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<td>Erne, Roland</td>
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<td><strong>Publication date</strong></td>
<td>2017</td>
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<td><strong>Publication information</strong></td>
<td>Nanopoulos, E., Vergis, F. (eds.). The Crisis Behind the Euro-Crisis: The Euro-Crisis as Systemic Multi-Dimensional Crisis of the EU</td>
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<td><strong>Publisher</strong></td>
<td>Cambridge University Press</td>
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<td><strong>Item record/more information</strong></td>
<td><a href="http://hdl.handle.net/10197/9272">http://hdl.handle.net/10197/9272</a></td>
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How To Analyse A Supranational Regime That Nationalises Social Conflict? The European Crisis, Labour Politics and Methodological Nationalism

Roland Erne

Forthcoming in Eva Nanopoulos and Fotis Vergis (eds.) 'The Crisis Behind the Euro-Crisis: The Euro-Crisis as Systemic Multi-Dimensional Crisis of the EU' Cambridge: Cambridge University Press

After the adoption of the so-called Six-Pack of EU laws on economic governance in 2011, EU interventions retrenched social welfare and collective labour rights in almost all EU member states (Erne, 2015; De la Porte and Natali, 2014). This chapter therefore aims to contribute to a better understanding of the EU’s economic governance regime (NEG) and the conceptual, methodological and political questions that it is raising.

Analytical concepts should always be ‘elaborated in close connection with some set of substantive problems’ (Mills, 2000 [1959]: 125). The substantive problem that we address in our ongoing 5-year-long research programme (www.erc-europeanunions.eu) is the following: What are the points of intervention or ‘levers’ (ibid: 131) by which the EU’s new economic governance system (NEG) may be changed by social actors?

In order to be able to answer this question, we use a conceptual framework that is able to distinguish between horizontal and vertical modes of European integration. We distinguish them based on the different modes of constraints that are in operation. We refer to horizontal integration if European labour movements are constrained by transnational (economic) market pressures. By contrast, we refer to vertical European integration when they are constrained by interventions from a supranational political, legal and corporate authority. This distinction is pivotal because the two modes of European integration offer different crystallisation points for collective action. Horizontal integration is not questioning the formal autonomy of local or national unions and industrial relation systems, even if the Europeanisation of the economy is effectively constraining union’s choices. By contrast, vertical integration does question unions’ and industrial relations system’s formal autonomy. Vertical constraints are thus more likely to trigger collective action than horizontal constraints; not only because they are more tangible and therefore easier to politicise but also because they are also formally undermining social actors’ and local and national institutions’ autonomy.

We propose to operationalise ‘modes of constraints’ in relation to

1) the medium through which these constraints are communicated (market signals vs. detailed prescriptions issued by a particular authority)
2) the sanctioning mechanisms in case of non-compliance (the threat of a loss of market shares vs. the threat of sanctions in case of non-compliance by a particular authority).

Horizontal Integration: Constraining But Hardly Triggering Collective Action

Until recently, European unions have primarily been constrained by the horizontal integration triggered by the free movement of goods, capital, services and people. The subsequent increased competitive pressures effectively constrained union action. Since the 1990s, European workers have failed to get real wage increases that match productivity growth almost

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1 I would like to thank Andreas Bieler, Colin Crouch, Bianca Föhrer, Darragh Golden, Jamie Jordan, Imre Szabo, and Sabina Stan for their comments on earlier drafts. I have also used sections of my ERC project application (Erne 2017). This work was supported by the EU’s Jean Monnet Chair programme [grant agreement 2016-2391] and the European Research Council grant ‘Labour Politics and the EU’s New Economic Governance Regime (European Unions)’ [grant agreement 725240].
everywhere (Erne, 2008). And yet, there had been surprisingly little change in formal institutional settings governing industrial relation systems.

Like the pre-crisis EU governance system, the EU industrial relations framework could not be ‘defined in hierarchical terms with an EU layer added on top of national systems’ (Marginson and Sisson, 2004: 25). Accordingly, Marginson and Sisson (2004: 289) described the pre-crisis European industrial relations system as a multi-level governance regime that mixed cross national (horizontal) influences with national (vertical) ones.

Horizontal market integration did not lead to a collapse of multi-employer wage bargaining or co-determination structures that are enforced vertically by legal enactment at the national level. However, European Economic and Monetary Union did not lead to a transnational coordination of European unions’ wage bargaining policies either, despite the competitive pressures it triggered. Whereas the European Trade Union Confederation (ETUC) and sectoral European trade union federations tried to stop the decline of wages shares as a proportion of GDP through joint wage coordination benchmarks, many of their affiliates got involved in arrangements that aimed at increasing national competitiveness to the detriment of their colleagues abroad.

Increased transnational competition has led to transnational union action only in a small number of cases. As I have argued in European Unions (Erne, 2008: 189):

Economic Europeanization and globalization do not explain transnational union cooperation. Markets create societies without facilitating association among workers. Or, as Karl Marx observed, the mutual ‘relations of the producers, within which the social character of their labor affirms itself, take the form of a social relation between the products’ (Marx, 1999 [1887]: chap. 1.4).

By contrast, the most successful cases of transnational collective action by European trade unions were triggered by decisions of supranational authorities, namely merger plans of multinational firms, the corresponding merger policy decisions of the Commission as well as Commissioner Bolkestein’s draft Service Directive (Erne 2008; 186-202).

Vertical Integration: Constraining But Also Triggering Collective Action?

