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## **Transnationalization and the Restructuring of Europe's Socioeconomic Order**

### **Social Forces in the Construction of "Embedded Neoliberalism"**

The past two decades have witnessed a significant transformation of the West European political economy. Originating in the early 1970s, when, in response to the world economic crisis, capitalism entered into a global process of restructuring, this transformation has involved the tendential "disembedding" of the market from postwar social and political institutions, and the unleashing of the power of capital on a global scale. In Western Europe, this process of neoliberal globalization has undermined the postwar socioeconomic order of the so-called Keynesian welfare state by unraveling its underlying bloc of social and ideological forces. This transformation of West European capitalism is also reflected in the process of European integration. Since its relaunching in the mid-1980s—itself partly a response to the challenges emanating from the changing global political economy—European integration has increasingly been biased in favor of deregulation and "free markets," establishing the primacy of negative integration

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(liberalizing economic transactions) over positive integration (creating supranational institutions providing public goods at a European level).

European integration has thus come to be bound up with a restructuring of the European socioeconomic order. The process of European integration is both shaped by and constitutive of these wider structural changes within the European and, indeed, global political economy. With regard to the latter, we may see the recent renaissance of the European unification process as having produced both an emergent European polity (see, e.g., Schmitter, 1991) and a more integrated European economy regulated by what we could call a supranational regime of socioeconomic governance that structures (constrains as well as enables) the action of both public and private socioeconomic actors. Thus, for example, the convergence criteria of the Economic and Monetary Union (EMU) severely limit the macroeconomic policy-making freedom of member states' governments (thereby institutionalizing neoliberal austerity), while the internal market imposes a host of new rules on firms to ensure free competition (thereby, e.g., accelerating industrial restructuring). In this way the European integration process forms one crucial aspect of the ongoing socioeconomic restructuring process within the European political economy. This article seeks to address this dimension of Western Europe's transformation by giving an account of the social forces in the making of Europe's socioeconomic governance regime. Such an analysis requires that we transcend the limited framework of mainstream international relations (IR) and integration theory, which defines European integration merely in terms of sovereignty transfer from the nation-state to an emerging supranational level, with the different schools (neofunctionalism and intergovernmentalism) debating the question to which extent this is happening, and who or what might be driving the process. Making use of John Ruggie's words (in his critique of the international regimes literature; see Ruggie, 1982, p. 382, and *passim*), we may say that, whereas these established approaches to European integration have mainly sought to explain the institutional

*form* of European integration, they have failed to address the question of its socioeconomic *content*, or the underlying “social purpose.”

If we want to understand the social purpose of the emergent European order, we have to examine its social underpinnings, as *inter alia* rooted in (social relations of) production. These social underpinnings remain hidden from the established perspectives on European integration precisely because their focus is exclusively on the question of power narrowly defined in terms of political authority of either states or supranational/international public bodies (see Ruggie, 1982). In order to overcome this narrow focus, we add a concept of *social* power—in both its material *and* its normative dimension—that derives not from political authorities or from the state in a narrow sense, but from the social forces that underpin state power. It is thus that our problematic of the social purpose of European integration calls forth the need for an alternative approach to the study of European order. The alternative approach that informs the analysis of this paper is constituted by the following three elements:<sup>1</sup>

First, in contrast to conventional IR theory that has always abstracted the state from its social base, the approach adopted here “consider[s],” to use the words of Robert Cox, “the state–*society* complex as the basic entity of international relations” (Cox, 1986, p. 205, emphasis added). Our focus should be not on state power *per se*, but on state–society relations. It is also in examining state–society relations that we can see how, as Ruggie formulated it, “power and legitimate social purpose become fused to project political authority into the international system” (1982, p. 382); in other words, how social power becomes fused with political power and is then projected onto the international plane

Second, rather than defining society solely in relation to a single state, as does state-centric IR orthodoxy, the point of departure here is that social forces also exist beyond the territoriality of states, tendentially constituting a transnational (civil) society. This transnationalization of social forces must be seen as inextricably bound up with the postwar globalization

and transnationalization of capitalist production and circulation. It is when placed within this context that the analysis of state–society relations cannot be restricted to the “level” of domestic politics of individual states: Domestic politics, in fact, becomes increasingly transnationalized, that is, shaped by social forces that operate within a transnational setting (see Moravcsik, 1993). The transnationalization of capitalist production and finance is reflected in the increasing dominance of the transnational corporation as an actor in the world economy, and the concomitant growing *structural* power of transnational capital that we have witnessed over the past decades (see Gill and Law, 1993).<sup>2</sup>

The tendential transnationalization of social forces concomitant with these processes might also be interpreted in terms of *transnational class formation* (the seminal work here is Van der Pijl, 1984, 1995). In the context of both a deepening and a widening of this process over the past decades, Stephen Gill has conceptualized the emergence of a transnational power bloc, at the apex of which we find: “[a] class fraction . . . , whose material interests and key ideas (within a broader political consciousness) are bound up with the progressive transnationalization and liberalization of the global political economy” (1990, p. 94). This elite of an emergent transnational capitalist class must not be taken, however, as a unitary entity, as it is still fractured along both functional (Van der Pijl, 1984) and geographical lines. Thus, with regard to the latter, we may for instance identify specific (macro) regional patterns of class formation within the overall pattern of global capitalist integration, a point that gains particular relevance with regard to the study of European integration. The class agency that emerges out of the process of transnational class formation should therefore always be located within specific historical-concrete contexts.

Finally, a central role is accorded to the level of ideas and ideology formation. From a Gramscian perspective, ideas do not float about in an endless universe of meaning, but are produced by human agency in the context of social power relations, and as such are also linked to the strategic action of social actors. A

concept that might serve us well in understanding and theorizing the role of ideas in this way (particularly at the macro level) is Gramsci's concept of hegemony, which is a form of social leadership or rule based on consent rather than on coercion (see, e.g., Gramsci, 1971, pp. 169–170). Hegemony is thus a mode of governance that rests on a set of institutionalized practices and norms “freely accepted” by subordinate groups but nevertheless expressing a structure of domination. Hegemony is never fully achieved, but, as different social groups and their contending ideologies struggle for dominance, the strategy of one of these groups might evolve into what Jessop (1983) has called a “hegemonic project” in which the particular ideological perspective of this group is universalized, transcending its own group-bound worldview, and taken as representing the “general interest.”<sup>3</sup>

It is thus that our analysis focuses on the role of *transnational* social forces in the construction of European order and its regime of socioeconomic governance. These transnational forces, it is argued, operate both through the structures of the member states and directly at the European level within an emerging European polity. This Euro-polity, then, is conceived as an arena in which rival ideologies and related political strategies—carried by contending social forces—come into conflict with each other. In the remainder of this article, this transnational struggle over Europe's socioeconomic order is analyzed in more detail. First, I analyze how, within the context of the world economic crisis and the concomitant crisis of European capitalism, three contending projects crystallized as rival strategies for the relaunching of Europe. The struggle among rival projects—identified as neoliberalism, neomercantilism, and “pan-European social democracy”—is here interpreted as a struggle over European socioeconomic governance that, as such, has shaped the evolving socioeconomic content of the (relaunched) integration process. Linking these projects to rival social and political forces within Europe's emergent transnational society, I then analyze how this struggle evolved from the internal market project to the treaty of Maastricht, focusing in particular on the role of Europe's capital-

ist elite. Here, we will see how an initial struggle between neoliberalism and neomercantilism within the ranks of European capital was gradually transcended as the orientation of Europe's industrial bourgeoisie shifted toward neoliberalism and a new consensus emerged. By bringing the social-democratic project also into the analysis, it is then argued that Maastricht reflected the gradual emergence of embedded neoliberalism. This new concept for European socioeconomic governance can be seen as the outcome, and, indeed, synthesis of the three rival projects that shaped the integration process at the end of the 1980s. At the same time, because it is neoliberal at its core, this project can be interpreted as representing the interests of what is now the leading fraction of European capital, that of most global transnational corporations. The rise of this potentially hegemonic project, and how it shapes the ideological discourse underpinning current European socioeconomic governance, is then analyzed. The final section offers a brief conclusion regarding the present state of the ongoing restructuring of the European socioeconomic order.

