SYSTEMIC “ALTERNATIVES”: ON ORDOLIBERAL RULE IN EUROPE AND THE CORRUPTION OF THE LEFT

Abstract
This essay is an attempt at assembling readers in an ambitious and perhaps even problematic undertaking, namely that of critiquing systemic, pro-capitalist alternatives, without proposing in detail any alternative, whether systemic or anti-systemic/anti-capitalist. It starts by defining the concept of “alternative” via a debate within the Italian Left; then, it moves on to examine Keynesianism and ordoliberalism—a peculiar form of neo-liberalism—as two systemic alternatives, the first applying mostly to Anglo-American contexts and the latter to German-Austrian ones. The focus is on how Germany, by having the strongest economy in Europe, managed to transplant its own ordoliberal model of capitalism in the EC/EU via the Treaties, binding all EU members to an ordoliberal economic/normative constitution—the so-called acquis communautaire. By combining historical and theoretical narratives, we also explain how the social democratic, pro-Keynesian European Left has been corrupted by ordoliberalism adopting all of its major policy tenets, the result being loss of legitimacy in times of crisis and the rise of the xenophobic, extreme Right. We conclude by arguing that a genuine anti-systemic alternative must start from home, by way of regaining, among others, what Antonio Gramsci used to call “popular-national”.

1. Introduction: Defining “Alternantive(s)”
In a debate between Giorgio Napolitano—member of the right-wing faction of the Italian Communist Party (PCI) and later President of the Republic—and the late philosopher Norberto Bobbio, the latter queried what is it that peculiarly distinguishes the PCI from other parties of the European social democratic tradition. Napolitano replied as follows:

a. The PCI is a mass party, and it is politically organised as such;
b. The PCI is a political force whose ultimate aim is the radical transformation of society;
c. The PCI is an internationalist force;
d. The PCI enjoys a distinctive internal regime and costume.

The debate took place in the late 1970s. Bobbio had no great difficulties in answering Napolitano’s position. He argued that the first and the third of Napolitano’s points, and partly also the fourth, are to be found in all major social democratic parties in Europe.
The second point is an interesting one and Bobbio had had some difficulties answering it back then, given the left-wing, communist, faction in the PCI led by Pietro Ingrao and the radical movements of the 1960s and 1970s in Italy and Europe with which the PCI had showed substantial affinity. However, he appeared to have had no such difficulties answering this point some ten years later, when the PCI announced that it aims at changing its name and identity (November 1989). “I wonder if today”, the socialist philosopher argued, “Napolitano would argue the same, especially that the PCI aims at the radical (I repeat, radical) transformation of society”

Clearly, Bobbio insinuates here that the PCI did not have an alternative policy proposal that could alter capitalism, as a social system, in Italy. The PCI, Bobbio argued, was just a social democratic, reformist party like all other European social democratic parties, such as the British Labour Party or the German SPD. It was a party whose strategy and programme were confined within the boundaries of the capitalist system, its main aim being how to improve the system in favour of the subaltern classes, not to bring the subaltern classes in power in order to socialise the capitalist relations of production, distribution and exchange, thus establishing socialism. The peculiarities of the PCI were the peculiarities of Italy as a national formation, but this does not qualify it as a “communist party”.

This debate is of great significance. It helps us understand how Marxist theoretical postulates transpire in left politics. It also serves us to proceed to define the concept of “alternative”. Alternative is an anti-systemic strategy that aims at altering the capitalist relations of production, which are based on the private ownership of the means of production, distribution and exchange and are at the root of the extraction of (relative and absolute) surplus-value (and exploitation). An alternative strategy is a strategy that goes beyond the confines of the capitalist mode of production aiming at constituting a radically different society on the bases of a socialist mode of production. It should be noted that this massive alteration of social and political axes can only take place at the level of nation-state first.

Reformist socialists and philosophers, such as Bobbio, do not have such concerns or programme. Their strategic intent, whether in governmental power or in opposition, is to reform, to the extent that this is feasible, the political institutions of the country and advance the rights of subaltern classes and general citizenry, including the right to enjoy higher wages. Reformist socialists advance only what is in the context of their pro-systemic approach2. A left reformist pro-systemic approach entails striking a balance

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2 There are, of course, many other differences between systemic and anti-systemic agencies, such as their analyses on the issue of the state and the dialectics between the radical anti-systemic subject and the capitalist state. Here we dwell on a political economy approach and we prefer not to touch upon this theme. However, we find of paramount importance to distinguish between state apparatus and state power, precisely because the latter concerns the class faction that control the state as a whole and has a dominant position in the social division of labour, whereas the former concept refers to the various branches and institutions of the state, the ministries, local government etc. We find this distinction in
between the interests of workers and the interests of the bourgeoisie under the mediating role of the nation-state. This is what is usually called “the social contract” or “the Keynesian consensus”. As we shall see below, the debate between Bobbio and Napolitano took the form it took because Keynesianism and mass politics had still an important presence and influence in Italy and Europe.

We will first examine Keynesianism and ordoliberalism as systemic (capitalist) alternatives. Then we shall move on to explore the way in which ordoliberalism became the key guiding policy instrument of the European Union. In this context, the corruption of the European social democratic Left by ordoliberalism will be examined. The narrative we lay out here and the experience of the Eurozone crisis provides us with a great lesson, namely, that the EU/Eurozone is such a complex, disciplinarian, institutional-class materiality that cannot be reformed. It can only be overthrown by a coordination of anti-systemic movements employing anti-capitalist alternative strategies at the level of the nation-state first.

