From Silent to Passive Revolution:
COVID-19, The European Green Deal, Socio-Ecological Transformation, and the German Question

Magnus Ryner,
Core Fellow, Helsinki Collegium for Advanced Studies
Professor of International Political Economy, King’s College London
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Is another Europe possible after all? Interpreting Treaty non-lending clauses flexibly, the European Central Bank (ECB) Asset Purchasing Programmes (APP’s) engage in quantitative easing since 2014. The 1,350 billion Euro Pandemic Emergency Purchase Programme (PEPP) support to financially stressed member states takes this to an entirely different level. Add to this what Olaf Scholz called Europe’s ‘Hamiltonian Moment’: ‘Next Generation EU’ that forms part of the new Multiannual Financial Framework (MFF). Induced by a Franco-German initiative, this is a three-year 750 billion Euro recovery programme intended to support member states fiscal stimulus during the COVID-19 pandemic. This breaks previous German taboos because it is to be deficit-funded and financed through mutualized bonds with strong elements of fiscal transfer. The lion’s share (672.5 Euros) will be devoted to a Recovery and Resilience Facility. At least 37 percent of this should contribute to the more long-term flagship initiative of the European Green Deal (EGD), which gold-plates EU’s Paris Agreement commitments by aiming to make the European ‘carbon free’ by 2050.

This paper proposes three interrelated arguments to make sense of these initiatives. First, they mark a new moment of EU crisis management, where the ‘silent’ revolution gives way to a ‘passive’ revolution. The silent revolution is what former Commission President Juan-Manuel Barroso himself called the Eurozone crisis management shock doctrine (cf. Klein, 2007). Indebtedness without resort to devaluation was leveraged by executive power to deepen neoliberal reform in member states through Memorandums of Understanding and the ‘New Economic Governance’ (Gill, 2017; Ryner, 2015). Passive revolution is a term taken from Gramsci (1971: e.g. p. 275), the need for which are generated inter alia by geopolitical pressure and legitimation crisis caused by the socio-political base of a power bloc becoming too narrow. It refers to attempts from above to broaden this base pre-emptively ‘in a molecular fashion’ through cooptation, while attempting to engender vitality in a geopolitical response. Having developed the concept to understand post-Napoleonic 19th century Europe, Gramsci suggests that passive revolutions rarely confined are within their original parameters.

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1 The drafting of this paper has benefitted greatly from correspondence with Etienne Schneider at the University of Vienna and his suggestions. All responsibility for the contents are, of course, mine.
The question of passive revolution in the EU should be posed in terms of German regional leadership. Though at first glance an anathema to everything Germany stands for in EU economic governance, the EGD, PEPP, and Next Generation EU are not flash-in-the-pan. They respond pragmatically to the long-term situation of German capital and its domestic power bloc by addressing risks associated with bets the silent revolution made on emerging markets and its discounting of the European home market. Still, there is essential continuity between the silent and passive revolution, which severely limits genuine socio-ecological transformation. This is the second argument of the paper. Civil society group European Economists for an Alternative Economic Policy in Europe elucidate these limitations in their annual ‘Euromemoranda’ of 2020 and 2021, and put forward an alternative based on a 10 year EU-wide public investment programme.

Finally, the paper addresses the strategic implications that Europe’s and Germany’s passive revolution has for socio-ecological transformation as proposed by the Euromemoranda. Leaving aside vital and thorny questions of whether a radical version of ‘smart growth’ is viable as a response to the climate and biodiversity crisis at all (e.g. Altvater, 1998), the paper underlines the political limits inherent in any passive revolution. Nevertheless, the third argument is that both history and the present suggest that German strategy can be more plastic in periods of crisis than usually supposed. EGD, PEPP, and Next Generation EU are not primarily significant because of substance but because of form, and the latter should not be underestimated (Bonefeld, 2002). They contain what mainstream European integration theory calls ‘spillover effects’ (Haas, 1958) that threaten to breach central forms associated with what Hayek (1948) once called ‘inter-state federalism’. Progressive social forces working for socio-ecological transformation should contest efforts to contain these breaches and seek to politicize them further at the EU-level.

