euro in explaining dynamics of European integration (Cafruny/Ryner 2007; see Flassbeck and Lapavitsas 2015). Moreover, there is a further link between a specific strand of PKE - especially the monetary economists of the French and Italian *circuitist approach* - going back to Michal Kalecki and CPE. In his famous article (Kalecki 1943) explains why capitalists have a structural interest in at least a minimum level unemployment and why they prefer military Keynesianism to welfare spending.

To sum up, whilst CPE understands the economy as part of society what means that economics and politics are intrinsically linked and the "economic" is considered to be part of a broader social relation, PK focuses on the analysis of economic relations whereby abstracting from the societal basis of the economy and in so doing from political processes.

3. Crisis and uneven development

In general, there are two different ways how critical political economists and post-Keynesians deal with the economic crisis. When the crisis broke out as a banking crisis first, many scholars focussed on the problems in the financial sector in order to deal with the roots of the crisis. However, this has changed since then. Today, many scholars point to problems in the productive economy and to the links between production and finance.

Post-Keynesianism usually refers to an economic crisis in terms of the lack of economic growth. In general, growth is considered to be endogenous, path dependent and mainly driven by investment as substantial factor of aggregate demand (Setterfield 2001). When explaining crisis, PKE points to falling investment. This may have different reasons. One important cause it is the inherent instability of capitalist financial structure (Minsky, 1992). The outbreak of the global economic crisis in the financial sector underlines the importance of this aspect and drew again more attention towards Minsky, who focused on increasing financial fragility in boom phases and pointed out that capitalist financial structure of developed economies as instable even in times, when the global economy was booming – in the 1960s (Minsky, 1982). However, a lack of aggregate demand may also be caused by defect institutional configurations which lead to economic imbalances such as those which Europe is suffering. Hence, PKE provides a very specific account of the concrete ‘mechanisms’ of economic crisis. In addition, it provides instruments to analyse the medium term implications of overall economic policy measures such as increasing wages, government expenditure, taxes or interest rates. Parts of these economic policy advices are directly influenced by Hyman Minsky (Minsky 2008, chapter 13), such as the discussion of the importance of the state as employer or the claim for strong and stable institutional settings in the financial markets that offset too strong economic upswings and downturns (e.g. Palley 2003; Auerback, McCulley and Partenteau 2010). Other proposals of PKE scholars reflect on the underlying theoretical incapacibilities of mainstream economics and provide more general Keynesian proposition as *Keynesian New Deal*, which in turn should led to shift in overall economic policy adjustment from neo-liberal proposals to Keynesian policies (e.g. Hein and Truger, 2012/2013). Strong institutional settings are manifested in the demand for international macroeconomic coordination, combined with a reregulation of financial markets and stronger Keynesian macroeconomic policies. More concrete the latter part cumulates into a third strand of proposals focusing on the inadequacy of austerity measures in times of economic crisis (e.g. Kitromilides, 2011). In the centre of their attention are effects of Austerity measures in times of economic distress.

In Critical Political Economy the term crisis is used more broadly. Firstly, it refers to an economic crisis in the meaning of the absence of dynamic economic accumulation. The lack of accumulation of capital and economic growth are addressed in particular by the regulation school (Boyer/Saillard 2002; Jessop/Sum 2006) but also by the social structure of accumulation approach (Kotz 1994; McDonough et al. 2010) which both represent important strands in CPE. While the social structures of accumulation approach focuses very much on a global level and tries to distinguish different types of capitalism (state capitalism, neo-liberal capitalism), the regulation school traditionally focusses on the national level but seeks to address accumulation and regulation at different inter-related spatial scales. Starting point for the regulation approach was the question why in capitalism despite its multiple contradictions stable periods of economic growth can be observed. This is explained by the coherence of a regime of accumulation with a specific mode of regulation based on structural respectively institutional forms. Small and big crises are distinguished. While small crises are solved within a given mode of regulation,

in order to overcome a big crisis a new regime of accumulation and a substantial change in the mode of regulation is required. Already when the crisis broke out, regulationist scholars considered it to be a systemic or big crisis (Guttmann 2008). Secondly, the term crisis is used to refer to other types of crisis such as political crisis, ideological crisis, social crisis, ecological crisis etc. CPE points to multiple crises in the current conjuncture and to the interconnectedness of different types of crises. Hence, in a CPE tradition a broad variety of explanations for the crisis which focus on different and interconnected causalities exists, and complexity is reduced in different ways. At a very abstract level, overaccumulation is considered to be the ultimate cause of crisis (Overbeek 2012). Other authors point to different types of structures or adopt agency-oriented approaches such as neo-Gramscian perspectives and focus on different dimensions of the crisis (e.g. Bieling 2013).