2. Keynesianism and Ordoliberalism as (Systemic) Alternatives

There are, therefore, anti-systemic agencies and programmes, as there are systemic ones. The former have, or must have, an anti-capitalist horizon, whether communist, communalistic, libertarian or ecological. The latter remain within the shifting boundaries of capitalist development and exploitation. Capitalism is a dynamic social system that changes constantly. Because capitalism changes in a contradictory manner – for example, as it reproduces wealth it also reproduces poverty – there are differing agencies reflecting and shaping those contradictions. Reformists are not only to be found on the left of the political spectrum trying to improve the conditions of the poor and the deprived (socialist parties, social democratic parties, feminist movements, reformist trade unions fighting only for wage increases, civil rights movements etc.). Interestingly, reformism also flourishes on the right-wing side of politics. Even far more interestingly, key economic policy tenets of a socialist-reformist, systemic agenda can be shared with liberals and even conservative movements and parties.

The most important contribution of Eduard Bernstein in left reformist politics is not so much his refutation of armed struggle as a means to changing capitalism, or his famous statement that “the socialist goal is nothing, the movement is everything”. Rather, his attack on orthodox Marxism was his revisionist stance, in the sense that the left-progressive agency has an almost providential obligation to revise its political strategy any time when capitalism changes in history. Capitalism moved from its liberal, free trade phase of the 19th century, to more robust forms corresponding to its extended reproduction and the fusion between financial and industrial capital necessitating an active state interventionist role also because of the First World War. Bernstein’s proposal corresponded to this important transformation of capitalism. In the event, as Donald Sassoon shows in his wide-ranging and encyclopaedic One Hundred Years of some rare texts of Marx on the British Constitution; later, Lenin in his The State and Revolution, but also other Marxists, especially Nicos Poulantzas in the late 1960s, systematised it further.
Socialism, German social democracy and, indeed, most European social democratic parties, followed Bernstein’s guidance.3

A landmark moment in the capitalist history of the 20th century was the crisis of liberal politics and economics in the 1920s. This crisis brought to government right-wing authoritarian movements and parties, the culmination being the establishment of a Nazi regime in Germany in 1932-33 which imposed strict control on the economy using the state as the main organisational lever of economic development. Fascist, Nazi and dictatorial regimes in Europe between the wars advanced the social productive forces where economic liberalism had failed before.4 For example, Germany overcame the impact of the crash of 1929 relatively unscathed, whereas Italy’s mezzogiorno witnessed significant economic development to the extent that led Antonio Gramsci, from his prison cell, to name these phenomena as passive revolution, because modernisation and development were guided by reactionary, not progressive (left-wing) forces.

Amidst the turmoil of the inter-war period, we had had the development of two very important intellectual currents in politics and economics. They flourished in Germany/Austria and Britain. We refer to the currents of ordoliberalism and that led by Cambridge University economist, John M. Keynes. Keynesianism refuted Say’s law that free markets can equilibrate on the basis of the notion that aggregate supply creates its own aggregate demand. He insisted on a form of state economic management in which aggregate demand should be privileged so that the economic output corresponds “to full employment as nearly as possible.”5 The balancing out of economic activity and markets, according to Keynes, is the result of state interference boosting aggregate demand, that is, labour. No accident, this was the agenda adopted virtually by all social democratic parties in Europe after WWII. It was under Keynesian policy-making that North Atlantic capitalism prospered in the 1950s and 1960s putting right-wing, liberal and conservative parties with their back against the wall. Boosting aggregate demand underpinned the Fordist model of “mass production for mass consumption” in industrial relations. Again, as Donald Sassoon shows in his One Hundred Years of Socialism, those parties, even when found themselves in office, they could hardly change the contours of mass society, not least because capitalist was doing pretty well: unemployment was very low, as was inflation, whereas both wages for workers and profitability in all major centres of capitalism (USA, West Germany and Japan) relatively high.6 As the reformist social democratic Left embraced NATO, so the conservative Right, having no choice, embraced Keynesian policy-making. Clearly, Keynesianism is a pro-systemic reformist programme put together in order to save the capitalist system from collapse and by way of conceding some social and political power to the trade unions and the social democratic Left. However, the case of ordoliberalism, as a revisionist strategy for the entrepreneurial classes, is far more interesting and, by and large, under-examined.

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6 D. Sassoon, One Hundred Years of Socialism: 115-440.
Ordoliberalism is an intellectual and political movement whose origins can be traced back to inter-war Germany and Austria. It formed an attempt to re-invent an inter-disciplinary and all-encompassing model of social and public policy conducive to practical policy application in order to steer the course of government away from the defunct liberalism of the 1920s. Towards the end of the Weimar Republic and after, many sociologists, economists, constitutionalists and other social scientists, not necessarily in contact with each other, began working on theoretical hypotheses drawing on liberal modern traditions of the previous centuries but aiming at providing an inter-disciplinary synthesis going beyond those traditions. A notorious group around Franz Böhm and Walter Eucken was based in the University of Freiburg, hence the attribution of ordoliberal thinking to “Freiburg School”. The key reference point for ordoliberals – and the politico-economic experience to avoid – was the hyper-inflation of the Weimar Republic and the disorder brought about by its political, nearly anarchic, pluralism. The main aim of ordoliberals in Austria and Germany the 1930s came out to be the formation of a policy proposal that goes beyond the failed classical liberalism, but which is also different from the prevailing paradigms of “really existing socialism” and the vogue of Keynesianism as incarnated in Roosevelt’s New Deal and Keynes’ theory of boosting aggregate demand management via state interference and deficit spending. At the same time, the majority of them opposed the Nazi organisation of the German economy. In short, the ordoliberals were liberals but of a peculiar stock: as opposed to free market/free trade liberalism of the 19th century dominated by England and English thinkers, Austro-German “neo-liberals”/ordoliberals envisaged a social economy premised on order and an economic constitution that supports a healthy price mechanism and competition. Some ordoliberals opposed big cartels and monopolies, their thought being a reflection of Germany’s economic model of many SMEs. A view shared by all ordoliberal thinkers was that state institutions and strict legal rules are the mediums for instituting order, not the market itself via its spontaneous mechanisms. Ordoliberalism means rules over and for the market, not market rule. Markets undermine social and economic order and that is why a free economy requires a strong state in command, a robust articulation of political institutions and markets, an Ordnungsgefüge (objective order constellation), as Alfred Müller-Armack called it in 1932. This complex institutional nexus between the state and social economy draws on a “non-political”, disciplinarian rule of law, at the centre of which is a de-politicised central bank mechanism structured on an anti-inflation bias. Forms of authoritarian rule are allowed if/when the price mechanism, that is inflation, gets out of control and free markets and competition are under threat. Ordoliberalism rules via a structured order ordered by the state. This fundamental

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principle of ordoliberal thinking brought some of them, such as Müller-Armack himself, very close to the Nazi party and Carl Schmitt’s theory of the “state of exception” 9.