### **Rival projects for the relaunching of Europe and the restructuring of the European socioeconomic order**

In Western Europe, the 1970s and early 1980s became the period of "Europessimism," as both the integration process and the post-war Fordist growth engine came rather suddenly to a grinding halt. In what soon came to be the dominant analysis, the world economic crisis was viewed not only as affecting Europe in ways that traditional policies could not answer, but also as revealing structural weaknesses of the European economy that made it lag behind the competing blocs of Japan and the United States. It was within this context that the European integration process was relaunched, as social and political forces—in particular, sections of European big business—organized themselves on a European level, reactivating the political process. Here, different visions, different projects came to compete with one another. In the analysis below, three such rival projects—conceived as "ideal types"

(and so with only a stylized representation of the actual politicoideological struggles)—are identified: “neoliberalism,” “neomercantilism,” and “pan-European social democracy.” Neoliberalism and neomercantilism can be interpreted as contending class strategies on the part of rival fractions of the emergent European capitalist class. The social-democratic project, on the other hand, was to some extent carried by potentially opposing social forces—namely, organized labor—but cannot really be interpreted in class terms because of the structural fragmentation and concomitant weakness of the labor movement, particularly at the European level. Each of these projects must thus be considered to be linked to a specific set of social and political forces within Europe’s transnational society, and hence should be seen as contending responses on the part of these forces to the crisis of the European political economy within the context of global structural change. At the same time that these contending projects struggled over (the direction) of Europe’s relaunching, they also came to struggle over the restructuring of Europe’s socio-economic order.

### *The neoliberal project*

In the context of European integration, the rising power of neoliberal ideology became manifest first of all in the discourse of “Eurosclerosis,” according to which the stagflation of the European economy was the result of a number of rigidities engendered by excessive government intervention: a strong position of organized labor (and a subsequently very inflexible and overregulated labor market), an overburdened welfare state, and similar features of the postwar mixed economy (Grahl and Teague, 1990, p. 20). Hence, the economies of Europe were viewed as suffering from what in effect were market-distorting forces hindering the efficient allocation of resources according to the price mechanism, and thus impeding the necessary adjustments to the changing global environment after the crises of the 1970s. The more free-market-oriented United States was, of course, the model to emu-



late here, and indeed, it still is within today's neoliberal discourse.

In the neoliberal conception of European integration, then, the process should be restricted to negative integration, that is, market liberalization and deregulation: more market and less state at all levels of the European Union. Hence, the relaunching of the integration process was to be restricted to the implementation of the 1992 project, preventing the launch of any state-building projects. The benefits of the internal market project were seen as deriving principally from the freer market it would create—emphasizing its deregulatory effects and the efficiency gains generated by the increase (in cross-border) competition. Rather than creating a protective buffer against global competition, European integration should lead to a further subordination of Europe's socioeconomic and industrial space to what are seen as the beneficial forces of globalization: Europe as an advanced free trade zone within a free trading world. As one of its principle advocates succinctly summarized the neoliberal strategy for Europe's relaunching, "It should be our aim to make Europe by the year 2000 a model of what free trade and open markets can achieve. . . . [W]e have not successfully rolled back the frontiers of the state of Britain only to see them recognized at the European level" (Margaret Thatcher, in Krause, 1991).

It was, however, only at the end of the 1980s and the beginning of the 1990s that neoliberal adjustment really started to become a reality in continental Europe, moving beyond right-wing rhetoric. Indeed, as this analysis intends to show, neoliberalism was not the only ideological force playing a role in Europe's relaunching. To assume, as is often implicitly done, that the neoliberal project was destined to become dominant or hegemonic, is, I would contend, an illusion of hindsight, and reveals a structuralist determinism that should be rejected.

### *The neomercantilist project*

The world economic crisis also gave rise to a different discourse on Europe's alleged decline and how to reverse it. Whereas the

neoliberal ideology was primarily propagated by social forces bound up with global financial capital and industrial TNCs with a truly global reach, most of continental Europe was still dominated by industries that, although maybe no longer domestic, but rather producing for the European market, had yet to develop into “global players” (as the jargon has it). These former national champions and “would-be European champions” perceived the forces of globalization more as a threat to their market shares and competitive position than as an opportunity to force a structural transformation of Europe’s “sclerotic” socioeconomic system. The crisis of Atlantic Fordism, in the context of a deepening transnationalization of production, provoked a global restructuring race that had profound impacts on European industry (Cox and Watson, 1995; Ruigrok and van Tulder, 1995). Intensifying the global competition even more, and constituting an additional threat to at least some sectors (particularly cars and electronics) of European industry, was the rise of Japan as an economic and technological superpower. From the ideological perspective of the social forces bound up with these sections of European industrial capital, the loss of European international competitiveness was first of all blamed on economic nationalism and the fragmentation of the European market. It was thus that these forces came to promote the completion of the internal market as the centerpiece of their strategy for a relaunching of Europe. As Grahl and Teague note, in the neomercantilist interpretation of the internal market project, “a strong European home market . . . is the key to success in international competition. “Non-Europe,” national rivalries, and the fragmentation of the Community market have, in this view, deprived European companies of a key element in competitive success, which the 1992 programme will correct” (Grahl and Teague, 1990, p. 172). In this view, then, Europe’s problems were perceived as primarily caused by the lack of economies of scale and technological development vis-à-vis the United States and Japan (Sharp, 1990). As a remedy to these deficiencies, a strong European home market was expected to serve as both a stepping stone to conquer the world market as

well as a protective shield against outside competition (for at least as long as that world market was not yet conquered).

What this boils down to is a defensive regionalization strategy, oriented toward the creation of a strong regional economy through an industrial policy aimed at the promotion of “European champions,” if necessary protected by European tariff walls. Such a strategy necessarily moves beyond mere negative integration as resources are pooled and new supranational policies and institutions are created. Although some advocates of the neomercantilist strategy at least partly shared neoliberal ideas on the necessity of labor-market flexibility, welfare-state reform, and the like, they did not share the neoliberal commitment to global *laissez-faire*. As Pearce and Sutton argue, it was a debate between “Europrotectionists” on the one hand and “liberals” on the other. Both groups shared the goal of lowering trade barriers *within* Europe, but they were at loggerheads about the question whether to raise them *externally* (Pearce and Sutton, 1986, pp. 4–5, and *passim*). In the latter (neomercantilist) strategy, such an external trade protection would be complemented with a European industrial policy centered on “strategic sectors.”

In the beginning of the 1980s there were thus at least two contending interpretations of Europe’s crisis and two rival strategies for a renaissance of the European project: neoliberalism and neomercantilism. In the later 1980s, a third project also crystallized, this one centered on a social-democratic vision for Europe.

### ***The social-democratic project***

The social-democratic project for Europe’s socioeconomic order developed within the context of the initial success of the internal market program and the new “Europhoria” engendered by it. It was within this new climate of optimism, helped along by a temporary upswing of the European economy, that, in particular within the European Commission, the idea took hold that the internal market ought to be complemented with a “social dimension,” or more broadly, a project of positive integration ensuring a strong

regulatory political framework to embed the new single market. To an extent, that is, in its more minimalist version, this project was not only supported by social-democratic forces, but also by Christian-democratic political parties and governments (such as that of Germany), hence by a broad spectrum of forces within the European political mainstream. Nevertheless, as a coherent strategy of European integration, this project first and foremost developed out of the social-democratic tradition as well as the European trade union movement (ETUC). At least up to the Maastricht Treaty, the ambitions of this strategy also went beyond the kind of minimal social dimension that others envisaged. Ultimately, it was hoped that the relaunched European integration process would lead to a system of “Euro-corporatism,” or even a European welfare state. As such, this project also implied a considerable strengthening of Europe’s supranational institutions, that is, a strategy of European state building. “Pan-European social democracy” (as an intellectual concept and an intellectual strategy) thus saw European federalism as the answer to the dilemmas the European Left had (and still has) to confront as it became caught in the logic of globalization and the perceived “decline of the nation-state,” the traditional power base of social democracy (see Geyer, 1993). As a concrete political strategy, this project was first formulated and pursued by Jacques Delors (and the group of intellectuals and Eurocrats surrounding him) who, as president of the European Commission, displayed the vision and the strategic leadership without which “pan-European social democracy” would probably never have been developed into such a concrete political strategy. (For a convincing and detailed account of the “Delorist” strategy, its successes as well as its failures, see Ross, 1995.)

