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The Contradictions of 'Embedded Neoliberalism' and Europe's Multi-level Legitimacy Crisis: The European Project and its Limits

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Introduction

The sudden and unexpected death that the European Constitution met in French and Dutch voting booths in the late spring of 2005, and the post-referendum blues that followed it, brought into the open a legitimacy crisis of the European project that had been looming for years, and that arguably will now deepen with the Irish rejection of the Lisbon reform treaty that was intended to replace the failed Constitution. What is in fact a *multi-level* legitimacy crisis – inasmuch as national states find it equally hard to maintain the legitimacy of their policy output and national governments often blame Europe in the process[1] – has called into question the coherence and foundations of the European integration process as a political and socio-economic *project*, which has been guiding the restructuring of state–society relations within Europe's transnational political economy over the past decades.

Next to the political crisis besetting European governance, the European economy has also been rather stagnant since the turn of the millennium – with the more recent cyclical upswing now being threatened again by the rapidly unfolding global credit crisis. The ambitious goal to become the 'most competitive' economy in the world by 2010, set at the Lisbon summit of March 2000 (European Council, 2000), has turned out to be illusory. Arguably, the crisis of European governance and the disappointing (socio-)economic performance of recent years are related inasmuch both are signs of, as well as feed into, a weakening of the European project, both internally, vis-à-vis Europe's populations, and externally, within the global political economy. As argued in the introduction to this volume, the European project in its current form is reaching its limits. A central claim put forward in this chapter is that we can only understand the currently manifest political limits to the European integration project in light of the fundamental contradictions inherent in the *socio-economic content* and related substantive output of European governance.

As I have argued elsewhere (Van Apeldoorn, 2001, 2002) this content may be understood in terms of what I have called ‘embedded neoliberalism’, reflecting a *hegemonic project* or what we could also call a *comprehensive concept of control* articulated and propagated by – and reflecting as well as mediating the interests of – social and political forces bound up with transnational European capital (see the introduction to this volume for an elaboration of these concepts). Embedded neoliberalism is here seen as a *hegemonic* project inasmuch as it seeks to advance neoliberalism through a strategy of incorporating, and ideologically neutralizing, rival projects.

Analysing the nature of this embedded neoliberal project – focusing in particular on its inherent contradictions and the implications of those contradictions in terms of sustaining the project’s necessary levels of mass legitimacy – the main purpose of this chapter is thus to come to an understanding of current neoliberal European governance, and of its limits. This chapter is divided into two main parts. The first analyses embedded neoliberalism as a project in which the freedom of capital and the primacy of markets is ideologically articulated with the subordinate interests of productive capital as well as of organized labour, and seeks to demonstrate how this hegemonic project is expressed in current European Union (EU) socio-economic governance. What made this project hegemonic is also what now lies at the origin of its potential unravelling: the attempt to articulate discursively the goals of ‘competitiveness’ – defined in neoliberal terms – and ‘social cohesion’, while in practice promoting the first at the EU level and leaving the latter the responsibility of the Member States. The embeddedness of embedded neoliberalism is thus to be found primarily at the national level while supranational marketization at the same time continues to hollow out that embeddedness. This, then, is at the core of the contradictions of the embedded neoliberal European project.

These contradictions, their class nature and their political implications will be analysed in the second part. As in recent years European governance has become even more thoroughly neoliberal, the incompatibility of the Polanyian principles of ‘economic liberalism’ and ‘social protection’ (Polanyi, 1957: 132) have also come more to the fore. In addition, deepening capital market integration and a concomitant project of a marketization of corporate control also highlight the potential contradictions between productive capital and money capital.[2] Examining some of the implications of these contradictions, I argue that they reveal the political limits of the current European project, as they have become manifest in an unfolding multi-level legitimacy crisis and a growing contestation of neoliberal governance. The chapter ends by concluding that we might well be witnessing the unmaking of embedded neoliberalism. Given especially the lack of any coherent alternative on the horizon, however, this unmaking for the moment does not seem to imply an end to European neoliberal governance as such but rather merely a deepening of its political crisis.

Embedded neoliberalism as a transnational hegemonic project

The origins of embedded neoliberalism lie in the twin crises of European capitalism (Boltho, 1982) and of the European integration project. Both reached a new low point in the early 1980s. The subsequent relaunching of the integration process through the internal market programme and the Single European Act (SEA) can be seen as a supranational response to this crisis, but one that revolved around and was mediated through three contending responses or transnational strategic projects. As argued extensively elsewhere (see Van Apeldoorn, 2002), three such rival projects can be identified for the period of the second half of the 1980s and into the first half of the 1990s.

All three projects favoured a relaunching of Europe through a completion of the internal market, but they fundamentally differed on *what kind* of European market it was to be. In the *neo-mercantilist conception*, the project of European integration was first of all conceived as one of creating a big home market – supported by an active industrial policy if necessary protected by European tariff walls –in which 'European champions' would be able to confront successfully the American and Japanese competition. The *neoliberal project*, on the other hand, emphasized the free market aspects of the internal market, a free market that should be open to and fully integrated into the emerging global economy. In contrast, the *social democratic project* – as in particular promoted by the then Commission President Jacques Delors (see Delors, 1992; Ross, 1995) – sought to protect and consolidate the 'European social model' in a supranational regulatory framework.

The first two strategies, those of neoliberalism and neo-mercantilism, have ultimately been most dominant, and can be interpreted as contending strategies on the part of rival groups or 'fractions' within the ranks of Europe's transnational capitalist class. Throughout the 1980s and into the 1990s, the main dividing line within this capitalist elite was between on the one hand a 'globalist' fraction consisting of Europe's most globalized firms – including global capital market actors, that is, financial capital – and, on the other hand, a 'Europeanist' fraction made up by large industrial enterprises primarily serving the European market. The perspective of the former has tended towards neoliberalism, whereas the latter came to promote the neo-mercantilist project.