The paper begins by outlining the EGD, its conjunctural boosting by PEPP and Next Generation EU, and the Euromemoranda critique. It then puts these in context by outlining the historical-structural constraints posed by European economic governance and the limits of these constraints, with reference to the ‘universal contradiction’ of German hegemony. Finally, the paper addresses the question of German pragmatism in crisis management by recalling the formation of the European Monetary System in the wake of the 1977-78 ‘Locomotive Conflict’ and through an analysis of the present.

**The European Green Deal or Socio-Ecological Transformation**

PEPP and Next Generation EU are conjunctural responses to historically severe and uneven economic stress caused by the COVID-19 pandemic, where the Commission estimates that EU GDP will shrink by a historic 7.4 percent in 2020 and in the worst hit case of Spain, by 12.4 percent. This follows the end already in 2019 of a period of anemic and highly uneven growth that followed the Eurozone crisis. Crucially, these conjunctural responses are configured to contribute to and boost the longer-term project of the EGD.

With the EGD, Commission President von der Leyen (2018) has proposed an increase of EU carbon emission reduction-targets to 55 percent of the 1990 levels, compared to the 40 percent of the Paris Agreement. The proposed measures include:
a) an extension of the European Emission Trading System (EETS) to a broader range of sectors, including the maritime sector and air transport, and the adoption of the tariff-like Carbon Border Adjustment Mechanism;

b) a ‘circular economy action plan’ to reduce material throughput, increase reusing and recycling, and a ‘sustainable products policy’, which will use financial incentives and regulations to promote resource-efficient design;

c) a sustainable and smart mobility strategy to reduce 90 percent of transport emissions by 2050;

d) a ‘farm to fork’ strategy to increase sustainable food production, decrease the use of chemical pesticides and fertilisers, and a biodiversity strategy promoting forest preservation and afforestation;

e) a ‘zero pollution’ action plan for air, water and soil;

f) finally, the raising of the EGD financing needs, estimated to annually amount to 1.5 percent of EU GDP until 2030, currently 260 billion Euros per year. The cornerstone for this would be a 1 trillion Euro Sustainable Europe Investment Plan (SEIP), including a 140 billion Euro Just Transition Mechanism targeting regions and sectors most affected by the transition. 25 percent of EU budget funds are to be devoted to climate and related finance, amounting to 500 billion Euros. This should be in addition to 114 billion Euros of member states co-financing. Furthermore, investment guarantees provided by the InvestEU Fund and European Investment Bank (EIB) loans should leverage 300 billion Euros of private and public (member state) funds (European Commission, 2020a). It is to this fiscal mechanism that the Recovery and Resilience Facility of Next Generation EU would make a significant additional contribution.

Though welcoming the aims of the EGD in principle, the Euromemoranda 2020 and 2021 critique the above measures as insufficient in relations to the objectives set and, in the case of EU’s external relations, outright wrong-headed.

The critique is in part about quantity. The SEIP is likely to be inadequate and based on overly optimistic assumptions about raising private investments. Only 7.5 billion Euros of the total amount pledged is new money in the original SEIP. Next Generation EU is another matter but is likely to provide only about a quarter of southern member states financial needs. Contrary to the expansion of the EU budget from 1 to 2 percent of EU GDI, Euromemorandum 2021 repeats a long-standing argument that EMU requires a common EU budget of 5 percent of GDI, which also was the estimate of the McDougall Report (European Commission, 1977).

But the problem is seen to be at least as much about quality. An EGD based on expanding EETS and ‘blended finance’, where ‘governments take on the risks, while private investors earn the profits’ (Euromemorandum 2020: p. 8) suggests that the European Commission has learnt little from the global financial crisis and the dysfunctions of finance-led capitalism. Furthermore, after the immediate COVID-19 crisis period, management of debt taken from Next
Generation EU will be subject to European Semester conditionalities. The ‘Hamiltonian moment’ is not to be an alternative to disciplinary neoliberalism but builds on it.