For Delors, as for other social democrats, a united Europe offered an opportunity to protect the “European model of society” (as he called it), and its traditions of the mixed economy and high levels of social protection, against the potentially destructive forces of globalization and neoliberalism (on this, see, e.g., Ross, 1995, p. 15, and *passim*; Grant, 1994, pp. 86–87; Delors,

1992). Indeed, the notion of a “European social model” (as it is also often called) was at the heart of the Delorist vision (see Ross, 1995, p. 46) and implied that there was somehow a “European model of capitalism” different from both laissez-faire Anglo-American capitalism and the “collectivist” Japanese model, combining individual freedom with the virtues of collective action, the competitive market with a system of social solidarity, all in a long-term perspective of sustainable growth and welfare. In the Delorist/social-democratic project, the building of strong European institutions was the only way to preserve this model. Delors had accepted that, for relaunching the European integration process, the creation of a competitive home market was a necessary requirement (for both political and economic reasons), but, at the same time, Delors warned the neoliberals that: “The Community is not and will not be, a free trade zone. It is up to us to make a *European organized space*” (Delors, in Krause, 1991), and it was “[f]or this reason [that] the backbone of Delors’s strategy was to promote state-building programs on the back of market-building successes” (Ross, 1995, p. 109). Delors’s project to some extent converged with the neomercantilist strategy, particularly with regard to the kind of industrial policy—promoting “Euro-champions” in key strategic sectors to face the challenge of global competition—Delors and others in his Commission sought to pursue (see Ross, 1993).

As we have seen, all three projects favored a relaunching of Europe through the completion of the internal market: as such, all three were relatively market oriented. This (particularly on the part of social democracy) in itself already reflected a shift away from previous ideological orientations vis-à-vis the integration process. This promarket shift is often taken as evidence of the emergence of a “neoliberal Europe.” However, the three contending projects here identified fundamentally differed on the question of what kind of single European market it was to be; on the extent to which it had to be embedded in a strong supranational political framework regulating the market (as in the social-democratic project), or the extent to which internal trade liberalization

should be accompanied by increasing external openness as well (as in the neoliberal project), rather than protecting the new home market by raising external tariffs and through an interventionist industrial policy (as in the neomercantilist project). It is in this sense, then, that the struggle between these projects was about the *content* of European socioeconomic governance, about the social purpose of the new European order.

As indicated, all three projects—including the social-democratic one—developed within a transnational setting. In our view, it is in particular the process of transnational class formation—and the specific European patterns within it—that is key to understanding this transnational dimension of the struggle over European socioeconomic order. Analyzing the processes of transnational class formation in Europe, Holman and Van der Pijl speak of a “European bourgeoisie” consisting of “an ensemble of concrete bourgeois groups adopting a European frame of reference from which to approach the further unification toward a global pattern” (Holman and Van der Pijl, 1992, p. 2).<sup>4</sup> The organized power of this emergent transnational capitalist class within the European arena contrasts starkly with that of labor, which remains pertinently weak at the European level (see, e.g., Streeck and Schmitter, 1991). As we shall see below, within such an emergent transnational European capitalist class, we can distinguish between groups that are more and groups that are less integrated into this global (or at least trans-Atlantic) pattern of class formation, the latter adopting a much more exclusively European perspective.

In the next section, then, I analyze more closely the struggle between these rival transnational class strategies and argue that out of this rivalry (and ultimately within a wider context of which the social-democratic project was also part) a new synthesis emerged. This synthesis, which I call “embedded neoliberalism,” is here interpreted as a potentially hegemonic project of the emergent European transnational capitalist class, a project that as such increasingly shapes the discourse of European socioeconomic governance.

### **The evolving strategic project of Europe's transnational capitalist class: From Europe 1992 to Maastricht**

As indicated, neoliberalism and neomercantilism can be interpreted as ideal-typical strategic orientations on the part of different ideal-typical "fractions" of European capital (see Holman, 1992; Van Apeldoorn and Holman, 1994). Here, these two rival fractions are denoted respectively as "globalist" and "Europeanist." The former is composed of the most mobile and most globalized fractions of transnational capital, that is, global financial institutions and other (industrial) "global players," or, following Holman (1992; see Frieden, 1991) "export-competing firms producing for the world market." The "Europeanist" fraction consists of large industrial enterprises that, although operating on a transnational scale, primarily serve the European market, competing against often cheaper imports from outside Europe, that is, what we could also call "import-competing producers for the European market" (Holman, 1992). The main dividing line is thus between, on the one hand, that group within the European capitalist class whose interests and identity are bound up with *global* transnational capital, and is therefore wary of any claims about a specific *European* (capitalist) interest; and, on the other hand, those capitalists that, partly because of their relative dependence on the European market, precisely do posit such a regionalist interest. It is contended here that in the 1980s the opposition between neoliberalism and neomercantilism was the central axis around which the ideological struggles within the emerging transnational European capitalist class revolved. Hence, how and to what extent this class has actually been shaping the transformation of European order has largely depended on the outcome of the struggle between "Europeanists" and "globalists."

Here, this struggle is analyzed by way of a case study of the European Round Table of Industrialists (ERT). Founded in 1983 by a group of seventeen prominent European industrialists, the ERT today consists of around forty-five chief executives and chairmen leading Europe's biggest and most transnational industrial corporations.<sup>6</sup> The ERT is generally recognized to be "the

single most powerful business group in Europe” (Gardner, 1991, pp. 47–48), and acknowledged to have played a major agenda-setting role with regard to the relaunching of Europe, in particular by bringing the completion of the internal market back onto the agenda (see especially Cowles, 1994, 1995; see also Sandholtz and Zysman, 1989; Holman, 1991; Van Apeldoorn and Holman, 1994). The ERT can be seen as an elite organization of Europe’s emergent transnational capitalist class in which—transcending the more conventional forms of corporate lobbying in the European Union—the interests of that class (fraction) are organized, shaped, and synthesized into a comprehensive strategy, which, while effectively representing the perceived material interests of European big business, ideologically transcends those interests as well by appealing to a wider set of interests and identities. In contradistinction to UNICE (the EU’s official employers’ organization), which represents a more “corporatist” class interest (defending the vested interests of the European employers’ class), the Round Table, as a private club of transnational capitalists, seeks to elevate its class strategy toward a higher, more universal level, that is, to the level of hegemony.<sup>7</sup> In fact, the ERT provides a unique private forum for the European bourgeoisie for the arbitration of different (fractional) ideological and strategic outlooks into an integrated program of class rule. The role of the Round Table must thus be seen as operating primarily at the level of ideas and ideology formation. It is at this level, as argued below, that the ERT must be seen as one important force giving direction to the European integration process and shaping the discourse of Europe’s evolving regime of socioeconomic governance.

### *Neomercantilism versus neoliberalism*

The rivalry between the neoliberal and the neomercantilist concepts of a relaunching of European integration was manifest within the ranks of the Round Table, reflecting what constituted the central axis of intracapitalist struggle in the Europe of the 1980s. However, after an early walkout by three “globalist”



members, the ERT became dominated by representatives of the Europeanist fraction.<sup>7</sup> It was thus that the strategic project of the ERT in the 1980s evolved into what may be called a “protective regionalism,” the central elements of which were the promotion of a big European home market, a European industrial policy focused on the nurturing of European champions, *inter alia* through European technology programs and infrastructure projects, and a limited form of protectionism at the EC level (for a more elaborate discussion, see Van Apeldoorn, forthcoming). The first element, promoting the completion of the internal market, in fact formed the heart of ERT’s strategy for the relaunching of Europe. As indicated, the internal market project was—at least by a majority of the ERT members—given its neomercantilist interpretation of a big home market as would enable European industry to reach “the scale necessary to resist pressure from non-European competitors” (ERT, 1983).