Although they aspired to become more global, in the 1980s many of Europe's large industrial firms were still more *regional* transnational corporations (TNCs), and these firms dominated Europe's emerging transnational corporations. A major platform for the agency of this class was and is the European Round Table of Industrialists (ERT), founded in 1983. Back then dominated by the neo-mercantilist wing of European big business, the ERT promoted a defensive regionalism, the heart of which was the promotion of a big European home market (see e.g. ERT, 1983, and for a more elaborate account Van Apeldoorn, 2002: Chapter 4). This home market turned into a big success inasmuch as Europe 1992 was both successfully launched and successfully implemented, an achievement for which the ERT could take much of the credit (Cowles, 1995; Fielder, 1997, 2000; Van Apeldoorn, 2000; Balanyá et al., 2003). But the internal market that was created on the basis of the Commission's White Paper of 1985 in many ways did not turn out to be the kind of relatively protected home market that many of the early Roundtable members (of the Europeanist fraction) had envisaged. In fact, the way the internal market programme was implemented only led to a further opening up of Europe's national economies to the global economy (Hanson, 1998). It is hence that the regionalization of the European economy, in the sense of the further integration of its national economic systems, went hand in hand with a further globalization of the European region and the subordination of its economy to global and to a large extent US-centred forces (see Chapter 3 by Alan Cafruny in this volume, and Cafruny and Ryner, 2007a, 2007b). In the transnational struggle over Europe's 'extended relaunch' (Holman, 1992) we can thus observe the rise of a neoliberal concept of control. This struggle had also been fought out within the ranks of Europe's transnational capitalist class in which the Europeanist fraction was slowly losing its dominant position and moreover itself gradually abandoned its earlier neo-mercantilist perspective.[3]

Yet, the neoliberalism that triumphed was not the orthodox neoliberalism that, at least as an ideological project, had become hegemonic in the Anglo-Saxon capitalist heartland, but rather a more continental European-style neoliberalism that became articulated with a 'modernised' social democratic discourse (as in the 'Third Way' discourse of the 1990s, see Ryner, 2002, and Hager and my Chapter 5 in this volume), while also seeking to address the concerns of that part of European capital in need of a more pro-active, though not necessarily protectionist, role of the state. What in fact developed in the 1990s was a synthesis in which neoliberalism attained its hegemony through incorporating elements of the two contending projects, integrating them in such a way that the antagonism of these rival projects was effectively neutralized and the primacy of the neoliberal objective of free markets and free enterprise secured.

I have denoted this synthesis 'embedded neoliberalism' (Van Apeldoorn, 2002: Chapter 5). To some this concept may seem to be a contradiction in terms inasmuch as neoliberalism is a disembedding force (e.g. Holman, 2004a). Indeed it is, and as such embedded neoliberalism must be seen as inherently contradictory, but at the time also as offering the kind of temporary stabilization of these contradictions in such a way that at least at the elite level hegemony could be secured within Europe's transnational political economy. Drawing on Polanyi (1957), embeddedness here refers to the role of the state in sustaining and reproducing markets by in effect protecting society from the destructive effects of the self-regulating market. The term 'embedded' in embedded neoliberalism thus refers to what Polanyi (1957: 132) called the *principle of social protection* 'aiming at the conservation of man and nature as well as productive organization' whereas neoliberalism is associated with the *principle of economic liberalism* 'aiming at the establishment of a self-regulating market'. It is these two opposing principles that embedded neoliberalism thus seeks to combine but it does so, as I will argue below, in a way that in the end fully subordinates the principle of social protection to that of economic liberalism.[4]

Although embedded neoliberalism is essentially neoliberal inasmuch as it constitutes a political project aimed at the restoration and expansion of capitalist class power (Harvey, 2005) through an ideological commitment to the freedom of market exchange and to the absolute exercise of capitalist property rights, it was particularly within the European context that the new neoliberal policy paradigm had to adjust to the persisting traditions of corporatist industrial relations ('social partnership'); social and industrial protection offered by an often interventionist state, and other elements of 'embeddedness'. Hence, the 'embedded' component of embedded neoliberalism addresses the concerns of both the former neo-mercantilists as well as those of the European labour movement and social-democratic political forces.

In contrast to the UK, where neoliberalism was constructed on the *ruins* of corporate liberalism (Van der Pijl, 2006a: 266), the configuration of social forces in *continental* Europe in the 1990s was such that not only organized labour was still *relatively* strong (even if severely battered by three deep recessions and concomitant waves of corporate restructuring since the 1970s), but also that there remained a clearly identifiable, if weakening *productive capital* orientation within the ranks of the European capitalist class.[5] Although the ongoing financialization of capitalism also tends to make a money capital perspective increasingly dominant even among the ranks of European industrial capital (more on this below), at least for a part of that industrial capital (in particular its former Europeanist fraction) still a more pure neoliberalism would also undermine their long-term accumulation prospects inasmuch as policies necessary to enable growth and investment (in productive and technological development), as well as policies to guarantee labour acquiescence, would then tend to remain insufficiently developed. Embedded neoliberalism is the dominant strategic and ideological outlook of Europe's transnational capitalist elite as it has moved away from neomercantilism and towards neoliberalism, but without adopting a pure *laissez-faire* perspective. Embedded neoliberalism is at the same time the outcome of the transnational struggle between the three rival elite projects identified above, and represents a strategy of incorporation on the part of the neoliberal project, neutralizing the opposition from the rival projects.

Thus, the 'embedded' component of embedded neoliberalism addresses the concerns of the former neo-mercantilists as well as those of the European labour movement and social-democratic political forces, but these concerns are in the end subordinated to what has become the overriding objective of 'competitiveness' defined in neoliberal terms of market liberalization and market discipline. Indeed, what can be called a *neoliberal competitiveness discourse* informing EU socio-economic governance in the 1990s in fact became a linchpin in the discursive articulation of the embedded neoliberal hegemonic project. A key actor in articulating and promoting this discourse has been the ERT (see Van Apeldoorn, 2002: 171–8, 2003). Below I argue that the effective subordination of the principle of social protection to that of economic liberalism within the embedded neoliberal concept of control, and therefore the primacy of the disembedding force of neoliberal restructuring, must be understood with reference to the fundamentally asymmetric nature of European governance as it evolved since the 1992 Maastricht Treaty.

Embedded neoliberalism as asymmetric European socio-economic governance

The social purpose of European multi-level governance is revealed if we see how European integration in the past decades has created a *supranational* internal market (and later a monetary union), thus transferring 'policies promoting market efficiencies' to the European level, whereas policies 'promoting social protection and equality' have remained at the *national* level (Scharpf, 2002: 665; see also Scharpf, 1999; Holman, 2004a). As Fritz Scharpf argues, this asymmetry is in fact enshrined in Europe's 'economic constitution' through the doctrines of 'direct effect' and 'supremacy' (Scharpf, 1999, 2002). Within this setting, national states' capacity for restraining the market is subsequently undermined through the economic mechanism of regulatory competition, the competition in order to attract or retain transnationally mobile capital (Streeck, 1996, 1998; Scharpf, 1999, 2002). Adding much to these pressures of policy competition within the single market is the 'disciplinary neoliberalism' (Gill, 1998) of the Economic and Monetary Union (EMU), in particular the monetarism of the European Central Bank (ECB) and the fiscal policy constraints of the Stability and Growth Pact (SGP).