Critical Political economy and Post-Keynesianism, traditionally consider uneven development and asymmetries seriously. However, PK often tends to focus on the nation state and the links between nation states but also the role of nation states within a larger framework such as the Eurozone is addressed. In a PK tradition uneven development has been discussed by mainly Myrdal, Hirschmann and Thirlwall. The spatial dimension of the crisis is mainly discussed by referring to economic imbalances within Europe and apply mainly Thirlwall's (e.g. 2003, p.41) work stating that growth might be restrained by the balance of payment (e.g. Soukiazis, Cerqueira and Antunes, 2013/2014). Permanent current account deficits serve as the crucial factor for growth repression. The flow of funds from the European North to the European South led to substantial imbalances, when searching for the reason for persisting imbalances among the key-reasons, diverging unit labour costs are distinguished (see Niechoj 2015; Flassbeck and Lapavistas 2015). The importance of reshaping labour costs, increasing wage levels in the European North and strengthen wage bargaining coordination across Europe becomes even more apparent when taking the results from empirical studies on European level into account (Ederer and Reschenhofer 2013). Structural weaknesses and differences of European Economies are deepened by ongoing reforms of financial consolidation and export sectors joined with surpluses in the European North mirrored the current account deficits in the European South. PKE combines with the demand for structural change in the sense of stronger macroeconomic coordination the proposals to diminish European imbalances with those of stabilizing global financial markets.

CPE has a long-standing tradition of dealing with uneven development. It often focusses on the global uneven dimensions of capitalist development and the perspectives for less developed or dependent countries and regions (Cardoso/Faletto 1979 [1971]; Kay 1989; Smith 2008, Harvey 2006; Petras/Veltmeyer 2013). However, also uneven dimensions of development in Europe have been addressed (Becker/Jäger 2012; Drahokoupil/Myant 2012). The concepts of core and periphery are crucial for the understanding of uneven development. Generally speaking, core and periphery interact in an asymmetric way. This leads to the emergence of different economic and political structures in the core and periphery.

In general, there are apparent links between CPE and PK with regards to the understanding of the crisis albeit the focus and the specific explanations are different. The understanding of the tendency in capitalism towards crisis and stagnation is similar in CPE and PK. What is called a crisis of over-exploitation -in the specific expression of an overaccumulation, overproduction or underconsumption- in CPE, is considered to be a crisis due to the lack of effective demand in PK.

4. CPE, PK and the EU crisis

Whilst in general PKE shows “what is wrong” with Europe’s economy and what should be done in order to return to stable economic growth (Springler, 2013), CPE explains why this does not happen and under which conditions it could happen. However, within the PK perspective especially the strand with a strong focus on Kalecki (1943) is very useful to understand why the crisis was managed after 2010 in an anti-Keynesian way. The policies led to further increasing unemployment and thereby favoured capital over labour. Complementary to this, CPE insists that an abstract class interest does not transform itself automatically into class-agency but is always mediated. Moreover, CPE points to some additional economic aspects such as the material dimension of economic growth or the role of industry and productivity growth for development. A European development model also has to deal with the question of how productivity can be increased in the periphery as for large parts of the periphery neo-liberal strategies have failed on it. Contrary to PKE, CPE argues that growth is not an ultimate goal but at the best a means for emancipatory strategies which aim at the reduction of power asymmetries. However, also in a PK perspective income policies in favour of workers and lower income groups are considered to be beneficial for economic growth and counteracting measures such as strong austerity programs might account for even deeper recessions (see e.g. Ederer and Reschenhofer, 2014; Stockhammer and Köhler 2015). There is another important difference between the way how CPE and PKE understand the crisis. Whilst PK perspectives mainly focus on the economic dimension of the crisis, that means economic recession or stagnation, CPE points to the multiple dimensions of the crisis including a political crisis and a crisis of integration. While neo-liberalism as the guiding principle for European integration and the existence of finance-dominated regimes of accumulation alongside with neo-mercantilist export-orientation were the outcome of the crisis of Fordism, neo-liberal accumulation strategies are in crisis now. However, neo-liberal type regulation has deepened so far and a further transfer of regulations from the national to the EU level has taken place. In this understanding PKE and CPE formulate similar points of view. Both CPE and PKE scholars claim that macroeconomic coordination and a deeper understanding of wage policies are necessary, but the latter refrains from a distinguished class analysis and power relations within the wage bargaining process.