It was on the basis of this strategic orientation that the Round Table played an active role in shaping a collective pro-European consciousness at the elite level. The strategy of protective regionalization, however, failed to materialize. The internal market was a big success, and a success for which the ERT could take much of the credit, but in many ways it did not turn out to be the kind of home market that the early Round Table members had envisaged. The Commission did begin to play a business-supportive role, seeking to enhance the international competitiveness of European industry by setting up European programs in R&D such as ESPRIT (see Sandholtz, 1992), stimulating the development of trans-European infrastructure networks, and generally by promoting a positive business climate. However, the possibility of creating “Euro-champions” in the relative security of a “Fortress Europe” turned out to be an illusion; in the end, most initiatives for a European industrial policy failed to take off, with the more straightforwardly protectionist measures meeting with the resistance of the (neo)liberal governments of, say, Germany and the United Kingdom (reflecting in part the interests of the globalist fraction of the European bourgeoisie). It was thus that the inter-

nal market program—by giving the same opportunities to outside competitors—only led to a further opening up of Europe’s national economies to the global economy.

Ultimately, then, it was the neoliberal interpretation of the internal market program that prevailed over its neomercantilist rival. In the wake of this, ERT’s initial strategy underwent a significant transformation, from a defensive “Europeanist” orientation toward an increasingly offensive “globalist” orientation, or a gradual (and as-yet incomplete) shift from the neomercantilist toward the neoliberal ideal type. These changes took place in the context of a new phase in Europe’s “extended relaunch” (Holman, 1996), as it moved from the internal market project to the Maastricht Treaty, and the possible creation of an economic and monetary union.

The gradual neoliberal shift within the strategic orientation of the Round Table has been the result of a changing power balance between the Europeanist and the globalist “fractions” within ERT’s membership. In the years after 1988, we have seen a change in the composition of ERT’s membership that made the globalists the dominant group within the ERT. Not only did many globalist companies (re)join the Round Table, the older ERT companies (remaining within the ERT) that were formerly still more oriented toward and dependent on the European market (falling within the category of import-competing capital) became more global themselves.<sup>8</sup> This globalization of European industry took place within the context of intensifying global competition, as well as the political failure of the neomercantilist project. The shifting balance between globalists and Europeanists must, however, also be seen in the context of the rising dominance of neoliberal ideology within the European political economy and the appeal neoliberalism gained as an alternative strategy after the failure of protective regionalism.

### *Toward a new consensus and the Maastricht compromise*

Within the ERT, this neoliberal reorientation enabled a transcendence of the opposition between Europeanists and globalists that

earlier had generated sharp ideological conflict within its ranks. This transcendence itself, however, did not come without internal struggle. Indeed, in the final analysis, it was through these struggles that this shift was effectuated, and, as we shall see later, it was out of these struggles that the novel project of embedded neoliberalism was born. The expansion of membership that had swelled the ranks of the neoliberal globalists initially brought about a renewed opposition between the two camps, in which conflicts about trade policy once more occupied a central place. One prominent representative of ERT's neoliberal wing at that time, the then-chairman of Unilever, Floris Maljers, in fact indicated that the "struggle between liberals and protectionists" became a constant feature of the internal policy debates at the end of the 1980s and beginning of the 1990s.<sup>9</sup>

In the end, this internal strife led to the emergence of a new consensus. This occurred in a context in which the relaunched integration process seemed to move into a crucial next phase (toward EMU); global competition became only more intense; and the old world order experienced a major upheaval with the collapse of real-existing socialism, creating a whole new set of challenges to, as well as opportunities for, West European business (Hildebrand, 1992). It was against this background that the ERT came, in September 1991—just three months before the Maastricht summit—with a new comprehensive general report entitled *Reshaping Europe* (see ERT, 1991), in which it offered a blueprint and an action plan for Europe in the 1990s, based on what Holman (1992) has called a "catch-all strategy," reflecting a compromise, but not yet a synthesis, between the two competing perspectives of protective regionalism and neoliberal globalism. Although the ERT probably did not exert much direct influence on the intergovernmental bargaining process that led to the Maastricht Treaty, the final treaty to a large extent appeared to have a compromise character similar to ERT's program for post-1989 Europe. The (socioeconomic) content of Maastricht can be interpreted as reflecting the transnational configuration of social and political forces within the European political economy at the

end of the 1980s. The Round Table here represented important sections of the ruling elite within that configuration and, as such, was one important forum from which that elite could shape the debates that on the ideological level conditioned the political bargaining process.<sup>10</sup> Transnational social-democratic forces also played a significant role in this respect, however.

It was in the run-up to Maastricht—that is, around the end of the 1980s—that the social-democratic/Delorsist project for a strong social dimension to the economic integration process (ultimately to be guaranteed by a federal political structure) temporarily gained momentum. In fact, Maastricht can be partly interpreted as an attempt by social-democratic political forces (under the leadership of Delors) to push for both a social and a federal Europe to reembed the newly created big European free market and thus protect the “European model of society.” Next to the social chapter, the most visible agenda-setting success of the social-democratic project, EMU in fact became an equally important centerpiece of the social democratic project, part of Delors’s “Russian-doll strategy” in which state-building projects would develop from inside more market-building (and seemingly neoliberal) projects (Ross, 1995). The social-democratic interpretation of EMU was that it could serve the double function of regaining some democratic control of the global financial markets (see Holland, 1995, p. 12), as well as paving the way to a (federal) political union that could then further advance the cause of “organizing European space.”<sup>11</sup>

In ideological terms, then, Maastricht was, more than the 1992 program, not just a project of big business but also one of social-democratic political and social forces. The social-democratic interpretation of Maastricht has, however, so far largely failed to materialize. The social chapter has not gone much beyond mere symbolic politics (Rhodes, 1992; Streeck, 1995). Political union has for all intents and purposes been postponed indefinitely after the Inter-Governmental Conference, concluded in 1997, with the Treaty of Amsterdam, also failed to deliver on this score. The hope that EMU might restore democratic control over policy making has so far been contradicted by the reality of the convergence criteria

and the stability pact. Still, the compromise embodied in Maastricht was not a triumph for Thatcherite hyperliberalism either, nor, for that matter, did it reflect the construction of a neomercantilist Europe. In fact, Maastricht contained elements of all three of our trival projects, even though it was biased in favor of the neoliberal project as the central part of the treaty, monetary union, came to reflect neoliberal orthodoxy because of the convergence criteria. At the same time, however, chapters on “Trans-European [infrastructure] Networks” and “Research and Technological Development” did provide a basis for some form of European industrial policy or *Ordnungspolitik* clearly more in tune with the German model of Rhineland capitalism (Albert, 1993) than with the (UK) neoliberal model. Although these policies did not amount to a neomercantilist strategy—from which Europe indeed only further moved away with Maastricht—they did speak to the interests of that part of European industry that—in its dependence on a strong European home base—in the past had propagated a more mercantilist conception of the European project. Finally, the “social chapter,” though rather weak, nevertheless constituted an important ideological interpellation of Europe’s social-democratic forces and trade union movement, and, at the same time (in a longer-term perspective), still offers them (an albeit weak) legal-institutional base from which to pursue their project further. It was thus that Maastricht could be seen as partly the outcome of the struggle among our three projects, a struggle within which neoliberalism became increasingly dominant but was still forced to articulate its ideology with elements of contending projects.

### **Restructuring the European socioeconomic order: The rise of embedded neoliberalism**

In retrospect, then, although in many respects an awkward compromise between many different parties and interests, Maastricht represented a first reflection of a gradual emergence of what I have called the embedded neoliberal synthesis. In the first instance, the notion of embedded neoliberalism is based on the

important insight offered by Karl Polanyi (1957), that the so-called self-regulating market—that is, the ideal of neoliberal ideology—is in the end a utopia. This argument is linked to Polanyi’s notion of the “double movement”: As the state retreats from its role in providing social protection, tendentially adopting a laissez-faire philosophy (leaving the market to regulate itself), the resulting social disruption will result in a countermovement in which social forces will organize themselves around the “principle of social protection,” and the liberal market economy becomes “reembedded.”<sup>12</sup> In this sense, any hegemonic project, or any form of capitalist class rule for that matter, has, in the final instance, to be embedded in one way or another. The concept of embedded neoliberalism, however, seeks to capture a particular form of embeddedness, one that has emerged within a specific concrete-historical context, namely, that of the continental West European political economy, and as such distinguishes itself from the original neoliberal project as it developed and ascended to hegemony in the Anglo-Saxon heartland.<sup>13</sup>

In embedded neoliberalism, the neoliberal project stops short of fully disembedding the European market economy from its postwar social and political institutions. On the one hand, the primacy lies with freedom of capital and of markets, implying that the postwar “European model” needs to be fundamentally restructured. On the other hand, it is recognized that this restructuring process cannot take place overnight, that it will have to be a gradual process in which a high degree of social consensus is maintained. Finally, and crucially, a pure neoliberal strategy would also undermine the long-term accumulation prospects of the industrial capital that still makes up a dominant section of European capitalism.