The Euromemoranda reserve their sharpest critique to von der Leyen’s vision of a ‘geopolitical Commission committed to sustainable policies’, as it condenses some of the fundamental contradictions of the EGD. These include the continued commitment to a ‘deep and comprehensive’ free trade agenda; a 30 percent increase in the EU budget for ‘external actions’, and the tightening of external border controls under the heading of ‘protecting the European way of life’. These policies are in direct contradiction with the EGD in that trade, military and security policies have contributed to the loss of biodiversity, which both increases the impact of climate change and weakens resilience against it (Euromemorandum, 2020: p. 13). Furthermore, trade and investment agreements form legal obstacles against policies required for socio-ecological transformation (Euromemorandum, 2020: pp. 25-28). More generally, concrete initiatives to promote international solidarity and cooperation are judged by Euromemorandum 2020 to be largely absent from the von der Leyen agenda. This raises serious questions about carbon and other environmental leakage from Europe to other parts of the world, and the concrete commitment to the ‘differential responsibilities’ in combating climate change as per the Paris Agreement. Euromemorandum 2021 elaborates on these concerns by pointing to evidence in the Commission’s own Action Plan for Critical Raw Materials (CRM’s) (European Commission, 2020b). It estimates that the EU will need 18 times more Lithium by 2030 and 60 times more by 2050, which is likely to exacerbate stress on water resources in the arid Andes region, and contribute to historic relations of dependency (e.g. Furtado, 1976) and social conflicts between the extractive mining sector and indigenous farmers. The case of lithium is only an example of similar needs for other CRM’s, which will generate lateral pressure and resource conflicts with China. This is especially the case in Africa, which EU High Representative Josep Burrell calls a ‘field of geopolitical competition’ (Euractiv, 2020).

Apart from a permanent repeal of ‘New Economic Governance’ conditionalities, Euromemorandum 2020 rejects ‘blended finance’ and argues instead that the public sector should fund socio-ecological transformation through a 10-year public investment programme. Though there is devil in the detail on subsidies to ecologically harmful projects, ownership of energy grids, biodiversity, local and urban policy, the Euromemorandum 2020 investment programme bears some resemblance to the objectives of the above (b)-(e) points of the EGD. It would target environmental protection and the limiting of climate change impact through the promotion of sustainable transport systems, energy efficiency, renewable energy, and sustainable agricultural production. However, the Euromemorandum investment programme also includes as objectives demilitarisation, the strengthening high quality universal public education, health care and welfare systems as well as the expansion of ICT in ways that are in line with ILO’s definition of ‘good work’. The investment programme should have a total of value of 5 trillion Euros and no less than 320 Billion Euros per year (2 percent of EU GDP) (Euromemorandum, 2020: pp. 8, 12). The programme should be funded by ‘green bonds’ and credits issued by the European Investment Bank (EIB) and guaranteed by the ECB as well as by EU-wide corporate taxes. Promoting investment at the European, national, and local levels would provide much-needed fiscal and industrial policy flanks to ECB monetary policy. But to support fiscal and industrial policy fully, the mandate of the ECB needs revision. Euromemorandum 2020 also stresses the importance to learn the right historical
lessons from the American New Deal of the 1930s, where transparency, strong political leadership and grassroot participation in the allocation of the funds were crucial in overcoming vested interests and obstacles to implementation (Lehndorff, 2019). Each member state should have a National Development Bank, responsible for providing finance and implementing the investment strategy at the national and regional level (Euromemorandum, 2020: p. 12). Governments should first reduce tradeable emission permits by buying and eliminating them as a first step in replacing EETS with Europe-level Carbon Emission Tax (Euromemorandum, 2020: p. 14).

The Euromemoranda alternative socio-ecological transformation and investment programme faces obstacles in the fields of fiscal, monetary and competition policy that are hardwired into the European project (Pianta, Lucchese & Nascia, 2020: pp. 785-88). This raises questions about the ‘political realism’ of what is proposed. This is not lost on the authors themselves as it is evident that an economic policy programme like theirs will not to be that of dominant social forces. The Euromemoranda should be understood as ‘ provisionally utopian’ in Ernst Wigforss’ sense (Tilton, 1984): They go beyond the realism of the present, but still have sufficient grounding in effective reality to animate the imagination of alternative social forces in the present. As such, serving as something akin to a Sorelian myth, they aim to stimulate socio-political mobilization and hence making their proposals more ‘realistic’. Such ‘immanent realism’ (Gramsci, 1971: pp. 331-35) requires, as part of its method, an analysis of political blockages and scope of movement on the strategic terrain of the concrete situation with its balance of social forces.