Within these conditions of European asymmetric multi-level governance, socio-economic policy-making is structurally biased towards policies of neoliberal restructuring. Following Bob Jessop (1990, see also the introduction to this volume), we may call this the neoliberal *strategic selectivity* of the current EU as 'a multilevel state formation' (Jessop, 2002: 205). As Scharpf contends: '[I]n principle, the only national options which remain freely available under European law are supply-side strategies involving lower tax burdens, further deregulation and flexibilization of employment conditions, increasing wage differentiation and welfare cut-backs' (2002: 649). Indeed, we may argue, and as I will show for the case of the Netherlands in Chapter 5 of this volume, that the asymmetric governance of the embedded neoliberal European order makes states adopt supply-side oriented *national competitiveness strategies*, which, rather than offering any shelter from the discipline of the European market, promote a thorough neoliberal socio-economic restructuring. As Becker (2005: 1096) has noted, such strategies tend to produce a kind of 'rat-race economic nationalism' where each Member State seeks to out compete the other by providing the better conditions to mobile capital. Although taking place to varying degrees and in various forms across Europe's 'national models of capitalism' (Hall and Soskice, 2001a), a number of studies (see, e.g. Streeck, 1997; Ryner, 2003; 2007b; Hay, 2004; Martin and Ross, 2004; Becker and Schwartz, 2005) show quite unequivocally that there is a 'common trajectory' (Hay 2004) of neoliberal restructuring in which national welfare states and national policies of social protection have since the 1980s been subject to significant retrenchment, resulting in a recommodification undermining the social purpose of what was once the Keynesian Welfare State (see also Chapter 2, by Magnus Ryner, in this volume). It is only in light of embedded neoliberalism as a *transnational* hegemonic project that we can make sense of this common trajectory.

In sum, then, embedded neoliberalism is an essentially neoliberal project inasmuch as it seeks to organize 'the EU along the lines of the Lockean heartland: a free space for capital, with separate state jurisdictions keeping political sovereignty and democracy away from the larger structure' (Van der Pijl, 2006a: 266). At the level of EU governance, the core of this neoliberal programme is constituted by the political project of marketization, which aims at 'bringing about [and maintaining] the institutional (regulatory) preconditions [such as property rights; the free operation of the price mechanism and equal rules of exchange] for markets to arise and develop, thereby extending the market mechanism to new areas of social life' (Van Apeldoorn and Horn, 2007a: 5). At the EU level, then, and notwithstanding some limited 'flanking policies' such as a rather timid industrial policy aimed to placate in particular European productive capital and a mildly redistributive regional policy, the 'embeddedness' of 'embedded neoliberalism' is more symbolic than substantive. At the national level, on the other hand, embeddedness is indeed more substantive but the catch here is that as the process of market liberalization at the European level deepens, the limited remaining embeddedness at the national level is further eroded. This, then, constitutes an inherent contradiction in embedded neoliberalism.

It is this contradiction, emerging out of the asymmetry of European governance, that the so-called Lisbon strategy was supposed to tackle. Below, however, I will argue that in fact the Lisbon strategy has only reaffirmed this contradiction (and asymmetry) as it expresses the embedded neoliberal concept of control *par excellence*, both in form and content (for a similar argument but one that focuses specifically on Lisbon's concept of citizenship, see the contribution by Sandy Hager to this volume, Chapter 5). An analysis of the Lisbon programme, being at the core of EU socio-economic governance since the turn of the millennium, will therefore elucidate what embedded neoliberalism as a hegemonic project for European order has meant in practice.

The 'hegemonic moment' of embedded neoliberalism: the discursive articulation of competitiveness and social cohesion in the Lisbon strategy

Reflecting the rise of embedded neoliberalism, the Lisbon Agenda on the one hand is clearly steeped in the neoliberal competitiveness discourse, while on the other hand also contains elements addressing concerns of the former neo-mercantilist wing of the European capitalist elite as well as of transnational social-democratic forces. However, these concerns are incorporated in such a way that they remain subordinate to the overriding goal of competitiveness defined in a neoliberal way.

The original Lisbon strategy as outlined in the Presidency Conclusions from the 2000 summit calls for a series of economic and social 'reforms', which are deemed necessary in the context of the 'quantum shift resulting from globalisation and the challenges of a new knowledge-driven economy' with which the EU is confronted (European Council, 2000: 1). Discursively linking the exigencies of globalization to the notion of a knowledge economy investing in the latter is seen as a way to strengthen the position of the European economy vis-à-vis global competition. The proposed reforms are, in the words of the European Council, 'part of a positive strategy which combines competitiveness and social cohesion' (European Council, 2000: 2). It is this discursive articulation of the goals of competitiveness and social cohesion that constitutes the ideological core of Lisbon and is also reflected in the EU's 'new strategic goal . . . to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' (European Council, 2000: 2).

On the one hand, the policy discourse in which the Lisbon strategy has been couched clearly appeals to a notion of European distinctiveness vis-à-vis Asia and especially the USA, rejecting the 'unregulated' capitalism of the latter and ideologically clinging on to some notion of a European social model.[6] On the other hand, this strategy does imply, as then Commissioner for Social Affairs, Pádraig Flynn, once put it, that in order to preserve it, the 'European social model' needs to be adapted (*Agence Europe*, 1995: 13). In the words of the High Level Group on the Lisbon strategy (chaired by former Dutch prime minister Wim Kok), it needs to be adapted through a series of structural reforms aimed at *inter alia* 'completing the single market and opening up hitherto sheltered and protected sectors . . . to improve the climate for enterprise and business [and] to secure more flexibility and adaptability in the labour market' (High Level Group Chaired by Wim Kok, 2004: 8). Thus 'social cohesion' is equated with what is called 'modernising the European Social Model' (European Council, 2000: 8), which above all entails the adaptation of workers 'for living and training in the knowledge society', involving among others enhancing 'employability' and the acquisition of new skills as part of 'life-long learning', which should become 'a basic component of the European social model' (European Council, 2000: 8, 10).[7]

The Lisbon Agenda thus tends to define 'the social' mainly in terms of the adaptability of the labour force to the exigencies of competitiveness in a globalized world economy. Although adhering to the notion that labour market flexibility can and should be combined with social security the latter is made dependent on the former. As Sandy Hager also argues in this volume, this reflects the ideology of the 'Schumpeterian Workfare State' (Jessop, 2002), informed by the notion that work is the best way to prevent social exclusion and maintain social cohesion, *and* that a re-commodification strategy is the best way to get people back to work. Combining competitiveness and social cohesion thus involves a shift from the 'old' idea of supranational market-*correcting* regulation (as advanced by the Delorist social democratic project) towards a market-*enabling* strategy (see also Ferrera et al., 2000). The marketization aspect of Lisbon furthermore does not only refer to the labour market but also to services, and most, crucially of all, to capital markets. Indeed, financial market integration was considered by the then Internal Market Commissioner Bolkestein (2000) to be at 'the core of the Lisbon strategy'.

