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# **AFTER BREXIT:**

## **THINKING BEYOND THE EUROPEAN CRISIS**

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## After Brexit:

### Thinking Beyond the European Crisis

Gerard Delanty

There can be little doubt that Europe is experiencing a significant crisis in recent years. The post-2008 banking crisis, the Greek bailout, the refugee crisis, the rise of authoritarian populist parties, and Brexit reveal a continent in crisis. The optimism that made possible the post 1990 enlargement of the EU is no longer to be found. The EU is clearly on the defensive as new questions are being asked about its very *raison d'être*. The question must be asked how significant is the current crisis and how should it be understood.

#### IMAGINING THE END OF THE EU?

Is it possible to imagine the end of the EU? This would be the extreme scenario. In the age of Brexit and Trump, extreme scenarios cannot be dismissed. The UK today is suffering from a national psychosis and in the grip of mendacious politicians who have brought about a serious crisis of governability. It is certainly possible to imagine the break-up of the UK. No political order has endured unchanged for ever and the EU is less than six decades old. Its future is by no means guaranteed. The centenary of the October revolution is an occasion to reflect on the transience of what to contemporaries was immutable. Capitalism as the dominant economic system is merely 500 years old and according some recent prognoses cannot be regarded as here for ever.<sup>1</sup>) Empires have come and vanished. Those that have survived, such as China, have witnessed seismic transformations in their history. A feature of the modern age has been perpetual revolution. The post-second world war project of

European integration was itself the product of a continent torn apart by war. It has generally been seen as the hand-maiden of its nation-states, which are themselves relatively recent creations and like all political constructions they are volatile and prone to conflict. If the EU comes to an end one day, it will more than likely be due to major crises within nation-states as they desperately respond to unrelenting global pressures. For the moment we can discount conflict between nation-states in Europe. There are certainly signs of significant tension with Russia and Turkey, but war within Europe for now appears to be a thing of the past. External war is not to be discounted, as in the case of Iraq war in 2003, but here too there is little appetite for armed conflict. The world-wide tendency is towards an increase in civil strife within nations rather than between them.

#### ROOT CAUSES OF THE CRISIS: THE TRANSFORMATION OF CAPITALISM

The current problems of the EU, I would like to suggest, are due to problems that are essentially bound up with the transformation of capitalism and are not specific to the EU whose structural problems exacerbate the external problems. These transformations are first and foremost manifest on nations and only secondarily on regional integration. However, these problems confound problems that are endemic to the design of the EU, and have, as a result, led to a legitimisation crisis. But the underlying problem is that nation-states are increasingly unable to provide a model of integration for their increasingly diverse populations. It is hardly surprising that the EU is unable to achieve what national cultures are unable to do.

The EU originated in the political context of the end of the Second World War when it was very much tied to the project of post-war reconstruction in the context of the Cold War. The political ambitions were to be realised through economic policies based on the requirements of what was then industrial economies. The Schuman Plan was centrally about cooperation in matters of energy – iron and coal – and the foundations of the EEC were in economic coordination. The degree of integration was fully compatible with the requirements of industrially based economies in an era of economic growth. That era has

now finally come to an end and much of the present crisis is a reflection of the transition to a new economic order characterised by post-industrial trends and low growth. The post-war project was entirely one of regional integration centred on France and Germany and with its centre in North West Europe. Capitalism today has broken free of the fetters of regional integration and has delivered different outcomes for European countries. The first signs of crisis began as early as 1972 when the post-1945 western capitalist world went into recession. The entry of neo-liberalism – rapidly in the US and UK since 1980, while piecemeal in the rest of Western Europe – postponed the crisis. This was helped by a period of technologically assisted global growth that the EU also benefited from, though at the cost of transferring public debt into private debt. That lifeline lasted until 2008. The present crisis, marked by the Greek bailout, austerity regimes in many countries, and now Brexit, can be seen as beginning in 2008, as a systemic transformation in capitalism manifests itself in wider social and political transformation.