Undeniably, this can be called nothing else but right-wing reformism _cum_ revisionism. _Reformism_, because it seeks to reform the state-market nexus in order to achieve a more orderly capitalism; _right-wing_ because the betterment of capitalism is primarily for the supply-side of the system, i.e., the enterprises and their personifications, the capitalists; and _revisionist_ because it sets out a new policy that corresponds to a new phase of capitalist development after the crash of 1929, yet, a non-Keynesian policy. Overall, ordoliberalism is a pro-systemic alternative, but it differs from other systemic alternatives, such as Keynesianism and the classical liberalism of the 19th century.

The ordoliberal reconstruction of liberal doctrines was somewhat formalised in the notorious “Walter Lippmann Colloquium”, or _Colloque_, held over five days in central Paris, from 26 to 30 August 1938. Most arch-ordoliberals, from Friedrich von Hayek to Alexander Rüstow and from Wilhelm Röpke to Ludwig von Mises, were there (Eucken was invited to attend but the Nazi authorities did not give him permission to leave Germany). Along with businessmen, French economists and philosophers, such as Raymond Aron, the _Colloque_ launched effectively a _neo-liberal international collective_, an effort that the war interrupted but was to be re-launched in the Swiss resort of Mont Pelerin in 1947 under the leadership of von Hayek 10. With the founding of the Mont Pelerin Society, ordoliberalism/neo-liberalism is in business simply because it began influencing directly post-war political establishments in Europe and the USA. Milton Friedman attended the opening meeting of the Society, helping him systematise neo-liberal economics at the University of Chicago in the 1950s, whereas Ludwig Erhard, West Germany’s Minister of Economy from 1949 to 1963 and Chancellor from 1963 to 1966, joined Mont Pellerin in 1950.

Although descriptive and brief, the above discussion demolishes, among others, the myth that neo-liberalism is an Anglo-American phenomenon. Matters, rather, are far more complex and many authors have reasonable historical grounds to argue that neo-liberalism, in the form of ordoliberalism as it was shaped in inter-war Germany and Austria, preceded the neo-classical economics of the Chicago School 11. _Anglo-American neo-liberalism resulted from the German-Austrian matrix of ordoliberalism, not vice versa_. Thus, both movements and policy proposals share many things in common, although ordoliberals tend to give emphasis more to the role of institutions and their disciplinarian and de-politicising capacity via law, whereas (Anglo-American) neo-liberals do not see free markets as disruptive and disorderly. For our purposes here that, among others, aim at showing the way in which German ordoliberalism was transposed onto EU Treaties over the decades since the 1957 Treaty of Rome, the most significant contributions to

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10 P. Mirowski-D. Plehwe (eds.), _The Road from Mont Pelerin: 45-67_.

3. The Ordoliberal Origins of the European Union

The origins of the European Union today are to be found in ordoliberalism. As such, it is an extension of the German-Austrian model of capitalist development across the EU, although this does not make the EU flat or an extension of Germany. There are massive regional variations and discrepancies within the EU and the development, as Marx and Marxists have always argued, is rather both combined and uneven at the same time, hence the debt crisis that inflicted the EU/Eurozone and the disintegrative tendencies of Euro-Atlanticism as a whole.\(^\text{12}\)

In a 1939 essay titled “The Economic Conditions of Interstate Federalism”, Hayek presented a blueprint on how a European federation could work by way of removing impediments to the free movement of “men, goods, and capital”, as he put it.\(^\text{13}\) As long as a “single market” is in place, Hayek wrote, prices and wages would tend to match production costs across the continent. All that is needed to achieve a balanced price system without state interference is a federal regulatory framework whose aim would be to reduce and even eliminate state interference, undermining state support for domestic industries and eliminating independent monetary policies. Effectively, Hayek advocated the setting up of a liberal framework of rules across Europe in order to eliminate the power of nation-states, making them instead serve “interstate liberal-federal” rules. From this perspective, national currencies and sovereignties disappear. Arguably, the “framework” envisaged by Hayek adumbrates nothing more and nothing less than the binding neo-ordoliberal Treaties of the EEC/EC/EU, which in a single market mechanism eliminate the power of nation-states that signed up to those Treaties. In this respect, monetary sovereignty is paramount: interstate (co)federal principles dictate that a state’s central bank liquidity and interest rate is determined by the federation’s central bank that sits outside the jurisdiction of that state proper. Clearly, this indicates loss of monetary sovereignty, which is a fundamental aspect of national sovereignty. Moreover, interstate (co)federalism prohibits recycling of surpluses across the (co)federated states and societies, thus depriving of any help the debtor states and the poor. Clearly, this is an anti-Keynesian principle blocking deficit spending and aid. At the same time, it indicates democratic deficit because the federated central bank mechanism is over and above any socio-political control and check, unassailable from social struggle and political pressures that occur within the nation-state proper. For Hayek and the ordoliberals, the price mechanism, that is, the control of inflation and the framework of rules within which a competitive order can exist and thrive, is of utmost importance.