In sum, at the heart of Lisbon we find an articulation of neoliberal competitiveness with concerns of the transnational social democratic projects in ways that effectively subordinate the latter to the former. However, Lisbon at the same time also reflects the incorporation of the neo-mercantilist project. This is most clearly reflected in the ways the Lisbon strategy, as part of its proclaimed goal of promoting the transition to a knowledge-based economy, emphasizes the need for the creation of a 'European Area of Research and Innovation', stimulating in particular R&D within the ICT-sector, including the allocation of some public money through the European Investment Bank. In this context we must note the ideological overlap between the social-democratic and neo-mercantilist projects inasmuch as they both tended, for different reasons and in different ways, to reject the pure *laissez-faire* of economic liberalism in favour of Polanyi's principle of social protection, that is, they were both aimed at the conservation of productive forces (Polanyi, 1957: 132). However, the social protection that the Lisbon Agenda offers is largely symbolic, and what is not merely symbolic has been rendered compatible with, indeed supportive of, neoliberal market liberalization –reflecting the effective neutralization of the neo-mercantilist and social-democratic challenges to the dominant neoliberal project.

In implementing what has been dubbed the 'new European social policy' (Mosher and Trubek, 2003), the 'open method of co-ordination' (OMC) has become the preferred 'new mode of governance' (Eberlein and Kerwer, 2004). The OMC basically substitutes hard top-down Community regulation with 'soft policy co-ordination' through a Commission-led peer review in which Member States's performances are measured against 'best practices' and on the basis of common objectives (e.g. Borrás and Jacobsson, 2004). In this iterative multi-level, multi-actor 'surveillance process' (Mosher and Trubek, 2003: 67), so-called benchmarking has been elevated to be the key policy instrument (see De la Porte and Pochet, 2001; Zängle, 2004). The tool of benchmarking had already been developed and introduced in the 1990s by the industrialists of the Roundtable in conjunction with their promotion of the new competitiveness discourse (De La Porte and Pochet, 2001: 293; Van Apeldoorn, 2002: 176–7; Zängle, 2004: 1). Following earlier ERT publications (ERT, 1994; 1996), the Commission already in 1996, and invoking the inevitability of globalization and 'hence' the need for adaptation, defined benchmarking as a tool for improving competitiveness and with that as 'a tool for promoting the convergence towards best practice' (1996: 16). According to the Commission this involves the global 'comparison of societal behaviour [sic], commercial practice, market structure and public institutions' (European Commission, 1997: 3). It was thus that benchmarking ideologically became an instrument of neoliberal restructuring, and, in a discursive move that Watson and Hay (2003) call 'rendering the contingent necessary', the Commission legitimated this restructuring in terms of promoting competitiveness.

It is significant that it is with respect to the social policy areas bound up with the goal of 'social cohesion' – in particular employment – that EU governance indeed remains limited to policy co-ordination through benchmarking, whereas in the case of several policies deemed critical for achieving 'competitiveness', 'old-fashioned', 'hard' supranational law-making is still preferred, especially in the area of financial market integration.[8] The OMC, then, does not at all challenge the fundamental asymmetry of European governance, and in fact arguably reinforces it. Applying the OMC to the social policy domain reinforces the market liberalization thrust of the European project inasmuch as under the conditions of the regulatory competition induced by the internal market and a deflationary EMU, social policy is structurally biased towards market-enabling rather than market-correcting policies. As indicated, under these conditions any social policy co-ordination is bound to boil-down to a kind of supply-side strategy that supports and facilitates what is euphemistically called the 'adaptation' of societies to the so-called exigencies of European and global competition, thus deepening commodification. The European Employment Strategy, which was launched in 1997 but is now an integral part of the Lisbon strategy, is a case in point: emphasizing 'employability' it rather exclusively focuses on labour market flexibility as the panacea for unemployment (see also Mosher and Trubek, 2003). The Lisbon policy framework therefore helps to promote the kind of national competitiveness strategies that I argued above mediate and effectuate a transnational process of neoliberal restructuring.

Hegemonic articulation and the incorporation of contending social forces

Notwithstanding Lisbon's neoliberal bias as analysed above, what remains crucial about Lisbon in ideological terms is the articulation of neoliberal competitiveness with the objectives of social cohesion as well as its focus on shaping the conditions for a 'knowledge-based economy' (involving some role for public authorities beyond letting the market do its work). It is this articulation that I argue has helped to solidify the bloc of social forces underpinning the emergent embedded neoliberal project. In fact, from the start Lisbon won wide support among Europe's trade unions and from the ranks of the European transnational capitalist class. The European Trade Union Confederation (ETUC) supported the Lisbon strategy in particular because of its 'balanced and integrated approach between economic, social and environmental policies' (ETUC, 2005b; see also ETUC, 2000). In other words, the European trade union movement welcomed Lisbon as a strategy to overcome the asymmetry of European governance. The 'reform agenda' of Lisbon also has been very much welcomed by the ERT, which saw many of its ideas reflected in it. Subsequently – and in light of the noticeable lack of progress – the ERT has devoted much energy to push for the implementation of Lisbon, prioritizing (among others) the areas of innovation, the creation of an integrated European capital market, full liberalization of services and public utilities, deregulation, pension reform and labour market reform (ERT, 2002, 2004b).

To summarize this section, the socio-economic governance regime of the EU as constructed in the 1990s and culminating in the Lisbon strategy clearly represents a neoliberal shift in content that in part has been enabled by the shift in form. Articulating competitiveness with social cohesion, combining the push for financial market liberalization with concerns emanating out of industry, this neoliberal project has manifested itself as an *asymmetrically* embedded neoliberalism. At least at the EU elite level, it was able to attain a hegemonic position in the course of the 1990s. The wide support across the political spectrum, and from both the ERT and ETUC, for the Lisbon Agenda is a testimony to this hegemony while at the same time consolidating it. However, I also argued that since most of the supposed embeddedness remains the responsibility of national states operating under the discipline of regime competition and monetary union, embeddedness in a substantive sense is increasingly eroded. This brings us to examine the extent to which embedded neoliberalism can actually continue to generate and sustain the necessary levels of popular legitimacy. Below, I argue that in this sense embedded neoliberalism has already reached its political limits. Given its inherent contradictions, a multi-level legitimacy crisis of European governance has unfolded. We are thus witnessing the demise of embedded neoliberalism as a hegemonic project.