Given the complexity of crisis processes it is difficult to foresee what the outcome will be, even more so given the dynamics of uneven development in Europe. So-called anti-crisis policies aimed at restoring the pre-crisis status quo. Traditional power blocks and ruling classes have not changed significantly.

5. Possible and likely futures

Based on the contributions in Jäger/Springler (2015) a closer look at different possible futures and their likelihood to materialize is presented in the following. We analyse under which conditions they may materialize, and which structural changes and the strategies of which agents will be required for this. The possible scenarios which we present here are inspired by the systematisation developed by Buckel et al. (2012) but also by Niechoj (2015). Thereby we focus more on the material/economic side and the related the dynamics and contradictions. In order to deal with this systematically, we figured out three possible and one very likely future.

Scenario 1: Total meltdown into the unknown

Although the contributions in Jäger/Springler (2015) point to the fragility of the current situation, none of the chapters in this volume suggests that there will be a final crisis of capitalism in Europe or a total

“meltdown into the unknown” (Duménil/Lévy 2004). However, a very deep crisis such as in Greece might happen in other countries but is not very likely for the European Union as a whole. In 2008/2009 a general and extremely deep recession in the EU was avoided by rescuing the financial sector with public money and by adopting Keynesian policies to stabilize the economy. Although public debts due to those measures are higher now, there is still the possibility to encounter another drastic collapse of economic activity. An even stronger focus on competition (see Wigger 2015) and the new European economic governance imply a very strong anti-Keynesian bias (Stockhammer and Köhler 2015). This promotes stagnation and recession. However, in a critical political economy perspective despite this new authoritarian and neo-liberal governance which has been institutionalized (see Oberndorfer 2015), one may expect those rules to be violated and pragmatic heterodox Keynesian measures in fiscal and monetary policy to be implemented in order to prevent a total collapse of the system when necessary. Obviously, the ruling classes are interested in avoiding chaotic episodes which might not just drastically reduce their legitimacy but also end up in unforeseeable social upheavals and their own defeat. And it is the safe-guarding of class power, which is the ultimate goal of capitalist ruling classes. At least in the financial crisis of 2008/2009 but also during the eruption of the Eurozone crisis in 2011/2012 they have proven to be capable of this. However, due to the uneven nature of development, the complexity and divergence of European capitalist fractions and interests (Heinrich/Jessop 2013, pp. 30) it is not for sure that the ruling classes will be successful again. Hence, a total economic meltdown is not a very likely but still a possible European future.