**A Universal Contradiction: Germany and European Economic Governance**

Martin Nicolaus’ (1970) concept of ‘universal contradiction’ is a good starting point for such an analysis (Gill, 2008). Originally devised to analyse the USA but here extended to German regional hegemony in Europe, the basic idea is that a transnational hegemon projects a universal principle, but particular parochial interests and circumstances underpin this projection. To know the conditions and limits of existence of those particularities is crucial. In the German case, the universal contradiction resides in Germany having been the leading agent and boundary maintainer of neoliberalism at the European level, while maintaining one of the most advanced forms of welfare capitalism and industrial policy capacity domestically. The specific nature of its export-oriented transnational capitalism has been crucial in mediating the contradiction (Ryner, 2003).

The terms ‘disciplinary neoliberalism’ and ‘new constitutionalism’ aptly capture the universal principle in question (Gill, 1991; Gill & Cutler, 2014). The Euromemoranda investment plan violates the ‘economic constitution’ and ‘lock-in’ mechanisms that the European Union has forged under German leadership (e.g. Dyson & Featherstone, 1999; Bonefeld, 2002), whereby social subjects are increasingly subject to market discipline and ever-deeper forms of commodification. The importance of a macroeconomic framework where ‘Ulysses is tied to the mast’ and prevented from pursuing expansionary macroeconomic policies are central to the construct. The intent in thus creating a mode of ‘asymmetric regulation’ (Holman, 2004) akin to Hayek’s (1948) idea of an inter-state federalism is clearly articulated by intellectuals close to the project, such as the founding chief economist of the ECB, Otmar Issing (see also Giavazzi & Pagano, 1988).
[N]ational governments and autonomous social partners should design and implement the policies for which they are responsible, bearing in mind the overall stability framework provided for in the Maastricht Treaty and the secondary legislation, including the stability and growth pact. Obviously, if national governments and social partners take the single monetary policy’s credible commitments to maintain price stability as given when deciding their own actions, this will lead to *implicitly* co-ordinated policy outcomes *ex post*, while at the same time limiting policy conflicts and overall economic uncertainty (Issing, 2002: pp. 345-46).

In the silent revolution during the Eurozone crisis, Germany economic ministries led forces resisting debt mutualisation and other forms of fiscal federalism, notwithstanding the immense pressures posed by the global financial and Eurozone crisis for the EMU. Instead, the doctrine of ‘expansionary contraction’ (Alesina, Favero & Giavazzi, 2019) intellectually underpinned the extension and deepening of neoliberalism. This was done chiefly through brutal structural adjustment programmes and executive degree outlined the Memorandums of Understanding of southern European member states and the increasingly executive arbitrariness – what Franz Neumann once called ‘general clauses’ symptomatic of the terminal decline of the Weimer Republic - of the New Economic Governance (Oberndorfer, 2015; Ryner, 2019).

At the same time, it is not inaccurate to characterise Germany’s ‘comprehensive concept of control’ (van der Pijl, 1989) for Europe as ‘disciplinary neoliberalism for others; social democracy for us’. In Germany itself, social legitimacy has depended on social insurance based on the income-replacement principle and corporatist ‘convoy’ collective bargaining, where the most productive sectors have led wage determination for the economy as a whole. The German Model has also traditionally rested on cartel-like relationships between an oligopolistic set of universal banks and corporations resulting in implicit industrial policy, underpinned by institutions such the Kreditanstalt für Wiederaufbau (KfW). A creature of the Marshall Plan, it is the sort of national development bank providing subsidised long-term loans that Euromemorandum 2020 advocates. The disciplinary neoliberal European arrangements played a specific role for the German Model. The price-stability mandate of the German Bundesbank and later the ECB, anchored collective bargaining in a highly dynamic export-led form of capitalism while European competition policy ensured open access to German capital to European markets, and fixed exchange rates prevented competitive devaluations in other member states, most notably Italy and France. This concept was possible by the rents extracted by the oligopolistic export sector, possessing considerable price-making capacity in pursuit of fixed profits (Halevi, 2019a), and distributed by corporatist interest intermediation.

Concomitantly, German hegemony in European governance as conditioned by American hegemony on a global scale, has mediated the universal contradiction. Oligopolies of the German type compete not through price but through the build-up of productive capacity, which make them vulnerable on the demand-side and prone to generate surplus capacity (Halevi, 2019a). In the traditional American Fordist formula, this resulted in the ‘New Deal Synthesis’ and support for Keynesian demand management at home and abroad in the Cold War Area Strategy (Gourevitch, 1984; Kolko & Kolko, 1972). But as post World War II Germany did not directly control the space of operation of the continental home market of its oligopolies, different methods were
devised via the balance of payments channel but within the broader framework of American hegemony (Halevi, 2019a; 2019b). This constraint afforded an opportunity for German oligopolies, mainly specialising in investment-goods, to anchor wage determination as an external constraint while relying on exogenous demand-stimulus in the last resort from the United States.