The early decades of European integration were based on a certain compatibility of capitalism and democracy. The political problems around capitalism were largely contained within the national state. The main cleavage for several decades was between capital and labour. European integration was for the greater part spared much of this conflict and was not subject to major demands for democratic legitimation. European integration was thus mostly untouched by domestic politics and for the greater part through market liberalism was relatively uncontentious. It can also be noted that it was a relatively cohesive entity of countries that had much the same civilizational heritage in liberal democracy, capitalism, and Christianity, in a time when cultural values and authority were not as much questioned as they are today.

## GROWING CONTESTATION AND NEW CHALLENGES

Since the 1980s that changed as the EU consolidated around a project of enhanced political integration and constitutionalisation. The notion was born of European integration founded on the rights of citizens; national societies were slowly and irreversibly changed due to deep

and long-lasting processes of Europeanisation. It was inevitable that would lead to greater contestation since the nature of the process involved new regimes of rights, which in turn had a transformative impact on the lives of people. However, much of this contestation is also an outcome of a new cleavage that became manifest in European societies, namely a conflict between radical cultural pluralism and neo-liberal technocratic governance. This conflict somewhat displaced the older class-based cleavage, which was predominantly about redistribution and revolved around social issues. The lines of division became increasingly around a new generation born into an age of prosperity, mobility and global culture. For one segment, Europe represented mobility and pluralism; for another it was simply part of a new world of neo-liberal governance. This division partly translated into left versus right, where the left became more centred on cultural critiques of capitalism. 2) This left the social critique of capitalism in an uncertain situation.

In recent years, a further cleavage has become apparent: between those who, on the one side, have not benefited from the New Europe and who largely identify with the national culture, and on the other side those who identify with the New Europe. This latter group lack coherence, since they include radical pluralists and those of the neo-liberal temperament. The outcome of the Brexit referendum of the 23<sup>rd</sup> June 2016 perfectly reflects this condition of societal polarisation. It is in part a cultural clash but it is one that cuts across the left and right cleavage and thus is fuelled by both right and left political discontents. It is in part the return of class politics but without the progressive spirit: the enemies of class are migrants, whether real or imagined.

In sum, the current situation in which the EU has become embroiled is not entirely one of its own making in that the causes lie within the national societies and derives from a major transformation of capitalism and societal change over the past few decades. The rate of economic and technological change as well as changes in governance have not been matched by changes in consciousness. The older cleavages persist along with new ones. The result is that the relation that previously existed between capitalism and democracy has been reversed: democracy is uncoupling from capitalism but in a form that gives voice to authoritarianism. This situation leads to a new phenomenon: authoritarian democracy. The UK since the Theresa May government and Hungary under Victor Orban are two examples of this.

## BREXIT: DEMOCRACY VERSUS THE LOGIC OF CAPITALISM

The Brexit outcome is a stark reminder of how democracy can work contrary to the interests and logic of capitalist accumulation. No one suspected that the elites were not in fact in control and that the UK would act against its economic interests. This was not necessarily foreclosed by the referendum, which resulted in only a minority of the electorate voting to leave the EU: 37 per cent as against 63 per cent who either voted to remain or abstained. The percentage majority of 3.8 per cent was small and it was a government decision<sup>3</sup> that granted such a slim majority victory. This was a victory of authoritarian populism but one that was achieved through democracy. The result is a deeply polarised society that has now embarked on a catastrophic project of major systemic transformation. The argument I am making is thus that the greater crisis is, in this instance, a national one and that the forces impelling the direction of change are national ones. It is arguably the case that the major divisions are within societies than between them. The UK, for example, is divided between those who see their lives and their society part of Europe and those who seek to find in the reassertion of national culture a different vision of society. The EU is possibly a trope for the latter to assert their difference from the former, who are now in an existential crisis.