In post-war (West) Germany, Müller-Armack was directly involved in economic policy and the construction of the European project. He, under the command of his Minister, Erhard, was Germany’s chief negotiator in the Treaty of Rome, which proclaims without hesitation “the establishment of a regime ensuring that competition is not distorted in the common market”, facilitating an increase in the “competitive strength of enterprises”. To this effect, state aid, considered as a factor that distorts the price mechanism and the market, was to be proscribed by the 1957 Treaty. Having established the basic economic liberties (free movement of people, capital, services and goods), the Treaty constitutionalised the “social market economy” notion, *Marktwirtschaft*, put forth and theorised by the German negotiator already in 1932. Ever since the Treaty of Rome, *Marktwirtschaft* represents the most fundamental aspect of Europe’s *acquis*, which is effectively the EU’s Constitution today endorsed by the European Court of Justice and upheld by the Commission and the Council.

To understand *Marktwirtschaft* it is important that one begins to understand society not as an organism divided into classes and constantly permeated by class struggle – in fact, a Marxist would argue that classes exists only *through* class struggle – but as an ontology premised on *competition*, whether individual or entrepreneurial. Müller-Armack explained that market is “social” because it pleases the choices of the consumer and puts pressure, through competition, on enterprises and workers to improve productivity and quality of the end-product to be consumed. Keynesians and socialists criticised this by counter-arguing that such a postulate undermines social cohesion and solidarity and cannot be “social” or “socialist”. Müller-Armack responded by saying that *Marktwirtschaft* is not the same with the notion of a *liberal* economy, because *Marktwirtschaft* is desired by society and represents a collective choice. It is a social machine in need of a regulatory economic constitution, because this type of regulation orders a fair competition between enterprises and checks the price mechanism. In addition, this regulation-institutional interference aims at constructing individuals responsible for their actions, not individuals expecting to receive welfare benefits at the expense of the taxpayer. In effect, *Marktwirtschaft* turns the individual and his biological shelf from being an antagonist to the market relations and the enterprise to a co-responsible human being seeing his/her interests as identical with that of the market and the enterprise. Individualism is a cultural condition to be constructed and not left to the spontaneous mechanism of free markets. In this respect, *Marktwirtschaft* directly opposes the Keynesian welfare state and socialist alternatives, as well as *laissez-faire*. However, because of the embeddedness of the Bismarckian welfare state in Germany, an embeddedness that continued throughout the Cold War, the ordoliberals had more success in Europe with this policy notion in the long run, than in Germany itself.

In the beginning, ordoliberals faced a couple of serious obstacles in Europe, especially during the 1950s and 1960s. Above all, they had to come to grips with the dominant position of Keynesian policy-making – with all its variations – within the nation-states and the virtuous cycle of capitalist development – the so-called “Golden Age of capitalism” (1945-1970). Due to the early stages of the process of European integration,

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ordoliberals and *Marktwirtschaft* had to strike a compromise, especially with the French who, despite having problems matching the dominant position of the D-Mark in the common market, were extremely hesitant to give away national power without surrendering the D-Mark in an (exchange rate) mechanism providing currency stability across the common market. Nevertheless, the ordoliberals had left an important imprint on the common market and its subsequent governing structures from the very beginning: given that the institutions of the EU did not evolve in response to class struggle and political-social pressures – its life began as a cartel of steel and coal which controlled prices and output by means of an unelected bureaucracy – it enjoyed all the requisites to develop into a governing aggregation of rules and norms at a later stage, resembling the German-Austrian ordoliberal model of capitalism. The turning points were the collapse of Keynesianism in the *stagflation* (economic stagnation accompanied by high inflation) of the 1970s and Francois Mitterrand’s U-turn in 1983 when, unable to compete with the D-mark in the EMS, abandoned his nationalisation programme and committed France to the single market that adumbrated the Maastricht Treaty (1991-2) and the launch of the Euro in 1999 (2001 for Greece). In this respect, the Growth and Stability Pact, formalised via Council resolution in 1997, had been the most ordoliberal set of rules ever.

4. First Set of Conclusions and Key Policy Tenets of Ordoliberalism

We can now draw a few conclusions.

First, it is important to understand that German-Austrian ordoliberalism, as a systematic and pro-systemic elaboration of a neo-liberal thought collective in and for continental Europe, preceded Anglo-American neo-liberal thought and practice. This is very significant, because due to the linkages between ordoliberalism and policy-making, the German model of post-war capitalist development accommodated a number of neo-liberal elements that British capitalism was not able to incorporate, launching instead a welfare state and an aggregate demand management policy along Keynesian postulates. Neo-liberalism triumphed in Britain with the advent of Margaret Thatcher in power in 1979, who employed a policy similar to a kind of “shock therapy”, destroying the industrial capacity of the country and building a social economy on the dominance of financial services and the banks. In Germany, the transition to a full-fledged ordoliberal-cum-neo-liberal process took much

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15 It was De Gaulle’s France, through his Finance Minister, Valéry Giscard d’Estaing, who in March 1964 proposed to his German counter-part, Herr Schmücker, a common currency. This came as a surprise to the Germans but this sort of semi-structured and rather secret meetings continued through to the 1970s, when eventually an abortive EMS was established. Germany’s objection throughout had been that it cannot give up its currency without first putting in place a political (European) union. De Gaulle aimed at undermining the dominant position of the dollar as a reserve currency and wanted to connect Europe with the Soviet Union geo-politically. Henry Kissinger, who could see the dominant economic position (West) Germany was already assuming within the common market, asked De Gaulle how France would prevent Germany from dominating the continent. The General’s answer was: “par la guerre!”. See, among others, Y. Varoufakis, *And the Weak Suffer what they Must?*, London: Vintage, 2016: 20-56.
longer, it was orderly and without destroying the exporting industrial capacity of the country. During the Cold War there had been a constant fight between the dominance of Keynesianism and the up and coming of ordoliberalism both in Germany and Europe. Müller-Armack’s Marktwaertchaft represented an unstable equilibrium of compromises with Keynesian policy-making, that is, the centrality of the welfare state, high wages and nationalised industry.