The contradictions of embedded neoliberalism and its multi-level legitimacy crisis

After an initial success in consolidating embedded neoliberalism as a hegemonic project by providing a rallying point for diverse transnational social forces, Lisbon is now failing rather dismally in sustaining the consent for neoliberal European governance, either at the rhetorical level or as a policy practice. Already in spring 2004, when he was about to leave office, even the then President of the European Commission, Romano Prodi, called the Lisbon process ‘a big failure’ (Barber and Parker, 2004) and the press of that time was rather unforgiving as well (*Financial Times*, 2004b). Clearly, the Lisbon Agenda was failing in terms of falling far behind its own targets (High Level Group Chaired by Wim Kok, 2004; European Commission, 2005a). But as we shall see below, also key transnational social forces, in particular organized labour, started to distance themselves from Lisbon. The new Commission President, José Manuel Barroso, did make a revival of the Lisbon Agenda his top priority (Barroso, 2004), and, after the recommendations of the aforementioned High Level Group, the new Commission relaunched Lisbon under the new name (a clear recognition of the faltering legitimacy of the old Lisbon strategy) of the ‘Growth and Jobs Strategy’ (European Commission, 2005b). But as Sandy Hager shows in this volume, by explicitly prioritizing the goal of competitiveness over social cohesion, as well as environmental sustainability (Buck, 2005), hence further downscaling even Lisbon’s discursive commitment to embeddedness, the new Commission has, unsurprisingly, not really been able to bolster the strategy’s appeal across European civil society. The Lisbon strategy, hence, rather than providing a solution to the European legitimacy crisis that had been looming for years, is actually becoming an expression of that crisis, as well a constituent element of it.

In this section I will argue that the declining legitimacy of Lisbon is in fact part of a more general, and multi-level, legitimacy crisis of embedded neoliberalism as a concept of control for the European integration process. Although the rightward shift of the Barroso Commission is for sure not helping in this regard, I argue that this crisis was bound to erupt in any case due to the contradictions inherent in embedded neoliberalism (and as already manifest in Lisbon from the start, as argued above). The point being that, all along, and in a structural sense, the priority lay with competitiveness defined in neoliberal terms since the embeddedness remained largely restricted to the national level, and thus continued to be under threat from a supranational 'disembedding' neoliberalism. This, then, is what makes it increasingly hard for embedded neoliberalism to reproduce itself politically.

As indicated, at the heart of the contradictions of embedded neoliberalism lies the substantive incompatibility of that what Lisbon seek to unite ideologically, that is, the opposing principles of economic liberalism and social protection. As the project of market liberalization, and its attendant (re-)commodification of social relations, advances, these contradictions become more manifest. The deepening of neoliberal restructuring was subsequently buttressed by the Eastern enlargement of 2004, which has further structurally weakened those social forces (previously) calling for a more substantive embeddedness. As Holman (2004b) argues, the complete underdevelopment of the 'social cohesion' dimension of the enlargement process has tended to turn EU expansion into a mere geographical extension as well as deepening of neoliberal restructuring, and turn Central and Eastern Europe into a 'new periphery' instrumental to the accumulation strategies of European capital, which indeed has been a consistent supporter of Eastern enlargement (ERT, 1991, 1999, 2004a). Not only has Eastern enlargement facilitated Western European TNCs' easy access to cheap labour (Bohle, 2005), this is also, crucially, putting pressure on Western European labour as it further shifts the class balance of power in favour of transnationally mobile capital (see also Chapters 7–9 in this volume by Vliegenthart and Overbeek, Bohle and Drahokoupil).[9]

In sum, the neoliberal restructuring, set in by the relaunched European integration project through the internal market programme and monetary union, reinforced by the marketization drive culminating in the Lisbon 'competitiveness' agenda, and further locked in by the Eastern enlargement, has subordinated the objective of social cohesion to that of a logic of commodification. It is this that has made Lisbon's rhetoric of combining cohesion and competitiveness increasingly hollow, undermining the effectiveness of 'embedded neoliberalism' in unifying contending social forces and in sustaining legitimacy of the European project. Social forces hitherto incorporated into the embedded neoliberal project have in fact started to disengage themselves and come to resist critical aspects of European socioeconomic governance. This applies to both former neo-mercantilist sections of European industry as well as to elements bound up with organized labour and underpinning what used to a supranational social-democratic project.

Limits to the incorporation of industrial capital

Critical in the deepening of the neoliberal dimension of the European integration project – and hence in a weakening of the remaining limited embeddedness – that has taken place since the Lisbon summit is the project of creating a single European financial area that arguably now constitutes the thrust of the ongoing completion of the internal market. This project started with the original internal market programme, but it was only in the 1990s that financial market integration became a key 'political project' of the European Commission, at the heart of the broader European neoliberal marketization project (see Bieling, 2003b; Van Apeldoorn and Horn, 2007a, 2007b). A critical step here was taken with the Commission's *Financial Services Action Plan* (European Commission, 1999b), and subsequently made into one of the priorities of the whole Lisbon Agenda. Within this context, the Commission has also been increasingly turning its attention to the related issue of corporate governance, in particular through a number of initiatives seeking to push Europe towards a more (capital) market-driven form of corporate governance. Framed as an integral part of creating a single and efficient European financial market, which in turn is presented as a *sine qua non* for achieving the competitiveness needed to meet the challenges of globalization, the Commission is in particular seeking to develop an EU-level regulatory framework aimed at promoting what could be called a *marketization of corporate control* (Van Apeldoorn and Horn, 2007a; see also Chapter 6 by Laura Horn in this volume).

These regulatory initiatives, together with the broader programme of financial market integration, can be seen as playing a crucial role in the emergence of a European shareholder capitalism, arguably part and parcel of a more global financialization process (e.g. Aglietta and Rebérioux, 2005). Inasmuch as this further undermines the limited elements of embeddedness still to be found in the present hegemonic project of European socio-economic governance, the limits to which industrial capital can be subordinated to financial capital also start to reveal themselves in terms of industrialists starting to worry about this aspect of the EU's emergent 'model of capitalism'.

On the one hand, top managers of large European industrial firms are increasingly tied to the interests and outlook of financial capital both because industry itself becomes financialized, in the sense that it makes an increasing part of its profits in the financial sector (through derivatives and so on) rather than industry itself – what Nölke and Perry (2007) call profit financialization – but also as the marketization of corporate control (or control financialization, ibid.) incorporates management materially through stock options and the like (Höpner, 2003). On the other hand, this incorporation – and a concomitant rise to hegemony of a money capital perspective over productive capital perspective *within industry itself* – is still far from complete. Some sections of Europe's managerial class continue to resist aspects of it, in particular when Europe's emerging market for corporate control threatens to make them fall victim of a hostile takeover.