Since the adoption of the Six-Pack in 2011, the salience of vertical hierarchical integration has increased dramatically. Labour movements are increasingly constrained by EU interventions that put member states’ economic, fiscal, social and industrial relations policies under direct EU surveillance. The resulting new EU economic governance regime (NEG) opens contradictory possibilities for labour politics in Europe. On the one hand, NEG’s reliance on vertical surveillance makes decisions taken in its name more tangible, thereby offering concrete targets for contentious collective action (Erne, 2008; Kay, 2015). On the other hand, NEG mimics the governance structures of multinational firms (Erne, 2015). By using performance indicators that put countries in competition with one another, it implicitly constitutes a deterrent to transnational collective action. Moreover, the interventionist strains associated with the NEG regime increase the threat of nationalist counter-movements. Whereas NEG has definitely increased the salience of vertical integration, NEG’s supranational governance regime also favours its politicisation along national rather than transnational class lines (Erne, 2015); partly because pro-European neo-liberals like to portrait their critics as nationalists (Béthoux, et al., 2018); partly because visibility of the political NEG interventions may let people believe that re-nationalisation would solve unions and workers’ social and economic problems. In some cases, however, European unions did succeed in politicising NEG interventions across borders, namely in the case of the right2water campaign (Bieler, 2017).
Towards A Restructuring Of The European Political Space Along National Divides?
Leaving scholars argue that the European political space is currently about to be restructured along a new divide, namely between a liberal-cosmopolitan and an illiberal-nationalist pole (Börzel, 2016; Kriesi, et al., 2008). If this was true, the prospects for European democracy would be very bleak. A transnational democracy requires cross-cutting social cleavages that can unite national populations across borders; e.g. along transnational class lines. The prospects of a transnational European democracy are the weaker the more the critique of NEG is framed in nationalist institutionalist rather than transnational class-oriented terms.

Labour movements are integral to European politics and society. Labour mobilisations that followed the transnational industrial revolution homogenised political attitudes and behaviour within and across countries (Caramani, 2015; Bartolini, 2000). Furthermore, the mid-twentieth century class compromises, on which Europe’s social models were built, would not have been conceivable without the mobilisations of European workers and unions at workplaces and in national political arenas. A similar analogy can be made in a transnational context (Erne, 2008). However, labour movements’ capacity to

a) structure the (transnational) political space along class cleavages;
b) play a key role in public (and private) interest intermediation; and
c) enforce class compromises in industrial relations and social policy

has been seriously challenged. These three dimensions of labour politics are currently threatened by the new ‘silent revolution’ (Barroso, cited in ANSA, 2010) in European economic governance. NEG’s recommendations to commodify wage bargaining and public services are putting labour movements into a corner. We therefore aim to explore the tensions, challenges and possibilities that the interventionist turn in EU’s NEG poses to labour politics in Europe. In the context of increased social tensions arising from NEG (V. Schmidt, 2015; Streeck, 2015) our research programme aims to answer the following interrelated research questions:

1. Is NEG restructuring the European political space along national or class divisions?
2. Are unions and new social movements politicising NEG along national cross-class or transnational class lines?

These are urgent questions in times when even proponents of neofunctionalist European integration theory envisage the following scenario: ‘first, the collapse of the euro; then of the EU, and, finally, of democracy in its member states’ (Schmitter, 2012: 41). However, posing such questions also calls for a broader analytical perspective, bringing interest politics and class conflict back into EU and social movement studies (Della Porta, 2015).

Even before the Euro crisis and the ensuing silent revolution in European governance, it has been argued that the formation of a new European political centre with strong regulatory and judicial capacities is potentially problematic (Zürn and Neyer, 2005). This is because of the deficient ‘system building’ in the field of transnational social integration and democratic participation rights (Bartolini, 2005). Yet, it is conceivable that transnational social integration and democratic participation will emerge after the creation of political authority at the EU level. Whether one is conceptualising the political in deliberative Habermasian terms or in power-struggle-oriented Weberian or Marxian terms, one has to acknowledge that political authority over a given population did not include democratic and social rights from the outset. In fact, the formation of political authority has usually been a product of ‘coercion and capital’ (Tilly, 2000). Democratic and social rights followed afterwards as a result of social and political learning processes or struggles by ‘countervailing powers’ (Galbraith, 1952) in response to social tensions created by the making of integrated markets and political authority (Erne, 2008: 18; Habermas, 1996: 506; Marshall, 1992 [1950]).

The formation of much more robust EU governance institutions can paradoxically also favour the creation of a transnational democracy. ‘Democracy requires not only a people (demos) but
also political power (*kratos*) (Erne, 2008: 18). As democracy is dependent on political authority to enforce the results of democratic consultations, there is a dialectical relationship between popular mobilisations and the creation of political authority. Furthermore, democratisation usually occurred as a result of struggles that politicised class conflict around tangible social demands. Few of the participants were trying to create democratic institutions (Tilly, 2004). We will therefore explore whether established unions or new social movements, which have been triggered by NEG across Europe (Bieler, *et al*., 2015; Stan, *et al*., 2015; Vogiatzoglou, 2015), are capable of (a) politicising NEG, which means transforming technocratic NEG into a matter of political choice and (b) building transnational social integration and democratic participation rights through transnational collective action. After all, transnational democracy is not solely a result of innovative theorising, even if ideas play an important role in democratisation processes (Erne, 2008: 18).

Politicisation processes and the restructuring of the socioeconomic and political space can be observed at three levels, namely, individual (micro), organisational (meso) and systemic (macro) level. Most studies in the field have favoured analyses located at the micro or the macro level (Zürn, 2016). It is quite easy to analyse datasets about changing voter attitudes at the micro or to measure the salience of EU-related political issues in media debates at the macro level (ibid.). Yet, the emergence of new political and economic polarisations, as measured by the rise of new electoral cleavages or media discourses alone, cannot explain the restructuring of the European political space. The formation of new social cleavages also depends on the emergence of corresponding ‘organisational networks’ (Bartolini, 2000: 26); hence our focus on interest politics.