The stagflation of the 1970s – economic stagnation accompanied by high inflation – shattered the Keynesian consensus across Europe. The capitalist system destroyed one of its systemic public policy alternatives, simply because capitalists and their political elites cannot fully control capitalism as a structural-contradictory movement. This historical process enthroned ordoliberalism in power, formalised in the Single European Act of 1986-7 and the Maastricht Treaty. The Maastricht Treaty was a triumph for the German-Austrian ordoliberalism at the European level and represents the structural and dominant power of German capitalism in Europe. From being a surplus state with a stable currency during the Cold War, Germany comes to institutionalise its primacy in Europe via a number of Treaties pointing to the launch of a single currency and a European Central Bank modelled after the Bundesbank. Obviously, the French had miscalculated: the single currency they proposed in the 1960s turned out to be a camouflaged D-Mark under the watchful eye of a strictly independent and “de-politicised” European Central Bank, committed to anti-inflation policies – same as the Bundesbank. A Treaty commitment was that surplus countries, such as Germany, could not bailout debtor countries, such as Italy or Greece16.

The second major point that needs to be made is that the construction of Europe had been an anti-socialist/anti-Keynesian project from the very beginning, although, as we saw earlier an unstable equilibrium of compromises was struck between Keynesianism and ordoliberalism in Germany before the start of stagflation. This, and the fact that Keynesianism delivered prosperity for all, capital and labour, put a break on the spread of ordoliberal rule via the Treaties of the EEC. However, after especially the defeat of Mitterrand’s socialist programme in France in the early 1980s, ordoliberalism unleashed. Importantly, as the project was unfolding through the establishment of a binding ordoliberal framework of rules and norms undermining state-national sovereignty – von Hayek’s blueprint – those signing up to those rules and norms were effectively entering an “iron cage” from which it was almost impossible to escape17.

Let us lay out the key policy tenets of ordoliberalism/neo-liberalism as they result from our analyses. We emphasise again that all these policy tenets represent material constraints and constitutional commitments and are inserted in the EU Treaties binding all EU/Eurozone national polities to adhering to them:

1. Sound money and anti-inflation policies
2. Balanced budgets and exclusion of bailouts
3. Anti-trust legislation and (fair) competition policy
4. Complete independence of the central bank mechanism

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5. Export-led growth
6. Rule of law, social discipline and biopolitics via *Marktwirtschaft*
7. Strong institutional framework (the “economic constitution”) embedded in – and ordering – free markets

Having said this, the economic and political Constitution of the EU is but a supply-side Constitution, overturning the demand-led democratic constitutional arrangements struck within the nation-states of Europe under pressure from social struggle. From this perspective, the EU has always had a “democratic deficit”, a drawback transformed into straightforward managerial authoritarianism, soon after the banking crisis appeared in the horizon as a result of the global financial crisis.

5. The Making of the Ordoliberal Left: A Bird’s Eye Glimpse

Political parties are agencies that always operate within a given set of material-institutional constraints laid out by national and international class structures and interests. At the same time, as active participants of social and political struggle – and this is valid especially for the parties of the Left – they are in a position, at least in theory, to push the boundaries of those constraints bringing them closer to the class interests these parties are committed to. The Right has a moral and class obligation to push the boundaries towards the maximisation of profit for the enterprises, while holding onto political class power; the Left has a moral and class obligation to push those boundaries towards high wages and social welfare. The question of state power for the Left, a question distinct from that of governmental power, arises always at the level of nation-state when a left political party is able to project the interests of the class it represents as broader popular-national interest – the issue of working class hegemony within the broad ensemble of subaltern classes – without relinquishing the primacy of the core class it represents – that is, the working class. The question of socialism and state power arises from the moment in which the subaltern classes can suppress the bourgeoisie and alter the relations of production (property relations) and the markets corresponding to them. Historically, this issue has been posed only in radical-revolutionary periods in world history (the Russian revolution, the Chinese revolution, the de-colonisation period, the Cuban revolution etc.). Here, we confine ourselves to the case of the social democratic, Keynesian Left.

Sadly, the Keynesian Left, being a pro-systemic reformist movement, did not want to push the boundaries of capital accumulation towards a new balance of power between labour and capital in favour of the former during the post-stagflation years. As we know, Right-wing parties did, pushing towards neo-liberal/ordoliberal globalisation/financialisation, because this was deemed to be the remedy for the falling

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18 We accept the distinction – see also footnote 2 – between state power and governmental power. A left-wing party may be in governmental power but without controlling key sections of the bourgeois state power, such as the Ministry of Defence or the Interior Ministry. Also, it may not be in a position to organise the national economy alongside socialist principles due to a lack of hegemonic support in society. Antonio Gramsci has elaborated the issue of class hegemony in his *Quaderni del carcere*. The bibliography on these themes is immense.
tendency of the (average) rate of profit. But problems do not end here. The parties of the Left not only did fail to push the class boundaries of capitalism in favour of the subaltern classes, but also contributed to the shaping and strengthening of those boundaries together with the neo-liberal Right against the class and popular interests they supposedly represented. Let us have a brief look at that process.

The German SPD was not the kind of party that could push class boundaries in favour of the working class and its allies. Bound by its reformist-revisionist tradition of Eduard Bernstein – “the movement is everything, the end-aim (of socialism) nothing” – the SPD at its Bad Godesberg programme of 1959 abandoned not just class struggle and nationalisations but, in a significance concession to the ordoliberalism of Marktwirtschaft, its programme will state most dramatically that Germany needs “as much competition as possible and as much planning as necessary”19. German trade unions were incorporated not only into government, but were also placed into boardrooms, “where unionists sat next to company directors, delivering wage restraint in return for power”20.