Within this context, then, embedded neoliberalism can be seen as the ideal-typical strategic orientation of the globalist fraction of European industrial capital (or of the industrial fraction of global capital). Given the global outlook of these capitalists, and their relative distance toward any single domestic society, their ideological perspective has tended toward neoliberalism, or what

Polanyi called the “principle of laissez-faire.” Pure laissez-faire, however, would be contrary to its interests, as it still needs the state to educate the workforce, to provide the infrastructure, to pursue macroeconomic policies that favor growth and investment, to maintain social and political stability, and so on, in short to sustain both economic and political hegemony.<sup>14</sup> As we have seen, it is this fraction of European transnational capital that has come to dominate the ERT, which now has truly come to represent the very elite of corporate Europe, uniting both its Europeanist and globalist fractions under the leadership of the latter. Thus, we may also interpret embedded neoliberalism as a potentially hegemonic project unifying Europe’s transnational capitalist class and expressing its collective interests, while at the same time appealing to a wider set of interests and identities. Here, the ideological power of Europe’s capitalist elite manifests itself in the extent to which it shapes the discourse in which European socioeconomic policy making is embedded. Some evidence of this ideological power is given below, where I examine the more recent ideological input the Round Table’s capitalists have made to the construction of European socioeconomic governance in the context of the new crisis in which Europe found itself after Maastricht had signaled the end of the Europhoria at the end of the 1980s.

### *The post-Maastricht crisis and the ERT*

In the immediate post-Maastricht period, with the European economies in recession again (in the context of increasing global pressures), and the integration process going through another low, it seemed as though in many respects Europe was back to square one. Thus, at the end of 1993, the ERT wrote in its new general report *Beating the Crisis* that:

Europe has become a high-cost, low-growth economy that is not adapting fast enough and is therefore losing its competitive advantage to more dynamic parts of the world. . . . With its financial, economic and political systems still *fragmented* and its leaders *divided*,

Europe has failed to organise itself for economic growth as others have done. [ERT, 1993b, p. 5, 8, emphasis added]

To a large extent, this analysis is rather similar to the one that ERT made when it was founded in 1983 and called for a unified home market. The strategy advocated in response to the new crisis, ten years later, however, is a different one. As we shall see below, much (but not all) of the program presented in *Beating the Crisis* and subsequent reports is now explicitly neoliberal, focusing on deregulation, labor-market flexibility, downsizing the public sector, and so on, while the commitment to global free trade is expressed more unequivocally than ever (see ERT 1993a, 1993b, 1994).

With regard to ERT's strengthened free trade orientation, the crucial battle was probably that over the conclusion of the Uruguay Round of the GATT trade talks (in December 1993), which in retrospect probably signaled the "final" defeat of the Europrotectionists, both within the Round Table and in the European capitalist class more widely.<sup>15</sup> A leading ERT member (from a very globally oriented company) recalled that in the end he and Helmut Maucher (Nestlé), another staunch free-trader (and present Round Table chairman), succeeded in convincing most of their colleagues, including the French, that European industry should no longer allow itself to be "dictated" to by the agriculture lobby.<sup>16</sup> Thus, ERT's December 1993 report, mentioned earlier, stated that "the interests of industry at large and the cohesion of the trade system as a whole must not be sacrificed to the special interests of particular sectors" (ERT, 1993b, p. 26). After having reached internal unity on this point, the Round Table subsequently intensified its lobby campaign for as quick a conclusion as possible of the GATT Round, and was probably one of the more important actors instrumental in changing the initially negative stance of the French government.<sup>17</sup> The post-Maastricht period also witnessed a widening of the consensus in favor of monetary union, with the Round Table becoming more active in supporting this project.<sup>18</sup> The crises of the Euro-



pean Monetary System in 1992 and 1993 convinced the Germans in particular that the Deutsch mark zone did not provide sufficient stability. Moreover, the neoliberal wing of the Round Table has also come to be convinced of the virtues of EMU, principally because of the “salutary” disciplinary effects the EMU criteria have had so far and continue to have on the socioeconomic policies of Europe’s national governments.<sup>19</sup>

The emphasis on the positive role of market forces has never been so strong as in current Round Table discourse. The ERT of today stresses that we live in a new world, in which “nothing can be done today the same way as we did it yesterday; that is what we mean by ‘flexibility’ and ‘freedom,’ key words that run right through this Report” (ERT, 1993b, p. 28). Indeed, the industrialists of the Round Table now seem to give more priority to deregulation and flexibilization as instruments to enhance “competitiveness” than to industrial policy proper. In sum, then, after Maastricht, the neoliberal shift has been further consolidated. Yet, just as ERT’s original “Europeanist” orientation was never unequivocally neomercantilist (although some members came close to this ideal-type), the ideological outlook of the Round Table capitalists in the 1990s is not one of pure orthodox neoliberalism. Indeed, it rather reflects the potentially hegemonic synthesis of embedded neoliberalism. Within ERT’s own discourse, the limits of its neoliberalism become most apparent with regard to the field of industrial policy broadly conceived. Within a pure neoliberal model, the only legitimate industrial policy is competition policy policing the free market; beyond that, there is no role whatsoever for the state to promote industrial competitiveness. Such a perspective may suit the interests of transnational financial capital but industrial capital, even its most transnationally mobile fraction, needs the state to go beyond this passive role, actively seeking to secure the “conditions for competitiveness” as the Round Table discourse has it (see ERT, 1993b). Hence, rather than the British-neoliberal model, it was the liberal German alternative of an active *Ordnungspolitik* that became the preferred concept around which all fractions could rally.<sup>20</sup> In this solidly liberal

(but not neoliberal) approach, the role of government is defined to provide a “stable political and economic framework to encourage investment and innovation” (ERT, 1993b, p. 9).

The embeddedness of ERT’s neoliberalism also transpires from its attitude toward European social policies, in particular, those that came out of the so-called social chapter of Maastricht. Although the ERT at the time waged opposition against the social chapter, it was also recognized by at least part of the ERT that, given the balance of social and political forces of that time, its inclusion (albeit as an “appendix”) was inevitable.<sup>21</sup> Most Round Table members remain keenly aware of the need for social consensus; rejecting the neoliberal (confrontational) mode of labor relations (characteristic of, for example, British industrial relations), and emphasizing that some degree of basic social harmony is indispensable for European industry to prosper (see ERT, 1993b, p. 9). Moreover, given the generality of the actual chapter, and the lack of activism on the part of the present Commission when it comes to “operationalize” the general principles of the chapter into concrete policy making (see *Financial Times*, April 12, 1995), leading ERT members have expressed that they can very well “live with it.”<sup>22</sup>

It is on the basis of this new embedded neoliberal ideological and strategic orientation that the ERT has sought to shape the content of the socioeconomic governance regime that has evolved out of the successful relaunching of the European integration process. Again, this role must be understood first and foremost as one within the ideological sphere. Below, I examine this role by focusing on what I identify as ERT’s *new discourse of competitiveness*, which expresses the ideological core of the project constructed within the ranks of the European transnational capitalist elite (with the ERT being one principal forum in which this construction takes place). Competitiveness has indeed become the key word not only in ERT’s discourse, like globalization, but in socioeconomic discourse at large. The argument put forward here is that the ERT has been one of the more important authors of this competitiveness discourse, which increasingly

forms the ideological underpinning of European Union (EU) socioeconomic policy making. The first testimony (at the EU level) of the power of this discourse was the Delors White Paper on “Growth, Competitiveness and Employment” (European Commission, 1994), although this report still also shows important traces of Delors’s own social-democratic project. It is argued, however, that subsequently the neoliberal competitiveness discourse as promoted by the ERT has become ever more dominant, or indeed, hegemonic.

