The Free Market and Democracy

Abstract: This chapter begins with a critical analysis of the ordo-liberal and neoliberal intellectual traditions. It shows how this neoliberal mindworld gave shape to early efforts at economic and monetary integration. It also explains that the neoliberal project – to re-structure European social relations in favour of capital and insulate policymaking from democratic pressures – was incomplete at the time of the global financial crisis in 2007.

As the previous chapter explained, Europe is facing both a political crisis of democracy and legitimacy and an economic crisis of debt and competitiveness. Pithily, it suggested that as segments of an increasingly politicised European society press for less Europe so the Europeanised mechanisms of economic adjustment are tightened and strengthened. Policymakers have struggled, in the first instance, to construct a coherent strategy; yet the determinant factor, it has been suggested, is the requisite legitimacy in the eyes of European society. This chapter aims to explain – in conceptual terms – why this legitimacy will not centre on greater democratic participation, but rather on the success or failure of depoliticisation as a governing strategy. Subsequent chapters then trace the struggle between this attempted further depoliticisation in EU politics and the re-politicisation of European society, before the conclusion addresses the limits of depoliticisation through a look at Habermas and Luxemburg.

Debt and democracy crises

To begin, let us return to the notion of democracy and debt crises. The dominant narrative for explaining the debt crisis emphasises the impact that the global financial crisis (GFC) had on sovereign debt. The connections between rapidly escalating deficits post-2007 and (longer term) issues of structural reform and competitiveness are therefore less prominent. Indeed, this would seem sensible given that debt levels (as a percentage of GDP) rose rapidly from 2008 and bond yields only began to widen from late 2009 onwards. Greek debt, for example, remained relatively stable at 97–107 per cent of GDP until the end of 2007 and Euro area debt remained below 70 per cent of GDP until late 2008 (ECB, 2012).

Yet no astute observer could also fail to recognise the contradictions at the heart of the Eurozone, specifically those that contrasted with expectations of productivity convergence within the single currency area (see Hall, 2013 for an excellent critique of the economic perspectives shaping monetary union). These contradictions were such that, in the lead up to the global financial crisis there were clear signs of a two-tiered Europe, or of export-led growth driven primarily by the core and supplemented, at least in part, by markets in the periphery. For example, whilst Germany, France, Holland and Finland maintained an average fiscal deficit of only 1 per cent for the period 2004–2006, Italy, Spain, Greece and Portugal