French neo-revisionism, as we briefly stated above, began with the abandonment of the Keynesian programme by Mitterrand in 1983. In Britain, matters were more complicated. The Labour Party had laid the foundations of the British welfare state in the 1940s, and the 1960s and 1970s were dominated by Labour governments resisting neo-liberal reform, whether it was coming through the country’s EEC membership or through internal pressure. It took the party sixteen years from 1979 – when it lost power to Thatcher’s triumphant neo-liberal project amid a dramatic economic crisis – to come to grips with its commitment to socialism and nationalisations, abolishing the famous “clause 4” in 1994 under the neo-revisionist “Third Way” leadership of Tony Blair. This neo-revisionist act, a direct concession to German ordoliberalism rather than Anglo-American neo-liberalism as we shall see below, paved Blair’s way to governmental power21. Effectively, the Labour Party did not simply accept the new constraints imposed by Thatcher’s neo-liberal reforms, setting out the new boundaries within which the political and economic game should take place; in the event, it began a journey as an active institutional participant in shaping and strengthening neo-liberal financialisation from positions of governmental power. Under Tony Blair, the Labour Party became part and parcel of the process of neo-liberal financialisation adopting key tenets of German ordoliberal EU, something which Thatcher fought against.

We should not forget that Britain is a very peculiar case. Historically, Britain has always been with one foot in Europe and with the other in the world as a global imperial power. She preferred to manage German affairs and expansionist designs in East-Central Europe and the Balkans via France, and French affairs and designs via Germany. An off-shore balancer, Britain mastered the largest formal empire in history, only to lose its primacy and retreat, like other European colonial powers, after WWII. Because of its

19 D. Sassoon, One Hundred Years of Socialism: 250.
20 Y. Varoufakis, And the Weak Suffer what they Must?: 63.
21 We insist on this point: Blair was and remains the most ardent supporter in Britain of the Germany model of capitalism and efficiency, witness the fact of his pro-Remain campaign over the issue of Brexit today in Britain, undermining the Labour Party of Jeremy Corbyn, which tries to abolish austerity via a left Keynesian agenda. This, certainly, cannot take place within the EU, but this is something we cannot discuss in detail here.

230 Spazio Filosofico, IX, n. 24 (2/2019): Alternativa, pp. 219-236
geographical position, naval-commercial power and the role of the City as the globe’s main financial centre, Britain has always had a lukewarm relationship with Europe. Edward Heath, Britain’s conservative PM in 1973 and the most pro-European Prime Ministers Britain ever had, managed to overcome French – and inner-party – objections, achieving EEC membership. Labour had had the same internal divides, but the socialist star of Labour politics, Tony Benn, vehemently criticised the European project as a capitalist and undemocratic endeavour. Thatcher herself – although she and the majority of her ruling group were arch neo-liberals inspired by von Hayek’s work – never agreed to concede monetary sovereignty to Brussels and, via it, to Germany. In her last parliamentary speech on 22 November 1990, she would argue that Europe’s future central bank would be accountable to no parliament and such a bank would be completely undemocratic.

She was right. Not because she had any intention to criticise the EU from reformist social democratic positions, as Tony Benn and others were doing at the time, but because her ideological formation and political aim was to sustain a neo-liberal project at home under the aegis of Westminster, while re-launching Britain as a neo-imperial power abroad re-imagining/re-inventing empire driving global finance. There are elements of realism in Thatcher’s view. By turning Britain into the globe’s financial hub in the era of globalisation, Thatcherite neo-liberalism wanted to turn Britain into the gatekeeper of financialisation and supply-chains of global production networks, by-passing Europe that was being dominated by Germany anyway. However, Blair’s “Third Way” neo-revisionism went beyond Thatcher’s Euroscepticism, embracing the ordoliberal agenda comprehensively.

Blair’s new Labour Party assumed office in 1996, in the midst of Bill Clinton’s successful Presidential terms and when the bubble of neo-liberal financialisation was in full swing. The Wall Street and the City of London had already become the hubs of a triumphant global capitalism, delivering prosperity, low inflation, high financial profits, easy borrowing at teaser interest rates and all this in a global environment freed from any global competitor after the collapse of the Soviet Union and its satellite states. It seemed like the “end of history” was at hand. Unimpeded, NATO and the EEC/EU headed eastwards, providing new members with security and neo-liberal conditionality: you reform your economy in a free market direction “becoming prosperous like us”, and...

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22 Thatcher answered the question by Alan Beith – a Liberal Democrat – about whether she would continue her fight against a single currency and an independent central bank – as follows (before she could answer, another MP interjected: “No, she’s going to be a governor”): “What a good idea”, Thatcher boasted, answering to the interjection. “I had not thought of it. But if I were, there would be no European Central Bank accountable to no one, least of all to national parliaments. Because under that kind of central bank there will be no democracy [and the central bank] taking powers away from every single parliament and be able to have a single currency and a monetary policy and an interest rate policy that takes away from us all political power” (readers should visit YouTube and type into the search box “Margaret Thatcher’s last speech as PM”).

23 After the Brexit vote of summer 2016, Blair fought for a second referendum hoping to “withdraw the withdrawal”, as the late Stephen Haseler put it to V.K. Fouskas in a private conversation; see also V.K. Fouskas, “Against a second Brexit referendum,” opendemocracy.net, First published online 1, December 2018, (https://www.opendemocracy.net/en/can-europe-make-it/against-second-brexit-referendum/).
then you join the two clubs. Interestingly, what triggered the bombing of Belgrade and Yugoslavia in 1999 by NATO forces was the refusal on the part of the Yugoslav delegation at Rambouillet of the so-called “Appendix B”, which stipulated, among others, that Yugoslavia should accept free market economic principles (the other two conditions were that within three years the Kosovars should be given the chance of voting for independence and possible annexation to Albania; and that NATO forces should be given permission to deploy not only in Kosovo but anywhere in Yugoslavia). Blair’s new Labour Party was one of the most hawkish advocates of NATO’s bombing campaign, a fact that demonstrated clearly that “Third Way” lacks any separate foreign policy instrument, as this is nothing more and nothing less but mere neo-imperialism led by the USA in post-Cold War conditions. But did “Third Way” have a distinct, progressive economic and social policy?