*The Delors White Paper and the new discourse of competitiveness*

ERT’s December 1993 report *Beating the Crisis* was intended to formulate ERT’s response to the post-Maastricht crisis. The report was also meant as a contribution on the part of big business to the aforementioned White Paper, which since then has become one of the main intellectual reference points in the socioeconomic policy debate within Europe. Different pieces of evidence suggest that the ERT indeed did make an important contribution to the development of this key Commission document.<sup>23</sup> As a very senior ERT official commented on the relation between the two reports,

It was very parallel, and we saw their drafts and they saw our drafts. And one of my friends, a very senior official in the Commission, he said to me, there is basically no difference between them, particularly if you look at the introductory part of the Delors book, which is a bit written I think by Delors himself, very similar, growth, investment, competitiveness, and employment. What we have tried to do is to get these things fixed together in people’s minds. *Beating the Crisis* is a very short and a very clear statement. But the message is the same, these things all go together, you won’t fight unemployment, if you don’t fight for competitiveness, you won’t get growth if you don’t have investment.<sup>24</sup>

Indeed, careful reading of the two reports does reveal some striking similarities. Most important, they share the basic premise (as

stated in the above quotation) that higher growth and employment can only be achieved through promoting the competitiveness of European industry. Moreover, the strategy (with regard to these objectives) outlined by the White Paper also echoes that of *Beating the Crisis*. In the Commission document, the road to higher employment follows a strategy based on the three “inseparable elements” of (1) a “pro-economic framework which instead of constraining market forces . . . supports them,” (2) structural adjustment of policies “aimed at increasing the competitiveness of European industry and at removing the rigidities which are curbing its dynamism,” and (3) “active policies and structural changes in the labour market and in the regulations” (European Commission, 1994, p. 61). Indeed, as the senior Round Table official pointed out, the core of the ERT message is the same here.

Reflecting the renewed Round Table theme of a Europe falling once more behind the rest of the world, the Commission writes, “The truth is that although we have changed, the rest of the world has changed even faster” (1994, p. 10). Instead of invoking the specter of non-European countries (read: Japan) engaging in “economic warfare,” however, the paper plainly states that protectionism “would be suicidal” (p. 9), and that the European Union must “demonstrate [the] recognition of the unavoidable globalization of the economy” (p. 13). The primary goal of industrial policy is defined as “to create as favourable an environment as possible for company competitiveness” (p. 14). This definition signaled a move away from the kind of French-style industrial policy Delors had (unsuccessfully) sought to promote in the years before (Ross, 1993, 1995). Again, the pet projects of the Commission—pushed by the ERT from 1983 on—“trans-European infrastructure networks” and pan-European cooperation in high technology, figure prominently in the paper’s strategy for competitiveness, as well as a call for “laying the foundations for the information society” (European Commission, 1994, p. 21), something that the Round Table has also been promoting in recent years. Labor-market inflexibility is identified as a major

cause of Europe's structural unemployment (p. 16, ch. 8), the "regulatory environment" should place "the minimum bureaucratic burden on economic operators" (p. 63). Contrary to Keynesian wisdom, but fully in line with the Maastricht criteria, cutting budget deficits is seen as helping to overcome recession by freeing public resources for private investments (pp. 65–67).

Moreover, just as the concept of industrial policy is redefined to place it in a more liberal frame, so the Delorist vision of a "social Europe" is further watered down. Speaking of "the new model of European society," the paper calls for a "less passive and more active solidarity," with "decentralization" and "subsidiarity" as central guidelines in implementing what the paper proposes as "a sort of European social pact" (European Commission, 1994, p. 15). A leading ERT member thus appreciated the White Paper for its "balance between the social and the industrial vision," making "an attempt to reconcile the two."<sup>25</sup> We might also say that what the paper reflects in comparison with the previous Delorist program was a significant change in this balance in favor of the latter (see Ross, 1995, pp. 224–225). As another prominent ERT member pointed out, this new balance between what we might also call the social-democratic vision on the one hand and the (embedded) neoliberal vision on the other, signified "quite a swing-over for Delors."<sup>26</sup>

Notwithstanding this testimony to the ideological power of the Round Table capitalists, it is equally important to see the differences between the two reports. Taking it as Delors's political will, so to speak, it is on the one hand striking to note how much his position (and that of the Commission) had by that time shifted in the neoliberal direction, but on the other hand the social-democratic undercurrent is still palpable in many parts of the document's discourse, with, for instance, a typical Delorist theme such as social dialogue still very much present. Even though the balance had shifted, it remained largely a compromise between neoliberals and social democrats, agreeing, in the words of George Ross, "with [the] liberals about the need to deregulate labor markets and make the welfare state less rigid, but within a

broader context designed to prevent social divisions from themselves rigidifying” (Ross, 1995, p. 225).<sup>27</sup> Moreover, with regard to its advocacy of deregulation and flexibility, the tone of the White Paper, as well as the substance of the proposals it makes, is much more moderate than what is found in ERT’s post-Maastricht strategy. Compared with the Delors White Paper, ERT’s *Beating the Crisis* is much more explicitly neoliberal (albeit not of the orthodox Thatcherite kind). It promotes a *new discourse of competitiveness*, which the White Paper already partially (but, significantly, not totally) reflected, and which since then has developed into the dominant (and probably hegemonic) discourse within the ideological struggle over European socio-economic governance.

#### *The new discourse of competitiveness*

Competitiveness is the key word in *Beating the Crisis* as well as in subsequent reports (see especially ERT, 1994, 1996), and is singled out by ERTers as the number one theme.<sup>28</sup> A very senior ERT official explains the way in which competitiveness has become the key concept as follows:

The members of the European Round Table perceive it as their role to make some input into policy making at [the] European level on those issues which are of crucial importance for the economic strength of Europe, what we are now calling the sort of general term of competitiveness. And competitiveness is now a useful word but it is really like a paper bag into which you put things.<sup>29</sup>

What this statement illustrates is that competitiveness, although not a neutral term, is nevertheless a concept to which a variety of meanings can be attached. Here, my argument is that the neoliberal shift in ERT’s strategic-ideological orientation is also reflected in a change of the meaning of “competitiveness” within its discourse. Although competitiveness as a political catchword has only recently risen to its current heights, competitiveness was already much talked about in the 1980s, not in the last place by the ERT. However, then the meaning of competitiveness was still pri-

marily bound up with the neomercantilist ideology that, as we have seen, was underpinning part of the emerging project for Europe's relaunching, supported as such by a large section of European industrial capital.

Indeed, we might speak of a shift from a *neomercantilist* competitiveness discourse toward an increasingly *neoliberal* competitiveness discourse, although in the case of the ERT, in the final analysis, the neoliberalism is still of an *embedded* nature. In the neomercantilist discourse, competitiveness means enhancing the global market power of European industry *against* non-European competition through government intervention and protectionism: It means being able to compete in the global marketplace by first shielding oneself from the "destructive forces of globalization," in order then to enter the fray on the basis of increased strength achieved through *nonmarket* means. Now, competitiveness is about survival of the fittest in a fully open environment of a global free market, in which no "artificial," that is non-market-based, means to enhance one's position are allowed. Competitive performance is what the market measures it to be. Competitiveness now means complying with the logic of a globalizing world economy. The new competitiveness discourse thus impels all firms, governments, and supranational bodies such as the EU to open up to the global economy and let the market forces of globalization do their beneficial work. The regionalization process of European integration should be made fully subordinate and instrumental to the globalization process. As the ERT puts it, "In today's global market, the policies of each member state must become outward-looking, and sharply focused on competitiveness" (ERT, 1994, p. 1). In this discourse, globalization is taken as an inevitable reality against which industry and society cannot and should not protect itself, but a reality that should be faced head-on, meeting its challenges first of all by freeing business from the "burden of regulation" and the "distortion" generated by too large a public sector (ERT, 1993b, pp. 6–7).