The example of Brexit is reflected in the election of Donald Trump. In the USA, too, the lines of national polarisation are firmly drawn and where liberal democracy not only failed to stem the tide of authoritarian populism, but enabled it. It must be reiterated that there is nothing inevitable in all of this, given the close margins that led to Brexit and the Trump presidency and the Austrian presidency election in December 2016 that saw the rejection of the far-right candidate. However, there appears to be similar trends in many countries where the extreme right are on the rise and the progressive left marginalised or incapacitated.

The project of European integration was never designed to deal with such problems. In many ways the current hiatus is due to the project having achieved many of its earlier goals. Europe has enjoyed a long period of peace and there has been considerable progress made in fostering rights of equality, especially for workers, for women and children. One problem

is that much of this achievement is not visible since it has been effectively achieved through the nation state, which is the main vehicle of Europeanisation.

#### THE EU'S NORMATIVE FOUNDATIONS: HUMAN RIGHTS AND FREEDOM OF MOVEMENT

The normative foundations of the EU can be seen to lie both in rights and in mobility. The EU has created complex framework of rights, including human rights, which deeply embedded in domestic laws as a result of EU law. It could therefore be suggested that in certain aspects of the legal framework of the EU, in particular in those that pertain to the rights of the individual, there are wider normative aspects to European integration that transcend the goal of market integration. Habermas and others have characterised this constitutionalisation as a post-national Europe based on citizenship. 4) It is arguably the case that the normative foundation of the EU is the individual, not the state. This limited sense of the post-national – rather than supranationalism - is probably the most important legacy of the EU. It is in essence and internal transformation of the nation than its overcoming.

The other legacy that has normative force, in terms of providing a moral and political legitimisation of the EU, is mobility. As is well known, the foundation of the EU is in the four mobilities of capital, good, services and labour. The first three constitute the basis of the single market and the fourth, essential to the single market, also transcends the market model of European integration. Through the right to mobility, Europeans have been able to study, live, travel for tourism, work and retire in all member states. This is something that Brexit has put into question. Freedom of movement has come to be a cherished value of Europe today and goes beyond the model of worker mobility. It cannot be so easily abrogated without calling into question the very foundation of the EU. It has also now become integral to the self-understanding of most nations.

The picture characterised in the foregoing places the sources of the current crisis less on the EU than on national societies becoming increasingly polarised in an era of neo-liberal politics. This is underpinned by a major transformation in capitalism. The EU itself suffers



from design faults that have contributed to the current crisis. The major treaties that define the project of European integration were all conceived and enacted at times of relative economic growth and political stability, or at least they were not products of a world in crisis. As such, they reflected the positive side of the economic and political prospects that the second half of the twentieth century offered to the world. But the promise of prosperity was not fulfilled for the many. This is probably the major failing of European integration and where the political imagination is totally lacking. That this is now becoming apparent at a time when other changes external to the EU placing a severe burden on the EU, which does not have the capacity to respond.

European integration began at a time when the then EEC was surrounded by dictatorships. It was an age of geopolitical certainty. The eastern frontier with the Warsaw Pact countries had the character of permanence until it collapsed in 1989/90, opening the project of European integration to entirely new possibilities. With the new opportunities came new risks that for a time were manageable. In 2011 with the Arab revolts, the dictatorships of North Africa and the Middle East ceased to provide a stable borderland area. The disastrous Iraq war in 2003 presaged the dangerous new world that was forming on Europe's borders. The collapse of Libya and the Syrian civil war, along with tensions with Turkey and Russia, have created an entirely new external context.