**Broadening Analytical Frameworks**

For ‘several decades now the study of labour issues has been a specialist field, rather cut off from the rest’ of sociology, politics and economics (Crouch, 2015: 2). In the Anglophone world, this discipline used to be called industrial relations. Given the relative decline of unions and industrial employment, many colleges have replaced it with human resources management. This has led to a narrowing of the field to ‘a management perspective on how to get the most effective work out of employees’ (ibid: 4). In continental Europe, *la question sociale* was mainly a domain of social policy. When the incorporation of workers into welfare states apparently solved the social question, the discipline’s big questions were increasingly replaced by technical issues, which required ‘increased specialisation among academics, policy makers and practitioners’ (ibid.: 4). And yet, NEG may be bringing industrial relations and social policy together once more. These disciplines not only offer complementary vantage points, but are also directly affected by these ongoing changes. The latter might bring them back to the big questions about capitalism, social equality and democracy that originally led to the creation of the social sciences at times of great political and social upheaval.

The more policymaking is depoliticised, the more sociology and political science are challenged by economics and management. Industrial relations and social policy are challenged even more directly by NEG. It is hardly a coincidence that the Commission’s *Industrial Relations Report 2014* (2015), which covered the period 2012–14, was the last of its kind. And yet, the closer alignment of industrial relations to business studies also has paradoxical advantages. It enabled industrial relations scholars to capture the ‘new’ governance through ‘coercive comparisons’ (Ross, 1948 cited inMarginson and Sisson, 2004: 11) long before scholars in other disciplines theorised the EU’s new ‘governance by numbers’ (Supiot, 2015). Industrial relations scholarship also suggests that the governance by coercive comparisons, as envisaged in the EU’s NEG regime, will hardly lead to an end of social contestation. There are several examples where multinational firms have attempted to benefit from regime competition by involving workers and their representatives in ‘whipsawing’ games (Greer and Hauptmeier,
But workers in different production locations do not have to engage in the socially destructive games that management wants them to play. Instead, labour across countries can turn threats of social dumping into opportunities for transnational solidarity. In other words, workers can use the wedges that employers insert to divide them to build bridges and unite them. Competition can thus be seen as both a limiting and a triggering factor for cross-border action: ‘competition can frustrate cooperation, but it also motivates it’ (Anner, et al., 2006: 24). Hence, cross-national collaboration can arise both despite and because of competition.

Before reviewing the literature on EU governance and transnational collective action, I will discuss the scholarly literatures on the (re-)structuring of the European political space and the politicisation of the EU integration process. Whereas the former is primarily a debate about the EU level of governance, the latter debate can be conceptualised as a debate about the democratic or technocratic mode of governance (Erne, 2008). The following sections review the state of the literature in these fields separately. Subsequently, a concluding section will bring these two strands together once again, discussing the likely impact of NEG for democratic interest intermediation, social policy, and (transnational) collective action.

Restructuring The European Political Space
The labour movements triggered by the industrial revolution led to the formation of European party systems along class cleavages within and across countries (Caramani, 2015). But if one narrows the temporal focus of the analysis to the last two decades, then a new cleavage appears: namely, the cleavage between ‘winners’ and ‘losers’ of denationalisation processes (Kriesi, et al., 2008). This cleavage has also been discussed in terms of a conflict between cosmopolitan Europe-builders and illiberal nationalists (Börzel, 2016).

European labour parties and unions are indeed facing an increasingly Eurosceptic working class (Golden, 2015; Béthoux, et al., 2018). Compared to voters from higher classes, French and Dutch working class voters rejected the EU Constitution in much higher proportions. The ETUC and almost all national union confederations endorsed it, but union leaders were arguably ‘out of step’ with their membership (Hyman, 2010). In turn, Hooghe and Marks (2006) explained the higher proportion of workers among the No-votes in Dutch and French EU referenda in terms of workers’ alleged primordial attachment to ‘pre-material values’.