Nevertheless, the competitiveness discourse promoted by the ERT of today still goes beyond orthodox neoliberalism. Contradicting the

principles of pure laissez-faire, the Round Table stresses that the role of the state should not merely be one of ensuring the “self-regulation” of the market (guaranteeing private property rights, free contract, the value of money, etc.), but is conceived much more positively as an “enabling force” (ERT, 1993b, p. 14), providing industry with the conditions for accumulation not just through deregulation, the creation of a flexible labor market, and “lean government” (ERT, 1993b, p. 7)—although these “needs of industry” are increasingly emphasized—but also through a (European) public policy oriented toward “innovation and new technology,” “education and training,” and “trans-European infrastructure” (ERT, 1993b).

The new Round Table ideology, expressing, in my view, the comprehensive orientation of large sections of the European capitalist class, is increasingly finding its way into EU socio-economic governance. A first testimony to this is the setting up by the European Union of a “Competitiveness Advisory Group” (CAG) in the beginning of 1995 (Agence Europe, February 16, 1995), just over a year after the ERT had first proposed the creation of such a group (then called the “European Competitiveness Council”) in its *Beating the Crisis* report, where it described the task of such a group as “keeping competitiveness in the forefront of the policy debates” (ERT, 1993b, p. 27). In line with the Round Table proposal, the CAG consists of representatives of both employers, and employees, as well as “independent” advisors. The first group, however, predominates, with eight out of twelve members being leading business executives, including several prominent (former) ERT members. It is therefore not surprising that the “advice” this group—which has official status and reports to each European Council—has so far given closely resembles that of the ERT (see Competitiveness Advisory Group, 1995a, 1995b). Indeed, the roles of the two groups must be seen as fully complementary,<sup>30</sup> with both the Round Table and the CAG spreading the new competitiveness gospel. As the already quoted ERT senior official remarked, “One thing that is quite important in this whole scenario, is multiplicity of messages and



delivery systems around the whole theme.”<sup>31</sup> From the perspective of the ERT, the CAG plays a very useful complementary role, not only because it has official EU status, but also because it has a few prominent trade union representatives among its members. Both institutional features, and in particular the latter, of course significantly contribute to the legitimacy of the CAG’s message, and thereby to that of the ERT. Indeed, the trade union representation in the CAG suggests that the neoliberal competitiveness discourse has witnessed a broadening of its social base (through the inclusion of labor), strengthening its hegemonic potential.<sup>32</sup>

As an operationalization of its competitiveness ideology, the ERT has recently, in tandem with the CAG, started to promote the concept of “benchmarking” vis-à-vis the Commission and the member states (see ERT, 1994; Competitiveness Advisory Group, 1995a). Benchmarking means measuring the performance of individual firms and sectors, as well as of nations, against the performance of the “best competitors” in the world (ERT, 1994, p. 4). After launching the idea, the Round Table organized several seminars with Commission and government officials to promote the concept.<sup>33</sup> According to a report published by the ERT to present “the results” from these discussions, the seminars produced a “large degree of consensus . . . between the business and public policy representatives” (ERT, 1996). Indeed, as a testimony to this consensus, in the same month that the ERT published its report, a report on benchmarking was also published by the Industry Directorate-General of the Commission, which pleads for elevating the instrument of benchmarking to the central policy guideline for all EU institutions (European Commission, 1996). This was exactly what the Round Table had also proposed in its report, *Benchmarking for Policy-Makers* (ERT, 1996). In this report, benchmarking is seen as the key tool to promote competitiveness. With regard to public policy, there is no doubt as to how competitiveness must be measured: The country or (macro)region that is most competitive is the country that is most successful in attracting mobile capital: “Governments

must recognise today that every economic and social system in the world is competing with all the others to attract the footloose businesses" (ERT, 1996, p. 15). That the expected outcome of this competition for transnationally mobile capital will be a deepening of neoliberal restructuring transpires from the kind of "benchmarks" that are, for instance, proposed with regard to the policy goal of creating employment: The level of "labour costs . . . , the flexibility of labour; working and factory hours . . . termination costs" (p. 13). The Maastricht criteria are also mentioned as a successful application of the benchmarking concept (p. 18). Although the report also declares that "Europe's social systems . . . need to be reformed, not eliminated" (p. 2), the limits of the embeddedness of ERT's neoliberalism do become apparent here. At the same time, the ideological potential of a concept like benchmarking, and indeed its capacity to appeal to a wider set of forces within society and to incorporate them into the emergent hegemonic power bloc, is also not lost on the Round Table capitalists, as the report stresses that benchmarking is "not just an analytical device" but also "carries a symbolic message":

At a time when the European model of society is experiencing some difficulties, and change may be perceived as painful (though not nearly so painful as the results of not changing), *the role of symbols* in mobilising human effort may become more important, and benchmarking can be part of this. [ERT, 1996, p. 17, emphasis added]

### **Embedded neoliberalism as a hegemonic socioeconomic order?**

The outcome of embedded neoliberalism, rather than a pure or orthodox neoliberalism, I would argue, was necessary, inasmuch as the latter could never have generated sufficient consent on the part of the subordinate classes. It was particularly within the European context that the neoliberal offensive had to overcome the resistance of the institutionalized traditions of corporatist class relations, social and industrial protection offered by an often interventionist state, and other elements of "embeddedness." It was

also in this context that a rival social-democratic project could develop within the European arena, mounting a significant, if in the end unsuccessful, challenge to the neoliberal project. Moreover, as pointed out, a pure neoliberal strategy would also undermine the long-term accumulation prospects of the industrial capital that still makes up a dominant section of European capitalism. And it was in this context that the neomercantilist strategy emerged.

Embedded neoliberalism can thus be interpreted as the outcome of the struggle between the three rival projects of neoliberalism, neomercantilism, and social democracy. It is the potentially hegemonic articulation of a predominantly neoliberal ideology with elements of the alternative ideological discourses of the social-democratic and neomercantilist projects in such a way that their opposition is neutralized.<sup>34</sup> Thus, the “embedded” component of embedded neoliberalism addresses the concerns of both the former Europrotectionists and of the European labor movement and social-democratic political forces, but this incorporation is done in such a way that these concerns are in the end subordinated to the overriding objective of neoliberal competitiveness. Indeed, the latter seems increasingly to become the primary goal of European socioeconomic governance. This is apparent first of all from the competitiveness discourse that is now underpinning the Commission’s strategy with regard to industrial policy and macroeconomic management. Second, it transpires from the relative failure of the social dimension (now only further weakened after the departure of Delors). Finally, it is apparent from the neoliberal character of the EMU, at the heart of the current integration project. Indeed, in many respects, EMU can be seen as a supranational institutionalization of neoliberal discipline.

Whether embedded neoliberalism will indeed evolve into a hegemonic project for Europe’s emerging transnational socioeconomic order remains to be seen. The struggle is still open, but much seems to depend on whether the power of global financial capital, which is the least interested in any form of embedded-

ness, will be reined in by the interests of industrial capital, the long-term perspective of which implies the need for supporting social and political institutions (see Albert, 1993). With regard to a potential “counterhegemony” on the part of social-democratic forces, the problem seems to be that it would have too weak a social base, given the disarray in which organized labor finds itself. Indeed, I would suggest that this to a large extent explains why so many of Delors’s state-building projects came to nothing. It also seems a problem hard to remedy as supranationally organized labor continues to be hampered by a strong divergence in national economic interests between the different national trade unions, an economic nationalism that is “reinforced by institutional nationalism [reflecting] the investments of individuals and organizations in existing, inevitably national institutional structures” (Streeck, 1993, p. 26). These and other factors keep European labor divided and give organized business the opportunity to form an alliance with labor on the national level, thereby maintaining the necessary social consensus, while transnational capital remains free to exploit the existing national labor-market regimes. An increasing movement in neoliberal direction thus seems likely. However, especially after the establishment of a neoliberal EMU, social unrest might spread to such an extent (as we are already witnessing in both France and Germany) that a more substantive “embeddedness” of the European project might still become necessary to maintain hegemony. The dialectics of European politics in this respect are, however, beyond prediction.

## Notes

1. The approach adopted here is grounded in a perspective that has been labeled “transnational historical materialism” (Gill, 1990, pp. 46–51; Van der Pijl, 1995).