Tony Blair did not challenge the global neo-imperial role Thatcher envisaged for Britain in the context of neo-liberal financialisation. However, he saw that role as supplementing Britain’s role in the EU. In this respect, he had been Britain’s ordoliberal politician par excellence. In more than one occasion, and having abolished the Labour Party’s constitutional commitment to socialism as enshrined in clause 4 before he assumed office, he stressed that “old fashioned state intervention did not and cannot work. But neither does naïve reliance on markets. The government must promote competition, stimulating enterprise, flexibility and innovation by opening markets (…) In government, in business, in our universities and throughout society we must do much more to foster a new entrepreneurial spirit”.

Revealingly, in June 1998, Blair signed jointly with Gerhard Schroeder, Germany’s chancellor and SPD leader, a “working paper” laying out in full the ordoliberal agenda of the Left in Europe. The initiative was sponsored by the SPD’s think-tank, Friedrich Ebert Stiftung. The “trademark of this approach”, the two leaders argued, is the “New Centre” in Germany and the “Third Way” in Britain. And after confirming that both political forces “share a common destiny within the European Union”, they go on to assert that “the essential function of the market must be complemented and improved by political action, not hampered by it”. Moreover, public expenditure is not an end in itself but must be used in order to “enable people to help themselves”. In a direct attack on the welfare state, both leaders argued that “universal safeguards”, must cease to be the norm; in their stead, what needs to be promoted is the “importance of individual and business enterprise to the creation of wealth”. “Left-wing” ideas, the paper continued, “should not become an ideological straitjacket” and globalisation should be promoted by government action that “create conditions in which existing business can prosper and adapt, and new businesses can be set up and grow” by way of boosting “efficiency, competition and high performance”. And in an attempt to address Europe’s

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unemployment challenge, which is “far too high” in some countries, the authors revealingly state: “To address this challenge, Europe’s social democrats must together formulate and implement a new supply-side agenda for the Left”, setting out a “robust competitive market framework” (our emphasis). This “supply-side agenda” is essential as it will put a break on the government’s borrowing requirement, addressing the issue of debt. Deficit spending – one of the pillars of Keynesianism – should be avoided. Further, high taxation on corporations is excluded, because they lower profits and competitiveness, while jeopardising jobs. Having a part-time job is better than having no job at all and “flexible markets are a modern social democratic aim”. The joint paper goes on to explain the notions of “human and social capital”, two fields that in a “modern service and knowledge-based economy” mean continuous education and vocational training, whereas public investment should be well-calculated and “directed at activities most beneficial to growth and fostering necessary structural change”.

Blair joins openly the agenda of Europe’s ordoliberal Left embracing all of its postulates. Crucially, both leaders avoid to tackle perplexing issues, such as the role of the ECB or the constraints imposed on each EU government by the EU’s ordoliberal acquis, issues that Thatcher tackled head on by denouncing close links with the “Brussels bureaucracy” as unaccountable and undemocratic. At times, he – and Schroeder, for that matter – conceive of the EU and the regulatory framework it provides somewhat disingenuously, when they state that “companies must not be gagged by rules and regulations”, as if they were unaware of the EU’s cumbersome competition policy and anti-trust legislation.

At home, Blair followed a two-prong ordoliberal policy. On the one hand, he conceded operational independence to the Bank of England to set interest rates in order to keep inflation under control but, on the other, he actively promoted asset price inflation, especially in the housing sector, a key feature of the financialisation bubble in the Anglo-American world and elsewhere, such as Spain. Thus, when the neo-imperial financialisation chain blew up in 2007-08 necessitating the pumping of trillions of taxpayer money into the banking sector to save capitalism from total collapse, neither Schroeder’s “New Centre” nor Blair’s “Third Way” should be considered as innocent. They were directly involved in the shaping of neo-liberal globalisation/financialisation by way of not just adopting the ordoliberal book in its entirety, but also by contributing to the writing of its very rules and misleading the public who voted for them.

The punishment, as well all know, did not take long to come. One after the other, the ordoliberal/neo-revisionist Left parties across Europe collapsed, creating ample space for the emergence of the radical-xenophobic Right, but also of the radical Left. In some cases, such as the British Labour Party under the leadership of Jeremy Corbyn, ordoliberal left principles became thwarted from within the party. In other cases, such as in Spain, new radical-left aggregations were born, contesting enduring austerity and bondage. In Greece, Syriza, a promising radical party, swept to power in January 2015 on an anti-austerity agenda, only to capitulate, after six months of bitter negotiations with the troika and after over-turning a popular referendum outcome that voted against ordoliberal austerity. At any event, the Eurozone crisis was not just a lesson for the ordoliberal European Left. It represents a lesson for the ordoliberal movement as a whole. For all the safety valves and regulation guarantees offered by the strong hand of
the ECB, the Commission, the Council and the European Court of Justice, free market capitalism proved to be an animal too difficult to be tamed. The ordoliberal Treaties of the EU proved to be useless pieces of paper, not worthy the ink and the paper upon which they were penned down. The banking sector of the North Atlantic area was extremely intertwined – this is, in fact, one of the key dimensions of financialisation. In the end, it required massive cynicism cum political anxiety on the part of the European elites to launch an entire operation in which the core surplus states of the EU could displace their banking crisis to periphery states (Ireland, Greece, Spain and Portugal), imposing on them unprecedented austerity measures through bailout agreements offered and forced on humiliating, neo-colonial terms.

6. By Way of a Conclusion: On What Basis Can the Left Re-Launch an Alternative Radical Project in Europe?

We have put forth the following arguments:

First, taking advantage from a debate within the Italian Left, and following a political economy analysis drawn from the Marxist tradition, we saw that “alternatives” can be systemic and anti-systemic. An anti-systemic alternative requires a rupture with the capitalist mode of production, whereas a systemic one does not. We have also reviewed briefly Bernstein’s work, which argues that when capitalism changes the strategy of the socialist party must also change. Following Bernstein’s guidance, the reformist/systemic Left had changed and adapted its political strategy in order to accommodate within the newly formed policy constraints imposed by the capitalist system as it developed in the 20th century.