In the immediate postwar period, the Korean War boom and the Marshall Plan ensured adequate demand-expansion. Especially important in this context was non-convertibility of currencies and the use of counterpart-funds in the European Payments Union. This eliminated the balance of payments constraints of Germany’s European partners. Balance of payments constraints returned with currency convertibility in 1958. From that point on, Germany has navigated between the Scylla of loss of export competitiveness and the Charybdis of inadequate demand expansion. In the Bretton Woods period, US deficit spending and it’s emergent balance of payments deficit played a central role in ensuring international demand expansion. But in addition, Germany was still building up and modernizing its capital stock until 1966 and had ample supply of migrant labour from eastern Germany, and as such did serve as a locomotive for the other European economies, who in the last instance could avail themselves of the devaluation mechanism (Halevi, 2019b). This changed in 1966, when the Bundesbank increased interest rates to prevent inflation. Since then, Europe’s Common Market entered a prolonged period of stagnation in output as well as productivity terms.

In the more unequal neoliberal era, Dollar hegemony remained but the financial mechanism and expansion of debt via asset values became central to transatlantic demand formation (Dumenil & Levy, 2004). This compelled a major transformation of German oligopolies, with the weakening of long-term linkages to banks, financialisation and increased needs to embrace lean production to satisfy shareholder value (Grahl, 2001). Nevertheless, they were on the whole successful in adjusting their export strategies through a re-negotiation of the internal corporatist settlement in a way less favourable to organised labour and with less social inclusiveness (Vitols, 2004), and whereby wage increases were set below rates of productivity growth. The EMU and before this the EMS were central in this regard, as they tied in European partners to regional fixed exchange rates, preventing devaluations from undermining wage competitiveness. Accumulated German surpluses has in exchange provided conditional support against the turbulence of Dollar unilateralism (Ryner, 2015).

The global financial crisis raised once again the question of whether and how to maintain adequate demand-expansion and the COVID-19 crisis has underlined that it remains unanswered. This is connected to uncertainty over American hegemony. To this, one should add the question of the rise of China. Finally, there are issues pertaining to transformations in Germany’s political economy itself and Germany’s position in the world. These include German exports becoming price sensitive (Baccaro & Pontusson, 2016: pp. 189-90) and the long-term implications of the disintegration of house-bank system. Up until and including the silent revolution, the predominant responses deepened neoliberal trends. Increased pressures on prices and those caused by shareholder value, compelled the so-called Harz Reforms in Germany itself while emerging markets, including those of China, were mainly seen as outlets for German exports. Uncertainty about American leadership under Trump, increased concerns over China as a rival, and questions over the long-term viability of the Eurozone, especially given the rise of Eurosceptic...
forces in Italy, have compelled a reassessment. The passive revolution should be seen in this light, raising questions about flexibility of German agency. The final section considers this question with reference to the formation of European monetary integration in the crisis of the 1970s as well as with reference to the present.

**Germany, European Integration and Passive Revolution: Past and Present**

Germany came to exercise regional leadership in the neoliberal period in response to the crisis of the 1970s, the chief product of which was the EMS, the precursor to EMU. Having been one of the main beneficiaries of American post-World War II ‘grand design’, German policymakers approached the stagflation crisis, rising protectionism and the collapse of Bretton Woods with concern and were quite ready to use its accumulated capabilities to help shape the international system. According to recent research by Julian Germann, two approaches were under consideration. Perhaps surprisingly when ‘reading back’ from what eventually transpired, an international Keynesian response was under consideration. Parts of Germany’s accumulated central bank reserves would here be turned into loans to other European and developing countries providing considerable stimulus to global demand to help maintaining post World War II class and social compromises (Germann, 2014: p. 708 cf. Bundesbank Archives 1975: p. 2). Though initially supported by the Chancellor’s Office and the Ministry of Foreign Affairs, resistance by the Ministry of Finance and the Bundesbank prevailed because of their risks to ‘stabilisation policy’, in other words, the anti-inflationary policy that had served Germany’s oligopolies so well. Given the success of German corporatist wage discipline and favourable terms of trade that made it possible to tolerate revaluation, the Bundesbank/ Ministry of Finance preference could be cemented in the state apparatus more generally and in the trade union movement. Hence, Germany became an ardent advocate of free trade multilateralism, resisting protectionist nationalist industrial policy in other countries, and an ardent sceptic towards international initiatives for coordinated reflation. Though there was full awareness of the risks that this posed for securing international demand for German exports, the balance of pros and cons was clear enough. Maintaining floating exchange-rates against countries threatening to export inflation to Germany and maintaining fixed rates with others to avoid competitive devaluations, were central to the repertoire of measures. Germann (2014: pp. 710-13) argues that the discipline exerted through such exchange rate policy deliberately sought to influence the domestic politics of other states, most notably to weaken left wing forces in favour of nationalist paths towards socialism. German agency was even decisive in facilitating the Volcker Shock in the United States.