2. There are now about 40,000 TNCs in the world (up from 7,000 in 1970), together controlling \$2.7 trillion in foreign direct investment (FDI) stock (up from \$282 million in 1975). Indicating the present centrality of TNCs in the world economy, it is estimated that the six hundred largest TNCs are producing more than one-fifth of the world’s real net output of industrial

production, whereas about 40 percent of employment in the industrialized world depends directly or indirectly on TNCs (for these statistics, see United Nations, 1995).

3. A similar idea is expressed by the "Amsterdam School" notion of "comprehensive concepts of control," defined as integrated programs of hegemonic class rule (see Van der Pijl, 1984, 1995).

4. To this, one could add that it has been particularly within the context of the recent deepening of the European integration process that we have witnessed the emergence of such a European transnational capitalist class (see Van Apeldoorn, forthcoming).

5. Membership of the ERT is private (rather than corporate), but at the same time dependent on the tenure of the position of CEO or chairman of a large, transnational, and (preferably) private European industrial corporation: "We insist that it is the chief decision maker who is the member, for the simple reason that eventually these great men, when they have decided something around the table, have to go home and put their mouth and their money to the policies" (author's interview with senior ERT official, Brussels, May 24, 1996). It is therefore important to stress the sheer material resources behind the ERT. As an indication of this, we find twenty ERT companies on the UNCTAD top 100 of TNCs ranked by foreign assets (United Nations, 1995, pp. 20–23).

6. In this respect, the ERT also differs from its American counterpart, the U.S. Business Roundtable, on which the ERT was partly modeled, but which is a much larger organization (with 200 members) and, at least according to some observers, therefore less capable than the ERT of formulating a long-range strategy (vision) in the terms just discussed. Thus, according to a long-serving associate of the ERT (who has been with the organization since its founding), the American organization is "much more *lobbyistic*, that is to say, much more interested in specific themes . . . within the life of the firms [and] less interested, in contrast to the ERT, in themes of the medium-long term, that is to say, themes that concern the future of Europe" (interview by author, Ivrea, December 2, 1997).

7. It was the British bosses of the very global TNCs Shell, Unilever, and ICI, that already left the organization a few months after its founding. These firms were among the most globalized of ERT's original membership (and indeed among the biggest global TNCs of the world). Moreover, they were from very internationally oriented and competitive sectors (oil, foods, and chemicals).

8. For figures on the "globalization" of ERT's membership, see van Apeldoorn (forthcoming), where this argument is made in full. The biggest sudden change in the composition of membership was due to a merger with another, but largely ineffectual, transnational business forum, the Groupe des Présidents, whose membership included more truly global TNCs and thus had a more liberal and free-trade orientation (interviews).

9. Interview by Otto Holman and author, Rotterdam, September 3, 1993.

10. On a more concrete level, the ERT also helped set the agenda for

Maastricht by lending strong support to the idea of a single currency, by pushing for Trans-European Infrastructure Networks (TENs) as part of a European "industrial policy," and by opposing a social chapter that would have real regulatory substance (see ERT, 1991). Given the content of the final treaty, the ERT, although it was not the only group lobbying for these things, can be said to have been rather successful (for a more elaborate analysis on the role of the ERT in Maastricht, see van Apeldoorn and Holman, 1994, and van Apeldoorn, forthcoming).

11. During the Maastricht negotiations, Delors pleaded in vain for a "political roof" for EMU that would consist not only of a common foreign and security policy but also of a Community fiscal and social policy carried out by a reinforced "European government" that could counterbalance the new central European bank (Grant, 1994; see also *The Economist*, October 17, 1995).

12. The "double movement" constitutes a dialectical interaction between, on the one hand, the "principle of economic liberalism, aiming at the establishment of a self-regulating market, . . . and using largely *laissez-faire* and free trade as its methods," and, on the other hand, the "principle of social protection aiming at the conservation of man and nature as well as productive organization . . . and using . . . instruments of intervention as its methods" (Polanyi, 1957, p. 132).

13. This latter type of neoliberalism indeed comes the closest to what we may call the neoliberal ideal. The difference is that, whereas embeddedness here is achieved through an articulation with ideological elements outside the sphere of the economy (for instance, family values, the nation-state, etc.), embedded neoliberalism denotes the construction of a socioeconomic order in which neoliberalism is articulated with elements of other modes of *socioeconomic* governance.

14. Of course, this applies to capital in general as well, but, ideal-typically speaking, productive capital is objectively closer to the moment of the accumulation process with which these functional needs are bound up than financial capital. In the abstract, productive capital is concerned more with the principle of social protection than with financial capital, and national capital is more so than transnationally mobile "global" capital (see Van der Pijl, 1984, 1995).

15. This was at least the perception of two leading ERT members (interview by Otto Holman and author, Rotterdam, September 3, 1993, and interview by author, London, September 12, 1996). Almost three years after the conclusion of the round table, the latter interviewee commented thus on the whole issue of the struggle between the two camps: "I think the battle is nearly over. I think the WTO, and the process of international negotiation, has made it pretty obvious that the free traders are in the ascent. I mean, it is quite clear from the last WTO battle, . . . which reflected the sort of split [between free traders and Europrotectionists] was actually won by the free traders. I mean, even the French gave ground, so I think the proof of the pudding is there."

16. Interview by Otto Holman and author, Rotterdam, September 3, 1993.

17. Telephone interview with a very senior former GATT official (Flor-

ence, January 27, 1998). A senior ERT official related that the ERT, then chaired by Frenchman Jérôme Monod, met with French prime minister Balladur to discuss how the French government could say yes to the conclusion of the Uruguay Round (which is what it wanted but did not know how to do, given domestic opposition) without arousing public anger, particularly among the farm lobby, too much (interview, Brussels, May 24, 1996).

18. Thus, in a letter sent by the ERT to all the heads of state and government on the eve of the Madrid European Council of December 1995, the ERT reiterated its full support for monetary union and asked the government leaders to ensure “monetary stability based on economic convergence and financial discipline” (mimeo, letter dated October 17, 1995 and signed by Jérôme Monod, then chairman of the ERT; a copy of the letter was also sent to commission president Jacques Santer, and the issue was discussed with him a few weeks later).

19. As a current prominent ERT member notes, “Maastricht already has had its biggest effect. It would never have come to such a convergence if it had not been for the Maastricht criteria. Belgian politics [for instance] is unthinkable without Maastricht, then we would not have any break on making big deficits” (author’s translation; interview by author, Antwerp, May 21, 1996).

20. Interviews.

21. Interview by author, Antwerp, May 21, 1996.

22. Interview, London, September 12, 1996.

23. One leading ERT member considers that the ERT made a significant impact on the White Paper (interview, Antwerp, May 21, 1996). Press coverage also suggests the close relations between the ERT and the commission in the production of the two reports. At the press conference after the Brussels summit to which Delors had submitted his report, the then-president of the commission recalled his consultation with industry and the support he had received for his proposals by the ERT (*Agence Europe*, special edition, December 12, 1993). The week before, Delors had also participated in the press presentation of the ERT report (*Agence Europe*, December 6, 1993).

24. Interview by author, Brussels, May 24, 1996.

25. Interview by author, London, September 12, 1996.

26. Interview by author, Antwerp, May 21, 1996.

27. This explains why it remains a “reference document” for both business and labor in their ideological struggle within the European arena. Thus, UNICE has invoked it to attack a 1994 Commission White Paper on social policy, stating that the latter’s proposals for “directives, which are the relics of the social action plans of the 1980s” contradicted the principles of the Delors White Paper on competitiveness (*Agence Europe*, November 4, 1994). For ETUC General-Secretary Gabaglio, the White Paper “remains the reference document for European recovery, while safeguarding the foundation of the social model that is ours” (*Agence Europe*, February 17, 1995).

28. Interviews.

29. Interview by author, Brussels, May 24, 1996.

30. Ibid.

31. Ibid.
32. The ETUC has officially welcomed the creation of the CAG (*Agence Europe*, February 17, 1995).
33. Interviews (see also *Agence Europe*, November 23, 1996).
34. As Ernesto Laclau writes, "a class is hegemonic not so much to the extent that it is able to impose a uniform conception of the world on the rest of society, but to the extent that it can articulate different visions of the world in such a way that their potential antagonism is neutralized" (Laclau, 1977, p. 161).

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