At the same time, it is worth noting that the framing of EU integration debates as a conflict between enlightened elites and ethnocentric-commoners may have been influenced by the cosmopolitan habitus of international journalist and scholars. The facility with which both cosmopolitans and nationalists frame contemporary cleavages as a conflict between globalising elites and ‘more terrestrial ordinary nationals’ (Friedman, 2004: 7) is striking for at least two reasons. First, the working class was the last social group to be nationalised (Hobsbawm, 1992), which challenges explanations based on workers’ primordial attachment to national values. Second, and more importantly, the re-framing of socioeconomic conflicts in nationalistic terms by elites has been an important feature of labour politics since its inception (van der Linden, 2008). Consequently, any analysis of the restructuring of the European political space cannot rely simply on quantitative data on individual voter attitudes. Equally important are organisational mobilisations and the political structures of opportunities in which these mobilisations are taking place (Tarrow, 1994). The processes that determine the lines along which debates are structured in the European political space are social processes, and this cannot be understood by an exclusive analytical focus on the individual (Saurugger, 2016; Bartolini, 2005). The social habitus of a person is formed by experiences of collective agency and powerlessness (Föhrer, 2015). Individual attitudes become a social force only if they are mobilised, and this very much depends on intermediary organisational networks located in the forecourt of party politics (Bartolini, 2000, chapter 6). Hence our interest in European unions.
It is also important to note that the framing of socioeconomic interests in national terms is hardly an exclusive property of anti-European populists, such as the Polish Law and Justice Party. If the politicisation of EU integration processes can no longer be avoided, neoliberal cosmopolitans also have an interest in politicising these along the nationalist vs. cosmopolitan cleavage rather than along (transnational) class cleavages (Béthoux, et al., 2018). Della Porta and Caiani (2009) avoid being captured by the politically charged conceptualisation of European protest movements along the nationalism–cosmopolitanism axis, by locating protests in broader (conflicting) networks. By analysing the cognitive frames and discourses used by particular European protest movements, they were able to highlight the fundamental differences between ‘critical Europeanists’ – who were for example active in the campaign against the so-called Bolkestein directive – and ‘populist Euro-scepticism on which research has focussed in the past’ (della Porta and Caiani, 2009: 135). Although the neat distinction between progressive discourses of ‘critical Europeanists’ and regressive ‘populist Euroscepticism’ worked well in studies of social movements, the classification of protests based on discourses is problematic, as ‘every union rhetorically supports a more social and democratic EU’ (Erne, 2008: 4). I have therefore classified different European actor strategies leading to alternative EU-polity developments starting from actors’ activities rather than from their discourses (Erne, 2008: 21). No European union is against a social and democratic Europe. And yet, there is a long list of cases in which European labour movements mobilised along national cross-class lines rather than along transnational class lines. Examples range from the truce of the German, French and British labour movements with their national bourgeoisies during World War I; through labour’s involvement in anti-colonialist national struggles in Ireland and elsewhere; to the national ‘competitive corporatist’ pacts of the 1990s and 2000s, through which unions aimed to increase their nation’s competitive advantage in an increasingly Europeanised and globalised economy (Erne, 2008). Finally, in cases in which political choices were apparently reduced to a choice between cosmopolitan neoliberal and nationalist anti-liberals, such as in Poland and Hungary where some unions sided with the latter. The union mobilisations along national cross-class rather than transnational class lines requires detailed analysis of everyday practices across time. The focus of the analysis on meso-level organisational dynamics, instead of on individual attitudes or macro-level observations, promises high gains. The same conclusions emerge from our review of the politicisation literature, which is discussed in the next section.

**Politicising European Integration**

Colin Hay conceptualised politicisation as a process that brings a subject into the realm of the political, which he mapped as outlined in Figure 1 below:

**Figure 1: Mapping the political**

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<th>Governmental sphere</th>
<th>Non-governmental sphere</th>
<th>Realm of necessity (‘non-political’)</th>
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<tr>
<td>Public and governmental</td>
<td>Public and non-governmental</td>
<td>Private sphere</td>
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<tr>
<td>Realm of contingency and deliberation (‘political’)</td>
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Within European integration studies, politicisation is usually conceptualised as a process that can be empirically observed by studying (a) the growing salience of EU governance, involving (b) a polarisation of opinion and (c) an expansion of actors involved in EU governance at the macro level (De Wilde, et al., 2016: 4).

If one compares the two conceptualisations, however, two major mismatches become apparent.

1. *Pace* De Wilde, et al. (2016), the ‘salience of EU issues’ – for example in national media debates – is not necessarily a good indicator for European politicisation processes. If the
political is the realm of contingency and deliberation, ‘not every mention of the EU should count as politicization’ (Zürn, 2016: 167).

2. *Pace* Hay (2007), the location of the entire ‘governmental sphere’ in the political realm is problematic, because it assumes that all governmental action is automatically located in the political realm. Governmental action, however, has been increasingly delegated to ‘apolitical’ agencies, who claim to act in the ‘non-political’ realm of necessity.

For this reason, Figure 2 maps the political realms in an alternative way. Although the claim of regulatory agencies being apolitical ‘often masks ideological choices’ (Weiler, *et al.*, 1995: 33), we locate their activities in the non-political realm of Figure 2.

**Figure 2: Mapping the political revised**

![Chart]


This conceptualisation maintains Hay’s conceptualisation of the political as the realm of public choice (2007: 80). In addition, however, it moves its focus from the public vs. private sphere divide to the political vs. non-political divide inside both governmental and non-governmental spheres of action. This allows us to distinguish between two types of governmental spheres at opposite ends of Figure 2, namely, a democratic and a technocratic one. Hence, I am not distinguishing technocracy from democracy based on technocrats’ remoteness from citizens. Instead, my democracy-technocracy distinction relies on the articulation and acknowledgment of conflicting interests, respectively the lack thereof (Erne 2008, 23-26). Accordingly, a policy issue remains ‘non-political’ as long as technocratic ‘regulatory governance’ is not challenged by social mobilisations for alternative public choices (Erne, 2008: 15). Hence, politicisation does not simply mean making technocratic governance subject to procedures of public scrutiny. Formal democratic procedures do not necessarily guarantee the availability of political choices. Alternative choices are only available if social actors mobilise people for them.

Our revised map of the political also captures ‘collective governance’ by non-governmental organisations – or ‘private interest government’ (Streeck and Schmitter, 1985), in both the ‘political’ realm of contingency and the ‘non-political’ realm of necessity. This is particularly relevant in European industrial relations, where employers and unions – rather than the state – regulate wages and many other aspects of labour politics. Finally, the very same issue may be placed in the ‘political’ realm of contingency and deliberation at one level of governance (e.g. at national level), but in the ‘non-political’ realm of necessity at another level of governance (e.g. at EU level).

The first objective of our ongoing research programme consists in the mapping of the different trajectories of shifting labour politics triggered by the EU’s new economic governance regime. From an industrial relations perspective, this includes depoliticisation processes, such as shifts in wage setting

- from a (national) ‘democratic non-governmental’ to a (European) ‘technocratic governmental’ sphere, as indicated by the shift from (national) collective bargaining to specific ‘unit labour cost’ benchmarks as included in the EU’s new macroeconomic imbalance procedure scoreboard (Erne, 2015: 347), or
- from a (national) ‘democratic non-governmental’ to a (national) ‘technocratic non-governmental’ sphere, as indicated by the shift in (national) collective bargaining from redistribution to technocratic concession bargaining (Erne, 2008).