Neither the broad strategic intent of facilitating an open economy on favourable terms for German oligopolistic competition, nor ultimate disciplinary neoliberal outcome are in question. There were nevertheless a number of countervailing factors at play. These made the situation somewhat more open-ended and uncertain, because Germany was more open to compromise than generally supposed. One indication of this is that after his dramatic U-turn in favour of the EMS at the 1978 Copenhagen Summit, Chancellor Helmut Schmidt pointedly did not appoint a Bundebank of Finance Ministry official to co-chair the EMS working group with Bank of France governor Bernrd Clappier. He rather appointed Horst Schulmann from his own office (Mourlon-Druol, 2012). Though ultimately persuaded by the Bundebank to resist it, he was initially amenable to making the new Unit of Account, ECU, the numeraire of EMS, which would have
made adjustment symmetric between surplus and deficit countries. Furthermore, throughout the negotiations he was amenable to agree to a substantive European Monetary Fund providing substantive transfer payments and it was not Germany but France that vetoed it. The reason for this was the premium he put on attempting to persuade Italy and the UK to join EMS, so as to maximize the lock-in against devaluations (Ryner, 2020). By the time of the Volcker Shock, however, this window for alternatives had closed.

Germann explains continuity in Germany’s disciplinary neoliberal response to the Eurozone crisis in terms similar to those of the origins in the 1970s. The nature of Germany’s increasingly financialised oligopolies and their terms of access to transnational markets make intelligible Germany’s obstinate refusal to endorse Keynesian federalist measures. The oligopolies sought profitable deployment, especially for the investment goods sector, through sales in the emerging markets of China and Latin America. This made it rational to pursue austerity and structural adjustment in Europe, as the European market is more now primarily important because of the role that it plays in the supply chain of German corporations rather than as a source of competition or a sales market. The structural adjustment of New Economic Governance would, in this context, help contain costs in the supply chains. In addition, Germany has been concerned about a coming credit crunch in America that would – through what he calls ‘second-hand unevenness - create an unsustainable debt overhang in the periphery of the Eurozone (Germann, 2018).

The question is though whether this does not in fact point to the very limits of Germany’s accumulation strategy. First, and in many respects above all, if German capital thus thought it could rely on the stable and long-term expansion of emerging markets, it was a risky strategy. First, this is so because emerging market expansion was itself based on a bubble. Second, as is becoming increasingly apparent, against the prospects of China as a market outlet one needs to consider China as an outright rival that threatens to outcompete German capital in its own sectors. Third, it seems equally risky to treat the largest single market in the world, and your home-market, simply as a production platform for export. Though, the importance of the east Asian market has increased, it would take a monumental shift to eliminate the importance for the German economy of its structural coupling with consumption in other European social formations (e.g. Aglietta, 1982; Deubner, Rehfeld, Schlupp, 1992). Italy’s ‘system-critical’ importance, and the relative importance of its market for German exports vis a vis China is also increasingly acknowledged in the wake of the Corona Crisis (Riedel, 2020). Finally, in a context of massive overaccumulation of financial capital and a banking system completely dependent on central banks, and complete lack of growth, it is doubtful that German obsessions with coming interest rate hikes in the US are based on rational calculus.