We have also focused on two very important pro-systemic alternatives, Keynesianism and ordoliberalism, both developed during the inter-war period but implemented, especially in Europe, after WWII. In particular, we shed light on German-Austrian ordoliberalism deciphering its intellectual premises, policy tenets and innovative approach to supply-side economics. We have argued that Germany began exporting her ordoliberal public policy model after the breakdown of the Keynesian consensus in the mid-1970s and the failure of Mitterrand’s socialist party in France to deliver nationalisations and pro-welfare reforms. The creation of the single market and the Treaty of Maastricht was a triumph of German ordoliberalism across Europe. All EC/EU Treaties and directives, in other words, the entire acquis communautaire, are ordoliberal institutional structures and it is in this sense that Germany dominates the EU.

By looking at the German SPD and the British Labour Party, we have argued that the pro-systemic, reformist and neo-revisionist Left across the EU had not only adopted the neo-liberal policy directives stemming from the world of financialised capitalism, but also contributed to the shaping and advancement of its boundaries from governmental positions, the typical cases being Germany’s SPD and the British Labour Party under Tony Blair.

We have affirmed that the EU and, for that matter, the Eurozone operates within strict ordoliberal rules on grounds of an economic constitution based on low inflation, low wages, fair competition policies and export-led growth. Because of its ordoliberal
bias, social economy and economic institutions should be completely de-politicised: social and political struggle and negotiation are not permissible interactions under ordoliberal disciplinarian and technocratic regimes. Further, Europe’s economic constitution, because it is ordoliberal and anti-Keynesian, allows no state aid and no recycling of surpluses from surplus to deficit states. Thus, in times of crisis, the reinforcement of this constitution brings about the bondage of austerity, which is a new authoritarianism27. Pro-systemic reformist parties across the EU have adopted entirely the authoritarian agenda of imperial bondage and austerity, the result being the creation of a massive space on the left and the right of political spectrum which radical parties of the Left and Right can occupy28. For the time being, it is the extreme xenophobic Right that has mostly taken advantage of this political vacuum. The radical Left, especially after the capitulation of Syriza in Greece in summer 2015, continues to lose support.

What, then, needs to be done? The simple answer is that the radical anti-systemic Left should start from home, that is, the level of nation-state. A more complex answer requires an advancement of the narrative and the positions we have upheld so far.

The Greek experience shows that the EU cannot be reformed from within. This was not just because Greece was a small state, so other bigger EU states have better chances. This is a wrong conclusion to be drawn. Bigger states can only get better deals even by way of somewhat by-passing the normative framework of the Treaties (this happened many times in the past, especially with France). But bigger states cannot get rid of the Treaties that have signed up to. Thus, with the passage of time, even bigger EU states would be losing bargaining chips in their negotiations with Germany/European Commission. The economic constitution of Europe is a complex institutional materiality cut across by transnational class interests that stand against income distribution, that is, any form of Keynesian-socialist contract. This bureaucratic and class complexity is upheld by myriad of rules and norms, endorsed by the European Court of Justice, the Council and the Commission and, significantly, by the banking sector and a central bank tailored after Germany’s Bundesbank. These are wholly de-politicised apparatuses, lacking democracy and any form of democratic accountability. The European Central Bank sets the interest rate across the Eurozone and even defines the movement of non-EU currencies that have pegged themselves against the Euro. There is no national-popular sovereignty. To all intents and purposes, these Euro-institutions are unrefordable. Herein lies the utopia of those who believe that a European Keynesian state re-distributing wealth and transferring the function of the Keynesian state at pan-

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27 A number of new Treaties have come into force after the advent of the Eurozone crisis, such as the European Semester programme and the Fiscal Compact, tightening the control of governments by the Commission alongside a programme of pan-European austerity that no-one knows or can predict how long it will last. These are deeply authoritarian/disciplinarian procedures imposing almost neo-colonial controls on the governments of the EU/Eurozone. We have examined these processes and new Treaties in our The Disintegration of Euro-Atlanticism.

European level is possible. This, nevertheless begs the question: How can a radical alternative moving beyond capitalism start at the moment when even Keynesian instruments at state level are absent (e.g. a national central bank, control of the national budget, the right to nationalise etc.)?

This question is a matter of political-strategic intervention and programme. Politics and left-wing politicians that still have an anti-systemic alternative vision, that is, a design outlining the contours of a different society beyond capitalist profiteering, they should find ways to inspire what Gramsci used to call “the national-popular” as the first step towards the realisation of that design. We have to start from the “national-popular”, because there is no such a thing as European demos. Building a Euro-Keynesian Left is more utopian than a programmatic claim aspiring to build communism in the USA. If this is correct, and given the crisis of financialised capitalism and the rise of China, then the issue of the “radical transformation of society”, over which Napolitano and Bobbio argued some 30-40 years ago, can be posed with some significant possibilities for success.

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29 One could argue that radical right-wing movements have also an anti-systemic character: they fight against the corruption of politicians and the rich club of European elites, oppose the EU and the Euro, protect local workers against illegal immigration etc. No doubt, alt-Right movements and xenophobic parties have a strong racist and supremacist component. At the same time, they are against neo-liberalism and ordoliberalism, such as the AfD (Alternative for Germany) party in Germany or Marine Le Pen’s party in France (similar movements there are in Hungary, Poland, Greece and elsewhere in Europe, especially in Italy). However, these parties, although against neo-liberalism and the EU, are not anti-systemic on the basis of the definition we have provided here, a definition that draws from Marxism. They do not possess an alternative/anti-systemic strategy. Anti-systemic movements are anti-capitalist movements aspiring to build a society that goes beyond the capitalist division of labour and exploitation. Thus, radical anti-capitalists in Europe today have every reason to say both “Migrants Welcome” and put forth an agenda for exit from the EU/Eurozone in order to start building socialism at home first.