In turn, however, the introduction of binding EU wage development benchmarks in NEG could also lead to an unintended promotion of wage policy benchmark-setting from a (European)
‘technocratic governmental’ to (European) ‘democratic non-governmental’ or ‘democratic governmental’ spheres; in other words, to a re-politicisation of wage policymaking at EU levels. Such multidimensional politicisation and depoliticisation processes, however, cannot be captured by the ‘scale shifts’ models of Euro-politicisation and transnational collective action that still dominate the field (Tarrow, 2005: 123).

Given the facility of access to media databases and the easy operationalisation of quantitative content analysis of media sources, it is not very surprising that most studies of EU politicisation processes are based on the salience of ‘EU issues’ in (national) media debates. Yet, if one conceptualises politicisation as a process that is promoting an issue into the realm of public choice, then ‘even some seemingly political debates may remain in the realm of T[here] I[is] N[o ]A[lternative] and thus stay apolitical’ (Zürn, 2016: 167).

If ‘European political struggle [about competing political choices] is absent, there is no need to implement democracy as a mechanism of peaceful conflict resolution’ (Erne, 2008: 23). As a result, NEG will lead to a politicisation of European governance only ‘if the process of European integration becomes political in character’ (ibid.). This, however, requires transnational social movements that challenge the power of depoliticised technocratic agencies, such as the ECB or the Economic Policy Committee, to define what are ‘proper’ and ‘improper’ economic policies (Erne, 2015: 347).

It follows that there is no alternative to a self-reflexive investigation of depoliticisation processes at the macro level and of counter-mobilisations at the meso level, as the categories by which individual attitudes are reported are themselves a product of corresponding politicisation and depoliticisation struggles. If, however, one focuses the analysis on concrete activities of interest groups and social movements across time – instead of individual attitudes or media reports – it may be easier to control political classification struggles.

Hence, we need to pursue research strategies that go beyond the measuring of politicisation through an analysis of media debates. Instead, we are proposing an alternative research design, which investigates the politicisation of NEG through social mobilisations at the meso level. As shown by Bolkestein’s intervention in the French EU referendum debate and its reverberations in both EU politics and the social sciences, analytical classifications always entail theory effects that consist of imposing a particular vision of social divisions (Béthoux, et al., 2018; Bourdieu, 1989). Whether workers’ Euroscepticism is best understood in (transnational) class or in (national) culturalist terms cannot be established by deductive, hypothesis-testing surveys of workers’ attitudes at a particular point in time, however sophisticated they may be. Social classes are made by collective action, as shown by Thompson’s study on the Making of the English Working Class (1980 [1963]). The same also applies to the making of a European working class (I. Schmidt, 2015). Transnational collective action therefore seems to be a necessary condition for the structuring of the European space along transnational lines. The making of the English working class was not a result of growing inequalities, but a result of social struggles that often emerged below the radar of media attention (Thompson, 1980 [1963]). Although socioeconomic structures condition collective action, one should avoid static concepts of class (Bieler, et al., 2015). People’s attitudes are central to transformative action, especially perceptions of social injustice and power. Yet, attitudes lead to collective action only if activists involved in social mobilisations manage to convince a sufficient number of people to take action (Kelly, 1998; McAdam, et al., 2004); hence, our focus on established union and social movements. If NEG is a regime that is able to ‘nationalise social conflicts’ (Erne, 2015), however, then the prospects of a transnational democracy and a social Europe will be slim. Therefore, the following section reviews the opportunity structures for transnational collective action. This will then be used to outline an analytical framework for different actor strategies in relation to NEG to guide our ongoing empirical work.
The New European Economic Governance Regime: A Silent Revolution

The Euro-crisis led to an unprecedented centralisation of power in the hands of EU institutions. This shift requires an explanation. Until 2007, the EU’s business and political leaders rejected the need for any coordination in the field of industrial relations and social policy at EU level (Leonard, et al., 2007). After all, self-regulating market forces would, according to then dominant neoliberal beliefs, automatically lead to the desired adjustments in wages and social policies across Europe. But when it became clear that horizontal market integration did not lead to convergence but to major economic imbalances, the then President of the Commission announced a ‘silent revolution’ in EU governance (Barroso, cited in ANSA, 2010). The social-economic convergence that markets failed to achieve should now be realised through a more stringent vertical dimension of EU economic governance.

National governments and the European Parliament adopted six new EU laws in 2011 – the Six-Pack on European economic governance – with far-reaching consequences for labour politics (Erne, 2012). In 2012, the Fiscal Treaty followed suit and the ECB used its power as lender of last resort within the Euro system to impose its agenda also in Spain and Italy (Blankenburg, et al., 2013). Finally, a Two-Pack of new EU laws that reinforced the supranational surveillance of national fiscal policies followed in 2013 (Bauer and Becker, 2014). As a result, the Commission and Council are not only authorised to issue detailed country-specific recommendations (CSRs), but can – depending on the Commission’s political will – also impose sanctions. Eurozone countries that fail to reduce ‘excessive deficits’ or cause ‘excessive macroeconomic imbalances’ risk substantial fines equal to 0.2% or 0.1% of GDP respectively. Although the Six-Pack introduces sanctions for non-compliant member states, the new EU laws fail to define important key terms. What constitutes, for example, an ‘economic imbalance’? Article 2 of the Regulation (EU) No. 1176/2011 on the prevention and correction of macroeconomic imbalances merely states that ‘excessive imbalances’ mean ‘severe imbalances, including imbalances that jeopardise or risk jeopardising the proper functioning of economic and monetary union’ [emphasis added].