Scenario 2: Social democratic Europe

Those contributions in Jäger/Springler (2015) inspired by a post-Keynesian perspective, at least at a very high level of abstraction, share a common vision of a desired European solution to the crisis. Most clearly this is summarized by Torsten Niechoj (2015). The desired scenario he describes is based on the implementation of Keynesian institutions and policies at the EU level. At its core is a co-ordinated fiscal policy with a strong European fiscal statehood. Complementary to this, Heiner Flassbeck and Costas Lapavistas (2015) argue that a wage co-ordination based on productivity increases is necessary to stabilize demand and therefore wage-led growth. In addition, in order to combat imbalances within the Eurozone nominal wages should temporally increase much stronger in surplus countries such as Germany until imbalances disappear. Moreover, unsustainable public debts in the periphery should be reduced in order to open up possibilities for fiscal policy, and also an exit from the Eurozone might be a necessary step for peripheral countries (Lapavistas 2011). As John Grahl (2015) argues, the implementation of a progressive European social welfare system would be desirable and could be part of this scenario. Also an adequate regulation of the financial sector is a necessary element of the PK agenda to stabilize the economy, but it cannot be the only one. Jan Toporowski (2015) reflects on the deficits of the current European debate on banking regulation and introduces a two-folded view on European imbalances, which allows for fiscal and monetary imbalances as a prerequisite for overall economic growth under the umbrella and strong institutional settings and demand side policies. Besides such demand-oriented post-Keynesian perspectives, a strategy which allows for a reconstruction of productive sectors, in particular of industry, is also essential for economic development in the periphery (Becker/Weissenbacher 201, p. 27). Already before the crisis, large parts of the European periphery had been characterized by dramatic de-industrialization (Becker/Jäger 2010). These aspects are barely touched in a PK scenario. Hence, in a Critical Political Economy perspective a European framework which allows for development of the periphery would be another essential element of this scenario.

This vision of a social-democratic Europe and a further step of progressive integration have the Fordist national welfare states and the corresponding incomes policies as a reference. However, critical political economy perspectives point to the fact that Fordist (or at least peripheral) welfare states and a respective incomes policy were implemented in most parts of Western Europe within a very specific historical and geo-political context. The basis for this was a social-democratic class compromise between capital and labour after World War II within the context of US hegemony and the Soviet challenge. The situation has completely changed. The power of capital vis-à-vis labour has increased and the national class compromises have eroded. Against this background it seems very unlikely that something similar to a Fordist class compromise can be institutionalized at the level of the European Union within a near future.

Scenario 3: Radical reformism to overcome capitalism

Critical Political Economy scholars usually are in favour of overcoming capitalism or as a first step much undesired forms of capitalism such as neo-liberalism. Conversely to this, PKE sticks to the latter aspect. Although Jäger/Springler (2015) does not comprise any contribution which discusses the crisis in such a more fundamental way and promotes respective alternatives, this is an important potential scenario which has to be dealt with. The reason for this is the focus on a more close-to-date analysis of concrete possible futures instead of a visionary or utopian discussion. However, the crisis has opened up the space for more radical critique and visionary proposals which question the capitalist organization of the economy in general and its neo-liberal type in particular. Hence, within the context of an erosion of neo-liberal hegemony and a surge of public discontent a fundamental critique and the discussion alternative ideas are back on the agenda. Among them there is the questioning of economic growth as such and the re-emergence of a broad development discourse. In the tradition of Critical Political Economy the discussion should not be limited to the question of overcoming the crisis in terms of returning to economic growth based on the emergence of an ensemble of stable growth regimes in Europe. Whilst Post-Keynesianism gives hints of how capitalism can be re-organized to overcome stagnation and turn back to economic growth (Davidson, 2009), Critical Political Economy provides a variety of more far-reaching alternatives to reduce exploitation, to eliminate power relations and to socialize production. Besides the questioning of economic growth this does not just include the control of the financial sector and speculation but also a radically more equal income distribution, a shortening of working hours and decent jobs, investment in “meaningful” areas and strict public control in order to implement a new society and make the world a better place for all (Herrmann/Frangakis 2014, pp. 192). Also the necessity of environmental sustainability, that means new modes of production and of consumption are considered to be indispensable to provide a good life for all (Lipietz 2013; Novy 2013). However, green capitalism is not necessarily progressive but may be a concrete solution to the current multiple crisis (Brand 2012).

Scenario 4: Authoritarian neo-liberalism and muddling through

The preliminary outcome of the crisis at the level of the European Union has been the implementation of authoritarian neo-liberalism which shows a strong anti-Keynesian bias. Whilst with the exception of a Kaleckian tradition this is difficult to explain in a post-Keynesian perspective, Critical Political Economy points to the fact that neo-liberalism is less a strategy for growth but rather a mode to combat labour, and hence, an expression of class struggle from above (Duménil/Lévy 2011; Stockhammer and Köhler 2015). During the crisis, powerful export-oriented German capitalists (Heinrich/Jessop 2013; Cafruny 2015) and well-organized trans-national fractions of capital at the European level (Van Apeldoorn 2013)

have pushed for a deepening of neo-liberalism at the European level. This has not just caused problems for the European periphery but even for the German economic model itself which has become more export-dependent (Bruff 2015). Hence, as Hans-Jürgen Bieling (2015) shows, those European developments can be called a passive revolution which is not yet completed but in trouble. However, also capitalist fractions in the periphery supported neo-liberal policies and a sub-ordinated position because this at least secured their class position (Navarro 2011). Apparently, we observe dynamics in Europe's periphery which remind of Latin American experiences (Cardoso/Faletto 1979 [1971]).