In this respect it is noteworthy how the EU's attempts to establish a pan-European market for corporate control is still far from uncontested, as testified by the political controversies that were sparked by the growing wave of (hostile) takeovers taking place across Europe in the past few years as part of an unprecedented merger and acquisition boom (Politi and Saigol, 2006).[10] Even more controversy has been generated recently by the staggering rise of private equity and hedge funds as a new type of owners, adopting an uncompromising financial perspective with regard to their ownership titles. In what over the past two years has become a transnational political debate on the upsurge of these controversial funds, not only representatives of labour (see below), but also some of Europe's top managers have expressed their worries about the short-termism of especially hedge funds.[11] All of this for sure does not yet boil down to any serious resurgence of industrial capital and a concomitant effective challenge to the hegemonic position of financial capital, but it does underline the limits to the latter, with rising tensions as we are now reaching those limits. How these tensions will play out is of course too early to tell, then. It depends in part on whether 'finance-led' growth – which shareholder capitalism can be seen to express – is sustainable in the longer run (Boyer, 2000). As, at the time of writing, the global credit crisis deepens and the assessments of its possible effects on the European economy become more pessimistic (Milne, 2008), the prospects for such sustainability seem to become slim indeed.

Finally, with respect to the incorporation of the former neo-mercantilist wing, we may note that the current commitment to global free trade, and more broadly to the insertion of the European economy into global circuits of production and finance, is not necessarily irreversible. The collapse of the Doha round of World Trade Organization (WTO) trade talks in 2006 and their continuing deadlock and the rise of protectionist sentiments within the EU – especially in France (Bounds et al., 2007) – indeed underline this point. On the other hand, the pro-free trade coalition still holds the clear majority, both among the majority of Europe's politicians and among the ranks of European transnational capital, as well as within the elite of organized labour. Yet, a profound global economic crisis – such as we arguably are currently experiencing – may see the resurgence of (Euro) protectionism on the part of some sections of European industry, and possibly involving a coalition of (segments of) capital and labour. This then might put further strains on the incorporation of the former neo-mercantilist project into the hegemonic project of embedded neoliberalism. The extent to which this scenario might nevertheless unfold also to a significant extent depends on the global context, and in particular on evolving transatlantic relations. The openness of European regionalism is premised first and foremost on the still strong bonds of the transatlantic economy. In other words, whether the project of European integration will continue to be part and parcel of a neoliberal globalization process is not just decided in Europe, either on the part of its political or of its business elites. It will also depend on the geopolitical and geo-economic developments within the global political economy and in particular on how the current contradictions of the 'new imperialism' (Harvey, 2003) of the USA will play out (see also Alan Cafruny's contribution to this volume, Chapter 3).

Limits to the incorporation of organized labour

Turning our attention to the social forces bound up with organized labour, we start with our earlier observation that their incorporation hinges on the successful articulation of the goals of competitiveness and social cohesion. As it increasingly becomes apparent that the former is defined in terms of market liberalization and increased market discipline, whereas the latter is defined mainly in terms of adaptability of workers to market conditions– rather than in terms of protecting workers from the vagaries of that market – this incorporation becomes increasingly hard to sustain.

Although many so-called social-democratic parties have rather converted to much of the neoliberal paradigm, part of European organized labour turns out to be less solidly incorporated into the embedded neoliberal bloc.[12] ETUC for instance has grown increasingly critical of the Lisbon process. Even before the Barroso Commission revamped the Lisbon strategy to focus more one-sidedly on 'competitiveness', ETUC openly expressed its worries that the balance between the 'economic' and 'social' pillars was being lost in favour of a 'pure "business" or "market strategy"', and warned that if 'Lisbon becomes equated with the dismantlement of social Europe, the "ownership" of the Lisbon strategy as such will be refused' (ETUC, 2004: 5; see also ETUC, 2005b). Yet, thus far the ETUC seems still too much wedded to the current European project to take this radical step of disowning the Lisbon Agenda (see e.g. ETUC et al., 2005). More radical criticism, however, comes from outside the elite of European organized labour, in particular from the European Social Forum (Bieler and Morton, 2004b, and Bieler in Chapter 11 of this volume).

The growing disenchantment on the part of trade unions with respect to the output of European socio-economic governance, weakening its legitimacy as labour came to the conclusion that it was not getting their side of the deal (that is, competitiveness *plus* an enhanced social agenda), culminated in 2005 in the struggle over the Services Directive (see also Bieler's contribution to this volume, Chapter 11). As this directive raised the spectre of intensifying regulatory competition in the field of industrial relations, an alliance of trade unions and non-governmental organizations staged large demonstrations against the directive in Brussels in March 2005 and February 2006, after which it was significantly watered down in the European Parliament, in particular by removing the controversial 'country of origin' principle that was at the heart of the original proposal of Commissioner Bolkestein, and which, so ETUC argued, would have led to regulatory competition and social dumping in the service sector, putting downward pressures and wages and working conditions.[13]

We must furthermore note the role of monetary union in straining the allegiance of organized labour to the embedded neoliberal project. As EMU will continue to put more pressure on the national welfare states, this core part of the European project may increasingly come to be seen as endangering the so-called European social model (see also Chapter 2 in this volume by Magnus Ryner, and Cafruny and Ryner, 2007b). These strains manifest themselves above all within the intergovernmental arena, as some governments – in particular France and Germany – have become unwilling to pay the (domestic political) price for sticking to the required budget discipline, especially in a time of economic downturn (such as after 2001). Yet although played out between governments (sometimes in opposition to both the Commission and the ECB), these governments of course do respond to worries about employment and growth on the part of workers – as well as arguably on the part of the less globalized fractions of capital – among their domestic constituencies. After an earlier challenge to the strict rules of the SGP by France and Germany had resulted in 2005 in a reform of the Pact that basically reflected a victory of the latter countries (Benoit et al., 2005), controversies have recently been rekindled by the newly elected French President Sarkozy, who before and after his election campaign questioned both the monetarism and the independence of the ECB and called for a more growth oriented strategy and an EU 'economic government' to counterbalance the ECB (Atkins and Parker, 2007; Hall and Parker, 2007).

Finally, as with industrial capital, the contradictions arising out of the unrestrained financialization of European capitalism that European governance tends to promote – while rhetorically remaining committed not only to the competitiveness of European *industry*, but also to the often invoked 'social dimension' – is also putting limits on organized labour's commitment to the current European project.[14] In fact, these limits have become manifest rather late. Although the marketization of European corporate control and the concomitant rise of 'the new capitalists' has been going on for years, only from the end of 2006 do we see trade unions in Europe seriously starting to question the role of this new form of financial capital, with ETUC secretary general, John Monks, calling on Europe to 'take on the casino capitalists' (Monks, 2007; see also Arnold, 2007). This has to be understood in the context of several notorious cases of hedge fund activism and (attempted) takeovers by private equity and subsequent job-shedding restructuring and followed the trend established earlier by social-democratic politicians like the then chairman of the German labour party (SPD) Franz Müntefering, who had opened the transnational debate by notoriously comparing these (mainly Anglo-Saxon) investors to locusts (Jenkins, 2005). Recently, the Socialists Group in the European Parliament has added its (albeit guardedly) critical voice to this debate (PES, 2007; see also Laura Horn, Chapter 6 in this volume).