As discussed elsewhere (Erne, 2015), this definition of ‘excessive imbalances’ is so encompassing that no aspect of labour politics can a priori be excluded from its scope. The regulation also undermines the legal principle of nulla poena sine lege, as it does not specify what actions ‘risk’ jeopardising the ‘proper’ functioning of the Economic and Monetary Union. Lawmakers delegated the definition of the regulation’s key terms to EU executives, who are drafting and adopting CSRs and corrective action plans on an ad hoc basis. These executive orders, however, display neither the generality and democratic justification of a law that emerges out of the normal legislative process nor the certainties of a rules-based ordo-liberal policy regime (Joerges, 2016: 314, 2014; Storey, 2017). National governments and parliaments cannot be sure in advance whether or not their reform programme will satisfy the EU executives. The ambiguous grounds for sanctions represent a risk that policymakers find difficult to assess (Degryse, et al., 2013: 29; de la Porte and Heins, 2013). The control of EU executives over national labour politics is also increasing because the Commission’s fines apply automatically, unless a qualified majority of national finance ministers vetoes them within a period of 10 days. This means that the decisive political decision in relation to the sanctioning (or not) of member states is taken by the college of European Commissioners. Hence, the NEG laws substantially increase the political power of the Commission (Bauer and Becker, 2014) to the detriment of national parliaments, the European Parliament and the social partners. The implications of NEG for unions are far-reaching (de la Porte and Pochet, 2014; Marginson, 2015; Marginson and Welz, 2015; Erne, 2015).

Keynesian policy advisors and labour leaders usually deplore the neoliberal bias of NEG (Erne, 2015: 350). However, the shifts caused by NEG also give rise to more profound conceptual questions. If economic policymaking is becoming an issue of technocratic implementation of
‘proper’ economic policies, then ‘there is no longer any need for institutions of democratic interest intermediation between conflicting political preferences’ (Erne, 2015: 347). Hence, NEG involves not only a *scale shift* in socioeconomic policymaking, but also a *mode shift*, involving a de-democratisation of socio-economic policymaking. The problem is therefore not the neoliberal bias of NEG as such, but the contention that there are no alternatives to it. Moreover, NEG governs the European economy not through universally applicable laws, but through key performance indicators and country-specific executive orders. In so doing, the ‘EU’s new governance regime does not follow the model of the classical federal state. It has much more in common with the corporate governance structures of multinational companies that control notionally autonomous subsidiaries through coercive comparisons based on centrally chosen key performance indicators’ (Erne, 2015: 353). Six-Pack Regulation (EU) No. 1176/2011 requires the Commission to design a Macroeconomic Imbalances Procedure (MIP) scoreboard of quantitative benchmarks to identify improper economic developments in member states. Yet, a list of appropriate indicators and thresholds is not included in the regulation, despite its far-reaching implications. Instead, the list has been drafted by a Working Group of the Economic Policy Committee, which is one of the so-called ‘comitology’ committees of national and EU officials chaired by the Commission. The MIP scoreboard includes indicators relating to all economic policy areas, including those formally excluded from the competency of the EU, such as wages policy. Nominal unit labour costs (ULC), for example, that go beyond the benchmark set out in the MIP scoreboard may trigger the regulation’s preventative and corrective mechanisms that range from CSRs, in-depth reviews, corrective action plans and surveillance visits, to the fines mentioned above. In contrast, *minimum* ULC thresholds are missing, despite the fact that macroeconomic imbalances can also be caused by beggar-thy-neighbour wage setting strategies.

The times when EU guidelines could be dismissed as ‘soft law’ have come to an end. In 2014, for instance, the Commission told the French Government that its 50bn Euro austerity plan and the 40bn Euro reduction in employers’ social security contributions and taxes, announced in early 2014, would still not go far enough ‘in restoring private companies’ profitability’ (European Commission, 2014a). Thus, France would require specific monitoring and decisive action, including further tax cuts for business, curbs on healthcare and pension spending, and a flexibilisation of its ‘rigid’ labour law and wage setting system (European Commission, 2014b). In 2015, the government adopted the *Loi Macron* to render French law more business friendly. As elsewhere in Europe, however, the French government had to adopt the new law by executive order because the likely amendments adopted by a more labour-friendly parliament ‘would have sent the wrong signal to the European Commission, a week before deciding whether to fine France for missing its deficit targets’ (*Financial Times*, 17.2.2015).

As a result, the Commission refrained from sanctioning France. In order not to be penalised, however, the French government had to commit itself to a long list of additional reforms (Erne, 2015: 348). The list included a new labour law (now known as the *Loi El Khomri*), which the Socialist government adopted in 2016 by executive order, despite widespread opposition in its own parliamentary party, a strike wave culminating in a general strike and the popular ‘*nuit debout*’ occupations (Supiot, *et al*., 2016).

The Commission’s reputation as advocate of social progress has been dwindling for a while. However, NEG represents a clear rupture with the social partnership approach of Jacques Delors. In 2012, the Commission’s DG ECFIN even explicitly stated that the ‘overall reduction in the wage-setting power of trade unions’ would be one of its current policy objectives (European Commission, 2012). Although the new Commission President Juncker promised unionists at the ETUC congress in 2015 new ‘social pillars’ for the EU integration process, the realisation of this goal very much depends on unions and social movements mobilising for it.
Politicising The New European Economic Governance Regime?