According to Etienne Schneider (2020), there are instead organic reasons for Germany’s acquiescence, indeed leadership, in advancing Next Generation EU and the EGD. Though dominant fractions of German capital remain strongly committed to disciplinary conditionalities, they have for a long time been concerned about the risks of a Euro breakup and the instability and fragility of emerging markets as market outlets. As such, they have advocated a more positive approach to debt mutualisation and fiscal federal measures in exchange for conditionalities for some time (BdB, 2017; BDI, 2018 cited in Schneider, 2020, BDI & BDA, 2020).
The previous obstinacy associated with the German position has rather had to do with the need to mediate these interests with more conservative fractions of small firms and domestic capital. The COVID-19 crisis did, however, signal a major change here at a time when groupings in the SPD also increasingly came to advocate more Euro-Keynesian measures. In this context, German support for the EGD also becomes intelligible. In addition, Germany is becoming increasingly concerned with Chinese takeovers of blue-chip companies in vanguard sectors such as the robotics manufacturer Kuka. This has made the German government, under the Economy and Energy Minister Peter Altmaier, to take a more favourable position on active industrial policy, joining France in seeking a more conditional approach on competition policy, and lowering the threshold to intervene in takeovers pertaining to defence, infrastructure, or security related technologies (Ferenczy, 2020; Deutsche Welle, 2020; Simon & Fox, 2020; BDI & BDA, 2020).

Conclusions

As early as (1967), Ernest Mandel observed that capitalist development in Europe inexorably shifted the terrain of socio-political contest to the supranational level. As he well appreciated though, this development is uneven. One way of understanding the ability neoliberal rule to deepen commodification in Europe is its success in harnessing such uneven development to create something akin to Hayek’s idea of inter-state federalism. Germany’s leadership in forging European macroeconomic management has been central in forging such asymmetrical regulation. Yet, the anarchic tendencies in capitalist commodification requires some form of socialisation (what Marx called vergesellschaftung) if social stability is to be ensured (van der Pijl, 1989). Though vastly overstating the strength of this force, the concept of ‘spillover’ (Haas, 1958) in mainstream neofunctionalist integration theory reflects an understanding of this need. Together, these insights from Mandel, van der Pijl, and Haas, provide parameters to assess Europe’s passive revolution.

Van der Pijl calls the agents of socialisation the ‘cadres’ – the managers of capitalism in corporations, state apparatuses and international organisations. With a professional concern for overall systems-reproduction, they are aware of crisis tendencies and form a central orchestrating role in passive revolutions. These seem to be at play in von der Leyen’s Commission and key European state apparatuses such as those of Germany. With PEPP, Next Generation EU, and the EGD they can be seen as responding to systems-critical threats such as the COVID pandemic, global warming, populism, and the re-emergence of global rivalries induced by the rise of China. But the responses are structurally configured to be in line with those of dominant social forces. As especially the Euromemorandum critique of the external aspects makes clear, the EGD is essentially a green-washed version of imperialism, whereby German capital seeks to respond to the above challenges by recasting the European social compact over which it exercises hegemony.

This does not mean that it cannot have pertinent effect. Different conclusions may be drawn from the structural limitations of the German model. The limiting scope of expansion in emerging markets, continued decline vis a vis the tech giants of the US and China, fear that populists especially in Italy may bring the Euro to the breaking-point altogether amount to pressures that compel movement towards a Hamiltonian Moment in Europe. Counter-intuitively perhaps, the breakdown of the much admired Housebank system may have removed a central
obstacle in that regard. Being based on borrowing short and lending long, this was a central linchpin in giving priority to price stability in the German Model. At the same time, the subordination of European capital to American financial capital, especially in transnational funding and collateral provision (Grahl, 2020: pp. 22-23), limits the scope of European autonomy vis-à-vis the United States. To this one might add, that if German companies have concerns over Chinese takeovers, the same does not apply to Ango-American private equity firms (Economist, 2020). The implication is that the scope of European developments are likely to continue to be dependent on transatlantic relations with the United States and American developments. This does not augur well for the scope of changing the parameters of the passive revolution towards a more genuine socio-ecological transformation.

Nevertheless, the relative replacement of abstract market forces with administrative decisions as represented by the PEPP, Next Generation EU and the EGD is significant. As Roland Erne’s research in the case of trade union politics shows, it is in the cases where the administrative density is high that organisation from below is more likely to move EU policy in a progressive direction. This was emphatically not the case in the silent revolution moment of Eurozone crisis management, which succeeded in nationalizing social conflict and thereby fragmenting contentious politics (Erne, 2015). The passive revolution is interesting to the extent to which the new measures break this mould.

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