Yet in spite of this small political storm gathering over European financial capitalism, regulatory floodgates to the new money capital were opened at the EU level as well as at the national level already some time ago, and there is insufficient political will to close them (Buck, 2007). Of course, one may speculate that an alliance might be forged between elements of industrial capital (and their managers) on the one hand, and trade unions as well as some social-democratic (and Christian-democratic) political forces on the other. At the moment, however, such a cross-class alliance is only present in some individual cases (where for instance workers and management are united in their opposition to a hostile takeover). Nevertheless, although not amounting to anything resembling a coherent resistance, these instances are another indication of how embedded neoliberalism is increasingly running into contradictions that it cannot solve.

Resisting neoliberal Europe

To what extent, then, can we, in light of the above contradictions and tensions, heightened by the deepening neoliberalization of European governance, observe rising popular dissent as a sign of embedded neoliberalism reaching its limits as a hegemonic project? Here we need to keep in mind that embedded neoliberalism was never fully hegemonic beyond the level of transnational elites: that is, it primarily rested on the active consent of transnational *elites*, while this consent tended to be much more passive among Europe's populations in general. There are clear signs that, though with considerable national variation, this passive consent has been weakening in recent years, marking a shift parallel to that which is taking place with respect to attitudes vis-à-vis the EU in general, that is, a shift from a 'permissive consensus to [a] constraining dissensus' (Hooghe and Marks, 2007a).

A general hypothesis as put forward by Liesbet Hooghe and Gary Marks among others is that since the Maastricht Treaty the integration process has tended become much more *politicized* since it has deepened to such an extent that it intervenes much more directly into people's daily lives and more directly enters into the domestic political arena ('Europeanization'), and that with this politicization, the contestation of the European project has risen, with some political parties and other forces effectively mobilizing against European integration (Marks and Steenbergen, 2004; Netjes, 2004; Hooghe and Marks, 2007a). Recent research has shown that Euroscepticism has been on the rise both among Europe's electorates and within the discourse of (populist as well as mainstream) political parties (see Hooghe and Marks, 2007b). My claim here is that in light of my preceding analysis this mass politicization of European integration, which has translated growing alienation into growing rejection and resistance, can be partly interpreted as a legitimacy crisis of the output of (embedded) neoliberal governance. Arguably, the competitiveness strategies or national neoliberal restructuring strategies induced materially and ideologically by asymmetrical European governance are failing to deliver the goods that its citizens have come to expect from both their national and European political institutions. The reason why the integration process is so deeply intervening in citizens' lives, and why this has resulted in rising *negative* attitudes towards the EU, is that the integration process has become bound up with a neoliberal restructuring process that is hollowing out the social citizenship of Europe's populations (see also Chapter 5 by Hager and Chapter 2 by Ryner in this volume; see also Scharpf, 1999).

Although also associated – particularly in the context of the recent as well as possible future round(s) of enlargement[15] – with rising nationalism, xenophobia and other anxieties about national identity, worries about social issues and the (perceived) negative impact of European market integration on for example employment and social security also play a role in the growing popular contestation of the European project. Indeed, the latter may be in part an underlying cause of the former. Thus, the socio-economic dimension – and in particular the perception that Brussels is trying to impose an 'ultra-liberal' model of capitalism that threatens job security, the national welfare state and cherished public services – played for instance a critical role in the discourse of those French social forces that opposed the European Constitution (Cassen, 2005b; Grunberg, 2005; Heine, 2006; Storey, 2006). Indeed, the French and, although in a more mediated way, Dutch rejection of the referendum (see my Chapter 5 in this volume) can be taken as the culmination – together with the aforementioned struggle around the Services Directive – of a growing resistance to a neoliberal socio-economic governance regime. With the Constitution – with its reference to 'free and undistorted competition' (Article 1–2) as one of the fundamental objectives of the Union and its inclusion (in part III) of all the relevant treaty provisions on the single market and monetary union – this regime would have gained in legitimacy (simply by being called a constitution), but it now has been further challenged because of its popular rejection.

Epilogue and conclusion: beyond (embedded) neoliberalism?

The Treaty of Lisbon, signed after protracted and often acrimonious negotiations in 2007 was intended to save as much as possible of the European constitutional project, in particular with regard to the proposed reforms to the EU institutional architecture (that is, creating the post of a Council President, changes of the voting rules, and so on). In this respect, critics were right to claim that the so-called reform treaty was really the Constitution under a different name, and without the references to the perceived symbols (such as anthem, flag, and so on) of an alleged European super state (for a systematic comparison of the two treaties see Open Europe, 2008). This does tend to overlook, however, two important differences, which underline the significance of the aforementioned referendum outcomes. One is that existing treaty provisions regarding EU (neoliberal) socio-economic governance (internal market, EMU) in the Lisbon treaty are no longer elevated to the status of a formal constitution, since it is just another treaty amending previous treaties, rather than a 'constitution' replacing all previous treaties. Second, and maybe as significant, is that the French President, Nicolas Sarkozy, had succeeded – clearly responding to the message signalled by the French 'Non' – in getting the aforementioned clause on 'free and undistorted competition' removed from the EU's list of objectives. The immediate outcry that this sparked both from the Commission as well as from Europe's business elite (including the ERT) – both expressing fears that this might mean that in the hierarchy of policy goals competition would now (be perceived to) rank below Union objectives such as 'employment and social progress' (Buck and Benoit, 2007; Parker and Benoit, 2007) – is telling in this respect. Of course, the future of the new Lisbon reform treaty itself looks very uncertain now that it has been turned down in the Irish referendum of June 12, 2008. Yet, the significance of the above responses to the preceding popular rejection of the European Constitution, still stands. On the other hand, and regardless of the fate of the Lisbon treaty, we should not too quickly conclude that growing resistance to neoliberal European governance is successfully transforming the social purpose of European integration.

Even if the outcome of the latest round of intergovernmental bargaining could be interpreted as a partial victory for some of those oppositional forces, it is not yet heralding a fundamental change of the social purpose of the European project. First, because, as indicated, much of the market-making EU governance framework is already in place and there is hardly a Member State that is seriously willing to challenge those policies. Moreover, the current Barroso Commission, reputed to be the most market-liberal Commission yet, seems rather oblivious to what this chapter has identified as the legitimacy crisis of European governance inasmuch as it tenaciously clings on to its marketization programme. Second, although Sarkozy's recent moves and rhetorics (also against the SGP) do show that also someone who has been seen as the most pro-business French presidential candidate cannot ignore (and might even share) French fears of the current EU as, in Sarkozy's own words, 'a Trojan horse of unfair globalization' (Bounds et al., 2007), there are of course limits to what the French president may achieve on his own (which is not to say that he may yet be instrumental in further eroding the legitimacy of aspects of European neoliberal governance). So far, Sarkozy has only met fierce opposition to most of his plans, particularly with respect to EMU, from almost all of his colleagues. Although we cannot predict how exactly this will play out, arguably the obstacles to a true transformation of the European project are of a rather structural nature. In particular, resistance remains rather fragmented (in part because of how neoliberal restructuring has been successful in for instance further fragmenting the working classes), and is not yet able to coalesce *transnationally* – forming a countervailing power against transnational capital – around a coherent and comprehensive alternative European project. Trade unions by and large remain too tied to the institutions of the national state, finding it hard to transcend their national diversity of interest and ideological outlook (compare Andreas Bieler's contribution to this volume, Chapter 11).