Western democracies’ retreat from their ‘former heartland of basic economic strategy’ (Crouch, 2009: 398) is undermining a vital power resource of organised labour, namely, political mobilisation and exchange power (Erne, 2008: chapter 3), and one of labour’s classical methods in the struggle for social progress, namely, legal enactment (Webb and Webb, 1897). European unions’ responses to the rise of centralised NEG structures, however, also represent a critical case for analytical reasons. As mentioned above, unions have succeeded in triggering transnational collective action primarily in cases where they have been able to politicise the decisions of supranational corporate executives or public authorities in a transnational public sphere (Erne, et al., 2015; Harvey and Turnbull, 2015). What remains to be explained, however, are the conditions behind successful transnational politicisation processes. The centralisation of decision-making processes within multinational firms and supranational organisations compels unions to act transnationally only if national options are deemed to be absent or exhausted (Erne, 2008: 23). Hence, the centralisation of policymaking at a supranational level seems to be a necessary, but not a sufficient, condition for their politicisation in a transnational public sphere. In many cases, European federations of civil society organisations fail to trigger debates about draft EU laws, however important they think the proposal may be (Kohler-Koch and Quittkat, 2013). Furthermore, the construction of NEG makes it increasingly difficult to describe Euro-technocratisation and technocratic renationalisation as distinct trajectories. The more national leaders follow EU recommendations, the more national and European technocratic strategies converge. As a result, the politicisation of technocratic governance at national level also requires a politicisation of NEG at EU level, and vice versa. Moreover, national and Euro-technocratic strategies share the same action repertoire, namely, the depoliticisation of economic governance. In contrast, Europeanist and nationalist politicisation strategies are still diverging, namely, in view of their different impact on the structuring of the European political space along transnational class or national cross-class cleavages. This is the case regardless of the economic or cultural foundations of nationalism. The difference between the two foundations may indeed not be as important as many post-functionalist EU integration scholars assume (Hooghe and Marks, 2006). The two are converging, and not only in today’s competition states (Cerny, 1997). Italian and Romanian pioneers of authoritarian corporatism also emphasised the importance of economic concerns when they justified fascism as a tool to ‘harmonise’ the ‘antagonism between social classes’ by force in order to succeed as a nation in the world economy (Pitigliani, 1933: ix; Manolesco, 1936).

Given the disruptive nature of capitalist relations of production and exchange, capitalist societies require state structures in order to sustain their social reproduction. At times, this need for stable governance structures allowed organised labour to shift the conflict between workers and employers from the market place to the political arena (Korpi, 1983). As the working class is usually larger than the capitalist class, labour seems to retain an advantage in democracies. Accordingly, capitalists opposed universal suffrage for a long time, whereas labour fought for it (Foot, 2005). Engels (2007 [1895]) even regarded democratisation as the strongest weapon for human emancipation. The social state would indeed not have been possible without labour’s struggles for the democratisation of socioeconomic policymaking (Wahl, 2011). It should be noted, however, that the neoliberal offensive against the social state was never meant to lead to the dissolution of the state as a law enforcement agency. Neoliberals only sought to block unwelcome popular interferences by delegating executive powers to technocratic agencies. In turn, democracy seems to be reverting to a democracy without choice, and not only in the periphery where ‘predatory elites have learned to cite … external pressures as excuses for their own refusal to take responsibility for the welfare of ordinary citizens’ (Krastev, 2002: 51), but also in developed capitalist states. The ‘politics of constrained choice’ is particularly
challenging for left parties, as right-wing parties usually support the business friendly adjustments that are required from ‘responsible governments’ (Mair, 2013). Centre-left parties have often paid a high electoral price for the implementation of austerity policies, even if they may seek new justifications as promoters of progressive causes in other areas, namely in the field of identity politics. In contrast, the legitimacy of unions depends on their capability to sway socio-economic policies in the interests of workers.

Despite the ongoing ‘hollowing out of democracy’ (Mair, 2013) in these ‘post-democratic’ (Crouch, 2004) times, however, politicisation struggles of unions and new social movements are hardly becoming less significant. Drawing on nineteenth century history, Wagner (2011: 14) has argued that ‘whenever capitalism exists without democracy it will be exposed to a critique of exploitation and injustice, likely to be expressed through calls for inclusive, egalitarian democracy’. The shifts in socioeconomic policymaking from the democratic social state to technocratic governance institutions are weakening the legitimacy of state structures that are essential for consolidating capitalism. Yet, the contradiction between our society’s democratic values and the post-democratic state structures of transnational capitalism may also trigger social protest. At times, transnational union and social movement campaigns succeeded in politicising new technocratic governance regimes; as in the case of Commissioner Bolkestein’s EU Services Directive or President G.W. Bush’s Free Trade Area of the Americas (Dobrusin, 2015; Kay, 2015).

Conversely, however, NEG’s particular governance model, which mimics the corporate governance model of multinational companies and therefore has the capacity to put member states into competition with one another, may effectively deter transnational collective action. Certainly, the democratic legitimacy requirements of EU governance structures are higher than those of private multinational corporations. This suggests that the stronger vertical dimension of EU governance is increasing the likelihood of its politicisation. Given the ability of the ‘new supranational EU regime to nationalize social conflicts’ (Erne, 2015: 345), however, it seems likely that this will occur in national rather than transnational arenas, unless social mobilisations succeed in politicising NEG along transnational class rather than national lines.