Critical Political Economy does not point only to the complexity of agents and process in particular but also to structural contradictions inherent to capitalism in general. Whilst it was possible to stabilize dynamic capitalist accumulation during the post-World War II Fordist era on a national scale and within a very specific framework (US hegemony, Bretton Woods system, a EU supportive to national Fordist regimes of accumulation) and on the basis of a class compromise relatively favourable to labour, this is different today. There is a strategic selectivity (Jessop, 2002) in favour of capital at the level of the European Union and the crisis has led to a further shift of economic governance to this regional level. The neo-liberal European economic governance tends to reproduce and consolidate a very heterogeneous European economic space. Trans-national European firms (usually their headquarters are located in the centre) may take advantage of persistent different productivities and wage levels within Europe in organizing their production chains. In line with this, TTIP might be understood as another way forward to promote exports of the Germany-centred productive system (see Cafruny 2015) beyond Europe to the rest of the world. However, given the economic size of Europe it is very unlikely if not impossible that such an outward-oriented strategy can provide the basis for European-wide growth. Hence, the deepening of neo-liberalism does not contribute to overcome capitalist contradictions. The problem of realizing profits will be a constant feature in the future European trajectory. Contradictions are likely to continue to be most visible in the European periphery because the given economic governance structure in Europe tends to support the powerful interests of the European core countries and to shift the problems onto the periphery. However, as Drahekoupil/Myant (2012) and Becker, Jäger and Weissenbacher (2015) insist, there are different ways how peripheral European countries are integrated into the core. A single classical indicator such as penetration by foreign capital is not sufficient to grasp the dynamics.

6. Conclusions

Despite of the discourses which proclaim the end of the crisis, the face of crisis has continuously changed and so-called anti-crisis policies continue to deepen polarization in Europe. One example is the recent measures implemented by the ECB in June 2014. The central bank now provides more and cheaper liquidity which is mainly beneficial to the financial sector. Those measures do not at all combat but even reinforce the uneven effects of the Euro characterized by substantially higher real interest rates in peripheral countries suffering deflationary pressures. We will continue to see such unconventional measures as long as the European integration and major European economies will be in crisis. However, the crisis has also caused a broad variety of responses and political strategies from "below". It was mainly defensive struggles against wage reductions and welfare cuts, against rescuing the banking sector with public money etc. Meanwhile, after in many cases often relatively unsuccessful protests many people at least passively have accepted austerity measures and the argument that there has been no alternative. Within this context, in many cases the extreme political right has been

strengthened. With regards to the European future, the aspired aims and the applied strategies there is a broad variety of proposals (Demirovic/Sablowski 2012, pp. 101; EuroMemoGroup 2014) and there is no consensus on the adequate strategy by progressive forces. Some groups are in favour of a social-democratic solution at the European level (scenario 2) and others demand a more radical change (scenario 3). Moreover, on the one hand, there are many groups who argue that it is possible to reform the EU and demand a refoundation of Europe (Husson 2011). This view that the EU is the preferred scale for implementing progressive economic governance structures is usually supported by post-Keynesians. On the other hand, others argue that progressive reforms at the level of the EU are not possible and therefore national strategies are more promising. Critical political economist's perspectives on the preferred scale for progressive change are diverse. The labour movement is still fragmented by national borders. Social struggles at the local, the national and the European level seem necessary and should not be seen as opposing each other but as complementary and dialectically related. Social democratic reforms also could stabilize and cushion capitalist class power by providing some concessions to the working class. While the final outcome tends to be unforeseeable, it is for sure that struggles for progressive solutions do make the still very unlikely scenarios 2 and 3 more realistic.

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