These limits to the limits of neoliberal European governance may yet be overcome, but for the moment we are rather likely to witness a continuation of European neoliberal governance, which has become increasingly less embedded (as its disembedding force at the national level is also starting to take its toll). But with this we are also likely to observe a continuation and indeed a deepening of its legitimacy crisis. As embedded neoliberalism continues to hollow out the (national) non-market institutions in which it is supposed to be embedded, and makes its commitment to the principle of social protection equally hollow, it loses its attraction to those social forces whose incorporation was so critical to its rise to hegemony. This is, as this chapter has argued, precisely what has happened in recent years. In the absence of a coherent alternative, the upshot of this may well be that we will witness a growing rejection of the European project increasingly fusing with rising nationalism, xenophobia and various populisms.

Notes

1. With Scharpf (1999: 6–13) we here refer to 'output legitimacy' as deriving from the *content* of the policies made, or the extent to which citizens support those policies because they effectively solve common problems.
2. In our view, capitalist class formation crystallizes around rival 'capital fractions', where this fractionation is linked both to *scale*, e.g. the distinction between national, European and global capital (Overbeek and Van der Pijl, 1993; Van Apeldoorn, 2002), and, more fundamentally, to *function*, where we may ideal-typically distinguish between the rival perspectives of *money* and *productive* capital (Van der Pijl, 1984, 1998).
3. For an empirical account of this shift and its underlying causes see Van Apeldoorn (2002: 130–42).
4. This then also makes for the principle difference with Ruggie's historical concept of 'embedded liberalism' describing the post-war corporate-liberal world order and its underpinning class compromise in the same way (Ruggie, 1982). However, the crucial difference between embedded liberalism and what I here identify as embedded *neoliberalism* is that whereas in the former liberalism (above all through the subordination of money capital to productive interests) was so attenuated as to actually be amenable to an embedding within non-market institutions and market-correcting policies, in embedded neoliberalism the disembedding force of neoliberalism remains largely intact in spite of the limited embeddedness, which is hence continuously subject to erosion. That (neo) liberalism currently is ultimately not sufficiently restrained and therefore embedded in a more substantive and durable fashion has to do, as I will explain below, with the fact that whereas the 'liberalism' is promoted at the supranational European (and global) level the 'embeddedness' remains stuck at the national level. It is precisely this asymmetry that makes for a crucial difference with embedded liberalism, in which both the European and the international order were set up to protect

national welfare states against international market forces (Van Apeldoorn, 2002: 51–3, 63–5).

5. Productive capital here is not synonymous with industrial capital. Rather, a productive capital perspective can be taken as the ideal-typical perspective of industry inasmuch as industry does what it is *supposed* to do, which is *produce* commodities. The productive capital perspective, being more directly tied to the fate of the populations who live in the spaces where industry is located, and to the states that exercise political rule in those spaces, tends to move away from a pure liberal perspective, which can be seen as the ideal-typical orientation of money capital (which does not face the spatial constraints and is inherently more mobile, see also note ii). Yet in practice industry might, as a result of *profit* as well as *control financialization* (see on this distinction Nölke and Perry, 2007), very well be dominated by a money capital perspective.
6. A quotation from the 2004 report of the High Level Group on the Lisbon strategy illustrates this point well:

   > The Lisbon strategy is not an attempt to become a copy-cat of the US – far from it. Lisbon is about achieving Europe's vision of what it wants to be and what it wants to keep in light of increasing global competition, an ageing population and the enlargement. It has the broad ambition of solidarity with the needy, now and in the future. To realise this ambition, Europe needs more growth and more people in work.
   >
   > (High Level Group Chaired by Wim Kok, 2004: 12)

7. The latter concept had for years been promoted by the ERT (ERT, 1989, 1992, 1995; see also European Commission, 1995b), and fits with the requirements of the new flexible accumulation paradigm and its need for a core workforce that can add functional flexibility to the numerical flexibility provided by the peripheral workers.
8. Thus in 2004 some 70 directives have been adopted under the Lisbon process, mainly in the area of the internal market. Although transposition of these directives has been lagging, most progress has been made in the area of financial market integration under the heading 'Financial Service Action Plan'; see European Commission 2004b.
9. Moreover, the widening to currently 27 Member States has of course only enhanced the institutional difficulties with respect to achieving any kind of positive (social policy) integration (Scharpf, 2002).
10. Here one can for example think of the ultimately successful bid by London-based steel giant Mittal for its Luxembourg-based rival Arcelor (Hollinger et al., 2006), as well as the flurry of takeover activity among European utilities sparking various 'nationalist' responses.
11. They for instance did so at the summit of business associations of the G8 in April 2007 (preceding the real G8). The business leaders called for more transparency over the activities of hedge funds but could not agree on any stronger language, probably because of opposition from the representatives of US and UK employers (De Corbière, 2007; see also the remarks made by Business Europe (formerly UNICE) President, Ernest-Antoine Seillière, in Atkins, 2007a).
12. Although for sure not a monolithic whole and often divided along national lines in as far as labour is organized at all, we may still regard workers as sharing certain basic class interests in opposition to capital. These class interests are neither immutable nor discourse independent (hence these interests are 'discovered' in

practice), yet neither are they independent of the objective position of wage labour within capitalist social relations (that is, the discourse produced is bound to be affected by and related to the *structure* in which agents find themselves). See also Chapter 11, by Bieler.

13. As it is a compromise it would be unjustified to interpret these developments as an outright victory for the forces opposing neoliberal market liberalization, nor does this necessarily spell the end of the Lisbon ‘reform agenda’. However, the fact that a compromise was necessary is significant in and of itself. Here, we may note the worries expressed by UNICE about the proposed deal as ‘opening the door to the introduction of new restrictions against service providers’ (Buck, 2006).
14. On the consequences of the marketization of corporate control for labour see Van Apeldoorn and Horn (2007a: 9–10).
15. In 2005 – the year of the referendums in France and the Netherlands – among the EU-25 future enlargement had the support of 49 per cent, with that figure being much lower in the old EU-15 (European Commission, 2005c).

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