NEG And Labour Politics: A New Research Programme
Based on the discussion of the state of the art above, the following argument can be made: The more unions and social movements are politicising NEG in a transnational sphere as a conflict between labour and business interests, the more NEG will lead to restructuring the European political space along transnational class lines. Conversely, the more they politicise NEG at national levels as a conflict between opposite national interests, the more NEG will lead to a restructuring of the European political space along national lines or even to its disintegration. Table 1 outlines the framework for the analysis of different labour movement strategies and their operationalisation, outlining the observable activities through which unions and social movements can politicise (or depoliticise) NEG. Politicisation means the active promotion of an issue back into the realm of contingency and deliberation at the transnational or the national level, as outlined in Figure 2 above.
**Table 1: Actor strategies leading to different structures of the European political space**

<table>
<thead>
<tr>
<th>Levels of Action</th>
<th>Observable actor activities</th>
<th>supporting a restructuring of the political space:</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>along transnational class divisions</td>
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</tbody>
</table>
| Politicising NEG Transnational level | Transnational & contentious actions and action frameworks  
Euro-demonstrations  
Transnational strikes  
European Citizens’ Initiatives | Yes | No |
| Depoliticising NEG Transnational & national level | Avoiding discussions about NEG  
Non-contentious actions and action frameworks  
Competitive adjustments of labour policies | No | Yes |
| Politicising NEG National level | Nationalist & contentious actions and action frameworks  
Nationalist counter-mobilisations | No | Yes |

Source: adapted from Erne (2015: 305 and 2008: 25)

We do not aim to place one particular trade union or social movement into a particular box of this typology, as this would inevitably entail the use of stylised evidence (Erne, 2008: 20). Our ideal-typical typology rather serves as a heuristic tool, which will enable us to assess varying strategic choices actors make across various cases.

**Going Beyond Methodological Nationalism**

So far, most studies on the responses of European trade unions and social movements to the Euro crisis and the EU’s new economic governance regime have relied on comparisons of different national cases. This is not surprising, given the dominance of methodological nationalism in comparative industrial relations and political economy that mirrors approaches in terms of varieties of capitalism (Hall and Soskice, 2001), unionism (Frege and Kelly, 2004; Crouch, 1993) and welfare regimes (Esping-Andersen, 1990).

The research design of Gumbrell-McCormick and Hyman’s (2013) *Trade Unions in Western Europe* is representative of the field. Its case selection includes unions from all West European Varieties of Capitalism (VoC), namely, from ‘liberal market economies’ of Britain and Ireland, the ‘Nordic’ countries, countries from the ‘central group’ around Germany and ‘Southern Europe’. Consequently, they focus their analysis on national unions, even if this focus on national actors seems to be anachronistic given NEG’s vertical dynamics. Sure, waning national autonomy does not disqualify national comparisons per se. However, the more features of national systems are shaped at EU level, the more national comparisons exhaust themselves in assessments of different ways of national adjustment while the processes that triggered the changes in the first place remain under the radar.

Yet, there are also practical reasons that explain the ongoing prevalence of methodological nationalism. Especially after the EU’s enlargement to the east, the European political and social space may simply be too vast and the languages spoken in it too many for it to be captured through qualitative research. Consequently, researchers tend to limit their research field to countries and language areas they know well. This is the dominant strategy in industrial relations (Gumbrell-McCormick and Hyman, 2013: viii), which is a discipline that values empirical findings also for their practical value. Theoretically more ambitious sociologists and
political scientists, however, who tend to be less concerned about intricate idiosyncrasies in their empirical fields, often retreat from qualitative research altogether. Instead, they try to understand the workings of the European system on the basis of ‘comparable’ quantitative data (Crouch, 2015; Caramani, 2015). However, as quantitative data are almost exclusively gathered at and for the national level, this methodological choice further reinforces institutionalist perspectives that treat nations as if they were independent from one another. The result is serious analytical distortion.

Research designs that are based on national variables are unable to capture the restructuring of the economy and society along transnational supply and value chains (Dicken, 2011; Simonazzi, et al., 2013). Likewise, the workings of NEG, and the mobilisations that are being triggered by it, cannot be adequately captured by national datasets either. Social mobilisations that politicise European governance have to be studied (a) at the meso level of interest politics and (b) within and across national boundaries.

We should know more about politicisation below the macro level of public debates as presented in mass media. We also need to know more about the role of interest groups and civil society organisations in the process of politicisation. This should not only open avenues for ‘thick descriptions’ (Geertz, 1973) of patterns of politicisation, but also help to elucidate the consequences of politicisation in terms of equality and democracy (Zürn, 2016: 178).

Macro-institutionalist approaches are also often too abstract to appreciate the dynamics of socioeconomic processes. Instead, I am making the case for disaggregation of both socioeconomic and political process and of the units under study. This contextualised approach to the study of comparative labour politics will enable us to capture social dynamics that often fall under the radar of macro-level comparisons (Locke and Thelen, 1995). We are therefore arguing for comparative research designs that are no longer based on the comparison of seemingly autonomous national units. Accordingly, our new research programme involves two areas of labour politics (wage setting, provision of public services) and three sectors (public healthcare, transport and water services). This should enable us to contrast the NEG-related activities of unions and new social movements across sectors and subject areas.

Conclusion
The purpose of this chapter was first and foremost conceptual. Even so, it does not raise mere academic questions. The big questions we are addressing are relevant not only for the predominately institutionalist approaches in my field but also for the future of democracy and social justice. We believe that the growing vertical integration of Europe, and the counter-movements that these processes are triggering, are calling for a paradigm shift in industrial relations, social policy and other disciplines that are approaching comparative labour politics in terms of varieties of capitalism, unionism and welfare states. The more NEG is becoming a ‘supranational regime that nationalizes social conflict’ (Erne, 2015), however, the more difficult it will be to establish a new analytical paradigm that goes beyond methodological nationalism. Any yet, we also believe that our new research programme’s focus on the mobilisation in three public sectors promises high gains. If transnational collective action occurs even in sectors that had been entrenched in domestic contexts – as implied by the transnational right2water campaigns of European unions and movements (Bieler, 2017) – then we will be able to make inferences that are going far beyond the sectorial cases under study. This may help us to further develop analytical approaches that are better equipped to assess for the interplay between EU economic governance, labour politics, technocracy and democracy than most current approaches in my field, which are caught in methodological nationalism.
References