This situation of external instability has occurred at a time when external instabilities more generally have become internal instabilities. Nowhere is this more evident than in the case of the financial crisis of 2008, the on-set on austerity policies, and the problem of Greek debt. As European countries enter into a period of low to zero growth, the global economic crisis of capitalism since 2008 has imposed severe strains on European integration. The single currency has resulted in a crisis of systemic integration for the Eurozone area. The Euro currency functioned so long as the Keynesian economy prevailed, but with the transition to the Hayekian neo-liberal economy the national state loses considerable power. In view of the huge differences in the national economies of Europe, an inflexible currency severely limits options, in particular the ability of a given country to devalue its currency. But locked into the single currency, weak economies find themselves subservient to the strong economies. The systemic contradiction at the heart of European integration was the creation of currency union without political union. This mistake may quite well tear Europe

apart. It has created a division between creditor and debtor states; between exporting states and importing ones. Political and cultural differences that once were supposed to be the basis of a Europe united in diversity have now become transformed into economic divisions. For long one of the major differences in Europe was between west and east. As a result of the contradictions of the single currency, a new and more systemic divide has risen between the north and the south, between core surplus countries and deficit periphery countries (see Offe's incisive analysis). 5) The result is increasing debtness in the deficit countries, since those countries must increase their borrowing and spend tax revenues, which would otherwise be spent on social infrastructures, to service the loans. The single currency was a monumental error that has led to the weakening of the EU both politically and economically. The 28 member Union is now likely to see the departure of its second largest member as a result of the Referendum held in the UK in June 2016.

The systemic crisis of European integration – monetary union without political union – is a problem created by the EU. This contradiction fuels other problems that European integration has led to, for example the problem of democratic accountability, the so-called democratic deficit. It has led to a new tension between capitalism and democracy. European integration was primarily driven by market integration, but in pursuing other goals of integration, including monetary union and juridical harmonisation, the project of European integration was brought in different and often contradictory directions. Through the European Court of Justice the EU has brought about greater egalitarianism, but the European Central Bank has created the conditions for a systemic injustice.

#### A CRISIS OF THE NEO-LIBERAL MODEL?

The current crisis of European integration thus has a lot to do with the design and rationale of the EU. However, the problems do not all derive from the EU. In so far as it has become part of the neo-liberal order of governance, it must not be forgotten that neo-liberalism has been for long one of the dominant influences in national governments, where of course there are many variations and varieties of capitalism. National governments everywhere are

in thrall to neoliberal doctrines at a time when their populations are showing signs of discontent with market solutions for everything. The Brexit vote in the UK was an expression of this protest, though in this case the antidote that the government is offering is more not less globalisation. Nations everywhere are deeply divided and the new cleavages do not derive exclusively from European integration.

What then is likely to be the future of European integration? Despite the intractable problems it faces, the EU remains nonetheless a major global regional power in a world in which regional integration is becoming more important. The clock cannot be set back. Perhaps the current situation might be seen as normal and the previous decades as abnormal. These were decades when Europe enjoyed considerable peace and relative prosperity. In the longer perspective of history and in view of the wider global context, the assumptions that European lived with for some time may need to be revised in a more turbulent world. One thing is for sure and that is that nations need to build bridges not walls.

What is now needed is a fundamental shift in the very conception of Europe to more fully capture solidarity. This is more important than issues of mobility, markets or supranational governance. It is clear that nation is no longer able to deliver social justice without connecting with a larger sense of political community. This may be the most viable opportunity for Europe to reinvent itself.

## NOTES

- 1) See Wolfgang Streeck, *How Will Capitalism End?* (London: Verso, 2016). Immanuel Wallerstein e.a., *Does Capitalism Have a Future?* (Oxford: Oxford University Press, 2013).
- 2) See Luc Boltanski and Eve Chiapello, *The New Spirit of Capitalism*, (London: Verso, 2006).
- 3) In fact it was a non-decision, based on a collective denial of the need for a supermajority. The referendum was non-binding and the legislation did not therefore specify a supermajority. The government accepted the result based on a simple majority and parliament was not given a chance to vote on it.
- 4) Jürgen Habermas, *The Postnational Constellation*, (Cambridge: Polity Press, 2001).
- 5) Claus Offe, *Europe Entrapped*, (Cambridge: Polity Press, 2015). See also Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*, (Cambridge: Polity Press, 2014).

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